TOWN OF PENHOLD

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

TOWN OF PENHOLD

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Pivotal LLP
#201, 33 McKenzie Crescent
Red Deer County, Alberta
T4S 2H4

INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of:
Town of Penhold

Qualified Opinion

We have audited the consolidated financial statements of the Town of Penhold (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2024 and the consolidated statements of operations, changes in net financial assets, and cash flows for the year then ended, notes to the consolidated financial statements, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Penhold as at December 31, 2024, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

As described in Note 12 to the financial statements, the Town has not recorded a liability for Asset Retirement Obligations ("ARO") in accordance with the requirements of Section 3270 of the Public Sector Accounting Handbook. The amount that should have been recognized for ARO is not reasonably determinable because the Town has not conducted a sufficient assessment of its potential obligations, and as a result, the financial statements do not reflect the full extent of the liabilities for future asset retirement obligations. Consequently, we were unable to determine whether any adjustments to the recorded amounts or disclosures related to ARO were necessary.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the 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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

pivotal
CHARTERED PROFESSIONAL ACCOUNTANTS

Pivotal LLP
#201, 33 McKenzie Crescent
Red Deer County, Alberta
T4S 2H4

In preparing the consolidated financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Other Matter

The consolidated financial statements of the Town for the year ended December 31, 2023 were audited by another auditor who expressed a qualified opinion on April 11, 2024.

Pivotal LLP

Red Deer County, Alberta
April 14, 2025

Chartered Professional Accountants

TOWN OF PENHOLD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	**$ 6,426,479**	$ 7,187,172
Accounts receivable:		
Taxes receivable (Note 3)	**203,692**	249,333
Trade and other receivables (Note 4)	**1,473,710**	1,096,384
	8,103,881	8,532,889
LIABILITIES		
Accounts payable and accrued liabilities	**795,489**	1,104,039
Employee benefit obligation (Note 6)	**203,686**	192,017
Deferred revenue (Note 7)	**861,358**	1,264,685
Long term debt (Note 8)	**2,148,905**	2,412,147
	4,009,438	4,972,888
NET FINANCIAL ASSETS	**4,094,443**	3,560,001
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	**49,072,535**	48,993,230
Prepaid expenses	**31,350**	21,658
	49,103,885	49,014,888
ACCUMULATED SURPLUS (Schedule 1, Note 11)	**$ 53,198,328**	$ 52,574,889

CONTINGENCIES (Note 15)

On Behalf of the Council:

______________________________ Deputy Mayor

______________________________ Town Chief Administrative Officer

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2024

	Budget (Unaudited) (Note 19)	**2024**	2023
REVENUE			
Net municipal taxes (Schedule 3)	$ 4,016,982	**$ 4,015,107**	$ 3,726,548
User fees and sales of goods	3,737,325	**4,136,420**	3,967,986
Government transfers for operating (Schedule 4)	1,052,026	**1,029,425**	1,586,817
Investment income	200,000	**342,834**	262,242
Penalties and costs of taxes	60,000	**55,589**	56,888
Penalties and fines	100,000	**75,194**	70,698
Franchise fees	600,000	**612,560**	564,382
	9,766,333	**10,267,129**	10,235,561
EXPENSES			
Legislative	452,770	**496,009**	447,338
Administration	843,909	**748,837**	725,841
Family and community services	761,533	**827,104**	796,042
Fire department and bylaw enforcement	774,964	**823,317**	913,736
Land use planning, zoning and development	239,286	**199,018**	171,962
Parks and recreation	2,399,558	**2,519,784**	2,289,344
Roads, streets, walks, lighting	823,961	**893,148**	824,768
Waste management	275,736	**250,505**	253,776
Wastewater treatment and disposal	1,361,079	**1,292,958**	1,239,326
Water supply and distribution	484,172	**405,242**	393,354
Amortization of tangible assets	-	**2,442,437**	2,247,475
	8,416,968	**10,898,359**	10,302,962
ANNUAL SURPLUS (DEFICIT) - BEFORE OTHER	1,349,365	**(631,230)**	(67,401)
OTHER			
Government transfers for tangible capital assets (Schedule 4)	903,831	**1,254,669**	344,026
ANNUAL SURPLUS	$ 2,253,196	**623,439**	276,625
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**52,574,889**	52,298,264
ACCUMULATED SURPLUS, END OF YEAR		**$ 53,198,328**	$ 52,574,889

