

PONOKA COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

PONOKA COUNTY
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For the Year ended December 31, 2018

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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, 2018, 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, 2018 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.

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

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:

- 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.



Ponoka, Alberta
March 15, 2019

ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

PONOKA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	20,583,375	15,316,173
Receivables		
Taxes and grants in place of taxes (Note 3)	817,223	354,761
Trade and other receivables (Note 3)	1,125,960	2,542,312
Investments (Note 4)	1,385	1,385
	22,527,943	18,214,631
LIABILITIES		
Accounts payable and accrued liabilities	2,695,898	2,024,206
Deferred revenue	115,000	-
Other current liabilities (Note 5)	300,000	-
Provision for landfill closure and post-closure costs (Note 6)	254,787	241,429
	3,365,685	2,265,635
NET FINANCIAL ASSETS	19,162,258	15,948,996
NON-FINANCIAL ASSETS		
Tangible capital assets	92,957,360	90,327,793
Inventory for consumption	1,823,061	1,425,209
Prepaid expenses	320,828	286,863
	95,101,249	92,039,865
ACCUMULATED SURPLUS (Schedule 1, Note 9)	114,263,507	107,988,861

Commitments and contingencies - See Notes 13 and 14

PONOKA COUNTY
Consolidated Statement of Operations
For the Year Ended December 31, 2018

	Budget (Unaudited)	2018 \$	2017 \$
REVENUE			
Net municipal taxes (Schedule 3)	18,920,227	19,135,274	19,333,584
User fees and sales of goods	753,200	1,130,277	816,117
Government transfers for operating (Schedule 4)	300,000	304,570	298,546
Investment income	193,000	407,172	251,856
Penalties and costs of taxes	205,200	282,839	206,408
Rentals	32,500	40,456	32,492
Development levies	-	3,726	2,489
Total Revenue	20,404,127	21,304,314	20,941,492
EXPENSES			
Legislative	345,500	327,025	305,503
Administration	1,940,748	2,462,902	2,049,806
Fire	979,700	949,717	810,529
Bylaws enforcement	563,964	202,918	313,548
Roads, streets, walks, lighting	8,508,888	8,255,102	7,829,614
Wastewater treatment and disposal	10,000	875	3,012
Airport	5,000	-	4,515
Waste management	995,203	951,022	898,331
Other environmental use and protection	-	558,545	-
Water supply and distribution	100,000	88,080	95,319
Family and community support	70,000	67,445	67,445
Cemeteries	6,000	6,000	6,000
Land use planning	62,000	169,212	90,495
Agricultural development	1,020,690	741,238	853,812
Parks and recreation	1,571,210	1,288,308	828,480
Libraries	180,000	188,606	162,982
Amortization	7,360,224	3,879,330	3,612,827
Loss on disposal of assets	-	175,894	307,976
Total Expenses	23,719,127	20,312,219	18,240,194
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(3,315,000)	992,095	2,701,298
OTHER			
Government transfers for capital (Schedule 4)	3,315,000	5,282,551	6,815,078
EXCESS OF REVENUE OVER EXPENSES	-	6,274,646	9,516,376
ACCUMULATED SURPLUS, BEGINNING OF YEAR	98,472,485	107,988,861	98,472,485
ACCUMULATED SURPLUS, END OF YEAR	98,472,485	114,263,507	107,988,861

PONOKA COUNTY
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	-	6,274,646	9,516,376
Acquisition of tangible capital assets	(9,050,224)	(8,345,936)	(10,957,653)
Proceeds on disposal of tangible capital assets	1,690,000	1,661,145	1,189,503
Amortization of tangible capital assets	7,360,224	3,879,330	3,612,827
Loss on sale of tangible capital assets	-	175,894	307,976
	-	(2,629,567)	(5,847,347)
Increase in net assets before change in inventories and prepaid expenses	-	3,645,079	3,669,029
Net use (acquisition) of supplies inventories	-	(397,852)	351,430
Net use (acquisition) of prepaid expenses	-	(33,965)	(26,173)
	-	(431,817)	325,257
INCREASE IN NET ASSETS	-	3,213,262	3,994,286
NET FINANCIAL ASSETS, BEGINNING OF YEAR	15,948,996	15,948,996	11,954,710
NET FINANCIAL ASSETS, END OF YEAR	15,948,996	19,162,258	15,948,996

