

TOWN OF OYEN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Independent Auditors' Report

TO THE MAYOR AND COUNCIL OF THE TOWN OF OYEN

Opinion

We have audited the accompanying financial statements of the Town of Oyen, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets and cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Oyen as at December 31, 2018, 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

Comparative Figures

An unqualified audit opinion for the comparative figures was provided by another firm of Chartered Professional Accountants on May 9, 2018.

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 of Oyen 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 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 accounting standards for private enterprises, 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 of Oyen'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 of Oyen or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town of Oyen's financial reporting process.

Auditors' Responsibility 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 non-consolidated 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 non-consolidated 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 Company'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 non-consolidated 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 of Oyen 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.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town of Oyen's debt limit can be found in note 9.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and not the information required can be found in note 14.

Johnston Morrison Hunter & Co. Professional Corporation

Chartered Professional Accountants
Brooks, Alberta
April 29, 2019

TOWN OF OYEN

**Statement of Financial Position
December 31, 2018**

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash and temporary investments (Note 2) | 663,064 | 530,711 |
| Taxes and grants in place of taxes (Note 3) | 94,821 | 92,601 |
| Trade and other receivables | 359,551 | 347,616 |
| Land held for resale | 294,558 | 293,996 |
| Loans receivable (Note 4) | 495,714 | 495,714 |
| Investments (Note 5) | 5,602 | - |
| TOTAL FINANCIAL ASSETS | <u>1,913,310</u> | <u>1,760,638</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 215,439 | 146,884 |
| Deposit liabilities | 1,329 | 1,501 |
| Deferred revenue (Note 6) | 595,437 | 474,374 |
| Long-term debt (Note 8) | 1,384,957 | 1,457,073 |
| TOTAL LIABILITIES | <u>2,197,162</u> | <u>2,079,832</u> |
| NET FINANCIAL ASSETS (DEBT) | <u>(283,852)</u> | <u>(319,194)</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 10) | 22,544,649 | 22,995,863 |
| Prepaid expenses | 11,772 | 6,509 |
| | <u>22,556,421</u> | <u>23,002,372</u> |
| ACCUMULATED SURPLUS (NOTE 12) | <u>22,272,569</u> | <u>22,683,178</u> |
| CONTINGENCIES (NOTE 18) | | |

TOWN OF OYEN

Statement of Operations
For The Year Ended December 31, 2018

| | Budget | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| REVENUE | | | |
| Net taxes, Schedule 3 | 1,141,855 | 1,147,882 | 1,121,888 |
| Government transfers, Schedule 4 | 399,848 | 329,113 | 333,170 |
| Investment income | - | 1,746 | 964 |
| User fees and sale of goods | 1,006,260 | 1,033,937 | 894,269 |
| Penalties and costs on taxes | 13,000 | 19,875 | 15,718 |
| Franchise and concession contracts | 177,000 | 171,308 | 185,327 |
| Other | 82,500 | 45,334 | 257,952 |
| Total Revenue | <u>2,820,463</u> | <u>2,749,195</u> | <u>2,809,288</u> |
| EXPENSES | | | |
| Legislative | 74,535 | 94,905 | 83,330 |
| Administration | 458,809 | 483,131 | 403,778 |
| Fire, ambulance and bylaws enforcement | 118,488 | 90,722 | 122,096 |
| Roads, streets, walks and lighting | 591,139 | 668,214 | 597,422 |
| Water and wastewater | 953,130 | 888,041 | 933,592 |
| Waste management | 214,003 | 215,828 | 206,200 |
| Recreation and parks | 779,985 | 744,566 | 766,628 |
| Other | 299,815 | 285,100 | 272,177 |
| Total Expenses | <u>3,489,904</u> | <u>3,470,507</u> | <u>3,385,223</u> |
| EXCESS OF EXPENSES OVER REVENUE | | | |
| BEFORE OTHER, Schedule 6 | (669,441) | (721,312) | (575,935) |
| OTHER | | | |
| Contributed assets | - | - | - |
| Government transfers for capital, Schedule 4 | 1,264,891 | 310,703 | 419,498 |
| EXCESS OF EXPENSES OVER REVENUE | <u>595,450</u> | <u>(410,609)</u> | <u>(156,437)</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>22,683,178</u> | <u>22,683,178</u> | <u>22,839,615</u> |
| ACCUMULATED SURPLUS, END OF YEAR, Schedule 1 | <u>23,278,628</u> | <u>22,272,569</u> | <u>22,683,178</u> |

