

# **Improvement District No. 4**

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Financial Statements

December 31, 2019

**IMPROVEMENT DISTRICT NO. 4**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2019**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	<b>688,750</b>	359,199
Taxes receivable (Note 5)	<b>35,126</b>	32,731
Accounts receivable (Note 6)	<b>100,135</b>	164,486
Investment (Note 7)	<b>-</b>	10
	<b><u>824,011</u></b>	<u>556,426</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>39,395</b>	6,383
Deferred revenue (Note 8)	<b>313,461</b>	123,421
	<b><u>352,856</u></b>	<u>129,804</u>
<b>NET FINANCIAL ASSETS</b>	<b><u>471,155</u></b>	<u>426,622</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	<b>-</b>	-
Prepaid expenses	<b>3,036</b>	657
	<b><u>3,036</u></b>	<u>657</u>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<b><u><u>474,191</u></u></b>	<u><u>427,279</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2019

	Budget \$ <u>(Note 17)</u>	<b>2019</b> \$ <b>Actual</b>	2018 \$ <u>Actual</u>
<b>REVENUES</b>			
Taxation:			
Real property	897,934	<b>868,976</b>	847,118
Power and pipeline	7,668	<b>7,533</b>	8,493
Federal grants in place of taxes	221,138	<b>214,319</b>	202,075
	<u>1,126,740</u>	<b>1,090,828</b>	1,057,686
Payment of requisitions:			
Alberta School Foundation Fund	(493,172)	<b>(457,261)</b>	(474,205)
Designated Industrial Property	-	-	(24)
	<u>633,568</u>	<b>633,567</b>	583,457
General municipal	633,568	<b>633,567</b>	583,457
Government transfers for operating	222,846	<b>126,756</b>	250,378
Penalties	7,800	<b>8,211</b>	6,240
Bank interest	4,000	<b>9,802</b>	8,956
Other	300	<b>85</b>	100
	<u>868,514</u>	<b>778,421</b>	849,131
<b>Total Revenues</b>			
<b>EXPENSES</b>			
Administration	70,000	<b>63,549</b>	64,772
Contracted and general services	-	<b>682</b>	663
Recreation and cultural services	746,390	<b>644,858</b>	778,922
Assessment fees	10,824	<b>11,375</b>	10,875
Honoraria	40,000	<b>9,362</b>	14,790
Protective services	-	-	-
Insurance	1,000	<b>1,264</b>	764
Interest on debenture	-	-	558
Water, sewage and garbage	300	<b>321</b>	999
Loss on disposal of capital assets	-	-	247,324
Bad debt	-	<b>98</b>	95
	<u>868,514</u>	<b>731,509</b>	1,119,762
<b>Total Expenses (Note 12)</b>			
<b>EXCESS (SHORTFALL) OF REVENUES</b>			
<b>OVER EXPENSES</b>			
	-	<b>46,912</b>	(270,631)
<b>ACCUMULATED SURPLUS, BEGINNING OF</b>			
	<u>427,279</u>	<b>427,279</b>	697,910
<b>ACCUMULATED SURPLUS, END OF YEAR</b>			
	<u>427,279</u>	<b>474,191</b>	427,279

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, 2019**

	Budget \$ <u>(Note 17)</u>	<b>2019</b> \$ <b>Actual</b>	2018 \$ Actual
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<u>-</u>	<u><b>46,912</b></u>	<u>(270,631)</u>
Loss on disposal of capital assets		<u>-</u>	<u>247,324</u>
Acquisition of prepaid expenses		<b>(3,036)</b>	(657)
Use of prepaid expenses		<u><b>657</b></u>	<u>746</u>
		<u><b>(2,379)</b></u>	<u>89</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>		<b>44,533</b>	(23,218)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>		<u><b>426,622</b></u>	<u>449,840</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>		<u><u><b>471,155</b></u></u>	<u><u>426,622</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, 2019**

	<b>2019</b>	<b>2018</b>
	<u>\$</u>	<u>\$</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenues over expenses	46,912	(270,631)
Non-cash items included in excess (shortfall) of revenues		
Loss on disposal of capital assets	-	247,324
	<u>46,912</u>	<u>(23,307)</u>
Non-cash charges to operations (net change):		
Increase in taxes receivable	(2,395)	(24,791)
Decrease (increase) in accounts receivable	64,351	(114,486)
(Increase) decrease in prepaid expenses	(2,379)	89
Increase (decrease) in accounts payable, accrued liabilities and accrued interest payable	33,012	(41,317)
Increase in deferred revenue	190,040	51,543
Cash provided by (used in) operating transactions	<u>329,541</u>	<u>(152,269)</u>
<b>INVESTING</b>		
Decrease in investments	10	-
Cash provided by investing transactions	<u>10</u>	<u>-</u>
<b>FINANCING</b>		
Principal repayment of debenture	-	(167,891)
Cash applied to financing transactions	<u>-</u>	<u>(167,891)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>329,551</b>	<b>(320,160)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>359,199</b>	<b>679,359</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>688,750</u></b>	<b><u>359,199</u></b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**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, 2019 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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**Note 2      Significant Accounting Policies (continued)**

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:

Software	3 years
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Revenue Recognition

Taxation revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Taxation billings are subject to appeal. The taxes levied also include requisitions for education and assessment organizations that are not part of the reporting entity. Requisitions operate as a flow through and are excluded from municipal revenue.

