

TOWN OF OYEN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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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, 2021, 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, 2021, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **Town 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 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:

Independent Auditors' Report (Continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 the information required can be found in note 14.

Johnston Morrison Hunter & Co. Professional Corporation

Chartered Professional Accountants
Brooks, Alberta
April 12, 2022

TOWN OF OYEN

**Statement of Financial Position
December 31, 2021**

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	-	971,299
Taxes and grants in place of taxes (Note 3)	81,984	217,730
Trade and other receivables	648,373	818,835
Land held for resale	307,467	301,194
Loans receivable (Note 4)	345,707	454,931
Investments (Note 5)	5,678	5,536
TOTAL FINANCIAL ASSETS	<u>1,389,209</u>	<u>2,769,525</u>
LIABILITIES		
Bank advances (Note 6)	579,319	-
Accounts payable and accrued liabilities	230,141	634,222
Deferred revenue (Note 7)	311,400	623,707
Long-term debt (Note 8)	4,155,781	4,300,886
TOTAL LIABILITIES	<u>5,276,641</u>	<u>5,558,815</u>
NET FINANCIAL ASSETS (DEBT)	<u>(3,887,432)</u>	<u>(2,789,290)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	26,250,967	25,628,205
	<u>26,250,967</u>	<u>25,628,205</u>
ACCUMULATED SURPLUS (NOTE 12)	<u>22,363,535</u>	<u>22,838,915</u>
CONTINGENCIES (NOTE 18)		

TOWN OF OYEN

**Statement of Operations
 For The Year Ended December 31, 2021**

	Budget	2021	2020
	\$	\$	\$
REVENUE			
Net taxes, Schedule 3	1,151,614	1,455,549	1,199,011
Government transfers, Schedule 4	745,078	525,528	387,724
Investment income	2,500	5,438	2,985
User fees and sale of goods	1,036,400	1,226,115	1,036,000
Penalties and costs on taxes	14,100	25,590	35,327
Franchise and concession contracts	217,100	184,772	178,974
Other	124,250	330,569	360,330
Total Revenue	<u>3,291,042</u>	<u>3,753,561</u>	<u>3,200,351</u>
EXPENSES			
Legislative	90,910	78,300	42,446
Administration	666,675	716,322	594,552
Fire, ambulance and bylaws enforcement	148,717	174,870	140,146
Roads, streets, walks and lighting	774,755	1,026,004	686,101
Water and wastewater	1,111,887	1,038,405	1,004,187
Waste management	277,970	224,251	228,746
Recreation and parks	741,289	772,235	713,965
Other	256,322	263,458	304,973
Total Expenses, Schedule 5	<u>4,068,525</u>	<u>4,293,845</u>	<u>3,715,116</u>
EXCESS OF EXPENSES OVER REVENUE BEFORE OTHER, Schedule 6	(777,483)	(540,284)	(514,765)
OTHER			
Contributed assets	-	35,000	-
Government transfers for capital, Schedule 4	2,980,522	29,904	1,288,276
EXCESS OF REVENUE OVER EXPENSES	<u>2,203,039</u>	<u>(475,380)</u>	<u>773,511</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>22,838,915</u>	<u>22,838,915</u>	<u>22,065,404</u>
ACCUMULATED SURPLUS, END OF YEAR, Schedule 1	<u>25,041,954</u>	<u>22,363,535</u>	<u>22,838,915</u>

TOWN OF OYEN

**Statement of Change in Net Financial Assets (Debt)
 For The Year Ended December 31, 2021**

	Budget	2021	2020
	\$	\$	\$
EXCESS OF REVENUE OVER EXPENSES	2,203,039	(475,380)	773,511
Acquisition of tangible capital assets	(4,111,864)	(1,663,197)	(4,036,533)
Proceeds on disposal of tangible capital assets	-	-	-
Contributed tangible capital assets	-	(35,000)	-
Amortization of tangible capital assets	777,483	969,147	780,993
Loss on disposal of tangible capital assets	-	106,288	-
	<u>(3,334,381)</u>	<u>(622,762)</u>	<u>(3,255,540)</u>
Acquisition of prepaid expenses	-	-	-
Use of prepaid assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
(DECREASE) INCREASE IN NET ASSETS	(1,131,342)	(1,098,142)	(2,482,029)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>(2,789,290)</u>	<u>(2,789,290)</u>	<u>(307,261)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>(3,920,632)</u></u>	<u><u>(3,887,432)</u></u>	<u><u>(2,789,290)</u></u>