TOWN OF OYEN

**Statement of Change in Net Financial Assets (Debt)
 For The Year Ended December 31, 2018**

| | Budget | 2018 | 2017 |
|---|---------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| EXCESS OF REVENUE OVER EXPENSES | 595,450 | (410,609) | (156,437) |
| Acquisition of tangible capital assets | (2,143,500) | (335,825) | (470,793) |
| Proceeds on disposal of tangible capital assets | - | 5,000 | - |
| Contributed tangible capital assets | - | - | - |
| Amortization of tangible capital assets | 775,123 | 787,039 | 792,199 |
| (Gain) loss on sale of tangible capital assets | - | (5,000) | - |
| | <u>(1,368,377)</u> | <u>451,214</u> | <u>321,406</u> |
| Acquisition of prepaid expenses | - | (5,263) | (6,509) |
| Use of prepaid assets | - | - | - |
| | <u>-</u> | <u>(5,263)</u> | <u>(6,509)</u> |
| (DECREASE) INCREASE IN NET ASSETS | (772,927) | 35,342 | 158,460 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | (319,194) | (319,194) | (477,654) |
| NET FINANCIAL ASSETS, END OF YEAR | <u>(1,092,121)</u> | <u>(283,852)</u> | <u>(319,194)</u> |

TOWN OF OYEN

**Statement of Cash Flows
For The Year Ended December 31, 2018**

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | (410,609) | (156,437) |
| Non-cash items included in excess of expenses over revenue: | | |
| Amortization of tangible capital assets | 787,039 | 792,199 |
| Gain on disposal of tangible capital assets | (5,000) | - |
| Non-cash charges to operations (net change): | | |
| (Increase) in taxes and grants in place of taxes | (2,220) | (44,640) |
| (Increase) decrease in trade and other receivables | (11,935) | 48,409 |
| (Increase) in land held for resale | (562) | (11,166) |
| Increase in accounts payable and accrued liabilities | 68,555 | 22,802 |
| (Decrease) in deposit liabilities | (172) | (572) |
| (Increase) in prepaid expenses | (5,263) | (6,509) |
| CASH PROVIDED BY OPERATING TRANSACTIONS | <u>419,833</u> | <u>644,086</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (335,825) | (470,793) |
| Proceeds on sale of tangible capital assets | 5,000 | - |
| CASH APPLIED TO CAPITAL TRANSACTIONS | <u>(330,825)</u> | <u>(470,793)</u> |
| INVESTING ACTIVITIES | | |
| Increase in investments | (5,602) | - |
| Loans receivable advanced | - | (495,714) |
| CASH APPLIED TO INVESTING TRANSACTIONS | <u>(5,602)</u> | <u>(495,714)</u> |
| FINANCING ACTIVITIES | | |
| Long-term debt issued | - | - |
| Long-term debt repaid | (72,116) | (79,437) |
| CASH APPLIED TO FINANCING TRANSACTIONS | <u>(72,116)</u> | <u>(79,437)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | 11,290 | (401,858) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>56,337</u> | <u>458,195</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>67,627</u> | <u>56,337</u> |
| CASH AND CASH EQUIVALENTS ARE MADE UP OF: | | |
| Cash and temporary investments (Note 2) | 663,064 | 530,711 |
| Less: restricted portion of cash and temporary investments | (595,437) | (474,374) |
| | <u>67,627</u> | <u>56,337</u> |

TOWN OF OYEN

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 |
|---|-------------------------|-----------------------|---|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 836,788 | 307,600 | 21,538,790 | 22,683,178 | 22,839,615 |
| Excess (deficiency) of revenues over expenses | (410,609) | - | - | (410,609) | (156,437) |
| Restricted funds used for operations | - | (10,122) | 10,122 | - | - |
| Current year funds used for tangible capital assets | (325,703) | - | 325,703 | - | - |
| Annual amortization expense | 787,039 | - | (787,039) | - | - |
| Long term debt repaid | (72,116) | - | 72,116 | - | - |
| Change in accumulated surplus | (21,389) | (10,122) | (379,098) | (410,609) | (156,437) |
| Balance, end of year | <u>815,399</u> | <u>297,478</u> | <u>21,159,692</u> | <u>22,272,569</u> | <u>22,683,178</u> |

