

**COUNTY OF WARNER NO. 5**  
**Financial Statements**  
**For the year ended December 31, 2007**

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**COUNTY OF WARNER NO. 5**  
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**For the year ended December 31, 2007**

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the County of Warner No. 5 as at December 31, 2007, the consolidated statement of financial activities and change in fund balances, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the municipal management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the County of Warner No. 5 as at December 31, 2007 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted principles.

Lethbridge, Alberta

March 31, 2008

*Young Parkyn McNab LLP*

Chartered Accountants

**COUNTY OF WARNER NO. 5**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2007**

|  | 2007          | 2006          |
|--|---------------|---------------|
| <b>ASSETS</b>  |               |               |
| <b>Financial assets</b>                                |               |               |
| Cash and temporary investments (note 2)                | \$ 9,524,974  | \$ 8,929,225  |
| Taxes and grants in place of taxes receivable (note 3) | 162,229       | 159,944       |
| Trade and other accounts receivable                    | 305,736       | 428,606       |
| Prepaid expenses                                       | 115,421       | 110,687       |
| Long-term investments (note 4)                         | 4,091,382     | 4,028,211     |
|  | 14,199,742    | 13,656,673    |
| <b>Physical assets</b>                                 |               |               |
| Capital assets (note 5)                                | 13,847,401    | 12,669,292    |
| Inventory for consumption (note 6)                     | 1,582,156     | 1,748,309     |
|  | 15,429,557    | 14,417,601    |
|  | \$ 29,629,299 | \$ 28,074,274 |

**LIABILITIES AND MUNICIPAL EQUITY**

|  |               |               |
|--|---------------|---------------|
| <b>Liabilities</b>                       |               |               |
| Accounts payable and accrued liabilities | \$ 431,472    | \$ 404,099    |
| Deposits received                        | -             | 3,359         |
| Employee benefit obligations (note 7)    | 230,667       | 224,533       |
| Deferred revenue (note 8)                | 604,429       | 853,162       |
|  | 1,266,568     | 1,485,153     |
| <b>Municipal equity</b>                  |               |               |
| Fund balances                            |               |               |
| Operating (schedule 1)                   | 3,606,195     | 3,490,803     |
| Capital (schedule 2)                     | -             | 52,117        |
| Reserves (schedule 3) (note 11)          | 10,909,135    | 10,376,910    |
|  | 14,515,330    | 13,919,830    |
| Equity in capital assets (note 12)       | 13,847,401    | 12,669,291    |
|  | 28,362,731    | 26,589,121    |
|  | \$ 29,629,299 | \$ 28,074,274 |

**COUNTY OF WARNER NO. 5**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES**  
**For the year ended December 31, 2007**

|   | Budget<br>(Unaudited) | 2007                 | 2006                 |
|---|-----------------------|----------------------|----------------------|
| <b>Revenue</b>  |                       |                      |                      |
| Net municipal property taxes (note 13)                  | \$ 4,518,380          | \$ 4,553,273         | \$ 4,081,654         |
| User fees and sale of goods                             | 221,030               | 303,515              | 387,849              |
| Government transfers (note 14)                          | 2,942,736             | 2,535,249            | 2,113,596            |
| Penalties and costs on taxes                            | 27,450                | 43,977               | 34,300               |
| Investment income                                       | 309,885               | 476,995              | 318,853              |
| Licenses and permits                                    | 13,500                | 30,301               | 21,519               |
| Rentals   | 30,900                | 21,437               | 37,104               |
| Proceeds on disposal of capital assets                  | 275,000               | 276,500              | 184,100              |
| Other   | 9,000                 | 17,274               | 87,451               |
|   | <b>8,347,881</b>      | <b>8,258,521</b>     | <b>7,266,426</b>     |
| <b>Expenditures</b>                                     |                       |                      |                      |
| Legislative   | 185,800               | 192,722              | 162,936              |
| Administration  | 796,400               | 722,446              | 697,304              |
| Fire and bylaw enforcement                              | 517,331               | 485,189              | 310,658              |
| Roads, streets, walks and lighting                      | 5,520,473             | 5,094,344            | 4,409,032            |
| Waste management  | 97,593                | 95,759               | 95,781               |
| Planning, zoning and development                        | 13,951                | 13,951               | 13,286               |
| Economic and agricultural development                   | 934,163               | 728,501              | 922,598              |
| Family and community support                            | 21,839                | 21,839               | 21,231               |
| Recreation and parks                                    | 201,130               | 189,674              | 160,882              |
| Culture   | 27,080                | 27,080               | 26,586               |
| Continuing education                                    | 99,357                | 91,516               | 95,886               |
|   | <b>8,415,117</b>      | <b>7,663,021</b>     | <b>6,916,180</b>     |
| <b>Excess (deficiency) of revenue over expenditures</b> | <b>(67,236)</b>       | <b>595,500</b>       | <b>350,246</b>       |
| <b>Fund balances, beginning of year</b>                 | <b>13,919,830</b>     | <b>13,919,830</b>    | <b>13,569,584</b>    |
| <b>Fund balances, end of year</b>                       | <b>\$ 13,852,594</b>  | <b>\$ 14,515,330</b> | <b>\$ 13,919,830</b> |

