

# TOWN OF PICTURE BUTTE

## Financial Statements

December 31, 2016

Independent Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Change in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Schedule of Changes in Accumulated Surplus	6
Schedule of Tangible Capital Assets	7
Schedule of Property Taxes Levied	8
Schedule of Government Transfers	9
Schedule of Consolidated Expenses by Object	10
Schedule of Segmented Disclosure	11
Notes to Financial Statements	12-21



## INDEPENDENT AUDITORS' REPORT

**To The Mayor and Council  
of the Town of Picture Butte**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Town of Picture Butte, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net financial assets and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Picture Butte as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta  
April 24, 2017



Chartered Accountants

**TOWN OF PICTURE BUTTE**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2016**

	2016	2015
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	4,286,260	1,655,650
Receivables		
Taxes and grants in place of taxes (Note 3)	39,280	71,135
Trade and other	199,033	293,554
Land and property held for resale	759,178	899,487
Investments (Note 4)	-	652,189
	<u>5,283,751</u>	<u>3,572,015</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	178,038	272,747
Deferred revenue (Note 5)	5,686	5,714
Long-term debt (Note 6)	990,920	1,090,734
	<u>1,174,644</u>	<u>1,369,195</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,109,107</u>	<u>2,202,820</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	22,888,810	23,762,095
Inventory for consumption	10,977	11,347
Prepaid expenses and deposits	12,505	1,759
	<u>22,912,292</u>	<u>23,775,201</u>
<b>ACCUMULATED SURPLUS (Schedule 1 and Note 9)</b>	<u><u>27,021,399</u></u>	<u><u>25,978,021</u></u>
<b>CONTINGENCIES (Note 13)</b>		

Approved on behalf of Council:



**TOWN OF PICTURE BUTTE**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2016**

	Budget (Unaudited) \$	2016 \$	2015 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	1,229,116	1,231,431	1,170,445
User fees and sales of goods	3,059,070	3,239,610	1,658,954
Government transfers (Schedule 4)	98,984	107,927	195,061
Investment income	21,000	46,400	38,526
Penalties and costs of taxes	41,800	36,735	41,332
Franchise and concession contracts	160,000	147,024	112,860
Licenses, permits and fines	24,650	26,838	23,011
	<u>4,634,620</u>	<u>4,835,965</u>	<u>3,240,189</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	81,600	62,012	83,050
Administration	575,350	575,579	446,216
Police, fire, ambulance and bylaw enforcement	466,945	338,179	368,567
Roads, streets, walks, lighting	793,884	714,114	359,169
Water, wastewater and waste management	826,292	683,992	695,104
Land use planning, zoning and development	568,500	436,030	40,189
Parks and recreation	474,641	371,055	392,817
Community services	86,319	159,201	152,734
Loss on disposal of tangible capital assets	-	-	17,261
Amortization	965,987	965,987	954,794
	<u>4,839,518</u>	<u>4,306,149</u>	<u>3,509,901</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(204,898)	529,816	(269,712)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	524,685	513,562	1,370,646
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	319,787	1,043,378	1,100,934
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>25,978,021</u>	<u>25,978,021</u>	<u>24,877,087</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>26,297,808</u>	<u>27,021,399</u>	<u>25,978,021</u>



# TOWN OF PICTURE BUTTE

## Consolidated Statement of Change in Net Financial Assets (Debt)

For the Year Ended December 31, 2016

	Budget (Unaudited) \$	2016 \$	2015 \$
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>319,787</u>	<u>1,043,378</u>	<u>1,100,934</u>
Acquisition of tangible capital assets	(332,100)	(92,702)	(1,702,677)
Proceeds on disposal of tangible capital assets	-	-	23,000
Amortization of tangible capital assets	965,987	965,987	954,794
Loss on disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>17,261</u>
	<u>633,887</u>	<u>873,285</u>	<u>(707,622)</u>
Use (acquisition) of prepaid assets	-	(10,746)	12,994
Use (acquisition) of supplies inventory	<u>-</u>	<u>370</u>	<u>1,116</u>
	<u>-</u>	<u>(10,376)</u>	<u>14,110</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	953,674	1,906,287	407,422
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>2,202,820</u>	<u>2,202,820</u>	<u>1,795,398</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>3,156,494</u></u>	<u><u>4,109,107</u></u>	<u><u>2,202,820</u></u>



