

COUNTY OF WARNER NO. 5
Consolidated Financial Statements
For the year ended December 31, 2018

COUNTY OF WARNER NO. 5
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For the year ended December 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To: The Reeve and Members of Council of
the County of Warner No. 5

Opinion

We have audited the consolidated financial statements of the County of Warner No. 5 which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the County of Warner No. 5 as at December 31, 2018, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the County of Warner No. 5 in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

In preparing the consolidated financial statements, management is responsible for assessing the County of Warner No. 5'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 management either intends to liquidate the County of Warner No. 5 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County of Warner No. 5's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT, continued

- 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 our 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 the County of Warner No. 5'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 the County of Warner No. 5's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the County 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.

We 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 we identify during our audit.

Report on Other Legal and Regulatory Requirements

- **Debt Limit Regulation:**
In accordance with Alberta Regulation 255/2000, we confirm that the County of Warner No. 5 is in compliance with the Debt Limit Regulation. A detailed account of the County's debt limit can be found in note 19.
- **Supplementary Accounting Principles and Standards Regulation:**
In accordance with Alberta Regulation 313/2000, we confirm that the County of Warner No. 5 is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 20.

Lethbridge, Alberta

May 7, 2019



Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the County of Warner No. 5.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The County of Warner No. 5 maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the County of Warner No. 5's assets are properly accounted for and adequately safeguarded.

The elected Council of the County of Warner No. 5 is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through Council as a whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the County of Warner No. 5. Avail LLP has full and free access to the Council.



Chief Administrative Officer

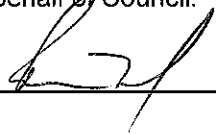
COUNTY OF WARNER NO. 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

	2018	2017
Financial assets		
Cash and temporary investments (note 2)	\$ 8,700,990	\$ 7,857,432
Taxes and grants in place of taxes receivable (note 3)	292,169	433,641
Trade and other receivables (note 4)	1,673,007	1,214,242
Land held for resale	20,407	20,407
Investments	-	964,438
	10,686,573	10,490,160
Liabilities		
Accounts payable and accrued liabilities	1,331,118	860,387
Employee benefit obligations (note 5)	498,120	458,379
Deposits	1,854	1,854
Provision for gravel pit reclamation (note 6)	1,245,000	1,220,000
Deferred revenue (note 7)	1,932,942	1,417,403
Long-term debt (note 8)	1,200,000	1,500,000
	6,209,034	5,458,023
Net financial assets	4,477,539	5,032,137
Non-financial assets		
Prepaid expenses	142,643	139,425
Inventory for consumption (note 9)	4,743,424	5,263,879
Tangible capital assets (schedule 2)	34,878,857	33,025,793
	39,764,924	38,429,097
Accumulated surplus (note 10 and schedule 1)	\$ 44,242,463	\$ 43,461,234

Commitments and contingencies (note 18)

Approved on behalf of Council:

Councillor



Councillor



COUNTY OF WARNER NO. 5
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal taxes (note 14)	\$ 6,531,760	\$ 6,548,287	\$ 6,144,935
User fees and sales of goods	710,400	563,276	742,782
Government transfers for operating (note 15)	1,148,370	2,171,750	1,277,611
Investment income	119,000	104,382	95,061
Penalties and costs of taxes	66,500	44,535	78,185
Licenses and permits	122,500	90,379	80,678
Fines	40,000	21,224	24,501
Rental	58,500	49,903	56,619
Other	400,500	55,067	391,137
Gain on disposal of capital assets	65,000	125,498	8,000
	9,262,530	9,774,301	8,899,509
Expenses (note 16)			
Legislative	312,000	301,329	282,118
Administration	1,125,897	1,352,463	1,072,079
Protective services	636,027	473,850	485,798
Roads, streets, walks and lighting	6,568,234	6,189,325	5,531,947
Water supply and distribution	91,370	192,466	198,852
Waste management	162,948	162,192	161,633
Family and community support services	28,700	28,699	28,078
Land use planning, zoning and development	26,109	26,109	25,202
Economic and agricultural development	1,962,144	1,641,438	1,682,327
Recreation and parks	274,716	290,878	302,617
Culture	40,855	40,855	39,908
Other	-	57,171	105,051
	11,229,000	10,756,775	9,915,610
Deficiency of revenue over expenses before other	(1,966,470)	(982,474)	(1,016,101)
Other			
Government transfers for capital (note 15)	2,039,185	1,763,703	1,944,976
Excess of revenue over expenses	72,715	781,229	928,875
Accumulated surplus, beginning of year	43,461,234	43,461,234	42,532,359
Accumulated surplus, end of year	\$ 43,533,949	\$ 44,242,463	\$ 43,461,234

