

**TOWN OF LEGAL**  
**Consolidated Financial Statements**  
**December 31, 2017**

**TOWN OF LEGAL**  
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**December 31, 2017**

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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, 2017, 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.

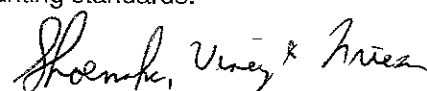
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2017 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  
March 19, 2018



CHARTERED ACCOUNTANTS

**TOWN OF LEGAL**  
**Consolidated Statement of Operations**  
**Year Ended December 31, 2017**

	Budget (unaudited)	2017	2016
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule 3)</i>	\$ 1,066,535	\$ 1,063,631	\$ 1,057,950
User fees and sales of goods	645,542	699,342	637,150
Government transfers for operating <i>(Schedule 4)</i>	485,741	307,619	179,760
Rental revenue	158,700	174,891	168,498
Investment income	12,000	13,622	12,566
Franchise fees	93,000	91,218	91,030
Penalties and costs of taxes	26,500	23,717	28,661
Licenses, permits and fines	15,550	15,803	16,195
Other	7,900	34,942	17,510
<b>Total Revenue</b>	<b>2,511,468</b>	<b>2,424,785</b>	<b>2,209,320</b>
<b>EXPENSES</b>			
Legislative	101,650	96,127	87,473
Administration	635,397	599,339	593,254
Protective services	119,900	82,678	96,033
Roads, streets, walks, lighting	290,316	272,456	241,910
Water supply and distribution	324,886	288,492	249,541
Wastewater treatment and disposal	105,832	48,324	55,036
Waste management	88,489	100,095	88,650
Family and community support	81,243	74,738	66,145
Land use planning, zoning and development	40,800	14,474	17,189
Parks and recreation	423,168	398,179	382,661
Culture	20,000	20,000	20,000
Amortization	503,535	535,330	503,535
<b>Total Expenses</b>	<b>2,735,216</b>	<b>2,530,232</b>	<b>2,401,427</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>(223,748)</b>	<b>(105,447)</b>	<b>(192,107)</b>
<b>CAPITAL ITEMS</b>			
Government transfer for capital	457,255	255,926	1,953,760
Other local group	101,440	96,582	-
	558,695	352,508	1,953,760
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>334,947</b>	<b>247,061</b>	<b>1,761,653</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>12,026,061</b>	<b>12,026,061</b>	<b>10,264,408</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 12,361,008</b>	<b>\$ 12,273,122</b>	<b>\$ 12,026,061</b>

**TOWN OF LEGAL**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	\$ 334,947	\$ 247,061	\$ 1,761,653
Acquisition of tangible capital assets	(890,380)	(511,722)	(2,838,773)
Proceeds on disposal of tangible capital assets	-	58,133	56,202
Amortization of tangible capital assets	503,535	535,331	503,535
Gain / loss on disposal of tangible capital assets	-	(3,051)	(9,226)
	(386,845)	78,691	(2,288,262)
(Acquisition) disposal of prepaid expenses	-	(1,284)	(649)
<b>(INCREASE)/DECREASE IN NET FINANCIAL ASSETS (DEBT)</b>	(51,898)	324,468	(527,258)
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	2,076,069	2,076,069	2,603,327
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	\$ 2,024,171	\$ 2,400,537	\$ 2,076,069

**TOWN OF LEGAL**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

	2017	2016
<b>OPERATING</b>		
Excess of revenue over expenses	\$ 247,061	\$ 1,761,653
Items not affecting cash:		
Amortization of tangible capital assets	535,331	503,535
Loss (gain) on disposal of tangible capital assets	(3,051)	(9,226)
	<u>779,341</u>	<u>2,255,962</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	1,527	4,680
Trade and other receivables	(32,217)	(568,292)
Prepaid expenses	(1,284)	(649)
Accounts payable and accrued liabilities	(703,248)	762,005
Deferred revenue	17,760	292,674
	<u>(717,462)</u>	<u>490,418</u>
Cash provided by (applied to) operating transactions	<u>61,879</u>	<u>2,746,380</u>
<b>INVESTING</b>		
Purchase of tangible capital assets	(511,722)	(2,838,773)
Proceeds on disposal of tangible capital assets	58,133	56,202
Cash applied to investing transactions	<u>(453,589)</u>	<u>(2,782,571)</u>
<b>FINANCING</b>		
Long term debt issued (repaid)	<u>(428,493)</u>	<u>1,298,720</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>(820,203)</b>	<b>1,262,529</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,886,553</b>	<b>2,624,024</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,066,350</b>	<b>\$ 3,886,553</b>

