

Improvement District No. 4

Financial Statements

December 31, 2011



Independent Auditor's Report

To the Minister of Municipal Affairs and the Advisory Council for Improvement District No. 4

Report on the Financial Statements

I have audited the accompanying financial statements of Improvement District No. 4, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Improvement District No. 4 as at December 31, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saher, FCA

Auditor General

May 31, 2012

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF FINANCIAL POSITION
As at December 31, 2011

	<u>2011</u>	<u>2010</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 112,920	\$ 319,788
Taxes receivable (Note 4)	10,639	17,734
Investment (Note 5)	10	10
	123,569	337,532
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	50,181	121,311
Deferred revenue (Note 8)	23,687	163,477
	73,868	284,788
NET FINANCIAL ASSETS	49,701	52,744
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	772,013	841,025
	772,013	841,025
ACCUMULATED SURPLUS (Note 9)	\$ 821,714	\$ 893,769

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF OPERATIONS
For the year ended December 31, 2011

	2011		2010
	Budget (Note 14)	Actual	Actual
Revenue			
Taxation (Note 11):			
Real property	\$ 369,350	\$ 367,964	\$ 372,120
Power and pipeline	3,036	3,036	3,294
Federal grants in place of taxes	106,653	106,653	103,073
Penalties and costs	2,600	3,029	8,521
	<u>481,639</u>	<u>480,682</u>	<u>487,008</u>
Payment of requisitions:			
Alberta School Foundation Fund	(284,766)	(284,766)	(284,787)
General municipal	196,873	195,916	202,221
Provincial grants	728,653	526,592	260,157
Federal grants	-	-	113,029
Bank interest	500	496	583
Other	100	175	8,822
Excess of revenue over amounts expended by transfers	<u>926,126</u>	<u>723,179</u>	<u>584,812</u>
Expenditure			
Administration	43,290	45,166	38,402
Contracted and general services	63,000	52,913	58,820
Recreation and cultural services	793,884	565,385	130,675
Assessment fees	11,000	7,623	7,216
Honoraria	11,000	9,550	10,200
Insurance	700	259	-
Amortization	-	114,338	108,355
Total expenditure (Note 12)	<u>922,874</u>	<u>795,234</u>	<u>353,668</u>
Excess (Deficiency) of revenue over expenditure	<u>\$ 3,252</u>	(72,055)	231,144
Accumulated surplus, beginning of year		<u>893,769</u>	<u>662,625</u>
Accumulated surplus, end of year		<u>\$ 821,714</u>	<u>\$ 893,769</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2011

	2011		2010
	Budget (Note 14)	Actual	Actual
Excess (Deficiency) of revenue over expenditure	\$ 3,252	\$ (72,055)	\$ 231,144
Acquisition of tangible capital assets	-	(45,326)	(385,890)
Amortization of tangible capital assets	-	114,338	108,355
	<u>-</u>	<u>69,012</u>	<u>(277,535)</u>
Use of prepaid assets	-	-	47,683
	<u>-</u>	<u>-</u>	<u>47,683</u>
(Decrease) Increase in Net Financial Assets	3,252	(3,043)	1,292
Net Financial Assets, beginning of year	<u>52,744</u>	<u>52,744</u>	<u>51,452</u>
Net Financial Assets, end of year	<u><u>\$ 55,996</u></u>	<u><u>\$ 49,701</u></u>	<u><u>\$ 52,744</u></u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF CASH FLOW
For the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
Operating transactions:		
(Deficiency) Excess of revenue over expenditure	\$ (72,055)	\$ 231,144
Non-cash items included in operating transactions:		
Amortization	114,338	108,355
	<u>42,283</u>	<u>339,499</u>
Changes in working capital:		
Decrease (Increase) in taxes receivable	7,095	(9,832)
Decrease in accounts receivable	-	71,091
Decrease in prepaid expenses	-	47,683
(Decrease) Increase in accounts payable and accrued liabilities	(71,130)	40,555
(Decrease) in deferred revenue	(139,790)	(523)
Cash (applied to) provided by operating transactions	<u>(161,542)</u>	<u>488,473</u>
Capital transactions:		
Acquisition of tangible capital assets	(45,326)	(385,890)
Cash applied to capital transactions	<u>(45,326)</u>	<u>(385,890)</u>
(Decrease) Increase in cash	(206,868)	102,583
Cash at beginning of year	<u>319,788</u>	<u>217,205</u>
Cash at end of year	<u><u>\$ 112,920</u></u>	<u><u>\$ 319,788</u></u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2011

Note 1 Authority

Improvement District No. 4 is administered by the Ministry of Municipal Affairs and operates under the authority of the *Municipal Government Act*, Chapter M-26, Revised Statutes of Alberta 2000.

Note 2 Significant Accounting Policies

These financial statements reflect the financial position, results of operations, net financial assets and cash flow of Improvement District No. 4 as at and for the year ended December 31, 2011 and have been prepared in accordance with Canadian Public Sector Accounting Standards.

Capital Assets

Capital assets are recorded at cost, net of capital asset disposals, write-downs and amortization. Capital assets having an original cost greater than \$2,500 are shown on the statement of financial position at net book value.

Capital assets are amortized on a straight-line basis at the following annual rates:

Land improvements	10.0%
Software	33.3%

Reserves

Capital Reserves

Capital reserves are established for the funding of any expenditure, as authorized by the Minister of Municipal Affairs ("Minister"). Transfers from capital reserves are made, as authorized by the Minister, to fund specific capital expenditures and/or specific operating expenditures of the current year. Operating expenditures financed from capital reserves are normally of a construction or development nature.

