

PONOKA COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ponoka County, which comprise the consolidated statements of financial position as at December 31, 2012, and the statements of operations, change in net financial assets and cash flows for the year 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's 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 misstatements.


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 auditor's judgement, 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Ponoka County as at December 31, 2012, the results of its operations, change in its net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

 We draw your attention to note 7, 11, and note 15 regarding the guarantee of the Ponoka Agriculture Event Centre Society's \$1.8 Million line of credit by the Ponoka County that was not disclosed in the audit report dated March 12, 2013 which has since been withdrawn and superseded by this audit report. The audit procedures performed subsequent to the release of the March 12, 2013 audit report are restricted solely to the guarantee of the Ponoka Agriculture Event Centre Society's \$1.8 million line of credit.

**Ponoka, Alberta
March 12, 2013**

**ROWLAND PARKER & ASSOCIATES LLP
Chartered Accountants**

PONOKA COUNTY

Consolidated Statement of Financial Position
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	8,225,951	6,790,435
Receivables		
Taxes and grants in place of taxes (Note 3)	256,596	214,149
Trade and other receivables (Note 4)	1,094,777	2,336,726
Investments (Note 5)	2,774	2,774
	<u>9,580,098</u>	<u>9,344,084</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,218,662	1,169,559
Provision for landfill closure and post-closure costs (Note 6)	174,644	161,286
	<u>1,393,306</u>	<u>1,330,845</u>
NET FINANCIAL ASSETS	<u>8,186,792</u>	<u>8,013,239</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	66,305,975	61,670,477
Inventory for consumption	2,101,916	1,193,569
Prepaid expenses	182,328	170,585
	<u>68,590,219</u>	<u>63,034,631</u>
ACCUMULATED SURPLUS (Schedule 1, Note 9)	<u>76,777,011</u>	<u>71,047,870</u>

Commitments and contingencies - See Notes 14 and 15

PONOKA COUNTY

**Consolidated Statement of Operations
For the Year Ended December 31, 2012**

	<u>Budget</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$
	(Unaudited)		
REVENUE			
Net municipal taxes (Schedule 3)	16,991,761	17,331,063	16,538,914
User fees and sales of goods	286,280	345,675	369,886
Government transfers for operating (Schedule 4)	380,462	389,549	464,180
Investment income	120,000	166,776	122,223
Penalties and costs of taxes	127,500	121,594	167,821
Rentals	34,000	65,922	34,386
Development levies	-	1,591	10,465
Total Revenue	<u>17,940,003</u>	<u>18,422,170</u>	<u>17,707,875</u>
EXPENSES			
Legislative	270,200	240,523	256,914
Administration	1,501,400	1,368,201	1,392,478
Fire	337,500	245,040	234,953
Bylaws enforcement	218,000	152,088	217,884
Roads, streets, walks, lighting	7,288,700	7,499,063	8,180,454
Wastewater treatment and disposal	10,000	2,334	150
Airport	5,000	-	267
Waste management	603,500	583,549	580,575
Water supply and distribution	75,000	186,418	78,208
Family and community support	65,000	57,710	61,893
Cemeteries	6,000	6,000	6,000
Land use planning	81,500	67,852	56,656
Agricultural development	919,467	749,661	643,284
Parks and recreation	1,207,000	1,178,113	3,694,563
Libraries	115,000	118,625	114,501
Amortization	7,541,448	2,553,293	2,418,851
Loss on disposal of assets	-	3,359	116,834
Total Expenses	<u>20,244,715</u>	<u>15,011,829</u>	<u>18,054,462</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(2,304,712)	3,410,341	(346,587)
OTHER			
Government transfers for capital (Schedule 4)	2,264,712	2,318,800	3,700,535
EXCESS OF REVENUE OVER EXPENSES	(40,000)	5,729,141	3,353,948
ACCUMULATED SURPLUS, BEGINNING OF YEAR	71,047,870	71,047,870	67,693,922
ACCUMULATED SURPLUS, END OF YEAR	<u>71,087,870</u>	<u>76,777,011</u>	<u>71,047,870</u>

