TOWN OF PONOKA

Financial Statements

Year Ended December 31, 2025

TOWN OF PONOKA
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Year Ended December 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Ponoka is responsible for the preparation, accuracy, objectivity and integrity of 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, 2025 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. 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

General Manager, Corporate Services

Ponoka, Alberta
April 28, 2026

Rowland, Parker & Associates LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

P.O. Box 4008 Ponoka, Alberta T4J 1R5

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Ponoka

Opinion

We have audited the financial statements of Town of Ponoka (the "municipality"), which comprise the consolidated statement of financial position as at December 31, 2025, and the statements of operations and accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the municipality as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for 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 Financial Statements* section of our report. We are independent of the municipality in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

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:

(continues)

- 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 the municipality'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 municipality'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 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 municipality 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 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 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 and note the detailed account of the municipality's debt limit can be found in Note 9.

Supplementary Accounting Principles and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the required information required can be found in Note 13.

Rowland Parker & Associates LLP

Ponoka, Alberta
April 28, 2026

ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

TOWN OF PONOKA
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
Financial assets		
Cash and temporary investments *(Note 2)*	**$ 19,998,249**	$ 22,950,254
Receivables		
Taxes and grants in place of taxes *(Note 3)*	**203,598**	125,952
Local improvement taxes receivable *(Note 3)*	**154,714**	207,384
Trade and other receivables *(Note 3)*	**3,711,005**	1,831,223
Land held for resale	**876,865**	885,652
Other assets	**175,000**	175,000
	25,119,431	26,175,465
Liabilities		
Accounts payable and accrued liabilities	**3,427,351**	2,048,791
Deposit liabilities	**209,777**	211,323
Deferred revenue *(Note 4)*	**776,144**	1,024,376
Employee benefit obligations *(Note 5)*	**333,073**	294,694
Long term debt *(Note 6)*	**17,158,608**	17,592,055
Obligation under capital lease *(Note 7)*	**7,575,240**	7,807,718
Asset retirement obligations *(Note 8)*	**37,682,703**	36,738,524
	67,162,896	65,717,481
Net financial assets (debt)	**(42,043,465)**	(39,542,016)
Non-financial assets		
Tangible capital assets (Schedule 2)	**98,279,209**	98,662,071
Inventory for consumption	**436,675**	454,968
Prepaid expenses	**135,690**	143,757
	98,851,574	99,260,796
Accumulated surplus (Note 11.)	**$ 56,808,109**	$ 59,718,780

COMMITMENTS AND CONTINGENCIES *(Notes 15, 16)*

ON BEHALF OF COUNCIL

Mayor

Councillor

See notes to financial statements

TOWN OF PONOKA
Consolidated Statement of Operations and Accumulated Surplus
as at December 31, 2024

	Budget	**2025**	2024
REVENUES			
Net municipal taxes (Schedule 3)	$ 9,212,630	**$ 9,207,167**	$ 8,496,454
User fees and sale of goods	10,615,840	**10,857,631**	10,522,088
Rentals	758,330	**682,382**	671,857
Licenses and permits	216,000	**175,462**	180,659
Penalties and costs of taxes	35,000	**47,417**	33,315
Fines	79,700	**49,233**	61,642
Investment income	750,000	**649,933**	1,034,698
Development levies	-	**-**	-
Franchise and concession	1,134,120	**1,226,852**	1,195,835
Government transfers for operating (Schedule 4)	1,766,690	**1,765,603**	1,765,603
Other	182,300	**203,899**	202,249
	-	**-**	-
	24,750,610	**24,865,579**	24,164,400
EXPENSES			
Legislative	390,800	**326,513**	323,513
Administration	5,911,961	**5,270,853**	4,896,738
Protective services	3,285,950	**3,364,855**	3,029,076
Public works	4,503,736	**4,566,362**	4,066,942
Electrical	3,340,470	**3,079,207**	3,127,920
Environmental services	8,355,490	**8,446,960**	8,417,270
Community services	648,270	**679,687**	652,168
Planning and development	572,520	**560,457**	614,811
Parks and recreation	3,014,520	**3,421,824**	3,232,392
Culture	73,580	**110,331**	90,743
	30,097,297	**29,827,049**	28,451,573
DEFICIT FROM OPERATIONS	(5,346,687)	**(4,961,470)**	(4,287,173)
CAPITAL REVENUE			
Contributed assets	-	**-**	-
Government transfers for capital (Schedule 4)	2,156,250	**2,050,799**	1,152,933
	2,156,250	**2,050,799**	1,152,933
Excess (deficiency) of revenues over expenses	(3,190,437)	**(2,910,671)**	(3,134,240)
Accumulated Surplus, beginning of the year	59,718,780	**59,718,780**	62,853,020
Accumulated Surplus - end of the year	$ 56,528,343	**$ 56,808,109**	$ 59,718,780

