

TOWN OF BOW ISLAND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022 and the results of its operations for the year then ended.

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

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the financial statements are presented fairly in all material respects.

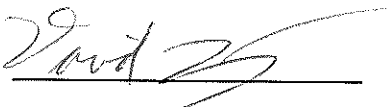
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable 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 24, 2023



Chief Administrative Officer

Independent Auditor's Report

To the Members of Council:

Opinion

We have audited the financial statements of the Town of Bow Island (the "Town"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net financial assets, cash flows, and related schedules, I to VI, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2022, 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 24, 2023

MNP LLP

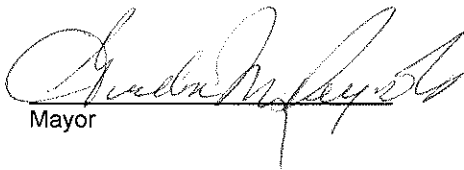
Chartered Professional Accountants

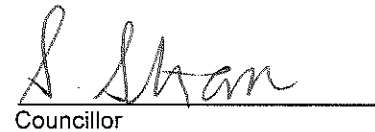
Town of Bow Island
Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash (Note 2)	2,207,705	1,993,911
Portfolio investments (Note 3)	-	506,250
Receivables		
Taxes and grants in place of taxes (Note 4)	95,253	167,051
Trade and other accounts receivable (Note 4)	1,286,102	941,346
Land held for resale	1,452,579	1,545,038
Investments (Note 5)	10	10
	5,041,649	5,153,606
LIABILITIES		
Accounts payable and accrued liabilities	332,897	322,917
Liability for funds held in trust (Note 2)	242,024	327,923
Deposit liabilities	42,867	17,600
Deferred revenue (Note 6)	27,350	247,249
Employee benefit obligations (Note 7)	75,736	121,367
Long-term debt (Note 8)	2,481,988	2,327,245
	3,202,862	3,364,301
NET FINANCIAL ASSETS	1,838,787	1,789,305
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	17,823,931	17,289,156
Inventory for consumption	375,139	322,125
Prepaid expenses	1,598	203,917
	18,200,668	17,815,198
ACCUMULATED SURPLUS (Schedule I, Note 11)	20,039,455	19,604,503

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, 2022

	Budget	2022	2021
REVENUE			
Net municipal taxes (Schedule III)	2,088,000	2,093,740	2,030,950
User fees and sales of goods	1,335,300	1,319,999	1,272,838
Land sales	215,792	392,484	194,361
Government transfers for operating (Schedule IV)	273,736	249,563	464,593
Franchise and concession contracts	201,000	207,813	181,202
Rental	162,850	190,826	184,362
Licenses and permits	47,650	64,925	47,833
Other	70,050	63,555	83,883
Investment income	20,000	52,052	19,776
Penalties and costs of taxes	36,350	35,072	36,293
Gain on disposal of tangible capital assets	-	1,849	-
	4,450,728	4,671,878	4,516,091
EXPENSES			
Legislative	90,050	90,178	79,723
Administrative	800,671	806,676	770,006
Police, fire, disaster, ambulance and bylaw enforcement	251,360	252,738	237,849
Roads, streets, walks, lighting	1,471,827	1,459,286	1,496,457
Water supply and distribution	935,801	1,070,473	945,280
Wastewater treatment and disposal	279,210	270,367	283,745
Waste management	316,027	332,208	311,319
Other environmental use and protection	72,731	68,199	180,733
Family and community support services (recovery)	13,587	(5,910)	13,587
Planning and development	101,311	202,006	97,417
Recreation and culture	561,364	529,466	482,109
Other	49,850	70,923	46,639
	4,943,789	5,146,610	4,944,864
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	(493,061)	(474,732)	(428,773)
OTHER			
Government transfers for capital (Schedule IV)	1,221,200	466,706	882,751
Contributions from other organizations	452,500	442,978	15,247
	1,673,700	909,684	897,998
EXCESS OF REVENUE OVER EXPENSES	1,180,639	434,952	469,225
ACCUMULATED SURPLUS, BEGINNING OF YEAR	19,604,503	19,604,503	19,135,278
ACCUMULATED SURPLUS, END OF YEAR	20,785,142	20,039,455	19,604,503

