
**SUMMER VILLAGE OF MEWATHA BEACH
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

SUMMER VILLAGE OF MEWATHA BEACH

DECEMBER 31, 2018

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#2020, Sun Life Place
10123 - 99 Street
Edmonton, Alberta
T5J 3H1
Tel: (780) 426-6446
Fax: (780) 428-1563
email: aspc@telus.net

INDEPENDENT AUDITOR'S REPORT

TO THE COUNCIL OF SUMMER VILLAGE OF MEWATHA BEACH

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Summer Village of Mewatha Beach, which comprise the statement of financial position as at December 31, 2018, and the results of its operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Summer Village of Mewatha Beach as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Summer Village in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Summer Village's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Summer Village or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Summer Village's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission,

misrepresentation, or override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Summer Village's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Summer Village's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Summer Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I will communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

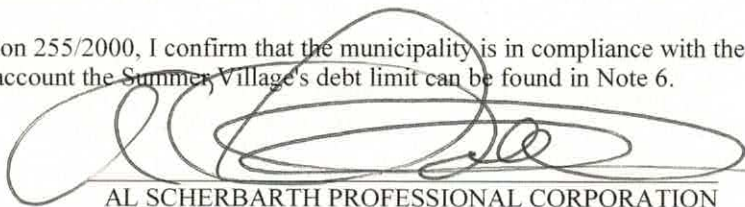
I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation

In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account the Summer Village's debt limit can be found in Note 6.

EDMONTON, ALBERTA
APRIL 11, 2019



AL SCHERBARTH PROFESSIONAL CORPORATION

**SUMMER VILLAGE OF MEWATHA BEACH
CONSOLIDATED FINANCIAL POSITION
DECEMBER 31, 2018**

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 327,914	\$ 317,215
Receivables		
Taxes receivable (Note 3)	16,582	19,811
Good and services tax receivable	7,106	4,911
Accrued interest	2,500	1,807
Investments (Note 4)	230,195	226,284
	584,297	570,028
LIABILITIES		
Accounts payable and accrued liabilities	8,678	8,502
Prepaid taxes	2,161	3,099
Deferred revenue (Note 5)	116,034	60,225
	126,873	71,826
NET FINANCIAL ASSETS	457,424	498,202
NON-FINANCIAL ASSETS		
Tangible Capital Assets	1,460,229	1,472,406
Prepaid expense	1,427	3,442
	1,461,656	1,475,848
ACCUMULATED SURPLUS (Schedule 1)	\$ 1,919,080	\$ 1,974,050

APPROVED BY COUNCIL

_____ MAYOR

_____ COUNCILLOR

SUMMER VILLAGE OF MEWATHA BEACH
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018

	BUDGET	2018	2017
REVENUE			
Net municipal taxes (Schedule 3)	\$ 121,907	\$ 121,907	\$ 121,070
Government transfers for operating (Schedule 4)	9,904	9,904	7,519
Franchise and concession contracts	5,216	7,284	9,267
Investment income	819	6,020	4,291
Penalties and costs of taxes	1,800	3,633	2,710
Licenses and permits	1,080	1,233	1,504
ALARIE insurance allocation	-	-	8,841
Transfer from Greater North Foundation	3,732	-	-
TOTAL REVENUE	144,458	149,981	155,202
EXPENSES			
Administration	54,210	48,156	54,736
Amortization	-	44,224	42,227
Parks and recreation	21,859	32,273	22,772
Waste management	23,894	23,894	23,894
Roads, streets, walks and lighting	15,000	18,274	6,869
Water supply and distribution	-	15,778	33,294
Culture	8,195	8,692	8,083
Fire and bylaws enforcement	9,800	6,210	9,801
Legislative	3,500	5,533	4,782
Family and community support	2,000	1,917	-
Land use zoning, planning and development	4,000	-	3,887
Water waste treatment and disposal	2,000	-	-
TOTAL EXPENSES	144,458	204,951	210,345
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	-	(54,970)	(55,143)
OTHER			
Government transfers for capital (Schedule 4)	-	-	33,294
EXCESS OF REVENUE OVER EXPENSES	-	(54,970)	(21,849)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,974,050	1,974,050	1,995,899
ACCUMULATED SURPLUS, END OF YEAR	\$ 1,974,050	\$ 1,919,080	\$ 1,974,050

SUMMER VILLAGE OF MEWATHA BEACH
CONSOLIDATED STATEMENT OF CHANGE IN NET
FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2018

