

Municipality of Crowsnest Pass

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

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Tel: 403 328 5292
Fax: 403 328 9534
www.bdo.ca

BDO Canada LLP
200 Commerce Court
220 - 3rd Avenue S
Lethbridge AB T1J 0G9 Canada

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Municipality of Crowsnest Pass, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of Crowsnest Pass as at December 31, 2011 and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Lethbridge, Alberta

May 1, 2012

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2011

	2011	2010 (restated)
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 2,090,661	\$ 2,841,999
Taxes and grants in lieu receivables (note 3)	844,365	570,581
Trade and other receivables	1,970,105	2,048,458
Land for resale inventory	259,000	259,000
	<u>5,164,131</u>	<u>5,720,038</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,217,782	2,126,621
Employee benefit obligations (note 4)	372,829	315,535
Deposits	15,240	14,320
Deferred revenue (note 5)	930,463	1,068,538
Long-term debt (note 6)	1,578,507	1,633,248
	<u>4,114,821</u>	<u>5,158,262</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,049,310</u>	<u>561,776</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	97,415,514	98,516,450
Inventory for consumption	303,349	307,441
Prepaid expenses	84,144	119,504
	<u>97,803,007</u>	<u>98,943,395</u>
ACCUMULATED SURPLUS (schedule 1, note 7)	<u>\$ 98,852,317</u>	<u>\$ 99,505,171</u>

Contingencies and commitments - See Notes 14 and 15

APPROVED BY:

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2011

	Budget (note 12)	2011	2010 (restated)
REVENUE			
Net municipal taxes (schedule 3)	\$ 6,548,950	\$ 6,772,690	\$ 6,765,427
Government transfers (schedule 4)	634,826	648,042	915,525
User fees and sales of goods	4,503,172	4,131,749	4,061,902
Investment income	14,100	26,752	16,002
Penalties and cost of taxes	53,100	98,104	125,080
Licenses and permits	129,637	104,333	131,336
Franchise and concession contracts	381,495	396,590	339,061
Rental	339,590	258,333	241,978
Other	38,550	51,273	86,007
Total Revenue	12,643,420	12,487,866	12,682,318
EXPENSES			
Legislative	188,536	199,157	184,362
Administration	1,767,088	1,757,712	1,617,253
Protection services	769,372	960,041	1,031,137
Roads, streets, walks, lighting	2,792,309	4,691,549	4,346,503
Water supply and distribution and wastewater	1,292,055	2,372,238	2,429,202
Waste management	579,665	556,525	612,876
Family and community support services	234,243	235,963	213,006
Cemetaries and crematoriums	17,250	28,673	28,579
Planning and development	281,667	226,359	194,354
Recreation boards	1,571,717	1,904,784	1,915,668
Culture - libraries, museums, halls	516,955	527,870	640,986
Crowsnest Centre	23,618	9,901	128,790
Electrical distribution	867,770	910,468	822,018
Other	149,932	206,416	205,992
Total Expenses	11,052,177	14,587,656	14,370,726
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,591,243	(2,099,790)	(1,688,408)
OTHER			
Government transfers for capital (schedule 4)	3,890,518	1,401,557	6,639,850
Gain on disposal of tangible capital assets	-	45,379	-
Contributed tangible capital assets	-	-	115,455
Total Other	3,890,518	1,446,936	6,755,305
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	5,481,761	(652,854)	5,066,897
ACCUMULATED SURPLUS, BEGINNING OF YEAR	99,505,171	99,505,171	94,438,274
ACCUMULATED SURPLUS, END OF YEAR	\$ 104,986,932	\$ 98,852,317	\$ 99,505,171

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2011

	Budget	2011	2010
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 5,481,761	\$ (652,854)	\$ 5,066,897
Acquisition of tangible capital assets	4,973,871	(2,478,891)	(7,526,684)
Contributed tangible capital assets	-	-	(115,455)
Proceeds on disposal of tangible capital assets	-	70,803	102,835
Amortization of tangible capital assets	-	3,554,403	3,193,412
Loss (gain) on disposal of tangible capital assets	-	(45,379)	279,573
	4,973,871	1,100,936	(4,066,319)
Net change in supplies inventory	-	4,092	(23,468)
Net change in prepaid expense	-	35,360	(66,453)
	-	39,452	(89,921)
INCREASE IN NET FINANCIAL ASSETS	10,455,632	487,534	910,657
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	561,776	561,776	(348,881)
NET FINANCIAL ASSETS, END OF YEAR	\$ 11,017,408	\$ 1,049,310	\$ 561,776

