

PONOKA COUNTY
Financial Statements
Year Ended December 31, 2020

PONOKA COUNTY

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Year ended December 31, 2020**

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**Rowland, Parker
& Associates LLP**
CHARTERED PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of Ponoka County

Opinion

We have audited the accompanying consolidated financial statements of Ponoka County, which comprise the statements of financial position as at December 31, 2020, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ponoka County as at December 31, 2020 and 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.

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Ponoka County in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Ponoka County's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Ponoka County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Ponoka County's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report to the Members of Ponoka County (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ponoka County's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ponoka County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ponoka County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report to the Members of Ponoka County (continued)

Report on Other Legal and Regulatory Requirements

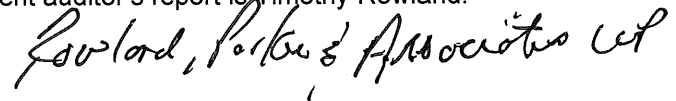
Debt Limit Regulation:

In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 9.

Supplementary Accounting Principles and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 13.

The engagement partner on the audit resulting in this independent auditor's report is Timothy Rowland.



Ponoka, Alberta
March 9, 2021

ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Ponoka County is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the County's financial position as at December 31, 2020 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized, and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The County Council carries out its responsibilities for review of the consolidated financial statements. The Council meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the County Council with and without the presence of management. The County Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Rowland, Parker & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.



Chief Administrative Officer
March 9, 2021
Ponoka County, Alberta



Financial Officer
March 9, 2021
Ponoka County, Alberta

PONOKA COUNTY

**Consolidated Statement of Financial Position
as at December 31, 2020**

	2020	2019
Financial Assets		
Cash and temporary investments (Note 2)	\$ 21,369,923	20,864,916
Receivables		
Taxes and grants in place of taxes (Note 3)	2,020,686	1,966,891
Trade and other receivables (Note 3)	1,086,310	749,879
Investments (Note 4)	1,385	1,385
Other Long Term Assets (Note 5)	305,692	814,480
	24,783,996	24,397,551
Liabilities		
Accounts payable and accrued liabilities	776,018	602,700
Employee vacation payable	145,392	117,507
Contaminated site liability (Note 6)	590,000	590,000
Obligations under capital lease (Note 7)	1,261,774	1,436,756
Provision for landfill closure and post-closure costs (Note 8)	311,232	268,144
	3,084,416	3,015,107
Net financial assets (debt)	21,699,580	21,382,444
Non-Financial assets		
Tangible capital assets (Schedule 2)	94,861,165	93,881,172
Inventory for consumption	1,932,164	2,185,726
Prepaid expenses	348,854	346,608
	97,142,183	96,413,506
Accumulated Surplus (Schedule 1, Note 11)	\$ 118,841,765	117,795,950

Commitments and contingencies (Notes 15 & 16)

PONOKA COUNTY

**Consolidated Statement of Operations
as at December 31, 2020**

	Budget (Unaudited)	2020	2019
Revenue			
Net municipal taxes (Schedule 3)	\$ 17,474,855	17,788,708	18,844,891
User fees and sales of goods	964,820	1,032,468	1,267,766
Government transfers for operating (Schedule 4)	266,939	1,265,310	305,206
Investment income	302,500	266,980	504,258
Penalties and costs of taxes	214,000	545,890	452,586
Rentals	41,000	38,183	41,213
Development levies	-	175,349	57,600
Total Revenue	19,264,114	21,112,888	21,473,520
Expenses			
Legislative	399,000	327,118	375,542
Administration	2,056,700	2,222,591	2,381,582
Fire	1,111,500	898,290	1,098,106
Bylaws enforcement	337,500	486,517	324,495
Roads, streets, walks, lighting	14,700,500	9,254,507	8,087,244
Wastewater treatment and disposal	10,000	2,018	429
Airport	5,000	-	-
Waste management	1,068,500	1,208,673	1,070,670
Other environmental use and protection	-	80,121	1,159,697
Water supply and distribution	175,000	203,059	19,860
Family and community support	70,000	67,445	67,445
Cemeteries	6,000	6,000	6,000
Land use planning	158,000	157,425	125,553
Agricultural development	973,461	762,491	828,202
Parks and recreation	1,369,375	1,346,080	2,211,172
Libraries	197,000	199,639	192,222
Early payment discount	-	832,150	-
Provision for uncollectible taxes	200,000	1,141,002	691,731
Amortization	2,471,000	4,033,905	3,925,440
Loss on disposal of assets		371,349	343,898
Total Expenses	25,308,536	23,600,380	22,909,288
Deficiency of revenue over expenses - before other	(6,044,422)	(2,487,492)	(1,435,768)
Other			
Government transfers for capital (Schedule 4)	3,460,920	3,533,307	3,961,878
Excess (deficiency) of revenues over expenses	(2,583,502)	1,045,815	2,526,110
Accumulated Surplus, beginning of the year	98,472,485	117,795,950	115,269,840
Accumulated Surplus, end of the year	\$ 95,888,983	118,841,765	117,795,950

