

# **Improvement District No. 349**

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Financial Statements

December 31, 2012

**IMPROVEMENT DISTRICT NO. 349**  
**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. 349, 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. 349 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. 349**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2012**

**2012**  
(Note 3)

**FINANCIAL ASSETS**

Cash (Note 4) \$ 2,001,059

**LIABILITIES**

Accounts payable and accrued liabilities 183,029  
Deferred revenue (Note 5) 42,173  
225,202

**NET FINANCIAL ASSETS** 1,775,857

**NON-FINANCIAL ASSETS**

Prepaid expenses 254

**ACCUMULATED SURPLUS (Note 6)** **\$ 1,776,111**

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 349**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2012**

	<b>2012</b>	
	<b>Budget</b> <small>(Note 11)</small>	<b>Actual</b> <small>(Note 3)</small>
<b>Revenue</b>		
Taxation:		
Federal grants in place of taxes	\$ 92,621	\$ 45,621
Real property	1,739,039	1,739,040
Power and pipeline	11,114,858	11,114,804
Machinery and equipment	7,900,642	7,900,642
Penalties and costs	-	394
	<u>20,847,160</u>	<u>20,800,501</u>
Payment of requisitions:		
Alberta School Foundation Fund	(2,753,385)	(2,753,385)
Seniors Foundation	(453,484)	(453,484)
	<u>(3,206,869)</u>	<u>(3,206,869)</u>
General municipal	17,640,291	17,593,632
Provincial grants	607,752	-
Bank interest	-	73,918
Miscellaneous	20,000	-
Excess of revenue over amounts expended by transfers	<u><b>18,268,043</b></u>	<u><b>17,667,550</b></u>
<b>Expenditure</b>		
Assessment fees	485,500	118,774
Administration	656,098	171,840
Insurance	749	825
Grants	16,507,945	15,600,000
Bad debt expense	10,000	-
Total expenditure (Note 8)	<u><b>17,660,292</b></u>	<u><b>15,891,439</b></u>
Excess of revenue over expenditure	<u><b>\$ 607,751</b></u>	1,776,111
Accumulated surplus, beginning of year		<u>-</u>
Accumulated surplus, end of year		<u><b>\$ 1,776,111</b></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 349**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the year ended December 31, 2012**

	<b>2012</b>	
	<b>Budget</b>	<b>Actual</b>
	(Note 11)	(Note 3)
Excess of revenue over expenditure	\$ 607,751	\$ 1,776,111
Increase in prepaid expenses	-	(254)
Net Financial Assets, beginning of year	-	-
Net Financial Assets, end of year	<b>\$ 607,751</b>	<b>\$ 1,775,857</b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 349**  
**STATEMENT OF CASH FLOW**  
**For the year ended December 31, 2012**

	<b><u>2012</u></b>
	(Note 3)
<b>Operating transactions:</b>	
Excess of revenue over expenditure	\$ 1,776,111
Changes in working capital:	
Increase in prepaid expenses	(254)
Increase in accounts payable and accrued liabilities	183,029
Increase in deferred revenue	42,173
Cash provided by operating transactions	<u>2,001,059</u>
Increase in cash	2,001,059
Cash at beginning of year	<u>-</u>
<b>Cash at end of year</b>	<b><u><u>\$ 2,001,059</u></u></b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 349**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2012**

**Note 1      Authority**

Improvement District No. 349 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. 349 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, 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 Creation**

Order in Council 419/2011 created Improvement District No. 349 effective January 1, 2012. It includes the Cold Lake Air Weapons Range and 4 additional townships immediately north of the Cold Lake Air Weapons Range.

**Note 4 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 9 Related Parties**

The Improvement District paid an administration fee of \$162,301 and linear assessment costs of \$35,149 to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$162,301 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 \$42,173 from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative.

**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>
Total debt limit	\$ 26,501,325
Total debt	-
Debt limit in excess of actual debt	<u>\$ 26,501,325</u>
Service on debt limit	\$ 4,416,888
Service on debt	-
actual debt service	<u>\$ 4,416,888</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. 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.