

# **Improvement District No. 4**

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**Financial Statements**

**December 31, 2015**

**IMPROVEMENT DISTRICT NO. 4**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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## 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, 2015, and the statements of operations, change in net debt and cash flows 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, 2015, and the results of its operations, its change from net financial assets to net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Merwan N. Saher FCPA, FCA*

Auditor General

April 29, 2016

Edmonton, Alberta

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2015**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 727,783	\$ 436,815
Taxes receivable (Note 5)	14,096	12,814
Accounts receivable (Note 6)	20,274	154,344
Investment (Note 7)	10	10
	<u>762,163</u>	<u>603,983</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	23,013	60,616
Accrued interest payable	1,090	67
Deferred revenue (Note 8)	368,322	111,261
Debenture payable (Note 9)	500,000	110,208
	<u>892,425</u>	<u>282,152</u>
<b>NET (DEBT) FINANCIAL ASSETS</b>	<u>(130,262)</u>	<u>321,831</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	473,812	579,056
Prepaid expenses	565	372
	<u>474,377</u>	<u>579,428</u>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<u>\$ 344,115</u>	<u>\$ 901,259</u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2015**

	<b>2015</b>		<b>2014</b>
	<b>Budget</b> (Unaudited) (Note 16)	<b>Actual</b>	<b>Actual</b> (Restated - Note 3)
<b>REVENUE</b>			
Taxation:			
Real property	\$ 651,062	\$ 651,062	\$ 646,820
Power and pipeline	7,124	7,124	7,022
Federal grants in place of taxes	167,402	167,401	171,745
	<u>825,588</u>	<u>825,587</u>	<u>825,587</u>
Payment of requisitions:			
Alberta School Foundation Fund	(399,859)	(399,859)	(422,206)
General municipal	425,729	425,728	403,381
Government transfers for operating	275,459	19,768	162,966
Penalties	7,800	6,627	8,086
Bank interest	4,500	3,840	5,361
Other	400	100	185
<b>Total Revenue</b>	<b><u>713,888</u></b>	<b><u>456,063</u></b>	<b><u>579,979</u></b>
<b>EXPENSES</b>			
Administration	77,400	53,430	51,471
Contracted and general services	-	630	38,497
Recreation and cultural services	788,000	788,000	211,320
Assessment fees	10,000	9,526	9,029
Honoraria	27,500	41,800	22,000
Protective services	-	-	6,000
Insurance	800	443	419
Interest on debenture	762	1,785	3,657
Water, sewage and garbage	750	990	805
Bad debt	-	3,359	-
Amortization	-	113,244	103,244
<b>Total Expenses (Note 12)</b>	<b><u>905,212</u></b>	<b><u>1,013,207</u></b>	<b><u>446,442</u></b>
<b>(SHORTFALL) EXCESS OF REVENUE OVER EXPENSES</b>	<b>(191,324)</b>	<b>(557,144)</b>	<b>133,537</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b><u>901,259</u></b>	<b><u>901,259</u></b>	<b><u>767,722</u></b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b><u>\$ 709,935</u></b>	<b><u>\$ 344,115</u></b>	<b><u>\$ 901,259</u></b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF CHANGE IN NET DEBT**  
**For the year ended December 31, 2015**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u> (Unaudited) (Note 16)	<u>Actual</u>	<u>Actual</u> (Restated - Note 3)
<b>(SHORTFALL) EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$(191,324)</u>	<u>\$(557,144)</u>	<u>\$ 133,537</u>
Acquisition of tangible capital assets		(8,000)	(22,000)
Amortization of tangible capital assets		113,244	103,244
		<u>105,244</u>	<u>81,244</u>
Acquisition of prepaid expenses		(565)	(372)
Use of prepaid expenses		372	371
		<u>(193)</u>	<u>(1)</u>
<b>(DECREASE) INCREASE IN NET (DEBT) FINANCIAL ASSETS</b>		(452,093)	214,780
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>		<u>321,831</u>	<u>107,051</u>
<b>NET (DEBT) FINANCIAL ASSETS, END OF YEAR</b>		<u><u>\$(130,262)</u></u>	<u><u>\$ 321,831</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2015**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
(Shortfall) excess of revenues over expenses	\$ (557,144)	\$ 133,537
Non-cash items included in excess of revenues over expenses:		
Amortization	113,244	103,244
	<u>(443,900)</u>	<u>236,781</u>
Non-cash charges to operations (net change):		
(Increase) decrease in taxes receivable	(1,282)	15,857
Decrease (increase) in accounts receivable	134,070	(132,236)
Increase in prepaid expenses	(193)	(1)
(Decrease) increase in accounts payable and accrued liabilities	(36,580)	54,767
Increase in deferred revenue	257,061	111,261
Cash (used in) provided by operating transactions	<u>(90,824)</u>	<u>286,429</u>
<b>FINANCING</b>		
Issuance of debenture	500,000	-
Principal repayment of debenture	(110,208)	(218,151)
Cash provided by (applied to) financing transactions	<u>389,792</u>	<u>(218,151)</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(8,000)	(22,000)
Cash applied to capital transactions	<u>(8,000)</u>	<u>(22,000)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>290,968</b>	<b>46,278</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>436,815</u></b>	<b><u>390,537</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 727,783</u></b>	<b><u>\$ 436,815</u></b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 1 Authority**

