

Improvement District No. 4

Financial Statements

December 31, 2018

IMPROVEMENT DISTRICT NO. 4
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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IMPROVEMENT DISTRICT NO. 4
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	359,199	679,359
Taxes receivable (Note 5)	32,731	7,940
Accounts receivable (Note 6)	164,486	50,000
Investment (Note 7)	10	10
	<u>556,426</u>	<u>737,309</u>
LIABILITIES		
Accounts payable and accrued liabilities	6,383	47,332
Accrued interest payable	-	368
Deferred revenue (Note 8)	123,421	71,878
Debenture payable (Note 9)	-	167,891
	<u>129,804</u>	<u>287,469</u>
NET FINANCIAL ASSETS	<u>426,622</u>	<u>449,840</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	-	247,324
Prepaid expenses	657	746
	<u>657</u>	<u>248,070</u>
ACCUMULATED SURPLUS (Note 11)	<u>427,279</u>	<u>697,910</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget \$ (Note 16)	2018 \$ Actual	2017 \$ Actual
REVENUES			
Taxation:			
Real property	847,099	847,118	795,347
Power and pipeline	8,493	8,493	7,813
Federal grants in place of taxes	217,619	202,075	194,418
	<u>1,073,211</u>	<u>1,057,686</u>	<u>997,578</u>
Payment of requisitions:			
Alberta School Foundation Fund	(474,205)	(474,205)	(428,553)
Designated Industrial Property	(24)	(24)	-
	<u>598,982</u>	<u>583,457</u>	<u>569,025</u>
General municipal	598,982	583,457	569,025
Government transfers for operating	300,378	250,378	473,116
Penalties	7,800	6,240	2,984
Bank interest	4,000	8,956	6,282
Other	300	100	225
Total Revenues	<u>911,460</u>	<u>849,131</u>	<u>1,051,632</u>
EXPENSES			
Administration	70,000	64,772	61,155
Contracted and general services	-	663	650
Recreation and cultural services	778,922	778,922	931,363
Assessment fees	10,612	10,875	10,500
Honoraria	40,000	14,790	23,850
Protective services	10,000	-	3,661
Insurance	1,000	764	759
Interest on debenture	926	558	1,799
Water, sewage and garbage	-	999	907
Loss on disposal of capital assets	-	247,324	-
Bad debt	-	95	95
Amortization (Note 10)	-	-	113,244
Total Expenses (Note 12)	<u>911,460</u>	<u>1,119,762</u>	<u>1,147,983</u>
SHORTFALL OF REVENUES OVER EXPENSES	-	(270,631)	(96,351)
ACCUMULATED SURPLUS, BEGINNING OF	<u>697,910</u>	<u>697,910</u>	<u>794,261</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>697,910</u>	<u>427,279</u>	<u>697,910</u>

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, 2018

	Budget \$ <u>(Note 16)</u>	2018 \$ Actual	2017 \$ <u>Actual</u>
SHORTFALL OF REVENUES OVER EXPENSES	<u>-</u>	<u>(270,631)</u>	<u>(96,351)</u>
Loss on disposal of capital assets		247,324	-
Amortization of tangible capital assets		<u>-</u>	<u>113,244</u>
		247,324	113,244
Acquisition of prepaid expenses		(657)	(746)
Use of prepaid expenses		746	746
		<u>89</u>	<u>-</u>
(DECREASE) INCREASE IN NET FINANCIAL ASSETS		(23,218)	16,893
NET FINANCIAL ASSETS, BEGINNING OF YEAR		449,840	<u>432,947</u>
NET FINANCIAL ASSETS, END OF YEAR		426,622	<u>449,840</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 4
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

	2018	2017
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Shortfall of revenues over expenses	(270,631)	(96,351)
Non-cash items included in excess of revenues over expenses:		
Loss on disposal of capital assets	247,324	-
Amortization	-	113,244
	<u>(23,307)</u>	<u>16,893</u>
Non-cash charges to operations (net change):		
(Increase) decrease in taxes receivable	(24,791)	310
(Increase) decrease in accounts receivable	(114,486)	161,834
Decrease in prepaid expenses	89	-
(Decrease) increase in accounts payable, accrued liabilities and accrued interest payable	(41,317)	26,821
Increase (decrease) in deferred revenue	51,543	(210,607)
Cash used in operating transactions	<u>(152,269)</u>	<u>(4,749)</u>
FINANCING		
Principal repayment of debenture	(167,891)	(166,664)
Cash applied to financing transactions	<u>(167,891)</u>	<u>(166,664)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(320,160)	(171,413)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>679,359</u>	<u>850,772</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>359,199</u></u>	<u><u>679,359</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, 2018

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 and cash flows of Improvement District No. 4 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 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 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.

