

TOWN OF PONOKA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Council

Report on the Consolidated Financial Statements

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

Ponoka, Alberta
April 24, 2018

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

TOWN OF PONOKA

**Consolidated Statement of Financial Position
as at December 31, 2017**

	2017	2016
Financial Assets:		
Cash and temporary investments (Note 2)	\$ 10,250,982	9,980,406
Receivables		
Taxes and grants in place of taxes (Note 3)	359,189	482,123
Local improvement taxes receivables (Note 3)	742,551	881,313
Trade and other receivables (Note 3)	3,368,447	3,271,178
Land for resale inventory	816,276	816,276
Investments (Note 4)	40	40
Other Assets	175,000	-
	15,712,485	15,431,336
Liabilities:		
Accounts payable and accrued liabilities	1,809,794	1,500,412
Deposits liabilities	356,952	158,025
Deferred revenue (Note 5)	2,434,380	2,370,391
Employee benefit obligations (Note 6)	189,882	190,045
Other current liabilities (Note 7)	-	118,805
Long term debt (Note 8)	6,880,246	7,423,756
	11,671,254	11,761,434
Net financial assets	4,041,231	3,669,902
Non-Financial assets		
Tangible capital assets (Schedule 2)	58,410,429	58,899,044
Inventory for consumption	473,734	527,046
Prepaid expense	18,162	50,426
	58,902,325	59,476,516
Accumulated Surplus (Note 11)	\$ 62,943,556	63,146,418

Contingencies (Note 15) and Commitments (Note 16)

TOWN OF PONOKA

**Consolidated Statement of Operations
as at December 31, 2017**

	2017 Budget (Unaudited)	2017	2016
Revenue:			
Net municipal taxes (Schedule 3)	\$ 6,180,822	6,139,116	5,838,219
User fees and sale of goods	7,981,290	7,781,180	7,554,855
Rentals	437,775	491,681	465,895
Licenses and permits	186,100	168,903	154,352
Penalties and costs of taxes	105,000	120,948	102,075
Fines	62,800	97,542	76,795
Investment income	120,000	111,717	120,203
Development levies	-	6,125	-
Franchise and concession	343,000	364,377	339,138
Government transfers for operating (Schedule 4)	1,059,356	1,183,744	996,850
Other	17,600	22,610	19,944
Total Revenue	16,493,743	16,487,943	15,668,326
Expenses			
Legislative	232,855	207,768	204,204
Administration	2,222,353	2,228,130	2,063,508
Protective services	2,197,355	2,232,944	2,506,905
Transportation services	3,929,067	3,728,055	3,162,972
Electrical	3,345,815	2,743,731	2,549,980
Environmental services	4,021,087	4,002,809	4,350,129
Community services	415,415	426,231	378,996
Planning and development	634,480	591,925	612,509
Parks and recreation	2,316,184	2,136,603	2,268,356
Culture	282,311	347,628	399,752
Total Expenses	19,596,922	18,645,824	18,497,311
Excess (Shortfall) of Revenue over Expenses - Before Other	(3,103,179)	(2,157,881)	(2,828,985)
Other			
Contributed assets	-	13,500	103,564
Government transfers for capital (Schedule 4)	4,153,586	1,941,519	1,958,986
Excess (Shortfall) of Revenues over Expenses	1,050,407	(202,862)	(766,435)
Accumulated Surplus, beginning of the year	63,146,418	63,146,418	63,912,853
Accumulated Surplus, end of the year	\$ 64,196,825	62,943,556	63,146,418

TOWN OF PONOKA

**Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2017**

	2017 Budget (Unaudited)	2017	2016
Excess (Shortfall) of Revenues over Expenses \$	1,050,407	(202,862)	(766,435)
Acquisition of tangible capital asset	(4,559,306)	(1,591,375)	(6,278,524)
Contributed tangible capital assets	-	(13,500)	(103,564)
Proceeds on disposal of tangible capital assets	-	-	239,574
Amortization of tangible capital assets	1,777,100	2,063,162	1,897,064
Capital projects abandoned (expensed)	-	30,327	-
(Gain) loss on sale of tangible capital assets	-	-	235,618
	(2,782,206)	488,614	(4,009,832)
Net (acquisition) use of supplies inventory	-	53,312	98,013
Net (acquisition) use of prepaid assets	-	32,265	(50,227)
	-	85,577	47,786
Increase (decrease) in net debt	(1,731,799)	371,329	(4,728,481)
Net financial assets (debt), beginning of year	3,669,902	3,669,902	8,398,383
Net financial assets (debt), end of year \$	1,938,103	4,041,231	3,669,902