**COUNTY OF WARNER NO. 5**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
For the year ended December 31, 2007

|  | 2007         | 2006         |
|--|--------------|--------------|
| <b>Cash flows from operating activities</b>              |              |              |
| Excess of revenue over expenditures                      | \$ 595,500   | \$ 350,246   |
| Net change in non-cash working capital items             |              |              |
| Taxes and grants in place of taxes receivable            | (2,285)      | 36,076       |
| Trade and other accounts receivable                      | 122,870      | 27,824       |
| Prepaid expenses   | (4,735)      | (3,573)      |
| Inventory for consumption                                | 166,153      | 318,821      |
| Accounts payable and accrued liabilities                 | 27,373       | (108)        |
| Deposits received  | (3,359)      | -            |
| Employee benefit obligations                             | 6,134        | 122,638      |
| Deferred revenue   | (248,733)    | 131,823      |
|  | 658,918      | 983,747      |
| <b>Cash flows from investing activities</b>              |              |              |
| Purchase of investments                                  | (1,656,352)  | (53,826)     |
| Proceeds on disposal of investments                      | 1,593,183    | 25,385       |
|  | (63,169)     | (28,441)     |
| <b>Increase in cash and temporary investments</b>        | 595,749      | 955,306      |
| <b>Cash and temporary investments, beginning of year</b> | 8,929,225    | 7,973,919    |
| <b>Cash and temporary investments, end of year</b>       | \$ 9,524,974 | \$ 8,929,225 |

**COUNTY OF WARNER NO. 5**  
**SCHEDULE 1**  
**SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING**  
**For the Year Ended December 31, 2007**

|  | Budget<br>(Unaudited) | 2007                | 2006                |
|--|-----------------------|---------------------|---------------------|
| <b>Revenue</b>                             |                       |                     |                     |
| Net municipal property taxes (note 13)     | \$ 4,518,380          | \$ 4,553,273        | \$ 4,081,654        |
| User fees and sale of goods                | 221,030               | 303,515             | 387,849             |
| Government transfers                       | 2,942,736             | 2,367,749           | 2,061,479           |
| Penalties and costs on taxes               | 27,450                | 43,977              | 34,300              |
| Investment income                          | 309,885               | 476,995             | 318,853             |
| Licenses and permits                       | 13,500                | 30,301              | 21,519              |
| Rentals                                    | 30,900                | 21,437              | 37,104              |
| Other                                      | 9,000                 | 17,274              | 87,451              |
|  | <b>8,072,881</b>      | <b>7,814,521</b>    | <b>7,030,209</b>    |
| <b>Expenditures</b>                        |                       |                     |                     |
| Legislative                                | 185,800               | 192,722             | 162,936             |
| Administration                             | 774,400               | 701,274             | 668,121             |
| Fire and bylaw enforcement                 | 446,214               | 394,427             | 310,658             |
| Roads, streets, walks and lighting         | 4,015,785             | 3,439,156           | 3,437,483           |
| Waste management                           | 97,593                | 95,759              | 95,781              |
| Planning, zoning and development           | 13,951                | 13,951              | 13,286              |
| Economic and agricultural development      | 822,163               | 640,583             | 826,101             |
| Family and community support               | 21,839                | 21,839              | 21,231              |
| Recreation and parks                       | 187,550               | 188,000             | 160,882             |
| Culture                                    | 27,080                | 27,080              | 26,586              |
| Continuing education                       | 97,357                | 90,006              | 95,886              |
|  | <b>6,689,732</b>      | <b>5,804,797</b>    | <b>5,818,951</b>    |
| <b>Excess of revenue over expenditures</b> | <b>1,383,149</b>      | <b>2,009,724</b>    | <b>1,211,258</b>    |
| <b>Net interfund transfers</b>             |                       |                     |                     |
| Transfer to capital (schedule 2)           | (1,423,268)           | (1,691,559)         | (1,033,737)         |
| Transfer (to) from reserves (schedule 3)   | 40,119                | (202,773)           | (177,011)           |
| <b>Change in fund balance</b>              | <b>-</b>              | <b>115,392</b>      | <b>510</b>          |
| <b>Fund balance, beginning of year</b>     | <b>3,490,803</b>      | <b>3,490,803</b>    | <b>3,490,293</b>    |
| <b>Fund balance, end of year</b>           | <b>\$ 3,490,803</b>   | <b>\$ 3,606,195</b> | <b>\$ 3,490,803</b> |

