

**SUMMER VILLAGE OF HORSESHOE BAY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

## INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Summer Village of Horseshoe Bay, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, change in net financial assets and cash flows and schedules 1 to 6 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 the Summer Village of Horseshoe Bay as at December 31, 2016, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ST. PAUL, ALBERTA  
April 10, 2017

CHARTERED ACCOUNTANTS

**SUMMER VILLAGE OF HORSESHOE BAY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| <b>Financial assets</b>                                |                     |                     |
| Cash   | \$ 311,714          | \$ 248,152          |
| Taxes and grants in place of taxes receivable (note 2) | 1,941               | 3,718               |
| Receivable from other governments                      | 22,950              | 7,598               |
| Trade and other receivables                            | 3                   | --                  |
| Long-term investment (note 3)                          | <u>943</u>          | <u>911</u>          |
|  | <u>337,551</u>      | <u>260,379</u>      |
| <b>Liabilities</b>                                     |                     |                     |
| Accounts payable and accrued liabilities               | 5,159               | 4,821               |
| Due to other governments                               | 900                 | --                  |
| Deferred revenue (note 4)                              | <u>94,096</u>       | <u>28,498</u>       |
|  | <u>100,155</u>      | <u>33,319</u>       |
| <b>Net financial assets</b>                            | <u>237,396</u>      | <u>227,060</u>      |
| <b>Non-financial assets</b>                            |                     |                     |
| Tangible capital assets (schedule 2)                   | 891,058             | 939,656             |
| Prepaid expenses                                       | <u>2,520</u>        | <u>2,472</u>        |
|  | <u>893,578</u>      | <u>942,128</u>      |
| <b>Accumulated surplus (note 7)</b>                    | <u>\$ 1,130,974</u> | <u>\$ 1,169,188</u> |
| <b>Contingencies (note 11)</b>                         |                     |                     |

APPROVED ON BEHALF OF THE SUMMER VILLAGE OF HORSESHOE BAY:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Administrator

**SUMMER VILLAGE OF HORSESHOE BAY  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Budget</u><br>(unaudited) | <u>2016</u>                | <u>2015</u>                |
|--|------------------------------|----------------------------|----------------------------|
| <b>Revenue</b>   |                              |                            |                            |
| Net municipal taxes (schedule 3)                             | \$ 64,658                    | \$ 64,657                  | \$ 61,941                  |
| Sales and user fees  | --                           | 725                        | 880                        |
| Government transfers for operating (schedule 4)              | 4,671                        | 116,025                    | 10,193                     |
| Investment income  | 1,000                        | 1,059                      | 1,192                      |
| Penalties and costs of taxes                                 | 1,200                        | 1,207                      | 1,402                      |
| Licenses and permits   | 1,000                        | 650                        | 150                        |
| Other  | <u>1,471</u>                 | <u>898</u>                 | <u>1,790</u>               |
|  | <u>74,000</u>                | <u>185,221</u>             | <u>77,548</u>              |
| <b>Expenses</b>  |                              |                            |                            |
| Legislative  | 6,000                        | 5,031                      | 3,675                      |
| Administration   | 31,000                       | 29,125                     | 27,131                     |
| Protective services  | 8,000                        | 115,980                    | 5,206                      |
| Roads, streets, walks, lighting                              | 54,000                       | 49,404                     | 51,059                     |
| Waste management   | 13,000                       | 12,451                     | 11,950                     |
| Recreation and culture                                       | <u>21,000</u>                | <u>21,013</u>              | <u>15,266</u>              |
|  | <u>133,000</u>               | <u>233,004</u>             | <u>114,287</u>             |
| <b>Deficiency of revenues over expenses<br/>before other</b> | <b>(59,000)</b>              | <b>(47,783)</b>            | <b>(36,739)</b>            |
| <b>Other</b>   |                              |                            |                            |
| Government transfers for capital (schedule 4)                | <u>64,030</u>                | <u>9,569</u>               | <u>20,370</u>              |
| <b>Excess (deficiency) of revenues over expenses</b>         | <b>5,030</b>                 | <b>(38,214)</b>            | <b>(16,369)</b>            |
| <b>Accumulated surplus, beginning of year</b>                | <b><u>1,169,188</u></b>      | <b><u>1,169,188</u></b>    | <b><u>1,185,557</u></b>    |
| <b>Accumulated surplus, end of year</b>                      | <b>\$ <u>1,174,218</u></b>   | <b>\$ <u>1,130,974</u></b> | <b>\$ <u>1,169,188</u></b> |

