PONOKA COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

PONOKA COUNTY
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For the Year ended December 31, 2015

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AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ponoka County, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Rowland, Parker & Associates LLP

Ponoka, Alberta
March 8, 2016

ROWLAND PARKER & ASSOCIATES LLP
Chartered Professional Accountants

* Denotes Professional Corporation

PONOKA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2015

	2015 $	2014 $
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	**13,070,311**	14,973,102
Receivables		
Taxes and grants in place of taxes (Note 3)	**556,196**	420,977
Trade and other receivables (Note 3)	**662,845**	1,326,070
Investments (Note 4)	**1,385**	1,385
	14,290,737	16,721,534
LIABILITIES		
Accounts payable and accrued liabilities	**2,632,457**	1,838,158
Provision for landfill closure and post-closure costs (Note 5)	**214,715**	201,358
Deferred revenue	**-**	501,697
	2,847,172	2,541,213
NET FINANCIAL ASSETS	**11,443,565**	14,180,321
NON-FINANCIAL ASSETS		
Tangible capital assets	**80,033,747**	70,573,075
Inventory for consumption	**2,123,703**	1,777,410
Prepaid expenses	**228,063**	259,594
	82,385,513	72,610,079
ACCUMULATED SURPLUS (Schedule 1, Note 8)	**93,829,078**	86,790,400

Commitments and contingencies - See Notes 12 and 13

PONOKA COUNTY
Consolidated Statement of Operations
For the Year Ended December 31, 2015

	Budget (Unaudited)	**2015**	2014
		$	$
REVENUE			
Net municipal taxes (Schedule 3)	18,738,833	**19,152,171**	19,124,275
User fees and sales of goods	200,820	**191,180**	262,942
Government transfers for operating (Schedule 4)	264,436	**327,209**	361,126
Investment income	153,000	**226,786**	205,726
Penalties and costs of taxes	131,000	**189,102**	147,746
Rentals	50,000	**34,764**	52,070
Development levies	-	**7,947**	1,993
Total Revenue	19,538,089	**20,129,159**	20,155,878
EXPENSES			
Legislative	326,000	**313,743**	283,044
Administration	1,716,260	**2,229,949**	1,526,965
Fire	275,000	**404,869**	370,207
Bylaws enforcement	371,500	**326,303**	218,729
Roads, streets, walks, lighting	7,526,500	**7,082,657**	8,523,012
Wastewater treatment and disposal	10,000	**2,942**	-
Airport	7,500	**3,832**	3,378
Waste management	693,500	**787,509**	678,573
Water supply and distribution	125,000	**117,249**	124,193
Family and community support	65,000	**57,867**	60,760
Cemeteries	6,000	**6,000**	6,000
Land use planning	105,000	**81,631**	385,216
Agricultural development	938,164	**714,828**	819,102
Parks and recreation	1,390,000	**1,678,818**	2,142,072
Libraries	160,000	**145,457**	143,620
Amortization	12,914,500	**3,031,182**	3,011,033
Loss on disposal of assets	-	**355,548**	273,139
Total Expenses	26,629,924	**17,340,384**	18,569,043
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(7,091,835)	**2,788,775**	1,586,835
OTHER			
Government transfers for capital (Schedule 4)	3,089,558	**4,249,903**	3,266,562
EXCESS OF REVENUE OVER EXPENSES	(4,002,277)	**7,038,678**	4,853,397
ACCUMULATED SURPLUS, BEGINNING OF YEAR	86,790,400	**86,790,400**	81,937,003
ACCUMULATED SURPLUS, END OF YEAR	82,788,123	**93,829,078**	86,790,400

PONOKA COUNTY
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2015

	Budget (Unaudited)	2015	2014
	$	$	$
EXCESS OF REVENUES OVER EXPENSES	(4,002,277)	7,038,678	4,853,397
Acquisition of tangible capital assets	(12,914,500)	(14,383,075)	(5,169,982)
Proceeds on disposal of tangible capital assets	-	1,535,673	1,305,549
Amortization of tangible capital assets	12,914,500	3,031,182	3,011,033
Loss on sale of tangible capital assets	-	355,548	273,139
	-	(9,460,672)	(580,261)
Increase in net assets before change in inventories and prepaid expenses	(4,002,277)	(2,421,994)	4,273,136
Net use (acquisition) of supplies inventories	-	(346,292)	12,119
Net use (acquisition) of prepaid expenses	-	31,530	(39,645)
	-	**(314,762)**	(27,526)
INCREASE IN NET ASSETS	(4,002,277)	(2,736,756)	4,245,610
NET FINANCIAL ASSETS, BEGINNING OF YEAR	14,180,321	14,180,321	9,934,711
NET FINANCIAL ASSETS, END OF YEAR	10,178,044	**11,443,565**	14,180,321

