

**SUMMER VILLAGE OF ISLAND LAKE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

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## AUDITORS' REPORT

To the Members of Council:

We have audited the accompanying consolidated financial statements of Summer Village of Island Lake, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, change 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 generally accepted accounting principles 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, 2010, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Athabasca, Alberta  
April 27, 2011

**CHARTERED ACCOUNTANTS**

**SUMMER VILLAGE OF ISLAND LAKE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010**

ASSETS

	<u>2010</u>	<u>2009</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 1,041,651	\$ 559,918
Receivables		
Taxes receivable (Note 3)	19,812	17,417
Trade and other receivables	<u>8,895</u>	<u>150,411</u>
	1,070,358	727,746
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>20,421</u>	<u>28,104</u>
<b>NET FINANCIAL ASSETS</b>	1,049,937	699,642
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 4)	<u>46,180</u>	<u>49,516</u>
<b>ACCUMULATED SURPLUS (Note 6)</b>	<u>\$ 1,096,117</u>	<u>\$ 749,158</u>

APPROVED BY COUNCIL:

\_\_\_\_\_ Mayor

\_\_\_\_\_ Councillor

**SUMMER VILLAGE OF ISLAND LAKE**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>BUDGET</u> (Unaudited)	<u>2010</u>	<u>2009</u>
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 152,510	\$ 140,241	\$ 96,115
User fees and sales of goods	-	3,000	375
Provincial Government transfers	100,000	401,541	82,550
Investment income	9,000	3,564	9,496
Penalties and costs of taxes	-	6,035	2,286
Licenses and permits	2,000	1,081	1,917
Other revenues	<u>8,400</u>	<u>1,443</u>	<u>-</u>
<b>Total revenue</b>	<u>271,910</u>	<u>556,905</u>	<u>192,739</u>
<b>EXPENSES</b>			
Council	6,400	6,379	5,383
Administration	60,670	56,809	28,154
Administrator contract	24,000	33,900	24,000
Fire	-	-	13,675
Roads, streets, walks and lighting	156,040	33,460	45,634
Wastewater treatment and disposal	12,000	59,952	24,948
Parks and recreation	15,000	16,582	1,205
Culture	<u>1,800</u>	<u>2,864</u>	<u>1,763</u>
<b>Total expenses</b>	<u>275,910</u>	<u>209,946</u>	<u>144,762</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	(4,000)	346,959	47,977
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 6)</b>	<u>749,158</u>	<u>749,158</u>	<u>701,181</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 745,158</u>	<u>\$ 1,096,117</u>	<u>\$ 749,158</u>

**SUMMER VILLAGE OF ISLAND LAKE**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ 346,959	\$ 47,977
Amortization of tangible capital assets	<u>3,336</u>	<u>3,336</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	350,295	51,313
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>699,642</u>	<u>648,329</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 1,049,937</u>	<u>\$ 699,642</u>

**SUMMER VILLAGE OF ISLAND LAKE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**

	<u>2010</u>	<u>2009</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 346,959	\$ 47,977
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,336	3,336
Non-cash charges to operations (net change):		
Taxes and grants in lieu of receivable	(2,395)	(1,027)
Trade and other receivables	141,516	(5,689)
Accounts payable and accrued liabilities	<u>(7,683)</u>	<u>9,561</u>
Cash provided by operating transactions	<u>481,733</u>	<u>54,158</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	481,733	54,158
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>559,918</u>	<u>505,760</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,041,651</u>	<u>\$ 559,918</u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and bank	\$ 1,041,651	\$ 391,089
Term Deposits	<u>-</u>	<u>168,829</u>
	<u>\$ 1,041,651</u>	<u>\$ 559,918</u>

SUMMER VILLAGE OF ISLAND LAKE  
 SCHEDULE OF TANGIBLE CAPITAL ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 SCHEDULE 1

	Land	Buildings	Engineered Structures	Machinery & Equipment	2010	2009
<b>COST:</b>						
BALANCE, BEGINNING OF YEAR	\$ 7,251	\$ 7,500	\$ 264,296	\$ 20,315	\$ 299,362	\$ 299,362
Acquisition (disposal) of tangible capital assets	-	-	-	-	-	-
BALANCE, END OF YEAR	7,251	7,500	264,296	20,315	299,362	299,362
<b>ACCUMULATED AMORTIZATION:</b>						
BALANCE, BEGINNING OF YEAR	-	7,500	222,031	20,315	249,846	246,510
Annual amortization	-	-	3,336	-	3,336	3,336
BALANCE, END OF YEAR	-	7,500	225,367	20,315	253,182	249,846
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 7,251</b>	<b>\$ -</b>	<b>\$ 38,929</b>	<b>\$ -</b>	<b>\$ 46,180</b>	<b>\$ 49,516</b>
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 7,251	\$ -	\$ 42,265	\$ -	\$ 49,516	



**SUMMER VILLAGE OF ISLAND LAKE**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**YEAR ENDED DECEMBER 31, 2010**

**SCHEDULE 2**

	<u>BUDGET</u> (Unaudited)	<u>2010</u>	<u>2009</u>
TAXATION	\$ <u>335,327</u>	\$ <u>335,326</u>	\$ <u>276,037</u>
REQUISITIONS			
Alberta School Foundation	152,034	152,033	139,706
Greater North Foundation	24,783	22,630	5,371
Fire department	6,000	4,867	5,908
Waste management	-	15,555	21,709
Ambulance	<u>-</u>	<u>-</u>	<u>7,228</u>
	<u>182,817</u>	<u>195,085</u>	<u>179,922</u>
NET MUNICIPAL TAXES	\$ <u>152,510</u>	\$ <u>140,241</u>	\$ <u>96,115</u>

