

PONOKA COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

PONOKA COUNTY
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For the Year ended December 31, 2016

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Rowland, Parker
& Associates LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

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 statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets (debt) 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, 2016, the results of its operations, change in its net financial assets (debt) and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

**Ponoka, Alberta
February 28, 2017**

**ROWLAND PARKER & ASSOCIATES LLP
Chartered Professional Accountants**

PONOKA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2016

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	13,055,221	13,070,311
Receivables		
Taxes and grants in place of taxes (Note 3)	480,701	556,196
Trade and other receivables (Note 3)	670,584	662,845
Investments (Note 4)	1,385	1,385
	<u>14,207,891</u>	<u>14,290,737</u>
 LIABILITIES		
Accounts payable and accrued liabilities	1,725,109	2,632,457
Provision for landfill closure and post-closure costs (Note 5)	228,072	214,715
Deferred revenue	300,000	-
	<u>2,253,181</u>	<u>2,847,172</u>
 NET FINANCIAL ASSETS	<u>11,954,710</u>	<u>11,443,565</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets	84,480,445	80,033,747
Inventory for consumption	1,776,639	2,123,703
Prepaid expenses	260,691	228,063
	<u>86,517,775</u>	<u>82,385,513</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 8)	<u>98,472,485</u>	<u>93,829,078</u>

Commitments and contingencies - See Notes 12 and 13

PONOKA COUNTY
Consolidated Statement of Operations
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016 \$	2015 \$
REVENUE			
Net municipal taxes (Schedule 3)	18,543,958	18,595,553	19,152,171
User fees and sales of goods	330,720	669,868	191,180
Government transfers for operating (Schedule 4)	280,499	298,858	327,209
Investment income	135,000	181,736	226,786
Penalties and costs of taxes	184,500	258,963	189,102
Rentals	40,000	33,042	34,764
Development levies	-	6,650	7,947
Total Revenue	19,514,677	20,044,670	20,129,159
EXPENSES			
Legislative	343,500	294,673	313,743
Administration	1,784,638	2,212,301	2,229,949
Fire	623,593	1,067,346	404,869
Bylaws enforcement	391,500	472,712	326,303
Roads, streets, walks, lighting	8,682,500	7,985,605	7,082,657
Wastewater treatment and disposal	10,000	7,433	2,942
Airport	5,800	4,400	3,832
Waste management	823,500	919,938	787,509
Water supply and distribution	180,000	165,697	117,249
Family and community support	76,393	68,052	57,867
Cemeteries	6,000	6,000	6,000
Land use planning	72,000	251,242	81,631
Agricultural development	914,016	830,368	714,828
Parks and recreation	1,095,000	674,755	1,678,818
Libraries	160,000	147,785	145,457
Amortization	7,877,021	3,375,101	3,031,182
Loss on disposal of assets	-	174,712	355,548
Total Expenses	23,045,461	18,658,120	17,340,384
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(3,530,784)	1,386,550	2,788,775
OTHER			
Government transfers for capital (Schedule 4)	3,665,784	3,256,857	4,249,903
EXCESS OF REVENUE OVER EXPENSES	135,000	4,643,407	7,038,678
ACCUMULATED SURPLUS, BEGINNING OF YEAR	93,829,078	93,829,078	86,790,400
ACCUMULATED SURPLUS, END OF YEAR	93,964,078	98,472,485	93,829,078

PONOKA COUNTY
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	135,000	4,643,407	7,038,678
Acquisition of tangible capital assets	(8,622,021)	(8,957,876)	(14,383,075)
Proceeds on disposal of tangible capital assets	945,000	961,365	1,535,673
Amortization of tangible capital assets	7,677,021	3,375,101	3,031,182
Loss on sale of tangible capital assets	-	174,712	355,548
	-	(4,446,698)	(9,460,672)
Increase in net assets before change in inventories and prepaid expenses	135,000	196,709	(2,421,994)
Net use (acquisition) of supplies inventories	-	347,064	(346,292)
Net use (acquisition) of prepaid expenses	-	(32,628)	31,530
	-	314,436	(314,762)
INCREASE IN NET ASSETS	135,000	511,145	(2,736,756)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	11,443,565	11,443,565	14,180,321
NET FINANCIAL ASSETS, END OF YEAR	11,578,565	11,954,710	11,443,565

