

TOWN OF BOW ISLAND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Management's Responsibility

To the Members of Council:

Management of the Town of Bow Island (the "Town") is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within these financial statements. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2023 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 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 meets regularly 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 MNP LLP, 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.

April 22, 2024



Chief Administrative Officer

Independent Auditor's Report

To the Members of Council:

Qualified Opinion

We have audited the financial statements of Town of Bow Island (the "Town"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, accumulated surplus, changes in net financial assets, remeasurement gains and losses, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

As described in notes of the financial statements, information was not available to determine the costs associated with potential asset retirement obligations. It is currently not known what adjustments might be necessary to tangible capital assets, asset retirement obligations, accretion expense, excess (shortfall) of revenue and expenses, accumulated surplus and cashflows from operations as at December 31, 2023.

During the audit, it was determined that tangible assets purchased prior to 2009 may have been removed from records in error, as part of the process implemented when adopting the policy for section 3150: tangible capital assets. It is not currently known what impact this will have to tangible capital assets, amortization expense, excess (shortfall) of revenue and expenses or opening and ending accumulated surplus.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are those standards are further described in the Auditor's Responsibilities for the Audit of the Financial 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 qualified 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 Canadian public sector accounting standards, 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 the Town 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- *Debt Limit Regulation:*
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 9.
- *Supplementary Accounting Principles and Standards Regulation:*
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 14.

MNP LLP

Medicine Hat, Alberta
April 22, 2024

Chartered Professional Accountants

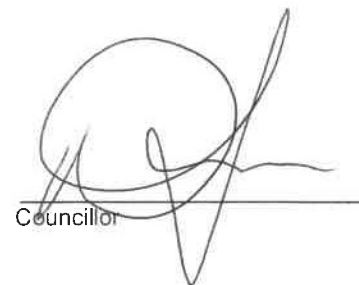
Town of Bow Island
Statement of Financial Position
As at December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash (Note 2)	2,836,292	2,207,705
Receivables		
Taxes and grants in place of taxes (Note 3)	37,748	95,253
Trade and other accounts receivable (Note 3)	787,956	1,286,102
Land held for resale	1,347,590	1,452,579
Investments (Note 4)	10	10
	5,009,596	5,041,649
LIABILITIES		
Accounts payable and accrued liabilities	243,090	332,897
Liability for funds held in trust (Note 2)	243,355	242,024
Deposit liabilities	89,327	42,867
Deferred revenue (Note 5)	323,946	27,350
Employee benefit obligations (Note 6)	102,210	75,736
Long-term debt (Note 7)	2,245,210	2,481,988
	3,247,138	3,202,862
NET FINANCIAL ASSETS	1,762,458	1,838,787
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	17,940,208	17,823,931
Inventory for consumption	298,551	375,139
Prepaid expenses	557	1,598
	18,239,316	18,200,668
ACCUMULATED SURPLUS	20,001,774	20,039,455
ACCUMULATED OPERATING SURPLUS (Schedule I, Note 11)	20,001,774	20,039,455
ACCUMULATED REMEASUREMENT GAINS (LOSSES)	-	-

Contingencies (Note 16)

