

# **Improvement District No. 9**

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**Financial Statements**

**December 31, 2011**

**IMPROVEMENT DISTRICT NO. 9**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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, 2011, and the statements of operations, changes in net 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, 2011, and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

*Merwan N. Saker, FCA*

Auditor General

May 31, 2012

Edmonton, Alberta

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2011**

	<b><u>2011</u></b>	<b><u>2010</u></b> (Restated) (Note 15)
<b>FINANCIAL ASSETS</b>		
Cash (Note 3)	\$ 7,131,474	\$ 5,609,757
Taxes receivable (Note 4)	137,106	93,642
Accounts receivable (Note 5)	26,054	101,546
Investment (Note 6)	10	10
	<u>7,294,644</u>	<u>5,804,955</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	417,916	142,156
Deferred revenue (Note 9)	2,627,089	2,085,112
	<u>3,045,005</u>	<u>2,227,268</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,249,639</u>	<u>3,577,687</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 7)	1,224,541	1,262,322
Prepaid expenses	4,050	6,273
	<u>1,228,591</u>	<u>1,268,595</u>
<b>ACCUMULATED SURPLUS (Note 10)</b>	<u><u>\$ 5,478,230</u></u>	<u><u>\$ 4,846,282</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF OPERATIONS**  
**For the year ended December 31, 2011**

	2011		2010
	<u>Budget</u> (Note 16)	<u>Actual</u>	<u>Actual</u> (Restated) (Note 15)
<b>Revenue</b>			
Taxation (Note 12):			
Real property	\$2,462,059	\$2,427,270	\$2,505,641
Federal grants in place of taxes	736,341	736,341	671,798
Power and pipeline	68,585	68,585	69,435
Penalties and costs	15,000	15,267	16,100
	<u>3,281,985</u>	<u>3,247,463</u>	<u>3,262,974</u>
Payment of requisitions:			
Alberta School Foundation Fund	(1,521,392)	(1,521,384)	(1,613,111)
Seniors Foundation	(77,743)	(77,743)	(70,017)
	<u>1,682,850</u>	<u>1,648,336</u>	<u>1,579,846</u>
General municipal	18,000	47,886	31,328
Bank interest	75,000	73,287	75,508
Housing rentals	80,000	-	38,629
Refund of expenditures	254,050	38,874	-
Provincial grants	1,200	592	1,007
Other	<u>2,111,100</u>	<u>1,808,975</u>	<u>1,726,318</u>
Excess of revenue over amounts expended by transfers			
<b>Expenditure</b>			
Protective Services	655,800	587,508	411,068
Administration	426,700	194,346	162,368
Recreation and cultural services	210,500	245,844	252,342
Assessment fees	30,000	29,584	28,775
Legal Fees	5,000	-	-
Water, Sewage and Garbage	16,000	6,784	15,198
Honoraria	30,000	47,350	27,350
Insurance	12,500	8,550	9,577
Building and Land	2,000	1,800	1,763
Amortization	55,500	55,261	55,261
Total expenditure (Note 13)	<u>1,444,000</u>	<u>1,177,027</u>	<u>963,702</u>
Excess of revenue over expenditure	<u>\$ 667,100</u>	631,948	762,616
Accumulated surplus, beginning of year		<u>4,846,282</u>	<u>4,083,666</u>
Accumulated surplus, end of year		<u>\$5,478,230</u>	<u>\$4,846,282</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, 2011**

	<b>2011</b>		<b>2010</b>
	<b>Budget</b> (Note 16)	<b>Actual</b>	<b>Actual</b> (Restated) (Note 15)
Excess of revenue over expenditure	\$ 667,100	\$ 631,948	\$ 762,616
Acquisition of tangible capital assets	-	(17,480)	-
Amortization of tangible capital assets	55,500	55,261	55,261
	<u>55,500</u>	<u>37,781</u>	<u>55,261</u>
Acquisition of prepaid assets	-	(4,050)	(6,273)
Use of prepaid assets	-	6,273	6,369
	<u>-</u>	<u>2,223</u>	<u>96</u>
Increase in Net Financial Assets	722,600	671,952	817,973
Net Financial Assets, beginning of year	<u>3,577,687</u>	<u>3,577,687</u>	<u>2,759,714</u>
Net Financial Assets, end of year	<u><u>\$ 4,300,287</u></u>	<u><u>\$ 4,249,639</u></u>	<u><u>\$ 3,577,687</u></u>

The accompanying notes are part of these financial statements.

**IMPROVEMENT DISTRICT NO. 9**  
**STATEMENT OF CASH FLOW**  
**For the year ended December 31, 2011**

	<u>2011</u>	<u>2010</u>
<b>Operating transactions:</b>		
Excess of revenue over expenditure	\$ 631,948	\$ 762,616
Non-cash items included in operating transactions:		
Amortization	55,261	55,261
	687,209	817,877
Changes in working capital:		
(Increase) in taxes receivable	(43,464)	(35,493)
Decrease in accounts receivable	75,492	365,545
Decrease in prepaid expenses	2,223	96
Increase in accounts payable and accrued liabilities	275,760	29,737
Increase in deferred revenue	541,977	647,942
Cash provided by operating transactions	1,539,197	1,825,704
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(17,480)	-
	(17,480)	-
Increase in cash	1,521,717	1,825,704
Cash at beginning of year	5,609,757	3,784,053
<b>Cash at end of year</b>	<b>\$ 7,131,474</b>	<b>\$ 5,609,757</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, 2011**

**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, 2011 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**

Unspent grant proceeds and related interest revenue are deferred. Revenue is recognized when projects have been approved and the matching expenditures are incurred.

