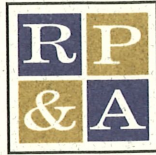


PONOKA COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

PONOKA COUNTY
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For the Year ended December 31, 2014

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Rowland, Parker
& Associates LLP
CHARTERED ACCOUNTANTS

P.O. Box 4008 • Ponoka, Alberta • T4J 1R5

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, 2014, 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, 2014, 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 24, 2015

ROWLAND PARKER & ASSOCIATES LLP
Chartered Accountants

PONOKA COUNTY
Consolidated Statement of Financial Position
As at December 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	14,973,102	11,278,438
Receivables		
Taxes and grants in place of taxes (Note 3)	420,977	365,237
Trade and other receivables (Note 3)	1,326,070	579,533
Investments (Note 4)	1,385	3,959
	<u>16,721,534</u>	<u>12,227,167</u>
 LIABILITIES		
Accounts payable and accrued liabilities	1,838,158	2,104,455
Provision for landfill closure and post-closure costs (Note 5)	201,358	188,001
Deferred revenue (Note 6)	501,697	-
	<u>2,541,213</u>	<u>2,292,456</u>
 NET FINANCIAL ASSETS	 <u>14,180,321</u>	 <u>9,934,711</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets	70,573,075	69,992,811
Inventory for consumption	1,777,410	1,789,530
Prepaid expenses	259,594	219,951
	<u>72,610,079</u>	<u>72,002,292</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 9)	 <u>86,790,400</u>	 <u>81,937,003</u>

Commitments and contingencies - See Notes 13 and 14

PONOKA COUNTY
Consolidated Statement of Operations
For the Year Ended December 31, 2014

	Budget (Unaudited)	2014 \$	2013 \$
REVENUE			
Net municipal taxes (Schedule 3)	18,271,873	19,124,275	17,884,420
User fees and sales of goods	183,620	262,942	280,764
Government transfers for operating (Schedule 4)	281,328	361,126	373,718
Investment income	141,400	205,726	206,162
Penalties and costs of taxes	114,000	147,746	124,277
Rentals	35,000	52,070	35,438
Development levies	-	1,993	9,492
Total Revenue	19,027,221	20,155,878	18,914,271
EXPENSES			
Legislative	328,000	283,044	311,438
Administration	1,528,600	1,526,965	1,453,853
Fire	416,000	370,207	377,955
Bylaws enforcement	291,250	218,729	139,596
Roads, streets, walks, lighting	8,016,000	8,523,012	8,904,347
Wastewater treatment and disposal	10,000	-	-
Airport	7,500	3,378	-
Waste management	693,500	678,573	710,802
Water supply and distribution	125,000	124,193	122,040
Family and community support	65,000	60,760	59,360
Cemeteries	6,000	6,000	6,000
Land use planning	388,500	385,216	86,497
Agricultural development	910,608	819,102	767,711
Parks and recreation	2,117,250	2,142,072	1,461,268
Libraries	152,000	143,620	135,762
Amortization	5,519,500	3,011,033	2,828,359
Loss on disposal of assets	-	273,139	333,723
Total Expenses	20,574,708	18,569,043	17,698,711
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,547,487)	1,586,835	1,215,560
OTHER			
Government transfers for capital (Schedule 4)	3,215,372	3,266,562	3,944,432
EXCESS OF REVENUE OVER EXPENSES	1,667,885	4,853,397	5,159,992
ACCUMULATED SURPLUS, BEGINNING OF YEAR	81,937,003	81,937,003	76,777,011
ACCUMULATED SURPLUS, END OF YEAR	83,604,888	86,790,400	81,937,003

PONOKA COUNTY
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2014

	Budget (Unaudited)	2014	2013
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	1,667,885	4,853,397	5,159,992
Acquisition of tangible capital assets	(5,519,500)	(5,169,982)	(7,702,802)
Proceeds on disposal of tangible capital assets	-	1,305,549	852,684
Amortization of tangible capital assets	5,519,500	3,011,033	2,828,359
Loss on sale of tangible capital assets	-	273,139	334,923
	-	(580,261)	(3,686,836)
Increase in net assets before change in inventories and prepaid expenses	1,667,885	4,273,136	1,473,156
Net use (acquisition) of supplies inventories	-	12,119	312,386
Net use (acquisition) of prepaid expenses	-	(39,645)	(37,623)
	-	(27,526)	274,763
INCREASE IN NET ASSETS	1,667,885	4,245,610	1,747,919
NET FINANCIAL ASSETS, BEGINNING OF YEAR	8,053,239	9,934,711	8,186,792
NET FINANCIAL ASSETS, END OF YEAR	9,721,124	14,180,321	9,934,711

