

TOWN OF MAGRATH

Financial Statements

December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To The Mayor and Council of the Town of Magrath

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Town of Magrath, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net financial assets and cash flows for the period 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 auditors' 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 auditors consider 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 the Town of Magrath as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta
April 25, 2017

A handwritten signature in black ink, appearing to be 'J. B.', written over a horizontal line.

Chartered Accountants

TOWN OF MAGRATH

Consolidated Statement of Financial Position December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,980,802	922,720
Receivables		
Taxes and grants in place of taxes (Note 3)	220,315	258,503
Trade and other	1,046,217	602,313
Land and property held for resale	<u>139,997</u>	<u>41,381</u>
	<u>3,387,331</u>	<u>1,824,917</u>
LIABILITIES		
Accounts payable and accrued liabilities	388,623	314,903
Deferred revenue (Note 4)	2,522,026	704,220
Long-term debt (Note 5)	<u>916,898</u>	<u>1,026,293</u>
	<u>3,827,547</u>	<u>2,045,416</u>
NET FINANCIAL ASSETS (DEBT)	<u>(440,216)</u>	<u>(220,499)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	20,094,655	18,214,405
Inventory for consumption	24,614	22,450
Prepaid expenses and deposits	<u>78,952</u>	<u>76,745</u>
	<u>20,198,221</u>	<u>18,313,600</u>
ACCUMULATED SURPLUS (Schedule 1 and Note 8)	<u><u>19,758,005</u></u>	<u><u>18,093,101</u></u>

CONTINGENCIES (Note 12)



TOWN OF MAGRATH
Consolidated Statement of Operations
For the Year Ended December 31, 2016

	Budget (Unaudited) \$	2016 \$	2015 \$
REVENUE			
Net municipal property taxes (Schedule 3)	1,521,197	1,531,531	1,495,586
User fees and sales of goods	1,047,485	1,143,809	1,098,797
Government transfers (Schedule 4)	302,263	327,259	299,175
Investment income	6,192	19,238	10,947
Penalties and costs of taxes	60,000	67,914	68,301
Franchise and concession contracts	110,000	121,363	116,674
Land and property sales	-	-	156,938
Licenses, permits and fines	44,613	93,783	63,584
Other	22,735	55,167	27,973
	<u>3,114,485</u>	<u>3,360,064</u>	<u>3,337,975</u>
EXPENSES			
Legislative	131,345	105,531	127,859
Administration	640,147	620,252	585,974
Police, fire, ambulance and bylaw enforcement	119,672	121,641	98,668
Roads, streets, walks, lighting	752,913	600,207	568,568
Water, wastewater and waste management	623,915	698,898	839,616
Land use planning, zoning and development	-	5,035	12,877
Cost on land and property sales	-	-	157,934
Parks and recreation	524,533	500,558	451,580
Loss on disposal of tangible capital assets	-	-	25,661
Other	236,078	239,422	215,087
Amortization	-	567,902	526,832
	<u>3,028,603</u>	<u>3,459,446</u>	<u>3,610,656</u>
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER	85,882	(99,382)	(272,681)
OTHER			
Government transfers for capital (Schedule 4)	5,049,125	1,764,286	150,871
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	5,135,007	1,664,904	(121,810)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>18,093,101</u>	<u>18,093,101</u>	<u>18,214,911</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>23,228,108</u>	<u>19,758,005</u>	<u>18,093,101</u>



TOWN OF MAGRATH

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

	Budget (Unaudited) \$	2016 \$	2015 \$
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>5,135,007</u>	<u>1,664,904</u>	<u>(121,810)</u>
Acquisition of tangible capital assets	(4,426,000)	(2,448,152)	(688,521)
Proceeds on disposal of tangible capital assets	-	-	15,829
Amortization of tangible capital assets	-	567,902	526,832
Loss on disposal of tangible capital assets	-	-	25,661
	<u>(4,426,000)</u>	<u>(1,880,250)</u>	<u>(120,199)</u>
Use (acquisition) of prepaid assets	-	(2,207)	4,297
(Acquisition) of supplies inventory	-	(2,164)	(1,230)
	<u>-</u>	<u>(4,371)</u>	<u>3,067</u>
(INCREASE) DECREASE IN NET DEBT	709,007	(219,717)	(238,942)
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(220,499)</u>	<u>(220,499)</u>	<u>18,443</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>488,508</u>	<u>(440,216)</u>	<u>(220,499)</u>