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2024

	Budget (Unaudited) (Note 19)	**2024**	2023
ANNUAL SURPLUS	$ 2,253,196	**$ 623,439**	$ 276,625
Acquisition of tangible capital assets	(2,715,285)	**(2,547,099)**	(2,333,903)
Proceeds on sale of tangible capital assets	-	**60,000**	19,979
(Gain) loss on disposal of tangible capital assets	-	**(34,642)**	51,110
Amortization of tangible capital assets	-	**2,442,436**	2,247,475
	(2,715,285)	**(79,305)**	(15,339)
Acquisition of prepaid expenses	-	**(9,692)**	(14,885)
	(2,715,285)	**(88,997)**	(30,224)
Increase (decrease) in net financial assets	(462,089)	**534,442**	246,401
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,560,001	**3,560,001**	3,313,600
NET FINANCIAL ASSETS, END OF YEAR	$ 3,097,912	**$ 4,094,443**	$ 3,560,001

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	2024	2023
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Annual surplus	**$ 623,439**	$ 276,625
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	**2,442,436**	2,247,475
(Gain) loss on disposal of tangible capital assets	**(34,642)**	51,110
	3,031,233	2,575,210
Non-cash charges to operations (net change):		
Taxes and grants in place of taxes receivable	**45,641**	12,425
Trade and other receivables	**(377,327)**	(418,696)
Accounts payable and accrued liabilities	**(308,549)**	231,637
Employee benefit obligation	**11,669**	6,205
Deferred revenue	**(403,327)**	404,821
Increase in prepaid expenses	**(9,692)**	(14,885)
Cash provided by operating activities	**1,989,648**	2,796,717
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(2,547,099)**	(2,333,903)
Proceeds on sale of tangible capital assets	**60,000**	19,979
Cash applied to capital transactions	**(2,487,099)**	(2,313,924)
FINANCING ACTIVITIES		
Repayment of long term debt	**(263,242)**	(228,058)
Repayment of line of credit	**-**	(23,914)
Cash applied to financing transactions	**(263,242)**	(251,972)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**(760,693)**	230,821
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**7,187,172**	6,956,351
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 6,426,479**	$ 7,187,172

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2024

	Unrestricted Surplus	Designated Surplus	Equity in Tangible Capital Assets	**2024**	2023
BALANCE, BEGINNING OF YEAR	$ 2,205,134	$ 3,788,672	$ 46,581,083	**$ 52,574,889**	$ 52,298,264
Annual surplus	623,439	-	-	**623,439**	276,625
Net unrestricted funds designated for future use	(1,987,302)	1,987,302	-	**-**	-
Acquisition of tangible capital assets	(2,547,099)	-	2,547,099	**-**	-
Disposal of tangible capital assets	25,358	-	(25,358)	**-**	-
Amortization of tangible capital assets	2,442,436	-	(2,442,436)	**-**	-
Repayment of long term debt	(263,242)	-	263,242	**-**	-
Change in accumulated surplus	(1,706,410)	1,987,302	342,547	**623,439**	276,625
BALANCE, END OF YEAR	$ 498,724	$ 5,775,974	$ 46,923,630	**$ 53,198,328**	$ 52,574,889

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2024

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	**2024**	2023
COST								
Balance, beginning of year	$ 2,525,141	$ 7,967,311	$ 18,487,965	$ 37,309,296	$ 5,152,140	$ 2,660,670	**$ 74,102,523**	$ 72,228,023
Acquisition of tangible capital assets	-	604,091	311,600	528,601	171,830	930,977	**2,547,099**	2,333,903
Disposal of tangible capital assets	-	-	-	-	(89,500)	-	**(89,500)**	(459,403)
Balance, end of year	2,525,141	8,571,402	18,799,565	37,837,897	5,234,470	3,591,647	**76,560,122**	74,102,523
ACCUMULATED AMORTIZATION								
Balance, beginning of year	-	2,017,857	5,518,614	12,903,187	3,155,511	1,514,124	**25,109,293**	23,250,133
Amortization of tangible capital assets	-	356,199	377,055	1,014,376	368,857	325,949	**2,442,436**	2,247,475
Accumulated amortization on disposals	-	-	-	-	(64,142)	-	**(64,142)**	(388,315)
Balance, end of year	-	2,374,056	5,895,669	13,917,563	3,460,226	1,840,073	**27,487,587**	25,109,293
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,525,141	$ 6,197,346	$ 12,903,896	$ 23,920,334	$ 1,774,244	$ 1,751,574	**$ 49,072,535**	$ 48,993,230
2023 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,525,141	$ 5,949,454	$ 12,969,351	$ 24,406,109	$ 1,996,629	$ 1,146,546	$ 48,993,230	