PONOKA COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
	\$	\$
OPERATING		
Excess of revenues over expenses	6,274,646	9,516,376
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,879,330	3,612,827
Loss on disposal of tangible capital assets	175,894	307,976
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(462,462)	125,940
Decrease (increase) in trade and other receivables	1,416,352	(1,871,728)
Decrease (increase) in inventory for consumption	(397,852)	351,430
Decrease (increase) in prepaid expenses	(33,965)	(26,173)
Increase (decrease) in accounts payable and accrued liabilities	671,693	299,097
Increase (decrease) in other current liabilities	300,000	
Increase (decrease) in deferred revenue	115,000	(300,000)
Increase (decrease) in landfill closure and post-closure costs	13,357	13,357
Cash provided by operating transactions	11,951,993	12,029,102
CAPITAL		
Acquisition of tangible capital assets	(8,345,936)	(10,957,653)
Sale of tangible capital assets	1,661,145	1,189,503
Cash applied to capital transactions	(6,684,791)	(9,768,150)
INVESTING		
Increase in restricted cash or cash equivalents	(3,726)	(2,489)
Increase in investments	-	-
Cash provide by (applied to) investing transactions	(3,726)	(2,489)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	5,263,476	2,258,463
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,187,655	12,929,192
CASH AND CASH EQUIVALENTS, END OF YEAR	20,451,131	15,187,655
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	20,583,375	15,316,173
Less: restricted portion of cash and temporary investments (Note 2)	(132,244)	(128,518)
	20,451,131	15,187,655

PONOKA COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2018
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018 \$	2017 \$
BALANCE, BEGINNING OF YEAR	449,291	17,211,777	90,327,793	107,988,861	98,472,485
Excess (deficiency) of revenues over expenses	6,274,646	-	-	6,274,646	9,516,376
Transfer from restricted surplus to unrestricted surplus	(3,645,079)	3,645,079	-	-	-
Current year funds used for tangible capital assets	(8,345,936)	-	8,345,936	-	-
Disposal of tangible capital assets	1,837,039	-	(1,837,039)	-	-
Annual amortization expense	3,879,330	-	(3,879,330)	-	-
Change in accumulated surplus	-	3,645,079	2,629,567	6,274,646	9,516,376
BALANCE, END OF YEAR	449,291	20,856,856	92,957,360	114,263,507	107,988,861

PONOKA COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018 \$	2017 \$
COST:							
BALANCE, BEGINNING OF YEAR	1,993,420	5,560,345	108,719,914	12,530,316	2,865,336	131,669,331	122,663,448
Acquisition of tangible capital assets	-	572,820	3,958,308	3,790,308	24,500	8,345,936	10,957,653
Disposal of tangible capital assets	-	-	(28,503)	(2,160,192)	(18,704)	(2,207,399)	(1,951,770)
BALANCE, END OF YEAR	1,993,420	6,133,165	112,649,719	14,160,432	2,871,132	137,807,868	131,669,331
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,422,755	35,526,994	2,208,065	2,183,724	41,341,538	38,183,003
Annual amortization	-	112,628	3,005,565	570,930	190,207	3,879,330	3,612,827
Accumulated amortization on disposals	-	-	-	(351,656)	(18,704)	(370,360)	(454,292)
BALANCE, END OF YEAR	-	1,535,383	38,532,559	2,427,339	2,355,227	44,850,508	41,341,538
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,993,420	4,597,782	74,117,160	11,733,093	515,905	92,957,360	90,327,793
 2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,993,420	4,137,590	73,192,920	10,322,251	681,612	90,327,793	

PONOKA COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2018
Schedule 3

	Budget Unaudited \$	2018 \$	2017 \$
TAXATION			
Real property taxes	14,809,198	14,728,164	14,348,930
Linear property taxes	11,635,798	11,657,043	12,063,612
Special assessments and local improvement taxes	253,500	386,613	479,740
Business taxes	150,000	246,531	364,329
Government grants in place of property taxes	-	1,121	1,147
	<u>26,848,496</u>	<u>27,019,472</u>	<u>27,257,758</u>
REQUISITIONS			
Alberta School Foundation Fund	7,618,269	7,557,860	7,618,269
Rimoka Foundation	310,000	308,338	305,905
	<u>7,928,269</u>	<u>7,866,198</u>	<u>7,924,174</u>
NET MUNICIPAL TAXES	<u>18,920,227</u>	<u>19,153,274</u>	<u>19,333,584</u>

PONOKA COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2018
Schedule 4

	Budget (Unaudited)	2018 \$	2017 \$
TRANSFERS FOR OPERATING:			
Provincial Government	300,000	304,570	298,546
TRANSFERS FOR CAPITAL:			
Provincial Government	3,315,000	5,282,551	6,815,078
TOTAL GOVERNMENT TRANSFERS	3,615,000	5,587,121	7,113,624

