

**TOWN OF LEGAL**  
**Consolidated Financial Statements**  
**December 31, 2013**

**TOWN OF LEGAL**  
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**December 31, 2013**

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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, 2013, 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.

(continues)

Independent Auditor's Report to the Board Members of Town of Legal *(continued)*

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, 2013 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 29, 2014

*Shoemaker, Viney & Friesen*  
CHARTERED ACCOUNTANTS

**TOWN OF LEGAL**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2013**

	<b>2013</b>	<b>2012</b>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 2,588,691	\$ 2,548,132
Taxes and grants in place of taxes <i>(Note 3)</i>	41,371	50,621
Trade and other receivables	301,906	39,978
Land for resale inventory	1	1
	<b>2,931,969</b>	<b>2,638,732</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	217,307	108,016
Deferred revenue <i>(Note 4)</i>	332,078	213,888
Long term debt <i>(Note 5)</i>	-	25,448
	<b>549,385</b>	<b>347,352</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>2,382,584</b>	<b>2,291,380</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Note 7)</i>	8,015,241	7,626,346
Prepaid expenses	5,065	3,836
	<b>8,020,306</b>	<b>7,630,182</b>
<b>ACCUMULATED SURPLUS <i>(Note 8)</i></b>	<b>\$ 10,402,890</b>	<b>\$ 9,921,562</b>

**TOWN OF LEGAL**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2013**

	Budget (unaudited)	2013	2012
<b>REVENUE</b>			
Net municipal taxes( <i>Schedule 3</i> )	\$ 958,667	\$ 958,667	\$ 945,051
User fees and sales of goods	547,434	580,103	624,368
Government transfers for operating( <i>Schedule 4</i> )	95,705	149,641	166,242
Rental revenue	174,225	167,390	202,142
Investment income	20,000	22,534	23,033
Franchise fees	42,000	48,542	39,577
Penalties and costs of taxes	27,500	23,446	28,866
Licenses and permits	12,600	16,406	15,114
Other	3,700	13,399	8,320
<b>Total Revenue</b>	<b>1,881,831</b>	<b>1,980,128</b>	<b>2,052,713</b>
<b>EXPENSES</b>			
Legislative	77,300	75,702	62,741
Administration	600,839	586,204	532,969
Protective services	90,575	86,159	93,901
Roads, streets, walks, lighting	244,347	228,186	217,274
Water supply and distribution	299,417	266,495	236,289
Wastewater treatment and disposal	42,851	44,445	53,653
Waste management	86,567	88,255	87,021
Family and community support	62,292	53,848	32,159
Land use planning, zoning and development	-	-	2,076
Parks and recreation	405,492	376,183	383,575
Culture	13,000	15,500	42,766
<b>Total Expenses</b>	<b>1,922,680</b>	<b>1,820,977</b>	<b>1,744,424</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>(40,849)</b>	<b>159,151</b>	<b>308,289</b>
<b>CAPITAL ITEMS</b>			
Amortization of tangible capital assets	(453,124)	(456,093)	(451,854)
Government transfer for capital	1,060,489	778,270	29,827
Adjustment to prior year equity	-	-	(34,710)
	607,365	322,177	(456,737)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>566,516</b>	<b>481,328</b>	<b>(148,448)</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>9,921,563</b>	<b>9,921,562</b>	<b>10,070,010</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 10,488,079</b>	<b>\$ 10,402,890</b>	<b>\$ 9,921,562</b>

**TOWN OF LEGAL**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2013**

	Budget (Unaudited)	2013	2012
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	\$ 566,516	\$ 481,328	\$ (148,448)
Acquisition of tangible capital assets	(1,195,004)	(882,140)	(60,511)
Proceeds on disposal of tangible capital assets	3,500	40,852	40,000
Amortization of tangible capital assets	453,124	456,093	451,854
Gain on disposal of tangible capital assets	-	(3,700)	(3,822)
	<u>(738,380)</u>	<u>(388,895)</u>	427,521
(Acquisition) disposal of prepaid expenses	-	(1,229)	(285)
(INCREASE)/DECREASE IN NET FINANCIAL ASSETS (DEBT)	(171,864)	91,204	278,788
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<u>2,291,380</u>	<u>2,291,380</u>	<u>2,012,592</u>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<u>\$ 2,119,516</u>	<u>\$ 2,382,584</u>	<u>\$ 2,291,380</u>

