

SUMMER VILLAGE OF KAPASIWIN
Consolidated Financial Statements
Year Ended December 31, 2016

SUMMER VILLAGE OF KAPASIWIN
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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Summer Village of Kapasiwin

We have audited the accompanying consolidated financial statements of Summer Village of Kapasiwin, which comprise the consolidated statement of financial position as at December 31, 2016 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 Kapasiwin as at December 31, 2016 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
April 27, 2017

Seniuk & Company
Seniuk and Company
Chartered Accountants

SUMMER VILLAGE OF KAPASIWIN
Consolidated Statement of Financial Position
December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 2)	\$ 265,865	\$ 294,309
Term deposits (Note 2)	33,416	33,383
Taxes and grants in place of taxes receivable (Note 3)	3,956	2,574
Grants and receivables from other governments (Note 4)	131,327	50,551
	\$ 434,564	\$ 380,817
LIABILITIES		
Accounts payable	\$ 15,989	\$ 12,242
Deferred income (Note 6)	346,073	300,188
	362,062	312,430
NET FINANCIAL ASSET (DEBT)	72,502	68,387
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	728,859	729,735
Prepays	14,000	-
	742,859	729,735
ACCUMULATED SURPLUS	\$ 815,361	\$ 798,122

On behalf of Council

Mayor

CAO

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN
Consolidated Statement of Operations
Year Ended December 31, 2016

	Budget (Unaudited) 2016	Actual 2016	Actual 2015
REVENUE			
Net municipal taxes (Schedule 1)	\$ 50,619	\$ 50,619	\$ 46,305
User fees and sale of goods	-	351	1,108
Government transfers for operating	3,601	3,601	5,036
Investment income	-	34	33
Penalties and costs of taxes	-	1,805	-
Licenses and permits	-	1,046	244
Other	-	10	20
Total revenue	54,220	57,466	52,746
EXPENSES			
Administration and Legislative	27,590	27,418	26,128
Fire service	1,900	1,801	1,801
Roads, streets, walks and lighting	10,150	11,267	8,533
Water supply and distribution	3,750	3,726	3,587
Waste management	4,350	3,559	4,256
Land use planning, zoning and development	1,400	1,659	1,392
Parks and recreation	5,000	3,862	4,193
Libraries, museums and halls	80	60	60
Total operating expenses	54,220	53,352	49,950
Excess (deficiency) of revenue over expenses before other	-	4,114	2,796
OTHER			
Government transfers for capital	45,000	32,479	201,129
Amortization	-	(19,354)	(18,301)
Loss on disposal of assets	-	-	(15,860)
	45,000	13,125	166,968
EXCESS OF REVENUE OVER EXPENSES	45,000	17,239	169,764
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	798,122	628,358
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ 815,361	\$ 798,122

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2016

	2016	2015
Excess (Shortfall) of Revenues Over Expenses	\$ 17,239	\$ 169,764
Acquisition of tangible capital assets	(18,478)	(201,279)
Amortization of tangible capital assets	19,354	18,301
(Gain) loss on disposal of assets	-	15,860
Prepays	(14,000)	\$ -
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	4,115	2,646
Net financial assets (debt), beginning of year	68,587	65,941
NET ASSETS - END OF YEAR	\$ 72,702	\$ 68,587

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN
Consolidated Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 17,239	\$ 169,764
Items not affecting cash:		
Loss on disposal of assets	-	15,860
Amortization	19,354	18,301
	36,593	203,925
Changes in non-cash working capital:		
Current taxes and grants in place of taxes	(1,382)	(2,574)
Grants and receivables from other governments	(80,776)	32,495
Accounts payable	3,748	(4,485)
Prepaid expenses	(14,000)	-
Deferred income	45,885	(32,559)
	(46,525)	(7,123)
Cash flow from (used by) operating activities	(9,932)	196,802
INVESTING ACTIVITY		
Purchase of capital assets	(18,479)	(201,279)
DECREASE IN CASH FLOW	(28,411)	(4,477)
Cash - beginning of year	327,691	332,168
CASH - END OF YEAR (Note 2)	\$ 299,280	\$ 327,691

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN**Consolidated Schedule of Property and Other Taxes****(Schedule 1)****Year Ended December 31, 2016**

	Budget (Unaudited) 2016	Actual 2016	Actual 2015
TAXATION	\$ 119,928	\$ 119,928	\$ 111,765
REQUISITIONS	(69,309)	(69,309)	(65,460)
NET MUNICIPAL TAXES	\$ 50,619	\$ 50,619	\$ 46,305

Consolidated Schedule of Government Transfers**(Schedule 2)****Year Ended December 31, 2016**

	Budget (Unaudited) 2016	Actual 2016	Actual 2015
TRANSFERS FOR OPERATING			
Provincial Government	\$ 3,601	\$ 3,601	\$ 5,036
	3,601	3,601	5,036
TRANSFERS FOR CAPITAL			
Provincial Government	45,000	32,479	201,129
TOTAL GOVERNMENT TRANSFERS	\$ 48,601	\$ 36,080	\$ 206,165

Consolidated Schedule of Expenditures by Object**(Schedule 3)****Year Ended December 31, 2016**

	Budget (Unaudited) 2016	Actual 2016	Actual 2015
EXPENSES			
Contracted and general services	\$ 38,790	\$ 39,113	\$ 37,765
Salaries, wages & benefits	3,000	2,369	2,601
Materials, goods and utilities	12,350	11,560	9,524
Other expenditures	-	250	-
Transfer to local boards and agencies	80	60	60
Total Consolidated Expenditures by Object	\$ 54,220	\$ 53,352	\$ 49,950

