

MUNICIPALITY OF CROWSNEST PASS

Financial Statements

For the year ended December 31, 2008

MUNICIPALITY OF CROWSNEST PASS

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For the year ended December 31, 2008

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AUDITORS' REPORT

To: The Mayor and Members of Council of
the Municipality of Crowsnest Pass

We have audited the consolidated statement of financial position of the Municipality of Crowsnest Pass as at December 31, 2008, the consolidated statement of financial activities and change in fund balances, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the municipal administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As explained in note 1, these financial statements do not include the results of an organization that is controlled by the Municipality. Under Canadian generally accepted accounting principles, the reporting entity should include all of the organizations that are owned or controlled by the Municipality. Accordingly, these financial statements are not in accordance with Canadian generally accepted accounting principles. If the organization had been consolidated, adjustments would have been made to assets, liabilities, revenue, expenditures, and excess of revenue over expenditures.

In our opinion, except for the effects of the failure to include the results of a controlled organization, as described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of Crowsnest Pass as at December 31, 2008 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Lethbridge, Alberta

March 27, 2009

Young Parkyn McNeil LLP

Chartered Accountants

MUNICIPALITY OF CROWSNEST PASS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2008

| | 2008 | 2007 |
|---|---------------|---------------|
| ASSETS | | |
| Financial assets | | |
| Cash and temporary investments (note 2) | \$ 3,789,445 | \$ 2,758,213 |
| Taxes and grants in place of taxes receivables (note 3) | 268,400 | 244,727 |
| Accounts receivable | 2,689,351 | 2,197,605 |
| Land held for resale | 259,000 | 259,000 |
| Prepaid expenses | 186,907 | 94,905 |
| | 7,193,103 | 5,554,450 |
| Physical assets | | |
| Inventory for consumption | 340,980 | 328,985 |
| Capital assets (note 4) | 71,332,555 | 64,723,933 |
| | 71,673,535 | 65,052,918 |
| | \$ 78,866,638 | \$ 70,607,368 |

LIABILITIES AND MUNICIPAL EQUITY

| | | |
|--|---------------|---------------|
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 3,026,095 | \$ 1,601,569 |
| Deposits | 15,916 | 15,206 |
| Deferred revenue (note 5) | 2,690,355 | 2,445,731 |
| Employee benefit obligations (note 6) | 358,071 | 320,789 |
| Long-term debt (note 7) | 1,894,731 | 2,167,472 |
| | 7,985,168 | 6,550,767 |
| Municipal equity | | |
| Fund balances | | |
| Operating (schedule 1) (note 8) | 116,889 | (41,361) |
| Capital (schedule 2) | - | - |
| Reserves (schedule 3) (note 9) | 1,326,757 | 1,541,501 |
| | 1,443,646 | 1,500,140 |
| Equity in capital assets (note 10) | 69,437,824 | 62,556,461 |
| | 70,881,470 | 64,056,601 |
| | \$ 78,866,638 | \$ 70,607,368 |

MUNICIPALITY OF CROWSNEST PASS
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES
For the year ended December 31, 2008

