

Improvement District No. 24

Financial Statements

December 31, 2017

IMPROVEMENT DISTRICT NO. 24
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 - 11

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, 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. 24 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. Saher FCPA, FCA
Auditor General

April 10, 2018

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	394,199	89,258
Taxes receivable (Note 4)	846	-
Accounts receivable (Note 5)	149,213	199,281
Investment (Note 6)	10	10
	<u>544,268</u>	<u>288,549</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,366	344
Deferred revenue (Note 7)	507,208	256,462
	<u>508,574</u>	<u>256,806</u>
NET FINANCIAL ASSETS	35,694	31,743
NON-FINANCIAL ASSETS	-	-
ACCUMULATED SURPLUS	<u>35,694</u>	<u>31,743</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF OPERATIONS
For the year ended December 31, 2017

	Budget \$ (Unaudited) (Note 12)	2017 \$ Actual	2016 \$ Actual
REVENUE			
Taxation:			
Federal grants in place of taxes	29,016	14,645	15,130
Real property	6,795	6,795	6,560
Power and pipeline	4,446	4,446	4,175
	<u>40,257</u>	<u>25,886</u>	<u>25,865</u>
Payment of requisitions:			
Alberta School Foundation Fund	(10,657)	(10,657)	(10,592)
General municipal	29,600	15,229	15,273
Government transfers for operating	440,107	17,151	671,629
Penalties	200	94	153
Bank interest	200	679	216
	<u>470,107</u>	<u>33,153</u>	<u>687,271</u>
EXPENSES			
Assessment fees	11,400	10,600	10,894
Administration	1,100	1,451	923
Grants	440,107	17,151	671,629
Bad debt expense	15,000	-	-
Total Expenses (Note 8)	<u>467,607</u>	<u>29,202</u>	<u>683,446</u>
EXCESS OF REVENUE OVER EXPENSES	2,500	3,951	3,825
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>31,743</u>	<u>31,743</u>	<u>27,918</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>34,243</u>	<u>35,694</u>	<u>31,743</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, 2017

	Budget \$ (Unaudited) (Note 12)	2017 \$ Actual	2016 \$ Actual
EXCESS OF REVENUE OVER EXPENSES	\$ 2,500	\$ 3,951	\$ 3,825
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>31,743</u>	<u>31,743</u>	<u>27,918</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 34,243</u>	<u>\$ 35,694</u>	<u>\$ 31,743</u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 24
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		
Excess of revenue over expenses	3,951	3,825
Changes in working capital:		
(Increase) decrease in taxes receivable	(846)	375
Decrease in accounts receivable	50,068	401,937
Increase in accounts payable and accrued liabilities	1,022	344
Increase (decrease) in deferred revenue	250,746	(403,431)
Cash provided by operating transactions	<u>304,941</u>	<u>3,050</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	304,941	3,050
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>89,258</u>	<u>86,208</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>394,199</u></u>	<u><u>89,258</u></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, 2017

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, 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 measureable. 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.

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.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 2 Significant Accounting Policies (continued)

Revenue Recognition (continued)

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfer is 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.

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

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).

Note 4 Taxes Receivable

	2017			2016
	\$			\$
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	846	-	846	-

Note 5 Accounts Receivable

	2017	2016
	\$	\$
Grants receivable	149,213	199,281

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, 2017

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

	2017	2016
	\$	\$
Municipal Sustainability Initiative - Capital Grant	456,901	256,158
Federal Gas Tax Fund	50,307	304
	507,208	256,462

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, 2017

Note 8 Total Expenses

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

	2017	2016
	\$	\$
Supplies and services	12,051	11,817
Grants	17,151	671,629
	29,202	683,446

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

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	
	2017	2016
	\$	\$
Revenue		
Government transfers for operating	17,151	671,629
Expenses		
Administration	1,366	923
Assessment fees	-	34
	1,366	957
Receivable from (Note 5)	149,213	199,281
Payable to	1,366	34

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 9 Related Parties (continued)

	Municipal Affairs	
	2017	2016
	\$	\$
Deferred Revenue (Note 7)	507,208	256,462

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

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:

	2017	2016
	\$	\$
Total debt limit	49,730	1,030,907
Total debt	-	-
Debt limit in excess of actual debt	49,730	1,030,907
Service on debt limit	8,288	171,818
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	8,288	171,818

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.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2017

Note 11 Financial Instruments (continued)

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, 2017 was approved by the Minister of Municipal Affairs.

Note 13 Approval of Financial Statements

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