

**PONOKA COUNTY**  
**Financial Statements**  
**Year Ended December 31, 2022**

**PONOKA COUNTY**

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Year ended December 31, 2022**

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**Rowland, Parker  
& Associates LLP**  
CHARTERED PROFESSIONAL  
ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

### **To the Members of Ponoka County**

#### *Opinion*

We have audited the accompanying consolidated financial statements of Ponoka County, which comprise the statements of financial position as at December 31, 2022, 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 Ponoka County as at December 31, 2022 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 Ponoka County 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 Ponoka County'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 liquidate Ponoka County or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing Ponoka County'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 financial statements.

Independent Auditor's Report to the Members of Ponoka County (continued)

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:

- Identify and assess the risks of material misstatement of the 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 Ponoka County's internal controls.
- 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 Ponoka County'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 Ponoka County 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.

Ponoka, Alberta  
March 14, 2023

ROWLAND, PARKER & ASSOCIATES LLP  
Chartered Professional Accountants

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Ponoka County 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 County's financial position as at December 31, 2022 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 County Council carries out its responsibilities for review of the consolidated financial statements. 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 County Council with and without the presence of management. The County 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 County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.

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Chief Administrative Officer  
March 14, 2023  
Ponoka County, Alberta

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Financial Officer  
March 14, 2023  
Ponoka County, Alberta

**PONOKA COUNTY**

**Consolidated Statement of Operations  
as at December 31, 2022**

	<b>2022</b>	<b>2021</b> <i>(restated)</i>
<b>Financial Assets</b>		
Cash and cash equivalents (Note 2)	\$ 15,318,549	24,247,730
Receivables		
Taxes and grants in place of taxes (Note 3)	1,549,585	1,455,596
Trade and other receivables (Note 3)	434,513	404,758
Investments (Note 4)	7,001,385	1,385
Other Long Term Assets (Note 5)	305,692	305,692
	<b>24,609,724</b>	<b>26,415,161</b>
<b>Liabilities</b>		
Bank indebtedness (Note 6)	-	1,947,177
Accounts payable and accrued liabilities (Note 7)	1,003,482	625,720
Employee vacation payable	170,783	141,465
Deferred revenue (Note 2)	100,000	-
Contaminated site liability (Note 8)	590,000	590,000
Obligations under capital lease (Note 9)	879,329	1,076,179
Provision for landfill closure and post-closure costs (Note 10)	342,355	326,793
	<b>3,085,949</b>	<b>4,707,334</b>
<b>Net financial assets (debt)</b>	<b>21,523,775</b>	<b>21,707,827</b>
<b>Non-Financial assets</b>		
Tangible capital assets (Schedule 2)	98,946,186	98,287,234
Inventory for consumption	2,436,588	2,239,404
Prepaid expenses	259,213	357,594
	<b>101,641,987</b>	<b>100,884,232</b>
<b>Accumulated Surplus (Schedule 1, Note 13)</b>	<b>\$ 123,165,762</b>	<b>122,592,059</b>