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, 2022

	Budget	2022	2021
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,180,639	434,952	469,225
Acquisition of tangible capital assets	(2,268,700)	(1,464,453)	(1,178,299)
Proceeds on disposal of tangible capital assets	-	63,029	91,384
Amortization of tangible capital assets	798,579	868,498	847,403
(Gain) loss on disposal of tangible capital assets	-	(1,849)	4,298
	(1,470,121)	(534,775)	(235,214)
Net change in inventory for consumption	-	(53,014)	(101,039)
Net change in prepaid assets	-	202,319	(203,684)
	-	149,305	(304,723)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(289,482)	49,482	(70,712)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,789,305	1,789,305	1,860,017
NET FINANCIAL ASSETS, END OF YEAR	1,499,823	1,838,787	1,789,305

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, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	434,952	469,225
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	868,498	847,403
(Gain) loss on disposal of tangible capital assets	(1,849)	4,298
Interest reinvested	-	(6,250)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	71,798	(13,080)
Decrease (increase) in trade and other accounts receivable	(344,756)	65,673
Decrease (increase) in land held for resale	92,459	6,690
Decrease (increase) in inventory for consumption	(53,014)	(101,039)
Decrease (increase) in prepaid expenses	202,319	(203,684)
Increase (decrease) in accounts payable and accrued liabilities	(75,919)	151,859
Increase (decrease) in employee benefit obligations	(45,631)	(8,883)
Increase (decrease) in deposit liabilities	25,267	(701)
Increase (decrease) in deferred revenue	(219,899)	(317,193)
Cash provided by operating transactions	954,225	894,318
CAPITAL		
Proceeds on disposal of tangible capital assets	63,029	91,384
Acquisition of tangible capital assets	(1,464,453)	(1,178,299)
Cash applied to capital transactions	(1,401,424)	(1,086,915)
INVESTING		
Investments redeemed	506,250	-
FINANCING		
Long-term debt issued	351,000	61,155
Long-term debt repaid	(196,257)	(183,765)
Cash applied to financing transactions	154,743	(122,610)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	213,794	(315,207)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,993,911	2,309,118
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	2,207,705	1,993,911

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, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR	2,531,970	2,110,622	14,961,911	19,604,503	19,135,278
Excess of revenue over expenses	434,952	-	-	434,952	469,225
Unrestricted funds designated for future use	(363,767)	363,767	-	-	-
Restricted funds for operations	(7,490)	7,490	-	-	-
Restricted funds used for tangible capital assets	-	(141,962)	141,962	-	-
Current year funds used for tangible capital assets	(1,322,491)	-	1,322,491	-	-
Proceeds on disposal of tangible capital assets	63,029	-	(63,029)	-	-
Long-term debt repaid	(196,257)	-	196,257	-	-
Long-term debt advanced	351,000	-	(351,000)	-	-
Annual amortization expense	868,498	-	(868,498)	-	-
Gain on disposal of tangible capital assets	(1,849)	-	1,849	-	-
Change in accumulated surplus	(174,375)	229,295	380,032	434,952	469,225
BALANCE, END OF YEAR	2,357,595	2,339,917	15,341,943	20,039,455	19,604,503

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, 2022

	Land	Buildings	Engineered structures	Machinery & equipment	Vehicles	2022	2021
COST:							
BALANCE, BEGINNING OF YEAR	758,996	3,724,942	27,889,365	3,033,109	749,863	36,156,275	35,150,607
Acquisition of tangible capital assets	-	7,650	951,758	102,331	402,714	1,464,453	1,178,299
Disposal of tangible capital assets	-	-	-	(64,400)	(17,197)	(81,597)	(172,631)
BALANCE, END OF YEAR	758,996	3,732,592	28,841,123	3,071,040	1,135,380	37,539,131	36,156,275
ACCUMULATED AMORTIZATION:							
BALANCE, BEGINNING OF YEAR	-	1,802,771	14,731,173	1,796,980	536,195	18,867,119	18,096,665
Annual amortization	-	111,060	604,852	113,756	38,830	868,498	847,403
Accumulated amortization on disposals	-	-	-	(3,220)	(17,197)	(20,417)	(76,949)
BALANCE, END OF YEAR	-	1,913,831	15,336,025	1,907,516	557,828	19,715,200	18,867,119
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	758,996	1,818,761	13,505,098	1,163,524	577,552	17,823,931	17,289,156
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	758,996	1,922,171	13,158,192	1,236,129	213,668	17,289,156	

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, 2022

	Budget	2022	2021
TAXATION			
Property taxes	2,516,478	2,534,205	2,459,819
Government grants in lieu of property taxes	16,100	16,287	16,840
Water maintenance tax	85,000	84,930	84,212
	2,617,578	2,635,422	2,560,871
REQUISITIONS			
Alberta School Foundation Fund	510,078	521,921	510,920
Seniors Foundation	19,500	19,761	19,001
	529,578	541,682	529,921
NET MUNICIPAL TAXES	2,088,000	2,093,740	2,030,950

