

**TOWN OF PICTURE BUTTE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

# TOWN OF PICTURE BUTTE

## FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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## 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.



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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, 2021, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended December 31, 2021, 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, 2021, 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 1, 2022

Chartered Professional Accountants



# TOWN OF PICTURE BUTTE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	2021	2020
<b>ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 5,116,315	\$ 4,417,740
Taxes and grants in lieu receivables (Note 3)	71,127	59,559
Trade and other receivables	264,482	207,481
Land held for resale	682,069	743,053
	<b>6,133,993</b>	<b>5,427,833</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	296,063	202,075
Employee Benefit	78,552	66,867
Deferred revenue (Note 5)	407,548	196,600
Long-term debt (Note 7)	885,048	1,072,236
	<b>1,667,211</b>	<b>1,537,778</b>
<b>NET FINANCIAL ASSETS</b>	<b>4,466,782</b>	<b>3,890,055</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	25,879,061	25,602,930
Inventory for consumption	16,657	26,954
Prepaid expenses and deposits	10,085	13,961
	<b>25,905,803</b>	<b>25,643,845</b>
<b>ACCUMULATED SURPLUS (Schedule 1, Note 10)</b>	<b>\$ 30,372,585</b>	<b>\$ 29,533,900</b>
Accumulated Surplus is comprised of:		
Accumulated operating surplus (Schedule 1, Note 14)	30,372,585	29,533,900
Accumulated remeasurement gains (losses)	0	0

*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, 2021

	Budget (Unaudited)	2021	2020
<b>REVENUES</b>			
Net municipal property taxes (Schedule 3)	\$ 1,432,055	\$ 1,429,255	\$ 1,381,030
User fees and sales of goods	1,801,450	2,192,756	1,805,777
Government transfers (Schedule 4)	446,070	551,293	331,969
Investment income	41,000	37,869	58,183
Penalties and costs on taxes	15,700	21,130	13,253
Franchise and concession contracts	213,000	215,052	203,811
Licenses, permits and fines	26,200	32,275	26,203
Other revenues	4,000	3,763	84,128
<b>TOTAL REVENUES</b>	<u>3,979,475</u>	<u>4,483,393</u>	<u>3,904,354</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	82,610	78,804	54,236
Administrative	445,985	419,383	447,966
Police, fire, ambulance and bylaw enforcement	745,110	788,645	717,478
Roads, streets, walks, lighting	650,675	793,408	1,066,188
Water, wastewater and waste management	893,705	1,338,416	1,182,224
Land use planning, zoning and development	157,985	172,794	101,691
Parks and recreation	663,240	869,062	878,346
Community services	46,000	191,202	217,244
Loss on disposal of tangible capital assets		-	0
<b>TOTAL EXPENSES</b>	<u>3,685,310</u>	<u>4,651,714</u>	<u>4,665,373</u>
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<u>294,165</u>	<u>(168,321)</u>	<u>(761,019)</u>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	1,200,000	889,240	375,505
Gain on sale of equipment		117,766	59,851
	<u>1,200,000</u>	<u>1,007,006</u>	<u>435,356</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>1,494,165</u>	<u>838,685</u>	<u>(325,663)</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>29,533,900</u>	<u>29,533,900</u>	<u>29,859,563</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 31,028,065</u>	<u>\$ 30,372,585</u>	<u>\$ 29,533,900</u>

# TOWN OF PICTURE BUTTE

## CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Accumulated remeasurement gains (losses) at the beginning of the year	<u>\$ -</u>	<u>\$ -</u>
Unrealized gains (losses) attributed to Equity Investments	-	-
Amounts reclassified to statements of operations Equity investments realized gains	<u>-</u>	<u>-</u>
Net remeasurement gains (losses) for the year	<u>-</u>	<u>-</u>
<b>Accumulated remeasurement gains (losses) at end of year</b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ -</u></u></b>