*Commitments and contingencies (Notes 17 & 18)*

**PONOKA COUNTY**

**Consolidated Statement of Operations  
as at December 31, 2022**

	Budget (Unaudited)	2022	2021
<b>Revenue</b>			
Net municipal taxes (Schedule 3)	\$ 17,663,901	17,833,218	17,607,752
User fees and sales of goods	681,820	922,342	1,081,231
Government transfers for operating (Schedule 4)	242,709	244,809	303,606
Investment income	202,000	618,104	211,071
Penalties and costs of taxes	206,500	447,649	353,358
Rentals	35,000	34,707	35,851
Development levies	35,000	178,549	259,233
Gain on disposal of assets	-	28,202	-
<b>Total Revenue</b>	<u>19,066,930</u>	<u>20,307,580</u>	<u>19,852,102</u>
<b>Expenses</b>			
Legislative	380,800	392,499	370,727
Administration	2,147,596	1,852,499	2,100,161
Fire	922,000	747,263	824,887
Bylaws enforcement	470,000	612,805	426,769
Roads, streets, walks, lighting	11,474,121	9,454,232	8,330,169
Wastewater treatment and disposal	10,000	165	304
Airport	5,000	7,997	-
Waste management	1,203,500	1,201,860	1,135,343
Other environmental use and protection	-	58,253	69,509
Water supply and distribution	-	113,424	128,421
Family and community support	70,000	67,445	67,445
Cemeteries	6,000	6,000	6,000
Land use planning	73,000	58,046	77,457
Agricultural development	1,007,390	777,231	780,107
Parks and recreation	1,311,682	1,319,021	1,518,243
Libraries	205,000	202,531	200,687
Provision for uncollectible taxes	300,000	392,969	1,140,000
Provision for uncollectible accounts receivable	-	301,753	623,747
Amortization	4,285,294	4,338,149	4,221,977
Loss on disposal of assets	-	-	193,773
<b>Total Expenses</b>	<u>23,871,383</u>	<u>21,904,142</u>	<u>22,215,726</u>
<b>Deficiency of revenue over expenses - before other</b>	(4,804,453)	(1,596,562)	(2,363,624)
<b>Other</b>			
Government transfers for capital (Schedule 4)	2,169,778	2,170,265	6,113,918
<b>Excess (deficiency) of revenues over expenses</b>	<u>(2,634,675)</u>	<u>573,703</u>	<u>3,750,294</u>
<b>Accumulated Surplus, beginning of the year</b>	98,472,485	122,592,059	118,841,765
<b>Accumulated Surplus, end of the year</b>	<u>\$ 95,837,810</u>	<u>123,165,762</u>	<u>122,592,059</u>

**PONOKA COUNTY**

**Consolidated Statement of Change in Net Financial Assets (Debt)  
For the Year Ended December 31, 2022**

	Budget (Unaudited)	2022	2021
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>\$ (2,634,675)</b>	<b>573,703</b>	<b>3,750,294</b>
Acquisition of tangible capital assets	(5,880,294)	<b>(6,430,260)</b>	(9,023,726)
Proceeds on disposal of tangible capital assets	1,595,000	<b>1,461,362</b>	1,181,909
Amortization of tangible capital assets	4,285,294	<b>4,338,149</b>	4,221,977
(Gain) Loss on sale of tangible capital assets	-	<b>(28,202)</b>	193,772
	-	<b>(658,951)</b>	(3,426,068)
Increase in net assets before change in inventories and prepaid expenses	(2,634,675)	<b>(85,248)</b>	324,226
Net use (acquisition) of supplies inventories	-	<b>(197,185)</b>	(307,240)
Net use (acquisition) of prepaid expenses	-	<b>98,381</b>	(8,739)
	-	<b>(98,804)</b>	(315,979)
<b>Decrease (increase) in net debt</b>	<b>(2,634,675)</b>	<b>(184,052)</b>	8,247
<b>Net financial assets (debt), beginning of year</b>	<b>21,707,827</b>	<b>21,707,827</b>	21,699,580
<b>Net financial assets (debt), end of year</b>	<b>\$ 19,073,152</b>	<b>21,523,775</b>	21,707,827