| | Budget (Unaudited) | 2008 | 2007 |
|---|-----------------------|--------------|--------------|
| Revenue | | | |
| Net municipal property taxes (note 11) | \$ 6,125,173 | \$ 6,115,267 | \$ 5,465,057 |
| User fees and sale of goods | 3,227,858 | 3,843,602 | 4,006,999 |
| Government transfers (note 12) | 11,835,496 | 6,787,302 | 1,307,812 |
| Investment income | 48,500 | 136,819 | 138,691 |
| Penalties and cost of taxes | 48,000 | 52,520 | 42,327 |
| Licenses and permits | 134,775 | 132,168 | 116,666 |
| Franchise and concession contracts | 251,066 | 271,037 | 239,191 |
| Rentals | 214,919 | 197,941 | 207,603 |
| Proceeds on disposal of capital assets | - | 23,256 | 3,500 |
| Other | 6,091,670 | 55,559 | 31,875 |
| | 27,977,457 | 17,615,471 | 11,559,721 |
| Expenditures (note 13) | | | |
| Legislative | 170,410 | 197,864 | 159,799 |
| Administration | 1,251,693 | 1,660,606 | 1,289,341 |
| Police, fire, disaster, ambulance and bylaw enforcement | 1,522,042 | 1,226,830 | 934,253 |
| Roads, streets, walks and lighting | 8,207,035 | 6,847,467 | 3,033,479 |
| Water and waste water | 13,255,013 | 3,262,641 | 1,561,399 |
| Waste management | 683,645 | 669,288 | 777,406 |
| Recreation board | 2,142,840 | 1,743,607 | 2,127,189 |
| Electrical distribution | 562,655 | 517,527 | 480,198 |
| Other | 494,495 | 716,558 | 527,093 |
| Crowsnest Centre | 172,439 | 159,251 | 106,014 |
| Cemeteries | 34,234 | 31,400 | 40,213 |
| Culture, halls and libraries | 546,492 | 366,185 | 409,780 |
| | 29,042,993 | 17,399,224 | 11,446,164 |
| Excess (deficiency) of revenue over expenditures | (1,065,536) | 216,247 | 113,557 |
| Capital financing transactions | | | |
| Proceeds of long-term debt | 74,000 | - | - |
| Repayment of long-term debt | (272,741) | (272,741) | (272,741) |
| Change in fund balances | (1,264,277) | (56,494) | (159,184) |
| Fund balances, beginning of year | 1,500,140 | 1,500,140 | 1,659,324 |
| Fund balances, end of year | \$ 235,863 | \$ 1,443,646 | \$ 1,500,140 |

MUNICIPALITY OF CROWSNEST PASS
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended December 31, 2008

| | 2008 | 2007 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Excess (deficiency) of revenue over expenditures | \$ 216,247 | \$ 113,557 |
| Net change in non-cash working capital items | | |
| Taxes and grants in place of taxes receivables | (23,673) | (41,058) |
| Accounts receivable | (491,746) | (842,755) |
| Prepaid expenses | (92,002) | (12,817) |
| Inventory for consumption | (11,995) | (60,878) |
| Accounts payable and accrued liabilities | 1,424,526 | (74,499) |
| Deposits | 710 | 2,346 |
| Deferred revenue | 244,624 | 804,228 |
| Employee benefit obligations | 37,282 | 46,184 |
| | 1,303,973 | (65,692) |
| Cash flows from financing activities | | |
| Repayment of long-term debt | (272,741) | (272,741) |
| Increase (decrease) in cash and temporary investments | 1,031,232 | (338,433) |
| Cash and temporary investments, beginning of year | 2,758,213 | 3,096,646 |
| Cash and temporary investments, end of year | \$ 3,789,445 | \$ 2,758,213 |

MUNICIPALITY OF CROWSNEST PASS
SCHEDULE 1
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING
For the Year Ended December 31, 2008

| | Budget (Unaudited) | 2008 | 2007 |
|---|-----------------------|--------------|--------------|
| Revenue | | | |
| Net municipal property taxes (note 11) | \$ 6,125,173 | \$ 6,115,267 | \$ 5,465,057 |
| User fees and sale of goods | 3,227,858 | 3,843,602 | 4,006,999 |
| Government transfers (note 12) | 1,496,980 | 1,150,293 | 684,245 |
| Investment income | 48,500 | 136,819 | 138,691 |
| Penalties and cost of taxes | 48,000 | 52,520 | 42,327 |
| Licenses and permits | 134,775 | 132,168 | 116,666 |
| Franchise and concession contracts | 251,066 | 271,037 | 239,191 |
| Rentals | 214,919 | 197,941 | 207,603 |
| Other | 91,670 | 55,559 | 31,875 |
| | 11,638,941 | 11,955,206 | 10,932,654 |
| Expenditures (note 13) | | | |
| Legislative | 170,410 | 197,864 | 159,799 |
| Administration | 1,241,693 | 1,639,434 | 1,232,566 |
| Police, fire, disaster, ambulance and bylaw enforcement | 1,133,881 | 1,060,534 | 924,963 |
| Roads, streets, walks and lighting | 2,472,579 | 2,639,812 | 2,545,300 |
| Water and waste water | 1,157,293 | 1,134,435 | 1,093,776 |
| Waste management | 683,645 | 669,288 | 707,059 |
| Recreation board | 1,540,340 | 1,550,526 | 1,568,994 |
| Electrical distribution | 562,655 | 517,527 | 480,198 |
| Other | 433,495 | 675,908 | 519,539 |
| Crowsnest Centre | 172,439 | 159,251 | 106,014 |
| Cemeteries | 34,234 | 31,400 | 40,213 |
| Culture, halls and libraries | 496,992 | 362,744 | 406,012 |
| | 10,099,656 | 10,638,723 | 9,784,433 |
| Excess of revenue over expenditures | 1,539,285 | 1,316,483 | 1,148,221 |
| Net interfund transfers | | | |
| Transfer to capital - repayment of long-term debt | (272,741) | (272,741) | (272,741) |
| Transfer to capital | (1,672,951) | (727,950) | (561,513) |
| Transfer (to) from reserves | 648,491 | (157,542) | (415,680) |
| Change in fund balance | 242,084 | 158,250 | (101,713) |
| Fund balance, beginning of year | (41,361) | (41,361) | 60,352 |
| Fund balance, end of year | \$ 200,723 | \$ 116,889 | \$ (41,361) |

