



**MERCER WILDE GROUP**  
An Association of  
Chartered Accountants

1210 36 St. North, Lethbridge, AB T1H 5H8 • Ph 403-327-6100 Fax: 403-320-2026

April 20, 2016

Members of Council  
Village of Warner  
Box 88  
Warner, AB  
T0K 2L0

Dear Members of Council:

**Re: Audit Findings**

This letter has been prepared to assist you with your review of the financial statements of Village of Warner for the period ending December 31, 2015. We look forward to meeting with you and discussing the matters outlined below.

**Audit Status**

We have completed the audit of the financial statements, with the exception of the following items:

1. Receipt of a signed representation letter by management;
2. Completing our discussions with the Council ;
3. Obtaining evidence of the Council's approval of the financial statements;

Once these items have been completed, we will date and sign our auditor's report.

**Significant Matters Arising**

***Changes to Audit Plan***

There were no changes to the audit plan (as previously presented to you) other than the following:

- a) No significant changes required

***Other Matters***

We have not identified any other significant matters that we wish to bring to your attention at this time.

**Significant Difficulties Encountered**

There were no significant difficulties encountered during our audit other than the following:

- a) No significant matters noted

## **Comments on Accounting Practices**

### ***Accounting Policies***

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- There were no significant changes in accounting policies .
- We did not identify any alternative accounting policies that would have been more appropriate in the circumstances .
- We did not identify any significant accounting policies in controversial or emerging areas .

### ***Significant Accounting Estimates***

The following significant estimates/judgments are contained in the financial statements:

- Allowanced for doubtful accounts
- Value of inventory
- Accrued liabilities
- Deferred revenue
- Book value of property and equipment

Based on audit work performed, we are satisfied with the estimates made by management.

### ***Significant Financial Statement Disclosures***

We did not identify any financial statement disclosures that are particularly significant, sensitive or require significant judgments, that we believe should be specifically drawn to your attention

### ***Uncorrected Misstatements***

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. We then requested that management correct these misstatements. All uncorrected misstatements for the current period have been corrected with the exception of its included on a seperate attachment.


We would like to discuss these uncorrected misstatements and the implications of not correcting them in relation to both the current and future financial statements. Our request is for all the uncorrected misstatements to be corrected.

### ***Significant Deficiencies in Internal Control***

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

 not identify any control deficiencies that, in our judgment, would be considered significant

deficiencies, apart from those outlined as described in a separate letter.

### **Written Representations**

In a separate communication, as attached, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards.

### **Other Audit Matters of Governance Interest**

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of those charged with governance of Village of Warner to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,

D. Wilde Professional Corporation

Chartered Accountants





# VILLAGE OF WARNER

## Financial Statements

For the Year Ended December 31, 2015

Independent Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Schedule of Changes in Accumulated Surplus	6
Schedule of Tangible Capital Assets	7
Schedule of Property Taxes Levied	8
Schedule of Government Transfers	9
Schedule of Consolidated Expenditures by Object	10
Schedule of Segmented Disclosure	11
Notes to Financial Statements	12-17



**MERCER WILDE GROUP**  
An Association of  
Chartered Accountants

RALPH D & MAERBLE.CA

1210 36 St. North, Lethbridge, AB T1H 5H8 • Ph: 403-327-6100 Fax: 403-320-2026

## INDEPENDENT AUDITORS' REPORT

**To The Mayor and Council  
of the Village of Warner**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Village of Warner, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, changes in net financial assets and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the town's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Village of Warner as at December 31, 2015, the results of its operations, change in its net financial assets and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta  
April 20, 2016

Chartered Accountants

**VILLAGE OF WARNER**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2015**

	2015 \$	2014 \$
<b>FINANCIAL ASSETS</b>		
Cash	166,698	93,143
Receivables		
Taxes and grants in place of taxes (Note 2)	83,247	134,665
Trade and other	163,669	137,387
Land held for resale	<u>12,782</u>	<u>12,782</u>
	<u>426,396</u>	<u>377,977</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	110,182	147,021
Deferred revenue (Note 3)	52,296	2,296
Long-term debt (Note 4)	<u>617,636</u>	<u>639,692</u>
	<u>780,114</u>	<u>789,009</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(353,718)</u>	<u>(411,032)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	5,054,765	5,167,400
Inventory for consumption	47,796	45,162
Prepaid expenses and deposits	<u>3,500</u>	<u>6,426</u>
	<u>5,106,061</u>	<u>5,218,988</u>
<b>ACCUMULATED SURPLUS (Schedule 1 and Note 7)</b>	<u>4,752,343</u>	<u>4,807,956</u>