**PONOKA COUNTY**

**Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2022**

	2022	2021 (restated)
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenues over expenses	\$ 573,703	3,750,294
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,338,149	4,221,977
Loss on disposal of tangible capital assets	(28,202)	193,772
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(93,989)	565,090
Decrease (increase) in trade and other receivables	(29,755)	681,906
Decrease (increase) in inventory for consumption	(197,185)	(307,240)
Decrease (increase) in prepaid expenses	98,381	(8,739)
Decrease (increase) in other long term assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	407,080	(154,578)
Increase (decrease) in other current liabilities	-	-
Increase (decrease) in deferred revenue	100,000	-
Increase (decrease) in landfill closure and post-closure costs	15,562	15,561
Cash provided by operating transactions	5,183,744	8,958,043
<b>Capital</b>		
Acquisition of tangible capital assets	(6,430,260)	(9,023,726)
Sale of tangible capital assets	1,461,362	1,181,908
Cash applied to capital transactions	(4,968,898)	(7,841,818)
<b>Investing</b>		
Decrease (increase) in restricted cash or cash equivalents	(102,849)	(7,533)
Increase in investments	(7,000,000)	-
Cash provide by (applied to) investing transactions	(7,102,849)	(7,533)
<b>Financing</b>		
Borrowing debt repaid	(196,850)	(185,595)
Cash provided by (used in) financing transactions	(196,850)	(185,595)
<b>Change in cash and cash equivalents during year</b>	<b>(7,084,853)</b>	<b>923,097</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>22,168,487</b>	<b>21,245,390</b>
<b>Cash and cash equivalents, end of year</b>	<b>15,083,634</b>	<b>22,168,487</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	15,318,549	24,247,730
Bank Indebtedness (Note 6)	-	(1,947,177)
Less: restricted portion of cash and temporary investments (Note 2)	(234,915)	(132,066)
	<b>\$ 15,083,634</b>	<b>22,168,487</b>

PONOKA COUNTY

Schedule 1

Schedule of Changes in Accumulated Surplus  
For the Year Ended December 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
<b>Balance, beginning of year</b>	\$ -	25,381,004	97,211,055	<b>122,592,059</b>	118,841,765
Excess (deficiency) of revenues over expenses	573,703	-	-	<b>573,703</b>	3,750,294
Transfer from unrestricted surplus to restricted surplus	282,099	(282,099)	-	-	-
Current year funds used for tangible capital assets	(6,430,260)	-	6,430,260	-	-
Proceeds on borrowing used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	1,433,159	-	(1,433,159)	-	-
Annual amortization expense	4,338,149	-	(4,338,149)	-	-
Borrowing repaid	(196,850)	-	196,850	-	-
Change in accumulated surplus	-	(282,099)	855,802	<b>573,703</b>	3,750,294
<b>BALANCE, END OF YEAR</b>	\$ -	25,098,905	98,066,857	<b>123,165,762</b>	122,592,059

**PONOKA COUNTY**  
**Schedule 2**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2022**

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	2022	2021
<b>Cost</b>								
Balance, beginning of year	\$ 2,033,420	6,448,759	123,552,532	16,438,531	3,639,368	1,537,479	153,650,089	146,226,188
Acquisition of tangible capital assets	-	-	3,540,414	2,357,783	465,569	66,494	6,430,260	9,023,726
Transfer construction in progress	-	-	28,836	-	-	(28,836)	-	-
Disposal of tangible capital assets	-	-	-	(1,945,434)	(136,087)	-	(2,081,521)	(1,599,825)
Balance, end of year	2,033,420	6,448,759	127,121,782	16,850,880	3,968,850	1,575,137	157,998,828	153,650,089
<b>Accumulated Amortization</b>								
Balance, beginning of year	-	1,917,779	47,166,114	3,727,686	2,551,276	-	55,362,855	51,365,023
Annual amortization	-	130,396	3,299,719	723,191	184,843	-	4,338,149	4,221,977
Accumulated amortization on disposals	-	-	-	(512,275)	(136,087)	-	(648,362)	(224,145)
Balance, end of year	-	2,048,175	50,465,833	3,938,602	2,600,032	-	59,052,642	55,362,855
<b>Net book value</b>	2,033,420	4,400,584	76,655,949	12,912,278	1,368,818	1,575,137	98,946,186	
<b>2021 Net book value</b>	\$ 2,033,420	4,530,980	76,386,418	12,710,845	1,088,092			98,287,234

Included in tangible capital assets are the following items under capital lease:

