

**TOWN OF OYEN**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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## INDEPENDENT AUDITORS' REPORT

**TO THE MAYOR AND COUNCIL  
TOWN OF OYEN**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Town of Oyen, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 the audit to obtain reasonable assurance about whether the financial statements are free of 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control 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 control. An audit also includes evaluating the appropriateness of 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 that the audit evidence we have 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 municipality as at December 31, 2016 and the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Johnston Morrison Hunter & Co. Professional Corporation*

**CHARTERED PROFESSIONAL ACCOUNTANTS**

**BROOKS, ALBERTA  
APRIL 12, 2017**

**TOWN OF OYEN**

**Statement of Financial Position  
December 31, 2016**

	2016	2015
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	1,311,826	572,290
Taxes and grants in place of taxes (Note 3)	47,961	31,779
Trade and other receivables	399,610	254,719
Land held for resale	282,830	228,638
<b>TOTAL FINANCIAL ASSETS</b>	<u>2,042,227</u>	<u>1,087,426</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	127,667	299,186
Deposit liabilities	2,073	2,978
Deferred revenue (Note 4)	853,631	566,235
Long-term debt (Note 6)	1,536,510	128,877
<b>TOTAL LIABILITIES</b>	<u>2,519,881</u>	<u>997,276</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(477,654)</u>	<u>90,150</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	23,317,269	22,737,756
	<u>23,317,269</u>	<u>22,737,756</u>
<b>ACCUMULATED SURPLUS (NOTE 10)</b>	<u>22,839,615</u>	<u>22,827,906</u>
<b>CONTINGENCIES (NOTE 16)</b>		

**TOWN OF OYEN**  
**Statement of Operations**  
**For The Year Ended December 31, 2016**

	Budget	2016	2015
	\$	\$	\$
<b>REVENUE</b>			
Net taxes, Schedule 3	1,072,630	1,078,036	1,043,954
Government transfers, Schedule 4	542,840	489,267	713,879
Investment income	2,000	45	2,273
User fees and sale of goods	1,144,580	1,028,868	950,462
Penalties and costs on taxes	13,000	11,799	13,183
Franchise and concession contracts	176,931	167,050	164,631
Other	46,000	140,150	50,500
<b>Total Revenue</b>	<b>2,997,981</b>	<b>2,915,215</b>	<b>2,938,882</b>
<b>EXPENSES</b>			
Legislative	84,585	87,026	60,777
Administration	428,474	419,911	472,764
Fire, ambulance and bylaws enforcement	113,179	83,026	90,551
Roads, streets, walks and lighting	565,860	656,608	655,076
Water and wastewater	882,885	798,320	954,636
Waste management	211,263	207,489	189,541
Recreation and parks	839,386	756,751	804,304
Other	281,168	271,202	270,208
<b>Total Expenses</b>	<b>3,406,800</b>	<b>3,280,333</b>	<b>3,497,857</b>
<b>EXCESS OF EXPENSES OVER REVENUE BEFORE OTHER, Schedule 6</b>	<b>(408,819)</b>	<b>(365,118)</b>	<b>(558,975)</b>
<b>OTHER</b>			
Contributed assets	-	-	-
Government transfers for capital, Schedule 4	650,000	376,827	619,781
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>241,181</b>	<b>11,709</b>	<b>60,806</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>22,767,100</b>	<b>22,827,906</b>	<b>22,767,100</b>
<b>ACCUMULATED SURPLUS, END OF YEAR, Schedule 1</b>	<b>23,008,281</b>	<b>22,839,615</b>	<b>22,827,906</b>