# TOWN OF PICTURE BUTTE

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 1,494,165	\$ 838,685	\$ (325,663)
Acquisition of tangible capital assets	(1,794,500)	(1,287,241)	(865,332)
Proceeds on disposal of tangible capital assets	-	139,957	51,387
Amortization of tangible capital assets	988,919	988,919	1,067,890
Gain on disposal of tangible capital assets	-	(117,766)	
Loss on disposal of tangible capital assets	-	-	0
	(805,581)	(276,131)	253,945
Use (acquisition) of prepaid assets	-	3,876	1,431
Use (acquisition) of supplies inventory	-	10,297	(5,652)
	-	14,173	(4,221)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	688,584	576,727	(75,939)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	3,890,055	3,890,055	3,965,994
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 4,578,639	\$ 4,466,782	\$ 3,890,055

# TOWN OF PICTURE BUTTE

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 838,685	\$ (325,663)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	988,919	1,067,890
Loss on disposal of tangible capital assets	-	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(11,568)	(8,165)
Decrease (increase) in trade and other receivables	(57,001)	58,631
Decrease (increase) in land held for resale	60,984	-
Decrease (increase) in gain on sale of equipment	(117,766)	(59,851)
Decrease (increase) in inventory for consumption	10,297	(5,652)
Increase (decrease) in prepaid expenses and deposits	3,876	1,431
Increase (decrease) in accounts payable and accrued liabilities	93,988	(88,505)
Increase (decrease) Employee Benefit Obligation	11,686	-
Increase (decrease) in deferred revenue	210,948	56,835
	<b>2,033,048</b>	<b>696,951</b>
Cash provided by operating transactions		
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,287,241)	(865,332)
Proceeds on disposal of tangible capital assets	139,957	111,238
	<b>(1,147,284)</b>	<b>(754,094)</b>
Cash applied to capital transactions		
<b>FINANCING</b>		
Long-term debt issued	-	-
Long-term debt repaid	(187,189)	(208,366)
	<b>(187,189)</b>	<b>(208,366)</b>
Cash provided by (applied to) financing transactions		
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>698,575</b>	<b>(265,509)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,417,740</b>	<b>4,683,249</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,116,315</b>	<b>\$ 4,417,740</b>

# TOWN OF PICTURE BUTTE

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2021 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
	\$	\$	\$	\$	\$
Balance, Beginning of Year	2,190,942	2,812,265	24,530,693	<b>29,533,900</b>	29,859,563
Excess of revenues over expenses	838,685	-	-	<b>838,685</b>	(325,663)
Funds designated for future use	(718,420)	718,420	-	-	-
Restricted funds - Operations	(49,722)	49,722	-	-	-
Restricted funds - Used for TCA	(964,379)	(322,863)	322,863	-	-
Current year funds used for tangible capital assets	22,191	-	964,379	-	-
Disposal of TCA	988,918	-	(22,191)	-	-
Annual amortization expense	(60,984)	60,984	(988,918)	-	-
Transfer from unrestricted surplus	(187,189)	-	187,189	-	-
Long term debt repaid (capital)	(130,900)	506,263	463,322	<b>838,685</b>	(325,663)
Change in accumulated surplus	2,060,042	3,318,528	24,994,015	<b>30,372,585</b>	29,533,900
Balance, End of Year	\$ 2,060,042	\$ 3,318,528	\$ 24,994,015	\$ 30,372,585	\$ 29,533,900

## TOWN OF PICTURE BUTTE

### SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021 SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 584,750	\$ 617,327	\$ 16,555,664	\$ 25,013,021	\$ 1,011,251	\$ 1,161,687	\$ 44,943,700	\$ 44,236,452
Acquisition of tangible capital assets	-	362,586	30,176	62,711	-	493,592	949,065	452,172
Disposal of tangible capital assets	(22,191)	-	-	(8,908)	(5,250)	(235,870)	(272,219)	(158,084)
Construction in progress	-	(7,057)	199,231	306,108	-	(160,106)	338,176	413,160
BALANCE, END OF YEAR	562,559	972,856	16,785,071	25,372,932	1,006,001	1,259,303	45,958,722	44,943,700
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	317,647	6,144,435	11,586,453	579,688	712,547	19,340,770	18,379,577
Annual amortization	-	36,708	379,342	439,825	68,757	64,287	988,919	1,067,890
Accumulated amortization on disposals	-	-	-	(8,908)	(5,250)	(235,870)	(250,028)	(106,697)
BALANCE, END OF YEAR	-	354,355	6,523,777	12,017,370	643,195	540,964	20,079,661	19,340,770
<b>2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 562,559</b>	<b>\$ 618,501</b>	<b>\$ 10,261,294</b>	<b>\$ 13,355,562</b>	<b>\$ 362,806</b>	<b>\$ 718,339</b>	<b>\$ 25,879,061</b>	<b>\$ 25,602,930</b>
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	