	Cost	Accumulated Amortization	Net Book Value	
			2022	2021
Building	\$ 191,575	11,496	180,079	183,911
Machinery & Equipment	1,349,050	202,356	1,146,694	1,214,146
<b>Total</b>	\$ 1,540,625	213,852	1,326,773	1,398,057

**PONOKA COUNTY**  
**Schedule 3**  
**Schedule of Property and Other Taxes**  
**for the Year Ended December 31, 2022**

	Budget (Unaudited)	2022	2021
<b>Taxation:</b>			
Real property taxes	\$ 14,669,050	<b>14,546,461</b>	13,998,130
Linear property taxes	11,066,126	<b>11,339,572</b>	11,367,012
Special assessments and local improvement taxes	4,000	<b>5,171</b>	4,944
Business taxes	120,000	<b>127,765</b>	261,907
Government grants in place of property taxes	-	<b>1,125</b>	1,138
	25,859,176	<b>26,020,094</b>	25,633,131
<b>Requisitions:</b>			
Alberta School Foundation Fund	7,880,275	<b>7,880,275</b>	<b>7,717,523</b>
Rimoka Foundation	315,000	<b>306,601</b>	<b>307,856</b>
	8,195,275	<b>8,186,876</b>	8,025,379
<b>Net Municipal Taxes</b>	<b>\$ 17,663,901</b>	<b>17,833,218</b>	17,607,752

**PONOKA COUNTY**  
**Schedule 4**  
**Schedule of Government Transfers**  
**for the Year Ended December 31, 2022**

	Budget (Unaudited)	2022	2021
<b>Transfers for Operating:</b>			
Provincial Government	\$ 242,709	<b>242,709</b>	297,306
Federal Government	-	<b>2,100</b>	6,300
	242,709	<b>244,809</b>	<b>303,606</b>
<b>Transfers for Capital:</b>			
Other Local Governments	70,000	<b>70,000</b>	70,000
Provincial Government	2,099,778	<b>2,100,265</b>	6,043,918
	2,169,778	<b>2,170,265</b>	<b>6,113,918</b>
<b>Total Government Transfers</b>	\$ 2,412,487	<b>2,415,074</b>	<b>6,417,524</b>

**PONOKA COUNTY**  
**Schedule 5**  
**Schedule of Consolidated Expense by Object**  
**For the Year Ended December 31, 2022**

	Budget (Unaudited)	2022	2021
<b>Consolidated Expenses by Object</b>			
Salaries, wages and benefits	\$ 6,014,011	<b>5,685,919</b>	5,849,551
Contracted and general services	7,161,396	<b>4,797,877</b>	4,270,933
Materials, goods and utilities	4,467,000	<b>4,685,686</b>	4,012,897
Provision for allowances	300,000	<b>694,722</b>	1,763,747
Purchases from other governments	962,570	<b>981,404</b>	855,313
Transfers to local boards and agencies	299,000	<b>293,976</b>	292,132
Bank charges and short-term interest	2,000	<b>2,365</b>	1,160
Transfers to individuals and organizations	380,112	<b>365,791</b>	684,733
Interest on capital lease	-	<b>58,253</b>	69,510
Amortization of tangible capital assets	4,285,294	<b>4,338,149</b>	4,221,977
Loss on disposal of tangible capital assets	-	-	193,773
	<b>\$ 23,871,383</b>	<b>21,904,142</b>	22,215,726