TOWN OF OYEN

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 |
|--|----------------|-------------------|-------------------|-----------------------|-----------------------|----------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost: | | | | | | | | |
| Balance, beginning of year | 701,779 | 1,364,213 | 11,505,887 | 23,817,865 | 773,410 | 480,662 | 38,643,816 | 38,173,023 |
| Acquisition of tangible capital assets | - | - | - | 44,625 | 108,562 | - | 153,187 | 470,793 |
| Construction-in-progress | - | - | - | 182,638 | - | - | 182,638 | - |
| Disposal of tangible capital assets | - | - | - | - | (55,233) | - | (55,233) | - |
| Balance, end of year | <u>701,779</u> | <u>1,364,213</u> | <u>11,505,887</u> | <u>24,045,128</u> | <u>826,739</u> | <u>480,662</u> | <u>38,924,408</u> | <u>38,643,816</u> |
| Accumulated Amortization: | | | | | | | | |
| Balance, beginning of year | - | 883,704 | 3,426,303 | 10,390,348 | 539,292 | 408,306 | 15,647,953 | 14,855,754 |
| Annual amortization | - | 29,963 | 240,589 | 458,653 | 42,536 | 15,298 | 787,039 | 792,199 |
| Accumulated amortization on disposals | - | - | - | - | (55,233) | - | (55,233) | - |
| Balance, end of year | - | <u>913,667</u> | <u>3,666,892</u> | <u>10,849,001</u> | <u>526,595</u> | <u>423,604</u> | <u>16,379,759</u> | <u>15,647,953</u> |
| Net Book Value of Tangible Capital Assets | <u>701,779</u> | <u>450,546</u> | <u>7,838,995</u> | <u>13,196,127</u> | <u>300,144</u> | <u>57,058</u> | <u>22,544,649</u> | <u>22,995,863</u> |

TOWN OF OYEN

**Schedule of Property And Other Taxes
For The Year Ended December 31, 2018
Schedule 3**

| | Budget | 2018 | 2017 |
|--|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| TAXATION | | | |
| Real property taxes | 1,348,432 | 1,345,546 | 1,327,688 |
| Power, pipe, cable T.V. and other taxes | 29,087 | 38,000 | 29,086 |
| Government grants in place of property taxes | 33,783 | 33,783 | 33,102 |
| | <u>1,411,302</u> | <u>1,417,329</u> | <u>1,389,876</u> |
| REQUISITIONS | | | |
| School foundation program | 232,134 | 232,134 | 224,186 |
| Acadia seniors foundation | 37,313 | 37,313 | 43,802 |
| | <u>269,447</u> | <u>269,447</u> | <u>267,988</u> |
| NET TAXES | <u><u>1,141,855</u></u> | <u><u>1,147,882</u></u> | <u><u>1,121,888</u></u> |

TOWN OF OYEN

**Schedule of Government Transfers
For The Year Ended December 31, 2018
Schedule 4**

| | Budget | 2018 | 2017 |
|-----------------------------------|-------------------------|-----------------------|-----------------------|
| | \$ | \$ | \$ |
| TRANSFERS FOR OPERATING | | | |
| Provincial government | 187,893 | 117,753 | 132,107 |
| Federal government | 4,896 | 6,528 | 6,588 |
| Other local governments | 207,059 | 204,832 | 194,475 |
| | <u>399,848</u> | <u>329,113</u> | <u>333,170</u> |
| TRANSFERS FOR CAPITAL | | | |
| Provincial government | 861,891 | 290,709 | 419,498 |
| Federal government | 303,000 | - | - |
| Other local governments | 100,000 | 19,994 | - |
| | <u>1,264,891</u> | <u>310,703</u> | <u>419,498</u> |
| TOTAL GOVERNMENT TRANSFERS | <u><u>1,664,739</u></u> | <u><u>639,816</u></u> | <u><u>752,668</u></u> |

TOWN OF OYEN

**Schedule of Expenses by Object
For The Year Ended December 31, 2018
Schedule 5**

| | Budget | 2018 | 2017 |
|--|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| EXPENDITURES | | | |
| Salaries, wages and benefits | 923,284 | 956,499 | 835,477 |
| Contracted and general services | 774,014 | 742,243 | 725,671 |
| Materials, goods and utilities | 809,039 | 781,031 | 824,388 |
| Transfers to local boards and agencies | 165,566 | 161,456 | 161,789 |
| Interest on long-term debt | 42,878 | 42,239 | 45,699 |
| Amorization of tangible capital assets | 775,123 | 787,039 | 792,199 |
| | | | |
| TOTAL EXPENDITURES | 3,489,904 | 3,470,507 | 3,385,223 |
| | | | |

