

**KANANASKIS IMPROVEMENT DISTRICT**

**Financial Statements**

**December 31, 2016**

**KANANASKIS IMPROVEMENT DISTRICT**

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**December 31, 2016**

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**KANANASKIS IMPROVEMENT DISTRICT**

**Statement of Financial Position**

**As at December 31, 2016**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and restricted cash (Note 4)	\$ 2,752,458	\$ 2,785,369
Receivables		
Taxes and grants receivable	66,826	77,200
Accounts receivable and accrued receivables (Note 5)	1,074,022	1,004,433
Investments (Note 6)	11	11
	<u>\$ 3,893,317</u>	<u>\$ 3,867,013</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 317,514	\$ 550,494
Employee benefit obligations (Note 15)	56,000	48,236
Deferred revenue		
Business license fees	6,310	10,405
Operating contributions (Note 7)	47,335	88,034
Capital contributions (Note 8)	876,785	803,979
	<u>1,303,944</u>	<u>1,501,148</u>
<b>NET FINANCIAL ASSETS</b>	<b>2,589,373</b>	<b>2,365,865</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 9)	1,706,462	1,735,850
	<u>\$ 4,295,835</u>	<u>\$ 4,101,715</u>
<b>ACCUMULATED SURPLUS (Schedule 1) (Note 11)</b>		
<b>CONTINGENCIES (Note 19)</b>		

*The accompanying notes and schedules are an integral part of these financial statements*

**KANANASKIS IMPROVEMENT DISTRICT**

**Statement of Operations**

**For the Year Ended December 31, 2016**

	2016 Budget <i>(Note 13)</i> <i>(Unaudited)</i>	2016	2015
<b>REVENUE</b>			
Net taxation revenue <i>(Schedule 2)</i>	\$ 1,071,680	\$ <b>1,151,843</b>	\$ 1,126,596
Utility services	475,000	<b>564,468</b>	476,710
Sales of services and products	200,000	<b>190,192</b>	151,377
Operating contributions <i>(Schedule 3)</i>	42,455	<b>60,225</b>	684,991
Interest	20,000	<b>20,732</b>	19,095
<b>TOTAL REVENUE</b>	<b>1,809,135</b>	<b>1,987,460</b>	2,458,769
<b>EXPENSES, DIRECTLY INCURRED <i>(Schedule 4)</i></b>			
Protective services <i>(Note 12)</i>	813,796	<b>912,301</b>	1,428,914
Administrative services	362,973	<b>340,126</b>	372,342
Garbage collection and disposal	437,200	<b>438,855</b>	402,168
Transportation services	127,500	<b>120,087</b>	129,323
Agriculture, planning and other services	10,000	<b>26,760</b>	11,123
Utilities	85,000	<b>37,643</b>	83,900
Bad debts	50,000	<b>11,594</b>	3,127
Loss on disposal of tangible capital assets	1,067	-	1,067
Amortization of tangible capital assets	-	<b>135,741</b>	138,697
<b>TOTAL EXPENSE</b>	<b>1,887,536</b>	<b>2,023,107</b>	2,570,661
<b>NET OPERATING EXPENSE</b>	<b>(78,401)</b>	<b>(35,647)</b>	(111,892)
<b>OTHER</b>			
Capital contributions <i>(Schedule 3)</i>	75,000	<b>229,767</b>	406,391
<b>NET REVENUE (EXPENSE)</b>	<b>(3,401)</b>	<b>194,120</b>	294,499
<b>ACCUMULATED SURPLUS, Beginning of year</b>			
<i>(Note 11), (Schedule 1)</i>	4,101,715	<b>4,101,715</b>	3,807,216
<b>ACCUMULATED SURPLUS, End of year</b>			
<i>(Note 11), (Schedule 1)</i>	\$ 4,098,314	\$ <b>4,295,835</b>	\$ 4,101,715

*The accompanying notes and schedules are an integral part of these financial statements*