PONOKA COUNTY
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2018
Schedule 5

	Budget (Unaudited)	2018	2017
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	5,867,802	5,457,634	5,325,045
Contracted and general services	3,840,641	5,392,509	4,211,539
Materials, goods and utilities	4,472,250	3,396,546	3,200,540
Provison for allowances	300,000	421,670	468,803
Purchases from other governments	562,710	551,656	562,070
Transfers to local boards and agencies	274,000	280,051	254,427
Bank charges and short-term interest	2,000	332	197
Transfers to individuals and organizations	1,039,500	756,597	296,770
Amortization of tangible capital assets	7,360,224	3,879,330	3,612,827
Loss on disposal of tangible capital assets	-	175,894	307,976
	<u>23,719,127</u>	<u>20,312,219</u>	<u>18,240,194</u>

PONOKA COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2018
Schedule 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
REVENUE							
Net municipal taxes	19,135,275	-	-	-	-	-	19,135,275
Government transfers	-	-	5,311,366	92,396	-	183,359	5,587,121
User fees and sales of goods	110,549	451,415	289,146	-	-	279,168	1,130,278
Investment income	407,172	-	-	-	-	-	407,172
Penalties and fines	274,345	8,494	-	-	-	-	282,839
Other revenues	-	-	40,456	3,726	-	-	44,182
	19,927,341	459,909	5,640,968	96,122	-	462,527	26,586,867
EXPENSES							
Contract & general services	1,448,214	180,756	3,086,994	168,771	-	507,774	5,392,509
Salaries & wages	1,395,042	640,838	2,528,346	-	-	893,408	5,457,634
Goods & supplies	83,214	317,094	2,780,070	440	-	215,728	3,396,546
Transfers to local boards	-	-	-	-	280,051	-	280,051
Other expenses	422,002	13,946	-	-	1,470,203	-	1,906,151
	3,348,472	1,152,634	8,395,410	169,211	1,750,254	1,616,910	16,432,891
NET REVENUE, BEFORE AMORTIZATION	16,578,869	(692,725)	(2,754,442)	(73,089)	(1,750,254)	(1,154,383)	10,153,976
Amortization expense	(119,622)	(185,176)	(3,524,638)	(49,894)	-	-	(3,879,330)
NET REVENUE	16,459,247	(877,901)	(6,279,080)	(122,983)	(1,750,254)	(1,154,383)	6,274,646

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

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

b. Basis of Accounting

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

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

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

c. Use of Estimates

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

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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

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.

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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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

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.

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:

	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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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

ii. Contributions of Tangible Capital Assets

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

I. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). This section is effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

Section PS 3210 – Assets

This new section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 — Contingent Assets

This new section defines and establishes disclosure standards on contingent assets.

Section PS 3380 - Contractual Rights

This new section defines and establishes disclosure standards on contractual rights.

Section PS 2200 — Related Party Disclosure

This new section defines a related party and establishes disclosures required for related party transactions.

Section PS 3420 — Inter-entity Transactions

This new section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and a recipient perspective.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

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

m. 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 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

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, 2018

NOTE 2 - CASH AND TEMPORARY INVESTMENTS

	2018	2017
	\$	\$
Cash	5,583,375	5,316,173
Temporary investments	15,000,000	10,000,000
	20,583,375	15,316,173

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 \$132,244 (2017 - \$128,518).

Temporary investments are short term deposits with original maturities of one year or less. The investments have effective interest rates of 2.02% to 2.49% (2017 - 1.58% to 1.90%).

NOTE 3 - RECEIVABLES

	2018	2017
	\$	\$
Property taxes		
Current taxes and grants in place of taxes	1,062,657	589,416
Arrears	474,566	205,345
Allowance for doubtful accounts	(720,000)	(440,000)
	817,223	354,761
Other		
Requisition under-levy	-	77,180
Trade accounts	1,123,375	2,356,737
GST	53,359	159,169
Allowance for doubtful accounts	(50,774)	(50,774)
	1,125,960	2,542,312
	1,943,183	2,897,073

NOTE 4 - INVESTMENTS

	2018	2017
	\$	\$
RMA deferred patronage account	1,385	1,385

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – Other Current Liabilities

Other Current Liabilities Consist of:

	2018	2017
Contaminated sites liability	300,000	-
	\$ 300,000	-

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.