TOWN OF OYEN

**Statement of Cash Flows
 For The Year Ended December 31, 2021**

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Excess of expenses over revenue	(475,380)	773,511
Non-cash items included in excess of expenses over revenue:		
Amortization of tangible capital assets	969,147	780,993
Loss on disposal of tangible capital assets	106,287	-
Contributed tangible capital assets	(35,000)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	135,746	(44,108)
Decrease (increase) in trade and other receivables	170,462	(250,747)
(Increase) decrease in land held for resale	(6,273)	2,865
(Decrease) in accounts payable and accrued liabilities	(404,080)	(3,924)
(Decrease) increase in non-restricted deferred revenue	(105,827)	91,753
CASH PROVIDED BY OPERATING TRANSACTIONS	<u>355,082</u>	<u>1,350,343</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,663,197)	(4,036,533)
Proceeds on sale of tangible capital assets	-	-
CASH APPLIED TO CAPITAL TRANSACTIONS	<u>(1,663,197)</u>	<u>(4,036,533)</u>
INVESTING ACTIVITIES		
Decrease in investments	(142)	-
Loans receivable repaid	109,224	80,783
CASH APPLIED TO INVESTING TRANSACTIONS	<u>109,082</u>	<u>80,783</u>
FINANCING ACTIVITIES		
Long-term debt issued	-	3,000,000
Long-term debt repaid	(145,105)	(88,438)
CASH APPLIED TO FINANCING TRANSACTIONS	<u>(145,105)</u>	<u>2,911,562</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,344,138)	306,155
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>455,675</u>	<u>149,520</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>(888,463)</u>	<u>455,675</u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	(579,319)	971,299
Less: restricted portion of cash and temporary investments	(309,144)	(515,624)
	<u>(888,463)</u>	<u>455,675</u>

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Schedule of Changes in Accumulated Surplus
For The Year Ended December 31, 2021
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
	\$	\$	\$	\$	\$
Balance, beginning of year	1,145,230	316,806	21,376,879	22,838,915	22,065,404
Excess (deficiency) of revenues over expenses	(475,380)	-	-	(475,380)	773,511
Unrestricted funds designated for future use	(60,000)	60,000	-	-	-
Restricted funds used for tangible capital assets	-	(275,273)	275,273	-	-
Current year funds used for tangible capital assets	(1,387,924)	-	1,387,924	-	-
Contributed tangible capital assets	(35,000)	-	35,000	-	-
Disposal of tangible capital assets	106,287	-	(106,287)	-	-
Annual amortization expense	969,147	-	(969,147)	-	-
Long term debt repaid	(133,100)	-	133,100	-	-
Change in accumulated surplus	<u>(1,015,970)</u>	<u>(215,273)</u>	<u>755,863</u>	<u>(475,380)</u>	<u>773,511</u>
Balance, end of year	<u>129,260</u>	<u>101,533</u>	<u>22,132,742</u>	<u>22,363,535</u>	<u>22,838,915</u>