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

	2015 $	2014 $
OPERATING		
Excess of revenues over expenses	**7,038,678**	4,853,397
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	**3,031,182**	3,011,033
Loss on disposal of tangible capital assets	**355,548**	273,139
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	**(135,220)**	(55,740)
Decrease (increase) in trade and other receivables	**670,683**	(746,537)
Decrease (increase) in inventory for consumption	**(346,292)**	12,120
Decrease (increase) in prepaid expenses	**31,531**	(39,644)
Increase (decrease) in accounts payable and accrued liabilities	**786,841**	(266,296)
Increase (decrease) in deferred revenue	**(501,697)**	501,697
Increase (decrease) in landfill closure and post-closure costs	**13,357**	13,357
Cash provided by operating transactions	**10,944,611**	7,556,526
CAPITAL		
Acquisition of tangible capital assets	**(14,383,075)**	(5,169,982)
Sale of tangible capital assets	**1,535,673**	1,305,549
Cash applied to capital transactions	**(12,847,402)**	(3,864,433)
INVESTING		
Increase in restricted cash or cash equivalents	**(7,950)**	(1,993)
Increase in investments	**-**	2,574
Cash provide by (applied to) investing transactions	**(7,950)**	581
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	**(1,910,741)**	3,692,674
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**14,861,673**	11,168,999
CASH AND CASH EQUIVALENTS, END OF YEAR	**12,950,932**	14,861,673
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	**13,070,311**	14,973,102
Less: restricted portion of cash and temporary investments (Note 2)	**(119,379)**	(111,429)
	12,950,932	14,861,673

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	**2015** **$**	2014 $
BALANCE, BEGINNING OF YEAR	455,941	15,761,384	70,573,075	**86,790,400**	81,937,003
Excess (deficiency) of revenues over expenses	7,038,678	-	-	**7,038,678**	4,853,397
Transfer from restrictes surplus to unrestricted surplus	2,421,994	(2,421,994)	-	-	-
Current year funds used for tangible capital assets	(14,383,075)	-	14,383,075	-	-
Disposal of tangible capital assets	1,891,221	-	(1,891,221)	-	-
Annual amortization expense	3,031,182	-	(3,031,182)	-	-
Change in accumulated surplus	-	(2,421,994)	9,460,672	**7,038,678**	4,853,397
BALANCE, END OF YEAR	455,941	13,339,390	80,033,747	**93,829,078**	86,790,400

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

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	**2015** $	2014 $
COST:							
BALANCE, BEGINNING OF YEAR	2,070,457	4,220,759	83,813,843	10,182,548	2,784,557	**103,072,164**	99,807,286
Acquisition of tangible capital assets	82,963	818,648	10,999,711	2,274,488	207,265	**14,383,075**	5,169,982
Disposal of tangible capital assets	(310,000)	-	-	(1,777,995)	(323,830)	**(2,411,825)**	(1,905,101)
BALANCE, END OF YEAR	1,843,420	5,039,407	94,813,554	10,679,041	2,667,992	**115,043,414**	103,072,167
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,122,082	27,705,887	1,542,143	2,128,979	**32,499,091**	29,814,475
Annual amortization	-	85,836	2,375,479	404,763	165,104	**3,031,182**	3,011,033
Accumulated amortization on disposals	-	-	-	(273,140)	(247,466)	**(520,606)**	(326,416)
BALANCE, END OF YEAR	-	1,207,918	30,081,366	1,673,766	2,046,617	**35,009,667**	32,499,092
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,843,420	3,831,489	64,732,188	9,005,275	621,375	**80,033,747**	70,573,075
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,070,457	3,098,704	56,107,916	8,640,415	655,583	**70,573,075**	

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PONOKA COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2015
Schedule 3

	Budget Unaudited $	2015 $	2014 $
TAXATION			
Real property taxes	12,459,045	**12,519,580**	12,023,507
Linear property taxes	13,110,552	**13,175,408**	12,748,196
Special assessments and local improvement taxes	205,000	**602,244**	1,306,904
Business taxes	190,000	**225,021**	265,943
Government grants in place of property taxes		**1,099**	1,105
	25,964,597	**26,523,352**	26,345,655
REQUISITIONS			
Alberta School Foundation Fund	6,915,764	**7,066,392**	6,915,745
Rimoka Foundation	310,000	**304,789**	305,635
	7,225,764	**7,371,181**	7,221,380
NET MUNICIPAL TAXES	18,738,833	**19,152,171**	19,124,275

