

SUMMER VILLAGE OF SUNBREAKER COVE

FINANCIAL STATEMENTS

DECEMBER 31, 2017



Wade Noble & Partners LLP

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
Summer Village of Sunbreaker Cove

Report on the financial Statements

We have audited the accompanying financial statements of the Summer Village of Sunbreaker Cove, which comprise the statement of financial position as at December 31, 2017, 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 financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects the financial position of the Summer Village of Sunbreaker Cove as at December 31, 2017, 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.

Wade Noble & Partners LLP

Chartered Accountants

Rocky Mountain House, Alberta
April 16, 2018

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SUMMER VILLAGE OF SUNBREAKER COVE

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	2017	2016
FINANCIAL ASSETS		
Cash (Note 2)	\$ 2,221,636	\$ 1,825,723
Receivables		
Taxes Receivable (Note 3)	11,183	1,943
Trade and other receivables	4,873	15,692
GST Receivable	<u>6,162</u>	<u>21,830</u>
	<u>2,243,854</u>	<u>1,865,188</u>
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 56,314	\$ 27,205
Deposits	25,850	12,750
Deferred revenue (Note 4)	649,245	319,990
Due to the Summer Village of Norglenwold (Note 5)	<u>70,812</u>	<u>64,812</u>
	<u>802,221</u>	<u>424,757</u>
 NET FINANCIAL ASSETS	 <u>1,441,633</u>	 <u>1,440,431</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	<u>744,950</u>	<u>703,755</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 9)	 <u>\$ 2,186,583</u>	 <u>\$ 2,144,186</u>

Commitments and Contingencies - See Notes 11 and 12.

See accompanying schedules and notes to the financial statements

SUMMER VILLAGE OF SUNBREAKER COVE

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
REVENUE			
Net municipal taxes (Schedule 3)	\$ 286,888	\$ 286,900	\$ 285,760
User fees and sale of goods	25,053	26,865	25,742
Government transfers for operating (Schedule 4)	4,069	16,264	8,880
Investment income	7,210	20,193	16,754
Penalties and costs of taxes	7,210	2,999	4,792
Other	-	6,989	8,476
Licenses and permits	957	4,151	3,217
Fines	<u>1,030</u>	<u>1,091</u>	<u>5,000</u>
Total Revenue	<u>332,417</u>	<u>365,452</u>	<u>358,621</u>
EXPENSES (Note 17)			
Legislative	28,024	19,623	24,704
Administration	116,193	121,052	118,152
Roads, streets, walks and lighting	74,000	97,482	92,163
Fire and by-law enforcement	30,500	36,845	26,540
Disaster and emergency measures	3,100	2,500	2,585
Water and wastewater	10,000	26,331	19,820
Waste management	35,000	32,252	29,757
Subdivision land development	26,700	16,302	22,913
Recreation and parks	20,200	40,263	28,250
Library	<u>700</u>	<u>555</u>	<u>544</u>
Total Expenses	<u>344,417</u>	<u>393,205</u>	<u>365,428</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES - BEFORE OTHER	(12,000)	(27,753)	(6,807)
OTHER			
Government transfers for capital (Schedule 4)	<u>1,161,224</u>	<u>70,150</u>	<u>180,403</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,149,224	42,397	173,596
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>2,144,186</u>	<u>2,144,186</u>	<u>1,970,590</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 3,293,410</u>	<u>\$ 2,186,583</u>	<u>\$ 2,144,186</u>

See accompanying schedules and notes to the financial statements

SUMMER VILLAGE OF SUNBREAKER COVE

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXCESS OF REVENUES OVER EXPENSES	\$ 1,149,224	\$ 42,397	\$ 173,596
Acquisition of tangible capital assets	(3,748,500)	(90,364)	(225,207)
Amortization of tangible capital assets	-	49,169	48,478
	<u>(3,748,500)</u>	<u>(41,195)</u>	<u>(176,729)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,599,276)	1,202	(3,133)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,440,431</u>	<u>1,440,431</u>	<u>1,443,564</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>(1,158,845)</u>	\$ <u>1,441,633</u>	\$ <u>1,440,431</u>