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2024

	Budget (Unaudited)	**2024**	2023
TAXATION			
Real property taxes	$ 5,336,327	**$ 5,281,086**	$ 4,944,532
Linear property taxes	94,672	**94,432**	86,968
	5,430,999	**5,375,518**	5,031,500
REQUISITIONS			
Alberta School Foundation Fund	1,401,217	**1,120,648**	1,084,636
Police	-	**226,963**	212,494
Autumn Glen Seniors Lodge	12,800	**12,800**	7,822
	1,414,017	**1,360,411**	1,304,952
NET MUNICIPAL TAXES	$ 4,016,982	**$ 4,015,107**	$ 3,726,548

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2024

	Budget (Unaudited)	**2024**	2023
TRANSFERS FOR OPERATING			
Provincial government	$ 846,922	**$ 839,276**	$ 1,215,138
Other local governments	205,104	**190,149**	358,919
Other local transfers	-	**-**	12,760
	1,052,026	**1,029,425**	1,586,817
TRANSFERS FOR CAPITAL			
Provincial government	903,831	**1,254,669**	344,026
TOTAL GOVERNMENT TRANSFERS	$ 1,955,857	**$ 2,284,094**	$ 1,930,843

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
YEAR ENDED DECEMBER 31, 2024

	Budget (Unaudited)	**2024**	2023
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 4,245,791	**$ 3,944,885**	$ 3,765,972
Contracted and general services	2,154,758	**2,592,608**	2,229,094
Materials, goods and utilities	805,456	**809,699**	796,533
Purchases from other governments	229,196	**839,550**	869,256
Transfers to local boards and agencies	229,196	**214,196**	229,746
Bank charges and short-term interest	12,121	**15,229**	11,894
Interest on long-term debt	73,408	**74,398**	91,799
Other expenditures	895,648	**-**	10,082
Amortization of tangible capital assets	-	**2,442,436**	2,247,475
(Gain) loss on disposal of tangible capital assets	-	**(34,642)**	51,111
	$ 8,645,574	**$ 10,898,359**	$ 10,302,962

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

SCHEDULE OF SEGMENTED DISCLOSURE
YEAR ENDED DECEMBER 31, 2024

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation & Culture	Environmental Services	Public Health & Welfare	**Total**
REVENUE								
Net municipal taxes	$ 4,015,107	$ -	$ -	$ -	$ -	$ -	$ -	**$ 4,015,107**
Government transfers for operating	242,062	8,741	242,311	-	346,161	-	190,150	**1,029,425**
User fees and sales of goods	67,864	204,709	115,209	156,526	1,004,701	2,515,405	72,006	**4,136,420**
Investment income	342,834	-	-	-	-	-	-	**342,834**
Other revenues	668,150	75,193	-	-	-	-	-	**743,343**
	5,336,017	288,643	357,520	156,526	1,350,862	2,515,405	262,156	**10,267,129**
EXPENSES								
Salaries, wages and benefits	562,973	490,546	371,324	94,016	1,402,667	458,450	564,909	**3,944,885** .
Contracted and general services	620,173	273,175	434,268	98,664	606,518	473,925	85,885	**2,592,608**
Materials, goods and utilities	50,886	59,596	213,358	6,338	231,267	107,295	140,959	**809,699**
Purchases from other governments	-	-	-	-	-	804,198	35,352	**839,550**
Transfers to local boards and agencies	-	-	-	-	214,196	-	-	**214,196**
Bank charges and short-term interest	6,072	-	-	-	9,157	-	-	**15,229**
Interest on long term debt	4,743	-	-	-	55,979	13,676	-	**74,398**
Gain on disposition of tangible capital assets	-	-	(34,642)	-	-	-	-	**(34,642)**
	1,244,847	823,317	984,308	199,018	2,519,784	1,857,544	827,105	**8,455,923**
ANNUAL SURPLUS (DEFICIT), BEFORE AMORTIZATION AND OTHER	4,091,170	(534,674)	(626,788)	(42,492)	(1,168,922)	657,861	(564,949)	**1,811,206**
Amortization on tangible capital assets	(32,780)	(182,250)	(1,042,150)	-	(925,581)	(257,668)	(2,007)	**(2,442,436)**
Government transfers for tangible capital assets	-	-	913,108	-	341,561	-	-	**1,254,669**
ANNUAL SURPLUS (DEFICIT)	$ 4,058,390	$ (716,924)	$ (755,830)	$ (42,492)	$ (1,752,942)	$ 400,193	$ (566,956)	**$ 623,439**

See accompanying notes to consolidated financial statements

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Penhold are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and changes in reserve 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 town and are, therefore, accountable to the town council for the administration of their financial affairs and resources.