PONOKA COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014

	2014	2013
	\$	\$
OPERATING		
Excess of revenues over expenses	4,853,397	5,159,992
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	3,011,033	2,828,359
Loss on disposal of tangible capital assets	273,139	334,923
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(55,740)	(108,641)
Decrease (increase) in trade and other receivables	(746,537)	515,244
Decrease (increase) in inventory for consumption	12,120	312,386
Decrease (increase) in prepaid expenses	(39,644)	(37,623)
Increase (decrease) in accounts payable and accrued liabilities	(266,296)	885,793
Increase (decrease) in deferred revenue	501,697	-
Increase (decrease) in landfill closure and post-closure costs	13,357	13,357
Cash provided by operating transactions	<u>7,556,526</u>	<u>9,903,790</u>
CAPITAL		
Acquisition of tangible capital assets	(5,169,982)	(7,702,802)
Sale of tangible capital assets	1,305,549	852,684
Cash applied to capital transactions	<u>(3,864,433)</u>	<u>(6,850,118)</u>
INVESTING		
Increase in restricted cash or cash equivalents	(1,993)	(9,492)
Increase in investments	2,574	(1,185)
Cash provide by (applied to) investing transactions	<u>581</u>	<u>(10,677)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	3,692,674	3,042,995
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,168,999	8,126,004
CASH AND CASH EQUIVALENTS, END OF YEAR	14,861,673	11,168,999
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	14,973,102	11,278,438
Less: restricted portion of cash and temporary investments (Note 2)	<u>(111,429)</u>	<u>(109,439)</u>
	14,861,673	11,168,999

PONOKA COUNTY
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2014
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 \$	2013 \$
BALANCE, BEGINNING OF YEAR	455,941	11,488,251	69,992,811	81,937,003	76,777,011
Excess of revenues over expenses	4,853,397	-	-	4,853,397	5,159,992
Unrestricted funds designated for future use	(4,273,133)	4,273,133	-	-	-
Current year funds used for tangible capital assets	(5,169,982)	-	5,169,982	-	-
Disposal of tangible capital assets	1,578,685	-	(1,578,685)	-	-
Annual amortization expense	3,011,033	-	(3,011,033)	-	-
Change in accumulated surplus	-	4,273,133	580,264	4,853,397	5,159,992
BALANCE, END OF YEAR	455,941	15,761,384	70,573,075	86,790,400	81,937,003

PONOKA COUNTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2014
Schedule 2

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2014	2013
						\$	\$
COST:							
BALANCE, BEGINNING OF YEAR	1,694,903	3,977,850	81,228,342	10,055,664	2,850,527	99,807,286	93,487,020
Acquisition of tangible capital assets	375,554	242,909	2,585,500	1,950,133	15,886	5,169,982	7,702,802
Disposal of tangible capital assets	-	-	-	(1,823,245)	(81,856)	(1,905,101)	(1,382,536)
BALANCE, END OF YEAR	2,070,457	4,220,759	83,813,842	10,182,552	2,784,557	103,072,167	99,807,286
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,036,218	25,384,574	1,413,783	1,979,900	29,814,475	27,181,045
Annual amortization	-	85,837	2,321,352	402,968	200,876	3,011,033	2,828,359
Accumulated amortization on disposals	-	-	-	(274,614)	(51,802)	(326,416)	(194,929)
BALANCE, END OF YEAR	-	1,122,055	27,705,926	1,542,137	2,128,974	32,499,092	29,814,475
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,070,457	3,098,704	56,107,916	8,640,415	655,583	70,573,075	69,992,811
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,694,903	2,941,632	55,843,768	8,641,881	870,627	69,992,811	