TOWN OF MAGRATH
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016

	2016 \$	2015 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
(Deficiency) excess of revenues over expenses	1,664,904	(121,810)
Non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	567,902	526,832
Loss on disposal of tangible capital assets	-	25,661
Non-cash charges to operations (net changes)		
(Increase) in taxes and grants in lieu receivable	38,188	(32,924)
Decrease (increase) in trade and other receivables	(443,904)	308,347
(Increase) decrease in land and property held for resale	(98,616)	(1,945)
(Increase) in inventory for consumption	(2,164)	(1,230)
Decrease (increase) in prepaid expenses and deposits	(2,207)	4,297
Increase (decrease) in accounts payable and accrued liabilities	73,720	59,636
Increase in deferred revenue	<u>1,817,806</u>	<u>704,220</u>
	<u>3,615,629</u>	<u>1,471,084</u>
CAPITAL		
Acquisition of tangible capital assets	(2,448,152)	(688,521)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>15,829</u>
	<u>(2,448,152)</u>	<u>(672,692)</u>
FINANCING		
Long-term debt repaid	<u>(109,395)</u>	<u>(102,469)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,058,082	695,923
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>922,720</u>	<u>226,797</u>
CASH AND EQUIVALENTS, END OF YEAR (Note 2)	<u><u>1,980,802</u></u>	<u><u>922,720</u></u>





TOWN OF MAGRATH

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

SCHEDULE 1

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2016 \$	2015 \$
BALANCE, BEGINNING OF THE YEAR	788,098	116,891	17,188,112	18,093,101	18,214,911
(Deficiency) excess of revenues over expenses	1,664,904	-	-	1,664,904	(121,810)
Current year funds used for tangible capital assets	(2,448,152)	-	2,448,152	-	-
Annual amortization expense	567,902	-	(567,902)	-	-
Long-term debt repaid	(109,395)	-	109,395	-	-
Change in accumulated surplus	(324,741)	-	1,989,645	1,664,904	(121,810)
BALANCE, END OF YEAR	<u>463,357</u>	<u>116,891</u>	<u>19,177,757</u>	<u>19,758,005</u>	<u>18,093,101</u>



TOWN OF MAGRATH
 Schedule of Tangible Capital Assets
 For the Year Ended December 31, 2016

SCHEDULE 2

	Land \$	Buildings \$	Engineered Structures \$	Machinery & Equipment \$	Vehicles \$	2016 \$	2015 \$
COST:							
BALANCE, BEGINNING OF YEAR	1,675,985	4,469,099	19,325,328	1,903,708	198,357	27,572,477	26,957,256
Acquisition of tangible capital assets	-	201,669	845,836	93,600	72,821	1,213,926	688,521
Disposal of tangible capital assets	-	-	-	-	-	-	(73,300)
Construction in progress	-	1,005,000	229,226	-	-	1,234,226	-
BALANCE, END OF YEAR	<u>1,675,985</u>	<u>5,675,768</u>	<u>20,400,390</u>	<u>1,997,308</u>	<u>271,178</u>	<u>30,020,629</u>	<u>27,572,477</u>
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,932,041	6,558,978	728,464	138,589	9,358,072	8,863,050
Annual amortization	-	117,083	328,405	104,990	17,424	567,902	526,832
Accumulated amortization on disposals	-	-	-	-	-	-	(31,810)
BALANCE, END OF YEAR	<u>-</u>	<u>2,049,124</u>	<u>6,887,383</u>	<u>833,454</u>	<u>156,013</u>	<u>9,925,974</u>	<u>9,358,072</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>1,675,985</u>	<u>3,626,644</u>	<u>13,513,007</u>	<u>1,163,854</u>	<u>115,165</u>	<u>20,094,655</u>	<u>18,214,405</u>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>1,675,985</u>	<u>2,537,058</u>	<u>12,766,350</u>	<u>1,175,244</u>	<u>59,768</u>	<u>18,214,405</u>	

TOWN OF MAGRATH
Schedule of Property Taxes Levied
For the Year Ended December 31, 2016

SCHEDULE 3

	Budget (Unaudited) \$	2016 \$	2015 \$
TAXATION			
Real property taxes	2,017,121	2,023,032	1,967,596
Special assessment and local improvement taxes	-	3,408	-
Linear property taxes	<u>39,185</u>	<u>40,200</u>	<u>41,837</u>
	<u>2,056,306</u>	<u>2,066,640</u>	<u>2,009,433</u>
REQUISITIONS			
Alberta School Foundation Fund	495,830	495,830	474,952
Seniors foundation	<u>39,279</u>	<u>39,279</u>	<u>38,895</u>
	<u>535,109</u>	<u>535,109</u>	<u>513,847</u>
NET MUNICIPAL PROPERTY TAXES	<u><u>1,521,197</u></u>	<u><u>1,531,531</u></u>	<u><u>1,495,586</u></u>



TOWN OF MAGRATH
Schedule of Government Transfers
For the Year Ended December 31, 2016