PONOKA COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2015
Schedule 4

	Budget (Unaudited)	2015 $	2014 $
TRANSFERS FOR OPERATING:			
Provincial Government	264,436	**327,209**	361,126
TRANSFERS FOR CAPITAL:			
Provincial Government	3,089,558	**4,249,903**	3,266,562
TOTAL GOVERNMENT TRANSFERS	3,353,994	**4,577,112**	3,627,688

PONOKA COUNTY
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2015
Schedule 5

	Budget (Unaudited)	**2015**	2014
	$	$	$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	4,592,064	4,743,772	4,506,792
Contracted and general services	3,492,110	3,281,130	4,056,743
Materials, goods and utilities	3,713,750	3,229,877	3,977,500
Provison for allowances	-	550,773	-
Purchases from other governments	768,500	727,794	859,370
Transfers to local boards and agencies	249,000	227,324	228,380
Bank charges and short-term interest	-	586	434
Transfers to individuals and organizations	900,000	1,192,398	1,655,652
Amortization of tangible capital assets	12,914,500	3,031,182	3,011,033
Loss on disposal of tangible capital assets	-	355,548	273,139
	26,629,924	**17,340,384**	18,569,043

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

	General Government $	Protective Services $	Transportation Services $	Planning & Development $	Recreation & Culture $	Environmental Services $	**Total $**
REVENUE							
Net municipal taxes	19,152,171	-	-	-	-	-	**19,152,171**
Government transfers	9,000	-	4,384,753	-	-	183,359	**4,577,112**
User fees and sales of goods	21,588	-	83,000	-	-	82,662	**187,250**
Investment income	226,786	-	-	-	-	-	**226,786**
Penalties and fines	177,685	11,419	-	-	-	-	**189,104**
Other revenues	2,083	1,845	34,764	7,947	-	-	**46,639**
	19,589,313	13,264	4,502,517	7,947	-	266,021	**24,379,062**
EXPENSES							
Contract & general services	555,793	66,945	2,214,514	71,807	-	399,743	**3,308,802**
Salaries & wages	1,334,344	140,150	2,400,264	-	-	838,857	**4,713,615**
Goods & supplies	102,197	291,074	2,609,479	9,825	-	218,328	**3,230,903**
Transfers to local boards	-	-	-	-	227,324	-	**227,324**
Other expenses	555,190	233,002	290,781	-	1,684,818	64,767	**2,828,558**
	2,547,524	731,171	7,515,038	81,632	1,912,142	1,521,695	**14,309,202**
NET REVENUE, BEFORE AMORTIZATION	17,041,789	(717,907)	(3,012,521)	(73,685)	(1,912,142)	(1,255,674)	**10,069,860**
Amortization expense	(101,085)	(65,427)	(2,827,819)	(36,851)	-	-	**(3,031,182)**
NET REVENUE	16,940,704	(783,334)	(5,840,340)	(110,536)	(1,912,142)	(1,255,674)	**7,038,678**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Ponoka County are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the county are as follows:

a. Reporting Entity

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

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b. Basis of Accounting

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

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

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

c. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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

d. Investments

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

e. Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

f. Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

g. Landfill Closure and Post-Closure Liability

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

h. Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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

i. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

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

	Years
Buildings	20-50
Engineered structures	
Roads	40
Bridges	30
Machinery and equipment	10-20
Vehicles	5-10

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

ii. Contributions of Tangible Capital Assets

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

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

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

NOTE 2 - CASH AND TEMPORARY INVESTMENTS

	2015	2014
	$	$
Cash	**3,070,311**	2,967,480
Temporary investments	**10,000,000**	12,005,622
	13,070,311	14,973,102

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 $119,379 (2014 - $111,429).

Temporary investments are short term deposits with original maturities of one year or less. The investments have effective interest rates of 1.50% (2014 - 1.56% to 1.82%).

NOTE 3 - RECEIVABLES

	2015 $	2014 $
Property taxes		
Current taxes and grants in place of taxes	**911,371**	372,282
Arrears	**219,825**	123,695
Allowance for doubtful accounts	**(575,000)**	(75,000)
	556,196	420,977
Other		
Requisition under-levy	**-**	6,030
Trade accounts	**647,292**	1,275,141
GST	**66,327**	44,899
Allowance for doubtful accounts	**(50,774)**	-
	662,845	1,326,070
	1,219,041	1,747,047

NOTE 4 - INVESTMENTS

	2015 $	2014 $
AAMDC deferred patronage account	**1,385**	1,385

NOTE 5 - LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

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

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 850,000 million cubic metres. The estimated remaining capacity of the landfill site is 655,714 (2014 – 667,857) 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.