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Schedule of Tangible Capital Assets
For The Year Ended December 31, 2021
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	701,779	1,566,011	11,654,576	27,719,987	934,309	480,662	43,057,324	39,417,332
Acquisition of tangible capital assets	-	-	-	1,588,059	68,468	-	1,656,527	165,602
Construction-in-progress	-	-	-	41,670	-	-	41,670	3,870,931
Disposal of tangible capital assets	-	-	-	(424,085)	-	-	(424,085)	(396,541)
Balance, end of year	<u>701,779</u>	<u>1,566,011</u>	<u>11,654,576</u>	<u>28,925,631</u>	<u>1,002,777</u>	<u>480,662</u>	<u>44,331,436</u>	<u>43,057,324</u>
Accumulated Amortization:								
Balance, beginning of year	-	991,004	4,126,064	11,341,850	522,949	447,253	17,429,120	17,044,667
Annual amortization	-	38,035	243,563	646,744	27,451	13,354	969,147	780,993
Accumulated amortization on disposals	-	-	-	(317,798)	-	-	(317,798)	(396,541)
Balance, end of year	<u>-</u>	<u>1,029,039</u>	<u>4,369,627</u>	<u>11,670,796</u>	<u>550,400</u>	<u>460,607</u>	<u>18,080,469</u>	<u>17,429,119</u>
Net Book Value of Tangible Capital Assets	<u><u>701,779</u></u>	<u><u>536,972</u></u>	<u><u>7,284,949</u></u>	<u><u>17,254,835</u></u>	<u><u>452,377</u></u>	<u><u>20,055</u></u>	<u><u>26,250,967</u></u>	<u><u>25,628,205</u></u>

TOWN OF OYEN

**Schedule of Property And Other Taxes
For The Year Ended December 31, 2021
Schedule 3**

	Budget	2021	2020
	\$	\$	\$
TAXATION			
Real property taxes	1,375,349	1,682,090	1,415,542
Power, pipe, cable T.V. and other taxes	35,458	33,952	38,158
Government grants in place of property taxes	37,660	36,803	34,874
	<u>1,448,467</u>	<u>1,752,845</u>	<u>1,488,574</u>
REQUISITIONS			
School foundation program	242,853	243,296	241,523
Acadia seniors foundation	54,000	54,000	48,040
	<u>296,853</u>	<u>297,296</u>	<u>289,563</u>
NET TAXES	<u>1,151,614</u>	<u>1,455,549</u>	<u>1,199,011</u>

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**Schedule of Government Transfers
For The Year Ended December 31, 2021
Schedule 4**

	Budget	2021	2020
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	386,558	258,619	183,374
Other local governments	358,520	266,909	204,350
	<u>745,078</u>	<u>525,528</u>	<u>387,724</u>
TRANSFERS FOR CAPITAL			
Provincial government	2,980,522	29,904	1,288,276
Other local governments	-	-	-
	<u>2,980,522</u>	<u>29,904</u>	<u>1,288,276</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>3,725,600</u></u>	<u><u>555,432</u></u>	<u><u>1,676,000</u></u>

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**Schedule of Expenses by Object
For The Year Ended December 31, 2021
Schedule 5**

	Budget	2021	2020
	\$	\$	\$
EXPENDITURES			
Salaries, wages and benefits	1,002,329	992,372	1,005,561
Contracted and general services	1,004,678	924,633	838,971
Materials, goods and utilities	1,051,400	925,719	874,869
Transfers to local boards and agencies	127,635	228,480	150,905
Interest on long-term debt	105,000	98,536	63,817
Amortization of tangible capital assets	777,483	969,147	780,993
Write down of tangible capital assets	-	106,287	-
Other	-	48,671	-
TOTAL EXPENDITURES	<u>4,068,525</u>	<u>4,293,845</u>	<u>3,715,116</u>