PONOKA COUNTY

**Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2012**

	<u>Budget</u> \$ (Unaudited)	<u>2012</u> \$	<u>2011</u> \$
EXCESS OF REVENUES OVER EXPENSES	40,000	5,729,141	3,353,948
Acquisition of tangible capital assets	(7,616,448)	(8,728,493)	(6,481,891)
Proceeds on disposal of tangible capital assets	-	1,536,343	801,064
Amortization of tangible capital assets	7,616,448	2,553,293	2,418,851
Loss on sale of tangible capital assets	-	3,359	116,834
	-	<u>(4,635,498)</u>	<u>(3,145,142)</u>
Increase in net assets before change in inventories and prepaid expenses	40,000	1,093,643	208,806
Net use of supplies inventories	-	(908,347)	(49,025)
Net use of prepaid expenses	-	(11,743)	(54,965)
	-	<u>(920,090)</u>	<u>(103,990)</u>
INCREASE IN NET ASSETS	40,000	173,553	104,816
NET FINANCIAL ASSETS, BEGINNING OF YEAR	8,013,239	8,013,239	7,908,423
NET FINANCIAL ASSETS, END OF YEAR	8,053,239	<u>8,186,792</u>	<u>8,013,239</u>

PONOKA COUNTY

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012**

	<u>2012</u>	<u>2011</u>
	\$	\$
NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	5,729,141	3,353,948
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,553,293	2,418,851
Loss on disposal of tangible capital assets	3,359	116,834
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(42,447)	10,818
Decrease (increase) in trade and other receivables	1,241,949	(515,516)
Increase in inventory for consumption	(908,347)	(49,025)
Increase in prepaid expenses	(11,743)	(54,965)
Increase (decrease) in accounts payable and accrued liabilities	49,098	(581,615)
Increase in landfill closure and post-closure costs	13,358	13,358
Cash provided by operating transactions	<u>8,627,661</u>	<u>4,712,688</u>
CAPITAL		
Acquisition of tangible capital assets	(8,728,493)	(6,481,891)
Sale of tangible capital assets	1,536,343	801,064
Cash applied to capital transactions	<u>(7,192,150)</u>	<u>(5,680,827)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	<u>(1,591)</u>	29,535
Cash provide by (applied to) investing transactions	<u>(1,591)</u>	29,535
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,433,920	(938,604)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,692,084</u>	<u>7,630,688</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>8,126,004</u>	<u>6,692,084</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	8,225,951	6,790,435
Less: restricted portion of cash and temporary investments (Note 2)	<u>(99,947)</u>	<u>(98,351)</u>
	<u>8,126,004</u>	<u>6,692,084</u>

PONOKA COUNTY

Schedule 1

Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2012

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2012 \$	2011 \$
BALANCE, BEGINNING OF YEAR	448,889	8,928,504	61,670,477	71,047,870	67,693,922
Excess of revenues over expenses	5,729,141	-	-	5,729,141	3,353,948
Unrestricted funds designated for future use	(1,086,591)	1,086,591	-	-	-
Current year funds used for tangible capital assets	(8,728,493)	-	8,728,493	-	-
Disposal of tangible capital assets	1,539,702	-	(1,539,702)	-	-
Annual amortization expense	2,553,293	-	(2,553,293)	-	-
Change in accumulated surplus	7,052	1,086,591	4,635,498	5,729,141	3,353,948
BALANCE, END OF YEAR	455,941	10,015,095	66,305,975	76,777,011	71,047,870

PONOKA COUNTY

Schedule 2

**Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012**

	<u>Land</u> \$	<u>Buildings</u> \$	<u>Engineered Structures</u> \$	<u>Machinery and Equipment</u> \$	<u>Vehicles</u> \$	<u>2012</u> \$	<u>2011</u> \$
COST:							
BALANCE, BEGINNING OF YEAR	1,502,393	3,583,777	70,408,905	8,260,770	2,885,554	86,641,399	81,412,746
Acquisition of tangible capital assets	99,779	-	5584682	2,951,000	93,031	8,728,493	6,481,891
Disposal of tangible capital assets	-	-	-	(1,829,311)	(53,560)	(1,882,872)	(1,253,238)
BALANCE, END OF YEAR	1,602,172	3,583,777	74,778,855	9,382,459	2,925,025	93,487,020	86,641,399
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	890,024	21,260,177	1,184,752	1,635,969	24,970,922	22,887,411
Annual amortization	-	73,097	1,989,066	259,048	232,082	2,553,293	2,418,851
Accumulated amortization on disposals	-	-	-	(257,138)	(86,032)	(343,170)	(335,340)
BALANCE, END OF YEAR	-	963,121	23,249,243	1,186,662	1,782,019	27,181,045	24,970,922
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,602,172	2,620,656	51,529,612	8,195,797	1,143,006	66,305,975	61,670,477
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,502,393	2,693,753	49,148,728	7,076,018	1,249,585	61,670,477	

