

TOWN OF PONOKA
Financial Statements
Year Ended December 31, 2021

TOWN OF PONOKA

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Year Ended December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Ponoka

Opinion

We have audited the accompanying consolidated financial statements of the Town of Ponoka, which comprise the statements of financial position as at December 31, 2021, 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 the Town of Ponoka as at December 31, 2021 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 the Town of Ponoka 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 the Town'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 cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report to the Mayor and Council of Town of Ponoka (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- 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 the Town'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 the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation:

- In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 8.

Supplementary Accounting Principles and Standards Regulation:

- In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 12.

Ponoka, Alberta
April 26, 2022

Rowland Parker & Associates LLP
ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Ponoka is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized, and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Town Council carries out its responsibilities for review of the consolidated financial statements principally through Council. The Council meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Town Council has approved the consolidated financial statements.

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



Chief Administrative Officer
April 26, 2022
Ponoka, Alberta



General Manager Corporate Services
April 26, 2022
Ponoka, Alberta

TOWN OF PONOKA

**Consolidated Statement of Financial Position
as at December 31, 2021**

	2021	2020
Financial Assets:		
Cash and temporary investments (Note 2)	\$ 11,734,481	14,417,968
Receivables		
Taxes and grants in place of taxes (Note 3)	98,879	134,466
Local improvement taxes receivables (Note 3)	439,580	603,879
Trade and other receivables (Note 3)	3,296,692	1,422,122
Investments	-	-
Land held for resale	885,652	885,652
Other Assets	175,000	175,000
	16,630,284	17,639,087
Liabilities:		
Accounts payable and accrued liabilities	2,473,269	2,005,801
Deposits liabilities	279,302	141,476
Deferred revenue (Note 4)	2,741,972	3,564,139
Employee benefit obligations (Note 5)	290,037	272,233
Long term debt (Note 6)	5,653,812	6,003,547
Obligation under capital lease (Note 7)	8,426,365	8,608,839
	19,864,757	20,596,035
Net financial assets (debt)	(3,234,473)	(2,956,948)
Non-Financial assets		
Tangible capital assets (Schedule 2)	67,791,108	66,353,332
Inventory for consumption	481,758	390,759
Prepaid expense	126,045	211,836
	68,398,911	66,955,927
Accumulated Surplus (Note 10)	\$ 65,164,438	63,998,979

Contingencies (Note 14) and Commitments (Note 15)

TOWN OF PONOKA

**Consolidated Statement of Operations
as at December 31, 2021**

	Budget (Unaudited)	2021	2020
Revenue:			
Net municipal taxes (Schedule 3)	\$ 6,831,030	6,835,056	6,737,484
User fees and sale of goods	9,175,900	9,096,333	8,441,932
Rentals	708,600	506,969	606,569
Licenses and permits	206,700	190,901	142,168
Penalties and costs of taxes	85,000	40,541	67,808
Fines	78,000	55,795	50,964
Investment income	150,000	57,073	97,904
Development levies	-	37,825	-
Franchise and concession	500,000	473,299	399,014
Government transfers for operating (Schedule 4)	1,407,920	1,407,930	1,703,164
Other	556,800	557,361	137,614
Total Revenue	19,699,950	19,259,083	18,384,621
Expenses			
Legislative	422,920	450,603	520,171
Administration	4,699,530	3,914,203	3,739,746
Protective services	2,310,150	2,625,950	2,160,224
Public works	3,708,630	3,591,129	3,666,626
Electrical	3,286,030	2,975,145	2,947,816
Environmental services	4,606,220	4,530,913	4,050,406
Community services	421,310	422,207	416,466
Planning and development	672,630	518,040	403,829
Parks and recreation	2,514,070	2,650,513	1,950,955
Culture	279,410	269,850	285,642
Total Expenses	22,920,900	21,948,553	20,141,881
Deficiency of revenue over expenses - before other	(3,220,950)	(2,689,470)	(1,757,260)
Other			
Contributed assets	15,000	-	826,620
Government transfers for capital (Schedule 4)	5,733,100	3,854,929	2,109,168
Excess (deficiency) of revenues over expenses	2,527,150	1,165,459	1,178,528
Accumulated Surplus, beginning of the year	63,998,979	63,998,979	62,820,451
Accumulated Surplus, end of the year	\$ 66,526,129	65,164,438	63,998,979