TOWN OF OYEN

Schedule of Segmented Disclosure
For The Year Ended December 31, 2021
Schedule 6

	General Government	Protective Services	Transportation Services	Water & Waste Management	Planning & Development	Recreation & Culture	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue:								
Net municipal taxes	1,455,549	-	-	-	-	-	-	1,455,549
Government transfers	48,210	10,000	8,839	15,000	4,500	315,555	153,328	555,432
User fees and sales of goods	970	82,713	10,268	969,866	-	157,423	4,875	1,226,115
Investment income	5,438	-	-	-	-	-	-	5,438
Penalties and costs on taxes	25,590	-	-	-	-	-	-	25,590
Franchise contracts	184,772	-	-	-	-	-	-	184,772
Other revenues	<u>83,297</u>	<u>35,000</u>	<u>70,122</u>	<u>16,573</u>	<u>143,327</u>	<u>17,250</u>	<u>-</u>	<u>365,569</u>
	<u>1,803,826</u>	<u>127,713</u>	<u>89,229</u>	<u>1,001,439</u>	<u>147,827</u>	<u>490,228</u>	<u>158,203</u>	<u>3,818,465</u>
Expenses:								
Salaries & wages	385,059	24,435	167,445	84,622	-	326,441	4,370	992,372
Contract & general services	179,678	54,589	158,052	337,633	77,471	113,119	4,091	924,633
Goods & supplies	62,534	60,752	156,787	492,070	2,197	142,730	8,649	925,719
Transfers to local boards	103,084	-	-	-	5,000	18,020	102,376	228,480
Long-term debt interest	-	1,042	15,466	50,580	31,390	58	-	98,536
Other expenses	<u>48,671</u>	<u>-</u>	<u>106,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,958</u>
	<u>779,026</u>	<u>140,818</u>	<u>604,037</u>	<u>964,905</u>	<u>116,058</u>	<u>600,368</u>	<u>119,486</u>	<u>3,324,698</u>
Net revenue, before amortization	<u>1,024,800</u>	<u>(13,105)</u>	<u>(514,808)</u>	<u>36,534</u>	<u>31,769</u>	<u>(110,140)</u>	<u>38,717</u>	<u>493,767</u>
Amortization expense	<u>(15,735)</u>	<u>(34,052)</u>	<u>(421,966)</u>	<u>(297,129)</u>	<u>-</u>	<u>(200,265)</u>	<u>-</u>	<u>(969,147)</u>
Net Revenue	<u><u>1,009,065</u></u>	<u><u>(47,157)</u></u>	<u><u>(936,774)</u></u>	<u><u>(260,595)</u></u>	<u><u>31,769</u></u>	<u><u>(310,405)</u></u>	<u><u>38,717</u></u>	<u><u>(475,380)</u></u>

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2021**

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.

**Notes to the Financial Statements
For The Year Ended December 31, 2021**

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.

**Notes to the Financial Statements
For The Year Ended December 31, 2021**

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, 2021

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

	2021	2020
	\$	\$
Cash	-	901,037
ATB Financial guaranteed investment certificate	-	70,262
	<u>-</u>	<u>971,299</u>

3. Taxes and Grants in Place of Taxes

	2021	2020
	\$	\$
Current taxes and grants in place of taxes	47,416	106,145
Non-current taxes and grants in place of taxes	<u>34,568</u>	<u>111,585</u>
	<u>81,984</u>	<u>217,730</u>

TOWN OF OYEN

**Notes to the Financial Statements
 For The Year Ended December 31, 2021**

4. Loans Receivable

	2021	2020
	\$	\$
Loan to Special Areas and Oyen Development Corporation	315,707	419,931
Loan to Oyen and District Golf Club	<u>30,000</u>	<u>35,000</u>
	<u><u>345,707</u></u>	<u><u>454,931</u></u>

The loan advanced to Special Areas and Oyen Development Corporation is due on demand with interest calculated at 0.84%, annual payments of \$107,849 are scheduled for July 1 each year and the term ends in 2024.

The loan advanced to the Oyen and District Golf Club is repayable in annual instalments of \$5,000 with no interest and is due October 31, 2028.

5. Investments

	2021	2020
	\$	\$
UFA equity account	<u>5,678</u>	<u>5,536</u>

6. Bank Advances

A line of credit facility of up to \$1,000,000, secured by a Municipal Borrowing By-Law and the Town of Oyen at large. Due on demand with interest calculated at prime plus 1%.

TOWN OF OYEN

Notes to the Financial Statements
 For The Year Ended December 31, 2021

7. Deferred Revenue

	2021	2020
	\$	\$
Alberta Community Partnership	281,425	311,328
Municipal Operating Support Transfer	-	43,552
FCSS	11,627	-
ATCO Electric Water Loop Fund	-	69,122
Recreation Fund	14,627	15,627
Oyen 100th Capital Trust	565	565
Deferred rental income	2,256	108,083
CARES project	-	53,078
Donations	<u>900</u>	<u>22,352</u>
	<u><u>311,400</u></u>	<u><u>623,707</u></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 2022.

