

PONOKA COUNTY
Financial Statements
Year Ended December 31, 2023

PONOKA COUNTY

**Index to Financial Statements
Year ended December 31, 2023**

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 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, 2023, 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, 2023 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 12, 2024

Rowland, Parker & Associates LLP

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, 2023 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.

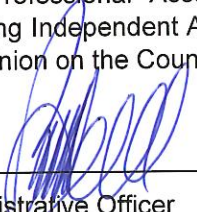
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable 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.



Chief Administrative Officer
March 12, 2024
Ponoka County, Alberta

Financial Officer
March 12, 2024
Ponoka County, Alberta

PONOKA COUNTY

**Statement of Financial Position
as at December 31, 2023**

	2023	2022 <i>(restated)</i>
Financial Assets		
Cash and cash equivalents (Note 3)	\$ 15,959,971	15,318,549
Receivables		
Taxes and grants in place of taxes (Note 4)	1,210,867	1,549,585
Trade and other receivables (Note 4)	790,465	434,513
Investments (Note 5)	6,015,653	7,001,385
Other Long Term Assets (Note 6)	305,692	305,692
	24,282,648	24,609,724
Liabilities		
Accounts payable and accrued liabilities (Note 8)	575,490	1,003,482
Employee vacation payable	166,226	170,783
Deferred revenue (Note 3)	66,822	100,000
Contaminated site liability (Note 9)	-	590,000
Obligations under capital lease (Note 10)	-	879,329
Asset retirement obligations (Note 11)	271,886	261,429
	1,080,424	3,005,023
Net financial assets (debt)	23,202,224	21,604,701
Non-Financial assets		
Tangible capital assets (Schedule 2)	101,033,423	99,035,355
Inventory for consumption	2,257,101	2,436,588
Prepaid expenses	321,866	259,213
	103,612,390	101,731,156
Accumulated Surplus (Schedule 1, Note 14)	\$ 126,814,614	123,335,857

Commitments and contingencies (Notes 18 & 19)

PONOKA COUNTY

**Consolidated Statement of Operations
For the Year Ended December 31, 2023**

	Budget (Unaudited)	2023	2022 (Restated)
Revenue			
Net municipal taxes (Schedule 3)	\$ 18,712,796	18,950,443	17,833,218
User fees and sales of goods	776,140	1,400,892	922,342
Government transfers for operating (Schedule 4)	244,809	403,756	244,809
Sales to other governments	-	22,413	-
Investment income	601,350	1,195,038	618,104
Penalties and costs of taxes	206,500	709,686	447,649
Rentals	35,000	37,767	34,707
Development levies	40,000	114,761	178,549
Other	-	590,000	-
Gain on disposal of assets	-	62,356	28,202
Total Revenue	20,616,595	23,487,112	20,307,580
Expenses			
Legislative	437,500	444,797	392,499
Administration	2,129,500	1,836,558	1,852,499
Fire	909,600	825,198	747,263
Bylaws enforcement	780,404	763,489	612,805
Roads, streets, walks, lighting	13,344,552	8,670,979	9,454,232
Wastewater treatment and disposal	10,000	-	165
Airport	8,100	8,495	7,997
Waste management	1,242,562	1,239,023	1,196,353
Other environmental use and protection	-	32,322	58,253
Water supply and distribution	113,500	108,289	113,424
Family and community support	63,912	65,265	67,445
Cemeteries	6,000	7,982	6,000
Land use planning	88,000	45,263	58,046
Agricultural development	1,021,890	833,832	777,231
Parks and recreation	1,302,100	1,320,172	1,319,021
Libraries	208,505	210,809	202,531
Provision for uncollectible taxes	126,115	1,665,413	392,969
Provision for uncollectible accounts receivable	255,103	312,576	301,753
Amortization	1,517,887	4,715,466	4,339,068
Loss on disposal of assets	-	-	-
Total Expenses	23,565,230	23,105,928	21,899,554
Deficiency of revenue over expenses - before other	(2,948,635)	381,184	(1,591,974)
Other			
Government transfers for capital (Schedule 4)	2,170,265	3,097,573	2,170,265
Excess (deficiency) of revenues over expenses	(778,370)	3,478,757	578,291
Accumulated Surplus, beginning of the year	98,472,485	123,335,857	122,757,566
Accumulated Surplus, end of the year	\$ 97,694,115	126,814,614	123,335,857