TOWN OF OYEN

Schedule of Segmented Disclosure
For The Year Ended December 31, 2018
Schedule 6

| | General Government | Protective Services | Transportation Services | Water & Waste Management | Planning & Development | Recreation & Culture | Other | Total |
|----------------------------------|--------------------|---------------------|-------------------------|--------------------------|------------------------|----------------------|-----------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue: | | | | | | | | |
| Net municipal taxes | 1,147,882 | - | - | - | - | - | - | 1,147,882 |
| Government transfers | - | 10,000 | - | - | 20,000 | 218,946 | 80,167 | 329,113 |
| User fees and sales of goods | 188 | 37,987 | 3,974 | 813,812 | 57,720 | 114,349 | 5,907 | 1,033,937 |
| Investment income | 1,746 | - | - | - | - | - | - | 1,746 |
| Penalties and costs on taxes | 19,875 | - | - | - | - | - | - | 19,875 |
| Franchise contracts | 171,308 | - | - | - | - | - | - | 171,308 |
| Other revenues | 13,119 | - | - | - | 15,000 | 17,215 | - | 45,334 |
| | <u>1,354,118</u> | <u>47,987</u> | <u>3,974</u> | <u>813,812</u> | <u>92,720</u> | <u>350,510</u> | <u>86,074</u> | <u>2,749,195</u> |
| Expenses: | | | | | | | | |
| Salaries & wages | 360,878 | 14,915 | 155,017 | 78,803 | 37,912 | 303,157 | 5,817 | 956,499 |
| Contract & general services | 171,011 | 23,022 | 88,135 | 318,338 | 23,303 | 114,039 | 4,395 | 742,243 |
| Goods & supplies | 29,652 | 15,166 | 184,175 | 404,183 | 3,121 | 139,869 | 4,865 | 781,031 |
| Transfers to local boards | 760 | - | - | - | 31,415 | 24,576 | 104,705 | 161,456 |
| Long-term debt interest | - | - | 764 | 6,906 | 34,209 | 360 | - | 42,239 |
| | <u>562,301</u> | <u>53,103</u> | <u>428,091</u> | <u>808,230</u> | <u>129,960</u> | <u>582,001</u> | <u>119,782</u> | <u>2,683,468</u> |
| Net revenue, before amortization | 791,817 | (5,116) | (424,117) | 5,582 | (37,240) | (231,491) | (33,708) | 65,727 |
| Amortization expense | (15,735) | (35,285) | (242,455) | (295,637) | - | (197,302) | (625) | (787,039) |
| Net Revenue | <u>776,082</u> | <u>(40,401)</u> | <u>(666,572)</u> | <u>(290,055)</u> | <u>(37,240)</u> | <u>(428,793)</u> | <u>(34,333)</u> | <u>(721,312)</u> |

TOWN OF OYEN

Notes to the Financial Statements For The Year Ended December 31, 2018

1. Significant Accounting Policies

The financial statements of the Town of Oyen are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Town of Oyen are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the Town of Oyen.

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.

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 and 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.

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 revenues and expenditures 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.

Cash and Cash Equivalents

The municipality's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

TOWN OF OYEN

Notes to the Financial Statements For The Year Ended December 31, 2018

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.

Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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.

Inventories for Resale

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

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.

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.

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 revenue over expenses, provides the Change in Net Financial Assets (Debt) for the year.

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

Significant Accounting Policies (Continued)

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 | 50 |
| Engineered structures | |
| Roadway system | 25 |
| Water system | 15 - 75 |
| Wastewater system | 75 |
| Machinery and equipment | 5 - 20 |
| Vehicles | 10 |

Assets under construction are not amortized until the asset is available for productive use.

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.

Contaminated Site 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 a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

Significant Accounting Policies (Continued)

Measurement of Financial Instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. Cash and Temporary Investments

| | 2018 | 2017 |
|---|----------------|----------------|
| | \$ | \$ |
| Cash | 593,942 | 462,711 |
| ATB Financial guaranteed investment certificate | <u>69,122</u> | <u>68,000</u> |
| | <u>663,064</u> | <u>530,711</u> |

The guarantee investment certificate has an effective interest rate of 1.65% and matures January 9, 2019.

Included in the above are restricted amounts of \$595,437 (2017 - \$474,374) received from external sources and held exclusively for operating and capital projects .