**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**

	2011			2010
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Taxes receivable	137,106	-	137,106	93,642

**Note 5 Accounts Receivable**

	2011			2010
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Rental revenue	\$ 25,875	\$ -	\$ 25,875	\$ 10,350
Other	179	-	179	91,196
	<u>\$ 26,054</u>	<u>\$ -</u>	<u>\$ 26,054</u>	<u>\$ 101,546</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**

	<b>2011</b>					<b>2010</b>
	<b>Work in Progress</b>	<b>Buildings</b>	<b>Land Improvements</b>	<b>Vehicles</b>	<b>Total</b>	<b>Total</b>
Estimated Useful Life		40 years	25 years	5 years		
<b>Historical Cost</b>						
Beginning of Year	\$ -	\$ 1,733,482	\$ 298,095	\$ 595,248	\$ 2,626,825	\$ 2,626,825
Additions	17,480	-	-	-	17,480	-
	<u>17,480</u>	<u>1,733,482</u>	<u>298,095</u>	<u>595,248</u>	<u>2,644,305</u>	<u>2,626,825</u>
<b>Accumulated Amortization</b>						
Beginning of Year	-	745,407	23,848	595,248	1,364,503	1,309,242
Amortization expense	-	43,337	11,924	-	55,261	55,261
	<u>-</u>	<u>788,744</u>	<u>35,772</u>	<u>595,248</u>	<u>1,419,764</u>	<u>1,364,503</u>
<b>Net book value at December</b>						
31, 2011	<u>\$ 17,480</u>	<u>\$ 944,738</u>	<u>\$ 262,323</u>	<u>\$ -</u>	<u>\$ 1,224,541</u>	
<b>Net book value at December</b>						
31, 2010	<u>\$ -</u>	<u>\$ 988,075</u>	<u>\$ 274,247</u>	<u>\$ -</u>		<u>\$ 1,262,322</u>

**Note 8 Accounts Payable and Accrued Liabilities**

This amount consists of trade payables and other payables accrued at the year end.

**Note 9 Deferred Revenue**

	<b>2011</b>	<b>2010</b> (Restated) (Note 15)
Municipal Sustainability Initiative - Capital Grant	\$ 1,539,360	\$ 1,558,487
Alberta Municipal Infrastructure Grant	884,700	326,229
Municipal Sustainability Initiative - Operating Grant	201,120	198,581
Prepaid rent	1,909	1,815
	<u>\$ 2,627,089</u>	<u>\$ 2,085,112</u>

All grants listed above were received from related parties - see note 14.

**Note 10 Accumulated Surplus**

	<u>2011</u>	<u>2010</u> (Restated) (Note 15)
Accumulated excess of revenue over expenditure	\$ 1,228,072	\$ 1,245,552
Equity in tangible capital assets	1,224,541	1,262,322
Reserves (Note 11)	3,025,617	2,338,408
	<u>\$ 5,478,230</u>	<u>\$ 4,846,282</u>

**Note 11 Reserves**

	<u>2011</u>	<u>2010</u>
Opening reserves:		
Beginning of year	\$ 2,338,408	\$ 1,520,531
Transfers from accumulated excess of revenue over expenditure	631,948	762,616
Less: net change in tangible capital assets	55,261	55,261
End of year	<u>\$ 3,025,617</u>	<u>\$ 2,338,408</u>

**Note 12 Taxation Revenue**

Taxation revenue includes requisitions for the Alberta School Foundation Fund and Bow Valley Regional Housing - Bow River Lodge in the amounts of \$1,521,387 (2010 - \$1,613,039) and \$77,749 (2010 - \$70,011) respectively.

**Note 13 Total Expenditure**

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

	<u>2011</u>	<u>2010</u>
Supplies and services	\$ 607,122	\$ 460,979
Grants	514,644	447,462
Amortization	55,261	55,261
	<u>\$ 1,177,027</u>	<u>\$ 963,702</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 14 Related Parties**  
(Restated - Note 15)

The Improvement District paid an administration fee of \$131,442 (2010 - \$120,755) and linear assessment costs of \$817 (2010 - \$515) to Alberta Municipal Affairs. The Improvement District has an accounts payable of \$6,882 (2010 - \$121,270) to Alberta Municipal Affairs.

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

The Improvement District paid \$9,204 (2010 - \$0) to Alberta Solicitor General and Public Security for policing services.

The Improvement District has deferred grant revenue of \$1,740,480 (2010 - \$1,757,068) from Alberta Municipal Affairs as part of the Municipal Sustainability Initiative. The Improvement District recognized \$38,874 (2010 - \$0) in provincial grants revenue related to this grant.

The Improvement District has deferred grant revenue of \$884,700 (2010 - \$326,229) from Alberta Transportation as part of the Alberta Municipal Infrastructure Program.

**Note 15 Prior Period Adjustment**

Deferred revenue related to the Municipal Sponsorship grant program was expended on an approved project in 2008. However, no revenue was recognized at that time. The prior year has been restated as if the revenue had been recognized in 2008 and the effect on the 2010 comparatives is shown below:

	<u>Previous</u>	<u>Adjustment</u>	<u>Restated</u>
<u>Liabilities</u>			
Deferred revenue (Note 9)	\$2,112,873	\$ (27,761)	\$ 2,085,112
<b>Accumulated Surplus</b>	<b>\$4,818,521</b>	<b>\$ 27,761</b>	<b>\$ 4,846,282</b>

**Note 16 Budget**

The budget for the year ended December 31, 2011 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.**