

**TOWN OF LEGAL**  
**Consolidated Financial Statements**  
**December 31, 2016**

**TOWN OF LEGAL**  
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**December 31, 2016**

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# Shoemaker, Viney & Friesen

CHARTERED ACCOUNTANTS

John S. Shoemaker Professional Corporation

Tina J. Viney Professional Corporation



Timothy J. Friesen Professional Corporation

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## INDEPENDENT AUDITOR'S REPORT

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To the Board Members of Town of Legal

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

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Town of Legal as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Westlock, Alberta  
April 3, 2017



CHARTERED ACCOUNTANTS

**TOWN OF LEGAL**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2016**

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 3,886,553	\$ 2,624,024
Taxes and grants in place of taxes <i>(Note 3)</i>	34,703	39,383
Trade and other receivables	689,626	101,334
Land for resale inventory	1	1
	4,590,883	2,764,742
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	877,216	115,211
Deferred revenue <i>(Note 4)</i>	338,878	46,204
Long term debt <i>(Note 5)</i>	1,298,720	-
	2,514,814	161,415
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>2,076,069</b>	<b>2,603,327</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Schedule 2)</i>	9,947,843	7,659,581
Prepaid expenses	2,149	1,500
	9,949,992	7,661,081
<b>ACCUMULATED SURPLUS <i>(Note 8)</i></b>	<b>\$ 12,028,061</b>	<b>\$ 10,264,408</b>

*Contingencies - See Note 11*

**TOWN OF LEGAL**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2016**

	Budget (unaudited)	2016	2015
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule 3)</i>	\$ 1,051,576	\$ 1,057,950	\$ 1,013,177
User fees and sales of goods	641,850	637,150	670,172
Government transfers for operating <i>(Schedule 4)</i>	197,465	179,760	249,708
Rental revenue	163,075	168,498	161,358
Investment income	12,000	12,566	11,750
Franchise fees	87,000	91,030	47,486
Penalties and costs of taxes	23,500	28,661	26,761
Licenses, permits and fines	13,750	16,195	16,478
Other	3,900	17,510	6,652
<b>Total Revenue</b>	<b>2,194,116</b>	<b>2,209,320</b>	<b>2,203,542</b>
<b>EXPENSES</b>			
Legislative	93,100	87,473	87,481
Administration	619,140	593,254	645,246
Protective services	98,500	96,033	80,106
Roads, streets, walks, lighting	286,740	241,910	309,911
Water supply and distribution	270,428	249,541	282,347
Wastewater treatment and disposal	67,910	55,036	92,495
Waste management	94,373	88,650	89,100
Family and community support	70,152	66,145	61,661
Land use planning, zoning and development	35,800	17,189	4,616
Parks and recreation	415,075	382,661	395,377
Culture	20,000	20,000	20,000
<b>Total Expenses</b>	<b>2,071,218</b>	<b>1,897,892</b>	<b>2,068,340</b>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>122,898</b>	<b>311,428</b>	<b>135,202</b>
<b>CAPITAL ITEMS</b>			
Amortization of tangible capital assets	(479,632)	(503,535)	(479,632)
Government transfer for capital	1,901,814	1,953,760	474,349
Cost of assets disposed of	-	-	-
	<b>1,422,182</b>	<b>1,450,225</b>	<b>(5,283)</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>1,545,080</b>	<b>1,761,653</b>	<b>129,919</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>10,134,489</b>	<b>10,254,408</b>	<b>10,134,489</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 11,679,569</b>	<b>\$ 12,026,061</b>	<b>\$ 10,264,408</b>

**TOWN OF LEGAL**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2016**

	Budget (Unaudited)	2016	2015
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	\$ 1,545,080	\$ 1,761,653	\$ 129,919
Acquisition of tangible capital assets	(3,511,974)	(2,838,773)	(526,545)
Proceeds on disposal of tangible capital assets	-	58,202	47,666
Amortization of tangible capital assets	479,634	503,535	479,632
Gain / loss on disposal of tangible capital assets	-	(9,226)	(3,821)
	(3,032,340)	(2,288,262)	(3,068)
(Acquisition) disposal of prepaid expenses	-	(649)	2,173
<b>(INCREASE)/DECREASE IN NET FINANCIAL ASSETS (DEBT)</b>	(1,487,260)	(527,258)	129,024
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	2,603,327	2,603,327	2,474,303
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	\$ 1,116,067	\$ 2,076,069	\$ 2,603,327