**TOWN OF PICTURE BUTTE**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	2016 \$	2015 \$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	1,043,378	1,100,934
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	965,987	954,794
Loss on disposal of tangible capital assets	-	17,261
Non-cash charges to operations (net changes)		
Decrease in taxes and grants in place of taxes	31,855	(607)
Decrease (increase) in trade and other receivables	94,521	136,566
(Increase) in land and property held for resale	140,309	(681,934)
(Increase) decrease in inventory for consumption	370	1,116
(Increase) in prepaid expenses and deposits	(10,746)	12,994
Increase (decrease) in accounts payable and accrued liabilities	(94,709)	133,938
Decrease in deferred revenue	(28)	(173,938)
	<u>2,170,937</u>	<u>1,501,124</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(92,702)	(1,702,677)
Proceeds on disposal of tangible capital assets	-	23,000
	<u>(92,702)</u>	<u>(1,679,677)</u>
<b>FINANCING</b>		
Long-term debt repaid	<u>(99,814)</u>	<u>(96,889)</u>
<b>INVESTING</b>		
(Increase) in investments	<u>652,189</u>	<u>(8,025)</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>		
	2,630,610	(283,467)
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>1,655,650</u>	<u>1,939,117</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)</b>	<u><u>4,286,260</u></u>	<u><u>1,655,650</u></u>





**TOWN OF PICTURE BUTTE**  
Schedule of Changes in Accumulated Surplus  
For the Year Ended December 31, 2016

**SCHEDULE 1**

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2016 \$	2015 \$
<b>BALANCE, BEGINNING OF YEAR</b>	1,875,725	1,430,935	22,671,361	25,978,021	24,877,087
Excess of revenues over expenses	1,043,378	-	-	1,043,378	1,100,934
Unrestricted funds designated for future use	(832,659)	832,659	-	-	-
Current year funds used for tangible capital assets	(92,702)	-	92,702	-	-
Annual amortization expense	965,987	-	(965,987)	-	-
Long-term debt repaid	(99,814)	-	99,814	-	-
Change in accumulated surplus	984,190	832,659	(773,471)	1,043,378	1,100,934
<b>BALANCE, END OF YEAR</b>	<u>2,859,915</u>	<u>2,263,594</u>	<u>21,897,890</u>	<u>27,021,399</u>	<u>25,978,021</u>



**TOWN OF PICTURE BUTTE**  
 Schedule of Tangible Capital Assets  
 For the Year Ended December 31, 2016

**SCHEDULE 2**

	Land \$	Land Improvements \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	2016 \$	2015 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	308,040	527,658	12,282,241	23,755,477	809,099	773,876	38,456,391	36,933,652
Acquisition of tangible capital assets	-	-	27,816	15,814	49,072	-	92,702	1,702,677
Disposal of tangible capital assets	-	-	-	(1,055)	-	-	(1,055)	(179,938)
BALANCE, END OF YEAR	<u>308,040</u>	<u>527,658</u>	<u>12,310,057</u>	<u>23,770,236</u>	<u>858,171</u>	<u>773,876</u>	<u>38,548,038</u>	<u>38,456,391</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	193,145	4,651,191	8,897,180	403,055	549,725	14,694,296	13,879,179
Annual amortization	-	23,902	271,684	544,983	82,733	42,685	965,987	954,794
Accumulated amortization on disposals	-	-	-	(1,055)	-	-	(1,055)	(139,677)
BALANCE, END OF YEAR	-	<u>217,047</u>	<u>4,922,875</u>	<u>9,441,108</u>	<u>485,788</u>	<u>592,410</u>	<u>15,659,228</u>	<u>14,694,296</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>308,040</u>	<u>310,611</u>	<u>7,387,182</u>	<u>14,329,128</u>	<u>372,383</u>	<u>181,466</u>	<u>22,888,810</u>	<u>23,762,095</u>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>308,040</u>	<u>334,513</u>	<u>7,631,050</u>	<u>14,858,297</u>	<u>406,044</u>	<u>224,151</u>	<u>23,762,095</u>	