**SUMMER VILLAGE OF HORSESHOE BAY  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Budget</u><br>(unaudited) | <u>2016</u>              | <u>2015</u>              |
|--|------------------------------|--------------------------|--------------------------|
| <b>Excess (deficiency) of revenues over expenses</b> | \$ <u>5,030</u>              | \$ <u>(38,214)</u>       | \$ <u>(16,369)</u>       |
| Acquisition of tangible capital assets               | (53,000)                     | --                       | (15,899)                 |
| Loss on disposal of tangible capital assets          | --                           | 740                      | --                       |
| Amortization of tangible capital assets              | <u>48,000</u>                | <u>47,858</u>            | <u>49,187</u>            |
|  | <u>(5,000)</u>               | <u>48,598</u>            | <u>33,288</u>            |
| <b>Use of prepaid expenses</b>                       | <u>--</u>                    | <u>(48)</u>              | <u>208</u>               |
| <b>Increase in net financial assets</b>              | <b>30</b>                    | 10,336                   | 17,127                   |
| <b>Net financial assets, beginning of year</b>       | <u>227,060</u>               | <u>227,060</u>           | <u>209,933</u>           |
| <b>Net financial assets, end of year</b>             | <b>\$ <u>227,090</u></b>     | <b>\$ <u>237,396</u></b> | <b>\$ <u>227,060</u></b> |

**SUMMER VILLAGE OF HORSESHOE BAY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|
| <b>Net inflow (outflow) of cash related to the following activities:</b> |                   |                   |
| <b>Operating</b>   |                   |                   |
| Deficiency of revenues over expenses                                     | \$ (38,214)       | \$ (16,369)       |
| Non-cash items included  |                   |                   |
| Amortization of tangible capital assets                                  | 47,858            | 49,187            |
| Loss on disposal of tangible capital assets                              | 740               | --                |
| Non-cash charges to operations (net change)                              |                   |                   |
| Decrease (increase) in   |                   |                   |
| Taxes and grants in place receivable                                     | 1,777             | (1,983)           |
| Receivables from other governments                                       | (15,352)          | 24,966            |
| Trade and other receivables  | (3)               |                   |
| Prepaid expenses   | (48)              | 208               |
| Increase (decrease) in   |                   |                   |
| Accounts payable and accrued liabilities                                 | 338               | 334               |
| Due to other governments   | 900               | --                |
| Deferred revenue   | <u>65,598</u>     | <u>26,313</u>     |
|  | <u>63,594</u>     | <u>82,656</u>     |
| <b>Capital</b>   |                   |                   |
| Acquisition of tangible capital assets                                   | <u>    --</u>     | <u>(15,899)</u>   |
| <b>Investing</b>   |                   |                   |
| Increase in long-term investment   | <u>(32)</u>       | <u>(33)</u>       |
| <b>Change in cash during the year</b>                                    | 63,562            | 66,724            |
| <b>Cash, beginning of year</b>   | <u>248,152</u>    | <u>181,428</u>    |
| <b>Cash, end of year</b>   | <u>\$ 311,714</u> | <u>\$ 248,152</u> |