PONOKA COUNTY

Schedule 3

**Schedule of Property and Other Taxes
December 31, 2012**

	<u>Budget</u> \$ (Unaudited)	<u>2012</u> \$	<u>2011</u> \$
TAXATION			
Real property taxes	11,048,820	11,396,095	11,014,557
Linear property taxes	11,323,233	11,679,133	10,751,865
Special assessments and local improvement taxes	603,500	694,384	687,240
Special levies	225,000	211,304	232,751
Government grants in place of property taxes	-	2,417	2,593
	<u>23,200,553</u>	<u>23,983,333</u>	<u>22,689,006</u>
REQUISITIONS			
Alberta School Foundation Fund	5,922,662	6,365,725	5,922,662
Rimoka Foundation	286,130	286,545	227,430
	<u>6,208,792</u>	<u>6,652,270</u>	<u>6,150,092</u>
NET MUNICIPAL TAXES	<u>16,991,761</u>	<u>17,331,063</u>	<u>16,538,914</u>

PONOKA COUNTY

Schedule 4

**Schedule of Government Transfers
For the Year Ended December 31, 2012**

	<u>Budget</u> \$ (Unaudited)	<u>2012</u> \$	<u>2011</u> \$
TRANSFERS FOR OPERATING:			
Provincial Government	380,462	389,549	464,180
	<u>380,462</u>	<u>389,549</u>	<u>464,180</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	2,264,712	2,318,800	3,700,535
	<u>2,264,712</u>	<u>2,318,800</u>	<u>3,700,535</u>
TOTAL GOVERNMENT TRANSFERS	<u>2,645,174</u>	<u>2,708,349</u>	<u>4,164,715</u>

PONOKA COUNTY

Schedule 5

Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2012

	<u>Budget</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$
	(Unaudited)		
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	4,023,667	3,900,365	3,794,451
Contracted and general services	3,792,100	4,028,163	4,315,793
Materials, goods and utilities	3,030,500	2,876,771	3,278,038
Purchases from other governments	741,000	671,783	1,166,392
Transfers to local boards and agencies	234,000	230,335	229,925
Bank charges and short-term interest	-	627	595
Transfers to individuals and organizations	807,000	747,133	2,733,583
Amortization of tangible capital assets	7,541,448	2,553,293	2,418,851
Loss on disposal of tangible capital assets	-	3,359	116,834
	<u>20,169,715</u>	<u>15,011,829</u>	<u>18,054,462</u>

PONOKA COUNTY

Schedule 6

**Schedule of Segmented Disclosure
For the Year Ended December 31, 2012**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	17,331,063	-	-	-	-	-	17,331,063
Government transfers	7,600	-	2,524,390	-	8,000	168,359	2,708,349
User fees and sales of goods	121,987	-	83,117	-	-	140,571	345,675
Investment income	166,776	-	-	-	-	-	166,776
Penalties and fines	94,293	27,301	-	-	-	-	121,594
Other revenues	-	-	65,922	1,591	-	-	67,513
	<u>17,721,719</u>	<u>27,301</u>	<u>2,673,429</u>	<u>1,591</u>	<u>8,000</u>	<u>308,930</u>	<u>20,740,970</u>
EXPENSES							
Contract & general services	379,151	10,238	3,228,530	66,881	-	343,362	4,028,162
Salaries & wages	1,117,520	102,200	1,991,641	-	-	689,004	3,900,365
Goods & supplies	111,424	49,888	2,385,197	971	-	329,291	2,876,771
Transfers to local boards	-	-	-	-	230,335	-	230,335
Other expenses	3,988	234,802	-	-	1,184,113	-	1,422,903
	<u>1,612,083</u>	<u>397,128</u>	<u>7,605,368</u>	<u>67,852</u>	<u>1,414,448</u>	<u>1,361,657</u>	<u>12,458,536</u>
NET REVENUE, BEFORE AMORTIZATION	16,109,636	(369,827)	(4,931,939)	(66,261)	(1,406,448)	(1,052,727)	8,282,434
Amortization expense	(95,573)	(23,480)	(2,386,074)	(48,166)	-	-	(2,553,293)
NET REVENUE	<u>16,014,063</u>	<u>(393,307)</u>	<u>(7,318,013)</u>	<u>(114,427)</u>	<u>(1,406,448)</u>	<u>(1,052,727)</u>	<u>5,729,141</u>