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWNEST PASS

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2011

	2011	2010
NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ (652,854)	\$ 5,066,897
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,554,403	3,193,412
Loss (gain) on disposal of tangible capital assets	(45,379)	279,573
Tangible capital assets received as contributions	-	(115,455)
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(273,784)	(213,062)
Decrease (increase) in trade and other receivables	78,353	(239,226)
Decrease (increase) in inventory for consumption	4,092	(23,468)
Decrease (increase) in prepaid expenses	35,360	(66,453)
Decrease in accounts payable	(908,839)	(889,313)
Decrease in deferred revenue	(138,075)	(88,428)
Increase in Deposits	920	300
Increase (decrease) in employee benefit obligation	57,294	(26,658)
Cash provided by operating transactions	1,711,491	6,878,119
CAPITAL		
Acquisition of tangible capital assets	(2,478,891)	(7,526,684)
Proceeds on disposal of tangible capital assets	70,803	102,835
Cash applied to capital transactions	(2,408,088)	(7,423,849)
INVESTING		
Proceeds of long-term debt	530,000	180,000
Repayment of long-term debt	(584,741)	(298,741)
Cash applied to investing transactions	(54,741)	(118,741)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(751,338)	(664,471)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,841,999	3,506,470
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,090,661	\$ 2,841,999

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MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010 (restated)
BALANCE, BEGINNING OF YEAR	1,468,807	1,153,162	97,793,794	\$ 100,415,763	\$ 95,348,866
Prior period adjustment (note 16)	-	-	(910,592)	(910,592)	(910,592)
BALANCE, BEGINNING OF YEAR - RESTATED	1,468,807	1,153,162	96,883,202	\$ 99,505,171	\$ 94,438,274
Excess (deficiency) of revenue over expenses	(652,854)	-	-	(652,854)	5,066,897
Unrestricted funds designated for future use	(338,972)	338,972	-	-	-
Restricted funds used for operations	80,725	(80,725)	-	-	-
Restricted funds used for tangible capital assets	-	(74,360)	74,360	-	-
Current year funds used for tangible capital assets	(2,404,531)	-	2,404,531	-	-
Disposal of tangible capital assets	25,424	-	(25,424)	-	-
Annual amortization expense	3,554,403	-	(3,554,403)	-	-
Decrease in capital debt	(54,741)	-	54,741	-	-
Change in accumulated surplus	209,454	183,887	(1,046,195)	(652,854)	5,066,897
BALANCE, END OF YEAR	1,678,261	1,337,049	95,837,007	\$ 98,852,317	\$ 99,505,171

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MUNICIPALITY OF CROWNSNEST PASS

SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011	2010 (restated)
COST:								
BALANCE, BEGINNING OF YEAR	2,585,017	2,079,805	7,354,681	192,387,407	7,007,998	2,563,210	\$ 213,978,118	\$ 207,120,177
Acquisition of tangible capital assets	11,954	558,142	127,908	795,545	733,430	48,676	2,275,655	1,164,360
Construction-in-progress	-	-	-	203,236	-	-	203,236	6,362,324
Disposition of tangible capital assets	(7,362)	-	-	(497,971)	(54,211)	(30,736)	(590,280)	(877,260)
Cost adjustment	-	-	-	-	-	-	-	208,517
BALANCE, END OF YEAR	2,589,609	2,637,947	7,482,589	192,888,217	7,687,217	2,581,150	215,866,729	213,978,118
ACCUMULATED AMORTIZATION								
BEGINNING BALANCE	-	726,339	3,691,463	105,873,576	3,809,804	1,360,486	115,461,668	112,670,046
Annual amortization	-	118,857	151,803	2,835,292	313,586	134,865	3,554,403	3,193,412
Accumulated amortization on disposal	-	-	-	(496,956)	(39,922)	(27,978)	(564,856)	(584,695)
Accumulated amortization adjustment	-	-	-	-	-	-	-	182,905
BALANCE, END OF YEAR	-	845,196	3,843,266	108,211,912	4,083,468	1,467,373	118,451,215	115,461,668
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,589,609	1,792,751	3,639,323	84,676,305	3,603,749	1,113,777	\$ 97,415,514	\$ 98,516,450
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,585,017	1,353,466	3,663,218	86,513,831	3,198,194	1,202,724	\$ 98,516,450	\$ 98,516,450

