

TOWN OF PONOKA
Financial Statements
Year Ended December 31, 2020

TOWN OF PONOKA

**Index to Financial Statements
Year Ended December 31, 2020**

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	5
FINANCIAL STATEMENTS	
Statement of Financial Position	6
Consolidated Statement of Operations	7
Consolidated Statement of Change in Net Financial Assets (Debt)	8
Consolidated Statement of Cash Flows	9
Schedule of Changes in Accumulated Surplus	10
Schedule of Tangible Capital Assets	11
Schedule of Property Taxes & Other Taxes	12
Schedule of Government Transfers	13
Schedule of Consolidated Expense by Object	14
Schedule of Segmented Disclosure	15
Notes to Financial Statements	16

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, 2020, 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, 2020 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 9.

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 13.

Ponoka, Alberta
April 27, 2021

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, 2020 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 27, 2021
Ponoka, Alberta

General Manager Corporate Services
April 27, 2021
Ponoka, Alberta

TOWN OF PONOKA

**Consolidated Statement of Financial Position
as at December 31, 2020**

	2020	2019
Financial Assets:		
Cash and temporary investments (Note 2)	\$ 14,417,968	11,907,033
Receivables		
Taxes and grants in place of taxes (Note 3)	134,466	399,437
Local improvement taxes receivables (Note 3)	603,879	768,180
Trade and other receivables (Note 3)	1,422,122	1,421,969
Investments	-	40
Land held for resale	885,652	816,276
Other Assets	175,000	175,000
	17,639,087	15,487,935
Liabilities:		
Accounts payable and accrued liabilities	2,005,801	1,828,145
Deposits liabilities	141,476	342,059
Deferred revenue (Note 4)	3,564,139	2,999,597
Employee benefit obligations (Note 5)	272,233	232,382
Long term debt (Note 6)	6,003,547	6,338,139
Obligation under capital lease (Note 7)	8,608,839	8,780,593
	20,596,035	20,520,915
Net financial assets (debt)	(2,956,948)	(5,032,980)
Non-Financial assets		
Tangible capital assets (Schedule 2)	66,353,332	67,255,028
Inventory for consumption	390,759	488,209
Prepaid expense	211,836	110,194
	66,955,927	67,853,431
Accumulated Surplus (Note 10)	\$ 63,998,979	62,820,451

Contingencies (Note 14) and Commitments (Note 15)

TOWN OF PONOKA

**Consolidated Statement of Operations
as at December 31, 2020**

	Budget (Unaudited)	2020	2019
Revenue:			
Net municipal taxes (Schedule 3)	\$ 6,750,070	6,737,484	6,710,642
User fees and sale of goods	8,595,650	8,441,932	8,337,617
Rentals	652,500	606,569	680,405
Licenses and permits	205,500	142,168	118,671
Penalties and costs of taxes	95,000	67,808	90,136
Fines	76,500	50,964	66,250
Investment income	125,000	97,904	229,607
Development levies	-	-	-
Franchise and concession	370,000	399,014	412,438
Government transfers for operating (Schedule 4)	1,319,410	1,703,164	1,235,445
Other	173,550	137,614	204,429
Total Revenue	18,363,180	18,384,621	18,085,640
Expenses			
Legislative	398,230	520,171	495,940
Administration	4,368,180	3,739,746	3,399,211
Protective services	2,242,020	2,160,224	2,054,112
Public works	3,614,940	3,666,626	3,607,365
Electrical	3,320,780	2,947,816	3,200,158
Environmental services	4,899,110	4,050,406	3,806,602
Community services	425,890	416,466	393,894
Planning and development	716,950	403,829	462,433
Parks and recreation	2,173,660	1,950,955	3,192,277
Culture	305,200	285,642	533,924
Total Expenses	22,464,960	20,141,881	21,145,916
Deficiency of revenue over expenses - before other	(4,101,780)	(1,757,260)	(3,060,276)
Other			
Contributed assets	100,000	826,620	8,000
Government transfers for capital (Schedule 4)	5,312,300	2,109,168	2,676,161
Excess (deficiency) of revenues over expenses	1,310,520	1,178,528	(376,115)
Accumulated Surplus, beginning of the year	62,820,451	62,820,451	63,196,566
Accumulated Surplus, end of the year	\$ 64,130,971	63,998,979	62,820,451