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, 2022

	Budget	2022	2021
TRANSFERS FOR OPERATING			
Provincial Government	124,638	124,638	307,982
Federal Government	15,500	8,400	15,750
Other Local Governments	133,598	116,525	140,861
	273,736	249,563	464,593
TRANSFERS FOR CAPITAL			
Provincial Government	1,121,200	409,502	838,796
Federal Government	100,000	57,204	43,955
	1,221,200	466,706	882,751
TOTAL GOVERNMENT TRANSFERS	1,494,936	716,269	1,347,344

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, 2022

	Budget	2022	2021
EXPENSES BY OBJECT			
Salaries, wages and benefits	1,823,910	1,740,768	1,711,217
Contracted and general services	1,408,343	1,398,997	1,208,538
Materials, goods and utilities	776,078	917,949	1,022,501
Transfers to local boards and agencies	68,587	58,062	77,814
Interest on long-term debt	67,392	74,707	70,801
Loss on disposal of tangible capital assets	-	-	4,298
Other expenditures	900	87,629	2,292
Amortization of tangible capital assets	798,579	868,498	847,403
	4,943,789	5,146,610	4,944,864

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, 2022

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Public Health Services	Total
REVENUE								
Net municipal taxes	2,008,810	-	-	-	-	84,930	-	2,093,740
Government transfers	124,637	34,646	3,500	-	65,280	18,000	3,500	249,563
User fees and sales of goods	6,845	-	-	392,484	19,940	1,282,386	10,828	1,712,483
Investment income	52,052	-	-	-	-	-	-	52,052
Penalties and costs of taxes	27,364	3,278	-	-	-	4,430	-	35,072
Licenses and permits	58,950	3,400	-	2,400	-	-	175	64,925
Gain on disposal of tangible capital assets	-	-	1,849	-	-	-	-	1,849
Franchise and concession contracts	207,813	-	-	-	-	-	-	207,813
Rental	-	9,200	303	51,829	129,494	-	-	190,826
Other revenues	39,014	1,163	902	2,313	11,930	8,233	-	63,555
	2,525,485	51,687	6,554	449,026	226,644	1,397,979	14,503	4,671,878
EXPENSES								
Contract & general services	200,805	138,748	74,816	54,365	71,806	858,457	-	1,398,997
Salaries & wages	550,689	48,210	551,718	37,744	240,697	311,710	-	1,740,768
Goods & supplies	34,300	65,693	325,303	138,318	161,962	192,373	-	917,949
Transfers to local boards	-	-	-	8,972	55,000	-	(5,910)	58,062
Long-term debt interest	-	-	10,502	33,530	-	30,675	-	74,707
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-
Other expenses	-	88	-	-	-	87,541	-	87,629
	785,794	252,739	962,339	272,929	529,465	1,480,756	(5,910)	4,278,112
NET REVENUE, BEFORE AMORTIZATION	1,739,691	(201,052)	(955,785)	176,097	(302,821)	(82,777)	20,413	393,766
Government transfers for capital	-	-	409,496	-	57,210	-	-	466,706
Contributions from other organizations	-	-	-	-	442,978	-	-	442,978
Amortization expense	(111,060)	-	(496,948)	-	-	(260,490)	-	(868,498)
NET REVENUE	1,628,631	(201,052)	(1,043,237)	176,097	197,367	(343,267)	20,413	434,952

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bow Island (the "Town") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the Town as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, 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.

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	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

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

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) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

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

k) Revenue recognition *(continued from previous page)*

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.

l) 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.

m) 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 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	75
Wastewater system	75
Other engineered structures	20- 40
Machinery and equipment	5-25
Vehicles	10-25

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.

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2022

2. CASH

	2022	2021
Cash	2,207,705	1,993,911

At December 31, 2022 the Town was holding cash for the Forty Mile Family Community Support Services in the amount of \$242,024 (2021 - \$327,923).

Included in cash is \$27,350 (2021 - \$247,249) that is restricted to fund the projects as stated in deferred revenue (Note 6).

3. PORTFOLIO INVESTMENTS

	2022	2021
Guaranteed investment certificates	-	506,250

The guaranteed investment certificates had effective interest rates of 1.50% and were set to mature in 2025. Investment income recognized in the statement of operations includes \$1,581 (2021 - \$6,250) of interest income.