PONOKA COUNTY

**Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2023**

	Budget (Unaudited)	2023	2022
Excess (Deficiency) of Revenues over Expenses	\$ (778,370)	3,478,757	578,291
Acquisition of tangible capital assets	(1,892,887)	(6,831,303)	(6,430,260)
Proceeds on disposal of tangible capital assets	375,000	180,127	1,461,362
Amortization of tangible capital assets	1,517,887	4,715,466	4,339,068
(Gain) Loss on sale of tangible capital assets	-	(62,359)	(28,202)
	-	(1,998,069)	(658,032)
Increase in net assets before change in inventories and prepaid expenses	(778,370)	1,480,688	(79,741)
Net use (acquisition) of supplies inventories	-	179,487	(197,185)
Net use (acquisition) of prepaid expenses	-	(62,652)	98,381
	-	116,835	(98,804)
Decrease (increase) in net debt	(778,370)	1,597,523	(178,545)
Net financial assets (debt), beginning of year	21,604,701	21,604,701	21,783,246
Net financial assets (debt), end of year	\$ 20,826,331	23,202,224	21,604,701

PONOKA COUNTY

**Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023**

	2023	2022 <i>(restated)</i>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 3,478,757	578,291
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,715,466	4,339,068
Loss (gain) on disposal of tangible capital assets	(62,359)	(28,202)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	338,718	(93,989)
Decrease (increase) in trade and other receivables	(355,952)	(29,755)
Decrease (increase) in inventory for consumption	179,487	(197,185)
Decrease (increase) in prepaid expenses	(62,652)	98,381
Decrease (increase) in other long term assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	(432,549)	407,080
Increase (decrease) in other current liabilities	(590,000)	-
Increase (decrease) in deferred revenue	(33,178)	100,000
Increase (decrease) asset retirement obligations	10,457	10,055
Cash provided by operating transactions	7,186,195	5,183,744
Capital		
Acquisition of tangible capital assets	(6,831,303)	(6,430,260)
Sale of tangible capital assets	180,127	1,461,362
Cash applied to capital transactions	(6,651,176)	(4,968,898)
Investing		
Decrease (increase) in restricted cash or cash equivalents	48,663	(102,849)
Decrease (increase) in investments	985,732	(7,000,000)
Cash provide by (applied to) investing transactions	1,034,395	(7,102,849)
Financing		
Borrowing debt repaid	(879,329)	(196,850)
Cash provided by (used in) financing transactions	(879,329)	(196,850)
Change in cash and cash equivalents during year	690,085	(7,084,853)
Cash and cash equivalents, beginning of year	15,083,634	22,168,487
Cash and cash equivalents, end of year	15,773,719	15,083,634
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	15,959,971	15,318,549
Less: restricted portion of cash and temporary investments (Note 2)	(186,252)	(234,915)
	\$ 15,773,719	15,083,634

PONOKA COUNTY
Schedule 1
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022 (Restated)
Balance, beginning of year	\$ -	25,441,260	97,894,597	123,335,857	122,757,566
Excess (deficiency) of revenues over expenses	3,478,757	-		3,478,757	578,291
Transfer from unrestricted surplus to restricted surplus	(611,817)	611,817		-	-
Current year funds used for tangible capital assets	(6,831,303)	-	6,831,303	-	-
Proceeds on borrowing used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	117,769	-	(117,769)	-	-
Annual amortization expense	4,715,466	-	(4,715,466)	-	-
Annual accretion expense	10,457	-	(10,457)	-	-
Borrowing repaid	(879,329)	-	879,329	-	-
Change in accumulated surplus	-	611,817	2,866,940	3,478,757	578,291
BALANCE, END OF YEAR	\$ -	26,053,077	100,761,537	126,814,614	123,335,857

