

**PONOKA COUNTY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**PONOKA COUNTY**  
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**For the Year ended December 31, 2019**

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## 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, 2019 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.

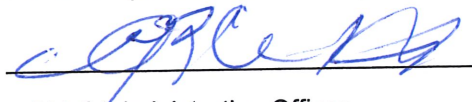
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable 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.

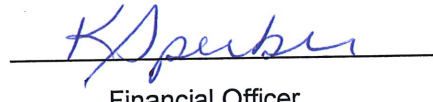
The consolidated financial statements have been audited by Rowland, Parker & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their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



Chief Administrative Officer

March 20, 2020

Ponoka County, Canada



Financial Officer

March 20, 2020

Ponoka County, Canada

## 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, 2019, 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, 2019 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. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- 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.

*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 11.

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 9.

*Rowland, Parker & Associates LLP*

Ponoka, Alberta  
March 20, 2020

ROWLAND, PARKER & ASSOCIATES LLP  
Chartered Professional Accountants

**PONOKA COUNTY**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2019**

	2019	2018 (Restated)
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 20,864,916	20,583,375
Receivables		
Taxes and grants in place of taxes (Note 3)	1,966,891	817,223
Trade and other receivables (Note 3)	749,879	1,100,308
Investments (Note 4)	1,385	1,385
Other Long Term Assets (Note 5)	814,480	538,718
	<u>24,397,551</u>	<u>23,041,009</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	602,701	1,256,877
Deferred revenue	-	115,000
Employee vacation payable	117,507	
Contaminated site liability (Note 6)	590,000	300,000
Obligations under capital lease (Note 7)	1,436,756	-
Provision for landfill closure and post-closure costs (Note 8)	268,144	254,787
	<u>3,015,108</u>	<u>1,926,664</u>
<b>NET FINANCIAL ASSETS</b>	<u>21,382,443</u>	<u>21,114,345</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	93,881,172	92,011,606
Inventory for consumption	2,185,728	1,823,061
Prepaid expenses	346,608	320,828
	<u>96,413,508</u>	<u>94,155,495</u>
<b>ACCUMULATED SURPLUS</b> (Schedule 1, Note 11)	<u>\$ 117,795,951</u>	<u>115,269,840</u>

*Commitments and contingencies - See Notes 15 and 16*

**PONOKA COUNTY**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018 (restated)
<b>REVENUE</b>			
Net municipal taxes (Schedule 3)	\$ 18,864,400	18,844,891	19,135,274
User fees and sales of goods	621,520	1,267,766	1,130,277
Government transfers for operating (Schedule 4)	300,000	305,206	304,570
Investment income	201,500	504,258	407,172
Penalties and costs of taxes	208,000	452,586	282,839
Rentals	40,000	41,213	40,456
Development levies	-	57,600	159,926
<b>Total Revenue</b>	<b>20,235,420</b>	<b>21,473,520</b>	<b>21,460,514</b>
<b>EXPENSES</b>			
Legislative	383,000	375,542	327,025
Administration	2,051,000	3,073,313	2,462,902
Fire	1,211,500	1,098,106	949,717
Bylaws enforcement	570,000	324,495	202,918
Roads, streets, walks, lighting	8,823,500	8,087,244	8,255,102
Wastewater treatment and disposal	10,000	429	875
Airport	5,000	-	-
Waste management	1,013,500	1,070,670	951,022
Other environmental use and protection	-	1,159,697	558,545
Water supply and distribution	100,000	19,860	88,080
Family and community support	70,000	67,445	67,445
Cemeteries	6,000	6,000	6,000
Land use planning	161,000	125,553	169,212
Agricultural development	1,083,841	828,202	741,238
Parks and recreation	1,531,710	2,211,172	1,288,308
Libraries	190,000	192,222	188,606
Amortization	7,246,000	3,925,440	3,879,330
Loss on disposal of assets	-	343,898	175,894
<b>Total Expenses</b>	<b>24,456,051</b>	<b>22,909,288</b>	<b>20,312,219</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(4,220,631)</b>	<b>(1,435,768)</b>	<b>1,148,295</b>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	3,465,000	3,961,878	5,282,551
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>(755,631)</b>	<b>2,526,110</b>	<b>6,430,846</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>98,472,485</b>	<b>115,269,840</b>	<b>108,838,994</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 97,716,854</b>	<b>117,795,950</b>	<b>115,269,840</b>

