

TOWN OF LEGAL
Financial Information
Year Ended December 31, 2023

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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, 2022 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

June 17, 2024

Legal, Alberta



Finance Assistant

June 17, 2024

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, 2023, 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, 2023, 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.



Westlock, Alberta
June 17, 2024

FRIESEN VINEY STASIUK
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF LEGAL
Statement of Financial Position
December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 4,700,787	\$ 3,987,771
Trade and other receivables <i>(Note 3)</i>	249,445	90,986
Taxes and grants in place of taxes receivable <i>(Note 4)</i>	53,722	46,568
	<u>\$ 5,003,954</u>	<u>\$ 4,125,325</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 428,516	\$ 238,102
Deferred revenue <i>(Note 5)</i>	274,683	96,574
Asset retirement obligation <i>(Note 6)</i>	542,756	-
Long term debt <i>(Note 7)</i>	302,518	602,511
	<u>1,548,473</u>	<u>937,187</u>
NET FINANCIAL ASSETS	<u>3,455,481</u>	<u>3,188,138</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	11,431,132	10,917,606
Prepaid expenses	4,299	6,701
	<u>11,435,431</u>	<u>10,924,307</u>
ACCUMULATED SURPLUS	<u>\$ 14,890,912</u>	<u>\$ 14,112,445</u>
CONTINGENCIES <i>(Note 13)</i>		
COMMITMENT <i>(Note 14)</i>		

TOWN OF LEGAL
Statement of Operations
Year Ended December 31, 2023

	Budget (<i>unaudited</i>)	2023	2022
REVENUE			
Net municipal taxes(<i>Schedule 3</i>)	\$ 1,174,117	\$ 1,173,596	\$ 1,132,299
User fees and sales of goods	736,360	713,251	681,489
Government transfers for operating	758,135	753,540	673,228
Rental revenue	168,500	166,774	159,341
Investment income	60,000	182,091	65,762
Franchise revenue	188,000	180,945	191,208
Penalties and costs on taxes	16,000	23,492	15,943
Licenses and permits	17,600	16,050	18,171
Other	20,720	4,068	3,899
Total Operating Revenue	3,139,432	3,213,807	2,941,340
EXPENSES			
Legislative	89,100	94,044	95,259
Administration	752,997	707,089	671,068
Protective Services	158,473	156,530	135,085
Roads, streets, walks, lighting	317,074	275,072	268,489
Water supply and distribution	345,293	402,731	332,654
Wastewater treatment and disposal	83,567	65,393	78,314
Waste management	79,860	78,498	83,201
Family and community support	74,442	69,104	63,910
Land use planning, zoning and development	41,500	21,871	9,749
Health and safety	37,658	31,229	30,283
Parks and recreation	516,326	449,971	472,726
Culture	24,761	24,815	24,040
Amortization of tangible capital assets	546,578	546,578	491,060
Total Operating Expenses	3,067,629	2,922,925	2,755,838
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	71,803	290,882	185,502
CAPITAL INCOME			
Government transfers for capital	711,000	484,085	173,238
Other local group	-	3,500	5,000
	711,000	487,585	178,238
EXCESS OF REVENUE OVER EXPENSES	782,803	778,467	363,740
ACCUMULATED SURPLUS - BEGINNING OF YEAR	14,112,445	14,112,445	13,748,705
ACCUMULATED SURPLUS - END OF YEAR	\$ 14,895,248	\$ 14,890,912	\$ 14,112,445

TOWN OF LEGAL
Statement of Changes in Net Financial Assets
Year Ended December 31, 2023

	Budget <i>(Unaudited)</i>	2023	2022
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	\$ 782,803	\$ 778,467	\$ 363,740
Acquisition of tangible capital assets	(974,500)	(1,060,104)	(234,919)
Proceeds on disposal of tangible capital assets	33,500	33,500	17,900
Amortization of tangible capital assets	546,578	546,578	491,060
Gain/loss on disposal of tangible capital assets	-	(33,500)	(17,900)
	(394,422)	(513,526)	256,141
Acquisition of prepaid expenses	-	2,402	(5,583)
INCREASE/(DECREASE) IN NET FINANCIAL ASSETS	388,381	267,343	614,298
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,188,138	3,188,138	2,573,840
NET FINANCIAL ASSETS - END OF YEAR	\$ 3,576,519	\$ 3,455,481	\$ 3,188,138

