

TOWN OF PONOKA
Financial Statements
Year Ended December 31, 2023

TOWN OF PONOKA

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Year Ended December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Ponoka

Opinion

We have audited the accompanying consolidated financial statements of the Town of Ponoka, which comprise the statements of financial position as at December 31, 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 the Town of Ponoka 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 the Town of Ponoka in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Independent Auditor's Report to the Mayor and Council of Town of Ponoka (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation:

- In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 8.

Supplementary Accounting Principles and Standards Regulation:

- In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 12.

Ponoka, Alberta
August 13, 2024


ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Ponoka is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 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.

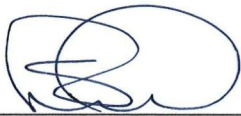
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable 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 Town Council carries out its responsibilities for review of the consolidated financial statements principally through Council. The Council meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Town Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Rowland, Parker & Associates LLP, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Chief Administrative Officer
August 13, 2024
Ponoka, Alberta



General Manager Corporate Services
August 13, 2024
Ponoka, Alberta

TOWN OF PONOKA

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

	2023	2022
Financial Assets:		
Cash and temporary investments (Note 3)	\$ 21,694,371	9,363,583
Receivables		
Taxes and grants in place of taxes (Note 4)	81,425	68,609
Local improvement taxes receivables (Note 4)	259,638	348,735
Trade and other receivables (Note 4)	2,566,187	2,294,352
Land held for resale	885,652	885,652
Other Assets	175,000	175,000
	25,662,273	13,135,931
Liabilities:		
Accounts payable and accrued liabilities	3,098,672	2,090,411
Deposits liabilities	179,780	187,588
Deferred revenue (Note 5)	667,510	804,218
Employee benefit obligations (Note 6)	275,692	252,146
Long term debt (Note 7)	18,007,083	5,409,592
Obligation under capital lease (Note 8)	8,026,536	8,232,501
Asset retirement obligations (Note 10)	35,818,000	-
	66,073,273	16,976,456
Net financial assets (debt)	(40,411,000)	(3,840,525)
Non-Financial assets		
Tangible capital assets (Schedule 2)	102,648,917	68,925,573
Inventory for consumption	459,248	494,469
Prepaid expense	155,854	173,633
	103,264,019	69,593,675
Accumulated Surplus (Note 13)	\$ 62,853,019	65,753,150

Contingencies (Note 17) and Commitments (Note 18)

TOWN OF PONOKA

**Consolidated Statement of Operations
as at December 31, 2023**

	Budget (Unaudited)	2023	2022
Revenue:			
Net municipal taxes (Schedule 3)	\$ 7,811,520	7,796,965	7,210,620
User fees and sale of goods	9,790,900	10,326,222	9,279,463
Rentals	740,200	708,041	646,156
Licenses and permits	204,500	161,684	176,566
Penalties and costs of taxes	45,000	29,338	24,512
Fines	78,700	69,897	66,547
Investment income	150,000	822,864	230,622
Development levies	-	5,300	13,270
Franchise and concession	955,900	1,039,084	582,817
Government transfers for operating (Schedule 4)	1,732,730	1,743,552	1,466,290
Other	180,300	189,049	582,068
Total Revenue	21,689,750	22,891,996	20,278,931
Expenses			
Legislative	377,640	279,127	279,781
Administration	5,069,570	4,970,895	4,142,527
Protective services	2,960,390	2,744,485	2,716,082
Public works	4,065,110	3,703,608	3,732,904
Electrical	4,294,850	3,814,925	3,168,526
Environmental services	3,519,290	7,882,992	4,240,324
Community services	400,820	425,870	870,591
Planning and development	599,867	461,882	576,688
Parks and recreation	2,541,520	2,924,806	2,648,965
Culture	284,510	274,686	277,572
Total Expenses	24,113,567	27,483,277	22,653,960
Deficiency of revenue over expenses - before other	(2,423,817)	(4,591,281)	(2,375,029)
Other			
Contributed assets	-	-	-
Government transfers for capital (Schedule 4)	2,121,515	1,691,150	2,963,741
Excess (deficiency) of revenues over expenses	(302,302)	(2,900,131)	588,712
Accumulated Surplus, beginning of the year	65,753,150	65,753,150	65,164,438
Accumulated Surplus, end of the year (Note 13)	\$ 65,450,848	62,853,019	65,753,150

