

Improvement District No. 9

Financial Statements

December 31, 2013

IMPROVEMENT DISTRICT NO. 9
FINANCIAL STATEMENTS
DECEMBER 31, 2013

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Change in Net Financial Assets

Statement of Cash Flow

Notes to the Financial Statements



Independent Auditor's Report

To the Minister of Municipal Affairs and the Advisory Council for Improvement District No. 9

Report on the Financial Statements

I have audited the accompanying financial statements of Improvement District No. 9, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, change in net financial assets and cash flow 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. 9 as at December 31, 2013, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Merwan N. Saher, FCA

Auditor General

July 22, 2014

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF FINANCIAL POSITION
As at December 31, 2013

	<u>2013</u>	<u>2012</u> (Restated - Note 3)
FINANCIAL ASSETS		
Cash (Note 4)	\$ 8,119,955	\$ 8,239,750
Taxes receivable (Note 5)	174,408	171,330
Accounts receivable (Note 6)	600,546	97,506
Investment (Note 7)	10	10
	<u>8,894,919</u>	<u>8,508,596</u>
LIABILITIES		
Accounts payable and accrued liabilities	311,324	551,254
Holdback payable	76,923	-
Deferred revenue (Note 9)	3,278,115	3,634,656
	<u>3,666,362</u>	<u>4,185,910</u>
NET FINANCIAL ASSETS	<u>5,228,557</u>	<u>4,322,686</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	2,006,980	1,612,095
Prepaid expenses	15,419	4,015
	<u>2,022,399</u>	<u>1,616,110</u>
ACCUMULATED SURPLUS (Note 10)	<u>\$ 7,250,956</u>	<u>\$ 5,938,796</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF OPERATIONS
For the year ended December 31, 2013

	<u>2013</u>		<u>2012</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Unaudited)		
	(Note 15)		
REVENUE			
Taxation:			
Real property	\$2,140,549	\$2,140,552	\$2,113,204
Federal grants in place of taxes	1,008,122	1,008,123	925,000
Power and pipeline	102,774	102,774	104,078
	<u>3,251,445</u>	<u>3,251,449</u>	<u>3,142,282</u>
Payment of requisitions:			
Alberta School Foundation Fund	(1,466,481)	(1,466,481)	(1,538,267)
Seniors Foundation	(63,930)	(63,930)	(76,497)
	<u>1,721,034</u>	<u>1,721,038</u>	<u>1,527,518</u>
Net municipal taxes	15,450	32,267	23,649
Penalties and costs	25,000	60,464	56,559
Bank interest	77,250	77,445	93,154
Housing rentals	12,440	12,240	7,000
Refund of expenditures	-	4,000	-
Gain on sale of capital assets	608,544	161,212	143,540
Government transfers for operating	1,200	398	248
Other			
Total Revenue	<u>2,460,918</u>	<u>2,069,064</u>	<u>1,851,668</u>
EXPENSES			
Protective services	772,964	633,554	704,883
Administration	215,246	161,434	139,825
Recreation and cultural services	844,384	599,582	417,531
Assessment fees	37,892	29,781	29,809
Legal fees	2,500	-	-
Water, sewage and garbage	17,510	12,283	17,076
Honoraria	60,000	43,400	52,650
Insurance	40,000	10,335	9,822
Building and land	2,000	1,863	1,738
Bad debt	-	-	607
Amortization	-	66,087	55,261
Total Expenses (Note 12)	<u>1,992,496</u>	<u>1,558,319</u>	<u>1,429,202</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE GOVERNMENT TRANSFERS FOR CAPITAL			
	468,422	510,745	422,466
Government transfers for capital	<u>2,334,700</u>	<u>801,415</u>	<u>38,100</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$2,803,122</u>	1,312,160	460,566
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>5,938,796</u>	<u>5,478,230</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>\$7,250,956</u>	<u>\$5,938,796</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2013

	2013		2012
	Budget (Unaudited) (Note 15)	Actual	Actual
EXCESS OF REVENUES OVER EXPENSES	\$ 2,803,122	\$ 1,312,160	\$ 460,566
Acquisition of tangible capital assets	-	(460,972)	(442,815)
Amortization of tangible capital assets	-	66,087	55,261
	-	(394,885)	(387,554)
Acquisition of prepaid assets	-	(15,419)	(4,015)
Use of prepaid assets	-	4,015	4,050
	-	(11,404)	35
INCREASE IN NET FINANCIAL ASSETS	2,803,122	905,871	73,047
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,322,686	4,322,686	4,249,639
NET FINANCIAL ASSETS, END OF YEAR	\$ 7,125,808	\$ 5,228,557	\$ 4,322,686

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF CASH FLOW
For the year ended December 31, 2013