**PONOKA COUNTY**

**Schedule 6**

**Schedule of Segmented Disclosure  
For the Year Ended December 31, 2022**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
<b>Revenue</b>							
Net municipal taxes	\$ 17,833,217	-	-	-	-	-	17,833,217
Government transfers	2,100	70,000	2,219,067	-	-	123,907	2,415,074
User fees and sales of goods	13,820	362,751	98,934	-	-	446,837	922,342
Investment income	618,104	-	-	-	-	-	618,104
Penalties and fines	441,164	6,485	-	-	-	-	447,649
Other revenues	-	-	62,910	178,549	-	-	241,459
	18,908,405	439,236	2,380,911	178,549	-	570,744	22,477,845
<b>Expenses</b>							
Contract & general services	488,406	92,278	3,519,701	56,046	-	641,446	4,797,877
Salaries & wages	1,587,317	535,769	2,530,569	-	-	1,032,264	5,685,919
Goods & supplies	166,910	717,844	3,556,880	2,000	-	242,052	4,685,686
Transfers to local boards	-	-	-	-	293,976	-	293,976
Other expenses	697,087	14,177	-	-	1,333,018	58,253	2,102,535
	2,939,720	1,360,068	9,607,150	58,046	1,626,994	1,974,015	17,565,993
Net revenue (expense) before amortization	15,968,685	(920,832)	(7,226,239)	120,503	(1,626,994)	(1,403,271)	4,911,852
Amortization expense	(57,796)	(184,209)	(3,858,238)	(39,833)	-	(198,073)	(4,338,149)
<b>NET REVENUE</b>	\$ 15,910,889	(1,105,041)	(11,084,477)	80,670	(1,626,994)	(1,601,344)	573,703

## **PONOKA COUNTY**

### **Notes to Financial Statements December 31, 2022**

#### **NOTE 1 - Significant Accounting Policies**

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

##### **Reporting Entity**

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

- Ponoka County Regional Fire Services
- Ponoka County Waste Disposal

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

##### **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.



## **PONOKA COUNTY**

### **Notes to Financial Statements December 31, 2022**

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

Significant estimates include:

- the allowance for doubtful accounts;
- the provision for clean-up of contaminated site;
- the net present value of future minimum lease payments on capital lease;
- the provision for landfill closure and post-closure costs;
- providing for amortization of tangible capital assets;
- the estimated useful lives of assets; and
- the recoverability of tangible assets.

#### **Valuation of Financial Assets and Liabilities**

The county's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long-term debt	Amortized cost

#### **Cash and Cash Equivalents**

Cash includes cash and cash equivalents. Cash equivalents are investments in money markets funds, bonds and guaranteed investment certificates are valued at cost plus accrued interest that are redeemable or have maturity date of 90 days or less from the date of yearend.

#### **Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Short-term investments have a maturity in less than 365 days of yearend and long-term investments have a maturity in excess of 365 days from yearend.

#### **Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

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

**Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

**Landfill Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the county is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**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.

**Revenue Recognition**

Revenues for services are recognized for the period in which the service was rendered, and collection is reasonably assured. Revenues for the sale of goods are recognized in the period the sale has occurred.

**Government Transfers**

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

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

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

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

**Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

*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 asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Buildings	20-50
Engineered structures	
Roads	40
Bridges	30
Machinery and equipment	10-20
Vehicles	5-10

No amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

*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 of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

*d. Inventories*

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

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

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

**Recent accounting pronouncements published but not yet adopted**

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPA Canada) but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

**Section PS 3280 - Asset Retirement Obligations**

This new section establishes standards on how to account and report a liability for asset retirement obligations (ARO). This Section identifies the main attributes of an ARO and provides guidance on how to establish the fair value of the ARO. The new Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

**Section PS 3400 — Revenue**

This new section establishes standards on how to account for and report on revenue. This Section differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. The new Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

**NOTE 2 - Cash and Cash Equivalents**

	<b>2022</b>	<b>2021</b>
Cash	\$ <b>11,707,283</b>	833,694
Cash equivalents	<b>3,611,266</b>	23,414,036
	<b>\$ 15,318,549</b>	<b>24,247,730</b>

Included in cash are restricted funds that pertain to payments received in place of reserve land under Section 666 of the MGA in the amount of \$134,915 (2021 - \$132,066). In addition, included in cash is \$100,000 (2021 - \$nil) that relate to a watercourse crossing grant that has been deferred to the 2023 fiscal year.