**PONOKA COUNTY**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018 (Restated)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ (755,631)	<b>2,526,110</b>	6,430,846
Acquisition of tangible capital assets	(8,465,000)	<b>(7,861,238)</b>	(8,345,936)
Proceeds on disposal of tangible capital assets	1,219,000	<b>1,722,332</b>	1,661,145
Amortization of tangible capital assets	7,246,000	<b>3,925,441</b>	3,879,330
Loss on sale of tangible capital assets	-	<b>343,898</b>	175,894
	-	<b>(1,869,567)</b>	(2,629,567)
Increase in net assets before change in inventories and prepaid expenses	(755,631)	<b>656,543</b>	3,801,279
Net use (acquisition) of supplies inventories	-	<b>(362,669)</b>	(397,852)
Net use (acquisition) of prepaid expenses	-	<b>(25,776)</b>	(33,965)
	-	<b>(388,445)</b>	(431,817)
<b>INCREASE IN NET ASSETS</b>	(755,631)	<b>268,098</b>	3,369,462
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	21,114,345	<b>21,114,345</b>	17,744,883
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 20,358,714	<b>21,382,443</b>	21,114,345



**PONOKA COUNTY**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	2019	2018 (Restated)
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 2,526,110	6,430,846
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,925,440	3,879,330
Loss on disposal of tangible capital assets	343,898	175,894
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(1,149,668)	(462,462)
Decrease (increase) in trade and other receivables	350,429	1,386,423
Decrease (increase) in inventory for consumption	(362,667)	(397,852)
Decrease (increase) in prepaid expenses	(25,776)	(33,965)
Decrease (increase) in other long term assets	(275,763)	29,929
Increase (decrease) in accounts payable and accrued liabilities	(536,668)	515,493
Increase (decrease) in other current liabilities	290,000	300,000
Increase (decrease) in deferred revenue	(115,000)	115,000
Increase (decrease) in landfill closure and post-closure costs	13,357	13,357
Cash provided by operating transactions	<u>4,983,692</u>	<u>11,951,993</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(7,861,238)	(8,345,936)
Sale of tangible capital assets	1,722,332	1,661,145
Cash applied to capital transactions	<u>(6,138,906)</u>	<u>(6,684,791)</u>
<b>INVESTING</b>		
Increase in restricted cash or cash equivalents	8,659	(3,726)
Increase in investments	-	-
Cash provide by (applied to) investing transactions	<u>8,659</u>	<u>(3,726)</u>
<b>FINANCING</b>		
Borrowing debt issued	1,500,000	-
Borrowing debt repaid	(63,244)	-
	<u>1,436,756</u>	<u>-</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	290,201	5,263,476
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>20,451,131</u>	<u>15,187,655</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>20,741,332</u></u>	<u><u>20,451,131</u></u>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	20,864,916	20,583,375
Less: restricted portion of cash and temporary investments (Note 2)	<u>(123,584)</u>	<u>(132,244)</u>
	<u>\$ 20,741,332</u>	<u>20,451,131</u>

**PONOKA COUNTY**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2019**  
**Schedule 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
<b>BALANCE, AS PREVIOUSLY STATED</b>					
Prior period adjustment (Note 18)	\$ 449,291	22,808,944	92,011,605	115,269,840	107,988,861
<b>RESTATEd OPENING BALANCE</b>	-	-	-	-	850,133
	449,291	22,808,944	92,011,605	115,269,840	108,838,994
Excess (deficiency) of revenues over expenses	2,526,110			2,526,110	6,430,846
Transfer from restricted surplus to unrestricted surplus	(2,542,590)	2,542,590		-	-
Current year funds used for tangible capital assets	(7,861,237)		7,861,237	-	-
Proceeds on borrowing used for tangible capital assets	1,500,000		(1,500,000)	-	-
Disposal of tangible capital assets	2,066,230		(2,066,230)	-	-
Annual amortization expense	3,925,440		(3,925,440)	-	-
Borrowing repaid	(63,244)		63,244	-	-
	(449,291)	2,542,590	432,811	2,526,110	6,430,846
<b>BALANCE, END OF YEAR</b>	\$ -	25,351,534	92,444,416	117,795,950	115,269,840

