

PONOKA COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

PONOKA COUNTY
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For the Year ended December 31, 2017

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Rowland, Parker
& Associates LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ponoka County, which comprise the statement of financial position as at December 31, 2017, 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, 2017, the results of its operations, change in its net financial assets (debt) and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

**Ponoka, Alberta
March 13, 2018**


ROWLAND PARKER & ASSOCIATES LLP
Chartered Professional Accountants

PONOKA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	15,316,173	13,055,221
Receivables		
Taxes and grants in place of taxes (Note 3)	354,761	480,701
Trade and other receivables (Note 3)	2,542,312	670,584
Investments (Note 4)	1,385	1,385
	<u>18,214,631</u>	<u>14,207,891</u>
 LIABILITIES		
Accounts payable and accrued liabilities	2,024,206	1,725,109
Provision for landfill closure and post-closure costs (Note 5)	241,429	228,072
Deferred revenue	-	300,000
	<u>2,265,635</u>	<u>2,253,181</u>
 NET FINANCIAL ASSETS	<u>15,948,996</u>	<u>11,954,710</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets	90,327,793	84,480,445
Inventory for consumption	1,425,209	1,776,639
Prepaid expenses	286,863	260,691
	<u>92,039,865</u>	<u>86,517,775</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 8)	<u>107,988,861</u>	<u>98,472,485</u>

Commitments and contingencies - See Notes 12 and 13

PONOKA COUNTY
Consolidated Statement of Operations
For the Year Ended December 31, 2017

	Budget (Unaudited)	2017 \$	2016 \$
REVENUE			
Net municipal taxes (Schedule 3)	19,007,430	19,333,584	18,595,553
User fees and sales of goods	473,405	816,117	669,868
Government transfers for operating (Schedule 4)	265,000	298,546	298,858
Investment income	161,500	251,856	181,736
Penalties and costs of taxes	206,000	206,408	258,963
Rentals	33,000	32,492	33,042
Development levies	-	2,489	6,650
Total Revenue	20,146,335	20,941,492	20,044,670
EXPENSES			
Legislative	339,500	305,503	294,673
Administration	1,730,000	2,049,806	2,212,301
Fire	781,300	810,529	1,067,346
Bylaws enforcement	461,000	313,548	472,712
Roads, streets, walks, lighting	8,564,000	7,829,614	7,985,605
Wastewater treatment and disposal	10,000	3,012	7,433
Airport	5,000	4,515	4,400
Waste management	923,500	898,331	919,938
Water supply and distribution	95,000	95,319	165,697
Family and community support	75,000	67,445	68,052
Cemeteries	6,000	6,000	6,000
Land use planning	72,000	90,495	251,242
Agricultural development	1,009,720	853,812	830,368
Parks and recreation	1,062,000	828,480	674,755
Libraries	160,000	162,982	147,785
Amortization	11,202,315	3,612,827	3,375,101
Loss on disposal of assets	-	307,976	174,712
Total Expenses	26,496,335	18,240,194	18,658,120
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(6,350,000)	2,701,298	1,386,550
OTHER			
Government transfers for capital (Schedule 4)	6,350,000	6,815,078	3,256,857
EXCESS OF REVENUE OVER EXPENSES	-	9,516,376	4,643,407
ACCUMULATED SURPLUS, BEGINNING OF YEAR	98,472,485	98,472,485	93,829,078
ACCUMULATED SURPLUS, END OF YEAR	98,472,485	107,988,861	98,472,485

PONOKA COUNTY
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	-	9,516,376	4,643,407
Acquisition of tangible capital assets	(12,362,315)	(10,957,653)	(8,957,876)
Proceeds on disposal of tangible capital assets	1,160,000	1,189,503	961,365
Amortization of tangible capital assets	11,202,315	3,612,827	3,375,101
Loss on sale of tangible capital assets	-	307,976	174,712
	-	(5,847,347)	(4,446,698)
Increase in net assets before change in inventories and prepaid expenses	-	3,669,029	196,709
Net use (acquisition) of supplies inventories	-	351,430	347,064
Net use (acquisition) of prepaid expenses	-	(26,173)	(32,628)
	-	325,257	314,436
INCREASE IN NET ASSETS	-	3,994,286	511,145
NET FINANCIAL ASSETS, BEGINNING OF YEAR	11,954,710	11,954,710	11,443,565
NET FINANCIAL ASSETS, END OF YEAR	11,954,710	15,948,996	11,954,710