	<u>2013</u>	<u>2012</u> (Restated - Note 3)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 1,312,160	\$ 460,566
Non-cash items included in excess of revenues over expenses:		
Amortization	66,087	55,261
Gain on sale of capital assets	(4,000)	-
	1,374,247	515,827
Non-cash charges to operations (net change):		
Increase in taxes receivable	(3,078)	(34,224)
(Increase) decrease in accounts receivable	(503,040)	625,522
(Increase) decrease in prepaid expenses	(11,404)	35
(Decrease) increase in accounts payable and accrued liabilities	(239,930)	133,338
Increase in holdbacks payable	76,923	-
(Decrease) increase in deferred revenue	(356,541)	310,593
Cash provided by operating transactions	337,177	1,551,091
CAPITAL		
Acquisition of tangible capital assets	(460,972)	(442,815)
Proceeds on disposal of capital assets	4,000	-
	(456,972)	(442,815)
CHANGE IN CASH DURING THE YEAR	(119,795)	1,108,276
CASH, BEGINNING OF YEAR	8,239,750	7,131,474
CASH, END OF YEAR	\$ 8,119,955	\$ 8,239,750

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2013

Note 1 Authority

Improvement District No. 9 is administered by the Ministry of 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 flow of Improvement District No. 9 as at and for the year ended December 31, 2013 and have been prepared in accordance with Canadian Public Sector Accounting Standards.

Capital Assets

Capital assets are recorded at cost, net of capital asset disposals, write-downs and amortization. The cost of capital assets includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Capital assets having an original cost greater than \$2,500 are shown on the statement of financial position at net book value.

Capital assets are amortized on a straight-line basis at the following annual rates:

Buildings	2.5%
Land Improvements	4.0%
Computer Software	33.3%
Vehicles	20.0%

Work in progress is not amortized until the asset is complete (or substantially complete) and the asset is put into service.

Reserves

Capital Reserves

Capital reserves are established for the funding of any expenditure, as authorized by the Minister of Municipal Affairs ("Minister"). Transfers from capital reserves are made, as authorized by the Minister, to fund specific capital expenditures and/or specific operating expenditures of the current year. Operating expenditures financed from capital reserves are normally of a construction or development nature.

Note 2 Significant Accounting Policies (continued)

Operating Reserves

Operating reserves are established for:

- Revenue designated for specific purposes as required by legislation.
- Funding of operating expenditures as authorized by the Minister.

Unexpended revenue collected in the current year for a specific purpose is transferred from accumulated excess of revenue over expenditure to operating reserves. Also, general appropriations of accumulated excess of revenue over expenditure are made which are not necessarily identifiable with specific future operating expenditures. All general appropriations are approved by the Minister.

Funds are transferred from operating reserves to accumulated excess of revenue over expenditure to match expenditures incurred in the current year for a specific purpose for which the revenue was previously raised. Also, transfers from the general operating reserve are made, as authorized by the Minister, to fund specific operating expenditures of the current year.

Revenue Recognition

Taxation revenue is 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 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 have been met and the related expenditure is incurred. 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

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, taxes and accounts receivable, accounts payable and accrued liabilities and holdback payables are estimated to approximate their carrying values because of the short-term nature of these instruments.

Note 3 Adoption of New Accounting Standards - Government Transfers

Effective January 1, 2013, the Improvement District adopted the Public Sector Accounting Board standard PS 3410 - Government Transfers to recognize as receivable grants where the eligibility criteria have been met. In prior years, grants that the Improvement District was eligible for were not accrued as receivable nor as deferred revenue. The impact is to increase 2012 grants receivable and deferred revenue by \$48,962. There is no effect to 2012 net assets.

Note 4 Cash

Cash 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. Due to the short-term nature of investments, carrying value approximates fair value.

Note 5 Taxes Receivable

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ 259,663	\$ -	\$ 259,663	\$ 171,330

Note 6 Accounts Receivable

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated - Note 3)
Grants receivable	\$564,550	\$ -	\$ 564,550	\$ 48,962
Rental revenue	31,025	(575)	30,450	13,050
Other receivables	5,546	-	5,546	35,494
	<u>\$601,121</u>	<u>-\$ 575</u>	<u>\$ 600,546</u>	<u>\$ 97,506</u>

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.

