

**TOWN OF BOW ISLAND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

## 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, 2024 and the results of its operations for the year then ended.

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

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure 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 28, 2025

A handwritten signature in black ink, appearing to be 'Vand Z', is written over a horizontal line.

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, 2024, and the statements of operations, changes in accumulated surplus, changes in net financial assets (debt), 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, 2024, 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 future 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 (deficit) and cash flows from operations as at December 31, 2024.

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.



Medicine Hat, Alberta  
April 28, 2025

Chartered Professional Accountants

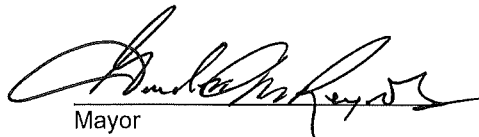
**Town of Bow Island**  
**Statement of Financial Position**

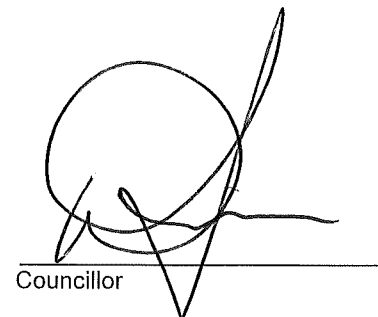
As at December 31, 2024

	2024	2023 (restated)
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	3,424,444	2,836,292
Receivables		
Taxes and grants in place of taxes (Note 3)	165,122	37,748
Trade and other accounts receivable (Note 3)	1,042,335	787,956
Land held for resale	1,240,272	1,347,590
Investments (Note 4)	10	10
	<b>5,872,183</b>	<b>5,009,596</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	530,410	243,090
Liability for funds held in trust (Note 2)	258,459	243,355
Deposit liabilities	223,951	89,327
Deferred revenue (Note 5)	318,324	323,946
Employee benefit obligations (Note 6)	141,700	102,210
Long-term debt (Note 7)	2,602,640	2,245,210
Asset retirement obligation (Note 8)	3,150,786	3,083,263
	<b>7,226,270</b>	<b>6,330,401</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>(1,354,087)</b>	<b>(1,320,805)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	22,432,838	19,913,674
Inventory for consumption	288,284	298,551
Prepaid expenses	436	557
	<b>22,721,558</b>	<b>20,212,782</b>
<b>ACCUMULATED SURPLUS</b>	<b>21,367,471</b>	<b>18,891,977</b>
ACCUMULATED OPERATING SURPLUS (Schedule I, Note 11)	21,367,471	18,891,977
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, 2024

	Budget	2024	2023 (Restated)
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	2,222,095	<b>2,208,486</b>	2,184,354
User fees and sales of goods	1,378,950	<b>1,379,987</b>	1,396,094
Land sales	-	<b>525,515</b>	257,690
Government transfers for operating (Schedule IV)	624,326	<b>524,728</b>	409,626
Franchise and concession contracts	384,000	<b>369,382</b>	210,082
Rental	187,150	<b>215,361</b>	217,249
Licenses and permits	58,150	<b>81,056</b>	61,425
Other	49,856	<b>40,814</b>	66,919
Investment income	60,000	<b>163,105</b>	131,375
Penalties and costs of taxes	21,850	<b>22,242</b>	39,424
Gain on disposal of tangible capital assets	43,000	<b>22,327</b>	89,702
	5,029,377	<b>5,553,003</b>	5,063,940
<b>EXPENSES</b>			
Legislative	96,950	<b>87,658</b>	93,359
Administrative	970,828	<b>935,235</b>	871,900
Police, fire, disaster, ambulance and bylaw enforcement	313,080	<b>334,780</b>	263,661
Roads, streets, walks, lighting	1,730,882	<b>1,533,651</b>	1,419,669
Water supply and distribution	1,009,851	<b>1,116,378</b>	1,171,908
Wastewater treatment and disposal	447,586	<b>509,278</b>	426,853
Waste management	235,700	<b>406,391</b>	352,770
Other environmental use and protection	74,400	<b>71,762</b>	137,737
Family and community support services	60,644	<b>14,198</b>	54,511
Planning and development	113,186	<b>231,594</b>	277,607
Recreation and culture	668,125	<b>748,064</b>	694,960
Other	82,500	<b>67,019</b>	87,037
	5,803,732	<b>6,056,008</b>	5,851,972
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(774,355)	<b>(503,005)</b>	(788,032)
<b>OTHER</b>			
Government transfers for capital (Schedule IV)	2,843,319	<b>2,661,310</b>	460,319
Contributions from other organizations	385,304	<b>317,189</b>	159,220
	3,228,623	<b>2,978,499</b>	619,539
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	2,454,268	<b>2,475,494</b>	(168,493)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	18,891,977	<b>18,891,977</b>	19,060,470
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	21,346,245	<b>21,367,471</b>	18,891,977