SCHEDULE 4

	Budget (Unaudited) \$	2016 \$	2015 \$
TRANSFERS FOR OPERATIONS			
Provincial Government	256,761	281,757	255,011
Other Local Governments	<u>45,502</u>	<u>45,502</u>	<u>44,164</u>
	<u>302,263</u>	<u>327,259</u>	<u>299,175</u>
TRANSFERS FOR CAPITAL			
Provincial Government	4,924,125	1,639,286	133,300
Other Local Governments	<u>125,000</u>	<u>125,000</u>	<u>17,571</u>
	<u>5,049,125</u>	<u>1,764,286</u>	<u>150,871</u>
	<u>5,226,388</u>	<u>2,091,545</u>	<u>450,046</u>



TOWN OF MAGRATH**Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2016****SCHEDULE 5**

	Budget (Unaudited) \$	2016 \$	2015 \$
EXPENDITURES			
Salaries, wages and benefits	1,373,899	1,237,511	1,198,388
Contracted and general services	519,339	502,881	498,414
Materials, goods, and utilities	1,004,279	1,013,417	1,229,328
Transfers to local boards and agencies	71,248	76,701	71,173
Bank charges and short-term interest	5,075	8,770	3,068
Interest on long-term debt	54,764	52,264	57,792
Amortization	-	567,902	526,832
Loss on disposal of tangible capital assets	-	-	25,661
TOTAL EXPENDITURES	<u>3,028,604</u>	<u>3,459,446</u>	<u>3,610,656</u>





TOWN OF MAGRATH
 Schedule of Segmented Disclosure
 For the Year Ended December 31, 2016

SCHEDULE 6

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	Total \$
REVENUE							
Net municipal taxes	1,528,123	-	3,408	-	-	-	1,531,531
Government transfers	41,596	-	365,344	-	1,684,605	-	2,091,545
User fees and sales of goods	-	-	-	-	123,915	1,019,894	1,143,809
Investment income	19,238	-	-	-	-	-	19,238
Other revenue	<u>228,603</u>	<u>35,598</u>	<u>-</u>	<u>62,163</u>	<u>4,833</u>	<u>7,030</u>	<u>338,227</u>
	<u>1,817,560</u>	<u>35,598</u>	<u>368,752</u>	<u>62,163</u>	<u>1,813,353</u>	<u>1,026,924</u>	<u>5,124,350</u>
EXPENSES							
Contracted and general services	266,922	72,584	34,456	1,588	26,714	100,617	502,881
Salaries, wages and benefits	398,664	42,743	225,963	-	415,408	154,733	1,237,511
Materials, goods, and utilities	45,951	6,314	339,788	3,447	226,633	391,284	1,013,417
Transfers to local boards and agencies	5,476	-	-	-	71,225	-	76,701
Interest on long-term debt	-	-	-	-	-	52,264	52,264
Other expenses	<u>8,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,770</u>
	<u>725,783</u>	<u>121,641</u>	<u>600,207</u>	<u>5,035</u>	<u>739,980</u>	<u>698,898</u>	<u>2,891,544</u>
NET REVENUE BEFORE AMORTIZATION	1,091,777	(86,043)	(231,455)	57,128	1,073,373	328,026	2,232,806
Amortization expense	<u>2,325</u>	<u>11,586</u>	<u>225,895</u>	<u>-</u>	<u>70,431</u>	<u>257,665</u>	<u>567,902</u>
NET REVENUE	<u>1,089,452</u>	<u>(97,629)</u>	<u>(457,350)</u>	<u>57,128</u>	<u>1,002,942</u>	<u>70,361</u>	<u>1,664,904</u>

TOWN OF MAGRATH

Notes to Financial Statements

For the Year Ended December 31, 2016

1. Significant Accounting Policies

The consolidated financial statements of the Town of Magrath 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 Magrath 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. The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town 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 measureable. Expenses are recognized as they are incurred and measureable 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of 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.

d) 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 their respective function.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2016

1. Significant Accounting Policies (continued)

- e) **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 collectible 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 borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

- f) **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.

- g) **Tax Revenue -**
 Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.
 Requisitions operate as a flow through and are excluded from municipal revenue.

- h) **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 Asset (Debt) for the year.

- 1) **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:

	<u>YEARS</u>
Land Improvements	15-20
Buildings	25-50
Engineered Structures	
Water System	35-75
Wastewater System	35-75
Other Engineered Structures	15-40
Machinery and Equipment	5-20
Vehicles	5-20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2016

1. Significant Accounting Policies (continued)

2) 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.

3) Inventories -

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

2. Cash and Temporary Investments

	2016 \$	2015 \$
Cash on hand	400	400
Cash	1,432,872	380,701
Temporary Investments	<u>547,530</u>	<u>541,619</u>
	<u>1,980,802</u>	<u>922,720</u>

The town has a demand line of credit with 1st Choice Savings & Credit Union with an authorized limit of \$450,000 which bears interest at the prime rate plus 1%. None was being used at year end. Security pledged consists of an assignment of property taxes.

