

Improvement District No. 4

Financial Statements

December 31, 2012



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IMPROVEMENT DISTRICT NO. 4
FINANCIAL STATEMENTS
DECEMBER 31, 2012

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Financial Assets

Statement of Cash Flow

Notes to the Financial Statements

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IMPROVEMENT DISTRICT NO. 4
STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 344,267	\$ 112,920
Taxes receivable (Note 4)	23,893	10,639
Investment (Note 5)	10	10
	368,170	123,569
LIABILITIES		
Accounts payable and accrued liabilities	43,373	50,181
Accrued interest payable	330	-
Deferred revenue (Note 7)	-	23,687
Debenture payable (Note 8)	543,524	-
	587,227	73,868
NET FINANCIAL (LIABILITIES) ASSETS	(219,057)	49,701
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	732,618	772,013
Prepaid expenses	489	-
	733,107	772,013
ACCUMULATED SURPLUS (Note 9)	\$ 514,050	\$ 821,714

The accompanying notes are part of these financial statements.



IMPROVEMENT DISTRICT NO. 4
STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	<u>2012</u>		<u>2011</u>
	<u>Budget</u> (Note 13)	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation:			
Real property	\$ 391,988	\$ 391,919	\$ 367,964
Power and pipeline	3,369	3,369	3,036
Federal grants in place of taxes	112,443	112,443	106,653
Penalties and costs	3,200	4,317	3,029
	<u>511,000</u>	<u>512,048</u>	<u>480,682</u>
Payment of requisitions:			
Alberta School Foundation Fund	(295,920)	(295,920)	(284,766)
General municipal	215,080	216,128	195,916
Provincial grants	456,973	455,773	526,592
Bank interest	1,000	3,253	496
Other	175	100	175
Excess of revenue over amounts expended by transfers	<u>673,228</u>	<u>675,254</u>	<u>723,179</u>
Expenditure			
Administration	48,100	54,420	45,166
Contracted and general services	46,500	27,695	52,913
Recreation and cultural services	913,753	756,744	565,385
Assessment fees	9,000	8,024	7,623
Honoraria	11,000	10,700	9,550
Insurance	1,000	515	259
Interest on debenture	-	4,825	-
Water, sewage and garbage	375	750	-
Bad debt	-	3,875	-
Amortization	-	115,370	114,338
Total expenditure (Note 11)	<u>1,029,728</u>	<u>982,918</u>	<u>795,234</u>
Deficiency of revenue over expenditure	<u><u>\$(356,500)</u></u>	(307,664)	(72,055)
Accumulated surplus, beginning of year		<u>821,714</u>	<u>893,769</u>
Accumulated surplus, end of year		<u><u>\$ 514,050</u></u>	<u><u>\$ 821,714</u></u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF CHANGE IN NET FINANCIAL (LIABILITIES) ASSETS
For the year ended December 31, 2012

	2012		2011
	Budget (Note 13)	Actual	Actual
Deficiency of revenue over expenditure	<u>\$(356,500)</u>	<u>\$(307,664)</u>	<u>\$ (72,055)</u>
Acquisition of tangible capital assets	-	(75,975)	(45,326)
Amortization of tangible capital assets	-	115,370	114,338
	<u>-</u>	<u>39,395</u>	<u>69,012</u>
Increase in prepaid expenses	-	(489)	-
	<u>-</u>	<u>(489)</u>	<u>-</u>
Decrease in Net Financial Assets	(356,500)	(268,758)	(3,043)
Net Financial Assets, beginning of year	<u>49,701</u>	<u>49,701</u>	<u>52,744</u>
Net Financial (Liabilities) Assets, end of year	<u><u>\$(306,799)</u></u>	<u><u>\$(219,057)</u></u>	<u><u>\$ 49,701</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, 2012