The accompanying notes are an integral part of these financial statements

**Town of Bow Island**  
**Statement of Changes in Net Financial Assets (Debt)**

For the year ended December 31, 2024

	Budget	2024	2023 (Restated)
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	2,454,268	<b>2,475,494</b>	(168,493)
Acquisition of tangible capital assets	(4,813,820)	<b>(3,772,344)</b>	(1,138,084)
Recognition of asset retirement obligation	-	-	(3,017,187)
Proceeds on disposal of tangible capital assets	43,000	<b>245,142</b>	142,358
Amortization of tangible capital assets	872,000	<b>1,030,365</b>	1,013,192
Gain on disposal of tangible capital assets	-	<b>(22,327)</b>	(69,009)
	(3,898,820)	<b>(2,519,164)</b>	(3,068,730)
Net change in inventory for consumption	-	<b>10,267</b>	76,588
Net change in prepaid assets	-	<b>121</b>	1,043
	-	<b>10,388</b>	77,631
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)</b>	(1,444,552)	<b>(33,282)</b>	(3,159,592)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	(1,320,805)	<b>(1,320,805)</b>	1,838,787
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	(2,765,357)	<b>(1,354,087)</b>	(1,320,805)

**Statement of Remeasurement Gains and Losses**

For the year ended December 31, 2024

	2024	2023
<b>ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR</b>	-	-
No change during the year	-	-
<b>ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR</b>	-	-

*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, 2024

	2024	2023 (Restated)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (shortfall) of revenue over expenses	2,475,494	(168,493)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	1,030,365	1,013,192
Accretion of asset retirement obligation	67,523	66,076
(Gain) loss on disposal of tangible capital assets	(22,327)	(69,009)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(127,374)	57,505
Decrease (increase) in trade and other accounts receivable	(254,379)	498,146
Decrease (increase) in land held for resale	107,318	104,989
Decrease (increase) in inventory for consumption	10,267	76,588
Decrease (increase) in prepaid expenses	121	1,041
Increase (decrease) in accounts payable and accrued liabilities	302,424	(88,476)
Increase (decrease) in employee benefit obligations	39,490	26,474
Increase (decrease) in deposit liabilities	134,624	46,460
Increase (decrease) in deferred revenue	(5,622)	296,598
Cash provided by operating transactions	3,757,924	1,861,091
<b>CAPITAL</b>		
Proceeds on disposal of tangible capital assets	245,142	142,358
Acquisition of tangible capital assets	(3,772,344)	(1,138,084)
Cash applied to capital transactions	(3,527,202)	(995,726)
<b>FINANCING</b>		
Long-term debt issued	600,000	-
Long-term debt repaid	(242,570)	(236,778)
Cash applied to financing transactions	357,430	(236,778)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>588,152</b>	<b>628,587</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,836,292</b>	<b>2,207,705</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<b>3,424,444</b>	<b>2,836,292</b>

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, 2024

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2024	2023 (Restated)
<b>BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	<b>1,177,783</b>	<b>3,128,993</b>	<b>15,694,998</b>	<b>20,001,774</b>	20,039,455
Correction of an error (Note 18)	(3,083,263)	-	1,973,466	(1,109,797)	(978,985)
<b>BALANCE, BEGINNING OF YEAR, AS RESTATED</b>	<b>(1,905,480)</b>	<b>3,128,993</b>	<b>17,668,464</b>	<b>18,891,977</b>	<b>19,060,470</b>
Excess (shortfall) of revenue over expenses	2,475,494	-	-	2,475,494	(168,493)
Unrestricted funds designated for future use	385,958	(385,958)	-	-	-
Current year funds used for tangible capital assets	(3,772,344)	-	3,772,344	-	-
Proceeds on disposal of tangible capital assets	245,142	-	(245,142)	-	-
Long-term debt repaid	(242,570)	-	242,570	-	-
Long-term debt advanced	600,000	-	(600,000)	-	-
Annual amortization expense	1,030,365	-	(1,030,365)	-	-
Gain on disposal of tangible capital assets	(22,327)	-	22,327	-	-
Change in accumulated surplus	699,718	(385,958)	2,161,734	2,475,494	(168,493)
<b>BALANCE, END OF YEAR, RESTATED</b>	<b>(1,205,762)</b>	<b>2,743,035</b>	<b>19,830,198</b>	<b>21,367,471</b>	18,891,977