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MUNICIPALITY OF CROWNEST PASS

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2011

SCHEDULE 3

	<u>Budget</u>	<u>2011</u>	<u>2010</u>
TAXATION			
Real property taxes	\$ 8,549,602	\$ 8,766,351	\$ 8,547,942
Linear property taxes	587,543	581,779	607,313
Government grants in lieu of property taxes	132,960	145,713	136,115
Special assessments and local improvements	23,976	23,978	25,164
	<u>9,294,081</u>	<u>9,517,821</u>	<u>9,316,534</u>
REQUISITIONS			
Alberta School Foundation	2,542,134	2,542,135	2,366,565
Crowsnest Pass Senior Housing	202,997	202,996	184,542
	<u>2,745,131</u>	<u>2,745,131</u>	<u>2,551,107</u>
NET TAXES	<u>\$ 6,548,950</u>	<u>\$ 6,772,690</u>	<u>\$ 6,765,427</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2011

SCHEDULE 4

	<u>Budget</u>	<u>2011</u>	<u>2010</u>
TRANSFERS FOR OPERATING			
Provincial Government	<u>\$ 634,826</u>	<u>\$ 648,042</u>	<u>\$ 915,525</u>
TRANSFERS FOR CAPITAL			
Provincial Government	3,890,518	1,401,557	5,924,675
Federal Government	-	-	715,175
	<u>3,890,518</u>	<u>1,401,557</u>	<u>6,639,850</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,525,344</u>	<u>\$ 2,049,599</u>	<u>\$ 7,555,375</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2011

SCHEDULE 5

	Budget	2011	2010
EXPENSES			
Salaries, wages and benefits	\$ 5,105,323	\$ 4,989,507	\$ 4,923,486
Contracted and general services	3,069,445	3,035,736	2,963,122
Materials, goods, supplies and utilities	2,442,519	2,613,511	2,510,983
Bank charges and short-term interest	7,500	9,455	8,934
Interest on long-term debt	53,000	42,243	45,928
Other expenditures	66,936	125,389	197,679
Transfers to organizations and others	307,454	217,412	247,609
Loss on disposal of tangible capital assets	-	-	279,573
Amortization of tangible capital assets	-	3,554,403	3,193,412
	<u>\$ 11,052,177</u>	<u>\$ 14,587,656</u>	<u>\$ 14,370,726</u>

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MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 6

	General Government	Protective Services	Public Works	Water & Waste	Public Health & Welfare	Planning & Development	Recreation & Culture	Electrical Distribution	Consolidated
Revenue									
Taxation	\$ 6,772,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,772,690
User fees and sales of goods	127,448	173,887	127,279	2,284,486	16,379	79,540	272,328	1,050,402	4,131,749
Government transfers (schedule 4)	120,000	135,536	310,866	755,486	154,910	-	572,801	-	2,049,599
Investment income	26,624	-	128	-	-	-	-	-	26,752
Penalties and costs of taxes	98,104	-	-	-	-	-	-	-	98,104
Licenses and permits	43,628	3,383	-	8,290	192	40,597	-	8,243	104,333
Franchise and concession contracts	211,864	-	-	-	-	-	-	184,726	396,590
Rental	-	18,310	-	-	-	23,861	197,524	18,638	258,333
Gain (loss) on disposal of tangible capital assets	878	-	(3,760)	-	-	48,261	-	-	45,379
Other	(528)	-	-	-	31,761	-	20,040	-	51,273
	<u>7,400,708</u>	<u>331,116</u>	<u>434,513</u>	<u>3,048,262</u>	<u>203,242</u>	<u>192,259</u>	<u>1,062,693</u>	<u>1,262,009</u>	<u>13,934,802</u>
Expenses									
Salaries and benefits	1,126,011	269,982	1,568,306	466,747	98,004	81,093	1,188,739	190,625	4,989,507
Goods and services	878,960	538,611	1,241,359	1,316,703	59,532	145,264	857,822	610,996	5,649,247
Interest	3,097	11,621	-	30,622	-	-	6,358	-	51,698
Transfers to organizations and others	-	-	-	-	105,140	-	112,272	-	217,412
Other expenditures	99,497	7,540	117	39	363	-	692	17,141	125,389
Amortization of tangible capital assets	51,973	132,288	1,881,767	1,114,652	1,597	-	372,126	-	3,554,403
	<u>2,159,538</u>	<u>960,042</u>	<u>4,691,549</u>	<u>2,928,763</u>	<u>264,636</u>	<u>226,357</u>	<u>2,538,009</u>	<u>818,762</u>	<u>14,587,656</u>
Net revenue	<u>\$ 5,241,170</u>	<u>\$ (628,926)</u>	<u>\$ (4,257,036)</u>	<u>\$ 119,499</u>	<u>\$ (61,394)</u>	<u>\$ (34,098)</u>	<u>\$ (1,475,316)</u>	<u>\$ 443,247</u>	<u>\$ (652,854)</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2010