Approved on behalf of Council


Mayor


Councillor

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Statement of Operations

For the year ended December 31, 2023

	Budget	2023	2022
REVENUE			
Net municipal taxes (Schedule III)	2,188,650	2,184,354	2,093,740
User fees and sales of goods	1,354,950	1,396,094	1,319,999
Land sales	401,191	257,690	392,484
Government transfers for operating (Schedule IV)	386,406	409,626	249,563
Franchise and concession contracts	207,000	210,082	207,813
Rental	179,250	217,249	190,826
Licenses and permits	57,650	61,425	64,925
Other	22,000	66,919	63,555
Investment income	59,400	131,375	52,052
Penalties and costs of taxes	36,850	39,424	35,072
Gain on disposal of tangible capital assets	43,000	89,702	1,849
	4,936,347	5,063,940	4,671,878
EXPENSES			
Legislative	94,350	93,359	90,178
Administrative	815,927	871,900	806,676
Police, fire, disaster, ambulance and bylaw enforcement	260,900	263,661	252,738
Roads, streets, walks, lighting	1,445,133	1,404,763	1,459,286
Water supply and distribution	1,018,580	1,171,908	1,070,473
Wastewater treatment and disposal	298,618	385,524	270,367
Waste management	317,896	352,770	332,208
Other environmental use and protection	69,000	71,661	68,199
Family and community support services (recovery)	47,113	54,511	(5,910)
Planning and development	102,886	277,607	202,006
Recreation and culture	573,642	707,156	529,466
Other	63,600	66,340	70,923
	5,107,645	5,721,160	5,146,610
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	(171,298)	(657,220)	(474,732)
OTHER			
Government transfers for capital (Schedule IV)	1,959,685	460,319	466,706
Contributions from other organizations	102,500	159,220	442,978
	2,062,185	619,539	909,684
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,890,887	(37,681)	434,952
ACCUMULATED SURPLUS, BEGINNING OF YEAR	20,039,455	20,039,455	19,604,503
ACCUMULATED SURPLUS, END OF YEAR	21,930,342	20,001,774	20,039,455

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Statement of Changes in Net Financial Assets

For the year ended December 31, 2023

	Budget	2023	2022
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,890,887	(37,681)	434,952
Acquisition of tangible capital assets	(2,607,500)	(1,138,084)	(1,464,453)
Proceeds on disposal of tangible capital assets	43,000	142,358	63,029
Amortization of tangible capital assets	798,579	948,458	868,498
(Gain) loss on disposal of tangible capital assets	-	(69,009)	(1,849)
	(1,765,921)	(116,277)	(534,775)
Net change in inventory for consumption	-	76,588	(53,014)
Net change in prepaid assets	-	1,041	202,319
	-	77,629	149,305
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	124,966	(76,329)	49,482
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,838,787	1,838,787	1,789,305
NET FINANCIAL ASSETS, END OF YEAR	1,963,753	1,762,458	1,838,787

Statement of Remeasurement Gains and Losses

For the year ended December 31, 2023

	2023	2022
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	-	-
No change during the year	-	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	-	-

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of (shortfall) of revenues over expenses	(37,681)	434,952
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	948,458	868,498
(Gain) loss on disposal of tangible capital assets	(69,009)	(1,849)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	57,505	71,798
Decrease (increase) in trade and other accounts receivable	498,146	(344,756)
Decrease (increase) in land held for resale	104,989	92,459
Decrease (increase) in inventory for consumption	76,588	(53,014)
Decrease (increase) in prepaid expenses	1,041	202,319
Increase (decrease) in accounts payable and accrued liabilities	(88,476)	(75,919)
Increase (decrease) in employee benefit obligations	26,474	(45,631)
Increase (decrease) in deposit liabilities	46,460	25,267
Increase (decrease) in deferred revenue	296,596	(219,899)
Cash provided by operating transactions	1,861,091	954,225
CAPITAL		
Proceeds on disposal of tangible capital assets	142,358	63,029
Acquisition of tangible capital assets	(1,138,084)	(1,464,453)
Cash applied to capital transactions	(995,726)	(1,401,424)
INVESTING		
Investments redeemed	-	506,250
FINANCING		
Long-term debt issued	-	351,000
Long-term debt repaid	(236,778)	(196,257)
Cash applied to financing transactions	(236,778)	154,743
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	628,587	213,794
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,207,705	1,993,911
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	2,836,292	2,207,705