TOWN OF PONOKA

**Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2021**

	Budget (Unaudited)	2021	2020
Excess (Deficiency) of Revenues over Expenses \$	1,310,520	1,165,459	1,178,528
Acquisition of tangible capital asset	(6,488,800)	(4,593,578)	(2,714,091)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	66,616	934,196
Amortization of tangible capital assets	2,578,700	2,311,433	2,346,458
Transfer of capital projects	-	652,180	69,378
Writedown of tangible capital assets	-	-	-
(Gain) loss on sale of tangible capital assets	-	125,569	265,758
	(3,910,100)	(1,437,780)	901,699
Net (acquisition) use of supplies inventory	-	(90,997)	97,449
Net (acquisition) use of prepaid assets	-	85,792	(101,643)
	-	(5,205)	(4,194)
Decrease (increase) in net debt	(2,599,580)	(277,526)	2,076,033
Net financial assets (debt), beginning of year	(2,956,947)	(2,956,947)	(5,032,980)
Net financial assets (debt), end of year	\$ (5,556,527)	(3,234,473)	(2,956,947)

TOWN OF PONOKA

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021**

	2021	2020
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 1,165,459	1,178,528
Non-cash items included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	2,311,433	2,346,457
Loss (gain) on disposal of tangible capital assets	125,569	265,758
Writedown of tangible capital assets	-	-
Capital projects abandoned and expensed	652,186	-
Contributed assets	-	(741,620)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	199,883	429,280
Decrease (increase) in trade and other receivable	(1,874,571)	(153)
Decrease (increase) in land held for resale	-	-
Decrease (increase) in investment	-	40
Decrease (increase) in inventory for consumption	(90,997)	97,449
Decrease (increase) in prepaid expenses	85,792	(101,643)
Increase (decrease) in accounts payable and accrued liabilities	467,467	177,651
Increase (decrease) in deposits liabilities	137,825	(200,583)
Increase (decrease) in employee benefit obligations	17,805	39,850
Increase (decrease) in other current liabilities	-	-
Increase (decrease) in deferred revenues	(822,167)	564,542
Cash provided by operating transactions	2,375,684	4,055,556
Capital		
Acquisition of tangible capital assets	(4,593,578)	(1,972,471)
Proceeds on sale of tangible capital assets	66,616	934,196
Cash used in capital transactions	(4,526,962)	(1,038,275)
Financing		
Borrowing debt issued	-	-
Borrowing debt repaid	(532,209)	(506,346)
Cash provided by (used in) financing transactions	(532,209)	(506,346)
Change in cash and cash equivalents during year	(2,683,487)	2,510,935
Cash and cash equivalents, beginning of year	14,417,968	11,907,033
Cash and cash equivalents, end of year	\$ 11,734,481	14,417,968

TOWN OF PONOKA
Schedule 1
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Capital Assets	2021	2020
Balance, beginning of year	\$ 4,907,865	7,350,168	51,740,946	63,998,979	62,820,451
Excess (deficiency) of revenues over expenses	1,165,459	-		1,165,459	1,178,528
Current year funds restricted	(1,676,111)	1,676,111	-	-	-
Restricted funds used for operations	381,910	(381,910)	-	-	-
Restricted funds used for tangible capital assets	-	(1,368,063)	1,368,063	-	-
Current year funds used for tangible capital assets	(2,573,326)	-	2,573,326	-	-
Contributed tangible capital assets	-	-	-	-	-
Proceeds on borrowing used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	192,180	-	(192,180)	-	-
Writedown of tangible capital assets	-	-	-	-	-
Annual amortization expense	2,311,433	-	(2,311,433)	-	-
Borrowing repaid	(532,209)	-	532,209	-	-
Change in accumulated surplus	(730,664)	(73,862)	1,969,985	1,165,459	1,178,528
Balance, end of year	\$ 4,177,201	7,276,306	53,710,931	65,164,438	63,998,979

