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# **TOWN OF PICTURE BUTTE**

## **Financial Statements**

**December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Picture Butte

### *Opinion*

We have audited the financial statements of the Town of Picture Butte (the Municipality), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets, changes in accumulated surplus 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 Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for 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 Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

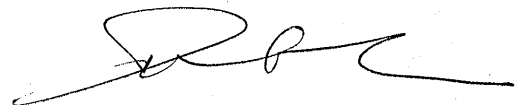
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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:

- 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 Municipality'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 Municipality'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 Municipality 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.

Lethbridge, Alberta  
April 8, 2019



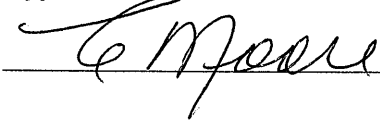
Chartered Accountants

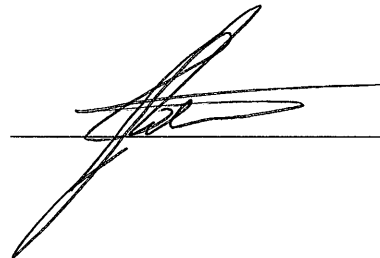
**TOWN OF PICTURE BUTTE**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2018**

	2018	2017
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	6,924,250	4,921,071
Receivables		
Taxes and grants in place of taxes (Note 3)	57,283	58,476
Trade and other	288,796	400,742
Land and property held for resale	<u>653,804</u>	<u>759,178</u>
	<u>7,924,133</u>	<u>6,139,467</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	479,321	361,675
Deferred revenue (Note 5)	1,783,033	3,224
Long-term debt (Note 7)	<u>782,044</u>	<u>888,064</u>
	<u>3,044,398</u>	<u>1,252,963</u>
<b>NET FINANCIAL ASSETS</b>	<u>4,879,735</u>	<u>4,886,504</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	22,534,153	22,239,843
Inventory for consumption	10,464	19,034
Prepaid expenses and deposits	<u>8,334</u>	<u>7,620</u>
	<u>22,552,951</u>	<u>22,266,497</u>
<b>ACCUMULATED SURPLUS (Schedule 1 and Note 10)</b>	<u><u>27,432,686</u></u>	<u><u>27,153,001</u></u>

**CONTINGENCIES (Note 14)**

Approved on behalf of Council:

  
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**TOWN OF PICTURE BUTTE**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2018**

	Budget (Unaudited) \$	2018 \$	2017 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	1,278,772	1,275,767	1,243,717
User fees and sales of goods	1,690,628	2,089,859	1,816,975
Government transfers (Schedule 4)	210,830	228,094	147,470
Investment income	36,500	109,427	70,147
Penalties and costs of taxes	40,700	43,901	41,329
Franchise and concession contracts	185,000	192,073	198,287
Licenses, permits and fines	24,125	16,767	27,157
Other	-	205,000	-
	<u>3,466,555</u>	<u>4,160,888</u>	<u>3,545,082</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	74,800	67,527	76,569
Administration	603,892	536,025	470,518
Police, fire, ambulance and bylaw enforcement	527,954	449,086	410,667
Roads, streets, walks, lighting	531,278	514,527	425,319
Water, wastewater and waste management	822,404	596,623	601,477
Land use planning, zoning and development	139,700	166,316	37,145
Parks and recreation	375,355	340,270	392,011
Community services	91,174	171,774	143,604
Loss on disposal of tangible capital assets	-	246,782	2,835
Amortization	963,431	963,431	962,842
	<u>4,129,988</u>	<u>4,052,361</u>	<u>3,522,987</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(663,433)	108,527	22,095
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	-	171,158	109,507
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	(663,433)	279,685	131,602
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>27,153,001</u>	<u>27,153,001</u>	<u>27,021,399</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>26,489,568</u></u>	<u><u>27,432,686</u></u>	<u><u>27,153,001</u></u>

**TOWN OF PICTURE BUTTE****Consolidated Statement of Change in Net Financial Assets (Debt)****For the Year Ended December 31, 2018**