**KANANASKIS IMPROVEMENT DISTRICT**  
**Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>NET FINANCIAL ASSETS, Beginning of year</b>	<b>\$ 2,365,865</b>	<b>\$ 2,282,980</b>
<b>NET REVENUE</b>	<b>194,120</b>	294,499
Acquisition of tangible capital assets <i>(Note 9)</i>	<b>(106,353)</b>	(384,480)
Proceeds on disposal of tangible capital assets	-	33,102
Amortization of tangible capital assets	<b>135,741</b>	138,697
Loss on disposal of tangible capital assets	-	1,067
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>223,508</b>	82,885
<b>NET FINANCIAL ASSETS, End of year</b>	<b>\$ 2,589,373</b>	<b>\$ 2,365,865</b>

*The accompanying notes and schedules are an integral part of these financial statements*

**KANANASKIS IMPROVEMENT DISTRICT**

**Statement of Cash Flows**

**For the Year Ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING</b>		
Cash receipts		
Taxation	\$ 1,714,497	\$ 1,794,609
Utility services	626,784	424,925
Sales of service and products	195,014	155,920
Interest	18,706	19,095
Capital contributions received	2,286	2,950
Operating contributions received	181,015	406,777
Total cash receipts	<u>2,738,302</u>	<u>2,804,276</u>
Cash disbursements		
Provincial school foundation	(537,631)	(606,719)
Seniors' foundation	(26,242)	(31,026)
Protective services	(975,356)	(1,274,694)
Administrative services	(511,661)	(220,003)
Garbage collection and disposals	(527,170)	(308,923)
Transportation services	(120,243)	(133,567)
Utilities	(37,716)	(94,945)
Agriculture, planning and other services	(35,194)	(3,040)
Total cash disbursements	<u>(2,771,213)</u>	<u>(2,672,917)</u>
	<b>(32,911)</b>	<b>131,359</b>
<b>CAPITAL</b>		
Purchase of internally funded tangible assets	-	(34,085)
Purchase of externally funded tangible assets	-	(350,395)
Proceeds on disposal of tangible capital assets	-	33,102
	<u>-</u>	<u>(351,378)</u>
<b>DECREASE IN CASH</b>	<b>(32,911)</b>	<b>(220,019)</b>
<b>CASH AND RESTRICTED CASH - BEGINNING OF YEAR</b>	<u><b>2,785,369</b></u>	<u><b>3,005,388</b></u>
<b>CASH AND RESTRICTED CASH - END OF YEAR (Note 4)</b>	<u><b>\$ 2,752,458</b></u>	<u><b>\$ 2,785,369</b></u>

*The accompanying notes and schedules are an integral part of these financial statements*

# KANANASKIS IMPROVEMENT DISTRICT

## Notes to Financial Statements

For the Year Ended December 31, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies are as follows:

#### **Revenue recognition**

The accrual basis of accounting records revenue as it is earned and measurable. Cash received for which goods or services have not been provided by year-end is recorded as deferred revenue.

Taxation revenue and interest is recognized in the period when it is receivable. Sales of services and products and utility services are recognized as revenue at the time the services or products are provided.

Unrestricted operating contributions are recognized as revenue when they are received.

Operating and capital contributions from external parties that are restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

#### *Government Transfers*

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 the result of a direct financial return.

Government transfers are recognized in the financial statements as operating and capital contributions 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.

#### **Expenses**

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services, and/or the legal obligations to pay.

#### *Directly Incurred*

Directly incurred expenses are those costs for which Kananaskis Improvement District (the "District") has primary responsibility and accountability, as reflected in the budget.

#### *Incurred by Others*

Services contributed by other entities in support of the District's operations are disclosed in Note 3 as expenses incurred by others. These contributed services and expenses are not recorded in the financial statements of the District.

#### **Investments**

Portfolio investments not quoted in an active market are recorded and measured at cost.

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# KANANASKIS IMPROVEMENT DISTRICT

## Notes to Financial Statements

For the Year Ended December 31, 2016

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(continued)

### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Non-financial assets 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, provides the Change in Net Financial Assets for the year. Non-financial assets include tangible capital assets.

