

**EDMONTON METROPOLITAN REGION BOARD**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

DRAFT

## **INDEPENDENT AUDITORS' REPORT**

To the Members of Edmonton Metropolitan Region Board

We have audited the accompanying financial statements of Edmonton Metropolitan Region Board, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and accumulated surplus, changes in net financial assets (debt), and cash flows for the year 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 auditors' 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Edmonton Metropolitan Region Board as at March 31, 2018, and the results of its operations, change in its net financial assets (debt) and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

June 14, 2018  
Edmonton, Alberta

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly.

The external auditors, Metrix Group LLP Chartered Professional Accountants, conducted an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Edmonton Metropolitan Region Board and meet when required.

On behalf of Edmonton Metropolitan Region Board :

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Malcolm Bruce, MSM  
Chief Executive Officer

June 14, 2018  
Edmonton, Alberta

**EDMONTON METROPOLITAN REGION BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 2,639,170	\$ 2,246,201
Goods and Services Tax recoverable	<u>18,751</u>	<u>43,328</u>
	<u>2,657,921</u>	<u>2,289,529</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	71,260	30,120
Deferred revenue (Note 4)	2,485,246	2,066,284
Deferred lease inducement (Note 5)	<u>126,980</u>	<u>149,065</u>
	<u>2,683,486</u>	<u>2,245,469</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(25,565)</u>	<u>44,060</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	210,766	240,185
Prepaid expenses	<u>99,044</u>	<u>-</u>
	<u>309,810</u>	<u>240,185</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 284,245</u>	<u>\$ 284,245</u>

**ON BEHALF OF THE BOARD:**

\_\_\_\_\_ Chair

\_\_\_\_\_ Vice Chair

**EDMONTON METROPOLITAN REGION BOARD**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	2018 Budget (Note 11)	2018 Actual	2017 Actual
<b>REVENUES</b>			
Province of Alberta operating grant (Note 4)	\$ 2,250,000	\$ 1,801,980	\$ 2,449,299
Province of Alberta - Economic Development Entity grant	-	136,495	-
Alberta Community Partnership grants	24,000	29,058	461,288
Member contributions	500,000	500,000	-
Interest and other income	-	109,724	15,048
Cost recovery	-	49,203	-
Symposium	-	-	43,799
	<u>2,774,000</u>	<u>2,626,460</u>	<u>2,969,434</u>
<b>EXPENSES</b>			
Board and committee expenses:			
Honoraria	81,400	44,400	92,600
Meetings	35,000	64,694	65,878
Chair retainer	24,000	24,000	24,000
Travel	24,000	7,721	19,394
	<u>164,400</u>	<u>140,815</u>	<u>201,872</u>
Administrative expenses:			
Salaries and benefits	1,529,000	1,507,582	1,450,596
Consulting fees	297,500	402,743	799,846
Office lease and operating costs	300,000	236,058	240,542
Travel	30,000	29,978	50,855
Amortization of tangible capital assets	-	49,419	42,090
Administration	98,000	57,830	41,185
Professional fees	50,000	37,063	37,685
Information technology	55,000	80,753	21,932
Communications	38,000	20,357	21,200
Meetings	20,000	14,380	19,700
Insurance	8,000	1,013	3,989
	<u>2,425,500</u>	<u>2,437,176</u>	<u>2,729,620</u>
Program expenses:			
Municipal Internship	50,000	48,469	37,942
	<u>50,000</u>	<u>48,469</u>	<u>37,942</u>
	<u>2,639,900</u>	<u>2,626,460</u>	<u>2,969,434</u>
<b>ANNUAL SURPLUS</b>	134,100	-	-
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>284,245</u>	<u>284,245</u>	<u>284,245</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 418,345</u>	<u>\$ 284,245</u>	<u>\$ 284,245</u>

**EDMONTON METROPOLITAN REGION BOARD**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2018</u> Budget (Note 11)	<u>2018</u> Actual	<u>2017</u> Actual
<b>ANNUAL SURPLUS</b>	\$ -	\$ -	\$ -
Acquisition of tangible capital assets	-	<b>(20,000)</b>	(64,644)
Amortization of tangible capital assets	<u>-</u>	<u><b>49,419</b></u>	<u>42,090</u>
	<u>-</u>	<u><b>29,419</b></u>	<u>(22,554)</u>
Acquisition of prepaid expense	<u>-</u>	<u><b>(99,044)</b></u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	-	<b>(69,625)</b>	(22,554)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>44,060</u>	<u><b>44,060</b></u>	<u>66,614</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>\$ 44,060</u>	<u>\$ <b>(25,565)</b></u>	<u>\$ 44,060</u>

