

# **Improvement District No. 4**

---

Financial Statements

December 31, 2013

**IMPROVEMENT DISTRICT NO. 4**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Financial Assets (Debt)

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, 2013, 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. 4 as at December 31, 2013, 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

July 22, 2014

Edmonton, Alberta

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2013**

	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 390,537	\$ 344,267
Taxes receivable (Note 4)	28,671	23,893
Accounts receivable (Note 5)	22,108	-
Investment (Note 6)	10	10
	441,326	368,170
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5,717	43,373
Accrued interest payable	199	330
Debenture payable (Note 8)	328,359	543,524
	334,275	587,227
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>107,051</b>	<b>(219,057)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 7)	660,300	732,618
Prepaid expenses	371	489
	660,671	733,107
<b>ACCUMULATED SURPLUS (Note 9)</b>	<b>\$ 767,722</b>	<b>\$ 514,050</b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2013**

	<b>2013</b>		<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	(Unaudited)		
	(Note 13)		
<b>REVENUE</b>			
Taxation:			
Real property	\$ 595,414	\$ 595,714	\$ 391,919
Power and pipeline	6,369	6,369	3,369
Federal grants in place of taxes	167,550	165,413	112,443
	<u>769,333</u>	<u>767,496</u>	<u>507,731</u>
Payment of requisitions:			
Alberta School Foundation Fund	(416,580)	(416,580)	(295,920)
General municipal	352,753	350,916	211,811
Provincial grants	206,680	206,680	379,798
Penalties and costs	3,200	9,540	4,317
Bank interest	500	5,386	3,253
Other	10,175	10,345	100
<b>Total Revenue</b>	<b><u>573,308</u></b>	<b><u>582,867</u></b>	<b><u>599,279</u></b>
<b>EXPENSES</b>			
Administration	47,900	54,588	54,420
Contracted and general services	75,000	33,546	27,695
Recreation and cultural services	168,820	135,000	756,744
Assessment fees	9,000	8,630	8,024
Honoraria	16,000	14,374	10,700
Insurance	1,000	610	515
Interest on debenture	6,776	6,645	4,825
Water, sewage and garbage	750	709	750
Bad debt	-	-	3,875
Amortization	-	109,077	115,370
<b>Total Expenses (Note 11)</b>	<b><u>325,246</u></b>	<b><u>363,179</u></b>	<b><u>982,918</u></b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE GOVERNMENT TRANSFERS FOR CAPITAL</b>	<b>248,062</b>	219,688	(383,639)
Government transfers for capital	<u>33,975</u>	<u>33,984</u>	<u>75,975</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<b><u>\$ 282,037</u></b>	253,672	(307,664)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>		<u>514,050</u>	<u>821,714</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<b><u>\$ 767,722</u></b>	<b><u>\$ 514,050</u></b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
**For the year ended December 31, 2013**

	<u>2013</u>		<u>2012</u>
	<u>Budget</u> (Unaudited) (Note 13)	<u>Actual</u>	<u>Actual</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ 282,037	\$ 253,672	\$(307,664)
Acquisition of tangible capital assets	-	(36,759)	(75,975)
Amortization of tangible capital assets	-	109,077	115,370
	<u>-</u>	<u>72,318</u>	<u>39,395</u>
Acquisition of prepaid expenses	-	(371)	(489)
Use of prepaid expenses	-	489	-
	<u>-</u>	<u>118</u>	<u>(489)</u>
<b>INCREASE (DECREASE) IN FINANCIAL ASSETS (DEBT)</b>	282,037	326,108	(268,758)
<b>NET FINANCIAL (DEBT) ASSETS, BEGINNING OF YEAR</b>	<u>(219,057)</u>	<u>(219,057)</u>	<u>49,701</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u><u>\$ 62,980</u></u>	<u><u>\$ 107,051</u></u>	<u><u>\$(219,057)</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, 2013**

	<u>2013</u>	<u>2012</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	\$ 253,672	\$ (307,664)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	109,077	115,370
	362,749	(192,294)
Non-cash charges to operations (net change):		
Increase in taxes receivable	(4,778)	(13,254)
Increase in accounts receivable	(22,108)	-
Decrease (increase) in prepaid expenses	118	(489)
Decrease in accounts payable and accrued liabilities	(37,787)	(6,478)
Decrease in deferred revenue	-	(23,687)
Cash provided by (applied to) operating transactions	298,194	(236,202)
<b>FINANCING</b>		
Issuance of debenture	-	650,000
Principal repayment of debenture	(215,165)	(106,476)
Cash (applied to) provided by financing transactions	(215,165)	543,524
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(36,759)	(75,975)
Cash applied to capital transactions	(36,759)	(75,975)
<b>CHANGE IN CASH DURING THE YEAR</b>	46,270	231,347
<b>CASH, BEGINNING OF YEAR</b>	344,267	112,920
<b>CASH, END OF YEAR</b>	<b>\$ 390,537</b>	<b>\$ 344,267</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, 2013**

**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 (debt) and cash flow of Improvement District No. 4 as at and for the year ended December 31, 2013 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 revenue recognition, any amounts received or receivable 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.