See accompanying schedules and notes to the financial statements

SUMMER VILLAGE OF SUNBREAKER COVE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenues over expenditures	\$ 42,397	\$ 173,596
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	49,169	48,478
Tangible capital assets received as contributions	(910)	-
Non-cash charges to operations (net change):		
Decrease (increase) in trade and other receivables	23,723	(29,167)
Decrease (increase) in due from Summer Village of Norglenwold	-	(6,000)
Increase (decrease) in accounts payable and accrued liabilities	22,634	2,782
Increase (decrease) in deferred revenue	329,255	26,655
Deposits	<u>13,100</u>	<u>(4,930)</u>
Cash provided by operating transactions	<u>479,368</u>	<u>211,414</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(83,455)</u>	<u>(225,207)</u>
Cash applied to capital transactions	<u>(83,455)</u>	<u>(225,207)</u>
CHANGE IN CASH DURING THE YEAR	395,913	(13,793)
CASH AT BEGINNING OF YEAR	<u>1,825,723</u>	<u>1,839,516</u>
CASH AT END OF YEAR	<u>\$ 2,221,636</u>	<u>\$ 1,825,723</u>

See accompanying schedules and notes to the financial statements

SUMMER VILLAGE OF SUNBREAKER COVE
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017 TOTAL	2016 TOTAL
BALANCE, BEGINNING OF YEAR	\$ 167,189	\$ 1,338,054	\$ 638,943	\$ 2,144,186	\$ 1,970,596
Excess of revenues over expenses	42,397	-	-	42,397	173,596
Restricted funds used for operations	17,834	(17,834)	-	-	-
Contribution to capital functions	6,000	-	(6,000)	-	-
Current year funds used for tangible capital assets	(76,148)	(14,216)	90,364	-	-
Annual amortization expense	49,169	-	(49,169)	-	-
Change in accumulated surplus	39,252	(32,050)	35,195	42,397	173,596
BALANCE, END OF YEAR	\$ 206,441	\$ 1,306,004	\$ 674,138	\$ 2,186,583	\$ 2,144,186

See Note 16 for details of restatement of opening Unrestricted Surplus and Restricted Surplus balances.

SUMMER VILLAGE OF SUNBREAKER COVE
 SCHEDULE OF TANGIBLE CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2017
 SCHEDULE 2

COST	Land	Land Improvement	Buildings	Engineering structures	Machinery and equipment	2016	
						TOTAL	TOTAL
BALANCE, BEGINNING OF YEAR	\$ 172,100	\$ 253,159	\$ 95,812	\$ 629,756	\$ 14,768	\$ 1,165,595	\$ 940,388
Acquisition of tangible capital assets	-	72,745	-	10,709	6,910	90,364	225,207
Disposal of tangible capital assets	-	-	-	-	-	-	-
BALANCE, END OF YEAR	\$ 172,100	\$ 325,904	\$ 95,812	\$ 640,465	\$ 21,678	\$ 1,255,959	\$ 1,165,595
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	\$ -	\$ 53,880	\$ 15,135	\$ 389,968	\$ 2,857	\$ 461,840	\$ 413,362
Annual Amortization	-	11,765	3,833	31,403	2,168	49,169	48,478
BALANCE, END OF YEAR	-	65,645	18,968	421,371	5,025	511,009	461,840
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 172,100	\$ 260,259	\$ 76,844	\$ 219,094	\$ 16,653	\$ 744,950	\$ 703,755

Included in engineering structures is \$193,099 (2016 - \$182,390) incurred for concept design of a sewer system that has not yet been constructed, and included in land improvements is \$149,418 (2016 - \$76,672) incurred for a pathway project that is not yet completed, therefore these costs totaling \$342,518 are not being amortized.

SUMMER VILLAGE OF SUNBREAKER COVE
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE 3

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	\$ 618,548	\$ 618,561	\$ 623,152
REQUISITIONS			
Alberta School Foundation Fund	<u>331,660</u>	<u>331,661</u>	<u>337,392</u>
NET MUNICIPAL TAXES	<u>\$ 286,888</u>	<u>\$ 286,900</u>	<u>\$ 285,760</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE 4

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial Government	\$ 3,554	\$ 14,929	\$ 8,374
Other Local Government	<u>515</u>	<u>1,335</u>	<u>506</u>
	<u>4,069</u>	<u>16,264</u>	<u>8,880</u>
TRANSFERS FOR CAPITAL			
Provincial Government	1,161,224	69,240	180,403
Other Local Governments	<u>-</u>	<u>910</u>	<u>-</u>
	<u>1,161,224</u>	<u>70,150</u>	<u>180,403</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,165,293</u>	<u>\$ 86,414</u>	<u>\$ 189,283</u>