#### *Tangible Capital Assets*

Tangible capital acquisitions are recorded at cost. The District's policy is to capitalize and record any tangible capital asset acquisitions with costs in excess of \$5,000 on the statement of financial position. Donations of tangible capital assets are recorded at fair market value at the date of donation when a fair market value can be reasonably determined. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis using the following rates:

Buildings	40 years
Systems and structures	10-25 years
Site improvements	20 years
Machinery and equipment	5-20 years
Vehicles	10-20 years

#### *Deposits*

Deposits on tangible capital assets are not amortized until the related asset has been received and is in use. After this time, it is amortized based on its useful life using the criteria above.

### Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires estimates and assumptions to be made, which are the responsibility of management, that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the accounting period. Accounts receivable and accrued receivables, taxes and grants receivable, the useful life of tangible capital assets, and accounts payable and accrued liabilities are subject to measurement uncertainty. 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.

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**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

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2. AUTHORITY

The District is administered by Alberta Environment & Parks (AEP), and operates under the authority of the Municipal Government Act, Chapter M-26, Revised Statutes of Alberta 2000.

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3. RELATED PARTY TRANSACTIONS

The District is related to the Province of Alberta Departments and Agencies by virtue of the administrative authority disclosed in Note 2, including Canmore Nordic Centre, Alberta Environment and Parks, Alberta Health Services, University of Calgary, Alberta Municipal Affairs, Alberta Transportation, Alberta Agriculture and Forestry, Alberta Justice and Solicitor General, Alberta Education, Alberta Risk Management, Service Alberta, and the Alberta Treasury Board and Finance.

The District had the following transactions with related parties recorded on the statement of operations and the statement of financial position:

	<u>2016</u>	<u>2015</u>
<b>REVENUE</b>		
<b>Taxation</b>		
Provincial government entities	\$ 75,801	\$ 120,905
<b>Sale of services and products</b>		
Alberta Environment & Parks- Parks Division	\$ 73	\$ 869
Alberta Health Services	6,200	9,730
	<u>\$ 6,273</u>	<u>\$ 10,599</u>
<b>Utility services</b>		
University of Calgary	\$ 5,468	\$ 5,695
Alberta Environment & Parks - Parks Division	31,506	26,221
Canmore Nordic Centre	13,347	8,928
	<u>\$ 50,321</u>	<u>\$ 40,844</u>

See Schedule 3 for contribution revenue from provincial government entities.

<b>Expenses - directly incurred</b>		
Transportation services received from Alberta Transportation	\$ 72,765	\$ 72,765

(continues)

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**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

3. RELATED PARTY TRANSACTIONS *(continued)*

	<u>2016</u>	<u>2015</u>
<b>Accounts receivable</b>		
Receivable from Alberta Agriculture & Forestry	\$ -	\$ 25,000
Receivable from Canmore Nordic Centre	2,378	2,133
Receivable from University of Calgary	683	1,382
Receivable from Alberta Health Services	1,063	1,654
Receivable from Alberta Environment & Parks	4,134	4,039
Receivable from Alberta Justice & Solicitor General	-	4,018
Receivable from Alberta Municipal Affairs	<u>1,017,936</u>	<u>741,335</u>
	<b>\$ 1,026,194</b>	<b>\$ 779,561</b>
<b>Accounts payable</b>		
Payable to Alberta Treasury Board and Finance	\$ 565	\$ 460
Payable to Alberta Education	-	151,613
Payable to Alberta Risk Management	-	1,500
Payable to Service Alberta	1,960	-
Payable to Alberta Municipal Affairs	<u>1,464</u>	<u>-</u>
	<b>\$ 3,989</b>	<b>\$ 153,573</b>

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The District also had the following transactions with related parties for which no consideration was exchanged. These expenses were paid by related parties. The amounts for these related party transactions are estimated based on the cost incurred by the service provider to provide the services. These amounts are not recorded in these financial statements.

