

**SUMMER VILLAGE OF WEST COVE**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2016**

**SUMMER VILLAGE OF WEST COVE**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

|  | Page    |
|--|---------|
| INDEPENDENT AUDITOR'S REPORT   | 1 - 2   |
| CONSOLIDATED FINANCIAL STATEMENTS  |         |
| Consolidated Statement of Financial Position                                       | 3       |
| Consolidated Statement of Operations   | 4       |
| Consolidated Statement of Changes in Net Financial Assets                          | 5       |
| Consolidated Statement of Cash Flows   | 6       |
| Consolidated Schedule of Property and Other Taxes ( <i>Schedule 1</i> )            | 7       |
| Consolidated Schedule of Government Transfers ( <i>Schedule 2</i> )                | 7       |
| Consolidated Schedule of Consolidated Expenditures by Object ( <i>Schedule 3</i> ) | 7       |
| Consolidated Schedule of Segmented Disclosure ( <i>Schedule 4</i> )                | 8       |
| Consolidated Schedule of Changes in Accumulated Surplus ( <i>Schedule 5</i> )      | 9       |
| Notes to Consolidated Financial Statements   | 10 - 18 |

---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of Council of Summer Village of West Cove

We have audited the accompanying consolidated financial statements of Summer Village of West Cove, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such, internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Summer Village of West Cove as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*(continues)*

Independent Auditor's Report to the Members of Council of Summer Village of West Cove *(continued)*

Other Matter

As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 12, that were applied to amend the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Edmonton, Alberta  
April 27, 2017

*Seniuk & Company*  
**Seniuk and Company**  
**Chartered Accountants**

**SUMMER VILLAGE OF WEST COVE**  
**Consolidated Statement of Financial Position**  
**December 31, 2016**

|   | 2016                | 2015<br><i>(Restated)</i> |
|---|---------------------|---------------------------|
| <b>FINANCIAL ASSETS</b>                                       |                     |                           |
| Cash <i>(Note 2)</i>  | \$ 376,943          | \$ 516,194                |
| Term deposits <i>(Note 2)</i>                                 | 224,422             | 100,000                   |
| Taxes receivable <i>(Notes 3, 12)</i>                         | 58,373              | 49,804                    |
| Grants and receivables from other governments <i>(Note 4)</i> | 9,406               | 15,608                    |
| Trade and other receivables                                   | 2,185               | 2,383                     |
|   | <b>\$ 671,329</b>   | <b>\$ 683,989</b>         |
| <b>LIABILITIES</b>  |                     |                           |
| Accounts payable  | \$ 24,831           | \$ 37,567                 |
| Deferred income <i>(Note 6)</i>                               | 282,466             | 183,503                   |
|   | <b>307,297</b>      | <b>221,070</b>            |
| <b>NET FINANCIAL ASSETS</b>                                   | <b>364,032</b>      | <b>462,919</b>            |
| <b>NON-FINANCIAL ASSETS</b>                                   |                     |                           |
| Tangible capital assets <i>(Note 5)</i>                       | 2,032,176           | 2,103,149                 |
| Prepaid expenses  | 837                 | 88                        |
|   | <b>2,033,013</b>    | <b>2,103,237</b>          |
| <b>ACCUMULATED SURPLUS</b> <i>(Note 12)</i>                   | <b>\$ 2,397,045</b> | <b>\$ 2,566,156</b>       |
| CONTINGENT LIABILITIES <i>(Note 13)</i>                       |                     |                           |