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN

Consolidated Schedule of Segmented Disclosure Year Ended December 31, 2016

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 50,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,619
Government transfers for operating	3,601	-	-	-	-	-	-	3,601
User fees and sales of goods	352	-	-	-	-	-	-	352
Investment income	34	-	-	-	-	-	-	34
Other revenues	1,815	-	-	1,046	-	-	-	2,861
	56,421	-	-	1,046	-	-	-	57,467
EXPENSES								
Contract & general services	27,168	1,801	69	1,659	1,130	7,286	-	39,113
Salaries & wages	-	-	2,369	-	-	-	-	2,369
Materials, goods & utilities	-	-	8,829	-	2,732	-	-	11,561
Transfers to local boards	-	-	-	-	60	-	-	60
Other expenses	250	-	-	-	-	-	-	250
	27,418	1,801	11,267	1,659	3,922	7,286	-	53,353
Excess (deficiency) of revenue over expenses before other	29,003	(1,801)	(11,267)	(613)	(3,922)	(7,286)	-	4,114
OTHER EXPENSE								
Amortization	(1,240)	-	(11,484)	-	(6,630)	-	-	(19,354)
Government transfers for capital	14,000	-	-	-	18,479	-	-	32,479
	12,760	-	(11,484)	-	11,849	-	-	13,125
EXCESS OF REVENUE OVER EXPENSES	\$ 41,763	\$ (1,801)	\$ (22,751)	\$ (613)	\$ 7,927	\$ (7,286)	\$ -	\$ 17,239

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN

Consolidated Schedule of Changes in Accumulated Surplus Year Ended December 31, 2016

(Schedule 5)

	Unrestricted Surplus	Operating Reserve	Capital Reserves	Equity in Tangible Capital Assets	Total 2016	Total 2015
BALANCE, BEGINNING OF YEAR	\$ 12,060	\$ 29,026	\$ 27,301	\$ 729,735	\$ 798,122	\$ 628,358
Excess (deficiency) of revenues over expenses	17,239	-	-	-	17,239	169,764
Current year funds used for tangible capital assets	(18,479)	-	-	18,479	-	-
Annual amortization expense	19,355	-	-	(19,355)	-	-
	18,115	-	-	(876)	17,239	169,764
BALANCE, END OF YEAR	\$ 30,175	\$ 29,026	\$ 27,301	\$ 728,859	\$ 815,361	\$ 798,122

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Summer Village of Kapasiwin 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 Kapasiwin (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 KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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 KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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 Changes in Net Financial Assets (Debt) for the year.

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SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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	30 years
Buildings	50 years
Machinery and equipment	5 - 10 years
Engineered structures	10 - 50 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.

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Cash	\$ 37,042	\$ 33,251
Temporary investments	33,416	33,383
Restricted cash	228,822	261,057
	\$ 299,280	\$ 327,691

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

Included in cash are restricted amounts received from municipal grants and are held exclusively for future approved projects. (Note 6)

3. TAXES AND GRANTS IN PLACE OF TAXES RECIEVABLE

Taxes and grants in place of taxes are comprised of:

	2016	2015
Current taxes and grants in place of taxes	\$ 3,956	\$ 2,574

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2016	2015
Grants receivable - Municipal Sustainability Initiative	\$ 117,252	\$ 38,872
Goods and Services Tax refundable	14,075	11,679
	\$ 131,327	\$ 50,551

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 354,259	\$ -	\$ 354,259	\$ 354,259
Land improvements	62,394	21,422	40,972	37,994
Engineered structures	360,862	213,314	147,548	159,032
Buildings	191,569	12,360	179,209	170,339
Machinery and equipment	9,351	2,480	6,871	8,111
	\$ 978,435	\$ 249,576	\$ 728,859	\$ 729,735

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.

6. DEFERRED REVENUE

Deferred revenue is comprised of:

	2016	2015
Municipal Sustainability Initiative - Capital	\$ 234,723	\$ 188,688
Federal Gas Tax Fund Grant	10,473	10,464
Basic Municipal Transportation Grant	100,877	100,776
Prepaid taxes	-	260
	\$ 346,073	\$ 300,188

Municipal Sustainability Initiative - Capital

The Municipal Sustainability Initiative - Capital grant is restricted to eligible capital transportation projects, as approved under the funding agreement. Funds from this grant are being deferred for a future capital project. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

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SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

6. DEFERRED REVENUE *(continued)*

2016 **2015**

Federal Gas Tax Fund

The Federal Gas Tax Fund is restricted to eligible capital projects as approved under the funding agreement. Funds from this grant are being deferred for a future capital project. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

Basic Municipal Transportation Grant

The Basic Municipal Transportation Grant is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in the next 3 to 5 years. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

7. 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 Kapasiwin be disclosed as follows:

	2016	2015
Total debt limit	\$ 86,199	\$ 79,119
Total debt	-	-
Amount of debt limit unused	86,199	79,119
Debt servicing limit	14,367	13,187
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 14,367	\$ 13,187

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.

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

8. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2016	2015
Tangible capital assets (Note 5)	\$ 978,434	\$ 959,956
Accumulated amortization (Note 5)	(249,575)	(230,221)
	\$ 728,859	\$ 729,735

9. SEGMENTED DISCLOSURE

The Summer Village of Kapasiwin 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).

10. 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:

	Salary (1)	Benefits & allowances (2)	2016 Total	2015 Total
J. Coghill - Councilor	\$ -	\$ -	\$ -	\$ -
T. Wiles - Councilor	-	-	-	-
J. McIvor - Councilor	-	-	-	-
Administration	12,240	-	12,240	12,000

1. Salary includes contract paid to the Chief Administrative Officer.

2. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

11. 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.

12. CONTINGENT LIABILITY

The municipality is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

14. BUDGET AMOUNTS

Budget amounts are included for information purposes only and are not audited.