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, 2024

	Work In Progress	Land	Buildings	Engineered structures	Machinery & equipment	Vehicles	2024	2023 (Restated)
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	226,647	758,996	3,822,588	32,849,472	3,167,766	1,202,071	<b>42,027,540</b>	41,154,364
Acquisition of tangible capital assets	1,614,557	-	303,495	304,155	1,394,722	155,415	<b>3,772,344</b>	1,138,084
Disposal of tangible capital assets	(144,442)	-	-	-	(145,285)	(234,653)	<b>(524,380)</b>	(264,908)
BALANCE, END OF YEAR	1,696,762	758,996	4,126,083	33,153,627	4,417,203	1,122,833	<b>45,275,504</b>	42,027,540
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR		-	2,042,275	17,623,630	1,848,627	599,334	<b>22,113,866</b>	21,292,232
Annual amortization		-	136,163	669,271	156,105	68,826	<b>1,030,365</b>	1,013,192
Accumulated amortization on disposals		-	-	-	(66,912)	(234,653)	<b>(301,565)</b>	(191,558)
BALANCE, END OF YEAR		-	2,178,438	18,292,901	1,937,820	433,507	<b>22,842,666</b>	22,113,866
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>1,696,762</b>	<b>758,996</b>	<b>1,947,645</b>	<b>14,860,726</b>	<b>2,479,383</b>	<b>689,326</b>	<b>22,432,838</b>	19,913,674
2023 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	226,647	758,996	1,780,313	15,225,842	1,319,139	602,737	19,913,674	

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, 2024

	Budget	2024	2023
<b>TAXATION</b>			
Property taxes	2,660,889	<b>2,684,676</b>	2,618,545
Government grants in lieu of property taxes	17,364	<b>17,038</b>	16,776
Water maintenance tax	85,000	<b>82,677</b>	83,657
	2,763,253	<b>2,784,391</b>	2,718,978
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	522,750	<b>557,497</b>	518,586
Seniors Foundation	18,408	<b>18,408</b>	16,038
	541,158	<b>575,905</b>	534,624
<b>NET MUNICIPAL TAXES</b>	2,222,095	<b>2,208,486</b>	2,184,354

*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, 2024

	Budget	2024	2023
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	449,276	<b>341,825</b>	249,276
Federal Government	8,400	<b>8,400</b>	8,400
Other Local Governments	166,650	<b>174,503</b>	151,950
	624,326	<b>524,728</b>	409,626
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	1,838,234	<b>1,745,318</b>	320,968
Federal Government	1,005,085	<b>915,992</b>	139,351
	2,843,319	<b>2,661,310</b>	460,319
<b>TOTAL GOVERNMENT TRANSFERS</b>	3,467,645	<b>3,186,038</b>	869,945

*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, 2024

	Budget	2024	2023 (Restated)
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	2,071,488	<b>2,172,581</b>	1,893,026
Contracted and general services	1,870,199	<b>1,702,725</b>	1,656,768
Materials, goods and utilities	793,465	<b>900,261</b>	886,233
Transfers to local boards and agencies	120,644	<b>82,139</b>	116,201
Interest on long-term debt	75,036	<b>74,365</b>	74,218
Loss on disposal of tangible capital assets	-	-	20,693
Other expenditures	900	<b>26,049</b>	125,565
Amortization of tangible capital assets	872,000	<b>1,030,365</b>	1,013,192
Accretion of asset retirement obligation	-	<b>67,523</b>	66,076
	5,803,732	<b>6,056,008</b>	5,851,972

