

Municipality of Crowsnest Pass

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

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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, 2012, 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, 2012 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

April 22, 2013

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 770,325	\$ 2,090,661
Taxes and grants in lieu receivables (note 3)	1,111,455	844,365
Trade and other receivables	4,457,122	1,970,105
Land for resale inventory	300,948	259,000
	<u>6,639,850</u>	<u>5,164,131</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,079,127	1,217,782
Employee benefit obligations (note 4)	386,439	372,829
Deposits	16,620	15,240
Deferred revenue (note 5)	650,483	930,463
Long-term debt (note 6)	1,173,765	1,578,507
	<u>4,306,434</u>	<u>4,114,821</u>
NET FINANCIAL ASSETS	<u>2,333,416</u>	<u>1,049,310</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	98,075,998	97,415,514
Inventory for consumption	254,963	303,349
Prepaid expenses	48,947	84,144
	<u>98,379,908</u>	<u>97,803,007</u>
ACCUMULATED SURPLUS (schedule 1, note 7)	<u>\$ 100,713,324</u>	<u>\$ 98,852,317</u>

Contingencies and commitments - See notes 14 and 15

APPROVED BY:

MUNICIPALITY OF CROWNEST PASS

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2012

	Budget (note 12)	2012	2011
REVENUE			
Net municipal taxes (schedule 3)	\$ 6,820,151	\$ 6,775,581	\$ 6,772,690
Government transfers (schedule 4)	365,095	1,109,859	648,042
User fees and sales of goods	4,568,818	3,962,300	4,131,749
Investment income	15,075	33,154	26,752
Penalties and cost of taxes	90,000	324,229	98,104
Licenses and permits	121,050	117,991	104,333
Franchise and concession contracts	584,748	612,499	396,590
Rental	262,499	239,293	258,333
Other	32,500	76,718	51,273
Gain on disposal of tangible capital assets	-	-	45,379
Total Revenue	12,859,936	13,251,624	12,533,245
EXPENSES			
Legislative	196,166	123,149	199,157
Administration	1,938,620	1,852,644	1,757,712
Protection services	1,521,731	1,484,857	960,041
Roads, streets, walks, lighting	4,381,534	4,854,534	4,691,549
Water supply, distribution and wastewater	2,524,355	2,337,509	2,372,238
Waste management	631,412	559,680	556,525
Family and community support services	245,240	251,573	235,963
Cemetaries and crematoriums	76,290	36,994	28,673
Planning and development	440,193	395,508	226,359
Recreation boards	2,192,346	1,950,256	1,904,784
Culture - libraries, museums, halls	647,060	531,054	527,870
Crowsnest Centre	9,000	12,134	9,901
Electrical distribution	1,005,138	925,883	910,468
Other	150,675	171,246	206,416
Total Expenses	15,959,760	15,487,021	14,587,656
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(3,099,824)	(2,235,397)	(2,054,411)
OTHER			
Government transfers for capital (schedule 4)	6,737,284	4,096,404	1,401,557
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	3,637,460	1,861,007	(652,854)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	98,852,317	98,852,317	99,505,171
ACCUMULATED SURPLUS, END OF YEAR	\$ 102,489,777	\$ 100,713,324	\$ 98,852,317

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, 2012

	Budget	2012	2011
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 3,637,460	\$ 1,861,007	\$ (652,854)
Acquisition of tangible capital assets	(7,059,084)	(4,441,827)	(2,478,891)
Proceeds on disposal of tangible capital assets	-	117,280	70,803
Amortization of tangible capital assets	3,600,000	3,608,398	3,554,403
Loss (gain) on disposal of tangible capital assets	-	55,665	(45,379)
	(3,459,084)	(660,484)	1,100,936
Net change in supplies inventory	-	48,386	4,092
Net change in prepaid expense	-	35,197	35,360
	-	83,583	39,452
INCREASE IN NET FINANCIAL ASSETS	178,376	1,284,106	487,534
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,049,310	1,049,310	561,776
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,227,686	\$ 2,333,416	\$ 1,049,310