Improvement District No. 4 (the Improvement District) is administered by the Ministry of Municipal Affairs (Alberta 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 debt and cash flows of Improvement District No. 4 as at and for the year ended December 31, 2015 and have been prepared in accordance with Canadian Public Sector Accounting Standards.

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**Tangible Capital Assets**

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

Tangible capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements	10 years
Software	3 years



**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 2      Significant Accounting Policies (continued)**

**Tangible Capital Assets (continued)**

Work in progress is not amortized until the asset is complete (or substantially complete) and the asset is put into service.

**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, including ones which result in capitalized assets, are recognized in the financial statements as revenue when the transfer is authorized, and any eligibility criteria or stipulations have been met. Prior to revenue recognition, any amounts received or receivable along with restricted interest earned are recorded as deferred revenue.

**Valuation of Financial Assets and Liabilities**

Cash and cash equivalents, taxes and accounts receivable, accounts payable and accrued liabilities, accrued interest payable and debentures are measured at cost.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 3 Prior Period Adjustment**

The Improvement District identified an error in the prior period. It was determined that Government Transfers for Operating were overstated and Deferred Revenue was understated by \$111,261 in 2014.

The 2014 comparative figures have been restated to reflect the correct amounts. The effects of this restatement are shown below:

	2014		
	Before Restatement	Adjustment	Restated
Deferred Revenue	\$ -	\$ 111,261	\$ 111,261
Accumulated Surplus	\$ 1,012,520	\$ (111,261)	\$ 901,259
Government Transfers for Operating	\$ 274,227	\$ (111,261)	\$ 162,966
Excess of Revenue Over Expenses	\$ 244,798	\$ (111,261)	\$ 133,537

**Note 4 Cash and Cash Equivalents**

Cash and cash equivalents 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. As at December 31, 2015, securities held by the fund had a rate of return of 0.93% per annum (December 31, 2014 - 1.18% per annum).

**Note 5 Taxes Receivable**

	2015		2014	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ 17,455	\$ (3,359)	\$ 14,096	\$ 12,814

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 6      Accounts Receivable**

	<b>2015</b>			<b>2014</b>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	\$ 19,768	\$ -	\$ 19,768	\$ 153,684
Other receivable	506	-	506	660
	<b>\$ 20,274</b>	<b>\$ -</b>	<b>\$ 20,274</b>	<b>\$ 154,344</b>

All grants listed above are receivable from related parties - see Note 13.

**Note 7      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.

Portfolio investments not quoted in an active market are recorded and measured at cost.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 8      Deferred Revenue**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
Municipal Sustainability Initiative - Capital Grant	\$ 267,918	\$ 61,261
Federal Gas Tax Fund	100,404	50,000
	<u>\$ 368,322</u>	<u>\$ 111,261</u>

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

**Note 9      Debenture payable**

On September 15, 2015, the Improvement District issued a debenture to the Alberta Capital Finance Authority in the amount of \$500,000. Payments are due semi-annually with the final payment due September 15, 2018. The interest rate is 0.735%. Interest paid during the year totalled \$0.

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 \$762 (2014 - \$3,790).

