

TOWN OF PONOKA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016, 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, 2016 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 25, 2017


ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

TOWN OF PONOKA

**Consolidated Statement of Financial Position
as at December 31, 2016**

	2016	2015
Financial Assets:		
Cash and temporary investments (Note 2)	\$ 9,980,406	10,066,742
Receivables		
Taxes and grants in place of taxes (Note 3)	482,123	361,033
Trade and other receivables (Note 3)	3,271,178	3,452,027
Local improvement taxes receivables (Note 3)	881,313	1,001,716
Land for resale inventory	816,276	816,276
Investments (Note 4)	40	40
	15,431,336	15,697,834
Liabilities:		
Accounts payable and accrued liabilities	1,500,412	1,700,816
Deposits liabilities	158,025	194,078
Deferred revenue (Note 5)	2,370,391	2,122,366
Employee benefit obligations (Note 6)	190,045	147,318
Other current liabilities (Note 7)	118,805	145,648
Long term debt (Note 8)	7,423,756	2,989,225
	11,761,434	7,299,451
Net financial assets	3,669,902	8,398,383
Non-Financial assets		
Tangible capital assets (Schedule 2)	58,899,044	54,889,212
Inventory for consumption	527,046	625,059
Prepaid expense	50,426	199
	59,476,516	55,514,470
Accumulated Surplus (Note 11)	\$ 63,146,418	63,912,853

Contingencies (Note 15) and Commitments (Note 16)

TOWN OF PONOKA

**Consolidated Statement of Operations
as at December 31, 2016**

	2016 Budget (Unaudited)	2016	2015
Revenue:			
Net municipal taxes (Schedule 3)	\$ 5,870,922	5,838,219	5,712,605
User fees and sale of goods	8,337,442	7,554,855	7,838,902
Rentals	455,965	465,895	450,136
Licenses and permits	186,100	154,352	164,965
Penalties and costs of taxes	96,000	102,075	92,597
Fines	62,800	76,795	100,555
Investment income	100,000	120,203	142,135
Development levies	-	-	4,942
Franchise and concession	343,000	339,138	309,064
Government transfers for operating (Schedule 4)	1,084,494	996,850	990,444
Other	25,100	19,944	16,160
Total Revenue	16,561,823	15,668,326	15,822,505
Expenses			
Legislative	215,240	204,204	209,956
Administration	1,956,442	2,063,508	1,897,479
Protective services	2,209,436	2,506,905	2,281,960
Transportation services	2,635,776	3,162,972	3,228,348
Electrical	3,366,607	2,549,980	2,227,964
Environmental services	4,207,655	4,350,129	3,839,987
Community services	462,965	378,996	382,699
Planning and development	696,325	612,509	748,975
Parks and recreation	2,305,435	2,268,356	2,404,302
Culture	395,146	399,752	320,219
Total Expenses	18,451,027	18,497,311	17,541,889
Excess (Shortfall) of Revenue over Expenses - Before Other	(1,889,204)	(2,828,985)	(1,719,384)
Other			
Contributed assets	-	103,564	379,671
Government transfers for capital (Schedule 4)	3,908,975	1,958,986	2,676,377
Excess of Revenues over Expenses	2,019,771	(766,435)	1,336,664
Accumulated Surplus, beginning of the year	63,912,853	63,912,853	62,576,189
Accumulated Surplus, end of the year	\$ 65,932,624	63,146,418	63,912,853

TOWN OF PONOKA

**Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2016**

	2016 Budget (Unaudited)	2016	2015
Excess (Shortfall) of Revenues over Expenses \$	2,019,771	(766,435)	1,336,664
Acquisition of tangible capital asset	(9,560,572)	(6,251,524)	(3,000,630)
Contributed tangible capital assets	-	(103,564)	(379,671)
Proceeds on disposal of tangible capital assets	-	239,574	384,566
Amortization of tangible capital assets	1,551,300	1,897,064	1,740,700
Capital projects abandoned (expensed)	-	-	73,848
(Gain) loss on sale of tangible capital assets	-	235,618	19,585
	<u>(8,009,272)</u>	<u>(3,982,832)</u>	<u>(1,161,602)</u>
Net (acquisition) use of supplies inventory	-	98,013	42,142
Net (acquisition) use of prepaid assets	-	(50,227)	8,131
	<u>-</u>	<u>47,786</u>	<u>50,273</u>
Increase (decrease) in net debt	(5,989,501)	(4,701,481)	225,335
Net financial assets (debt), beginning of year	8,398,383	8,398,383	8,173,048
Net financial assets (debt), end of year \$	<u>2,408,882</u>	<u>3,696,902</u>	<u>8,398,383</u>

