

TOWN OF OYEN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

## **Management's Responsibility**

To the Members of Council:

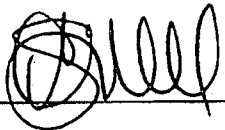
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

May 2, 2018

A handwritten signature in black ink, consisting of a circular scribble followed by several vertical, wavy lines, positioned above a horizontal line.

**Management**

## Auditor's Report

To the Members of Council:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Town of Oyen, which comprise the statement of financial position at December 31, 2017, the statements of operations, changes in net financial assets, cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Oyen as at December 31, 2017, and the results of its operations, changes in its net financial debt 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 public accountants on April 12, 2017.

Medicine Hat, Alberta  
May 9, 2018

*MNP LLP*

Chartered Professional Accountants

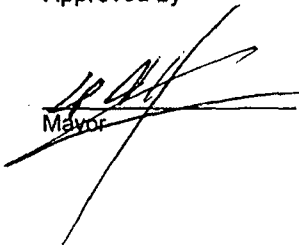
**MNP**

**Town of Oyen**  
**Statement of Financial Position**  
As at December 31, 2017

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	462,711	1,311,826
Portfolio investments (Note 2)	68,000	-
Receivables		
Taxes and grants in place of taxes (Note 3)	92,601	47,961
Trade and other accounts receivable	361,971	396,025
Land held for resale inventory	293,996	282,830
Loans receivable	495,714	-
	<b>1,774,993</b>	<b>2,038,642</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	146,884	127,667
Deposit liabilities (Note 4)	1,501	2,073
Deferred revenue (Note 5)	474,374	853,631
Long term debt (Note 6)	1,457,073	1,536,510
	<b>2,079,832</b>	<b>2,519,881</b>
<b>NET FINANCIAL DEBT</b>	<b>(304,839)</b>	<b>(481,239)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	22,995,863	23,317,269
Prepaid expenses	6,509	3,585
	<b>23,002,372</b>	<b>23,320,854</b>
<b>ACCUMULATED SURPLUS (Schedule I, Note 10)</b>	<b>22,697,533</b>	<b>22,839,615</b>

*Commitments and contingencies - See Notes 14 and 15*

Approved by

  
\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Councillor

*The accompanying notes are an integral part of these financial statements*

**Town of Oyen**  
**Statement of Operations**

For the year ended December 31, 2017

	Budget	2017	2016
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	1,116,726	1,121,888	1,078,036
User fees and sales of goods	854,325	894,269	1,028,868
Government transfers for operating (Schedule IV)	340,997	333,170	453,596
Investment income	-	964	45
Penalties and costs of taxes	13,000	15,718	11,799
Licenses and permits	-	9,273	-
Franchise and concession contracts	178,556	185,327	167,050
Other	248,700	263,034	140,150
	<b>2,752,304</b>	<b>2,823,643</b>	<b>2,879,544</b>
<b>EXPENSES</b>			
Legislative	83,985	83,330	87,026
Administrative	446,604	403,778	419,911
Fire, ambulance, and bylaws enforcement	118,745	122,096	83,026
Roads, streets, walks, and lighting	634,722	597,422	656,608
Water and wastewater	923,949	933,592	798,320
Waste management	211,265	206,200	207,489
Recreation and parks	852,131	766,628	756,751
Land use planning, zoning and development	297,313	272,177	271,202
	<b>3,568,714</b>	<b>3,385,223</b>	<b>3,280,333</b>
<b>SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>(816,410)</b>	<b>(561,580)</b>	<b>(400,789)</b>
<b>OTHER</b>			
Gain (loss) on disposal of tangible capital assets	91,996	-	-
Government transfers for capital (Schedule IV)	27,000	419,498	412,498
	<b>118,996</b>	<b>419,498</b>	<b>412,498</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>(697,414)</b>	<b>(142,082)</b>	<b>11,709</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>22,839,615</b>	<b>22,839,615</b>	<b>22,827,906</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>22,142,201</b>	<b>22,697,533</b>	<b>22,839,615</b>