*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, 2024

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
<b>REVENUE</b>								
Net municipal taxes	2,125,809	-	-	-	-	82,677	-	<b>2,208,486</b>
Government transfers	341,825	52,603	5,600	-	103,200	18,000	3,500	<b>524,728</b>
User fees and sales of goods	8,653	-	-	527,729	10,211	1,340,104	18,803	<b>1,905,500</b>
Investment income	163,105	-	-	-	-	-	-	<b>163,105</b>
Penalties and costs of taxes	12,558	3,748	-	-	-	5,935	-	<b>22,241</b>
Licenses and permits	73,491	3,215	-	4,125	-	-	225	<b>81,056</b>
Gain on disposal of tangible capital assets	-	-	17,127	-	-	5,200	-	<b>22,327</b>
Franchise and concession contracts	369,382	-	-	-	-	-	-	<b>369,382</b>
Rental	-	-	1,803	58,155	155,404	-	-	<b>215,362</b>
Other revenues	13,792	1,407	3,259	4,625	4,670	13,063	-	<b>40,816</b>
	<b>3,108,615</b>	<b>60,973</b>	<b>27,789</b>	<b>594,634</b>	<b>273,485</b>	<b>1,464,979</b>	<b>22,528</b>	<b>5,553,003</b>
<b>EXPENSES</b>								
Contract & general services	216,649	186,877	186,578	75,735	81,571	955,315	-	<b>1,702,725</b>
Salaries & wages	635,992	61,751	557,680	40,115	423,491	453,552	-	<b>2,172,581</b>
Goods & supplies	29,190	86,152	281,575	147,502	183,002	172,840	-	<b>900,261</b>
Transfers to local boards	-	-	-	7,941	60,000	-	14,198	<b>82,139</b>
Long-term debt interest	-	-	16,026	27,320	-	31,019	-	<b>74,365</b>
Other expenses	-	-	-	-	-	26,049	-	<b>26,049</b>
	<b>881,831</b>	<b>334,780</b>	<b>1,041,859</b>	<b>298,613</b>	<b>748,064</b>	<b>1,638,775</b>	<b>14,198</b>	<b>4,958,120</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>2,226,784</b>	<b>(273,807)</b>	<b>(1,014,070)</b>	<b>296,021</b>	<b>(474,579)</b>	<b>(173,796)</b>	<b>8,330</b>	<b>594,883</b>
Government transfers for capital	-	-	-	2,024,998	570,823	65,489	-	<b>2,661,310</b>
Contributions from other organizations	-	-	-	-	317,189	-	-	<b>317,189</b>
Accretion expense	-	-	-	-	-	(67,523)	-	<b>(67,523)</b>
Amortization expense	(141,062)	-	(491,792)	-	-	(397,511)	-	<b>(1,030,365)</b>
<b>NET REVENUE</b>	<b>2,085,722</b>	<b>(273,807)</b>	<b>(1,505,862)</b>	<b>2,321,019</b>	<b>413,433</b>	<b>(573,341)</b>	<b>8,330</b>	<b>2,475,494</b>

## **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 preform 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) Adoption of new accounting standards**

i. PS 3400 – Revenue

On January 1, 2024, the Town adopted Public Accounting Standards PS 3400 – Revenue. The standard provides a framework for recognizing, measuring, and reporting revenues that arise from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific player. There was no impact on the adoption of this policy.

ii. PSG-8 – Purchased intangibles

On January 1, 2024, the Town adopted Public Section Guideline 8 - Purchased intangibles. The guidelines provides guidance on accounting for and reporting on purchased intangible capital assets. It provides clarity on the recognition criteria, along with instances of assets that would not meet the definition of such. There was no impact on adoption of this policy.

ii. PS 3160 – Public private partnerships

On January 1, 2024, the Town adopted Public Accounting Standards PS 3160 - Public private partnerships. The standard establishes guidance on how to account for and report on partnerships between public and private sector entities. Specifically those in which the entity in the public sector procures infrastructure in conjunction with a private sector entity. In these scenarios the private sector entity must have obligations to design, build, acquire or improve existing infrastructure. Furthermore, they must also finance the transaction past the point in which the asset is initially ready for use along with operating and/or maintaining such on an ongoing basis. There was no impact on the adoption of this policy.

**Town of Bow Island**  
**Notes to the Financial Statements**  
For the year ended December 31, 2024

**2. CASH AND CASH EQUIVALENTS**

	2024	2023
Cash	3,424,444	2,836,292

At December 31, 2024 the Town was holding cash for the Forty Mile Family Community Support Services in the amount of \$258,459 (2023 - \$243,355).

Included in cash is \$318,324 (2023 - \$323,946) that is restricted to fund the projects as stated in deferred revenue (Note 5).