**On behalf of Council**

\_\_\_\_\_ *Councilor*

\_\_\_\_\_ *Councilor*

The accompanying notes form an integral part of these financial statements

**SUMMER VILLAGE OF WEST COVE**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2016**

|   | Budget<br>(Unaudited)<br>2016 | 2016                | (Restated)<br>2015  |
|---|-------------------------------|---------------------|---------------------|
| <b>REVENUE</b>                                      |                               |                     |                     |
| Net municipal taxes (Schedule 1)                    | \$ 274,645                    | \$ 274,177          | \$ 256,315          |
| User fees and sale of goods                         | 700                           | 1,319               | 2,824               |
| Government transfers for operating (Schedule 2)     | 16,390                        | 19,170              | 14,623              |
| Investment income                                   | 3,000                         | 1,521               | 2,622               |
| Penalties and costs of taxes                        | 10,100                        | 11,695              | 9,176               |
| Licenses and permits                                | 1,000                         | 3,398               | 2,960               |
| Other   | 300                           | 536                 | 1,036               |
| <b>Total revenue</b>                                | <b>306,135</b>                | <b>311,816</b>      | <b>289,556</b>      |
| <b>EXPENSES</b>                                     |                               |                     |                     |
| Administration and Legislative                      | 183,200                       | 209,638             | 144,302             |
| Fire service  | 11,315                        | 11,315              | 12,610              |
| Bylaw enforcement                                   | 10,000                        | 9,358               | 6,472               |
| Roads, streets, walks and lighting                  | 25,500                        | 25,001              | 19,649              |
| Wastewater treatment and disposal                   | 10,020                        | 11,612              | 20,866              |
| Waste management                                    | 39,000                        | 40,390              | 35,253              |
| Land use planning, zoning and development           | 24,000                        | 25,359              | 12,919              |
| Parks and recreation                                | 62,550                        | 76,761              | 42,166              |
| Libraries, museums and halls                        | 550                           | 520                 | 520                 |
| <b>Total operating expenses</b>                     | <b>366,135</b>                | <b>409,954</b>      | <b>294,757</b>      |
| <b>Excess of revenue over expenses before other</b> | <b>(60,000)</b>               | <b>(98,138)</b>     | <b>(5,201)</b>      |
| <b>OTHER INCOME (EXPENSES)</b>                      |                               |                     |                     |
| Government transfers for capital                    | -                             | -                   | 48,314              |
| Loss on disposal of assets                          | -                             | (12,229)            | -                   |
| Amortization  | -                             | (58,744)            | (59,218)            |
|   | -                             | (70,973)            | (10,904)            |
| <b>DEFICIENCY OF REVENUE OVER EXPENSES</b>          | <b>(60,000)</b>               | <b>(169,111)</b>    | <b>(16,105)</b>     |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>       | <b>-</b>                      | <b>2,566,156</b>    | <b>2,582,261</b>    |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>             | <b>\$ -</b>                   | <b>\$ 2,397,045</b> | <b>\$ 2,566,156</b> |

The accompanying notes form an integral part of these financial statements

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

|  | 2016                | 2015<br><i>(Restated)</i> |
|--|---------------------|---------------------------|
| <b>Deficiency of revenue over expenses</b> | <b>\$ (169,111)</b> | <b>\$ (16,105)</b>        |
| Acquisition of tangible capital assets     | -                   | (37,314)                  |
| Amortization of tangible capital assets    | <b>58,744</b>       | 59,218                    |
| (Gain) loss on disposal of assets          | <b>12,229</b>       | -                         |
| Use of prepaids                            | <b>(749)</b>        | <b>\$ (88)</b>            |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>   | <b>(98,887)</b>     | 5,711                     |
| Net financial assets, beginning of year    | <b>462,919</b>      | 463,295                   |
| Prior period adjustments <i>(Note 12)</i>  | -                   | (6,087)                   |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>   | <b>\$ 364,032</b>   | <b>\$ 462,919</b>         |

