

TOWN OF PICTURE BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

TOWN OF PICTURE BUTTE

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

CONTENTS

| | |
|--|---------|
| Management's Responsibility For Financial Reporting | 1 |
| Independent Auditor's Report | 2-3 |
| Consolidated Statement of Financial Position | 4 |
| Consolidated Statement of Operations | 5 |
| Consolidated Statement of Change in Net Financial Assets | 6 |
| Consolidated Statement of Cash Flows | 7 |
| Schedule 1 - Schedule of Changes in Accumulated Surplus | 8 |
| Schedule 2 - Schedule of Tangible Capital Assets | 9 |
| Schedule 3 - Schedule of Property and Other Taxes | 10 |
| Schedule 4 - Schedule of Government Transfers | 11 |
| Schedule 5 - Schedule of Consolidated Expenses by Object | 12 |
| Schedule 6 - Schedule of Segmented Disclosure | 13 |
| Notes to Financial Statements | 14 - 25 |

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of the Town of Picture Butte (The Town).

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Council and meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the elected Council prior to its approval of the financial statements. The Committee also considers, subject to Council approval, the appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Shawn Cook Professional Corporation, Chartered Professional Accountants, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Shawn Cook Professional Corporation has full and free access to the Council.

Mr. Keith Davis, CAO

Picture Butte, Alberta



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Picture Butte

Opinion

We have audited the financial statements of Town of Picture Butte (the Town), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2020, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Town 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 Canadian public sector accounting standards, 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 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.

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)

Independent Auditor's Report to the Members of Town of Picture Butte *(continued)*

- 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 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 auditor's 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 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.

Shawn Cook
Professional Corporation

Lethbridge, Alberta
April 26, 2021

Chartered Professional Accountants



TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

| | 2020 | 2019 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and temporary investments (Note 2) | \$ 4,417,740 | \$ 4,683,249 |
| Taxes and grants in lieu receivables (Note 3) | 59,559 | 51,394 |
| Trade and other receivables | 207,481 | 266,112 |
| Land held for resale | 743,053 | 743,053 |
| | 5,427,833 | 5,743,808 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 268,942 | 357,447 |
| Deferred revenue (Note 5) | 196,600 | 139,765 |
| Long-term debt (Note 7) | 1,072,236 | 1,280,602 |
| | 1,537,778 | 1,777,814 |
| NET FINANCIAL ASSETS | 3,890,055 | 3,965,994 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 2) | 25,602,930 | 25,856,875 |
| Inventory for consumption | 26,954 | 21,302 |
| Prepaid expenses and deposits | 13,961 | 15,392 |
| | 25,643,845 | 25,893,569 |
| ACCUMULATED SURPLUS (Schedule 1, Note 10) | \$ 29,533,900 | \$ 29,859,563 |

Commitments and contingencies - See Notes 14 and 16

Approved on behalf of Council:


MAYOR


CHIEF ADMINISTRATIVE OFFICER

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

| | Budget (Unaudited) | 2020 | 2019 |
|--|-----------------------|----------------------|---------------|
| REVENUES | | | |
| Net municipal property taxes (Schedule 3) | \$ 1,380,930 | \$ 1,381,030 | \$ 1,305,053 |
| User fees and sales of goods | 1,767,190 | 1,805,777 | 1,773,436 |
| Government transfers (Schedule 4) | 168,000 | 331,969 | 275,364 |
| Investment income | 66,000 | 58,183 | 143,344 |
| Penalties and costs on taxes | 10,400 | 13,253 | 25,307 |
| Franchise and concession contracts | 193,000 | 203,811 | 203,098 |
| Licenses, permits and fines | 21,700 | 26,203 | 23,292 |
| Other revenues | 10,000 | 84,128 | 1,614,074 |
| TOTAL REVENUES | 3,617,220 | 3,904,354 | 5,362,968 |
| EXPENSES (Schedule 5) | | | |
| Legislative | 84,350 | 54,236 | 72,491 |
| Administrative | 485,569 | 447,966 | 629,842 |
| Police, fire, ambulance and bylaw enforcement | 762,024 | 717,478 | 615,611 |
| Roads, streets, walks, lighting | 1,060,543 | 1,066,188 | 905,001 |
| Water, wastewater and waste management | 1,158,856 | 1,182,224 | 937,003 |
| Land use planning, zoning and development | 188,600 | 101,691 | 53,481 |
| Parks and recreation | 799,805 | 878,346 | 733,892 |
| Community services | 118,798 | 217,244 | 174,215 |
| Loss on disposal of tangible capital assets | | - | 0 |
| TOTAL EXPENSES | 4,658,545 | 4,665,373 | 4,121,536 |
| EXCESS OF REVENUE (DEFICIENCY) OVER EXPENSES - BEFORE OTHER | (1,041,325) | (761,019) | 1,241,432 |
| OTHER | | | |
| Government transfers for capital (Schedule 4) | 418,000 | 375,505 | 1,185,445 |
| Gain of sale of equipment | | 59,851 | |
| | 418,000 | 435,356 | 1,185,445 |
| EXCESS OF REVENUE OVER EXPENSES | (623,325) | (325,663) | 2,426,877 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 29,859,563 | 29,859,563 | 27,432,686 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 29,236,238 | \$ 29,533,900 | \$ 29,859,563 |