MUNICIPALITY OF CROWSNEST PASS
SCHEDULE 2
SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the year ended December 31, 2008

| | Budget (Unaudited) | 2008 | 2007 |
|---|-----------------------|--------------|-------------|
| Revenue | | | |
| Government transfers | \$ 10,338,516 | \$ 5,637,009 | \$ 623,567 |
| Other | 6,000,000 | - | - |
| Proceeds on disposal of capital assets | - | 23,256 | 3,500 |
| | 16,338,516 | 5,660,265 | 627,067 |
| Expenditures (note 13) | | | |
| Administration | 10,000 | 21,172 | 56,775 |
| Police, fire, disaster, ambulance and bylaw enforcement | 388,161 | 166,296 | 9,290 |
| Roads, streets, walks and lighting | 5,734,456 | 4,207,655 | 488,179 |
| Water and waste water | 12,097,720 | 2,128,206 | 467,623 |
| Waste management | - | - | 70,347 |
| Recreation board | 602,500 | 193,081 | 558,195 |
| Other | 61,000 | 40,650 | 7,554 |
| Culture, halls and libraries | 49,500 | 3,441 | 3,768 |
| | 18,943,337 | 6,760,501 | 1,661,731 |
| Deficiency of revenue over expenditures | (2,604,821) | (1,100,236) | (1,034,664) |
| Capital financing transactions and net interfund transfers | | | |
| Proceeds of long-term debt | 74,000 | - | - |
| Repayment of long-term debt | (272,741) | (272,741) | (272,741) |
| Transfer from operating - repayment of long-term debt | 272,741 | 272,741 | 272,741 |
| Transfer from operating | 1,672,951 | 727,950 | 561,513 |
| Transfer from reserves | 857,870 | 372,286 | 473,151 |
| Change in fund balance | - | - | - |
| Fund balance, beginning of year | - | - | - |
| Fund balance, end of year | \$ - | \$ - | \$ - |

MUNICIPALITY OF CROWSNEST PASS
SCHEDULE 3
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the year ended December 31, 2008

| | Budget (Unaudited) | 2008 | 2007 |
|---|-----------------------|--------------|--------------|
| Fund balance, beginning of year | \$ 1,541,501 | \$ 1,541,501 | \$ 1,598,972 |
| Net interfund transfers | | | |
| Transfer from (to) operating | (648,491) | 157,542 | 415,680 |
| Transfer to capital | (857,870) | (372,286) | (473,151) |
| Fund balance, end of year (note 9) | \$ 35,140 | \$ 1,326,757 | \$ 1,541,501 |

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies

The consolidated financial statements of the Municipality of Crowsnest Pass are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Future change in accounting policy

Effective January 1, 2009, the Municipality will be required to adopt new Public Sector Accounting Board (PSAB) Handbook sections PS1000 "Financial statement concepts", PS1100 "Financial statement objectives", and PS1200 "Financial statement presentation"

PSAB Section 1200 introduces a new financial statement format which replaces the fund accounting presentation currently used. Major changes under the new format include the recognition of amortization, the combination of equity in physical assets, reserves, and the operating fund balance into one surplus amount, and the adoption of a "net asset/debt" reporting format whereby financial liabilities are deducted from financial assets to present the Municipality net assets or net debt. These changes will be applied prospectively but the prior year will be restated to provide meaningful comparative balances.