**PONOKA COUNTY**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2019**  
**Schedule 2**

**COST:**

Balance, beginning of year

Acquisition of tangible capital assets  
 Disposal of tangible capital assets  
 Balance, end of year

**ACCUMULATED AMORTIZATION:**

Balance, beginning of year

Annual amortization  
 Accumulated amortization on disposals  
 Balance, end of year

**NET BOOK VALUE OF TANGIBLE  
 CAPITAL ASSETS**

2018 NET BOOK VALUE OF TANGIBLE  
 CAPITAL ASSETS

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

Building  
 Machinery & Equipment  
**Total**

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
\$	1,993,420	6,133,164	111,226,033	14,160,432	2,871,131	136,384,180	130,245,643
	40,000	191,575	3,654,617	3,588,757	386,288	7,861,237	8,345,936
	-	-	-	(2,428,463)	(223,986)	(2,652,449)	(2,207,399)
	2,033,420	6,324,739	114,880,650	15,320,726	3,033,433	141,592,968	136,384,180
	-	1,535,383	38,054,625	2,427,339	2,355,227	44,372,574	40,863,604
	-	124,084	2,972,436	650,510	178,411	3,925,441	3,879,330
	-	1,659,467	41,027,061	(362,233)	(223,986)	(586,219)	(370,360)
	2,033,420	4,665,272	73,853,589	2,715,616	2,309,652	47,711,796	44,372,574
\$	1,993,420	4,597,781	73,171,408	11,733,093	515,904	93,881,172	92,011,606

**PONOKA COUNTY**  
**Schedule of Property and Other Taxes**  
**For the Year Ended December 31, 2019**  
**Schedule 3**

	Budget (Unaudited)	2019	2018
<b>TAXATION</b>			
Real property taxes	\$ 14,163,530	<b>14,264,298</b>	14,728,164
Linear property taxes	12,065,230	<b>12,177,322</b>	11,657,043
Special assessments and local improvement taxes	303,500	<b>279,871</b>	386,613
Business taxes	200,000	<b>237,571</b>	246,531
Government grants in place of property taxes	-	<b>1,118</b>	1,121
	<u>26,732,260</u>	<b><u>26,960,180</u></b>	<u>27,019,472</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	7,557,860	<b>7,807,801</b>	7,557,860
Rimoka Foundation	310,000	<b>307,488</b>	308,338
	<u>7,867,860</u>	<b><u>8,115,289</u></b>	<u>7,866,198</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 18,864,400</u>	<b><u>18,844,891</u></b>	<u>19,153,274</u>

**PONOKA COUNTY**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2019**  
**Schedule 4**

	Budget (Unaudited)	2019	2018
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 300,000	305,206	304,570
<b>TRANSFERS FOR CAPITAL:</b>			
Provincial Government	3,465,000	3,961,878	5,282,551
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 3,765,000</b>	<b>4,267,084</b>	<b>5,587,121</b>

**PONOKA COUNTY**  
**Schedule of Consolidated Expenses by Object**  
**For the Year Ended December 31, 2019**  
**Schedule 5**