**COUNTY OF WARNER NO. 5**  
**SCHEDULE 2**  
**SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL**  
**For the year ended December 31, 2007**

|   | Budget<br>(Unaudited) | 2007             | 2006             |
|---|-----------------------|------------------|------------------|
| <b>Revenue</b>  |                       |                  |                  |
| Government transfers  | \$ -                  | \$ 167,500       | \$ 52,117        |
| Proceeds on disposal of capital assets                            | 275,000               | 276,500          | 184,100          |
|   | <u>275,000</u>        | <u>444,000</u>   | <u>236,217</u>   |
| <b>Expend</b>   |                       |                  |                  |
| Administrative  | 22,000                | 21,172           | 29,183           |
| Fire and Emergency  | 117                   | 90,762           | -                |
| Roads, streets and lighting                                       |                       | 98               | 971,549          |
| Economic and rural development                                    |                       |                  | 96,497           |
| Recreation  |                       |                  | -                |
| Continuing education  |                       |                  | -                |
|   |                       |                  | <u>1,097,229</u> |
| Change in revenue over expenditure                                |                       | (64,224)         | (861,012)        |
| <b>Capital financing transactions and net interfund transfers</b> |                       |                  |                  |
| Transfers from operating (schedule 1)                             | 1,033,268             | 1,051,542        | 1,033,737        |
| Transfers to operating (schedule 3)                               | (25)                  |                  | (153,452)        |
|   |                       |                  | 19,273           |
|   | 52,117                | 52,117           | 32,844           |
| <b>Fund balance, end of year</b>                                  |                       | <u>\$ 52,117</u> | <u>\$ 52,117</u> |

**COUNTY OF WARNER NO. 5**  
**SCHEDULE 3**  
**SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES**  
**For the year ended December 31, 2007**

|  | Budget<br>(Unaudited) | 2007          | 2006          |
|--|-----------------------|---------------|---------------|
| <b>Net interfund transfers</b>             |                       |               |               |
| Transfer from (to) operating (schedule 1)  | \$ (40,119)           | \$ 202,773    | \$ 177,011    |
| Transfer from capital (schedule 2)         | 25,000                | 329,452       | 153,452       |
| <b>Change in fund balance</b>              | (15,119)              | 532,225       | 330,463       |
| <b>Fund balance, beginning of year</b>     | 10,376,910            | 10,376,910    | 10,046,447    |
| <b>Fund balance, end of year (note 11)</b> | \$ 10,361,791         | \$ 10,909,135 | \$ 10,376,910 |

**COUNTY OF WARNER NO. 5**  
**SCHEDULE 4**  
**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**  
**For the year ended December 31, 2007**

|   | Budget<br>(Unaudited) | 2007             | 2006             |
|---|-----------------------|------------------|------------------|
| <b>Legislative</b>                        |                       |                  |                  |
| Salaries, wages and benefits              | \$ 104,100            | \$ 115,558       | \$ 93,890        |
| Contracted and general services           | 69,700                | 69,225           | 66,056           |
| Materials, goods and supplies             | 12,000                | 7,939            | 2,990            |
|   | <u>185,800</u>        | <u>192,722</u>   | <u>162,936</u>   |
| <b>Administration</b>                     |                       |                  |                  |
| Salaries, wages and benefits              | 448,450               | 428,207          | 438,609          |
| Contracted and general services           | 211,400               | 181,907          | 164,949          |
| Materials, goods and supplies             | 81,300                | 63,685           | 41,967           |
| Audit fee                                 | 13,125                | 14,790           | 9,861            |
| Purchases from other governments          | 6,825                 | 6,022            | 5,948            |
| Grants to individuals and organizations   | 6,500                 | 1,600            | 1,320            |
| Bank charges and short-term interest      | 700                   | 651              | 644              |
| Tax cancellations and other               | 6,100                 | 4,412            | 4,823            |
| Purchase of capital assets                | 22,000                | 21,172           | 29,183           |
|   | <u>796,400</u>        | <u>722,446</u>   | <u>697,304</u>   |
| <b>Fire and bylaw enforcement</b>         |                       |                  |                  |
| Salaries, wages and benefits              | 94,667                | 123,885          | 87,931           |
| Contracted and general services           | 52,975                | 32,133           | 31,543           |
| Materials, goods and supplies             | 123,700               | 89,439           | 81,359           |
| Transfer to board and agencies            | 174,872               | 148,970          | 109,825          |
| Purchase of capital assets                | 71,117                | 90,762           | -                |
|   | <u>517,331</u>        | <u>485,189</u>   | <u>310,658</u>   |
| <b>Roads, streets, walks and lighting</b> |                       |                  |                  |
| Salaries, wages and benefits              | 1,636,735             | 1,414,454        | 1,329,424        |
| Contracted and general services           | 614,050               | 543,691          | 456,419          |
| Materials, goods and supplies             | 1,761,000             | 1,475,811        | 1,647,640        |
| Grants to individuals and organizations   | 4,000                 | 5,200            | 4,000            |
| Purchase of capital assets                | 1,504,688             | 1,655,188        | 971,549          |
|   | <u>5,520,473</u>      | <u>5,094,344</u> | <u>4,409,032</u> |
| <b>Waste management</b>                   |                       |                  |                  |
| Salaries, wages and benefits              | 11,702                | 11,309           | 10,803           |
| Contracted and general services           | 2,500                 | 1,460            | 1,642            |
| Transfer to other governments             | 12,335                | 11,934           | 12,280           |
| Transfer to boards and agencies           | 71,056                | 71,056           | 71,056           |
|   | <u>97,593</u>         | <u>95,759</u>    | <u>95,781</u>    |
| <b>Planning, zoning and development</b>   |                       |                  |                  |
| Transfer to boards and agencies           | 13,951                | 13,951           | 13,286           |