**TOWN OF LEGAL**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2016**

	2016	2015
<b>OPERATING</b>		
Excess of revenue over expenses	\$ 1,761,653	\$ 129,919
Items not affecting cash:		
Amortization of tangible capital assets	503,535	479,632
Loss (gain) on disposal of tangible capital assets	(9,226)	(3,821)
	<u>2,255,982</u>	<u>605,730</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	4,680	2,967
Trade and other receivables	(568,292)	(83,900)
Prepaid expenses	(649)	2,173
Accounts payable and accrued liabilities	762,007	(198,737)
Deposit liabilities	(2)	-
Deferred revenue	292,674	(9,657)
	<u>490,418</u>	<u>(287,154)</u>
Cash provided by (applied to) operating transactions	<u>2,746,380</u>	<u>318,576</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	(2,838,773)	(526,545)
Proceeds on disposal of tangible capital assets	56,202	47,666
Cash applied to investing transactions	<u>(2,782,571)</u>	<u>(478,879)</u>
<b>FINANCING</b>		
Long term debt issued (repaid)	<u>1,298,720</u>	-
Net change in cash and cash equivalents during the year	1,262,529	(160,303)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,624,024</u>	<u>2,784,327</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,886,553</u>	<u>\$ 2,624,024</u>

**TOWN OF LEGAL**  
**Schedule of Changes in Accumulated Surplus**      **(Schedule 1)**  
**Year Ended December 31, 2016**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	Total 2016	Total 2015
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 1,052,863</b>	<b>\$ 1,551,964</b>	<b>\$ 7,659,581</b>	<b>\$ 10,264,408</b>	<b>\$ 10,134,489</b>
Excess (deficiency) of revenues over expenses	1,761,653	-	-	1,761,653	129,919
Unrestricted funds designated for future use	(164,327)	164,327	-	-	-
Restricted funds used for operations	19,700	(19,700)	-	-	-
Restricted funds used for tangible capital assets	-	(40,037)	40,037	-	-
Current year funds used for tangible capital assets	(1,500,016)	-	1,500,016	-	-
Disposal of tangible capital assets	46,976	-	(46,976)	-	-
Annual amortization expense	503,535	-	(503,535)	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 1,720,384</b>	<b>\$ 1,656,554</b>	<b>\$ 8,649,123</b>	<b>\$ 12,026,061</b>	<b>\$ 10,264,408</b>



**TOWN OF LEGAL**  
**Consolidated Schedule of Tangible Capital Assets**  
**(Schedule 2)**  
**For the Year Ended December 31, 2016**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 199,670	\$ 849,494	\$ 2,618,841	\$ 11,689,046	\$ 953,690	\$ 508,528	\$ 16,819,259	\$ 16,341,459
Acquisition of tangible capital assets	-	-	-	2,737,534	61,201	40,038	2,838,773	526,545
Disposal of tangible capital assets	-	-	-	-	(52,195)	-	(52,195)	(48,716)
BALANCE, END OF YEAR	199,670	849,494	2,618,841	14,426,580	962,686	548,566	19,605,837	16,819,259
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	491,324	1,783,625	5,803,198	659,394	421,037	9,159,678	8,081,917
Annual amortization	-	32,760	60,414	348,457	45,050	16,854	503,535	479,632
Accumulated amortization on disposals	-	-	-	-	(5,219)	-	(5,219)	(4,871)
BALANCE, END OF YEAR	-	524,584	1,844,039	6,151,655	699,225	438,491	9,657,994	9,159,678
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	199,670	324,910	774,802	8,274,925	263,461	110,075	9,947,843	7,659,581

**TOWN OF LEGAL**  
**Consolidated Schedule of Property and Other Taxes**      *(Schedule 3)*  
**Year Ended December 31, 2016**