**TOWN OF OYEN**

**Statement of Change in Net Financial Assets (Debt)  
 For The Year Ended December 31, 2016**

	Budget	2016	2015
	\$	\$	\$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	241,181	11,709	60,806
Acquisition of tangible capital assets	(2,143,500)	(1,360,745)	(1,395,131)
Proceeds on disposal of tangible capital assets	-	2,625	-
Contributed tangible capital assets	-	-	-
Amortization of tangible capital assets	736,290	781,232	725,651
(Gain) loss on sale of tangible capital assets	-	(2,625)	-
	(1,407,210)	(579,513)	(669,480)
Acquisition of prepaid expenses	-	-	-
Use of prepaid assets	-	-	-
	-	-	-
<b>(DECREASE) INCREASE IN NET ASSETS</b>	(1,166,029)	(567,804)	(608,674)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	90,150	90,150	698,824
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	(1,075,879)	(477,654)	90,150



**TOWN OF OYEN**

**Statement of Cash Flows  
For The Year Ended December 31, 2016**

	2016	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	11,709	60,806
Non-cash items included in excess of expenses over revenue:		
Amortization of tangible capital assets	781,232	725,651
Loss on disposal of tangible capital assets	(2,625)	-
Non-cash charges to operations (net change):		
(Increase) decrease in taxes and grants in place of taxes	(16,182)	17,555
(Increase) in trade and other receivables	(144,891)	(20,407)
(Increase) in land held for resale	(54,192)	(197,293)
(Decrease) increase in accounts payable and accrued liabilities	(171,519)	216,031
(Decrease) in deposit liabilities	(905)	(1,573)
Increase in deferred revenue	287,396	28,373
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>690,023</b>	<b>829,143</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(1,360,745)	(1,395,131)
Proceeds on sale of tangible capital assets	2,625	-
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<b>(1,358,120)</b>	<b>(1,395,131)</b>
<b>INVESTING ACTIVITIES</b>		
(Increase) in restricted cash or cash equivalents	(287,396)	(28,373)
<b>CASH APPLIED TO INVESTING TRANSACTIONS</b>	<b>(287,396)</b>	<b>(28,373)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term debt issued	1,450,000	83,517
Long-term debt repaid	(42,367)	(38,230)
<b>CASH APPLIED TO FINANCING TRANSACTIONS</b>	<b>1,407,633</b>	<b>45,287</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>452,140</b>	<b>(549,074)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,055</b>	<b>555,129</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>458,195</b>	<b>6,055</b>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF:</b>		
Cash and temporary investments (Note 2)	1,311,826	572,290
Less: restricted portion of cash and temporary investments	(853,631)	(566,235)
	<b>458,195</b>	<b>6,055</b>

TOWN OF OYEN

Schedule of Changes in Accumulated Surplus  
For The Year Ended December 31, 2016  
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
	\$	\$	\$	\$	\$
Balance, beginning of year	(8,573)	227,600	22,608,879	22,827,906	22,767,100
Excess (deficiency) of revenues over expenses	11,709	-	-	11,709	60,806
Unrestricted funds designated for future use	(55,000)	55,000	-	-	-
Current year funds used for tangible capital assets	89,254	-	(89,254)	-	-
Annual amortization expense	781,233	-	(781,233)	-	-
Long term debt repaid	(42,367)	-	42,367	-	-
Change in accumulated surplus	784,829	55,000	(828,120)	11,709	60,806
Balance, end of year	<u>776,256</u>	<u>282,600</u>	<u>21,780,759</u>	<u>22,839,615</u>	<u>22,827,906</u>