**COUNTY OF WARNER NO. 5**  
**SCHEDULE 4**  
**SCHEDULE OF EXPENDITURES BY FUNCTION AND OBJECT**  
**For the year ended December 31, 2007**

|  | Budget<br>(Unaudited) | 2007                | 2006                |
|--|-----------------------|---------------------|---------------------|
| <b>Economic and agricultural development</b> |                       |                     |                     |
| Salaries, wages and benefits                 | 394,642               | 345,898             | 383,629             |
| Contracted and general services              | 106,921               | 62,879              | 93,943              |
| Materials, goods and supplies                | 319,100               | 229,606             | 346,889             |
| Grants to individuals and organizations      | 1,500                 | 2,200               | 1,640               |
| Purchase of capital assets                   | 112,000               | 87,918              | 96,497              |
|  | 934,163               | 728,501             | 922,598             |
| <b>Family and community support</b>          |                       |                     |                     |
| Transfer to boards and agencies              | 21,839                | 21,839              | 21,231              |
| <b>Recreation and parks</b>                  |                       |                     |                     |
| Salaries, wages and benefits                 | 3,480                 | 1,769               | 2,408               |
| Contracted and general services              | 21,500                | 18,213              | 14,440              |
| Materials, goods and supplies                | 14,350                | 21,798              | 10,561              |
| Grants to individuals and organizations      | 2,000                 | -                   | 2,000               |
| Transfer to boards and agencies              | 146,220               | 146,220             | 131,473             |
| Purchase of capital assets                   | 13,580                | 1,674               | -                   |
|  | 201,130               | 189,674             | 160,882             |
| <b>Culture</b>                               |                       |                     |                     |
| Transfer to boards and agencies              | 27,080                | 27,080              | 26,586              |
| <b>Continuing education</b>                  |                       |                     |                     |
| Salaries, wages and benefits                 | 54,337                | 53,135              | 51,777              |
| Contracted and general services              | 30,285                | 29,759              | 36,541              |
| Materials, goods and supplies                | 14,660                | 8,601               | 7,563               |
| Grants to individuals and organizations      | 50                    | -                   | -                   |
| Bank charges and short-term interest         | 25                    | 21                  | 5                   |
|  | 99,357                | 91,516              | 95,886              |
| <b>Total expenditures</b>                    | <b>\$ 8,415,117</b>   | <b>\$ 7,663,021</b> | <b>\$ 6,916,180</b> |

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**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**

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**1. Significant accounting policies**

The consolidated financial statements of the County of Warner No. 5 are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, 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 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

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Fund accounting

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Gains or losses from land sales are recorded as operating fund revenue or expenditures.

(d) Investments

Investments are recorded at 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.

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**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**

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**1. Significant accounting policies, continued**

(e) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method.

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 capital assets under their respective function.

(f) Capital assets

Capital assets are reported as expenditures in the period that they are acquired. Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value when acquired.

Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

Capital assets are not amortized.

(g) Tangible capital assets

Effective January 1, 2007, the County adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007 the County continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007 the County has completed listings for the machinery and vehicles and has begun compiling detailed listings of its land, buildings, engineering structures, equipment and furnishings but had not completed any of these listings. Complete listings are expected by December 31, 2009. The County council has been in discussion regarding the hiring of an additional employee to assist in compiling the listings.