4. RECEIVABLES

	2022	2021
Property taxes		
Current taxes and grants in place of taxes	16,280	51,760
Arrears	78,973	115,291
	95,253	167,051
Other		
Local improvement levies	352,394	379,328
Fortis street lights	183,287	193,327
Municipal Sustainability Initiative	276,870	102,351
Canada Community Building Fund (formerly Federal Gas Tax Fund)	13,316	94,688
Utilities receivable	87,734	79,080
Trade accounts receivable	322,083	60,578
Goods and Services Tax	50,418	31,994
	1,286,102	941,346

5. INVESTMENTS

	2022	2021
AMFC investment	10	10

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2022

6. DEFERRED REVENUE

	2022	2021
Canada Community Building Fund (formerly Federal Gas Tax Fund)	-	43,766
Splash Park	-	187,400
Other deferred revenue	27,350	16,083
	27,350	247,249

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. \$409,502 of these funds were allocated to capital projects in 2022.

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.

7. EMPLOYEE BENEFIT OBLIGATIONS

	2022	2021
Vacation	45,020	84,584
Banked time	11,777	13,151
Wages	18,939	23,632
	75,736	121,367

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.

8. LONG-TERM DEBT

	2022	2021
Tax supported debentures	2,438,160	2,271,186
Term loan	43,828	56,059
	2,481,988	2,327,245

The current portion of the long-term debt amounts to \$236,488 (2021 - \$195,844).

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	236,488	75,988	312,476
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
Thereafter	1,257,737	141,719	1,399,456
	2,481,988	446,204	2,928,192

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2022

8. 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 2022 is 3.79% (2021 - 3.48%). 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 \$74,707 (2021 - \$70,801).

The Town of Bow Island's total cash payments for interest in 2022 were \$76,336 (2021 - \$72,468).

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:

	2022	2021
Total debt limit	7,007,817	6,774,136
Total debt	2,481,988	2,327,245
Amount of debt limit unused	4,525,829	4,446,891
Debt servicing limit	1,167,970	1,129,023
Debt servicing	312,476	261,292
Amount of debt servicing limit unused	855,494	867,731

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule II)	37,539,131	36,156,275
Accumulated amortization (Schedule II)	(19,715,200)	(18,867,119)
Long-term debt (Note 7)	(2,481,988)	(2,327,245)
	15,341,943	14,961,911

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2022

11. ACCUMULATED SURPLUS

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

	2022	2021
Unrestricted surplus	2,357,595	2,531,970
Restricted surplus (Note 12)	2,339,917	2,110,622
Equity in tangible capital assets (Note 10)	15,341,943	14,961,911
	20,039,455	19,604,503

12. RESERVES

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

	2022	2021
Operating		
Doctor's House	43,121	35,631
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
	96,801	89,311
Capital		
Subdivision/development	818,537	818,537
Fire equipment fund	268,022	238,120
General operating	185,572	185,572
Sewer	180,722	162,881
Water distribution system	148,988	148,988
Arena	143,575	114,046
Water	101,789	88,276
General capital	68,412	68,412
Garbage	99,526	61,391
Roads	56,559	46,559
Centennial park	50,009	32,072
Pool	49,811	17,301
Tourism	13,969	11,633
Public works equipment	37,360	8,327
Common services	7,661	5,311
Library	5,230	5,230
Bylaw	5,000	5,000
General administration	2,374	3,655
	2,243,116	2,021,311
	2,339,917	2,110,622

Town of Bow Island
Notes to the Financial Statements
For the year ended December 31, 2022

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	2022	2021
Mayor:				
G. Reynolds	21,361	1,018	22,379	17,968
Councillors:				
T. Matz	7,573	237	7,810	6,362
D. Curliss	6,815	199	7,014	1,385
K. Mitchell	6,603	187	6,790	1,533
R. Ficiur	6,375	179	6,554	4,792
S. Strom	6,343	171	6,514	1,058
D. Harrison	5,990	150	6,140	6,145
B. DeLeenheer	-	-	-	4,713
A. Hyland	-	-	-	4,096
L. Tuchscherer	-	-	-	3,429
Chief Administrative Officer	101,821	22,001	123,822	120,559

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% (2021 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.80% (2021 - 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.45% (2021 - 8.39%) of pensionable earnings up to the year's maximum pensionable earnings and 12.80% (2021 - 12.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$84,862 (2021 - \$95,135). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2022 were \$75,269 (2021 - \$85,469).

At December 31, 2021, the LAPP disclosed a surplus of \$11.92 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, 2022 the amount of sick leave accrued was approximately \$182,284 (2021 - \$214,942). 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.