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2020

| | Budget (Unaudited) | 2020 | 2019 |
|--|-----------------------|---------------------|--------------|
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | \$ (623,325) | \$ (325,663) | \$ 2,426,877 |
| Acquisition of tangible capital assets | (2,028,000) | (865,332) | (4,387,265) |
| Proceeds on disposal of tangible capital assets | - | 51,387 | - |
| Amortization of tangible capital assets | 1,067,890 | 1,067,890 | 1,064,543 |
| Loss on disposal of tangible capital assets | - | - | - |
| | (960,110) | 253,945 | (3,322,722) |
| Use (acquisition) of prepaid assets | - | 1,431 | (7,059) |
| Use (acquisition) of supplies inventory | - | (5,652) | (10,837) |
| | - | (4,221) | (17,896) |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (1,583,435) | (75,939) | (913,741) |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 3,965,994 | 3,965,994 | 4,879,735 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 2,382,559 | \$ 3,890,055 | \$ 3,965,994 |

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

| | 2020 | 2019 |
|---|---------------------|---------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO: | | |
| OPERATING | | |
| Excess of revenues over expenses | \$ (325,663) | \$ 2,426,877 |
| Non-cash items included in excess of revenues over expenses: | | |
| Amortization of tangible capital assets | 1,067,890 | 1,064,543 |
| Loss on disposal of tangible capital assets | - | - |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in taxes and grants in place of taxes | (8,165) | 5,889 |
| Decrease (increase) in trade and other receivables | 58,631 | 22,684 |
| Decrease (increase) in land held for resale | - | (89,249) |
| Decrease (increase) in gain on sale of equipment | (59,851) | - |
| Decrease (increase) in inventory for consumption | (5,652) | (10,838) |
| Increase (decrease) in prepaid expenses and deposits | 1,431 | (7,058) |
| Increase (decrease) in accounts payable and accrued liabilities | (88,505) | (121,874) |
| Increase (decrease) in deferred revenue | 56,835 | (1,643,268) |
| | 696,951 | 1,647,706 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (865,332) | (4,387,265) |
| Proceeds on disposal of tangible capital assets | 111,238 | - |
| | (754,094) | (4,387,265) |
| FINANCING | | |
| Long-term debt issued | - | 625,000 |
| Long-term debt repaid | (208,366) | (126,442) |
| | (208,366) | 498,558 |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR | (265,509) | (2,241,001) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 4,683,249 | 6,924,250 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 4,417,740 | \$ 4,683,249 |

TOWN OF PICTURE BUTTE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2020 SCHEDULE 1

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2020 | 2019 |
|---|-------------------------|-----------------------|--------------------------------------|----------------------|----------------------|
| Balance, Beginning of Year | \$ 2,310,335 | \$ 2,972,955 | \$ 24,576,273 | \$ 29,859,563 | \$ 27,432,686 |
| Excess of revenues over expenses | (325,663) | - | - | (325,663) | 2,426,877 |
| Funds designated for future use | (343,881) | 343,881 | - | - | - |
| Restricted funds - Used for Operations | 370,206 | (370,206) | - | - | - |
| Restricted funds - Used for TCA | | (133,865) | 133,865 | | |
| Current year funds used for tangible capital assets | (731,467) | - | 731,467 | - | - |
| Disposal of TCA | 51,387 | | (51,387) | | |
| Annual amortization expense | 1,067,890 | - | (1,067,890) | - | - |
| Other Adjustments | 500 | (500) | - | | |
| Long term debt issued (capital) | | | - | - | - |
| Long term debt repaid (capital) | (208,365) | - | 208,365 | - | - |
| Change in accumulated surplus | (119,393) | (160,690) | (45,580) | (325,663) | 2,426,877 |
| Balance, End of Year | \$ 2,190,942 | \$ 2,812,265 | \$ 24,530,693 | \$ 29,533,900 | \$ 29,859,563 |