TOWN OF PONOKA

**Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2020**

	Budget (Unaudited)	2020	2019
Excess (Deficiency) of Revenues over Expenses \$	1,310,520	1,178,528	(376,115)
Acquisition of tangible capital asset	(5,112,200)	(2,714,091)	(2,473,593)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	934,196	56,952
Amortization of tangible capital assets	2,554,800	2,346,457	2,305,253
Transfer of capital projects	-	69,378	-
Writedown of tangible capital assets	-	-	848,882
(Gain) loss on sale of tangible capital assets	-	265,758	220,282
	(2,557,400)	901,698	957,776
Net (acquisition) use of supplies inventory	-	97,449	56,896
Net (acquisition) use of prepaid assets	-	(101,643)	(84,551)
	-	(4,194)	(27,655)
Decrease (increase) in net debt	(1,246,880)	2,076,032	554,006
Net financial assets (debt), beginning of year	(5,032,980)	(5,032,980)	(5,586,986)
Net financial assets (debt), end of year \$	(6,279,860)	(2,956,948)	(5,032,980)

TOWN OF PONOKA

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020**

	2020	2019
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ 1,178,528	(376,115)
Non-cash items included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	2,346,457	2,305,252
Loss (gain) on disposal of tangible capital assets	265,758	220,282
Writedown of tangible capital assets	-	848,882
Capital projects abandoned and expensed	-	-
Contributed assets	(741,620)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	429,280	161,104
Decrease (increase) in trade and other receivable	(153)	2,531,244
Decrease (increase) in land held for resale	-	-
Decrease (increase) in investment	40	-
Decrease (increase) in inventory for consumption	97,449	56,896
Decrease (increase) in prepaid expenses	(101,643)	(84,551)
Increase (decrease) in accounts payable and accrued liabilities	177,651	469
Increase (decrease) in deposits liabilities	(200,583)	(6,967)
Increase (decrease) in employee benefit obligations	39,850	48,276
Increase (decrease) in other current liabilities	-	-
Increase (decrease) in deferred revenues	564,542	(657,581)
Cash provided by operating transactions	4,055,556	5,047,191
Capital		
Acquisition of tangible capital assets	(1,972,471)	(2,473,593)
Proceeds on sale of tangible capital assets	934,196	56,952
Cash used in capital transactions	(1,038,275)	(2,416,641)
Financing		
Borrowing debt issued	-	-
Borrowing debt repaid	(506,346)	(676,397)
Cash provided by (used in) financing transactions	(506,346)	(676,397)
Change in cash and cash equivalents during year	2,510,935	1,954,153
Cash and cash equivalents, beginning of year	11,907,033	9,952,880
Cash and cash equivalents, end of year	\$ 14,417,968	11,907,033

TOWN OF PONOKA
Schedule 1
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Capital Assets	2020	2019
Balance, beginning of year	\$ 3,913,808	6,770,347	52,136,296	62,820,451	63,196,566
Excess (deficiency) of revenues over expenses	1,178,528	-		1,178,528	(376,115)
Current year funds restricted	(1,694,481)	1,694,481	-	-	-
Restricted funds used for operations	445,000	(445,000)	-	-	-
Restricted funds used for tangible capital assets	-	(669,660)	669,660	-	-
Current year funds used for tangible capital assets	(2,044,431)	-	2,044,431	-	-
Contributed tangible capital assets	-	-	-	-	-
Proceeds on borrowing used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	1,269,330	-	(1,269,330)	-	-
Writedown of tangible capital assets	-	-	-	-	-
Annual amortization expense	2,346,457	-	(2,346,457)	-	-
Borrowing repaid	(506,346)	-	506,346	-	-
Change in accumulated surplus	994,057	579,821	(395,350)	1,178,528	(376,115)
Balance, end of year	\$ 4,907,865	7,350,168	51,740,946	63,998,979	62,820,451