	BUDGET	2018	2017
EXCESS OF REVENUE OVER EXPENSES	\$ -	\$ (54,970)	\$ (21,849)
ACQUISITION OF TANGIBLE CAPITAL ASSETS	-	(32,047)	-
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>-</u>	<u>44,224</u>	<u>42,227</u>
	<u>-</u>	<u>12,177</u>	<u>42,227</u>
USE OF PREPAID ASSETS	<u>-</u>	<u>2,015</u>	<u>(2,001)</u>
INCREASE IN NET FINANCIAL ASSETS	-	(40,778)	18,377
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>498,202</u>	<u>498,202</u>	<u>479,825</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 498,202</u>	<u>\$ 457,424</u>	<u>\$ 498,202</u>

SUMMER VILLAGE OF MEWATHA BEACH
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING		
Excess of revenues over expenditures	\$ (54,970)	\$ (21,849)
Amortization	44,224	42,227
Non-cash changes to operations (net change):		
Decrease (increase) in taxes receivable	3,229	(17,333)
Decrease (increase) in trade and other receivables	-	462
Decrease (increase) in Goods and services tax receivable	(2,195)	1,838
Decrease (increase) in accrued interest	(693)	27
Increase (decrease) in accounts payable and accrued liabilities	176	1,597
Increase (decrease) in prepaid taxes	(938)	1,617
Increase (decrease) in deferred revenue	55,809	(33,294)
Decrease (increase) in prepaid expenses	2,015	(2,001)
Cash provided by operating transactions	46,657	(26,709)
CAPITAL		
Purchases of tangible capital assets	(32,047)	-
INVESTING		
Decrease (increase) in investments	(3,911)	(391)
CHANGE IN CASH DURING YEAR	10,699	(27,100)
CASH, BEGINNING OF YEAR	317,215	344,315
CASH, END OF YEAR (Note 2)	\$ 327,914	\$ 317,215

**SUMMER VILLAGE OF MEWATHA BEACH
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2018**

SCHEDULE 1

	UNRESTRICTED SURPLUS	RESTRICTED SURPLUS	EQUITY IN TANGIBLE CAPITAL ASSETS	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 167,312	\$ 334,332	\$ 1,472,406	\$ 1,974,050	\$ 1,995,899
Excess (deficiency) of revenues over expenses	(54,970)	-	-	(54,970)	(21,849)
Restricted funds used for operations	35,598	(35,598)	-	-	-
Restricted funds used for tangible capital assets	-	(32,047)	32,047	-	-
Annual amortization expense	44,224	-	(44,224)	-	-
BALANCE, END OF YEAR	192,164	266,687	1,460,229	1,919,080	1,974,050

**SUMMER VILLAGE OF MEWATHA BEACH
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2018**

SCHEDULE 2

	LAND	BUILDING	ENGINEERED STRUCTURES	MACHINERY & EQUIPMENT	2018	2017
COST:						
Balance, beginning of year	\$ 1,118,100	\$ 9,581	\$ 617,657	\$ 39,134	\$ 1,784,472	\$ 1,784,472
Acquisition of tangible capital assets	-	\$ -	23,635	8,412	32,047	-
Balance, end of year	1,118,100	\$ 9,581	641,292	\$ 47,546	1,816,519	1,784,472
ACCUMULATED AMORTIZATION:						
Balance, beginning of year		5,786	283,205	23,075	312,066	269,839
Annual amortization	-	\$ 192	41,654	\$ 2,378	44,224	42,227
Balance, end of year	-	5,978	324,859	25,453	356,290	312,066
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,118,100	\$ 3,603	\$ 316,433	\$ 22,093	\$ 1,460,229	\$ 1,472,406

**SUMMER VILLAGE OF MEWATHA BEACH
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2018**

SCHEDULE 3

	BUDGET	2018	2017
TAXATION			
Real property taxes	\$ 261,236	\$ 261,236	\$ 254,349
Linear property taxes	1,346	1,346	1,280
	262,582	262,582	255,629
REQUISITION			
Alberta School Foundation Fund	134,716	134,716	130,067
Greater North Foundation	5,959	5,959	4,492
	140,675	140,675	134,559
NET MUNICIPAL TAXES	\$ 121,907	\$ 121,907	\$ 121,070

**SUMMER VILLAGE OF MEWATHA BEACH
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2018**

	SCHEDULE 4		
	BUDGET	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 9,904	\$ 9,904	\$ 7,519
TRANSFERS FOR CAPITAL			
Provincial government	-	-	33,294
TOTAL GOVERNMENT TRANSFERS	\$ 9,904	\$ 9,904	\$ 40,813

**CONSOLIDATED SCHEDULE OF EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2018**

	SCHEDULE 5		
	BUDGET	2018	2017
EXPENSES			
Contracted and general services	\$ 112,298	\$ 127,715	\$ 136,996
Amortization of tangible capital assets	-	44,224	42,227
Salaries wages and benefits	27,900	27,470	25,820
Materials goods and utilities	4,260	5,542	5,302
TOTAL EXPENDITURE	\$ 144,458	\$ 204,951	\$ 210,345

SUMMER VILLAGE OF MEWATHA BEACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Summer Village of Mewatha Beach are the representatives of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. 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 expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations of all of the organizations that are owned or controlled by 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 municipality reporting entity.