<b>Expenses - incurred by others</b>		
Alberta Justice and Solicitor General		
Legal Services	\$ 51,624	\$ 8,406
Alberta Environment and Parks		
Administrative	220,778	229,311
Evan Thomas Sewage Treatment Plant	<u>1,377,095</u>	<u>1,441,708</u>
	<b>\$ 1,649,497</b>	<b>\$ 1,679,425</b>

Accommodation in the Kananaskis Emergency Services Building is provided to the District at no cost by Alberta Infrastructure .

**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

4. CASH AND RESTRICTED CASH

	<u>2016</u>	<u>2015</u>
Unrestricted cash	\$ 1,501,242	\$ 1,530,671
Internally restricted cash	1,251,216	1,241,748
Externally restricted cash	-	12,950
	<u>\$ 2,752,458</u>	<u>\$ 2,785,369</u>

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund 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 and mid-term fixed income securities with a maximum term to maturity of three years. As at December 31, 2016 securities held by the Fund have an average effective market yield of 0.86% per annum (December 31, 2015 at 0.92% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Restricted cash in the amount of \$1,251,216 (2015 - \$1,241,748) represents cash that has been internally restricted for capital and operating purposes, and \$Nil (2015 - \$12,950) represents cash that has been externally restricted for capital and operating purposes. Restricted cash is not available to pay for operating expenses of the District.

5. ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES

Accounts receivable and accrued receivables are comprised of the following:

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 1,017,860	\$ 879,063
Trade accounts receivable	63,738	125,370
Allowance for doubtful accounts	(7,576)	-
	<u>\$ 1,074,022</u>	<u>\$ 1,004,433</u>

6. INVESTMENTS

Portfolio investments are recorded and measured at cost as described in Note 1. The following table summarizes the District's portfolio investments:

	<u>2016</u>	<u>2015</u>
Alberta Municipal Financing Corporation share	\$ 10	\$ 10
Community Futures Organization - HBDC share	1	1
	<u>\$ 11</u>	<u>\$ 11</u>

**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

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7. DEFERRED REVENUE: OPERATING CONTRIBUTIONS

Deferred operating contributions represent unspent contributions externally restricted for operating purposes.

	<u>2016</u>	<u>2015</u>
<b>Government grants</b>		
Alberta Environment & Parks	\$ 35,860	\$ 35,554
Alberta Agriculture & Forestry	<u>11,475</u>	<u>25,000</u>
	<b>47,335</b>	60,554
<b>Other grants</b>		
Forest Resource Improvement Association of Alberta	<u>-</u>	<u>27,480</u>
Total deferred operating contributions	<u><b>\$ 47,335</b></u>	<u><b>\$ 88,034</b></u>

Funding in the amount of \$19,526 (2015 - \$502,833) was received and accrued in the current year, which includes interest of \$521 (2015 - \$1,612). The use of these funds is restricted to eligible expenditures, as approved under the funding agreements.

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8. DEFERRED REVENUE: CAPITAL CONTRIBUTIONS

Deferred capital contributions represent unspent contributions externally restricted for capital purposes.

	<u>2016</u>	<u>2015</u>
<b>Government grants</b>		
Alberta Municipal Affairs	<u><b>\$ 876,785</b></u>	<u><b>\$ 803,979</b></u>

Funding in the amount of \$302,573 (2015 - \$324,801) was received and accrued in the current year, which includes interest of \$2,287 (2015 - \$2,950). The use of these funds is restricted to eligible capital purchases, as approved under the funding agreements.

