

**TOWN OF LEGAL**  
**Financial Information**  
**Year Ended December 31, 2021**

**TOWN OF LEGAL**  
**Index to Financial Information**  
**Year Ended December 31, 2021**

---

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL INFORMATION	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Assets	6
Statement of Cash Flows	7
Schedule of Changes in Accumulated Surplus ( <i>Schedule 1</i> )	8
Schedule of Tangible Capital Assets ( <i>Schedule 2</i> )	9
Schedule of Property and Other Taxes ( <i>Schedule 3</i> )	10
Schedule of Government Transfers ( <i>Schedule 4</i> )	11
Schedule of Expenses by Object ( <i>Schedule 5</i> )	12
Schedule of Segmented Disclosure ( <i>Schedule 6</i> )	13
Notes to Financial Information	14 - 23

---

## 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, 2021 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

April 4, 2022

Legal, Alberta



Manager of Corporate Services

April 4, 2022

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, 2021, 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 as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

### *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 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 ASNPO, 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 '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 the or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the '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.

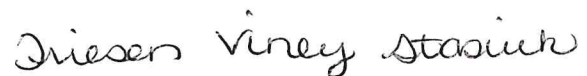
(continues)

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 '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 '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 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  
April 4, 2022

FRIESEN VINEY STASIUK  
CHARTERED PROFESSIONAL ACCOUNTANTS

**TOWN OF LEGAL**  
**Statement of Financial Position**  
**December 31, 2021**

	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 3,918,567	\$ 3,435,208
Trade and other receivables <i>(Note 3)</i>	172,062	661,275
Taxes and grants in place of taxes receivable <i>(Note 4)</i>	52,088	46,266
Land for resale inventory	1	1
	<u>\$ 4,142,718</u>	<u>\$ 4,142,750</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 364,943	\$ 189,399
Deferred revenue <i>(Note 5)</i>	303,935	738,428
Long term debt <i>(Note 6)</i>	900,000	-
	<u>1,568,878</u>	<u>927,827</u>
NET FINANCIAL ASSETS	<u>2,573,840</u>	<u>3,214,923</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	11,173,747	9,660,587
Prepaid expenses	1,118	833
	<u>11,174,865</u>	<u>9,661,420</u>
ACCUMULATED SURPLUS	<u>\$ 13,748,705</u>	<u>\$ 12,876,343</u>
CONTINGENCIES <i>(Note 12)</i>		

**TOWN OF LEGAL**  
**Statement of Operations**  
**Year Ended December 31, 2021**

	Budget <i>(unaudited)</i>	2021	2020
<b>REVENUE</b>			
Net municipal taxes(Schedule 3)	\$ 1,101,355	\$ 1,102,078	\$ 1,101,113
User fees and sales of goods	701,010	676,592	702,868
Government transfers for operating	587,114	553,008	531,420
Rental revenue	100,200	97,056	115,097
Investment income	15,000	10,522	14,763
Franchise revenue	132,000	142,484	108,056
Penalties and costs on taxes	16,000	21,277	17,580
Licenses and permits	18,300	18,193	34,113
Other	21,500	23,509	72,775
<b>Total Operating Revenue</b>	<b>2,692,479</b>	<b>2,644,719</b>	<b>2,697,785</b>
<b>EXPENSES</b>			
Legislative	105,800	97,741	82,260
Administration	650,182	665,738	812,441
Protective Services	131,500	122,220	88,137
Roads, streets, walks, lighting	323,832	284,645	357,860
Water supply and distribution	333,094	330,986	351,843
Wastewater treatment and disposal	176,527	178,788	63,174
Waste management	92,000	87,706	82,899
Family and community support	59,335	54,371	43,612
Land use planning, zoning and development	25,000	27,650	17,533
Health and safety	29,400	29,420	34,519
Parks and recreation	458,909	413,608	417,517
Culture	24,400	23,453	27,879
Amortization of tangible capital assets	489,997	458,694	489,997
<b>Total Operating Expenses</b>	<b>2,899,976</b>	<b>2,775,020</b>	<b>2,869,671</b>
<b>DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<b>(207,497)</b>	<b>(130,301)</b>	<b>(171,886)</b>
<b>CAPITAL INCOME</b>			
Government transfers for capital	1,090,000	1,002,663	419,774
Other local group	-	-	202,941
	<b>1,090,000</b>	<b>1,002,663</b>	<b>622,715</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>882,503</b>	<b>872,362</b>	<b>450,829</b>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<b>12,876,343</b>	<b>12,876,343</b>	<b>12,425,514</b>
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	<b>\$ 13,758,846</b>	<b>\$ 13,748,705</b>	<b>\$ 12,876,343</b>