PONOKA COUNTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2014
Schedule 3

	Budget Unaudited \$	2014 \$	2013 \$
TAXATION			
Real property taxes	11,992,969	12,023,507	11,909,779
Linear property taxes	12,714,649	12,748,196	12,155,217
Special assessments and local improvement taxes	605,000	1,306,904	671,047
Special levies	190,000	265,943	218,473
Government grants in place of property taxes	-	1,105	1,130
	<u>25,502,618</u>	<u>26,345,655</u>	<u>24,955,646</u>
REQUISITIONS			
Alberta School Foundation Fund	6,915,745	6,915,745	6,770,331
Rimoka Foundation	315,000	305,635	300,895
	<u>7,230,745</u>	<u>7,221,380</u>	<u>7,071,226</u>
NET MUNICIPAL TAXES	<u>18,271,873</u>	<u>19,124,275</u>	<u>17,884,420</u>

PONOKA COUNTY
Schedule of Government Transfers
For the Year Ended December 31, 2014
Schedule 4

	Budget (Unaudited)	2014 \$	2013 \$
TRANSFERS FOR OPERATING:			
Provincial Government	281,328	361,126	373,718
TRANSFERS FOR CAPITAL:			
Provincial Government	3,215,372	3,266,562	3,944,432
TOTAL GOVERNMENT TRANSFERS	<u>3,496,700</u>	<u>3,627,688</u>	<u>4,318,150</u>

PONOKA COUNTY
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2014
Schedule 5

	Budget (Unaudited)	2014	2013
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	4,470,558	4,506,792	4,273,307
Contracted and general services	3,604,650	4,056,743	4,439,534
Materials, goods and utilities	4,203,250	3,977,500	3,770,338
Purchases from other governments	908,500	859,370	814,372
Transfers to local boards and agencies	241,000	228,380	219,122
Bank charges and short-term interest	-	434	888
Transfers to individuals and organizations	1,627,250	1,655,652	1,019,068
Amortization of tangible capital assets	5,519,500	3,011,033	2,828,359
Loss on disposal of tangible capital assets	-	273,139	333,723
	<u>20,574,708</u>	<u>18,569,043</u>	<u>17,698,711</u>

PONOKA COUNTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2014
Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Net municipal taxes	19,124,275	-	-	-	-	-	19,124,275
Government transfers	15,000	-	3,444,328	-	-	168,359	3,627,687
User fees and sales of goods	38,441	-	111,645	-	-	112,857	262,943
Investment income	205,726	-	-	-	-	-	205,726
Penalties and fines	134,707	13,039	-	-	-	-	147,746
Other revenues	-	-	52,070	1,993	-	79,438	133,501
	19,518,149	13,039	3,608,043	1,993	-	360,654	23,501,878
EXPENSES							
Contract & general services	447,844	6,635	3,139,022	100,098	-	363,145	4,056,744
Salaries & wages	1,257,351	92,500	2,377,894	-	-	779,045	4,506,790
Goods & supplies	104,381	126,229	3,108,726	285,118	-	353,046	3,977,500
Transfers to local boards	-	-	-	-	228,380	-	228,380
Other expenses	3,812	363,572	352,578	-	2,148,072	-	2,868,034
	1,813,388	588,936	8,978,220	385,216	2,376,452	1,495,236	15,637,448
NET REVENUE, BEFORE AMORTIZATION	17,704,761	(575,897)	(5,370,177)	(383,223)	(2,376,452)	(1,134,582)	7,864,430
Amortization expense	(99,933)	(65,427)	(2,807,573)	(38,100)	-	-	(3,011,033)
NET REVENUE	17,604,828	(641,324)	(8,177,750)	(421,323)	(2,376,452)	(1,134,582)	4,853,397

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

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 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, 2014

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, 2014

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, 2014

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

	2014	2013
	\$	\$
Cash	<u>2,967,480</u>	3,278,438
Temporary investments	<u>12,005,622</u>	8,000,000
	<u><u>14,973,102</u></u>	<u>11,278,438</u>

Included in cash are restricted funds that pertain to payments received in place of reserve land under Section 666 of the MGA in the amount of \$111,429 (2013 - \$109,439).

Temporary investments are short term deposits with original maturities of one year or less. The investments have effective interest rates of 1.56% to 1.82% (2013 - 1.65%).