PONOKA COUNTY
Schedule 2
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

		Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	2023	2022 (Restated)
Cost									
Balance, beginning of year	\$	2,033,420	6,448,759	127,232,094	16,850,880	3,968,850	1,575,137	158,109,140	153,760,401
Acquisition of tangible capital assets		-	-	5,152,714	1,600,088	78,501		6,831,303	6,430,260
Transfer construction in progress		-	-	748,796		-	(748,796)	-	-
Disposal of tangible capital assets		-	-	-	(106,096)	(234,249)	-	(340,345)	(2,081,521)
Balance, end of year		2,033,420	6,448,759	133,133,604	18,344,872	3,813,102	826,341	164,600,098	158,109,140
Accumulated Amortization									
Balance, beginning of year		-	2,048,175	50,486,976	3,938,602	2,600,032	-	59,073,785	55,383,079
Annual amortization		-	130,396	3,417,929	967,022	200,119	-	4,715,466	4,339,068
Accumulated amortization on disposals		-	-	-	(61,184)	(161,392)	-	(222,576)	(648,362)
Balance, end of year		-	2,178,571	53,904,905	4,844,440	2,638,759	-	63,566,675	59,073,785
Net book value		2,033,420	4,270,188	79,228,699	13,500,432	1,174,343	826,341	101,033,423	
2022 Net book value	\$	2,033,420	4,400,584	76,745,118	12,912,278	1,368,818			99,035,355

PONOKA COUNTY
Schedule 3
Schedule of Property and Other Taxes
for the Year Ended December 31, 2023

		Budget (Unaudited)	2023	2022
Taxation:				
Real property taxes	\$	15,086,842	15,242,893	14,546,461
Linear property taxes		11,761,034	11,883,537	11,339,572
Special assessments and local improvement taxes		4,000	4,783	5,171
Business taxes		50,000	83,319	127,765
Government grants in place of property taxes		-	1,090	1,125
		26,901,876	27,215,622	26,020,094
Requisitions:				
Alberta School Foundation Fund		7,880,275	7,956,374	7,880,275
Rimoka Foundation		308,805	308,805	306,601
		8,189,080	8,265,179	8,186,876
Net Municipal Taxes	\$	18,712,796	18,950,443	17,833,218

PONOKA COUNTY
Schedule 4
Schedule of Government Transfers
for the Year Ended December 31, 2023

	Budget (Unaudited)	2023	2022
Transfers for Operating:			
Provincial Government	\$ 242,709	403,756	242,709
Federal Government	2,100	-	2,100
	244,809	403,756	244,809
Transfers for Capital:			
Other Local Governments	70,000	295,000	70,000
Provincial Government	2,100,265	2,802,573	2,100,265
	2,170,265	3,097,573	2,170,265
Total Government Transfers	\$ 2,415,074	3,501,329	2,415,074

PONOKA COUNTY
Schedule 5
Schedule of Consolidated Expense by Object
For the Year Ended December 31, 2023

	Budget (Unaudited)	2023	2022 (Restated)
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 6,073,490	5,923,897	5,685,919
Contracted and general services	8,614,364	4,292,477	4,792,370
Materials, goods and utilities	5,343,154	4,487,082	4,685,686
Provision for allowances	381,218	1,977,989	694,722
Purchases from other governments	1,036,200	1,058,405	981,404
Transfers to local boards and agencies	296,417	300,074	293,976
Bank charges and short-term interest	2,500	6,495	2,365
Transfers to individuals and organizations	300,000	311,721	365,791
Interest on capital lease	-	32,322	58,253
Amortization of tangible capital assets	1,517,887	4,715,466	4,339,068
	\$ 23,565,230	23,105,928	21,899,554

