PONOKA COUNTY

Financial Statements

Year Ended December 31, 2025

PONOKA COUNTY
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Year Ended December 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Ponoka County 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 County'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 County Council carries out its responsibilities for review of the consolidated financial statements. The Council meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

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

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

Chief Administrative Officer

Financial Officer

Ponoka, Alberta
March 10, 2026

Rowland, Parker
& Associates LLP
CHARTERED PROFESSIONAL
ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Ponoka County

Opinion

We have audited the consolidated financial statements of Ponoka County (the "organization"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, the accompanying schedules, 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 organization 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 organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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.

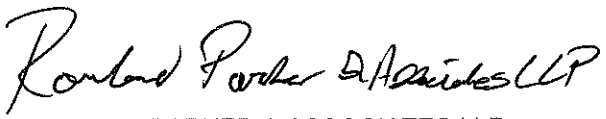
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(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 organization'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 organization'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 organization 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.



Ponoka, Alberta
March 10, 2026

ROWLAND, PARKER & ASSOCIATES LLP
Chartered Professional Accountants

PONOKA COUNTY
Statement of Financial Position
December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents *(Note 2)*	**$ 15,625,324**	$ 18,096,966
Taxes and grants in place of tax receivable *(Note 3)*	**1,089,297**	1,662,629
Accounts receivable *(Note 3)*	**679,382**	644,615
Short term investments *(Note 4)*	**2,141,939**	2,688,159
Long term Investments *(Note 4)*	**8,981,534**	4,078,119
	28,517,476	27,170,488
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	**1,245,465**	1,198,021
Employee vacation payable	**264,766**	212,461
Deferred revenue *(Note 6)*	**129,503**	-
Asset retirement obligations *(Note 7)*	**333,245**	320,428
	1,972,979	1,730,910
NET FINANCIAL ASSETS	**26,544,497**	25,439,578
NON-FINANCIAL ASSETS		
Tangible capital assets*(Schedule 2)*	**103,834,219**	101,610,856
Inventory	**1,592,877**	2,434,494
Prepaid expenses	**476,390**	265,193
	105,903,486	104,310,543
ACCUMULATED SURPLUS(Schedule 1) (Note 10.	**$132,447,982**	$129,750,121

COMMITMENTS AND CONTINGENCIES *(Notes 14, 15)*

ON BEHALF OF THE BOARD

_____ *Reeve*

_____ *Councillor*

See notes to financial statements

PONOKA COUNTY
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2025

	Budget (Unaudited)	**Total 2025**	Total 2024
REVENUES			
Net municipal taxes(Schedule 3)	$ 20,773,895	**$ 21,074,694**	$ 19,875,841
User fees and sales of goods	723,560	**1,140,741**	837,227
Penalties and costs of taxes	365,000	**487,396**	649,542
Investment income	655,585	**1,042,253**	1,324,218
Rentals	25,000	**55,323**	25,146
Gains (losses) on disposal of assets	-	**619,706**	515,844
Government transfers for operating(Schedule 4)	168,252	**434,861**	403,851
Development levies	35,000	**276,294**	133,334
	22,746,292	**25,131,268**	23,765,003
EXPENSES			
Legislative	539,700	**459,120**	423,640
Administration	2,401,707	**2,016,166**	1,978,218
Fire	1,058,320	**995,802**	864,987
Bylaws enforcement	384,500	**295,156**	224,947
Police	813,500	**825,336**	810,252
Roads, streets, walks, lighting	13,022,477	**9,861,301**	9,094,163
Airport	8,772	**7,161**	9,049
Water supply and distribution	328,520	**109,758**	120,647
Wastewater treatment and disposal	81,600	**44,640**	16,553
Waste management	1,350,873	**1,358,851**	1,272,484
Family and community support	68,124	**66,788**	66,788
Cemeteries	8,160	**6,000**	6,000
Land use planning	89,760	**73,458**	53,201
Agricultural development	984,805	**940,499**	772,497
Parks and recreation	1,424,038	**1,347,788**	1,367,708
Libraries	221,322	**223,774**	217,476
Amortization	2,763,475	**4,919,160**	4,672,585
Provision for uncollectible taxes	1,000,000	**1,473,197**	1,196,105
	26,549,653	**25,023,955**	23,167,300
SURPLUS (DEFICIT) FROM OPERATIONS	(3,803,361)	**107,313**	597,703
OTHER			
Government transfers for capital(Schedule 4)	3,003,361	**2,590,548**	2,337,800
ANNUAL SURPLUS (DEFICIT)	(800,000)	**2,697,861**	2,935,503
ACCUMULATED SURPLUS - BEGINNING OF YEAR	129,750,121	**129,750,121**	126,814,618
ACCUMULATED SURPLUS - END OF YEAR	$128,950,121	**$132,447,982**	$129,750,121

