

Improvement District No. 9

Financial Statements

December 31, 2018

IMPROVEMENT DISTRICT NO. 9
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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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

Opinion

I have audited the financial statements of Improvement District No. 9 which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Improvement District No. 9 as at December 31, 2018, 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.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Improvement District No. 9 in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Improvement District No. 9's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Improvement District No. 9 financial reporting process.


Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Improvement District No. 9's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Improvement District No. 9's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Improvement District No. 9 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.


W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

April 11, 2019
Edmonton, Alberta

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	11,271,596	9,240,256
Taxes receivable (Note 5)	105,598	21,671
Accounts receivable (Note 6)	414,201	2,083,140
Investment (Note 7)	10	10
	<u>11,791,405</u>	<u>11,345,077</u>
LIABILITIES		
Accounts payable and accrued liabilities	745,939	570,185
Holdback payable	-	2,700
Deferred revenue (Note 9)	4,674,207	3,995,977
	<u>5,420,146</u>	<u>4,568,862</u>
NET FINANCIAL ASSETS	<u>6,371,259</u>	<u>6,776,215</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	3,785,334	3,739,209
Prepaid expenses	32,500	32,252
	<u>3,817,834</u>	<u>3,771,461</u>
ACCUMULATED SURPLUS (Note 10)	<u>10,189,093</u>	<u>10,547,676</u>

The accompanying notes are part of these financial statements.

IMPROVEMENT DISTRICT NO. 9
STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget \$ (Note 16)	2018 \$ Actual	2017 \$ Actual
REVENUES			
Taxation:			
Real property	4,362,087	3,844,392	3,184,463
Federal grants in place of taxes	676,882	1,195,232	1,142,479
Power and pipeline	91,043	90,374	98,267
	<u>5,130,012</u>	<u>5,129,998</u>	<u>4,425,209</u>
Payment of requisitions:			
Alberta School Foundation Fund	(2,483,927)	(2,483,927)	(2,175,419)
Seniors Foundation	(98,625)	(98,625)	(102,202)
Designated Industrial Property	(1,248)	(1,248)	-
	<u>2,546,212</u>	<u>2,546,198</u>	<u>2,147,588</u>
Net municipal taxes	2,546,212	2,546,198	2,147,588
Penalties	20,000	26,682	19,739
Bank interest	50,000	110,550	67,492
Housing rentals	141,902	89,898	88,628
Government transfers for operating	35,191	172,003	32,536
Other	450	474	250
	<u>2,793,755</u>	<u>2,945,805</u>	<u>2,356,233</u>
Total Revenues	<u>2,793,755</u>	<u>2,945,805</u>	<u>2,356,233</u>
EXPENSES			
Protective services	930,000	880,697	806,203
Administration	234,153	282,666	251,783
Recreation and cultural services	2,016,571	1,871,362	739,960
Assessment fees	30,000	30,000	30,000
Legal fees	30,000	22,973	-
Water, sewage and garbage	10,000	10,367	11,981
Honoraria	119,000	66,500	71,375
Insurance	30,000	28,848	24,726
Building and land lease	177,500	71,400	62,438
Amortization (Note 8)	-	160,113	171,469
	<u>3,577,224</u>	<u>3,424,926</u>	<u>2,169,935</u>
Total Expenses (Note 11)	<u>3,577,224</u>	<u>3,424,926</u>	<u>2,169,935</u>
(SHORTFALL) EXCESS OF REVENUES OVER EXPENSES BEFORE GOVERNMENT TRANSFERS FOR CAPITAL			
	(783,469)	(479,121)	186,298
Government transfers for capital	4,332,845	120,538	72,639
	<u>3,549,376</u>	<u>(358,583)</u>	<u>258,937</u>
(SHORTFALL) EXCESS OF REVENUES OVER EXPENSES	<u>3,549,376</u>	<u>(358,583)</u>	<u>258,937</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>10,547,676</u>	<u>10,547,676</u>	<u>10,288,739</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>14,097,052</u>	<u>10,189,093</u>	<u>10,547,676</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, 2018

	Budget \$ (Note 16)	2018 \$ Actual	2017 \$ Actual
(SHORTFALL) EXCESS OF REVENUES OVER EXPENSES	3,549,376	(358,583)	258,937
Acquisition of tangible capital assets (Note 8)		(206,238)	(72,639)
Amortization of tangible capital assets (Note 8)		160,113	171,469
		(46,125)	98,830
Acquisition of prepaid expenses		(32,500)	(32,252)
Use of prepaid expenses		32,252	27,092
		(248)	(5,160)
(DECREASE) INCREASE IN NET FINANCIAL ASSETS		(404,956)	352,607
NET FINANCIAL ASSETS, BEGINNING OF YEAR		6,776,215	6,423,608
NET FINANCIAL ASSETS, END OF YEAR		\$ 6,371,259	\$ 6,776,215

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018**

	<u>2018</u>	<u>2017</u>
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Shortfall) excess of revenues over expenses	(358,583)	258,937
Non-cash items included in excess of revenues over expenses:		
Amortization	<u>160,113</u>	<u>171,469</u>
	(198,470)	430,406
Non-cash charges to operations (net change):		
(Increase) decrease in taxes receivable	(83,927)	11,670
Decrease (increase) in accounts receivable	1,668,939	(641,491)
Increase in prepaid expenses	(248)	(5,160)
Increase in accounts payable and accrued liabilities	175,754	29,021
Decrease in holdbacks payable	(2,700)	(23,900)
Increase in deferred revenue	<u>678,230</u>	<u>613,966</u>
Cash provided by operating transactions	<u>2,237,578</u>	<u>414,512</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(206,238)</u>	<u>(72,639)</u>
Cash applied to capital transactions	<u>(206,238)</u>	<u>(72,639)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	2,031,340	341,873
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>9,240,256</u>	<u>8,898,383</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>11,271,596</u></u>	<u><u>9,240,256</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018**

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, 2018 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 revenues as they are 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 revenues and expenses 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, 2018

Note 2 Significant Accounting Policies (continued)

Revenue Recognition

Taxation revenues are 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, are not expected to be repaid in the future, or as a result of a direct financial return.