TOWN OF OYEN

**Notes to the 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 | 48,639 | 47,419 |
| Non-current taxes and grants in place of taxes | <u>46,182</u> | <u>45,182</u> |
| | <u><u>94,821</u></u> | <u><u>92,601</u></u> |

4. Loans Receivable

During 2017, loans were advanced to the railyard project. Furthermore, during 2018 the railyard project was incorporated as the Special Areas and Oyen Development Corporation and a general security agreement was put in place. Based on the terms of the agreement, the loans advanced by the Town of Oyen are due on demand with interest to be calculated at prime plus 5%. To date, no repayments have been made by the Special Areas and Oyen Development Corporation and no interest has been calculated or accrued by the Town of Oyen.

5. Investments

| | 2018 | 2017 |
|--------------------|--------------|----------|
| | \$ | \$ |
| UFA equity account | <u>5,602</u> | <u>-</u> |

6. Deferred Revenue

| | 2018 | 2017 |
|---|----------------|----------------|
| | \$ | \$ |
| Operating and capital project unspent funds | <u>595,437</u> | <u>474,374</u> |

Operating and capital project unspent funds were received from external sources and have not been expended in the current year. The use of these funds is restricted to eligible projects which are scheduled for completion in 2019.

7. Contaminated Sites Liability

The town has adopted PS3260 Liability for Contaminated Sites. The town is currently not aware of any contaminated sites.

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

8. Long-Term Debt

| | 2018 | 2017 |
|--------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Tax supported debentures | 1,350,388 | 1,404,323 |
| Finance contracts | <u>34,569</u> | <u>52,750</u> |
| | <u>1,384,957</u> | <u>1,457,073</u> |

The current portion of long-term debt is \$69,089 (2017 - \$70,684).

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|-------------|-------------------------|-----------------------|-------------------------|
| | \$ | \$ | \$ |
| 2019 | 69,089 | 40,727 | 109,816 |
| 2020 | 70,795 | 38,835 | 109,630 |
| 2021 | 54,901 | 37,095 | 91,996 |
| 2022 | 56,455 | 35,540 | 91,995 |
| 2023 | 58,055 | 33,940 | 91,995 |
| 2024 and on | <u>1,075,662</u> | <u>306,021</u> | <u>1,381,683</u> |
| | <u>1,384,957</u> | <u>492,158</u> | <u>1,877,115</u> |

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.15% to 3.245% per annum and matures in periods through 2041. The average annual interest rate is 3% for 2018. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Oyen at large.

The finance contracts are repayable in combined monthly instalments of \$1,485, including principal and interest calculated at prime less .25%, due December, 2020.

Interest on long-term debt amounted to \$42,239 (2017 - \$45,699). The Town's total cash payments for interest in 2018 were \$42,934 (2017 - \$45,699).

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

9. Debt Limits

Section 276 [2] of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Oyen be disclosed as follows:

| | 2018 | 2017 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Total debt limit | 4,123,793 | 4,235,465 |
| Total debt | <u>1,384,957</u> | <u>1,457,073</u> |
| Amount of debt limit unused | <u>2,738,836</u> | <u>2,778,392</u> |
| Debt servicing limit | 687,299 | 705,911 |
| Debt servicing | <u>109,816</u> | <u>113,566</u> |
| Amount of debt servicing limit unused | <u>577,483</u> | <u>592,345</u> |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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. Tangible Capital Assets

| | 2018 | 2017 |
|-------------------------|-------------------|-------------------|
| Net Book Value | \$ | \$ |
| Land | 701,779 | 701,779 |
| Land improvements | 450,546 | 480,509 |
| Buildings | 7,838,995 | 8,079,584 |
| Engineered structures | | |
| Roadway system | 3,221,181 | 3,187,299 |
| Water system | 9,046,756 | 9,288,041 |
| Wastewater system | 928,190 | 952,177 |
| Machinery and equipment | 300,144 | 234,118 |
| Vehicles | <u>57,058</u> | <u>72,356</u> |
| | <u>22,544,649</u> | <u>22,995,863</u> |

TOWN OF OYEN

**Notes to the Financial Statements
 For The Year Ended December 31, 2018**

11. Equity in Tangible Capital Assets

| | 2018 | 2017 |
|--------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Tangible capital assets, Schedule 2 | 38,924,408 | 38,643,816 |
| Accumulated amortization, Schedule 2 | (16,379,759) | (15,647,953) |
| Long term debt (Note 8) | <u>(1,384,957)</u> | <u>(1,457,073)</u> |
| | <u>21,159,692</u> | <u>21,538,790</u> |