Currently, these assets are recorded as "capital assets" at cost in the period they are acquired and additions are recorded as an expenditure within the capital fund. Amortization is not recorded as an expenditure. Upon implementation of Section 3150 - Tangible Capital Assets, these same assets will be recorded as "tangible capital assets" and additions will no longer be recorded as an expenditure of the capital fund. Rather, amortization of the assets will be recorded as an expense.

Amortization of buildings, engineering structures, machinery, equipment and furnishings, and vehicles is expected to be presented in the 2009 financial statements on a retrospective basis (with comparative figures for the 2008 year restated to include amortization) in order to amortize the cost of the assets over their expected useful lives. The County council has not yet approved its amortization policy for these assets.

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**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**

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**1. Significant accounting policies, continued**

(h) 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.

(i) Prepaid local improvements charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the County.

Where a taxpayer has elected to prepay the outstanding local improvement charge, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

(j) Operating fund

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

(k) Reserve fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

(l) Equity in capital assets

Equity in capital assets represents the County's net investment in its total capital assets, after deducting work in progress, the portion financed by third parties through debenture, bond, and mortgage debts, long-term capital borrowing, capitalized leases, and other capital liabilities.

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2007

**1. Significant accounting policies, continued**

(m) 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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.

A significant area requiring the use of estimates is the gravel inventory valuation. The value of the inventory is determined using estimated measurements prepared by a contracted engineer. Since the actual quantity of the inventory is estimated, errors in the measurements could result in a misstatement of the gravel inventory.

**2. Cash and temporary investments**

|                       | 2007         | 2006         |
|-----------------------|--------------|--------------|
| Cash                  | \$ 6,539,204 | \$ 6,073,779 |
| Temporary investments | 2,985,770    | 2,855,446    |
|                       | \$ 9,524,974 | \$ 8,929,225 |

The temporary investments are comprised of mutual funds with an average rate of return of 4.10%.

Market value 2007 - \$2,985,770; 2006 - \$2,868,640.

**3. Taxes and grants in place of taxes receivable**

|              | 2007       | 2006       |
|--------------|------------|------------|
| Current year | \$ 135,447 | \$ 133,914 |
| Arrears      | 26,782     | 26,030     |
|              | \$ 162,229 | \$ 159,944 |

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. Long-term investments**

|  | 2007                | 2006                |
|--|---------------------|---------------------|
| Guaranteed Investment Certificates         | \$ 703,016          | \$ 64,645           |
| Bonds                                      | 198,152             | 198,152             |
| Brookfield Asset Management                | -                   | 250,000             |
| Bank of Montreal CI Capital Deposit Note   | 854,561             | 854,561             |
| BMO Faircourt Principal Inc. Trust Deposit | 306,000             | 306,000             |
| Province of Ontario                        | 513,000             | 513,000             |
| Ontario Hydro Global                       | 251,998             | -                   |
| Renaissance Canadian                       | 6,526               | 6,324               |
| BDC Managed Future Notes                   | 505,129             | 505,129             |
| BDC Franklin Templeton Notes               | -                   | 577,400             |
| Blumont Man Multi-Strategy Notes           | 753,000             | 753,000             |
|  | <b>\$ 4,091,382</b> | <b>\$ 4,028,211</b> |

The guaranteed investment certificates bear interest rates between 3.5% and 4.6% and mature between 2008 and 2009.

Market value 2007 - \$4,069,804; 2006 - \$4,067,668

**5. Capital assets**

|                                      | 2007                 | 2006                 |
|--------------------------------------|----------------------|----------------------|
| Land                                 | \$ 86,900            | \$ 86,900            |
| Buildings                            | 1,408,543            | 1,404,332            |
| Engineering structures               | 124,457              | 122,784              |
| Machinery, equipment and furnishings | 8,743,860            | 7,781,354            |
| Vehicles                             | 3,483,641            | 3,273,922            |
|                                      | <b>\$ 13,847,401</b> | <b>\$ 12,669,292</b> |

**6. Inventory for consumption**

|                          | 2007                | 2006                |
|--------------------------|---------------------|---------------------|
| Gravel                   | \$ 1,246,991        | \$ 1,418,655        |
| Parts and other          | 146,321             | 141,944             |
| Blades and culverts      | 83,851              | 83,255              |
| Chemicals and grass seed | 68,648              | 67,374              |
| Fuel and oil             | 36,345              | 37,081              |
|                          | <b>\$ 1,582,156</b> | <b>\$ 1,748,309</b> |

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**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**

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**7. Employee benefit obligations**

|                          | 2007              | 2006              |
|--------------------------|-------------------|-------------------|
| Vacation and overtime    | \$ 116,262        | \$ 119,033        |
| Post-employment benefits | 114,405           | 105,500           |
|                          | <u>\$ 230,667</u> | <u>\$ 224,533</u> |

**Vacation and overtime**

The vacation and overtime liability is comprised of the vacation 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 retirees during the current year was \$10,600 (2006 - nil).