**TOWN OF LEGAL**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2021**

	Budget <i>(Unaudited)</i>	2021	2020
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	\$ 882,503	\$ 872,362	\$ 450,829
Acquisition of tangible capital assets	(2,074,500)	(2,033,804)	(691,548)
Proceeds on disposal of tangible capital assets	65,000	66,100	64,333
Amortization of tangible capital assets	489,997	458,694	489,997
Gain/loss on disposal of tangible capital assets	-	(4,150)	(3,019)
	<u>(1,519,503)</u>	<u>(1,513,160)</u>	<u>(140,237)</u>
Acquisition of prepaid expenses	-	(285)	3,090
<b>INCREASE/(DECREASE) IN NET FINANCIAL ASSETS</b>	(637,000)	(641,083)	313,682
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	3,214,923	3,214,923	2,901,241
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<u>\$ 2,577,923</u>	<u>\$ 2,573,840</u>	<u>\$ 3,214,923</u>



**TOWN OF LEGAL**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 872,362	\$ 450,829
Items not affecting cash:		
Amortization of tangible capital assets	458,694	489,997
Loss (gain) on disposal of tangible capital assets	(4,150)	(3,019)
	<u>1,326,906</u>	<u>937,807</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	(5,822)	(12,902)
Trade and other receivables	489,213	(113,871)
Accounts payable and accrued liabilities	175,544	(118,782)
Deferred revenue	(434,493)	22,202
Prepaid expenses	(285)	3,090
	<u>224,157</u>	<u>(220,263)</u>
Cash flow from operating activities	<u>1,551,063</u>	<u>717,544</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(2,033,804)	(691,548)
Proceeds on disposal of tangible capital assets	66,100	64,333
Cash flow used by investing activities	<u>(1,967,704)</u>	<u>(627,215)</u>
<b>FINANCING ACTIVITY</b>		
Long term debt issued	<u>900,000</u>	<u>-</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>483,359</b>	<b>90,329</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>3,435,208</u></b>	<b><u>3,344,879</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 3,918,567</u></b>	<b><u>\$ 3,435,208</u></b>

**TOWN OF LEGAL**  
**Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2021**  
**(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 1,375,809</b>	<b>\$ 1,839,947</b>	<b>\$ 9,660,587</b>	<b>\$ 12,876,343</b>	<b>\$ 12,425,514</b>
Excess (deficiency) of revenues over expenses	872,362	-	-	872,362	450,829
Unrestricted funds designated for future use	(197,340)	197,340	-	-	-
Restricted funds used for operations	11,000	(11,000)	-	-	-
Restricted funds used for capital	-	(17,000)	17,000	-	-
Long term debt issued	900,000	-	(900,000)	-	-
Current year funds used for tangible capital assets	(2,016,804)	-	2,016,804	-	-
Disposal of tangible capital assets	61,950	-	(61,950)	-	-
Annual amortization expense	458,694	-	(458,694)	-	-
<b>BALANCE, END 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>

