

SUMMER VILLAGE OF ISLAND LAKE
FINANCIAL STATEMENTS
DECEMBER 31, 2011





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, 2011, 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 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, 2011, 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 public sector accounting standards.

Athabasca, Alberta
May 17, 2012


CHARTERED ACCOUNTANTS



SUMMER VILLAGE OF ISLAND LAKE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

	<u>2011</u>	<u>2010</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 822,102	\$ 1,041,651
Receivables		
Taxes receivable (Note 3)	23,161	19,812
Trade and other receivables	<u>19,882</u>	<u>8,895</u>
	865,145	1,070,358
LIABILITIES		
Accounts payable and accrued liabilities	<u>28,894</u>	<u>20,422</u>
NET FINANCIAL ASSETS	836,251	1,049,936
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	<u>286,888</u>	<u>46,180</u>
ACCUMULATED SURPLUS (Note 6)	<u>\$ 1,123,139</u>	<u>\$ 1,096,116</u>

APPROVED BY COUNCIL:

_____ Mayor

_____ Councillor



SUMMER VILLAGE OF ISLAND LAKE
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2011

	<u>BUDGET</u> (Unaudited)	<u>2011</u>	<u>2010</u>
REVENUE			
Net municipal taxes (Schedule 3)	\$ 130,263	\$ 140,632	\$ 145,108
User fees and sales of goods	-	750	3,000
Provincial Government transfers	100,000	113,968	401,541
Investment income	5,500	1,392	3,564
Penalties and costs of taxes	4,500	8,315	6,035
Licenses and permits	2,300	2,438	1,081
Other revenues	<u>300</u>	<u>455</u>	<u>1,443</u>
Total revenue	<u>242,863</u>	<u>267,950</u>	<u>561,772</u>
EXPENSES			
Council	7,500	7,514	6,379
Administration	66,775	51,335	56,750
Administrator contract	25,200	35,187	33,959
Fire	4,867	5,189	4,867
Roads, streets, walks and lighting	40,000	124,791	33,460
Wastewater treatment and disposal	4,200	2,175	59,952
Parks and recreation	16,850	11,696	16,582
Culture	<u>3,040</u>	<u>3,040</u>	<u>2,864</u>
Total expenses	<u>168,432</u>	<u>240,927</u>	<u>214,813</u>
EXCESS OF REVENUE OVER EXPENSES	74,431	27,023	346,959
ACCUMULATED SURPLUS, BEGINNING OF YEAR (Note 6)	<u>1,096,116</u>	<u>1,096,116</u>	<u>749,157</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 1,170,547</u>	<u>\$ 1,123,139</u>	<u>\$ 1,096,116</u>



SUMMER VILLAGE OF ISLAND LAKE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 27,023	\$ 346,959
Acquisition of tangible capital assets	(261,476)	-
Amortization of tangible capital assets	<u>20,768</u>	<u>3,336</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(213,685)	350,295
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,049,936</u>	<u>699,641</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>836,251</u>	\$ <u>1,049,936</u>



SUMMER VILLAGE OF ISLAND LAKE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 27,023	\$ 346,959
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	20,768	3,336
Non-cash charges to operations (net change):		
Taxes and grants in lieu of receivable	(3,349)	(2,395)
Trade and other receivables	(10,987)	141,516
Accounts payable and accrued liabilities	<u>8,472</u>	<u>(7,683)</u>
Cash provided by operating transactions	<u>41,927</u>	<u>481,733</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(261,476)</u>	<u>-</u>
Cash provided to capital transactions	<u>(261,476)</u>	<u>-</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(219,549)	481,733
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,041,651</u>	<u>559,918</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 822,102</u>	<u>\$ 1,041,651</u>
Cash and cash equivalents is made up of:		
Cash and bank	<u>\$ 822,102</u>	<u>\$ 1,041,651</u>



SUMMER VILLAGE OF ISLAND LAKE
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2011

SCHEDULE 3

	<u>BUDGET</u> (Unaudited)	<u>2011</u>	<u>2010</u>
TAXATION	\$ <u>342,772</u>	\$ <u>359,283</u>	\$ <u>335,326</u>
REQUISITIONS			
Alberta School Foundation	168,957	168,957	152,033
Greater North Foundation	27,552	27,473	22,630
Waste management	<u>16,000</u>	<u>22,221</u>	<u>15,555</u>
	<u>212,509</u>	<u>218,651</u>	<u>190,218</u>
NET MUNICIPAL TAXES	\$ <u><u>130,263</u></u>	\$ <u><u>140,632</u></u>	\$ <u><u>145,108</u></u>