COUNTY OF WARNER NO. 5
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
Excess of revenue over expenses	\$ 72,715	\$ 781,229	\$ 928,875
Acquisition of tangible capital assets	(1,599,854)	(3,894,677)	(5,051,720)
Amortization of tangible capital assets	1,599,854	1,921,239	1,696,241
(Gain) loss on disposal of tangible capital assets	-	(124,336)	99,156
Proceeds on disposal of tangible capital assets	-	244,710	208,000
	-	(1,853,064)	(3,048,323)
Net change in inventory for consumption	-	520,455	66,030
Net change in prepaid expense	-	(3,218)	(5,459)
	-	517,237	60,571
Decrease in net financial assets	72,715	(554,598)	(2,058,877)
Net financial assets, beginning of year	5,032,137	5,032,137	7,091,014
Net financial assets, end of year	\$ 5,104,852	\$ 4,477,539	\$ 5,032,137

COUNTY OF WARNER NO. 5
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2018

	2018	2017
Operating transactions		
Excess of revenue over expenses	\$ 781,229	\$ 928,875
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(124,336)	99,156
Amortization of tangible capital assets	1,921,239	1,696,241
	2,578,132	2,724,272
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	141,472	(70,673)
Trade and other receivables	(458,765)	2,622
Inventory for consumption	520,455	66,030
Prepaid expenses	(3,218)	(5,459)
Accounts payable and accrued liabilities	470,731	427,233
Employee benefit obligations	39,741	13,757
Deposits	-	(500)
Deferred revenue	515,539	410,717
Provision for gravel pit reclamation	25,000	60,000
	3,829,087	3,627,999
Capital transactions		
Proceeds on disposal of tangible capital assets	244,710	208,000
Acquisition of tangible capital assets	(3,894,677)	(5,051,720)
	(3,649,967)	(4,843,720)
Investing transactions		
Decrease in investments	964,438	1,082,642
Financing transactions		
Proceeds of long-term debt	-	1,800,000
Repayment of long-term debt	(300,000)	(300,000)
	(300,000)	1,500,000
Increase in cash and temporary investments	843,558	1,366,921
Cash and temporary investments, beginning of year	7,857,432	6,490,511
Cash and temporary investments, end of year	\$ 8,700,990	\$ 7,857,432

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies

The consolidated financial statements of the County of Warner No. 5 are the representations of management prepared in accordance with public sector accounting standards for local government established by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County of Warner No. 5 are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the County of Warner No. 5 and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of accounting

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.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the 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.

(d) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies, continued

(e) Government transfers

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 the result of a direct financial return.

Government transfers 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.

(f) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(i) Provision for gravel pit reclamation

The County of Warner No. 5 is required to fund the stripping and reclamation of various gravel pits. Reclamation activities include the final covering and landscaping.

(j) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

1. Significant accounting policies, continued

(k) 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, provides the consolidated Change in Net Financial Assets for the year.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	10-45
Buildings	25-50
Engineered structures	5-75
Machinery and equipment	5-25
Vehicles	10-40

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value with cost determined by the average cost method.

(v) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

2. Cash and temporary investments

	2018	2017
Cash	\$ 4,862,541	\$ 4,339,562
Temporary investments	3,838,449	3,517,870
	\$ 8,700,990	\$ 7,857,432

Temporary investments are comprised of Bank of Montreal high interest savings and Guaranteed Investment Certificates that bear interest rates between 1.75% and 2.50% (2017 - 0.55% and 2.28%) and mature between January 25 and April 12, 2019.