**EDMONTON METROPOLITAN REGION BOARD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ -	\$ -
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	49,419	42,090
Change in non-cash working capital balances:		
Short term investments	-	1,500,000
Grants receivable	-	37,000
Goods and Services Tax recoverable	24,577	(8,934)
Prepaid expenses	(99,044)	-
Accounts payable and accrued liabilities	41,140	(100,036)
Deferred revenue	418,962	(293,587)
Unamortized deferred lease inducement	(22,085)	(22,085)
	<u>412,969</u>	<u>1,154,448</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	<u>(20,000)</u>	<u>(64,644)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>392,969</b>	<b>1,089,804</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,246,201</u>	<u>1,156,397</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 2,639,170</u>	<u>\$ 2,246,201</u>

# EDMONTON METROPOLITAN REGION BOARD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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### 1. NATURE OF OPERATIONS

Edmonton Metropolitan Region Board (the "Board") formerly known as Capital Region Board, was established by the Edmonton Metropolitan Region Board Regulation 189/2017 (the "Regulation") under the *Municipal Government Act* of the Province of Alberta on October 26, 2017, updating and replacing previous legislation dating back to April 2008. The Board is an other government entity and is exempt from income taxes.

Membership of the Board changed mid-fiscal year with the updated Regulation, when the number of municipalities participating on the Board were reduced from 24 to 13, representing those with populations of more than 5,000. These now include five cities: Edmonton, Fort Saskatchewan, Leduc, Spruce Grove, and St. Albert; four towns: Beaumont, Devon, Morinville, and Stony Plain; four counties: Leduc County, Parkland County, Strathcona County, and Sturgeon County. Participating until October 2017 were Lamont County; the towns of Bon Accord, Bruderheim, Calmar, Gibbons, Lamont, Legal, Redwater, and Thorsby, and two villages: Wabamun and Warburg.

The Board was established by the Province to coordinate responsible long-range growth planning via implementation of the Edmonton Metropolitan Region Growth Plan (the "Growth Plan"), to approve Statutory Plans, and to develop a Metropolitan Servicing Plan for the Region within two years of the Regulation coming into force.

The Province of Alberta approved the Growth Plan on October 26, 2017. Since that time the Board is focused on implementation of the Growth Plan development of the Servicing Plan and working to close out the 2014-2018 Strategic Plan and develop a new strategy for 2018 and beyond.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for other government entities established by the Canadian Public Sector Accounting Board. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

#### (a) Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purposes specified.

Interest income is recorded as it is earned.

#### (b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and term deposits with original maturities of three months or less at the date of acquisition and are recorded at cost.

#### (c) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

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# EDMONTON METROPOLITAN REGION BOARD

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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### 2. ACCOUNTING POLICIES (CONT'D)

(c) Tangible Capital Assets (cont'd)

The cost, less residual value, of the tangible capital assets, is amortized using the following methods at the following annual rates. The half year rule applies to the tangible capital assets in the year when they are purchased or disposed. Only assets with costs in excess of \$2,500 are capitalized.

Furniture and equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight-line	10 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

(d) Contributed Goods and Services

Contributed goods and services represent goods and services which the organization would normally purchase. The contribution amount is recorded at the fair value of the goods or services received.

(e) Prepaid Expenses

Prepaid expenses include deposits and insurance and are charged to expense over the periods expected to benefit from these expenditures.

(f) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, rates for amortization, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(g) Deferred Revenue

Certain amounts are earned pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

(h) Deferred Lease Inducement

Deferred lease inducement represents the unamortized value of an inducement received when the Board entered into a new ten year lease arrangement for rental of the new office space which commenced on February 1, 2014. Amortization is provided on a straight-line basis over the 10 year term of the related lease as a reduction in office rent.

**EDMONTON METROPOLITAN REGION BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**3. CASH AND CASH EQUIVALENTS**

	<u>2018</u>	<u>2017</u>
Operating account	<u>\$ 2,639,170</u>	<u>\$ 2,246,201</u>

**4. DEFERRED REVENUE**

	Deferred revenue beginning of year	Amounts received/ receivable	Revenue recognized/repaid	Deferred revenue end of year
Province of Alberta:				
2016-2017 Operations	\$ 2,037,226	\$ -	\$ 1,801,980	\$ 235,246
2017-2018 Operations	-	2,250,000	-	2,250,000
Economic Development Entity	-	300,000	300,000	-
	<u>2,037,226</u>	<u>2,550,000</u>	<u>2,101,980</u>	<u>2,485,246</u>
Alberta Community Partnership	29,058	-	29,058	-
Member contributions	-	500,000	500,000	-
	<u>\$ 2,066,284</u>	<u>\$ 3,050,000</u>	<u>\$ 2,631,038</u>	<u>\$ 2,485,246</u>

**Operations:**

The balance carried forward of \$2,037,226 represents the unspent portion of the 2016-2017 funding. Of this amount \$1,801,980 was recognized as revenue during the year.