TOWN OF PONOKA

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (shortfall) of revenues over expenses	\$ (766,435)	1,336,664
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,897,064	1,740,700
Loss (gain) on disposal of tangible capital assets	235,618	19,585
Tangible capital assets received as contributions	(130,564)	(379,671)
Capital projects abandoned and expensed	-	73,848
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	(687)	110,174
Decrease (increase) in trade and other receivable	180,849	289,181
Decrease (increase) in land held for resale	-	-
Decrease (increase) in inventory for consumption	98,013	42,142
Decrease (increase) in prepaid expenses	(50,227)	8,131
Increase (decrease) in accounts payable and accrued liabilities	(199,322)	496,838
Increase (decrease) in deposits liabilities	(36,054)	4,177
Increase (decrease) in employee benefit obligations	41,645	33,583
Increase (decrease) in other current liabilities	(26,842)	145,648
Increase (decrease) in deferred revenues	248,025	(700,894)
	<hr/>	<hr/>
Cash provided by operating transactions	1,491,083	3,220,106
Capital		
Acquisition of tangible capital assets	(6,251,524)	(3,000,630)
Proceeds on sale of tangible capital assets	239,574	384,566
	<hr/>	<hr/>
Cash applied to capital transactions	(6,011,950)	(2,616,064)
Financing		
Long-term debt issued	5,007,000	-
Long-term debt repaid	(572,469)	(519,953)
	<hr/>	<hr/>
Cash applied by financing transactions	4,434,531	(519,953)
Change in cash and cash equivalents during year	(86,336)	84,089
Cash and cash equivalents, beginning of year	10,066,742	9,982,653
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 9,980,406	10,066,742

TOWN OF PONOKA
Schedule 1
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
Balance, beginning of year	\$ 3,228,775	8,784,091	51,899,987	63,912,853	62,576,189
Excess (deficiency) of revenues over expenses	(766,435)	-	-	(766,435)	1,336,664
Current year funds restricted	(909,008)	909,008	-	-	-
Restricted funds used for operations	45,328	(45,328)	-	-	-
Restricted funds used for tangible capital assets	621,152	(621,152)	-	-	-
Current year funds used for tangible capital assets	(6,251,524)	-	6,251,524	-	-
Contributed tangible capital assets	(130,564)	-	130,564	-	-
Proceeds on long term debt used for tangible capital assets	5,007,000	-	(5,007,000)	-	-
Disposal of tangible capital assets	475,192	-	(475,192)	-	-
Annual amortization expense	1,897,064	-	(1,897,064)	-	-
Long term debt repaid	(572,469)	-	572,469	-	-
Change in accumulated surplus	<u>(584,264)</u>	<u>242,528</u>	<u>(424,699)</u>	<u>(766,435)</u>	<u>1,336,664</u>
Balance, end of year	\$ 2,644,511	9,026,619	51,475,288	63,146,418	63,912,853

TOWN OF PONOKA
Schedule 2
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2016	2015
Cost								
Balance, beginning of year	\$ 6,322,849	13,843,357	70,849,067	7,706,524	2,702,537	2,011,505	103,435,839	100,644,972
Acquisition of tangible capital assets	160,203	286,629	38,500	544,863	419,838	4,932,055	6,382,088	3,380,302
Projects completed	-	-	6,238,610	165,759	-	(6,404,368)	-	-
Disposal of tangible capital assets	-	(513,842)	(98,000)	(468,910)	(406,890)	-	(1,487,642)	(515,587)
Projects abandoned/ expensed	-	-	-	-	-	-	-	(73,848)
Balance, end of year	<u>6,483,052</u>	<u>13,616,144</u>	<u>77,028,177</u>	<u>7,948,236</u>	<u>2,715,485</u>	<u>539,192</u>	<u>108,330,285</u>	<u>103,435,839</u>
Accumulated Amortization								
Balance, beginning of year	-	7,807,121	36,011,833	3,334,184	1,393,489	-	48,546,627	46,917,364
Annual amortization	-	255,920	1,163,076	365,556	112,512	-	1,897,064	1,740,700
Accumulated amortization on disposals	-	(513,842)	(83,221)	(308,654)	(106,733)	-	(1,012,450)	(111,437)
Balance, end of year	<u>-</u>	<u>7,549,199</u>	<u>37,091,688</u>	<u>3,391,086</u>	<u>1,399,268</u>	<u>-</u>	<u>49,431,241</u>	<u>48,546,627</u>
Net book value of tangible capital assets	<u>6,483,052</u>	<u>6,066,945</u>	<u>39,936,489</u>	<u>4,557,150</u>	<u>1,316,217</u>	<u>539,192</u>	<u>58,899,044</u>	
2015 Net book value of tangible capital assets	<u>\$ 6,322,849</u>	<u>6,036,236</u>	<u>34,837,234</u>	<u>4,372,340</u>	<u>1,309,048</u>	<u>2,011,505</u>		<u>54,889,212</u>

