

# **Improvement District No. 13**

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Financial Statements

December 31, 2015

**IMPROVEMENT DISTRICT NO. 13**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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. 13, which comprise the statement of financial position as at December 31, 2015, 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. 13 as at December 31, 2015, and the results of its operations, its change from net debt to 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 18, 2016

Edmonton, Alberta

**IMPROVEMENT DISTRICT NO. 13**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2015**

	<b>2015</b>	<b>2014</b>
	<u>\$</u>	<u>\$</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	399,748	684,056
Taxes receivable	-	4,851
Grants receivable (Note 4)	108,876	58,333
Investment (Note 5)	10	10
	<u>508,634</u>	<u>747,250</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	-	437,270
Deferred revenue (Note 6)	239,999	367,460
	<u>239,999</u>	<u>804,730</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>268,635</b>	<b>(57,480)</b>
<b>NON-FINANCIAL ASSETS</b>	<b>-</b>	<b>-</b>
<b>ACCUMULATED SURPLUS (DEFICIT)</b>	<b><u>268,635</u></b>	<b><u>(57,480)</u></b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 13**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2015

	Budget \$ <u>(Unaudited)</u> (Note 11)	2015 \$ <u>Actual</u>	2014 \$ <u>Actual</u>
<b>REVENUE</b>			
Taxation:			
Federal grants in place of taxes	30,441	30,441	29,977
Power and pipeline	6,085	6,085	6,312
Real property	4,407	4,407	4,332
	<u>40,933</u>	<u>40,933</u>	<u>40,621</u>
Payment of requisitions:			
Alberta School Foundation Fund	(22,433)	(22,432)	(22,221)
General municipal	18,500	18,501	18,400
Government transfers for operating	184,099	313,438	131,774
Penalties		1,763	520
Bank interest	2,500	1,581	2,796
	<u>205,099</u>	<u>335,283</u>	<u>153,490</u>
<b>Total Revenue</b>			
	<u>205,099</u>	<u>335,283</u>	<u>153,490</u>
<b>EXPENSES</b>			
Assessment fees	10,500	8,433	8,277
Administration	1,500	735	904
Grants	184,099	-	436,323
<b>Total expenses (Note 7)</b>	<u>196,099</u>	<u>9,168</u>	<u>445,504</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	9,000	326,115	(292,014)
<b>ACCUMULATED (DEFICIT) SURPLUS, BEGINNING OF YEAR</b>	<u>-</u>	<u>(57,480)</u>	<u>234,534</u>
<b>ACCUMULATED SURPLUS (DEFICIT), END OF YEAR</b>	<u>9,000</u>	<u>268,635</u>	<u>(57,480)</u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 13**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the year ended December 31, 2015**

	Budget \$ <u>(Unaudited)</u> <u>(Note 11)</u>	2015 \$ <u>Actual</u>	2014 \$ <u>Actual</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<u>9,000</u>	<u>326,115</u>	<u>(292,014)</u>
<b>NET (DEBT) FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>(57,480)</u>	<u>(57,480)</u>	<u>234,534</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u><u>(48,480)</u></u>	<u><u>268,635</u></u>	<u><u>(57,480)</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 13**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2015

	<b>2015</b>	<b>2014</b>
	<u>\$</u>	<u>\$</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING TRANSACTIONS:</b>		
Excess (shortfall) of revenue over expenditure	326,115	(292,014)
Changes in working capital:		
Decrease (increase) in taxes receivable	4,851	(4,851)
Increase in accounts receivable	(50,543)	(58,333)
(Decrease) increase in accounts payable and accrued liabilities	(437,270)	437,270
(Decrease) increase in deferred revenue	(127,461)	56,738
Cash (applied to) provided by operating transactions	<u>(284,308)</u>	<u>138,810</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(284,308)</b>	<b>138,810</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>684,056</b></u>	<u><b>545,246</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>399,748</b></u></u>	<u><u><b>684,056</b></u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2015**

**Note 1      Authority**

Improvement District No. 13 (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. 13 as at and for the year ended December 31, 2015 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 and 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. 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2015**

**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 grants receivable, and accounts payable and accrued liabilities are measured at cost.

**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, 2015, securities held by the fund had a rate of return of 0.93% per annum (December 31, 2014 - 1.18% per annum).

**IMPROVEMENT DISTRICT NO. 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2015**

**Note 4 Grants Receivable**

	2015	2014
	\$	\$
Grants receivable	108,876	58,333

All grants listed above are receivable from related parties - see note 8.

**Note 5 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 6 Deferred Revenue**

	2015	2014
	\$	\$
Municipal Sustainability Initiative - Operating Grant	-	12
Municipal Sustainability Initiative - Capital Grant	139,605	317,190
Federal Gas Tax Fund Grant	100,394	50,258
	239,999	367,460

All grants listed above were received from related parties - see note 8.

**IMPROVEMENT DISTRICT NO. 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2015**

**Note 7 Total Expenses**

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

	2015	2014
	\$	\$
Supplies and services	9,168	9,181
Grants	-	436,323
	9,168	445,504

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 8 Related Parties**

The Improvement District paid an administration fee of \$735 (2014 - \$903) and linear assessment costs of \$35 (2014 - \$44) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$0 (2014 - \$947) to Alberta Municipal Affairs. The Improvement District has grants receivable of \$108,876 (2014 - \$58,333) 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 \$139,605 (2014 - \$317,202) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$313,437 (2014 - \$5,825) in government transfers for operating revenue related to this grant.

The Improvement District has deferred grant revenue of \$100,394 (2014 - \$50,258) from Alberta Municipal Affairs as part of the Federal Gas Tax Fund. The Improvement District recognized \$0 (2014 - \$125,949) in government transfers for operating revenue related to this grant.

**IMPROVEMENT DISTRICT NO. 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2015**

**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:

	2015	2014
	\$	\$
Total debt limit	502,925	230,235
Total debt	-	-
Debt limit in excess of actual debt	502,925	230,235
Service on debt limit	83,821	38,373
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	83,821	38,373

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 10 Financial Instruments**

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and grants 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. 13**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at December 31, 2015**

**Note 10      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 minimizes the credit risk.

**Note 11      Budget**

The budget for the year ended December 31, 2015 was approved by the Minister of Municipal Affairs.

**Note 12      Approval of Financial Statements**

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