TOWN OF PICTURE BUTTE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020 SCHEDULE 2

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2020 | 2019 |
|---|-------------------|----------------------|---------------------|--------------------------|--------------------------|-------------------|----------------------|----------------------|
| COST: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 584,750 | \$ 595,607 | \$16,427,604 | \$ 24,750,349 | \$ 1,042,521 | \$ 835,621 | \$ 44,236,452 | \$ 39,855,949 |
| Acquisition of tangible capital assets | - | 11,163 | - | 151,184 | 98,930 | 190,895 | 452,172 | 4,387,265 |
| Disposal of tangible capital assets | - | - | - | (2,949) | (130,200) | (24,935) | (158,084) | (6,762) |
| Construction in progress | - | 10,557 | 128,060 | 114,437 | - | 160,106 | 413,160 | - |
| BALANCE, END OF YEAR | 584,750 | 617,327 | 16,555,664 | 25,013,021 | 1,011,251 | 1,161,687 | 44,943,700 | 44,236,452 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 290,034 | 5,765,931 | 11,047,806 | 580,795 | 695,011 | 18,379,577 | 17,321,796 |
| Annual amortization | - | 27,613 | 378,504 | 541,596 | 77,706 | 42,471 | 1,067,890 | 1,064,543 |
| Accumulated amortization on disposals | - | - | - | (2,949) | (78,813) | (24,935) | (106,697) | (6,762) |
| BALANCE, END OF YEAR | - | 317,647 | 6,144,435 | 11,586,453 | 579,688 | 712,547 | 19,340,770 | 18,379,577 |
| 2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 584,750 | \$ 299,680 | \$10,411,229 | \$ 13,426,568 | \$ 431,563 | \$ 449,140 | \$ 25,602,930 | \$ 25,856,875 |
| 2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 584,750 | \$ 305,573 | \$10,661,673 | \$ 13,702,543 | \$ 461,726 | \$ 140,610 | \$ 25,856,875 | |

TOWN OF PICTURE BUTTE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2020 SCHEDULE 3

| | Budget (Unaudited) | 2020 | 2019 |
|--------------------------------|-----------------------|---------------------|---------------------|
| TAXATION | | | |
| Real property taxes | 1,905,798 | 1,905,880 | 1,823,789 |
| | 1,905,798 | 1,905,880 | 1,823,789 |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 431,040 | 431,038 | 414,606 |
| Separate school | 67,160 | 67,159 | 78,336 |
| Seniors foundation | 26,500 | 26,485 | 25,620 |
| Designated Industrial Property | 168 | 168 | 174 |
| | 524,868 | 524,850 | 518,736 |
| NET MUNICIPAL TAXES | \$ 1,380,930 | \$ 1,381,030 | \$ 1,305,053 |

TOWN OF PICTURE BUTTE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2020 SCHEDULE 4

| | Budget (Unaudited) | 2020 | 2019 |
|-----------------------------------|-----------------------|-------------------|---------------------|
| TRANSFERS FOR OPERATING: | | | |
| Provincial Government | \$ 67,385 | \$ 222,154 | \$ 107,748 |
| Federal Government | 4,000 | 13,200 | 8,651 |
| Other Local Government | 96,615 | 96,615 | 158,965 |
| | 168,000 | 331,969 | 275,364 |
| TRANSFERS FOR CAPITAL: | | | |
| Other Local Government | | 160,106 | |
| Provincial Government | 418,000 | 215,399 | 1,185,445 |
| | 418,000 | 375,505 | 1,185,445 |
| TOTAL GOVERNMENT TRANSFERS | \$ 586,000 | \$ 707,474 | \$ 1,460,809 |