**TOWN OF LEGAL**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2013**

	2013	2012
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	\$ 481,328	\$ (148,448)
Items not affecting cash:		
Amortization of tangible capital assets	456,093	451,854
Loss (gain) on disposal of tangible capital assets	<u>(3,700)</u>	<u>(3,822)</u>
	<u>933,721</u>	<u>299,584</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	9,250	11,685
Trade and other receivables	<u>(261,928)</u>	132,721
Prepaid expenses	<u>(1,229)</u>	(285)
Accounts payable and accrued liabilities	109,291	(40,660)
Deferred revenue	<u>118,190</u>	<u>(1,350)</u>
	<u>(26,426)</u>	102,111
Cash provided by (applied to) operating transactions	<u>907,295</u>	<u>401,695</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	(882,140)	(60,511)
Proceeds on disposal of tangible capital assets	<u>40,852</u>	<u>40,000</u>
Cash applied to investing transactions	<u>(841,288)</u>	<u>(20,511)</u>
<b>FINANCING</b>		
Long term debt issued (repaid)	<u>(25,448)</u>	<u>(22,900)</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>40,559</b>	<b>358,284</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u><b>2,548,132</b></u>	<u><b>2,189,848</b></u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 2,588,691</b></u>	<u><b>\$ 2,548,132</b></u>



**TOWN OF LEGAL**  
**Schedule of Changes in Accumulated Surplus**      **(Schedule 1)**  
**Year Ended December 31, 2013**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	Total 2013	Total 2012
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 1,023,315</b>	<b>\$ 1,297,348</b>	<b>\$ 7,600,899</b>	<b>\$ 9,921,562</b>	<b>\$ 10,070,010</b>
Excess (deficiency) of revenues over expenses	481,328	-	-	481,328	(148,448)
Unrestricted funds designated for future use	(109,742)	109,742	-	-	-
Current year funds used for tangible capital assets	(882,140)	-	882,140	-	-
Disposal of tangible capital assets	37,153	-	(37,153)	-	-
Annual amortization expense	456,093	-	(456,093)	-	-
Long term debt repaid	(25,448)	-	25,448	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 980,559</b>	<b>\$ 1,407,090</b>	<b>\$ 8,015,241</b>	<b>\$ 10,402,890</b>	<b>\$ 9,921,562</b>

**TOWN OF LEGAL**  
**Consolidated Schedule of Tangible Capital Assets**  
**(Schedule 2)**  
**For the Year Ended December 31, 2013**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2013	2012
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 199,670	\$ 812,291	\$ 2,546,943	\$ 10,358,875	\$ 899,485	\$ 632,815	\$ 15,450,079	\$ 15,434,793
Acquisition of tangible capital assets	-	37,203	21,548	683,001	92,307	48,081	882,140	60,511
Disposal of tangible capital assets	-	-	-	-	(46,441)	-	(46,441)	(45,225)
<b>BALANCE, END OF YEAR</b>	<b>199,670</b>	<b>849,494</b>	<b>2,568,491</b>	<b>11,041,876</b>	<b>945,351</b>	<b>680,896</b>	<b>16,285,778</b>	<b>15,450,079</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	390,664	1,604,972	4,909,619	532,770	385,708	7,823,733	7,380,926
Annual amortization	-	33,735	58,329	282,061	51,662	30,305	456,092	451,854
Accumulated amortization on disposals	-	-	-	-	(9,288)	-	(9,288)	(9,047)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>424,399</b>	<b>1,663,301</b>	<b>5,191,680</b>	<b>575,144</b>	<b>416,013</b>	<b>8,270,537</b>	<b>7,823,733</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>199,670</b>	<b>425,095</b>	<b>905,190</b>	<b>5,850,196</b>	<b>370,207</b>	<b>264,883</b>	<b>8,015,241</b>	<b>7,626,346</b>