**TOWN OF PICTURE BUTTE**  
**Schedule of Property Taxes Levied**  
**For the Year Ended December 31, 2016**

**SCHEDULE 3**

	Budget (Unaudited) \$	2016 \$	2015 \$
<b>TAXATION</b>			
Real property taxes	<u>1,651,893</u>	<u>1,654,208</u>	<u>1,595,030</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	332,694	333,653	331,754
Separate school	70,256	69,297	73,006
Seniors foundation	<u>19,827</u>	<u>19,827</u>	<u>19,825</u>
	<u>422,777</u>	<u>422,777</u>	<u>424,585</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u><b>1,229,116</b></u>	<u><b>1,231,431</b></u>	<u><b>1,170,445</b></u>



**TOWN OF PICTURE BUTTE**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2016**

**SCHEDULE 4**

	Budget (Unaudited) \$	2016 \$	2015 \$
<b>TRANSFERS FOR OPERATIONS</b>			
Provincial Government	93,984	98,827	195,061
Other Local Governments	<u>5,000</u>	<u>9,100</u>	<u>-</u>
	<u>98,984</u>	<u>107,927</u>	<u>195,061</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	<u>524,685</u>	<u>513,562</u>	<u>1,370,646</u>
	<u><u>623,669</u></u>	<u><u>621,489</u></u>	<u><u>1,565,707</u></u>



**TOWN OF PICTURE BUTTE**  
**Schedule of Consolidated Expenses by Object**  
**For the Year Ended December 31, 2016**

**SCHEDULE 5**

	Budget (Unaudited) \$	2016 \$	2015 \$
<b>EXPENSES</b>			
Salaries, wages and benefits	1,252,100	1,070,655	984,333
Contracted and general services	932,553	674,019	659,597
Materials, goods, and utilities	1,593,762	1,502,919	797,028
Transfers to local boards and agencies	43,331	43,041	42,480
Bank charges and short-term interest	3,000	1,599	2,094
Interest on long-term debt	48,787	47,929	52,314
Amortization	965,987	965,987	954,794
Loss on disposal of tangible capital assets	-	-	17,261
<b>TOTAL EXPENSES</b>	<b><u>4,839,520</u></b>	<b><u>4,306,149</u></b>	<b><u>3,509,901</u></b>





**TOWN OF PICTURE BUTTE**  
Schedule of Segmented Disclosure  
For the Year Ended December 31, 2016

**SCHEDULE 6**

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
<b>REVENUE</b>							
Net municipal taxes	1,231,431	-	-	-	-	-	1,231,431
Government transfers	10,138	20,278	-	-	97,789	493,284	621,489
User fees and sales of goods	1,414,775	516,066	-	8,428	286,368	1,013,973	3,239,610
Investment income	46,400	-	-	-	-	-	46,400
Other revenue	<u>210,597</u>	-	-	-	-	-	<u>210,597</u>
	<u>2,913,341</u>	<u>536,344</u>	-	<u>8,428</u>	<u>384,157</u>	<u>1,507,257</u>	<u>5,349,527</u>
<b>EXPENSES</b>							
Contracted and general services	185,787	96,104	65,641	49,055	148,455	128,977	674,019
Salaries, wages and benefits	427,432	194,483	176,130	2,000	104,779	165,831	1,070,655
Materials, goods, and utilities	22,773	47,592	472,343	384,975	233,981	341,255	1,502,919
Transfers to local boards and agencies	-	-	-	-	43,041	-	43,041
Interest on long-term debt	-	-	-	-	-	47,929	47,929
Other expenses	<u>1,599</u>	-	-	-	-	-	<u>1,599</u>
	<u>637,591</u>	<u>338,179</u>	<u>714,114</u>	<u>436,030</u>	<u>530,256</u>	<u>683,992</u>	<u>3,340,162</u>
<b>NET REVENUE BEFORE AMORTIZATION</b>	<b>2,275,750</b>	<b>198,165</b>	<b>(714,114)</b>	<b>(427,602)</b>	<b>(146,099)</b>	<b>823,265</b>	<b>2,009,365</b>
Amortization expense	<u>19,875</u>	<u>33,463</u>	<u>399,062</u>	-	<u>159,475</u>	<u>354,112</u>	<u>965,987</u>
<b>NET REVENUE</b>	<b><u>2,255,875</u></b>	<b><u>164,702</u></b>	<b><u>(1,113,176)</u></b>	<b><u>(427,602)</u></b>	<b><u>(305,574)</u></b>	<b><u>469,153</u></b>	<b><u>1,043,378</u></b>

# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2016

---

### 1. Significant Accounting Policies

The consolidated financial statements of the Town of Picture Butte are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Picture Butte are as follows:

a) Reporting Entity -

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. The 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.

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.

b) 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 measureable. Expenses are recognized as they are incurred and measureable 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.

c) Use of Estimates -

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 expense 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.

d) 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. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) 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.



# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2016

---

### 1. Significant Accounting Policies (continued)

f) 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.

g) Prepaid Local Improvement Charges -

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

h) 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.

i) Non-Financial Assets -

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

1) 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:

	<u>YEARS</u>
Land Improvements	15-25
Buildings	10-50
Engineered Structures	15-75
Machinery and Equipment	5-20
Vehicles	10-25



**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2016**

---

**1. Significant Accounting Policies (continued)**

1) Tangible Capital Assets (continued) -

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

2) Contributions of tangible capital assets -

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

3) 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.

4) Inventories -

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

5) Cultural and historical tangible capital assets -

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

**2. Cash and Temporary Investments**

	2016 \$	2015 \$
Cash	443,849	283,311
Temporary Investments	<u>3,842,411</u>	<u>1,372,339</u>
	<u>4,286,260</u>	<u>1,655,650</u>

Temporary investments are investments in mutual funds and guaranteed investment certificates with interest rates ranging from 1.55% to 1.7% (2015 - 1.75% to 1.95%).



# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2016

### 3. Taxes and Grants in Place of Taxes

	2016 \$	2015 \$
Current taxes and grants in place of taxes	33,615	49,179
Arrears taxes	<u>5,665</u>	<u>21,956</u>
	<u>39,280</u>	<u>71,135</u>

### 4. Temporary Bank Indebtedness

This temporary loan has been authorized by ATB Financial to a maximum of \$400,000 which bears interest at prime less 0.25% per annum. Security pledged consists of a general security agreement. The balance outstanding at December 31, 2016 was nil (2015 - nil).

### 5. Deferred Revenue

	2016 \$	2015 \$
Prepayment of arena sponsorships	3,391	-
Emergency preparedness grant	2,295	-
Prepaid water fees	<u>-</u>	<u>5,714</u>
	<u>5,686</u>	<u>5,714</u>





# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2016

### 6. Long-term Debt

	2016	2015
	\$	\$
Tax supported debentures	<u>990,920</u>	<u>1,090,734</u>

The current portion of long-term amounts to \$102,856, (2015 - \$99,814)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2017	102,856	44,275	147,131
2018	106,020	39,641	145,661
2019	109,311	34,880	144,191
2020	112,734	29,987	142,721
2021	116,295	24,956	141,251
Thereafter	<u>443,704</u>	<u>52,049</u>	<u>495,753</u>
	<u>990,920</u>	<u>225,788</u>	<u>1,216,708</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.973% to 6.125% per annum and matures in periods 2024 to 2027.

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

Interest on long-term debt amounted to \$47,929 (2015 - \$52,314).

The Town's total cash payments for interest in 2016 were \$48,787 (2015 - \$53,182).

