

TOWN OF LEGAL
Financial Information
Year Ended December 31, 2024

TOWN OF LEGAL
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Year Ended December 31, 2024

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Legal is responsible for the preparation, accuracy, objectivity and integrity of of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2024 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The Town Council carries out its responsibilities for review of the financial statements principally through its Council Meetings. This Council meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Town Council has approved the financial statements.

The financial statements have been audited by Friesen Viney Stasiuk, Chartered Professional Accountants, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Town's financial statements.


Chief Administrative Officer

March 17, 2025

Legal, Alberta


Finance Assistant

March 17, 2025

Legal, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Legal

Opinion

We have audited the financial statements of Town of Legal, which comprise the statement of financial position as at December 31, 2024, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town of Legal as at December 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(continues)

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 8.

Friesen Viney Stasiuk

Westlock, Alberta
March 17, 2025

FRIESEN VINEY STASIUK
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF LEGAL
Statement of Financial Position
December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 8,400,004	\$ 4,700,787
Trade and other receivables (Note 3)	410,274	249,445
Taxes and grants in place of taxes receivable (Note 4)	39,577	53,722
	<u>\$ 8,849,855</u>	<u>\$ 5,003,954</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,941,794	\$ 361,023
Wages payable (Note 6)	72,706	67,493
Deferred revenue (Note 5)	1,617,096	274,683
Holdbacks payable	607,120	-
Asset retirement obligation (Note 6)	527,123	542,756
Long term debt (Note 7)	-	302,518
	<u>4,765,839</u>	<u>1,548,473</u>
NET FINANCIAL ASSETS	<u>4,084,016</u>	<u>3,455,481</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	17,428,449	11,431,132
Prepaid expenses	2,533	4,299
	<u>17,430,982</u>	<u>11,435,431</u>
ACCUMULATED SURPLUS	<u>\$ 21,514,998</u>	<u>\$ 14,890,912</u>
CONTINGENCIES (Note 13)		
COMMITMENT (Note 14)		

TOWN OF LEGAL
Statement of Operations
Year Ended December 31, 2024

	Budget (unaudited)	2024	2023
REVENUE			
Net municipal taxes(Schedule 3)	\$ 1,215,046	\$ 1,214,797	\$ 1,173,596
User fees and sales of goods	696,485	703,988	713,251
Government transfers for operating	523,044	509,085	753,540
Rental revenue	117,200	113,990	166,774
Investment income	200,000	176,042	182,091
Franchise revenue	213,546	227,212	180,945
Penalties and costs on taxes	18,500	24,709	23,492
Licenses and permits	33,700	28,933	16,050
Other	270,420	46,731	4,068
Total Operating Revenue	3,287,941	3,045,487	3,213,807
EXPENSES			
Legislative	95,010	101,689	94,044
Administration	726,913	707,690	707,089
Protective Services	183,469	181,662	156,530
Roads, streets, walks, lighting	292,858	268,998	275,072
Water supply and distribution	352,836	306,938	402,731
Wastewater treatment and disposal	82,226	63,088	65,393
Waste management	79,260	81,454	78,498
Family and community support	66,957	65,174	69,104
Land use planning, zoning and development	50,000	31,189	21,871
Health and safety	33,765	28,946	31,229
Parks and recreation	609,600	412,223	449,971
Culture	25,755	25,748	24,814
Amortization of tangible capital assets (unbudgeted)	568,917	568,917	546,579
Total Operating Expenses	3,167,566	2,843,716	2,922,925
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	120,375	201,771	290,882
CAPITAL INCOME			
Government transfers for capital	6,014,360	6,422,315	484,085
Other local group	-	-	3,500
	6,014,360	6,422,315	487,585
EXCESS OF REVENUE OVER EXPENSES	6,134,735	6,624,086	778,467
ACCUMULATED SURPLUS - BEGINNING OF YEAR	14,890,912	14,890,912	14,112,445
ACCUMULATED SURPLUS - END OF YEAR	\$ 21,025,647	\$ 21,514,998	\$ 14,890,912