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
BALANCE, BEGINNING OF YEAR	2,357,595	2,339,917	15,341,943	20,039,455	19,604,503
Excess of revenue over expenses	(37,681)	-	-	(37,681)	434,952
Unrestricted funds designated for future use	(789,076)	789,076	-	-	-
Current year funds used for tangible capital assets	(1,138,084)	-	1,138,084	-	-
Proceeds on disposal of tangible capital assets	142,358	-	(142,358)	-	-
Long-term debt repaid	(236,778)	-	236,778	-	-
Long-term debt advanced	-	-	-	-	-
Annual amortization expense	948,458	-	(948,458)	-	-
Gain on disposal of tangible capital assets	(69,009)	-	69,009	-	-
Change in accumulated surplus	(1,179,812)	789,076	353,055	(37,681)	434,952
BALANCE, END OF YEAR	1,177,783	3,128,993	15,694,998	20,001,774	20,039,455

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Schedule II - Schedule of Tangible Capital Assets

For the year ended December 31, 2023

	Work In Progress	Land	Buildings	Engineered structures	Machinery & equipment	Vehicles	2023	2022
COST:								
BALANCE, BEGINNING OF YEAR	-	758,996	3,732,592	28,841,123	3,071,040	1,135,380	37,539,131	36,156,275
Acquisition of tangible capital assets	226,647	-	89,996	393,117	328,608	99,716	1,138,084	1,464,453
Disposal of tangible capital assets	-	-	-	-	(231,883)	(33,025)	(264,908)	(81,597)
BALANCE, END OF YEAR	226,647	758,996	3,822,588	29,234,240	3,167,765	1,202,071	38,412,307	37,539,131
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		-	1,913,831	15,336,025	1,907,516	557,828	19,715,200	18,867,119
Annual amortization		-	128,444	645,839	112,393	61,782	948,458	868,498
Accumulated amortization on disposals		-	-	-	(171,283)	(20,275)	(191,558)	(20,417)
BALANCE, END OF YEAR		-	2,042,275	15,981,864	1,848,626	599,335	20,472,099	19,715,200
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	226,647	758,996	1,780,313	13,252,376	1,319,139	602,736	17,940,208	17,823,931
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS		758,996	1,818,761	13,505,098	1,163,524	577,552	17,823,931	

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Schedule III - Schedule of Net Municipal Taxes

For the year ended December 31, 2023

	Budget	2023	2022
TAXATION			
Property taxes	2,627,541	2,618,545	2,534,205
Government grants in lieu of property taxes	15,800	16,776	16,287
Water maintenance tax	85,000	83,657	84,930
	2,728,341	2,718,978	2,635,422
REQUISITIONS			
Alberta School Foundation Fund	523,653	518,586	521,921
Seniors Foundation	16,038	16,038	19,761
	539,691	534,624	541,682
NET MUNICIPAL TAXES	2,188,650	2,184,354	2,093,740

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2023

	Budget	2023	2022
TRANSFERS FOR OPERATING			
Provincial Government	249,276	249,276	124,638
Federal Government	8,400	8,400	8,400
Other Local Governments	128,730	151,950	116,525
	386,406	409,626	249,563
TRANSFERS FOR CAPITAL			
Provincial Government	1,471,185	320,968	409,502
Federal Government	488,500	139,351	57,204
	1,959,685	460,319	466,706
TOTAL GOVERNMENT TRANSFERS	2,346,091	869,945	716,269

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Schedule V - Schedule of Expenses by Object

For the year ended December 31, 2023

	Budget	2023	2022
EXPENSES BY OBJECT			
Salaries, wages and benefits	1,856,238	1,893,026	1,740,768
Contracted and general services	1,479,630	1,656,766	1,398,997
Materials, goods and utilities	789,165	886,233	917,949
Transfers to local boards and agencies	105,113	116,201	58,062
Interest on long-term debt	61,935	74,218	74,707
Loss on disposal of tangible capital assets	-	20,693	-
Other expenditures	900	125,565	87,629
Amortization of tangible capital assets	798,579	948,458	868,498
	5,091,560	5,721,160	5,146,610

