

Improvement District No. 4

Financial Statements

December 31, 2017

IMPROVEMENT DISTRICT NO. 4
FINANCIAL STATEMENTS
DECEMBER 31, 2017

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Change in Net Financial Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 13

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, 2017, and the statements of operations, change in net financial assets 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, 2017, and the results of its operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saker FCPA, FCA

Auditor General

April 20, 2018

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	679,359	850,772
Taxes receivable (Note 4)	7,940	8,250
Accounts receivable (Note 5)	50,000	211,834
Investment (Note 6)	10	10
	<u>737,309</u>	<u>1,070,866</u>
LIABILITIES		
Accounts payable and accrued liabilities	47,332	20,157
Accrued interest payable	368	722
Deferred revenue (Note 7)	71,878	282,485
Debenture payable (Note 8)	167,891	334,555
	<u>287,469</u>	<u>637,919</u>
NET FINANCIAL ASSETS	<u>449,840</u>	<u>432,947</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	247,324	360,568
Prepaid expenses	746	746
	<u>248,070</u>	<u>361,314</u>
ACCUMULATED SURPLUS (Note 10)	<u>697,910</u>	<u>794,261</u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4
STATEMENT OF OPERATIONS
For the year ended December 31, 2017**

	Budget \$ (Unaudited) (Note 15)	2017 \$ Actual	2016 \$ Actual
REVENUE			
Taxation:			
Real property	795,347	795,347	692,552
Power and pipeline	7,813	7,813	7,296
Federal grants in place of taxes	194,832	194,418	171,027
	997,992	997,578	870,875
Payment of requisitions:			
Alberta School Foundation Fund	(428,553)	(428,553)	(427,186)
General municipal	569,439	569,025	443,689
Government transfers for operating	473,116	473,116	559,666
Penalties	7,800	2,984	19,773
Bank interest	4,000	6,282	6,059
Other	300	225	35
Total Revenue	1,054,655	1,051,632	1,029,222
EXPENSES			
Administration	63,914	61,155	50,172
Contracted and general services	-	650	643
Recreation and cultural services	931,363	931,363	364,298
Assessment fees	10,404	10,500	10,027
Honoraria	45,000	23,850	35,550
Protective services	-	3,661	-
Insurance	1,020	759	749
Interest on debenture	2,153	1,799	3,004
Water, sewage and garbage	765	907	1,389
Bad debt	-	95	-
Amortization (Note 9)	-	113,244	113,244
Total Expenses (Note 11)	1,054,619	1,147,983	579,076
(SHORTFALL) EXCESS OF REVENUE OVER EXPENSES	36	(96,351)	450,146
ACCUMULATED SURPLUS, BEGINNING OF	794,261	794,261	344,115
ACCUMULATED SURPLUS, END OF YEAR	794,297	697,910	794,261

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, 2017

	Budget \$ <u>(Unaudited)</u> (Note 15)	2017 \$ <u>Actual</u>	2016 \$ <u>Actual</u>
(SHORTFALL) EXCESS OF REVENUES OVER EXPENSES	<u>36</u>	<u>(96,351)</u>	<u>450,146</u>
Amortization of tangible capital assets		<u>113,244</u>	<u>113,244</u>
Acquisition of prepaid expenses		(746)	(746)
Use of prepaid expenses		<u>746</u>	<u>565</u>
		<u>-</u>	<u>(181)</u>
INCREASE IN NET FINANCIAL ASSETS		16,893	563,209
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR		<u>432,947</u>	<u>(130,262)</u>
NET FINANCIAL ASSETS, END OF YEAR		<u><u>449,840</u></u>	<u><u>432,947</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, 2017

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Shortfall) excess of revenues over expenses	(96,351)	450,146
Non-cash items included in excess of revenues over expenses:		
Amortization	<u>113,244</u>	<u>113,244</u>
	16,893	563,390
Non-cash charges to operations (net change):		
Decrease in taxes receivable	310	5,846
Decrease (increase) in accounts receivable	161,834	(191,560)
Increase in prepaid expenses	-	(181)
Increase (decrease) in accounts payable, accrued liabilities and accrued interest payable	26,821	(3,224)
Decrease in deferred revenue	<u>(210,607)</u>	<u>(85,837)</u>
Cash (used in) provided by operating transactions	<u>(4,749)</u>	<u>288,434</u>
FINANCING		
Principal repayment of debenture	<u>(166,664)</u>	<u>(165,445)</u>
Cash applied to financing transactions	<u>(166,664)</u>	<u>(165,445)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(171,413)	122,989
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>850,772</u>	<u>727,783</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>679,359</u></u>	<u><u>850,772</u></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, 2017

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 financial assets (debt) and cash flows of Improvement District No. 4 as at and for the year ended December 31, 2017 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, 2017

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, are not expected to be repaid in the future, or as a result of a direct financial return.