TOWN OF PONOKA

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

	<u>2017</u>	<u>2016</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (shortfall) of revenues over expenses	\$ (202,862)	(766,435)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,063,162	1,897,064
Loss (gain) on disposal of tangible capital assets	-	235,618
Tangible capital assets received as contributions	(13,500)	(130,564)
Capital projects abandoned and expensed	30,327	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	261,696	(687)
Decrease (increase) in trade and other receivable	(272,269)	180,849
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory for consumption	53,312	98,013
Decrease (increase) in prepaid expenses	32,265	(50,227)
Increase (decrease) in accounts payable and accrued liabilities	309,380	(199,322)
Increase (decrease) in deposits liabilities	198,928	(36,054)
Increase (decrease) in employee benefit obligations	(162)	41,645
Increase (decrease) in other current liabilities	(118,805)	(26,842)
Increase (decrease) in deferred revenues	63,989	248,025
	<u>2,405,461</u>	<u>1,491,083</u>
Cash provided by operating transactions		
	<u>2,405,461</u>	<u>1,491,083</u>
Capital		
Acquisition of tangible capital assets	(1,591,375)	(6,251,524)
Proceeds on sale of tangible capital assets	-	239,574
	<u>(1,591,375)</u>	<u>(6,011,950)</u>
Cash applied to capital transactions		
	<u>(1,591,375)</u>	<u>(6,011,950)</u>
Financing		
Long-term debt issued	-	5,007,000
Long-term debt repaid	(543,510)	(572,469)
	<u>(543,510)</u>	<u>(572,469)</u>
Cash applied by financing transactions		
	<u>(543,510)</u>	<u>4,434,531</u>
Change in cash and cash equivalents during year	270,576	(86,336)
Cash and cash equivalents, beginning of year	9,980,406	10,066,742
Cash and cash equivalents, end of year	\$ <u>10,250,982</u>	9,980,406

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ 2,644,511	9,026,619	51,475,288	63,146,418	63,912,853
Excess (deficiency) of revenues over expenses	(172,535)	-	(30,327)	(202,862)	(766,435)
Current year funds restricted	(360,523)	360,523	-	-	-
Restricted funds used for operations	84,101	(84,101)	-	-	-
Restricted funds used for tangible capital assets	-	(882,337)	882,337	-	-
Current year funds used for tangible capital assets	(709,038)	-	709,038	-	-
Contributed tangible capital assets	(13,500)	-	13,500	-	-
Proceeds on long term debt used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	2,063,162	-	(2,063,162)	-	-
Long term debt repaid	(543,510)	-	543,510	-	-
Change in accumulated surplus	348,157	(605,915)	54,896	(202,862)	(766,435)
Balance, end of year	\$ 2,992,668	8,420,704	51,530,184	62,943,556	63,146,418

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

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2017	2016
Cost								
Balance, beginning of year	\$ 6,483,052	13,616,144	77,028,177	7,948,236	2,715,485	539,192	108,330,286	103,435,839
Acquisition of tangible capital assets	-	82,332	13,500	-	-	1,509,041	1,604,873	6,382,088
Projects completed	-	55,439	157,856	509,618	-	(722,913)	-	-
Disposal of tangible capital assets	-	-	-	(48,233)	-	-	(48,233)	(1,487,642)
Projects abandoned/ expensed	-	-	-	-	-	(30,327)	(30,327)	-
Balance, end of year	6,483,052	13,753,915	77,199,533	8,409,621	2,715,485	1,294,993	109,856,599	108,330,285
Accumulated Amortization								
Balance, beginning of year	-	7,549,199	37,091,688	3,391,086	1,399,268	-	49,431,241	48,546,627
Annual amortization	-	295,349	1,273,285	390,359	104,169	-	2,063,162	1,897,064
Accumulated amortization on disposals	-	-	-	(48,233)	-	-	(48,233)	(1,012,450)
Balance, end of year	-	7,844,548	38,364,973	3,733,212	1,503,437	-	51,446,170	49,431,241
Net book value of tangible capital assets	6,483,052	5,909,367	38,834,560	4,676,409	1,212,048	1,294,993	58,410,429	
2016 Net book value of tangible capital assets \$	6,483,052	6,066,945	39,936,489	4,557,150	1,316,217	539,192		58,899,044