TOWN OF PONOKA
Schedule 2
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2020	2019
Cost								
Balance, beginning of year	\$ 6,483,052	25,271,481	78,256,672	8,832,004	2,088,548	1,649,542	122,581,299	121,023,270
Acquisition of tangible capital assets	204,980	136,024	787,870	157,862	-	1,427,355	2,714,091	2,473,593
Projects completed	-	-	126,551	-	-	(126,551)	-	-
Projects abandoned/ expensed	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	(233,521)	(1,164,112)	(358,400)	(274,002)	-	(2,030,035)	(915,564)
Adjustments	-	-	-	-	-	-	-	-
Balance, end of year	6,688,032	25,173,984	78,006,981	8,631,466	1,814,546	2,950,346	123,265,355	122,581,299
Accumulated Amortization								
Balance, beginning of year	-	8,468,933	41,270,975	4,547,125	1,039,238	-	55,326,271	52,810,467
Annual amortization	-	500,806	1,320,814	446,852	77,985	-	2,346,457	2,305,252
Accumulated amortization on disposals	-	(319,850)	(260,041)	(180,814)	-	-	(760,705)	(638,330)
Writedown of capital assets	-	-	-	-	-	-	-	848,882
Adjustments	-	-	-	-	-	-	-	-
Balance, end of year	-	8,649,889	42,331,748	4,813,163	1,117,223	-	56,912,023	55,326,271
Net book value	6,688,032	16,524,095	35,675,233	3,818,303	697,323	2,950,346	66,353,332	
2019 Net book value	\$ 6,483,052	16,802,548	36,985,697	4,284,879	1,049,310	164,542		67,255,028

Included in building is a capital lease for a building with a cost of \$9,039,500 (2019 - \$9,039,500), accumulated amortization of \$443,980 (2019 - \$221,687) and net book value of \$8,595,520 (2019 - \$8,817,813).

TOWN OF PONOKA
Schedule 3
Schedule of Property Taxes & Other Taxes
for the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
Taxation:			
Real property taxes	\$ 9,100,780	8,990,163	9,018,377
Linear property taxes	150,000	142,902	138,331
Government grants in place of property taxes	40,000	41,352	40,675
Special assessments and local improvement taxes	-	-	-
	<u>9,290,780</u>	<u>9,174,417</u>	<u>9,197,383</u>
Requisitions:			
Alberta School Foundation Fund	2,457,080	2,353,309	2,400,806
Rimoka Foundation	83,630	83,624	85,935
	<u>2,540,710</u>	<u>2,436,933</u>	<u>2,486,741</u>
Net Municipal Taxes	\$ 6,750,070	6,737,484	6,710,642

TOWN OF PONOKA
Schedule 4
Schedule of Government Transfers
for the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
Transfers for Operating:			
Provincial Government	\$ 903,900	1,265,464	914,465
Local Governments	415,510	437,700	320,980
	1,319,410	1,703,164	1,235,445
Transfers for Capital:			
Federal Government	-	-	-
Provincial Government	5,312,300	2,109,168	2,676,161
	5,312,300	2,109,168	2,676,161
Total Government Transfers	\$ 6,631,710	3,812,332	3,911,606

TOWN OF PONOKA
Schedule 5
Schedule of Consolidated Expense by Object
For the Year Ended December 31, 2020

	Budget (Unaudited)	2020	2019
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 5,805,320	5,495,523	5,923,230
Contracted and general services	9,561,890	7,237,299	7,340,967
Materials, goods and utilities	3,230,650	2,881,020	2,835,157
Provision for allowances	34,000	46,225	15,000
Transfer to other governments	-	-	-
Transfer to boards and agencies	854,400	856,681	819,295
Bank charges and short-term interest	14,500	23,955	15,872
Interest on long term debt	230,600	229,559	250,099
Interest on capital lease	-	514,829	493,420
Other expenses	178,800	244,575	78,460
Amortization of tangible capital assets	2,554,800	2,346,457	2,305,252
Loss (gain) on disposal of tangible capital assets	-	265,758	220,282
Writedown on tangible capital assets	-	-	848,882
	\$ 22,464,960	20,141,881	21,145,916