**SUMMER VILLAGE OF HORSESHOE BAY  
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                      | Unrestricted<br>Surplus | Equity in Tangible<br>Capital Assets | <u>2016</u>         | <u>2015</u>         |
|--------------------------------------|-------------------------|--------------------------------------|---------------------|---------------------|
| <b>Balance, beginning of year</b>    | \$ <u>229,532</u>       | \$ <u>939,656</u>                    | \$ <u>1,169,188</u> | \$ <u>1,185,557</u> |
| Deficiency of revenues over expenses | (38,214)                | --                                   | (38,214)            | (16,369)            |
| Disposal of tangible capital assets  | 740                     | (740)                                | --                  | --                  |
| Annual amortization expense          | <u>47,858</u>           | <u>(47,858)</u>                      | <u>--</u>           | <u>--</u>           |
| Change in accumulated surplus        | <u>10,384</u>           | <u>(48,598)</u>                      | <u>(38,214)</u>     | <u>(16,369)</u>     |
| <b>Balance, end of year</b>          | \$ <u>239,916</u>       | \$ <u>891,058</u>                    | \$ <u>1,130,974</u> | \$ <u>1,169,188</u> |

**SUMMER VILLAGE OF HORSESHOE BAY  
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Land</u>       | <u>Land Improvements</u> | <u>Buildings</u> | <u>Engineered Structures</u> | <u>Machinery &amp; Equipment</u> | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|--------------------------|------------------|------------------------------|----------------------------------|-------------------|-------------------|
| <b>Cost</b>                                      |                   |                          |                  |                              |                                  |                   |                   |
| Balance, beginning of year                       | \$ 156,573        | \$ 59,344                | \$ 103,578       | \$ 1,168,767                 | \$ 2,100                         | \$ 1,490,362      | \$ 1,474,463      |
| Acquisition of tangible capital assets           | --                | --                       | --               | --                           | --                               | --                | 15,899            |
| Disposal of tangible capital assets              | --                | --                       | --               | --                           | (2,100)                          | (2,100)           | --                |
| Balance, end of year                             | <u>156,573</u>    | <u>59,344</u>            | <u>103,578</u>   | <u>1,168,767</u>             | <u>--</u>                        | <u>1,488,262</u>  | <u>1,490,362</u>  |
| <b>Accumulated amortization</b>                  |                   |                          |                  |                              |                                  |                   |                   |
| Balance, beginning of year                       | --                | 24,942                   | 22,902           | 501,502                      | 1,360                            | 550,706           | 501,519           |
| Annual amortization                              | --                | 2,521                    | 2,341            | 42,996                       | --                               | 47,858            | 49,187            |
| Accumulated amortization on disposals            | --                | --                       | --               | --                           | (1,360)                          | (1,360)           | --                |
| Balance, end of year                             | <u>--</u>         | <u>27,463</u>            | <u>25,243</u>    | <u>544,498</u>               | <u>--</u>                        | <u>597,204</u>    | <u>550,706</u>    |
| <b>Net book value of tangible capital assets</b> | <u>\$ 156,573</u> | <u>\$ 31,881</u>         | <u>\$ 78,335</u> | <u>\$ 624,269</u>            | <u>\$ --</u>                     | <u>\$ 891,058</u> | <u>\$ 939,656</u> |
| 2015 Net book value of tangible capital assets   | <u>\$ 156,573</u> | <u>\$ 34,402</u>         | <u>\$ 80,676</u> | <u>\$ 667,265</u>            | <u>\$ 740</u>                    | <u>\$ 939,656</u> |                   |