SCHEDULE 7

	General Government	Protective Services	Public Works	Water & Waste	Family & Community Support Services	Planning & Development	Recreation & Culture	Electrical Distribution	Consolidated
Revenue									
Taxation	\$ 6,765,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,765,427
User fees and sales of goods	130,167	164,845	87,194	2,146,579	7,265	85,295	412,125	965,380	3,998,850
Government transfers (schedule 4)	148,594	285,072	108,024	6,280,765	160,554	-	572,366	-	7,555,375
Investment income	15,961	-	74	-	-	-	-	-	16,035
Penalties and costs of taxes	125,080	-	-	-	-	-	-	-	125,080
Licenses and permits	45,707	3,865	-	11,177	130	62,379	-	8,078	131,336
Franchise and concession contracts	206,932	-	-	-	-	-	-	132,129	339,061
Rental	-	12,100	-	-	-	24,276	205,602	18,638	260,616
Other	12,563	3,467	-	-	35,926	-	149,473	44,414	245,843
	<u>7,450,431</u>	<u>469,349</u>	<u>195,292</u>	<u>8,438,521</u>	<u>203,875</u>	<u>171,950</u>	<u>1,339,566</u>	<u>1,168,639</u>	<u>19,437,623</u>
Expenses									
Salaries and benefits	1,096,116	218,998	1,531,230	543,230	71,251	81,064	1,198,793	182,804	4,923,486
Goods and services	738,472	647,246	1,056,364	1,231,993	54,491	145,155	1,088,596	511,788	5,474,105
Interest	6,262	12,676	-	33,251	-	-	2,672	-	54,861
Transfers to organizations and others	-	14,000	-	-	114,175	-	119,434	-	247,609
Other expenses	124,368	9,919	26,939	2,714	70	-	6,693	26,977	197,680
Loss (gain) on disposal of tangible capital assets	6,376	-	(4,204)	307,385	-	(32,031)	2,047	-	279,573
Amortization of tangible capital assets	36,014	128,298	1,736,174	923,504	1,597	-	367,825	-	3,193,412
	<u>2,007,608</u>	<u>1,031,137</u>	<u>4,346,503</u>	<u>3,042,077</u>	<u>241,584</u>	<u>194,188</u>	<u>2,786,060</u>	<u>721,569</u>	<u>14,370,726</u>
Net revenue	<u>\$ 5,442,823</u>	<u>\$ (561,788)</u>	<u>\$ (4,151,211)</u>	<u>\$ 5,396,444</u>	<u>\$ (37,709)</u>	<u>\$ (22,238)</u>	<u>\$ (1,446,494)</u>	<u>\$ 447,070</u>	<u>\$ 5,066,897</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and changes in net financial assets and cash flows of the reporting entity. This entity is comprised of all 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:

The Municipality of Crowsnest Pass Library Board

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances have been 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 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) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable, and are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. 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.

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Inventories for Resale

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.

f) Requisition Over-levy and Under-levy

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

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

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

g) Government Transfers

Government transfers are the transfers 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.

h) Employee Benefit Obligations

The cost of sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days, long-term inflation rates and discount rates.