See notes to financial statements

TOWN OF PONOKA
Consolidated Statement of Changes in Net Financial Assets (Debt)
Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
Excess (Deficiency) of Revenues over Expenses	$ (3,190,437)	**$ (2,910,671)**	$ (3,134,240)
Acquisition of tangible capital assets	(7,335,890)	**(5,412,456)**	(1,873,838)
Proceeds on disposal of tangible capital assets	-	**32,381**	266,400
Amortization of tangible capital assets	5,236,770	**5,455,647**	5,329,378
Capital projects abandoned and expensed	-	**314,831**	437,281
(Gain) loss on sale of tangible capital assets	-	**(7,540)**	(172,375)
	(2,099,120)	**382,863**	3,986,846
Net (acquisition) use of supplies inventory	-	**18,290**	4,280
Net (acquisition) use of prepaid assets	-	**8,069**	12,098
	-	**26,359**	16,378
	(2,099,120)	**409,222**	4,003,224
DECREASE (INCREASE) IN NET FINANCIAL DEBT	(5,289,557)	**(2,501,449)**	868,984
NET FINANCIAL DEBT - BEGINNING OF YEAR	(39,452,016)	**(39,542,016)**	(40,411,000)
Net financial assets (debt), end of year	$ (44,741,573)	**$ (42,043,465)**	$ (39,542,016)

See notes to financial statements

TOWN OF PONOKA
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2025

	2025	2024
Operating		
Excess (deficiency) of revenues over expenses	**$ (2,910,671)**	$ (3,134,240)
Non-cash items included in excess (deficiency) of revenues over expenses:		
Amortization of tangible capital assets	**5,455,647**	5,329,378
Loss (gain) on disposal of tangible capital assets	**(7,540)**	(172,375)
Writedown of tangible capital assets	**-**	-
Capital projects abandoned and expensed	**314,831**	437,281
Accretion of asset retirement obligations	**944,180**	920,523
	3,796,447	3,380,567
Non-cash charges to operations (net change):		
Decrease (increase) in taxes receivable	**(24,976)**	7,731
Decrease (increase) in trade and other receivables	**(1,879,782)**	734,964
Decrease (increase) in land held for resale	**8,787**	-
Decrease (increase) in investment	**-**	-
Decrease (increase) in inventory for consumption	**18,290**	4,280
Decrease (increase) in prepaid expenses	**8,069**	12,094
Increase (decrease) accounts payable and accrued liabilities	**1,378,558**	(1,049,879)
Increase (decrease) in deposit liabilities	**(1,546)**	31,543
Increase (decrease) in employee benefit obligations	**38,379**	19,002
Increase (decrease) other current liabilities	**-**	-
Increase (decrease) deferred revenues	**(248,232)**	356,866
	(702,453)	116,601
Cash provided by operating transactions	**3,093,994**	3,497,168
Capital		
Acquisition of tangible capital assets	**(5,412,456)**	(1,873,838)
Proceeds on sale of tangible capital assets	**32,381**	266,400
Cash used in capital transactions	**(5,380,075)**	(1,607,438)
Financing		
Borrowing debt issued	**-**	-
Borrowing debt repaid	**(665,924)**	(633,847)
Cash provided (used in) financing transactions	**(665,924)**	(633,847)
Change in cash and cash equivalents during the year	**(2,952,005)**	1,255,883
Cash and cash equivalents - beginning of year	**22,950,254**	21,694,371
Cash and cash equivalents - end of year	**$ 19,998,249**	$ 22,950,254

