

Improvement District No. 9

Financial Statements

December 31, 2012

IMPROVEMENT DISTRICT NO. 9
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, 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, 2012, 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

June 14, 2013

Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 8,239,750	\$ 7,131,474
Taxes receivable (Note 4)	171,330	137,106
Accounts receivable (Note 5)	48,544	26,054
Investment (Note 6)	10	10
	<u>8,459,634</u>	<u>7,294,644</u>
LIABILITIES		
Accounts payable and accrued liabilities	551,254	417,916
Deferred revenue (Note 8)	3,585,694	2,627,089
	<u>4,136,948</u>	<u>3,045,005</u>
NET FINANCIAL ASSETS	<u>4,322,686</u>	<u>4,249,639</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	1,612,095	1,224,541
Prepaid expenses	4,015	4,050
	<u>1,616,110</u>	<u>1,228,591</u>
ACCUMULATED SURPLUS (Note 9)	<u><u>\$ 5,938,796</u></u>	<u><u>\$ 5,478,230</u></u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	2012		2011
	Budget (Note 15)	Actual	Actual
Revenue			
Taxation:			
Real property	\$2,113,184	\$2,113,204	\$2,427,270
Federal grants in place of taxes	925,000	925,000	736,341
Power and pipeline	118,559	104,078	68,585
Penalties and costs	15,000	23,649	15,267
	<u>3,171,743</u>	<u>3,165,931</u>	<u>3,247,463</u>
Payment of requisitions:			
Alberta School Foundation Fund	(1,538,267)	(1,538,267)	(1,521,384)
Seniors Foundation	(76,497)	(76,497)	(77,743)
	<u>1,556,979</u>	<u>1,551,167</u>	<u>1,648,336</u>
General municipal	23,000	56,559	47,886
Bank interest	75,000	93,154	73,287
Housing rentals	90,000	7,000	-
Refund of expenditures	48,962	181,640	38,874
Provincial grants	1,200	248	592
Other	<u>1,795,141</u>	<u>1,889,768</u>	<u>1,808,975</u>
Excess of revenue over amounts expended by transfers			
Expenditure			
Protective Services	866,910	704,883	587,508
Administration	186,700	139,825	194,346
Recreation and cultural services	417,531	417,531	245,844
Assessment fees	35,817	29,809	29,584
Legal Fees	5,000	-	-
Water, Sewage and Garbage	17,000	17,076	6,784
Honoraria	57,500	52,650	47,350
Insurance	12,500	9,822	8,550
Building and Land	2,000	1,738	1,800
Bad Debt	-	607	-
Amortization	-	55,261	55,261
Total expenditure (Note 11)	<u>1,600,958</u>	<u>1,429,202</u>	<u>1,177,027</u>
Excess of revenue over expenditure	<u>\$ 194,183</u>	460,566	631,948
Accumulated surplus, beginning of year		<u>5,478,230</u>	<u>4,846,282</u>
Accumulated surplus, end of year		<u><u>\$5,938,796</u></u>	<u><u>\$5,478,230</u></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, 2012

	2012		2011
	Budget (Note 15)	Actual	Actual
Excess of revenue over expenditure	\$ 194,183	\$ 460,566	\$ 631,948
Acquisition of tangible capital assets	-	(442,815)	(17,480)
Amortization of tangible capital assets	-	55,261	55,261
	-	(387,554)	37,781
Acquisition of prepaid assets	-	(4,015)	(4,050)
Use of prepaid assets	-	4,050	6,273
	-	35	2,223
Increase in Net Financial Assets	194,183	73,047	671,952
Net Financial Assets, beginning of year	4,249,639	4,249,639	3,577,687
Net Financial Assets, end of year	<u>\$ 4,443,822</u>	<u>\$ 4,322,686</u>	<u>\$ 4,249,639</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF CASH FLOW
For the year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Operating transactions:		
Excess of revenue over expenditure	\$ 460,566	\$ 631,948
Non-cash items included in operating transactions:		
Amortization	55,261	55,261
	515,827	687,209
Changes in working capital:		
Increase in taxes receivable	(34,224)	(43,464)
(Increase) decrease in accounts receivable	(22,490)	75,492
Decrease in prepaid expenses	35	2,223
Increase in accounts payable and accrued liabilities	133,338	275,760
Increase in deferred revenue	958,605	541,977
Cash provided by operating transactions	1,551,091	1,539,197
Capital activities:		
Acquisition of tangible capital assets	(442,815)	(17,480)
	(442,815)	(17,480)
Increase in cash	1,108,276	1,521,717
Cash at beginning of year	7,131,474	5,609,757
Cash at end of year	\$ 8,239,750	\$ 7,131,474

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

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, 2012 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. 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%
Vehicles	20.0%

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 this, any amounts received 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, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

Note 3 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 4 Taxes Receivable

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ 171,362	\$ (32)	\$ 171,330	\$ 137,106

Note 5 Accounts Receivable

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Rental revenue	\$ 49,119	\$ (575)	\$ 48,544	\$ 25,875
Other	-	-	-	179
	<u>\$ 49,119</u>	<u>\$ (575)</u>	<u>\$ 48,544</u>	<u>\$ 26,054</u>

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.

