SUMMER VILLAGE OF ISLAND LAKE

Consolidated Financial Statements

Year Ended December 31, 2013

Seniuk & Company
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Councils of Summer Village of Island Lake

We have audited the accompanying consolidated financial statements of Summer Village of Island Lake, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Summer Village of Island Lake as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the Summer Village of Island Lake for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on January 24, 2013.

As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 13, that were applied to amend the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2012 financial statements of the Summer Village other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements taken as a whole.

Seniuk & Company

Edmonton, Alberta
April 26, 2014

Seniuk and Company
Chartered Accountants

SUMMER VILLAGE OF ISLAND LAKE

Consolidated Statement of Financial Position

December 31, 2013

	2013	2012 *Restated*
FINANCIAL ASSETS		
Cash and temporary investments	$ 22,829	$ 712,325
Term deposits	393,824	5,230
Current taxes and grants in place of taxes *(Note 2)*	22,467	24,828
Grants and receivables from other governments *(Note 3)*	43,391	75,373
Interest receivable	2,375	-
	$ 484,886	$ 817,756
LIABILITIES		
Accounts payable	$ 33,935	$ 30,536
	33,935	30,536
NET FINANCIAL ASSETS	450,951	787,220
NON-FINANCIAL ASSETS		
Tangible capital assets *(Notes 4, 13)*	1,268,127	834,139
Prepaid expenses	-	-
	1,268,127	834,139
ACCUMULATED SURPLUS *(Note 7)*	$ 1,719,078	$ 1,621,359

On behalf of the Summer Village of Island Lake

_____ *Councillor*

_____ *Councillor*

The accompanying notes form an integral part of these financial statements

Seniuk & Company
Chartered Accountants

SUMMER VILLAGE OF ISLAND LAKE
Consolidated Statement of Operations
Year Ended December 31, 2013

	Budget 2013	Actual 2013	Actual (Restated) 2012
REVENUE			
Net municipal taxes (Schedule 1)	$ 151,368	$ 151,953	$ 163,635
User fees and sale of goods	300	245	360
Government transfers for operating (Schedule 2)	63,877	63,877	74,229
Investment income	2,000	3,012	9,473
Penalties and costs of taxes	4,000	7,234	7,577
Licenses and permits	3,300	2,928	3,970
Other	300	2,321	325
Total revenue	225,145	231,570	259,569
EXPENSES			
Administration and legislative	90,500	85,914	93,689
Fire service	10,000	6,668	8,862
Bylaw enforcement	4,000	4,786	-
Roads, streets, walks and lighting	35,000	35,787	22,992
Wastewater treatment and disposal	2,500	805	-
Land use planning, zoning and development	650	562	-
Parks and recreation	119,000	34,333	20,047
Libraries, museums and halls	3,326	4,110	3,194
Total operating expenses	264,976	172,965	148,784
Excess (deficiency) of revenue over expenses before other	(39,831)	58,605	110,785
OTHER			
Government transfers for capital (Schedule 2)	129,831	113,831	365,357
Amortization *(Note 13)*	-	(74,717)	(59,428)
	129,831	39,114	305,929
EXCESS OF REVENUE OVER EXPENSES	90,000	97,719	416,714
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	1,621,359	1,204,645
ACCUMULATED SURPLUS, END OF YEAR	$ -	$ 1,719,078	$ 1,621,359

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2013

	2013	2012 *(Restated)*
Excess (Shortfall) of Revenues Over Expenses, as previously reported	$ -	$ 321,673
Prior period adjustments *(Note 13)*	-	95,041
As restated	**97,719**	416,714
Acquisition of tangible capital assets	**(508,707)**	(525,171)
Amortization of tangible capital assets	**74,719**	59,428
	(433,988)	(465,743)
(INCREASE) DECREASE IN NET DEBT	**(336,269)**	(49,029)
Net financial assets (debt), beginning of year	**787,220**	836,249
NET ASSETS - END OF YEAR	**$ 450,951**	$ 787,220