PONOKA COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016

	2016 \$	2015 \$
OPERATING		
Excess of revenues over expenses	4,643,407	7,038,678
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,375,099	3,031,182
Loss on disposal of tangible capital assets	174,712	355,548
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	75,495	(135,220)
Decrease (increase) in trade and other receivables	(7,739)	670,683
Decrease (increase) in inventory for consumption	347,065	(346,292)
Decrease (increase) in prepaid expenses	(32,627)	31,531
Increase (decrease) in accounts payable and accrued liabilities	(907,348)	786,841
Increase (decrease) in deferred revenue	300,000	(501,697)
Increase (decrease) in landfill closure and post-closure costs	13,357	13,357
Cash provided by operating transactions	<u>7,981,421</u>	<u>10,944,611</u>
CAPITAL		
Acquisition of tangible capital assets	(8,957,876)	(14,383,075)
Sale of tangible capital assets	961,365	1,535,673
Cash applied to capital transactions	<u>(7,996,511)</u>	<u>(12,847,402)</u>
INVESTING		
Increase in restricted cash or cash equivalents	(6,650)	(7,950)
Increase in investments	-	-
Cash provide by (applied to) investing transactions	<u>(6,650)</u>	<u>(7,950)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(21,740)	(1,910,741)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,950,932</u>	<u>14,861,673</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>12,929,192</u>	<u>12,950,932</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	13,055,221	13,070,311
Less: restricted portion of cash and temporary investments (Note 2)	<u>(126,029)</u>	<u>(119,379)</u>
	<u>12,929,192</u>	<u>12,950,932</u>

PONOKA COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2016
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	455,941	13,339,390	80,033,747	93,829,078	86,790,400
Excess (deficiency) of revenues over expenses	4,643,407	-	-	4,643,407	7,038,678
Transfer from restricted surplus to unrestricted surplus	(203,359)	203,359	-	-	-
Current year funds used for tangible capital assets	(8,957,876)	-	8,957,876	-	-
Disposal of tangible capital assets	1,136,077	-	(1,136,077)	-	-
Annual amortization expense	3,375,101	-	(3,375,101)	-	-
Change in accumulated surplus	(6,650)	203,359	4,446,698	4,643,407	7,038,678
BALANCE, END OF YEAR	449,291	13,542,749	84,480,445	98,472,485	93,829,078

PONOKA COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016 \$	2015 \$
COST:							
BALANCE, BEGINNING OF YEAR	1,843,420	5,039,407	94,813,554	10,679,041	2,667,992	115,043,414	103,072,164
Acquisition of tangible capital assets	150,000	520,938	6,099,248	2,099,817	87,873	8,957,876	14,383,075
Disposal of tangible capital assets	-	-	-	(1,250,550)	(87,292)	(1,337,842)	(2,411,825)
BALANCE, END OF YEAR	1,993,420	5,560,345	100,912,802	11,528,308	2,668,573	122,663,448	115,043,414
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,207,918	30,081,366	1,673,766	2,046,617	35,009,667	32,499,091
Annual amortization	-	102,209	2,640,638	457,005	175,249	3,375,101	3,031,182
Accumulated amortization on disposals	-	-	-	(125,055)	(76,710)	(201,765)	(520,606)
BALANCE, END OF YEAR	-	1,310,127	32,722,004	2,005,716	2,145,156	38,183,003	35,009,667
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,993,420	4,250,218	68,190,798	9,522,592	523,417	84,480,445	80,033,747
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,843,420	3,831,489	64,732,188	9,005,275	621,375	80,033,747	

PONOKA COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2016
Schedule 3

	Budget Unaudited \$	2016 \$	2015 \$
TAXATION			
Real property taxes	12,254,462	12,821,095	12,519,580
Linear property taxes	13,180,677	13,249,605	13,175,408
Special assessments and local improvement taxes	290,000	155,418	602,244
Business taxes	190,000	156,238	225,021
Government grants in place of property taxes		1,113	1,099
	25,915,139	26,383,469	26,523,352
REQUISITIONS			
Alberta School Foundation Fund	7,066,392	7,483,127	7,066,392
Rimoka Foundation	304,789	304,789	304,789
	7,371,181	7,787,916	7,371,181
NET MUNICIPAL TAXES	18,543,958	18,595,553	19,152,171