SUMMER VILLAGE OF ISLAND LAKE
SCHEDULE OF OPERATING EXPENSES BY OBJECT
YEAR ENDED DECEMBER 31, 2011

SCHEDULE 4

	<u>BUDGET</u> (Unaudited)	<u>2011</u>	<u>2010</u>
EXPENDITURES			
Salaries, wages and benefits	\$ 5,000	\$ 3,600	\$ 3,600
Contracted and general services	117,767	171,512	161,759
Materials, goods and supplies	40,000	40,945	42,603
Grants to individuals and organizations	5,040	3,040	2,864
Bank charges and short term interest	625	1,062	651
Amortization of tangible capital assets	<u>-</u>	<u>20,768</u>	<u>3,336</u>
	<u>\$ 168,432</u>	<u>\$ 240,927</u>	<u>\$ 214,813</u>



SUMMER VILLAGE OF ISLAND LAKE
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 YEAR ENDED DECEMBER 31, 2011
 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010
BALANCE, BEGINNING OF YEAR	\$ 500,003	\$ 549,933	\$ 46,180	\$ 1,096,116	\$ 749,157
Excess of revenues over expenses	27,023	-	-	27,023	346,959
Restricted funds used for operations	119,684	(119,684)	-	-	-
Restricted funds used for tangible capital assets	141,792	(141,792)	-	-	-
Current year funds used for tangible capital assets	(261,476)	-	261,476	-	-
Annual amortization expense	20,768	-	(20,768)	-	-
Change in accumulated surplus	<u>47,791</u>	<u>(261,476)</u>	<u>240,708</u>	<u>27,023</u>	<u>346,959</u>
BALANCE, END OF YEAR	<u>\$ 547,794</u>	<u>\$ 288,457</u>	<u>\$ 286,888</u>	<u>\$ 1,123,139</u>	<u>\$ 1,096,116</u>



SUMMER VILLAGE OF ISLAND LAKE
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 SCHEDULE 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	2011	2010
COST:						
BALANCE, BEGINNING OF YEAR	\$ 7,251	\$ 7,500	\$ 264,296	\$ 20,315	\$ 299,362	\$ 299,362
Acquisition (disposal) of tangible capital assets	-	-	261,476	-	261,476	-
BALANCE, END OF YEAR	7,251	7,500	525,772	20,315	560,838	299,362
ACCUMULATED AMORTIZATION:						
BALANCE, BEGINNING OF YEAR	-	7,500	225,367	20,315	253,182	249,846
Annual amortization	-	-	20,768	-	20,768	3,336
BALANCE, END OF YEAR	-	7,500	246,135	20,315	273,950	253,182
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 7,251	\$ -	\$ 279,637	\$ -	\$ 286,888	\$ 46,180
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 7,251	\$ -	\$ 38,929	\$ -	\$ 46,180	



SUMMER VILLAGE OF ISLAND LAKE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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 public sector accounting standards 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, 2011

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, 2011

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:

	YEARS
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>2011</u>	<u>2010</u>
Cash on hand and in bank	\$ <u>822,102</u>	\$ <u>1,041,651</u>

3. TAXES RECEIVABLE

	<u>2011</u>	<u>2010</u>
Current taxes and grants in place of taxes	\$ 14,277	\$ 14,867
Non-current taxes and grants in place of taxes	<u>8,884</u>	<u>4,945</u>
	<u>\$ 23,161</u>	<u>\$ 19,812</u>



SUMMER VILLAGE OF ISLAND LAKE
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2011

4. TANGIBLE CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Net Book Value		
Land	\$ 7,251	\$ 7,251
Engineering structures		
Road, streets, walks and lighting	249,193	6,311
Wastewater system	<u>30,444</u>	<u>32,618</u>
	<u>\$ 286,888</u>	<u>\$ 46,180</u>

5. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2011</u>	<u>2010</u>
Tangible capital assets	\$ 560,837	\$ 299,362
Accumulated amortization	<u>(273,949)</u>	<u>(253,182)</u>
	<u>\$ 286,888</u>	<u>\$ 46,180</u>

6. ACCUMULATED SURPLUS

	<u>2011</u>	<u>2010</u>
Unrestricted surplus	\$ 547,793	\$ 500,004
Restricted surplus	288,458	549,931
Equity in tangible capital assets	<u>286,888</u>	<u>46,180</u>
	<u>\$ 1,123,139</u>	<u>\$ 1,096,115</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, 2011

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>2011</u>	<u>2010</u>
Total Debt Limit	\$ 252,767	\$ 252,810
Total Debt	<u>-</u>	<u>-</u>
Amount of Debt Limit Unused	<u>\$ 252,767</u>	<u>\$ 252,810</u>
Debt Servicing Limit	\$ 42,128	\$ 42,135
Debt Servicing	<u>-</u>	<u>-</u>
Amount of Debt Servicing Limit Unused	<u>\$ 42,128</u>	<u>\$ 42,135</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>2011</u>	<u>2010</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>\$ 31,200</u>	<u>\$ 33,900</u>

10. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