TOWN OF LEGAL
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 778,467	\$ 363,740
Items not affecting cash:		
Amortization of tangible capital assets	546,578	491,060
Loss (gain) on disposal of tangible capital assets	(33,500)	(17,900)
	<u>1,291,545</u>	<u>836,900</u>
Changes in non-cash working capital:		
Trade and other receivables	(158,459)	81,076
Taxes and grants in place of taxes receivable	(7,154)	5,520
Accounts payable and accrued liabilities	190,414	(126,841)
Deferred revenue	178,109	(207,361)
Asset retirement obligation	542,756	-
Land for resale inventory	-	1
Prepaid expenses	2,402	(5,583)
	<u>748,068</u>	<u>(253,188)</u>
Cash flow from operating activities	<u>2,039,613</u>	<u>583,712</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,060,104)	(234,919)
Proceeds on disposal of tangible capital assets	33,500	17,900
Cash flow used by investing activities	<u>(1,026,604)</u>	<u>(217,019)</u>
FINANCING ACTIVITY		
Long term debt repaid	(299,993)	(297,489)
Net change in cash and cash equivalents during the year	713,016	69,204
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,987,771</u>	<u>3,918,567</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,700,787</u>	<u>\$ 3,987,771</u>

TOWN OF LEGAL
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2023 **(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 1,626,796	\$ 2,170,554	\$ 10,315,095	\$ 14,112,445	\$ 13,748,705
Excess (deficiency) of revenues over expenses	778,467	-	-	778,467	363,740
Unrestricted funds designated for future use	(425,417)	425,417	-	-	-
Restricted funds used for operations	33,570	(33,570)	-	-	-
Restricted funds used for capital	-	(42,163)	42,163	-	-
Current year funds used for tangible capital assets	(1,017,941)	-	1,017,941	-	-
Annual amortization expense	546,578	-	(546,578)	-	-
Repayment of long term debt	(299,993)	-	299,993	-	-
Asset retirement obligation	542,756	-	(542,756)	-	-
BALANCE, END OF YEAR	\$ 1,784,816	\$ 2,520,238	\$ 10,585,858	\$ 14,890,912	\$ 14,112,445

TOWN OF LEGAL
Schedule of Tangible Capital Assets
Year Ended December 31, 2023
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023	2022
COST:								
BALANCE, BEGINNING OF YEAR	\$ 199,670	\$ 1,063,009	\$ 2,962,365	\$ 17,071,931	\$ 1,284,980	\$ 703,111	\$ 23,285,066	\$ 23,130,750
Acquisitions	7,788	22,156	424,902	-	137,615	-	592,461	234,919
ARO additions	-	-	467,643	-	-	-	467,643	-
Disposals	-	-	-	-	(46,212)	-	(46,212)	(80,603)
BALANCE, END OF YEAR	207,458	1,085,165	3,854,910	17,071,931	1,376,383	703,111	24,298,958	23,285,066
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	614,061	2,252,122	8,103,968	879,044	518,265	12,367,460	11,957,003
Annual amortization	-	40,873	122,367	286,722	57,944	38,672	546,578	491,060
Accumulated amortization on disposals	-	-	-	-	(46,212)	-	(46,212)	(80,603)
BALANCE, END OF YEAR	-	654,934	2,374,489	8,390,690	890,776	556,937	12,867,826	12,367,460
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 207,458	\$ 430,231	\$ 1,480,421	\$ 8,681,241	\$ 485,607	\$ 146,174	\$ 11,431,132	\$ 10,917,606

TOWN OF LEGAL
Schedule of Property and Other Taxes
Year Ended December 31, 2023

(Schedule 3)

	Budget (Unaudited)	2023	2022
TAXATION			
Residential land and improvements	\$ 1,328,521	\$ 1,327,870	\$ 1,304,870
Non residential land and improvements	163,008	163,008	192,684
Linear property	34,965	34,965	1,263
Farmland	1,519	1,519	1,491
Machinery and equipment	3,421	3,421	2,538
	<u>1,531,434</u>	<u>1,530,783</u>	<u>1,502,846</u>
REQUISITIONS			
Alberta School Foundation Fund	345,293	345,293	359,043
Seniors Lodge	11,894	11,894	11,506
Designated Industrial Properties	130	-	-
	<u>357,317</u>	<u>357,187</u>	<u>370,549</u>
NET MUNICIPAL TAXES	<u>\$ 1,174,117</u>	<u>\$ 1,173,596</u>	<u>\$ 1,132,297</u>

TOWN OF LEGAL
Schedule of Government Transfers
Year Ended December 31, 2023

(Schedule 4)

	Budget (Unaudited)	2023	2022
TRANSFERS FOR OPERATING:			
Federal Government	\$ 4,000	\$ 6,120	\$ 196,455
Provincial Government	430,814	424,099	168,679
Local Government	323,321	323,321	308,094
	<u>758,135</u>	<u>753,540</u>	<u>673,228</u>
TRANSFERS FOR CAPITAL:			
Federal Government	645,000	398,019	-
Provincial Government	66,000	86,066	173,238
	<u>711,000</u>	<u>484,085</u>	<u>173,238</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,469,135</u>	<u>\$ 1,237,625</u>	<u>\$ 846,466</u>