	Budget (Unaudited) \$	2018 \$	2017 \$
<b>EXCESS (DEFICIENCY) OF</b>			
<b>REVENUES OVER EXPENSES</b>	<u>(663,433)</u>	<u>279,685</u>	<u>131,602</u>
Acquisition of tangible capital assets	(60,508)	(1,509,523)	(316,710)
Proceeds on disposal of tangible capital assets	-	5,000	-
Amortization of tangible capital assets	963,431	963,431	962,842
Loss on disposal of tangible capital assets	<u>-</u>	<u>246,782</u>	<u>2,835</u>
	<u>902,923</u>	<u>(294,310)</u>	<u>648,967</u>
Use (acquisition) of prepaid assets	-	(714)	4,885
Use (acquisition) of supplies inventory	<u>-</u>	<u>8,570</u>	<u>(8,057)</u>
	<u>-</u>	<u>7,856</u>	<u>(3,172)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	239,490	(6,769)	777,397
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>4,886,504</u>	<u>4,886,504</u>	<u>4,109,107</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>5,125,994</u></u>	<u><u>4,879,735</u></u>	<u><u>4,886,504</u></u>

**TOWN OF PICTURE BUTTE**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

	2018 \$	2017 \$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	279,685	131,602
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	963,431	962,842
Loss on disposal of tangible capital assets	246,782	2,835
Non-cash charges to operations (net changes)		
Decrease in taxes and grants in place of taxes	1,193	(19,196)
Decrease (increase) in trade and other receivables	111,946	(201,709)
(Increase) in land and property held for resale	105,374	-
(Increase) decrease in inventory for consumption	8,570	(8,057)
(Increase) in prepaid expenses and deposits	(714)	4,885
Increase (decrease) in accounts payable and accrued liabilities	117,646	183,637
Increase (decrease) in deferred revenue	<u>1,779,809</u>	<u>(2,462)</u>
	<u>3,613,722</u>	<u>1,054,377</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(1,509,523)	(316,710)
Proceeds on disposal of tangible capital assets	<u>5,000</u>	<u>-</u>
	<u>(1,504,523)</u>	<u>(316,710)</u>
<b>FINANCING</b>		
Long-term debt repaid	<u>(106,020)</u>	<u>(102,856)</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>		
	2,003,179	634,811
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>4,921,071</u>	<u>4,286,260</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)</b>	<u><u>6,924,250</u></u>	<u><u>4,921,071</u></u>

**TOWN OF PICTURE BUTTE**  
**Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2018**

**SCHEDULE 1**

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2018 \$	2017 \$
<b>BALANCE, BEGINNING OF YEAR</b>	3,404,627	2,396,595	21,351,779	27,153,001	27,021,399
Excess of revenues over expenses	279,685	-	-	279,685	131,602
Unrestricted funds designated for future use	(276,617)	276,617	-	-	-
Current year funds used for tangible capital assets	(1,509,523)	-	1,509,523	-	-
Disposal of tangible capital assets	251,782	-	(251,782)	-	-
Annual amortization expense	963,431	-	(963,431)	-	-
Long-term debt repaid	(106,020)	-	106,020	-	-
Change in accumulated surplus	<u>(397,262)</u>	<u>276,617</u>	<u>400,330</u>	<u>279,685</u>	<u>131,602</u>
<b>BALANCE, END OF YEAR</b>	<b><u>3,007,365</u></b>	<b><u>2,673,212</u></b>	<b><u>21,752,109</u></b>	<b><u>27,432,686</u></b>	<b><u>27,153,001</u></b>



**TOWN OF PICTURE BUTTE**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2018**

**SCHEDULE 2**

	Land \$	Land Improvements \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	2018 \$	2017 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	341,373	557,322	12,436,824	23,844,540	858,171	803,400	38,841,630	38,548,038
Acquisition of tangible capital assets	205,000	38,285	364,694	65,041	114,465	29,500	816,985	316,710
Disposal of tangible capital assets	-	-	(314,778)	-	(157,036)	-	(471,814)	(23,118)
Construction in progress	-	-	669,963	-	22,575	-	692,538	-
BALANCE, END OF YEAR	<u>546,373</u>	<u>595,607</u>	<u>13,156,703</u>	<u>23,909,581</u>	<u>838,175</u>	<u>832,900</u>	<u>39,879,339</u>	<u>38,841,630</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	234,808	5,195,985	9,970,114	566,010	634,870	16,601,787	15,659,228
Annual amortization	-	27,613	278,534	545,012	66,863	45,409	963,431	962,842
Accumulated amortization on disposals	-	-	(87,092)	-	(132,940)	-	(220,032)	(20,283)
BALANCE, END OF YEAR	-	<u>262,421</u>	<u>5,387,427</u>	<u>10,515,126</u>	<u>499,933</u>	<u>680,279</u>	<u>17,345,186</u>	<u>16,601,787</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>546,373</u>	<u>333,186</u>	<u>7,769,276</u>	<u>13,394,455</u>	<u>338,242</u>	<u>152,621</u>	<u>22,534,153</u>	<u>22,239,843</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>341,373</u>	<u>322,514</u>	<u>7,240,839</u>	<u>13,874,426</u>	<u>292,161</u>	<u>168,530</u>	<u>22,239,843</u>	