The accompanying notes form an integral part of these financial statements

**SUMMER VILLAGE OF WEST COVE**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2016**

|   | 2016              | 2015        |
|---|-------------------|-------------|
| <b>OPERATING ACTIVITIES</b>                   |                   |             |
| Deficiency of revenue over expenses           | \$ (169,111)      | \$ (16,105) |
| Items not affecting cash:                     |                   |             |
| Loss on disposal of assets                    | 12,229            | -           |
| Amortization                                  | 58,744            | 59,218      |
|   | <b>(98,138)</b>   | 43,113      |
| Changes in non-cash working capital:          |                   |             |
| Taxes receivable                              | (8,569)           | (14,989)    |
| Grants and receivables from other governments | 6,202             | 109,674     |
| Trade and other receivables                   | 198               | (8,470)     |
| Accounts payable                              | (12,737)          | (18,838)    |
| Deferred income                               | 98,963            | 46,883      |
| Prepaid expenses                              | (749)             | (88)        |
|   | <b>83,308</b>     | 114,172     |
| Cash flow from (used by) operating activities | <b>(14,830)</b>   | 157,285     |
| <b>INVESTING ACTIVITY</b>                     |                   |             |
| Purchase of capital assets                    | -                 | (37,314)    |
| <b>INCREASE (DECREASE) IN CASH FLOW</b>       | <b>(14,830)</b>   | 119,971     |
| Cash - beginning of year                      | 616,194           | 496,223     |
| <b>CASH - END OF YEAR (Note 2)</b>            | <b>\$ 601,364</b> | \$ 616,194  |

The accompanying notes form an integral part of these financial statements

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

|                              | Budget<br>(Unaudited)<br>2016 | Actual<br>2016 | Actual<br>2015 |
|------------------------------|-------------------------------|----------------|----------------|
| <b>TAXATION</b>              |                               |                |                |
| Real property tax            | \$ 408,656                    | \$ 408,188     | \$ 396,523     |
| Linear property taxes        | 1,540                         | 1,540          | 705            |
|                              | 410,196                       | 409,728        | 397,228        |
| <b>REQUISITIONS</b>          |                               |                |                |
| Alberta School Foundation    | 124,952                       | 124,952        | 129,280        |
| Seniors' housing requisition | 10,599                        | 10,599         | 11,633         |
|                              | 135,551                       | 135,551        | 140,913        |
| <b>NET MUNICIPAL TAXES</b>   | \$ 274,645                    | \$ 274,177     | \$ 256,315     |

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

|                                   | Budget<br>(Unaudited)<br>2016 | Actual<br>2016 | Actual<br>2015 |
|-----------------------------------|-------------------------------|----------------|----------------|
| <b>TRANSFERS FOR OPERATING</b>    |                               |                |                |
| Provincial Government             | \$ 16,390                     | \$ 19,170      | \$ 14,623      |
|                                   | 16,390                        | 19,170         | 14,623         |
| <b>TRANSFERS FOR CAPITAL</b>      |                               |                |                |
| Provincial Government             | -                             | -              | 48,314         |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | \$ 16,390                     | \$ 19,170      | \$ 62,937      |

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

|  | Budget<br>(Unaudited)<br>2016 | Actual<br>2016 | Actual<br>2015 |
|--|-------------------------------|----------------|----------------|
| <b>EXPENSES</b>                                  |                               |                |                |
| Salaries, wages & benefits                       | \$ 10,000                     | \$ 12,151      | \$ 6,151       |
| Contracted and general services                  | 340,485                       | 385,133        | 271,588        |
| Materials, goods and utilities                   | 14,100                        | 12,150         | 16,498         |
| Transfer to local boards and agencies            | 550                           | 520            | 520            |
| <b>Total Consolidated Expenditures by Object</b> | \$ 365,135                    | \$ 409,954     | \$ 294,757     |