TOWN OF PONOKA
Schedule 6
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

	General Government	Protective Services	Public Works	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical	Total
Revenue									
Net Municipal taxes	\$ 6,737,484	-	-	-	-	-	-	-	6,737,484
Government transfers	586,762	406,321	747,144	320,870	24,234	1,190,234	536,767	-	3,812,332
User fees and sales of goods	26,821	11,905	6,599	18,863	-	63,903	4,645,371	3,668,470	8,441,932
Investment income	97,904	-	-	-	-	-	-	-	97,904
Contributed assets	120,440	-	200,200	-	150,000	289,980	66,000	-	826,620
Other revenues	898,597	103,272	34,719	7,475	144,697	190,616	6,255	18,506	1,404,137
	8,468,008	521,498	988,662	347,208	318,931	1,734,733	5,254,393	3,686,976	21,320,409
Expenses									
Contract & general services	722,891	1,834,936	1,003,782	57	161,417	430,540	1,078,575	2,005,101	7,237,299
Salaries & wages	1,771,104	258,776	1,433,593	-	191,812	764,081	543,292	532,865	5,495,523
Goods & supplies	242,365	29,332	386,386	3,773	-	372,616	1,647,344	199,204	2,881,020
Transfers to local boards	269,809	-	6,600	395,404	-	184,868	-	-	856,681
Interest & bank charges	573,825	-	208,045	-	-	2,391	30,306	-	814,567
Other expenses	445,528	-	(369,052)	13,579	11,406	70,112	202,819	135,941	510,333
	4,025,522	2,123,044	2,669,354	412,813	364,635	1,824,608	3,502,336	2,873,111	17,795,423
Net revenue (expense) before amortization	4,442,486	(1,601,546)	(1,680,692)	(65,605)	(45,704)	(89,875)	1,752,057	813,865	3,524,986
Amortization expense	234,396	37,180	997,272	3,653	39,193	411,989	548,068	74,707	2,346,458
Net Revenue (expense)	\$ 4,208,090	(1,638,726)	(2,677,964)	(69,258)	(84,897)	(501,864)	1,203,989	739,158	1,178,528

TOWN OF PONOKA

Notes to Financial Statements December 31, 2020

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, 2020

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 repayment of the local improvement receivable.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2020**

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, 2020**

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

	2020	2019
Cash on hand	\$ 1,707	1,707
General bank accounts	5,416,261	5,905,326
Temporary investments	9,000,000	6,000,000
	\$ 14,417,968	11,907,033

Included in cash are funds designated as restricted for deferred revenues in the amount of \$3,564,139 (2019 - \$2,999,597) and excess proceeds from tax recovery auctions in the amount of \$12,905 (2019 - \$NIL), 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 0.85%. All GIC's mature within the next fiscal year.

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2020**

NOTE 3 – Receivables

Taxes receivable

	2020	2019
Current taxes and grants in place of taxes	\$ 92,952	200,413
Arrears taxes	50,789	105,275
	143,741	305,688
Requisition under levy	(2,033)	100,991
Less allowance for doubtful accounts	(7,242)	(7,242)
	\$ 134,466	399,437

Local improvement taxes receivable

	2020	2019
Current portion of local improvement taxes	\$ 179,414	179,414
Non-current portion	562,467	741,882
Less: prepaid amount	(138,002)	(153,116)
	\$ 603,879	768,180

Trade and other receivables

	2020	2019
General receivables	\$ 430,524	471,352
Electrical receivables	606,156	566,863
Non-current portion of electrical receivables	41,448	66,230
Utility receivables	369,514	343,044
Allowance for doubtful accounts	(25,520)	(25,520)
	\$ 1,422,122	1,421,969

