

**TOWN OF LEGAL**  
**Financial Information**  
**Year Ended December 31, 2022**

**TOWN OF LEGAL**  
**Index to Financial Information**  
**Year Ended December 31, 2022**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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Management of the Town of Legal is responsible for the preparation, accuracy, objectivity and integrity 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

March 20, 2023

Legal, Alberta



Manager of Corporate Services

March 20, 2023

Legal, Alberta

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## INDEPENDENT AUDITOR'S REPORT

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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, 2022, 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, 2022, 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.

Westlock, Alberta  
March 20, 2023



FRIESEN VINEY STASIUK  
CHARTERED PROFESSIONAL ACCOUNTANTS

**TOWN OF LEGAL**  
**Statement of Financial Position**  
**December 31, 2022**

	2022	2021
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 3,987,771	\$ 3,918,567
Trade and other receivables <i>(Note 3)</i>	90,986	172,065
Taxes and grants in place of taxes receivable <i>(Note 4)</i>	46,568	52,088
Land for resale inventory	-	1
	<b>\$ 4,125,325</b>	<b>\$ 4,142,721</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 238,102	\$ 364,946
Deferred revenue <i>(Note 5)</i>	96,574	303,935
Long term debt <i>(Note 6)</i>	602,511	900,000
	937,187	1,568,881
<b>NET FINANCIAL ASSETS</b>	<b>3,188,138</b>	<b>2,573,840</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	10,917,606	11,173,747
Prepaid expenses	6,701	1,118
	10,924,307	11,174,865
<b>ACCUMULATED SURPLUS</b>	<b>\$ 14,112,445</b>	<b>\$ 13,748,705</b>
<b>CONTINGENCIES</b> <i>(Note 12)</i>		

**TOWN OF LEGAL**  
**Statement of Operations**  
**Year Ended December 31, 2022**

	Budget ( <i>unaudited</i> )	2022	2021
<b>REVENUE</b>			
Net municipal taxes( <i>Schedule 3</i> )	\$ 1,132,171	\$ 1,132,299	\$ 1,102,078
User fees and sales of goods	684,316	681,489	676,592
Government transfers for operating	706,327	673,228	553,008
Rental revenue	162,072	159,341	97,056
Investment income	12,000	65,762	10,522
Franchise revenue	184,000	191,208	142,484
Penalties and costs on taxes	16,000	15,943	21,277
Licenses and permits	17,600	18,171	18,193
Other	3,600	3,899	23,509
<b>Total Operating Revenue</b>	<b>2,918,086</b>	<b>2,941,340</b>	<b>2,644,719</b>
<b>EXPENSES</b>			
Legislative	88,300	95,259	97,741
Administration	700,085	671,068	665,738
Protective Services	139,171	135,085	122,220
Roads, streets, walks, lighting	315,024	268,489	284,645
Water supply and distribution	337,481	332,654	330,986
Wastewater treatment and disposal	86,999	78,314	178,788
Waste management	76,200	83,201	87,706
Family and community support	63,875	63,910	54,371
Land use planning, zoning and development	9,500	9,749	27,650
Health and safety	33,708	30,283	29,420
Parks and recreation	501,247	472,726	413,608
Culture	24,040	24,040	23,453
Amortization of tangible capital assets	491,060	491,060	458,694
<b>Total Operating Expenses</b>	<b>2,866,690</b>	<b>2,755,838</b>	<b>2,775,020</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>51,396</b>	<b>185,502</b>	<b>(130,301)</b>
<b>CAPITAL INCOME</b>			
Government transfers for capital	195,000	173,238	1,002,663
Other local group	-	5,000	-
	<b>195,000</b>	<b>178,238</b>	<b>1,002,663</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>246,396</b>	<b>363,740</b>	<b>872,362</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>13,748,705</b>	<b>13,748,705</b>	<b>12,876,343</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 13,995,101</b>	<b>\$ 14,112,445</b>	<b>\$ 13,748,705</b>

**TOWN OF LEGAL**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2022**

	Budget <i>(Unaudited)</i>	2022	2021
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	\$ 246,396	\$ 363,740	\$ 872,362
Acquisition of tangible capital assets	(354,000)	(234,919)	(2,033,804)
Proceeds on disposal of tangible capital assets	17,000	17,900	66,100
Amortization of tangible capital assets	491,060	491,060	458,694
Gain/loss on disposal of tangible capital assets	-	(17,900)	(4,150)
	154,060	256,141	(1,513,160)
Acquisition of prepaid expenses	-	(5,583)	(285)
<b>INCREASE/(DECREASE) IN NET FINANCIAL ASSETS</b>	400,456	614,298	(641,083)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	2,573,840	2,573,840	3,214,923
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 2,974,296	\$ 3,188,138	\$ 2,573,840