The accompanying notes form an integral part of these financial statements

**SUMMER VILLAGE OF WEST COVE**

**Consolidated Schedule of Segmented Disclosure  
Year Ended December 31, 2016**

*(Schedule 4)*

|                                      | General<br>Government | Protective<br>Services | Transportation<br>Services | Planning &<br>Development | Recreation &<br>Culture | Environmental<br>Services | Other    | <b>2016</b>  |
|--------------------------------------|-----------------------|------------------------|----------------------------|---------------------------|-------------------------|---------------------------|----------|--------------|
| <b>TRADE SALES</b>                   |                       |                        |                            |                           |                         |                           |          |              |
| Net municipal taxes                  | \$ 274,177            | \$ -                   | \$ -                       | \$ -                      | \$ -                    | \$ -                      | \$ -     | \$ 274,177   |
| Government transfers                 | 8,797                 | -                      | -                          | -                         | -                       | -                         | 5,873    | 14,670       |
| User fees and sales of goods         | 285                   | -                      | -                          | -                         | -                       | -                         | -        | 285          |
| Investment income                    | 1,518                 | -                      | -                          | -                         | -                       | -                         | -        | 1,518        |
| Other revenues                       | 12,231                | -                      | -                          | 4,431                     | 4,500                   | -                         | -        | 21,162       |
|                                      | 297,008               | -                      | -                          | 4,431                     | 4,500                   | -                         | 5,873    | 311,812      |
| <b>EXPENSES</b>                      |                       |                        |                            |                           |                         |                           |          |              |
| Contract & general services          | 196,614               | 20,673                 | 15,519                     | 25,359                    | 75,557                  | 51,409                    | -        | 385,131      |
| Salaries & wages                     | 12,150                | -                      | -                          | -                         | -                       | -                         | -        | 12,150       |
| Materials, goods & utilities         | 870                   | -                      | 9,482                      | -                         | 1,204                   | 594                       | -        | 12,150       |
| Transfers to local boards            | -                     | -                      | -                          | -                         | 520                     | -                         | -        | 520          |
|                                      | 209,634               | 20,673                 | 25,001                     | 25,359                    | 77,281                  | 52,003                    | -        | 409,951      |
| <b>GROSS PROFIT</b>                  | 87,374                | (20,673)               | (25,001)                   | (20,928)                  | (72,781)                | (52,003)                  | 5,873    | (98,139)     |
| <b>OTHER EXPENSE</b>                 |                       |                        |                            |                           |                         |                           |          |              |
| Amortization                         | -                     | -                      | (46,777)                   | -                         | (3,087)                 | (8,879)                   | -        | (58,743)     |
| Loss on disposal of assets           | -                     | -                      | (12,229)                   | -                         | -                       | -                         | -        | (12,229)     |
|                                      | -                     | -                      | (59,006)                   | -                         | (3,087)                 | (8,879)                   | -        | (70,972)     |
| <b>INCOME (LOSS) FROM OPERATIONS</b> | \$ 87,374             | \$ (20,673)            | \$ (84,007)                | \$ (20,928)               | \$ (75,868)             | \$ (60,882)               | \$ 5,873 | \$ (169,111) |

The accompanying notes form an integral part of these financial statements

**SUMMER VILLAGE OF WEST COVE**

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

*(Schedule 5)*

|  | Unrestricted<br>Surplus | Operating<br>Reserve | Capital<br>Reserves | Equity in<br>Tangible<br>Capital Assets | <b>Total</b>        | Total<br>(Restated) |
|--|-------------------------|----------------------|---------------------|---|---------------------|---------------------|
|  | 2016                    | 2016                 | 2016                | 2016                                    | <b>2016</b>         | 2015                |
| <b>BALANCE, BEGINNING OF YEAR</b>                | \$ 406,007              | \$ 12,000            | \$ 45,000           | \$ 2,103,149                            | \$ <b>2,566,156</b> | \$ 2,582,261        |
| Excess (deficiency) of revenues<br>over expenses | (169,111)               | -                    | -                   | -                                       | <b>(169,111)</b>    | (16,105)            |
| Annual amortization expense                      | 58,744                  | -                    | -                   | (58,744)                                | -                   | -                   |
| Loss on disposal of assets                       | 12,229                  | -                    | -                   | (12,229)                                | -                   | -                   |
|  | (98,138)                | -                    | -                   | (70,973)                                | <b>(169,111)</b>    | (16,105)            |
| <b>BALANCE, END OF YEAR</b>                      | \$ 307,869              | \$ 12,000            | \$ 45,000           | \$ 2,032,176                            | \$ <b>2,397,045</b> | \$ 2,566,156        |

The accompanying notes form an integral part of these financial statements

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Summer Village of West Cove 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 Chartered Professional Accountants of Canada. 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 West Cove (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.