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Ponoka County 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, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the county and are, therefore, accountable to the county 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 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 transfer, 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.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued....)

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 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. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e. 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.

f. Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the county is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued....)

g. 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.

h. 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 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:

	<u>Years</u>
Land improvements	15-20
Buildings	25-50
Engineered structures	
Roads	40
Bridges	50
Machinery and equipment	5-20
Vehicles	5-10

No 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.

PONOKA COUNTY

Notes to Financial Statements
December 31, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued....)

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 replacement cost.

NOTE 2 - CASH AND TEMPORARY INVESTMENTS

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash	7,225,951	2,790,435
Temporary investments	1,000,000	4,000,000
	<u>8,225,951</u>	<u>6,790,435</u>

Included in cash are restricted funds that pertain to payments received in place of reserve land under Section 666 of the MGA in the amount of \$99,947 (2011 - \$98,351).

Temporary investments are short term deposits with original maturities of one year or less. The investments have effective interest rates of 1.55% (2011 - 1.55% to 1.75%)

NOTE 3 - TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2012</u>	<u>2011</u>
	\$	\$
Current taxes and grants in place of taxes	278,584	243,491
Arrears taxes	53,012	45,658
	<u>331,596</u>	<u>289,149</u>
Less: allowance for doubtful accounts	<u>(75,000)</u>	<u>(75,000)</u>
	<u>256,596</u>	<u>214,149</u>

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 4 - TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is \$739,698 due from Ponoka Agriculture Events Centre Society (PAECS), a related party. The county has one councillor on the board of PAECS. The amount receivable from PAECS was paid in full January 29, 2013.

NOTE 5 - INVESTMENTS

	<u>2012</u>	<u>2011</u>
	\$	\$
AAMDC deferred patronage account	2,774	2,774
	<u>2,774</u>	<u>2,774</u>

NOTE 6 - LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 6% and assuming annual inflation of 2%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 850,000 million cubic metres. The estimated remaining capacity of the landfill site is 692,143 (2011 - 704,286) million cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2070.

The county has not designated assets for settling closure and post-closure liabilities.

	<u>2012</u>	<u>2011</u>
	\$	\$
Estimated closure costs	17,354	17,354
Estimated post-closure costs	917,649	917,649
Estimated total liability	<u>935,003</u>	<u>935,003</u>
Estimated capacity remaining	81.32%	82.75%
Portion of total liability remaining to be recognized	<u>760,359</u>	<u>773,717</u>
Estimated capacity used	18.68%	17.25%
Accrued liability portion	<u>174,644</u>	<u>161,286</u>

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 7 - 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 Ponoka County be disclosed as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Total debt limit	31,111,463	32,112,615
Total debt	(218,115)	-
Amount of debt limit unused	<u>30,893,348</u>	<u>32,112,615</u>
Debt servicing limit	5,185,244	5,352,103
Debt servicing	-	-
Amount of debt servicing limit unused	<u>5,185,244</u>	<u>5,352,103</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.

NOTE 8 - EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
	\$	\$
Tangible capital assets (Schedule 2)	93,487,020	86,641,399
Accumulated amortization (Schedule 2)	<u>(27,181,045)</u>	<u>(24,970,922)</u>
	<u>66,305,975</u>	<u>61,670,477</u>

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 9 - ACCUMULATED SURPLUS

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Unrestricted surplus	455,940	448,889
Restricted surplus		
Land reserve payments	99,947	98,351
Road reserves	9,915,148	8,830,154
Equity in tangible capital assets	<u>66,305,976</u>	<u>61,670,476</u>
	<u><u>76,777,011</u></u>	<u><u>71,047,870</u></u>

NOTE 10 - SEGMENTED DISCLOSURE

Ponoka County 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).

