

TOWN OF PICTURE BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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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.



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, 2019, 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, 2019, 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 27, 2020

Chartered Professional Accountants



TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
Cash and temporary investments (Note 2)	\$ 4,683,249	\$ 6,924,250
Taxes and grants in lieu receivables (Note 3)	51,394	57,283
Trade and other receivables	266,112	288,796
Land held for resale	743,053	653,804
	5,743,808	7,924,133
LIABILITIES		
Accounts payable and accrued liabilities	357,447	479,321
Deferred revenue (Note 5)	139,765	1,783,033
Long-term debt (Note 7)	1,280,602	782,044
	1,777,814	3,044,398
NET FINANCIAL ASSETS	3,965,994	4,879,735
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	25,856,875	22,534,153
Inventory for consumption	21,302	10,464
Prepaid expenses and deposits	15,392	8,334
	25,893,569	22,552,951
ACCUMULATED SURPLUS (Schedule 1, Note 10)	\$ 29,859,563	\$ 27,432,686

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, 2019

	Budget (Unaudited)	2019	2018
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,330,939	\$ 1,305,053	\$ 1,275,767
User fees and sales of goods	1,706,357	1,773,436	2,089,859
Government transfers (Schedule 4)	191,851	275,364	228,094
Investment income	46,180	143,344	109,427
Penalties and costs on taxes	28,500	25,307	43,901
Franchise and concession contracts	193,000	203,098	192,073
Licenses, permits and fines	21,200	23,292	16,767
Other revenues	1,530,500	1,614,074	205,000
TOTAL REVENUES	5,048,527	5,362,968	4,160,888
EXPENSES (Schedule 5)			
Legislative	81,200	72,491	67,527
Administrative	630,455	613,808	536,025
Police, fire, ambulance and bylaw enforcement	586,655	568,827	449,086
Roads, streets, walks, lighting	480,535	514,221	514,527
Water, wastewater and waste management	799,135	696,398	596,623
Land use planning, zoning and development	131,750	53,481	166,316
Parks and recreation	430,565	370,190	340,270
Community services	80,920	167,577	171,774
Loss on disposal of tangible capital assets		-	246,782
Amortization	1,064,543	1,064,543	963,431
TOTAL EXPENSES	4,285,758	4,121,536	4,052,361
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	762,769	1,241,432	108,527
OTHER			
Government transfers for capital (Schedule 4)	752,068	1,185,445	171,158
	752,068	1,185,445	171,158
EXCESS OF REVENUE OVER EXPENSES	1,514,837	2,426,877	279,685
ACCUMULATED SURPLUS, BEGINNING OF YEAR	27,432,686	27,432,686	27,153,001
ACCUMULATED SURPLUS, END OF YEAR	\$ 28,947,523	\$ 29,859,563	\$ 27,432,686

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS OF REVENUES OVER EXPENSES	\$ 1,514,837	\$ 2,426,877	\$ 279,685
Acquisition of tangible capital assets	-	(4,387,265)	(1,509,523)
Proceeds on disposal of tangible capital assets	-	-	5,000
Amortization of tangible capital assets	1,064,543	1,064,543	963,431
Loss on disposal of tangible capital assets	-	-	246,782
	1,064,543	(3,322,722)	(294,310)
Use (acquisition) of prepaid assets	-	(7,059)	(714)
Use (acquisition) of supplies inventory	-	(10,837)	8,570
	-	(17,896)	7,856
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	2,579,380	(913,741)	(6,769)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,879,735	4,879,735	4,886,504
NET FINANCIAL ASSETS, END OF YEAR	\$ 7,459,115	\$ 3,965,994	\$ 4,879,735