*(continues)*

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

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

Tax Revenue

Annually, the Summer Village bills and collects property tax revenues for municipal purposes. Tax revenues are based on assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by Summer Village Council in accordance with legislation and Summer Village Council approved policies to raise the tax revenue required to meet the Summer Village's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Schedule of Property and Other Taxes.

The Summer Village also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Schedule of Property and Other Taxes (Schedule 1).

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt less actuarial requirements for the retirement of any sinking fund debentures.

*(continues)*

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

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

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Contaminated Sites Liability

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

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction are not expected to be repaid in the future or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be determined.

Non-Financial Assets

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

*(continues)*

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

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

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

|                                      |          |
|--------------------------------------|----------|
| Land improvements                    | 15 Years |
| Engineered structure - Paved roads   | 20 Years |
| Buildings                            | 50 Years |
| Machinery and equipment              | 10 Years |
| Computer software                    | 3 Years  |
| Furniture and fixtures               | 5 Years  |
| Engineered structures - Gravel roads | 25 Years |
| Engineered structures - Water system | 45 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.

Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

2. CASH AND TEMPORARY INVESTMENTS

|                                | <b>2016</b>       | 2015       |
|--------------------------------|-------------------|------------|
| Cash and temporary investments | <b>\$ 101,364</b> | \$ 350,806 |
| Temporary investments          | <b>224,422</b>    | 100,000    |
| Restricted cash                | <b>275,578</b>    | 165,388    |
|                                | <b>\$ 601,364</b> | \$ 616,194 |

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

Included in cash as indicated above are restricted amounts received from the Municipal Grants which are held exclusively for specific purposes (Note 6). Tax sale recovery amounts of \$4,657 held in trust are excluded from the financial statements.

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

3. TAXES RECEIVABLES

Taxes receivable are comprised of:

|  | <b>2016</b>      | 2015 - (restated) |
|--|------------------|-------------------|
| Current taxes and grants in place of taxes | \$ 25,389        | \$ 18,796         |
| Arrears taxes and grants in place of taxes | 32,984           | 31,008            |
|  | <b>\$ 58,373</b> | <b>\$ 49,804</b>  |

See note 12 for details on the restatement of prior year taxes receivable.

4. GRANTS AND RECEIVABLE FROM OTHER GOVERNMENTS

Grants and other government receivables are comprised of:

|   | <b>2016</b>     | 2015             |
|---|-----------------|------------------|
| Municipal Sustainability Initiative - Operating | \$ -            | \$ 10,237        |
| Goods and Services Tax refundable               | 9,406           | 5,371            |
|   | <b>\$ 9,406</b> | <b>\$ 15,608</b> |

5. TANGIBLE CAPITAL ASSETS

|                         | Cost                | Accumulated<br>amortization | <b>2016<br/>Net book<br/>value</b> | 2015<br>Net book<br>value |
|-------------------------|---------------------|-----------------------------|------------------------------------|---------------------------|
| Land                    | \$ 1,030,271        | \$ -                        | \$ 1,030,271                       | \$ 1,030,271              |
| Land improvements       | 52,096              | 34,842                      | 17,254                             | 20,727                    |
| Buildings               | 220,947             | 41,293                      | 179,654                            | 184,073                   |
| Machinery and equipment | 42,660              | 34,164                      | 8,496                              | 10,384                    |
| Computer software       | 5,000               | 5,000                       | -                                  | -                         |
| Furniture and fixtures  | 8,306               | 8,306                       | -                                  | 12,229                    |
| Engineered structures   | 2,550,728           | 1,754,227                   | 796,501                            | 845,465                   |
|                         | <b>\$ 3,910,008</b> | <b>\$ 1,877,832</b>         | <b>\$ 2,032,176</b>                | <b>\$ 2,103,149</b>       |

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.