TOWN OF LEGAL
Statement of Changes in Net Financial Assets
Year Ended December 31, 2024

	Budget (Unaudited)	2024	2023
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ 6,134,735	\$ 6,624,086	\$ 778,467
Acquisition of tangible capital assets	(6,469,884)	(6,566,234)	(1,060,104)
Proceeds on disposal of tangible capital assets	12,000	12,000	33,500
Amortization of tangible capital assets (unbudgeted)	568,917	568,917	546,578
Gain on disposal of tangible capital assets (unbudgeted)	(12,000)	(12,000)	(33,500)
	(5,900,967)	(5,997,317)	(513,526)
Acquisition of prepaid expenses (unbudgeted)	1,766	1,766	2,402
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	235,534	628,535	267,343
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,455,481	3,455,481	3,188,138
NET FINANCIAL ASSETS - END OF YEAR	\$ 3,691,015	\$ 4,084,016	\$ 3,455,481

TOWN OF LEGAL
Statement of Cash Flows
Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 6,624,086	\$ 778,467
Items not affecting cash:		
Amortization of tangible capital assets	568,917	546,578
Gain on disposal of tangible capital assets	(12,000)	(33,500)
	<u>7,181,003</u>	<u>1,291,545</u>
Changes in non-cash working capital:		
Trade and other receivables	(160,829)	(158,459)
Taxes and grants in place of taxes receivable	14,145	(7,154)
Accounts payable and accrued liabilities	1,580,771	217,602
Wages payable	5,213	(27,189)
Deferred revenue	1,342,413	178,109
Holdbacks payable	607,120	-
Asset retirement obligation	(15,633)	542,757
Prepaid expenses	1,766	2,402
	<u>3,374,966</u>	<u>748,068</u>
Cash flow from operating activities	<u>10,555,969</u>	<u>2,039,613</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(6,566,234)	(1,060,104)
Proceeds on disposal of tangible capital assets	12,000	33,500
Cash flow used by investing activities	<u>(6,554,234)</u>	<u>(1,026,604)</u>
FINANCING ACTIVITY		
Long term debt repaid	(302,518)	(299,993)
Net change in cash and cash equivalents during the year	3,699,217	713,016
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,700,787</u>	<u>3,987,771</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 8,400,004</u>	<u>\$ 4,700,787</u>

TOWN OF LEGAL
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2024

(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2024	2023
BALANCE, BEGINNING OF YEAR	\$ 1,784,816	\$ 2,520,238	\$ 10,585,858	\$ 14,890,912	\$ 14,112,445
Excess (deficiency) of revenues over expenses	6,624,086	-	-	6,624,086	778,467
Unrestricted funds designated for future use	(548,537)	548,537	-	-	-
Restricted funds used for operations	304,425	(304,425)	-	-	-
Restricted funds used for capital	-	(143,918)	143,918	-	-
Current year funds used for tangible capital assets	(6,422,316)	-	6,422,316	-	-
Annual amortization expense	568,917	-	(568,917)	-	-
Repayment of long term debt	(302,518)	-	302,518	-	-
Asset retirement obligation	(28,490)	-	28,490	-	-
Accretion expense	12,857	-	(12,857)	-	-
BALANCE, END OF YEAR	\$ 1,993,240	\$ 2,620,432	\$ 16,901,326	\$ 21,514,998	\$ 14,890,912

TOWN OF LEGAL
Schedule of Tangible Capital Assets
Year Ended December 31, 2024

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2024	2023
COST:								
BALANCE, BEGINNING OF YEAR	\$ 207,458	\$ 1,085,165	\$ 3,854,910	\$ 17,071,931	\$ 1,376,383	\$ 703,111	\$ 24,298,958	\$ 23,285,066
Acquisitions	-	-	-	-	26,354	167,565	193,919	592,461
ARO additions	-	-	-	-	-	-	-	467,643
Disposals	-	-	-	-	-	(116,642)	(116,642)	(46,212)
Acquisitions - not available for use	-	-	6,372,315	-	-	-	6,372,315	-
BALANCE, END OF YEAR	207,458	1,085,165	10,227,225	17,071,931	1,402,737	754,034	30,748,550	24,298,958
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	654,934	2,374,489	8,390,690	890,776	556,937	12,867,826	12,367,460
Annual amortization	-	40,446	156,069	276,385	54,605	41,412	568,917	546,578
Accumulated amortization on disposals	-	-	-	-	-	(116,642)	(116,642)	(46,212)
BALANCE, END OF YEAR	-	695,380	2,530,558	8,667,075	945,381	481,707	13,320,101	12,867,826
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 207,458	\$ 389,785	\$ 7,696,667	\$ 8,404,856	\$ 457,356	\$ 272,327	\$ 17,428,449	\$ 11,431,132