**TOWN OF LEGAL**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 363,740	\$ 872,362
Items not affecting cash:		
Amortization of tangible capital assets	491,060	458,694
Loss (gain) on disposal of tangible capital assets	(17,900)	(4,150)
	<u>836,900</u>	<u>1,326,906</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	5,520	(5,822)
Trade and other receivables	81,076	489,213
Accounts payable and accrued liabilities	(126,841)	175,547
Deferred revenue	(207,361)	(434,493)
Land for resale inventory	1	-
Prepaid expenses	(5,583)	(285)
	<u>(253,188)</u>	<u>224,160</u>
Cash flow from operating activities	<u>583,712</u>	<u>1,551,066</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(234,919)	(2,033,804)
Proceeds on disposal of tangible capital assets	17,900	66,100
Cash flow used by investing activities	<u>(217,019)</u>	<u>(1,967,704)</u>
<b>FINANCING ACTIVITIES</b>		
Long term debt issued	-	900,000
Long term debt repaid	(297,489)	-
Cash flow from (used by) financing activities	<u>(297,489)</u>	<u>900,000</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>69,204</b>	<b>483,362</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>3,918,567</u></b>	<b><u>3,435,205</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 3,987,771</u></b>	<b><u>\$ 3,918,567</u></b>

**TOWN OF LEGAL**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2022**

*(Schedule 1)*

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 1,465,671</b>	<b>\$ 2,009,287</b>	<b>\$ 10,273,747</b>	<b>\$ 13,748,705</b>	<b>\$ 12,876,343</b>
Excess (deficiency) of revenues over expenses	363,740	-	-	<b>363,740</b>	872,362
Unrestricted funds designated for future use	(264,267)	264,267	-	-	-
Restricted funds used for operations	63,000	(63,000)	-	-	-
Restricted funds used for capital	-	(40,000)	40,000	-	-
Current year funds used for tangible capital assets	(194,919)	-	194,919	-	-
Annual amortization expense	491,060	-	(491,060)	-	-
Repayment of long term debt	(297,489)	-	297,489	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 1,626,796</b>	<b>\$ 2,170,554</b>	<b>\$ 10,315,095</b>	<b>\$ 14,112,445</b>	<b>\$ 13,748,705</b>

**TOWN OF LEGAL**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2022**

**(Schedule 2)**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 199,670	\$ 1,054,514	\$ 2,939,691	\$ 16,969,314	\$ 1,316,780	\$ 650,781	\$ 23,130,750	\$ 21,194,324
Acquisitions	-	8,495	22,674	102,617	11,000	90,133	234,919	2,033,804
Disposals	-	-	-	-	(42,800)	(37,803)	(80,603)	(97,378)
BALANCE, END OF YEAR	199,670	1,063,009	2,962,365	17,071,931	1,284,980	703,111	23,285,066	23,130,750
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	573,347	2,177,921	7,820,173	867,644	517,918	11,957,003	11,533,737
Annual amortization	-	40,714	74,201	283,795	54,200	38,150	491,060	458,694
Accumulated amortization on disposals	-	-	-	-	(42,800)	(37,803)	(80,603)	(35,428)
BALANCE, END OF YEAR	-	614,061	2,252,122	8,103,968	879,044	518,265	12,367,460	11,957,003
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 199,670</b>	<b>\$ 448,948</b>	<b>\$ 710,243</b>	<b>\$ 8,967,963</b>	<b>\$ 405,936</b>	<b>\$ 184,846</b>	<b>\$ 10,917,606</b>	<b>\$ 11,173,747</b>

**TOWN OF LEGAL**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2022**

*(Schedule 3)*

	Budget (Unaudited)	2022	2021
<b>TAXATION</b>			
Residential land and improvements	\$ 1,305,295	\$ 1,304,870	\$ 1,272,200
Non residential land and improvements	192,236	192,684	156,304
Linear property	1,263	1,263	32,209
Farmland	1,491	1,491	1,452
Machinery and equipment	2,561	2,538	2,495
	1,502,846	1,502,846	1,464,660
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	359,043	359,043	349,578
Seniors Lodge	11,504	11,504	13,004
Designated Industrial Properties	128	-	-
	370,675	370,547	362,582
<b>NET MUNICIPAL TAXES</b>	\$ 1,132,171	\$ 1,132,299	\$ 1,102,078