PONOKA COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

	2017 \$	2016 \$
OPERATING		
Excess of revenues over expenses	9,516,376	4,643,407
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,612,827	3,375,099
Loss on disposal of tangible capital assets	307,976	174,712
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	125,940	75,495
Decrease (increase) in trade and other receivables	(1,871,728)	(7,739)
Decrease (increase) in inventory for consumption	351,430	347,065
Decrease (increase) in prepaid expenses	(26,173)	(32,627)
Increase (decrease) in accounts payable and accrued liabilities	299,097	(907,348)
Increase (decrease) in deferred revenue	(300,000)	300,000
Increase (decrease) in landfill closure and post-closure costs	13,357	13,357
Cash provided by operating transactions	<u>12,029,102</u>	<u>7,981,421</u>
CAPITAL		
Acquisition of tangible capital assets	(10,957,653)	(8,957,876)
Sale of tangible capital assets	1,189,503	961,365
Cash applied to capital transactions	<u>(9,768,150)</u>	<u>(7,996,511)</u>
INVESTING		
Increase in restricted cash or cash equivalents	(2,489)	(6,650)
Increase in investments	-	-
Cash provide by (applied to) investing transactions	<u>(2,489)</u>	<u>(6,650)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	2,258,463	(21,740)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,929,192</u>	<u>12,950,932</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>15,187,655</u></u>	<u><u>12,929,192</u></u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	15,316,173	13,055,221
Less: restricted portion of cash and temporary investments (Note 2)	<u>(128,518)</u>	<u>(126,029)</u>
	<u><u>15,187,655</u></u>	<u><u>12,929,192</u></u>

PONOKA COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2017
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017 \$	2016 \$
BALANCE, BEGINNING OF YEAR	449,291	13,542,749	84,480,445	98,472,485	93,829,078
Excess (deficiency) of revenues over expenses	9,516,376	-	-	9,516,376	4,643,407
Transfer from restricted surplus to unrestricted surplus	(3,669,028)	3,669,028	-	-	-
Current year funds used for tangible capital assets	(10,957,653)	-	10,957,653	-	-
Disposal of tangible capital assets	1,497,478	-	(1,497,478)	-	-
Annual amortization expense	3,612,827	-	(3,612,827)	-	-
Change in accumulated surplus	-	3,669,028	5,847,348	9,516,376	4,643,407
BALANCE, END OF YEAR	449,291	17,211,777	90,327,793	107,988,861	98,472,485

PONOKA COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2017
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017 \$	2016 \$
COST:							
BALANCE, BEGINNING OF YEAR	1,993,420	5,560,345	100,912,802	11,528,308	2,668,573	122,663,448	115,043,414
Acquisition of tangible capital assets	-	-	7,835,615	2,803,056	318,982	10,957,653	8,957,876
Disposal of tangible capital assets	-	-	(28,503)	(1,801,048)	(122,219)	(1,951,770)	(1,337,842)
BALANCE, END OF YEAR	1,993,420	5,560,345	108,719,914	12,530,316	2,865,336	131,669,331	122,663,448
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,310,127	32,722,004	2,005,716	2,145,156	38,183,003	35,009,667
Annual amortization	-	112,628	2,804,990	534,421	160,788	3,612,827	3,375,101
Accumulated amortization on disposals	-	-	-	(332,072)	(122,220)	(454,292)	(201,765)
BALANCE, END OF YEAR	-	1,422,755	35,526,994	2,208,065	2,183,724	41,341,538	38,183,003
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,993,420	4,137,590	73,192,920	10,322,251	681,612	90,327,793	84,480,445
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,993,420	4,250,218	68,190,798	9,522,592	523,417	84,480,445	

PONOKA COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2017
Schedule 3

	Budget Unaudited \$	2017 \$	2016 \$
TAXATION			
Real property taxes	13,584,931	14,350,077	12,821,095
Linear property taxes	13,006,982	12,063,612	13,249,605
Special assessments and local improvement taxes	104,000	479,740	155,418
Business taxes	100,000	364,329	156,238
Government grants in place of property taxes	-	-	1,113
	<u>26,795,913</u>	<u>27,257,758</u>	<u>26,383,469</u>
REQUISITIONS			
Alberta School Foundation Fund	7,481,483	7,618,269	7,483,127
Rimoka Foundation	307,000	305,905	304,789
	<u>7,788,483</u>	<u>7,924,174</u>	<u>7,787,916</u>
NET MUNICIPAL TAXES	<u>19,007,430</u>	<u>19,333,584</u>	<u>18,595,553</u>