The accompanying notes are an integral part of these financial statements

**Town of Oyen**  
**Statement of Changes in Net Financial Debt**

For the year ended December 31, 2017

	Budget	2017	2016
<b>EXCESS OF REVENUE OVER EXPENSES</b>	(697,414)	(142,082)	11,709
Acquisition of tangible capital assets	-	(470,793)	(1,360,745)
Proceeds on disposal of tangible capital assets	-	-	2,625
Amortization of tangible capital assets	140,481	792,199	781,233
Loss (gain) on sale of tangible capital assets	-	-	(2,625)
Use (acquisition) of prepaid assets	140,481	321,406	(579,513)
	-	(2,924)	(3,585)
<b>(INCREASE) DECREASE IN NET FINANCIAL DEBT</b>	(556,933)	176,400	(571,389)
<b>NET FINANCIAL DEBT, BEGINNING OF YEAR</b>	(481,239)	(481,239)	90,150
<b>NET FINANCIAL DEBT, END OF YEAR</b>	(1,038,172)	(304,839)	(481,239)

*The accompanying notes are an integral part of these financial statements*

**Town of Oyen**  
**Statement of Cash Flows**  
For the year ended December 31, 2017

	2017	2016
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expense	(142,082)	11,709
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	792,199	781,233
Loss (gain) on disposal of tangible capital assets	-	(2,625)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(44,640)	(16,182)
Decrease (increase) in trade and other accounts receivable	34,054	(144,891)
Decrease (increase) in land held for resale	(11,166)	(54,192)
Decrease (increase) in prepaid expenses	(2,924)	-
Increase (decrease) in accounts payable and accrued liabilities	19,217	(171,520)
Increase (decrease) in deposit liabilities	(572)	(905)
Increase (decrease) in deferred revenue	-	287,396
Cash provided by operating transactions	644,086	690,023
<b>CAPITAL</b>		
Proceeds on sale of tangible capital assets	-	2,625
Acquisition of tangible capital assets	(470,793)	(1,360,745)
Cash applied to capital transactions	(470,793)	(1,358,120)
<b>INVESTING</b>		
Loans receivable advanced	(495,714)	(287,396)
<b>FINANCING</b>		
Long-term debt issued	-	1,450,000
Long-term debt repaid	(79,437)	(42,367)
Cash provided by (applied to) financing transactions	(79,437)	1,407,633
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(401,858)</b>	<b>452,140</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>458,195</b>	<b>6,055</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>56,337</b>	<b>458,195</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	530,711	1,311,826
Less: restricted portion of cash and temporary investments (Note 2)	(474,374)	(853,631)
	56,337	458,195

The accompanying notes are an integral part of these financial statements

**Town of Oyen**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
<b>BALANCE, BEGINNING OF YEAR</b>	<b>776,256</b>	<b>282,600</b>	<b>21,780,759</b>	<b>22,839,615</b>	<b>22,827,906</b>
Excess of revenue over expenses	(142,082)	-	-	(142,082)	11,709
Transfers to reserves	(25,000)	25,000	-	-	-
Current year funds used for tangible capital assets	(470,793)	-	470,793	-	-
Annual amortization expense	792,199	-	(792,199)	-	-
Long-term debt repaid	(79,437)	-	79,437	-	-
Change in accumulated surplus	74,887	25,000	(241,969)	(142,082)	11,709
<b>BALANCE, END OF YEAR</b>	<b>851,143</b>	<b>307,600</b>	<b>21,538,790</b>	<b>22,697,533</b>	<b>22,839,615</b>