**TOWN OF LEGAL**  
**Consolidated Schedule of Property and Other Taxes** *(Schedule 3)*  
**Year Ended December 31, 2013**

	Budget (Unaudited)	2013	2012
<b>TAXATION</b>			
Residential land and improvements	\$ 1,098,191	\$ 1,098,191	\$ 1,107,349
Non residential land and improvements	128,866	128,866	130,661
Linear property	32,926	32,926	32,789
Farmland	27,345	27,345	1,385
Machinery and equipment	1,116	1,116	1,118
	1,288,444	1,288,444	1,273,302
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	318,428	318,428	317,232
Seniors Lodge	11,349	11,349	11,019
	329,777	329,777	328,251
<b>NET MUNICIPAL TAXES</b>	\$ 958,667	\$ 958,667	\$ 945,051

**TOWN OF LEGAL**  
**Consolidated Schedule of Government Transfers** *(Schedule 4)*  
**Year Ended December 31, 2013**

	Budget (Unaudited)	2013	2012
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 27,705	\$ 83,641	\$ 111,242
Local Government	68,000	<b>66,000</b>	55,000
	95,705	<b>149,641</b>	166,242
<b>TRANSFERS FOR CAPITAL:</b>			
Government transfers	1,045,489	<b>778,270</b>	29,827
Capital contributions - other	15,000	-	-
	1,060,489	<b>778,270</b>	29,827
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 1,156,194</b>	<b>\$ 927,911</b>	<b>\$ 196,069</b>

**TOWN OF LEGAL**  
**Consolidated Schedule of Expenses by Object**  
**Year Ended December 31, 2013**

*(Schedule 5)*

	Budget (Unaudited)	2013	2012
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 875,580	\$ 903,269	\$ 834,945
Contracted and general services	345,750	298,489	369,982
Materials, goods and utilities	684,050	570,283	493,896
Provision for allowances	-	244	-
Transfers to local boards and agencies	17,000	23,958	25,900
Other	300	21,904	14,323
Interest on long term debt	-	2,831	5,378
Amortization of tangible capital assets	453,124	456,093	451,854
	<u>\$ 2,375,804</u>	<u>\$ 2,277,071</u>	<u>\$ 2,196,278</u>

**TOWN OF LEGAL**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2013**

(Schedule 6)

	General Government	Protective Services	Transportation Services	FCSS	Recreation & Culture	Environmental Services	Other	2013
<b>REVENUE</b>								
Net municipal taxes	\$ 93,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 958,667	\$ 958,667
Government transfers	7,366	5,500	-	26,505	6,730	17,036	-	149,641
User fees and sales of goods	-	9,001	13,256	642	17,504	532,334	-	580,103
Rental revenue	22,534	-	-	-	167,390	-	-	167,390
Investment income	86,153	5,280	-	-	-	-	-	22,534
Other	209,923	19,781	13,256	27,147	191,624	559,730	958,667	1,980,128
<b>EXPENSES</b>								
Salaries, wages and benefits	434,616	40,361	103,421	33,504	178,581	112,786	-	903,269
Contract & general services	113,414	28,050	18,826	17,335	76,220	44,643	-	298,488
Goods and supplies	84,514	14,917	105,939	3,010	120,381	241,522	-	570,283
Transfers to local boards	7,457	-	-	-	16,501	-	-	23,958
Long-term debt interest	-	2,831	-	-	-	-	-	2,831
Other expenses	21,904	-	-	-	-	244	-	22,148
	661,905	86,159	228,186	53,849	391,683	399,195	-	1,820,977
<b>NET REVENUE, BEFORE AMORTIZATION</b>	(451,982)	(66,378)	(214,930)	(26,702)	(200,059)	160,535	958,667	159,151
Amortization expense	6,990	20,560	238,337	-	78,472	111,734	-	456,093
<b>NET REVENUE</b>	\$ (458,972)	\$ (86,938)	\$ (453,267)	\$ (26,702)	\$ (278,531)	\$ 48,801	\$ 958,667	\$ (296,942)

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013**

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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, 2013**

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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) 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.