	<u>2012</u>	<u>2011</u>
Operating transactions:		
Deficiency of revenue over expenditure	\$ (307,664)	\$ (72,055)
Non-cash items included in operating transactions:		
Amortization	115,370	114,338
	(192,294)	42,283
Changes in working capital:		
(Increase) decrease in taxes receivable	(13,254)	7,095
Increase in prepaid expenses	(489)	-
Decrease in accounts payable and accrued liabilities	(6,478)	(71,130)
Decrease in deferred revenue	(23,687)	(139,790)
Cash applied to operating transactions	(236,202)	(161,542)
Financing activity:		
Issuance of debenture	650,000	-
Principal repayment of debenture	(106,476)	-
Cash provided by financing transactions	543,524	-
Capital transactions:		
Acquisition of tangible capital assets	(75,975)	(45,326)
Cash applied to capital transactions	(75,975)	(45,326)
Increase (decrease) in cash	231,347	(206,868)
Cash at beginning of year	112,920	319,788
Cash at end of year	\$ 344,267	\$ 112,920

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

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, 2012 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

Taxation revenue is recorded at the time the tax billings are issued. Taxation billings are subject to appeal.

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future or as a result of a direct financial return. These transfers are recognized in the financial statements as revenue when the transfer is authorized, and any eligibility criteria have been met and the related expenditure is incurred. Prior to this, any amounts received along with restricted interest earned are recorded as deferred revenue.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, taxes and accounts receivable, accounts payable and accrued liabilities, accrued interest payable and debenture payable are estimated to approximate their carrying values because of the short-term nature of these instruments.



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

	<u>2012</u>			<u>2011</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	<u>\$ 27,768</u>	<u>\$ (3,875)</u>	<u>\$ 23,893</u>	<u>\$ 10,639</u>

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

	<u>2012</u>				<u>2011</u>
	<u>Software</u>	<u>Land Improvements</u>	<u>Work in Progress</u>	<u>Total</u>	<u>Total</u>
Estimated Useful Life	3 years	10 years	10 years		
<u>Historical Cost</u>					
Beginning of Year	\$ 75,000	\$ 893,380	\$ 26,326	\$ 994,706	\$ 949,380
Additions	-	10,317	65,658	75,975	45,326
	<u>75,000</u>	<u>903,697</u>	<u>91,984</u>	<u>1,070,681</u>	<u>994,706</u>
<u>Accumulated Amortization</u>					
Beginning of Year	44,167	178,526	-	222,693	108,355
Amortization expense	25,000	90,370	-	115,370	114,338
	<u>69,167</u>	<u>268,896</u>	<u>-</u>	<u>338,063</u>	<u>222,693</u>
Net book value at					
December 31, 2012	<u>\$ 5,833</u>	<u>\$ 634,801</u>	<u>\$ 91,984</u>	<u>\$ 732,618</u>	
Net book value at					
December 31, 2011	<u>\$ 30,833</u>	<u>\$ 714,854</u>	<u>\$ 26,326</u>		<u>\$ 772,013</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 Deferred Revenue

	<u>2012</u>	<u>2011</u>
Municipal Sustainability Initiative - Capital Grant	<u>\$ -</u>	<u>\$ 23,687</u>

All grants listed above were received from related parties - see note 12.

Note 8 Debenture payable

On June 15, 2012, the Improvement District issued a debenture to the Alberta Capital Finance Authority in the amount of \$650,000. Payments are due semi-annually with the final payment due June 15, 2015. The interest rate is 1.383%. Interest paid during the year totalled \$4,495 (2011 - \$0).

	<u>2012</u>	<u>2011</u>
Debenture, 1.383%, due June 15, 2015	<u>\$ 543,524</u>	<u>\$ -</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 215,165	\$ 6,776	\$ 221,941
2014	218,151	3,790	221,941
2015	110,208	762	110,970
	<u>\$ 543,524</u>	<u>\$ 11,327</u>	<u>\$ 554,852</u>

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by *Alberta Regulation 255/2000* be disclosed as follows:

	<u>2012</u>	<u>2011</u>
Total debt limit	\$ 898,919	\$1,043,030
Total debt	(543,524)	-
Debt limit in excess of actual debt	<u>\$ 355,395</u>	<u>\$1,043,030</u>
Service on debt limit	\$ 149,820	\$ 173,838
Service on debt	(221,941)	-
Service on debt limit (exceeded by) in excess of actual debt service costs	<u>\$ (72,121)</u>	<u>\$ 173,838</u>

The debt limit, as defined by the Regulation, is 1.5 times revenue of the Improvement District net of capital government transfers equalling \$75,975 (2011 - \$27,826). The debt service limit is 0.25 times this same revenue amount. Ministerial Order L:20/12 allows Improvement District No. 4 to exceed its debt service limits.