TOWN OF PICTURE BUTTE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2020 SCHEDULE 5

| | Budget (Unaudited) | 2020 | 2019 |
|---|-----------------------|---------------------|---------------------|
| EXPENSES | | | |
| Salaries, wages and benefits | \$ 1,427,375 | \$ 1,391,332 | \$ 1,269,675 |
| Contracted and general services | 965,415 | 984,652 | 922,209 |
| Materials, goods and utilities | 1,094,800 | 1,127,606 | 777,044 |
| Transfers to local boards and agencies | 48,775 | 48,562 | 48,272 |
| Bank charges and short term interest | 2,000 | 1,871 | 2,007 |
| Interest on long term debt | 52,290 | 43,460 | 37,786 |
| Amortization of tangible capital assets | 1,067,890 | 1,067,890 | 1,064,543 |
| TOTAL EXPENSES | <u>\$ 4,658,545</u> | <u>\$ 4,665,373</u> | <u>\$ 4,121,536</u> |

TOWN OF PICTURE BUTTE

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2020 SCHEDULE 6

| | General Government | Protective Services | Transportation Services | Planning & Development | Recreation & Culture | Environmental Services | Total |
|--|-----------------------|------------------------|----------------------------|---------------------------|-------------------------|---------------------------|---------------------|
| REVENUES | | | | | | | |
| Net Municipal Taxes | \$ 1,381,030 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,381,030 |
| Government transfer | 221,794 | 270,281 | 120,000 | 45,399 | - | 50,000 | 707,474 |
| User fees and sales of goods | 6,129 | 484,216 | 5,240 | 2,328 | 249,545 | 1,058,319 | 1,805,777 |
| Investment income | 58,183 | - | - | - | - | - | 58,183 |
| Other revenue | 241,201 | 516 | 59,851 | 9,585 | 76,093 | - | 387,246 |
| | <u>1,908,337</u> | <u>755,013</u> | <u>185,091</u> | <u>57,312</u> | <u>325,638</u> | <u>1,108,319</u> | <u>4,339,710</u> |
| EXPENSES | | | | | | | |
| Contracted and general services | 74,546 | 55,448 | 141,020 | 24,476 | 207,950 | 481,212 | 984,652 |
| Salaries, wages and benefits | 331,384 | 424,554 | 330,470 | 1,200 | 129,028 | 174,696 | 1,391,332 |
| Materials, goods and utilities | 78,367 | 184,882 | 204,130 | 76,015 | 457,463 | 126,749 | 1,127,606 |
| Transfers to local boards and agencies | - | - | - | - | 48,562 | - | 48,562 |
| Interest on long-term debt | - | - | - | - | 14,369 | 29,091 | 43,460 |
| Other expenses | 1,871 | - | - | - | - | - | 1,871 |
| | <u>486,168</u> | <u>664,884</u> | <u>675,620</u> | <u>101,691</u> | <u>857,372</u> | <u>811,748</u> | <u>3,597,483</u> |
| NET REVENUE BEFORE AMORTIZATION | 1,422,169 | 90,129 | (490,529) | (44,379) | (531,734) | 296,571 | 742,227 |
| Amortization expense | 16,034 | 52,594 | 390,568 | - | 238,218 | 370,476 | 1,067,890 |
| NET REVENUE | \$ 1,406,135 | \$ 37,535 | \$ (881,097) | \$ (44,379) | \$ (769,952) | \$ (73,905) | \$ (325,663) |

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 Chartered Professional 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 as well as the organizations that are owned or controlled by the Town and are, therefore, accountable to 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 Town reporting entity.

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

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments are recorded at amortized costs. 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.

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 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 for 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.

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has been met, and reasonable estimates of the amounts can be determined.

i) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost of the land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

j) 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 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:

| | YEARS |
|-------------------------|-------|
| Land Improvements | 15-25 |
| Buildings | 10-50 |
| Engineered Structures | 15-75 |
| Machinery and Equipment | 5-20 |
| Vehicles | 10-25 |

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.

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

2) Contribution 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

| | <u>2020</u> | <u>2019</u> |
|-----------------------|---------------------|---------------------|
| Cash | \$ 1,545,832 | \$ 220,363 |
| Temporary Investments | <u>2,871,908</u> | <u>4,462,886</u> |
| | <u>\$ 4,417,740</u> | <u>\$ 4,683,249</u> |

Temporary investments are investments in mutual funds and guaranteed investment certificates with interest ranging from 2.25% to 2.50% (2019 - 2.50% to 2.63%).