TOWN OF LEGAL
Schedule of Expenses by Object
Year Ended December 31, 2023

(Schedule 5)

	Budget (Unaudited)	2023	2022
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,187,611	\$ 1,140,173	\$ 1,071,982
Contracted and general services	676,997	599,229	574,519
Materials, goods, supplies and utilities	619,250	519,868	577,538
Transfers to local boards and agencies	32,761	38,269	34,535
Interest on long term debt	4,432	3,694	6,204
Amortization expense	-	546,578	491,060
Accretion expense	-	75,114	-
	<u>\$ 2,521,051</u>	<u>\$ 2,922,925</u>	<u>\$ 2,755,838</u>

TOWN OF LEGAL
Schedule of Segmented Disclosure
Year Ended December 31, 2023
(Schedule 6)

	General Government	Protective Services	Transportation Services	FCSS	Recreation & Culture	Environmental Services	Other	2023
REVENUE:								
Net municipal taxes	\$ 1,173,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,173,596
Government transfers	42,174	18,807	32,245	32,880	330,414	278,680	18,340	753,540
User fees and sales of goods	3,419	1,950	37,598	1,991	14,618	653,675	-	713,251
Investment income	182,091	-	-	-	-	-	-	182,091
Rental revenue	-	10,030	-	-	156,744	-	-	166,774
Other revenues	210,336	7,322	-	-	-	6,897	-	224,555
	1,611,616	38,109	69,843	34,871	501,776	939,252	18,340	3,213,807
EXPENSES:								
Salaries & wages	564,224	850	86,303	40,218	263,067	160,944	24,567	1,140,173
Contract & general services	184,010	141,761	40,304	27,903	75,182	104,267	25,802	599,229
Goods & supplies	39,301	11,599	148,065	982	103,199	213,991	2,731	519,868
Transfers to local boards	11,508	-	-	-	26,761	-	-	38,269
Other expenses	2,091	2,320	400	-	6,575	67,422	-	78,808
	801,134	156,530	275,072	69,103	474,784	546,624	53,100	2,376,347
NET REVENUE, BEFORE AMORTIZATION	810,482	(118,421)	(205,229)	(34,232)	26,992	392,628	(34,760)	837,460
Capital transfers	9,951	-	58,375	-	419,259	-	-	487,585
Amortization expense	(6,546)	(16,030)	(218,926)	-	(140,319)	(164,757)	-	(546,578)
	3,405	(16,030)	(160,551)	-	278,940	(164,757)	-	(58,993)
NET REVENUE	\$ 813,887	\$ (134,451)	\$ (365,780)	\$ (34,232)	\$ 305,932	\$ 227,871	\$ (34,760)	\$ 778,467

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

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.

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.

(continues)

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

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

d) Financial instruments policy

Initial and subsequent measurement

The Town initially measures its financial assets and liabilities at fair value. Subsequent measurement of all financial assets and liabilities is at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash, taxes and grants in place of taxes, and trade and other receivables.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, and accrued wages payable.

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 futures 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, 2023

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.

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 an 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.

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.

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TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

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

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, 2023

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.

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

2. CASH AND TEMPORARY INVESTMENTS

	2023	2022
Cash and temporary investments	\$ 4,700,787	\$ 3,987,771

Council has designated \$2,520,238 (2022 - \$2,170,554) of cash for future operating and capital reserves.

Included in cash and temporary investments is a restricted amount of \$274,683 (2022 - \$96,574) 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, 2023.

3. TRADE AND OTHER RECEIVABLES

	2023	2022
Receivables from other governments	\$ 221,400	\$ 57,258
Trade accounts receivable	21,692	31,055
Utilities receivable	6,353	2,673
	\$ 249,445	\$ 90,986

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2023	2022
Taxes and grants in place of taxes	\$ 39,361	\$ 35,295
Arrears of Property Taxes Receivable	14,361	11,273
	\$ 53,722	\$ 46,568

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

5. DEFERRED REVENUE

	2023	2022
Green and Inclusive Community Buildings Program	\$ 260,524	\$ -
Other Local Contributions	7,659	7,659
Alberta Bilingual Municipality Association	6,500	-
Alberta Municipal Sustainability Initiative Grants	-	88,915
	<u>\$ 274,683</u>	<u>\$ 96,574</u>

The Green and Inclusive Community Buildings Program is providing a significant amount of funding towards the arena retrofit project. In 2023 an advance payment of \$645,000 was received to be used for professional fees and environmental assessments. As of December 31, 2023, there was \$260,524 remaining from this payment, which will be fully utilized in the 2024 fiscal year.

