

TOWN OF PICTURE BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

TOWN OF PICTURE BUTTE

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

CONTENTS

Management's Responsibility For Financial Reporting	1
Independent Auditor's Report	2-3
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Remeasurement Gains and Losses	6
Consolidated Statement of Change in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Schedule 1 - Schedule of Changes in Accumulated Surplus	9
Schedule 2 - Schedule of Tangible Capital Assets	10
Schedule 3 - Schedule of Property and Other Taxes	11
Schedule 4 - Schedule of Government Transfers	12
Schedule 5 - Schedule of Consolidated Expenses by Object	13
Schedule 6 - Schedule of Segmented Disclosure	14
Notes to Financial Statements	15 - 25

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

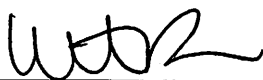
The consolidated financial statements are the responsibility of the management of the Town of Picture Butte (The Town).

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

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

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

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



Mr. Keith Davis, CAO

Picture Butte, Alberta
April 22, 2024



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, 2023, and the 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, 2023, and the results of its operations, changes in 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.

(continues)

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

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 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 22, 2024

Chartered Professional Accountants



TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	2023	2022
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 4,428,633	\$ 6,154,153
Taxes and grants in lieu receivables (Note 3)	81,279	68,205
Trade and other receivables	490,390	445,853
Land held for resale	904,987	602,017
	5,905,289	7,270,228
LIABILITIES		
Accounts payable and accrued liabilities	400,391	473,511
Employee Benefit	80,127	84,394
Deferred revenue (Note 5)	306,063	456,721
Asset retirement obligation (Note 13)	1,455,291	
Long-term debt (Note 7)	1,850,935	2,088,344
	4,092,807	3,102,970
NET FINANCIAL ASSETS	1,812,482	4,167,258
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	29,657,439	26,751,284
Inventory for consumption	16,930	21,954
Prepaid expenses and deposits	12,380	21,690
	29,686,749	26,794,928
ACCUMULATED SURPLUS (Schedule 1, Note 11)	\$ 31,499,231	\$ 30,962,186
Accumulated Surplus is comprised of:		
Accumulated operating surplus (Schedule 1, Note 11)	31,499,231	30,962,186
Accumulated remeasurement gains (losses)	0	0

Commitments and contingencies - See Notes 17 and 19

Approved on behalf of Council:



 MAYOR



 CHIEF ADMINISTRATIVE OFFICER

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,685,880	\$ 1,689,552	\$ 1,524,051
User fees and sales of goods	2,045,125	2,779,095	2,289,214
Government transfers (Schedule 4)	547,750	555,554	501,191
Investment income	140,000	305,910	165,526
Penalties and costs on taxes	30,500	45,311	39,816
Franchise and concession contracts (Note 14)	252,000	257,037	260,969
Licenses, permits and fines	27,960	27,629	41,835
Other revenues	4,000	170,573	3,718
TOTAL REVENUES	4,733,215	5,830,661	4,826,320
EXPENSES (Schedule 5)			
Legislative	89,300	66,213	64,161
Administrative	514,595	746,045	516,997
Police, fire, ambulance and bylaw enforcement	1,043,785	1,275,102	982,964
Roads, streets, walks, lighting	650,925	832,480	839,410
Water, wastewater and waste management	1,027,910	1,434,829	1,323,450
Land use planning, zoning and development	156,285	208,752	174,318
Parks and recreation	754,335	981,691	953,310
Community services	48,935	192,110	188,878
TOTAL EXPENSES	4,286,070	5,737,222	5,043,488
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	447,145	93,439	(217,168)
OTHER			
Government transfers for capital (Schedule 4)	560,825	443,606	806,769
	560,825	443,606	806,769
EXCESS OF REVENUE OVER EXPENSES	1,007,970	537,045	589,601
ACCUMULATED SURPLUS, BEGINNING OF YEAR	30,962,186	30,962,186	30,372,585
ACCUMULATED SURPLUS, END OF YEAR	\$ 31,970,156	\$ 31,499,231	\$ 30,962,186

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</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>
Accumulated remeasurement gains (losses) at end of year	<u><u>\$ 0</u></u>	<u><u>\$</u></u>