Under its credit facility with the Bank of Montreal, the County holds a line of credit to a maximum of \$500,000 and bears interest at the bank's prime lending rate. At December 31, 2018 the line of credit was undrawn.

3. Taxes and grants in place of taxes receivables

	2018	2017
Current taxes and grants in place of taxes receivable	\$ 248,982	\$ 243,685
Arrears	43,187	189,956
	\$ 292,169	\$ 433,641

4. Trade and other receivables

	2018	2017
Provincial government receivables	\$ 1,157,987	\$ 692,146
Goods and Services Tax (GST)	229,321	307,992
Trade receivables	121,412	105,228
Accrued interest	102,222	97,871
Local government receivables	62,065	11,005
	\$ 1,673,007	\$ 1,214,242

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

5. Employee benefit obligations

	2018	2017
Vacation and overtime	\$ 322,820	\$ 282,279
Post-employment benefits	175,300	176,100
	\$ 498,120	\$ 458,379

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Post-employment benefits

Effective in 2006 the County provides a service recognition benefit for its employees. Retiring employees with over 10 years of service to the County are eligible for the allowance at a rate of \$200 per year for the first 10 years of employment and \$500 per year for each year of service over 10 years up to 40 years. These benefits are prorated for permanent part time staff.

Employees terminating their employment with over 10 years of service to the County are eligible for the allowance at a rate of \$50 per year for the first 10 years of employment and \$100 per year for each year of service over 10 years up to 40 years. These benefits are prorated for permanent part time staff. The benefit is paid out when the individual ceases to be an employee of the County.

The benefit payments on behalf of employees during the current year was \$7,350 (2017 - \$14,650).

The post-employment benefit expense includes current period benefit costs of \$16,900 (2017 - \$24,750).

6. Provision for gravel pit reclamation

The estimated total liability related to reclamation work on various gravel pits including final coverage and landscaping is \$1,245,000 (2017 - \$1,220,000).

The County of Warner No. 5 has not designated assets for settling reclamation liabilities.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

7. Deferred revenue

	2018	2017
Municipal Sustainability Initiative	\$ 1,391,514	\$ 868,152
Federal Gas Tax Fund	318,500	416,785
Alberta Community Partnership	178,000	-
Basic Municipal Transportation	44,928	89,350
Further Education	-	43,116
	\$ 1,932,942	\$ 1,417,403

8. Long-term debt

	2018	2017
Bank of Montreal	\$ 1,200,000	\$ 1,500,000

Principal and interest repayments based on a 5 year amortization period are due as follows:

	Principal	Interest	Total
2019	\$ 300,000	\$ 32,400	\$ 332,400
2020	300,000	24,300	324,300
2021	300,000	16,200	316,200
2022	300,000	8,100	308,100
	\$ 1,200,000	\$ 81,000	\$ 1,281,000

Long term debt is due on demand and bears interest at the bank's prime lending rate. The County has been authorized to a maximum of \$2,000,000 for capital requirements and as at December 31, 2018 \$1,200,000 was outstanding.

Interest on long-term debt amounted to \$28,281 (2017 - \$16,763).

The County's total cash payments for interest in 2018 were \$28,281 (2017 - \$16,763).

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Inventory for consumption

	2018	2017
Gravel	\$ 4,226,949	\$ 4,753,375
Parts and other	252,950	242,270
Chemicals and grass seed	151,643	103,249
Fuel and oil	83,107	96,256
Blades and culverts	28,775	68,729
	\$ 4,743,424	\$ 5,263,879

10. Accumulated surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018	2017
Unrestricted surplus (deficit)	\$ 1,096,848	\$ (428,685)
Equity in tangible capital assets (note 11)	33,678,857	31,525,793
Internally restricted surplus (reserves) (note 12)	9,466,758	12,364,126
	\$ 44,242,463	\$ 43,461,234