**CONTINGENCIES (Note 10)**

Approved by the Council:

\_\_\_\_\_

\_\_\_\_\_

**VILLAGE OF WARNER**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2015**

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>REVENUES</b>			
Net municipal property taxes (Schedule 3)	316,600	323,426	328,804
User fees and sales of goods	361,865	294,707	261,814
Government transfers (Schedule 4)	123,281	199,515	112,288
Rental	52,800	50,481	54,612
Investment income	1,250	2,497	2,172
Donations	31,500	64,110	59,150
Penalties and costs of taxes	15,800	22,212	21,255
Licenses, permits and fines	1,000	794	897
Gain on disposal of tangible capital assets	-	-	18,000
Other	14,000	4,052	11,509
	<u>918,096</u>	<u>961,794</u>	<u>870,501</u>
<b>EXPENSES</b>			
Administration	216,450	355,880	294,767
Roads, streets, walks, lighting and common services	162,000	122,299	186,914
Water supply and wastewater treatment	307,818	135,247	213,007
Parks and recreation	18,535	31,859	18,077
Waste management	46,055	43,405	39,231
Legislative	45,398	29,265	33,807
Police, fire and bylaw enforcement	18,055	69,629	108,475
Loss on disposal of tangible capital assets	-	3,924	-
Other	185,500	137,763	171,810
Planning and development	20,345	7,400	2,342
Amortization	12,500	242,106	245,584
	<u>1,032,656</u>	<u>1,178,777</u>	<u>1,314,014</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER</b>	(114,560)	(216,983)	(443,513)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	153,000	161,370	516,044
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	38,440	(55,613)	72,531
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	4,807,956	4,807,956	4,735,425
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>4,846,396</u>	<u>4,752,343</u>	<u>4,807,956</u>



## VILLAGE OF WARNER

### Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31, 2015

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES</b>	<u>38,440</u>	<u>(55,613)</u>	<u>72,531</u>
Acquisition of tangible capital assets	(41,163)	(133,395)	(332,774)
Proceeds on disposal of tangible capital assets	-	-	18,000
Amortization of tangible capital assets	12,500	242,106	245,584
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>3,924</u>	<u>(18,000)</u>
	<u>(28,663)</u>	<u>112,635</u>	<u>(87,190)</u>
Use of prepaid assets and deposits	-	2,926	4,366
Acquisition of inventory for consumption	<u>-</u>	<u>(2,634)</u>	<u>-</u>
	<u>-</u>	<u>292</u>	<u>4,366</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	<u>9,777</u>	<u>57,314</u>	<u>(10,293)</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>(411,032)</u>	<u>(411,032)</u>	<u>(400,739)</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>(401,255)</u>	<u>(353,718)</u>	<u>(411,032)</u>

## VILLAGE OF WARNER

### Consolidated Statement of Cash Flows For the Year Ended December 31, 2015

	2015	2014
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
(Deficiency) excess of revenues over expenses	(55,613)	72,531
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	242,106	245,584
Loss (gain) on disposal of tangible capital assets	3,924	(18,000)
Non-cash charges to operations (net changes)		
Decrease in taxes and grants in lieu receivable	51,418	36,343
Increase in trade and other receivables	(26,282)	(50,492)
Increase in inventory for consumption	(2,634)	-
Decrease in prepaid expenses and deposits	2,926	4,366
Decrease in accounts payable and accrued liabilities	(36,839)	(491,972)
Increase (decrease) in deferred revenue	50,000	(203,313)
	<u>229,006</u>	<u>(404,953)</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(133,395)	(332,774)
Proceeds on disposal of tangible capital assets	-	18,000
	<u>(133,395)</u>	<u>(314,774)</u>
<b>FINANCING</b>		
Long-term debt issued	-	639,692
Long-term debt repaid	(22,056)	-
	<u>73,555</u>	<u>(80,035)</u>
<b>CHANGE IN CASH DURING THE YEAR</b>	<b>73,555</b>	<b>(80,035)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>93,143</b>	<b>173,178</b>
<b>CASH, END OF YEAR</b>	<b><u>166,698</u></b>	<b><u>93,143</u></b>