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**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

9. TANGIBLE CAPITAL ASSETS

	Site Improvements	Buildings	Systems & Structures	Machinery & Equipment	Vehicles	<b>2016</b>
<b>COST:</b>						
BEGINNING	\$ 90,602	\$ 48,946	\$ 679,175	\$ 420,344	\$ 1,772,225	\$ <b>3,011,292</b>
Additions	-	-	-	106,353	-	<b>106,353</b>
END	<u>90,602</u>	<u>48,946</u>	<u>679,175</u>	<u>526,697</u>	<u>1,772,225</u>	<u><b>3,117,645</b></u>
<b>ACCUMULATED AMORTIZATION</b>						
BEGINNING	30,829	24,473	254,966	395,325	569,849	<b>1,275,442</b>
Annual amortization	4,531	1,224	28,527	15,125	86,334	<b>135,741</b>
END	<u>35,360</u>	<u>25,697</u>	<u>283,493</u>	<u>410,450</u>	<u>656,183</u>	<u><b>1,411,183</b></u>
<b>2016 NET BOOK VALUE</b>	<u><b>\$55,242</b></u>	<u><b>\$23,249</b></u>	<u><b>\$395,682</b></u>	<u><b>\$116,247</b></u>	<u><b>\$1,116,042</b></u>	<u><b>\$1,706,462</b></u>
<b>2015 NET BOOK VALUE</b>	<u>\$59,773</u>	<u>\$24,473</u>	<u>\$424,209</u>	<u>\$25,019</u>	<u>\$1,202,376</u>	<u>\$1,735,850</u>

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Note 9)	\$ <b>3,117,645</b>	\$ 3,011,292
Accumulated amortization (Note 9)	<u>(1,411,183)</u>	<u>(1,275,442)</u>
Balance, end of year	<u><b>\$ 1,706,462</b></u>	<u>\$ 1,735,850</u>

**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

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11. ACCUMULATED SURPLUS

Accumulated surplus consists of reserves set aside by the District as authorized by the Council for capital and operating contingencies, and equity in tangible capital assets as follows:

	<u>2016</u>	<u>2015</u>
<b>Reserves</b>		
Operating contingency	\$ 1,338,158	\$ 1,124,117
Capital reserve fund	855,094	847,803
Operating reserve fund	255,320	253,144
Water reduction strategy	80,000	80,000
Community Initiatives	60,000	60,000
Other	801	801
	<u>2,589,373</u>	<u>2,365,865</u>
Equity in tangible capital assets (Note 10)	<u>1,706,462</u>	<u>1,735,850</u>
	<u><b>\$ 4,295,835</b></u>	<u><b>\$ 4,101,715</b></u>

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12. PROTECTIVE SERVICES

The protective services line on the statement of operations consists of the following items:

	<u>2016</u>	<u>2015</u>
Routine protective expenses	\$ 783,524	\$ 758,606
Grant expenses	128,777	670,308
	<u><b>\$ 912,301</b></u>	<u><b>\$ 1,428,914</b></u>

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13. BUDGET

Council approved the budget for the year ended December 31, 2016 on November 7, 2015.

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14. HONORARIA, SALARIES AND BENEFITS DISCLOSURE

Advisory council was made up of one Chair and four Councillors. The Chair and applicable councillors were paid \$25,572 honoraria from the District (2015 - \$26,093). The councillors, appointed by the Minister of AEP, were paid \$6,185 (2015 - \$5,306) in total by AEP. The AEP expenses incurred for this purpose are not recorded in the financial statements of the District.

AEP fully funds the salary and all employee benefits and contributions or payments made on behalf of the chief administrative officer (CAO) including pension, health care, dental coverage, group life insurance, and accidental disability insurance. The benefits paid relating to the CAO position for the December 31, 2016 year-end are \$13,600 (2015 - \$11,567). For the year ended December 31, 2016, the CAO was paid a salary of \$68,000 (2015 - \$57,836). Salaries include regular base pay and any other direct cash remuneration. These expenses are not recorded in the financial statements of the District.

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**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

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15. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2016</u>	<u>2015</u>
Vacation	\$ 50,898	\$ 44,171
Overtime	5,102	4,065
	<u>\$ 56,000</u>	<u>\$ 48,236</u>

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have earned the benefits (and are vested).

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16. PUBLIC SERVICE PENSION PLAN

The District participates in the multi-employer Public Service Pension Plan ("PSPP") that is administered by the Government of Alberta. The PSPP serves nearly 80,000 members and pensioners. The PSPP is a defined benefit pension plan and is financed by employer and employee contributions and by investment earnings of the PSPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The District and the employees of the District are each required to make current service contributions to the PSPP of 11.70% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 16.72% on pensionable earnings above this amount.