An updated 2017/2018 conditional operating grant agreement between the Province of Alberta and the Board was signed on April 13, 2017. The Agreement provides a conditional contribution in the amount of \$2,250,000, which was received by the Board during fiscal 2018. The contribution, including any income earned thereon, is to be used to fund the Board's operations and to allow it to carry out its mandated responsibilities for the period from April 1, 2017 to March 31, 2018, unless an extension is agreed to by the Minister.

**Economic Development Entity:**

During the year, the Board received \$300,000 relating to a project entitled "Edmonton Metropolitan Regional Economic Development Entity". The Board incurred \$136,495 of expenses to develop an environmental scan, asset inventory, and community profile for the Edmonton Metropolitan Region. A corresponding amount of revenue was recognized by the Board. The remaining unexpensed portion of \$163,505 was transferred to Edmonton Metropolitan Region Economic Development Entity.

**Alberta Community Partnership:**

Alberta Community Partnership provided the Board with a \$67,000 grant to assist the Board with the salary and expenses of a municipal land use planner intern. Out of this amount, \$37,942 was recognized as revenue during fiscal 2017 and the remaining \$29,058 was recognized in the March 31, 2018 year end.

**Member contributions:**

During the year, the Board received \$500,000 in member contributions to assist the Board with the delivery of the projects listed in the Edmonton Metropolitan Region Growth Plan and other mandated items.

**EDMONTON METROPOLITAN REGION BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**5. DEFERRED LEASE INDUCEMENT**

Pursuant to a premises lease agreement for the new office, the landlord provided the Board with a total inducement of \$220,835 to be used for leasehold improvements. The inducement has been deferred and is being applied as a reduction of rent expense over the term of the lease as follows:

2019	\$ 22,083
2020	22,083
2021	22,083
2022	22,083
2023	22,083
2024	<u>16,565</u>
Total deferred lease inducement	<u>\$ 126,980</u>

**6. TANGIBLE CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<b>2018</b>	<b>2017</b>
Office equipment	\$ 66,517	\$ 46,211	\$ 20,306	\$ 25,383
Computer hardware	66,853	63,511	3,342	4,773
Computer software	115,825	57,228	58,597	59,425
Leasehold improvements	<u>220,835</u>	<u>92,314</u>	<u>128,521</u>	<u>150,604</u>
	<u>\$ 470,030</u>	<u>\$ 259,264</u>	<u>\$ 210,766</u>	<u>\$ 240,185</u>

**7. FINANCIAL INSTRUMENTS**

The Board's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Board is not exposed to significant interest, credit, or currency risks arising from these financial instruments.

Unless otherwise noted, the carrying values of the financial instruments approximate their fair values.

**8. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Board participate in the *Local Authorities Pension Plan* ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The Board is required to make current service contributions to the LAPP consisting of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan ("CPP") and 15.84% on pensionable earnings above this amount. Employees of the Board are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions made by the Board to the LAPP in 2018 were \$146,061 (2017 - \$149,174). Total current service contributions made by the employees of the Board to the LAPP in 2018 were \$135,288 (2017 - \$138,312).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$0.64 billion (2015 - \$0.9 billion).

**EDMONTON METROPOLITAN REGION BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**9. RELATED PARTY TRANSACTIONS**

Edmonton Metropolitan Region Board has the following transactions with the Province of Alberta:

	<u>2018</u>	<u>2017</u>
Grants received from Province of Alberta (Note 4)	<u>2,550,000</u>	<u>2,617,000</u>

**10. COMMITMENTS**

The Board entered into a ten year lease agreement which commenced on February 1, 2014. Under the terms of the lease agreement, the Board is responsible for the following annual payments:

	<u>Annual Lease</u>	<u>Lease Inducement</u>	<u>Net Lease</u>
2019	\$ 263,015	\$ (22,083)	\$ 240,932
2020	263,015	(22,083)	240,932
2021	263,015	(22,083)	240,932
Thereafter	<u>745,213</u>	<u>(60,731)</u>	<u>684,482</u>
	<u>\$ 1,534,258</u>	<u>\$ (126,980)</u>	<u>\$ 1,407,278</u>

The above lease payments include a proportionate share of operating expenses.

In addition, the Board entered into a contract with TrimFiles for provision of electronic document and records management services. The term of the agreement commenced on March 1, 2016 and will end on March 31, 2021. The annual payment under this contract is \$8,800.

**11. BUDGET**

The budget figures presented in these financial statements are based on the amended budget approved by the Board on May 11, 2017.

	<u>Original</u>	<u>Amendments</u>	<u>Amended</u>
<b>REVENUE</b>			
Approved budget	3,024,000	(250,000)	<b>2,774,000</b>
<b>EXPENSES</b>			
Approved budget	<u>3,024,000</u>	<u>(384,100)</u>	<u><b>2,639,900</b></u>
<b>ANNUAL SURPLUS</b>	<u>\$ -</u>	<u>\$ 134,100</u>	<u><b>\$ 134,100</b></u>