(b) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

Organizations that are controlled by the Municipality are the following:

Crowsnest Pass Municipal Library
Crowsnest Learning Centre

The Municipality has not consolidated the operations of the Crowsnest Learning Centre in these financial statements as the financial information is not yet available. The only amounts included in these statements that relate to the Crowsnest Learning Centre are amounts that were paid directly by the Municipality for Centre operations.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

(c) Basis of accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(d) Measurement uncertainty

Financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided based on management's best information available at the time. The effect on the financial statements of changes in such estimates in future periods could be significant.

Under the Municipality's benefit plan, sick time vests for those employees who meet certain experience criteria. The Municipality has accrued \$346,245 (2007 - \$304,358) reflecting management's best estimate of the amount of sick time earned to date that will eventually be paid to individuals upon death or retirement based on historic results. Actual results could vary. This liability is fully funded.

The Municipality maintains a number of gravel pits to service its needs relating to road construction and maintenance. In accordance with provincial legislation, the Municipality is responsible for reclaiming the sites where these pits are located. The Municipality has established reserves of \$25,000 (2007 - \$25,000) reflecting management's best estimate of the reclamation costs required based on usage of the pits to date. The estimated reserve is based on historic results and other relevant data available to management. Actual results could vary.

(e) Fund accounting

For reporting purposes, established funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Gains or losses from land sales are recorded as operating fund revenue or expenditures.

(f) Investments

Investments are recorded at cost. 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.

MUNICIPALITY OF CROWNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

(g) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method.

Land held for resale is recorded at the lower of cost and 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 waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(h) Capital assets

Capital assets are reported as expenditures in the period that they are acquired. Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value when acquired.

Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related physical asset costs.

Capital assets are not amortized.

(i) Tangible capital assets

Effective January 1, 2007, the Municipality adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2008, the Municipality continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the Municipality had started compiling detailed listings of its land, buildings, engineering structures, machinery and equipment and vehicles but had not completed any of these listings. Complete listings are expected by December 31, 2009. The Municipal council has approved a tangible capital asset policy and directed management to oversee its implementation.

Currently, these assets are recorded as "capital assets" at cost in the period they are acquired and additions are recorded as an expenditure within the capital fund. Amortization is not recorded as an expenditure. Upon implementation of Section 3150 - Tangible Capital Assets, these same assets will be recorded as "tangible capital assets" and additions will no longer be recorded as an expenditure of the capital fund. Rather, amortization of the assets will be recorded as an expense.

Amortization of buildings, engineering structures, machinery, equipment and furnishings, and vehicles is expected to be presented in the 2009 financial statements on a retrospective basis (with comparative figures for the 2008 year restated to include amortization) in order to amortize the cost of the assets over their expected useful lives. The Municipal council has approved its amortization policy for these assets.

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

- (j) Requisition over-levy and under-levy
Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

- (k) Prepaid local improvements charges
Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Municipality

Where a taxpayer has elected to prepay the outstanding local improvement charge, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to the revenue by an amount equal to the debt repayment.

- (l) Local Authorities Pension Plan
Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 133,000 people and about 389 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipality is required to make current service contributions to the Plan of 7.75% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on pensionable earnings above this amount. Employees of the Municipality are required to make current service contributions of 6.75% of pensionable salary up to the year's maximum pensionable salary and 9.64% on pensionable salary above this amount.

Total current service contributions by the Municipality to the LAPP in 2008 were \$197,990 (2007 - \$191,736). Total current service contributions by the employees of the Municipality to the LAPP in 2008 were \$173,679 (2007 - \$168,127).

At December 31, 2007, the LAPP disclosed an actuarial deficiency of \$1,183.3 million.

- (m) Operating fund
Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenues).

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

1. Significant accounting policies, continued

- (n) Capital fund
Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.
- (o) Reserve fund
Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.
- (p) Equity in capital assets
Equity in capital assets represents the Municipality's net investment in its total capital assets, after deducting work in progress, the portion financed by third parties through debenture, bond, and mortgage debts, long-term capital borrowing, capitalized leases, and other capital liabilities which will be repaid by the municipality.

2. Cash and temporary investments

| | 2008 | 2007 |
|------------------------|--------------|--------------|
| Cash | \$ 2,197,841 | \$ 1,428,773 |
| Short-term investments | 1,591,604 | 1,329,440 |
| | \$ 3,789,445 | \$ 2,758,213 |

Temporary investments are short-term deposits with original maturities of three months or less. The temporary investments are comprised of GICs and short term securities with an interest rate of 1.75%. The investments mature in 2009.