The post-employment benefit expenditure includes current period benefit costs of \$19,505 (2006 - \$105,500).

**COUNTY OF WARNER NO. 5**  
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**8. Deferred revenue**

|   | 2007              | 2006              |
|---|-------------------|-------------------|
| Alberta Municipal Infrastructure Program  | \$ 128,502        | \$ 715,626        |
| New Deal for Cities and Communities       | 146,027           | 137,536           |
| Municipal Sustainability Initiative Grant | 316,942           | -                 |
| Hamlet Street Improvement Grant           | 12,958            | -                 |
|   | <b>\$ 604,429</b> | <b>\$ 853,162</b> |

**Alberta Municipal Infrastructure Program**

Funding in the amount of \$721,339 was received in the current year from the Alberta Municipal Infrastructure Program. The use of these funds is restricted to eligible municipal infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2008.

**New Deal for Cities and Communities**

Funding in the amount of \$137,536 was received in the prior year from the New Deal for Cities and Communities. The use of these funds is restricted to eligible environmentally sustainable infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2008.

**Municipal Sustainability Initiative Grant**

Funding in the amount of \$470,923 was received in the current year from the Municipal Sustainability Initiative Grant. The use of these funds is restricted to eligible municipal infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2008.

**Hamlet Street Improvement Grant**

Funding in the amount of \$11,833 was approved in the current year from the Hamlet Street Improvement Grant. The use of these funds is restricted to eligible municipal infrastructure projects, as approved under the funding agreement, which are scheduled for completion in 2008.

**9. Commitment**

The County has entered into a professional service agreement for the assessment of all lands and premises within the municipalities boundaries for taxation purposes. The County's total obligation under this agreement is \$280,000.

Payments over the next four years are as follows:

|      |                   |
|------|-------------------|
| 2008 | \$ 65,000         |
| 2009 | 70,000            |
| 2010 | 70,000            |
| 2011 | 75,000            |
|      | <b>\$ 280,000</b> |

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2007

**10. Contingency**

The County of Warner No. 5 is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements. The County was also a member of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE), which is in the process of being wound down.

Under the terms of membership, the County 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.

**11. Reserves**

Reserves for operating and capital activities changed as follows:

|                                      | 2006         | Increase | Decrease | 2007         |
|--------------------------------------|--------------|----------|----------|--------------|
| <b>Operating</b>                     |              |          |          |              |
| Mill Rate Stabilization              | \$ 3,977,584 | \$ -     | \$ -     | \$ 3,977,584 |
| Memorial Scholarship                 | 18,521       | 2,059    | -        | 20,580       |
| County - Social function             | 1,641        | -        | -        | 1,641        |
| Fire Department - Fire hall          | 15,000       | -        | -        | 15,000       |
| General Administration<br>(A.L.E.T.) | 208,636      | -        | -        | 208,636      |
| Public works - Gravel                | 350,000      | -        | -        | 350,000      |
| Infrastructure                       | 18,360       | -        | -        | 18,360       |
| Secondary Highway                    | 1,619,297    | -        | -        | 1,619,297    |
| Economic Development<br>(County)     | 20,000       | -        | -        | 20,000       |
| Resource Road                        | 50,000       | -        | -        | 50,000       |
| Engineering and surveys              | 30,000       | -        | -        | 30,000       |
| Land/Right of ways                   | 20,000       | -        | -        | 20,000       |
| Waste management                     | 37,071       | -        | -        | 37,071       |
| Hospital/Milk River ambulance        | (2,301)      | 5,525    | -        | 3,224        |
| Economic Development                 | 4,429        | -        | -        | 4,429        |
| South Warner Drain                   | 30,337       | 2,768    | -        | 33,105       |
| Stirling Drain                       | 171,950      | 15,000   | -        | 186,950      |
| Visser Drain                         | 2,000        | -        | -        | 2,000        |
| 6K Drain                             | 4,000        | -        | -        | 4,000        |
| Kuehn Drain                          | 4,000        | -        | -        | 4,000        |
| McKoy/Dickson Drain                  | 2,000        | -        | -        | 2,000        |
| A.E.S.A. - Salinity                  | 10,676       | -        | -        | 10,676       |
| Further Education - Basic            | 30,918       | 4,497    | -        | 35,415       |
| Further Education - Rural            | 5,032        | -        | 763      | 4,269        |
| Write Break - Basic                  | 19,388       | -        | 237      | 19,151       |
| General Recreation                   | 24,954       | 18,256   | -        | 43,210       |
| General Administration               | 100,000      | -        | 100,000  | -            |
| General Road Construction            | 200,000      | -        | -        | 200,000      |