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING		
Excess of revenues over expenses	\$ 2,426,877	\$ 279,685
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,064,543	963,431
Loss on disposal of tangible capital assets	-	246,782
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	5,889	1,193
Decrease (increase) in trade and other receivables	22,684	111,946
Decrease (increase) in land held for resale	(89,249)	105,374
Decrease (increase) in inventory for consumption	(10,838)	8,570
Increase (decrease) in prepaid expenses and deposits	(7,058)	(714)
Increase (decrease) in accounts payable and accrued liabilities	(121,874)	117,646
Increase (decrease) in deferred revenue	(1,643,268)	1,779,809
	1,647,706	3,613,722
CAPITAL		
Acquisition of tangible capital assets	(4,387,265)	(1,509,523)
Proceeds on disposal of tangible capital assets	-	5,000
	(4,387,265)	(1,504,523)
FINANCING		
Long-term debt issued	625,000	-
Long-term debt repaid	(126,442)	(106,020)
	498,558	(106,020)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(2,241,001)	2,003,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,924,250	4,921,071
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,683,249	\$ 6,924,250

TOWN OF PICTURE BUTTE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2019 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
Balance, Beginning of Year	\$ 3,007,365	\$ 2,673,212	\$ 21,752,109	\$ 27,432,686	\$ 27,153,001
Excess of revenues over expenses	2,426,877	-	-	2,426,877	279,685
Funds designated for future use	(515,000)	515,000	-	-	-
Restricted funds - Used for Operations	215,257	(215,257)	-	-	-
Current year funds used for tangible capital assets	(4,387,265)	-	4,387,265	-	-
Annual amortization expense	1,064,543	-	(1,064,543)	-	-
Long term debt issued (capital)	625,000	-	(625,000)	-	-
Long term debt repaid (capital)	(126,442)	-	126,442	-	-
Change in accumulated surplus	(697,030)	299,743	2,824,164	2,426,877	279,685
Balance, End of Year	\$ 2,310,335	\$ 2,972,955	\$ 24,576,273	\$ 29,859,563	\$ 27,432,686

TOWN OF PICTURE BUTTE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019 SCHEDULE 2

	Land	Land improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST:								
BALANCE, BEGINNING OF YEAR	\$ 546,373	\$ 595,607	\$ 13,156,703	\$ 23,906,691	\$ 838,175	\$ 812,400	\$ 39,855,949	\$ 38,841,630
Acquisition of tangible capital assets	38,377	-	3,270,901	850,420	204,346	23,221	4,387,265	816,985
Disposal of tangible capital assets	-	-	-	(6,762)	-	-	(6,762)	(495,204)
Construction in progress	-	-	-	-	-	-	-	592,538
BALANCE, END OF YEAR	584,750	595,607	16,427,604	24,750,349	1,042,521	835,621	44,236,452	39,855,949
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	262,421	5,387,427	10,512,236	499,933	659,779	17,321,796	16,601,787
Annual amortization	-	27,613	378,504	542,332	80,862	35,232	1,064,543	963,431
Accumulated amortization on disposals	-	-	-	(6,762)	-	-	(6,762)	(243,422)
BALANCE, END OF YEAR	-	290,034	5,765,931	11,047,806	580,795	695,011	18,379,577	17,321,796
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	\$ 22,534,153
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 546,373	\$ 333,186	\$ 7,769,276	\$ 13,394,455	\$ 338,242	\$ 152,621	\$ 22,534,153	

TOWN OF PICTURE BUTTE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2019 SCHEDULE 3

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	1,831,251	1,823,789	1,762,667
	1,831,251	1,823,789	1,762,667
REQUISITIONS			
Alberta School Foundation Fund	398,595	414,606	389,069
Separate school	75,923	78,336	74,236
Seniors foundation	25,620	25,620	23,523
Designated Industrial Property	174	174	72
	500,312	518,736	486,900
NET MUNICIPAL TAXES	\$ 1,330,939	\$ 1,305,053	\$ 1,275,767

TOWN OF PICTURE BUTTE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2019 SCHEDULE 4

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 95,000	\$ 107,748	\$ 135,232
Federal Government	4,000	8,651	
Other Local Government	92,851	158,965	92,862
Total operating transfers	191,851	275,364	228,094
TRANSFERS FOR CAPITAL:			
Provincial Government	752,068	1,185,445	171,158
TOTAL GOVERNMENT TRANSFERS	\$ 943,919	\$ 1,460,809	\$ 399,252

TOWN OF PICTURE BUTTE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2019 SCHEDULE 5