TOWN OF LEGAL
Schedule of Property and Other Taxes
Year Ended December 31, 2024

(Schedule 3)

	Budget (Unaudited)	2024	2023
TAXATION			
Residential land and improvements	\$ 1,367,528	\$ 1,367,528	\$ 1,327,870
Non residential land and improvements	167,477	167,092	163,010
Linear property	37,349	37,349	34,965
Farmland	1,545	1,545	1,519
Machinery and equipment	2,274	2,274	3,421
	<u>1,576,173</u>	<u>1,575,788</u>	<u>1,530,785</u>
REQUISITIONS			
Alberta School Foundation Fund	349,267	349,267	345,293
Seniors Lodge	11,724	11,724	11,896
Designated Industrial Properties	136	-	-
	<u>361,127</u>	<u>360,991</u>	<u>357,189</u>
NET MUNICIPAL TAXES	<u>\$ 1,215,046</u>	<u>\$ 1,214,797</u>	<u>\$ 1,173,596</u>

TOWN OF LEGAL
Schedule of Government Transfers
Year Ended December 31, 2024

(Schedule 4)

	Budget (Unaudited)	2024	2023
TRANSFERS FOR OPERATING:			
Federal Government	\$ -	\$ 34,610	\$ 6,120
Provincial Government	190,157	141,588	424,099
Local Government	332,887	332,887	323,321
	<u>523,044</u>	<u>509,085</u>	<u>753,540</u>
TRANSFERS FOR CAPITAL:			
Federal Government	5,014,360	6,052,275	398,019
Provincial Government	1,000,000	370,040	86,066
	<u>6,014,360</u>	<u>6,422,315</u>	<u>484,085</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 6,537,404</u>	<u>\$ 6,931,400</u>	<u>\$ 1,237,625</u>

TOWN OF LEGAL
Schedule of Expenses by Object
Year Ended December 31, 2024

(Schedule 5)

	Budget (Unaudited)	2024	2023
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,142,122	\$ 1,089,047	\$ 1,140,172
Contracted and general services	694,715	590,878	599,229
Materials, goods, supplies and utilities	723,650	544,862	519,868
Transfers to local boards and agencies	36,255	35,993	38,269
Interest on long term debt	1,907	1,162	3,694
Amortization expense (unbudgeted)	568,917	568,917	546,579
Accretion expense (unbudgeted)	-	12,857	75,114
	<u>\$ 3,167,566</u>	<u>\$ 2,843,716</u>	<u>\$ 2,922,925</u>

TOWN OF LEGAL
Schedule of Segmented Disclosure
Year Ended December 31, 2024

(Schedule 6)