Interest earned on cash equivalents is paid at the banking prime rate less 1.5% (effective rate at yearend 5.20%). Interest earned on cash is paid at the bank prime rate less 1.75% - 1.70% (effective rate at yearend 4.95% - 5.00%).

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 3 – Receivables**

	<b>2022</b>	<b>2021</b>
Property taxes		
Current taxes and grants in place of taxes	<b>\$ 1,248,067</b>	1,407,879
Arrears	<b>2,301,518</b>	2,047,717
	<b>3,549,585</b>	3,455,596
Allowance for doubtful accounts	<b>(2,000,000)</b>	(2,000,000)
	<b>1,549,585</b>	1,455,596
Other		
Trade accounts	<b>1,497,456</b>	1,114,540
Goods and Services Tax	<b>111,724</b>	113,965
Allowance for doubtful accounts	<b>(1,174,667)</b>	(823,747)
	<b>434,513</b>	404,758
	<b>\$ 1,984,098</b>	1,860,354

**NOTE 4 – Investments**

	<b>2022</b>	<b>2021</b>
Short term		
Investments maturity less than 365 days	<b>\$ 5,300,000</b>	-
Long Term		
Investments maturity over 365 days	<b>1,700,000</b>	-
Rural Municipalities of Alberta (RMA)	<b>1,385</b>	1,385
	<b>1,701,385</b>	1,385
	<b>\$ 7,001,385</b>	<b>1,385</b>

Interest is earned on short term investments is at rates between 4.00% - 4.53% and on long term investments at 4.60%.

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 5 – Other Long Term Assets**

	<b>2022</b>	<b>2021</b>
National Tire Recycling receivable	\$ <b>733,333</b>	800,000
Allowance for doubtful accounts	<b>(427,641)</b>	(494,308)
	<b>\$ 305,692</b>	305,692

National Tire Recycling Group receivable arises from the sale of equipment and tires and is repayable in annual payments of \$66,667 commencing January 2020 over a period of 15 years on an interest free basis. The portion of the receivable that relates to the sale of tires is unsecured and in arrears and has therefore been provided for in the allowance for doubtful accounts as collection is not reasonably assured. As the amounts become due the receivable and associated allowance are reclassified as current.

**NOTE 6 – Credit Facilities**

The county has available for use a short-term line of credit for operating purposes to the maximum indebtedness of \$10,000,000. The balance outstanding on the facility at yearend is \$Nil (2021- \$1,947,177). Interest on the line of credit is to be charged at the banking institutions prime rate less 0.25%, 6.20% at yearend (2021 – 2.20%). The loan is secured by a Municipal Resolution and Borrowing By-Law #15-20B.

The county has available a business MasterCard with a maximum indebtedness of \$30,000 to be used for operating expenses.

**NOTE 7 – Accounts Payable**

	<b>2022</b>	<b>2021</b>
Trade payables and accrued liabilities	\$ <b>725,943</b>	625,366
Requisition over-levy	<b>277,539</b>	354
	<b>\$ 1,003,482</b>	625,720

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 8 – Contaminated Site Liability**

The County has adopted PS3260 Liability for Contaminated Sites. The full amount of the estimate is subject to measurement uncertainty. Management has estimated that there would be remediation costs associated with the County owned land where a tire recycling operation is located. The estimated land remediation liability is \$590,000 (2021 - \$590,000) for the clean-up of contaminants related to the removal of giant mining tires situated on the land. The liability for remediation has been accrued and administration has budgeted for funding the associated costs.