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
EXCESS OF REVENUES OVER EXPENSES	\$ 1,007,970	\$ 537,045	\$ 589,601
Acquisition of tangible capital assets	(2,640,220)	(2,751,368)	(1,941,053)
Asset Retirement Obligation		(1,412,904)	
Amortization of tangible capital assets	1,081,107	1,258,119	1,068,831
	(1,559,113)	(2,906,153)	(872,222)
Use (acquisition) of prepaid assets	-	9,309	(11,606)
Use (acquisition) of supplies inventory	-	5,023	(5,297)
	-	14,332	(16,903)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(551,143)	(2,354,776)	(299,524)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	4,167,258	4,167,258	4,466,782
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,616,115	\$ 1,812,482	\$ 4,167,258

TOWN OF PICTURE BUTTE

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO:		
OPERATING		
Excess of revenues over expenses	\$ 537,045	\$ 589,601
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,258,119	1,068,831
Accretion ARO - Building	42,387	
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(13,075)	2,922
Decrease (increase) in trade and other receivables	(44,538)	(181,371)
Decrease (increase) in land held for resale	(302,970)	80,052
Decrease (increase) in inventory for consumption	5,024	(5,297)
Increase (decrease) in prepaid expenses and deposits	9,310	(11,606)
Increase (decrease) in accounts payable and accrued liabilities	(73,120)	177,448
Increase (decrease) Employee Benefit Obligation	(4,267)	5,842
Increase (decrease) in deferred revenue	(150,658)	49,173
	1,263,257	1,775,595
CAPITAL		
Acquisition of tangible capital assets	(2,751,368)	(1,941,053)
	(2,751,368)	(1,941,053)
Cash applied to capital transactions	(2,751,368)	(1,941,053)
	(2,751,368)	(1,941,053)
FINANCING		
Long-term debt issued	-	1,400,000
Long-term debt repaid	(237,409)	(196,704)
	(237,409)	1,203,296
Cash provided by (applied to) financing transactions	(237,409)	1,203,296
	(237,409)	1,203,296
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(1,725,520)	1,037,838
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,154,153	5,116,315
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,428,633	\$ 6,154,153

TOWN OF PICTURE BUTTE

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2023 SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
Balance, Beginning of Year	\$ 2,351,802	\$ 3,947,444	\$ 24,662,940	\$ 30,962,186	\$ 30,372,585
Excess of revenues over expenses	537,045	-	-	537,045	589,601
Funds designated for future use	(378,790)	378,790	-	-	-
Restricted funds - Used for Operations	(223,195)	223,195	-	-	-
Restricted funds - Used for TCA		(1,560,438)	1,560,438	-	-
Current year funds used for tangible capital assets	(1,190,930)		1,190,930	-	-
Annual amortization expense	1,258,120	-	(1,258,120)	-	-
Long term debt repaid (capital)	(237,409)	-	237,409	-	-
Other Adjustments	42,387		(42,387)	-	-
Change in accumulated surplus	(192,772)	(958,453)	1,688,270	537,045	589,601
Balance, End of Year	\$ 2,159,030	\$ 2,988,991	\$ 26,351,210	\$ 31,499,231	\$ 30,962,186

TOWN OF PICTURE BUTTE

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2023 SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2023	2022
COST:								
BALANCE, BEGINNING OF YEAR	\$ 562,559	\$ 987,497	\$17,734,308	\$ 26,049,270	\$ 1,224,397	\$ 1,259,303	\$ 47,817,334	\$ 45,958,722
Acquisition of tangible capital assets	-	9,350	1,151,200	1,247,797	337,941	-	2,746,288	880,281
Asset Retirement Obligation			1,412,904					
Disposal of tangible capital assets	-	-	-	(37,664)	-	-	(37,664)	(82,443)
Construction in progress	-	-	-	-	5,080	-	5,080	1,060,773
BALANCE, END OF YEAR	562,559	996,847	20,298,412	27,259,403	1,567,418	1,259,303	51,943,942	47,817,333
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	395,035	6,918,234	12,411,233	733,546	608,000	21,066,048	20,079,661
Annual amortization	-	40,720	593,388	466,794	90,181	67,036	1,258,119	1,068,831
Accumulated amortization on disposals	-	-	-	(37,664)	-	-	(37,664)	(82,443)
BALANCE, END OF YEAR	-	435,755	7,511,622	12,840,363	823,727	675,036	22,286,503	21,066,049
2023 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 562,559	\$ 561,092	\$12,786,790	\$ 14,419,040	\$ 743,691	\$ 584,267	\$ 29,657,439	\$ 26,751,285
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 562,559	\$ 592,461	\$10,816,074	\$ 13,638,037	\$ 490,851	\$ 651,303	\$ 26,751,285	