TOWN OF PONOKA
Schedule 2
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2021	2020
Cost								
Balance, beginning of year	\$ 6,454,905	25,049,104	78,006,585	8,715,864	2,088,549	2,950,347	123,265,354	122,581,299
Acquisition of tangible capital assets	5,000	165,820	1,337,716	2,624,416	115,716	344,910	4,593,578	2,714,091
Projects completed	-	-	1,240,717	477,345	-	(1,718,062)	-	-
Projects abandoned/ expensed	-	-	-	-	-	(652,186)	(652,186)	-
Disposal of tangible capital assets	-	-	-	(406,773)	(38,824)	-	(445,597)	(2,030,035)
Balance, end of year	6,459,905	25,214,924	80,585,018	11,410,852	2,165,441	925,009	126,761,149	123,265,355
Accumulated Amortization								
Balance, beginning of year	-	8,649,889	42,331,748	4,813,163	1,117,223	-	56,912,023	55,326,271
Annual amortization	-	520,636	1,264,072	448,953	77,772	-	2,311,433	2,346,457
Accumulated amortization on disposals	-	-	-	(222,356)	(31,059)	-	(253,415)	(760,705)
Writedown of capital assets	-	-	-	-	-	-	-	-
Balance, end of year	-	9,170,525	43,595,820	5,039,760	1,163,936	-	58,970,041	56,912,023
Net book value	6,459,905	16,044,399	36,989,198	6,371,092	1,001,505	925,009	67,791,108	
2021 Net book value	\$ 6,688,032	16,524,095	35,675,233	3,818,303	697,323	2,950,346		66,353,332

Included in building is a capital lease for a building with a cost of \$9,039,500 (2020 - \$9,039,500), accumulated amortization of \$665,667 (2020 - \$443,980) and net book value of \$8,373,833 (2020 - \$8,595,520).

TOWN OF PONOKA
Schedule 3
Schedule of Property Taxes & Other Taxes
for the Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
Taxation:			
Real property taxes	\$ 9,127,030	9,107,872	8,990,163
Linear property taxes	150,000	145,298	142,902
Government grants in place of property taxes	40,000	40,537	41,352
Special assessments and local improvement taxes	-	-	-
	9,317,030	9,293,707	9,174,417
Less: Requisitions			
Alberta School Foundation Fund	2,400,000	2,373,504	2,353,309
Rimoka Foundation	86,000	85,147	83,624
	2,486,000	2,458,651	2,436,933
Net Municipal Taxes	\$ 6,831,030	6,835,056	6,737,484

TOWN OF PONOKA
Schedule 4
Schedule of Government Transfers
for the Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
Transfers for Operating:			
Provincial Government	\$ 911,860	911,870	1,265,464
Local Governments	496,060	496,060	437,700
	1,407,920	1,407,930	1,703,164
Transfers for Capital:			
Federal Government	-	-	-
Provincial Government	5,733,100	3,854,929	2,109,168
	5,733,100	3,854,929	2,109,168
Total Government Transfers	\$ 7,141,020	5,262,859	3,812,332

TOWN OF PONOKA
Schedule 5
Schedule of Consolidated Expense by Object
For the Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 6,265,950	5,688,967	5,495,523
Contracted and general services	9,370,550	8,866,054	7,237,299
Materials, goods and utilities	3,205,000	3,017,307	2,881,020
Provision for allowances	34,000	33,049	46,225
Transfer to other governments	-	-	-
Transfer to boards and agencies	866,270	869,087	856,681
Bank charges and short-term interest	14,500	32,882	23,955
Interest on long term debt	214,430	209,940	229,559
Interest on capital lease	-	517,526	514,829
Other expenses	371,500	276,739	244,575
Amortization of tangible capital assets	2,578,700	2,311,433	2,346,457
Loss (gain) on disposal of tangible capital assets	-	125,569	265,758
Writedown on tangible capital assets	-	-	-
	\$ 22,920,900	21,948,553	20,141,881

TOWN OF PONOKA
Schedule 6
Schedule of Segmented Disclosure
For the Year Ended December 31, 2021

