

# **Improvement District No. 9**

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**Financial Statements**

**December 31, 2016**

**IMPROVEMENT DISTRICT NO. 9**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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## 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, 2016, 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. 9 as at December 31, 2016, and the results of its operations, its changes in 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

May 11, 2017

Edmonton, Alberta

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 8,898,383	\$ 7,940,798
Taxes receivable (Note 4)	33,341	24,914
Accounts receivable (Note 5)	1,441,649	1,675,372
Investment (Note 6)	10	10
	<u>10,373,383</u>	<u>9,641,094</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	541,164	478,025
Holdback payable	26,600	101,351
Deferred revenue (Note 8)	3,382,011	3,638,622
	<u>3,949,775</u>	<u>4,217,998</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,423,608</u>	<u>5,423,096</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 7)	3,838,039	3,874,643
Prepaid expenses	27,092	388
	<u>3,865,131</u>	<u>3,875,031</u>
<b>ACCUMULATED SURPLUS (Note 9)</b>	<u>\$10,288,739</u>	<u>\$ 9,298,127</u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2016**

	2016		2015
	Budget (Unaudited) (Note 15)	Actual	Actual
<b>REVENUE</b>			
Taxation:			
Real property	\$ 2,867,701	\$ 2,865,008	\$ 2,485,775
Federal grants in place of taxes	1,108,967	1,108,968	1,002,430
Power and pipeline	100,395	100,344	94,202
	<u>4,077,063</u>	<u>4,074,320</u>	<u>3,582,407</u>
Payment of requisitions:			
Alberta School Foundation Fund	(1,981,942)	(1,981,942)	(1,710,913)
Seniors Foundation	(74,481)	(74,481)	(73,321)
	<u>2,020,640</u>	<u>2,017,897</u>	<u>1,798,173</u>
Penalties	20,000	31,181	22,296
Bank interest	30,000	56,954	51,947
Housing rentals	71,120	69,488	70,712
Refund of expenditures	5,440	-	1,494
Government transfers for operating	1,231,451	31,496	32,810
Other	1,200	509	184
	<u>3,379,851</u>	<u>2,207,525</u>	<u>1,977,616</u>
<b>Total Revenue</b>			
<b>EXPENSES</b>			
Protective services	784,880	753,002	791,421
Administration	222,571	188,168	186,821
Recreation and cultural services	1,952,119	875,652	568,064
Assessment fees	40,193	30,686	30,633
Legal fees	2,500	-	-
Water, sewage and garbage	10,000	8,416	7,761
Honoraria	80,000	68,600	65,800
Insurance	20,000	34,933	18,722
Building and land lease	2,000	1,800	1,877
Amortization (Note 7)	-	171,469	171,469
<b>Total Expenses (Note 10)</b>	<u>3,114,263</u>	<u>2,132,726</u>	<u>1,842,568</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE GOVERNMENT TRANSFERS FOR CAPITAL</b>			
	265,588	74,799	135,048
Government transfers for capital	500,000	915,813	-
	<u>765,588</u>	<u>990,612</u>	<u>135,048</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>			
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>9,298,127</u>	<u>9,298,127</u>	<u>9,163,079</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$10,063,715</u>	<u>\$10,288,739</u>	<u>\$ 9,298,127</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, 2016**

	<b>2016</b>		<b>2015</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	(Unaudited)		
	(Note 15)		
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 765,588</b>	<b>\$ 990,612</b>	<b>\$ 135,048</b>
Acquisition of tangible capital assets		(134,865)	(5,594)
Amortization of tangible capital assets		171,469	171,469
		<u>36,604</u>	<u>165,875</u>
Acquisition of prepaid expenses		(27,092)	(388)
Use of prepaid expenses		388	19,910
		<u>(26,704)</u>	<u>19,522</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>		1,000,512	320,445
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>		<u>5,423,096</u>	<u>5,102,651</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>		<u><u>\$ 6,423,608</u></u>	<u><u>\$ 5,423,096</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2016**

	<u>2016</u>	<u>2015</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 990,612	\$ 135,048
Non-cash items included in excess of revenues over expenses:		
Amortization	171,469	171,469
	1,162,081	306,517
Non-cash charges to operations (net change):		
(Increase) decrease in taxes receivable	(8,427)	195,046
Decrease (increase) in accounts receivable	233,723	(635,245)
(Increase) decrease in prepaid expenses	(26,704)	19,522
Increase (decrease) in accounts payable and accrued liabilities	63,139	(448,209)
(Decrease) in holdbacks payable	(74,751)	(175,080)
(Decrease) increase in deferred revenue	(256,611)	672,051
Cash provided by (used in) operating transactions	1,092,450	(65,398)
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(134,865)	(5,594)
Cash applied to capital transactions	(134,865)	(5,594)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	957,585	(70,992)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	7,940,798	8,011,790
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,898,383</b>	<b>\$ 7,940,798</b>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

**Note 1 Authority**

Improvement District No. 9 (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. 9 as at and for the year ended December 31, 2016 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 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 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.

**Tangible Capital Assets**

Tangible capital assets are recorded at cost, net of disposals, write-downs and amortization. The cost of tangible capital assets includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. 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:

Buildings	40 years
Land Improvements	25 years
Computer Software	3 years
Vehicles	5 years

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



**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

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

**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, including ones which result in capitalized assets, 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.