11. Equity in tangible capital assets

	2018	2017
Tangible capital assets (schedule 2)	\$ 77,453,713	\$ 74,571,909
Accumulated amortization (schedule 2)	(42,574,856)	(41,546,116)
Long-term debt (note 8)	(1,200,000)	(1,500,000)
	\$ 33,678,857	\$ 31,525,793

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

12. Reserves

Reserves for operating and capital activities changed as follows:

	2018	2017
Operating		
Mill Rate Stabilization	\$ 4,595,272	\$ 4,595,272
Stirling Drain	461,950	436,950
General recreation	102,960	99,558
South Warner Drain	48,607	46,607
Further Education - Basic	45,633	53,934
Secondary Highway	-	1,619,297
Public works - Gravel	-	350,000
Accrued vacation	-	282,278
General Road Construction	-	200,000
Accrued service	-	176,100
Hamlet infrastructure	-	150,000
A.S.B. General	-	100,097
Resource Road	-	50,000
Waste management	-	37,071
Engineering and surveys	-	30,000
Memorial Scholarship	-	21,305
Land/Right of ways	-	20,000
Hamlet streets improvement	-	18,360
A.E.S.A. - Salinity	-	10,676
	5,254,422	8,297,505
Capital		
Fire Department - Trucks	1,950,971	1,805,256
Public Works - Light Trucks	1,212,500	1,212,500
A.S.B. - Light Trucks	366,427	366,427
General Administration - Office equipment/computer	250,369	250,369
Fire Department - Building	150,000	150,000
Public Works - Building	113,831	113,831
Bylaw - Trucks	84,945	84,945
General Administration - Building	76,581	76,581
Parks - Land Improvement	6,712	6,712
	4,212,336	4,066,621
	\$ 9,466,758	\$ 12,364,126

During 2018 the County reviewed the operating reserves in place, and adjusted the balance by \$2,971,566 for reserves no longer considered necessary.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

13. Segmented disclosure

The County of Warner No. 5 provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the schedule of segmented disclosure (schedule 3).

14. Net municipal property taxes

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	\$ 5,613,501	\$ 5,542,233	\$ 5,215,447
Linear property taxes	2,939,479	3,023,945	2,939,479
Government grants in place of property taxes	14,261	16,689	14,284
Special assessments and local improvements	768	768	768
	8,568,009	8,583,635	8,169,978
Requisitions			
Alberta School Foundation Fund	1,755,929	1,755,611	1,739,586
Seniors' Foundation	252,022	252,022	259,201
School Boards	28,298	27,715	26,256
	2,036,249	2,035,348	2,025,043
	\$ 6,531,760	\$ 6,548,287	\$ 6,144,935

15. Government transfers

	Budget (Unaudited)	2018	2017
Transfers for operating:			
Provincial government	\$ 1,118,370	\$ 2,136,193	\$ 1,253,820
Local government	30,000	32,293	19,765
Federal government	-	3,264	4,026
	1,148,370	2,171,750	1,277,611
Transfers for capital:			
Provincial government	1,827,007	1,447,410	1,612,476
Federal government	212,178	316,293	332,500
	2,039,185	1,763,703	1,944,976
	\$ 3,187,555	\$ 3,935,453	\$ 3,222,587

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

16. Expenses by object

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 4,405,026	\$ 4,171,443	\$ 4,202,885
Contracted and general services	1,302,955	1,355,752	1,158,876
Materials, goods, supplies and utilities	3,384,761	2,628,642	2,164,587
Bank charges and short term interest	4,700	3,864	1,699
Interest on long term debt	30,000	28,281	16,763
Transfers to organizations and others	492,404	457,273	560,432
Amortization of tangible capital assets	1,599,854	1,921,239	1,696,241
Loss on disposal of tangible capital assets	-	1,162	107,156
Other	9,300	189,119	6,971
	\$ 11,229,000	\$ 10,756,775	\$ 9,915,610

17. Budget amounts

The 2018 budget for the County of Warner No. 5 was approved by Council on May 8, 2018 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers as revenues and expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 72,715
Less: Capital expenditures	(1,599,854)
Transfers to reserves	(187,715)
Add: Amortization	1,599,854
Transfers from reserves	115,000
Equals: Balanced budget	\$ -