# TOWN OF PICTURE BUTTE

## SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2021 SCHEDULE 3

	Budget (Unaudited)	<b>2021</b>	2020
<b>TAXATION</b>			
Real property taxes	1,995,295	<b>1,992,307</b>	1,905,880
	1,995,295	<b>1,992,307</b>	1,905,880
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	450,825	<b>450,773</b>	431,038
Separate school	70,305	<b>70,352</b>	67,159
Seniors foundation	28,160	<b>28,153</b>	26,485
Designated Industrial Property	175	<b>0</b>	168
FCSS	13,775	<b>13,774</b>	0
	563,240	<b>563,052</b>	524,850
<b>NET MUNICIPAL TAXES</b>	<b>\$ 1,432,055</b>	<b>\$ 1,429,255</b>	<b>\$ 1,381,030</b>

# TOWN OF PICTURE BUTTE

## SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2021 SCHEDULE 4

	Budget (Unaudited)	<b>2021</b>	2020
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 112,070	\$ 135,638	\$ 222,154
Federal Government	6,000	6,300	13,200
Other Local Government	328,000	409,355	96,615
	446,070	<b>551,293</b>	331,969
<b>TRANSFERS FOR CAPITAL:</b>			
Other Local Government	85,000	86,065	160,106
Provincial Government	1,115,000	803,175	215,399
	1,200,000	<b>889,240</b>	375,505
<b>TOTAL GOVERNMENT TRANSFERS</b>	\$ 1,646,070	<b>\$ 1,440,533</b>	\$ 707,474

# TOWN OF PICTURE BUTTE

## SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2021 SCHEDULE 5

	Budget (Unaudited)	2021	2020
<b>EXPENSES</b>			
Salaries, wages and benefits	\$ 1,605,800	\$ <b>1,516,136</b>	\$ 1,391,332
Contracted and general services	961,340	<b>980,887</b>	984,652
Materials, goods and utilities	1,035,360	<b>1,078,886</b>	1,127,606
Transfers to local boards and agencies	35,000	<b>47,820</b>	48,562
Bank charges and short term interest	2,100	<b>1,822</b>	1,871
Interest on long term debt	45,710	<b>37,244</b>	43,460
Amortization of tangible capital assets	988,919	<b>988,919</b>	1,067,890
Loss on disposal of tangible capital assets	-	-	-
<b>TOTAL EXPENSES</b>	<u>\$ 4,674,229</u>	<u>\$ <b>4,651,714</b></u>	<u>\$ 4,665,373</u>