PONOKA COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2016
Schedule 4

	Budget (Unaudited)	2016 \$	2015 \$
TRANSFERS FOR OPERATING:			
Provincial Government	280,499	298,858	327,209
TRANSFERS FOR CAPITAL:			
Provincial Government	3,665,784	3,256,857	4,249,903
TOTAL GOVERNMENT TRANSFERS	3,946,283	3,555,715	4,577,112

PONOKA COUNTY
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2016
Schedule 5

	Budget (Unaudited)	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	5,346,554	5,194,662	4,743,772
Contracted and general services	4,281,743	4,040,793	3,281,130
Materials, goods and utilities	4,215,950	4,327,720	3,229,877
Provision for allowances	100,000	595,538	550,773
Purchases from other governments	558,800	518,609	727,794
Transfers to local boards and agencies	260,393	239,838	227,324
Bank charges and short-term interest	-	2,445	586
Transfers to individuals and organizations	605,000	188,702	1,192,398
Amortization of tangible capital assets	7,677,021	3,375,101	3,031,182
Loss on disposal of tangible capital assets	-	174,712	355,548
	23,045,461	18,658,120	17,340,384

PONOKA COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2016
Schedule 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
REVENUE							
Net municipal taxes	18,595,554	-	-	-	-	-	18,595,554
Government transfers	-	-	3,372,356	-	-	183,359	3,555,715
User fees and sales of goods	110,688	312,758	161,286	-	-	73,882	658,614
Investment income	181,736	-	-	-	-	-	181,736
Penalties and fines	250,806	8,157	-	-	-	-	258,963
Other revenues	-	11,255	33,042	6,650	-	-	50,947
	19,138,784	332,170	3,566,684	6,650	-	257,241	23,301,529
EXPENSES							
Contract & general services	495,971	169,288	2,696,922	220,968	-	457,646	4,040,795
Salaries & wages	1,327,955	513,756	2,408,826	-	-	944,125	5,194,662
Goods & supplies	85,066	886,369	2,829,014	208,334	-	318,939	4,327,722
Transfers to local boards	-	-	-	-	239,838	-	239,838
Other expenses	597,983	21,789	-	-	860,232	-	1,480,004
	2,506,975	1,591,202	7,934,762	429,302	1,100,070	1,720,710	15,283,021
NET REVENUE, BEFORE AMORTIZATION	16,631,809	(1,259,032)	(4,368,078)	(422,652)	(1,100,070)	(1,463,469)	8,018,508
Amortization expense	(90,505)	(70,028)	(3,168,509)	(46,059)	-	-	(3,375,101)
NET REVENUE	16,541,304	(1,329,060)	(7,536,587)	(468,711)	(1,100,070)	(1,463,469)	4,643,407

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of 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 Professional 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.

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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

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

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. 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.

g. 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.

h. 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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

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

i. 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 (Debt) for the year.

i. Tangible Capital Assets

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

	Years
Buildings	20-50
Engineered structures	
Roads	40
Bridges	30
Machinery and equipment	10-20
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.

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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

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

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

	2016	2015
	\$	\$
Cash	5,055,221	3,070,311
Temporary investments	8,000,000	10,000,000
	13,055,221	13,070,311

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 \$126,029 (2015 - \$119,3790).

Temporary investments are short term deposits with original maturities of one year or less. The investments have effective interest rates of 1.37% to 1.58% (2015 - 1.50%).

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 3 - RECEIVABLES

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Property taxes		
Current taxes and grants in place of taxes	487,940	911,371
Arrears	432,761	219,825
Allowance for doubtful accounts	(440,000)	(575,000)
	<u>480,701</u>	<u>556,196</u>
Other		
Requisition under-levy	255,950	-
Trade accounts	409,426	647,292
GST	55,982	66,327
Allowance for doubtful accounts	(50,774)	(50,774)
	<u>670,584</u>	<u>662,845</u>
	<u><u>1,151,285</u></u>	<u><u>1,219,041</u></u>

NOTE 4 - INVESTMENTS

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
AAMDC deferred patronage account	<u>1,385</u>	<u>1,385</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 5 - 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 643,571 (2015 – 655,714) 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.

