

SUMMER VILLAGE OF KAPASIWIN
Consolidated Financial Statements
Year Ended December 31, 2013

SUMMER VILLAGE OF KAPASIWIN
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Year Ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of Councils 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, 2013 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.

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Independent Auditor's Report to the Members of Councils of Summer Village of Kapasiwin (*continued*)

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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The consolidated financial statements for the year ended December 31, 2012 were audited by another accounting firm and are presented for comparative purposes only.

Edmonton, Alberta
May 6, 2014

Seniuk & Company
Seniuk and Company
Chartered Accountants

SUMMER VILLAGE OF KAPASIWIN
Consolidated Statement of Financial Position
December 31, 2013

	2013	2012
FINANCIAL ASSETS		
Cash (Note 2)	\$ 92,950	\$ 66,202
Term deposits	33,316	33,283
Grants and receivables from other governments (Note 3)	174,676	1,117
Trade and other receivables	-	20
	\$ 300,942	\$ 100,622
LIABILITIES		
Accounts payable	\$ 8,298	\$ 6,131
Deferred income (Note 5)	221,198	19,700
	229,496	25,831
NET FINANCIAL ASSET (DEBT)	71,446	74,791
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	511,317	447,208
Prepaid expenses	510	157
	511,827	447,365
ACCUMULATED SURPLUS (Note 8)	\$ 583,273	\$ 522,156

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, 2013

	Budget	Actual	Actual
	2013	2013	2012
REVENUE			
Net municipal taxes (Schedule 1)	\$ 37,574	\$ 37,703	\$ 37,157
User fees and sale of goods	-	50	20
Government transfers for operating	5,871	5,871	15,347
Investment income	-	33	33
Penalties and costs of taxes	-	315	197
Licenses and permits	300	610	571
Rental revenue	-	284	-
Other	-	564	219
Total revenue	43,745	45,430	53,544
EXPENSES			
Administration and Legislative	27,765	27,366	19,779
Police services	500	-	500
Fire service	1,600	1,451	1,521
Roads, streets, walks and lighting	6,500	6,222	6,202
Wastewater treatment and disposal	5,685	5,584	3,733
Parks and recreation	6,471	7,084	9,218
Total operating expenses	48,521	47,707	40,953
Excess (deficiency) of revenue over expenses before other	(4,776)	(2,277)	12,591
OTHER			
Government transfers for capital	113,309	78,070	9,514
Amortization	-	(14,676)	(13,719)
	113,309	63,394	(4,205)
EXCESS OF REVENUE OVER EXPENSES	-	61,117	8,386
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	522,156	513,770
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ 583,273	\$ 522,156

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, 2013

	2013	2012
Excess (Shortfall) of Revenues Over Expenses	\$ 61,117	\$ 8,386
Acquisition of tangible capital assets	(78,785)	(11,720)
Amortization of tangible capital assets	14,676	13,719
Use of prepaids	(352)	\$ 413
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,344)	10,798
Net financial assets (debt), beginning of year	74,791	63,993
NET ASSETS - END OF YEAR	\$ 71,447	\$ 74,791

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN
Consolidated Statement of Cash Flows
Year Ended December 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 61,117	\$ 8,386
Item not affecting cash:		
Amortization	14,676	13,719
	75,793	22,105
Changes in non-cash working capital:		
Trade and other receivables	20	(20)
Grants and receivables from other governments	(173,559)	(559)
Accounts payable	2,166	260
Prepaid expenses	(353)	413
Deferred income	201,498	(11,845)
	29,772	(11,751)
Cash flow from operating activities	105,565	10,354
INVESTING ACTIVITY		
Purchase of capital assets	(78,785)	(11,720)
INCREASE (DECREASE) IN CASH FLOW	26,780	(1,366)
Cash - beginning of year	99,485	100,851
CASH - END OF YEAR (Note 2)	\$ 126,265	\$ 99,485

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, 2013**

	Budget 2013	Actual 2013	Actual 2012
TAXATION			
Real property tax	\$ 101,433	\$ 101,493	\$ 97,441
Linear property taxes	-	69	259
	101,433	101,562	97,700
REQUISITIONS	(63,859)	(63,859)	(60,543)
NET MUNICIPAL TAXES	\$ 37,574	\$ 37,703	\$ 37,157

Consolidated Schedule of Government Transfers**(Schedule 2)****Year Ended December 31, 2013**

	Budget 2013	Actual 2013	Actual 2012
TRANSFERS FOR OPERATING			
Provincial Government	\$ 5,871	\$ 5,871	\$ 15,347
	5,871	5,871	15,347
TRANSFERS FOR CAPITAL			
Provincial Government	113,309	78,070	9,514
TOTAL GOVERNMENT TRANSFERS	\$ 119,180	\$ 83,941	\$ 24,861