	Budget (Unaudited)	2019	2018 (Restated)
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 6,124,141	<b>6,069,662</b>	5,457,634
Contracted and general services	4,439,950	<b>5,621,220</b>	5,392,509
Materials, goods and utilities	4,697,250	<b>3,547,196</b>	3,396,547
Provision for allowances	200,000	<b>827,494</b>	421,670
Purchases from other governments	562,710	<b>591,383</b>	551,656
Transfers to local boards and agencies	284,000	<b>283,667</b>	280,051
Bank charges and short-term interest	2,000	<b>1,480</b>	331
Transfers to individuals and organizations	1,000,000	<b>1,639,461</b>	756,597
Interest on capital lease	-	<b>58,387</b>	-
Amortization of tangible capital assets	7,146,000	<b>3,925,440</b>	3,879,330
Loss on disposal of tangible capital assets	-	<b>343,898</b>	175,894
	<u>\$ 24,456,051</u>	<u><b>22,909,288</b></u>	<u>20,312,219</u>

**PONOKA COUNTY**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2019**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
<b>REVENUE</b>							
Net municipal taxes	\$ 18,844,891	-	-	-	-	-	18,844,891
Government transfers	-	-	3,960,325	123,400	-	183,359	4,267,084
User fees and sales of goods	92,984	536,641	130,189	2,604	-	505,349	1,267,767
Investment income	504,258	-	-	-	-	-	504,258
Penalties and fines	438,208	14,377	-	-	-	-	452,585
Other revenues	-	-	41,213	57,600	-	-	98,813
	<u>19,880,341</u>	<u>551,018</u>	<u>4,131,727</u>	<u>183,604</u>	<u>-</u>	<u>688,708</u>	<u>25,435,398</u>
<b>EXPENSES</b>							
Contract & general services	796,713	108,919	2,965,479	125,553	-	1,624,556	5,621,220
Salaries & wages	1,688,023	770,587	2,524,084	-	-	1,086,967	6,069,661
Goods & supplies	135,144	529,422	2,734,023	-	-	148,607	3,547,196
Transfers to local boards	-	-	-	-	283,667	-	283,667
Other expenses	828,974	13,673	-	-	2,561,070	58,387	3,462,104
	<u>3,448,854</u>	<u>1,422,601</u>	<u>8,223,586</u>	<u>125,553</u>	<u>2,844,737</u>	<u>2,918,517</u>	<u>18,983,848</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>16,431,487</u>	<u>(871,583)</u>	<u>(4,091,859)</u>	<u>58,051</u>	<u>(2,844,737)</u>	<u>(2,229,809)</u>	<u>6,451,550</u>
Amortization expense	(66,201)	(220,401)	(3,575,510)	(63,328)	-	-	(3,925,440)
<b>NET REVENUE</b>	<u>\$ 16,365,286</u>	<u>(1,091,984)</u>	<u>(7,667,369)</u>	<u>(5,277)</u>	<u>(2,844,737)</u>	<u>(2,229,809)</u>	<u>2,526,110</u>

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**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:

**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. 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.

**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 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.



**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

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

**c. 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.

Significant estimates include:

- The allowance for doubtful accounts;
- The provision for clean-up of contaminated tire 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.

**d. 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.

**e. 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.

**f. 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.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

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

**g. 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.

**h. 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.

**i. 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.

**j. 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, 2019**

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

**k. 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:

	<b>Years</b>
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 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.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

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

**I. 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 3450 - Financial Instruments

The new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, section PS1201, section PS 2601 and section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new section. The new section and the related amendments are effective for fiscal periods beginning on or after April 1, 2019.

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.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**NOTE 2 - CASH AND TEMPORARY INVESTMENTS**

	<u>2019</u>	<u>2018</u>
Cash	\$ 20,864,916	5,583,375
Temporary investments	-	15,000,000
	<u>\$ 20,864,916</u>	<u>20,583,375</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 \$123,584 (2018 - \$132,244).

Temporary investments are short term deposits with original maturities of one year or less.