PONOKA COUNTY
Schedule 6
Schedule of Segmented Disclosure
For the Year Ended December 31, 2023

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
Revenue							
Net municipal taxes	\$ 18,950,443	-	-	-	-	-	18,950,443
Operating government transfers	-	-	237,604	-	-	166,152	403,756
User fees and sales of goods	25,315	482,950	187,961	-	-	727,080	1,423,306
Investment income	1,195,038	-	-	-	-	-	1,195,038
Penalties and fines	704,447	5,239	-	-	-	-	709,686
Other revenues	-	-	100,122	114,761	-	590,000	804,883
	20,875,243	488,189	525,687	114,761	-	1,483,232	23,487,112
Expenses							
Contract & general services	475,469	93,237	2,807,619	42,263	-	873,889	4,292,477
Salaries & wages	1,605,025	591,313	2,674,500	-	-	1,053,059	5,923,897
Goods & supplies	194,367	870,660	3,188,859	3,000	-	230,196	4,487,082
Transfers to local boards	-	-	-	-	300,074	-	300,074
Other expenses	1,984,484	33,477	-	-	1,336,649	32,322	3,386,932
	4,259,345	1,588,687	8,670,978	45,263	1,636,723	2,189,466	18,390,462
Net revenue (expense) before amortization & other	16,615,898	(1,100,498)	(8,145,291)	69,498	(1,636,723)	(706,234)	5,096,650
Capital government transfers	-	70,000	3,027,573	-	-	-	3,097,573
Amortization expense	(50,450)	(170,463)	(4,117,777)	(31,933)	-	(344,843)	(4,715,466)
NET REVENUE	\$ 16,565,448	(1,200,961)	(9,235,495)	37,565	(1,636,723)	(1,051,077)	3,478,757

PONOKA COUNTY

Notes to Financial Statements December 31, 2023

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 and as published by 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, 2023**

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;
- asset retirement obligation;
- 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, 2023**

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.

Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of a tangible capital asset (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for and asset retirement obligation is recognized when, as at the financial reporting date:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the county reviews the carrying amount of the liability. The county recognizes period to period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The county continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

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.

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

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

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.

Deferred Revenues

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

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.

**Notes to Financial Statements
December 31, 2023**

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:

	YEARS
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.

**Notes to Financial Statements
December 31, 2023**

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 3160 – Public Private Partnerships

This new section establishes standards on how to account for certain arrangements between public and private entities. The section provides guidance on situations where a public entity acquires infrastructure assets using a private sector partner that designs, builds, or finances the infrastructure asset past the point where it is ready for use. The new section applies to fiscal years beginning on or after April 1, 2023. 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, 2023. Earlier adoption is permitted.

NOTE 2 - Change in Accounting Policy

Effective January 1, 2023, the county adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the county recognized the following to conform to the new standard;

- asset retirement obligations, adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on capitalized cost; and
- adjustments to the opening balance of the accumulated surplus/deficit.

Amounts are measured using information, assumptions and discount rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

Impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 2 - Change in Accounting Policy (continued...)

	2022		
	As previously reported	Adjustment recognized	As restated
Statement of Operations			
Revenue	\$20,307,580	\$ -	\$ 20,307,580
Expense	21,904,142	(4,588)	21,899,554
Government transfers for capital	2,170,265	-	2,170,265
Annual surplus (deficit)	573,703	4,588	578,291
Accumulated surplus (deficit) at beginning of year	122,592,059	165,508	122,757,567
Accumulated surplus (deficit) at end of year	123,165,762	170,096	123,335,858
Statement of Financial Position			
Financial asset	24,609,724	-	24,609,724
Liability	3,085,949	(80,926)	3,005,023
Net financial assets (Net debt)	21,523,775	80,926	21,604,701
Non-financial asset	101,641,987	89,169	101,731,156
Net assets (Net liabilities)	123,165,762	170,095	123,335,857
Statement of Change in Net Financial Assets (Net Debt)			
Annual surplus (deficit)	573,703	4,588	578,291
Decrease (increase) in net debt	(184,052)	5,507	(178,545)
Net financial assets (net debt) at beginning of year	21,707,827	75,419	21,783,246
Net financial assets (net debt) at end of year	\$21,523,775	\$ 80,926	\$ 21,604,701