**SUMMER VILLAGE OF HORSESHOE BAY  
SCHEDULE 3 - PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| <b>Taxation</b>                                   | <b><u>Budget</u></b><br><b>(unaudited)</b> | <b><u>2016</u></b>      | <b><u>2015</u></b>      |
|---|--|-------------------------|-------------------------|
| Residential land and improvements                 | \$ 102,697                                 | \$ 102,696              | \$ 97,280               |
| Commercial property                               | <u>1,198</u>                               | <u>1,198</u>            | <u>1,202</u>            |
|   | <b>103,895</b>                             | <b>103,894</b>          | <b>98,482</b>           |
| <b>Requisitions</b>                               |  |                         |                         |
| Alberta School Foundation                         | <u>39,237</u>                              | <u>39,237</u>           | <u>36,541</u>           |
| <b>Net taxes for general municipal operations</b> | <b>\$ <u>64,658</u></b>                    | <b>\$ <u>64,657</u></b> | <b>\$ <u>61,941</u></b> |

**SCHEDULE 4 - GOVERNMENT TRANSFERS**

|                                   |                         |                          |                         |
|-----------------------------------|-------------------------|--------------------------|-------------------------|
| <b>Transfers for operations</b>   |                         |                          |                         |
| Provincial                        | \$ 4,671                | \$ 60,628                | \$ 10,193               |
| Other local governments           | <u>--</u>               | <u>55,397</u>            | <u>--</u>               |
|                                   | <b>4,671</b>            | <b>116,025</b>           | <b>10,193</b>           |
| <b>Transfers for capital</b>      |                         |                          |                         |
| Provincial                        | <u>64,030</u>           | <u>9,569</u>             | <u>20,370</u>           |
| <b>Total government transfers</b> | <b>\$ <u>68,701</u></b> | <b>\$ <u>125,594</u></b> | <b>\$ <u>30,563</u></b> |

**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT**

|  |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|
| <b>Expenses</b>                          |                          |                          |                          |
| Salaries, wages and benefits             | \$ 3,250                 | \$ 3,375                 | \$ 3,875                 |
| Contracted and general services          | 47,080                   | 56,632                   | 36,122                   |
| Purchases from other governments         | 21,570                   | 18,113                   | 16,440                   |
| Materials, goods, supplies and utilities | 13,100                   | 106,286                  | 8,663                    |
| Amortization of tangible capital assets  | 48,000                   | 47,858                   | 49,187                   |
| Loss on disposal                         | <u>--</u>                | <u>740</u>               | <u>--</u>                |
| <b>Total expenses</b>                    | <b>\$ <u>133,000</u></b> | <b>\$ <u>233,004</u></b> | <b>\$ <u>114,287</u></b> |

**SUMMER VILLAGE OF HORSESHOE BAY  
SCHEDULE 6 – SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| <b>Revenue</b>                  | <u>General<br/>Government</u> | <u>Protective<br/>Services</u> | <u>Transportation<br/>Services</u> | <u>Recreation<br/>and Culture</u> | <u>Environmental<br/>Services</u> | <u>Total</u>       |
|---------------------------------|-------------------------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------------|--------------------|
| Net municipal taxes             | \$ 64,657                     | \$ --                          | \$ --                              | \$ --                             | \$ --                             | \$ 64,657          |
| Government transfers            | 1,282                         | 114,743                        | 4,674                              | 4,895                             | --                                | 125,594            |
| User fees and sales of goods    | 325                           | --                             | --                                 | 400                               | --                                | 725                |
| Investment income               | 1,059                         | --                             | --                                 | --                                | --                                | 1,059              |
| Other revenues                  | <u>1,857</u>                  | <u>--</u>                      | <u>--</u>                          | <u>898</u>                        | <u>--</u>                         | <u>2,755</u>       |
|                                 | <u>69,180</u>                 | <u>114,743</u>                 | <u>4,674</u>                       | <u>6,193</u>                      | <u>--</u>                         | <u>194,790</u>     |
| <b>Expenses</b>                 |                               |                                |                                    |                                   |                                   |                    |
| Contract and general services   | 28,730                        | 21,602                         | 6,408                              | 6,273                             | 11,732                            | 74,745             |
| Salaries and wages              | 3,375                         | --                             | --                                 | --                                | --                                | 3,375              |
| Goods and supplies              | 2,051                         | 94,378                         | --                                 | 9,857                             | --                                | 106,286            |
| Other                           | <u>--</u>                     | <u>--</u>                      | <u>--</u>                          | <u>740</u>                        | <u>--</u>                         | <u>740</u>         |
|                                 | <u>34,156</u>                 | <u>115,980</u>                 | <u>6,408</u>                       | <u>16,870</u>                     | <u>11,732</u>                     | <u>185,146</u>     |
| Net revenue before amortization | 35,024                        | (1,237)                        | (1,734)                            | (10,677)                          | (11,732)                          | 9,644              |
| Amortization expense            | <u>--</u>                     | <u>--</u>                      | <u>(42,996)</u>                    | <u>(4,143)</u>                    | <u>(719)</u>                      | <u>(47,858)</u>    |
| <b>Net revenue</b>              | <u>\$ 35,024</u>              | <u>\$ (1,237)</u>              | <u>\$ (44,730)</u>                 | <u>\$ (14,820)</u>                | <u>\$ (12,451)</u>                | <u>\$ (38,214)</u> |