PONOKA COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2017
Schedule 4

	Budget (Unaudited)	2017 \$	2016 \$
TRANSFERS FOR OPERATING:			
Provincial Government	265,000	298,546	298,858
TRANSFERS FOR CAPITAL:			
Provincial Government	6,350,000	6,815,078	3,256,857
TOTAL GOVERNMENT TRANSFERS	6,615,000	7,113,624	3,555,715

PONOKA COUNTY
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2017
Schedule 5

	Budget (Unaudited)	2017	2016
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	5,596,920	5,325,045	5,194,662
Contracted and general services	4,625,600	4,211,539	4,040,793
Materials, goods and utilities	3,627,000	3,200,540	4,327,720
Provision for allowances	100,000	468,803	595,538
Purchases from other governments	526,000	562,070	518,609
Transfers to local boards and agencies	259,000	254,427	239,838
Bank charges and short-term interest	2,500	197	2,445
Transfers to individuals and organizations	557,000	296,770	188,702
Amortization of tangible capital assets	11,202,315	3,612,827	3,375,101
Loss on disposal of tangible capital assets	-	307,976	174,712
	<u>26,496,335</u>	<u>18,240,194</u>	<u>18,658,120</u>

PONOKA COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2017
Schedule 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
REVENUE							
Net municipal taxes	19,333,584	-	-	-	-	-	19,333,584
Government transfers	-	-	6,930,265	-	-	183,359	7,113,624
User fees and sales of goods	23,328	418,794	322,381	-	-	51,614	816,117
Investment income	251,856	-	-	-	-	-	251,856
Penalties and fines	201,017	5,392	-	-	-	-	206,409
Other revenues	-	-	32,493	2,489	-	-	34,982
	<u>19,809,785</u>	<u>424,186</u>	<u>7,285,139</u>	<u>2,489</u>	<u>-</u>	<u>234,973</u>	<u>27,756,572</u>
EXPENSES							
Contract & general services	461,382	137,779	3,109,315	71,186	-	431,877	4,211,539
Salaries & wages	1,313,604	602,755	2,451,579	-	-	957,107	5,325,045
Goods & supplies	111,324	363,697	2,448,718	19,309	-	257,492	3,200,540
Transfers to local boards	-	-	-	-	254,427	-	254,427
Other expenses	468,999	19,846	-	-	1,146,973	-	1,635,818
	<u>2,355,309</u>	<u>1,124,077</u>	<u>8,009,612</u>	<u>90,495</u>	<u>1,401,400</u>	<u>1,646,476</u>	<u>14,627,369</u>
NET REVENUE, BEFORE AMORTIZATION	<u>17,454,476</u>	<u>(699,891)</u>	<u>(724,473)</u>	<u>(88,006)</u>	<u>(1,401,400)</u>	<u>(1,411,503)</u>	<u>13,129,203</u>
Amortization expense	<u>(109,604)</u>	<u>(149,795)</u>	<u>(3,311,077)</u>	<u>(42,351)</u>	<u>-</u>	<u>-</u>	<u>(3,612,827)</u>
NET REVENUE	<u>17,344,872</u>	<u>(849,686)</u>	<u>(4,035,550)</u>	<u>(130,357)</u>	<u>(1,401,400)</u>	<u>(1,411,503)</u>	<u>9,516,376</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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, 2017

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

d. Investments

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

e. Requisition Over-levy and Under-levy

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

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

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

f. Tax Revenue

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

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

g. Landfill Closure and Post-Closure Liability

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

h. Government Transfers

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

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

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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

i. Non-Financial Assets

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

i. Tangible Capital Assets

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

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

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

ii. Contributions of Tangible Capital Assets

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

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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

	2017	2016
	\$	\$
Cash	5,316,173	5,055,221
Temporary investments	10,000,000	8,000,000
	15,316,173	13,055,221

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 \$128,518 (2016 - \$126,029).

Temporary investments are short term deposits with original maturities of one year or less. The investments have effective interest rates of 1.58% to 1.90% (2016 - 1.37% to 1.58%).