Total current service contributions by the District to the PSPP in 2016 were \$83,739 (2015 - \$82,462). The total current service contributions are included in Protective Services and Administrative Services expenses. Total current service contributions by the employees of the District to the PSPP were the same as the District's contributions.

The Public Service Pension Plan had a deficit at December 31, 2015 of \$133,188,000 (2014 deficit of \$803,299,000). The District is not responsible for future funding of the plan deficit other than through contribution increases.

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17. FINANCIAL INSTRUMENTS

The District's financial instruments consist of cash and restricted cash, taxes and grants receivable, accounts receivable and accrued receivables, investments, and accounts payable and accrued liabilities.

The District is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the statement of financial position date.

The District does not hold equities in an active market, nor engage in derivative contracts or foreign currency transactions. The District is not exposed to remeasurement gains and losses and, consequently, a statement of remeasurement gains and losses is not presented

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**Credit risk**

*(continues)*

# KANANASKIS IMPROVEMENT DISTRICT

## Notes to Financial Statements

For the Year Ended December 31, 2016

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### 17. FINANCIAL INSTRUMENTS *(continued)*

The District is exposed to credit risk, which is the risk that a customer will fail to settle a liability resulting in a financial loss to the District. Accounts receivable are due from a diverse set of customers, and as such the District is not exposed to significant credit risk. The District reduces this risk through evaluations of receivable accounts throughout the year. There has been no change to management's assessment of credit risk from the prior year.

#### **Market risk**

Market risk is comprised of currency risk, interest rate risk and other price risk. The District is exposed to interest rate risk as a result of the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta being subject to a variable rate of interest (Note 4). It is council's opinion that the District's exposure to interest rate risk arising from these financial instruments is not significant. There has been no change to management's assessment of interest rate risk from the prior year. The District is not exposed to currency risk and other price risk.

#### **Liquidity risk**

The District is exposed to liquidity risk, which is the risk that the District may be unable to generate or obtain sufficient cash to meet its commitments as they come due. The District mitigates this risk through its management of cash and debt. As the District maintains a positive balance of net financial assets, it is not exposed to significant liquidity risk. There has been no change in management's assessment of liquidity risk from the prior year.

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**KANANASKIS IMPROVEMENT DISTRICT**

**Notes to Financial Statements**

**For the Year Ended December 31, 2016**

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18. DEBT LIMITS

	<u>2016</u>	<u>2015</u>
<b>Debt limit</b>		
Total debt limit	\$ 2,969,826	\$ 3,688,154
Total debt	-	-
	<u>\$ 2,969,826</u>	<u>\$ 3,688,154</u>
<b>Debt servicing limit</b>		
Debt servicing limit	\$ 494,971	\$ 614,692
Debt servicing	-	-
	<u>\$ 494,971</u>	<u>\$ 614,692</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Pursuant to Ministerial Order 53/96, incurring debt 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 municipality. Rather, the financial statements must be interpreted as a whole.

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19. CONTINGENCIES

As of the date of these financial statements, the District is aware of two statements of claim naming the District and others as defendants having been filed in the Court of Queen's Bench in Calgary, Jamie Waugh et al v. Kananaskis Improvement District et al, and Jennifer and Darrin Waugh and Family vs. Kananaskis Improvement District et al. The statements of claim were filed on December 4, 2012 and were served on August 20, 2013. Both are personal injury and Fatal Accidents Act claims based on a motor vehicle accident alleged to have occurred on December 30, 2010 on Spray Lakes Road. The claim alleges negligence and breach of contractual and other duties on the part of the District and others related to design, construction, repair and maintenance of the Road. The statements seek damages of \$340,000, unspecified damage amounts for loss of a financial dependency, other damage amounts to be proven at trial plus interest and costs. Alberta Justice has stated that it is undeterminable whether a liability will be attributed to the District, however both claims would be covered by Risk Management and Insurance. As a decision remains outstanding, the amount payable, if any, is not determinable at this point in time.