**SUMMER VILLAGE OF HORSESHOE BAY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies**

The consolidated financial statements of the Summer Village of Horseshoe Bay 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:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting entity. This 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 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.

(b) 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.

(c) 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 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 expenses 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.

(d) Cash

Cash is defined as cash in bank accounts adjusted for outstanding items.

**SUMMER VILLAGE OF HORSESHOE BAY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

(e) Investments

Investments are recorded at amortized cost. 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.

(f) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

(g) 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.

(h) 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.

(i) 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.

**SUMMER VILLAGE OF HORSESHOE BAY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**1. Significant Accounting Policies (continued)**

(j) 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 for the year.

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 25 - 50      |
| Engineered structures   |              |
| Roadway system          | 10 - 40      |
| Bridge                  | 55           |
| Machinery and equipment | 10           |
| Land improvements       | 15 - 25      |

One half of the annual amortization is charged in the year of acquisition. 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) 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.

|   | <u>2016</u>            | <u>2015</u>            |
|---|------------------------|------------------------|
| <b>2. Taxes and Grants in Place of Taxes Receivable</b> |                        |                        |
| Taxes receivable  |                        |                        |
| Current   | \$ 1,345               | \$ 2,886               |
| Arrears   | 596                    | 832                    |
|   | <b>\$ <u>1,941</u></b> | <b>\$ <u>3,718</u></b> |
| <b>3. Long-Term Investment</b>                          |                        |                        |
| Servus Credit Union shares                              | \$ 943                 | \$ 911                 |

**SUMMER VILLAGE OF HORSESHOE BAY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   |                  |                  |
|---|------------------|------------------|
| <b>4. Deferred Revenue</b>                    | <u>2016</u>      | <u>2015</u>      |
| ACP – Inter-municipal Collaboration           | \$ 74,182        | \$ --            |
| Municipal sustainability initiative - capital | 16,770           | 26,247           |
| Recreation fund                               | <u>3,144</u>     | <u>2,251</u>     |
|   | <u>\$ 94,096</u> | <u>\$ 28,498</u> |

Funding from various grant programs and other sources in the amount of \$94,096 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or by the contributors.

The cash balance supports the unexpended funds related to the advances.

**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 Horseshoe Bay be disclosed as follows:

|  |                   |                   |
|--|-------------------|-------------------|
|  | <u>2016</u>       | <u>2015</u>       |
| Total debt limit, being total debt limit remaining         | \$ <u>110,801</u> | \$ <u>116,322</u> |
| Debt servicing limit, being debt servicing limit remaining | \$ <u>18,467</u>  | \$ <u>19,387</u>  |

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.