*The accompanying notes are an integral part of these financial statements*



**Town of Oyen**  
**Schedule II - Schedule of Tangible Capital Assets**  
For the year ended December 31, 2017

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2017	2016
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	701,779	1,364,213	11,494,469	23,363,490	768,410	480,662	<b>38,173,023</b>	36,847,812
Acquisition of tangible capital assets	-	-	11,418	454,375	5,000	-	<b>470,793</b>	1,322,921
Construction-in-progress	-	-	-	-	-	-	-	37,824
Disposal of tangible capital assets	-	-	-	-	-	-	-	(35,534)
BALANCE, END OF YEAR	701,779	1,364,213	11,505,887	23,817,865	773,410	480,662	<b>38,643,816</b>	38,173,023
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	840,186	3,165,694	9,961,506	497,160	391,208	<b>14,855,754</b>	14,110,055
Annual amortization	-	43,518	260,609	428,842	42,132	17,098	<b>792,199</b>	781,233
Accumulated amortization on disposals	-	-	-	-	-	-	-	(35,534)
BALANCE, END OF YEAR	-	883,704	3,426,303	10,390,348	539,292	408,306	<b>15,647,953</b>	14,855,754
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>701,779</b>	<b>480,509</b>	<b>8,079,584</b>	<b>13,427,517</b>	<b>234,118</b>	<b>72,356</b>	<b>22,995,863</b>	23,317,269
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	701,779	524,027	8,328,775	13,401,984	271,250	89,454	23,317,269	

The accompanying notes are an integral part of these financial statements

**Town of Oyen**  
**Schedule III - Schedule of Net Municipal Taxes**

For the year ended December 31, 2017

	Budget	2017	2016
<b>TAXATION</b>			
Real property taxes	1,322,610	<b>1,327,688</b>	1,282,103
Linear property taxes	29,033	<b>29,086</b>	28,659
Government grants in lieu of property taxes	33,072	<b>33,102</b>	30,978
	<b>1,384,715</b>	<b>1,389,876</b>	<b>1,341,740</b>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	224,187	<b>224,186</b>	216,550
Seniors Foundation	43,802	<b>43,802</b>	47,154
	<b>267,989</b>	<b>267,988</b>	<b>263,704</b>
<b>NET MUNICIPAL TAXES</b>	<b>1,116,726</b>	<b>1,121,888</b>	<b>1,078,036</b>

*The accompanying notes are an integral part of these financial statements*

**Town of Oyen**  
**Schedule IV - Schedule of Government Transfers**

For the year ended December 31, 2017

	Budget	2017	2016
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	134,459	<b>132,107</b>	250,507
Federal Government	6,588	<b>6,588</b>	8,064
Other Local Governments	199,950	<b>194,475</b>	195,025
	<b>340,997</b>	<b>333,170</b>	453,596
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	27,000	<b>419,498</b>	273,324
Federal Government	-	-	139,174
	<b>27,000</b>	<b>419,498</b>	412,498
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>367,997</b>	<b>752,668</b>	866,094

*The accompanying notes are an integral part of these financial statements*

**Town of Oyen**  
**Schedule V - Schedule of Expenses by Object**  
For the year ended December 31, 2017

	Budget	2017	2016
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	917,758	<b>835,477</b>	861,482
Contracted and general services	831,334	<b>725,671</b>	769,729
Materials, goods and utilities	995,667	<b>968,481</b>	672,841
Transfers to local boards and agencies	31,815	<b>53,157</b>	187,008
Bank charges and long-term interest	10,706	<b>10,238</b>	8,040
Amortization of tangible capital assets	781,435	<b>792,199</b>	781,233
	<b>3,568,715</b>	<b>3,385,223</b>	3,280,333

*The accompanying notes are an integral part of these financial statements*

**Town of Oyen**  
**Schedule VI - Schedule of Segmented Disclosure**  
For the year ended December 31, 2017

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Water & Waste Management	Other	Total
<b>REVENUE</b>								
Net municipal taxes	1,121,887	-	-	-	-	-	-	1,121,887
Government transfers	60,167	10,000	385,305	-	235,696	-	61,500	752,668
User fees and sales of goods	960	57,373	8,928	-	-	823,384	3,625	894,270
Investment income	964	-	-	-	-	-	-	964
Other revenues	53,521	201,572	-	10,000	121,430	-	86,829	473,352
	1,237,499	268,945	394,233	10,000	357,126	823,384	151,954	3,243,141
<b>EXPENSES</b>								
Contract & general services	142,329	27,500	67,831	68,355	122,288	297,369	-	725,672
Salaries & wages	273,837	23,145	144,783	50,225	274,839	68,647	-	835,476
Goods & supplies	54,156	36,167	165,715	111,600	131,526	469,317	-	968,481
Transfers to local boards	-	-	-	21,343	31,815	-	-	53,158
Long-term debt interest	-	-	968	-	488	7,731	-	9,187
Other expenses	1,051	-	-	-	-	-	-	1,051
	471,373	86,812	379,297	251,523	560,956	843,064	-	2,593,025
<b>NET REVENUE, BEFORE AMORTIZATION</b>	766,126	182,133	14,936	(241,523)	(203,830)	(19,680)	151,954	650,116
Amortization expense	15,735	35,285	218,125	20,654	205,672	296,727	-	792,198
<b>NET REVENUE</b>	<b>750,391</b>	<b>146,848</b>	<b>(203,189)</b>	<b>(262,177)</b>	<b>(409,502)</b>	<b>(316,407)</b>	<b>151,954</b>	<b>(142,082)</b>