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 CASH FLOWS YEAR ENDED DECEMBER 31, 2012

	2012	2011
NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ 1,861,007	\$ (652,854)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,608,398	3,554,403
Loss (gain) on disposal of tangible capital assets	55,665	(45,379)
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(267,090)	(273,784)
Decrease (increase) in trade and other receivables	(2,487,017)	78,353
Increase in land for resale inventory	(41,948)	-
Decrease in inventory for consumption	48,386	4,092
Decrease in prepaid expenses	35,197	35,360
Increase (decrease) in accounts payable	861,345	(908,839)
Decrease in deferred revenue	(279,980)	(138,075)
Increase in Deposits	1,380	920
Increase in employee benefit obligation	13,610	57,294
	3,408,953	1,711,491
Cash provided by operating transactions		
CAPITAL		
Acquisition of tangible capital assets	(4,441,827)	(2,478,891)
Proceeds on disposal of tangible capital assets	117,280	70,803
	(4,324,547)	(2,408,088)
Cash applied to capital transactions		
INVESTING		
Proceeds of long-term debt	-	530,000
Repayment of long-term debt	(404,742)	(584,741)
	(404,742)	(54,741)
Cash applied to investing transactions		
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,320,336)	(751,338)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,090,661	2,841,999
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 770,325	\$ 2,090,661

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 CHANGES IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2012

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011
BALANCE, BEGINNING OF YEAR	1,678,261	1,337,049	95,837,007	\$ 98,852,317	\$ 99,505,171
Excess (deficiency) of revenue over expenses	1,861,007	-	-	1,861,007	(652,854)
Unrestricted funds designated for future use	(352,034)	352,034	-	-	-
Restricted funds used for operations	15,060	(15,060)	-	-	-
Current year funds used for tangible capital assets	(4,441,827)	-	4,441,827	-	-
Disposal of tangible capital assets	172,945	-	(172,945)	-	-
Annual amortization expense	3,608,398	-	(3,608,398)	-	-
Decrease in capital debt	(404,742)	-	404,742	-	-
Change in accumulated surplus	458,807	336,974	1,065,226	1,861,007	(652,854)
BALANCE, END OF YEAR	2,137,068	1,674,023	96,902,233	\$ 100,713,324	\$ 98,852,317

MUNICIPALITY OF CROWSNEST PASS

**SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2012**

SCHEDULE 2

	Land	Land Improvement	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012	2011
COST:								
BALANCE, BEGINNING OF YEAR	2,640,129	2,870,455	7,479,199	192,536,738	7,748,952	2,591,256	215,866,729	213,978,118
Acquisition of tangible capital assets	-	68,767	134,085	3,339,594	175,868	358,990	4,077,304	2,275,655
Construction-in-progress	-	-	34,734	294,101	-	-	328,835	203,236
Disposition of tangible capital assets	-	-	-	(133,181)	(33,760)	(125,700)	(292,641)	(590,280)
Cost adjustment	4,601	-	-	31,087	-	-	35,688	-
BALANCE, END OF YEAR	2,644,730	2,939,222	7,648,018	196,068,339	7,891,060	2,824,546	220,015,915	215,866,729
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	811,754	3,881,994	108,158,733	4,131,361	1,467,373	118,451,215	115,461,668
Annual amortization	-	155,393	154,914	2,834,246	328,787	135,058	3,608,398	3,554,403
Accumulated amortization on disposal	-	-	-	(64,832)	(26,808)	(28,056)	(119,696)	(564,856)
Accumulated amortization adjustment	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	967,147	4,036,908	110,928,147	4,433,340	1,574,375	121,939,917	118,451,215
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,644,730	1,972,075	3,611,110	85,140,192	3,457,720	1,250,171	\$ 98,075,998	\$ 97,415,514
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,640,129	2,058,701	3,597,205	84,378,005	3,617,591	1,123,883	\$ 97,415,514	

MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2012

SCHEDULE 3

	<u>Budget</u>	<u>2012</u>	<u>2011</u>
TAXATION			
Real property taxes	\$ 8,754,511	\$ 8,740,007	\$ 8,766,351
Linear property taxes	861,620	861,620	581,779
Government grants in lieu of property taxes	184,227	154,139	145,713
Special assessments and local improvements	-	-	23,978
	<u>9,800,358</u>	<u>9,755,766</u>	<u>9,517,821</u>
REQUISITIONS			
Alberta School Foundation	2,756,911	2,756,889	2,542,135
Crowsnest Pass Senior Housing	223,296	223,296	202,996
	<u>2,980,207</u>	<u>2,980,185</u>	<u>2,745,131</u>
NET TAXES	<u>\$ 6,820,151</u>	<u>\$ 6,775,581</u>	<u>\$ 6,772,690</u>

MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2012

SCHEDULE 4

	<u>Budget</u>	<u>2012</u>	<u>2011</u>
TRANSFERS FOR OPERATING			
Provincial Government	<u>\$ 365,095</u>	<u>\$ 1,109,859</u>	<u>\$ 648,042</u>
TRANSFERS FOR CAPITAL			
Provincial Government	6,737,284	4,096,404	1,401,557
Federal Government	-	-	-
	<u>6,737,284</u>	<u>4,096,404</u>	<u>1,401,557</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,102,379</u>	<u>\$ 5,206,263</u>	<u>\$ 2,049,599</u>

MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2012

SCHEDULE 5

	<u>Budget</u>	<u>2012</u>	<u>2011</u>
EXPENSES			
Salaries, wages and benefits	\$ 5,414,978	\$ 5,213,142	\$ 4,989,507
Contracted and general services	3,468,436	3,457,034	3,035,736
Materials, goods, supplies and utilities	2,979,782	2,764,994	2,613,511
Bank charges and short-term interest	7,500	3,804	9,455
Interest on long-term debt	51,307	32,898	42,243
Other expenditures	116,850	132,333	125,389
Transfers to organizations and others	320,907	218,753	217,412
Loss on disposal of tangible capital assets	-	55,665	-
Amortization of tangible capital assets	3,600,000	3,608,398	3,554,403
	<u>\$ 15,959,760</u>	<u>\$ 15,487,021</u>	<u>\$ 14,587,656</u>

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 6

	General Government	Protective Services	Public Works	Water & Waste	Public Health & Welfare	Planning & Development	Recreation & Culture	Electrical Distribution	Consolidated
Revenue									
Taxation	\$ 6,775,581	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,775,581
User fees and sales of goods	62,594	156,657	44,752	2,345,564	8,984	36,363	290,785	1,016,601	3,962,300
Government transfers (schedule 4)	213,515	443,288	1,027,134	2,974,165	169,452	103,585	275,124	-	5,206,263
Investment income	33,154	-	-	-	-	-	-	-	33,154
Penalties and costs of taxes	324,229	-	-	-	-	-	-	-	324,229
Licenses and permits	44,715	4,218	-	9,988	100	51,170	-	7,800	117,991
Franchise and concession contracts	247,511	-	-	-	-	-	-	364,988	612,499
Rental	-	2,528	-	-	-	26,492	191,635	18,638	239,293
Other	-	4,000	-	31,088	29,964	-	11,666	-	76,718
	<u>7,701,299</u>	<u>610,691</u>	<u>1,071,886</u>	<u>5,360,805</u>	<u>208,500</u>	<u>217,610</u>	<u>769,210</u>	<u>1,408,027</u>	<u>17,348,028</u>
Expenses									
Salaries and benefits	1,169,028	502,673	1,542,106	417,933	119,559	135,495	1,151,417	174,931	5,213,142
Goods and services	822,875	834,954	1,388,827	1,282,252	62,345	286,000	903,196	641,579	6,222,028
Interest	859	8,721	-	24,177	-	-	2,945	-	36,702
Transfers to organizations and others	-	-	-	-	105,066	-	113,687	-	218,753
Other expenditures	98,358	-	1,810	3,144	-	-	40	28,981	132,333
Loss (gain) on disposal of tangible capital assets	-	-	18,294	62,759	-	(25,987)	599	-	55,665
Amortization of tangible capital assets	55,919	138,509	1,903,497	1,106,924	1,597	-	321,560	80,392	3,608,398
	<u>2,147,039</u>	<u>1,484,857</u>	<u>4,854,534</u>	<u>2,897,189</u>	<u>288,567</u>	<u>395,508</u>	<u>2,493,444</u>	<u>925,883</u>	<u>15,487,021</u>
Net revenue	<u>\$ 5,554,260</u>	<u>\$ (874,166)</u>	<u>\$ (3,782,648)</u>	<u>\$ 2,463,616</u>	<u>\$ (80,067)</u>	<u>\$ (177,898)</u>	<u>\$(1,724,234)</u>	<u>\$ 482,144</u>	<u>\$ 1,861,007</u>