TOWN OF PONOKA

**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 \$	(302,302)	(2,900,131)	588,712
Acquisition of tangible capital asset	(4,601,972)	(4,196,582)	(3,899,560)
Proceeds on disposal of tangible capital assets	-	92,700	594,502
Amortization of tangible capital assets	2,628,700	5,248,292	2,541,797
Abandoned capital projects	-	60,390	15,300
Adoption of asset retirement obligations	-	(34,920,543)	-
Writedown of tangible capital assets	-	-	-
(Gain) loss on sale of tangible capital assets	-	(7,600)	(386,505)
	(1,973,272)	(33,723,343)	(1,134,466)
Net (acquisition) use of supplies inventory	-	35,221	(12,710)
Net (acquisition) use of prepaid assets	-	17,778	(47,588)
	-	52,999	(60,298)
Decrease (increase) in net debt	(2,275,574)	(36,570,475)	(606,052)
Net financial assets (debt), beginning of year	(3,840,525)	(3,840,525)	(3,234,473)
Net financial assets (debt), end of year	\$ (6,116,099)	(40,411,000)	(3,840,525)

TOWN OF PONOKA

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

	2023	2022
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ (2,900,131)	588,712
Non-cash items included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	5,248,292	2,541,797
Loss (gain) on disposal of tangible capital assets	(7,600)	(386,504)
Writedown of tangible capital assets	-	-
Capital projects abandoned and expensed	60,390	15,300
Contributed assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	76,280	121,116
Decrease (increase) in trade and other receivable	(271,836)	1,002,341
Decrease (increase) in land held for resale	-	-
Decrease (increase) in investment	-	-
Decrease (increase) in inventory for consumption	35,221	(12,710)
Decrease (increase) in prepaid expenses	17,780	(47,588)
Increase (decrease) in accounts payable and accrued liabilities	1,008,264	(382,861)
Increase (decrease) in deposits liabilities	(7,808)	(91,714)
Increase (decrease) in employee benefit obligations	23,541	(37,890)
Increase (decrease) in other current liabilities	-	-
Increase (decrease) in deferred revenues	(136,707)	(1,937,755)
Increase (decrease) in asset retirement obligations	897,457	
Cash provided by operating transactions	4,043,143	1,372,244
Capital		
Acquisition of tangible capital assets	(4,196,582)	(3,899,560)
Proceeds on sale of tangible capital assets	92,700	594,502
Cash used in capital transactions	(4,103,882)	(3,305,058)
Financing		
Borrowing debt issued	12,900,000	-
Borrowing debt repaid	(508,473)	(438,084)
Cash provided by (used in) financing transactions	12,391,527	(438,084)
Change in cash and cash equivalents during year	12,330,788	(2,370,898)
Cash and cash equivalents, beginning of year	9,363,583	11,734,481
Cash and cash equivalents, end of year	\$ 21,694,371	9,363,583

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

	Unrestricted Surplus	Restricted Surplus	Equity in Capital Assets	2023	2022
Balance, beginning of year	\$ 3,876,484	6,593,186	55,283,480	65,753,150	65,164,438
Excess (deficiency) of revenues over expenses	(2,900,131)	-		(2,900,131)	588,712
Current year funds restricted	(13,497,743)	13,497,743	-	-	-
Restricted funds used for operations	528,770	(528,770)	-	-	-
Restricted funds used for tangible capital assets	-	(881,142)	881,142	-	-
Current year funds used for tangible capital assets	(3,255,052)	-	3,255,052	-	-
Contributed tangible capital assets	-	-	-	-	-
Proceeds on borrowing used for tangible capital assets	12,900,000	-	(12,900,000)	-	-
Disposal of tangible capital assets	85,100	-	(85,100)	-	-
Writedown of tangible capital assets	-	-	-	-	-
Amortization expense	5,248,292	-	(5,248,292)	-	-
Accretion expense	897,457	-	(897,457)	-	-
Borrowing repaid	(508,473)	-	508,473	-	-
Change in accumulated surplus	(501,780)	12,087,831	(14,486,182)	(2,900,131)	588,712
Balance, end of year	\$ 3,374,704	18,681,017	40,797,298	62,853,019	65,753,150