See notes to financial statements

PONOKA COUNTY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2025

	Budget (Unaudited)	2025	2024
ANNUAL SURPLUS (DEFICIT)	$ (800,000)	**$ 2,697,861**	$ 2,935,503
Purchase of tangible capital assets	(5,315,475)	**(9,094,981)**	(9,066,188)
Proceeds on disposal of tangible capital assets	2,552,000	**2,572,164**	4,332,014
Amortization	2,763,475	**4,919,160**	4,672,585
Loss (gain) on disposal of assets	-	**(619,706)**	(515,844)
	-	**(2,223,363)**	(577,433)
Decrease (increase) in prepaid expenses	-	**(211,197)**	56,677
Decrease (increase) in inventory	-	**841,617**	(177,393)
	-	**(1,592,943)**	(698,149)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(800,000)	**1,104,918**	2,237,354
NET FINANCIAL ASSETS - BEGINNING OF YEAR	25,439,578	**25,439,579**	23,202,225
NET FINANCIAL ASSETS - END OF YEAR	$ 24,639,578	**$ 26,544,497**	$ 25,439,579

See notes to financial statements

PONOKA COUNTY
Statement of Cash Flows
Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	**$ 2,697,861**	$ 2,935,503
Items not affecting cash:		
Amortization of tangible capital assets	**4,919,160**	4,672,585
	-	-
Loss (gain) on disposal of tangible capital assets	**(619,706)**	(515,844)
	6,997,315	7,092,244
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	**573,332**	(451,762)
Decrease (increase) in trade and other receivables	**(34,767)**	247,641
Decrease (increase) in inventory for consumption	**841,618**	(177,394)
Decrease (increase) in prepaid expenses	**(211,197)**	56,676
Other financial assets	**-**	203,900
Increase (decrease) in accounts payable and accrued liabilities	**99,748**	668,768
Increase (decrease) in other current liabilities	**-**	-
Increase (decrease) in deferred revenue	**129,503**	(66,822)
Increase (decrease) asset retirement obligations	**12,817**	48,542
	1,411,054	529,549
Cash flow from operating activities	**8,408,369**	7,621,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of tangible capital assets	**(9,094,981)**	(9,066,188)
Proceeds on disposal of tangible capital assets	**2,572,164**	4,332,014
Cash flow used in investing activities	**(6,522,817)**	(4,734,174)
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash or cash equivalents	**(13,484)**	107,527
Decrease (increase) in investments	**(4,357,195)**	(750,625)
	(4,370,679)	(643,098)
INCREASE (DECREASE) IN CASH FLOW	**(2,485,127)**	2,244,521
Cash - beginning of year	**18,018,241**	15,773,719
CASH - END OF YEAR	**$ 15,533,114**	$ 18,018,240
CASH CONSISTS OF:		
Cash and temporary investments *(Note 2)*	**$ 15,625,324**	$ 18,096,966
Less: restricted portion of cash and temporary investments *(Note 2)*	**(92,209)**	(78,725)
	$ 15,533,115	$ 18,018,241

See notes to financial statements

PONOKA COUNTY
Schedule of Changes in Accumulated Surplus (Schedule 1)
Year Ended December 31, 2025

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	**2025**	2024
Balance, beginning of year	$ -	$ 28,459,693	$101,290,428	**$129,750,121**	$126,814,618
Excess (deficiency) of revenues over expenses	2,697,861	-	-	**2,697,861**	2,935,503
Restricted funds used for tangible capital assets	-	(2,400,000)	2,400,000	-	-
Transfer from unrestricted surplus to restricted surplus	(2,887,315)	2,887,315	-	-	-
Current year funds used for tangible capital assets	(6,694,981)	-	6,694,981	-	-
Proceeds on borrowing used for tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	1,952,458	-	(1,952,458)	-	-
Annual amortization expense	4,919,160	-	(4,919,160)	-	-
Annual accretion expense	12,817	-	(12,817)	-	-
Borrowing repaid	-	-	-	-	-
Other adjustments	-	-	-	-	-
Change in accumulated surplus	-	487,315	2,210,546	**2,697,861**	2,935,503
BALANCE, END OF YEAR	$ -	$ 28,947,008	$103,500,974	**$132,447,982**	$129,750,121