	General Government	Protective Services	Transportation Services	FCSS	Recreation & Culture	Environmental Services	Other	2024
REVENUE:								
Net municipal taxes	\$ 1,214,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,214,797
Government transfers	108,350	-	-	33,238	367,497	-	-	509,085
User fees and sales of goods	3,530	5,400	20,749	2,889	14,240	657,180	-	703,988
Investment income	176,042	-	-	-	-	-	-	176,042
Rental revenue	-	10,199	-	-	103,791	-	-	113,990
Other revenues	276,864	5,424	-	-	36,805	8,392	-	327,585
	<u>1,779,583</u>	<u>21,023</u>	<u>20,749</u>	<u>36,127</u>	<u>522,433</u>	<u>665,572</u>	<u>-</u>	<u>3,045,487</u>
EXPENSES:								
Salaries & wages	555,713	-	87,146	39,018	239,633	144,025	23,512	1,089,047
Contract & general services	191,943	165,903	32,820	24,043	50,851	93,238	32,080	590,876
Goods & supplies	51,838	13,380	148,623	2,114	113,311	211,054	4,542	544,862
Transfers to local boards	7,741	-	-	-	28,252	-	-	35,993
Other expenses	2,143	2,378	410	-	6,027	3,061	-	14,019
	<u>809,378</u>	<u>181,561</u>	<u>268,999</u>	<u>65,175</u>	<u>438,074</u>	<u>451,378</u>	<u>60,134</u>	<u>2,274,799</u>
NET REVENUE, BEFORE AMORTIZATION	<u>970,205</u>	<u>(160,538)</u>	<u>(248,250)</u>	<u>(29,048)</u>	<u>84,359</u>	<u>214,194</u>	<u>(60,134)</u>	<u>770,688</u>
Capital transfers	-	-	-	-	6,422,315	-	-	6,422,315
Amortization expense	(8,826)	(19,036)	(206,939)	-	(170,227)	(163,889)	-	(568,917)
	<u>(8,826)</u>	<u>(19,036)</u>	<u>(206,939)</u>	<u>-</u>	<u>6,252,088</u>	<u>(163,889)</u>	<u>-</u>	<u>5,853,398</u>
NET REVENUE	<u>\$ 961,379</u>	<u>\$ (179,574)</u>	<u>\$ (455,189)</u>	<u>\$ (29,048)</u>	<u>\$ 6,336,447</u>	<u>\$ 50,305</u>	<u>\$ (60,134)</u>	<u>\$ 6,824,086</u>

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

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 Chartered Professional Accountants of Canada. 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.

The budget amounts presented on the statement of operations are taken from the Town's annual budget prepared in 2024. Certain budget amounts have been reclassified to conform to the current year's financial statement presentation.

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. Accounts with estimates include amortization and deferred revenue.

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TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

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

d) Financial instruments policy

The Town's financial assets and liabilities are measured as follows:

Cash - cost and amortized cost

Taxes and grants in place of taxes - lower of cost or net recoverable value

Accounts receivable - lower of cost or net recoverable value

Accounts payable and accrued liabilities - cost

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transactions costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the assets or liability and recognized in net income over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the Town determines whether there are indications for possible impairment. When there is an indication of impairment, and the Town determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvements. The carrying amount of the financial assets may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets are reported at amortized costs, and tested for impairment at each reporting date. Transactions costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

e) Cash and temporary investments

Cash consists of cash on hand, cash kept in the bank accounts, and short term investments of the Town.

f) Long term Debt

Long term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long term debt is subsequently measured at amortized cost.

(*continues*)

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

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

g) 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) Cloud Computing Arrangements

On January 1, 2024 the Town adopted the new AcG-20, Customer's Accounting for Cloud Computing arrangements, which provides indications on the accounting treatment for expenses for expenses related to a customer's cloud computing arrangement and whether there is a software intangible asset in the arrangement. On inception of a cloud computing arrangement, the Town has elected to recognize the expenses related to such arrangements under the simplification measure. These expenses are treated as a supply of services and recognized as the Town receives the services. Implementation costs were and continue to be expensed as incurred.

The total amount expensed for cloud computing arrangements in 2024 was \$2,550 (2023 - \$2,550)

h) 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.

i) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds and environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

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

j) Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

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.

l) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits are recognized as revenue on issuance.

(continues)

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

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

j) 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 Change in Net Financial Assets 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	straight-line method
Buildings	10 to 50 years	straight-line method
Engineered structures	10 to 75 years	straight-line method
Machinery and equipment	5 to 20 years	straight-line method
Vehicles	3 to 25 years	straight-line method

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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 are also 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 expense as incurred.

iv. Cultural and Historical Tangible Capital Assets

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

k. Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. In 2025 the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently.

Conceptual Frameworks for Financial Reporting

The conceptual framework is the foundation for principles-based audits. It is a coherent set of interrelated objectives and fundamentals leading to consistent standards or application of consistent concepts in the absence of specific standards.