	<u>2015</u>	<u>2014</u>
Debenture, 0.735%, due September 15, 2018	\$ 500,000	\$ -
Debenture, 1.383%, due June 15, 2015	-	110,208
	<u>\$ 500,000</u>	<u>\$ 110,208</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 165,445	\$ 3,372	\$ 168,817
2017	166,664	2,153	168,817
2018	167,891	926	168,817
	<u>\$ 500,000</u>	<u>\$ 6,451</u>	<u>\$ 506,451</u>

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 9 Debenture payable (continued)**

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>2015</u>	<u>2014</u> (Restated - Note 3)
Total debt limit	\$ 684,095	\$ 869,969
Total debt	(500,000)	(110,208)
Debt limit in excess of actual debt	<u>\$ 184,095</u>	<u>\$ 759,761</u>
Service on debt limit	\$ 114,016	\$ 144,995
Service on debt	(168,817)	(110,970)
Service on debt limit exceeded by actual debt service costs	<u>\$ (54,801)</u>	<u>\$ 34,025</u>

The debt limit, as defined by the Regulation, is 1.5 times revenue of the Improvement District. The debt service limit is 0.25 times this same revenue amount. Ministerial Order MSL:093/15 allows Improvement District No. 4 to exceed its debt service limits.

**Note 10 Tangible Capital Assets**

	<u>2015</u>			<u>2014</u>	
	<u>Software</u> 3 years	<u>Land Improvements</u> 10 years	<u>Work in Progress</u>	<u>Total</u>	<u>Total</u>
<u>Estimated Useful Life</u>					
<u>Historical Cost</u>					
Beginning of Year	\$ 75,000	\$ 1,032,440	\$ 22,000	\$ 1,129,440	\$ 1,107,440
Transfers	22,000	-	(22,000)	-	-
Additions	8,000	-	-	8,000	22,000
	<u>105,000</u>	<u>1,032,440</u>	<u>-</u>	<u>1,137,440</u>	<u>1,129,440</u>
<u>Accumulated Amortization</u>					
Beginning of Year	75,000	475,384	-	550,384	447,140
Amortization expense	10,000	103,244	-	113,244	103,244
	<u>85,000</u>	<u>578,628</u>	<u>-</u>	<u>663,628</u>	<u>550,384</u>
Net book value at December 31, 2015	<u>\$ 20,000</u>	<u>\$ 453,812</u>	<u>\$ -</u>	<u>\$ 473,812</u>	
Net book value at December 31, 2014	<u>\$ -</u>	<u>\$ 660,300</u>	<u>\$ -</u>		<u>\$ 579,056</u>

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 11    Accumulated Surplus**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
Unrestricted accumulated (deficit) surplus	\$ (129,697)	\$ 322,203
Equity in tangible capital assets (Note 10)	473,812	579,056
	<u>\$ 344,115</u>	<u>\$ 901,259</u>

**Note 12    Total Expenses**

Total expenses for the year are summarized by object of expense as follows:

	<u>2015</u>	<u>2014</u>
Supplies and services	\$ 111,963	\$ 131,878
Grants	788,000	211,320
Amortization	113,244	103,244
	<u>\$ 1,013,207</u>	<u>\$ 446,442</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 \$15,494 (2014 - \$27,258) and linear assessment costs of \$26 (2014 - \$29) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$0 (2014 - \$27,287) to Alberta Municipal Affairs. The Improvement District has an amount receivable of \$19,768 (2014 - \$153,684) from Alberta Municipal Affairs.

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

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 13      Related Parties (continued)**

The Improvement District has deferred revenue of \$267,918 (2014 (restated) - \$61,261) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$19,768 (2014 (restated) - \$162,966) in government transfers for operating revenue from this initiative.

The Improvement District has deferred grant revenue of \$100,404 (2014 (restated) - \$50,000) from Alberta Municipal Affairs as part of the Federal Gas Tax Fund.

The Improvement District issued a debenture to the Alberta Capital Finance Authority in the amount of \$500,000. The debenture has an interest rate of 0.735% and is due September 15, 2018. During the year no payments were made.

The Improvement District issued a debenture to the Alberta Capital Finance Authority in the amount of \$650,000 in 2012. The debenture has an interest rate of 1.383% and was due June 15, 2015. During the year, payments of \$110,970 (2014 - \$221,941) were made of which \$762 (2014 - \$3,790) was interest.

**Note 14      Financial Instruments**

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and accounts receivable, investments, and accounts payable and accrued liabilities. It is management's opinion that the Improvement District is not exposed to significant interest or currency risks arising from these financial instruments.

The Improvement District does not hold equities in an active market nor engage in derivative contracts or foreign currency transactions.

The Improvement District is subject to credit risk with respect to taxes and grants in place of taxes receivables and accounts receivables. Credit risk arises from the possibility that taxpayers and entities to which the Improvement District provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 15    Comparative Figures**

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

**Note 16    Budget**

The budget for the year ended December 31, 2015 was approved by the Minister of Municipal Affairs.

**Note 17    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.