See notes to financial statements

PONOKA COUNTY

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	$ 2,283,420	$ 8,320,489	$135,214,387	$ 17,091,561	$ 4,997,684	$ 1,226,482	**$169,134,023**	$164,600,098
Acquisition of tangible capital assets	-	59,913	6,151,674	2,444,068	439,326	-	**9,094,981**	9,066,188
Transfer construction in progress	-	-	1,226,482	-	-	(1,226,482)	**-**	-
Disposal of tangible capital assets	-	-	-	(2,265,322)	(169,621)	-	**(2,434,943)**	(4,532,263)
Balance, end of year	2,283,420	8,380,402	142,592,543	17,270,307	5,267,389	-	**175,794,061**	169,134,023
Accumulated Amortization								
Balance, beginning of year	-	2,308,967	57,449,848	4,973,597	2,790,755	-	**67,523,167**	63,566,675
Annual amortization	-	167,831	3,596,472	855,084	299,773	-	**4,919,160**	4,672,584
Accumulated amortization on disposals	-	-	-	(312,864)	(169,621)	-	**(482,485)**	(716,092)
Balance, end of year	-	2,476,798	61,046,320	5,515,817	2,920,907	-	**71,959,842**	67,523,167
Net book value	$ 2,283,420	$ 5,903,604	$ 81,546,223	$ 11,754,490	$ 2,346,482	$ -	**$103,834,219**	$101,610,856

See notes to financial statements

PONOKA COUNTY

Schedule of Property and Other Taxes **(Schedule 3)**

Year Ended December 31, 2025

	Budget (Unaudited)	**Total 2025**	Total 2024
Taxation:			
Real property taxes	$ 17,601,848	**$ 17,589,765**	$ 16,245,934
Linear property taxes	13,278,600	**13,370,542**	12,368,607
Special assessments and local improvement taxes	4,000	**5,813**	5,605
Business taxes	50,000	**244,569**	98,900
Government grants in place of property taxes	-	**872**	806
	30,934,448	**31,211,561**	28,719,852
Requisitions:			
Alberta School Foundation Fund	9,722,286	**9,722,286**	8,425,035
Rimoka Foundation	313,267	**313,267**	310,250
Designated Industrial Property Requisition	125,000	**101,314**	108,726
	10,160,553	**10,136,867**	8,844,011
Grand Total	$ 20,773,895	**$ 21,074,694**	$ 19,875,841

See notes to financial statements

PONOKA COUNTY

Schedule of Government Transfers **(Schedule 4)**

Year Ended December 31, 2025

	Budget (Unaudited)	**Total 2025**	Total 2024
Transfers for Operating:			
Provincial Government	$ 166,152	**$ 434,861**	$ 403,851
Federal Government	2,100	**-**	-
	168,252	**434,861**	403,851
Transfers for Capital:			
Provincial Government	2,718,361	**2,505,548**	2,252,800
Other Local Governments	85,000	**85,000**	85,000
	2,803,361	**2,590,548**	2,337,800
Total Government Transfers	$ 2,971,613	**$ 3,025,409**	$ 2,741,651

See notes to financial statements

PONOKA COUNTY

Schedule of Consolidated Expense by Object (Schedule 5)

Year Ended December 31, 2025

	Budget	2025	2024
Consolidated Expenses by Object			
Salaries, Wages, and Benefits	$ 6,564,800	**$ 6,492,890**	$ 5,949,149
Contracted and General Services	9,217,117	**6,211,597**	5,760,756
Purchases from Other Governments	1,115,017	**1,082,295**	1,073,635
Materials, Goods, Supplies, and Utilities	5,225,842	**4,233,823**	3,856,905
Provision For Allowances	1,000,000	**1,473,197**	1,196,105
Transfers to Local Boards and Agencies	289,446	**290,562**	308,264
Transfers to individuals and organizations	351,453	**297,574**	330,692
Bank Charges and Short term interest	6,630	**10,040**	6,885
Amortization of Capital Property	2,763,475	**4,919,160**	4,672,585
Accretion Expense	15,873	**12,817**	12,324
	$ 26,549,653	**$ 25,023,955**	$ 23,167,300