SCHEDULE OF EXPENDITURES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017
SCHEDULE 5

	Budget (Unaudited)	2017	2016
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 97,566	\$ 88,497	\$ 92,120
Contracted and general services	242,351	245,597	219,176
Materials, goods and utilities	4,500	9,942	5,654
Amortization of Tangible Capital Assets	<u>-</u>	<u>49,169</u>	<u>48,478</u>
	<u>\$ 344,417</u>	<u>\$ 393,205</u>	<u>\$ 365,428</u>

SUMMER VILLAGE OF SUNBREAKER COVE
 SCHEDULE OF SEGMENTED DISCLOSURE
 FOR THE YEAR ENDED DECEMBER 31, 2017
 SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Council	TOTAL
REVENUE								
Net municipal taxes	\$ 286,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,900
Government transfers	12,202	-	-	-	66,180	8,032	-	86,414
User fees and sales of goods	4,499	1,091	-	4,151	-	25,365	-	35,106
Investment income	20,193	-	-	-	-	-	-	20,193
Other	5,589	-	-	1,400	-	-	-	6,989
	<u>\$ 329,383</u>	<u>\$ 1,091</u>	<u>\$ -</u>	<u>\$ 5,551</u>	<u>\$ 66,180</u>	<u>\$ 33,397</u>	<u>\$ -</u>	<u>\$ 435,602</u>
EXPENSES								
Contracted & general services	\$ 35,606	\$ 39,344	\$ 66,079	\$ 16,302	\$ 27,576	\$ 58,583	\$ 2,107	\$ 245,597
Salaries & wages	70,981	-	-	-	-	-	17,516	88,497
Goods & supplies	9,942	-	-	-	-	-	-	9,942
	<u>\$ 116,529</u>	<u>\$ 39,344</u>	<u>\$ 66,079</u>	<u>\$ 16,302</u>	<u>\$ 27,576</u>	<u>\$ 58,583</u>	<u>\$ 19,623</u>	<u>\$ 344,036</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES, BEFORE AMORTIZATION	212,854	(38,253)	(66,079)	(10,751)	38,604	(25,186)	(19,623)	91,566
Amortization Expense	(4,524)	-	(31,403)	-	(13,242)	-	-	(49,169)
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 208,330</u>	<u>\$ (38,253)</u>	<u>\$ (97,482)</u>	<u>\$ (10,751)</u>	<u>\$ 25,362</u>	<u>\$ (25,186)</u>	<u>\$ (19,623)</u>	<u>\$ 42,397</u>

SUMMER VILLAGE OF SUNBREAKER COVE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Summer Village Of Sunbreaker Cove (the "Summer Village") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the Summer Village are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures of the reporting entity. This entity is comprised of municipal operations and 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 operating 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.

(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 the 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 expenditure during the period. Management estimates the useful life of tangible capital assets with which to calculate annual amortization, and fair value of contributed assets. Where measurement uncertainty exists, the financial statements have been prepared with reasonable limits of materiality. Actual results could differ from those estimates.

(d) Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Summer Village and are recognized as revenue in the year they are levied.

SUMMER VILLAGE OF SUNBREAKER COVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) 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.

(f) 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 estimated of the amounts can be determined.

(g) 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 Change in Net Financial Assets (Debt) 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 cost, less residual value of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	-	15 years
Buildings	-	25 years
Engineered structures		
Wastewater system	-	75 years
Roadway system	-	10 years
Machinery, equipment and furnishings	-	10 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.

(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.

SUMMER VILLAGE OF SUNBREAKER COVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. CASH

Cash consists of amounts held in a chartered bank account earning interest at the bank's prime rate less 1.90% to 1.55% per annum.

3. TAXES RECEIVABLE

The amounts receivable consist of:

	2017	2016
Current taxes	\$ <u>11,183</u>	\$ <u>1,943</u>

4. DEFERRED REVENUE

	2017	2016
Municipal Sustainability Initiative capital grant	\$ <u>649,245</u>	\$ <u>319,990</u>

Deferred revenues are funds received in advance for projects and will be recognized as operating revenue or capital revenue in the year the expenditure occurs.