Included with the municipality are the following:

- Penhold & District Public Library

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 any trust assets that may be administered for the benefit of external parties. Interdepartmental and inter-organizational transactions and balances are eliminated on consolidation.

Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Expenses are recognized as they are incurred and measurable based on 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.

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenditures 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. Estimates are used when accounting for items and matters such as valuation of accounts receivable, accrued liabilities, useful life of tangible capital assets, employee benefits, contributed assets and contingencies.

Net Municipal Taxes

Property tax revenue is based on market value assessment determined in accordance with the Municipal Government Act ("MGA") and tax rates established annually by the Town Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and tax receivables when a written decision is received from the authorized board or a change is generated by authorized assessment staff.

Government Transfers

Government transfers and the associated externally restricted investment income are recorded as deferred revenues if the terms for use of the transfer, or the terms along with the Town's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Town complies with its communicated use of the transfer. Government transfers without terms for the use of the transfer are recorded as revenue when the Town is eligible to receive the funds.

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

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

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

External Contributions

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

Developer contributions received from third parties are recognized as revenue when the related expenditures have been incurred. Developer and customer contribution revenue from external developers is deferred in the appropriate offsite deferred revenue account and recognized as revenue as the Town constructs the related offsite projects.

Financial Instruments

Financial assets measured at amortized cost consists of cash and cash equivalents and accounts receivable.

Financial liabilities reported at amortized cost include accounts payable and accrued liabilities and long term debt.

Financial assets are tested annually for impairment. Impairment losses are recorded in statement of operations. Any write-downs resulting from impairment are not reversed for subsequent increases in value.

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, together with the annual surplus or deficit, 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 the 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:

Land improvements	- 15 to 45 years
Buildings	- 25 to 50 years
Engineered structures:	
Roadway system	- 5 to 65 years
Water distribution system	- 45 to 75 years
Wastewater treatment system	- 45 to 75 years
Other engineered structures	- 5 to 25 years
Machinery and equipment	- 5 to 40 years
Vehicles	- 10 to 20 years

Assets under construction are not amortized until the assets are available for productive use.

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of Tangible Capital Assets

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

Cultural and Historical Tangible Assets

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

Intangibles

All intangibles of the Town, including items inherited by right of the Crown, such as Crown lands, forests, water and mineral resources, are not recognized in the financial statements because the costs, benefits and economic value of such items cannot be reasonably and verifiably quantified using existing methods. Purchased natural resources and Crown lands would be recognized in the financial statements where applicable.

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.

Reserves

Certain amounts, as approved by the Town Council, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from reserves are adjustments to the respective fund when approved.

2. CASH AND CASH EQUIVALENTS

	2024	2023
Cash	**$ 2,815,773**	$ 1,119,258
Temporary investments	**3,610,706**	6,067,914
	$ 6,426,479	$ 7,187,172

Temporary investments are short-term deposits with maturities of one year or less.

Management has designated funds of $4,894,265 (2023 - $3,788,672) included in the above amounts for future expenditures and $861,358 (2023 - $1,264,685) are amounts received in the current year that will fund expenditures in relation to the revenue deferred.

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. TAXES RECEIVABLE

	2024	2023
Current taxes	**$ 170,365**	$ 190,173
Arrears taxes	**33,327**	59,160
	$ 203,692	$ 249,333

4. TRADE AND OTHER RECEIVABLES

	2024	2023
Utility accounts receivable	**$ 175,606**	$ 172,803
Goods and services tax recoverable	**17,230**	128,498
Trade and other receivables	**1,280,874**	795,083
	$ 1,473,710	$ 1,096,384

5. LINE OF CREDIT

The Town has a line of credit of $4,120,000 to assist with cash flow requirements. The line of credit requires monthly interest payments at ATB Financial's prime lending rate plus 0.30% per annum. The effective interest rate at December 31, 2024, is 5.75%. The line of credit is issued on the credit and security of the Town at large and is reviewed annually. The balance drawn on as of December 31, 2024, was $nil (2023 - $nil).

6. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations represent vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF PENHOLD

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7. DEFERRED REVENUE

	Balance, beginning of year	Received	Recognized	Balance, end of year
Requisition over-levy	$ 31,068	$ 226,804	$ 181,696	$ 76,176
Municipal Sustainability Initiative – Capital	571,570	-	562,734	8,836
Community Building Fund	196,108	466,305	345,304	317,109
Developer and customer contributions	206,232	-	-	206,232
Other	259,707	19,344	26,046	253,005
	$ 1,264,685	$ 712,453	$ 1,115,780	$ 861,358

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

Municipal Sustainability Initiative

Funding in the amount of $nil (2023 - $374,473) was received in the current year from the Municipal Sustainability Initiative. Of the total amount received, $nil (2023 - $374,473) is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement. At the end of the year, the total unexpended amount pertaining to the capital component is $8,836 (2023 - $571,570).

8. LONG TERM DEBT

	2024	2023
Debentures, as described as below	**$ 1,856,545**	$ 2,093,058
Enmax loan repayable in monthly instalments of $2,823 bearing 3.00% fixed interest, due 2034	**292,360**	319,089
	$ 2,148,905	$ 2,412,147

Principal and interest repayments are as follows:

	Principal	Interest	Total
2025	$ 270,743	$ 73,027	$ 343,770
2026	280,626	63,144	343,770
2027	290,878	52,892	343,770
2028	301,513	42,257	343,770
2029	312,547	31,223	343,770
Thereafter	692,598	36,920	729,518
	$ 2,148,905	$ 299,463	$ 2,448,368

TOWN OF PENHOLD

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8. LONG TERM DEBT (Continued)

Debentures consists of amounts payable to the Alberta Capital Finance Authority. There are currently three debentures outstanding. One debenture bears interest fixed at 4.124% per annum and matures in 2030. Two debentures each bear interest fixed at 3.023% per annum and matures in 2032.

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

Interest on long term debt amounted to $74,398 (2023 - $91,799).

9. DEBT LIMITS

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

	2024	2023
Total debt limit	**$ 15,400,694**	$ 15,353,342
Total debt (Note 8)	**2,148,905**	2,412,147
Amount of debt limit unused	**$ 13,251,789**	$ 12,941,195
Percentage used	**14%**	16%
Debt servicing limit	**$ 2,566,782**	$ 2,558,890
Debt servicing (Note 8)	**343,770**	343,770
Amount of debt servicing limit unused	**$ 2,223,012**	$ 2,215,120

The debt limit is calculated at 1.50 times the revenue of the Town (as defined in Alberta Regulations 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 consolidated financial statements must be interpreted as a whole.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principal and interest payments due on long-tem debt in the 12 months subsequent to year end less amounts that are recoverable

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2024	2023
Tangible capital assets (Schedule 2)	**$ 76,560,122**	$ 74,102,523
Accumulated amortization (Schedule 2)	**(27,487,587)**	(25,109,293)
Long term debt (Note 8)	**(2,148,905)**	(2,412,147)
Equity in tangible capital assets (Schedule 1)	**$ 46,923,630**	$ 46,581,083

11. ACCUMULATED SURPLUS

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

	2024	2023
Unrestricted surplus	**$ 498,724**	$ 2,205,134
Designated surplus		
Fire, ambulance and bylaw	**176,709**	75,000
Multiplex	**389,637**	409,044
Recreation	**135,729**	113,730
Transportation	**5,069,486**	3,186,485
Water and sewer	**4,413**	4,413
Equity in tangible capital assets (Note 10)	**46,923,630**	46,581,083
Accumulated surplus (Schedule 1)	**$ 53,198,328**	$ 52,574,889

12. ASSET RETIREMENT OBLIGATION

As of April 1, 2022, all public entities were required to adopt section PS 3280, Asset Retirement Obligations, that was issued by the Public Sector Accounting Standards Board in August 2018. For the 2024 fiscal year, the Town of Penhold is unsure if they have any asset retirement obligations relating to their tangible capital assets and therefore the tangible capital assets have not been assessed for asset retirement obligations as required by PS 3280 Asset Retirement Obligations. The assets listed may be understated by the amounts of any existing asset retirement obligations.

