

SUMMER VILLAGE OF ISLAND LAKE
Consolidated Financial Statements
Year Ended December 31, 2014

SUMMER VILLAGE OF ISLAND LAKE
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Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council 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, 2014 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.

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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
June 26, 2015

Seniuk and Company
Chartered Accountants

SUMMER VILLAGE OF ISLAND LAKE
Consolidated Statement of Financial Position
December 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 387,252	\$ 22,829
Term deposits	-	393,824
Current taxes and grants in place of taxes <i>(Note 3)</i>	35,385	22,467
Grants and receivables from other governments <i>(Note 4)</i>	147,922	43,391
Interest receivable	-	2,375
	\$ 570,559	\$ 484,886
LIABILITIES		
Accounts payable	\$ 27,411	\$ 33,937
	27,411	33,937
NET FINANCIAL ASSETS	543,148	450,949
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 5)</i>	1,253,683	1,242,994
Prepaid expenses	-	25,133
	1,253,683	1,268,127
ACCUMULATED SURPLUS	\$ 1,796,831	\$ 1,719,076

On behalf of the Summer Village of Island Lake

_____ Councillor

_____ Councillor

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE
Consolidated Statement of Operations
Year Ended December 31, 2014

	Budget	Actual	Actual
	2014	2014	2013
REVENUE			
Net municipal taxes (Schedule 1)	\$ 178,574	\$ 182,206	\$ 172,417
User fees and sale of goods	300	785	245
Government transfers for operating (Schedule 2)	25,100	10,101	63,877
Investment income	6,698	7,148	3,012
Penalties and costs of taxes	4,000	6,953	7,234
Licenses and permits	2,700	7,065	2,928
Other	-	1,784	2,321
Total revenue	217,372	216,042	252,034
EXPENSES			
Administration and legislative	89,025	71,877	85,914
Fire service	22,000	7,500	6,668
Bylaw enforcement	1,000	-	4,786
Roads, streets, walks and lighting	62,420	42,832	35,788
Wastewater treatment and disposal	1,000	-	805
Waste management	22,000	21,121	20,464
Land use planning, zoning and development	500	1,195	562
Parks and recreation	62,000	61,629	34,333
Libraries, museums and halls	4,200	4,177	4,110
Total operating expenses	264,145	210,331	193,430
Excess (deficiency) of revenue over expenses before other	(46,773)	5,711	58,604
OTHER			
Government transfers for capital (Schedule 2)	140,906	161,005	113,831
Amortization	-	(88,961)	(74,717)
	140,906	72,044	39,114
EXCESS OF REVENUE OVER EXPENSES	94,133	77,755	97,718
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	1,719,076	1,621,358
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ 1,796,831	\$ 1,719,076

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, 2014

	2014	2013
Excess (Shortfall) of Revenues Over Expenses	\$ 77,755	\$ 97,718
Acquisition of tangible capital assets	(99,650)	(483,574)
Amortization of tangible capital assets	88,962	74,717
	(10,688)	(408,857)
Use of prepaids	25,133	\$ (25,133)
(INCREASE) DECREASE IN NET DEBT	92,200	(336,272)
Net financial assets (debt), beginning of year	450,948	787,220
NET ASSETS - END OF YEAR	\$ 543,148	\$ 450,948

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 77,755	\$ 97,718
Item not affecting cash:		
Amortization	88,962	74,717
	166,717	172,435
Changes in non-cash working capital:		
Current taxes and grants in place of taxes	(12,918)	2,361
Grants and receivables from other governments	(104,531)	31,983
Interest receivable	2,375	(2,375)
Accounts payable	(6,527)	3,401
Prepaid expenses	25,133	(25,133)
	(96,468)	10,237
Cash flow from operating activities	70,249	182,672
INVESTING ACTIVITY		
Purchase of capital assets	(99,650)	(483,574)
DECREASE IN CASH FLOW	(29,401)	(300,902)
Cash - beginning of year	416,653	717,555
CASH - END OF YEAR (Note 2)	\$ 387,252	\$ 416,653

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, 2014**

	Budget 2014	Actual 2014	Actual 2013
TAXATION			
Real property tax	\$ 421,478	\$ 423,560	\$ 423,630
Linear property taxes	2,800	2,743	2,749
	424,278	426,303	426,379
REQUISITIONS			
Alberta School Foundation	221,704	221,704	230,429
Seniors' housing requisition	24,000	22,393	23,533
	245,704	244,097	253,962
NET MUNICIPAL TAXES	\$ 178,574	\$ 182,206	\$ 172,417

Consolidated Schedule of Government Transfers**(Schedule 2)****Year Ended December 31, 2014**

	Budget 2014	2014	2013
TRANSFERS FOR OPERATING			
Provincial Government	\$ 25,100	\$ 10,101	\$ 63,877
TRANSFERS FOR CAPITAL			
Provincial Government	140,906	161,005	113,831
TOTAL GOVERNMENT TRANSFERS	\$ 166,006	\$ 171,106	\$ 177,708

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE
Consolidated Schedule of Expenditures by Object
Year Ended December 31, 2014

(Schedule 3)