**TOWN OF PICTURE BUTTE**  
**Schedule of Property Taxes Levied**  
**For the Year Ended December 31, 2018**

**SCHEDULE 3**

	Budget (Unaudited) \$	2018 \$	2017 \$
<b>TAXATION</b>			
Real property taxes	<u>1,765,672</u>	<u>1,762,667</u>	<u>1,711,591</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	389,069	389,069	368,538
Separate school	74,236	74,236	77,736
Seniors foundation	23,523	23,523	21,600
Designated Industrial Property	<u>72</u>	<u>72</u>	<u>-</u>
	<u>486,900</u>	<u>486,900</u>	<u>467,874</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u><u>1,278,772</u></u>	<u><u>1,275,767</u></u>	<u><u>1,243,717</u></u>

**TOWN OF PICTURE BUTTE**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2018**

**SCHEDULE 4**

	Budget (Unaudited) \$	2018 \$	2017 \$
<b>TRANSFERS FOR OPERATIONS</b>			
Provincial Government	117,968	135,232	98,174
Other Local Governments	<u>92,862</u>	<u>92,862</u>	<u>49,296</u>
	<u>210,830</u>	<u>228,094</u>	<u>147,470</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	-	<u>171,158</u>	<u>109,507</u>
	<u>210,830</u>	<u>399,252</u>	<u>256,977</u>

**TOWN OF PICTURE BUTTE**  
**Schedule of Consolidated Expenses by Object**  
**For the Year Ended December 31, 2018**

**SCHEDULE 5**

	Budget (Unaudited) \$	2018 \$	2017 \$
<b>EXPENSES</b>			
Salaries, wages and benefits	1,318,400	1,203,945	1,079,538
Contracted and general services	831,066	640,801	604,210
Materials, goods, and utilities	927,350	909,672	784,605
Transfers to local boards and agencies	47,100	47,711	43,635
Bank charges and short-term interest	3,000	1,258	1,877
Interest on long-term debt	39,641	38,761	43,445
Amortization	963,431	963,431	962,842
Loss on disposal of tangible capital assets	-	246,782	2,835
<b>TOTAL EXPENSES</b>	<b><u>4,129,988</u></b>	<b><u>4,052,361</u></b>	<b><u>3,522,987</u></b>

**TOWN OF PICTURE BUTTE**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2018**

**SCHEDULE 6**

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
<b>REVENUE</b>							
Net municipal taxes	1,275,767	-	-	-	-	-	1,275,767
Government transfers	135,232	92,862	-	-	-	171,158	399,252
User fees and sales of goods	317,508	444,772	-	9,885	299,446	1,018,248	2,089,859
Investment income	109,427	-	-	-	-	-	109,427
Contributed assets	205,000	-	-	-	-	-	205,000
Other revenue	235,974	16,767	-	-	-	-	252,741
	<u>2,278,908</u>	<u>554,401</u>	<u>-</u>	<u>9,885</u>	<u>299,446</u>	<u>1,189,406</u>	<u>4,332,046</u>
<b>EXPENSES</b>							
Contracted and general services	128,131	108,543	81,272	57,336	159,694	105,825	640,801
Salaries, wages and benefits	444,791	275,631	228,940	1,300	86,059	167,224	1,203,945
Materials, goods, and utilities	29,372	64,912	204,315	107,680	218,580	284,813	909,672
Transfers to local boards and agencies	-	-	-	-	47,711	-	47,711
Interest on long-term debt	-	-	-	-	-	38,761	38,761
Other expenses	1,258	-	-	-	246,782	-	248,040
	<u>603,552</u>	<u>449,086</u>	<u>514,527</u>	<u>166,316</u>	<u>758,826</u>	<u>596,623</u>	<u>3,088,930</u>
<b>NET REVENUE BEFORE AMORTIZATION</b>	<b>1,675,356</b>	<b>105,315</b>	<b>(514,527)</b>	<b>(156,431)</b>	<b>(459,380)</b>	<b>592,783</b>	<b>1,243,116</b>
Amortization expense	21,073	42,300	399,171	-	144,290	356,597	963,431
<b>NET REVENUE</b>	<b><u>1,654,283</u></b>	<b><u>63,015</u></b>	<b><u>(913,698)</u></b>	<b><u>(156,431)</u></b>	<b><u>(603,670)</u></b>	<b><u>236,186</u></b>	<b><u>279,685</u></b>

# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2018

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### 1. Significant Accounting Policies

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

a) Reporting Entity -

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

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

b) Basis of Accounting -

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measureable. Expenses are recognized as they are incurred and measureable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates -

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments -

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Tax Revenue -

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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

f) Requisition over-levy and under-levy -

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

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

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

g) Prepaid Local Improvement Charges -

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

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

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

h) Government Transfers -

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

i) Non-Financial Assets -

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

1) Tangible Capital Assets -

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

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

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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

1) Tangible Capital Assets (continued) -

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

2) Contributions of tangible capital assets -

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

3) Leases -

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

4) Inventories -

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

5) Cultural and historical tangible capital assets -

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

**2. Cash and Temporary Investments**

	2018	2017
	\$	\$
Cash	2,450,544	496,732
Temporary Investments	<u>4,473,706</u>	<u>4,424,339</u>
	<u>6,924,250</u>	<u>4,921,071</u>

Temporary investments are investments in mutual funds and guaranteed investment certificates with interest rates ranging from 2.50% to 2.63% (2017 - 1.61% to 1.90%).

Included in temporary investments is a restricted amount of \$779,576 (2017 - nil) received from the Municipal Sustainability Initiative held exclusively for approved projects (Note 6) and a \$1,000,000 (2017 - nil) donation received and held exclusively for the aquatic centre project (Note 5).



**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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

	2018 \$	2017 \$
Current taxes and grants in place of taxes	45,934	43,396
Arrears taxes	<u>11,349</u>	<u>15,080</u>
	<u>57,283</u>	<u>58,476</u>

**4. Temporary Bank Indebtedness**

This temporary loan has been authorized by ATB Financial to a maximum of \$400,000 which bears interest at prime less 0.25% per annum. Security pledged consists of a general security agreement. The balance outstanding at December 31, 2018 was nil (2017 - nil).

**5. Deferred Revenue**

	2018 \$	2017 \$
Prepayment of arena sponsorships & rentals	3,278	2,644
Prepayment of Community Centre rentals	179	580
Municipal Sustainability Initiative - Capital grant	779,576	-
Specified donations	<u>1,000,000</u>	<u>-</u>
	<u>1,783,033</u>	<u>3,224</u>

**6. Municipal Sustainability Initiative**

Funding in the amount of \$688,143 was receivable in the current year from the Municipal Sustainability Initiative. Of the \$688,143 receivable, \$576,175 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 2018. The remaining \$111,968 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 2018. Unexpended funds related to the advance are supported by temporary investments of nil held exclusively for these projects. Funds receivable are nil in 2018 (2017 - \$170,838).

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
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**7. Long-term Debt**

	2018 \$	2017 \$
Tax supported debentures	<u>782,044</u>	<u>888,064</u>

The current portion of long-term amounts to \$109,311 (2017 - \$106,020)

Principal and interest repayments are as follows:

	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2019	109,311	34,880	144,191
2020	112,734	28,987	141,721
2021	116,295	24,956	141,251
2022	119,998	16,843	136,841
2023	123,850	14,461	138,311
Thereafter	<u>199,856</u>	<u>33,975</u>	<u>233,831</u>
	<u>782,044</u>	<u>154,102</u>	<u>936,146</u>

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

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

Interest on long-term debt amounted to \$38,761 (2017 - \$43,445).

The Town's total cash payments for interest in 2018 were \$39,641 (2017 - \$44,275).

