

SUMMER VILLAGE OF HORSESHOE BAY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Summer Village of Horseshoe Bay, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flows and schedules 1 to 6 for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Summer Village of Horseshoe Bay as at December 31, 2017, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

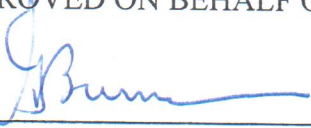
ST. PAUL, ALBERTA
April 21, 2018

JMD Group LLP
CHARTERED ACCOUNTANTS


**SUMMER VILLAGE OF HORSESHOE BAY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Financial assets		
Cash	\$ 422,327	\$ 311,714
Taxes and grants in place of taxes receivable (note 2)	1,917	1,941
Receivable from other governments	3,819	22,950
Trade and other receivables	--	3
Long-term investment (note 3)	<u>976</u>	<u>943</u>
	<u>429,039</u>	<u>337,551</u>
Liabilities		
Accounts payable and accrued liabilities	5,255	5,159
Due to other governments	1,420	900
Deferred revenue (note 4)	<u>172,576</u>	<u>94,096</u>
	<u>179,251</u>	<u>100,155</u>
Net financial assets	<u>249,788</u>	<u>237,396</u>
Non-financial assets		
Tangible capital assets (schedule 2)	860,420	891,058
Prepaid expenses	<u>2,641</u>	<u>2,520</u>
	<u>863,061</u>	<u>893,578</u>
Accumulated surplus (note 7)	\$ <u>1,112,849</u>	\$ <u>1,130,974</u>
Contingencies (note 11)		

APPROVED ON BEHALF OF THE SUMMER VILLAGE OF HORSESHOE BAY:



Mayor



Administrator

**SUMMER VILLAGE OF HORSESHOE BAY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 67,860	\$ 67,860	\$ 64,657
Sales and user fees	700	255	725
Government transfers for operating (schedule 4)	5,430	19,116	116,025
Investment income	1,100	1,231	1,059
Penalties and costs of taxes	1,000	1,060	1,207
Licenses and permits	700	200	650
Other	<u>2,210</u>	<u>10,968</u>	<u>898</u>
	<u>79,000</u>	<u>100,690</u>	<u>185,221</u>
Expenses			
Legislative	7,600	6,837	5,031
Administration	31,400	30,348	29,125
Protective services	8,000	14,856	115,980
Roads, streets, walks, lighting	50,000	52,621	49,404
Waste management	13,000	13,388	12,451
Planning and development	1,000	--	--
Recreation and culture	<u>19,000</u>	<u>17,598</u>	<u>21,013</u>
	<u>130,000</u>	<u>135,648</u>	<u>233,004</u>
Deficiency of revenues over expenses before other	(51,000)	(34,958)	(47,783)
Other			
Government transfers for capital (schedule 4)	<u>165,500</u>	<u>16,833</u>	<u>9,569</u>
Excess (deficiency) of revenues over expenses	114,500	(18,125)	(38,214)
Accumulated surplus, beginning of year	<u>1,130,974</u>	<u>1,130,974</u>	<u>1,169,188</u>
Accumulated surplus, end of year	\$ <u>1,245,474</u>	\$ <u>1,112,849</u>	\$ <u>1,130,974</u>

**SUMMER VILLAGE OF HORSESHOE BAY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budget</u> (unaudited)	<u>2017</u>	<u>2016</u>
Excess (deficiency) of revenues over expenses	\$ <u>114,500</u>	\$ <u>(18,125)</u>	\$ <u>(38,214)</u>
Acquisition of tangible capital assets	(160,000)	(15,650)	--
Loss on disposal of tangible capital assets	--	--	740
Amortization of tangible capital assets	<u>46,000</u>	<u>46,288</u>	<u>47,858</u>
	<u>(114,000)</u>	<u>30,638</u>	<u>48,598</u>
Use of prepaid expenses	<u>--</u>	<u>(121)</u>	<u>(48)</u>
Increase in net financial assets	500	12,392	10,336
Net financial assets, beginning of year	<u>237,396</u>	<u>237,396</u>	<u>227,060</u>
Net financial assets, end of year	\$ <u>237,896</u>	\$ <u>249,788</u>	\$ <u>237,396</u>

**SUMMER VILLAGE OF HORSESHOE BAY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017</u>	<u>2016</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Deficiency of revenues over expenses	\$ (18,125)	\$ (38,214)
Non-cash items included		
Amortization of tangible capital assets	46,288	47,858
Loss on disposal of tangible capital assets	--	740
Non-cash charges to operations (net change)		
Decrease (increase) in		
Taxes and grants in place receivable	24	1,777
Receivables from other governments	19,131	(15,352)
Trade and other receivables	3	(3)
Prepaid expenses	(121)	(48)
Increase (decrease) in		
Accounts payable and accrued liabilities	96	338
Due to other governments	520	900
Deferred revenue	<u>78,480</u>	<u>65,598</u>
	<u>126,296</u>	<u>63,594</u>
Capital		
Acquisition of tangible capital assets	<u>(15,650)</u>	<u>--</u>
Investing		
Increase in long-term investment	<u>(33)</u>	<u>(32)</u>
Change in cash during the year	110,613	63,562
Cash, beginning of year	<u>311,714</u>	<u>248,152</u>
Cash, end of year	\$ <u>422,327</u>	\$ <u>311,714</u>