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

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2023	2022
Cost								
Balance, beginning of year	\$ 6,458,859	25,371,520	81,143,846	11,642,154	2,083,849	3,321,631	130,021,859	126,761,149
Acquisition of tangible capital assets	35,817	529,991	585,372	527,146	-	2,518,256	4,196,582	3,899,560
Projects completed	-	409,827	11,733	-	-	(421,560)	-	-
Projects abandoned/ expensed	-	-	-	-	-	(60,390)	(60,390)	(15,300)
Assets acquired for retirement obligations	-	160,866	34,759,677	-	-	-	34,920,543	-
Disposal of tangible capital assets	-	-	-	(246,329)	(26,261)	-	(272,590)	(623,549)
Balance, end of year	6,494,676	26,472,204	116,500,628	11,922,971	2,057,588	5,357,937	168,806,004	130,021,860
Accumulated Amortization								
Balance, beginning of year	-	9,689,429	44,932,264	5,447,779	1,026,814	-	61,096,286	58,970,041
Annual amortization	-	537,387	4,000,172	609,250	101,483	-	5,248,292	2,541,797
Accumulated amortization on disposals	-	-	-	(161,231)	(26,260)	-	(187,491)	(415,551)
Writedown of capital assets	-	-	-	-	-	-	-	-
Balance, end of year	-	10,226,816	48,932,436	5,895,798	1,102,037	-	66,157,087	61,096,287
2022 Net book value	6,494,676	16,245,388	67,568,192	6,027,173	955,551	5,357,937	102,648,917	
2022 Net book value	\$ 6,458,859	15,682,091	36,211,582	6,194,375	1,057,035	3,321,631		68,925,573

Included in building is a capital lease for a building with a cost of \$9,039,500 (2022 - \$9,039,500), accumulated amortization of \$1,026,989 (2022 - \$846,328) and net book value of \$8,012,511 (2022 - \$8,193,172).

TOWN OF PONOKA
Schedule 3
Schedule of Property Taxes & Other Taxes
for the Year Ended December 31, 2023

	Budget (Unaudited)	2023	2022
Taxation:			
Real property taxes	\$ 10,118,770	10,097,377	9,561,267
Linear property taxes	155,000	157,996	150,599
Government grants in place of property taxes	45,000	48,280	41,100
Special assessments and local improvement taxes	-	-	-
	10,318,770	10,303,653	9,752,966
Less: Requisitions			
Alberta School Foundation Fund	2,422,250	2,421,688	2,456,054
Rimoka Foundation	85,000	85,000	86,292
	2,507,250	2,506,688	2,542,346
Net Municipal Taxes	\$ 7,811,520	7,796,965	7,210,620

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

	Budget (Unaudited)	2023	2022
Transfers for Operating:			
Provincial Government	\$ 1,145,040	1,155,867	911,870
Local Governments	587,690	587,685	554,420
	1,732,730	1,743,552	1,466,290
Transfers for Capital:			
Federal Government	-	-	-
Provincial Government	1,891,515	1,691,150	2,963,741
	1,891,515	1,691,150	2,963,741
Total Government Transfers	\$ 3,624,245	3,434,702	4,430,031

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

	Budget (Unaudited)	2023	2022
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 7,175,240	6,632,343	6,169,105
Contracted and general services	9,335,427	8,809,094	7,981,333
Materials, goods and utilities	3,340,990	3,470,622	3,444,379
Provision for allowances	34,000	22,697	23,930
Transfer to other governments	-	-	-
Transfer to boards and agencies	879,600	890,073	1,319,567
Bank charges and short-term interest	19,800	44,697	19,935
Interest on long term debt	226,910	550,492	196,255
Interest on capital lease	-	494,036	506,136
Other expenses	472,900	431,074	451,523
Amortization of tangible capital assets	2,628,700	5,248,292	2,541,797
Loss on disposal of tangible capital assets	-	(7,600)	-
Accretion of asset retirement obligations	-	897,457	-
	\$ 24,113,567	27,483,277	22,653,960