	Budget 2014	2014	2013
EXPENSES			
Salaries, wages & benefits	\$ 3,600	\$ 3,601	\$ 3,601
Contracted and general services	219,345	187,218	152,150
Materials, goods and utilities	19,000	15,335	15,892
Other expenditures	-	-	6,223
Transfer to local boards and agencies	12,200	4,177	15,564
Total Consolidated Expenditures by Object	\$ 254,145	\$ 210,331	\$ 193,430

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE

**Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2014**

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 182,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,207
Government transfers	10,101	-	161,005	-	-	-	-	171,106
User fees and sales of goods	785	-	-	-	-	-	-	785
Investment income	7,148	-	-	-	-	-	-	7,148
Other revenues	11,236	-	-	4,566	-	-	-	15,802
	211,477	-	161,005	4,566	-	-	-	377,048
EXPENSES								
Contract & general services	67,520	7,500	42,832	1,195	47,051	21,121	-	187,219
Salaries & wages	3,600	-	-	-	-	-	-	3,600
Materials, goods & utilities	756	-	-	-	14,579	-	-	15,335
Transfers to local boards	-	-	-	-	4,177	-	-	4,177
	71,876	7,500	42,832	1,195	65,807	21,121	-	210,331
GROSS PROFIT	139,601	(7,500)	118,173	3,371	(65,807)	(21,121)	-	166,717
OTHER EXPENSE								
Amortization	-	-	79,809	-	6,978	2,175	-	88,962
INCOME (LOSS) FROM OPERATIONS								
	\$ 139,601	\$ (7,500)	\$ 38,364	\$ 3,371	\$ (72,785)	\$ (23,296)	\$ -	\$ 77,755

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE**Consolidated Schedule of Changes in Accumulated Surplus****(Schedule 5)****Year Ended December 31, 2014**

	Unrestricted Surplus	Equity in Tangible Capital Assets	2014 Total	2013 Total
BALANCE, BEGINNING OF YEAR	\$ 476,082	\$ 1,242,994	\$ 1,719,076	\$ 1,621,358
Excess (deficiency) of revenues over expenses	77,755	-	77,755	97,718
Current year funds used for tangible capital assets	(99,650)	99,650	-	-
Annual amortization expense	88,961	(88,961)	-	-
	67,066	10,689	77,755	97,718
BALANCE, END OF YEAR	\$ 543,148	\$ 1,253,683	\$ 1,796,831	\$ 1,719,076

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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.

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SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

Tax Revenue

Annually, the Summer Village bills and collects property tax revenues for municipal purposes. Tax revenues are based on assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by Summer Village Council in accordance with legislation and Summer Village Council approved policies to raise the tax revenue required to meet the Summer Village's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Schedule of Property and Other Taxes.

The Summer Village also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Schedule of Property and Other Taxes (Schedule 1).

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.

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.

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SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

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.

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.

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SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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

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. CASH AND TEMPORARY INVESTMENTS

	2014	2013
Cash	\$ 387,252	\$ 22,829
Temporary investments	-	393,824
	\$ 387,252	\$ 416,653

Temporary investments are short-term deposits with original maturities of 1 year or less.

SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

3. TAXES RECEIVABLES

Taxes receivable are comprised of:

	2014	2013
Current taxes and grants in place of taxes	\$ 24,218	\$ 2,531
Arrears taxes and grants in place of taxes	11,167	19,936
	\$ 35,385	\$ 22,467

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2014	2013
Municipal Sustainability Initiative - Operating	\$ 10,101	\$ 13,877
Municipal Sustainability Initiative - Capital	124,906	-
Subtotal	135,007	13,877
Goods and Services Tax refundable	12,915	29,514
	\$ 147,922	\$ 43,391

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land	\$ 7,251	\$ -	\$ 7,251	\$ 7,251
Buildings	97,150	9,793	87,357	-
Machinery and equipment	20,315	20,315	-	-
Engineered structures	1,628,833	469,758	1,159,075	1,235,743
	\$ 1,753,549	\$ 499,866	\$ 1,253,683	\$ 1,242,994

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.

SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

6. 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:

	2014	2013
Total debt limit	\$ 324,063	\$ 347,355
Total debt	-	-
Amount of debt limit unused	324,063	347,355
Debt servicing limit	54,011	57,893
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 54,011	\$ 57,893

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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2014	2013
Tangible capital assets (Note 5)	\$ 1,753,549	\$ 1,653,899
Accumulated amortization (Note 5)	(499,866)	(410,905)
	\$ 1,253,683	\$ 1,242,994

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).

SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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:

			2014	2013
		\$		\$
	Salary (1)	Benefits & allowances (2)	Total	Total
Yontz, B. - Councillor	\$ 1,200	\$ -	\$ 1,200	\$ 1,200
Newton, C. - Councillor	1,200	-	1,200	1,200
Montague, J. - Councillor	1,200	-	1,200	1,200
Chief Administrative Officer	39,600	-	39,600	38,400
	\$ 43,200	\$ -	\$ 43,200	\$ 42,000

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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SUMMER VILLAGE OF ISLAND LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2014

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. 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.