TOWN OF PONOKA
Schedule 3
Schedule of Property Taxes & Other Taxes
for the Year Ended December 31, 2016

	Budget	2016	2015
Taxation:			
Real property taxes	\$ 8,071,842	7,983,319	7,760,993
Linear property taxes	125,000	125,481	126,350
Government grants in place of property taxes	39,064	34,606	37,855
	<u>8,235,906</u>	<u>8,143,406</u>	<u>7,925,198</u>
Requisitions:			
Alberta School Foundation Fund	2,081,691	2,026,995	1,933,909
St. Thomas Aquinas Separate School	197,536	192,494	192,858
Rimoka Foundation	85,757	85,698	85,825
	<u>2,364,984</u>	<u>2,305,187</u>	<u>2,212,592</u>
Net Municipal Taxes	<u>\$ 5,870,922</u>	<u>5,838,219</u>	<u>5,712,606</u>

TOWN OF PONOKA
Schedule 4
Schedule of Government Transfers
for the Year Ended December 31, 2016

	2016 Budget	2016	2015
Transfers for Operating:			
Provincial Government	\$ 779,208	702,838	704,719
Other Local Governments	311,186	294,012	285,725
	<u>1,090,394</u>	<u>996,850</u>	<u>990,444</u>
Transfers for Capital:			
Federal Government	-	14,750	10,917
Provincial Government	3,903,075	1,944,236	2,651,128
Other Local Governments	-	-	14,332
	<u>3,903,075</u>	<u>1,958,986</u>	<u>2,676,377</u>
Total Government Transfers	\$ 4,993,469	<u>2,955,836</u>	<u>3,666,821</u>

TOWN OF PONOKA
Schedule 5
Schedule of Consolidated Expense by Object
For the Year Ended December 31, 2016

	<u>2016 Budget</u>	<u>2016</u>	<u>2015</u>
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 5,684,470	5,950,245	5,286,160
Contracted and general services	7,225,749	6,436,982	6,400,058
Materials, goods and utilities	3,166,275	3,060,213	3,103,540
Provision for allowances	600	32,606	205
Transfer to boards and agencies	556,045	499,139	676,095
Bank charges and short-term interest	7,000	53,154	15,492
Interest on long term debt	221,538	221,538	157,116
Other expenses	38,050	110,751	142,938
Amortization of tangible capital assets	1,551,300	1,897,064	1,740,700
Loss (gain) on disposal of tangible capital assets	-	235,619	19,585
	<u>\$ 18,451,027</u>	<u>18,497,311</u>	<u>17,541,889</u>

TOWN OF PONOKA
Schedule 6
Schedule of Segmented Disclosure
For the Year Ended December 31, 2016