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

	General Government	Protective Services	Public Works	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical	Total
Revenue									
Net Municipal taxes	\$ 7,796,965	-	-	-	-	-	-	-	7,796,965
Government transfers	466,336	395,582	587,473	337,699	150,000	1,481,642	21,970	-	3,440,702
User fees and sales of goods	23,779	38,389	2,025	60,390	-	204,214	5,241,168	4,756,257	10,326,222
Investment income	822,864	-	-	-	-	-	-	-	822,864
Other revenues	1,519,478	122,581	414	2,488	162,200	362,807	16,238	10,186	2,196,392
	10,629,422	556,552	589,912	400,577	312,200	2,048,663	5,279,376	4,766,443	24,583,145
Expenses									
Contract & general services	1,096,089	2,282,144	634,006	4,006	169,839	474,565	1,324,851	2,823,594	8,809,094
Salaries & wages	2,228,725	387,413	1,369,664	-	215,654	1,265,285	533,756	631,846	6,632,343
Goods & supplies	194,737	48,269	463,204	14,059	-	633,533	1,899,574	217,246	3,470,622
Transfers to local boards	257,434	-	20,000	404,162	12,014	196,463	-	-	890,073
Interest & bank charges	849,139	-	224,382	-	-	4,026	11,678	-	1,089,225
Other expenses	371,307	-	-	-	3,530	8,547	1,800	60,986	446,170
	4,997,431	2,717,826	2,711,256	422,227	401,037	2,582,419	3,771,659	3,733,672	21,337,527
Net revenue (expense) before amortization	5,631,991	(2,161,274)	(2,121,344)	(21,650)	(88,837)	(533,756)	1,507,717	1,032,771	3,245,618
Amortization expense	252,591	26,660	992,351	3,643	60,845	612,940	3,218,009	81,253	5,248,292
Accretion expense	-	-	-	-	-	4,134	893,323	-	897,457
Net Revenue (expense)	\$ 5,379,400	(2,187,934)	(3,113,695)	(25,293)	(149,682)	(1,150,830)	(2,603,615)	951,518	(2,900,131)

TOWN OF PONOKA

Notes to Financial Statements December 31, 2023

NOTE 1 - Significant Accounting Policies

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

Reporting Entity:

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

Ponoka Water and Wastewater Systems
Ponoka Electrical System

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

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

Basis of Accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

Use of Estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

TOWN OF PONOKA

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

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

Significant estimates include:

- the net present value of future minimum lease payments of the capital lease
- providing for amortization of tangible capital assets;
- the estimated useful lives of assets;
- asset retirement obligations;
- the allowance for doubtful accounts; and
- the recoverability of tangible assets.

Valuation of Financial Assets and Liabilities:

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

<u>Financial statement component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost
Security deposits	Cost
Capital lease obligation	Amortized cost
Long term debt	Amortized cost

Cash and cash equivalents:

Cash includes items that are readily convertible to known amounts of cash such as guaranteed investment certificates, that are subject to an insignificant risk of change in value and are redeemable or have a maturity of 90 days at acquisition.

Long-term debt:

Long term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized used the effective interest method. Long-term debt is subsequently, measured at amortized cost.

Requisition Over-levies and Under-levies:

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

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

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

TOWN OF PONOKA

Notes to Financial Statements December 31, 2023

Inventories for Resale:

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function.

Prepaid Local Improvements Charges:

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as a repayment of the local improvement receivable.

Taxes

Taxes are compulsory payments or payables to government in accordance with laws. Taxes are recognized in the financial statements as revenue in the period in which they are authorized through a Bylaw provided that at initial recognition it is collectible, and the taxable event has occurred. Tax revenue is presented net of requisitions since the requisitions levied on behalf of others will not give rise to an increase to net assets or revenue of the Town and are treated as a flow through.

Contaminated Sites Liability:

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

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

Revenue:

The Town follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

User fees and sales of goods are recognized in the period in which the goods are provided, or the services are rendered. Revenues related to term-based contracts and agreements (rentals etc.) are recognized over the term of the agreement, contract or relevant tenancy period.