**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, accounts payable and accrued liabilities, and holdback payable are measured at cost which approximates fair value due to their short term nature.

**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, 2016, securities held by the fund had a rate of return of 0.89% per annum (December 31, 2015 - 0.93% per annum).

**Note 4 Taxes Receivable**

	<b>2016</b>			<b>2015</b>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ 33,341	\$ -	\$ 33,341	\$ 24,914

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

**Note 5 Accounts Receivable**

	2016			2015
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	\$1,440,275	\$ -	\$ 1,440,275	\$ 1,673,620
Other receivables	1,374	-	1,374	1,752
	\$1,441,649	\$ -	\$ 1,441,649	\$ 1,675,372

All grants listed above are receivable from related parties - see note 11.

**Note 6 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. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

**Note 7 Tangible Capital Assets**

	<u>2016</u>						<u>2015</u>
	Buildings	Computer Software	Land Improvements	Vehicles	Work in Progress	Total	Total
Estimated Useful Life	40 years	3 years	25 years	5 years			
<b>Historical Cost</b>							
Beginning of Year	\$4,653,124	\$ 11,873	\$ 298,095	\$ 783,047	\$ -	\$ 5,746,139	\$ 5,740,545
Additions	-	-	-	-	134,865	134,865	5,594
	<u>4,653,124</u>	<u>11,873</u>	<u>298,095</u>	<u>783,047</u>	<u>134,865</u>	<u>5,881,004</u>	<u>5,746,139</u>
<b>Accumulated Amortization</b>							
Beginning of Year	1,107,977	3,957	83,468	676,094	-	1,871,496	1,700,027
Amortization expense	116,328	3,957	11,924	39,260	-	171,469	171,469
	<u>1,224,305</u>	<u>7,914</u>	<u>95,392</u>	<u>715,354</u>	<u>-</u>	<u>2,042,965</u>	<u>1,871,496</u>
Net book value at							
December 31, 2016	<u>\$3,428,819</u>	<u>\$ 3,959</u>	<u>\$ 202,703</u>	<u>\$ 67,693</u>	<u>\$ 134,865</u>	<u>\$ 3,838,039</u>	
Net book value at							
December 31, 2015	<u>\$3,545,147</u>	<u>\$ 7,916</u>	<u>\$ 214,627</u>	<u>\$ 106,953</u>	<u>\$ -</u>		<u>\$ 3,874,643</u>

**Note 8 Deferred Revenue**

	<u>2016</u>	<u>2015</u>
Municipal Sustainability Initiative - Capital Grant	\$ 2,850,300	\$ 3,170,259
Federal Gas Tax Fund	530,203	466,855
Prepaid rent	1,508	1,508
	<u>\$ 3,382,011</u>	<u>\$ 3,638,622</u>

All grants listed above were received from related parties - see note 11.

**Note 9 Accumulated Surplus**

	<u>2016</u>	<u>2015</u>
Unrestricted accumulated surplus	\$ 6,450,700	\$ 5,423,484
Equity in tangible capital assets	3,838,039	3,874,643
	<u>\$ 10,288,739</u>	<u>\$ 9,298,127</u>

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

**Note 10 Total Expenses**

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

	<u>2016</u>	<u>2015</u>
Supplies and services	\$ 1,085,605	\$ 1,103,035
Grants	875,652	568,064
Amortization	171,469	171,469
	<u>\$ 2,132,726</u>	<u>\$ 1,842,568</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 11 Related Parties**

The Improvement District paid an administration fee of \$75,878 (2015 - \$75,376) and linear assessment costs of \$686 (2015 - \$633) to Alberta Municipal Affairs. The Improvement District has accounts payable of \$686 (2015 - \$0) to Alberta Municipal Affairs, \$8,400 (2015 - \$12,824) to Alberta Solicitor General and \$134,865 (2015 - \$0) to Alberta Infrastructure. The Improvement District has accounts receivable of \$1,440,275 (2015 - \$1,673,260) from Alberta Municipal Affairs. The Improvement District expensed \$5,121 (2015 - \$12,824) to Alberta Justice and Solicitor General for policing services. The Improvement District capitalized costs of \$134,865 (2015 - \$0) from Alberta Infrastructure.

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 \$2,850,300 (2015 - \$3,170,259) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$31,496 (2015 - \$32,810) in government transfers for operating revenue and \$915,813 (2015 - \$0) in government transfers for capital revenue related to this program.

The Improvement District had deferred grant revenue of \$530,203 (2015 - \$466,855) from Alberta Municipal Affairs as part of the Federal Gas Tax Fund.

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2016**

**Note 12 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>2016</u>	<u>2015</u>
Total debt limit	\$ 3,311,288	\$ 2,966,424
Total debt	-	-
Debt limit in excess of actual debt	<u>\$ 3,311,288</u>	<u>\$ 2,966,424</u>
Service on debt limit	\$ 551,881	\$ 494,404
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>\$ 551,881</u>	<u>\$ 494,404</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 13 Financial Instruments**

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and accounts receivable, investments, accounts payable and accrued liabilities, and holdbacks 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 14 Comparative Figures**

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

**Note 15 Budget**

The budget for the year ended December 31, 2016 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.