

# **Improvement District No. 9**

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**Financial Statements**

**December 31, 2015**

**IMPROVEMENT DISTRICT NO. 9**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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, 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. 9 as at December 31, 2015, 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 12, 2016

Edmonton, Alberta

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b> (Restated - Note 3)
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 4)	\$ 7,940,798	\$ 8,011,790
Taxes receivable (Note 5)	24,914	219,960
Accounts receivable (Note 6)	1,675,372	1,040,127
Investment (Note 7)	10	10
	<u>9,641,094</u>	<u>9,271,887</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	478,025	926,234
Holdback payable	101,351	276,431
Deferred revenue (Note 9)	3,638,622	2,966,571
	<u>4,217,998</u>	<u>4,169,236</u>
<b>NET FINANCIAL ASSETS</b>	<u>5,423,096</u>	<u>5,102,651</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	3,874,643	4,040,518
Prepaid expenses	388	19,910
	<u>3,875,031</u>	<u>4,060,428</u>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<u>\$ 9,298,127</u>	<u>\$ 9,163,079</u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2015**

	2015		2014
	Budget (Unaudited) (Note 16)	Actual	Actual (Restated - Note 3)
<b>REVENUE</b>			
Taxation:			
Real property	\$2,485,775	\$ 2,485,775	\$ 2,262,270
Federal grants in place of taxes	1,002,430	1,002,430	1,011,173
Power and pipeline	94,086	94,202	100,317
	<u>3,582,291</u>	<u>3,582,407</u>	<u>3,373,760</u>
Payment of requisitions:			
Alberta School Foundation Fund	(1,710,912)	(1,710,913)	(1,530,436)
Seniors Foundation	(73,321)	(73,321)	(67,234)
	<u>1,798,058</u>	<u>1,798,173</u>	<u>1,776,090</u>
Net municipal taxes			
Penalties	20,000	22,296	27,459
Bank interest	30,000	51,947	66,183
Housing rentals	71,120	70,712	71,120
Refund of expenditures	12,440	1,494	9,760
Government transfers for operating	319,776	32,810	79,716
Other	1,200	184	276
	<u>2,252,594</u>	<u>1,977,616</u>	<u>2,030,604</u>
<b>Total Revenue</b>			
<b>EXPENSES</b>			
Protective services	729,757	791,421	677,331
Administration	211,582	186,821	172,696
Recreation and cultural services	858,966	568,064	264,102
Assessment fees	40,289	30,633	30,522
Legal fees	2,500	-	-
Water, sewage and garbage	17,500	7,761	9,446
Honoraria	70,000	65,800	48,150
Insurance	20,000	18,722	16,502
Building and land lease	2,000	1,877	1,723
Amortization	-	171,469	167,415
	<u>1,952,594</u>	<u>1,842,568</u>	<u>1,387,887</u>
<b>Total Expenses (Note 11)</b>			
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE GOVERNMENT TRANSFERS FOR CAPITAL</b>			
	300,000	135,048	642,717
Government transfers for capital	581,891	-	1,277,840
	<u>881,891</u>	<u>135,048</u>	<u>1,920,557</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>			
	881,891	135,048	1,920,557
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	-	9,163,079	7,242,522
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 881,891</u>	<u>\$ 9,298,127</u>	<u>\$ 9,163,079</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, 2015**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u> (Unaudited) (Note 16)	<u>Actual</u>	<u>Actual</u> (Restated - Note 3)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 881,891</b>	<b>\$ 135,048</b>	<b>\$ 1,920,557</b>
Acquisition of tangible capital assets		(5,594)	(2,200,953)
Amortization of tangible capital assets		171,469	167,415
		<u>165,875</u>	<u>(2,033,538)</u>
Acquisition of prepaid assets		(388)	(19,910)
Use of prepaid assets		19,910	15,419
		<u>19,522</u>	<u>(4,491)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>		<b>320,445</b>	<b>(117,472)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>		<u>5,102,651</u>	<u>5,220,123</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>		<u><u>\$ 5,423,096</u></u>	<u><u>\$ 5,102,651</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, 2015**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 135,048	\$ 1,920,557
Non-cash items included in excess of revenues over expenses:		
Amortization	171,469	167,415
	306,517	2,087,972
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	195,046	(53,986)
Increase in accounts receivable	(635,245)	(98,179)
Decrease (increase) in prepaid expenses	19,522	(4,491)
(Decrease) increase in accounts payable and accrued liabilities	(448,209)	614,910
(Decrease) increase in holdbacks payable	(175,080)	199,508
Increase (decrease) in deferred revenue	672,051	(652,946)
Cash (used in) provided by operating transactions	(65,398)	2,092,788
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(5,594)	(2,200,953)
Cash applied to capital transactions	(5,594)	(2,200,953)
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(70,992)</b>	<b>(108,165)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>8,011,790</b>	<b>8,119,955</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 7,940,798</b>	<b>\$ 8,011,790</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, 2015**

**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, 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 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, 2015**

**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.

**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.

**Note 3 Prior Period Adjustment**

The Improvement District identified an error in the prior period. It has been determined that Government Transfers for Capital were overstated by \$780,947, Accounts Receivable were understated by \$405,258 and Deferred Revenue was understated by \$1,186,205 in 2014.