3. Taxes and grants in place of taxes receivables

| | 2008 | 2007 |
|---------|------------|------------|
| Current | \$ 172,265 | \$ 137,191 |
| Arrears | 96,135 | 107,536 |
| | \$ 268,400 | \$ 244,727 |

4. Capital assets

| | 2008 | 2007 |
|--------------------------------------|---------------|---------------|
| Land | \$ 2,395,259 | \$ 2,196,864 |
| Engineering structures | 48,688,179 | 42,705,725 |
| Buildings | 8,806,905 | 8,684,626 |
| Machinery, equipment and furnishings | 9,178,051 | 8,860,914 |
| Vehicles | 2,264,161 | 2,275,804 |
| | \$ 71,332,555 | \$ 64,723,933 |

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

5. Deferred revenue

| | 2008 | 2007 |
|--|---------------------|---------------------|
| Alberta Municipal Infrastructure Program | \$ 1,031,761 | \$ 998,519 |
| Street Improvement Program | 1,011 | 401,501 |
| Municipal Sustainability Initiative | 867,481 | 467,291 |
| Sentinel sewer development | 234,447 | 334,222 |
| Other | 555,655 | 244,198 |
| | \$ 2,690,355 | \$ 2,445,731 |

6. Employee benefit obligations

| | 2008 | 2007 |
|-----------|-------------------|-------------------|
| Sick time | \$ 346,245 | \$ 304,358 |
| Vacation | 11,826 | 16,431 |
| | \$ 358,071 | \$ 320,789 |

Vacation and sick time

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

The employees accumulate two days of sick leave for each month of employment, up to a total accumulation of 120 working days. Upon death (after five years of services) or retirement (after ten years of service), 50% of the accumulated sick pay will be payable to the employee. The sick time liability was calculated using several assumptions based on the history of staff turnover, age, and years of service to determine reasonable percentages of the fifty percent to accrue.

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

7. Long-term debt

| | 2008 | 2007 |
|--------------------------|--------------|--------------|
| Tax supported debentures | \$ 1,894,731 | \$ 2,167,472 |
| Current portion | \$ 272,741 | \$ 272,741 |

Principal and interest repayments are due as follows:

| | Principal | Interest | Total |
|------------|--------------|------------|--------------|
| 2009 | \$ 272,741 | \$ 65,558 | \$ 338,299 |
| 2010 | 272,741 | 56,012 | 328,753 |
| 2011 | 272,741 | 46,466 | 319,207 |
| 2012 | 272,741 | 36,920 | 309,661 |
| 2013 | 272,741 | 27,374 | 300,115 |
| Thereafter | 531,026 | 26,108 | 557,134 |
| | \$ 1,894,731 | \$ 258,438 | \$ 2,153,169 |

Debenture debt is repayable to Community Savings and Credit Union Ltd. and matures in 2016. Interest is payable at the prime rate. Debenture debt is issued on the credit and security of the Municipality at large.

The Municipality has established a line of credit for the purposes of financing operating expenditures with an overdraft limit of \$1,000,000. Interest is payable monthly at the prime rate. The loan is secured by a general security agreement. The line of credit was undrawn at December 31, 2008.

Interest on long-term debt during the year amounted to \$101,071 (2007 - \$114,269).

The Municipality's total cash payments for interest in 2008 were \$101,071 (2007 - \$114,269).

8. Operating fund

| | 2008 | 2007 |
|----------------------------------|------------|-------------|
| Crowsnest Pass Municipal Library | \$ 77,243 | \$ 68,097 |
| Other functions | 39,646 | (109,458) |
| | \$ 116,889 | \$ (41,361) |

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2008

9. Reserves

Reserves for operating and capital activities changed as follows:

| | 2007 | Increase | Decrease | 2008 |
|---|---------------------|-------------------|-------------------|---------------------|
| Risk management | \$ 25,984 | \$ 28,526 | \$ 44,207 | \$ 10,303 |
| Police, fire, disaster, ambulance and bylaw enforcement | 31,376 | 159,652 | 33,213 | 157,815 |
| Roads, streets, walks and lighting | 512,620 | 51,005 | 128,907 | 434,718 |
| Sanitary sewer equipment | 531 | - | - | 531 |
| Family Community Support Services | 5,641 | 9,350 | - | 14,991 |
| Land/housing | 493,164 | 257,366 | 256,513 | 494,017 |
| Recreational facilities | 142,583 | 20,704 | 60,507 | 102,780 |
| Electrical distribution | 2,210 | 25,083 | - | 27,293 |
| Operating contingencies | 327,392 | - | 243,083 | 84,309 |
| | \$ 1,541,501 | \$ 551,686 | \$ 766,430 | \$ 1,326,757 |