**TOWN OF PICTURE BUTTE**  
**SCHEDULE OF SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
<b>REVENUES</b>							
Net Municipal Taxes	\$ 1,429,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,429,255
Government transfer	128,885	281,116	56,711	-	572,683	401,138	1,440,533
User fees and sales of goods	7,608	520,227	3,983	253,899	291,282	1,115,757	2,192,756
Investment income	37,869	-	-	-	-	-	37,869
Other revenue	374,411	1,497	-	14,078	-	-	389,986
	<u>1,978,028</u>	<u>802,840</u>	<u>60,694</u>	<u>267,977</u>	<u>863,965</u>	<u>1,516,895</u>	<u>5,490,399</u>
<b>EXPENSES</b>							
Contracted and general services	75,449	91,460	101,537	26,225	164,615	521,601	980,887
Salaries, wages and benefits	292,912	440,041	253,831	32,980	220,485	275,887	1,516,136
Materials, goods and utilities	99,587	182,771	151,089	113,589	385,418	146,432	1,078,886
Transfers to local boards and agencies	13,774	-	-	-	34,046	-	47,820
Interest on long-term debt	-	-	-	-	13,106	24,138	37,244
Other expenses	1,822	-	-	-	-	-	1,822
	<u>483,544</u>	<u>714,272</u>	<u>506,457</u>	<u>172,794</u>	<u>817,670</u>	<u>968,058</u>	<u>3,662,795</u>
<b>NET REVENUE BEFORE AMORTIZATION</b>	<b>1,494,484</b>	<b>88,568</b>	<b>(445,763)</b>	<b>95,183</b>	<b>46,295</b>	<b>548,837</b>	<b>1,827,604</b>
Amortization expense	14,643	74,373	286,951	-	242,594	370,358	988,919
<b>NET REVENUE</b>	<b>\$ 1,479,841</b>	<b>\$ 162,941</b>	<b>\$ (158,812)</b>	<b>\$ 95,183</b>	<b>\$ 288,889</b>	<b>\$ 919,195</b>	<b>\$ 838,685</b>



# TOWN OF PICTURE BUTTE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### 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, 2021

### 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, 2021

### 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, 2021

### 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>2021</u>	<u>2020</u>
Cash	\$ 1,741,941	\$ 1,545,832
Temporary Investments	<u>3,374,374</u>	<u>2,871,908</u>
	<u>\$ 5,116,315</u>	<u>\$ 4,417,740</u>

Temporary investments are investments in mutual funds and guaranteed investment certificates with interest ranging from 0.65% to 1.10% (2020 - 1.15% to 1.60%).

Included in cash and temporary investments is a restricted amount of \$373,580 (2020 - \$165,945) 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, 2021

### 3. TAXES IN LIEU AND GRANTS RECEIVABLES

	2021	2020
Current taxes and grants in lieu	\$ 43,313	\$ 44,694
Arrears taxes	27,814	14,865
	\$ 71,127	\$ 59,559

### 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, 2021 was nil (2020 - nil)

### 5. DEFERRED REVENUE

	2021	2020
Prepayment of arena sponsorships & rentals	\$ -	\$ 1,569
Prepaid Taxes	29,468	30,664
Safety Training Grant	42,131	-
Fire Training Grant	-	13,053
MOST Grant	-	47,070
County Funds - Tanker 107	-	56,065
County Funds - Fire Equipment	118,335	-
Fire Equipment - Deferred Revenue	4,500	-
Municipal Sustainability Initiative - Capital grant	13,522	9,193
Federal Gas Tax Grant	199,592	38,986
	\$ 407,548	\$ 196,600

### 6. MUNICIPAL SUSTAINABILITY INITIATIVE

Funding in the amount of \$426,565 was receivable in the current year from the Municipal Sustainability Initiative. Of the \$426,565 receivable, \$358,290 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 2021. The remaining \$68,275 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 2021 (2020 - nil)

# TOWN OF PICTURE BUTTE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### 7. LONG-TERM DEBT

	2021	2020
Tax supported debentures	\$ <b>885,048</b>	\$ 1,072,236

The current portion of long-term debt amounts to \$188,834 (2020 - \$189,767).

	Principal	Interest	Total
2022	\$ 188,834	\$ 34,947	\$ 223,781
2023	195,277	27,034	222,311
2024	201,971	18,870	220,841
2025	100,905	11,505	112,410
2026	103,799	7,141	110,940
Thereafter	94,262	2,685	96,947
	\$ 885,048	\$ 102,182	\$ 987,230

Debenture debt is repayable to 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 \$37,786 (2020 - \$43,460).

The Town's total cash payments for interest in 2021 were \$38,063 (2020 - \$44,356).