PONOKA COUNTY

**Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2020**

	Budget (Unaudited)	2020	2019
Excess (Deficiency) of Revenues over Expenses	\$ (2,583,502)	1,045,815	2,526,110
Acquisition of tangible capital assets	(3,937,000)	(6,908,586)	(7,861,237)
Proceeds on disposal of tangible capital assets	1,466,000	1,523,338	1,722,332
Amortization of tangible capital assets	2,471,000	4,033,906	3,925,441
Loss on sale of tangible capital assets	-	371,349	343,898
	-	(979,993)	(1,869,566)
Increase in net assets before change in inventories and prepaid expenses	(2,583,502)	65,822	656,544
Net use (acquisition) of supplies inventories	-	253,560	(362,669)
Net use (acquisition) of prepaid expenses	-	(2,246)	(25,776)
	-	251,314	(388,445)
Decrease (increase) in net debt	(2,583,502)	317,136	268,099
Net financial assets (debt), beginning of year	21,382,444	21,382,444	21,114,345
Net financial assets (debt), end of year	\$ 18,798,942	21,699,580	21,382,444

PONOKA COUNTY

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020**

	2020	2019
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 1,045,815	2,526,110
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,033,906	3,925,440
Loss on disposal of tangible capital assets	371,349	343,898
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(53,795)	(1,149,668)
Decrease (increase) in trade and other receivables	(336,431)	350,429
Decrease (increase) in inventory for consumption	253,562	(362,667)
Decrease (increase) in prepaid expenses	(2,246)	(25,776)
Decrease (increase) in other long term assets	508,786	(275,763)
Increase (decrease) in accounts payable and accrued liabilities	201,203	(536,668)
Increase (decrease) in other current liabilities	-	290,000
Increase (decrease) in deferred revenue	-	(115,000)
Increase (decrease) in landfill closure and post-closure costs	43,088	13,357
Cash provided by operating transactions	6,065,237	4,983,692
Capital		
Acquisition of tangible capital assets	(6,908,586)	(7,861,238)
Sale of tangible capital assets	1,523,338	1,722,332
Cash applied to capital transactions	(5,385,248)	(6,138,906)
Investing		
Decrease (increase) in restricted cash or cash equivalents	(949)	8,659
Increase in investments	-	-
Cash provide by (applied to) investing transactions	(949)	8,659
Financing		
Borrowing debt issued	-	1,500,000
Borrowing debt repaid	(174,982)	(63,244)
Cash provided by (used in) financing transactions	(174,982)	1,436,756
Change in cash and cash equivalents during year	504,058	290,201
Cash and cash equivalents, beginning of year	20,741,332	20,451,131
Cash and cash equivalents, end of year	21,245,390	20,741,332
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	21,369,923	20,864,916
Less: restricted portion of cash and temporary investments (Note 2)	(124,533)	(123,584)
	\$ 21,245,390	20,741,332