Investment income is recorded as revenue in the period earned. When required by the funding government, contributing party or related act, investment income earned on unexpended funds held is added to the deferred revenue balance.

TOWN OF PONOKA

Notes to Financial Statements December 31, 2023

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

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. Prior to that, any amounts received are recorded as deferred 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 an 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 is 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 Town reviews the carrying amount of the liability. The Town 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.

Non-Financial Assets:

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

TOWN OF PONOKA

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

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

a. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings and leasehold improvements	10 - 50
Engineered structures	
Road System	10 - 40
Distribution Systems	40 - 75
Other engineered structures	10 - 75
Machinery and equipment	10 - 25
Vehicles	10 - 25

There is no provision for amortization in the year of acquisition. Amortization is calculated in the year in which the asset is disposed. Assets under construction are not amortized until the asset is available for productive use.

b. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are recorded as revenue.

c. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d. Inventories

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

e. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed

TOWN OF PONOKA

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

NOTE 2 - Change in Accounting Policy

Effective January 1, 2023, the Town adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the prospective approach with no restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the Town 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;

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:

Restatement due to Change in Accounting Policy

	January 1, 2023		
	Prior to recognition	Adjustment recognized	After recognition
Statement of Financial Position			
Financial asset	\$ 13,135,931	\$ -	\$ 13,135,931
Liabilities	16,976,456	34,920,543	51,896,999
Net financial assets (Net debt)	<u>(3,840,525)</u>	<u>(34,920,543)</u>	<u>(38,761,068)</u>
Tangible capital assets	\$ 68,925,573	34,920,543	\$ 103,846,116
Other non-financial asset	668,102		\$ 668,102
	<u>\$ 69,593,675</u>	<u>\$ 34,920,543</u>	<u>\$ 104,514,218</u>
Accumulated surplus	<u>\$ 65,753,150</u>	<u>\$ -</u>	<u>\$ 65,753,150</u>

TOWN OF PONOKA

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

NOTE 3 - Cash and Term Deposits

	2023	2022
Cash on hand	\$ 1,957	1,957
General bank accounts	18,692,414	2,361,626
Temporary investments	3,000,000	7,000,000
	\$ 21,694,371	9,363,583

Included in cash are funds designated as restricted for deferred revenues in the amount of \$667,510 (2022 - \$804,217 and excess proceeds from tax recovery auctions in the amount of \$13,365 (2022 - \$12,961), which are required to be segregated in a separate bank account for a period of up to 10 years.

Temporary investments comprise of various GIC's with an effective interest rate of 5.12% to 5.32%. All GIC's mature within the next fiscal year.

TOWN OF PONOKA

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

NOTE 4 – Receivables

Taxes receivable

		2023	2022
Current taxes and grants in place of taxes	\$	54,869	40,468
Arrears taxes		38,332	34,901
		93,201	75,369
Requisition over (under) levy		(4,534)	482
Less allowance for doubtful accounts		(7,242)	(7,242)
	\$	81,425	68,609

Local improvement taxes receivable

		2023	2022
Current portion of local improvement taxes	\$	80,082	80,082
Non-current portion		274,600	378,493
Less: prepaid amount		(95,044)	(109,839)
	\$	259,638	348,736

Trade and other receivables

		2023	2022
General receivables	\$	1,652,756	1,641,569
Electrical receivables		568,611	304,866
Non-current portion of electrical receivables		10,500	14,000
Utility receivables		366,795	366,392
Allowance for doubtful accounts		(32,475)	(32,475)
	\$	2,566,187	2,294,352

TOWN OF PONOKA

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

NOTE 5 - Deferred Revenue

	2023	2022
MSI Capital Grant	\$ 163,962	377,797
Canada Community-Building Fund (CCBF)	120,530	345,051
Other deferred revenues	383,018	81,370
	\$ 667,510	804,218

Funding received from the various grant programs noted above are restricted to eligible operating and capital projects as approved in the funding agreements.