TOWN OF PONOKA
Schedule 3
Schedule of Property Taxes & Other Taxes
for the Year Ended December 31, 2017

	Budget	2017	2016
Taxation:			
Real property taxes	\$ 8,351,928	8,313,557	7,983,319
Linear property taxes	125,000	121,163	125,481
Government grants in place of property taxes	35,000	35,507	34,606
	<u>8,511,928</u>	<u>8,470,227</u>	<u>8,143,406</u>
Requisitions:			
Alberta School Foundation Fund	2,051,132	2,051,138	2,026,995
St. Thomas Aquinas Separate School	195,005	195,004	192,494
Rimoka Foundation	84,969	84,969	85,698
	<u>2,331,106</u>	<u>2,331,111</u>	<u>2,305,187</u>
Net Municipal Taxes	\$ 6,180,822	6,139,116	5,838,219

TOWN OF PONOKA
Schedule 4
Schedule of Government Transfers
for the Year Ended December 31, 2017

	2017 Budget	2017	2016
Transfers for Operating:			
Provincial Government	\$ 749,070	858,249	702,838
Other Local Governments	310,286	325,495	294,012
	<u>1,059,356</u>	<u>1,183,744</u>	<u>996,850</u>
Transfers for Capital:			
Federal Government	110,000	116,128	14,750
Provincial Government	4,043,586	1,825,391	1,944,236
Other Local Governments	-	-	-
	<u>4,153,586</u>	<u>1,941,519</u>	<u>1,958,986</u>
Total Government Transfers	\$ 5,212,942	<u><u>3,125,263</u></u>	<u><u>2,955,836</u></u>

TOWN OF PONOKA
Schedule 5
Schedule of Consolidated Expense by Object
For the Year Ended December 31, 2017

	<u>2017 Budget</u>	<u>2017</u>	<u>2016</u>
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 6,087,705	5,597,272	5,950,245
Contracted and general services	7,758,439	7,062,888	6,436,982
Materials, goods and utilities	3,090,750	2,919,908	3,060,213
Provision for allowances	600	3	32,606
Transfer to boards and agencies	548,094	548,094	499,139
Bank charges and short-term interest	8,700	10,680	53,154
Interest on long term debt	288,484	283,787	221,538
Other expenses	38,050	160,030	110,751
Amortization of tangible capital assets	1,777,100	2,063,162	1,897,064
Loss (gain) on disposal of tangible capital assets	-	-	235,619
	<u>\$ 19,597,922</u>	<u>18,645,824</u>	<u>18,497,311</u>

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

	General Government	Protective Services	Transportation Services	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical Services & Other	Total
Revenue									
Net Municipal taxes	\$ 6,139,116	-	-	-	-	-	-	-	6,139,116
Government transfers	183,195	427,373	559,992	351,308	222,449	1,001,752	379,194	-	3,125,263
User fees and sales of goods	19,968	78,781	21,925	22,285	315	183,684	4,355,634	3,128,588	7,811,180
Investment income	111,717	-	-	-	-	-	-	-	111,717
Contributed assets	-	-	-	-	-	-	-	13,500	13,500
Other revenues	497,820	146,736	39,517	7,560	174,620	360,801	15,132	-	1,242,186
	<u>6,951,816</u>	<u>652,890</u>	<u>621,434</u>	<u>381,153</u>	<u>397,384</u>	<u>1,546,237</u>	<u>4,749,960</u>	<u>3,142,088</u>	<u>18,442,962</u>
Expenses									
Contract & general services	620,567	1,516,434	1,304,494	155	265,094	335,747	1,249,808	1,770,589	7,062,888
Salaries & wages	1,604,755	478,563	1,108,173	32,339	266,906	1,085,534	446,052	574,950	5,597,272
Goods & supplies	102,237	119,068	386,098	8,599	4,113	457,014	1,616,294	226,485	2,919,908
Transfers to local boards	-	-	-	374,979	-	173,115	-	-	548,094
Interest & bank charges	7,183	-	226,133	-	-	2,309	58,842	-	294,467
Other expenses	-	36,656	(221,160)	8,084	15,909	108,129	101,044	111,371	160,033
	<u>2,334,742</u>	<u>2,150,721</u>	<u>2,803,738</u>	<u>424,156</u>	<u>552,022</u>	<u>2,161,848</u>	<u>3,472,040</u>	<u>2,683,395</u>	<u>16,582,662</u>
Net revenue (deficiency) before amortization	4,617,074	(1,497,831)	(2,182,304)	(43,003)	(154,638)	(615,611)	1,277,920	458,693	1,860,300
Amortization expense	101,156	82,224	924,317	2,077	39,904	322,382	530,769	60,333	2,063,162
Net Revenue (Deficiency)	\$ <u>4,515,918</u>	<u>(1,580,055)</u>	<u>(3,106,621)</u>	<u>(45,080)</u>	<u>(194,542)</u>	<u>(937,993)</u>	<u>747,151</u>	<u>398,360</u>	<u>(202,862)</u>