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.



**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**Note 2      Significant Accounting Policies (continued)**

Valuation of Financial Assets and Liabilities

Cash and cash equivalents, taxes and accounts receivable, 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 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.

**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. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

**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, 2019, securities held by the fund had a rate of return of 1.88% per annum (December 31, 2018 - 1.65% per annum).

**Note 5 Taxes Receivable**

	<b>2019</b>			2018
	\$			\$
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	35,414	(288)	<b>35,126</b>	32,731

**Note 6 Accounts Receivable**

	<b>2019</b>			2018
	\$			\$
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	100,000	-	<b>100,000</b>	164,461
Other receivable	135	-	<b>135</b>	25
	<b>100,135</b>	-	<b>100,135</b>	164,486

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

**Note 7 Investment**

The investment consisted of one Class B share at a par value of \$10 in the Alberta Capital Finance Authority ("ACFA"). The share entitled the Improvement District to vote in the selection of one director to the Corporation's Board.

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

**Note 7 Investment (continued)**

ACFA was 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.

Effective November 22, 2019, pursuant to amendments to the *Alberta Capital Finance Authority Act* made by way of the *Reform of Agencies, Boards and Commissions and Government Enterprises Act, 2019*, ACFA was dissolved, all outstanding shares were cancelled and are to be exchanged for the issued value of \$10 per share.

**Note 8 Deferred Revenue**

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Municipal Sustainability Initiative - Capital Grant	<b>213,217</b>	68,003
Federal Gas Tax Fund	<b>100,244</b>	55,273
Alberta Community Partnership Grant	-	145
	<b>313,461</b>	123,421

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

**Note 9 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:

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Total debt limit	<b>1,167,632</b>	1,273,697
Total debt	-	-
Debt limit in excess of actual debt	<b>1,167,632</b>	1,273,697
Service on debt limit	<b>194,605</b>	212,283
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<b>194,605</b>	212,283

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

**Note 9 Debt and Debt Service Limits (continued)**

The debt limit, as defined by the Regulation, is 1.5 times revenue of the Improvement District (as defined in *Alberta Regulation 255/00*). The debt service limit is 0.25 times this same revenue amount. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Improvement District. Rather, the financial statements must be interpreted as a whole.

**Note 10 Tangible Capital Assets**

	2019		2018
	\$		\$
	Software	Total	Total
Estimated Useful Life	3 years		
<u>Historical Cost</u>			
Beginning of Year	105,000	<b>105,000</b>	1,137,440
Disposals	-	-	(1,032,440)
	105,000	<b>105,000</b>	105,000
<u>Accumulated Amortization</u>			
Beginning of Year	105,000	<b>105,000</b>	890,116
Effect of disposals		-	(785,116)
	105,000	<b>105,000</b>	105,000
Net book value at December 31, 2019	-	-	
Net book value at December 31, 2018	-	-	-

**Note 11 Accumulated Surplus**

	2019	2018
	\$	\$
Unrestricted accumulated surplus	<b>474,191</b>	427,279
Equity in tangible capital assets (Note 10)	-	-
	<b>474,191</b>	427,279

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

**Note 12 Total Expenses**

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

	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>
Supplies and services	<b>86,651</b>	93,516
Grants	<b>644,858</b>	778,922
Loss on disposal of tangible capital assets	-	247,324
	<b>731,509</b>	1,119,762

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:

	Municipal Affairs		Other Entities	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>				
Government transfers for operating	<b>126,756</b>	250,378	-	-
<b>Expenses</b>				
Administration	22,035	25,289	-	-
Interest on debenture	-	-	-	558
	<b>22,035</b>	25,289	-	558
<b>Receivable from (Note 6)</b>	<b>100,000</b>	164,461	<b>10</b>	-
<b>Deferred Revenue (Note 8)</b>	<b>313,461</b>	123,421	-	-

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

**IMPROVEMENT DISTRICT NO. 4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

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**Note 14      Financial Instruments**

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and accounts receivable, 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 minimizes the credit risk.

**Note 15      Subsequent Event**

Subsequent to the year end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the financial and operational impact these developments will have on the Improvement District.

**Note 16      Comparative Figures**

Certain 2018 figures have been reclassified to conform to the 2019 presentation.

**Note 17      Budget**

The budget for the year ended December 31, 2019 was approved by the Minister of Municipal Affairs.

**Note 18      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.