**NOTE 3 – RECEIVABLES**

	<u>2019</u>	<u>2018</u>
Property taxes		
Current taxes and grants in place of taxes	\$ 1,939,443	1,062,657
Arrears	1,157,448	474,566
Allowance for doubtful accounts	<u>(1,130,000)</u>	<u>(720,000)</u>
	<u>1,966,891</u>	<u>817,223</u>
Other		
Trade accounts	537,683	1,123,376
GST	212,196	27,706
Allowance for doubtful accounts	<u>-</u>	<u>(50,774)</u>
	<u>749,879</u>	<u>1,100,308</u>
	<u>\$ 2,716,770</u>	<u>1,917,531</u>

**NOTE 4 – INVESTMENTS**

	<u>2019</u>	<u>2018</u>
RMA deferred patronage account	\$ 1,385	1,385

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**NOTE 5 – Other Long-Term Assets**

	<u>2019</u>	<u>2018</u>
CCI Wireless receivable	\$ 508,788	538,718
National Tire Recycling receivable	1,000,000	558,545
Allowance for doubtful accounts	<u>(694,308)</u>	<u>(558,545)</u>
	\$ <u>814,480</u>	<u>538,718</u>

CCI Wireless receivable arises from the sale of internet towers and is repayable in annual payments of \$29,929 commencing January 2017 over a period of 20 years.

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. The portion of the receivable that relates to the sale of tires is unsecured has therefore been provided for in the allowance for doubtful accounts as collection is not reasonably assured.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**NOTE 6 – Site Clean Up 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 contaminated sites is recognized when a site is not in productive use all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the County accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. The County has adopted PS3260 Liability for Contaminated Sites. The full amount of the estimate is subject to measurement uncertainty.

During the 2018 fiscal period the County determined that there would be remediation costs associated with the County owned land where a tire recycling operation was located. The County increased the estimated land remediation liability to \$590,000 for the clean-up of contaminants related to the removal of the giant mining tires. The liability for remediation has been accrued and administration has budgeted for funding the associated costs.

The estimated liability includes the assumption a subsidy that may have to be paid for the removal of giant mining tires (GMTs) located on land owned by the Ponoka County located adjacent to the tire recycling facility. A key assumption made in calculating the estimate is the tire recycling facility operator will be able to economically remove the GMT's from County owned land with the estimated subsidy rate not to exceed \$200 per tire. Should the removal of the tires by the recycling tire facility operator prove to be uneconomical or the tire recycling operator unexpectedly cease operations, the costs of removing the remaining GMT's could be significantly higher than currently estimated.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**NOTE 7 – Obligation under Capital Lease**

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 with a carrying value of \$1,540,625 and expires September 2026.

	<u>2019</u>	<u>2018</u>
	\$ <u><u>1,436,756</u></u>	-

Future minimum capital lease payments are approximately:

2020	\$ 255,103
2021	255,103
2022	255,103
2023	255,103
2024	255,103
Thereafter	<u>475,172</u>
Total minimum lease payments	1,750,687
Less: amount representing interest at 5.90%	<u>(313,931)</u>
Present value of lease payments	\$ <u><u>1,436,756</u></u>



**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**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 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 607,142 (2018 – 619,285) 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>2019</u>	<u>2018</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	71.32%	72.75%
Portion of total liability remaining to be recognized	<u>\$ 666,859</u>	<u>680,216</u>
Estimated capacity used	28.68%	27.25%
Accrued liability portion	<u>\$ 268,144</u>	<u>254,787</u>

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**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:

	2019	2018
Total debt limit	\$ 38,153,097	39,880,299
Capital lease obligation (Note 9)	(1,436,756)	-
Total debt guaranteed (Note 18 (a) and Note 18 (b) )	(2,627,122)	(2,686,069)
Amount of debt limit unused	<u>34,089,219</u>	<u>37,194,230</u>
Debt servicing limit	6,358,850	6,646,717
Debt servicing	(304,542)	-
Amount of debt servicing limit unused	<u>\$ 6,054,308</u>	<u>6,646,717</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 10 - EQUITY IN TANGIBLE CAPITAL ASSETS**

	2019	2018
Tangible capital assets (Schedule 2)	\$ 141,592,968	136,384,180
Accumulated amortization (Schedule 2)	(47,711,796)	(44,372,574)
Obligations under capital lease (Note 8)	(1,436,756)	-
	<u>\$ 92,444,416</u>	<u>92,011,606</u>

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**NOTE 11 - ACCUMULATED SURPLUS**