**8. Equity in Tangible Capital Assets**

	2018 \$	2017 \$
Tangible capital assets (Schedule 2)	39,879,339	38,841,630
Accumulated amortization (Schedule 2)	(17,345,186)	(16,601,787)
Long-term debt (Note 7)	<u>(782,044)</u>	<u>(888,064)</u>
	<u>21,752,109</u>	<u>21,351,779</u>

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**9. Debt Limits**

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

	2018 \$	2017 \$
Total debt limit	6,241,332	5,317,623
Total debt	<u>782,044</u>	<u>888,064</u>
Total unused debt limit	<u>5,459,288</u>	<u>4,429,559</u>
Service on debt limit	1,040,222	886,271
Service on debt	<u>144,191</u>	<u>145,661</u>
Amount of unused service on debt	<u>896,031</u>	<u>740,610</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**

	2018 \$	2017 \$
Unrestricted surplus	3,007,365	3,404,627
Restricted surplus (Note 17)	2,673,212	2,396,595
Equity in tangible capital assets (Note 8)	<u>21,752,109</u>	<u>21,351,779</u>
	<u>27,432,686</u>	<u>27,153,001</u>

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**11. Segmented Disclosure**

The Town of Picture Butte provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6).

**12. Salary and Benefits Disclosure**

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

	Salary (1)	Benefits & Allowances (2)	2018 Total	2017 Total
	\$	\$	\$	\$
Mayor - C. Moore	17,100	-	17,100	13,287
Councilor - H. DeKok	9,700	-	9,700	8,950
- T. Feist	8,900	-	8,900	9,250
- W. Jones	10,404	-	-	10,404
- C. Papworth	10,400	-	10,400	2,760
- J. Watson	13,000	-	13,000	10,300
Designated officer - CAO	94,192	18,120	112,312	108,238

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

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

# TOWN OF PICTURE BUTTE

## Notes to Financial Statements

For the Year Ended December 31, 2018

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### 13. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 260,000 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Town is required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

The total current service contributions by the Town to the LAPP in 2018 were \$72,464 (2017 - \$72,464). Total current year service contributions by the employees of the Town to the LAPP were \$66,388 (2017 - \$66,388).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion.

### 14. Contingencies

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

### 15. Financial Instruments

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

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

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

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

**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 contracts are as follows:

	<u>\$</u>
2019	31,043
2020	4,412
2021	4,412
2022	<u>2,574</u>
	<u><u>42,441</u></u>

**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.

	2018	2017
	<u>\$</u>	<u>\$</u>
<b>Operating reserves:</b>		
Senior's transport	7,498	7,498
Disaster services	10,170	10,170
Common services	87,867	87,867
Economic Development Committee	46,232	46,232
General recreation	-	1,600
Community hall	9,952	9,952
Walk on the Wild Side Society	<u>38,450</u>	<u>-</u>
	<u>200,169</u>	<u>163,319</u>
<b>Capital reserves:</b>		
Administration - technical	289,727	289,727
Fire - truck	227,715	207,215
Fire - rescue vehicle and equipment	117,573	117,573
Fire - communication equipment	195,083	170,083
Fire - hall upgrades	72,970	48,000
Ambulance - equipment	65,378	25,378
Street lights	138,567	138,567
Water - supply	84,376	84,376
Water - line replacement	42,238	42,238
Sewer - services	301,690	301,690
Garbage - equipment	13,001	13,001
Land development	836,101	636,359
Swimming pool	5,039	2,439
Parks - equipment	39,220	39,220
Recreation complex	<u>44,365</u>	<u>117,410</u>
	<u>2,473,043</u>	<u>2,233,276</u>
<b>Total reserves:</b>	<u><u>2,673,212</u></u>	<u><u>2,396,595</u></u>

**TOWN OF PICTURE BUTTE**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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**18. Budget Amounts**

The 2018 budget for the Town of Picture Butte was approved by Council on April 23, 2018 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed or otherwise verified.

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

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

	\$
Budget deficit per financial statements	(663,433)
Less: Capital expenditures	(54,007)
Less: Long-term debt repayments	(106,020)
Transfers to reserves	(139,971)
Add: Amortization - not included in budget	963,431
Equals: approved budget	-

**19. Approval of Financial Statements**

Council and Management have approved these financial statements.