	2015	2014
	$	$
Estimated closure costs	**17,354**	17,354
Estimated post-closure costs	**917,649**	917,649
Estimated total liability	**935,003**	935,003
Estimated capacity remaining	**77.04%**	78.46%
Portion of total liability remaining to be recognized	**720,288**	733,645
Estimated capacity used	**22.96%**	21.54%
Accrued liability portion	**214,715**	201,358

NOTE 6 - DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for Ponoka County be disclosed as follows:

	2015	2014
	$	$
Total debt limit	**36,568,593**	35,133,660
Total debt (Note 13 (c) and Note 13 (d))	**(2,764,534)**	(710,568)
Amount of debt limit unused	**33,804,059**	34,423,092
Debt servicing limit	**6,094,766**	**5,855,610**
Debt servicing	**-**	-
Amount of debt servicing limit unused	**6,094,766**	5,855,610

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs.

These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

NOTE 7 - EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
	$	$
Tangible capital assets (Schedule 2)	**115,043,414**	103,072,167
Accumulated amortization (Schedule 2)	**(35,009,667)**	(32,499,092)
	80,033,747	70,573,075

NOTE 8 - ACCUMULATED SURPLUS

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

	2015	2014
	$	$
Unrestricted surplus	**455,941**	455,941
Restricted surplus		
Land reserve payments	**119,379**	111,429
Road reserve	**13,220,011**	15,649,955
Equity in tangible capital assets	**80,033,747**	70,573,075
	93,829,078	86,790,400

NOTE 9 - SEGMENTED DISCLOSURE

Ponoka County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

NOTE 10 - SALARY AND BENEFITS DISCLOSURE

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

	2015 $			2014 $
	Salary (1)	Benefits & Allowances (2)	**Total**	Total
Councillors				
Division 1	31,000	4,697	**35,697**	34,463
Division 2	31,200	4,697	**35,897**	34,763
Division 3	32,100	4,697	**36,797**	34,763
Division 4	39,160	4,697	**43,857**	39,103
Division 5	32,000	4,697	**36,697**	35,063
Total	165,460	23,484	**188,944**	178,155
County administrator (3)	180,250	28,164	**208,414**	202,456

(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.

NOTE 11 - LOCAL AUTHORITIES PENSION PLAN

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The county is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2015 were $186,412 (2014 - $247,520). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2015 were $171,934 (2014 - $228,355).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of $ 2.45 billion.

NOTE 12 - COMMITMENTS

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

a. Gravel royalty contact requiring annual payments of $30,000 until 2022.

b. Internet tower and equipment contract giving Corridor Communications Inc. the option to purchase the towers and equipment for $570,072 three years after the completion of the construction process. The construction was completed during 2011. The option to purchase has not been exercised, but the County is currently in the process of extending the option to purchase. It is anticipated that the purchase of the towers will be finalized in 2016.

c. An agreement to pay for one-third of the cost of a school Resource Officer for a three year term in exchange for the land in which the Crestomere public works shop was constructed. The agreement was effective September 1, 2013.

d. A three year agreement to fund an enhanced police man position for the Rimbey RCMP was entered into effective September 1, 2012. The annual cost to the county is $135,000 per year.

NOTE 13 - CONTINGENCIES

a. Genesis Reciprocal Insurance Exchange

The county is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of membership, the county could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

b. Legal Claim Outstanding

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

c. Guarantee of Operating Line of Credit

The municipality has guaranteed an operating line of credit for the Ponoka Agriculture Events Centre Society (PAECS) in the amount of $1.8 million. At December 31, 2015, $964,534 (2014 - $710,568) had been drawn down. The operating line of credit carries a number of debt covenants in which the PAECS must be in compliance with at the balance sheet date. This debt is due on demand. The operations of the PAECS and its adherence to the debt covenants are closely monitored and no losses on loan guarantees have been recognized.

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

d. Guarantee of Operating Line of Credit

The municipality has guaranteed an operating line of credit for Rimbey Agricultural Society in the amount of $1.8 million. At December 31, 2015, the operating line of credit had been drawn down beyond the $1.8 million guarantee (2014 - $0). The operating line of credit carries a number of debt covenants in which the Rimbey Agricultural Society must be in compliance with at the balance sheet date. This debt is due on demand. Rimbey Agricultural Society was formed for the construction and operation of an agricultural events centre located in the town of Rimbey, Alberta.

NOTE 14 - SUBSEQUENT EVENTS

1. Purchase of Land and Building

On February 17, 2016 the Ponoka County signed an offer to Purchase Agreement, which would see the County purchase land and building in the Town of Ponoka for $550,000. The property will be used for the newly developed Regional Fire Department. This offer was accepted February 18, 2016.

NOTE 15 - FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities. It is management's opinion that the county is not exposed to any significant interest or currency risks arising from these financial instruments.

The county is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfil their obligations. The recent downturn in the oil and gas industry has significantly increased the credit risk arising from tax assessments levied on businesses operating within this sector.

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

NOTE 16 - APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.