The accompanying notes are an integral part of these financial statements

Town of Bow Island
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2023

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
REVENUE								
Net municipal taxes	2,100,697	-	-	-	-	83,657	-	2,184,354
Government transfers	249,276	29,750	5,600	-	101,400	18,000	5,600	409,626
User fees and sales of goods	5,102	-	-	258,895	18,407	1,362,280	9,100	1,653,784
Investment income	131,375	-	-	-	-	-	-	131,375
Penalties and costs of taxes	30,119	2,861	-	-	-	6,444	-	39,424
Licenses and permits	55,145	3,530	-	2,600	-	-	150	61,425
Gain on disposal of tangible capital assets	-	-	89,702	-	-	-	-	89,702
Franchise and concession contracts	210,082	-	-	-	-	-	-	210,082
Rental	-	9,200	303	51,479	156,267	-	-	217,249
Other revenues	14,032	19,620	2,738	3,225	12,103	15,201	-	66,919
	2,795,828	64,961	98,343	316,199	288,177	1,485,582	14,850	5,063,940
EXPENSES								
Contract & general services	207,029	141,961	95,303	139,315	116,056	957,102	-	1,656,766
Salaries & wages	591,404	48,583	491,402	47,348	356,525	357,764	-	1,893,026
Goods & supplies	38,382	72,345	271,682	120,207	167,382	216,235	-	886,233
Transfers to local boards	-	-	-	6,690	55,000	-	54,511	116,201
Long-term debt interest	-	-	9,410	30,387	-	34,421	-	74,218
Loss on disposal of tangible capital assets	-	-	8,500	-	12,193	-	-	20,693
Other expenses	-	772	-	-	-	124,793	-	125,565
	836,815	263,661	876,298	343,947	707,156	1,690,315	(54,511)	4,772,702
NET REVENUE, BEFORE AMORTIZATION	1,959,013	(198,700)	(777,955)	(27,748)	(418,979)	(204,733)	(39,661)	291,238
Government transfers for capital	-	-	-	280,488	139,351	40,480	-	460,319
Contributions from other organizations	-	-	-	-	159,220	-	-	159,220
Amortization expense	(128,444)	-	(528,465)	-	-	(291,549)	-	(948,458)
NET REVENUE	1,830,569	(198,700)	(1,306,420)	252,740	(120,408)	(455,802)	(39,661)	(37,681)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bow Island (the "Town") are the representations of management and are prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board and as published by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the town are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes 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 and are, therefore, accountable to Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and senior foundations that are not part of the Town's 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 expenses 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 receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts as provided where necessary. Amortization is based on the estimated lives of tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

d) Valuation of Financial Assets and Liabilities

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

<u>Financial statement component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost and amortized cost
Trade and other accounts receivables	Lower of cost or net recoverable value
Investments	Amortized cost
Loans receivable and debt charges recoverable	Amortized Cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

e) Cash and portfolio investments

Cash is comprised of balances held with banks and short-term investments with maturities of three months or less.

Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) Loans and notes receivable

Loans receivable are initially recognized at cost, net of any transactions costs, with interest income recognized using the effective interest method. Loans receivable are subsequently measured at amortized cost net of any valuation allowances.

g) 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.

h) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual 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.

i) 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 leveling 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.

j) 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

k) 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.

Currently asset retirement obligations have been recognized, however the Town has determined there may be additional items that would require an asset retirement obligation accrual, of which, information is not currently available to perform the required calculations and adjustments.

l) 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 the town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

m) 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 with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

n) 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

o) 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 revenue over expenses, provides the Change in Net Financial Assets (Debt) 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:

	<u>Years</u>
Buildings	25-50
Land improvements	10-20
Engineered structures:	
Water system and wastewater system	35-65
Other engineered structures	15-40
Machinery and equipment	5-20
Vehicles	3-20

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 also are 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 expenses as incurred.

iv. Inventories

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

p) Future Accounting Changes

i. Revenue

The Canadian Public Sector Accounting Board approved PS 3400, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3400 provides guidance on when to recognize revenue arising from exchange transactions and from unilateral transactions. This section is to be adopted retroactively or prospectively. The Town has not yet adopted this section or determined the effect on the financial statements.