**TOWN OF LEGAL**  
**Schedule of Changes in Accumulated Surplus (Schedule 1)**  
**Year Ended December 31, 2017**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	Total 2017	Total 2016
<b>BALANCE, BEGINNING 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>
Excess (deficiency) of revenues over expenses	247,061	-	-	247,061	1,761,653
Unrestricted funds designated for future use	(203,495)	203,495	-	-	-
Restricted funds used for operations	8,000	(8,000)	-	-	-
Restricted funds used for tangible capital assets	-	(55,182)	55,182	-	-
Current year funds used for tangible capital assets	(456,540)	-	456,540	-	-
Disposal of tangible capital assets	55,082	-	(55,082)	-	-
Annual amortization expense	535,331	-	(535,331)	-	-
Long term debt repaid	(428,493)	-	428,493	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 1,477,330</b>	<b>\$ 1,796,867</b>	<b>\$ 8,998,925</b>	<b>\$ 12,273,122</b>	<b>\$ 12,026,061</b>

**TOWN OF LEGAL**  
**Consolidated Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2017**  
**(Schedule 2)**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017	2016
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 199,670	\$ 849,494	\$ 2,618,841	\$ 14,426,580	\$ 962,686	\$ 548,566	\$ 19,605,837	\$ 16,819,259
Acquisition of tangible capital assets	-	-	193,164	255,926	62,632	-	511,722	2,838,773
Disposal of tangible capital assets	-	-	-	-	(61,201)	-	(61,201)	(52,195)
<b>BALANCE, END OF YEAR</b>	<b>199,670</b>	<b>849,494</b>	<b>2,812,005</b>	<b>14,682,506</b>	<b>964,117</b>	<b>548,566</b>	<b>20,056,358</b>	<b>19,605,837</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	524,584	1,844,039	6,151,655	699,225	438,491	9,657,994	9,159,678
Annual amortization	-	32,761	64,179	377,110	45,572	15,709	535,331	503,535
Accumulated amortization on disposals	-	-	-	-	(6,119)	-	(6,119)	(5,219)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>557,345</b>	<b>1,908,218</b>	<b>6,528,765</b>	<b>738,678</b>	<b>454,200</b>	<b>10,187,206</b>	<b>9,657,994</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>199,670</b>	<b>292,149</b>	<b>903,787</b>	<b>8,153,741</b>	<b>225,439</b>	<b>94,366</b>	<b>9,869,152</b>	<b>9,947,843</b>



**TOWN OF LEGAL**  
**Consolidated Schedule of Property and Other Taxes**      *(Schedule 3)*  
**Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
<b>TAXATION</b>			
Residential land and improvements	\$ 1,236,620	\$ 1,233,896	\$ 1,216,177
Non residential land and improvements	149,000	148,480	147,585
Linear property	34,200	34,187	34,443
Farmland	1,415	1,415	1,373
Machinery and equipment	1,050	1,034	1,287
	<u>1,422,285</u>	<u>1,419,012</u>	<u>1,400,865</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	343,000	342,631	330,290
Seniors Lodge	12,750	12,750	12,625
	<u>355,750</u>	<u>355,381</u>	<u>342,915</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 1,066,535</u>	<u>\$ 1,063,631</u>	<u>\$ 1,057,950</u>

**TOWN OF LEGAL**  
**Consolidated Schedule of Government Transfers** *(Schedule 4)*  
**Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
<b>TRANSFERS FOR OPERATING:</b>			
Provincial Government	\$ 378,697	\$ 230,825	\$ 104,500
Local Government	107,044	76,794	75,260
	485,741	307,619	179,760
<b>TRANSFERS FOR CAPITAL:</b>			
Other local group	101,440	96,582	-
Federal Government	-	-	832,710
Provincial Government	457,255	255,926	1,121,050
	558,695	352,508	1,953,760
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 1,044,436</b>	<b>\$ 660,127</b>	<b>\$ 2,133,520</b>

**TOWN OF LEGAL**  
**Consolidated Schedule of Expenses by Object** *(Schedule 5)*  
**Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,097,219	\$ 1,074,020	\$ 1,050,754
Contracted and general services	433,893	320,396	289,641
Materials, goods and utilities	653,270	553,130	515,081
Provision for allowances	-	794	-
Transfers to local boards and agencies	25,000	25,144	32,893
Other	9,000	9,213	9,523
Interest on long term debt	13,299	12,205	-
Amortization of tangible capital assets	503,535	535,330	503,535
	\$ 2,735,216	\$ 2,530,232	\$ 2,401,427

