

IMPROVEMENT DISTRICT NO. 4
FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 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, 2010, and the statements of operations and 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, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saher, CA

Auditor General

May 20, 2011

Edmonton, Alberta



IMPROVEMENT DISTRICT NO. 4
STATEMENT OF FINANCIAL POSITION
As at December 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 319,788	\$ 217,205
Taxes receivable (Note 4)	17,734	7,902
Accounts receivable	-	71,091
Investment (Note 5)	10	10
	<u>337,532</u>	<u>296,208</u>
LIABILITIES		
Accounts payable and accrued liabilities	121,311	80,756
Deferred revenue (Note 7)	163,477	164,000
	<u>284,788</u>	<u>244,756</u>
NET FINANCIAL ASSETS	<u>52,744</u>	<u>51,452</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Note 6)	841,025	563,490
Prepaid expenses	-	47,683
	<u>841,025</u>	<u>611,173</u>
ACCUMULATED SURPLUS (Note 8)	<u>\$ 893,769</u>	<u>\$ 662,625</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF OPERATIONS
For the year ended December 31, 2010

	<u>2010</u>		<u>2009</u>
	<u>Budget</u> (Note 13)	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 10):			
Real property	\$372,120	\$ 372,120	\$ 338,655
Power and pipeline	3,294	3,294	3,319
Federal grants in place of taxes	103,073	103,073	101,583
Penalties and costs	-	8,521	3,896
	<u>478,487</u>	<u>487,008</u>	<u>447,453</u>
Payment of requisitions:			
Alberta School Foundation Fund	<u>(284,787)</u>	<u>(284,787)</u>	<u>(302,507)</u>
General municipal	193,700	202,221	144,946
Provincial grants	-	260,157	221,380
Federal grants	-	113,029	96,971
Bank interest	-	583	822
Other	-	8,822	57,900
Excess of revenue over amounts expended by transfers	<u>193,700</u>	<u>584,812</u>	<u>522,019</u>
Expenditure			
Administration	30,700	38,402	31,428
Contracted and general services	40,000	58,820	35,633
Recreation and cultural services	90,000	130,675	95,000
Assessment fees	7,500	7,216	6,816
Honoraria	8,300	10,200	6,850
Insurance	700	-	625
Amortization	-	108,355	-
Bad debt expense	-	-	22,074
Total expenditure (Note 11)	<u>177,200</u>	<u>353,668</u>	<u>198,426</u>
Excess of revenue over expenditure	<u>\$ 16,500</u>	231,144	323,593
Accumulated surplus, beginning of year		<u>662,625</u>	<u>339,032</u>
Accumulated surplus, end of year		<u>\$ 893,769</u>	<u>\$ 662,625</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, 2010

	2010		2009
	Budget (Note 13)	Actual	Actual
Excess of revenue over expenditure	\$ 16,500	\$ 231,144	\$ 323,593
Acquisition of tangible capital assets	-	(385,890)	(331,905)
Amortization of tangible capital assets	-	108,355	-
	-	(277,535)	(331,905)
Acquisition of prepaid assets	-	-	(47,683)
Use of prepaid assets	-	47,683	-
	-	47,683	(47,683)
Increase (Decrease) in Net Financial Assets	16,500	1,292	(55,995)
Net Financial Assets, beginning of year	51,452	51,452	107,447
Net Financial Assets, end of year	\$ 67,952	\$ 52,744	\$ 51,452

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF CASH FLOW
For the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
Operating transactions:		
Excess of revenue over expenditure	<u>\$ 231,144</u>	<u>\$ 323,593</u>
Changes in non-cash working capital:		
(Increase) Decrease in taxes receivable	(9,832)	104,641
Decrease (Increase) in accounts receivable	71,091	(63,987)
Decrease (Increase) in prepaid expenses	47,683	(47,683)
Increase in accounts payable and accrued liabilities	40,555	60,950
(Decrease) in deferred revenue	(523)	(233,439)
	<u>148,974</u>	<u>(179,518)</u>
Capital transactions:		
Acquisition of tangible capital assets	<u>(277,535)</u>	<u>(331,905)</u>
	<u>(277,535)</u>	<u>(331,905)</u>
Increase (Decrease) in cash	102,583	(187,830)
Cash at beginning of year	<u>217,205</u>	<u>405,035</u>
Cash at end of year	<u>\$ 319,788</u>	<u>\$ 217,205</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, 2010

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, 2010 and have been prepared in accordance with Canadian generally accepted accounting principles for municipalities.