TOWN OF OYEN

**Notes to the Financial Statements
 For The Year Ended December 31, 2021**

8. Long-Term Debt

	2021	2020
	\$	\$
Tax supported debentures	4,118,225	4,245,074
Finance contracts		6,251
Loan from Special Areas	<u>37,556</u>	<u>49,561</u>
	<u>4,155,781</u>	<u>4,300,886</u>

The current portion of long-term debt is \$142,226 (2020 - \$145,106).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2022	142,226	99,268	241,494
2023	145,682	95,812	241,494
2024	149,228	92,268	241,496
2025	139,811	88,635	228,446
2026	143,262	85,185	228,447
2027 and on	<u>3,435,572</u>	<u>944,947</u>	<u>4,380,519</u>
	<u>4,155,781</u>	<u>1,406,115</u>	<u>5,561,896</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 2.39% for 2021. 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 loan from Special Areas is repayable in annual instalments of \$13,048 including principal and interest with interest calculated at 2.103%, due December 20, 2024.

Interest on long-term debt amounted to \$98,536 (2020 - \$63,817). The Town's total cash payments for interest in 2021 were \$102,699 (2020 - \$41,283).

TOWN OF OYEN

**Notes to the Financial Statements
 For The Year Ended December 31, 2021**

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:

	2021	2020
	\$	\$
Total debt limit	5,682,841	4,800,526
Total debt	<u>4,735,100</u>	<u>4,300,886</u>
Amount of debt limit unused	<u>947,741</u>	<u>499,640</u>
Debt servicing limit	947,140	800,088
Debt servicing	<u>241,494</u>	<u>247,933</u>
Amount of debt servicing limit unused	<u>705,646</u>	<u>552,155</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

	2021	2020
Net Book Value	\$	\$
Land	701,779	701,779
Land improvements	552,474	590,509
Buildings	7,702,767	7,569,513
Engineered structures		
Roadway system	7,532,026	6,566,292
Water system	8,434,936	8,678,273
Wastewater system	854,553	1,077,069
Machinery and equipment	452,377	411,360
Vehicles	<u>20,055</u>	<u>33,410</u>
	<u>26,250,967</u>	<u>25,628,205</u>

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2021**

11. Equity in Tangible Capital Assets

	2021	2020
	\$	\$
Tangible capital assets, Schedule 2	44,331,436	43,057,324
Accumulated amortization, Schedule 2	(18,080,469)	(17,429,119)
Long term debt (Note 8)	<u>(4,118,225)</u>	<u>(4,251,326)</u>
	<u><u>22,132,742</u></u>	<u><u>21,376,879</u></u>

12. Accumulated Surplus

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

	2021	2020
	\$	\$
Unrestricted surplus	129,260	1,145,230
Restricted surplus		
Future capital reserves	-	256,806
Fire reserves	51,533	60,000
Recreation reserves	50,000	-
Equity in tangible capital assets	<u>22,132,742</u>	<u>21,376,879</u>
	<u><u>22,363,535</u></u>	<u><u>22,838,915</u></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, 2021**

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:

	2021			2020
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor				
Doug Jones	22,080	15,461	37,541	17,142
Councillors				
Jack Hauck	4,540	1,497	6,037	3,771
Blake Hertz	4,425	301	4,726	4,157
Ed Hogan	3,770	205	3,975	5,648
Robert Kacso	7,195	510	7,705	5,273
James Walker	3,125	170	3,295	3,491
Trevor Hittel	1,260	1,253	2,513	-
Municipal administrator	84,351	12,083	96,434	105,734
Designated officer	18,160	-	18,160	18,160
	<u>148,906</u>	<u>31,480</u>	<u>180,386</u>	<u>163,376</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, 2021**

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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions of the Town of Oyen to the LAPP in 2021 were \$44,088 (2020 - \$41,076).

Total current service contributions by the employees of the Town of Oyen to the LAPP in 2021 were \$39,538 (2020 - \$36,772).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 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.

TOWN OF OYEN

**Notes to the Financial Statements
For The Year Ended December 31, 2021**

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. Budgeted Figures

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

20. Approval of Financial Statements

These financial statements were approved by Council and Administration on April 12, 2022.