During the 2018 fiscal period the County determined that there would be remediation costs associated with the land were a tire recycling service was being provided. The County recognize an estimated liability of \$300,000 for remediation of the land for the clean-up of contaminants related to the tire recycling. The liability for remediation has been setup and administration has budgeted for the associated costs.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 6 - LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

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

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 850,000 million cubic metres. The estimated remaining capacity of the landfill site is 619,285 (2017 – 631,428) 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.

	2018	2017
	\$	\$
Estimated closure costs	<u>17,354</u>	17,354
Estimated post-closure costs	<u>917,649</u>	917,649
Estimated total liability	<u><u>935,003</u></u>	935,003
Estimated capacity remaining	<u>72.75%</u>	74.18%
Portion of total liability remaining to be recognized	<u><u>680,216</u></u>	693,574
Estimated capacity used	<u>27.25%</u>	25.82%
Accrued liability portion	<u><u>254,787</u></u>	241,429

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 7 - DEBT LIMITS

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

	2018	2017
	\$	\$
Total debt limit	39,880,299	41,634,855
Total debt (Note 14 (a) and Note 14 (b))	(2,686,069)	(2,619,242)
Amount of debt limit unused	37,194,230	39,015,613
Debt servicing limit	6,646,717	6,939,143
Debt servicing	-	-
Amount of debt servicing limit unused	6,646,717	6,939,143

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

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

NOTE 8 - EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
	\$	\$
Tangible capital assets (Schedule 2)	137,807,868	131,669,331
Accumulated amortization (Schedule 2)	(44,850,508)	(41,341,538)
	92,957,360	90,327,793

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - ACCUMULATED SURPLUS

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

	2018	2017
	\$	\$
Unrestricted surplus	449,291	449,291
Restricted surplus		
Land reserve payments	132,244	128,518
Road reserve	20,304,612	16,843,259
Fire reserve	420,000	240,000
Equity in tangible capital assets	92,957,360	90,327,793
	114,263,507	107,988,861

NOTE 10 - SEGMENTED DISCLOSURE

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

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

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 11 - 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:

	2018		2017	
	\$		\$	
	Benefits & Allowances			
	Salary (1)	(2)	Total	Total
Councillors				
Division 1	34,657	5,446	40,103	36,348
Division 2	34,987	5,446	40,433	37,738
Division 3	34,301	5,446	39,747	36,418
Division 4	39,165	5,446	44,611	42,258
Division 5	36,211	5,446	41,657	36,728
Total	179,321	27,230	206,551	189,490
County administrator (3)	189,250	27,679	216,929	214,448

- (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, 2018

NOTE 12 - 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2018 were \$139,134 (2017 - \$166,911). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2018 were \$127,691 (2017 - \$154,082).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$ 4.84 billion.

NOTE 13 - COMMITMENTS

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

- a. Gravel royalty contact requiring annual payments of \$30,000 until 2022.
- b. Internet tower and equipment contract giving Corridor Communications Inc. the option to purchase the towers and equipment for \$570,072 three years after the completion of the construction process. The construction was completed during 2011. The option to purchase the towers has been exercised and was finalized in 2016. The first payment on the option was made in 2017 for \$29,929 and will continue until 2026.
- c. Internet tower and equipment contract giving Missing Link Internet Inc. the option to purchase the towers and equipment for \$174,000 three years after the construction is completed. The construction was completed during 2016. The option to purchase the towers can be exercised in 2019.
- d. Tire recycling equipment and advance contract with National Tire Recycling Group Inc. to purchase equipment and pay back the advance of \$700,000 two years after operations have commenced. The contract was signed in December 2018 with the first payment on the contract to be made in 2020. Subsequent to year end the contract was revised to advance a total of \$1,000,000.
- e. An agreement to pay for one-third of the cost of a school Resource Officer for a three-year term in exchange for the land in which the Mecca Glen public works shop was constructed. The agreement was effective September 1, 2016 with quarterly payments of approximately \$40,000.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 14 - CONTINGENCIES

a. Guarantee of 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, 2018, \$886,069 (2017 - \$819,242) 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.

b. Guarantee of 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, 2018, the operating line of credit had been drawn down beyond the \$1.8 million guarantee (2017 - \$1.8 million). The operating line of credit carries a number of debt covenants in which the Rimbey Agricultural Society must be in compliance with at the balance sheet date. This debt is due on demand. Rimbey Agricultural Society was formed for the construction and operation of an agricultural events centre located in the town of Rimbey, Alberta.

NOTE 15 - 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 16 - APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.