Note 9 Accumulated Surplus

	<u>2012</u>	<u>2011</u>
Accumulated (deficiency) excess of revenue over expenditure	\$ (241,959)	\$ 26,310
Equity in tangible capital assets	732,618	772,013
Reserves (Note 10)	23,391	23,391
	<u>\$ 514,050</u>	<u>\$ 821,714</u>

Note 10 Reserves

	<u>2012</u>	<u>2011</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 Total Expenditure

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

	<u>2012</u>	<u>2011</u>
Supplies and services	\$ 110,804	\$ 115,511
Grants	756,744	565,385
Amortization	115,370	114,338
	<u>\$ 982,918</u>	<u>\$ 795,234</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 12 Related Parties

The Improvement District paid an administration fee of \$39,752 (2011 - \$39,137) and linear assessment costs of \$24 (2011 - \$23) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$39,752 (2011 - \$300) to Alberta Municipal Affairs.

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

The Improvement District recognized \$225,594 (2011 - \$526,592) in provincial grants revenue from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative.

The Improvement District recognized \$230,179 (2011 - \$0) in provincial grants revenue from Alberta Transportation as part of the Alberta Municipal Infrastructure Program.

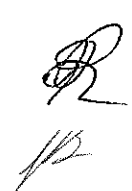
The Improvement District issued a debenture to the Alberta Capital Finance Authority in the amount of \$650,000. The debenture has an interest rate of 1.383% and is due June 15, 2015. During the year, a payment of \$110,970 was made of which \$4,495 was interest.

Note 13 Budget

The budget for the year ended December 31, 2012 was approved by the Minister of Municipal Affairs.

Note 14 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.



Improvement District No. 4 December 31, 2012 Financial Statements

Highlights

- General municipal revenues were up approximately \$20,000 as compared to 2011. Total expenses were up \$187,000. As a result, 2012 was the second year in a row to end in a deficit position.
- In 2012 a \$650,000 debenture was issued with the first payment of \$110,970.33 being made in that budget year. The second and third payments are due June 2013 and December 2013.
- Cash flow is a concern; currently there should be enough cash to make the June 2013 debenture payment, however, the June 2013 Alberta School Fund Foundation (ASFF) payment may have to be delayed if there is not enough cash to cover it. This will mean penalties and interest of approximately \$540 which will impact 2013 budgeted expenditures.
- ASFF increases were capped in 2012; for 2013, there will likely be an increase as a result of rates no longer being capped.
- The 2013 Provincial Budget shows MSI operating grants gradually being phased out over the next three years. As a result, this revenue will need to be replaced or expenditures reduced in future years.

Other items:

- We have not yet seen the ID 4 2013 budget but here are some items that need to be considered for the future:
 - o Costs of maintaining and operating the Spray Park and Kiosk now that Parks Canada is not going to take it over?
 - o Taxes receivable this year were more than double the previous year. Emphasis should be placed on collecting tax arrears given ID 4's cash flow concerns.
 - o There has been a significant depletion of the accumulated surplus over the last 2 years. The *Municipal Finance Clarification Regulation* states that the accumulated surplus net of tangible capital assets cannot be less than zero. As of December 31, 2012 the accumulated surplus net of tangible capital assets is (\$219,057). A concentrated effort needs to be made in 2013 to reestablish the financial health of the Improvement District.
 - o A ministerial order to write off the outstanding receivables from the Federal government will be requested to write off amounts owing from 2009 to 2013. The balance at December 31, 2012 was \$3,875.19. A rough estimate of the 2013 amount would be around \$1,600.00 for a total of approximately \$5,475.00. ID4 needs to consider discussing with the assessor why the federal and provincial assessments don't agree.
 - o Consider budgeting for amortization to more accurately match actual expenses.