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**11. Reserves, continued**

|                               |           |         |         |           |
|-------------------------------|-----------|---------|---------|-----------|
| A.S.B. General                | 100,097   | -       | -       | 100,097   |
| Hamlet infrastructure         | 125,000   | 25,000  | -       | 150,000   |
| Council accrued service       | -         | 18,805  | -       | 18,805    |
| Admin accrued vacation        | -         | 34,701  | -       | 34,701    |
| Admin accrued service         | -         | 33,200  | -       | 33,200    |
| Bylaw accrued vacation        | -         | 1,089   | -       | 1,089     |
| Public works accrued vacation | -         | 68,353  | -       | 68,353    |
| Public works accrued service  | -         | 54,100  | -       | 54,100    |
| A.S.B. accrued vacation       | -         | 12,118  | -       | 12,118    |
| A.S.B. accrued service        | -         | 8,300   | -       | 8,300     |
|                               | 7,198,590 | 303,771 | 101,000 | 7,401,361 |

**Capital**

|  |               |            |            |               |
|--|---------------|------------|------------|---------------|
| General Administration - Building                  | 181,363       | -          | -          | 181,363       |
| Fire Department - Building                         | 150,000       | -          | -          | 150,000       |
| A.S.B. - Building                                  | 36,452        | 50,000     | -          | 86,452        |
| General Administration - Office equipment/computer | 214,459       | -          | -          | 214,459       |
| General Administration - GIS program               | 74,416        | -          | -          | 74,416        |
| Public Works - GIS program                         | 74,416        | -          | -          | 74,416        |
| A.S.B. - GIS program                               | 74,416        | -          | -          | 74,416        |
| A.S.B. - Light Equipment                           | 105,000       | 25,000     | -          | 130,000       |
| Public Works - Heavy Equipment                     | 1,077,500     | 100,000    | -          | 1,177,500     |
| A.S.B. - Heavy Equipment                           | 90,000        | 40,000     | -          | 130,000       |
| Fire Department - Trucks                           | 678,826       | 100,000    | -          | 778,826       |
| Bylaw - Trucks                                     | 44,944        | 10,000     | -          | 54,944        |
| A.S.B. - Light Trucks                              | 171,866       | 25,000     | -          | 196,866       |
| A.S.B. - Heavy Trucks                              | 147,950       | -          | 20,546     | 127,404       |
| A.S.B. - Trailers                                  | 40,000        | -          | -          | 40,000        |
| Parks - Land Improvement                           | 6,712         | -          | -          | 6,712         |
| A.S.B. - Sprayers                                  | 10,000        | -          | -          | 10,000        |
|  | 3,178,320     | 350,000    | 20,546     | 3,507,774     |
|  | \$ 10,376,910 | \$ 653,771 | \$ 121,546 | \$ 10,909,135 |

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2007

**12. Equity in capital assets**

|  | Budget<br>(Unaudited) | 2007                 | 2006                 |
|--|-----------------------|----------------------|----------------------|
| <b>Acquisition of capital assets</b>     |                       |                      |                      |
| Administration                           | \$ 22,000             | \$ 21,172            | \$ 29,184            |
| Fire and bylaw enforcement               | 71,117                | 90,762               | -                    |
| Roads, streets, walks and lighting       | 1,504,688             | 1,655,188            | 971,549              |
| Economic and agricultural development    | 112,000               | 87,918               | 96,497               |
| Recreation and parks                     | 13,580                | 1,674                | -                    |
| Continuing education                     | 2,000                 | 1,510                | -                    |
|  | <u>1,725,385</u>      | <u>1,858,224</u>     | <u>1,097,230</u>     |
| <b>Disposal of capital assets (cost)</b> |                       |                      |                      |
| Vehicles                                 | -                     | (13,590)             | -                    |
| Machinery and equipment                  | -                     | (666,524)            | (507,167)            |
|  | <u>-</u>              | <u>(680,114)</u>     | <u>(507,167)</u>     |
| <b>Change in equity balance</b>          | 1,725,385             | 1,178,110            | 590,063              |
| <b>Equity balance, beginning of year</b> | 12,669,291            | 12,669,291           | 12,079,228           |
| <b>Equity balance, end of year</b>       | <u>\$ 14,394,676</u>  | <u>\$ 13,847,401</u> | <u>\$ 12,669,291</u> |
| <b>Balance consists of:</b>              |                       |                      |                      |
| Capital assets (note 5)                  |                       | \$ 13,847,401        | \$ 12,669,291        |