	General Government	Protective Services	Public Works	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical	Total
Revenue									
Net Municipal taxes	\$ 6,835,056	-	-	-	-	-	-	-	6,835,056
Government transfers	233,168	397,959	1,486,718	320,870	14,109	2,691,183	118,852	-	5,262,859
User fees and sales of goods	35,725	28,303	27,515	32,225	-	78,756	4,765,118	4,128,691	9,096,333
Investment income	57,073	-	-	-	-	-	-	-	57,073
Contributed assets	-	-	-	-	-	-	-	-	-
Other revenues	1,358,177	104,365	4,041	8,155	190,675	142,343	36,425	18,510	1,862,691
	8,519,199	530,627	1,518,274	361,250	204,784	2,912,282	4,920,395	4,147,201	23,114,012
Expenses									
Contract & general services	765,543	2,290,019	1,200,618	1,034	250,126	820,223	1,534,233	2,004,258	8,866,054
Salaries & wages	1,830,190	254,826	1,383,881	-	211,894	968,823	493,043	546,310	5,688,967
Goods & supplies	344,346	44,026	319,604	8,018	-	426,957	1,684,217	190,139	3,017,307
Transfers to local boards	270,948	-	20,000	393,271	-	184,868	-	-	869,087
Interest & bank charges	573,043	-	193,780	-	-	5,142	21,434	-	793,399
Other expenses	345,410	-	(462,870)	16,241	1,947	88,375	253,236	159,967	402,306
	4,129,480	2,588,871	2,655,013	418,564	463,967	2,494,388	3,986,163	2,900,674	19,637,120
Net revenue (expense) before amortization	4,389,719	(2,058,244)	(1,136,739)	(57,314)	(259,183)	417,894	934,232	1,246,527	3,476,892
Amortization expense	235,327	37,079	936,115	3,643	54,073	425,976	544,751	74,469	2,311,433
Net Revenue (expense)	\$ 4,154,392	(2,095,323)	(2,072,854)	(60,957)	(313,256)	(8,082)	389,481	1,172,058	1,165,459

TOWN OF PONOKA

Notes to Financial Statements December 31, 2021

NOTE 1 - Significant Accounting Policies

The consolidated financial statements of the Town of Ponoka are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public-Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada (CPA Canada). Significant aspects of the accounting policies adopted by the Town of Ponoka are as follows:

Reporting Entity:

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

Ponoka Water and Wastewater Systems
Ponoka Electrical System

The schedule of taxes levied also includes requisitions for educational, 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.

Basis of Accounting:

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

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

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

Use of Estimates:

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

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 1 - Significant Accounting Policies (continued....)

Significant estimates include:

- the net present value of future minimum lease payments of the capital lease
- providing for amortization of tangible capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts; and
- the recoverability of tangible assets.

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 that redeemable or have a maturity date of 12 months or less at acquisition. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Investments:

Investments are short-term deposits with original maturities of twelve months or less with redemption beginning thirty days after purchase without penalty. Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Requisition Over-levies and Under-levies:

Over-levies and under-levies arise from the difference between the actual property 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.

Inventories for Resale:

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function.

Prepaid Local Improvements Charges:

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as a payment of the local improvement receivable.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 1 - Significant Accounting Policies (continued....)

Taxes

Taxes are compulsory payments or payables to government in accordance with laws. Taxes are recognized in the financial statements as revenue in the period in which they are authorized through a Bylaw provided that at initial recognition it is collectible. Tax revenue is presented net of requisitions since the requisitions levied on behalf of others will not give rise to an increase to net assets or revenue of the Town and are treated as a flow through.

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.

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.

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 for the year.

a. 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 assets. 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 and leasehold improvements	10 - 50
Engineered structures	
Road System	10 - 40
Distribution Systems	40 - 75
Other engineered structures	10 - 75
Machinery and equipment	10 - 25
Vehicles	10 - 25

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 1 - Significant Accounting Policies (continued....)