# VILLAGE OF WARNER

Schedule of Changes in Accumulated Surplus  
For the Year Ended December 31, 2015  
Schedule 1

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2015 \$	2014 \$
<b>BALANCE, BEGINNING OF THE YEAR</b>	<u>141,160</u>	<u>139,088</u>	<u>4,527,708</u>	<u>4,807,956</u>	<u>4,735,425</u>
Excess of revenues over expenses	(55,613)	-	-	(55,613)	72,531
Current year funds used for tangible capital assets	(133,395)	-	133,395	-	-
Disposal of tangible capital assets	3,924	-	(3,924)	-	-
Annual amortization expense	242,106	-	(242,106)	-	-
Long-term debt repaid	(22,056)	-	22,056	-	-
Change in accumulated surplus	<u>34,966</u>	<u>-</u>	<u>(90,579)</u>	<u>(55,613)</u>	<u>72,531</u>
<b>BALANCE, END OF YEAR</b>	<u>176,126</u>	<u>139,088</u>	<u>4,437,129</u>	<u>4,752,343</u>	<u>4,807,956</u>

**VILLAGE OF WARNER**

Schedule of Tangible Capital Assets  
For the Year Ended December 31, 2015  
Schedule 2

	Land \$	Land Improvements \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	2015 \$	2014 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	23,857	344,601	2,788,365	8,699,517	509,746	355,519	12,721,605	12,430,935
Acquisition of tangible capital assets	-	-	11,500	121,895	-	-	133,395	317,157
Disposal of tangible capital assets	-	-	-	(3,924)	-	-	(3,924)	(42,104)
Construction in progress	-	-	-	-	-	-	-	15,617
BALANCE, END OF YEAR	<u>23,857</u>	<u>344,601</u>	<u>2,799,865</u>	<u>8,817,488</u>	<u>509,746</u>	<u>355,519</u>	<u>12,851,076</u>	<u>12,721,605</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	189,530	1,601,268	5,314,227	258,937	190,243	7,554,205	7,350,725
Annual amortization	-	17,230	30,841	154,309	23,259	16,467	242,106	245,584
Accumulated amortization on disposals	-	-	-	-	-	-	-	(42,104)
BALANCE, END OF YEAR	-	<u>206,760</u>	<u>1,632,109</u>	<u>5,468,536</u>	<u>282,196</u>	<u>206,710</u>	<u>7,796,311</u>	<u>7,554,205</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>23,857</u>	<u>137,841</u>	<u>1,167,756</u>	<u>3,348,952</u>	<u>227,550</u>	<u>148,809</u>	<u>5,054,765</u>	<u>5,167,400</u>
<b>2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>23,857</u>	<u>155,071</u>	<u>1,187,097</u>	<u>3,385,290</u>	<u>250,809</u>	<u>165,276</u>	<u>5,167,400</u>	

**VILLAGE OF WARNER**  
**Schedule of Property Taxes Levied**  
**December 31, 2015**

Schedule 3

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>TAXATION</b>			
Real property taxes	<u>389,166</u>	<u>395,992</u>	<u>402,034</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	63,868	63,868	64,225
Seniors foundation	<u>8,698</u>	<u>8,698</u>	<u>9,005</u>
	<u>72,566</u>	<u>72,566</u>	<u>73,230</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u><u>316,600</u></u>	<u><u>323,426</u></u>	<u><u>328,804</u></u>

**VILLAGE OF WARNER**  
**Schedule of Government Transfers**  
**December 31, 2015**

Schedule 4

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>TRANSFERS FOR OPERATIONS</b>			
Provincial Government	109,581	144,329	80,288
Other Local Governments	<u>13,700</u>	<u>55,186</u>	<u>32,000</u>
	<u>123,281</u>	<u>199,515</u>	<u>112,288</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	<u>153,000</u>	<u>161,370</u>	<u>516,044</u>
	<u>276,281</u>	<u>360,885</u>	<u>628,332</u>