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Oyen (the "Town") are the representations of management prepared in accordance with accounting standards 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 Oyen are as follows:

**a) Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenses, and changes in financial position of the reporting entity. This 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 Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and senior foundations that are not part of the Town's 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 measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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 expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts as provided where necessary. Amortization is based on the estimated lives of tangible capital assets.

Expenditures that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

**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.

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

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**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**e) Debt Charges Recoverable**

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

**f) 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.

**g) 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 physical assets under the respective function.

**h) 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.

**i) 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 collectable from property owners for work performed by the Town.

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 borrowings, the deferred revenue is amortized into revenue by an amount equal to the debt repayment.

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**j) 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.

**k) 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 for the year.

**l) 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 over the estimated useful life as follows:

	<u>Years</u>
Buildings	50
Land improvements	25
Engineered structures:	
Water system	30-75
Wastewater system	30-75
Roadway systems	25
Machinery and equipment	15
Vehicles	10

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii. 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.

**iii. 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.

**m) Employee Future Benefits**

Selected employees of the Town are members of the Local Authority Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.



**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

**2. CASH**

	2017	2016
Cash	462,711	1,311,826
Portfolio investments	68,000	-
Total	530,711	1,311,826

Included in cash are restricted amounts of \$474,374 (2016 - \$853,631) received from the Municipal Sustainability Initiative and other sources and held exclusively for approved projects (Note 6).

Portfolio investments consist of a GIC with a maturity date of January 9, 2019, bearing interest at 1.65%.

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	2017	2016
Current taxes and grants in place of taxes	92,601	47,961

**4. LOANS RECEIVABLE**

As per Council Resolution C805(18/02/13), all amounts expended for the railroad project will be repaid plus interest at a rate of 2.619% for five years by the newly created not-for-profit.

**5. DEPOSIT LIABILITIES**

The Town holds utility deposits of \$1,502 (2016 - \$2,073).

**6. DEFERRED REVENUE**

	2017	2016
Municipal Sustainability Initiative - Capital	40,629	423,131
Other deferred revenue	433,745	430,500
Total	474,374	853,631

**Alberta Municipal Sustainability Initiative**

Funding is received annually from the Municipal Sustainability Initiative Program. The use of these funds is restricted to eligible operating costs and eligible capital projects, as approved under the funding agreement.

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

**7. LONG-TERM DEBT**

	2017	2016
Tax supported debentures	1,404,323	1,468,848
Bank loans	52,750	67,662
	1,457,073	1,536,510

The current portion of the long-term debt amounts to \$70,684 (2016 - \$80,869).

Estimated principal and interest repayments recoverable are as follows:

	Principal	Interest	Total
2018	70,684	42,882	113,566
2019	69,089	40,727	109,816
2020	70,795	38,835	109,630
2021	54,901	37,095	91,996
2022	56,455	35,541	91,996
To maturity	1,135,149	339,530	1,474,679
	1,457,073	534,610	1,991,683

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.151% to 9.125% per annum, before Provincial subsidy, and matures in periods 2018 through 2041.

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

Bank loans are repayable in combined monthly instalments of \$1,485, including principal and interest calculated at prime less 0.25%, due December 2020.

Interest on debt amounted to \$9,187 (2016 - \$7,625), of which, all was paid in cash during the year.