Unamortized gains and losses are amortized over the expected average remaining service life of the related employee groups, which is 12.5 years. Amortization commences in the year following the effective date of the related actuarial valuation.

i) Financial Instruments

The Municipality's financial instruments consist of cash and temporary investments, taxes and grants in lieu receivables, trade and other receivables, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 (deficiency) of revenue over expenses, provides the consolidated 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 attributed 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:

	Years
Land improvements	15-25
Buildings	25-50
Engineered structures	5-65
Machinery and equipment	3-40
Vehicles	8-10

Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost using the average costing method.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Measurement Uncertainty

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include estimated employee benefit obligations and rates for amortization.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

The Municipality maintains a number of gravel pits to service its need relating to road construction and maintenance. The Municipality is responsible for reclaiming the sites where these pits are located. The Municipality has established reserves of \$25,000 (2010 - \$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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2011</u>	<u>2010</u>
Cash	\$ 712,177	\$ 1,263,389
Short-term investments	<u>1,378,484</u>	<u>1,578,610</u>
	<u>\$ 2,090,661</u>	<u>\$ 2,841,999</u>

Short-term investments consist of short-term securities with original maturities of three months or less or are redeemable. The investments bear interest at 1.20% and have no maturity date.

Included in cash and investments are deferred revenue (note 5) and restricted surplus (note 7).

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2011</u>	<u>2010</u>
Current taxes and grants in lieu	\$ 664,701	\$ 445,975
Arrears taxes and grants in lieu	<u>202,526</u>	<u>145,975</u>
	867,227	591,950
Less: allowance for doubtful accounts	<u>(22,862)</u>	<u>(21,369)</u>
	<u>\$ 844,365</u>	<u>\$ 570,581</u>

The Municipality's exposure to credit risk arises from the possibility that taxpayers may fail to meet their obligations. Taxes and grants in lieu receivable includes \$474,423 (2010 - \$242,921) due from one taxpayer. The Municipality manages this risk by following the methods of recovering taxes in arrears as prescribed in section 411 of the Municipal Government Act, which includes the right of the Municipality to offer up for sale at a public auction those properties with taxes in arrears.

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

4. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2011</u>	<u>2010</u>
Sick time	\$ 323,700	\$ 306,000
Unamortized actuarial gain (loss)	<u>11,500</u>	<u>(9,842)</u>
Accrued benefit liability	335,200	296,158
Vacation and overtime	<u>37,629</u>	<u>19,377</u>
	<u>\$ 372,829</u>	<u>\$ 315,535</u>

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 they are vested) or are entitled to these benefits within the next budgetary year.

Permanent employees hired before July 1, 2008 are credited two days of sick leave for each month of employment and permanent employees hired after July 1, 2008 are credited one and one-half days each month of employment, up to a total accumulation of 120 working days for use as paid absences in the year, due to illness or injury. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. Upon death (after five years of service) or retirement (after ten years of service), 50% of the accumulated sick credits will be payable to the employee.

The sick time accrual for employee future benefits as at December 31, 2011, are based on an actuarial valuation for accounting purposes as at December 31, 2011. Significant assumptions used in the valuation include a discount rate of 3.10%, annual inflation of 4.0%, and a net annual sick leave accumulation of 25%.

5. DEFERRED REVENUE

Deferred revenue relates to funding received in the current period that is related to the subsequent period, and consists of the following:

	<u>2011</u>	<u>2010</u>
Municipal Sustainability Initiative (MSI)	\$ 576,114	\$ 132,029
Other	160,879	153,560
New Deal for Cities and Communities	178,292	239,372
Alberta Municipal Infrastructure Program	6,967	17,065
Street Improvement Plan	-	287,773
Municipal Sponsorship Program Walking Trails	<u>8,211</u>	<u>238,739</u>
	<u>\$ 930,463</u>	<u>\$ 1,068,538</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

6. LONG-TERM DEBT

	2011	2010
Tax supported debentures	\$ 1,578,507	\$ 1,453,248
Line of credit	-	180,000
	\$ 1,578,507	\$ 1,633,248

The current portion of the long-term debt amounts to \$404,741 (2010 - 478,741).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2012	\$ 404,741	\$ 50,011	\$ 454,752
2013	404,741	36,932	441,673
2014	404,741	23,869	428,610
2015	364,284	10,808	375,092
	\$ 1,578,507	\$ 121,620	\$ 1,700,127

Debenture debt is repayable to Servus Credit Union Ltd. and matures in 2012 to 2015. Interest is payable at rates ranging from 3.00 to 4.50%. Debenture debt is issued on the credit and security of the Municipality at large.