	General Government	Protective Services	Transportation Services	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical Services & Other	Total
Revenue									
Net Municipal taxes	\$ 5,838,219	-	-	-	-	-	-	-	5,838,219
Government transfers	54,523	832,961	776,134	294,131	8,279	615,042	374,766	-	2,955,836
User fees and sales of goods	35,818	142,834	26,608	21,937	9,350	193,581	4,297,481	2,824,092	7,551,701
Investment income	120,203	-	-	-	-	-	-	-	120,203
Contributed assets	-	-	-	-	-	65,064	-	38,500	103,564
Other revenues	452,971	126,590	21,605	7,280	142,877	401,473	8,556	-	1,161,352
	<u>6,501,734</u>	<u>1,102,385</u>	<u>824,347</u>	<u>323,348</u>	<u>160,506</u>	<u>1,275,160</u>	<u>4,680,803</u>	<u>2,862,592</u>	<u>17,730,875</u>
Expenses									
Contract & general services	512,657	1,497,777	875,266	1,103	260,849	409,077	1,296,868	1,583,386	6,436,983
Salaries & wages	1,661,433	651,143	1,153,884	12,912	301,422	1,169,896	472,373	527,181	5,950,244
Goods & supplies	170,455	180,370	379,021	5,853	10,256	461,288	1,634,054	218,915	3,060,212
Transfers to local boards	-	-	-	344,897	-	154,241	-	-	499,138
Interest & bank charges	51,794	-	149,682	-	-	1,609	71,608	-	274,693
Other expenses	(225,070)	97,657	(190,281)	12,149	(30)	141,856	390,706	151,989	378,976
	<u>2,171,269</u>	<u>2,426,947</u>	<u>2,367,572</u>	<u>376,914</u>	<u>572,497</u>	<u>2,337,967</u>	<u>3,865,609</u>	<u>2,481,471</u>	<u>16,600,246</u>
Net revenue (deficiency) before amortization	4,330,465	(1,324,562)	(1,543,225)	(53,566)	(411,991)	(1,062,807)	815,194	381,121	1,130,629
Amortization expense	96,441	79,959	795,399	2,082	40,013	330,140	484,522	68,508	1,897,064
Net Revenue (Deficiency)	<u>\$ 4,234,024</u>	<u>(1,404,521)</u>	<u>(2,338,624)</u>	<u>(55,648)</u>	<u>(452,004)</u>	<u>(1,392,947)</u>	<u>330,672</u>	<u>312,613</u>	<u>(766,435)</u>

TOWN OF PONOKA

Notes to Financial Statements December 31, 2016

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, 2016

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, 2016**

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, 2016**

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>2016</u>	<u>2015</u>
Cash - Unrestricted	\$ 8,980,406	3,151,191
- Restricted	-	15,551
Temporary investments	<u>1,000,000</u>	<u>6,900,000</u>
	<u>\$ 9,980,406</u>	<u>10,066,742</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 0.60%. All GIC's mature within the next fiscal year.

The Town holds in trust cash in the amount of \$Nil (2015 - \$117,265) for the Ponoka Jubilee Library. These amounts are not included in cash and temporary investments nor are their offsetting trust liabilities included in the financial statements. The cash in trust for the Ponoka Jubilee Library was transferred to the accounts in the Library's name during the fiscal year.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2016**

NOTE 3 - Receivables

Taxes receivable

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	\$ 241,779	155,774
Arrears taxes	<u>254,916</u>	219,831
	<u>496,695</u>	375,605
Less allowance for doubtful accounts	\$ <u>(14,572)</u>	(14,572)
	<u>482,123</u>	<u>361,033</u>
Current portion of local improvement taxes	\$ 144,416	145,083
Non-current portion	<u>833,582</u>	977,998
Less: prepaid amount	<u>(96,685)</u>	(121,365)
	<u>\$ 881,313</u>	<u>1,001,716</u>

Trade and other receivables

General receivables	481,469	566,140
Government transfers receivable	1,921,153	2,055,638
Electrical receivable	420,267	420,377
Non-current portion of electrical receivable	151,359	112,278
Utility receivables	307,039	307,704
Allowance for doubtful accounts	<u>(10,109)</u>	(10,109)
	<u>3,271,178</u>	<u>3,452,028</u>

NOTE 4 - Long Term Investments

	<u>2016</u>	<u>2015</u>
Alberta Municipal Finance Corporation shares	\$ 40	40

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2016**

NOTE 5 - Deferred Revenue

	<u>2016</u>	<u>2015</u>
Grant revenues	\$ 2,363,466	2,113,368
Other deferred revenues	6,925	8,998
	<u>\$ 2,370,391</u>	<u>2,122,366</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 are scheduled for completion in future years.