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 3 - Cash and Cash Equivalents

		2023	2022
Cash	\$	12,147,188	11,707,283
Cash equivalents		3,812,783	3,611,266
	\$	15,959,971	15,318,549

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 \$119,430 (2022 - \$134,915). In addition, included in cash is \$66,822 (2022 - \$100,000) that relates to a watercourse crossing grant that has been deferred to the 2024 fiscal year.

Interest earned on cash equivalents is paid at the banking prime rate less 1.5% (effective rate at yearend 5.70%). Interest earned on cash is paid at the bank prime rate less 1.75% - 1.50% (effective rate at yearend (5.70% - 5.45%).

NOTE 4 – Receivables

		2023	2022
Property taxes			
Current taxes and grants in place of taxes	\$	1,305,118	1,248,067
Arrears		2,341,709	2,301,518
		3,646,827	3,549,585
Requisition under-levy		64,040	-
Allowance for doubtful accounts		(2,500,000)	(2,000,000)
		1,210,867	1,549,585
Other			
Trade accounts		2,123,830	1,497,456
Goods and Services Tax		220,545	111,724
Allowance for doubtful accounts		(1,553,910)	(1,174,667)
		790,465	434,513
	\$	2,001,332	1,984,098

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 5 – Investments

	2023	2022
Short term		
Investments maturity less than 365 days	\$ 3,514,268	5,300,000
Long Term		
Investments maturity over 365 days	2,500,000	1,700,000
Rural Municipalities of Alberta (RMA)	1,385	1,385
	2,501,385	1,701,385
	\$ 6,015,653	7,001,385

Interest is earned on short term investments is at rates between 4.60% - 6.20% and on long term investments at 5.65% - 5.80%.

NOTE 6 – Other Long Term Assets

	2023	2022
National Tire Recycling receivable	\$ 666,667	733,333
Allowance for doubtful accounts	(360,975)	(427,641)
	\$ 305,692	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 7 – Credit Facilities

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

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 8 – Accounts Payable

	2023	2022
Trade payables and accrued liabilities	\$ 575,490	725,943
Requisition over-levy	-	277,539
	\$ 575,490	1,003,482

NOTE 9 – 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 \$nil (2022 - \$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 extinguished in the current year. The site was cleaned and all tires were removed from the site. The site was subsequently listed for sale and conditionally sold prior to year-end.

NOTE 10 – Obligation under Capital Lease

	2023	2022
Capital lease on tire shredder, building enclosure, and generator. Lease was fully repaid in the current fiscal year.	\$ -	879,329

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 11 – Asset Retirement Obligations

In 2023 Ponoka County has retrospectively adopted PS 3280 – Asset Retirement Obligations.

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.

Asset retirement obligations are initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently remeasured considering new information and the appropriateness of assumptions used.

A liability for the total obligation, which was incurred when the site opened and began accepting waste in 2000 and is irrespective of the volume of waste accepted. Undiscounted future cash flows expected are a closure cost of \$5,107,120 in the year 2120 and total post closure monitoring of \$11,827,031 beginning in the year 2121.

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 4% and assuming annual inflation of 2%.