See notes to financial statements

TOWN OF PONOKA

Schedule of Changes in Accumulated Surplus **(Schedule 1)**

Year Ended December 31, 2025

	Unrestricted Surplus	Restricted Surplus	Equity in Capital Assets	**2025**	2024
Balance, beginning of year	$ 2,149,579	$ 21,045,426	$ 36,523,775	**$ 59,718,780**	$ 62,853,020
Excess (deficiency) of revenues over expenses	$ (2,910,671)	$ -	$ -	**$ (2,910,671)**	$ (3,134,240)
Current year funds restricted	(1,492,961)	1,492,961	-	**-**	-
Restricted funds used for operations	109,227	(109,227)	-	**-**	-
Restricted funds used for tangible capital assets	-	(3,471,684)	3,471,684	**-**	-
Current year funds used for tangible capital assets	(1,625,942)	-	1,625,942	**-**	-
Proceeds on borrowing used for tangible capital assets	-	-	-	**-**	-
Disposal of tangible capital assets	24,840	-	(24,840)	**-**	-
Amortization expense	5,455,647	-	(5,455,647)	**-**	-
Accretion expense	944,180	-	(944,180)	**-**	-
Borrowing repaid	(665,924)	-	665,924	**-**	-
Change in accumulated surplus	$ (161,604)	$ (2,087,950)	$ (661,117)	**$ (2,910,671)**	$ (3,134,240)
BALANCE, END OF YEAR	$ 1,987,975	$ 18,957,476	$ 35,862,658	**$ 56,808,109**	$ 59,718,780

See notes to financial statements

TOWN OF PONOKA

Schedule of Tangible Capital Assets **(Schedule 2)**

Year Ended December 31, 2025

	Land	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	**2025**	2024
Cost								
Balance, beginning of year	$ 6,401,392	$ 26,187,487	$120,069,661	$ 13,413,752	$ 2,180,980	$ 1,480,647	**$169,733,919**	$168,806,004
Acquisition of tangible capital assets	2,801	571,385	499,996	125,873	175,815	4,036,586	**5,412,456**	1,873,838
Projects completed	-	-	1,226,635	49,738	-	(1,276,373)	**-**	-
Capital projects abandoned and expensed	-	-	-	-	-	(314,831)	**(314,831)**	(437,281)
Assets acquired for retirement obligations	-	-	-	-	-	-	**-**	-
Disposal of tangible capital assets	(4,381)	-	-	(389,761)	(24,375)	-	**(418,517)**	(508,642)
Balance, end of year	$ 6,399,812	$ 26,758,872	$121,796,292	$ 13,199,602	$ 2,332,420	$ 3,926,029	**$174,413,027**	$169,733,919
Accumulated Amortization								
Balance, beginning of year	$ -	$ 10,543,658	$ 52,848,315	$ 6,485,706	$ 1,194,169	$ -	**$ 71,071,848**	$ 66,157,087
Annual amortization	-	599,996	4,132,571	624,009	99,071	-	**5,455,647**	5,329,378
Accumulated amortization on disposals	-	-	-	(369,306)	(24,371)	-	**(393,677)**	(414,617)
Writedown of capital assets	-	-	-	-	-	-	**-**	-
Balance, end of year	$ -	$ 11,143,654	$ 56,980,886	$ 6,740,409	$ 1,268,869	$ -	**$ 76,133,818**	$ 71,071,848
2025 Net book value	$ 6,399,812	$ 15,615,218	$ 64,815,406	$ 6,459,193	$ 1,063,551	$ 3,926,029	**$ 98,279,209**	$ 98,662,071
2024 Net book value	$ 6,401,392	$ 15,643,829	$ 67,221,346	$ 6,928,047	$ 986,811	$ 1,480,646		$ 98,662,071

Included in building is a capital lease for a building with a cost of $9,077,361 (2024 - $9,039,500), accumulated amortization of $1,388,807 (2024 - $1,208,146) and net book value of $7,688,554 (2024 - $7,831,354)

See notes to financial statements

TOWN OF PONOKA
Schedule of Property and Other Taxes (Schedule 3)
For the Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
Taxation:			
Net municipal tax revenue	$ 12,317,100	**$ 11,810,564**	$ 10,854,153
Linear property taxes	185,000	**184,156**	175,755
Government grants in place of property taxes	65,000	**66,924**	52,989
Special assessments	-	**-**	-
	$ 12,067,100	**$ 12,061,644**	$ 11,082,897
Requisitions:			
Alberta School Foundation Fund	$ 2,772,660	**$ 2,772,664**	$ 2,502,293
Rimoka Requisition	81,810	**81,813**	84,150
	$ 2,854,470	**$ 2,854,477**	$ 2,586,443
	$ 9,212,630	**$ 9,207,167**	$ 8,496,454