See notes to financial statements

PONOKA COUNTY

Schedule of Segmented Disclosure

Year Ended December 31, 2025

(Schedule 6)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	2025
Revenue							
Net municipal taxes	$ 21,074,694	$ -	$ -	$ -	$ -	$ -	**$ 21,074,694**
Operating government transfers	10,513	-	237,604	-	-	186,744	**434,861**
User fees and sales of goods	26,897	492,667	270,567	-	-	350,610	**1,140,741**
Investment income	1,042,253	-	-	-	-	-	**1,042,253**
Penalties and fines	474,995	12,401	-	-	-	-	**487,396**
Other revenues	-	-	675,029	276,294	-	-	**951,323**
	$ 22,629,352	$ 505,068	$ 1,183,200	$ 276,294	$ -	$ 537,354	**$ 25,131,268**
Expenses							
Contract & general services	$ 751,575	$ 931,849	$ 3,435,965	$ 70,958	$ -	$ 1,021,250	**$ 6,211,597**
Salaries & wages	1,505,298	714,261	3,116,449	-	-	1,156,882	**6,492,890**
Goods & supplies	208,373	451,264	3,308,888	2,500	-	262,798	**4,233,823**
Transfers to local boards	-	-	-	-	290,562	-	**290,562**
Other expenses	1,483,237	18,920	-	-	1,360,949	-	**2,863,106**
	3,948,483	2,116,294	9,861,302	73,458	1,651,511	2,440,930	**20,091,978**
Net revenue (expense) before amortization & other	$ 18,680,869	$ (1,611,226)	$ (8,678,102)	$ 202,836	$ (1,651,511)	$ (1,903,576)	**$ 5,039,290**
	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Capital government transfers	-	85,000	2,505,548	-	-	-	**2,590,548**
Amortization expense	(83,031)	(201,520)	(4,272,029)	(17,321)	-	(345,259)	**(4,919,160)**
Accretion expense	-	-	-	-	-	(12,817)	**(12,817)**
	(83,031)	(116,520)	(1,766,481)	(17,321)	-	(358,076)	**(2,341,429)**
NET REVENUE	$ 18,597,838	$ (1,727,746)	$ (10,444,583)	$ 185,515	$ (1,651,511)	$ (2,261,652)	**$ 2,697,861**

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

- Ponoka County Regional Fire Services
- Ponoka County Waste Disposal

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

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

Basis of Accounting

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

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

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

Use of Estimates

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

Significant estimates include:

- the allowance for doubtful accounts;
- asset retirement obligations;
- providing for amortization of tangible capital assets;
- the estimated useful lives of assets; and
- the recoverability of tangible assets.

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

Valuation of Financial Assets and Liabilities

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

Cash	Cost and amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Lower of cost and net recoverable value
Investments	Amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long term debt	Amortized cost

Cash and Cash Equivalents

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

Investments

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

Requisition Over-levy and Under-levy

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

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

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

Tax Revenue

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

Asset Retirement Obligations

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

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

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

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

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Revenue Recognition

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

Deferred Revenues

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

Government Transfers

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

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

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

Non-Financial Assets

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

a. Tangible Capital Assets

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

Buildings	20-50 Years
Engineered structures	
Roads	40 Years
Bridges	30 Years
Machinery and equipment	10-20 Years
Vehicles	5-10 Years

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

b. Contributions of Tangible Capital Assets

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

c. Leases

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

d. Inventories

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

Future Changes in Accounting Standards

Effective for the December 2026 yearend the Municipality will adopt the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board:

- The Conceptual Framework of Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for consistent application of accounting issues in the absence of specific standards.

- PS 1202 Financial Statement Presentation

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on concepts within the Conceptual Framework.

The municipality has not yet adopted these two accounting standards. Management is currently assessing the impact of these standards on the financial statements.

2. CASH AND CASH EQUIVALENTS

	2025	2024
Cash	**$ 15,625,324**	$ 17,104,427
Cash equivalents	**-**	992,539
	$ 15,625,324	$ 18,096,966

Included in cash are restricted funds that pertain to payments received in place of reserve land under Section 666 of the Municipal Government Act (MGA) in the amount of $92,209 (2024 - $78,725).