	Budget (Unaudited)	2016	2015
<b>TAXATION</b>			
Residential land and Improvements	\$ 1,157,831	\$ 1,216,177	\$ 1,151,091
Non residential land and improvements	156,411	147,585	156,411
Linear property	31,248	34,443	31,248
Farmland	1,018	1,373	1,018
Machinery and equipment	54,717	1,297	1,074
	<u>1,401,225</u>	<u>1,400,865</u>	<u>1,340,842</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	330,290	330,290	315,642
Seniors Lodge	19,359	12,625	12,023
	<u>349,649</u>	<u>342,915</u>	<u>327,665</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 1,051,576</u>	<u>\$ 1,057,950</u>	<u>\$ 1,013,177</u>

**TOWN OF LEGAL**  
**Consolidated Schedule of Government Transfers**  
**Year Ended December 31, 2016**

*(Schedule 4)*

	Budget (Unaudited)	2016	2015
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	\$ 21,759	\$ -	\$ -
Provincial Government	101,101	104,500	173,985
Local Government	74,605	75,260	75,723
	<u>197,465</u>	<u>179,760</u>	<u>249,708</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	825,000	832,710	-
Provincial Government	1,076,814	1,121,050	474,349
	<u>1,901,814</u>	<u>1,953,760</u>	<u>474,349</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 2,099,279</u>	<u>\$ 2,133,520</u>	<u>\$ 724,057</u>

**TOWN OF LEGAL**  
**Consolidated Schedule of Expenses by Object** *(Schedule 5)*  
**Year Ended December 31, 2016**

	Budget (Unaudited)	2016	2015
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,059,832	\$ 1,050,754	\$ 988,771
Contracted and general services	359,165	289,641	418,297
Materials, goods and utilities	618,221	515,081	568,886
Provision for allowances	-	-	12,302
Transfers to local boards and agencies	23,000	32,893	31,001
Other	11,000	9,523	49,083
Amortization of tangible capital assets	479,632	503,535	479,632
	<u>\$ 2,550,850</u>	<u>\$ 2,401,427</u>	<u>\$ 2,547,972</u>

**TOWN OF LEGAL  
SCHEDULE OF SEGMENTED DISCLOSURE  
For the Year Ended December 31, 2016  
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	F.C.S.S.	Recreation & Culture	Environmental Services	Other	Total
<b>REVENUE:</b>								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,057,950	\$ 1,057,950
Government transfers	112,905	7,605	442,185	31,807	5,684	1,533,934	-	2,133,520
User fees and sales of goods	3,601	16,999	4,186	843	14,546	598,975	-	637,150
Investment income	12,586	-	-	-	-	-	-	12,586
Rental revenue	-	-	-	-	168,498	-	-	168,498
Other revenues	127,779	8,950	9,226	-	-	8,041	-	153,996
	256,851	32,954	455,597	32,650	188,728	2,138,350	1,057,950	4,163,080
<b>EXPENSES:</b>								
Contract & general services	90,321	20,074	24,067	19,409	79,507	48,322	13,941	289,641
Salaries & wages	505,290	51,086	120,486	40,151	203,214	130,527	-	1,050,754
Goods & supplies	71,801	19,873	97,357	3,685	104,939	214,378	3,248	515,081
Transfers to local boards	3,992	5,000	-	2,900	21,001	-	-	32,893
Other expenses	8,523	-	-	-	-	-	-	9,523
	680,727	96,033	241,910	66,145	402,661	393,227	17,189	1,897,802
<b>NET REVENUE BEFORE AMORTIZATION</b>	(423,676)	(63,079)	213,687	(33,495)	(219,933)	1,745,123	1,040,761	2,265,189
Amortization expense	3,785	13,025	280,627	-	115,517	80,571	-	503,585
<b>NET REVENUE</b>	(427,671)	(76,104)	(76,940)	(33,495)	(329,450)	1,664,552	1,040,761	1,761,653

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016**

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change 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 of Legal and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the 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.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the 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 public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

h) Tax Revenue

Tax revenues are recognized when the tax have been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l) 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 municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

j) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town of Legal is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

k) 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.

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**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016**

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**i) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

**I. 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:

Land improvements	15 to 20 years
Buildings	25 to 50 years
Machinery and equipment	5 to 20 years
Vehicles	3 to 20 years
Engineered structures	15 to 65 years

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.