**8. 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 of Oyen be disclosed as follows:

	2017	2016
Total debt limit	4,235,465	4,319,316
Total debt	1,457,073	1,536,510
Amount of debt limit unused	2,778,392	2,782,806
Debt servicing limit	705,911	719,886
Debt servicing	113,566	126,137
Amount of debt servicing limit unused	592,345	593,749

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 which could be a 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.

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2017	2016
Tangible capital assets (Schedule II)	38,643,816	38,173,023
Accumulated amortization (Schedule II)	(15,647,953)	(14,855,754)
Long-term debt	(1,457,073)	(1,536,510)
	<b>21,538,790</b>	<b>21,780,759</b>

**10. ACCUMULATED SURPLUS**

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

	2017	2016
Unrestricted surplus	851,143	776,256
Restricted surplus	307,600	282,600
Equity in tangible capital assets (Note 9)	21,538,790	21,780,759
	<b>22,697,533</b>	<b>22,839,615</b>

**11. 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 VI).

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

**12. SALARY AND BENEFITS DISCLOSURE**

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

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	2017	2016
<b>Mayor:</b>				
Doug Jones - Town of Oyen	10,440	2,107	12,547	25,123
Doug Jones - Railroad Project	21,055	21,008	42,063	-
	31,495	23,115	54,610	25,123
<b>Councillors:</b>				
Dennis Punter	2,480	410	2,890	5,013
Kevin Brost	4,205	190	4,395	5,549
Joseph Lazzari	5,165	3,012	8,177	6,927
Trevor Hittel	2,805	-	2,805	3,682
Tom Tracy	3,155	185	3,340	4,071
Stacey Wiechnik	9,415	3,113	12,528	10,517
Blake Hertz	1,415	1,453	2,868	-
Ed Hogan	735	-	735	-
Doug Lehman	1,740	998	2,738	-
James Walker	1,365	-	1,365	-
	32,480	9,361	41,841	35,759
Municipal Administrator	86,153	18,895	105,048	108,018
	150,128	51,371	201,499	168,900

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, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition, travel and subsistence.

**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 250,000 people and 422 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service contributions are recorded as expenditures in the year in which they become due. Contributions for current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2017 were \$49,120 (2016 - \$49,835). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2017 were \$44,986 (2016 - \$45,655).

At December 31, 2016, the LAPP disclosed a deficiency of \$637 million (2015 - \$923 million).

**Town of Oyen**  
**Notes to the Financial Statements**

For the year ended December 31, 2017

**14. COMMITMENTS**

The Town has entered into a memorandum of understanding with the Acadia Foundation to assist with the repayment of debt associated with the Acadia Foundation's expansion. Presently, the Acadia Foundation is undertaking the Acadia Foundation Building Expansion Project which includes upgrades, renovations, construction and expansion of the three lodges in the communities of Oyen, Consort and Hanna. In order to fund the project the Foundation will borrow not more than \$25 million over the term of the project. As of December 31, 2008 the Foundation had borrowed the entire \$25 million to fund constructions. The Town, as a municipality to the Acadia Foundation, is committed to pay their proportional share of the borrowing based on the equalized assessment for the year in which the funds were borrowed. The Town's share of the borrowing will be repaid over a period of 25 years in the amount of approximately \$97,972 per year.

**15. 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.

**16. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency 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 accounts 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 fulfil 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.

**17. RECONCILIATION OF OPERATING RESULTS TO BUDGET**

The December 31, 2017 budget, prepared by the Town of Oyen, reflects all municipal activities including capital purchases, debt repayments and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget	2017	2016
Excess of revenue over expenditures, per financial statements	(697,414)	(142,082)	11,709
Add back:			
Amortization expense	781,435	792,199	781,233
Proceeds on disposal of tangible capital assets	-	-	2,625
Net transfers (to) from reserves	-	(25,000)	13,682
Loan proceeds	-	-	1,450,000
Deduct:			
Tangible capital asset purchases	-	(470,793)	(1,360,745)
Payments on debentures	(126,137)	(79,437)	(42,367)
Loss on disposal of tangible capital assets	-	-	(2,625)
<b>Results of operations</b>	<b>(42,116)</b>	<b>74,887</b>	<b>853,512</b>

**18. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.