Government transfers, including ones which result in capitalized assets, are recognized in the financial statements as revenue 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. 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, investments, accounts payable and accrued liabilities, holdback payable and deferred revenue are measured at cost which approximates fair value due to their short term nature.

Note 3 Future Accounting Changes

PS 3280 Asset Retirement Obligations (effective April 1, 2021)

This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

PS 3400 Revenue (effective April 1, 2022)

This standard provides guidance on how to account for and report on revenue, and specifically, addresses revenue arising from exchange transactions and unilateral transactions.

IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 3 Future Accounting Changes (continued)

PS 3450 Financial Instruments (effective April 1, 2021)

Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of the financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in the financial statements; and how to account for and report portfolio investments.

Management is currently assessing the impact of these standards on the financial statements.

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, 2018, securities held by the fund had a rate of return of 1.65% per annum (December 31, 2017 - 0.92% per annum).

Note 5 Taxes Receivable

	2018			2017
	\$			\$
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	105,598	-	105,598	21,671

Note 6 Accounts Receivable

	2018			2017
	\$			\$
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Grants receivable	413,604	-	413,604	2,078,148
Other receivables	597	-	597	4,992
	414,201	-	414,201	2,083,140

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

IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

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.

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

Note 8 Tangible Capital Assets

	2018						2017
	\$						\$
	Buildings	Computer Software	Land Improvements	Vehicles	Work in Progress	Total	Total
Estimated Useful Life	40 years	3 years	25 years	5 years			
<u>Historical Cost</u>							
Beginning of Year	4,653,124	11,873	298,095	783,047	207,504	5,953,643	5,881,004
Additions	-	-	85,700	-	120,538	206,238	72,639
	4,653,124	11,873	383,795	783,047	328,042	6,159,881	5,953,643
<u>Accumulated Amortization</u>							
Beginning of Year	1,340,633	11,873	107,314	754,614	-	2,214,434	2,042,965
Amortization expense	116,328	-	15,352	28,433	-	160,113	171,469
	1,456,961	11,873	122,666	783,047	-	2,374,547	2,214,434
Net book value at							
December 31, 2018	3,196,163	-	261,129	-	328,042	3,785,334	
Net book value at							
December 31, 2017	3,312,491	-	190,781	28,433	207,504		3,739,209

Note 9 Deferred Revenue

	2018	2017
	\$	\$
Municipal Sustainability Initiative - Capital Grant	4,008,453	3,400,711
Federal Gas Tax Fund	651,045	593,758
Prepaid rent	14,709	1,508
	<u>4,674,207</u>	<u>3,995,977</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, 2018

Note 10 Accumulated Surplus

	2018	2017
	\$	\$
Unrestricted accumulated surplus	6,403,759	6,808,467
Equity in tangible capital assets	3,785,334	3,739,209
	10,189,093	10,547,676

Note 11 Total Expenses

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

	2018	2017
	\$	\$
Supplies and services	1,393,451	1,258,506
Grants	1,871,362	739,960
Amortization	160,113	171,469
	3,424,926	2,169,935

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

Related parties include all entities in the Government of Alberta's financial statements.

The Improvement District had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties during the normal course of business.

	Municipal Affairs		Other Entities	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues				
Housing rentals	-	-	17,985	17,400
Government transfers for operating	172,003	32,536	-	-
Government transfers for capital	120,538	72,639	-	-
	292,541	105,175	17,985	17,400
Expenses				
Administration	159,589	128,509	-	-
Protective services	-	-	18,634	-
	159,589	128,509	18,634	-
Receivable from (Note 6)	413,604	2,078,148	-	-
Tangible Capital Assets				
Alberta Infrastructure	-	-	117,738	72,639

IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 12 Related Parties (continued)

	Municipal Affairs		Other Entities	
	2018	2017	2018	2017
	\$	\$	\$	\$
Payable to	-	128,509	-	-
Alberta Justice and Solicitor General	-	-	18,634	-
Alberta Infrastructure	-	-	117,738	-
	<u>-</u>	<u>128,509</u>	<u>136,372</u>	<u>-</u>
Deferred Revenue (Note 9)	<u>4,659,498</u>	<u>3,994,469</u>	<u>-</u>	<u>-</u>

Requisitions paid to the Alberta School Foundation Fund, Seniors Foundation and Designated Industrial Property Assessment are shown separately in the statement of operations.

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:

	2018	2017
	\$	\$
Total debt limit	4,418,708	3,534,350
Total debt	-	-
Debt limit in excess of actual debt	<u>4,418,708</u>	<u>3,534,350</u>
Service on debt limit	736,451	589,058
Service on debt	-	-
Service on debt limit in excess of actual debt service costs	<u>736,451</u>	<u>589,058</u>

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

Note 14 Financial Instruments

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

IMPROVEMENT DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2018

Note 14 Financial Instruments (continued)

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 15 Comparative Figures

Certain 2017 figures have been reclassified to conform to the 2018 presentation.

Note 16 Budget

The budget for the year ended December 31, 2018 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.