|   |                   |                   |
|---|-------------------|-------------------|
| <b>6. Equity in Tangible Capital Assets</b> | <u>2016</u>       | <u>2015</u>       |
| Tangible capital assets (Schedule 2)        | \$ 1,488,262      | \$ 1,490,362      |
| Accumulated amortization (Schedule 2)       | <u>(597,204)</u>  | <u>(550,706)</u>  |
|   | <u>\$ 891,058</u> | <u>\$ 939,656</u> |

**SUMMER VILLAGE OF HORSESHOE BAY  
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**7. Accumulated Surplus**

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

|  | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|
| Unrestricted surplus                       | \$ 239,916          | \$ 229,532          |
| Equity in tangible capital assets (note 6) | <u>891,058</u>      | <u>939,656</u>      |
|  | <u>\$ 1,130,974</u> | <u>\$ 1,169,188</u> |

**8. Segmented Disclosure**

The Summer Village of Horseshoe Bay provides a range of services to its ratepayers. For each 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 6).

**9. Salary and Benefits Disclosure**

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

|                             | <u>2016</u>           |   |                  | <u>2015</u>      |
|-----------------------------|-----------------------|---|------------------|------------------|
|                             | Salary <sup>(1)</sup> | Benefits &<br>Allowances <sup>(2)</sup> | Total            | Total            |
| Mayor – Gary Burns          | \$ 1,420              | \$ 880                                  | \$ 2,300         | \$ 2,130         |
| Deputy mayor – Eli Gushaty  | 1,045                 | 200                                     | 1,245            | 1,475            |
| Councillor – Victor Staudzs | <u>1,000</u>          | <u>--</u>                               | <u>1,000</u>     | <u>1,433</u>     |
|                             | <u>\$ 3,465</u>       | <u>\$ 1,080</u>                         | <u>\$ 4,545</u>  | <u>\$ 5,038</u>  |
| CAO – Briscoe               | <u>\$ 14,945</u>      | <u>\$ --</u>                            | <u>\$ 14,945</u> | <u>\$ 14,250</u> |

<sup>(1)</sup> Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

<sup>(2)</sup> Benefits and allowances include travel reimbursements.

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**10. Operating loan**

The Summer Village of Horseshoe Bay has a prime plus 1% authorized operating line with a \$30,000 limit with Servus Credit Union. No balance was outstanding at December 31, 2016.

**11. Contingencies**

The Summer Village of Horseshoe Bay is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of 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.

The Summer Village of Horseshoe Bay has delegated their powers and duties under the Emergency Management Act to the County of St. Paul No. 19 under an Emergency Management Agreement, with an unspecified term. The Summer Village of Horseshoe Bay is responsible to pay all unrecoverable costs incurred by the County in implementing an Emergency Response within the boundaries of the Summer Village of Horseshoe Bay. Any liability incurred would be accounted for as a current transaction in the year an emergency response occurs.

**12. Financial Instruments**

The summer village's financial instruments consist of cash, receivables, long-term investment, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the summer village is not exposed to significant interest or currency risks arising from these financial instruments.

The summer village is subject to credit risk with respect to taxes and grants in place of taxes receivable. Credit risk arises from the possibility that taxpayers may experience financial difficulty and be unable to fulfill their obligations. The number and diversity of taxpayers minimizes the credit risk.

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

**13. Contaminated Sites Liability**

The summer village has adopted PS3260 Liability for Contaminated Sites. The summer village did not identify any financial liabilities in 2016 (2015 – nil) as a result of this standard.

**14. Approval of Financial Statements**

Council and Management have approved these financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**15. Budget Amounts**

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

**16. Recent Accounting Pronouncements Published But Not Yet Adopted**

PSAB Section 1201, Financial Statement Presentation

Revised standard is effective in 2019, when Sections PS2601 and PS3450 are adopted.

PSAB Section 2601, Foreign Currency Transaction

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective in 2019.

PSAB Section 3041, Portfolio Investments

This standard is effective for the 2019 fiscal year and addresses the distinction between temporary and portfolio investments.

PSAB Section 3450, Financial Instruments

PS3450 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.