PONOKA COUNTY

Schedule 1

**Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2020**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
Balance, beginning of year	\$ -	25,351,534	92,444,416	117,795,950	115,269,840
Excess (deficiency) of revenues over expenses	1,045,815			1,045,815	2,526,110
Transfer from restricted surplus to unrestricted surplus	109,160	(109,160)		-	-
Current year funds used for tangible capital assets	(6,908,586)		6,908,586	-	-
Proceeds on borrowing used for tangible capital assets	-		-	-	-
Disposal of tangible capital assets	1,894,687		(1,894,687)	-	-
Annual amortization expense	4,033,906		(4,033,906)	-	-
Borrowing repaid	(174,982)		174,982	-	-
Change in accumulated surplus	-	(109,160)	1,154,975	1,045,815	2,526,110
BALANCE, END OF YEAR	\$ -	25,242,374	93,599,391	118,841,765	117,795,950

PONOKA COUNTY
Schedule 2
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	2020	2019
Cost								
Balance, beginning of year	\$ 2,033,420	6,324,739	114,880,650	15,299,886	3,054,273	-	141,592,968	136,384,180
Acquisition of tangible capital assets	-	124,020	2,972,815	2,852,123	168,573	791,055	6,908,586	7,861,237
Disposal of tangible capital assets	-	-	-	(2,245,366)	(30,000)	-	(2,275,366)	(2,652,449)
Balance, end of year	2,033,420	6,448,759	117,853,465	15,906,643	3,192,846	791,055	146,226,188	141,592,968
Accumulated Amortization								
Balance, beginning of year	-	1,659,467	41,027,061	2,715,616	2,309,652	-	47,711,796	44,372,574
Annual amortization	-	127,916	2,992,047	717,997	195,946	-	4,033,906	3,925,441
Accumulated amortization on disposals	-	-	-	(350,679)	(30,000)	-	(380,679)	(586,219)
Balance, end of year	-	1,787,383	44,019,108	3,082,934	2,475,598	-	51,365,023	47,711,796
Net book value	2,033,420	4,661,376	73,834,357	12,823,709	717,248	791,055	94,861,165	
2019 Net book value	\$ 2,033,420	4,665,272	73,853,589	12,584,270	744,621			93,881,172

Included in tangible capital assets are the following items under capital lease:

	Cost	Accumulated Amortization	Net Book Value	
			2020	2019
Building	\$ 191,575	3,832	187,743	191,575
Machinery & Equipment	1,349,050	67,452	1,281,598	1,349,050
Total	1,540,625	71,284	1,469,341	1,540,625

PONOKA COUNTY
Schedule 3
Schedule of Property and Other Taxes
for the Year Ended December 31, 2020

		Budget (Unaudited)	2020	2019
Taxation:				
Real property taxes	\$	14,217,926	14,647,056	14,264,298
Linear property taxes		11,171,230	11,220,480	12,177,322
Special assessments and local improvement taxes		3,500	65,200	279,871
Business taxes		200,000	58,542	237,571
Government grants in place of property taxes		-	1,118	1,118
		25,592,656	25,992,396	26,960,180
Requisitions:				
Alberta School Foundation Fund		7,807,801	7,893,602	7,807,801
Rimoka Foundation		310,000	310,086	307,488
		8,117,801	8,203,688	8,115,289
Net Municipal Taxes	\$	17,474,855	17,788,708	18,844,891

PONOKA COUNTY
Schedule 4
Schedule of Government Transfers
for the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
Transfers for Operating:			
Provincial Government	\$ 266,939	1,265,310	305,206
Transfers for Capital:			
Other Local Governments	-	70,000	-
Provincial Government	3,460,920	3,463,307	3,961,878
	3,460,920	3,533,307	3,961,878
Total Government Transfers	\$ 3,727,859	4,798,617	4,267,084