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE 3 - RECEIVABLES

	<u>2014</u>	<u>2013</u>
	\$	\$
Property taxes		
Current taxes and grants in place of taxes	372,282	341,082
Arrears	123,695	99,155
Allowance for doubtful accounts	(75,000)	(75,000)
	<u>420,977</u>	<u>365,237</u>
Other		
Requisition under-levy	6,030	6,617
Trade accounts	1,275,141	404,123
GST	44,899	168,793
	<u>1,326,070</u>	<u>579,533</u>
	<u>1,747,047</u>	<u>944,770</u>

NOTE 4 - INVESTMENTS

	<u>2014</u>	<u>2013</u>
	\$	\$
AAMDC deferred patronage account	<u>1,385</u>	<u>3,959</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

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 667,857 (2013 – 680,000) 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.

	2014	2013
	\$	\$
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>78.46%</u>	79.89%
Portion of total liability remaining to be recognized	<u><u>733,645</u></u>	747,002
Estimated capacity used	<u>21.54%</u>	20.11%
Accrued liability portion	<u><u>201,358</u></u>	188,001

NOTE 6 – DEFERRED REVENUE

	2014	2013
	\$	\$
Federal Gas Tax Fund Grant	<u>481,283</u>	-
ACP - Regional Collaboration Grant	<u>20,414</u>	-
	<u><u>501,697</u></u>	-

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

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:

	2014	2013
	\$	\$
Total debt limit	<u>35,133,660</u>	34,288,055
Total debt (Note 14(c))	<u>(710,568)</u>	(946,643)
Amount of debt limit unused	<u>34,423,092</u>	<u>33,341,412</u>
Debt servicing limit	5,855,610	5,714,676
Debt servicing	-	-
Amount of debt servicing limit unused	<u>5,855,610</u>	<u>5,714,676</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 8 - EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
	\$	\$
Tangible capital assets (Schedule 2)	<u>103,072,167</u>	99,807,286
Accumulated amortization (Schedule 2)	<u>(32,499,092)</u>	(29,814,475)
	<u>70,573,075</u>	<u>69,992,811</u>

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE 9 - ACCUMULATED SURPLUS

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

	2014	2013
	\$	\$
Unrestricted surplus	<u>455,941</u>	<u>455,941</u>
Restricted surplus		
Land reserve payments	111,429	109,439
Road reserve	15,649,955	11,378,812
Equity in tangible capital assets	<u>70,573,075</u>	<u>69,992,811</u>
	<u>86,790,400</u>	<u>81,937,003</u>

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, 2014

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:

	2014		2013	
	\$		\$	
	Salary (1)	Benefits & Allowances (2)	Total	Total
Councillors				
Division 1	30,000	4,463	34,463	37,220
Division 2	30,300	4,463	34,763	35,516
Division 3	30,300	4,463	34,763	35,380
Division 4	34,640	4,463	39,103	33,236
Division 5	30,600	4,463	35,063	36,142
Total	155,840	22,316	178,156	177,494
County administrator (3)	175,000	27,456	202,456	188,566

- (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, 2014

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 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 2014 were \$247,520 (2013 - \$215,740). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2014 were \$228,355 (2013 - \$197,425).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$ 4.86 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 has not been exercised, but the County is currently in the process of extending the option to purchase.
- 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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE 14 - 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, 2014, \$710,568 (2013 - \$946,643) 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.

NOTE 15 - SUBSEQUENT EVENTS

1. Donated Land

On February 27, 2014 the county signed an offer to purchase 8.54 acres of land in the Town of Rimbey from SJC Development Corporation for \$310,000. The land was purchased with the intent to donate it to the Rimoka Housing Foundation to be utilized for a senior's housing facility. Title was transferred to the County on July 29, 2014; however, the title was not transferred to Rimoka Housing Foundation until January 20, 2015.

2. Guarantee of Operating Line of Credit

On January 19, 2015 the County guaranteed an operating line of credit for Rimbey Agricultural Society in the amount of \$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.

PONOKA COUNTY
Notes to Financial Statements
For the Year Ended December 31, 2014

NOTE 16 - 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 large number and diversity of taxpayers and customers minimizes the credit risk.

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

NOTE 17 - APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.