TOWN OF OYEN

Schedule of Tangible Capital Assets  
For The Year Ended December 31, 2016  
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost:</b>								
Balance, beginning of year	701,779	1,364,213	11,104,616	22,521,070	675,472	480,662	36,847,812	35,452,680
Acquisition of tangible capital assets	-	-	389,853	804,596	128,472	-	1,322,921	976,105
Construction-in-progress	-	-	-	37,824	-	-	37,824	419,026
Disposal of tangible capital assets	-	-	-	-	(35,534)	-	(35,534)	-
Balance, end of year	<u>701,779</u>	<u>1,364,213</u>	<u>11,494,469</u>	<u>23,363,490</u>	<u>768,410</u>	<u>480,662</u>	<u>38,173,023</u>	<u>36,847,811</u>
<b>Accumulated Amortization:</b>								
Balance, beginning of year	-	796,668	2,924,051	9,532,664	490,562	366,110	14,110,055	13,384,404
Annual amortization	-	43,518	241,643	428,842	42,132	25,098	781,233	725,651
Accumulated amortization on disposals	-	-	-	-	(35,534)	-	(35,534)	-
Balance, end of year	<u>-</u>	<u>840,186</u>	<u>3,165,694</u>	<u>9,961,506</u>	<u>497,160</u>	<u>391,208</u>	<u>14,855,754</u>	<u>14,110,055</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u><u>701,779</u></u>	<u><u>524,027</u></u>	<u><u>8,328,775</u></u>	<u><u>13,401,984</u></u>	<u><u>271,250</u></u>	<u><u>89,454</u></u>	<u><u>23,317,269</u></u>	<u><u>22,737,756</u></u>



**TOWN OF OYEN**

**Schedule of Property And Other Taxes  
 For The Year Ended December 31, 2016  
 Schedule 3**

	Budget	2016	2015
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	1,257,746	1,263,153	1,233,855
Power, pipe, cable T.V. and other taxes	37,839	37,839	36,840
Government grants in place of property taxes	40,748	40,748	39,212
	<u>1,336,333</u>	<u>1,341,740</u>	<u>1,309,907</u>
<b>REQUISITIONS</b>			
School foundation program	216,549	216,550	218,880
Acadia seniors foundation	47,154	47,154	47,073
	<u>263,703</u>	<u>263,704</u>	<u>265,953</u>
<b>NET TAXES</b>	<u><u>1,072,630</u></u>	<u><u>1,078,036</u></u>	<u><u>1,043,954</u></u>

**TOWN OF OYEN**

**Schedule of Government Transfers  
 For The Year Ended December 31, 2016  
 Schedule 4**

	Budget	2016	2015
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	323,970	286,178	501,773
Federal government	14,225	8,064	2,856
Other local governments	204,645	195,025	209,250
	<u>542,840</u>	<u>489,267</u>	<u>713,879</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	500,000	237,653	403,658
Federal government	150,000	139,174	-
Other local governments	-	-	216,123
	<u>650,000</u>	<u>376,827</u>	<u>619,781</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>1,192,840</u></u>	<u><u>866,094</u></u>	<u><u>1,333,660</u></u>

**TOWN OF OYEN**

**Schedule of Expenses by Object  
 For The Year Ended December 31, 2016  
 Schedule 5**

	Budget	2016	2015
	\$	\$	\$
<b>EXPENDITURES</b>			
Salaries, wages and benefits	933,276	861,482	919,492
Contracted and general services	744,990	760,682	926,184
Materials, goods and utilities	796,160	679,455	688,002
Transfers to local boards and agencies	176,172	187,007	232,620
Interest on long-term debt	18,748	7,625	4,507
Amorization of tangible capital assets	736,290	781,233	725,651
Other expenditures	1,164	2,849	1,401
	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENDITURES</b>	<b>3,406,800</b>	<b>3,280,333</b>	<b>3,497,857</b>
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TOWN OF OYEN

Schedule of Segmented Disclosure  
For The Year Ended December 31, 2016  
Schedule 6

