

Improvement District No. 24

Financial Statements

December 31, 2018

IMPROVEMENT DISTRICT NO. 24
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

Opinion

I have audited the financial statements of Improvement District No. 24 which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Improvement District No. 24 as at December 31, 2018, 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.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Improvement District No. 24 in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Improvement District No. 24's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Improvement District No. 24 financial reporting process.

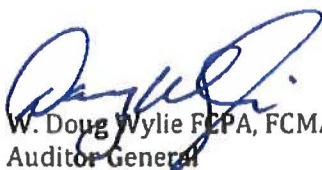
Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Improvement District No. 24's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Improvement District No. 24's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Improvement District No. 24 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

April 9, 2019
Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	302,788	394,199
Taxes receivable (Note 5)	1,514	846
Accounts receivable	50,000	149,213
Investment (Note 6)	10	10
	<u>354,312</u>	<u>544,268</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	1,366
Deferred revenue (Note 7)	314,874	507,208
	<u>314,874</u>	<u>508,574</u>
NET FINANCIAL ASSETS	39,438	35,694
NON-FINANCIAL ASSETS	-	-
ACCUMULATED SURPLUS	<u>39,438</u>	<u>35,694</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget \$ (Note 12)	2018 \$ Actual	2017 \$ Actual
REVENUES			
Taxation:			
Federal grants in place of taxes	13,967	13,967	14,645
Real property	7,109	7,109	6,795
Power and pipeline	4,664	4,664	4,446
	<u>25,740</u>	<u>25,740</u>	<u>25,886</u>
Payment of requisitions:			
Alberta School Foundation Fund	(11,209)	(11,210)	(10,657)
Designated Industrial Property	(31)	(31)	-
General municipal	<u>14,500</u>	<u>14,499</u>	<u>15,229</u>
Government transfers for operating	443,854	505,605	17,151
Penalties	100	343	94
Bank interest	<u>500</u>	<u>254</u>	<u>679</u>
Total Revenues	<u>458,954</u>	<u>520,701</u>	<u>33,153</u>
EXPENSES			
Assessment fees	11,100	10,600	10,600
Administration	1,500	752	1,451
Grants	443,854	505,605	17,151
Total Expenses (Note 8)	<u>456,454</u>	<u>516,957</u>	<u>29,202</u>
EXCESS OF REVENUES OVER EXPENSES	2,500	3,744	3,951
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>35,694</u>	<u>35,694</u>	<u>31,743</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>38,194</u></u>	<u><u>39,438</u></u>	<u><u>35,694</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, 2018

	Budget \$ (Note 12)	2018 \$ Actual	2017 \$ Actual
EXCESS OF REVENUES OVER EXPENSES	\$ 2,500	\$ 3,744	\$ 3,951
NET FINANCIAL ASSETS, BEGINNING OF YEAR	35,694	35,694	31,743
NET FINANCIAL ASSETS, END OF YEAR	\$ 38,194	\$ 39,438	\$ 35,694

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 24
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	3,744	3,951
Changes in working capital:		
Increase in taxes receivable	(668)	(846)
Decrease in accounts receivable	99,213	50,068
(Decrease) increase in accounts payable and accrued liabilities	(1,366)	1,022
(Decrease) increase in deferred revenue	<u>(192,334)</u>	<u>250,746</u>
Cash (used in) provided by operating transactions	<u>(91,411)</u>	<u>304,941</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(91,411)	304,941
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>394,199</u>	<u>89,258</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>302,788</u></u>	<u><u>394,199</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, 2018

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, 2018 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 revenues as they are 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 revenues and expenses 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 revenues are 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, 2018

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, investment, accounts payable and accrued liabilities and deferred revenue are measured at cost which approximates fair value due to their short term nature.

Note 3 Future Accounting Changes

PS 3400 Revenue (effective April 1, 2022)

This standard provides guidance on how to account for and report on revenue, and specifically, addresses revenue arising from exchange transactions and unilateral transactions.

PS 3450 Financial Instruments (effective April 1, 2021)

Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of the financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in the financial statements; and how to account for and report portfolio investments.

Management is currently assessing the impact of these standards on the financial statements.

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

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, 2018, securities held by the fund had a rate of return of 1.65% per annum (December 31, 2017 - 0.92% per annum).

Note 5 Taxes Receivable

	2018			2017
	\$			\$
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	1,514	-	1,514	846

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. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 7 Deferred Revenue

	2018	2017
	\$	\$
Municipal Sustainability Initiative - Capital Grant	276,002	456,901
Federal Gas Tax Fund	38,872	50,307
	314,874	507,208

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

Note 8 Total Expenses

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

	2018	2017
	\$	\$
Supplies and services	11,352	12,051
Grants	505,605	17,151
	516,957	29,202

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	
	2018	2017
	\$	\$
Revenues		
Government transfers for operating	505,605	17,151

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 9 Related Parties (continued)

	Municipal Affairs	
	2018	2017
	\$	\$
Expenses		
Administration	641	1,366
Receivable from	50,000	149,213
Payable to	-	1,366
Deferred Revenue (Note 7)	314,874	507,208

Requisitions paid to the Alberta School Foundation Fund and the Designated Industrial

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:

	2018	2017
	\$	\$
Total debt limit	781,052	49,730
Total debt	-	-
Debt limit in excess of actual debt	781,052	49,730
Service on debt limit	130,175	8,288
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	130,175	8,288

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

IMPROVEMENT DISTRICT NO. 24
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 11 Financial Instruments

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and accounts receivable, investment, 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, 2018 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.