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Equity in capital assets

| | Budget (Unaudited) | 2008 | 2007 |
|---|-----------------------|----------------------|----------------------|
| Acquisition of capital assets | | | |
| Administration | \$ 10,000 | \$ 21,172 | \$ 56,775 |
| Police, fire, disaster, ambulance and bylaw enforcement | 388,161 | 166,296 | 9,290 |
| Roads, streets, walks and lighting | 5,734,456 | 4,207,655 | 488,179 |
| Water and waste water | 12,097,720 | 2,128,206 | 467,623 |
| Waste management | - | - | 70,347 |
| Recreation board | 602,500 | 193,081 | 558,195 |
| Other | 61,000 | 40,650 | 7,554 |
| Culture, halls and libraries | 49,500 | 3,441 | 3,768 |
| | <u>18,943,337</u> | <u>6,760,501</u> | <u>1,661,731</u> |
| Disposal of capital assets (cost) | | | |
| Machinery, equipment and furnishings | - | (151,879) | - |
| Capital financing | | | |
| Repayment of long-term debt | 272,741 | 272,741 | 272,741 |
| Proceeds of long-term debt | (74,000) | - | - |
| | <u>198,741</u> | <u>272,741</u> | <u>272,741</u> |
| Change in equity balance | 19,142,078 | 6,881,363 | 1,934,472 |
| Equity balance, beginning of year | 62,556,461 | 62,556,461 | 60,621,989 |
| Equity balance, end of year | <u>\$ 81,698,539</u> | <u>\$ 69,437,824</u> | <u>\$ 62,556,461</u> |
| Balance consists of: | | | |
| Capital assets (note 4) | | \$ 71,332,555 | \$ 64,723,933 |
| Long-term debt (note 7) | | (1,894,731) | (2,167,472) |
| | | <u>\$ 69,437,824</u> | <u>\$ 62,556,461</u> |

MUNICIPALITY OF CROWSNEST PASS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Net municipal property taxes

| | Budget (Unaudited) | 2008 | 2007 |
|--|-----------------------|--------------|--------------|
| Taxation | | | |
| Real property taxes | \$ 7,343,817 | \$ 7,336,096 | \$ 6,714,833 |
| Linear property taxes | 875,000 | 874,604 | 799,437 |
| Government grants in place of property taxes | 180,000 | 178,210 | 173,449 |
| Special assessments and local improvements | 13,677 | 13,677 | 13,403 |
| | 8,412,494 | 8,402,587 | 7,701,122 |
| Requisitions | | | |
| Alberta School Foundation Fund | 2,134,806 | 2,134,805 | 2,097,455 |
| Crowsnest Pass Senior Housing | 152,515 | 152,515 | 138,610 |
| | 2,287,321 | 2,287,320 | 2,236,065 |
| | \$ 6,125,173 | \$ 6,115,267 | \$ 5,465,057 |

12. Government transfers

| | Budget (Unaudited) | 2008 | 2007 |
|-----------------------------------|-----------------------|--------------|--------------|
| Provincial transfers | | | |
| Shared cost agreements and grants | \$ 11,835,496 | \$ 6,787,302 | \$ 1,307,812 |

13. Expenditures by object

| | Budget (Unaudited) | 2008 | 2007 |
|---|-----------------------|---------------|---------------|
| Operating | | | |
| Salaries, wages and benefits | \$ 4,203,650 | \$ 4,339,523 | \$ 3,948,805 |
| Contracted and general services | 2,822,265 | 2,934,831 | 2,849,231 |
| Materials, goods, supplies, and utilities | 2,362,596 | 2,426,998 | 2,371,075 |
| Bank charges and short term interest | 1,400 | 80,539 | 83,695 |
| Interest on long term debt | 133,390 | 101,071 | 144,269 |
| Other expenditures | 175,850 | 413,276 | 115,137 |
| Transfers to organizations and others | 400,505 | 342,485 | 272,221 |
| | 10,099,656 | 10,638,723 | 9,784,433 |
| Capital | | | |
| Capital assets acquired | 18,943,337 | 6,760,501 | 1,661,731 |
| | \$ 29,042,993 | \$ 17,399,224 | \$ 11,446,164 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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:

| | (1) Salary | (2) Benefits & allowances | 2008 | 2007 |
|------------------------------|---------------|---------------------------------|------------|-----------|
| Council | | | | |
| Mayor Irwin | \$ 12,299 | \$ 6,141 | \$ 18,440 | \$ 18,405 |
| Councillor Salus | 12,133 | 6,057 | 18,190 | 3,490 |
| Councillor Mitchell | 9,351 | 4,669 | 14,020 | 2,960 |
| Councillor Taje | 9,118 | 4,552 | 13,670 | 14,265 |
| Councillor Ward | 9,098 | 4,542 | 13,640 | 12,145 |
| Councillor Cole | 8,678 | 4,332 | 13,010 | 2,890 |
| Councillor Macleod | 7,504 | 3,746 | 11,250 | 2,750 |
| Councillor Stolarik | - | - | - | 9,235 |
| Councillor Chorney | - | - | - | 8,990 |
| Councillor Woodman | - | - | - | 8,770 |
| Councillor Sygutek | - | - | - | 7,350 |
| Chief Administrative Officer | 103,221 | 17,700 | 120,921 | 116,380 |
| Designated Officers (4) | \$ 220,203 | \$ 19,790 | \$ 239,993 | \$ 92,268 |

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the 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.

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

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For the year ended December 31, 2008

15. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Municipality be disclosed as follows:

| | 2008 | 2007 |
|----------------------|----------------------|----------------------|
| Total debt limit | \$ 17,967,692 | \$ 16,404,231 |
| Total debt | 1,894,731 | 2,202,472 |
| | <u>\$ 16,072,961</u> | <u>\$ 14,201,759</u> |
| Debt servicing limit | \$ 2,994,615 | \$ 2,734,038 |
| Debt servicing | 338,299 | 401,490 |
| | <u>\$ 2,656,316</u> | <u>\$ 2,332,548</u> |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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 at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

16. Contingency

The Municipality of Crowsnest Pass is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. Under the terms of membership, the Municipality 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 Municipality has been named in a claim involving a motorcycle accident. As the likelihood of the claim succeeding can not be reasonably ascertained, no accrual has been recorded in the financial statements.

The Municipality has been named a secondary party in a claim involving a fire at Lost Creek. Neither the likelihood of the claim succeeding nor the amount of liability, if any, can be determined. Accordingly, no amount has been recorded in the financial statements for this claim.

17. Commitments

The Municipality has entered into various contracts with third party agencies to provide services on behalf of the Municipality. These contracts vary by length, terms and conditions:

MUNICIPALITY OF CROWSNEST PASS
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17. Commitments, continued

(a) C.N.P Waste Disposal Ltd.

This agreement is for pick up, collection and removal of garbage and refuse within the Municipality and delivery to a landfill located near Cowley, Alberta. It is for period of 5 years and terminates in 2012. Annual payments are as follows:

| | |
|------|--------------|
| 2009 | \$ 309,025 |
| 2010 | 309,025 |
| 2011 | 319,841 |
| 2012 | 331,035 |
| | <hr/> |
| | \$ 1,268,926 |

(b) Enmax Energy Corporation

Under the terms of this agreement, Enmax Energy will provide electricity and related services to utility customers in the Municipality. The contract expires in 2011.

(c) Fortis Alberta Inc.

Under the terms of this agreement, Fortis Alberta Inc. will provide distribution access services. The contract expires in 2015.

(d) Other commitments

The Municipality has leases with several clubs and citizens within the Municipal boundaries for the use of various facilities and properties. The Municipality also has a commitment to purchase a rescue vehicle in 2009. The remaining payment is \$121,000.

18. Financial instruments

The Municipality of Crowsnest Pass's financial instruments consist of cash and temporary investments, receivables, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

19. Approval of financial statements

These financial statements were approved by Council and Management.

20. Budget amounts

The 2008 budget for the Municipality was approved by Council on April 24, 2008 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

21. Comparative figures

Where necessary the comparative figures for the 2007 year have been reclassified to conform with 2008 financial statement presentation.