NOTE 6 - Employee Benefit Obligations

	2023	2022
Vacation	\$ 275,057	251,871
Overtime	635	275
	\$ 275,692	252,146

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF PONOKA

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

NOTE 7 – Long Term Debt

	2023	2022
Tax supported debentures	\$ 17,580,779	5,253,655
Self supported debentures	426,304	155,937
	\$ 18,007,083	5,409,592

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

	Principal	Interest	Total
2024	\$ 415,028	841,639	1,256,667
2025	433,447	823,220	1,256,667
2026	452,712	803,955	1,256,667
2027	472,864	783,803	1,256,667
2028	493,945	762,723	1,256,668
Thereafter	15,739,087	14,861,118	30,600,205
Total	\$ 18,007,083	18,876,458	36,883,541

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.899% to 5.210% per annum and matures in years 2024 through 2063. The average annual interest rate is 4.21% for 2023 (3.59% for 2022).

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

Interest on long term debt amounted to \$550,492 (2022 - \$198,541).

TOWN OF PONOKA

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

NOTE 8 – Obligation under Capital Lease

	2023	2022
Capital lease for Civic Centre requiring monthly lease payments for basic rent of \$58,333 (\$700,000 per annum) with an implicit rate of 6.070% per annum.	\$ 8,026,536	8,232,501

Future minimum capital lease payments are approximately

2024	\$ 700,000
2025	700,000
2026	700,000
2027	700,000
2028	700,000
Thereafter	10,266,666
<hr/>	
Total minimum lease payments	13,766,666
Less: amount representing interest at 6.070%	(5,740,130)
<hr/>	
Present value of minimum lease payments	8,026,536
Less: current portion	(218,819)
<hr/>	
Non-current portion	\$ 7,807,717

Lease Terms

The capital lease obligation has an implicit rate of 6.070% and is subject to the following terms:

- a) Initial term is for 10 years with a basic rent of \$700,000 per annum
- b) Renewal Period: 3 successive five-year renewal periods at the Town's option. Should the Town not renew the lease they are required under the lease to purchase the building from the landlord. Basic rent will be adjusted on each renewal period to mutually agreed market rates.
- c) The Town has the option to purchase the building at appraised value at any time during the lease period.

TOWN OF PONOKA

Notes to Financial Statements December 31, 2023

NOTE 9 – Obligation under Capital Lease (continued....)

Obligation related to Executory Costs

Under the lease agreement the Town is contractually obligated to pay executory costs as additional rent in the amount of \$377,720 per annum. The executory costs include administration, maintenance, power and janitorial. They do not include property taxes as the Town leased portion of the building is exempt from property taxes. The executory costs are adjusted annually in December.

Recoveries from Sub-Let portion of leased space

The Town has sublet a portion of the space to Campus Alberta Central for a five-year term, expiring July 2028, for a rent revenue of \$83,460 per annum. A prorated share of the executory costs noted above incurred by the Town are recovered from the sublessor.

NOTE 10 – Asset Retirement Obligations

Asbestos abatement

The town owns three buildings which contain asbestos and, therefore, the town is legally required to perform abatement activities upon renovation or demolition of this building. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed.

Undiscounted future cash flows expected for an abatement cost are as follows

- Year 2024 of \$74,360
- Year 2026 of \$80,930
- Year 2030 of \$107,490

The estimated total liability of \$231,549 is based on the sum of discounted future cash flows for abatement activities using a range of discount rates from 3.74% to 4.21% and assuming annual inflation of 2.57%. The town has not designated assets for settling the abatement activities.

Wastewater system

The Town is legally required to remediate and reclaim specific assets in its wastewater system. Remediation and reclamation activities include obtain approval of the reclamation plan; appropriately disposing of waste effluent, removing and restoring any wastewater sites to prescribed standards.

Undiscounted future cash flows expected for an abatement cost are as follows

- Year 2035 of \$47,296,280
- Year 2054 of \$658,800
- Year 2075 of \$1,767,900

estimated total liability of \$34,759,677 is based on the sum of discounted future cash flows for remediation activities using a range of discount rates from 3.74% to 3.87% and assuming annual inflation of 2.57%. The town has not designated assets for settling the remediation activities.

TOWN OF PONOKA

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

NOTE 10 – Asset Retirement Obligations (continued....)