NOTE 6 - Employee Benefit Obligations

Vacation	\$ 186,423	144,308
Overtime	3,621	3,010
	<u>\$ 190,044</u>	<u>147,318</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, 2016**

NOTE 7 – Other Current Liabilities

Other Current Liabilities Consist of:

Requisition over levy	\$	118,805	59,648
Contaminated sites liability		-	86,000
	\$	118,805	145,648

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Town accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

During the 2015 fiscal period, the Town was made aware that the Town hall in use at the time was being condemned for air quality reasons. Council and administration closed the Town hall and relocated to other facilities. In the 2015 financial statements, the Town recognize an estimated liability of \$86,000 for remediation of the Town hall. The demolition and remediation of the building was completed in 2016.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2016**

NOTE 8 – Long Term Debt

	<u>2016</u>	<u>2015</u>	
Tax supported debentures	\$ 6,650,066	2,111,408	
Self supported debentures	773,690	877,817	
	\$ 7,423,756	2,989,225	
Principal & Interest repayment schedule	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 543,510	283,787	827,297
2018	508,645	260,295	768,940
2019	472,597	236,450	709,047
2020	291,225	217,140	508,365
2021	305,102	203,263	508,365
Thereafter	5,302,677	3,527,635	8,830,312
Total	\$ 7,423,756	4,728,570	12,152,326

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.661% to 6.5% per annum and matures in years 2016 through 2056. The average annual interest rate is 4.3% for 2016 (4.6% for 2015).

Debenture debt is issued on the credit and security of the town at large Interest on long term debt amounted to \$221,538 (2015 - \$157,116).

The Town has approved but not drawn on a debenture in the amount of \$5,007,000 for the north bridge replacement project. The project and debenture draw was complete and occurred in 2016.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2016**

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>2016</u>	<u>2015</u>
Total debt limit	\$ 23,490,141	23,733,758
Total debt	7,423,756	<u>2,989,225</u>
Amount of debt limit unused	\$ 16,066,385	<u>20,744,533</u>
Debt servicing limit	\$ 3,915,024	3,955,626
Debt servicing	827,294	<u>681,461</u>
Amount of debt servicing limit unused	\$ 3,087,730	<u>3,274,165</u>

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

Tangible capital assets (Schedule 2)	\$ 108,330,285	103,435,839
Accumulated amortization (Schedule 2)	(49,431,241)	(48,546,627)
Long term debt (Note 8)	(7,423,756)	<u>(2,989,225)</u>
	\$ 51,475,288	<u>51,899,987</u>

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2016**

NOTE 11 - Accumulated Surplus

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 2,644,511	3,228,775
Restricted surplus		
Roads	1,248,983	1,131,466
General	6,009,942	6,383,034
Distribution system	1,767,694	1,269,591
Equity in tangible capital assets	<u>51,478,288</u>	<u>51,899,987</u>
	<u>\$ 63,149,418</u>	<u>63,912,853</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, 2016**

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:

		Salary (a)	Benefits & Allowances (b)+(c)	2016	2015
Mayor					
	Bonnett	35,346	993	36,339	37,737
Councillors:					
	Councillor Gulka	24,652	640	25,292	22,280
	Councillor Falkiner	15,070	324	15,394	17,089
	Councillor Lyon	17,816	415	18,231	20,382
	Councillor Prediger	22,514	570	23,084	23,447
	Councillor Underhill	21,020	520	21,540	23,021
	Councillor Yaworski	19,119	458	19,577	24,050
Chief Administrative					
	Flootman, Albert	128,369	25,255	153,624	-
	Kunz, Rachel	-	-	-	143,563
	McPhee, Dave - acting	-	-	-	16,864
	Wright Doug - acting	-	-	-	18,046

- 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, 2016

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 245,000 people and 426 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 2016 were \$374,533 (2015 - \$282,499). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2016 were \$344,416 (2015 - \$259,562).

At December 31, 2015, the plan disclosed an actuarial deficiency of \$932 million.

NOTE 15 – Contingencies 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 grievance may be cost effective and possible, therefore a provision has been made in these financial statements for the costs of an estimated settlement amount.

TOWN OF PONOKA

Notes to Financial Statements December 31, 2016

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.

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 – Subsequent Event

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 Town is in discussions to sublet some the excess leased space to recover a portion of the basic rent.

NOTE 19 - Comparative Figures

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

NOTE 20 - Approval of Financial Statements

Council and Management have approved these financial statements.