Interest earned on cash is paid at the bank prime rate less 1.75% - 1.50% (effective rate at yearend (2.70% - 2.95%).

3. RECEIVABLES

	2025	2024
Property taxes		
Current taxes and grants in place of taxes	**$ 1,572,326**	$ 1,679,366
Arrears	**377,679**	3,668,130
	1,950,005	5,347,496
Requisition under-levy	**4,292**	15,133
Allowance for doubtful accounts	**(865,000)**	(3,700,000)
	1,089,297	1,662,629
Other		
Trade accounts	**2,587,634**	2,405,328
Goods and Services Tax	**6,633**	154,172
Allowance for doubtful accounts	**(1,914,885)**	(1,914,885)
	679,382	644,615
Grand total	**$ 1,768,679**	$ 2,307,244

4. INVESTMENTS

	2025	2024
Short term investments	**$ 2,141,939**	$ 2,688,159
Long term investments	**8,981,534**	4,078,119
	$ 11,123,473	$ 6,766,278

Interest is earned on short term investments is at rates between 4.80% - 4.96% and on long term investments at 3.58% - 5.17%.

5. CREDIT FACILITIES

The county has available a business MasterCard with a maximum indebtedness of $75,000 (2024 - $30,000) to be used for operating expenses.

6. DEFERRED REVENUE

	Opening balance	Funds received	Revenue recognized	Closing balance
Regional water drainage feasibility	$ -	$ 150,000	$ 20,497	$ 129,503

Deferred revenue is comprised of the fund noted above, the use of which is restricted by agreement. These funds are recognized as revenue in the period they are used for purpose specified.

7. ASSET RETIREMENT OBLIGATIONS

Landfill Closure and Post-Closure Liability

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

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

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 4% and assuming annual inflation of 2%.

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

Wastewater Lagoon Reclamation

Alberta environmental law requires wastewater lagoons to be reclaimed to equivalent land capability or a proposal for reuse of the site to be submitted.

A liability for the total obligation, which was incurred when the site opened in 1962. Undiscounted future cash flows expected for desludging and re-purposing the facility to a storm water management facility are estimated to be $1,142,471 in the year 2112.

The estimated total liability is based on the sum of discounted future cash flows using a discount rate of 4% and assuming annual inflation of 2%.

The county has not designated assets for settling reclamation liability.

	2025	2024
Landfill		
Estimated closure costs, beginning of year	$ 118,298	$ 113,748
Accretion expense	4,732	4,550
Subtotal	123,030	118,298
Estimated post closure costs, beginning of year	164,464	158,138
Accretion expense	6,578	6,326
Total landfill retirement obligation	294,072	282,762
Wastewater lagoon		
Estimate re-purposing costs, beginning of year	37,666	-
Liability recognized	-	36,217
Accretion expense	1,507	1,449
Total wastewater lagoon retirement obligation	39,173	37,666
Total Asset Retirement Obligation	$ 333,245	$ 320,428

8. DEBT LIMITS

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

	2025	2024
Total debt limit	**$ 37,976,373**	$ 35,938,094
Total debt guaranteed	**(2,187,310)**	(2,243,874)
Amount of debt limit unused	**$ 35,789,063**	$ 33,694,220
Debt servicing limit	**$ 6,329,396**	$ 5,989,682
Debt servicing	**-**	-
Amount of debt servicing limit unused	**$ 6,329,396**	$ 5,989,682

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.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets (Schedule 2)	**$175,794,061**	$169,134,023
Accumulated amortization (Schedule 2)	**(71,959,842)**	(67,523,167)
Accumulated asset retirement obligation (Note 7.)	**(333,245)**	(320,428)
	$103,500,974	$101,290,428

10. ACCUMULATED SURPLUS

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

	2025	2024
Land reserve payments	**$ 92,209**	$ 78,725
Development reserve	**1,909,733**	1,646,923
Bridge replacement reserve	**11,026,022**	11,000,000
Pavement rehabilitation reserve	**5,600,000**	6,500,000
Internet enhancement reserve	**1,000,000**	1,000,000
General operating reserve	**799,999**	3,434,045
Road construction reserve	**2,500,000**	2,500,000
Fire reserve	**1,385,000**	1,300,000
Gravel Reserve	**1,500,000**	-
Building and capital equipment reserve	**3,134,045**	1,000,000
Equity in tangible assets	**103,500,974**	101,290,428
	$132,447,982	$129,750,121

11. SEGMENTED DISCLOSURE

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

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

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks and lighting. Planning and development includesland use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture include parks and recreation, libraries, museums and halls. Environmental use and protection include water supply and distribution, wastewater treatment and disposal, and waste management.