18. Contingency

The County of Warner No. 5 is a member of GENESIS which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements. Under the terms of membership, the County of Warner No. 5 could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

19. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County of Warner No. 5 be disclosed as follows:

	2018	2017
Total debt limit	\$ 14,661,450	\$ 13,349,265
Total debt	1,200,000	1,500,000
	\$ 13,461,450	\$ 11,849,265
Debt servicing limit	\$ 2,443,575	\$ 2,224,878
Debt servicing	332,400	340,500
	\$ 2,111,175	\$ 1,884,378

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

20. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	(1)	(2)	2018	2017
	Salary	Benefits & allowances		
Councillors				
Reeve - Division 2	\$ 42,091	\$ 2,529	\$ 44,620	\$ 45,120
Division 1	39,801	5,959	45,760	43,021
Division 3	32,359	5,083	37,442	37,377
Division 4	20,677	5,355	26,032	30,240
Division 5	28,792	5,858	34,650	10,602
Division 6	30,433	5,045	35,478	33,710
Division 7	39,307	5,083	44,390	38,153
Chief Administrative Officer	154,430	38,147	192,577	184,665
Designated Officers	\$ 143,821	\$ 34,217	\$ 178,038	\$ 130,022

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long- and short-term disability plans, professional memberships, and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

COUNTY OF WARNER NO. 5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

21. Local authorities pension plan

Employees of the County of Warner No. 5 participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The plan serves about 259,000 people and 420 employers. The LAPP is financed by the employer and employee contributions and by investment earnings of the LAPP Fund.

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

The County of Warner No. 5 is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the County of Warner No. 5 are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the County of Warner No. 5 to the LAPP in 2018 were \$319,977 (2017 - \$347,075). Total current service contributions by the employees of the County of Warner No. 5 to the LAPP in 2018 were \$292,486 (2017 - \$319,441).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

22. Contaminated sites liability

The County has adopted PS3260 liability for contaminated sites. The County did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

23. Financial instruments

The County of Warner No. 5's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and deposits. It is management's opinion that the County of Warner No. 5 is not exposed to significant interest or risk arising from these financial instruments.

The County of Warner No. 5 is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the County of Warner No. 5 provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

24. Approval of financial statements

These financial statements were approved by Council and Management.

25. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

COUNTY OF WARNER NO. 5
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of changes in accumulated surplus						Schedule 1
	Unrestricted	Restricted	Equity in tangible capital assets	2018		2017
Balance, beginning of year	\$ (428,685)	\$ 12,364,126	\$ 31,525,793	\$ 43,461,234	\$	42,532,359
Excess of revenue over expenses	781,229	-	-	781,229		928,875
Unrestricted funds designated for future use	(224,759)	224,759	-	-		-
Restricted funds used for operations	150,561	(150,561)	-	-		-
Current year funds used for tangible capital assets	(3,894,677)	-	3,894,677	-		-
Disposal of tangible capital assets	120,374	-	(120,374)	-		-
Amortization of tangible capital assets	1,921,239	-	(1,921,239)	-		-
Long-term debt repaid	(300,000)	-	300,000	-		-
Other adjustments (note 12)	2,971,566	(2,971,566)	-	-		-
Change in accumulated surplus	1,525,533	(2,897,368)	2,153,064	781,229		928,875
Balance, end of year	\$ 1,096,848	\$ 9,466,758	\$ 33,678,857	\$ 44,242,463	\$	43,461,234

COUNTY OF WARNER NO. 5
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of tangible capital assets	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017
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Cost:									
Balance, beginning of year \$	3,011,018	\$ 869,366	\$ 4,382,128	\$ 50,956,860	\$ 10,514,363	\$ 4,706,075	\$ 132,099	\$ 74,571,909	\$ 70,178,105
Acquisitions	107,187	20,766	23,624	2,500,253	240,652	527,374	474,821	3,894,677	5,061,720
Transfers	-	58,900	-	-	-	-	(58,900)	-	-
Disposals	(6,896)	(11,251)	(65,627)	(410,522)	(167,969)	(350,608)	-	(1,012,873)	(657,916)
Balance, end of year	3,111,309	937,781	4,340,125	53,046,591	10,587,046	4,882,841	548,020	77,453,713	74,571,909