### 7. Equity in Tangible Capital Assets

	2016	2015
	\$	\$
Tangible capital assets (Schedule 2)	38,548,038	38,456,391
Accumulated amortization (Schedule 2)	(15,659,228)	(14,694,296)
Long-term debt (Note 7)	<u>(990,920)</u>	<u>(1,090,734)</u>
	<u>21,897,890</u>	<u>22,671,361</u>



**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2016**

**8. Debt Limits**

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

	2016 \$	2015 \$
Total debt limit	7,253,948	4,860,284
Total debt	<u>990,920</u>	<u>1,090,734</u>
Total unused debt limit	<u>6,263,028</u>	<u>3,769,550</u>
Service on debt limit	1,208,991	810,047
Service on debt	<u>147,131</u>	<u>148,601</u>
Amount of unused service on debt	<u>1,061,860</u>	<u>661,446</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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. Accumulated Surplus**

	2016 \$	2015 \$
Unrestricted surplus	2,859,915	1,875,725
Restricted surplus (Note 17)	2,263,594	1,430,935
Equity in tangible capital assets (Note 8)	<u>21,897,890</u>	<u>22,671,361</u>
	<u>27,021,399</u>	<u>25,978,021</u>



**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2016**

---

**10. Segmented Disclosure**

The Town of Picture Butte 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).

**11. Salary and Benefits Disclosure**

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

	Salary (1)	Benefits & Allowances (2)	2016 Total	2015 Total
	\$	\$	\$	\$
Mayor - W. Jones	13,600	-	13,600	15,350
Councilor - H. DeKok	9,000	-	9,000	9,050
- T. Feist	9,000	-	9,000	11,800
- C. Moore	11,650	-	11,650	14,100
- J. Watson	9,850	-	9,850	12,300
Designated officer - CAO	145,744	18,636	164,380	82,068

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences, and memberships.



# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2016

---

### 12. 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 Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

The total current service contributions by the Town to the LAPP in 2016 were \$74,080 (2015 - \$72,187). Total current year service contributions by the employees of the Town to the LAPP were \$67,891 (2015 - \$67,157).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

### 13. Contingencies

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

### 14. Financial Instruments

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

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

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



# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2016

### 15. Commitments

The Town of Picture Butte has entered into operating leases for equipment and a photocopier. They also have contract commitments for managing the recreation complex and technical support with several parties. The Town of Picture Butte's obligations under these leases and contracts are as follows:

	\$
2017	63,868
2018	61,362
2019	<u>26,631</u>
	<u>151,861</u>

### 16. Reserves

Council for the Town of Picture Butte has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2016 \$	2015 \$
<b>Operating reserves:</b>		
Senior's transport	7,498	7,498
Disaster services	10,170	10,170
Common services	87,867	87,867
Economic Development Committee	46,232	46,232
General recreation	1,600	500
Community hall	<u>9,952</u>	<u>9,952</u>
	<u>163,319</u>	<u>162,219</u>
<b>Capital reserves:</b>		
Administration - technical	289,726	172,526
Fire - truck	157,215	107,215
Fire - rescue vehicle and equipment	117,573	117,573
Fire - communication equipment	145,083	120,083
Ambulance - equipment	378	378
Street lights	138,567	138,567
Water - supply	84,376	81,376
Water - line replacement	57,238	57,238
Sewer - services	301,690	301,690
Garbage - equipment	13,001	13,001
Land development	636,359	-
Swimming pool	2,439	2,439
Parks - equipment	39,220	39,220
Recreation complex	<u>117,410</u>	<u>117,410</u>
	<u>2,100,275</u>	<u>1,268,716</u>
<b>Total reserves:</b>	<u>2,263,594</u>	<u>1,430,935</u>



**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2016**

---

**17. Budget Amounts**

The 2016 budget for the Town of Picture Butte was approved by Council on April 25, 2016 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed or otherwise verified.

The approved budget contains reserve transfers, capital additions and principal payments on debt as expenses. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from budget amounts presented in these statements.

In addition, the approved budget did not contain an amount for all of the amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

	\$
Budget surplus per financial statements	319,787
Less: Capital expenditures	(325,600)
Less: Long-term debt repayments	(99,814)
Transfers to reserves	(910,360)
Add: Amortization - not included in budget	965,987
Transfers from reserves	<u>50,000</u>
Equals: approved budget	<u><u>-</u></u>

**18. Approval of Financial Statements**

Council and Management have approved these financial statements.