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**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013**

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

i) 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.

j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

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**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013**

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

k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of 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, 2013**

2. CASH AND TEMPORARY INVESTMENTS

	2013	2012
Cash and temporary investments	<b>\$ 2,588,691</b>	<b>\$ 2,548,132</b>

Council has designated funds of \$1,407,090 (2012 - \$1,297,348) included in the above amount for funding the Town's reserves.

Included in cash and temporary investments is a restricted amount of \$332,078 (2012 - \$213,888) 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

	2013	2012
Taxes and grants in place of taxes	<b>\$ 25,571</b>	<b>\$ 37,922</b>
Arrears taxes	<b>15,800</b>	<b>12,699</b>
	<b>\$ 41,371</b>	<b>\$ 50,621</b>

4. DEFERRED REVENUE

	2013	2012
Federal and Other Grants	<b>\$ 17,856</b>	<b>\$ 34,892</b>
Other Local Revenues	<b>8,000</b>	<b>8,000</b>
Municipal Sustainability Initiative	<b>148,561</b>	<b>170,996</b>
Geographical Information Systems	<b>157,661</b>	<b>-</b>
	<b>\$ 332,078</b>	<b>\$ 213,888</b>

Funding received or receivable is anticipated to be spent in 2014.

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2013**

5. LONG TERM DEBT

	2013	2012
Tax supported debentures	\$ -	\$ 25,448

Interest on long term debt amounted to \$2,830 (2012 - \$5,378).

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:

	2013	2012
Total debt limit	\$ 2,970,192	\$ 3,079,070
Total debt	-	25,448
Amount of debt limit unused	2,970,192	3,053,622
Debt servicing limit	495,032	513,178
Debt servicing	-	28,278
Amount of debt servicing limit unused	\$ 495,032	\$ 484,900

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**  
**Notes to Consolidated Financial Statements**  
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**7. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2013</b>	<b>2012</b>
Tangible capital assets <i>(Schedule 2)</i>	<b>\$ 16,285,778</b>	\$ 15,450,079
Accumulated amortization <i>(Schedule 2)</i>	<b>(8,270,537)</b>	(7,823,733)
Long term debt <i>(Note 5)</i>	<b>-</b>	(25,448)
	<b>\$ 8,015,241</b>	<b>\$ 7,600,898</b>

**8. ACCUMULATED SURPLUS**

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

	<b>2013</b>	<b>2012</b>
Unrestricted surplus (deficit)	<b>\$ 980,559</b>	\$ 1,023,315
Restricted surplus		
Parks and recreation	<b>130,627</b>	108,127
Roads	<b>380,714</b>	365,714
General equipment replacement	<b>237,857</b>	227,857
Water, sewer, and waste management	<b>657,892</b>	595,650
Equity in tangible capital assets	<b>8,015,241</b>	7,600,899
	<b>\$ 10,402,890</b>	<b>\$ 9,921,562</b>

**TOWN OF LEGAL**  
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**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>	2013 Total	2012 Total
Councillors:				
Baril, Kenneth	\$ 9,300	\$ -	\$ 9,300	\$ 9,300
Hauptman, Kurtis	2,300	-	2,300	-
Hills, Patrick	2,200	-	2,200	-
Jones, Trina	12,100	-	12,100	11,800
Sharma, Ron	6,900	-	6,900	550
Tremblay, Carol	11,300	-	11,300	550
Mayor: Magera, Lisa	10,000	-	10,000	12,250
CAO: Proulx, Robert	104,779	20,868	125,647	121,843

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.

**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 223,643 people and 428 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 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the Town of Legal are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Town of Legal to the LAPP in 2013 were \$62,950 (2012 - \$61,407). Total current service contributions by the employees of the Town of Legal to the Local Authorities Pension Plan in 2013 were \$57,530 (2012 - \$54,667).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.98 billion.

**TOWN OF LEGAL**  
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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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