Included in cash and temporary investments is a restricted amount of \$105,988 (2019 - \$105,988) received from various grant program which are held exclusively for approved projects.

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

3. TAXES IN LIEU AND GRANTS RECEIVABLES

| | 2020 | 2019 |
|----------------------------------|-----------|-----------|
| Current taxes and grants in lieu | \$ 44,694 | \$ 42,916 |
| Arrears taxes | 14,865 | 8,478 |
| | \$ 59,559 | \$ 51,394 |

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, 2020 was nil (2019 - nil)

5. DEFERRED REVENUE

| | 2020 | 2019 |
|---|------------|------------|
| Prepayment of arena sponsorships & rentals | \$ 1,569 | \$ 1,569 |
| Prepaid Taxes | 30,664 | 32,208 |
| Prepayment of Community Centre/Seniors Centre rentals | - | - |
| Fire Training Grant | 13,053 | |
| MOST Grant | 47,070 | |
| County Funds - New Fire Truck | 56,065 | |
| Municipal Sustainability Initiative - Capital grant | 9,193 | 105,988 |
| Federal Gas Tax Grant | 38,986 | - |
| | \$ 196,600 | \$ 139,765 |

6. MUNICIPAL SUSTAINABILITY INITIATIVE

Funding in the amount of \$436,605 was receivable in the current year from the Municipal Sustainability Initiative. Of the \$436,605 receivable, \$331,357 is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement, which were scheduled for completion in 2020. The remaining \$105,248 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which were also scheduled for completion in 2020. Unexpended funds related to the advance are supported by temporary investments of nil held exclusively for these projects. Funds receivable are nil in 2020 (2019 - nil)

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

7. LONG-TERM DEBT

| | 2020 | 2019 |
|--------------------------|--------------|--------------|
| Tax supported debentures | \$ 1,072,236 | \$ 1,280,602 |

The current portion of long-term debt amounts to \$189,767 (2019 - \$175,241).

| | Principal | Interest | Total |
|------------|--------------|------------|--------------|
| 2021 | \$ 189,767 | \$ 35,484 | \$ 225,251 |
| 2022 | 195,103 | 28,678 | 223,781 |
| 2023 | 200,624 | 21,687 | 222,311 |
| 2024 | 206,337 | 14,504 | 220,841 |
| 2025 | 104,225 | 8,185 | 112,410 |
| Thereafter | 176,180 | 6,725 | 182,905 |
| | \$ 1,072,236 | \$ 115,263 | \$ 1,187,499 |

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.2% 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 \$43,460 (2019 - \$37,786).

The Town's total cash payments for interest in 2020 were \$44,356 (2019 - \$38,749).

8. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2020 | 2019 |
|--|---------------|---------------|
| Tangible capital asset cost (Schedule 2) | \$ 44,943,700 | \$ 44,236,452 |
| Accumulated amortization (Schedule 2) | (19,340,770) | (18,379,577) |
| Long-term debt (Note 7) | (1,072,236) | (1,280,602) |
| | \$ 24,530,694 | \$ 24,576,273 |

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

9. DEBT LIMITS

Section 217 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:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|---------------------|
| Total debt limit | \$ 5,856,530 | \$ 8,044,451 |
| Total debt | <u>1,072,236</u> | <u>1,280,602</u> |
| Total Unused Debt Limit | <u>\$ 4,784,294</u> | <u>\$ 6,763,849</u> |
| Service on debt limit | \$ 976,089 | \$ 1,340,742 |
| Service on debt | <u>225,251</u> | <u>226,721</u> |
| Total Under Service on Debt Limit | <u>\$ 750,838</u> | <u>\$ 1,114,021</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.

10. ACCUMULATED SURPLUS

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Unrestricted surplus | \$ 2,190,942 | \$ 2,310,335 |
| Restricted surplus (Note 17) | 2,812,264 | 2,972,955 |
| Equity in tangible capital assets (Note 8) | <u>24,530,694</u> | <u>24,576,273</u> |
| | <u>\$ 29,533,900</u> | <u>\$ 29,859,563</u> |

11. SEGMENTED INFORMATION

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).