The accompanying notes form an integral part of these financial statements

Seniuk & Company
Chartered Accountants

SUMMER VILLAGE OF ISLAND LAKE

Consolidated Statement of Cash Flows

Year Ended December 31, 2013

	2013	2012 *Restated*
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 97,719	$ 416,714
Item not affecting cash:		
Amortization	74,717	59,428
	172,436	476,142
Changes in non-cash working capital:		
Current taxes and grants in place of taxes	2,361	(4,060)
Grants and receivables from other governments	31,982	(53,019)
Interest receivable	(2,375)	-
Accounts payable	3,401	1,561
	35,369	(55,518)
Cash flow from operating activities	207,805	420,624
INVESTING ACTIVITY		
Purchase of capital assets	(508,707)	(525,171)
DECREASE IN CASH FLOW	(300,902)	(104,547)
Cash - beginning of year	717,555	822,102
CASH - END OF YEAR	$ 416,653	$ 717,555
CASH CONSISTS OF:		
Cash and temporary investments	$ 22,829	$ 712,325
Term deposits	393,824	5,230
	$ 416,653	$ 717,555

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE

Consolidated Schedule of Property and Other Taxes *(Schedule 1)*

Year Ended December 31, 2013

	Budget 2013	Actual 2013	Actual 2012
TAXATION			
Real property tax	$ 418,518	$ 423,630	$ 389,178
Linear property taxes	3,600	2,749	3,608
	422,118	426,379	392,786
REQUISITIONS			
Alberta School Foundation	230,429	230,429	188,987
Seniors' housing requisition	18,700	23,533	18,543
Waste management requisition	21,621	20,464	21,621
	270,750	274,426	229,151
NET MUNICIPAL TAXES	$ 151,368	$ 151,953	$ 163,635

Consolidated Schedule of Government Transfers *(Schedule 2)*

Year Ended December 31, 2013

	Budget 2013	2013	2012
TRANSFERS FOR OPERATING			
Provincial Government	$ 63,877	$ 63,877	$ 74,229
TRANSFERS FOR CAPITAL			
Provincial Government	129,831	113,831	365,357
TOTAL GOVERNMENT TRANSFERS	$ 193,708	$ 177,708	$ 439,586

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE

Consolidated Schedule of Expenditures by Object ***(Schedule 3)***

Year Ended December 31, 2013

	Budget 2013	2013	2012
EXPENSES			
Salaries, wages & benefits	$ 3,600	$ 3,600	$ 3,100
Contracted and general services	222,950	131,187	120,939
Materials, goods and utilities	19,500	15,892	9,716
Bank charges and short term interest	1,600	498	2,973
Other expenditures	-	6,223	-
Transfer to local boards and agencies	17,326	15,564	12,056
Total Consolidated Expenditures by Object	$ 264,976	$ 172,964	$ 148,784

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE

Consolidated Schedule of Segmented Disclosure *(Schedule 4)*

Year Ended December 31, 2013

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total $
REVENUE								
Net municipal taxes	$ 151,953							$ 151,953
Government transfers	13,877		163,831					177,708
User fees and sales of goods	245			2,001				2,246
Investment income	3,012							3,012
Other revenues	10,482							10,482
	179,569	-	163,831	2,001	-	-	-	345,401
EXPENSES								
Contract & general services	74,981		35,787	562	19,053	805		131,187
Salaries & wages	3,600							3,600
Goods & supplies	612				15,280			15,892
Transfers to local boards		11,454			4,110			15,564
Bank Charges & Interest	498							498
Other expenses	6,223							6,223
	85,914	11,454	35,787	562	38,443	805	-	172,965
NET REVENUE, BEFORE AMORTIZATION	93,655	(11,454)	128,044	1,439	(38,443)	(805)	-	172,436
Amortization expense			69,119		3,424	2,175		74,717
NET REVENUE	**$ 93,655**	**(11,454)**	**58,925**	**1,439**	**(41,867)**	**(2,980)**	**- $**	**97,719**