	2016	2015
	\$	\$
Estimated closure costs	17,354	17,354
Estimated post-closure costs	917,649	917,649
Estimated total liability	935,003	935,003
Estimated capacity remaining	75.61%	77.04%
Portion of total liability remaining to be recognized	706,931	720,288
Estimated capacity used	24.39%	22.96%
Accrued liability portion	228,072	214,715

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 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 Ponoka County be disclosed as follows:

	2016	2015
	\$	\$
Total debt limit	34,952,292	36,568,593
Total debt (Note 13 (c) and Note 13 (d))	(2,660,949)	(2,764,534)
Amount of debt limit unused	32,291,343	33,804,059
Debt servicing limit	5,825,382	6,094,766
Debt servicing	-	-
Amount of debt servicing limit unused	5,825,382	6,094,766

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 7 - EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	122,663,448	115,043,414
Accumulated amortization (Schedule 2)	(38,183,003)	(35,009,667)
	84,480,445	80,033,747

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 8 - ACCUMULATED SURPLUS

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

	2016	2015
	\$	\$
Unrestricted surplus	449,291	455,941
Restricted surplus		
Land reserve payments	126,029	119,379
Road reserve	13,416,720	13,220,011
Equity in tangible capital assets	84,480,445	80,033,747
	98,472,485	93,829,078

NOTE 9 - 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).

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 10 - 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:

	2016			2015
	\$			\$
	Benefits & Allowances			
	Salary (1)	(2)	Total	Total
Councillors				
Division 1	30,200	5,010	35,210	35,697
Division 2	32,200	5,010	37,210	35,897
Division 3	31,600	5,010	36,610	36,797
Division 4	36,900	5,010	41,910	43,857
Division 5	30,900	5,010	35,910	36,697
Total	161,800	25,050	186,850	188,945
County administrator (3)	183,250	29,008	212,258	208,414

- (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
For the Year Ended December 31, 2016

NOTE 11 - 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 Public Sector Pension Plans Act. 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2016 were \$179,277 (2015 - \$186,412). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2016 were \$165,428 (2015 - \$171,934).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$ 923 million.

NOTE 12 - 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. The option to purchase the towers has been exercised and was finalized in 2016.
- c. Internet tower and equipment contract giving Missing Link Internet Inc. the option to purchase the towers and equipment for \$174,000 three years after the completion of the construction process. The construction was completed during 2016. The option to purchase the towers can be exercised in 2019.
- d. An agreement to pay for one-third of the cost of a school Resource Officer for a three-year term in exchange for the land in which the Crestomere public works shop was constructed. The agreement was effective September 1, 2013 with quarterly payments of approximately \$40,000.
- e. An agreement to pay for one-third of the cost of a school Resource Officer for a three-year term in exchange for the land in which the Mecca Glen public works shop was constructed. The agreement was effective September 1, 2016 with quarterly payments of approximately \$40,000.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 13 - 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. Guarantee of Operating Line of Credit

The municipality has guaranteed an operating line of credit for the Ponoka Agriculture Events Centre Society (PAECS) in the amount of \$1.8 million. At December 31, 2016, \$860,949 (2015 - \$964,534) 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.

PAECS was formed for the construction and operation of an agriculture events centre located on the outskirts of the town of Ponoka, Alberta. The County is one of the four partnering entities governing PAECS.

c. Guarantee of Operating Line of Credit

The municipality has guaranteed an operating line of credit for Rimbey Agricultural Society in the amount of \$1.8 million. At December 31, 2016, the operating line of credit had been drawn down beyond the \$1.8 million guarantee (2015 - \$1.8 million). The operating line of credit carries a number of debt covenants in which the Rimbey Agricultural Society must be in compliance with at the balance sheet date. This debt is due on demand. Rimbey Agricultural Society was formed for the construction and operation of an agricultural events centre located in the town of Rimbey, Alberta.

NOTE 14 – CONTAMINATED SITES LIABILITY

1. The County has adopted PS3260 Liability for Contaminated Sites. A potential contaminated site has been identified that may be significant; however, the amount is undeterminable at the financial statement date. Therefore, the County has not reported any financial liabilities in the 2016 financial statements (2015 – NIL) as a result of this standard.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 15 - FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities. It is administration'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 fulfil their obligations. The recent downturn in the oil and gas industry has significantly increased the credit risk arising from tax assessments levied on businesses operating within this sector.

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

NOTE 16 - APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.