**TOWN OF LEGAL**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2022**

**(Schedule 4)**

	Budget (Unaudited)	2022	2021
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	\$ 186,489	\$ 196,455	\$ 113,209
Provincial Government	206,744	168,679	140,192
Local Government	313,094	308,094	299,607
	<u>706,327</u>	<u>673,228</u>	<u>553,008</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	-	-	150,000
Provincial Government	195,000	173,238	852,663
	<u>195,000</u>	<u>173,238</u>	<u>1,002,663</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 901,327</u>	<u>\$ 846,466</u>	<u>\$ 1,555,671</u>

**TOWN OF LEGAL**  
**Schedule of Expenses by Object**  
**Year Ended December 31, 2022**

*(Schedule 5)*

	Budget (Unaudited)	2022	2021
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,133,134	\$ 1,071,982	\$ 1,141,524
Contracted and general services	605,395	574,519	633,616
Materials, goods, supplies and utilities	595,625	577,538	509,966
Transfers to local boards and agencies	34,535	34,535	29,004
Interest on long term debt	6,937	6,204	2,216
Amortization expense	491,060	491,060	458,694
	<u>\$ 2,866,686</u>	<u>\$ 2,755,838</u>	<u>\$ 2,775,020</u>

**TOWN OF LEGAL**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2022**

*(Schedule 6)*

	General Government	Protective Services	Transportation Services	FCSS	Recreation & Culture	Environmental Services	Other	2022
<b>REVENUE:</b>								
Net municipal taxes	\$ 1,132,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,132,299
Government transfers	69,935	-	-	31,807	322,889	421,835	-	846,466
User fees and sales of goods	3,293	10,187	27,664	2,719	8,986	628,640	-	681,489
Investment income	65,762	-	-	-	-	-	-	65,762
Rental revenue	-	9,471	-	-	149,870	-	-	159,341
Other revenues	210,064	10,534	-	-	6,680	6,943	-	234,221
	<u>1,481,353</u>	<u>30,192</u>	<u>27,664</u>	<u>34,526</u>	<u>488,425</u>	<u>1,057,418</u>	<u>-</u>	<u>3,119,578</u>
<b>EXPENSES:</b>								
Salaries & wages	528,325	1,700	82,162	36,084	250,270	151,521	21,920	1,071,982
Contract & general services	174,277	120,512	32,927	25,986	97,451	107,480	15,886	574,519
Goods & supplies	55,230	12,873	153,400	1,840	123,005	228,964	2,226	577,538
Transfers to local boards	8,495	-	-	-	26,040	-	-	34,535
Other expenses	-	-	-	-	-	6,204	-	6,204
	<u>766,327</u>	<u>135,085</u>	<u>268,489</u>	<u>63,910</u>	<u>496,766</u>	<u>494,169</u>	<u>40,032</u>	<u>2,264,778</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>715,026</b>	<b>(104,893)</b>	<b>(240,825)</b>	<b>(29,384)</b>	<b>(8,341)</b>	<b>563,249</b>	<b>(40,032)</b>	<b>854,800</b>
Amortization expense	3,720	13,025	211,304	-	99,549	163,462	-	491,060
<b>NET REVENUE</b>	<b>\$ 711,306</b>	<b>\$ (117,918)</b>	<b>\$ (452,129)</b>	<b>\$ (29,384)</b>	<b>\$ (107,890)</b>	<b>\$ 399,787</b>	<b>\$ (40,032)</b>	<b>\$ 363,740</b>

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Town of Legal are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the 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.

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**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

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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) 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.

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**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

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

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) 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.

i) 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.

*(continues)*

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**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

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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.

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**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

2. CASH AND TEMPORARY INVESTMENTS

	2022	2021
Cash and temporary investments	<b>\$ 3,987,771</b>	<b>\$ 3,918,567</b>

Council has designated \$2,170,552 (2021 - \$2,009,287) of cash for future operating and capital reserves.

Included in cash and temporary investments is a restricted amount of \$96,574 (2021 - \$303,935) 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, 2022.

3. TRADE AND OTHER RECEIVABLES

	2022	2021
Receivables from other governments	\$ 57,258	\$ 135,064
Trade accounts receivable	31,055	31,667
Utilities receivable	2,673	5,334
	<b>\$ 90,986</b>	<b>\$ 172,065</b>

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2022	2021
Taxes and grants in place of taxes	\$ 35,295	\$ 34,055
Arrears of Property Taxes Receivable	11,273	18,033
	<b>\$ 46,568</b>	<b>\$ 52,088</b>

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

5. DEFERRED REVENUE

	2022	2021
Alberta Municipal Sustainability Initiative Grants	\$ 88,915	\$ 178,766
Other Local Contributions	7,659	7,659
Canada Community Building Fund (formerly Federal Gas Tax Fund Grant)	-	109,555
Prepaid FCSS Funding	-	7,955
	\$ 96,574	\$ 303,935

Deferred amounts from the Alberta Municipal Sustainability Initiative (MSI) includes both operating and capital amounts. The operating portion of \$18,965 (2021 - \$43,172) is to be used for future operating purposes. The capital portion of \$69,950 (2021 - \$135,594) is to be used for future capital projects. The Town of Legal has a 5 year capital plan that has budgeted the use of the MSI Capital Grant and the Canada Community Building Fund.