5. DUE TO SUMMER VILLAGE OF NORGLNWOLD

The Summer Village and the Summer Villages of Birchcliff, Half Moon Bay, Jarvis Bay, and Norglenwold entered into a Co-ownership Agreement ("the Agreement") dated July 12, 2013 to purchase a building. Under the terms of this Agreement each of the five Summer Villages has a 20% ownership interest in the Administration Building. As required by the Agreement the Summer Villages of Half Moon Bay, Jarvis Bay, Sunbreaker Cove, and Birchcliff each made initial contributions of \$25,000 with the Summer Village of Norglenwold contributing the balance. The Summer Village's share of the building costs less its \$25,000 initial contribution represents the balance owing to the Summer Village of Norglenwold. The amount owing to the Summer Village of Norglenwold is non-interest bearing. If the five Summer Villages elect to sell the building, each of the Summer Villages will proportionately receive their initial contribution and any remaining proceeds will be divided equally. Under the terms of the Agreement the five Summer Villages share regular maintenance, utilities, and insurance costs equally. See Note 6 for further details of related party transactions.

SUMMER VILLAGE OF SUNBREAKER COVE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. RELATED PARTY TRANSACTIONS

The Summer Village has entered into a Joint Service Cost Sharing Agreement with the Summer Villages of Birchcliff, Half Moon Bay, Jarvis Bay, and Norglenwold whereby the Summer Village of Norglenwold incurs shared costs including all administrative and operational salaries, wages and benefits, utilities, vehicle and office expenses, and invoices each other Summer Village on a monthly basis for their share of the costs. Shared costs are reported in these financial statements according to their nature, as if they had been incurred directly. Shared costs are allocated proportionately based on the following cost sharing formula approved by the Joint Service Committee which is comprised of representatives from each Summer Village:

	Birchcliff	Half Moon Bay	Jarvis Bay	Norglenwold	Sunbreaker Cove	
Wages, benefits and consumables	21.1 %	11.8 %	22.4 %	25.5 %	19.2 %	100.0 %
Static administration charges	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	100.0 %

During the year, the five Summer Villages purchased new accounting software system. Each Summer Village capitalized a \$6,910 equipment addition in this regard, being their 20.0% share of the total purchase cost. In December 2016 each Summer Village had paid \$6,000 to the Summer Village of Norglenwold toward the purchase cost. The Summer Village of Jarvis Bay contributed \$8,593 from unused grant funding to cover the remaining cost of the software purchase plus additional costs related to the system conversion that will be incurred in 2018. In this regard, the Summer Village of Jarvis Bay has recognized \$8,593 of capital transfer revenue and \$7,683 of capital transfer expense; the Summer Village of Norglenwold has recognized \$910 of capital transfer revenue and \$4,041 of deferred revenue; and the Summer Villages of Birchcliff, Half Moon Bay and Sunbreaker Cove have each recognized capital transfer revenue of \$910.

The related party transactions are in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

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 be disclosed as follows:

	2017	2016
Total Debt Limit	\$ <u>548,178</u>	\$ <u>537,932</u>
Debt servicing limit	\$ <u>91,363</u>	\$ <u>89,655</u>

The debt limit is calculated at 1.5 times revenue of the Summer Village (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 Summer Village. Rather, the financial statements must be interpreted as a whole.

SUMMER VILLAGE OF SUNBREAKER COVE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Capital Assets (Schedule 2)	\$ 1,255,959	\$ 1,165,595
Accumulated amortization (Schedule 2)	(511,009)	(461,840)
Due to Summer Village of Norglenwold	(70,812)	(64,812)
	<u>\$ 674,138</u>	<u>\$ 638,943</u>

9. ACCUMULATED SURPLUS

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

	2017	2016
Unrestricted surplus (Note 16)	\$ 206,441	\$ 167,189
Restricted surplus		
Capital reserves (Note 10)	855,200	870,516
Operating Reserves (Note 10)	450,804	467,538
Equity in tangible capital assets (Note 8)	<u>674,138</u>	<u>638,943</u>
	<u>\$ 2,186,583</u>	<u>\$ 2,144,186</u>

10. RESERVES

	2017	2016
Operating Reserves		
Environmental	\$ 101,775	\$ 101,775
General contingencies	<u>349,029</u>	<u>365,763</u>
	<u>\$ 450,804</u>	<u>\$ 467,538</u>
Capital Reserves		
Capital General	\$ 32,187	\$ 46,403
Information technology & facilities	3,400	4,500
Roads, streets, walks, lighting	269,613	269,613
Sewer	<u>550,000</u>	<u>550,000</u>
	<u>\$ 855,200</u>	<u>\$ 870,516</u>
Total restricted surplus (Note 16)	<u>\$ 1,306,004</u>	<u>\$ 1,338,054</u>

11. CONTRACTUAL OBLIGATIONS

The Summer Village has entered into an agreement for basic assessment services with Wild Rose Assessment Services Inc. for a five year term commencing April 2015 through March 2020. The cost of assessment services will be \$6,800, \$6,800, \$6,900, \$7,000 and \$7,000 in and over the five years respectively.