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 3 - RECEIVABLES

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Property taxes		
Current taxes and grants in place of taxes	589,416	487,940
Arrears	205,345	432,761
Allowance for doubtful accounts	(440,000)	(440,000)
	<u>354,761</u>	<u>480,701</u>
Other		
Requisition under-levy	77,180	255,950
Trade accounts	2,356,737	409,426
GST	159,169	55,982
Allowance for doubtful accounts	(50,774)	(50,774)
	<u>2,542,312</u>	<u>670,584</u>
	<u><u>2,897,073</u></u>	<u><u>1,151,285</u></u>

NOTE 4 - INVESTMENTS

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
AAMDC deferred patronage account	<u>1,385</u>	<u>1,385</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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 631,428 (2016 – 643,571) 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.

	2017	2016
	\$	\$
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	74.18%	75.61%
Portion of total liability remaining to be recognized	<u>693,574</u>	<u>706,931</u>
Estimated capacity used	25.82%	24.39%
Accrued liability portion	<u>241,429</u>	<u>228,072</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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:

	2017	2016
	\$	\$
Total debt limit	41,634,855	34,952,292
Total debt (Note 13 (b) and Note 13 (c))	(2,619,242)	(2,660,949)
Amount of debt limit unused	<u>39,015,613</u>	<u>32,291,343</u>
Debt servicing limit	6,939,143	5,825,382
Debt servicing	-	-
Amount of debt servicing limit unused	<u>6,939,143</u>	<u>5,825,382</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 7 - EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
	\$	\$
Tangible capital assets (Schedule 2)	131,669,331	122,663,448
Accumulated amortization (Schedule 2)	(41,341,538)	(38,183,003)
	<u>90,327,793</u>	<u>84,480,445</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 8 - ACCUMULATED SURPLUS

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

	2017 \$	2016 \$
Unrestricted surplus	<u>449,291</u>	449,291
Restricted surplus		
Land reserve payments	128,518	126,029
Road reserve	16,843,259	13,416,720
Fire reserve	240,000	-
Equity in tangible capital assets	<u>90,327,793</u>	<u>84,480,445</u>
	<u>107,988,861</u>	<u>98,472,485</u>

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).

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PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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:

	2017			2016
	\$			\$
	<hr/>			
	Benefits & Allowances			
	Salary (1)	(2)	Total	Total
	<hr/>			
Councillors				
Division 1	31,060	5,288	36,348	35,210
Division 2	32,450	5,288	37,738	37,210
Division 3	31,130	5,288	36,418	36,610
Division 4	36,970	5,288	42,258	41,910
Division 5	31,440	5,288	36,728	35,910
Total	163,050	26,440	189,490	186,850
	<hr/>			
County administrator (3)	185,250	29,198	214,448	212,258

- (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, 2017

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 2017 were \$166,911 (2016 - \$179,277). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2017 were \$154,082 (2016 - \$165,428).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$ 637 million.

NOTE 12 - COMMITMENTS

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

- a. Gravel royalty contract 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. 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.
- e. An agreement was entered with Rocky Mountain Phoenix for the construction of a Rosenbauer Rural Pumper with a Waterous pump for \$426,721. A down payment was made prior to year end for 10% of the purchase price. The remaining balance is due upon completion and delivery, with delivery to occur in 2018.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 13 - 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, 2017, \$819,242 (2016 - \$860,949) 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, 2017, the operating line of credit had been drawn down beyond the \$1.8 million guarantee (2016 - \$1.8 million). The operating line of credit carries a number of debt covenants in which the Rimbey Agricultural Society must be in compliance with at the balance sheet date. This debt is due on demand. Rimbey Agricultural Society was formed for the construction and operation of an agricultural events centre located in the town of Rimbey, Alberta.

NOTE 14 – CONTAMINATED SITES LIABILITY

1. The County has adopted PS3260 Liability for Contaminated Sites. The Ponoka County has not identified any financial liabilities in 2017 relating to contaminated sites (2016 – NIL) as a result of this standard.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2017

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 – SUBSEQUENT EVENTS

Subsequent to the fiscal year end, under the terms of an agreement with 1400684 Alberta Ltd., the Ponoka County acquired a parcel of bare land containing gravel reserves for consideration of \$1.8 million. The asset will be recorded at the fair value in the 2018 financial statements.

NOTE 17 - APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.