Financial Statement Presentation

PS1202, Financial Statement Presentation, will replace PS1201 and sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual framework.

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

2. CASH AND TEMPORARY INVESTMENTS

	2024	2023
Cash and temporary investments	\$ 8,400,004	\$ 4,700,787

Council has designated \$2,620,432 (2023 - \$2,520,238) of cash for future operating and capital reserves.

Included in cash and temporary investments is a restricted amount of \$1,617,096 (2023 - \$274,683) received from the provincial government and others, held exclusively for a variety of capital and operating projects.

The Town does not have any temporary investments at December 31, 2024.

3. TRADE AND OTHER RECEIVABLES

	2024	2023
Receivables from other governments	\$ 358,579	\$ 221,400
Trade accounts receivable	45,874	21,692
Utilities receivable	5,821	6,353
	\$ 410,274	\$ 249,445

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2024	2023
Taxes and grants in place of taxes	\$ 25,155	\$ 39,361
Arrears of Property Taxes Receivable	14,422	14,361
	\$ 39,577	\$ 53,722

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

5. DEFERRED REVENUE

	2024	2023
Community Facility Enhancement Program	\$ 713,607	\$ -
Green and Inclusive Community Buildings Program	413,869	260,524
Local Government Fiscal Framework	353,688	-
Canada Community Building Fund	121,773	-
Other Local Contributions	7,659	7,659
Alberta Bilingual Municipality Association	6,500	6,500
	<u>\$ 1,617,096</u>	<u>\$ 274,683</u>

The Community Facility Enhancement Program provided \$1,000,000 through the Sturgeon Hockey Club for use towards the arena retrofit project. As of December 31, 2024, \$713,607 is remaining, which is expected to be used in the 2025 fiscal year.

The Green and Inclusive Community Buildings Program is providing a significant amount of funding towards the arena retrofit project. In 2024 advance payments totalling \$6,156,392 were received. As of December 31, 2024, there was \$413,869 remaining from these payments, which will be fully utilized in the 2025 fiscal year.

The Local Government Fiscal Framework (previously Municipal Sustainability Initiative) is providing funding towards capital projects in the Town. The 2024 allocation of \$353,688 has not been spent as of December 31, 2024, but will be used towards the arena retrofit project in the 2025 fiscal year.

The Canada Community Building Fund 2024 allocation of \$121,773 has not been spent as of December 31, 2024, and can be used towards either operating or capital expenditures.

The Other Local Revenues include monies remaining from local community groups that are to be used towards specific projects, such as upgrades to the community gazebo. Currently, there are no specific plans to use these funds in the foreseeable future.

The Alberta Bilingual Municipality Association funding was received in 2023 to upgrade street signs. This project has not been done and therefore the funds are being deferred until the project is completed.

6. ASSET RETIREMENT OBLIGATION

The Town owns buildings which contain asbestos and other hazardous materials, and therefore, the Town is legally required to perform abatement activities upon renovation or demolition of the buildings. Abatement activities include handling and disposing of the hazardous materials in a prescribed manner when it is disturbed. The estimated total liability of \$527,123 (2023 - \$542,756) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 2.5%. As of December 31, 2024, the Town has not designated assets for settling the abatement activities.

	2024	2023
Opening balance	\$ 542,756	\$ -
Additions to ARO	-	467,642
Settlement of ARO	(28,490)	-
Accretion expense	12,857	75,114
	<u>\$ 527,123</u>	<u>\$ 542,756</u>

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

7. LONG TERM DEBT

	<u>2024</u>	<u>2023</u>
Province of Alberta loan bearing interest at 0.84% per annum, repayable in semi-annual blended payments of \$152,213.	\$ -	\$ 302,518

Interest on long term debt amounted to \$1,162 (2023 - \$3,694).

8. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Legal be disclosed as follows:

	<u>2024</u>	<u>2023</u>
Total debt limit	\$ 4,568,231	\$ 4,820,711
Total debt	-	302,518
Amount of debt limit unused	<u>4,568,231</u>	<u>4,518,193</u>
Debt servicing limit	761,372	803,452
Debt servicing	-	304,425
Amount of debt servicing limit unused	<u>\$ 761,372</u>	<u>\$ 499,027</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2024</u>	<u>2023</u>
Tangible capital assets (<i>Schedule 2</i>)	\$ 30,748,550	\$ 24,298,958
Accumulated amortization (<i>Schedule 2</i>)	(13,320,101)	(12,867,826)
Long term debt (<i>Note 7</i>)	-	(302,518)
Asset retirement obligations (<i>Note 6</i>)	<u>(527,123)</u>	<u>(542,756)</u>
	<u>\$ 16,901,326</u>	<u>\$ 10,585,858</u>

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

10. ACCUMULATED SURPLUS

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

	<u>2024</u>	<u>2023</u>
Unrestricted surplus	\$ 1,993,240	\$ 1,784,816
Restricted surplus		
Roads	489,042	437,355
Parks and recreation	768,860	615,823
General equipment replacement	580,690	548,660
Water, sewer, and waste management	781,840	918,400
Equity in tangible capital assets	16,901,326	10,585,858
	<u>\$ 21,514,998</u>	<u>\$ 14,890,912</u>

11. 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/ Contract Cost ¹	Benefits & allowances ²	<u>2024 Total</u>	<u>2023 Total</u>
Councillors:				
Hills, Patrick	\$ 13,413	\$ 747	\$ 14,160	\$ 12,064
Jones, Trina	16,936	1,166	18,102	15,173
Malott, Frederick	14,413	609	15,022	15,647
Mayor: Tremblay, Carolyn	14,938	1,158	16,096	14,728
Deputy Mayor: Beaton, Andrew	15,813	1,108	16,921	16,182
Chief Administrative Officer	163,134	13,549	176,683	182,442
Designated Officers (3)	55,799	5,454	61,253	151,345
	<u>\$ 294,446</u>	<u>\$ 23,791</u>	<u>\$ 318,237</u>	<u>\$ 407,581</u>

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.

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

12. 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 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount. Employees of the Town of Legal are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 10.65% on pensionable salary above this amount.

Total current service contributions by the Town of Legal to the LAPP in 2024 were \$57,674 (2023 - \$54,636). Total current service contributions by the employees of the Town of Legal to LAPP in 2024 were \$51,125 (2023 - \$48,452).

At December 31, 2023, the LAPP disclosed an actuarial surplus of \$15.057 billion.

13. 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.

The Town of Legal has access to a line of credit of \$1,500,000 (2023 - \$350,000) and credit cards with an aggregate borrowing limit of \$30,500 (2023 - \$30,500).

14. COMMITMENTS

In 2024, the Town entered into a lease agreement for a photocopier. This agreement is for a 60 month term and will expire in 2029. The lease is \$320 plus GST per month. The lease has been classified as an operating lease for financial statement purposes.

15. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2024 (2023-nil) as a result of this standard.

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

16. FINANCIAL INSTRUMENTS

The Town is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Town's risk exposure and concentration as of December 31, 2024:

(a) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Town is exposed to credit risk from customers. In order to reduce its credit risk, the Town utilizes sound collection policies. The Town has a significant number of customers which minimizes concentration of credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to this risk mainly in respect of its receipts of funds from its customers and other related sources, and the ability to pay its accounts payable amounts as they come due.

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant other price risks arising from these financial instruments.

17. SEGMENTED DISCLOSURE

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

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

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2024

18. RELATED PARTY TRANSACTIONS

The following is a summary of the municipality's related party transactions:

	<u>2024</u>	<u>2023</u>
Rose Ridge Waste Management Services Commission		
Landfill usage expense	<u>\$ 21,759</u>	<u>\$ 19,628</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19. SUBSEQUENT EVENTS

The Town is pursuing funding up to \$5 million to aid in financing the Arena and Curling Rink Retrofit Project. Assuming certain criteria are met, this funding would be comprised of a loan with a forgivable portion.

20. BUDGET FIGURES

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

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
