

April 13, 2026

MEMBERS OF COUNCIL
TOWN OF PENHOLD
PO BOX 10
PENHOLD, AB T0M 0R0

ATTENTION: MEMBERS OF COUNCIL

Dear Council Members:

RE: EXECUTIVE SUMMARY

The Town of Penhold remains in a strong and stable financial position at the end of 2025. The year reflects a planned shift toward investing in infrastructure to support the Town's growth and long-term needs.

Overall Financial Position

The Town continues to maintain a solid financial foundation, with total accumulated value of approximately \$53.0 million, largely invested in buildings, roads, and other infrastructure.

During the year, cash balances decreased from \$6.4 million to \$2.5 million. This was expected, as funds were used to support major capital projects. While this reduced short-term cash, it reflects reinvestment into long-term assets that will benefit the community for years to come.

Operations

The Town generated approximately \$10.2 million in revenue, consistent with the prior year. Expenses were higher in 2025, resulting in a modest deficit of \$163,000.

Overall expenses increased during the year. The Town conducts a comprehensive review of its compensation structure every four years to ensure wages remain competitive, and 2025 was the year of this review. As a result, wages increased by approximately 4% on average.

In addition, labour costs were higher due to increased activity related to capital projects. Excluding amortization, total expenses increased by approximately 5%, which is considered reasonable given these factors.

Capital Investment and Infrastructure

A key highlight of 2025 is the Town's investment of approximately \$6.6 million into capital projects, significantly higher than the prior year.

The most significant project during the year was the construction of the Public Services Building and Shop, which represents an important investment in the Town's operational capacity and ability to deliver services efficiently.

As a result of this continued investment, the Town's infrastructure remains in good condition. On average, the Town's assets are relatively new (approximately 12 years old), and approximately 64% of the Town's asset value remains unamortized.

This indicates that a significant portion of the Town's infrastructure is still within its expected service life and supports the Town's long-term sustainability.

Reserves and Flexibility

The Town continues to maintain reserves and financial flexibility to respond to future needs. While some reserves were used to support capital spending, the Town still retains both designated and unrestricted funds.

In addition, the Town has access to a \$5.1 million line of credit, which was not used during the year, providing further financial flexibility if needed.

Debt Position

The Town's debt remains low and manageable. Total debt decreased during the year and remains well below provincial limits.

The Town is currently using only a small portion of its allowable borrowing capacity, indicating strong capacity to take on additional debt if required for future projects.

Fraud and Compliance

As part of our audit, we considered the risk of fraud and performed procedures designed to identify material misstatements in the financial statements. Based on our work, we did not identify any instances of fraud or illegal activity, and no material misstatements arising from fraud were noted.

Risk Considerations

Our audit was conducted using a risk-based approach, focusing on areas where there is a higher likelihood of material misstatement. These areas typically include significant estimates, capital activity, and revenue recognition.

No significant weaknesses in internal controls were identified during the audit. We continue to work with management to ensure processes remain appropriate and support accurate financial reporting.

Overall Assessment

Overall, the Town of Penhold is in a healthy financial position. The decrease in cash and small operating deficit reflect a year of significant investment rather than financial strain.

Compared to similar municipalities, the Town benefits from:

- Low debt levels
- A relatively modern infrastructure base
- Continued investment in key assets such as the Public Services facility

These factors support the Town's ability to provide services, manage future costs, and plan for long-term sustainability.

Yours truly,



Chartered Professional Accountants