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

	<b>2019</b>	<b>2018</b>
Unrestricted surplus	\$ -	449,291
Restricted surplus		
Land reserve payments	123,584	132,244
Development reserve	1,492,223	1,439,023
Bridge replacement reserve	10,000,000	-
Pavement rehabilitation reserve	6,000,000	-
Internet enhancement reserve	3,000,000	-
General operating	4,315,727	-
Road reserve	-	20,817,677
Fire reserve	420,000	420,000
Equity in tangible capital assets	92,444,416	92,011,605
	<b>\$ 117,795,950</b>	<b>115,269,840</b>

**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**  
**For the Year Ended December 31, 2019**

**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:

	<b>2019</b>			<b>2018</b>
		<b>Benefits &amp; Allowances</b>		
	<b>Salary (1)</b>	<b>(2)</b>	<b>Total</b>	<b>Total</b>
Councillors				
Division 1	\$ 39,797	5,720	<b>45,517</b>	40,103
Division 2	40,018	5,720	<b>45,738</b>	40,433
Division 3	39,421	5,720	<b>45,141</b>	39,737
Division 4	45,296	5,720	<b>51,016</b>	44,611
Division 5	39,059	5,720	<b>44,779</b>	41,657
Total	203,591	28,600	<b>232,191</b>	206,541
County administrator (3)	\$ 192,250	31,045	<b>223,295</b>	216,929

- (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, 2019**

**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 2019 were \$133,766 (2018 - \$139,134). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2019 were \$121,763 (2018 - \$127,691).

**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.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**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, 2019, \$827,122 (2018 - \$886,069) 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 \$80,000 (2018 - \$nil). There is no formal commitment by the County to make these payments and the payments can be terminated at any time at the discretion of the County.

b. Guarantee of Rimbey Agricultural Society Operating Line of Credit

Ponoka County has guaranteed an operating line of credit for Rimbey Agricultural Society in the amount of \$1.8 million. At December 31, 2019, the borrowings on the operating line of credit have been drawn beyond the \$1.8 million guarantee (2018 - \$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 demand.

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 \$141,600 (2018 - \$125,320). There is no formal commitment by the County to make these payments and the payments can be terminated at any time at the discretion of the County.

**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.

**PONOKA COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2019**

**NOTE 18 – CORRECTION OF ERROR**

The county's financial statements have been restated for two errors. A description of each error and the effect of each correction are as follows:

Internet Tower Disposal - During the current year it was determined that the disposal of Internet towers, having a carrying value of \$945,755, and corresponding long-term receivable were not recorded. This accounting error was corrected on a retroactive basis with the accounts in the comparative figures restated as shown below:

Development Levies – The County had previously recorded development levies it assessed on property developments as a liability. During the current year, it was determined the use of these restricted funds held under these levies are at the discretion of the County and are reported as accumulated surplus and not a liability. This accounting error was corrected on a retroactive basis with the accounts in the comparative figures being restated as shown below:

<b>Balance Sheet</b>	<b>Internet Tower Disposal</b>	<b>Development Levies</b>	<b>Change</b>	<b>2018 Amount per prior year Financial Statements</b>	<b>Restated 2018 Balance</b>
Trade & Other Receivables	(25,653)		(25,653)	1,125,960	1,100,307
Tangible Capital Assets	(945,755)		(945,755)	92,957,361	92,011,606
Long Term Receivable	538,718		538,718	-	538,718
Accounts Payable		1,439,023	1,439,023	(2,695,900)	(1,256,877)
<b>Income Statement</b>					
Development Levies		(156,200)	(156,200)	(3,726)	(159,926)
<b>Equity</b>					
Equity In Tangible Capital Assets	945,755		945,755	(90,327,793)	(89,382,038)
Restricted Surplus	(513,065)	(1,282,823)	(1,795,888)	(17,211,777)	(19,007,665)
Unrestricted Surplus			-	(449,291)	(449,291)
Total Equity				(107,988,861)	(108,838,994)

**NOTE 19 – COMPARATIVE FIGURES**

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

**NOTE 20 - APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.