**iv. Inventories**

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

**v. Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

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**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016**

**2. CASH AND TEMPORARY INVESTMENTS**

	2016	2015
Cash and temporary investments	<b>\$ 3,886,553</b>	<b>\$ 2,624,024</b>

Council has designated funds of \$1,656,554 (2015 - \$1,551,964) included in the above amount for funding the Town's reserves.

Included in cash and temporary investments is a restricted amount of \$338,878 (2015 - \$46,204) received from the provincial government and others, held exclusively for a variety of capital and operating projects.

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

	2016	2015
Taxes and grants in place of taxes	<b>\$ 27,586</b>	<b>\$ 20,121</b>
Arrears taxes	<b>7,117</b>	<b>19,262</b>
	<b>\$ 34,703</b>	<b>\$ 39,383</b>

**4. DEFERRED REVENUE**

	2016	2015
Federal and Other Grants	<b>\$ -</b>	<b>\$ 21,759</b>
Other Local Revenues	<b>8,000</b>	<b>8,000</b>
Municipal Sustainability Initiative	<b>330,878</b>	<b>16,445</b>
	<b>\$ 338,878</b>	<b>\$ 46,204</b>

Funding received or receivable is anticipated to be spent in 2017.

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016**

5. LONG TERM DEBT

	2016	2015
Tax supported debentures	\$ 1,298,720	\$ -

The current portion of long-term debt amounts to \$428,493 (2015 - \$0)

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2017	\$ 428,493	\$ 12,205	\$ 440,698
2018	432,892	7,806	440,698
2019	437,335	3,361	440,696
	\$ 1,298,720	\$ 23,372	\$ 1,322,092

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 1.024% per annum and matures on September 15, 2019.

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

Interest on the long term debt amounted to \$0 (2015 - \$0)

6. 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 Legal be disclosed as follows:

	2016	2015
Total debt limit	\$ 3,313,980	\$ 3,305,313
Total debt	(1,298,720)	-
	2,015,260	3,305,313
Total amount of debt limit unused		
Debt servicing limit	552,330	550,885
Debt servicing	(440,698)	-
	111,632	550,885
Amount of debt servicing limit unused	\$ 111,632	\$ 550,885

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.

**TOWN OF LEGAL**  
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**7. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2016	2015
Tangible capital assets <i>(Schedule 2)</i>	\$ 19,605,837	\$ 16,819,259
Accumulated amortization <i>(Schedule 2)</i>	(9,657,994)	(9,159,678)
Long term debt <i>(Note 5)</i>	(1,298,720)	-
	<b>\$ 8,649,123</b>	<b>\$ 7,659,581</b>

**8. ACCUMULATED SURPLUS**

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

	2016	2015
Unrestricted surplus (deficit)	\$ 1,720,384	\$ 1,052,863
Restricted surplus		
Parks and recreation	193,118	181,118
Roads	389,357	393,395
General equipment replacement	291,357	294,056
Water, sewer, and waste management	782,722	683,395
Equity in tangible capital assets	8,649,123	7,659,581
	<b>\$ 12,026,061</b>	<b>\$ 10,264,408</b>

**9. 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:

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	2016 Total	2015 Total
<b>Councillors:</b>				
Baril, Kenneth	\$ 9,500	\$ -	\$ 9,500	\$ 13,150
Hauptman, Kurtis	12,700	-	12,700	10,500
Hills, Patrick	11,100	-	11,100	9,550
Jones, Trina	17,850	-	17,850	14,600
Mayor: Tremblay, Carolyn	17,000	-	17,000	11,900
CAO: Proulx, Robert	112,954	24,479	137,433	131,350

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including 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.

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**10. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town of Legal 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 244,621 people and 426 employers. 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 Legal 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 of Legal 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 of Legal to the LAPP in 2016 were \$82,225 (2015 - \$78,487). Total current service contributions by the employees of the Town of Legal to the Local Authorities Pension Plan in 2016 were \$75,816 (2015 - \$72,328).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

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**11. CONTINGENCIES**

The Town of Legal is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Legal 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.

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**12. FINANCIAL INSTRUMENTS**

The Town of Legal's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, and long term debt. It is management's opinion that the Town of Legal is not exposed to significant interest or currency risks arising from these financial instruments.

The Town of Legal is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town of Legal provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

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**13. BUDGET FIGURES**

Budget figures are included for information purposes only and are not audited.

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**14. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

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