Accumulated amortization:									
Balance, beginning of year	-	564,556	1,107,828	31,084,232	5,169,712	3,619,789	-	41,546,116	40,200,635
Annual amortization	-	38,179	107,239	968,312	613,571	193,938	-	1,921,239	1,696,241
Disposals	-	(9,627)	(41,533)	(410,523)	(81,370)	(349,446)	-	(892,499)	(350,760)
Balance, end of year	-	593,108	1,173,534	31,642,021	5,701,913	3,464,281	-	42,574,856	41,546,116

Net book value	\$ 3,111,309	\$ 344,673	\$ 3,166,591	\$ 21,404,570	\$ 4,885,133	\$ 1,418,560	\$ 548,020	\$ 34,878,857	\$ 33,025,793
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2017 net book value	\$ 3,011,018	\$ 304,810	\$ 3,274,300	\$ 19,872,628	\$ 5,344,651	\$ 1,086,286	\$ 132,099	\$ 33,025,793	\$ 33,025,793
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COUNTY OF WARNER NO. 5
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Other	Housing	Total
Revenue										
Net municipal taxes	\$ 6,547,519	\$ -	\$ -	\$ -	\$ -	\$ 768	\$ -	\$ -	\$ -	\$ 6,548,287
User fees and sales of goods	29,531	5,624	198,979	74,327	-	249,391	-	5,424	-	563,276
Government transfers for operating	150,040	256,000	1,434,367	-	-	288,228	-	43,115	-	2,171,750
Investment income	104,051	-	-	-	-	-	-	331	-	104,382
Penalties and costs of taxes	44,535	-	-	-	-	-	-	-	-	44,535
Licenses and permits	86,978	-	-	-	-	-	3,401	-	-	90,379
Gain on disposal of capital assets	-	-	61,381	-	-	64,117	-	-	-	125,498
Rental	2,750	-	-	-	-	12,924	34,229	-	-	49,903
Other	53,919	-	1,148	-	-	-	-	-	-	55,067
Fines	-	21,224	-	-	-	-	-	-	-	21,224
	7,019,323	282,848	1,695,875	74,327	-	615,428	37,630	48,870	-	9,774,301
Expenses										
Salaries, wages and benefits	901,783	6,634	2,494,420	19,254	-	716,039	-	33,311	-	4,171,443
Contracted and general services	464,131	180,692	372,516	85,688	-	216,305	15,808	20,612	-	1,355,752
Materials, goods, supplies and utilities	62,287	181,474	1,760,482	38,018	-	540,742	42,402	3,237	-	2,628,642
Bank charges and short term interest	3,856	-	-	-	-	-	-	10	-	3,864
Interest on long term debt	-	-	-	-	-	28,281	-	-	-	28,281
Transfers to organizations and others	4,495	10,500	6,490	127,059	28,699	31,109	248,921	-	-	457,273
Amortization of tangible capital assets	28,121	94,550	1,555,418	84,639	-	133,909	24,602	-	-	1,921,239
Loss on disposal of tangible capital assets	-	-	-	-	-	1,162	-	-	-	1,162
Other	189,119	-	-	-	-	-	-	-	-	189,119
	1,653,792	473,850	6,189,326	354,658	28,699	1,667,547	331,733	57,170	-	10,756,775
Excess (deficiency) of revenue over expenses before other	5,365,531	(191,002)	(4,493,451)	(280,331)	(28,699)	(1,052,119)	(294,103)	(8,300)	-	(982,474)
Other										
Government transfers for capital	-	-	1,532,966	230,737	-	-	-	-	-	1,763,703
Excess (deficiency) of revenue over expenses	\$ 5,365,531	\$ (191,002)	\$ (2,960,485)	\$ (49,594)	\$ (28,699)	\$ (1,052,119)	\$ (294,103)	\$ (8,300)	\$ -	\$ 781,229