12. SALARY AND BENEFITS DISCLOSURE

	Salary (1)	Benefits & Allowances (2)	**2025**	2024
Councilors				
Division 1	51,964	9,399	**61,363**	55,056
Division 2	52,114	9,399	**61,513**	55,756
Division 3	52,973	9,358	**62,331**	54,989
Division 4	56,689	9,399	**66,088**	59,806
Division 5	53,389	9,399	**62,788**	55,281
	267,129	46,954	**314,083**	280,888
County Administration				
CAO	186,000	29,581	**215,581**	-
Designated Officer	141,000	24,131	**165,131**	-
	327,000	53,712	**380,712**	-

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and disbursement insurance, long and short-term disability plans, professional memberships and tuition.

13. LOCAL AUTHORITIES PENSION PLAN

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

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

The county is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount.

Total current service contributions by the county to the LAPP in 2025 were $49,834 (2024 - $49,654). Total current service contributions by the employees of the county to the Local Authorities Pension Plan in 2025 were $44,577 (2024 - $44,451).

14. COMMITMENTS

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

- Agreement to access and purchase 18,746 tonnes of gravel at $8.25 per tonne
- Gravel access and purchase agreement to a gravel deposit for a three year period at a cost of $500,000 per year. The county is also responsible for reclamation and restoration of said lands
- Commitment to purchase 2027 Rosenbauer pumper fire truck at a cost of $830,279
- Agreement to provide fire protection services to the Town of Rimbey and the Summer Village of Parkland Beach through May 2030
- Joint agreement with the Town of Ponoka to provide funds for the operation of Ponoka Family and Community Support Services (FCSS) of $66,788 annually
- Approved support of 25% of the cost of fibre optic line to a total of $915,253 to Missing Link Internet pending the funding of the remaining investment by other parties.

15. CONTINGENCIES

Guarantee of Ponoka Agriculture Events Centre Society Operating Line of Credit

Ponoka County has guaranteed an operating line of credit for the Ponoka Agriculture Events Centre Society (PAECS) in the amount of $1.8 million. At December 31, 2025, $580,255 (2024 - $580,811) had been drawn. The operating line of credit carries several debt covenants in which the PAECS must be in compliance with at their fiscal yearend balance sheet date. This debt is due on demand.

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

Guarantee of Rimbey Agricultural Society Term Loan

Ponoka County has guaranteed a non-revolving term loan for Rimbey Agricultural Society in the amount of $1.8 million. At December 31, 2025, $1,607,055 (2024 - $1,663,063) had been drawn. The debt carries several debt covenants in which the Rimbey Agricultural Society must be in compliance with at their fiscal yearend balance sheet date. This debt is due on demand.

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

16. FINANCIAL INSTRUMENTS

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

(continues)

16. FINANCIAL INSTRUMENTS *(continued)*

The county is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfil their obligations. The recent downturn in the oil and gas industry has significantly increased the credit risk arising from tax assessments levied on businesses operating within this sector. In the current year there is a concentration of credit risk to two (2024 - one) oil and gas company that accounts for 40% (2024 - 66%) of the total taxes receivable. The full amounts have been provided for as an allowance for doubtful accounts. There has been a decrease in credit risk as a result of formal write-off of arrears taxes compared to the previous year.

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

17. COMPARATIVE FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

19. BUDGETED FINANCIAL RESULTS

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

	2025
Net Budget (deficit)	$ (800,000)
Add: budgeted capital asset purchases	
Roads	3,406,500
Bridges	1,900,000
Administration	-
Public Works	3,033,975
Fire department	185,000
Waste disposal	120,000
Less:	
Budgeted capital asset sales	(2,552,000)
Amortization	(4,919,160)
	374,315
Excess of revenues over expenses	(2,697,862)
Variance	$ (2,323,547)