See notes to financial statements

TOWN OF PONOKA
Schedule of Government Transfers (Schedule 4)
For the Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
Transfers for Operating:			
Provincial Government	$ 1,145,040	**$ 1,160,293**	$ 1,160,293
Local Government	621,650	**605,310**	605,310
	$ 1,766,690	**$ 1,765,603**	$ 1,765,603
Transfers for Capital:			
Provincial Government	$ 2,156,250	**$ 2,016,549**	$ 1,152,933
Federal Government	-	**34,250**	-
	$ 2,156,250	**$ 2,050,799**	$ 1,152,933
Total Government Transfers	$ 3,922,940	**$ 3,816,402**	$ 2,918,536

See notes to financial statements

TOWN OF PONOKA

Schedule of Consolidated Expense by Object (Schedule 5)

For the Year Ended December 31, 2025

	Budget (Unaudited)	**2025**	2024
Consolidated Expenses by Object			
Salaries, wages, and benefits	$ 7,729,880	**$ 7,560,182**	$ 7,020,322
Contracted and general services	9,250,247	**9,309,099**	8,854,409
Materials, goods, and utilities	3,803,950	**3,835,301**	3,744,445
Provision for allowances	17,500	**18,921**	27,416
Transfers to boards and agencies	893,890	**910,758**	912,873
Bank charges and short term interest	20,600	**30,791**	27,173
Transfers to Individuals and Organizations	-	**7,514**	-
Interest on long term debt	823,220	**820,642**	839,161
Interest on capital lease	700,000	**467,523**	481,180
Other expenses	723,750	**474,031**	467,068
Amortization of tangible capital assets	5,236,770	**5,455,647**	5,329,378
Loss (gain) on disposal of tangible capital assets	-	**(7,540)**	(172,375)
Accretion of asset retirement obligations	897,490	**944,180**	920,523
	$ 30,097,297	**$ 29,827,049**	$ 28,451,573

See notes to financial statements

TOWN OF PONOKA

Schedule of Segmented Disclosure **(Schedule 6)**

Year Ended December 31, 2025

	General Government	Protective Services	Public Works	Community Services	Planning & Development	Recreation & Culture	Environmental Services	Electrical	**Total**
Revenue									
Net municipal taxes	$ 9,207,167	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 9,207,167**
Government transfers	466,336	358,648	838,112	335,309	-	1,380,523	437,474	-	**3,816,402**
User fees and sales of goods	38,590	23,070	68,381	50,775	167,123	204,946	5,566,433	4,738,313	**10,857,631**
Investment income	649,933	-	-	-	-	-	-	-	**649,933**
Other revenues	1,697,028	99,061	-	3,535	189,115	367,318	10,678	18,510	**2,385,245**
.	12,059,054	480,779	906,493	389,619	356,238	1,952,787	6,014,585	4,756,823	**26,916,378**
Expenses									
Contract & general services	911,361	2,592,319	930,713	18,535	262,276	605,825	1,738,917	2,249,154	**9,309,100**
Salaries & wages	2,526,959	654,330	1,729,489	18,371	224,484	1,459,198	471,603	475,748	**7,560,182**
Goods & supplies	201,138	76,609	501,357	11,210	244	762,193	2,097,129	185,421	**3,835,301**
Transfers to local boards	269,430	-	13,400	627,928	-	-	-	-	**910,758**
Interest & bank charges	1,066,008	-	238,600	-	-	5,205	9,143	-	**1,318,956**
Other expenses	371,212	-	12,598	-	26,537	9,029	1,801	71,748	**492,925**
Net revenue (expense) before amortization	5,346,108	3,323,258	3,426,157	676,044	513,541	2,841,450	4,318,593	2,982,071	**23,427,222**
Amortization expense	251,257	41,597	1,140,205	3,643	46,916	686,356	3,188,537	97,136	**5,455,647**
Accretion expense	-	-	-	-	-	4,349	939,831	-	**944,180**
	5,597,365	3,364,855	4,566,362	679,687	560,457	3,532,155	8,446,961	3,079,207	**29,827,049**
Net Revenue (expense)	$ 6,461,689	$ (2,884,076)	$ (3,659,869)	$ (290,068)	$ (204,219)	$ (1,579,368)	$ (2,432,376)	$ 1,677,616	**$ (2,910,671)**

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of 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, 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 within the municipality are the following:

- Ponoka Water and Wastewater Systems
- Ponoka Electrical System

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Valuation of Financial Assets and Liabilities

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

Cash and cash equivalents	Cost and amortized cost
Trade and other receivables	Lower of cost and net recoverable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost
Security deposits	Cost
Capital lease obligations	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 within 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-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.