	General Government	Protective Services	Transportation Services	Water & Waste Management	Planning & Development	Recreation & Culture	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>								
Net municipal taxes	1,078,036	-	-	-	-	-	-	1,078,036
Government transfers	13,166	131,167	-	-	28,500	219,569	96,865	489,267
User fees and sales of goods	1,106	20,536	15,141	769,315	91,143	121,147	10,480	1,028,868
Investment income	45	-	-	-	-	-	-	45
Penalties and costs on taxes	11,799	-	-	-	-	-	-	11,799
Franchise contracts	167,050	-	-	-	-	-	-	167,050
Other revenues	18,749	103,185	2,625	-	12,000	3,591	-	140,150
	<u>1,289,951</u>	<u>254,888</u>	<u>17,766</u>	<u>769,315</u>	<u>131,643</u>	<u>344,307</u>	<u>107,345</u>	<u>2,915,215</u>
<b>Expenses:</b>								
Salaries & wages	296,149	10,243	121,049	92,655	39,917	293,354	8,115	861,482
Contract & general services	152,701	21,296	181,627	237,398	36,840	126,854	3,966	760,682
Goods & supplies	39,503	16,222	124,616	374,937	3,602	117,322	3,253	679,455
Transfers to local boards	-	-	-	-	28,332	42,575	116,100	187,007
Long-term debt interest	-	-	1,336	4,092	1,569	628	-	7,625
Other expenses	2,849	-	-	-	-	-	-	2,849
	<u>491,202</u>	<u>47,761</u>	<u>428,628</u>	<u>709,082</u>	<u>110,260</u>	<u>580,733</u>	<u>131,434</u>	<u>2,499,100</u>
Net revenue, before amortization	<u>798,749</u>	<u>207,127</u>	<u>(410,862)</u>	<u>60,233</u>	<u>21,383</u>	<u>(236,426)</u>	<u>(24,089)</u>	<u>416,115</u>
Amortization expense	<u>(15,735)</u>	<u>(35,265)</u>	<u>(227,979)</u>	<u>(296,727)</u>	<u>-</u>	<u>(204,902)</u>	<u>(625)</u>	<u>(781,233)</u>
<b>Net Revenue</b>	<u><u>783,014</u></u>	<u><u>171,862</u></u>	<u><u>(638,841)</u></u>	<u><u>(236,494)</u></u>	<u><u>21,383</u></u>	<u><u>(441,328)</u></u>	<u><u>(24,714)</u></u>	<u><u>(365,118)</u></u>

**TOWN OF OYEN****Notes to the Financial Statements  
For The Year Ended December 31, 2016**

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**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, 2016**

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**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, 2016**

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**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:

	<b>Years</b>
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, 2016**

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**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**

	2016	2015
	\$	\$
Cash	142,023	-
Temporary investments	<u>1,169,803</u>	<u>572,290</u>
	<u><u>1,311,826</u></u>	<u><u>572,290</u></u>

Temporary investments were received from external sources and are held exclusively for operating and capital projects. They are invested in a savings account earning interest at 0.5%.

Included in the above are restricted amounts of \$853,631 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, 2016**

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

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	27,776	18,146
Non-current taxes and grants in place of taxes	<u>20,185</u>	<u>13,633</u>
	<u><u>47,961</u></u>	<u><u>31,779</u></u>

**4. Deferred Revenue**

	2016	2015
	\$	\$
Operating and capital project unspent funds	<u>853,631</u>	<u>566,235</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 2017. The unspent funds are supported by cash and temporary investments of \$853,631.

**5. Contaminated Sites Liability**

The town has adopted PS3260 Liability for Contaminated Sites. The town does have one contaminated site identified and, since 2014, has received provincial funding under the Tank Site Remediation Program to remediate the site. While the site has now been remediated, the engineering report issued in 2015 stated that there remains uncertainty as to whether the lands adjacent to the site were also contaminated and further testing was recommended. The town intends to conduct further testing and, at the release date of this audit, the remediation liability (if any) remains unknown.



**TOWN OF OYEN**

**Notes to the Financial Statements  
For The Year Ended December 31, 2016**

**6. Long-Term Debt**

	2016	2015
	\$	\$
Tax supported debentures	1,468,848	45,359
Finance contracts	<u>67,662</u>	<u>83,518</u>
	<u><b>1,536,510</b></u>	<u><b>128,877</b></u>

The current portion of long-term debt is \$80,869 (2014 - \$42,464).