SUMMER VILLAGE OF SUNBREAKER COVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

12. CONTINGENCIES

The Summer Village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Summer Village could become liable for its proportionate shares 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. SALARY & 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:

COUNCILORS	2017			2016
	HONORARIUM SALARY ¹	BENEFITS & ALLOWANCES ²	TOTAL	TOTAL
Mayor	\$ 5,620	\$ 2,546	\$ 8,166	\$ 9,208
Deputy Mayor	4,300	1,097	5,397	7,522
Councillor	3,300	653	3,953	4,972
	<u>\$ 13,220</u>	<u>\$ 4,296</u>	<u>\$ 17,516</u>	<u>\$ 21,702</u>
Chief Administrative Officer - Forsyth	<u>\$ 31,599</u>	<u>\$ 955</u>	<u>\$ 32,554</u>	<u>\$ 25,181</u>

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of all the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

14. SEGMENTED DISCLOSURE

The Summer Village 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 6).

SUMMER VILLAGE OF SUNBREAKER COVE**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017****15. FINANCIAL INSTRUMENTS**

The Summer Villages financial instruments include cash, taxes receivable, trade and other receivables, and accounts payable and accrued liabilities. Transacting in financial instruments exposes the Summer Village to certain financial risks and uncertainties. These risks include:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Summer Village is exposed to some credit risk due to the possibility that taxpayers and entities to which the Summer Village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the Summer Village's exposure to credit risk. The Summer Village is exposed to some potential credit risk due to concentration of taxes receivable. At December 31, 2017 100% of taxes receivable is due from five ratepayers (2016 - 100% from three ratepayers).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Summer Village manages liquidity risk by continuously monitoring cash flows.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Summer Village does not transact in foreign currencies.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Summer Village is exposed to interest rate risk to the extent that the carrying value of its cash has floating interest rates, which if the rate changes would affect future cash flows.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

SUMMER VILLAGE OF SUNBREAKER COVE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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16. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

The Summer Village has restated its financial statements to correct an error in the prior periods. From 2012 - 2016 the financial statements failed to report the sewer reserve as part of restricted surplus, instead including the reserve amount in unrestricted surplus. The effect of this adjustment is as follows:

Adjustment to Unrestricted surplus:	
2016 ending balance, as previously reported	\$ 717,192
Restricted sewer reserve reclassified	(550,000)
Rounding discrepancy	(3)
2017 opening balance, as restated	<u>\$ 167,189</u>
Adjustments to Restricted surplus:	
2016 ending balance, as previously reported	\$ 788,054
Restricted sewer reserve reclassified	550,000
2017 opening balance, as restated	<u>\$ 1,338,054</u>

17. BUDGET AMOUNTS

The budget amounts included in these financial statements have not been audited; accordingly no assurance is expressed thereon. The Summer Village does not provide for amortization or depreciation in its operating budget, and therefore a reconciliation of actual expenditures to budgeted amounts is provided below:

EXPENSES	Budget (Unaudited)	2017		2017
		(Before amortization)	2017 Amortization	
Legislative	28,024	19,623	-	19,623
Administration	116,193	116,528	4,524	121,052
Roads, streets, walks and lighting	74,000	66,079	31,403	97,482
Fire and by-law enforcement	30,500	36,845	-	36,845
Disaster and emergency measures	3,100	2,500	-	2,500
Water and wastewater	10,000	26,331	-	26,331
Waste management	35,000	32,252	-	32,252
Subdivision land development	26,700	16,302	-	16,302
Recreation and parks	20,200	27,021	13,242	40,263
Library	700	555	-	555
Total Expenses	<u>344,417</u>	<u>344,036</u>	<u>49,169</u>	<u>393,205</u>

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by Council and management April 16, 2018.