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

6. DEFERRED REVENUE

Deferred revenue is comprised of:

|   | <b>2016</b>       | 2015       |
|---|-------------------|------------|
| Federal Gas Tax Fund                          | \$ <b>16,920</b>  | \$ 16,782  |
| Municipal Sustainability Initiative - Capital | <b>258,658</b>    | 157,514    |
| Other grants                                  | -                 | 329        |
| Subtotal                                      | <b>275,578</b>    | 174,625    |
| Prepaid property taxes                        | <b>6,888</b>      | 8,878      |
|   | <b>\$ 282,466</b> | \$ 183,503 |

**Federal Gas Tax Fund**

Funding from the Federal Gas Tax Fund and is restricted to eligible capital projects as approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

**Municipal Sustainability Initiative - Capital**

The Municipal Sustainability Initiative - Capital is restricted to eligible capital projects as approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Summer Village of West Cove be disclosed as follows:

|                                       | <b>2016</b>       | 2015       |
|---------------------------------------|-------------------|------------|
| Total debt limit                      | \$ <b>467,724</b> | \$ 434,334 |
| Amount of debt limit unused           | <b>467,724</b>    | 434,334    |
| Debt servicing limit                  | <b>77,954</b>     | 72,389     |
| Amount of debt servicing limit unused | <b>\$ 77,954</b>  | \$ 72,389  |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk, if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

8. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

|                                   | 2016                | 2015                |
|-----------------------------------|---------------------|---------------------|
| Tangible capital assets (Note 5)  | \$ 3,910,008        | \$ 3,922,238        |
| Accumulated amortization (Note 5) | (1,877,832)         | (1,819,089)         |
|                                   | <b>\$ 2,032,176</b> | <b>\$ 2,103,149</b> |

9. SEGMENTED DISCLOSURE

The Summer Village of West Cove 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:

|                              |                  |                           | 2016             | 2015             |
|------------------------------|------------------|---------------------------|------------------|------------------|
|                              | Salary (1)       | Benefits & allowances (2) | Total            | Total            |
| D. Breton - Councilor        | \$ 3,000         | \$ -                      | \$ 3,000         | \$ 2,025         |
| L. St. Amand - Councilor     | 4,650            | -                         | 4,650            | 1,050            |
| R. Giesbrecht - Councilor    | 4,500            | -                         | 4,500            | 1,875            |
| L. Worden - Councilor        | -                | -                         | -                | 525              |
| D. Henderson - Councilor     | -                | -                         | -                | 675              |
| Chief Administrative Officer | 60,000           | -                         | 60,000           | 61,053           |
|                              | <b>\$ 72,150</b> | <b>\$ -</b>               | <b>\$ 72,150</b> | <b>\$ 67,203</b> |

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. The Chief Administrative Officer is paid via contracted services.

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 WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

11. FINANCIAL INSTRUMENTS

The Summer Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy and long term debt.

It is management's opinion that the summer village is not exposed to significant interest or currency risks arising from these financial instruments.

Credit risk

Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services may experience financial difficulty and be unable to fulfil their obligations. The municipality is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. The large number and diversity of taxpayers and customers minimizes the credit risk.

Fair value

The summer village's carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the summer village for debt with similar terms.

12. PRIOR PERIOD ADJUSTMENTS

In the course of our audit accounting errors were discovered. The effects of the Summer Village's restatement on previously reported financial statements for the period ended December 31, 2015 are summarized below:

a) Taxes Receivables

In the statement of financial position taxes receivables were overstated by \$6,087 related to errors in the taxes receivables listing in prior years. The previously reported amount of \$55,891 was adjusted and restated to \$49,804.

The net of these adjustments resulted in the previously reported accumulated surplus amount of \$2,572,243 to be adjusted and restated to \$2,566,156.

13. CONTINGENT LIABILITIES

The municipality is a member of the MUNIX Reciprocal Insurance Exchange. 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.

14. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

15. COMPARATIVE FIGURES

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

**SUMMER VILLAGE OF WEST COVE**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2016**

---

16. BUDGET AMOUNTS

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