The Municipality has established an authorized overdraft for the purposes of financing operating expenditures with a limit of \$1,000,000. Interest is payable monthly at the prime rate minus 0.25%. The overdraft is secured by a general security agreement. The authorized overdraft was undrawn at December 31, 2011.

Interest on long-term debt during the year amounted to \$46,144 (2010 - \$45,928).

The Municipality's total cash payments for interest in 2011 were \$48,774 (2010 - \$51,717).

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

7. ACCUMULATED SURPLUS

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

	<u>2011</u>	<u>2010</u> (restated)
Unrestricted surplus		
Municipal	\$ 1,599,298	\$ 1,376,386
Crowsnest Pass Municipal Library	78,963	92,421
	<u>1,678,261</u>	<u>1,468,807</u>
Restricted surplus		
Roads, streets, walks and lighting	397,339	470,430
Land/housing	462,780	289,728
Recreational facilities	78,599	85,054
Electrical distribution	243,845	136,028
Operating contingencies	93,972	93,972
Telecommunications and information technology	-	29,360
Police, fire, disaster, ambulance and by-law enforcement	11,650	11,566
Family Community Support Services	24,902	23,212
Risk Management	23,431	13,281
Sanitary sewer equipment	531	531
	<u>1,337,049</u>	<u>1,153,162</u>
Equity in tangible capital assets (note 11)	<u>95,837,007</u>	<u>96,883,202</u>
	<u>\$ 98,852,317</u>	<u>\$ 99,505,171</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

8. 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:

	2011			2010
	Salary ¹	Benefits ²	Total	Total
Council				
Mayor Irwin	\$ -	\$ -	\$ -	\$ 16,156
Councilor Salus	-	-	-	10,594
Councilor Mitchell	9,865	5,156	15,021	14,004
Councilor Taje	-	-	-	7,285
Councilor Ward	-	-	-	10,488
Councilor Cole	-	-	-	10,946
Councilor Macleod	-	-	-	9,285
Mayor Decoux	14,601	7,631	22,232	3,603
Councilor Gail	9,085	4,748	13,833	3,075
Councilor Gallant	8,678	5,006	13,684	3,692
Councilor Saje	10,198	5,975	16,173	3,617
Councilor Saindon	9,085	5,249	14,334	3,416
Councilor Lonsbury	8,484	4,434	12,918	3,329
Chief Administrative Officer	84,452	15,168	99,620	187,215
Designated Officers (3)	261,662	33,027	294,689	273,313

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 death 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 planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

9. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipality of Crowsnest Pass participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP serves about 200,000 people and about 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

9. LOCAL AUTHORITIES PENSION PLAN (continued)

The Municipality is required to make current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.53% on pensionable salary above this amount.

Total current service contributions by Municipality of Crowsnest Pass to the LAPP in 2011 were \$303,580 (2010 - \$273,165). Total current service contributions by the employees of Municipality of Crowsnest Pass to the Local Authorities Pension Plan in 2011 were \$274,145 (2010 - \$244,933).

At December 31, 2010, the Plan disclosed an actuarial deficiency of \$4.635 million.

10. 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 of Crowsnest Pass be disclosed as follows:

	<u>2011</u>	<u>2010</u>
Total debt limit	\$ 18,731,799	\$ 19,023,477
Total debt	<u>1,578,507</u>	<u>1,633,248</u>
Amount total debt limit unused	<u>\$ 17,153,292</u>	<u>\$ 17,390,229</u>
Debt servicing limit	\$ 3,121,967	\$ 3,170,580
Debt servicing	<u>454,752</u>	<u>515,118</u>
Amount of debt servicing limit unused	<u>\$ 2,667,215</u>	<u>\$ 2,655,462</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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2011	2010 (restated)
Tangible capital assets (schedule 2)	\$ 215,866,729	\$ 213,978,118
Accumulated amortization (schedule 2)	(118,451,215)	(115,461,668)
Long-term debt (note 6)	(1,578,507)	(1,633,248)
	\$ 95,837,007	\$ 96,883,202

12. BUDGETED INFORMATION

Budgeted information was prepared under the modified accrual method. This note provides a reconciliation between the approved budget figures and the budget figures disclosed in the financial statements.