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	80,869	45,268	<b>126,137</b>
2018	70,685	42,881	<b>113,566</b>
2019	69,089	40,727	<b>109,816</b>
2020	70,794	38,835	<b>109,629</b>
2021	54,901	37,094	<b>91,995</b>
2022 and on	<u>1,190,172</u>	<u>375,502</u>	<u><b>1,565,674</b></u>
	<u><b>1,536,510</b></u>	<u><b>580,307</b></u>	<u><b>2,116,817</b></u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.15% to 9.1% per annum and matures in periods through 2041. The average annual interest rate is 5.6% for 2016 (6% for 2015). 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 \$7,625 (2015 - \$4,507). The Town's total cash payments for interest in 2016 were \$4,327 (2015 - \$4,667).



**TOWN OF OYEN**

**Notes to the Financial Statements  
For The Year Ended December 31, 2016**

**7. 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:

	2016	2015
	\$	\$
Total debt limit	4,372,823	4,408,323
Total debt	<u>1,536,510</u>	<u>128,877</u>
Amount of debt limit unused	<u>2,836,313</u>	<u>4,279,446</u>
Debt servicing limit	728,804	734,721
Debt servicing	<u>126,137</u>	<u>46,715</u>
Amount of debt servicing limit unused	<u>602,667</u>	<u>688,006</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**8. Tangible Capital Assets**

	2016	2015
Net Book Value	\$	\$
Land	701,779	701,779
Land improvements	524,028	567,545
Buildings	8,328,776	8,180,564
Engineered structures		
Roadway system	2,859,170	2,243,652
Water system	9,529,329	9,745,611
Wastewater system	1,013,484	999,143
Machinery and equipment	271,249	184,910
Vehicles	<u>89,454</u>	<u>114,552</u>
	<u>23,317,269</u>	<u>22,737,756</u>

**TOWN OF OYEN**

**Notes to the Financial Statements  
For The Year Ended December 31, 2016**

**9. Equity in Tangible Capital Assets**

	2016	2015
	\$	\$
Tangible capital assets, Schedule 2	38,173,023	36,847,811
Accumulated amortization, Schedule 2	(14,855,754)	(14,110,055)
Long term debt (Note 5)	<u>(1,536,510)</u>	<u>(128,877)</u>
	<u><b>21,780,759</b></u>	<u><b>22,608,879</b></u>

**10. Accumulated Surplus**

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

	2016	2015
	\$	\$
Unrestricted surplus	776,256	(8,573)
Restricted surplus		
Rate stabilization	110,471	110,471
General operations	172,129	117,129
Equity in tangible capital assets	<u><b>21,780,769</b></u>	<u><b>22,608,879</b></u>
	<u><b>22,839,625</b></u>	<u><b>22,827,906</b></u>

**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 6).

**TOWN OF OYEN**

**Notes to the Financial Statements  
For The Year Ended December 31, 2016**

**12. 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:

	<u>2016</u>			<u>2015</u>
	<u>Salary</u>	<u>Benefits and allowances</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
Mayor				
Doug Jones	15,440	9,683	<b>25,123</b>	12,019
Councillors				
Dennis Punter	4,475	538	<b>5,013</b>	6,192
Kevin Brost	5,435	114	<b>5,549</b>	5,122
Joseph Lazzari	5,610	1,317	<b>6,927</b>	6,544
Trevor Hittel	3,350	332	<b>3,682</b>	3,020
Tom Tracy	3,885	186	<b>4,071</b>	5,271
Stacey Wiechnik	7,285	3,232	<b>10,517</b>	9,543
Municipal administrator	<u>86,336</u>	<u>21,682</u>	<u><b>108,018</b></u>	<u>100,926</u>
	<u>131,816</u>	<u>37,084</u>	<u><b>168,900</b></u>	<u>148,637</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, 2016**

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**13. 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.

**14. 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 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 of the Town of Oyen to the LAPP in 2016 were \$49,835 (2015 - \$54,963).

Total current service contributions by the employees of the Town of Oyen to the LAPP in 2016 were \$45,655 (2015 - \$50,354).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$2.455 billion.

**15. 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, 2016**

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**16. 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.

**17. Budgeted Figures**

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

**18. Approval of Financial Statements**

These financial statements were approved by Council and Administration on April 12, 2017.