Note 2 Significant Accounting Policies (continued)

Operating Reserves

Operating reserves are established for:

- Revenue designated for specific purposes as required by legislation.
- Funding of operating expenditures as authorized by the Minister.

Unexpended revenue collected in the current year for a specific purpose is transferred from accumulated excess of revenue over expenditure to operating reserves. Also, general appropriations of accumulated excess of revenue over expenditure are made which are not necessarily identifiable with specific future operating expenditures. All general appropriations are approved by the Minister.

Funds are transferred from operating reserves to accumulated excess of revenue over expenditure to match expenditures incurred in the current year for a specific purpose for which the revenue was previously raised. Also, transfers from the general operating reserve are made, as authorized by the Minister, to fund specific operating expenditures of the current year.

Revenue Recognition

Unspent grant proceeds and related interest revenue are deferred. Revenue is recognized when projects have been approved and the matching expenditures are incurred.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term securities with a maximum term to maturity of three years. Due to the short-term nature of investments, carrying value approximates fair value.

Note 4 Taxes Receivable

	2011		2010	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	10,639	-	10,639	17,734

Note 5 Investment

The investment consists of one Class B share at a par value of \$10 in the Alberta Capital Finance Authority ("ACFA"). The share entitles the Improvement District to vote in the selection of one director to the Corporation's Board.

ACFA is authorized to issue 1,000 Class B shares at a par value of \$10 only to municipalities (defined as including municipal districts, counties, improvement districts and special areas) and to approved hospitals, hospital districts and regional health authorities.

ACFA is a provincial corporation and acts only as an agent of the Alberta crown. It assists municipal jurisdictions within the province to obtain capital funds at the lowest possible cost through access to capital markets which would not be available to them on an independent basis.

Note 6 Tangible Capital Assets

	2011				2010
	Software 3 years	Land Improvements 10 years	Work in Progress 10 years	Total	Total
<u>Historical Cost</u>					
Beginning of Year	\$ 57,500	\$ 891,880	\$ -	\$ 949,380	\$ 563,490
Additions	17,500	1,500	26,326	45,326	385,890
	<u>75,000</u>	<u>893,380</u>	<u>26,326</u>	<u>994,706</u>	<u>949,380</u>
<u>Accumulated Amortization</u>					
Beginning of Year	19,167	89,188	-	108,355	-
Amortization expense	25,000	89,338	-	114,338	108,355
	<u>44,167</u>	<u>178,526</u>	<u>-</u>	<u>222,693</u>	<u>108,355</u>
Net book value at December 31, 2011	<u>\$ 30,833</u>	<u>\$ 714,854</u>	<u>\$ 26,326</u>	<u>\$ 772,013</u>	
Net book value at December 31, 2010	<u>\$ 38,333</u>	<u>\$ 802,692</u>	<u>\$ -</u>		<u>\$ 841,025</u>

Work in progress relates to the construction of an information kiosk. Land improvements relate to a water park. The Improvement District intends to transfer the information kiosk and water park to Parks Canada.

Note 7 Accounts Payable and Accrued Liabilities

This amount consists of trade payables and other payables accrued at the year end.

Note 8 Deferred Revenue

	<u>2011</u>	<u>2010</u>
Municipal Sustainability Initiative - Capital Grant	\$ 23,687	\$ 152,953
Municipal Sustainability Initiative - Operating Grant	-	10,524
	<u>\$ 23,687</u>	<u>\$ 163,477</u>

All grants listed above were received from related parties - see note 13.

Note 9 Accumulated Surplus

	<u>2011</u>	<u>2010</u>
Accumulated excess of revenue over expenditure	\$ 26,310	\$ 29,353
Equity in tangible capital assets	772,013	841,025
Reserves (Note 10)	23,391	23,391
	<u>\$ 821,714</u>	<u>\$ 893,769</u>

Note 10 Reserves

	<u>2011</u>	<u>2010</u>
Capital reserve	\$ 20,260	\$ 20,260
Operating reserve:		
Non-municipal surplus	2,131	2,131
General operating reserve	1,000	1,000
	<u>\$ 23,391</u>	<u>\$ 23,391</u>

Note 11 Taxation Revenue

Taxation revenue includes requisitions for the Alberta School Foundation Fund in the amount of \$284,766 (2010 - \$284,787).

Note 12 Total Expenditure

Total expenditure for the year is summarized by object of expenditure as follows:

	<u>2011</u>	<u>2010</u>
Supplies and services	\$ 115,511	\$ 114,638
Grants	565,385	130,675
Amortization	114,338	108,355
	<u>\$ 795,234</u>	<u>\$ 353,668</u>

The Ministry of Municipal Affairs manages the administrative operations of the Improvement District, on behalf of its taxpayers, as a trust fund. This is a regulated trust fund consisting of public money over which the Legislature has no power of appropriation.

Note 13 Related Parties

The Improvement District paid an administration fee of \$39,137 (2010 - \$32,902) and linear assessment costs of \$23 (2010 - \$16) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$300 (2010 - \$32,918) to Alberta Municipal Affairs.

Requisitions paid to the Alberta School Foundation Fund are shown separately in the statement of operations.

The Improvement District has deferred grant revenue of \$23,687 (2010 - \$163,477) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$526,592 (2010 - \$59,643) in provincial grants revenue related to this grant.

The Improvement District recognized \$0 (2010 - \$200,514) in provincial grants revenue from Alberta Transportation as part of the Alberta Municipal Infrastructure Program.

Note 14 Budget

The budget for the year ended December 31, 2011 was approved by the Minister of Municipal Affairs.

Note 15 Approval of Financial Statements

These financial statements were approved by the Chairman of the Advisory Council for Improvement District No. 4 and the Senior Financial Officer of Alberta Municipal Affairs.