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2007

**13. Net municipal property taxes**

|   | Budget<br>(Unaudited) | 2007                | 2006                |
|---|-----------------------|---------------------|---------------------|
| <b>Taxation</b>                                 |                       |                     |                     |
| Real property taxes                             | \$ 3,992,349          | \$ 4,027,236        | \$ 3,735,988        |
| Linear property taxes                           | 2,543,740             | 2,538,297           | 2,307,223           |
| Government grants in place of property taxes    | 1,687                 | 1,686               | 1,007               |
| Special assessments and local improvement taxes | 768                   | 768                 | 768                 |
|   | <u>6,538,544</u>      | <u>6,567,987</u>    | <u>6,044,986</u>    |
| <b>Requisitions</b>                             |                       |                     |                     |
| Alberta School Foundation Fund                  | 1,751,733             | 1,751,717           | 1,698,931           |
| Seniors' Foundation                             | 202,083               | 202,174             | 201,152             |
| School Boards                                   | 26,910                | 26,910              | 28,545              |
| Other   | 39,438                | 33,913              | 34,704              |
|   | <u>2,020,164</u>      | <u>2,014,714</u>    | <u>1,963,332</u>    |
|   | <u>\$ 4,518,380</u>   | <u>\$ 4,553,273</u> | <u>\$ 4,081,654</u> |

**14. Government transfers**

|                                   | Budget<br>(Unaudited) | 2007                | 2006                |
|-----------------------------------|-----------------------|---------------------|---------------------|
| <b>Provincial transfers</b>       |                       |                     |                     |
| Shared-cost agreements and grants | \$ 2,942,736          | \$ 2,367,749        | \$ 2,110,485        |
| <b>Local government transfers</b> |                       |                     |                     |
| Shared-cost agreements and grants | -                     | -                   | 3,111               |
|                                   | <u>\$ 2,942,736</u>   | <u>\$ 2,367,749</u> | <u>\$ 2,113,596</u> |

**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2007

**15. 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)                   | 2007       | 2006       |
|-------------------------------|------------|-----------------------|------------|------------|
|                               | Salary     | Benefits & allowances |            |            |
| <b>Councillors</b>            |            |                       |            |            |
| Reeve/Councillor - Division 5 | \$ 24,095  | \$ 4,488              | \$ 28,583  | \$ 24,388  |
| Division 1                    | 8,983      | 3,470                 | 12,453     | 18,059     |
| Division 1                    | 6,454      | 658                   | 7,112      | 20,765     |
| Division 2                    | 17,396     | 1,213                 | 18,609     | -          |
| Division 3                    | 14,664     | 3,061                 | 17,725     | 17,926     |
| Division 4                    | 21,783     | 4,392                 | 26,175     | 24,711     |
| Division 6                    | 13,280     | 1,339                 | 14,619     | 16,917     |
| Division 6                    | 8,579      | 3,457                 | 12,036     | -          |
| Division 7                    | 5,899      | 640                   | 6,539      | 21,613     |
| Division 7                    | 12,364     | 3,498                 | 15,862     | -          |
| Chief Administrative Officer  | 109,102    | 21,795                | 130,897    | 125,735    |
| Designated Officers - 3       | \$ 144,972 | \$ 25,540             | \$ 170,512 | \$ 152,047 |

(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.

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**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**

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**16. Local Authorities Pension Plan**

The County participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

Employees of the County participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 168,000 people and about 408 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

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

The County is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% on pensionable salary above this amount.

Total current service contributions by the County to the Local Authorities Pension Plan in 2006 were \$114,095 (2006 - \$110,902). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2006 were \$100,165 (2006 - \$97,416).

At December 31, 2006, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

**17. 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 be disclosed as follows:

|                             | 2007                 | 2006                 |
|-----------------------------|----------------------|----------------------|
| <u>Total debt limit</u>     | <u>\$ 12,136,532</u> | <u>\$ 10,821,464</u> |
| <u>Debt servicing limit</u> | <u>\$ 2,022,755</u>  | <u>\$ 1,803,577</u>  |

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.

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**COUNTY OF WARNER NO. 5**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2007**

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**18. Financial instruments**

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

The County is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other accounts receivables. Credit risk arises from the possibility that taxpayers and entities to which the County 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.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

**19. Approval of financial statements**

These financial statements were approved by Council and Management.