TOWN OF PONOKA

Notes to Financial Statements December 31, 2017

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:

a. 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:

Town of Ponoka Fire Department
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.

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 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.

c. 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, 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. 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.

e. 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.

f. 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.

g. 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 repayment of the local improvement receivable.

h. 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.

i. Contaminated Sites Liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2017**

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

The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognised when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

j. Government Transfers:

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

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

k. Non-Financial Assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets 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 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	50
Engineered structures	
Road System	10 - 40
Distribution Systems	40 - 75
Other engineered structures	10 - 75
Machinery and equipment	10 - 25
Vehicles	10 - 25

There is no provision for amortization in the year of acquisition. 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 are recorded as revenue.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2017**

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

iii. 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.

iv. Inventories

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

v. 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

	<u>2017</u>	<u>2016</u>
Cash - Unrestricted	\$ 9,250,982	8,980,406
- Restricted	-	-
Temporary investments	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 10,250,982</u>	<u>9,980,406</u>

Restricted funds represent excess proceeds from tax recovery auctions 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 1.70%. All GIC's mature within the next fiscal year.

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**Notes to Financial Statements
December 31, 2017**

NOTE 3 - Receivables

Taxes receivable

	<u>2017</u>	<u>2016</u>
Current taxes and grants in place of taxes	\$ 168,844	241,779
Arrears taxes	197,587	254,916
	<u>366,431</u>	496,695
Less allowance for doubtful accounts	\$ (7,242)	(14,572)
	<u>359,189</u>	482,123
Current portion of local improvement taxes	\$ 144,416	144,416
Non-current portion	689,168	833,582
Less: prepaid amount	<u>(91,033)</u>	(96,685)
	<u>\$ 742,551</u>	881,313

Trade and other receivables

General receivables	\$ 338,398	481,469
Government transfers receivable	2,382,286	1,921,153
Electrical receivable	199,085	420,267
Non-current portion of electrical receivable	140,583	151,359
Utility receivables	318,204	307,039
Allowance for doubtful accounts	<u>(10,109)</u>	(10,109)
	<u>\$ 3,368,447</u>	3,271,178

NOTE 4 - Long Term Investments

	<u>2017</u>	<u>2016</u>
Alberta Municipal Finance Corporation shares	\$ 40	40

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**Notes to Financial Statements
December 31, 2017**

NOTE 5 - Deferred Revenue

	<u>2017</u>	<u>2016</u>
Grant revenues	\$ 2,432,780	2,363,466
Other deferred revenues	<u>1,600</u>	<u>6,925</u>
	<u>\$ 2,434,380</u>	<u>2,370,391</u>

Various unexpended grant funds were received in the prior year from government and not for profit agencies. The use of these funds is restricted to eligible projects, as approved under the different funding agreements. These projects and initiatives are scheduled for completion in future years.