NOTE 11 - RELATED PARTY TRANSACTIONS

During the year the county entered into the following related party transactions:

	<u>2012</u>	<u>2011</u>
	\$	\$
Donated funds to PAECS for facility construction	-	2,020,000
Advanced funds to PAECS for facility construction	-	180,000
Paid expenses on behalf of PAECS for facility construction	<u>227,814</u>	<u>593,042</u>
	<u><u>227,814</u></u>	<u><u>2,793,042</u></u>

The Ponoka Agriculture Events Centre Society (PAECS) was formed for the construction and operation of an agricultural events centre located on the outskirts of the town of Ponoka, Alberta. The Ponoka County is one of the four partnering entities governing PAECS.

\$201,868 of the expenses paid on behalf of PAECS in the current year were reimbursed on January 29, 2013. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year the Ponoka County guaranteed the PAECS \$1.8 Million operating line of credit.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

NOTE 12 - SALARY AND BENEFITS DISCLOSURE

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

	<u>2012</u>		<u>2011</u>	
	\$		\$	
	<u>Salary (1)</u>	<u>Benefits & Allowances (2)</u>	<u>Total</u>	<u>Total</u>
Councillors				
Division 1	33,477	5,108	38,585	39,814
Division 2	31,428	1,525	32,953	32,842
Division 3	15,700	4,176	19,876	31,427
Division 4	28,800	4,953	33,753	31,469
Division 5	<u>36,163</u>	<u>1,967</u>	<u>38,130</u>	<u>31,257</u>
Total	145,568	17,729	163,297	166,809
County administrator (3)	153,000	27,289	180,289	172,965

- (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, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (3) An automobile is provided and no amount is included in the benefits and allowances figure.
- (4) 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 membership.

PONOKA COUNTY

Notes to Financial Statements December 31, 2012

NOTE 13 - LOCAL AUTHORITIES PENSION PLAN

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by 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 is required to make current service contributions to the LAPP of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2012 were \$186,341 (2011 - \$160,621). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2012 were \$169,458 (2011 - \$145,336).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

NOTE 14 - COMMITMENTS

The county is party to contracts requiring financial commitments extending beyond the current fiscal year. Details of the commitments arising from these contracts are as follows:

- a. Gravel royalty contact requiring annual payments of \$30,000 until 2022.
- b. Internet tower and equipment contract giving Corridor Communications Inc. the option to purchase the towers and equipment for \$570,072 three years after the completion of the construction process. The construction was completed during 2011, but as at December 31, 2012 the option to purchase has not been exercised.
- c. A conditional offer to purchase 8.5 acres from Johnson Estates was made in the amount of \$289,000. The offer was accepted subject to subdivision approval, utility servicing by the Town of Rimbey and grant funding approval from the province for a new seniors facility.
- d. A three year agreement to fund an enhanced police man position for the Rimbey RCMP was entered into effective September 1, 2012. The annual cost to the county is \$135,000 per year.

NOTE 15 - CONTINGENCIES

- a. Genesis Reciprocal Insurance Exchange

The county is a member of the Genesis Reciprocal Insurance Exchange. 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.

- b. Legal Claim Outstanding

There is a legal claim against the county. The claim arises due to the assignment of debt action in regards to the purchase of gravel by the Ponoka County from a third party. The liability and quantum are not determinable at audit report date.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2012**

c. Guarantee of Related Party Operating Line of Credit

During the year, the municipality guaranteed an operating line of credit for the Ponoka Agriculture Events Centre Society (PAECS) in the amount of 1.8 million. At December 31, 2012, \$218,115 had been drawn down. The operating line of credit carries a number of debt covenants in which the PAECS must be in compliance with at the balance sheet date. This debt is due on demand. The operations of the PAECS and its adherence to the debt covenants are closely monitored and no losses on loan guarantees have been recognized. Refer to Note 11 for details of the relationship between Ponoka County and PAECS.



NOTE 16 - FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash and temporary investments, accounts receivable, requisition under-levy, investments, and accounts payable and accrued liabilities. It is management's opinion that the county is not exposed to any significant interest or currency risks 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 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 carrying value of the financial instrument approximates fair value.

NOTE 17 - APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.