Temporary investments are short and long-term deposits with interest rates of 1.00% to 1.25% (2015 - 0.70% to 1.30%) and mature from February, 2017 to November, 2017.

3. Taxes and Grants in Place of Taxes Receivables

	2016 \$	2015 \$
Current taxes and grants in place of taxes	149,627	181,068
Arrears taxes	<u>70,688</u>	<u>77,435</u>
	<u>220,315</u>	<u>258,503</u>



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2016

4. Deferred Revenue

	2016 \$	2015 \$
Alberta Community Partnership Grants	345,000	691,257
Alberta Community Resilience Grant	2,142,397	-
Agrium Grant	<u>34,629</u>	<u>12,963</u>
	<u>2,522,026</u>	<u>704,220</u>

5. Long-term Debt

	2016 \$	2015 \$
Bank loans	764,683	858,112
Self-supported debentures	<u>152,215</u>	<u>168,181</u>
	<u>916,898</u>	<u>1,026,293</u>

The current portion of long-term amounts to \$116,040, (2015 - \$109,005)

Principal and interest repayments are as follows:

	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2017	116,040	47,725	163,765
2018	89,108	40,185	129,293
2019	94,304	34,990	129,294
2020	99,404	29,890	129,294
2021	89,173	24,493	113,666
Thereafter	<u>428,869</u>	<u>56,980</u>	<u>485,849</u>
	<u>916,898</u>	<u>234,263</u>	<u>1,151,161</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 4.365% to 9.875% per annum, before provincial subsidy and matures in periods 2017 to 2027. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Magrath at large.

Other debenture debt is repayable to 1st Choice Savings and Credit Union, bearing interest at 4.50% per annum and matures in 2024.

Interest on long-term debt amounted to \$52,264 (2015 - \$57,792).



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2016

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 be disclosed as follows:

	2016 \$	2015 \$
Total debt limit	5,040,096	5,006,963
Total debt	<u>916,898</u>	<u>1,026,293</u>
Total unused debt limit	<u>4,123,198</u>	<u>3,980,670</u>
Service on debt limit	840,016	834,494
Service on debt	<u>163,765</u>	<u>163,769</u>
Amount of unused service on debt	<u>676,251</u>	<u>670,725</u>

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

7. Equity in Tangible Capital Assets

	2016 \$	2015 \$
Capital assets (Schedule 2)	30,020,629	27,572,477
Accumulated amortization (Schedule 2)	(9,925,974)	(9,358,072)
Long-term debt (Note 5)	<u>(916,898)</u>	<u>(1,026,293)</u>
	<u>19,177,757</u>	<u>17,188,112</u>

8. Accumulated Surplus

	2016 \$	2015 \$
Unrestricted surplus	463,357	788,098
Restricted surplus:		
Capital reserves		
Parks and Recreation	116,891	116,891
Equity in tangible capital assets	<u>19,177,757</u>	<u>17,188,112</u>
	<u>19,758,005</u>	<u>18,093,101</u>



TOWN OF MAGRATH
Notes to Financial Statements
For the Year Ended December 31, 2016

9. Segmented Disclosure

The Town of Magrath provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6).

10. Salary and Benefits Disclosure

Disclosure of salaries and benefits for town officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	2016 Total	2015 Total
	\$	\$	\$	\$
Mayor - Russ Barnett	11,800	-	11,800	12,500
Councilor - Gerry Baril	10,000	-	10,000	12,400
- Brenda Beck	11,200	-	11,200	13,600
- DeVar Dahl	9,600	-	9,600	10,800
- Craig Godlonton	11,000	-	11,000	11,300
- Brian Oliver	11,500	-	11,500	13,700
- Richard Van Ee	10,900	-	10,900	11,200
Designated officer - CAO	94,128	14,887	109,015	104,137

- (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, accident disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences, and memberships.



TOWN OF MAGRATH

Notes to Financial Statements

For the Year Ended December 31, 2016

11. Local Authorities Pension Plan

Employees of the town 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 133,000 people and 389 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 is required to make current service contributions of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canadian Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

The total current service contributions by the town to the LAPP in 2016 were \$77,668 (2015 - \$83,142). Total current year service contributions by the employees of the town to the LAPP were \$71,317 (2015 - \$76,274)

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

12. Contingencies

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. Financial Instruments

The town's financial instruments consist of cash and temporary investments, accounts receivables, bank indebtedness, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the town is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The town 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 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.

14. Approval of Financial Statements

Council and Management have approved these financial statements.