TOWN OF PICTURE BUTTE

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2023 SCHEDULE 3

	Budget (Unaudited)	2023	2022
TAXATION			
Real property taxes	2,289,328	2,292,822	2,109,650
	2,289,328	2,292,822	2,109,650
REQUISITIONS			
Alberta School Foundation Fund	480,383	480,384	472,857
Separate school	76,660	76,659	69,199
Seniors foundation	30,790	30,787	29,353
Designated Industrial Property	175	0	0
FCSS	15,440	15,440	14,190
	603,448	603,270	585,599
NET MUNICIPAL TAXES	\$ 1,685,880	\$ 1,689,552	\$ 1,524,051

TOWN OF PICTURE BUTTE

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2023 SCHEDULE 4

	Budget (Unaudited)	2023	2022
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 151,550	\$ 161,043	\$ 68,275
Federal Government	4,200	-	4,200
Other Local Government	392,000	394,511	428,716
Total operating transfers	547,750	555,554	501,191
TRANSFERS FOR CAPITAL:			
Other Local Government	40,825	30,887	87,448
Federal Government	160,000	147,639	160,000
Provincial Government	360,000	265,080	559,321
Total capital transfers	560,825	443,606	806,769
TOTAL GOVERNMENT TRANSFERS	\$ 1,108,575	\$ 999,160	\$ 1,307,960

TOWN OF PICTURE BUTTE

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2023 SCHEDULE 5

	Budget (Unaudited)	2023	2022
EXPENSES			
Salaries, wages and benefits	\$ 1,880,785	\$ 1,923,738	\$ 1,552,513
Contracted and general services	1,192,135	1,163,901	1,183,427
Materials, goods and utilities	1,065,625	1,192,836	1,111,585
Transfers to local boards and agencies	35,200	52,062	48,104
Bank charges and short term interest	5,300	3,508	3,870
Interest on long term debt	107,025	100,671	75,158
Amortization of tangible capital assets	-	1,258,119	1,068,831
Other		42,387	-
TOTAL EXPENSES	<u>\$ 4,286,070</u>	<u>\$ 5,737,222</u>	<u>\$ 5,043,488</u>

TOWN OF PICTURE BUTTE

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2023 SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
REVENUES							
Net Municipal Taxes	\$ 1,689,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,689,552
Government transfer	241,928	494,541	92,261	-	170,430	-	999,160
User fees and sales of goods	7,320	897,714	-	327,883	340,523	1,205,655	2,779,095
Investment income	305,910	-	-	-	-	-	305,910
Franchise fees	257,037	-	-	-	-	-	257,037
Other revenue	66,038	168,772	-	8,703	-	-	243,513
	<u>2,567,785</u>	<u>1,561,027</u>	<u>92,261</u>	<u>336,586</u>	<u>510,953</u>	<u>1,205,655</u>	<u>6,274,267</u>
EXPENSES							
Contracted and general services	77,137	165,110	113,400	28,703	196,531	583,020	1,163,901
Salaries, wages and benefits	318,144	690,365	274,035	35,515	361,355	244,324	1,923,738
Materials, goods and utilities	156,870	226,231	143,819	144,534	311,127	210,255	1,192,836
Transfers to local boards and agencies	15,440	-	-	-	36,622	-	52,062
Interest on long-term debt	-	70,712	-	-	16,409	13,550	100,671
Other expenses	3,508	-	-	-	42,387	-	45,895
	<u>571,099</u>	<u>1,152,418</u>	<u>531,254</u>	<u>208,752</u>	<u>964,431</u>	<u>1,051,149</u>	<u>4,479,103</u>
NET REVENUE BEFORE AMORTIZATION	1,996,686	408,609	(438,993)	127,834	(453,478)	154,506	1,795,164
Amortization expense	198,772	122,684	301,226	-	251,757	383,680	1,258,119
NET REVENUE	\$ 1,797,914	\$ 531,293	\$ (137,767)	\$ 127,834	\$ (201,721)	\$ 538,186	\$ 537,045

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023

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.

h) Cash and Cash Equivalents

The Town's policy is to disclose bank balances under cash, including investments with maturity dates less than three months.