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2011

SCHEDULE 7

	General Government	Protective Services	Public Works	Water & Waste	Family & Community Support Services	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 expenses	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>

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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, 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.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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, 2012

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 \$50,500 (2011 - \$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>2012</u>	<u>2011</u>
Cash	\$ 524,951	\$ 712,177
Short-term investments	245,374	1,378,484
	<u>\$ 770,325</u>	<u>\$ 2,090,661</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 1.00% 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>2012</u>	<u>2011</u>
Current taxes and grants in lieu	\$ 738,894	\$ 664,701
Arrears taxes and grants in lieu	403,157	202,526
	1,142,051	867,227
Less: allowance for doubtful accounts	<u>(30,596)</u>	<u>(22,862)</u>
	<u>\$ 1,111,455</u>	<u>\$ 844,365</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 \$716,116 (2011 - \$474,423) 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.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

4. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2012</u>	<u>2011</u>
Sick time	\$ 344,700	\$ 323,700
Unamortized actuarial gain (loss)	<u>(2,000)</u>	<u>11,500</u>
Accrued benefit liability	342,700	335,200
Vacation and overtime	<u>43,739</u>	<u>37,629</u>
	<u>\$ 386,439</u>	<u>\$ 372,829</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, 2012, are based on an actuarial valuation for accounting purposes as at December 31, 2012. Significant assumptions used in the valuation include a discount rate of 2.60%, annual inflation of 3.0%, 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>2012</u>	<u>2011</u>
Municipal Sustainability Initiative (MSI)	\$ -	\$ 576,114
Other	182,554	160,879
New Deal for Cities and Communities	307,029	178,292
Alberta Municipal Infrastructure Program	6,967	6,967
Regional Initiative	47,132	-
Basic Municipal Transportation Grant (BMTG)	106,801	-
Municipal Sponsorship Program Walking Trails	<u>-</u>	<u>8,211</u>
	<u>\$ 650,483</u>	<u>\$ 930,463</u>

Other

This deferred revenue is made up of general revenues in the amount of \$950 for dog tags sold in December and \$181,604 ski hill passes for the 2012-2013 ski season.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

5. DEFERRED REVENUE (continued)

New Deal for Cities and Communities

Funding carried forward from the prior year of \$178,292 and \$395,769 received in 2012 from Alberta Infrastructure and Transportation are restricted to eligible capital projects, as approved under the funding agreement. \$267,032 was allocated this year for road surfacing.

Alberta Municipal Infrastructure Program

This is funding carried forward from prior years that will be allocated prior to the end of 2013 to eligible capital projects, as approved under the funding agreement

Regional Initiative

Funding in the amount of \$106,450 was received by the Municipality to explore regional initiatives with its neighboring communities. The project will span 2012-2013 with the remaining funds of \$47,132 being expended in 2013.

Basic Municipal Transport Grant

Funding in the amount of \$344,940 received in 2012 from Alberta Infrastructure and Transportation are restricted to eligible capital projects, as approved under the funding agreement. \$238,139 was allocated this year for road surfacing.

6. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
Tax supported debentures	<u>\$ 1,173,765</u>	<u>\$ 1,578,507</u>

The current portion of the long-term debt amounts to \$404,741 (2011 - 404,741).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	404,741	36,932	441,673
2014	404,741	23,869	428,610
2015	364,283	10,808	375,091
	<u>\$ 1,173,765</u>	<u>\$ 71,609</u>	<u>\$ 1,245,374</u>

Debenture debt is repayable to Servus Credit Union Ltd. and matures in 2013 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, 2012.

Interest on long-term debt during the year amounted to \$47,120 (2011 - \$53,122).

The Municipality's total cash payments for interest in 2012 were \$46,516 (2011 - \$55,753).

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

7. ACCUMULATED SURPLUS

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

	2012	2011
Unrestricted surplus		
Municipal	\$ 2,048,995	\$ 1,599,298
Crowsnest Pass Municipal Library	88,073	78,963
	2,137,068	1,678,261
Restricted surplus		
Roads, streets, walks and lighting	423,260	397,339
Land/housing	562,896	462,780
Recreational facilities	78,599	78,599
Electrical distribution	467,378	243,845
Operating contingencies	93,972	93,972
Police, fire, disaster, ambulance and by-law enforcement	-	11,650
Family Community Support Services	21,492	24,902
Risk Management	25,895	23,431
Sanitary sewer equipment	531	531
	1,674,023	1,337,049
Equity in tangible capital assets (note 11)	96,902,233	95,837,007
	\$ 100,713,324	\$ 98,852,317

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

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:

	2012			2011
	Salary ¹	Benefits ²	Total	Total
Council				
Mayor Decoux	\$ 13,608	\$ 6,792	\$ 20,400	\$ 22,232
Councilor Gail	7,338	3,662	11,000	13,833
Councilor Gallant	8,799	4,391	13,190	13,684
Councilor Mitchell	9,245	3,745	12,990	15,021
Councilor Saje	8,593	4,287	12,880	16,173
Councilor Saindon	7,217	3,603	10,820	14,334
Councilor Lonsbury	8,712	4,348	13,060	12,918
Chief Administrative Officer	150,675	26,697	177,372	99,620
Designated Officers (3)	264,681	31,080	295,761	294,689

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, 2012

9. LOCAL AUTHORITIES PENSION PLAN (continued)

The Municipality is required to make current service contributions to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by Municipality of Crowsnest Pass to the LAPP in 2012 were \$337,394 (2011 - \$303,580). Total current service contributions by the employees of Municipality of Crowsnest Pass to the Local Authorities Pension Plan in 2012 were \$306,133 (2011 - \$274,145).

At December 31, 2011, the Plan disclosed an actuarial deficiency of \$4.639 billion.

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>2012</u>	<u>2011</u>
Total debt limit	\$ 19,877,436	\$ 18,731,799
Total debt	<u>1,173,765</u>	<u>1,578,507</u>
Amount total debt limit unused	<u>\$ 18,703,671</u>	<u>\$ 17,153,292</u>
Debt servicing limit	\$ 3,312,906	\$ 3,121,967
Debt servicing	<u>441,673</u>	<u>454,752</u>
Amount of debt servicing limit unused	<u>\$ 2,871,233</u>	<u>\$ 2,667,215</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 CROWNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2012	2011
Tangible capital assets (schedule 2)	\$ 220,015,915	\$ 215,866,729
Accumulated amortization (schedule 2)	(121,939,917)	(118,451,215)
Long-term debt (note 6)	(1,173,765)	(1,578,507)
	<u>\$ 96,902,233</u>	<u>\$ 95,837,007</u>

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.

	2012
Financial Plan Bylaw surplus for the year	\$ 48,634
Add: Capital expenditures	7,059,084
Add: Principal payments on long-term debt	404,742
Less: Amortization	(3,600,000)
Add: Net transfers from reserves	(275,000)
Budget surplus reported in financial statements	<u>\$ 3,637,460</u>

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, 2012

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, 2012

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.

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. 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, fee of \$7,500 per month, expires December 2015, and carries an option for a three year renewal.
- e) Professional services. North & Company LLP to provide legal advisory services to December 2013.
- 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.