TOWN OF PONOKA
Schedule 5
Schedule of Consolidated Expense by Object
For the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 6,202,761	5,737,374	6,069,662
Contracted and general services	10,412,650	5,105,190	5,621,220
Materials, goods and utilities	4,328,750	4,635,350	3,547,196
Provision for allowances	200,000	1,141,002	827,494
Early payment discount	-	832,150	-
Purchases from other governments	766,450	760,913	591,383
Transfers to local boards and agencies	291,000	291,084	283,667
Bank charges and short-term interest	2,000	1,312	1,480
Transfers to individuals and organizations	633,925	610,630	1,639,461
Interest on capital lease	-	80,121	58,387.00
Amortization of tangible capital assets	2,471,000	4,033,905	3,925,440
Loss on disposal of tangible capital assets	-	371,349	343,898
	\$ 25,308,536	23,600,380	22,909,288

PONOKA COUNTY

Schedule 6

**Schedule of Segmented Disclosure
For the Year Ended December 31, 2020**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
Revenue							
Net municipal taxes	\$ 17,788,708	-	-	-	-	-	17,788,708
Government transfers	997,946	70,000	3,606,764	-	-	123,907	4,798,617
User fees and sales of goods	111,912	444,029	73,903	-	-	402,625	1,032,469
Investment income	266,980	-	-	-	-	-	266,980
Penalties and fines	539,111	6,779	-	-	-	-	545,890
Other revenues	-	-	38,183	175,349	-	-	213,532
	19,704,657	520,808	3,718,850	175,349	-	526,532	24,646,196
Expenses							
Contract & general services	471,935	101,420	3,688,394	157,296	-	686,145	5,105,190
Salaries & wages	1,604,927	650,204	2,487,007	-	-	995,236	5,737,374
Goods & supplies	441,607	613,720	3,239,053	-	-	311,042	4,605,422
Transfers to local boards	-	-	-	-	291,084	-	291,084
Other expenses	1,974,464	19,463	-	-	1,753,358	80,121	3,827,406
	4,492,933	1,384,807	9,414,454	157,296	2,044,442	2,072,544	19,566,476
Net revenue (expense) before amortization	15,211,724	(863,999)	(5,695,604)	18,053	(2,044,442)	(1,546,012)	5,079,720
Amortization expense	(66,201)	(227,911)	(3,614,439)	(54,070)	-	(71,284)	(4,033,905)
NET REVENUE	\$ 15,145,523	(1,091,910)	(9,310,043)	(36,017)	(2,044,442)	(1,617,296)	1,045,815

PONOKA COUNTY

Notes to Financial Statements December 31, 2020

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 ("PSAB") of the Chartered Professional Accountants of Canada (CPA Canada). Significant aspects of the accounting policies adopted by the county are as follows:

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. Included within the municipality are the following:

- Ponoka County Regional Fire Services
- Ponoka County Waste Disposal

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.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

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

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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 December 31, 2020

NOTE 1 - Significant Accounting Policies (continued...)

Significant estimates include:

- the allowance for doubtful accounts;
- the provision for clean-up of contaminated site;
- the net present value of future minimum lease payments on capital lease;
- the provision for landfill closure and post-closure costs;
- providing for amortization of tangible capital assets;
- the estimated useful lives of assets; and
- the recoverability of tangible assets.

Cash and temporary investments:

Cash includes cash and cash equivalents. Cash equivalents are investments in money market funds, bonds and guaranteed investment certificates and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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.

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.

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.

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, 2020**

NOTE 1 - Significant Accounting Policies (continued...)

Contaminated Sites Liability

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

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.

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.

a. 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.

b. Contributions of Tangible Capital Assets

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

PONOKA COUNTY

Notes to Financial Statements December 31, 2020

NOTE 1 - Significant Accounting Policies (continued...)

c. 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.

d. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3280 - Asset Retirement Obligations

This new section establishes standards on how to account and report a liability for asset retirement obligations (ARO). This Section identifies the main attributes of an ARO and provides guidance on how to establish the fair value of the ARO. The new Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.

Section PS 3400 — Revenue

This new section establishes standards on how to account for and report on revenue. This Section differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The new Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

NOTE 2 - Cash and Temporary Investments

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 \$124,533 (2019 - \$123,584).