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2020**

NOTE 4 - Deferred Revenue

	2020	2019
Municipal Sustainability Grant	\$ 2,665,224	2,188,212
Gas Tax Fund	172,137	782,055
MCTP Grant	2,514	18,521
Other deferred revenues	724,264	10,809
	\$ 3,564,139	2,999,597

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

	2020	2019
Vacation	\$ 264,730	224,093
Overtime	7,503	8,289
	\$ 272,233	232,382

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, 2020**

NOTE 6 – Long Term Debt

	2020	2019
Tax supported debentures	\$ 5,656,708	5,884,478
Self supported debentures	346,839	453,661
	\$ 6,003,547	6,338,139

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

	Principal	Interest	Total
2021	\$ 349,735	214,415	564,150
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
Thereafter	4,835,004	2,818,992	7,653,996
Total	\$ 6,003,547	3,781,413	9,784,960

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.899% to 6.50% per annum and matures in years 2021 through 2056. The average annual interest rate is 4.47% for 2019 (3.79% for 2019).

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

Interest on long term debt amounted to \$229,558 (2019 - \$250,099).

TOWN OF PONOKA

**Notes to Financial Statements
December 31, 2020**

NOTE 7 – Obligation under Capital Lease

	2020	2019
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.	\$ 8,608,839	8,780,593

Future minimum capital lease payments are approximately

2021	\$ 700,000
2022	700,000
2023	700,000
2024	700,000
2025	700,000
Thereafter	12,366,666
Total minimum lease payments	15,866,666
Less: amount representing interest at 6.070%	(7,257,827)
Present value of minimum lease payments	8,608,839
Less: current portion	(182,474)
Non-current portion	\$ 8,426,365

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, 2020**

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 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:

	2020	2019
Total debt limit	\$ 27,576,930	27,128,460
Total debt	14,612,386	15,118,732
Amount of debt limit unused	\$ 12,964,544	12,009,728
Debt servicing limit	\$ 4,596,155	4,521,410
Debt servicing	1,264,150	1,264,180
Amount of debt servicing limit unused	\$ 3,332,005	3,257,230

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, 2020**

NOTE 9 - Equity in Tangible Capital Assets

	2020	2019
Tangible capital assets (Schedule 2)	\$ 123,265,355	122,581,299
Accumulated amortization (Schedule 2)	(56,912,023)	(55,326,271)
Long term debt (Note 7)	(6,003,547)	(6,338,139)
Obligation under capital lease (Note 8)	(8,608,839)	(8,780,593)
	\$ 51,740,946	52,136,296

NOTE 10 - Accumulated Surplus

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

	2020	2019
Unrestricted surplus	\$ 4,907,865	3,913,808
Restricted surplus		
Transportation and roads	1,184,172	1,203,188
Distribution system	2,390,634	2,331,005
General	3,775,362	3,236,154
Equity in tangible capital assets	51,740,946	52,136,296
	\$ 63,998,979	62,820,451

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, 2020**

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)	2020	2019
Mayor					
Bonnett		\$ 42,973	2,065	45,038	42,605
Councillors:					
Councillor	Lyon	23,156	1,025	24,181	25,089
Councillor	Prediger	21,786	953	22,739	23,356
Councillor	Underhill	24,928	1,111	26,039	22,200
Councillor	Dillon	24,065	700	24,765	24,711
Councillor	Ferguson	26,401	1,195	27,596	27,094
Councillor	Nelson	24,025	1,071	25,096	19,902
Chief Administrative					
Flootman, Albert		\$ 251,740	20,863	272,603	192,133
Lund, Sandra		45,954	6,736	52,690	-

- 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, 2020

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 serves about 275,000 people and 420 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 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 2020 were \$404,770 (2019 - \$362,652). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2020 were \$361,536 (2019 - \$341,963).

At December 31, 2019, the plan disclosed an actuarial surplus of \$ 7.9 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, 2020**

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.