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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13. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials and the Chief Administrative Officer as required by Alberta Regulation 313/2000 is as follows:

	Salary[1]	Benefits[2]	**2024 Total**	2023 Total
Mayor Yargeau	$ 39,286	$ 175	**$ 39,461**	$ 38,322
Councillor Cunningham	25,459	175	**25,634**	20,173
Councillor Denson	23,224	175	**23,399**	19,058
Councillor Hamm	16,648	175	**16,823**	16,537
Councillor Kranenborg	22,103	175	**22,278**	20,033
Councillor Muller	18,046	175	**18,221**	20,031
Councillor Galisky	19,856	175	**20,031**	4,735
Chief Administrative Officer	253,462	7,640	**261,102**	230,966
	$ 418,084	$ 8,865	**$ 426,949**	$ 369,855

1. Salary includes regular base pay, 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, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town 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 Town is required to make current service contributions to the plan of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount.

Total current and past service contributions by the Town to the LAPP in 2024 were $206,456 (2023 - $195,011). Total current and past service contributions by the employees of the Town to the LAPP in 2024 were $183,995 (2023 - $174,103).

At December 31, 2023, the Local Authorities Pension Plan disclosed an actuarial surplus of $15.10 billion (2022 - $12.70 billion). The 2024 LAPP annual report has not yet been issued.

15. CONTINGENCIES

The Town is a stakeholder in the Central Alberta Regional Waste Management Commission. The Commission's ability to continue as a going concern is dependent on securing sufficient funding to meet its future liabilities and other financial obligations related to the Riverview solid waste management site. To address these obligations, including long-term liabilities and debenture payments, the Commission expects to rely on requisitions from its member municipalities.

The Town is also one of six municipal stakeholders in the South Red Deer Regional Waste Water Commission. The Commission's ability to continue as a going concern is dependent on securing sufficient funding to meet its future liabilities and financial obligations related to the regional wastewater pipeline. To fund these liabilities and related debt servicing costs, the Commission expects to rely on requisitions from its member municipalities.

The Town has not accrued any liability for its stake in either Commission. If a liability is created, it will be recorded in the year the liability is confirmed.

16. COMMITMENTS

The Town has committed to provide funding of $45,000 to the Penhold Parent Council to support the development of a new playground. This contribution is provided as an unconditional grant to assist with the construction of the playground and is not contingent on any matching funding or external grant requirements.

17. SEGMENTED DISCLOSURE

The Town 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 consolidated 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 include bylaw enforcement, police, and fire. Transportation services includes roads, streets, walks and lighting. Planning and development includes land 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 services includes water supply and distribution, wastewater treatment and disposal, and waste management.

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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18. FINANCIAL INSTRUMENTS

Credit Risk

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 fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Liquidity Risk

Liquidity risk is the risk that the Town will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Town manages its liquidity risk by monitoring its operating requirements and using various funding sources to ensure its financial flexibility. The Town prepares budget and cash forecasts to ensure that it has sufficient funds to fulfill its obligations. In recent years, the Town financed the growth of its capacity and sales primarily through cash flows from operations and used its revolving credit on a regular basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town is exposed to interest rate risk through its long-term debt.

The Municipality manages interest rate risk on its long-term debt by holding all debt through the Government of Alberta and Enmax at a fixed rate. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 8 for interest rates and maturity dates for long term debt

TOWN OF PENHOLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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19. BUDGETED FIGURES AND COMPARATIVE INFORMATION

The unaudited budget figures are provided to present a comparison of the results for the accounting period with those originally planned. The Town did not budget for amortization and contributed assets. The reconciliation below is provided for information purposes to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of operations and change in net assets and users should note that this information may not be appropriate for their purposes.

	Budget (Unaudited)	**2024**	2023
Approved budget surplus	5,995	**-**	-
Transfers to reserves	(704,597)	**-**	-
Acquisition of tangible capital assets	2,715,285	**-**	-
Debenture principal payments	236,513	**-**	-
Annual surplus per consolidated financial statements	$ 2,253,196	**$ 623,439**	$ 276,625
Add amortization of tangible capital assets	-	**2,442,437**	2,247,475
(Gain) loss on disposal of tangible capital assets	-	**(34,642)**	51,110
Results of operations, adjusted for non-budgeted items	$ 2,253,196	**$ 3,031,234**	$ 2,575,210

20. COMPARATIVE FIGURES

Certain prior year numbers have been reclassified to conform with the current year method of accounting for administrative allocations of revenue and expense items between programs. This reclassification does not affect net income or net assets of the prior year.

The prior year's figures have been reported on by another firm of public accountants.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements on April 14, 2025.