	Budget (Unaudited)	2019	2018
EXPENSES			
Salaries, wages and benefits	\$ 1,423,620	\$ 1,269,675	\$ 1,203,945
Contracted and general services	770,485	922,209	640,801
Materials, goods and utilities	941,730	777,044	909,672
Transfers to local boards and agencies	49,000	48,272	47,711
Bank charges and short term interest	1,500	2,007	1,258
Interest on long term debt	34,880	37,786	38,761
Amortization of tangible capital assets	1,064,543	1,064,543	963,431
Loss on disposal of tangible capital assets	-	-	246,782
	-	-	246,782
TOTAL EXPENSES	\$ 4,285,758	\$ 4,121,536	\$ 4,052,361

TOWN OF PICTURE BUTTE

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2019 SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
REVENUES							
Net Municipal Taxes	\$ 1,305,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,305,053
Government transfer	113,899	161,465	50,000	-	1,115,445	20,000	1,460,809
User fees and sales of goods	4,878	455,733	495	13,958	271,170	1,027,202	1,773,436
Investment income	143,344	-	-	-	-	-	143,344
Other revenue	250,810	62,226	-	8,492	1,544,243	-	1,865,771
	<u>1,817,984</u>	<u>679,424</u>	<u>50,495</u>	<u>22,450</u>	<u>2,930,858</u>	<u>1,047,202</u>	<u>6,548,413</u>
EXPENSES							
Contracted and general services	28,808	75,479	174,740	784	243,498	398,900	922,209
Salaries, wages and benefits	466,901	372,668	216,071	900	64,075	149,060	1,269,675
Materials, goods and utilities	174,807	120,680	123,412	51,797	191,827	114,521	777,044
Transfers to local boards and agencies	-	-	-	-	48,272	-	48,272
Interest on long-term debt	-	-	-	-	3,869	33,917	37,786
Other expenses	2,007	-	-	-	-	-	2,007
	<u>672,523</u>	<u>568,827</u>	<u>514,223</u>	<u>53,481</u>	<u>551,541</u>	<u>696,398</u>	<u>3,056,993</u>
NET REVENUE BEFORE AMORTIZATION	<u>1,145,461</u>	<u>110,597</u>	<u>(463,728)</u>	<u>(31,031)</u>	<u>2,379,317</u>	<u>350,804</u>	<u>3,491,420</u>
Amortization expense	16,034	46,784	390,780	-	240,605	370,340	1,064,543
NET REVENUE	<u>\$ 1,129,427</u>	<u>\$ 157,381</u>	<u>\$ (72,948)</u>	<u>\$ (31,031)</u>	<u>\$ 2,619,922</u>	<u>\$ 721,144</u>	<u>\$ 2,426,877</u>

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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>2019</u>	<u>2018</u>
Cash	\$ 220,363	\$ 2,450,544
Temporary Investments	<u>4,462,886</u>	<u>4,473,706</u>
	<u>\$ 4,683,249</u>	<u>\$ 6,924,250</u>

Temporary investments are investments in mutual funds and guaranteed investment certificates with interest ranging from 2.25% to 2.50% (2018 - 2.50% to 2.63%).

Included in cash and temporary investments is a restricted amount of \$105,988 (2018 - \$779,576) 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, 2019

3. TAXES IN LIEU AND GRANTS RECEIVABLES

	2019	2018
Current taxes and grants in lieu	\$ 42,916	\$ 45,934
Arrears taxes	8,478	11,349
	\$ 51,394	\$ 57,283

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, 2019 was nil (2018 - nil)

5. DEFERRED REVENUE

	2019	2018
Prepayment of arena sponsorships & rentals	\$ 1,569	\$ 3,278
Prepaid Taxes	32,208	-
Prepayment of Community Centre/Seniors Centre rentals	-	179
Municipal Sustainability Initiative - Capital grant	105,988	779,576
Specified donations	-	1,000,000
	\$ 139,765	\$ 1,783,033

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 2019. 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 2019. Unexpended funds related to the advance are supported by temporary investments of nil held exclusively for these projects. Funds receivable are nil in 2019 (2018 - nil)

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

7. LONG-TERM DEBT

	2019	2018
Tax supported debentures	\$ 1,280,602	\$ 782,044

The current portion of long-term debt amounts to \$175,241 (2018 - \$109,311).