### 8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital asset cost (Schedule 2)	\$ <b>45,958,722</b>	\$ 44,943,700
Accumulated amortization (Schedule 2)	<b>(20,079,661)</b>	(19,340,770)
Long-term debt (Note 7)	<b>(885,048)</b>	(1,072,236)
	<b>\$ 24,994,013</b>	\$ 24,530,694

# TOWN OF PICTURE BUTTE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### 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:

	2021	2020
Total debt limit	\$ 6,901,737	\$ 5,856,530
Total debt	885,048	1,072,236
Total Unused Debt Limit	\$ 6,016,689	\$ 4,784,294
Service on debt limit	\$ 1,150,290	\$ 976,089
Service on debt	223,781	225,251
Total Under Service on Debt Limit	\$ 926,509	\$ 750,838

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

	2021	2020
Unrestricted surplus	\$ 2,060,042	\$ 2,190,942
Restricted surplus (Note 17)	3,318,528	2,812,264
Equity in tangible capital assets (Note 8)	24,994,013	24,530,694
	\$ 30,372,583	\$ 29,533,900

### 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, 2021

### 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:

			<b>2021</b>	2020
	Salary (1)	Benefits & Allowances (2) & (3)	<b>Total</b>	Total
Mayor - C. Moore	\$ 16,250	\$ 695	<b>\$ 16,945</b>	\$ 9,716
Councillors:				
H. Dekok	10,950	406	<b>11,356</b>	8,920
T. Feist	9,150	308	<b>9,458</b>	8,710
C. Papworth	10,300	370	<b>10,670</b>	8,499
J. Watson	7,850	0	<b>7,850</b>	10,250
S. Thomson	3,000	116	<b>3,116</b>	-
CAO, Bylaw Officer, Assessor	165,089	27,090	<b>192,179</b>	178,530

(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.



# TOWN OF PICTURE BUTTE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### 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 2021 were \$87,401 (2020 - 94,990). Total current year service contributions by the employees of the Town to the LAPP were \$79,715 (2020 - \$83,994).

At December 31, 2020, the Plan disclosed an actuarial surplus of \$4.96 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, 2021

### 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:

		\$
2022		30,842
2023		4,532
2024		4,532
2025		0
		39,906

### 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.

	2021	2020
<b>Operating Reserves:</b>		
Senior's Transportation	\$ 7,498	\$ 7,498
Admin Technology	25,070	11,945
Disaster Services	10,170	10,170
Ambulance Op Reserve	20,000	
Common Services	88,667	88,667
Snow Removal	35,000	
Water Meters	3,900	
Economic Development Committee	46,232	46,233
General Operating Reserve	240,200	252,000
Policing Smoothing	30,072	
Community/Senior Centre	9,952	12,452
Walk on the Wild Side Society	375	38,450
	517,136	467,415
<b>Capital Reserves:</b>		
General Capital Reserve	180,500	107,500
Administration - Building/Equipment	171,255	225,697
Fire - Truck	257,162	312,704
Fire - Rescue vehicles and equipment	146,016	297,744
Fire - Building upgrades	255,648	93,940
By-law Vehicle	1,000	
Ambulance - Vehicle	67,679	2,679
Ambulance - Equipment	4,960	
Public Works	14,400	
Streets	167,710	100,392
Water - Supply	63,053	66,243
Water - Line replacement	42,238	42,238
Sewer - Services	293,152	282,652
Garbage - Equipment	13,801	13,001
Land Development	979,034	708,474
Swimming Pool	2,300	0
Parks - Equipment	66,919	47,220
Recreation complex	66,165	44,365

Community Centre	<u>8,100</u>	—
Library	<u>300</u>	—
	<u>2,801,392</u>	<u>2,344,849</u>
<b>Total Reserves:</b>	<u><u>3,318,528</u></u>	<u><u>2,812,264</u></u>

# TOWN OF PICTURE BUTTE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

### 18. BUDGET AMOUNTS

The 2021 budget for the Town of Picture Butte was approved by Council on May 10, 2021 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	\$ 1,494,165
Less: Capital expenditures	(1,794,500)
Less: Long-term debt repayments	(179,545)
Transfer to reserves	(248,710)
Add: Amortization - not included in budget	-
Funds from unrestricted reserve	171,000
Transfer to operating	134,090
Borrowed funds	-
Transfer to capital	<u>423,500</u>
Equals: approved budget	<u>\$ -</u>

### 19. SIGNIFICANT EVENTS

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.

### 21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.