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. Prior to 2010, capital asset acquisitions were included as expenditures in the statement of revenue, expenditure and accumulated excess of revenue over expenditure.

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

Land improvements	10.0%
Software	33.3%

Reserves

Capital Reserve

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 and Reporting Practices (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.

Note 3 Cash

Cash consists of deposits in the Provincial Consolidated Cash Investment Trust Fund (the Fund). The Fund 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 and mid-term fixed income securities with a maximum term to maturity of three years.

Note 4 Taxes receivable

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes Receivable	\$ 17,734	\$ -	\$ 17,734	\$ 7,902

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

	2010			2009
	Software	Land improvements	Total	Total
Estimated useful life	3 years	10 years		
<u>Historical cost</u>				
Beginning of year	\$ 40,000	\$ 523,490	\$ 563,490	\$ 231,585
Additions	17,500	368,390	385,890	331,905
	<u>57,500</u>	<u>891,880</u>	<u>949,380</u>	<u>563,490</u>
<u>Accumulated Amortization</u>				
Beginning of year	-	-	-	-
Amortization expense	19,167	89,188	108,355	-
	<u>19,167</u>	<u>89,188</u>	<u>108,355</u>	<u>-</u>
Net book value at December 31, 2010	<u>\$ 38,333</u>	<u>\$ 802,692</u>	<u>\$ 841,025</u>	
Net book value at December 31, 2009	<u>\$ 40,000</u>	<u>\$ 523,490</u>		<u>\$ 563,490</u>

Land improvements relate to the construction of a water park. The original useful life was originally estimated to be 25 years; this amount was subsequently changed to 10 years based on new information. Software expenditures relate to the development of the Waterton Community Network project.

Note 7 Deferred Revenue

	<u>2010</u>	<u>2009</u>
Municipal Sustainability Initiative - Capital Grant	\$ 152,953	\$ 139,750
Municipal Sustainability Initiative - Operating Grant	10,524	-
Chinook Foundation - Water park funding	-	8,647
Government of Canada - Water park funding	-	15,603
	<u>\$ 163,477</u>	<u>\$ 164,000</u>

The Municipal Sustainability Initiative grants were received from related parties – see note 12.

Note 8 Accumulated Surplus

	<u>2010</u>	<u>2009</u>
Accumulated excess of revenue over expenditure	\$ 29,353	\$ 75,744
Equity in tangible capital assets	841,025	563,490
Reserves (Note 9)	23,391	23,391
	<u>\$ 893,769</u>	<u>\$ 662,625</u>

Note 9 Reserves

	<u>2010</u>	<u>2009</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 10 Taxation Revenue

Taxation revenue includes education property taxes levied of \$284,787 (2009 - \$296,317)

Note 11 Total Expenditure

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

	<u>2010</u>	<u>2009</u>
Supplies and services	\$ 114,638	\$ 103,426
Grants	130,675	95,000
Amortization	108,355	-
	<u>\$ 353,668</u>	<u>\$ 198,426</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 has a payable to Alberta Municipal Affairs for administration fees of \$32,902 (2009 - \$29,765).

The Improvement District has a payable to Alberta Municipal Affairs for linear assessment costs of \$16 (2009 - \$16).

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

Improvement District 4 has deferred grant revenue of \$163,477 (2009 - \$139,750) from Municipal Affairs as part of the part of the Municipal Sustainability Initiative. The grants and related interest revenue has been deferred until matching project expenditures are incurred.

See note 7 for a listing of deferred revenue balances.

Note 13 Budget

The budget for the year ended December 31, 2010 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.