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected Town officials, the Chief Administrative Officer and Designated Officers as required by Alberta Regulation 313/2000 is as follows:

| | | | 2020 | 2019 |
|------------------------------------|---------------|---------------------------------------|-----------------|-----------|
| | Salary (1) | Benefits & Allowances (2) & (3) | Total | Total |
| Mayor - C. Moore | \$ 9,285 | \$ 431 | \$ 9,716 | \$ 16,650 |
| Councillors: | | | | |
| H. Dekok | 8,650 | 270 | 8,920 | 10,350 |
| T. Feist | 8,450 | 260 | 8,710 | 8,650 |
| C. Papworth | 8,250 | 249 | 8,499 | 11,650 |
| J. Watson | 10,250 | 0 | 10,250 | 11,350 |
| Chief Administrative Officer (CAO) | 103,481 | 21,174 | 124,655 | 125,156 |
| Designated Officers | 50,759 | 3,116 | 53,875 | 71,469 |

- (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 retirement pension, Canada Pension Plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition.
- (3) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.
- (4) Designated officers include: Bylaw Officer and Assessor

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Picture Butte participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 260,00 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$94,990 (2019 - 81,131). Total current year service contributions by the employees of the Town to the LAPP were \$83,994 (2019 - \$73,317).

At December 31, 2019, the Plan disclosed an actuarial surplus of \$7.9 billion.

14. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Picture Butte 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.

15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, 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, 2020

16. 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 contract are as follows:

| | \$ |
|------|---------|
| 2021 | 77,557 |
| 2022 | 37,411 |
| 2023 | 4,532 |
| 2024 | 4,532 |
| | 124,032 |

17. 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.

| | 2020 | 2019 |
|--------------------------------------|-----------|-----------|
| Operating Reserves: | | |
| Senior's Transportation | \$ 7,498 | \$ 7,498 |
| Administration - Technology | 11,945 | |
| Disaster Services | 10,170 | 10,170 |
| Common Services | 88,667 | 87,867 |
| Economic Development Committee | 46,233 | 46,232 |
| General Operating Reserve | 252,000 | 252,000 |
| Community/Senior Centre | 12,452 | 9,952 |
| Walk on the Wild Side Society | 38,450 | 38,450 |
| | 467,415 | 452,169 |
| Capital Reserves: | | |
| General Capital Reserve | 107,500 | 108,000 |
| Administration - Building/Equipment | 225,697 | 289,727 |
| Fire - Truck | 312,704 | 277,715 |
| Fire - Rescue vehicles and equipment | 135,823 | 127,573 |
| Fire - Communication equipment | 161,921 | 159,015 |
| Fire - Building upgrades | 93,940 | 107,970 |
| Ambulance - Equipment | 2,679 | 125,378 |
| Streetlights | 100,392 | 100,392 |
| Water - Supply | 66,243 | 76,028 |
| Water - Line replacement | 42,238 | 42,238 |
| Sewer - Services | 282,652 | 301,690 |
| Garbage - Equipment | 13,001 | 13,001 |
| Land Development | 708,474 | 708,474 |
| Parks - Equipment | 47,220 | 39,220 |
| Recreation complex | 44,365 | 44,365 |
| | 2,344,849 | 2,520,786 |
| Total Reserves: | 2,812,264 | 2,972,955 |

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

18. BUDGET AMOUNTS

The 2019 budget for the Town of Picture Butte was approved by Council on May 27, 2019 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 the amortization expenses. In order to enhance comparability, the actual amortization expenses have been included as a budget amount.

| | <u>\$</u> |
|--|----------------|
| EXCESS OF REVENUE OVER EXPENSES | \$ (623,325) |
| Less: Capital expenditures | (2,028,000) |
| Less: Long-term debt repayments | (174,435) |
| Transfer to reserves | (192,570) |
| Add: Amortization - not included in budget | 1,067,890 |
| Funds from unrestricted reserve | 30,000 |
| Borrowed funds | 1,000,000 |
| Transfer to operating | 340,440 |
| Transfer to capital | <u>580,000</u> |
| Equals: approved budget | <u>\$ -</u> |

19. SUBSEQUENT EVENTS

Since December 31, 2019 the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the organization.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.