**3. RECEIVABLES**

	2024	2023
<b>Property taxes</b>		
Current taxes and grants in place of taxes	18,853	17,896
Arrears	242,900	230,201
Less: Allowance for uncollectible taxes	(96,631)	(210,349)
	165,122	37,748
<b>Other</b>		
Local improvement levies	314,055	328,150
Fortis street lights	30,120	173,247
Utilities receivable	85,960	94,781
Municipal Sustainability Initiative	55,049	77,339
Canada Community Building Fund (formerly Federal Gas Tax Fund)	123,749	38,204
Trade accounts receivable	336,237	49,016
Goods and Services Tax	97,167	27,221
	1,042,335	787,956

**4. INVESTMENTS**

	2024	2023
AMFC investment	10	10

**5. DEFERRED REVENUE**

	2024	2023
Study - Wastewater Infrastructure	44,030	109,520
Municipal Sustainability Initiative - Capital	86,053	53,735
Canadian Community Builders Fund	1,528	1,528
Other deferred revenue	186,713	159,163
	318,324	323,946

**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. \$432,929 (2023 - \$280,488) of these funds were allocated to capital projects in 2024.

**Canada Community Building Fund**

Funding was received from 2014 to 2023 from the Canada Community Building Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement and \$507,295 (2023 - \$116,863) was allocated to capital projects in 2024.

**Town of Bow Island**  
**Notes to the Financial Statements**  
For the year ended December 31, 2024

**6. EMPLOYEE BENEFIT OBLIGATIONS**

	2024	2023
Vacation	87,824	63,630
Banked time	20,458	16,995
Wages	33,418	21,585
	<b>141,700</b>	<b>102,210</b>

**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**

	2024	2023
Tax supported debentures	2,583,274	2,213,613
Term loan	19,366	31,597
	<b>2,602,640</b>	<b>2,245,210</b>

The current portion of the long-term debt amounts to \$297,275 (2023 - \$242,204).

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	297,275	86,357	383,632
2026	299,312	77,574	376,886
2027	299,701	68,580	368,281
2028	291,339	59,544	350,883
2029	298,366	50,867	349,233
Thereafter	1,116,647	71,792	1,188,439
	<b>2,602,640</b>	<b>414,714</b>	<b>3,017,354</b>

Debenture debt is repayable to Treasury Board and Finance and matures in periods 2027 through 2034. Interest rates range from 2.77% to 4.73%, before provincial subsidy. The average annual interest rate for 2024 is 3.88% (2023 - 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 \$74,365 (2023 - \$74,218).

The Town of Bow Island's total cash payments for interest in 2024 were \$75,765 (2023 - \$76,424).

# Town of Bow Island

## Notes to the Financial Statements

For the year ended December 31, 2024

### 8. ASSET RETIREMENT OBLIGATION

#### Other Obligations

The Town may have title to land and buildings that carry a future cost to remediate. However, the Town 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.

#### Lagoon

The Town owns and operates a wastewater lagoon and is legally required to perform closure and post-closure activities upon retirement of this site. Closure and post-closure activities include lagoon drainage, sludge management, lagoon deconstruction, surface restoration, final landscaping, and groundwater monitoring. A liability for the total obligation, which was incurred when the lagoon began operations, has been accrued. The Town estimates that no obligation is incurred incrementally due to the volume of water being processed, therefore, no further obligation is being accrued based on volume of water processed. The estimated total liability of \$3,150,787 (2023 - \$3,083,263) is based on the sum of discounted future cash flows for closure and post-closure activities using a discount rate of 3.00% and assuming annual inflation of 2.19%. The Town has not designated assets for settling closure or post-closure liabilities.

#### Total asset retirement obligations

	2024	2023 (Restated)
Balance, beginning of year	3,083,263	3,017,187
Accretion expense	67,523	66,076
Estimated total liability	3,150,786	3,083,263

### 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:

	2024	2023
Total debt limit	8,329,505	7,595,910
Total debt	2,602,640	2,245,210
Amount of debt limit unused	5,726,865	5,350,700
Debt servicing limit	1,388,251	1,265,985
Debt servicing	383,632	310,827
Amount of debt servicing limit unused	1,004,619	955,158