There is no provision for amortization in the year of acquisition. Amortization is calculated in the year in which the asset is disposed. Assets under construction are not amortized until the asset is available for productive use.

b. 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.

c. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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.

d. Inventories

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

e. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed

NOTE 2 - Cash and Term Deposits

	2021	2020
Cash on hand	\$ 1,707	1,707
General bank accounts	4,732,396	5,416,261
Temporary investments	7,000,378	9,000,000
	\$ 11,734,481	14,417,968

Included in cash are funds designated as restricted for deferred revenues in the amount of \$2,741,972 (2020 - \$3,564,139) and excess proceeds from tax recovery auctions in the amount of \$12,922 (2020 - \$12,905), which are required to be segregated in a separate bank account for a period of up to 10 years.

Temporary investments comprise of various GIC's with an effective interest rate of 0.46% to 0.75%. All GIC's mature within the next fiscal year.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 3 – Receivables

Taxes receivable

		2021	2020
Current taxes and grants in place of taxes	\$	59,796	92,952
Arrears taxes		46,806	50,789
		106,602	143,741
Requisition under levy		(481)	(2,033)
Less allowance for doubtful accounts		(7,242)	(7,242)
	\$	98,879	134,466

Local improvement taxes receivable

		2021	2020
Current portion of local improvement taxes	\$	103,892	179,414
Non-current portion		458,575	562,467
Less: prepaid amount		(122,887)	(138,002)
	\$	439,580	603,879

Trade and other receivables

		2021	2020
General receivables	\$	2,345,991	430,524
Electrical receivables		630,298	606,156
Non-current portion of electrical receivables		23,522	41,448
Utility receivables		329,356	369,514
Allowance for doubtful accounts		(32,475)	(25,520)
	\$	3,296,692	1,422,122

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 4 - Deferred Revenue

		2021	2020
MSI Capital Grant	\$	2,180,662	2,665,224
Gas Tax Fund		390,691	172,137
Other deferred revenues		170,619	726,778
	\$	2,741,972	3,564,139

Funding received from the various grant programs noted above are restricted to eligible operating and capital projects as approved in the funding agreements.

NOTE 5 - Employee Benefit Obligations

		2021	2020
Vacation	\$	288,131	264,730
Overtime		1,906	7,503
	\$	290,037	272,233

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 6 – Long Term Debt

	2021	2020
Tax supported debentures	\$ 5,418,875	5,656,708
Self supported debentures	234,937	346,839
	\$ 5,653,812	6,003,547

Principal & Interest for the next five years and to maturity are as follows:

	Principal	Interest	Total
2022	\$ 244,221	198,541	442,762
2023	192,874	190,022	382,896
2024	187,433	183,145	370,578
2025	194,280	176,298	370,578
2026	201,385	169,193	370,578
Thereafter	4,633,619	2,649,799	7,283,418
Total	\$ 5,653,812	3,566,998	9,220,810

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.899% to 4.971% per annum and matures in years 2021 through 2056. The average annual interest rate is 4.25% for 2021 (4.47% for 2020).

Debenture debt is issued on the credit and security of the town at large.

Interest on long term debt amounted to \$209,940 (2020 - \$229,558).

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 7 – Obligation under Capital Lease

	2021	2020
Capital lease for Civic Centre requiring monthly lease payments for basic rent of \$58,333 (\$700,000 per annum) with an implicit rate of 6.070% per annum.	\$ 8,426,365	8,608,839
Future minimum capital lease payments are approximately		
2022	\$ 700,000	
2023	700,000	
2024	700,000	
2025	700,000	
2026	700,000	
Thereafter	12,366,666	
Total minimum lease payments	15,866,666	
Less: amount representing interest at 6.070%	(7,440,301)	
Present value of minimum lease payments	8,426,365	
Less: current portion	(193,864)	
Non-current portion	\$ 8,232,501	

Lease

Terms

The capital lease obligation has an implicit rate of 6.070% and is subject to the following terms:

- a) Initial term is for 10 years with a basic rent of \$700,000 per annum
- b) Renewal Period: 3 successive five-year renewal periods at the Town's option. Should the Town not renew the lease they are required under the lease to purchase the building from the landlord. Basic rent will be adjusted on each renewal period to mutually agreed market rates.
- c) The Town has the option to purchase the building at appraised value at any time during the lease period.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 7 – Obligation under Capital Lease (continued....)