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 leveling 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxes

Taxes are compulsory payments or payables to government in accordance with laws. Taxes are recognized in the financial statements as revenue in the period in which they are authorized through a Bylaw provided that at initial recognition it is collectible, 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. Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations are recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when the goods are provided, or the services are rendered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied. 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.

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 (CA). 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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 on the same basis as and 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 Town 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.

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:

Buildings and leasehold improvements	25 - 50	straight-line method
Engineered structures		straight-line method
Road System	20 - 40	straight-line method
Distribution System	20 - 75	straight-line method
Other engineered structures	10 - 75	straight-line method
Machinery and equipment	5 - 40	straight-line method
Vehicles	10 - 15	straight-line method

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributions of Tangible Capital Assets

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, roads and landscaping are recorded at their fair value at the date of completion and recorded as revenue on the Consolidated Statement of Operations. If an estimate of fair value cannot be made, the contributed tangible capital assets are recorded at a nominal value.

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.

Inventories

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

Cultural and Historical Tangible Capital Assets

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

2. CASH AND CASH EQUIVALENTS

	2025	2024
Cash on hand	**$ 1,957**	$ 1,957
General bank accounts	**2,172,490**	2,444,008
Temporary investments	**17,823,802**	20,504,289
	$ 19,998,249	$ 22,950,254
Cash is appropriated for:		
Deferred revenue	**$ 776,144**	$ 1,024,376
Deposit liabilities	**209,777**	211,323
Restricted reserves	**18,957,476**	21,045,426
	19,943,397	22,281,125
Unrestricted cash	**54,852**	669,129
	$ 19,998,249	$ 22,950,254

Included in cash and deposit liabilities are excess proceeds from tax recovery auctions in the amount of $14,427 (2024 - $14,015), 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 2.65%. All GIC's mature within the next fiscal year.

3. RECEIVABLES

	2025	2024
Taxes receivable		
Current taxes and grants in place of taxes	**$ 160,132**	$ 88,257
Arrears taxes	**60,677**	55,328
	220,809	143,585
Requisition over (under) levy	**(9,969)**	(10,391)
Less allowance for doubtful accounts	**(7,242)**	(7,242)
	$ 203,598	$ 125,952
Local improvement taxes receivable		
Current portion of local improvement taxes	**$ 80,082**	$ 80,082
Non-current portion	**114,437**	194,519
Less: prepaid amount	**(39,805)**	(67,217)
	$ 154,714	$ 207,384
Trade and other receivables		
General receivables	**$ 2,750,486**	$ 875,996
Utility receivables	**404,644**	406,788
Electrical Receivables	**584,850**	573,914
Non-current portion of electrical receivables	**3,500**	7,000
Allowance for doubtful accounts	**(32,475)**	(32,475)
	$ 3,711,005	$ 1,831,223

4. DEFERRED REVENUE

	2025	2024
Local Government Fiscal Framework (LGFF)	**$ 462,552**	$ 434,399
MSI Capital Grant	**90,385**	126,550
Canada Community-Building Fund (CCBF)	**54,233**	80,606
Other deferred revenue	**168,974**	382,821
	$ 776,144	$ 1,024,376

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

5. EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Vacation	**$ 332,686**	$ 294,694
Overtime	**387**	-
	$ 333,073	$ 294,694

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.

6. LONG TERM DEBT

	2025	2024
Tax supported debentures	**$ 16,887,139**	$ 17,241,777
Self supported debentures	**271,469**	350,278
	$ 17,158,608	$ 17,592,055

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

	Principal	Interest	Total
2026	$ 452,712	$ 803,955	$ 1,256,667
2027	472,864	783,803	1,256,667
2028	493,945	762,723	1,256,668
2029	442,152	741,074	1,183,226
2030	444,615	720,955	1,165,570
Thereafter	14,852,320	13,397,837	28,250,157
	$ 17,158,608	$ 17,210,347	$ 34,368,955

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 2028 through 2068. The average annual interest rate is 4.21% for 2025 (4.73% for 2024).

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

Interest on long term debt amounted to $ 823,220 (2024 - $ 841,639).

Subsequent to yearend borrowing Bylaws No. 01-2026 and No. 02-2026 were passed to incur indebtedness through the issuance of future debentures in the amount of $3,877,873 and $1,900,000 respectively. Funds have not been drawn on as of yearend.