**VILLAGE OF WARNER**  
**Schedule of Consolidated Expenditures by Object**  
**December 31, 2015**

Schedule 5

	Budget (Unaudited) \$	2015 \$	2014 \$
<b>EXPENDITURES</b>			
Salaries, wages and benefits	299,478	299,619	289,636
Contracted and general services	470,523	365,840	477,200
Materials, goods and utilities	262,700	222,729	276,423
Transfers to local boards and agencies	14,100	7,533	9,111
Bank charges and short-term interest	50	3,220	2,618
Interest on long-term debt	46,500	25,444	13,442
Other	-	8,362	-
Loss on disposal of tangible capital assets	-	3,924	-
Amortization	-	242,106	245,584
	<u>1,093,351</u>	<u>1,178,777</u>	<u>1,314,014</u>

# VILLAGE OF WARNER

Schedule of Segmented Disclosure  
For the Year Ended December 31, 2015  
Schedule 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total
<b>REVENUES</b>							
Net municipal taxes	323,426	-	-	-	-	-	323,426
Government transfers	100,000	6,148	-	-	85,381	169,356	360,885
User fees and sales of goods	5,422	1,288	9,407	-	7,118	271,472	294,707
Investment income	2,497	-	-	-	-	-	2,497
Other revenue	<u>37,428</u>	<u>65,481</u>	<u>2,438</u>	<u>794</u>	<u>34,692</u>	<u>816</u>	<u>141,649</u>
	<u>468,773</u>	<u>72,917</u>	<u>11,845</u>	<u>794</u>	<u>127,191</u>	<u>441,644</u>	<u>1,123,164</u>
<b>EXPENSES</b>							
Contracted and general services	198,544	28,595	12,699	6,895	13,607	105,500	365,840
Salaries, wages and benefits	130,525	35,200	44,224	505	73,932	15,233	299,619
Materials, goods and utilities	39,717	5,834	65,376	-	79,326	32,476	222,729
Transfers to local boards and agencies	4,776	-	-	-	2,757	-	7,533
Interest on long-term debt	-	-	-	-	-	25,444	25,444
Other expenses	<u>11,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,924</u>	<u>15,506</u>
	<u>385,144</u>	<u>69,629</u>	<u>122,299</u>	<u>7,400</u>	<u>169,622</u>	<u>182,577</u>	<u>936,671</u>
<b>NET REVENUES BEFORE AMORTIZATION</b>	83,629	3,288	(110,454)	(6,606)	(42,431)	259,067	186,493
Amortization	<u>15,291</u>	<u>17,566</u>	<u>92,857</u>	<u>-</u>	<u>12,363</u>	<u>104,029</u>	<u>242,106</u>
<b>NET REVENUES</b>	<u>68,338</u>	<u>(14,278)</u>	<u>(203,311)</u>	<u>(6,606)</u>	<u>(54,794)</u>	<u>155,038</u>	<u>(55,613)</u>



## VILLAGE OF WARNER

### Notes to Financial Statements

December 31, 2015

---

#### 1. Significant Accounting Policies

The consolidated financial statements of the Village of Warner 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 Village of Warner are as follows:

a) Reporting Entity -

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town and are, therefore, accountable to the town council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, 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 measureable. Expenses are recognized as they are incurred and measureable 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 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 reported period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Inventories for Resale -

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

# VILLAGE OF WARNER

## Notes to Financial Statements

December 31, 2015

### 1. Significant Accounting Policies (continued)

- e) 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.

- f) 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.

- g) 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.

- 1) 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:

	<u>YEARS</u>
Land Improvements	10-20
Buildings	25-50
Engineered Structures	20-40
Machinery and Equipment	5-20
Vehicles	10-20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

- 2) Inventories -  
Inventories held for consumption are recorded at the lower of cost or replacement cost.
- 3) 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.