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, 2024

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2024</b>	2023 (Restated)
Tangible capital assets (Schedule II)	<b>45,275,504</b>	42,027,540
Accumulated amortization (Schedule II)	<b>(22,842,666)</b>	(22,113,866)
Long-term debt (Note 7)	<b>(2,602,640)</b>	(2,245,210)
	<b>19,830,198</b>	17,668,464

**11. ACCUMULATED SURPLUS**

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

	<b>2024</b>	2023 (Restated)
Unrestricted surplus (deficit)	<b>(1,205,762)</b>	(1,905,480)
Restricted surplus (Note 12)	<b>2,743,035</b>	3,128,993
Equity in tangible capital assets (Note 10)	<b>19,830,198</b>	17,668,464
	<b>21,367,471</b>	18,891,977

**12. RESERVES**

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

	<b>2024</b>	2023
<b>Operating</b>		
Doctor's House	<b>20,213</b>	14,922
Contingencies	<b>32,754</b>	32,754
Staff holiday pay	<b>10,000</b>	10,000
Economic Development	<b>5,505</b>	5,505
Community Services Board	<b>5,421</b>	5,421
	<b>73,893</b>	68,602
<b>Capital</b>		
Subdivision/development	<b>931,007</b>	1,086,227
Fire equipment fund	<b>150,607</b>	268,022
General operating	<b>308,601</b>	310,210
Sewer	<b>180,722</b>	180,722
Water distribution system	<b>148,989</b>	148,989
Arena	<b>79,121</b>	143,575
Water	<b>101,789</b>	101,789
General capital	<b>68,412</b>	68,412
Garbage	<b>99,526</b>	99,526
Roads	<b>106,559</b>	56,559
Centennial park	<b>120,113</b>	150,003
Pool	<b>49,811</b>	49,811
Tourism	<b>13,969</b>	13,969
Public works equipment	<b>272,360</b>	287,360
Common services	<b>-</b>	57,661
Library	<b>5,230</b>	5,230
Bylaw	<b>5,000</b>	5,000
General administration	<b>2,374</b>	2,374
Multiplex	<b>24,952</b>	24,952
	<b>2,669,142</b>	3,060,391
	<b>2,743,035</b>	3,128,993

**Town of Bow Island**  
**Notes to the Financial Statements**  
For the year ended December 31, 2024

### 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 <sup>1</sup>	Benefits & allowances <sup>2</sup>	2024	2023
Mayor:				
G. Reynolds	21,928	1,096	<b>23,024</b>	22,051
Councillors:				
T. Matz	7,988	279	<b>8,267</b>	8,820
L. Tuchscherer	475	-	<b>475</b>	7,025
S. Strom	6,811	206	<b>7,017</b>	6,445
K. Mitchell	6,180	195	<b>6,375</b>	6,167
D. Curliss	6,558	185	<b>6,743</b>	6,136
D. Harrison	4,528	81	<b>4,609</b>	5,316
W. Ressler	3,870	500	<b>4,370</b>	-
Chief Administrative Officer	113,992	27,496	<b>141,488</b>	128,911

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 8.45% (2023 - 7.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% (2023 - 11.80%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2023 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings and 10.65% (2023 - 12.80%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2024 were \$100,526 (2023 - \$85,272). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2024 were \$88,995 (2023 - \$75,542).

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

#### **16. 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.

#### **17. RELATED PARTY TRANSACTIONS**

Included in the Town's tangible capital asset additions for the current year is \$50,741 of capital expense which was paid to a related corporation. Along with this, the Town paid repair expenses of \$8,917 to a related corporation during the year. These transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**18. CORRECTION OF AN ERROR**

During the year, the Town determined that there were tangible capital assets missing from the previous listings. Through review of the tangible capital asset listing and past costs, it was determined the prior year tangible capital asset costs were understated by \$1,859,768, the accumulated amortization was understated by \$1,033,204, the amortization expense was understated by \$41,328, and opening surplus was understated by \$867,892.

Additionally, the Town received a cost estimate in the current year for the closure and post-closure activities associated with the retirement of the wastewater lagoon. As a result, the prior period tangible capital assets were understated by \$1,755,465, the accumulated amortization was understated by \$608,561, the asset retirement obligation was understated by \$3,083,263, the expenses were understated by \$89,482 due to the accretion and amortization, and opening surplus was overstated by \$1,846,877.

The prior year figures have been restated as a result of these corrections which in aggregate reduced the 2023 opening surplus by \$978,985.

**19. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.