7. OBLIGATIONS UNDER CAPITAL LEASE

	2025	2024
Capital lease for Civic Centre requiring monthly lease payments for basic rent of $58,333 ($700,000 per annum) with an implicit rate of 6.070%	**$ 7,575,240**	$ 7,807,718

Future minimum capital lease payments are approximately:

2026	$ 700,000
2027	700,000
2028	700,000
2029	700,000
2030	700,000
Thereafter	8,866,665
Total minimum payments	12,366,665
Less interest amount at various rates	4,791,425
Present value of minimum payments	7,575,240
Less current portion	246,988
	$ 7,328,252

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.

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 August 2028, for a rent revenue of $125,000 per annum. The sublessor has an option to extend for another 5 years at their discretion. A prorated share of executory costs noted above incurred by the Town are recovered from the sublessor.

8. 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 2036 of $80,930
- Year 2030 of $107,490

The estimated total liability of $188,420 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

The 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.

	2025	2024
Total asset retirement obligations:		
Balance, beginning of the year	**$ 36,738,523**	$ 35,818,001
Liabilities incurred	**-**	-
Liabilities settled	**-**	-
Change in estimated cash flows	**-**	-
Accretion expense	**944,180**	920,523
	$ 37,682,703	$ 36,738,524

Included in amortization expense is asset retirement obligation amortization of $2,662,967 (2024 - $2,662,967).

9. DEBT LIMITS

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

	2025	2024
Total debt limit	**$ 37,298,370**	$ 36,215,851
Long term debt	**(17,158,608)**	(17,592,055)
Obligation under capital lease	**(7,575,240)**	(7,807,718)
Amount of debt limit unused	**$ 12,564,522**	$ 10,816,078
Debt servicing limit	**$ 6,216,395**	$ 6,035,975
Debt servicing	**(1,973,354)**	(1,956,667)
Amount of debt servicing limit unused	**$ 4,243,041**	$ 4,079,308

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets (Schedule 2)	**$174,413,027**	$169,733,919
Accumulated amortization (Schedule 2)	**(76,133,818)**	(71,071,848)
Long term debt(Note 6.)	**(17,158,608)**	(17,592,055)
Obligation under capital lease (Note 7.)	**(7,575,240)**	(7,807,718)
Asset retirement obligations(Note 8.)	**(37,682,703)**	(36,738,523)
	$ 35,862,658	$ 36,523,775

11. ACCUMULATED SURPLUS

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

	2025	2024
Unrestricted surplus	**$ 1,987,975**	$ 2,149,579
Restricted surplus		
Transportation and roads	**1,212,634**	2,233,115
Distribution system	**2,007,109**	1,462,092
General	**15,737,733**	17,350,219
Equity in tangible capital assets	**35,862,658**	36,523,775
	$ 56,808,109	$ 59,718,780

12. SEGMENTED DISCLOSURE

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

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

13. SALARY AND BENEFITS DISCLOSURE

	Salary (1)	Benefits & Allowances (2)	**2025**	2024
Mayor				
Mayor Ferguson	51,286	42	**51,328**	48,906
Councillors				
Councillor Lyon	27,137	2,042	**29,179**	31,697
Councillor Lloyd	25,073	3,034	**28,107**	26,549
Councillor Underhill	26,778	2,342	**29,120**	27,698
Councillor Dillon	-	-	**-**	4,415
Councillor Nelson	25,604	3,848	**29,452**	24,139
Councillor David	23,197	1,760	**24,957**	24,506
Councillor Steblyk	5,691	7	**5,698**	-
Chief Administrative				
CAO Lund	187,785	34,478	**222,263**	215,393

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 disbursement insurance, long and short-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.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Ponoka participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP 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 in which 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 11.65% 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 10.65% on pensionable salary above this amount.

Total current and past service contributions by the Town to the LAPP were $413,314 (2024 - $376,029). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan were $368,031 (2024 - $334,888).

At December 31, 2024, the plan disclosed an actuarial surplus of $ 19.6 billion.

15. CONTINGENCIES

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 property. Written notice of the intention to exercise the option was sent to the landlord, which was not honoured. 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. Affidavits of Records for both parties have been exchanged and questioning has completed, with the Town filing and serving a summary judgment application on the landlord. Parties are currently in mediation, at this time, the outcome, timing, and potential damages cannot be determined.

16. COMMITMENTS

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

17. FINANCIAL INSTRUMENTS

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

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

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

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

18. COMPARATIVE FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.