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

Valuation of Financial Assets and Liabilities (continued)

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**

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ 28,671	\$ -	\$ 28,671	\$ 23,893

**Note 5 Accounts Receivable**

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	\$ 22,053	\$ -	\$ 22,053	\$ -
Other receivable	55	-	55	-
	\$ 22,108	\$ -	\$ 22,108	\$ -

**Note 6 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 7 Tangible Capital Assets**

	2013				2012
	Software 3 years	Land Improvements 10 years	Work in Progress 10 years	Total	Total
<u>Historical Cost</u>					
Beginning of Year	\$ 75,000	\$ 903,697	\$ 91,984	\$ 1,070,681	\$ 994,706
Transfers	-	91,984	(91,984)	-	-
Additions	-	36,759	-	36,759	75,975
	<u>75,000</u>	<u>1,032,440</u>	<u>-</u>	<u>1,107,440</u>	<u>1,070,681</u>
<u>Accumulated Amortization</u>					
Beginning of Year	69,167	268,896	-	338,063	222,693
Amortization expense	5,833	103,244	-	109,077	115,370
	<u>75,000</u>	<u>372,140</u>	<u>-</u>	<u>447,140</u>	<u>338,063</u>
Net book value at December 31, 2013	<u>\$ -</u>	<u>\$ 660,300</u>	<u>\$ -</u>	<u>\$ 660,300</u>	
Net book value at December 31, 2012	<u>\$ 5,833</u>	<u>\$ 634,801</u>	<u>\$ 91,984</u>		<u>\$ 732,618</u>

**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 \$6,776 (2012 - \$4,495).

	<u>2013</u>	<u>2012</u>
Debenture, 1.383%, due June 15, 2015	<u>\$ 328,359</u>	<u>\$ 543,524</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	218,151	3,790	221,941
2015	110,208	762	110,970
	<u>\$ 328,359</u>	<u>\$ 4,552</u>	<u>\$ 332,911</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>2013</u>	<u>2012</u>
Total debt limit	\$ 874,301	\$ 898,919
Total debt	<u>(328,359)</u>	<u>(543,524)</u>
Debt limit in excess of actual debt	<u>\$ 545,942</u>	<u>\$ 355,395</u>
Service on debt limit	\$ 145,717	\$ 149,820
Service on debt	<u>(221,941)</u>	<u>(221,941)</u>
Service on debt limit exceeded by actual debt service costs	<u>\$ (76,224)</u>	<u>\$ (72,121)</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 L:20/12 allows Improvement District No. 4 to exceed its debt service limits.

**Note 9      Accumulated Surplus**

	<u>2013</u>	<u>2012</u>
Accumulated excess (shortfall) of revenue over expenses	\$ 84,031	\$ (241,959)
Equity in tangible capital assets	660,300	732,618
Reserves (Note 10)	23,391	23,391
	<u>\$ 767,722</u>	<u>\$ 514,050</u>

**Note 10      Reserves**

	<u>2013</u>	<u>2012</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 Expenses**

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

	<u>2013</u>	<u>2012</u>
Supplies and services	\$ 119,102	\$ 110,804
Grants	135,000	756,744
Amortization	109,077	115,370
	<u>\$ 363,179</u>	<u>\$ 982,918</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 \$44,147 (2012 - \$39,752) and linear assessment costs of \$29 (2012 - \$24) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$ nil (2012 - \$39,752) to Alberta Municipal Affairs. The Improvement District has an amount receivable of \$22,053 (2012 - \$ nil) from Alberta Municipal Affairs.

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

The Improvement District recognized \$190,664 (2012 - \$225,594) in provincial grants revenue from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative.

The Improvement District recognized \$50,000 (2012 - \$230,179) in provincial grants revenue from Alberta Transportation as part of the Federal Gas Tax Fund 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, payments of \$221,941 (2012 - \$110,970) were made of which \$6,776 (2012 - \$4,495) was interest.

**Note 13 Budget**

The budget for the year ended December 31, 2013 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.