

Improvement District No. 24

Financial Statements

December 31, 2016

IMPROVEMENT DISTRICT NO. 24
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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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. 24, which comprise the statement of financial position as at December 31, 2016, 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. 24 as at December 31, 2016, 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. Saher FCPA, FCA

Auditor General

April 25, 2017

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 89,258	\$ 86,208
Taxes receivable (Note 4)	-	375
Accounts receivable (Note 5)	199,281	601,218
Investment (Note 6)	10	10
	288,549	687,811
LIABILITIES		
Accounts payable and accrued liabilities	344	-
Deferred revenue (Note 7)	256,462	659,893
	256,806	659,893
NET FINANCIAL ASSETS	31,743	27,918
NON-FINANCIAL ASSETS	-	-
ACCUMULATED SURPLUS	\$ 31,743	\$ 27,918

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF OPERATIONS
For the year ended December 31, 2016

	2016		2015
	Budget (Unaudited) (Note 12)	Actual	Actual
REVENUE			
Taxation:			
Federal grants in place of taxes	\$ 29,818	\$ 15,130	\$ 16,477
Real property	6,560	6,560	7,103
Power and pipeline	4,215	4,175	4,210
	<u>40,593</u>	<u>25,865</u>	<u>27,790</u>
Payment of requisitions:			
Alberta School Foundation Fund	(10,593)	(10,592)	(11,657)
General municipal	<u>30,000</u>	<u>15,273</u>	<u>16,133</u>
Government transfers for operating	266,425	671,629	155,044
Penalties	200	153	429
Bank interest	<u>200</u>	<u>216</u>	<u>9</u>
Total Revenue	<u>296,825</u>	<u>687,271</u>	<u>171,615</u>
EXPENSES			
Assessment fees	11,700	10,894	11,612
Administration	1,100	923	901
Grants	266,425	671,629	155,235
Bad debt expense	15,000	-	-
Total Expenses (Note 8)	<u>294,225</u>	<u>683,446</u>	<u>167,748</u>
EXCESS OF REVENUE OVER EXPENSES	2,600	3,825	3,867
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>27,918</u>	<u>27,918</u>	<u>24,051</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>\$ 30,518</u></u>	<u><u>\$ 31,743</u></u>	<u><u>\$ 27,918</u></u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2016

	<u>2016</u>		<u>2015</u>
	<u>Budget</u> (Unaudited) (Note 12)	<u>Actual</u>	<u>Actual</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 2,600	\$ 3,825	\$ 3,867
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>27,918</u>	<u>27,918</u>	<u>24,051</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 30,518</u>	<u>\$ 31,743</u>	<u>\$ 27,918</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 3,825	\$ 3,867
Changes in working capital:		
Decrease in taxes receivable	375	1,420
Decrease (increase) in accounts receivable	401,937	(236,333)
Increase (decrease) in accounts payable and accrued liabilities	344	(312,631)
(Decrease) increase in deferred revenue	(403,431)	118,080
Cash provided by (used in) operating transactions	<u>3,050</u>	<u>(425,597)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	3,050	(425,597)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>86,208</u>	<u>511,805</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 89,258</u>	<u>\$ 86,208</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

Note 1 Authority

Improvement District No. 24 (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 and cash flows of Improvement District No. 24 as at and for the year ended December 31, 2016 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.

Revenue Recognition

Taxation revenue is recorded at the time the tax billings are issued. Taxation billings are subject to appeal.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

Note 2 Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 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, and accounts payable and accrued liabilities 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, 2016, securities held by the fund had a rate of return of 0.89% per annum (December 31, 2015 - 0.93% per annum).

Note 4 Taxes Receivable

	2016			2015
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ -	\$ -	\$ -	\$ 375

Note 5 Accounts Receivable

	2016	2015
Grants receivable	<u>\$ 199,281</u>	<u>\$ 601,218</u>

All grants listed above are receivable from related parties - see note 9.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

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.

Note 7 Deferred Revenue

	<u>2016</u>	<u>2015</u>
Municipal Sustainability Initiative - Capital Grant	\$ 256,158	\$ 280,408
Federal Gas Tax Fund	304	379,485
	<u>\$ 256,462</u>	<u>\$ 659,893</u>

All grants listed above were received from related parties - see note 9.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

Note 8 Total Expenses

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

	<u>2016</u>	<u>2015</u>
Supplies and services	\$ 11,817	\$ 12,513
Grants	671,629	155,235
	<u>\$ 683,446</u>	<u>\$ 167,748</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 9 Related Parties

The Improvement District paid an administration fee of \$923 (2015 - \$901) and linear assessment costs of \$34 (2015 - \$32) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$34 (2015 - \$0) to Alberta Municipal Affairs. The Improvement District has accounts receivable of \$199,281 (2015 - \$601,218) from Alberta Municipal Affairs.

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

The Improvement District has deferred grant revenue of \$256,158 (2015 - \$280,408) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$242,144 (2015 - \$155,044) in government transfers for operating revenue related to this grant.

The Improvement District had deferred grant revenue of \$304 (2015 - \$379,485) from Alberta Municipal Affairs as part of the Federal Gas Tax Fund. The Improvement District recognized \$429,485 (2015 - \$0) in government transfers for operating revenue related to this grant.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

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>2016</u>	<u>2015</u>
Total debt limit	\$ 1,030,907	\$ 257,423
Total debt	-	-
Debt limit in excess of actual debt	<u>\$ 1,030,907</u>	<u>\$ 257,423</u>
Service on debt limit	\$ 171,818	\$ 42,904
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>\$ 171,818</u>	<u>\$ 42,904</u>

The debt limit, as defined by the Regulation, is 1.5 times revenue of the Improvement District net of capital government transfers. The debt service limit is 0.25 times this same revenue amount.

Note 11 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 minimized the credit risk.

Note 12 Budget

The budget for the year ended December 31, 2016 was approved by the Minister of Municipal Affairs.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2016

Note 13 Approval of Financial Statements

These financial statements were approved by the Senior Financial Officer of Alberta Municipal Affairs.