**TOWN OF LEGAL**  
**Schedule of Tangible Capital Assets**  
**(Schedule 2)**  
**Year Ended December 31, 2021**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	\$ 199,670	\$ 1,054,514	\$ 2,812,005	\$ 15,252,287	\$ 1,196,522	\$ 679,326	\$ 21,194,324	\$ 20,685,904
Acquisitions	-	-	127,686	1,717,027	189,091	-	2,033,804	691,548
Disposals	-	-	-	-	(68,833)	(28,545)	(97,378)	(183,128)
<b>BALANCE, END OF YEAR</b>	<b>199,670</b>	<b>1,054,514</b>	<b>2,939,691</b>	<b>16,969,314</b>	<b>1,316,780</b>	<b>650,781</b>	<b>23,130,750</b>	<b>21,194,324</b>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	532,916	2,109,639	7,550,479	827,783	512,920	11,533,737	11,165,554
Annual amortization	-	40,431	68,282	269,694	46,744	33,543	458,694	489,997
Accumulated amortization on disposals	-	-	-	-	(6,883)	(28,545)	(35,428)	(121,814)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>573,347</b>	<b>2,177,921</b>	<b>7,820,173</b>	<b>867,644</b>	<b>517,918</b>	<b>11,957,003</b>	<b>11,533,737</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 199,670</b>	<b>\$ 481,167</b>	<b>\$ 761,770</b>	<b>\$ 9,149,141</b>	<b>\$ 449,136</b>	<b>\$ 132,863</b>	<b>\$ 11,173,747</b>	<b>\$ 9,660,587</b>

**TOWN OF LEGAL**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2021**

*(Schedule 3)*

	Budget (Unaudited)	2021	2020
<b>TAXATION</b>			
Residential land and improvements	\$ 1,272,193	\$ <b>1,272,198</b>	\$ 1,265,797
Non residential land and improvements	187,291	<b>156,304</b>	156,936
Linear property	1,241	<b>32,209</b>	31,851
Farmland	1,452	<b>1,452</b>	1,429
Machinery and equipment	2,470	<b>2,495</b>	1,792
	<u>1,464,647</u>	<u><b>1,464,658</b></u>	<u>1,457,805</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	350,164	<b>349,578</b>	344,192
Seniors Lodge	13,002	<b>13,002</b>	12,500
Designated Industrial Properties	126	-	-
	<u>363,292</u>	<u><b>362,580</b></u>	<u>356,692</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 1,101,355</u>	<u>\$ <b>1,102,078</b></u>	<u>\$ 1,101,113</u>

**TOWN OF LEGAL**  
**Schedule of Government Transfers**  
**Year Ended December 31, 2021**

*(Schedule 4)*

	Budget (Unaudited)	2021	2020
<b>TRANSFERS FOR OPERATING:</b>			
Federal Government	\$ 114,000	\$ 113,209	\$ 16,800
Provincial Government	168,507	140,192	320,727
Local Government	304,607	299,607	193,892
	<u>587,114</u>	<u>553,008</u>	<u>531,419</u>
<b>TRANSFERS FOR CAPITAL:</b>			
Federal Government	150,000	150,000	19,097
Provincial Government	940,000	852,663	400,678
Donations	-	-	202,941
	<u>1,090,000</u>	<u>1,002,663</u>	<u>622,716</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 1,677,114</u>	<u>\$ 1,555,671</u>	<u>\$ 1,154,135</u>

**TOWN OF LEGAL**  
**Schedule of Expenses by Object**  
**Year Ended December 31, 2021**

*(Schedule 5)*

	Budget (Unaudited)	2021	2020
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,071,617	\$ 1,141,524	\$ 1,092,392
Contracted and general services	734,212	633,616	665,700
Materials, goods, supplies and utilities	574,750	509,966	518,162
Transfers to local boards and agencies	29,400	29,004	32,254
Interest on long term debt	-	2,216	-
Other	-	-	71,166
Amortization expense	489,997	458,694	489,997
	<u>\$ 2,899,976</u>	<u>\$ 2,775,020</u>	<u>\$ 2,869,671</u>