Obligation related to Executory Costs

Under the lease agreement the Town is contractually obligated to pay executory costs as additional rent in the amount of \$377,720 per annum. The executory costs include administration, maintenance, power and janitorial. They do not include property taxes as the Town leased portion of the building is exempt from property taxes. The executory costs are adjusted annually in December.

Recoveries from Sub-Let portion of leased space

The Town has sublet a portion of the space to Campus Alberta Central for a five-year term, expiring August 2023, for a rent revenue of \$125,000 per annum. The sublessor has an option to extend for another 5 years at their discretion. A prorated share of executory costs noted above incurred by the Town are recovered from the sublessor.

NOTE 8 - Debt Limits

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

	2021	2020
Total debt limit	\$ 28,888,625	27,576,930
Total debt	14,080,177	14,612,386
Amount of debt limit unused	\$ 14,808,448	12,964,544
Debt servicing limit	\$ 4,814,771	4,596,155
Debt servicing	1,142,762	1,264,150
Amount of debt servicing limit unused	\$ 3,672,009	3,332,005

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt services 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.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 9 - Equity in Tangible Capital Assets

	2021	2020
Tangible capital assets (Schedule 2)	\$ 126,761,149	123,265,355
Accumulated amortization (Schedule 2)	(58,970,041)	(56,912,023)
Long term debt (Note 6)	(5,653,812)	(6,003,547)
Obligation under capital lease (Note 7)	(8,426,365)	(8,608,839)
	\$ 53,710,931	51,740,946

NOTE 10 - Accumulated Surplus

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

	2021	2020
Unrestricted surplus	\$ 4,177,201	4,907,865
Restricted surplus		
Transportation and roads	1,194,523	1,184,172
Distribution system	2,145,793	2,390,634
General	3,935,990	3,775,362
Equity in tangible capital assets	53,710,931	51,740,946
	\$ 65,164,438	63,998,979

NOTE 11 - Segmented Disclosure

The Town of Ponoka 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).

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 12 - Salary and Benefits Disclosure

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

		Salary (a)	Benefits & Allowances (b)+(c)	2021	2020
Mayor					
Bonnett		\$ 31,200	97	31,297	45,038
Ferguson		8,449	17	8,466	-
Councillors:					
Councillor	Lyon	21,065	114	21,179	24,181
Councillor	Prediger	20,230	114	20,344	22,739
Councillor	Underhill	20,569	114	20,683	26,039
Councillor	Dillon	21,474	114	21,588	24,765
Councillor	Ferguson	19,105	97	19,202	27,596
Councillor	Nelson	20,369	114	20,483	25,096
Councillor	David	4,223	22	4,245	-
Chief Administrative					
CAO Lund		\$ 159,038	29,121	188,159	52,690
CAO Frootman		-	-	-	272,603

- a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration
- b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, professional memberships and tuition.
- c) Benefits and allowances also include the Employer's share of the costs of additional taxable benefits including special leave with pay and car allowances.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 13 - Local Authorities Pension Plan

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

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

The town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current and past service contributions by the town to the LAPP in 2021 were \$365,988 (2020 - \$404,770). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2021 were \$334,037 (2020 - \$361,536).

At December 31, 2020, the plan disclosed an actuarial surplus of \$ 4.9 billion.

NOTE 14 – Contingent Liabilities

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town 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.

NOTE 15 – Commitments

The Town of Ponoka and Ponoka County through a joint agreement provide funds for the operation of Ponoka Family and Community Support Services (FCSS). The amounts reported in this financial statement represent only the Town of Ponoka share of contributions to FCSS.

NOTE 16 - Financial Instruments

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

The town 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 town provides services may experience financial difficulty and be unable to full fill 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.

The Town is subject to interest rate risk related to its interest-bearing temporary investments and fixed rate debentures, as the value will fluctuate because of changes in market rates.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2021**

NOTE 17 - Comparative Figures

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

NOTE 18 - Approval of Financial Statements

Council and Management have approved these financial statements.