**TOWN OF LEGAL**  
**SCHEDULE OF SEGMENTED DISCLOSURE**  
**For the Year Ended December 31, 2017**  
**SCHEDULE 6**

	General Government	Protective Services	Transportation Services	F.C.S.S.	Recreation & Culture	Environmental Services	Other	Total
<b>REVENUE:</b>								
Net municipal taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,063,631	\$ 1,063,631
Government transfers	76,794	-	195,158	31,807	105,947	250,421	-	660,127
User fees and sales of goods	3,469	28,671	67,168	527	14,424	585,083	-	699,342
Investment income	13,622	-	-	-	-	-	-	13,622
Rental revenue	-	-	-	-	174,891	-	-	174,891
Other revenues	150,148	7,677	-	-	-	7,855	-	165,680
	244,033	36,348	262,326	32,334	295,262	843,359	1,063,631	2,777,293
<b>EXPENSES:</b>								
Contract & general services	93,798	25,351	19,803	22,620	83,335	75,488	-	320,395
Salaries & wages	509,565	39,305	123,992	45,807	209,766	132,559	13,026	1,074,020
Goods & supplies	79,746	18,022	128,661	6,311	103,079	215,864	1,448	553,131
Transfers to local boards	3,144	-	-	-	22,000	-	-	25,144
Long-term debt interest	-	-	-	-	-	12,205	-	12,205
Other expenses	9,213	-	-	-	-	794	-	10,007
	695,466	82,678	272,456	74,738	418,180	436,910	14,474	1,994,902
<b>NET REVENUE, BEFORE AMORTIZATION</b>	(451,433)	(46,330)	(10,130)	(42,404)	(122,918)	406,449	1,049,157	782,391
Amortization expense	3,697	13,025	302,799	-	84,435	131,374	-	535,330
<b>NET REVENUE</b>	(455,130)	(59,355)	(312,929)	(42,404)	(207,353)	275,075	1,049,157	247,061

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

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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, 2017**

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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, 2017**

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

i) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the 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, 2017**

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

l) 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, 2017**

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash and temporary investments	<b>\$ 3,066,350</b>	<b>\$ 3,886,553</b>

Council has designated funds of \$1,796,867 (2016 - \$1,656,554) included in the above amount for funding the Town's reserves.

Included in cash and temporary investments is a restricted amount of \$356,638 (2016 - \$338,878) 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

	2017	2016
Taxes and grants in place of taxes	<b>\$ 28,551</b>	<b>\$ 27,586</b>
Arrears taxes	<b>4,625</b>	<b>7,117</b>
	<b>\$ 33,176</b>	<b>\$ 34,703</b>

4. DEFERRED REVENUE

	2017	2016
Federal and Other Grants	<b>\$ 66,259</b>	<b>\$ -</b>
Other Local Revenues	<b>8,000</b>	<b>8,000</b>
Municipal Sustainability Initiative	<b>282,379</b>	<b>330,878</b>
	<b>\$ 356,638</b>	<b>\$ 338,878</b>

Funding received or receivable is anticipated to be spent in 2018.

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

5. LONG TERM DEBT

	2017	2016
Tax supported debentures	<b>\$ 870,227</b>	<b>\$ 1,298,720</b>

The current portion of long-term debt amounts to \$432,892 (2016 - \$428,493).

Principal and interest repayment terms are as follows:

	Principal	Interest	Total
2018	\$ 432,892	\$ 7,806	\$ 440,698
2019	437,335	3,361	440,696
	<b>\$ 870,227</b>	<b>\$ 11,167</b>	<b>\$ 881,394</b>

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 \$12,205 (2016 - \$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:

	2017	2016
Total debt limit	<b>\$ 3,637,177</b>	\$ 3,313,980
Total debt	<b>(870,227)</b>	(1,298,720)
Total amount of debt limit unused	<b>2,766,950</b>	2,015,260
Debt servicing limit	<b>606,196</b>	552,330
Debt servicing	<b>(440,698)</b>	(440,698)
Amount of debt servicing limit unused	<b>\$ 165,498</b>	\$ 111,632

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**  
**December 31, 2017**

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital assets <i>(Schedule 2)</i>	\$ 20,056,358	\$ 19,605,837
Accumulated amortization <i>(Schedule 2)</i>	(10,187,206)	(9,657,994)
Long term debt <i>(Note 5)</i>	(870,227)	(1,298,720)
	\$ 8,998,925	\$ 8,649,123

8. ACCUMULATED SURPLUS

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

	2017	2016
Unrestricted surplus (deficit)	\$ 1,477,330	\$ 1,720,384
Restricted surplus		
Parks and recreation	167,436	193,118
Roads	405,357	389,357
General equipment replacement	329,352	291,357
Water, sewer, and waste management	894,722	782,722
Equity in tangible capital assets	8,998,925	8,649,123
	\$ 12,273,122	\$ 12,026,061

**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>	2017 Total	2016 Total
Councillors:				
Baril, Kenneth	\$ 8,025	\$ 97	\$ 8,122	\$ 9,500
Hauptman, Kurtis	8,325	99	8,424	12,700
Hills, Patrick	11,550	422	11,972	11,100
Jones, Trina	14,550	1,487	16,037	17,850
Hammond, Annette	3,875	387	4,262	-
Malott, Frederick	4,175	391	4,566	-
Mayor: Tremblay, Carolyn	16,100	2,372	18,472	17,000
CAO: Proulx, Robert	114,177	26,274	140,451	137,433

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 244,621 people and 417 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 2017 were \$81,990 (2016 - \$82,225). Total current service contributions by the employees of the Town of Legal to the Local Authorities Pension Plan in 2017 were \$75,549 (2016 - \$75,816).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

**TOWN OF LEGAL**  
**Notes to Consolidated Financial Statements**  
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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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