**SUMMER VILLAGE OF ISLAND LAKE**  
**SCHEDULE OF OPERATING EXPENSES BY OBJECT**  
**YEAR ENDED DECEMBER 31, 2010**

**SCHEDULE 3**

	<u>BUDGET</u> (Unaudited)	<u>2010</u>	<u>2009</u>
EXPENDITURES			
Salaries, wages and benefits	\$ 5,400	\$ 3,600	\$ 3,600
Contracted and general services	229,590	156,892	115,254
Materials, goods and supplies	33,200	42,603	19,942
Grants to individuals and organizations	6,800	2,864	1,763
Bank charges and short term interest	920	651	867
Amortization of tangible capital assets	<u>-</u>	<u>3,336</u>	<u>3,336</u>
	<u>\$ 275,910</u>	<u>\$ 209,946</u>	<u>\$ 144,762</u>

## **SUMMER VILLAGE OF ISLAND LAKE**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

#### **1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Summer Village of Island Lake are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of these accounting policies adopted by the Summer Village of Island Lake are as follows:

##### **Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net assets and change in financial position of the reporting entity. This entity is comprised of all of the organizations that are owned or controlled by the Summer Village and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

##### **Basis of Accounting**

The consolidated 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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditure during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**SUMMER VILLAGE OF ISLAND LAKE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2010**

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances. Cash and cash equivalents does not include cash held in trust.

Cash and cash equivalents are all denominated in Canadian dollars and held with the Summer Village's financial institution.

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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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 taxes revenue.

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

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.

**SUMMER VILLAGE OF ISLAND LAKE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**DECEMBER 31, 2010**

**1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Non-Financial Assets (CONT'D)**

**i. 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:

	<b>YEARS</b>
Land Improvements	15 - 25
Buildings	25 - 50
Engineered structures	
Roads, streets, walks and lighting	5 - 60
Water supply and distribution	35 - 75
Wastewater system	35 - 75
Stormwater system	35 - 75
Other engineering structures	20 - 40
Machinery and Equipment	5 - 40
Vehicles	10 - 25

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.

**ii. 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.

**iii. Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**2. CASH AND CASH EQUIVALENTS**

	<u>2010</u>	<u>2009</u>
Cash on hand and in bank	\$ 1,041,651	\$ 391,089
Term deposits	<u>-</u>	<u>168,829</u>
	<u>\$ 1,041,651</u>	<u>\$ 559,918</u>

**3. TAXES RECEIVABLE**

	<u>2010</u>	<u>2009</u>
Current taxes and grants in place of taxes	\$ 14,867	\$ 13,899
Non-current taxes and grants in place of taxes	<u>4,945</u>	<u>3,518</u>
	<u>\$ 19,812</u>	<u>\$ 17,417</u>

**SUMMER VILLAGE OF ISLAND LAKE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2010**

4. TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
<b>Net Book Value</b>		
Land	\$ 7,251	\$ 7,251
Engineering structures		
Road, streets, walks and lighting	6,311	7,472
Wastewater system	<u>32,618</u>	<u>34,793</u>
	<u>\$ 46,180</u>	<u>\$ 49,516</u>

5. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2010</u>	<u>2009</u>
Tangible capital assets	\$ 299,362	\$ 299,362
Accumulated amortization	<u>(253,182)</u>	<u>(249,846)</u>
	<u>\$ 46,180</u>	<u>\$ 49,516</u>

6. ACCUMULATED SURPLUS

	<u>2010</u>	<u>2009</u>
Unrestricted surplus	\$ 500,004	\$ 149,709
Restricted surplus	549,933	549,933
Equity in tangible capital assets	<u>46,180</u>	<u>49,516</u>
	<u>\$ 1,096,117</u>	<u>\$ 749,158</u>

7. FINANCIAL INSTRUMENTS

The Summer Village's financial instruments consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities. It is management's opinion that the Summer Village is not exposed to significant interest or currency risks arising from these instruments.

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

**SUMMER VILLAGE OF ISLAND LAKE**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2010**

**8. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 375/94 for the Summer Village of Island Lake be disclosed as follows:

	<u>2010</u>	<u>2009</u>
Total Debt Limit	\$ 835,358	\$ 289,109
Total Debt	<u>-</u>	<u>-</u>
Amount of Debt Limit Unused	<u>\$ 835,358</u>	<u>\$ 289,109</u>
Debt Servicing Limit	\$ 139,226	\$ 48,185
Debt Servicing	<u>-</u>	<u>-</u>
Amount of Debt Servicing Limit Unused	<u>\$ 139,226</u>	<u>\$ 48,185</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 375/94) 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 which 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.

**9. SALARY AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials, administrator and designated officers as required by provincial regulation is as follows:

	<u>Honoraria</u>	<u>Mileage</u>	<u>2010</u>	<u>2009</u>
Mayor	\$ 1,200	\$ -	\$ 1,200	\$ 1,200
Deputy Mayor	1,200	-	1,200	1,200
Councillor	<u>1,200</u>	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Total	<u>\$ 3,600</u>	<u>\$ -</u>	<u>\$ 3,600</u>	<u>\$ 3,600</u>
Administrator			<u>\$ 33,900</u>	<u>\$ 24,000</u>

**10. APPROVAL OF FINANCIAL STATEMENTS**

Council and management have approved these financial statements.