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, 2018

Note 2 Significant Accounting Policies (continued)

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.

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 for the year.

Valuation of Financial Assets and Liabilities

Cash and cash equivalents, taxes and accounts receivable, investments, accounts payable and accrued liabilities, accrued interest payable, deferred revenue and debentures are measured at cost which approximates fair value due to their short term nature.

Note 3 Future Accounting Changes

PS 3280 Asset Retirement Obligations (effective April 1, 2021)

This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 3 Future Accounting Changes (continued)

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.

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	32,921	(190)	32,731	7,940

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 6 Accounts Receivable

	2018			2017
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	164,461	-	164,461	50,000
Other receivable	25	-	25	-
	164,486	-	164,486	50,000

All grants listed above are receivable from related parties - see Note 13.

Note 7 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, 2018

Note 8 Deferred Revenue

	2018	2017
	\$	\$
Federal Gas Tax Fund	55,273	50,001
Municipal Sustainability Initiative - Capital Grant	68,003	21,734
Alberta Community Partnership Grant	145	143
	123,421	71,878

All grants listed above were received from related parties - see note 13.

Note 9 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 \$926 (2017 - \$2,153).

	2018	2017
	\$	\$
Debenture, 0.735%, due September 15, 2018	-	167,891

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	1,273,697	1,577,448
Total debt	-	(167,891)
Debt limit in excess of actual debt	1,273,697	1,409,557
Service on debt limit	212,283	262,908
Service on debt	-	(168,817)
Service on debt limit in excess of actual debt service costs	212,283	94,091

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

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 10 Tangible Capital Assets

	2018			2017
	\$			\$
	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
Disposals	-	(1,032,440)	(1,032,440)	-
	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>1,137,440</u>
<u>Accumulated Amortization</u>				
Beginning of Year	105,000	785,116	890,116	776,872
Effect of disposals		(785,116)	(785,116)	
Amortization expense	-	-	-	113,244
	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>890,116</u>
Net book value at December 31, 2018	<u>-</u>	<u>-</u>	<u>-</u>	
Net book value at December 31, 2017	<u>-</u>	<u>247,324</u>		<u>247,324</u>

Note 11 Accumulated Surplus

	2018	2017
	\$	\$
Unrestricted accumulated surplus	427,279	450,586
Equity in tangible capital assets (Note 10)	-	247,324
	<u>427,279</u>	<u>697,910</u>

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 12 Total Expenses

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Supplies and services	93,516	103,376
Grants	778,922	931,363
Loss on disposal of tangible capital assets	247,324	-
Amortization	-	113,244
	<u>1,119,762</u>	<u>1,147,983</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 13 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:

	<u>Municipal Affairs</u>		<u>Other Entities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$	\$	\$	\$
Revenues				
Government transfers for operating	250,378	473,116	-	-
Expenses				
Administration	25,289	23,979	-	-
Interest on debenture	-	-	558	1,799
	<u>25,289</u>	<u>23,979</u>	<u>558</u>	<u>1,799</u>
Receivable from (Note 6)	<u>164,461</u>	<u>50,000</u>	<u>-</u>	<u>-</u>

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 13 Related Parties (continued)

	Municipal Affairs		Other Entities	
	2018	2017	2018	2017
	\$	\$	\$	\$
Payable to	-	23,979	-	
Alberta Capital				
Finance Authority	-	-	-	168,259
	-	23,979	-	168,259
Deferred Revenue (Note 8)	123,421	71,878	-	-

Requisitions paid to the Alberta School Foundation Fund and the Designated Industrial Property Tax are shown separately in the statement of operations.

Note 14 Financial Instruments

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and accounts receivable, investment, 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 15 Comparative Figures

Certain 2017 figures have been reclassified to conform to the 2018 presentation.

IMPROVEMENT DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 16 Budget

The budget for the year ended December 31, 2018 was approved by the Minister of Municipal Affairs.

Note 17 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.

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