Note 7 Tangible Capital Assets

	2012					2011
	Work in Progress	Buildings	Land Improvements	Vehicles	Total	Total
Estimated Useful Life		40 years	25 years	5 years		
<u>Historical Cost</u>						
Beginning of Year	\$ 17,480	\$ 1,733,482	\$ 298,095	\$ 595,248	\$ 2,644,305	\$ 2,626,825
Additions	442,815	-	-	-	442,815	17,480
	<u>460,295</u>	<u>1,733,482</u>	<u>298,095</u>	<u>595,248</u>	<u>3,087,120</u>	<u>2,644,305</u>
<u>Accumulated Amortization</u>						
Beginning of Year	-	788,744	35,772	595,248	1,419,764	1,364,503
Amortization expense	-	43,337	11,924	-	55,261	55,261
	<u>-</u>	<u>832,081</u>	<u>47,696</u>	<u>595,248</u>	<u>1,475,025</u>	<u>1,419,764</u>
Net book value at						
December 31, 2012	<u>\$ 460,295</u>	<u>\$ 901,401</u>	<u>\$ 250,399</u>	<u>\$ -</u>	<u>\$ 1,612,095</u>	
Net book value at						
December 31, 2011	<u>\$ 17,480</u>	<u>\$ 944,738</u>	<u>\$ 262,323</u>	<u>\$ -</u>		<u>\$ 1,224,541</u>

Work in progress relates to a website that is not yet complete and the initial stages of a project to provide a roof to the rink.

Note 8 Deferred Revenue

	2012	2011
Municipal Sustainability Initiative - Capital Grant	\$ 2,576,352	\$ 1,539,360
Alberta Municipal Infrastructure Grant	895,613	884,700
Municipal Sustainability Initiative - Operating Grant	111,766	201,120
Prepaid rent	1,963	1,909
	<u>\$ 3,585,694</u>	<u>\$ 2,627,089</u>

All grants listed above were received from related parties - see note 12.

Note 9 Accumulated Surplus

	<u>2012</u>	<u>2011</u> (Restated)
Accumulated excess of revenue over expenditure	\$ 1,217,791	\$ 1,217,791
Equity in tangible capital assets	1,612,095	1,224,541
Reserves (Note 10)	3,108,910	3,035,898
	<u>\$ 5,938,796</u>	<u>\$ 5,478,230</u>

Note 10 Reserves

	<u>2012</u>	<u>2011</u> (Restated)
Opening reserves:		
Beginning of year	\$ 3,035,898	\$ 2,366,169
Transfers from accumulated excess of revenue over expenditure	460,566	631,948
Less: net change in tangible capital assets	(387,554)	37,781
End of year	<u>\$ 3,108,910</u>	<u>\$ 3,035,898</u>

Note 11 Total Expenditure

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

	<u>2012</u>	<u>2011</u>
Supplies and services	\$ 956,410	\$ 607,122
Grants	417,531	514,644
Amortization	55,261	55,261
	<u>\$ 1,429,202</u>	<u>\$ 1,177,027</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 12 Related Parties

The Improvement District paid an administration fee of \$114,057 (2011 - \$131,442) and linear assessment costs of \$813 (2011 - \$817) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$114,057 (2011 - \$6,882) to Alberta Municipal Affairs and \$13,040 (2011 - \$0) to Alberta Justice and Solicitor General. The Improvement District paid \$13,040 (2011 - \$9,204) to Alberta Solicitor General and Public Security 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 \$2,688,118 (2011 - \$1,740,480) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$181,640 (2011 - \$38,874) in provincial grants revenue related to this grant.

The Improvement District has deferred grant revenue of \$895,613 (2011 - \$884,700) from Alberta Transportation as part of the Alberta Municipal Infrastructure Program.

Note 13 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>2012</u>	<u>2011</u>
Total debt limit	\$ 2,777,502	\$ 2,687,243
Total debt	-	-
Debt limit in excess of actual debt	<u>\$ 2,777,502</u>	<u>\$ 2,687,243</u>
Service on debt limit	\$ 462,917	\$ 447,874
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>\$ 462,917</u>	<u>\$ 447,874</u>

The debt limit, as defined by the Regulation, is 1.5 times revenue of the Improvement District net of capital government transfers equaling \$38,100 (2011 - \$17,480).

The debt service limit is 0.25 times this same revenue amount.

Note 14 Budget

The budget for the year ended December 31, 2012 was approved by the Minister of Municipal Affairs.

Note 15 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.