**NOTE 9 – Obligation under Capital Lease**

	2022	2021
Capital lease on tire shredder, building enclosure, and generator requiring monthly lease payments of \$21,259 including interest at 5.90% per annum. Lease is secured by equipment and buildings having a carrying value of \$1,326,773 and expires September 2026.	\$ 879,329	1,076,179

Future minimum capital lease payments are approximately:

2023	\$ 255,103
2024	255,103
2025	255,103
2026	220,069
Total minimum lease payments	985,378
Less: amount representing interest at 5.90%	(106,049)
Present value of lease payments	879,329
Less: current portion	(208,789)
Non-current portion	\$ 670,540

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 10 - Landfill Closure and Post-Closure Liability**

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 3% and assuming annual inflation of 2%.

The existing landfill site is expected to reach capacity in approximately the year 2120.

The county has not designated assets for settling closure and post-closure liabilities.

	<b>2022</b>	<b>2021</b>
Estimated closure costs	\$ <b>55,000</b>	55,000
Estimated post-closure costs	<b>1,812,388</b>	1,812,388
Estimated total liability	\$ <b>1,867,388</b>	1,867,388
Estimated capacity remaining	<b>81.67%</b>	82.50%
Portion of total liability remaining to be recognized	\$ <b>1,525,033</b>	1,540,595
Estimated capacity used	<b>18.33%</b>	17.50%
Accrued liability portion	\$ <b>342,355</b>	326,793



**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 11 - Debt Limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for Ponoka County be disclosed as follows:

	<b>2022</b>	<b>2021</b>
Total debt limit	\$ <b>33,716,768</b>	38,949,032
Capital lease obligation (Note 9)	<b>(879,329)</b>	(1,076,179)
Bank indebtedness (Note 6)	-	(1,947,177)
Total debt guaranteed (Note 18)	<b>(2,350,283)</b>	(2,431,209)
Amount of debt limit unused	<b>30,487,156</b>	33,494,467
Debt servicing limit	<b>5,619,461</b>	6,491,505
Debt servicing	<b>(391,703)</b>	(521,503)
Amount of debt servicing limit unused	\$ <b>5,227,758</b>	5,970,002

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs.

These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**NOTE 12 - Equity In Tangible Capital Assets**

	<b>2022</b>	<b>2021</b>
Tangible capital assets (Schedule 2)	\$ <b>157,998,828</b>	153,650,089
Accumulated amortization (Schedule 2)	<b>(59,052,642)</b>	(55,362,855)
Obligations under capital lease (Note 9)	<b>(879,329)</b>	(1,076,179)
	\$ <b>98,066,857</b>	<b>97,211,055</b>

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 13 - Accumulated Surplus**

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

	<b>2022</b>	<b>2021</b>
Unrestricted surplus	\$ -	-
Restricted surplus		
Land reserve payments	<b>134,915</b>	132,066
Development reserve	<b>2,094,023</b>	1,918,323
Bridge replacement reserve	<b>10,000,000</b>	10,000,000
Pavement rehabilitation reserve	<b>6,000,000</b>	6,000,000
Internet enhancement reserve	<b>3,000,000</b>	3,000,000
General operating	<b>3,239,967</b>	3,770,615
Road reserve	-	-
Fire reserve	<b>630,000</b>	560,000
Equity in tangible capital assets	<b>98,066,857</b>	97,211,055
	<b>\$ 123,165,762</b>	<b>122,592,059</b>

**NOTE 14 - Segmented Disclosure**

Ponoka County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 15 - Salary and Benefits Disclosure**

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

	Salary <sup>(1)</sup>	Benefits & Allowances <sup>(2)</sup>	2022	2021
<b>Councillors</b>				
Division 1	\$ 44,425	4,217	<b>48,642</b>	43,668
Division 2	44,300	4,217	<b>48,517</b>	43,649
Division 3	44,674	4,167	<b>48,841</b>	43,804
Division 4	49,575	4,217	<b>53,792</b>	48,779
Division 5	46,175	4,217	<b>50,392</b>	43,664
<b>County administrator <sup>(3)</sup></b>	<b>\$ 195,250</b>	<b>26,721</b>	<b>221,971</b>	220,115

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. An automobile is provided, and no amount is included in the benefits and allowances figure.