Government transfers, including ones which result in capitalized assets, are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined. Prior to revenue recognition, any amounts received or receivable along with restricted interest earned are recorded as deferred revenue.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provided the Change in Net Financial Assets (Debt) for the year.

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 which approximates fair value due to their short term nature.

Note 3 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, 2017, securities held by the fund had a rate of return of 0.92% per annum (December 31, 2016 - 0.89% per annum).

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 4	Taxes Receivable	2017			2016
		\$			\$
		Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	Taxes receivable	8,035	(95)	7,940	8,250

Note 5	Accounts Receivable	2017			2016
		\$			\$
		Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	Grants receivable	50,000	-	50,000	211,800
	Other receivable	-	-	-	34
		50,000	-	50,000	211,834

All grants listed above are receivable from related parties - see Note 12.

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.

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, 2017

Note 7 Deferred Revenue

	2017	2016
	\$	\$
Federal Gas Tax Fund	50,001	16,285
Municipal Sustainability Initiative - Capital Grant	21,734	54,400
Alberta Community Partnership Grant	143	211,800
	71,878	282,485

All grants listed above were received from related parties - see note 12.

Note 8 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 \$2,153 (2016 - \$3,372).

	2017	2016
	\$	\$
Debenture, 0.735%, due September 15, 2018	167,891	334,555

Principal and interest payments are as follows:

	Principal	Interest	Total
2018	\$ 167,891	\$ 926	\$ 168,817

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:

	2017	2016
	\$	\$
Total debt limit	1,577,448	1,543,833
Total debt	(167,891)	(334,555)
Debt limit in excess of actual debt	1,409,557	1,209,278
Service on debt limit	262,908	257,306
Service on debt	(168,817)	(168,817)
Service on debt limit in excess of actual debt service costs	94,091	88,489

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.

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 9 Tangible Capital Assets

	2017			2016
	\$			\$
	Software	Land Improvements	Total	Total
Estimated Useful Life	3 years	10 years		
<u>Historical Cost</u>				
Beginning of Year	105,000	1,032,440	1,137,440	1,137,440
Additions	-	-	-	-
	105,000	1,032,440	1,137,440	1,137,440
<u>Accumulated Amortization</u>				
Beginning of Year	95,000	681,872	776,872	663,628
Amortization expense	10,000	103,244	113,244	113,244
	105,000	785,116	890,116	776,872
Net book value at December 31, 2017	-	247,324	247,324	
Net book value at December 31, 2016	10,000	350,568		360,568

Note 10 Accumulated Surplus

	2017	2016
	\$	\$
Unrestricted accumulated surplus	450,586	433,693
Equity in tangible capital assets (Note 9)	247,324	360,568
	697,910	794,261

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 11 Total Expenses

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

	2017	2016
	\$	\$
Supplies and services	103,376	101,534
Grants	931,363	364,298
Amortization	113,244	113,244
	1,147,983	579,076

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

Related parties include all entities in the Government of Alberta's financial statements.

The Improvement District had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties during the normal course of business:

	Municipal Affairs		Other Entities	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenue				
Government transfers for operating	473,116	559,666	-	-
Expenses				
Administration	23,979	14,460	-	-
Assessment fees	-	27	-	-
Interest on debenture	-	-	1,799	3,004
	23,979	14,487	1,799	3,004
Receivable from (Note 5)	50,000	211,800	-	-

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 12 Related Parties (continued)

	Municipal Affairs		Other Entities	
	2017	2016	2017	2016
	\$	\$	\$	\$
Payable to	23,979	27	-	
Alberta Capital				
Finance				
Authority	-	-	168,259	335,277
	23,979	27	168,259	335,277
Deferred Revenue (Note 7)	71,878	282,485	-	-

Requisitions paid to the Alberta School Foundation are shown separately in the Statement of Operations.

Note 13 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, debentures payable and accrued interest payable. 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.

Note 14 Comparative Figures

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 15 Budget

The budget for the year ended December 31, 2017 was approved by the Minister of Municipal Affairs.

Note 16 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.