**SUMMER VILLAGE OF HORSESHOE BAY
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted Surplus	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ <u>239,916</u>	\$ <u>891,058</u>	\$ <u>1,130,974</u>	\$ <u>1,169,188</u>
Deficiency of revenues over expenses	(18,125)	--	(18,125)	(38,214)
Funds used for tangible capital assets	(15,650)	15,650	--	--
Annual amortization expense	<u>46,288</u>	<u>(46,288)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>12,513</u>	<u>(30,638)</u>	<u>(18,125)</u>	<u>(38,214)</u>
Balance, end of year	\$ <u>252,429</u>	\$ <u>860,420</u>	\$ <u>1,112,849</u>	\$ <u>1,130,974</u>

**SUMMER VILLAGE OF HORSESHOE BAY
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Cost	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 156,573	\$ 59,344	\$ 103,578	\$ 1,168,767	\$ 1,488,262	\$ 1,490,362
Acquisition of tangible capital assets	--	15,650	--	--	15,650	--
Disposal of tangible capital assets	--	--	--	--	--	<u>(2,100)</u>
Balance, end of year	<u>156,573</u>	<u>74,994</u>	<u>103,578</u>	<u>1,168,767</u>	<u>1,503,912</u>	<u>1,488,262</u>
Accumulated amortization						
Balance, beginning of year	--	27,463	25,243	544,498	597,204	550,706
Annual amortization	--	2,536	2,341	41,411	46,288	47,858
Accumulated amortization on disposals	--	--	--	--	--	<u>(1,360)</u>
Balance, end of year	<u>--</u>	<u>29,999</u>	<u>27,584</u>	<u>585,909</u>	<u>643,492</u>	<u>597,204</u>
Net book value of tangible capital assets	<u>\$ 156,573</u>	<u>\$ 44,995</u>	<u>\$ 75,994</u>	<u>\$ 582,858</u>	<u>\$ 860,420</u>	<u>\$ 891,058</u>
2016 Net book value of tangible capital assets	<u>\$ 156,573</u>	<u>\$ 31,881</u>	<u>\$ 78,335</u>	<u>\$ 624,269</u>	<u>\$ 891,058</u>	

**SUMMER VILLAGE OF HORSESHOE BAY
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2017**

Taxation	Budget (unaudited)	<u>2017</u>	<u>2016</u>
Residential land and improvements	\$ 107,029	\$ 107,029	\$ 102,696
Commercial property	<u>1,176</u>	<u>1,176</u>	<u>1,198</u>
	108,205	108,205	103,894
Requisitions			
Alberta School Foundation	<u>40,345</u>	<u>40,345</u>	<u>39,237</u>
Net taxes for general municipal operations	\$ <u>67,860</u>	\$ <u>67,860</u>	\$ <u>64,657</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Provincial	\$ 5,430	\$ 14,719	\$ 60,628
Other local governments	<u>--</u>	<u>4,397</u>	<u>55,397</u>
	5,430	19,116	116,025
Transfers for capital			
Provincial	<u>165,500</u>	<u>16,833</u>	<u>9,569</u>
Total government transfers	\$ <u>170,930</u>	\$ <u>35,949</u>	\$ <u>125,594</u>

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 3,375	\$ 3,875	\$ 3,375
Contracted and general services	47,525	45,863	56,632
Purchases from other governments	20,200	19,790	18,113
Materials, goods, supplies and utilities	12,900	19,832	106,286
Amortization of tangible capital assets	46,000	46,288	47,858
Loss on disposal	<u>--</u>	<u>--</u>	<u>740</u>
Total expenses	\$ <u>130,000</u>	\$ <u>135,648</u>	\$ <u>233,004</u>

**SUMMER VILLAGE OF HORSESHOE BAY
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Recreation and Culture</u>	<u>Environmental Services</u>	<u>Total</u>
Revenue						
Net municipal taxes	\$ 67,860	\$ --	\$ --	\$ --	\$ --	\$ 67,860
Government transfers	1,767	11,759	5,590	16,833	--	35,949
User fees and sales of goods	255	--	--	--	--	255
Investment income	1,231	--	--	--	--	1,231
Other revenues	<u>9,434</u>	<u>--</u>	<u>--</u>	<u>2,794</u>	<u>--</u>	<u>12,228</u>
	<u>80,547</u>	<u>11,759</u>	<u>5,590</u>	<u>19,627</u>	<u>--</u>	<u>117,523</u>
Expenses						
Contract and general services	31,969	4,708	10,899	5,972	12,105	65,653
Salaries and wages	3,750	125	--	--	--	3,875
Goods and supplies	<u>1,466</u>	<u>10,023</u>	<u>311</u>	<u>7,468</u>	<u>564</u>	<u>19,832</u>
	<u>37,185</u>	<u>14,856</u>	<u>11,210</u>	<u>13,440</u>	<u>12,669</u>	<u>89,360</u>
Net revenue before amortization	43,362	(3,097)	(5,620)	6,187	(12,669)	28,163
Amortization expense	<u>--</u>	<u>--</u>	<u>(41,411)</u>	<u>(4,158)</u>	<u>(719)</u>	<u>(46,288)</u>
Net revenue	<u>\$ 43,362</u>	<u>\$ (3,097)</u>	<u>\$ (47,031)</u>	<u>\$ 2,029</u>	<u>\$ (13,388)</u>	<u>\$ (18,125)</u>

**SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Significant Accounting Policies

The consolidated financial statements of the Summer Village of Horseshoe Bay are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the summer village are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the summer village and are, therefore, accountable to the summer village Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of Estimates

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

(d) Cash

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

**SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Significant Accounting Policies (continued)

(e) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(f) Tax Revenue

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

(g) Requisition Over-levy and Under-levy

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

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

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

(h) Government Transfers

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

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

(i) Contaminated Sites Liability

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

**SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Significant Accounting Policies (continued)

(j) Non-Financial Assets

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

(i) Tangible Capital Assets

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

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

One half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

2. Taxes and Grants in Place of Taxes Receivable

	<u>2017</u>	<u>2016</u>
Taxes receivable		
Current	\$ 566	\$ 1,345
Arrears	1,351	596
	\$ 1,917	\$ 1,941

3. Long-Term Investment

	<u>2017</u>	<u>2016</u>
Servus Credit Union shares	\$ 976	\$ 943

**SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. Deferred Revenue	<u>2017</u>	<u>2016</u>
ACP – Inter-municipal Collaboration	\$ 139,237	\$ 74,182
Municipal sustainability initiative - capital	--	16,770
County of St. Paul share of collaboration project	30,779	--
Recreation fund	<u>2,560</u>	<u>3,144</u>
	<u>\$ 172,576</u>	<u>\$ 94,096</u>

Funding from various grant programs and other sources in the amount of \$172,576 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or by the contributors.

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

5. Debt Limits

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

	<u>2017</u>	<u>2016</u>
Total debt limit, being total debt limit remaining	\$ <u>129,392</u>	\$ <u>110,801</u>
Debt servicing limit, being debt servicing limit remaining	\$ <u>21,565</u>	\$ <u>18,467</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.

6. Equity in Tangible Capital Assets

	<u>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	\$ 1,503,912	\$ 1,488,262
Accumulated amortization (Schedule 2)	<u>(643,492)</u>	<u>(597,204)</u>
	<u>\$ 860,420</u>	<u>\$ 891,058</u>

**SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

7. Accumulated Surplus

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 252,429	\$ 239,916
Equity in tangible capital assets (note 6)	<u>860,420</u>	<u>891,058</u>
	<u>\$ 1,112,849</u>	<u>\$ 1,130,974</u>

8. Segmented Disclosure

The Summer Village of Horseshoe Bay provides a range of services to its ratepayers. For each segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6).

9. Salary and Benefits Disclosure

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

	2017			<u>2016</u>
	Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	Total	Total
Mayor – Gary Burns	\$ 1,625	\$ 663	\$ 2,288	\$ 2,300
Deputy mayor – Eli Gushaty	1,000	400	1,400	1,245
Councillor – Victor Staudzs	625	--	625	1,000
Councillor – Dave Amyotte	<u>625</u>	<u>239</u>	<u>864</u>	<u>--</u>
	<u>\$ 3,875</u>	<u>\$ 1,302</u>	<u>\$ 5,177</u>	<u>\$ 4,545</u>
CAO – Briscoe	<u>\$ 16,385</u>	<u>\$ --</u>	<u>\$ 16,385</u>	<u>\$ 14,945</u>

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

⁽²⁾ Benefits and allowances include travel reimbursements.

SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

10. Operating loan

The Summer Village of Horseshoe Bay has a prime plus 1% authorized operating line with a \$30,000 limit with Servus Credit Union. No balance was outstanding at December 31, 2017.

11. Contingencies

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

12. Financial Instruments

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

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

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

13. Contaminated Sites Liability

The summer village has adopted PS3260 Liability for Contaminated Sites. The summer village did not identify any financial liabilities in 2017 (2016 – nil) as a result of this standard.

14. Approval of Financial Statements

Council and Management have approved these financial statements.

**SUMMER VILLAGE OF HORSESHOE BAY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

15. Budget Amounts

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

16. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAB Section 1201, Financial Statement Presentation

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

PSAB Section 2601, Foreign Currency Transaction

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

PSAB Section 3041, Portfolio Investments

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

PSAB Section 3280, Asset Retirement Obligations

This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.

PSAB Section 3450, Financial Instruments

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