**NOTE 16 - Local Authorities Pension Plan**

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

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

The county is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2022 were \$53,869 (2021 - \$60,209). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2022 were \$48,429 (2021 - \$54,671).

## **PONOKA COUNTY**

### **Notes to Financial Statements December 31, 2022**

#### **NOTE 17 - Commitments**

The county is party to contracts requiring financial commitments extending beyond the current fiscal year. Details of the commitments arising from these contracts are as follows:

- a. Purchase of six 14M graders at a cost of \$775,000 - \$808,000 each
- b. Joint agreement with the Town of Ponoka to provide funds for the operation of Ponoka Family and Community Support Services (FCSS) of \$67,445 annually.

#### **NOTE 18 - Contingencies**

a. *Guarantee of Ponoka Agriculture Events Centre Society Operating Line of Credit*

Ponoka County has guaranteed an operating line of credit for the Ponoka Agriculture Events Centre Society (PAECS) in the amount of \$1.8 million. At December 31, 2022, \$550,283 (2021 - \$631,209) had been drawn down. The operating line of credit carries several debt covenants in which the PAECS must be in compliance with at their fiscal yearend balance sheet date. This debt is due on demand.

PAECS was formed for the construction and operation of an agriculture events centre located in the Town of Ponoka, Alberta. The County is one of the four founding partner entities that continue to govern PAECS.

During Ponoka County's fiscal year, the County made payments on the PAECS operating line of credit in the amount of \$100,000 (2021 - \$120,000).

b. *Guarantee of Rimbey Agricultural Society Term Loan*

Ponoka County has guaranteed a non-revolving term loan for Rimbey Agricultural Society in the amount of \$1.8 million. At December 31, 2022, the borrowings on the operating line of credit have been drawn beyond the \$1.8 million guarantee (2021 - \$1.8 million). The operating line of credit carries several debt covenants in which the Rimbey Agricultural Society must be in compliance with at their fiscal yearend balance sheet date. This debt is due on demand.

Rimbey Agricultural Society was formed for the construction and operation of an agricultural events centre located in the Town of Rimbey, Alberta. The county holds a non-voting advisory seat on the board of directors.

During Ponoka County's fiscal year, the County made payments on the Rimbey Agricultural Society operating line of credit in the amount of \$36,600 (2021 - \$146,400).

**PONOKA COUNTY**

**Notes to Financial Statements  
December 31, 2022**

**NOTE 19 - Financial Instruments**

The county's financial instruments consist of cash and temporary investments, accounts receivable, investments, requisition over-levy, accounts payable and accrued liabilities. It is administration's opinion that the county is not exposed to any significant interest or currency risks arising from these financial instruments.

The county is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfil their obligations. The recent downturn in the oil and gas industry has significantly increased the credit risk arising from tax assessments levied on businesses operating within this sector. In the current year there is a concentration of credit risk to a single oil and gas company that accounts for 57% (2021 - 48%) of the total taxes receivable. The full amount has been provided for as an allowance for doubtful accounts. There has been no significant change in credit risk from the previous year.

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

**NOTE 20 – Comparative Figures**

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

**NOTE 21 - Approval of Financial Statements**

Council and Management have approved these financial statements.

**NOTE 22 – Budgeted Financial Results**

The approval budget is not compliant with PSAB as it was prepared without capitalization of capital assets. A reconciliation of the net budgeted deficit to the net surplus reported in the financial statements is as follows:

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<b>Approved Budget</b>		
Net budgeted deficit	\$	(2,634,675)
Add: budgeted capital asset purchases		
Roads		5,157,000
Administration		50,000
Public works		3,445,294
Fire department		-
Waste disposal		83,000
Less: budgeted capital asset sales		(1,595,000)
Less: amortization expense		(4,338,149)
		<hr/> 167,470
<b>Financial Statement</b>		
Excess of revenues over expenses		573,703
Variance	\$	<hr/> 406,233