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 during the year to upgrade street signs. This project was not done in 2023 and therefore the funds are being deferred until 2024.

Prior year deferred amounts from the Alberta Municipal Sustainability Initiative (MSI) includes both operating and capital funding. There is no operating portion (2022 - \$18,965) deferred this year. There is no capital portion (2022 - \$69,950) deferred this year.

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 \$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, 2023, the Town has not designated assets for settling the abatement activities.

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

7. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
Province of Alberta loan bearing interest at 0.84% per annum, repayable in semi-annual blended payments of \$152,213.	\$ 302,518	\$ 602,511

Principal and interest repayment terms are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2024	\$ 302,518	\$ 1,907	\$ 304,425
	<u>\$ 302,518</u>	<u>\$ 1,907</u>	<u>\$ 304,425</u>

Interest on long term debt amounted to \$3,694 (2022 - \$6,204).

The Town of Legal's total cash payments for interest in 2023 were \$4,432 (2021 - \$6,937).

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>2023</u>	<u>2022</u>
Total debt limit	\$ 4,820,711	\$ 4,412,010
Total debt	302,518	602,511
Amount of debt limit unused	<u>4,518,193</u>	<u>3,809,499</u>
Debt servicing limit	803,452	735,335
Debt servicing	304,425	304,425
Amount of debt servicing limit unused	<u>\$ 499,027</u>	<u>\$ 430,910</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>2023</u>	<u>2022</u>
Tangible capital assets (<i>Schedule 2</i>)	\$ 24,298,958	\$ 23,285,066
Accumulated amortization (<i>Schedule 2</i>)	(12,867,826)	(12,367,460)
Long term debt (<i>Note 7</i>)	(302,518)	(602,511)
Asset retirement obligations (<i>Note 6</i>)	(542,756)	-
	<u>\$ 10,585,858</u>	<u>\$ 10,315,095</u>

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

10. ACCUMULATED SURPLUS

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

	2023	2022
Unrestricted surplus	\$ 1,784,816	\$ 1,626,796
Restricted surplus		
Roads	437,355	406,918
Parks and recreation	615,823	452,436
General equipment replacement	548,660	486,306
Water, sewer, and waste management	918,400	824,894
Equity in tangible capital assets	10,585,858	10,315,095
	\$ 14,890,912	\$ 14,112,445

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	2023 Total	2022 Total
Councillors:				
Beaton, Andrew	\$ 15,752	\$ 430	\$ 16,182	\$ 2,658
Hills, Patrick	11,952	112	12,064	13,621
Malott, Frederick	15,052	595	15,647	17,358
Veenstra, Mark	-	-	-	7,798
Mayor: Jones, Trina	14,852	321	15,173	15,426
Deputy Mayor: Tremblay, Carolyn	13,652	1,076	14,728	12,197
Chief Administrative Officer	169,904	12,538	182,442	169,916
Designated Officers (3)	133,699	17,646	151,345	150,119
	\$ 374,863	\$ 32,718	\$ 407,581	\$ 389,093

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, 2023

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 12.23% 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 11.23% on pensionable salary above this amount.

Total current service contributions by the Town of Legal to the LAPP in 2023 were \$54,636 (2022 - \$50,829). Total current service contributions by the employees of the Town of Legal to LAPP in 2023 were \$48,452 (2022 - \$45,174).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 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 \$350,000 and credit cards with an aggregate borrowing limit of \$30,500 (2022 - \$30,500).

14. COMMITMENTS

In 2018, the Town entered into two lease agreements for a photocopier and postage machine. Both of these agreements were for a 60 month term and have expired in 2023. New agreements have not been signed and the Town is currently continuing with their previous agreement payment terms. The agreement for the photocopier is \$204 plus GST per month. The agreement for the postage machine is \$57 plus GST per month. The leases have been classified as operating leases 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 2023 (2022-nil) as a result of this standard.

TOWN OF LEGAL
Notes to Financial Information
Year Ended December 31, 2023

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, 2023.

(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, 2023

18. RELATED PARTY TRANSACTIONS

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

	<u>2023</u>	<u>2022</u>
Rose Ridge Waste Management Services Commission		
Landfill usage expense	<u>\$ 19,628</u>	<u>\$ 21,772</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 of Legal has received a contribution from Sturgeon Hockey Club in the amount of \$1 million towards the Arena and Curling Rink Retrofit Project.

The Town is also pursuing financing in the amount of \$3 million to aid in funding the Arena and Curling Rink Retrofit Project.

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.