ii. Public Private Partnerships

The Canadian Public Sector Accounting Board approved PS 3160, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3160 provides standards for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements. This section is to be adopted retroactively with or without prior period restatement. The Town has not yet adopted this section or determined the effect on the financial statements.

q) Adoption of new accounting standards

i. PSAS 3450 – Financial Instruments

On January 1, 2023, the Town adopted Public Accounting Standards PS 3450 – Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Town's accounting policy choices. There were no instruments impacted by the change in policy and measurement of financial instrument remains consistent.

ii. PSAS 3280 - Asset Retirement Obligation

On January 1, 2023, the Town adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations however is yet to determine the full impact of this policy change. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability.

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2023

2. CASH AND CASH EQUIVALENTS

	2023	2022
Cash	2,836,292	2,207,705

At December 31, 2023 the Town was holding cash for the Forty Mile Family Community Support Services in the amount of \$243,355 (2022 - \$242,024).

Included in cash is \$323,946 (2022 - \$27,350) that is restricted to fund the projects as stated in deferred revenue (Note 5).

3. RECEIVABLES

	2023	2022
Property taxes		
Current taxes and grants in place of taxes	17,896	16,280
Arrears	19,852	78,973
	37,748	95,253
Other		
Local improvement levies	328,150	352,394
Fortis street lights	173,247	183,287
Utilities receivable	94,781	87,734
Municipal Sustainability Initiative	77,339	276,870
Canada Community Building Fund (formerly Federal Gas Tax Fund)	38,204	13,316
Trade accounts receivable	49,016	322,083
Goods and Services Tax	27,221	50,418
	787,956	1,286,102

4. INVESTMENTS

	2023	2022
AMFC investment	10	10

Town of Bow Island
Notes to the Financial Statements

For the year ended December 31, 2023

5. DEFERRED REVENUE

	2023	2022
Study - Wastewater Infrastructure	109,520	-
Municipal Sustainability Initiative - Capital	53,735	-
Canadian Community Builders Fund	1,528	-
Other deferred revenue	159,163	27,350
	323,946	27,350

Alberta Municipal Sustainability Initiative

Funding is received annually from the Municipal Sustainability Initiative Program. The use of these funds is restricted to eligible operating and capital projects, as approved under the funding agreement. \$280,488 of these funds were allocated to capital projects in 2023.

Canada Community Building Fund

Funding was received from 2014 to 2022 from the Canada Community Building Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement and \$116,863 was allocated to capital projects in 2023.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2023	2022
Vacation	63,630	45,020
Banked time	16,995	11,777
Wages	21,585	18,939
	102,210	75,736

Vacation and banked time

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

7. LONG-TERM DEBT

	2023	2022
Tax supported debentures	2,213,613	2,438,160
Term loan	31,597	43,828
	2,245,210	2,481,988

The current portion of the long-term debt amounts to \$242,204 (2022 - \$236,488).

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	242,204	68,623	310,827
2025	248,097	61,080	309,177
2026	249,077	53,354	302,431
2027	248,385	45,440	293,825
2028	238,920	37,508	276,428
Thereafter	1,018,527	72,785	1,091,312
	2,245,210	338,790	2,584,000

7. LONG-TERM DEBT *(continued from previous page)*

Debenture debt is repayable to Treasury Board and Finance and matures in periods 2027 through 2032. Interest rates range from 2.77% to 4.73%, before provincial subsidy. The average annual interest rate for 2023 is 3.79% (2022 - 3.79%). For qualifying debentures, the Province of Alberta rebated 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Bow Island at large.

Interest on long-term debt amounted to \$74,218 (2022 - \$74,707).

The Town of Bow Island's total cash payments for interest in 2022 were \$76,424 (2021 - \$76,336).

8. ASSET RETIREMENT OBLIGATION

Landfill

The Town does not maintain a landfill or waste disposal site and accordingly there is no accrued liability for estimated future close costs for such a site.