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

	2023	2022 (Restated)
Estimated closure costs, beginning of year	\$ 109,373	105,166
Accretion expense	4,375	4,207
Estimated closure costs, end of year	\$ 113,748	109,373
Estimated post closure costs, beginning of year	\$ 152,056	146,208
Accretion expense	6,082	5,848
Estimated post closure costs, end of year	\$ 158,138	152,056
Estimated total closure and post closure costs, end of year	271,886	261,429

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 12 - 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:

	2023	2022
Total debt limit	\$ 35,673,168	33,716,768
Capital lease obligation (Note 9)	-	(879,329)
Total debt guaranteed (Note 18)	(2,329,521)	(2,350,283)
Amount of debt limit unused	33,343,647	30,487,156
Debt servicing limit	5,945,528	5,619,461
Debt servicing	-	(391,703)
Amount of debt servicing limit unused	\$ 5,945,528	5,227,758

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) 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 13 - Equity In Tangible Capital Assets

	2023	2022
Tangible capital assets (Schedule 2)	\$ 164,600,098	158,109,140
Accumulated amortization (Schedule 2)	(63,566,675)	(59,073,785)
Accumulated asset retirement obligation (Note 11)	(271,886)	(261,429)
Obligations under capital lease (Note 9)	-	(879,329)
	\$ 100,761,537	97,894,597

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 14 - Accumulated Surplus

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

	2023	2022 (Restated)
Unrestricted surplus	\$ -	-
Restricted surplus		
Land reserve payments	119,430	134,915
Development reserve	1,527,023	2,094,023
Bridge replacement reserve	10,000,000	10,000,000
Pavement rehabilitation reserve	6,000,000	6,000,000
Internet enhancement reserve	2,000,000	3,000,000
General operating	3,206,624	3,320,893
Road construction reserve	2,500,000	-
Fire reserve	700,000	630,000
Equity in tangible capital assets	100,761,537	97,894,597
	\$ 126,814,614	123,074,428

NOTE 15 - 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, 2023**

NOTE 16 - 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 ⁽¹⁾	Benefits & Allowances ⁽²⁾	2023	2022
Councillors				
Division 1	\$ 47,938	5,410	53,348	48,642
Division 2	48,563	5,410	53,973	48,517
Division 3	47,281	5,360	52,641	48,841
Division 4	51,713	5,410	57,123	53,792
Division 5	47,563	5,410	52,973	50,392
County administrator				
CAO Cutforth ⁽³⁾	\$ 165,208	23,505	188,713	221,971
CAO Hall ⁽⁴⁾	166,000	20,810	186,810	-

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.
4. CAO Cutforth retired during the year and was replaced by CAO Hall who was previously Assistant CAO. Included above are CAO Hall's entire year wages and benefits.

NOTE 17 - 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 12.23% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2023 were \$49,210 (2022 - \$53,869). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2023 were \$44,157 (2022 - \$48,429).

PONOKA COUNTY

Notes to Financial Statements December 31, 2023

NOTE 18 - 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 four 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.
- c. Sale agreement signed to sell Ponoka County surplus land. Land sale was not finalized as of reporting date
- d. Approved support of 25% of the cost of fibre optic line to a total of \$915,253 to Missing Link Internet pending the funding of the remaining investment by other parties.

NOTE 19 - 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, 2023, \$582,592 (2022 - \$550,283) 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 \$nil (2022 - \$100,000).

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, \$1,746,929 (2022 - \$1.8 million) had been drawn down. 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 \$nil (2022 - \$36,600).

PONOKA COUNTY

**Notes to Financial Statements
December 31, 2023**

NOTE 20 - 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 73% (2022 - 57%) 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 21 – Comparative Figures

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

NOTE 22 - Approval of Financial Statements

Council and Management have approved these financial statements.

NOTE 23 – 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:

Approved Budget		
Net budgeted deficit	\$	(778,370)
Add: budgeted capital asset purchases		
Roads		5,689,052
Administration		-
Public works		777,887
Fire department		-
Waste disposal		85,000
Less: budgeted capital asset sales		(375,000)
Less: amortization expense		(4,714,546)
		<u>684,023</u>
Financial Statement		
Excess of revenues over expenses		3,478,757
Variance	\$	<u>2,794,734</u>