12. Accumulated Surplus

Accumulated surplus consists of unrestricted and restricted amounts and equity in tangible capital assets as follows:

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Unrestricted surplus | 815,399 | 836,788 |
| Restricted surplus | | |
| Rate stabilization | 110,471 | 110,471 |
| General operations | 187,007 | 197,129 |
| Equity in tangible capital assets | <u>21,159,692</u> | <u>21,538,790</u> |
| | <u>22,272,569</u> | <u>22,683,178</u> |

13. Segmented Disclosure

The Town of Oyen 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 OYEN

**Notes to the Financial Statements
 For The Year Ended December 31, 2018**

14. Salary and Benefits Disclosure

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

| | 2018 | | 2017 | |
|---------------------------|----------------|-------------------------|----------------|----------------|
| | Salary | Benefits and allowances | Total | Total |
| | \$ | \$ | \$ | \$ |
| Mayor | | | | |
| Doug Jones - Town of Oyen | 7,205 | 4,517 | 11,722 | 12,547 |
| Doug Jones - Railroad | 19,125 | 13,439 | 32,564 | 42,063 |
| Councillors | | | | |
| Jack Hauck | 2,285 | 654 | 2,939 | 2,890 |
| Blake Hertz | 4,825 | 905 | 5,730 | 2,868 |
| Ed Hogan | 6,120 | 1,230 | 7,350 | 735 |
| Joseph Lazzari | 5,120 | 915 | 6,035 | 8,177 |
| Doug Lehman | 430 | - | 430 | 2,738 |
| James Walker | 3,820 | 767 | 4,587 | 1,365 |
| Stacey Wiechnik | 10,135 | 1,275 | 11,410 | 12,528 |
| Municipal administrator | <u>126,825</u> | <u>17,097</u> | <u>143,922</u> | <u>105,048</u> |
| | <u>131,816</u> | <u>40,799</u> | <u>168,900</u> | <u>190,959</u> |

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems 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, healthcare, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, tuition, travel and subsistence.

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

15. Financial Instruments

The Town's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities, deferred revenue, and long-term debt. It is management's opinion that the Town is not exposed to significant currency risk arising from these financial statements.

The Town is subject to interest rate risk. Interest rate risk is the risk that the liability associated with a financial instrument will fluctuate due to changes in market rates of interest. The Town is exposed to interest rate risk because of its bank indebtedness being incurred at a variable rate of interest.

The Town is subject to credit risk with respect to taxes and grants in place of taxes 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 fair value of the financial instruments approximates their carrying values.

16. Local Authorities Pension Plan

Employees of the Town of Oyen participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Town of Oyen is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada 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.

Total current service contributions of the Town of Oyen to the LAPP in 2018 were \$40,274 (2017 - \$49,120).

Total current service contributions by the employees of the Town of Oyen to the LAPP in 2018 were \$36,532 (2017 - \$44,986).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.853 million.

17. Commitments

In 2008, the Town of Oyen entered into a memorandum of understanding with the Acadia Foundation. In doing so, the Town of Oyen agreed to share the future borrowing costs related to the Acadia Foundation Building Expansion Project. The Town of Oyen's share of the borrowing is estimated at \$97,972 principal plus interest. The Town of Oyen is amortizing this debt over 25 years.

In 2018, the Town of Oyen approved a funding request from the Hanna Firefighters Association. In doing so, the Town of Oyen agreed to a funding commitment of \$61,320 in total, payable in annual instalments over the next 5 years.

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

18. Contingencies

The Town of Oyen 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.

19. Related Party Transactions

During 2018, the Town of Oyen was issued shares in the Special Areas and Oyen Development Corporation, an Alberta non-profit corporation. As the non-profit had yet to establish its own bank account, the Town of Oyen paid expenses of \$433,334 and collected revenues of \$358,400 on its behalf. Furthermore, the salary and benefits of \$32,564 paid to Mayor Doug Jones (see Note 14) was charged directly to the non-profit corporation. At year-end, the non-profit corporation owes the Town of Oyen a net amount of \$74,934 which is included in trade and other receivables on the statement of financial position and is subject to normal trade terms. In addition, the Town of Oyen has advanced loans receivable to the Special Areas and Oyen Development Corporation, the terms of which are disclosed in Note 4.

20. Budgeted Figures

The budgeted figures have not been audited and are presented for information purposes only.

21. Comparative Figures

The comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

22. Approval of Financial Statements

These financial statements were approved by Council and Administration on April 29, 2019.