The 2014 comparative figures have been restated to reflect the correct amounts. The effects of this restatement are shown below:

	<u>2014</u>		
	<u>Before</u>		
	<u>Restatement</u>	<u>Adjustment</u>	<u>Restated</u>
Accounts Receivable	\$ 634,869	\$ 405,258	\$ 1,040,127
Deferred Revenue	\$ 1,780,366	\$ 1,186,205	\$ 2,966,571
Accumulated Surplus	\$ 9,944,026	\$ (780,947)	\$ 9,163,079
Government transfers for capital	\$ 2,058,787	\$ (780,947)	\$ 1,277,840
Excess of Revenue Over Expenses	\$ 2,701,504	\$ (780,947)	\$ 1,920,557

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 4 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).

**Note 5 Taxes Receivable**

	2015			2014
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	\$ 24,914	\$ -	\$ 24,914	\$ 219,960

**Note 6 Accounts Receivable**

	2015			2014
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	\$ 1,673,620	\$ -	\$ 1,673,620	\$ 1,017,623
Other receivables	1,752	-	1,752	22,504
	<b>\$ 1,675,372</b>	<b>\$ -</b>	<b>\$ 1,675,372</b>	<b>\$ 1,040,127</b>

All grants listed above are receivable from related parties - see note 12.

**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.

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 7 Investment (continued)**

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 8 Tangible Capital Assets**

	<u>2015</u>					<u>2014</u>	
	Work in Progress	Buildings	Computer Software	Land Improvements	Vehicles	Total	Total
Estimated Useful Life		40 years	3 years	25 years	5 years		
<b>Historical Cost</b>							
Beginning of Year	\$ 10,140	\$4,649,263	\$ -	\$ 298,095	\$ 783,047	\$ 5,740,545	\$ 3,539,592
Additions	-	3,861	1,733	-	-	5,594	2,200,953
Transfers	(10,140)	-	10,140	-	-	-	-
	<u>-</u>	<u>4,653,124</u>	<u>11,873</u>	<u>298,095</u>	<u>783,047</u>	<u>5,746,139</u>	<u>5,740,545</u>
<b>Accumulated Amortization</b>							
Beginning of Year	-	991,649	-	71,544	636,834	1,700,027	1,532,612
Amortization expense	-	116,328	3,957	11,924	39,260	171,469	167,415
	<u>-</u>	<u>1,107,977</u>	<u>3,957</u>	<u>83,468</u>	<u>676,094</u>	<u>1,871,496</u>	<u>1,700,027</u>
Net book value at							
December 31, 2015	<u>\$ -</u>	<u>\$3,545,147</u>	<u>\$ 7,916</u>	<u>\$ 214,627</u>	<u>\$ 106,953</u>	<u>\$ 3,874,643</u>	
Net book value at							
December 31, 2014	<u>\$ 10,140</u>	<u>\$3,657,614</u>	<u>\$ -</u>	<u>\$ 226,551</u>	<u>\$ 146,213</u>		<u>\$ 4,040,518</u>

During the year the website was completed and moved to Computer Software.

**Note 9 Deferred Revenue**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
Municipal Sustainability Initiative - Capital Grant	\$ 3,170,259	\$ 2,559,924
Federal Gas Tax Fund	466,855	405,258
Prepaid rent	1,508	1,389
	<u>\$ 3,638,622</u>	<u>\$ 2,966,571</u>

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

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 10    Accumulated Surplus**

	<u>2015</u>	<u>2014</u> (Restated - Note 3)
Unrestricted accumulated surplus	\$ 5,423,484	\$ 5,122,561
Equity in tangible capital assets	3,874,643	4,040,518
	<u>\$ 9,298,127</u>	<u>\$ 9,163,079</u>

**Note 11    Total Expenses**

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

	<u>2015</u>	<u>2014</u>
Supplies and services	\$ 1,103,035	\$ 956,370
Grants	568,064	264,102
Amortization	171,469	167,415
	<u>\$ 1,842,568</u>	<u>\$ 1,387,887</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 \$75,376 (2014 - \$102,343) and linear assessment costs of \$633 (2014 - \$773) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$0 (2014 - \$103,116) to Alberta Municipal Affairs and \$12,824 (2014 - \$12,013) to Alberta Justice and Solicitor General. The Improvement District had amounts receivable of \$1,673,620 (2014 (restated) - \$1,017,623) from Alberta Municipal Affairs. The Improvement District expensed \$12,824 (2014 - \$12,013) 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 \$3,170,259 (2014 (restated) - \$2,559,924) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$32,810 (2014 - \$79,716) in government transfers for operating revenue and \$0 (2014 (restated) - \$365,488) in government transfers for capital revenue related to this program.

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 12 Related Parties (continued)**

The Improvement District had deferred grant revenue of \$466,855 (2014 (restated) - \$405,258) from Alberta Municipal Affairs as part of the Federal Gas Tax Fund.

The Improvement District recognized \$0 (2014 - \$912,352) in government transfers for capital revenues related to the Alberta Municipal Infrastructure Program from Alberta Transportation.

**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>2015</u>	<u>2014</u>
Total debt limit	\$ 2,966,424	\$ 3,045,906
Total debt	-	-
Debt limit in excess of actual debt	<u>\$ 2,966,424</u>	<u>\$ 3,045,906</u>
Service on debt limit	\$ 494,404	\$ 507,651
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>\$ 494,404</u>	<u>\$ 507,651</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 14 Financial Instruments**

The Improvement District's financial instruments consist of cash and cash equivalents, taxes and accounts 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.

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.

**IMPROVEMENT DISTRICT NO. 9**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

**Note 15 Comparative Figures**

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

**Note 16 Budget**

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

**Note 17 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.