	Principal	Interest	Total
2020	\$ 175,241	\$ 51,480	\$ 226,721
2021	181,217	44,034	225,251
2022	187,363	36,418	223,781
2023	193,750	28,561	222,311
2024	200,387	20,454	220,841
Thereafter	342,644	26,781	369,425
	\$ 1,280,602	\$ 207,728	\$ 1,488,330

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 (2018 - \$38,761).

The Town's total cash payments for interest in 2019 were \$38,749 (2018 - \$39,641).

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital asset cost (Schedule 2)	\$ 44,236,452	\$ 39,855,949
Accumulated amortization (Schedule 2)	(18,379,577)	(17,321,796)
Long-term debt (Note 7)	(1,280,602)	(782,044)
	\$ 24,576,273	\$ 21,752,109

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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:

	2019	2018
Total debt limit	\$ 8,044,451	\$ 6,241,332
Total debt	1,280,602	782,044
Total Unused Debt Limit	\$ 6,763,849	\$ 5,459,288
Service on debt limit	\$ 1,340,742	\$ 1,040,222
Service on debt	226,721	144,191
Total Under Service on Debt Limit	\$ 1,114,021	\$ 896,031

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

	2019	2018
Unrestricted surplus	\$ 2,310,335	\$ 3,007,365
Restricted surplus (Note 17)	2,972,955	2,673,212
Equity in tangible capital assets (Note 8)	24,576,273	21,752,109
	\$ 29,859,563	\$ 27,432,686

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, 2019

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:

			2019	2018
	Salary (1)	Benefits & Allowances (2) & (3)	Total	Total
Mayor - C. Moore	\$ 16,650	\$ 0	\$ 16,650	\$ 17,100
Councillors:				
H. Dekok	10,350	0	10,350	9,700
T. Feist	8,650	0	8,650	8,900
C. Papworth	11,650	0	11,650	10,400
J. Watson	11,350	0	11,350	13,000
CAO, Bylaw Officer, Assessor	174,780	21,845	196,625	112,312

(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, 2019

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 2019 were \$81,131 (2018 - 72,464). Total current year service contributions by the employees of the Town to the LAPP were \$73,317 (2018 - \$66,388).

At December 31, 2018, the Plan disclosed an actuarial surplus of \$3.5 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, 2019

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:

		\$
2020		75,948
2021		77,437
2022		35,453
2023		0
		188,838

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.

	2019	2018
Operating Reserves:		
Senior's Transportation	\$ 7,498	\$ 7,498
Disaster Services	10,170	10,170
Common Services	87,867	87,867
Economic Development Committee	46,232	46,232
General Operating Reserve	252,000	0
Community/Senior Centre	9,952	9,952
Walk on the Wild Side Society	38,450	38,450
	452,169	200,169
Capital Reserves:		
General Capital Reserve	108,000	0
Administration - Technical/Building	289,727	289,727
Fire - Truck	277,715	227,715
Fire - Rescue vehicles and equipment	127,573	117,573
Fire - Communication equipment	159,015	195,083
Fire - Building upgrades	107,970	72,970
Ambulance - Equipment	125,378	65,378
Streetlights	100,392	138,567
Water - Supply	76,028	84,376
Water - Line replacement	42,238	42,238
Sewer - Services	301,690	301,690
Garbage - Equipment	13,001	13,001
Land Development	708,474	836,101
Swimming Pool	0	5,039
Parks - Equipment	39,220	39,220
Recreation complex	44,365	44,365
	2,520,786	2,473,043
Total Reserves:	2,972,955	2,673,212

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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	\$ 1,514,837
Less: Capital expenditures	(6,490,000)
Less: Long-term debt repayments	(109,312)
Transfer to reserves	(205,000)
Add: Amortization - not included in budget	1,064,543
Funds from unrestricted reserve	1,894,932
Borrowed funds	2,000,000
Transfer to capital	<u>330,000</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 include 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, 2019

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.