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN**Consolidated Schedule 3 - Schedule of Expenditures by Object****(Schedule 3)****Year Ended December 31, 2013**

	Budget 2013	Actual 2013	Actual 2012
EXPENSES			
Contracted and general services	\$ 34,298	\$ 31,101	\$ 27,110
Salaries, wages & benefits	6,071	6,517	8,074
Materials, goods and utilities	6,200	6,061	5,708
Other expenditures	-	2,016	-
Transfer to local boards and agencies	1,952	2,012	60
Total Consolidated Expenditures by Object	\$ 48,521	\$ 47,707	\$ 40,952

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN**Consolidated Schedule 4 - Schedule of Segmented Disclosure****(Schedule 4)****Year Ended December 31, 2013**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total \$
REVENUE							
Net municipal taxes	\$ 37,703						\$ 37,703
Government transfers	5,871				78,070		83,941
User fees and sales of goods	50						50
Investment income	33						33
Other revenues	1,773						1,773
	45,430	-	-	-	78,070	-	123,500
EXPENSES							
Contract & general services	25,049	1,451	829		139	3,632	31,101
Salaries & wages	300				6,217		6,517
Goods & supplies			5,392		669		6,061
Transfers to local boards					60	1,952	2,012
Long-Term Debt Interest							-
Other expenses	2,016						2,016
	27,366	1,451	6,222	-	7,085	5,584	47,707
							-
NET REVENUE, BEFORE AMORTIZATION	18,064	(1,451)	(6,222)	-	70,985	(5,584)	75,793
Amortization expense	441		11,876		2,359		14,676
NET REVENUE	\$ 17,623	\$ (1,451)	\$ (18,098)	\$ -	\$ 68,626	\$ (5,584)	\$ 61,117

The accompanying notes form an integral part of these financial statements

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

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.

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.

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SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

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.

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.

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SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

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

	2013	2012
Cash	\$ 42,268	\$ 46,502
Term deposits	33,316	33,283
Restricted cash	50,681	19,700
	\$ 126,265	\$ 99,485

Temporary investments are short-term deposits with original maturities of three months or less.

Included in cash are restricted amounts received from municipal grants and are held exclusively for future approved projects. (Note 5)

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

3. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2013	2012
Grants receivable - Municipal Sustainability Initiative	\$ 170,516	\$ -
Goods and Services Tax refundable	4,160	1,117
	\$ 174,676	\$ 1,117

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	\$ 354,259	\$ 4,211	\$ 350,048	\$ 351,204
Land improvements	21,799	8,351	13,448	14,612
Engineered structures	272,080	178,077	94,003	70,911
Buildings	49,322	4,855	44,467	1,975
Machinery and equipment	9,351	-	9,351	8,506
	\$ 706,811	\$ 195,494	\$ 511,317	\$ 447,208

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.

5. DEFERRED REVENUE

Deferred revenue is comprised of:

	2013	2012
Municipal Sustainability Initiative - Capital	\$ 206,338	\$ 6,173
Basic Municipal Transportation Grant	7,163	7,131
Alberta Municipal Infrastructure Program	7,696	6,396
	\$ 221,197	\$ 19,700

Municipal Sustainability Initiative - Capital

Additional funding in the amount of \$68,231 was allocated in the current year from the Municipal Sustainability Initiative - Capital grant and 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.

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SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

5. DEFERRED REVENUE *(continued)*

	2013	2012
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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.

Alberta Municipal Infrastructure Program

The Alberta Municipal Infrastructure Program is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in the next 5 years.

6. 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:

	2013	2012
Total debt limit	\$ 68,145	\$ 80,316
Total debt	-	-
Amount of debt limit unused	68,145	80,316
Debt servicing limit	11,358	13,386
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 11,358	\$ 13,386

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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2013	2012
Tangible capital assets (Note 4)	\$ 706,811	\$ 628,026
Accumulated amortization (Note 4)	(195,494)	(180,818)
	\$ 511,317	\$ 447,208

SUMMER VILLAGE OF KAPASIWIN
Notes to Consolidated Financial Statements
Year Ended December 31, 2013

8. ACCUMULATED SURPLUS

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

	2013	2012
Operating reserve	\$ 22,131	\$ 25,122
Roads	29,025	29,025
Tax Stabilization	20,801	20,801
Equity in tangible capital assets	511,317	447,208
	\$ 583,274	\$ 522,156

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:

			2013	2012
	Salary (1)	Benefits & allowances (2)	Total	Total
Administrator	\$ 10,800	\$ -	\$ 10,800	\$ 8,400

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, 2013

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. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

15. BUDGET AMOUNTS

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