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) 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.

k) Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the town reviews the carrying amount of the liability. The town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revision to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The town continues to recognize the liability unit it is settled or otherwise extinguished. Disbursements made to the settle the liability are deducted from the reported liability when they are made.

l) 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.

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance, and monitoring.

n) 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	7-25
Buildings	10-50
Engineered Structures	15-75
Machinery and Equipment	5-20
Vehicles	5-25

Amortization is charged based on the month that it is purchased in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use. Amortization is stopped in the month that the asset is taken out of use.

1) 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.

2) 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.

3) Inventories

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

4) 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

	2023	2022
Cash	\$ 781,843	\$ 2,694,946
Temporary Investments	3,646,790	3,459,207
	\$ 4,428,633	\$ 6,154,153

Temporary investments are high-interest savings accounts and notices on demand interest ranging from 0.65% to 5.35% (2022 - 0.65% to 5.35%).

Included in cash and temporary investments is a restricted amount of \$263,174 (2022 - \$384,015) received from various grant program which are held exclusively for approved projects (Note 4).

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

3. TAXES IN LIEU AND GRANTS RECEIVABLES

	2023	2022
Current taxes and grants in lieu	\$ 56,725	\$ 53,119
Arrears taxes	24,554	15,086
	\$ 81,279	\$ 68,205

4. TEMPORARY BANK INDEBTEDNESS

This temporary loan has been authorized by ATB Financial to a maximum of \$400,000 which bears interest at prime plus 1.0% per annum. Security pledged consists of a general security agreement. The balance outstanding at December 31, 2023 was nil (2022 - nil)

5. DEFERRED REVENUE

	2023	2022
Prepayment of arena sponsorships & rentals	\$ 10,869	\$ 1,500
Prepaid Taxes	28,492	29,667
Safety Training Grant	-	2,000
Dog Fountain	3,528	4,151
County Funds - Fire Equipment	-	30,887
Fire Equipment - Deferred Revenue	-	4,500
Emergency Mgmt Grant - ACP	133,851	
Municipal Sustainability Initiative - Capital grant	129,323	344,403
Federal Gas Tax Grant	-	39,613
	\$ 306,063	\$ 456,721

6. MUNICIPAL SUSTAINABILITY INITIATIVE

Funding in the amount of \$476,556 was allocated in the current year from the Municipal Sustainability Initiative. Of the \$476,556 allocated, \$340,006 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 2023. The remaining \$136,550 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 2023. Unexpended funds related to the advance are supported by temporary investments of nil held exclusively for these projects. Temporary investments are high-interest savings accounts and notices on demand

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

7. LONG-TERM DEBT

	2023	2022
Tax supported debentures & loans	<u>\$ 1,850,935</u>	<u>\$ 2,088,344</u>

The current portion of long-term debt amounts to \$221,308 (2022 - \$211,431).

	Principal	Interest	Total
2024	\$ 221,308	\$ 91,261	\$ 312,569
2025	121,991	81,854	203,845
2026	127,365	75,303	202,668
2027	106,352	68,645	174,997
2028	26,986	64,742	91,728
Thereafter	<u>1,246,933</u>	<u>908,954</u>	<u>2,155,887</u>
	<u>\$ 1,850,935</u>	<u>\$ 1,290,759</u>	<u>\$ 3,141,694</u>

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 2025 to 2052

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

Interest on long-term debt amounted to \$100,671 (2022 - \$75,158).

The Town's total cash payments for interest in 2023 were \$101,630 (2022 - \$72,941).

8. CONTAMINATED SITES LIABILITY

The town did not identify any financial liabilities in 2023 (2022 - nil) as a result of contaminated sites

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital asset cost (Schedule 2)	<u>\$ 51,943,942</u>	\$ 47,817,334
Accumulated amortization (Schedule 2)	<u>(22,286,503)</u>	(21,066,049)
Asset Retirement Obligation (Note 13)	<u>(1,455,291)</u>	
Long-term debt (Note 7)	<u>(1,850,935)</u>	(2,088,344)
	<u>\$ 26,351,213</u>	<u>\$ 24,662,941</u>

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

10. DEBT LIMITS

Section 217 of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 276 (2) for the Town be disclosed as follows:

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 8,734,430	\$ 7,239,480
Total debt	<u>1,850,935</u>	<u>2,088,344</u>
Total Unused Debt Limit	<u>\$ 6,883,495</u>	<u>\$ 5,151,136</u>
Service on debt limit	\$ 1,455,738	\$ 1,206,580
Service on debt	<u>312,569</u>	<u>314,039</u>
Total Under Service on Debt Limit	<u>\$ 1,143,169</u>	<u>\$ 892,541</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.

11. ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u>
Unrestricted surplus	\$ 2,159,030	\$ 2,242,231
Restricted surplus (Note 20)	2,988,991	3,951,942
Equity in tangible capital assets (Note 9)	<u>26,351,210</u>	<u>24,662,940</u>
	<u>\$ 31,499,231</u>	<u>\$ 30,857,113</u>

12. 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, 2023

13. ASSET RETIREMENT OBLIGATION

Asbestos abatement

The town owns building which contain asbestos and, therefore, the town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are an abatement costs in year 2030 of \$1,777,674. The estimated total liability of \$1,455,291 (2024 - 1,498,950) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 3% and assuming annual inflation of 2%. The town has not has not designated assets for settling the abatement activities.

	2023	2022
Balance, beginning of year	\$	\$
Liabilities incurred	1,412,904	
Liabilities settled		
Change in estimated cash flows		
Accretion Expenses	42,387	
Estimated total Liability	\$ 1,455,291	\$

14. FRANCHISE CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	Budget (Unaudited)	2023	2022
ATCO natural gas	\$ 102,000	\$ 94,564	\$ 104,443
Fortis electricity	150,000	162,473	156,526
	\$ 252,000	\$ 257,037	\$ 260,969

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

15. 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:

			2023	2022
	Salary (1)	Benefits & Allowances (2) & (3)	Total	Total
Mayor - C. Moore	\$ 15,850	\$ 735	\$ 16,585	\$ 16,395
Councillors:				
H. Dekok	9,600	363	9,963	10,370
T. Feist	8,650	306	8,956	9,577
C. Papworth	11,800	494	12,294	10,423
S. Thomson	6,950	275	7,225	9,260
C. Neels	1,550	58	1,608	-
CAO	119,753	25,198	137,196	137,196
Bylaw Officer, Assessor	80,476	12,640	93,116	94,401

(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, 2023

16. 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 291,259 people and 437 employers in 2022. 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 8.45% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 12.23% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$93,301 (2022 - 81,690). Total current year service contributions by the employees of the Town to the LAPP were \$82,751 (2022 - \$73,448).

At December 31, 2022, the Plan disclosed an actuarial surplus of \$12.7 billion (2021 - surplus of \$11.9 billion).

17. 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.

18. 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, 2023

19. 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:

		\$
2024		4,532
2025		4,532
		9,064

20. 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.

	2023	2022
Operating Reserves:		
Senior's Transportation	\$ 7,498	\$ 7,498
Admin Technology	58,660	41,130
Disaster Services	10,170	10,170
Ambulance Op Reserve	18,945	20,000
Common Services	88,667	88,667
Snow Removal/Storm	65,500	53,000
Water Meters	1,615	3,900
Economic Development Committee	46,232	46,232
General Operating Reserve	432,100	240,200
Policing Smoothing	42,392	48,072
Community/Senior Centre	9,952	9,952
Walk on the Wild Side Society	850	850
	782,581	569,671
Capital Reserves:		
General Capital Reserve	208,908	260,170
Administration - Building/Equipment	111,946	175,256
Emergency Services	750,285	903,981
Public Works	31,400	23,400
Streets/Sidewalk/Strom	186,595	168,210
Water	126,320	119,040
Sewer	342,202	316,551
Garbage - Equipment	25,321	19,650
Land Development	48,090	1,201,370
Swimming Pool	41,800	39,800
Parks - Equipment	187,378	64,278
Recreation complex	90,665	71,665
Community Centre/Library	55,500	18,900
	2,206,410	3,382,271
Total Reserves:	2,988,991	3,951,942

TOWN OF PICTURE BUTTE

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

21. BUDGET AMOUNTS

The 2023 budget for the Town of Picture Butte was approved by Council on February 27, 2023 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	\$ 1,007,970
Less: Capital expenditures	(2,640,220)
Less: Long-term debt repayments	(211,430)
Transfer to reserves	(405,715)
Add: Amortization - not included in budget	-
Funds from unrestricted reserve	-
Transfer to operating	170,000
Borrowed funds	497,250
Transfer to capital	<u>1,582,145</u>
Equals: approved budget	<u>\$ -</u>

22. 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.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.