**TOWN OF LEGAL**  
**Schedule of Segmented Disclosure**  
**Year Ended December 31, 2021**

(Schedule 6)

	General Government	Protective Services	Transportation Services	FCSS	Recreation & Culture	Environmental Services	Other	2021
<b>REVENUE:</b>								
Net municipal taxes	\$ 1,102,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,102,078
Government transfers	101,032	-	476,951	31,807	467,044	478,838	-	1,555,672
User fees and sales of goods	4,755	2,520	12,599	645	1,518	654,555	-	676,592
Investment income	10,522	-	-	-	-	-	-	10,522
Rental revenue	-	9,285	-	-	87,771	-	-	97,056
Other revenues	189,018	7,344	-	-	1,941	7,159	-	205,462
	<u>1,407,405</u>	<u>19,149</u>	<u>489,550</u>	<u>32,452</u>	<u>558,274</u>	<u>1,140,552</u>	<u>-</u>	<u>3,647,382</u>
<b>EXPENSES:</b>								
Contract & general services	140,273	107,485	30,104	15,593	96,952	212,165	31,044	633,616
Salaries & wages	577,234	2,700	115,270	34,972	231,020	157,716	22,612	1,141,524
Goods & supplies	40,308	12,035	139,271	3,807	85,748	225,384	3,413	509,966
Transfers to local boards	5,664	-	-	-	23,340	-	-	29,004
Other expenses	-	-	-	-	-	2,216	-	2,216
	<u>763,479</u>	<u>122,220</u>	<u>284,645</u>	<u>54,372</u>	<u>437,060</u>	<u>597,481</u>	<u>57,069</u>	<u>2,316,326</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>643,926</b>	<b>(103,071)</b>	<b>204,905</b>	<b>(21,920)</b>	<b>121,214</b>	<b>543,071</b>	<b>(57,069)</b>	<b>1,331,056</b>
Amortization expense	2,089	13,025	197,134	-	92,434	154,012	-	458,694
<b>NET REVENUE</b>	<b>\$ 641,837</b>	<b>\$ (116,096)</b>	<b>\$ 7,771</b>	<b>\$ (21,920)</b>	<b>\$ 28,780</b>	<b>\$ 389,059</b>	<b>\$ (57,069)</b>	<b>\$ 872,362</b>

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

---

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.

*(continues)*

---



**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

---

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 and cash kept in the bank accounts 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.

*(continues)*

---

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

---

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

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

h) Tax Revenue

Tax revenues are recognized when the tax 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) 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)*

---

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

---

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

k) 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, 2021**

2. CASH AND TEMPORARY INVESTMENTS

	2021	2020
Cash and temporary investments	<b><u>\$ 3,918,567</u></b>	<b><u>\$ 3,435,208</u></b>

Council has designated \$2,009,287 (2020 - \$1,839,947) of cash for future operating and capital reserves.

Included in cash and temporary investments is a restricted amount of \$303,935 (2020 - \$738,428) 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, 2021.

3. TRADE AND OTHER RECEIVABLES

	2021	2020
Receivables from other governments	<b>\$ 135,061</b>	<b>\$ 620,822</b>
Trade accounts receivable	<b>31,667</b>	<b>36,926</b>
Utilities receivable	<b>5,334</b>	<b>3,527</b>
	<b><u>\$ 172,062</u></b>	<b><u>\$ 661,275</u></b>

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2021	2020
Taxes and grants in place of taxes	<b>\$ 34,055</b>	<b>\$ 31,795</b>
Arrears taxes	<b>18,033</b>	<b>14,471</b>
	<b><u>\$ 52,088</u></b>	<b><u>\$ 46,266</u></b>