	2011
Financial Plan Bylaw deficit for the year	\$ (7,039)
Add: Capital expenditures	4,973,871
Add: Principal payments on long-term debt	404,729
Add: Net transfers from reserves	110,200
Budget surplus reported in financial statements	\$ 5,481,761

13. SEGMENTED INFORMATION

The Municipality of Crowsnest Pass is a diversified municipal government institution that provides a wide range of services to its citizens, including protective services, public works, water & waste services, public health & welfare, planning & development, recreation & culture, and electrical distribution services. For management reporting purposes the municipality's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

13. SEGMENTED INFORMATION (continued)

General Government

General government includes the administration and management of the Municipality.

Protection

Protection is comprised of bylaw enforcement, police, and fire-rescue. The mandate of the police and bylaw enforcement department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crime from occurring; detect offenders and enforce the law. The fire service department is responsible for providing fire suppression service and rescue services.

Public Works

The public works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems and the maintenance of the parks and open spaces.

Water & Waste

The Water & Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water, collecting and treating wastewater, and providing collection, disposal and waste minimization programs.

Public Health & Welfare

The Public Health & Welfare department provides Family and Community Support Services and provides for the maintenance of the cemetery.

Recreation & Culture

Community is comprised of payments for support of libraries, parks, and recreation.

Planning & Development

The Planning & Development department provides a diverse bundle of services. It manages municipal development for its citizens, environmental concerns, and heritage matters through municipal planning. It facilitates economic development by providing services for the approval of land development plans, the processing of building permit application and the provision of geomatics services.

Electrical Distribution

The Electrical Distribution department is responsible for the delivery of electrical services.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

13. SEGMENTED INFORMATION (continued)

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Government reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to Administration services based on the Fund's net surplus. Certain government transfers, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

14. CONTINGENCIES

- a) The Municipality of Crowsnest Pass is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. 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.
- b) Grievances have been brought forward against the Municipality by the Canadian Union of Public Employees Local 812. Arbitration is scheduled for December 2012 and January 2013. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

15. COMMITMENTS

The Municipality has entered into various contracts with third party agencies to provide services on behalf of the Municipality.

- 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 near Cowley, Alberta. Contract expires May, 2013. 2012 payments are \$325,924 and 2013 payments are \$136,920.
- b) Enmax Energy Corporation. Under the terms of this agreement, Enmax Energy will provide electricity and related services to utility customers in the Municipality. Contract expires in 2013.
- c) Fortis Alberta Inc. Under the terms of this agreement, Fortis Alberta Inc. will provide distribution access services. Contract expires in 2015.
- d) 660903 Alberta Ltd. (Pass Beverages). This agreement is for recycling services within the Municipality, monthly fee of \$7,500 per month and expires December 2012, and carries an option for a three year renewal.
- e) Professional services. BDO Canada LLP to provide auditing services for the audit periods through 2012. North & Company LLP to provide legal advisory services to December 2012.
- f) Other. The Municipality has other leases and agreements with clubs and citizens for the use of various facilities and properties. The Municipality also has leases for various office equipment.

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

16. PRIOR PERIOD ADJUSTMENT

The Municipality of Crowsnest Pass has restated its financial statements to correct an error in computation of amortization for a building owned by the Municipality. The effect of this correction on the prior period financial statements is as follows:

	<u>2010</u>
Adjustment to tangible capital assets	
As previously reported	\$ 99,427,042
Adjustment to accumulated amortization	<u>(910,592)</u>
As restated	<u>\$ 98,516,450</u>
	<u>2010</u>
Adjustment to accumulated surplus, beginning of year	
As previously reported	\$ 95,348,866
Adjustment to accumulated surplus	<u>(910,592)</u>
As restated	<u>\$ 94,438,274</u>

The accompanying notes and supporting schedules to which the financial statements are cross-referenced are an integral part of these financial statements.