## VILLAGE OF WARNER

### Notes to Financial Statements

December 31, 2015

#### 2. Taxes and Grants in Place of Taxes Receivables

	2015 \$	2014 \$
Current taxes and grants in place of taxes	50,523	51,929
Arrears taxes	<u>32,724</u>	<u>82,736</u>
	<u>83,247</u>	<u>134,665</u>

#### 3. Deferred Revenue

	2015	2014
Federal Gas Tax Fund Grant	94,646	-
Other	<u>2,296</u>	<u>2,296</u>
	<u>96,942</u>	<u>2,296</u>

#### Municipal Sustainability Initiative

Funding in the amount of \$235,079 was received in the current year from the Municipal Sustainability Initiative. Of the \$235,079 received, \$181,898 is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement, which were scheduled for completion in 2015. The remaining \$53,181 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which were also scheduled for completion in 2015.

#### 4. Long-term Debt

	2015 \$	2014 \$
Self-supported debentures	<u>\$ 617,636</u>	<u>\$ 639,692</u>

The current portion of the long-term debt amounts to \$22,953 (2014 - \$22,051).

Principal and interest repayments are as follows:

	Principal \$	Interest \$	Total \$
2016	22,953	24,547	47,500
2017	23,892	23,608	47,500
2018	24,870	22,630	47,500
2019	25,887	21,613	47,500
2020	26,946	20,554	47,500
Thereafter	<u>493,088</u>	<u>148,818</u>	<u>641,906</u>
	<u>\$ 617,636</u>	<u>\$ 261,770</u>	<u>\$ 879,406</u>

**VILLAGE OF WARNER**  
**Notes to Financial Statements**  
**December 31, 2015**

**5. Equity in Tangible Capital Assets**

	2015	2014
	\$	\$
Tangible capital assets (Schedule 2)	12,851,076	12,721,605
Accumulated amortization (Schedule 2)	(7,796,311)	(7,554,205)
Long-term debt (Note 4)	<u>(617,636)</u>	<u>(639,692)</u>
	<u>4,437,129</u>	<u>4,527,708</u>

**6. 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 village be disclosed as follows:

	2015	2014
	\$	\$
Total debt limit	1,442,691	1,305,752
Total debt	<u>617,636</u>	<u>639,692</u>
Total unused debt limit	<u>825,055</u>	<u>666,060</u>
Service on debt limit	240,449	217,625
Service on debt	<u>47,500</u>	<u>47,500</u>
Amount of unused service on debt	<u>192,949</u>	<u>170,125</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 that 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.

**7. Accumulated Surplus (Deficit)**

	2015	2014
	\$	\$
Unrestricted surplus (deficit)	<u>176,126</u>	<u>141,160</u>
Restricted surplus		
Operating reserves - culture	26,449	26,449
Capital reserves	64,446	64,446
Capital reserves - administration	6,200	6,200
Capital reserves - sewer	25,000	25,000
Capital reserves - Civic Centre	<u>16,993</u>	<u>16,993</u>
	<u>139,088</u>	<u>139,088</u>
Equity in tangible capital assets	<u>4,437,129</u>	<u>4,527,708</u>
	<u>4,752,343</u>	<u>4,807,956</u>

## VILLAGE OF WARNER

Notes to Financial Statements

December 31, 2015

### 8. Segmented Disclosure

The Village of Warner 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 6).

### 9. Salary and Benefits Disclosure

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

	Salary (1)	Benefits & Allowances (2)	2015 Total	2014 Total
	\$	\$	\$	\$
Mayor - Jon Hood	-	-	-	1,920
- Tyler Lindsay	3,840	-	3,840	3,840
Councilor - Ian Glendenning	3,840	-	3,840	3,840
- Collette Glynn	3,840	-	3,840	1,080
- Sandi Hedin	3,840	-	3,840	3,840
- Daniel LeCain	3,840	-	3,840	4,160
Administrator - CAO				
- Jon Hood	72,004	8,759	80,763	45,507
- Lisa Carroll	-	-	-	28,283

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) 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, accident 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, car and travel allowances, conferences, and memberships.

### 10. Contingencies

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village 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.

**VILLAGE OF WARNER**  
**Notes to Financial Statements**  
**December 31, 2015**

---

**11. Financial Instruments**

The village's financial instruments consist of cash and temporary investments, receivables, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the village is not exposed to significant interest, currency or credit risks arising from these financial statements.

The village 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 village 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.

**12. Approval of Financial Statements**

Council and Management have approved these financial statements.