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

5. DEFERRED REVENUE

	2021	2020
Alberta Municipal Sustainability Initiative Grants	\$ 178,766	\$ 519,514
Canada Community Building Fund (formerly Federal Gas Tax Fund Grant)	109,555	155,986
Prepaid FCSS Funding	7,955	2,657
Other Local Contributions	7,659	8,000
Municipal Operating Support Transfer	-	50,173
Alberta Community Partnership - Intermunicipal Collaboration Grant	-	2,098
	\$ 303,935	\$ 738,428

Deferred amounts from the Alberta Municipal Sustainability Initiative (MSI) includes both operating and capital amounts. The operating portion of \$43,172 (\$52,715 - 2020) is to be used for future operating purposes. The capital portion of \$135,594 (\$466,798 - 2020) 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

	2021	2020
Alberta Capital Finance Authority loan bearing interest at 0.84% per annum, repayable in semi-annual blended payments of \$152,213.	\$ 900,000	\$ -
	\$ 900,000	\$ -

Principal and interest repayment terms are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 297,489	\$ 6,937	\$ 304,426
2023	299,993	4,432	304,425
2024	302,518	1,907	304,425
	\$ 900,000	\$ 13,276	\$ 913,276

Interest on long term debt amounted to \$2,216 (2020 - \$0).

The Town of Legal's total cash payments for interest in 2021 were \$0 (2020 - \$0).

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

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>2021</u>	<u>2020</u>
Total debt limit	\$ 3,967,079	\$ 4,046,676
Total debt	900,000	-
Amount of debt limit unused	<u>3,067,079</u>	4,046,676
Debt servicing limit	661,180	674,446
Debt servicing	304,426	-
Amount of debt servicing limit unused	<u>\$ 356,754</u>	<u>\$ 674,446</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>2021</u>	<u>2020</u>
Tangible capital assets ( <i>Schedule 2</i> )	\$ 23,130,750	\$ 21,194,324
Accumulated amortization ( <i>Schedule 2</i> )	(11,957,003)	(11,533,737)
Long term debt ( <i>Note 6</i> )	(900,000)	-
	<u>\$ 10,273,747</u>	<u>\$ 9,660,587</u>

9. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 1,465,671	\$ 1,375,809
Restricted surplus		
Roads	394,618	368,778
Parks and recreation	353,436	249,436
General equipment replacement	448,807	447,307
Water, sewer, and waste management	812,426	774,426
Equity in tangible capital assets	<u>10,273,747</u>	<u>9,660,587</u>
	<u>\$ 13,748,705</u>	<u>\$ 12,876,343</u>

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

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>	2021 Total	2020 Total
Councillors:				
Hammond, Annette	\$ 4,525	\$ 62	\$ 4,587	\$ 13,154
Hills, Patrick	12,300	987	13,287	11,979
Malott, Frederick	15,700	486	16,186	11,936
Veenstra, Mark	3,363	304	3,667	-
Mayor / Deputy: Tremblay, Carolyn	16,625	572	17,197	16,428
Deputy / Mayor: Jones, Trina	14,675	514	15,189	13,588
Chief Administrative Officer	155,943	7,034	162,977	250,921
Designated Officers (4)(2020-5)	125,112	18,135	143,247	183,691
	<b>\$ 348,243</b>	<b>\$ 28,094</b>	<b>\$ 376,337</b>	<b>\$ 501,697</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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town of Legal are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Town of Legal to the LAPP in 2021 were \$52,114 (2020 - \$69,849). Total current service contributions by the employees of the Town of Legal to LAPP in 2021 were \$46,930 (2020 - \$63,339).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$5 billion.

**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

---

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 \$21,000.

---

13. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2021 (2020-nil) as a result of this standard.

---

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.

---

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).

---



**TOWN OF LEGAL**  
**Notes to Financial Information**  
**Year Ended December 31, 2021**

---

16. RELATED PARTY TRANSACTIONS

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

	<u>2021</u>	<u>2020</u>
Rose Ridge Waste Management Services Commission		
Landfill usage expense	<u>\$ 19,970</u>	<u>\$ 21,496</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.

---

17. BUDGET FIGURES

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

---

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

---