NOTE 6 - Employee Benefit Obligations

	<u>2017</u>	<u>2016</u>
Vacation	\$ 184,610	186,423
Overtime	<u>5,272</u>	<u>3,621</u>
	<u>\$ 189,882</u>	<u>190,044</u>

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, 2017**

NOTE 7 – Other Current Liabilities

Other Current Liabilities Consist of:

	<u>2017</u>	<u>2016</u>
Requisition over levy	\$ -	118,805
Contaminated sites liability	-	-
	<u>\$ -</u>	<u>118,805</u>

NOTE 8 – Long Term Debt

	<u>2017</u>	<u>2016</u>
Tax supported debentures	\$ 6,208,294	6,650,066
Self supported debentures	671,951	773,690
	<u>\$ 6,880,245</u>	<u>7,423,756</u>

Principal & Interest repayment schedule	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 508,645	260,295	768,940
2018	472,597	236,450	709,047
2019	291,225	217,140	508,365
2020	305,102	203,263	508,365
2021	198,284	188,693	386,977
Thereafter	<u>5,104,392</u>	<u>3,338,943</u>	8,443,335
Total	<u>\$ 6,880,245</u>	<u>4,444,784</u>	11,325,029

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 3.51% to 6.5% per annum and matures in years 2017 through 2056. The average annual interest rate is 3.97% for 2017 (4.26% for 2016).

Debenture debt is issued on the credit and security of the town at large Interest on long term debt amounted to \$283,787 (2016 - \$221,538).

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2017**

NOTE 9 - 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:

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 24,731,915	23,490,141
Total debt	6,880,246	7,423,756
Amount of debt limit unused	\$ 17,851,669	16,066,385
Debt servicing limit	\$ 4,121,986	3,915,024
Debt servicing	768,940	827,294
Amount of debt servicing limit unused	\$ 3,353,046	3,087,730

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.

NOTE 10 - Equity in Tangible Capital Assets

	<u>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	\$ 109,856,599	108,330,285
Accumulated amortization (Schedule 2)	(51,446,170)	(49,431,241)
Long term debt (Note 8)	(6,880,245)	(7,423,756)
	\$ 51,530,184	51,475,288

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2017**

NOTE 11 - Accumulated Surplus

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 2,992,668	2,644,511
Restricted surplus		
Roads	1,261,551	1,248,983
General	5,219,109	6,009,942
Distribution system	1,940,044	1,767,694
Equity in tangible capital assets	<u>51,530,184</u>	<u>51,475,288</u>
	<u>\$ 62,943,556</u>	<u>63,146,418</u>

NOTE 12 - 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, 2017**

NOTE 13 - 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:

		Benefits & Allowances		
	Salary (a)	(b)+(c)	2017	2016
Mayor				
Bonnett	36,321	1,025	37,346	36,339
Councillors:				
Councillor	Gulka	15,572	367	15,939
Councillor	Falkiner	12,267	258	12,525
Councillor	Lyon	21,047	521	21,568
Councillor	Prediger	20,797	513	21,310
Councillor	Underhill	22,490	569	23,059
Councillor	Yaworski	16,314	392	16,706
Councillor	Dillon	4,308	116	4,424
Councillor	Ferguson	3,793	105	3,898
Councillor	Nelson	3,798	105	3,903
Chief Administrative				
Flootman, Albert	151,999	32,702	184,701	153,624

- 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, 2017

NOTE 14 - 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 serves about 254,000 people and 417 employers. 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 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. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current and past service contributions by the town to the LAPP in 2017 were \$419,493 (2016 - \$374,533). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2017 were \$384,632 (2016 - \$344,416).

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

NOTE 15 – 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.

The Town has been named as the defendant in a lawsuit related to termination of employment, in which damages have been sought. This matter may give rise to future liabilities. The claim is for wrongful dismissal, at present the amount claimed is approximately \$695,000. Administration advised that legal counsel has indicated that a settlement in the claim may be cost effective and possible, therefore a provision has been made in a prior year for the costs of an estimated settlement amount.

TOWN OF PONOKA

Notes to Financial Statements December 31, 2017

NOTE 16 – 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.

On April 4, 2017, the Town executed the lease of a new civic building and an agreement for an option to purchase during the term of lease. Under the terms of the lease the Town will pay basic rent of \$700,000 per annum for a 10-year initial term. After the initial term the Town has the option to renew the Lease for 3 successive renewal periods of 5 years each, at an adjusted fair market rental rate. If the Town does not exercise a renewal option, the Town is required to purchase the land and building pursuant to the Option to Purchase. The building currently is under construction with an anticipated possession date of September 2018. The lease will be considered a capital lease. As such, the building and lease obligation will be recorded as an asset and liability, respectively, under accounting standards for leases.

NOTE 17 - 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.

NOTE 18 - Comparative Figures

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

NOTE 19 - Approval of Financial Statements

Council and Management have approved these financial statements.