Asbestos

The Town may have title to buildings with asbestos and does not know if and to what extent a liability may exist. It is not known what impact this would have to the statements at this time.

Other

The Town has identified other areas that could have inherent remediation costs that would be the responsibility of the Town. The information required to make the estimates associated with these costs was not available at the time of the issuance of these financial statements.

9. 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 Bow Island be disclosed as follows:

	2023	2022
Total debt limit	7,595,910	7,007,817
Total debt	2,245,210	2,481,988
Amount of debt limit unused	5,350,700	4,525,829
Debt servicing limit	1,265,985	1,167,970
Debt servicing	310,827	312,476
Amount of debt servicing limit unused	955,158	855,494

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (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 which could be a 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.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principle and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable.

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2023

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets (Schedule II)	38,412,307	37,539,131
Accumulated amortization (Schedule II)	(20,472,099)	(19,715,200)
Long-term debt (Note 7)	(2,245,210)	(2,481,988)
	15,694,998	15,341,943

11. ACCUMULATED SURPLUS

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

	2023	2022
Unrestricted surplus	1,177,783	2,357,595
Restricted surplus (Note 12)	3,128,993	2,339,917
Equity in tangible capital assets (Note 10)	15,694,998	15,341,943
	20,001,774	20,039,455

12. RESERVES

Council has set aside funds as an internal allocation of accumulated surplus as follows:

	2023	2022
Operating		
Doctor's House	14,922	43,121
Contingencies	32,754	32,754
Staff holiday pay	10,000	10,000
Economic Development	5,505	5,505
Community Services Board	5,421	5,421
	68,602	96,801
Capital		
Subdivision/development	1,076,227	818,537
Fire equipment fund	268,022	268,022
General operating	310,210	185,572
Sewer	180,722	180,722
Water distribution system	148,989	148,988
Arena	143,575	143,575
Water	101,789	101,789
General capital	68,412	68,412
Garbage	99,526	99,526
Roads	56,559	56,559
Centennial park	150,003	50,009
Pool	49,811	49,811
Tourism	13,969	13,969
Public works equipment	287,360	37,360
Common services	57,661	7,661
Library	5,230	5,230
Bylaw	5,000	5,000
General administration	2,374	2,374
Multiplex	24,952	-
	3,050,391	2,243,116
	3,118,993	2,339,917

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2023

13. SEGMENTED DISCLOSURE

The Town of Bow Island 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 VI).

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police, and fire. Transportation includes roads, streets, walks and lighting. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management.

14. SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits & allowances ²	2023	2022
Mayor:				
G. Reynolds	20,709	1,342	22,051	22,379
Councillors:				
T. Matz	8,521	299	8,820	7,810
L. Tuchscherer	6,960	65	7,025	-
S. Strom	6,274	171	6,445	6,514
K. Mitchell	6,013	154	6,167	6,790
D. Curliss	5,980	156	6,136	7,014
D. Harrison	5,202	114	5,316	6,140
R. Ficiur	-	-	-	6,554
Chief Administrative Officer	106,076	22,835	128,911	123,822

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.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The plan serves about 275,000 people and 433 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 7.45% (2022 - 7.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.80% (2022 - 11.80%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.45% (2022 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings and 12.80% (2022 - 12.80%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$85,272 (2022 - \$84,862). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2023 were \$75,542 (2022 - \$75,269).

At December 31, 2022, the LAPP disclosed a surplus of \$12.671 billion.

16. CONTINGENCIES

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

The Town does not have short term disability insurance. As a result, employees for the Town accrue sick leave to a maximum of 960 hours. As at December 31, 2023 the amount of sick leave accrued was approximately \$220,964 (2022 - \$182,284). The amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accrued sick leave is not paid out to employees of the Town when they leave their position.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest rate or currency risks arising from these financial instruments. Tax receivables and requisition over/under-levy are compulsory in nature, rather than contractual, however, the Town manages risk exposure on these items similar to other receivables and payables.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other accounts receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.