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.

6. LONG TERM DEBT

	2022	2021
Province of Alberta loan bearing interest at 0.84% per annum, repayable in semi-annual blended payments of \$152,213.	\$ 602,511	\$ 900,000

Principal and interest repayment terms are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2023	\$ 299,993	\$ 4,432	\$ 304,425
2024	302,518	1,907	304,425
	\$ 602,511	\$ 6,339	\$ 608,850

Interest on long term debt amounted to \$6,204 (2021 - \$2,216).

The Town of Legal's total cash payments for interest in 2022 were \$6,937 (2021 - \$0).

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

7. 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>2022</u>	<u>2021</u>
Total debt limit	\$ 4,412,010	\$ 3,967,079
Total debt	<u>602,511</u>	<u>900,000</u>
Amount of debt limit unused	<u>3,809,499</u>	<u>3,067,079</u>
Debt servicing limit	735,335	661,180
Debt servicing	<u>304,425</u>	<u>304,426</u>
Amount of debt servicing limit unused	<u>\$ 430,910</u>	<u>\$ 356,754</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.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Tangible capital assets ( <i>Schedule 2</i> )	\$ 23,285,066	\$ 23,130,750
Accumulated amortization ( <i>Schedule 2</i> )	(12,367,460)	(11,957,003)
Long term debt ( <i>Note 6</i> )	-	(900,000)
	<u>\$ 10,917,606</u>	<u>\$ 10,273,747</u>

9. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	\$ 1,626,796	\$ 1,465,671
Restricted surplus		
Roads	406,918	394,618
Parks and recreation	452,436	353,436
General equipment replacement	486,306	448,807
Water, sewer, and waste management	824,894	812,426
Equity in tangible capital assets	<u>10,315,095</u>	<u>10,273,747</u>
	<u>\$ 14,112,445</u>	<u>\$ 13,748,705</u>

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

**10. 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 <sup>1</sup>	Benefits & allowances <sup>2</sup>	2022 Total	2021 Total
<b>Councillors:</b>				
Beaton, Andrew	\$ 2,624	\$ 34	\$ 2,658	\$ -
Hammond, Annette	-	-	-	4,587
Hills, Patrick	12,997	624	13,621	13,287
Malott, Frederick	15,697	1,661	17,358	16,186
Veenstra, Mark	7,798	-	7,798	3,667
Mayor: Jones, Trina	15,051	375	15,426	15,189
Deputy Mayor: Tremblay, Carolyn	12,097	100	12,197	17,197
Chief Administrative Officer	162,728	7,188	169,916	162,977
Designated Officers (3)(2021-4)	131,813	18,306	150,119	143,247
	<b>\$ 360,805</b>	<b>\$ 28,288</b>	<b>\$ 389,093</b>	<b>\$ 376,337</b>

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.

**11. 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 12.80% 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 11.80% on pensionable salary above this amount.

Total current service contributions by the Town of Legal to the LAPP in 2022 were \$50,829 (2021 - \$52,114). Total current service contributions by the employees of the Town of Legal to LAPP in 2022 were \$45,174 (2021 - \$46,930).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 billion.

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

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12. 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 (2021 - \$21,000).

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13. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2022 (2021-nil) as a result of this standard.

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14. 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, 2020.

*(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.

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15. 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).

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**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2022**

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16. RELATED PARTY TRANSACTIONS

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

	<u>2022</u>	<u>2021</u>
Rose Ridge Waste Management Services Commission		
Landfill usage expense	<u>\$ 21,772</u>	<u>\$ 19,970</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.

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17. SUBSEQUENT EVENTS

The Town of Legal has begun plans for the Arena and Curling Rink Retro-fit Project. This project is expected to cost \$9 million, with \$7.2 million being funded through a government grant. The remaining \$1.8 million will be funded with Town funds. The project is expected to begin in 2023 and be completed in 2025.

The Town of Legal has also traded in their older Bobcat Skid Steer loader and purchased a new one for a cost of approximately \$106,000. This was funded through grant monies, trade-in proceeds, and reserve funds in 2023.

The Town of Legal has been approved for the Municipal Climate Change Action Centre grant in the amount of \$30,000 to purchase 3 Stage 2 electric charging stations to be located around the Town.

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18. BUDGET FIGURES

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

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19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

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