Total asset retirement obligations:

Balance, beginning of the year	\$	-
Liabilities recognized on adoption		34,920,543
Liabilities incurred		-
Liabilities settled		-
Change in estimated cashflows		-
Accretion expense		897,457
Balance, end of year	\$	35,818,000

NOTE 11 - Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Ponoka be disclosed as follows:

	2023	2022
Total debt limit	\$ 34,337,994	30,418,397
Total debt	26,033,620	13,642,093
Amount of debt limit unused	\$ 8,304,374	16,776,304
Debt servicing limit	\$ 5,722,999	5,069,733
Debt servicing	1,956,667	1,082,896
Amount of debt servicing limit unused	\$ 3,766,332	3,986,837

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt services limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

TOWN OF PONOKA

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

NOTE 12 - Equity in Tangible Capital Assets

	2023	2022
Tangible capital assets (Schedule 2)	\$ 168,806,004	130,021,859
Accumulated amortization (Schedule 2)	(66,157,087)	(61,096,286)
Accumulated asset retirement obligation (Note 10)	(35,818,000)	-
Long term debt (Note 7)	(18,007,083)	(5,409,592)
Obligation under capital lease (Note 8)	(8,026,536)	(8,232,501)
	\$ 40,797,298	55,283,480

NOTE 13 - Accumulated Surplus

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

	2023	2022
Unrestricted surplus	\$ 3,374,704	3,876,484
Restricted surplus		
Transportation and roads	1,243,952	1,187,792
Distribution system	1,913,578	1,932,138
General	15,523,487	3,473,256
Equity in tangible capital assets	40,797,298	55,283,480
	\$ 62,853,019	65,753,150

NOTE 14 - Segmented Disclosure

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

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

TOWN OF PONOKA

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

NOTE 15 - Salary and Benefits Disclosure

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

		Salary ^(a)	Benefits & Allowances ^{(b)+(c)}	2023	2022
Mayor					
	Ferguson	44,351	1,309	45,660	44,007
Councillors:					
	Councillor Lyon	25,892	2,072	27,964	25,112
	Councillor Lloyd	21,887	767	22,654	22,664
	Councillor Underhill	25,543	2,072	27,615	23,728
	Councillor Dillon	22,868	72	22,940	23,541
	Councillor Nelson	26,596	72	26,668	21,895
	Councillor David	20,501	72	20,573	23,033
Chief Administrative					
	CAO Lund	\$ 173,981	32,468	206,449	214,620

- a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration
- b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, professional memberships and tuition.
- c) Benefits and allowances also include the Employer's share of the costs of additional taxable benefits including special leave with pay and car allowances.

TOWN OF PONOKA

Notes to Financial Statements December 31, 2023

NOTE 16 - Local Authorities Pension Plan

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

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

The town is required to make current service contributions to the LAPP of 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. Employees of the town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current and past service contributions by the Town to the LAPP were \$358,425 (2022 - \$379,686). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan were \$319,727 (2022 - \$341,731).

At December 31, 2022, the plan disclosed an actuarial surplus of \$ 12.7 billion.

NOTE 17 – Contingent Liabilities

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

Litigation Proceedings

In 2023 the Town obtained debenture financing and an appraisal of the Ponoka Civic Centre for the purpose of exercising their option to purchase the leased. Written notice of the intention to exercise the option was sent to the landlord, which was not honored. As a result, the Town filed with the court against the landlord to enforce the Option to Purchase Agreement, to which the landlord counterclaimed for damages related to differing valuations as well as aggravated damages. At this time, the outcome, timing, and potential damages cannot be determined.

NOTE 18 – Commitments

The Town of Ponoka and Ponoka County through a joint agreement provide funds for the operation of Ponoka Family and Community Support Services (FCSS). The amounts reported in this financial statement represent only the Town of Ponoka share of contributions to FCSS.

TOWN OF PONOKA

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

NOTE 19 - Financial Instruments

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

The town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to full fill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

The Town is subject to interest rate risk related to its interest-bearing temporary investments and fixed rate debentures, as the value will fluctuate because of changes in market rates.

NOTE 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.