Note 8 Tangible Capital Assets

	2013						2012
	Work in Progress	Buildings	Computer Software	Land Improvements	Vehicles	Total	Total
Estimated Useful Life		40 years	3 years	25 years	5 years		
<u>Historical Cost</u>							
Beginning of Year	\$ 460,295	\$ 1,733,482	\$ -	\$ 298,095	\$ 595,248	\$ 3,087,120	\$ 2,644,305
Additions	406,840	-	-	-	54,132	460,972	442,815
Transfers	(10,140)	-	10,140	-	-	-	-
Disposals	-	-	-	-	(8,500)	(8,500)	-
	<u>856,995</u>	<u>1,733,482</u>	<u>10,140</u>	<u>298,095</u>	<u>640,880</u>	<u>3,539,592</u>	<u>3,087,120</u>
<u>Accumulated Amortization</u>							
Beginning of Year	-	832,081	-	47,696	595,248	1,475,025	1,419,764
Amortization expense	-	43,337	-	11,924	10,826	66,087	55,261
Amortization on disposal	-	-	-	-	(8,500)	(8,500)	-
	<u>-</u>	<u>875,418</u>	<u>-</u>	<u>59,620</u>	<u>597,574</u>	<u>1,532,612</u>	<u>1,475,025</u>
Net book value at							
December 31, 2013	<u>\$ 856,995</u>	<u>\$ 858,064</u>	<u>\$ 10,140</u>	<u>\$ 238,475</u>	<u>\$ 43,306</u>	<u>\$ 2,006,980</u>	
Net book value at							
December 31, 2012	<u>\$ 460,295</u>	<u>\$ 901,401</u>	<u>\$ -</u>	<u>\$ 250,399</u>	<u>\$ -</u>		<u>\$ 1,612,095</u>

Work in progress relates to the initial stages of a project to provide a roof to the rink.

Municipal Affairs on behalf of Improvement District No. 9 has a construction contract to build a rink roof over the existing Lake Louise outdoor arena. The full contract is for \$2.3 million and will become a liability as progress on construction occurs.

Note 9 Deferred Revenue

	<u>2013</u>	<u>2012</u> (Restated - Note 3)
Municipal Sustainability Initiative - Capital Grant	\$ 2,321,038	\$ 2,576,352
Alberta Municipal Infrastructure Grant	906,448	895,613
Municipal Sustainability Initiative - Operating Grant	49,242	160,728
Prepaid rent	1,387	1,963
	<u>\$ 3,278,115</u>	<u>\$ 3,634,656</u>

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

Note 10 Accumulated Surplus

	<u>2013</u>	<u>2012</u>
Accumulated excess of revenue over expenditure	\$ 1,217,791	\$ 1,217,791
Equity in tangible capital assets	2,006,980	1,612,095
Reserves (Note 11)	4,026,185	3,108,910
	<u>\$ 7,250,956</u>	<u>\$ 5,938,796</u>

Note 11 Reserves

	<u>2013</u>	<u>2012</u>
Opening reserves:		
Beginning of year	\$ 3,108,910	\$ 3,035,898
Transfers from accumulated excess of revenue over expenditure	1,312,160	460,566
Less: net change in tangible capital assets	(394,885)	(387,554)
End of year	<u>\$ 4,026,185</u>	<u>\$ 3,108,910</u>

Note 12 Total Expenditure

Total expenditure for the year is summarized by object of expenditure as follows:

	<u>2013</u>	<u>2012</u>
Supplies and services	\$ 892,650	\$ 956,410
Grants	599,582	417,531
Amortization	66,087	55,261
	<u>\$ 1,558,319</u>	<u>\$ 1,429,202</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

(Restated - Note 3)

The Improvement District paid an administration fee of \$133,272 (2012 - \$114,057) and linear assessment costs of \$785 (2012 - \$813) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$ nil (2012 - \$114,057) to Alberta Municipal Affairs and \$14,480 (2012 - \$13,040) to Alberta Justice and Solicitor General. The Improvement District had amounts receivable of \$564,550 (2012 - \$48,962) from Alberta Municipal Affairs. The Improvement District paid \$19,720 (2012 - \$13,040) to Alberta Justice and Solicitor General for policing services.

Requisitions paid to the Alberta School Foundation Fund and Seniors Foundation are shown separately in the statement of operations.

The Improvement District has deferred grant revenue of \$2,370,280 (2012 - \$2,737,080) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$962,627 (2012 - \$181,640) in provincial grants revenue related to this grant.

The Improvement District has deferred grant revenue of \$906,448 (2012 - \$895,613) from Alberta Transportation as part of the Alberta Municipal Infrastructure Program.

Note 14 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:

	<u>2013</u>	<u>2012</u> (Restated)
Total debt limit	\$ 3,103,596	\$ 2,777,502
Total debt	-	-
Debt limit in excess of actual debt	<u>\$ 3,103,596</u>	<u>\$ 2,777,502</u>
Service on debt limit	\$ 517,266	\$ 462,917
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>\$ 517,266</u>	<u>\$ 462,917</u>

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

Note 15 Budget

The budget for the year ended December 31, 2013 was approved by the Minister of Municipal Affairs.

Note 16 Approval of Financial Statements

These financial statements were approved by the Chairman of the Advisory Council for Improvement District No. 9 and the Senior Financial Officer of Alberta Municipal Affairs.