The county has available for use a short-term line of credit for operating purposes to the maximum indebtedness of \$10,000,000. The balance outstanding on the facility is \$nil. Interest on the line of credit is to be charged at the banking institutions prime rate less 0.25%. The loan is secured by a Municipal Resolution and Borrowing By-Law #15-20B.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2020**

NOTE 3 – Receivables

	2020	2019
Property taxes		
Current taxes and grants in place of taxes	\$ 1,925,870	1,939,443
Arrears	954,816	1,157,448
Allowance for doubtful accounts	(860,000)	(1,130,000)
	2,020,686	1,966,891
Other		
Trade accounts	896,629	537,683
Requisition under-levy	179,546	-
GST	143,468	212,196
Allowance for doubtful accounts	(133,333)	-
	1,086,310	749,879
	\$ 3,106,996	2,716,770

NOTE 4 – Investments

	2020	2019
RMA deferred patronage account	\$ 1,385	1,385

NOTE 5 – Other Long-Term Assets

	2020	2019
CCI Wireless receivable	\$ -	508,788
National Tire Recycling receivable	866,667	1,000,000
Allowance for doubtful accounts	(560,975)	(694,308)
	\$ 305,692	814,480

National Tire Recycling Group receivable arises from the sale of equipment and tires, and is repayable in annual payments of \$66,667 commencing January 2020 over a period of 15 years on an interest free basis. The portion of the receivable that relates to the sale of tires is unsecured and in arrears and has therefore been provided for in the allowance for doubtful accounts as collection is not reasonably assured.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2020**

NOTE 6 – Contaminated Site Liability

The County has adopted PS3260 Liability for Contaminated Sites. The full amount of the estimate is subject to measurement uncertainty. Management has estimated that there would be remediation costs associated with the County owned land where a tire recycling operation is located. The estimated land remediation liability is \$590,000 (2019 - \$590,000) for the clean-up of contaminants related to the removal of giant mining tires situated on the land. The liability for remediation has been accrued and administration has budgeted for funding the associated costs.

NOTE 7 – Obligation under Capital Lease

	2020	2019
Capital lease on tire shredder, building enclosure, and generator requiring monthly lease payments of \$21,259 including interest at 5.90% per annum. Lease is secured by equipment and buildings having a carrying value of \$1,469,341 and expires September 2026.	\$ 1,261,774	1,436,756
Future minimum capital lease payments are approximately:		
2021	\$ 255,103	
2022	255,103	
2023	255,103	
2024	255,103	
2025	255,103	
Thereafter	220,069	
Total minimum lease payments	1,495,584	
Less: amount representing interest at 5.90%	(233,810)	
Present value of lease payments	\$ 1,261,774	

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2020**

NOTE 8 - 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 25 years after closure using a discount rate of 3% and assuming annual inflation of 2%.

The existing landfill site is expected to reach capacity in approximately the year 2120.

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

		2020	2019
Estimated closure costs	\$	55,000	17,354
Estimated post-closure costs		1,812,388	917,649
Estimated total liability	\$	1,867,388	935,003
Estimated capacity remaining		83.33%	71.32%
Portion of total liability remaining to be recognized	\$	1,556,156	666,859
Estimated capacity used		16.67%	28.68%
Accrued liability portion	\$	311,232	268,144

During the audit, management determined that the estimated useful life of the landfill was longer than what had been originally estimated based on a decrease in annual usage. The closure and post closure costs were also revisited by management and determined that based on information available as of the date of reporting that the aforementioned costs had increased from previous estimates which were deemed to be accurate at the time the estimates were made. The change in estimate has been accounted for prospectively.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2020**

NOTE 9 - Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for Ponoka County be disclosed as follows:

	2020	2019
Total debt limit	\$ 36,969,294	38,153,097
Capital lease obligation (Note 7)	(1,261,774)	(1,436,756)
Total debt guaranteed (Note 16)	(2,532,977)	(2,627,122)
Amount of debt limit unused	33,174,543	34,089,219
Debt servicing limit	6,161,549	6,358,850
Debt servicing	(511,503)	(304,542)
Amount of debt servicing limit unused	\$ 5,650,046	6,054,308

