

Improvement District No. 12

Financial Statements

December 31, 2012

IMPROVEMENT DISTRICT NO. 12
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



Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of Improvement District No. 12, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, change 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. 12 as at December 31, 2012, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saher, FCA

Auditor General

June 14, 2013

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 12
STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 651,722	\$ 902,828
Taxes receivable	-	55
Investment (Note 4)	10	10
	<u>651,732</u>	<u>902,893</u>
LIABILITIES		
Accounts payable and accrued liabilities	44,234	8,011
Deferred revenue (Note 5)	208,987	522,272
	<u>253,221</u>	<u>530,283</u>
NET FINANCIAL ASSETS	398,511	372,610
NON-FINANCIAL ASSETS	-	-
ACCUMULATED SURPLUS (Note 6)	<u>\$ 398,511</u>	<u>\$ 372,610</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 12
STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	2012		2011
	Budget	Actual	Actual
	(Note 11)		
Revenue			
Taxation:			
Real property	\$ 35,228	\$ 35,227	\$ 33,942
Power and pipeline	120,484	120,484	117,021
Federal grants in place of taxes	47,342	47,342	52,260
Penalties and costs	25	610	29
	<u>203,079</u>	<u>203,663</u>	<u>203,252</u>
Payment of requisitions:			
Alberta School Foundation Fund	(129,670)	(129,669)	(120,136)
Seniors Foundation	<u>(6,798)</u>	<u>(6,798)</u>	<u>(6,795)</u>
General municipal	66,611	67,196	76,321
Provincial grants	382,057	380,355	92,804
Bank interest	4,670	5,322	4,641
Other	<u>-</u>	<u>5</u>	<u>-</u>
Excess of revenue over amounts expended by transfers	<u>453,338</u>	<u>452,878</u>	<u>173,766</u>
Expenditure			
Protective services	8,388	20,970	20,934
Assessment fees	15,286	11,545	11,225
Administration	29,107	23,367	27,901
Bad debt	-	67	-
Grants	<u>385,557</u>	<u>371,028</u>	<u>83,381</u>
Total expenditure (Note 8)	<u>438,338</u>	<u>426,977</u>	<u>143,441</u>
Excess of revenue over expenditure	<u>\$ 15,000</u>	25,901	30,325
Accumulated surplus, beginning of year		<u>372,610</u>	<u>342,285</u>
Accumulated surplus, end of year		<u>\$ 398,511</u>	<u>\$ 372,610</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 12
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2012

	2012		2011
	Budget	Actual	Actual
	(Note 11)		
Excess of revenue over expenditure	\$ 15,000	\$ 25,901	\$ 30,325
Net Financial Assets, beginning of year	372,610	372,610	342,285
Net Financial Assets, end of year	\$ 387,610	\$ 398,511	\$ 372,610

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 12
STATEMENT OF CASH FLOW
For the year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Operating transactions:		
Excess of revenue over expenditure	\$ 25,901	\$ 30,325
Changes in working capital:		
Decrease in taxes receivable	55	12
Increase (decrease) in accounts payable and accrued liabilities	36,223	(36,131)
(Decrease) increase in deferred revenue	(313,285)	459,270
Cash (applied to) provided by operating transactions	<u>(251,106)</u>	<u>453,476</u>
(Decrease) increase in cash	(251,106)	453,476
Cash at beginning of year	<u>902,828</u>	<u>449,352</u>
Cash at end of year	<u><u>\$ 651,722</u></u>	<u><u>\$ 902,828</u></u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 12
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

Note 1 Authority

Improvement District No. 12 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. 12 as at and for the year ended December 31, 2012 and have been prepared in accordance with Canadian Public Sector Accounting Standards.

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 of Municipal Affairs ("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.

Note 2 Significant Accounting Policies (continued)

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, and accounts payable and accrued liabilities 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 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 5 Deferred Revenue

	<u>2012</u>	<u>2011</u>
Municipal Sustainability Initiative - Capital Grant	\$ 50,260	\$ 341,282
Federal Gas Tax Fund Grant (formerly New Deal for Cities and Communities Grant)	158,727	180,990
	<u>\$ 208,987</u>	<u>\$ 522,272</u>

All grants listed above were received from related parties - see note 9.

Note 6 Accumulated Surplus

	<u>2012</u>	<u>2011</u>
Accumulated excess of revenue over expenditure	\$ 160,468	\$ 160,468
Operating reserves (Note 7)	238,043	212,142
	<u>\$ 398,511</u>	<u>\$ 372,610</u>

Note 7 Reserves

	<u>2012</u>	<u>2011</u>
Operating reserves:		
Beginning of year	\$ 212,142	\$ 181,817
Transfers from accumulated excess of revenue over expenditure	<u>25,901</u>	<u>30,325</u>
End of year	<u><u>\$ 238,043</u></u>	<u><u>\$ 212,142</u></u>

Note 8 Total Expenditure

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

	<u>2012</u>	<u>2011</u>
Supplies and services	\$ 55,949	\$ 60,060
Grants	<u>371,028</u>	<u>83,381</u>
	<u><u>\$ 426,977</u></u>	<u><u>\$ 143,441</u></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 9 Related Parties

The Improvement District paid an administration fee of \$23,237 (2011 - \$27,721) and linear assessment costs of \$1,265 (2011 - \$1,339) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$23,237 (2011 - \$0) to Alberta Municipal Affairs.

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

The Improvement District has deferred grant revenue of \$50,260 (2011 - \$341,282) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$305,976 (2011 - \$12,923) in provincial grants revenue related to this grant.

Note 9 Related Parties (continued)

The Improvement District has deferred grant revenue of \$158,727 (2011 - \$180,990) from Alberta Transportation as part of the Federal Gas Tax Fund (formerly the New Deal for Cities and Communities). The Improvement District recognized \$74,379 (2011 - \$0) in provincial grants revenue related to this grant.

Note 10 Debt and Debt Service Limits

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	\$ 679,317	\$ 260,649
Total debt	-	-
Debt limit in excess of actual debt	<u>\$ 679,317</u>	<u>\$ 260,649</u>
Service on debt limit	\$ 113,220	\$ 43,442
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>\$ 113,220</u>	<u>\$ 43,442</u>

The debt limit, as defined by the Regulation, is 1.5 times revenue of the Improvement District net of capital government transfers equaling \$0 (2011 - \$0). The debt service limit is 0.25 times this same revenue amount.

Note 11 Budget

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

Note 12 Approval of Financial Statements

These financial statements were approved by the Senior Financial Officer of Alberta Municipal Affairs.