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20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Council on April 4, 2017 .

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**KANANASKIS IMPROVEMENT DISTRICT**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2016**

*(Schedule 1)*

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
Balance, beginning of year	\$ -	\$ 2,365,865	\$ 1,735,850	\$ 4,101,715	\$ 3,807,216
Net revenue	194,120	-	-	194,120	294,499
Transfer to reserves	(223,508)	223,508	-	-	-
Acquisition of tangible capital assets	(106,353)	-	106,353	-	-
Annual amortization expense	135,741	-	(135,741)	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ 2,589,373</u>	<u>\$ 1,706,462</u>	<u>\$ 4,295,835</u>	<u>\$ 4,101,715</u>

**KANANASKIS IMPROVEMENT DISTRICT**

**Schedule of Property and Other Taxes  
(Schedule 2)**

**For the Year Ended December 31, 2016**

	<b>2016 Budget</b> <i>(Note 13)</i> <i>(Unaudited)</i>	<b>2016 Actual</b>	2015 Actual
<b>TAXATION</b>			
Real property	\$ 1,263,086	\$ <b>1,268,239</b>	\$ 1,235,648
Power and pipeline	346,394	<b>339,849</b>	385,042
Provincial grants	12,494	<b>75,801</b>	120,905
Federal grants	82,399	<b>10,991</b>	10,547
Penalties and costs	-	<b>20,836</b>	12,199
	<u>1,704,373</u>	<u><b>1,715,716</b></u>	<u>1,764,341</u>
<b>REQUISITIONS</b>			
Deduct, expended by transfers			
Alberta School Foundation Fund	606,451	<b>537,631</b>	606,719
Seniors' Foundation	26,242	<b>26,242</b>	31,026
	<u>632,693</u>	<u><b>563,873</b></u>	<u>637,745</u>
<b>NET TAXATION REVENUE</b>	<u>\$ 1,071,680</u>	<u>\$ <b>1,151,843</b></u>	<u>\$ 1,126,596</u>

**KANANASKIS IMPROVEMENT DISTRICT**

**Schedule of Contributions  
(Schedule 3)**

**For the Year Ended December 31, 2016**

	<b>2016</b>	<b>2015</b>
<b>OPERATING CONTRIBUTIONS</b>		
<b>Government grants</b>		
Alberta Environment & Parks	\$ 13,740	\$ 34,186
Alberta Municipal Affairs	<b>20,025</b>	43,786
<b>Other grants</b>		
Forest Resource Improvement Association of Alberta	<u>26,460</u>	<u>607,019</u>
<b>TOTAL OPERATING CONTRIBUTIONS</b>	<b><u>\$ 60,225</u></b>	<b><u>\$ 684,991</u></b>
<b>CAPITAL CONTRIBUTIONS</b>		
<b>Government grants</b>		
Alberta Municipal Affairs	<u>\$ 229,767</u>	<u>\$ 406,391</u>
<b>TOTAL CAPITAL CONTRIBUTIONS</b>	<b><u>\$ 229,767</u></b>	<b><u>\$ 406,391</u></b>

**KANANASKIS IMPROVEMENT DISTRICT**

**Schedule of Expenses by Object  
(Schedule 4)**

**For the Year Ended December 31, 2016**

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	<b>2016</b>	<b>2015</b>
<b>EXPENSES BY OBJECT</b>		
Contracted and general services	<b>\$ 879,706</b>	\$ 1,567,049
Goods and services from other Alberta Government departments	<b>72,765</b>	72,765
Salaries, wages and benefits	<b>772,160</b>	718,430
Bank charges and short-term interest	<b>6</b>	401
Amortization of tangible capital assets	<b>135,741</b>	138,697
Loss on disposal of tangible capital assets	<b>-</b>	1,067
Materials, goods and utilities	<b>151,135</b>	69,125
Bad debts	<b>11,594</b>	3,127
	<b>\$ 2,023,107</b>	<b>\$ 2,570,661</b>

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