(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 the receipt of goods and 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 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.

(d) Investments

Investments are recorded at amortized cost.

(e) 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.

SUMMER VILLAGE OF MEWATHA BEACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) **Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as 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) **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.

(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:

Buildings	50 years
Engineered structures - roads	10-20 years
Machinery and equipment	5-10 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
Cash	\$ 324,677	\$ 313,998
Temporary investments	<u>3,237</u>	<u>3,217</u>
	<u>\$ 327,914</u>	<u>\$ 317,215</u>

Temporary investments are short-term deposits with original maturities of three months or less with interest rates of .55%. The cost of the temporary investment approximates the market value.

SUMMER VILLAGE OF MEWATHA BEACH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. TAXES RECEIVABLE

	2018	2017
Current taxes	\$ 11,042	\$ 16,701
Arrears	<u>5,540</u>	<u>3,110</u>
	<u>\$ 16,582</u>	<u>\$ 19,811</u>

4. INVESTMENTS

	2018		2017	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>
Short-term deposits	\$ <u>230,195</u>	\$ <u>230,195</u>	\$ <u>226,284</u>	\$ <u>226,284</u>

Short-term deposits have effective interest rates of 2.15% to 2.99% (2017 .55% to 1.80%) and mature in less than one year.

Included in investments are restricted amounts of \$116,034 (2017 - \$60,225) received from the Municipal Sustainability Initiative and Federal Gas Tax Fund and are held exclusively for approved projects (Note 5).

5. DEFERRED REVENUE

	2018	2017
Municipal Sustainability Grant - Capital	\$ 106,741	\$ 60,225
Federal Gas Tax Fund	<u>9,293</u>	<u>-</u>
	<u>\$ 116,034</u>	<u>\$ 60,225</u>

Funding in the amount of \$116,034 was received in the current and prior years from the Municipal Sustainability Initiative and the Federal Gas Tax Fund. This funding is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2019.

SUMMER VILLAGE OF MEWATHA BEACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 Mewatha Beach be disclosed as follows:

	2018	2017
Total debt limit	\$ 224,972	\$ 232,803
Total debt	<u>-</u>	<u>-</u>
Amount total debt limit unused	\$ <u>224,972</u>	<u>232,803</u>
Debt servicing limit	\$ 37,495	38,801
Debt servicing	<u>-</u>	<u>-</u>
Amount of debt servicing limit unused	\$ <u>37,495</u>	<u>38,801</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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	Net 2018	Net 2017
Tangible capital assets (Schedule 2)	\$ 1,816,519	\$ 1,784,472
Accumulated amortization (Schedule 2)	<u>(356,290)</u>	<u>(312,066)</u>
	\$ <u>1,460,229</u>	\$ <u>1,472,406</u>

8. ACCUMULATED SURPLUS

	2018	2017
Unrestricted surplus	\$ 192,164	\$ 167,312
Restricted surplus - Municipal Sustainability Initiative - Capital	266,687	334,332
Equity in tangible capital assets	<u>1,460,229</u>	<u>1,472,406</u>
	\$ <u>1,919,080</u>	\$ <u>1,974,050</u>

SUMMER VILLAGE OF MEWATHA BEACH

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

9. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	2018			2017
	Salary	Benefits Allowances	Total	Total
Councillors:				
Barry Walker	750	555	1,305	1,740
Dave Boychuk	2,000	803	2,803	2,366
Gerry Demers	600	825	1,425	1,650
Village Administrator	24,120	2,067	26,187	25,260

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including travel allowance

10. FINANCIAL INSTRUMENTS

The Summer Village's financial instruments consist of cash and temporary investments, investments, taxes and grants in place of taxes, accounts receivable, accounts payable and accrued liabilities, prepaid taxes and deferred revenue. It is management's opinion that the Summer Village is not exposed to significant interest or current risks arising from these financial instruments.

The Summer Village is subject to credit risk with respect to taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Summer Village provides services may experience financial difficulty and be unable to fulfill their obligations. The number and diversity of taxpayers and customers minimizes the credit risk.

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

11. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements. The budgeted figures have been presented for information purposes and are unaudited.