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 10 - Equity In Tangible Capital Assets

	2020	2019
Tangible capital assets (Schedule 2)	\$ 146,226,188	141,592,968
Accumulated amortization (Schedule 2)	(51,365,023)	(47,711,796)
Obligations under capital lease (Note 7)	(1,261,774)	(1,436,756)
	\$ 93,599,391	92,444,416

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2020**

NOTE 11 - Accumulated Surplus

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

	2020	2019
Unrestricted surplus	\$ -	-
Restricted surplus		
Land reserve payments	124,533	123,584
Development reserve	1,666,623	1,492,223
Bridge replacement reserve	10,000,000	10,000,000
Pavement rehabilitation reserve	6,000,000	6,000,000
Internet enhancement reserve	3,000,000	3,000,000
General operating	3,961,218	4,315,727
Road reserve	-	-
Fire reserve	490,000	420,000
Equity in tangible capital assets	93,599,391	92,444,416
	\$ 118,841,765	117,795,950

NOTE 12 - 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
December 31, 2020**

NOTE 13 - 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:

	Salary ⁽¹⁾	Benefits & Allowances ⁽²⁾	2020	2019
Councillors				
Division 1	\$ 38,438	5,663	44,101	45,517
Division 2	38,167	5,663	43,830	45,738
Division 3	38,553	5,598	44,151	45,141
Division 4	43,931	5,663	49,594	51,016
Division 5	37,700	5,663	43,363	44,779
County administrator ⁽³⁾	\$ 192,250	28,557	220,807	223,295

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.

NOTE 14 - 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2020 were \$103,422 (2019 - \$133,766). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2020 were \$94,080 (2019 - \$121,763).

PONOKA COUNTY

Notes to Financial Statements December 31, 2020

NOTE 15 - 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. Commitment to make payment on Ponoka Agriculture Events Centre Society Line of Credit of \$10,000 monthly for an unspecified period of time
- c. Commitment to make payment on Rimbey Agricultural Society term loan of \$12,200 monthly for an unspecified period of time
- d. Purchase of new fire truck at a quoted price of \$517,808
- e. Purchase of three 14M graders at a cost of \$661,000 each

NOTE 16 - Contingencies

a. *Guarantee of Ponoka Agriculture Events Centre Society Operating Line of Credit*

Ponoka County 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, 2020, \$732,977 (2019 - \$827,122) had been drawn down. The operating line of credit carries several debt covenants in which the PAECS must be in compliance with at their fiscal yearend balance sheet date. This debt is due on demand.

PAECS was formed for the construction and operation of an agriculture events centre located in the Town of Ponoka, Alberta. The County is one of the four founding partner entities that continue to govern PAECS.

During Ponoka County's fiscal year, the County made payments on the PAECS operating line of credit in the amount of \$110,000 (2019 - \$80,000).

b. *Guarantee of Rimbey Agricultural Society Term Loan*

Ponoka County has guaranteed a non-revolving term loan for Rimbey Agricultural Society in the amount of \$1.8 million. At December 31, 2020, the borrowings on the operating line of credit have been drawn beyond the \$1.8 million guarantee (2019 - \$1.8 million). The operating line of credit carries several debt covenants in which the Rimbey Agricultural Society must be in compliance with at their fiscal yearend balance sheet date. This debt is due on January 31, 2022.

Rimbey Agricultural Society was formed for the construction and operation of an agricultural events centre located in the Town of Rimbey, Alberta. The county holds a non-voting advisory seat on the board of directors.

During Ponoka County's fiscal year, the County made payments on the Rimbey Agricultural Society operating line of credit in the amount of \$146,400 (2019 - \$141,600).

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2020**

NOTE 17 - Financial Instruments

The county's financial instruments consist of cash and temporary investments, accounts receivable, investments, requisition over-levy, 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 18 – Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

NOTE 19 - Approval of Financial Statements

Council and Management have approved these financial statements.