The accompanying notes form an integral part of these financial statements

Seniuk & Company
Chartered Accountants

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Summer Village of Island Lake are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Summer Village are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Summer Village of Island Lake (the "Summer Village"). The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Summer Village and are, therefore accountable to the Summer Village Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs in the completion of specific work or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt less actuarial requirements for the retirement of any sinking fund debentures.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction are not expected to be repaid in the future or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be determined.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Motor vehicles	10 - 25 years
Engineered structures	5 - 60 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

2. TAXES RECEIVABLES

Taxes receivable are comprised of:

	2013	2012
Current taxes and grants in place of taxes	$ 2,531	$ 15,646
Arrears taxes and grants in place of taxes	19,936	9,182
	$ 22,467	$ 24,828

3. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants receivable are comprised of:

	2013	2012
Municipal Sustainability Initiative - Operating	$ 13,877	$ -
Federal Gas Tax Fund	-	24,561
Goods and Services Tax refundable	29,514	50,812
	$ 43,391	$ 75,373

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	$ 7,251	$ -	$ 7,251	$ 7,251
Buildings	7,500	7,500	-	-
Machinery and equipment	20,315	20,315	-	-
Engineered structures	1,643,966	383,090	1,260,876	826,888
	$ 1,679,032	$ 410,905	$ 1,268,127	$ 834,139

The net book value of the tangible capital assets at year end also represents the amount of equity in tangible capital assets.

Equity in tangible capital assets equals the tangible capital assets balance.

5. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Summer Village of Island Lake be disclosed as follows:

	2013	2012
Total debt limit	$ 347,355	$ 389,354
Total debt	-	-
Amount of debt limit unused	347,355	389,354
Debt servicing limit	57,893	64,892
Debt servicing	-	-
Amount of debt servicing limit unused	$ 57,893	$ 64,892

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

6. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2013	2012
Tangible capital assets (Note 4)	$ 1,679,032	$ 1,170,327
Accumulated amortization (Note 4)	(410,905)	(336,188)
	$ 1,268,127	$ 834,139

7. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2013	2012
Operating reserve	$ 450,950	$ 787,221
Equity in tangible capital assets	1,268,128	834,138
	$ 1,719,078	$ 1,621,359

8. SEGMENTED DISCLOSURE

The Summer Village of Island Lake provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 4).

9. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

			2013	2012
		$		$
	Salary (1)	Benefits & allowances (2)	**Total**	Total
Yontz, B. - Mayor	$ 1,200	$ -	$ 1,200	$ 1,200
Newton, C. - Deputy mayor	1,200	-	1,200	1,300
Montague, J. - Councillor	1,200	-	1,200	600
Chief Administrative Officer	38,400	-	38,400	37,200
	$ 42,000	$ -	$ 42,000	$ 40,300

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

10. FINANCIAL INSTRUMENTS

The Summer Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt.

It is management's opinion that the Summer Village is not exposed to significant interest or currency risks arising from these financial instruments.

Credit risk

Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfil their obligations. The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. The large number and diversity of taxpayers and customers minimizes the credit risk.

Fair value

The Summer Village's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Summer Village for debt with similar terms.

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10. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Summer Village manages exposure through its normal operating and financing activities. The Summer Village is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and marketable securities.

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

12. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

13. PRIOR PERIOD ADJUSTMENTS

In the course of our audit accounting errors were discovered. The effects of the Summer Village's restatement on previously reported financial statements for the period ended December 31, 2012 are summarized below:

In the statement of financial position tangible capital assets was understated by $176,545 related to the cost of road projects not being correctly capitalized in 2011 and 2012. The previously reported amount for tangible capital assets of $657,594 was adjusted and restated to $834,139.

In the statement of operations, prior year expenses were overstated by $95,041. This resulted in the previously reported revenue over expenditures amount of $321,673 being restated to $416,714.

The net effects of these adjustments is that the accumulated surplus was understated by $138,897. The previously reported amount of $1,472,956 was adjusted and restated to $1,621,359.

14. BUDGET AMOUNTS

Budget amounts are included for information purposes only and are not audited. It should be noted that the budget is not PSAB compliant in that it does not include an estimate for amortization.