

**Municipality of Crowsnest Pass**

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

# MUNICIPALITY OF CROWSNEST PASS

## CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2013

### CONTENTS

<b>Auditors' Report</b>	<b>1</b>
<b>Financial Statements</b>	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3
Consolidated Statement of Changes in Net Financial Assets	4
Consolidated Statement of Cash Flows	5
Schedule 1 - Schedule of Changes in Accumulated Surplus	6
Schedule 2 - Schedule of Tangible Capital Assets	7
Schedule 3 - Schedule of Property and Other Taxes	8
Schedule 4 - Schedule of Government Transfers	9
Schedule 5 - Schedule of Consolidated Expenses by Object	10
Schedule 6-7 - Consolidated Schedule of Segment Disclosure	11-12
Notes to Financial Statements	13-25



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, 2013, 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, 2013 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

July 22, 2014

# MUNICIPALITY OF CROWSNEST PASS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (note 2)	\$ 3,634,297	\$ 770,325
Taxes and grants in lieu receivables (note 3)	1,658,734	1,111,455
Trade and other receivables	2,589,661	4,457,122
Land for resale inventory	<u>259,000</u>	<u>300,948</u>
	<u>8,141,692</u>	<u>6,639,850</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,166,954	2,079,127
Employee benefit obligations (note 4)	359,686	386,439
Deposits	18,740	16,620
Deferred revenue (note 5)	3,297,042	650,483
Long-term debt (note 6)	<u>769,024</u>	<u>1,173,765</u>
	<u>5,611,446</u>	<u>4,306,434</u>
<b>NET FINANCIAL ASSETS</b>	<u>2,530,246</u>	<u>2,333,416</u>
<b>NON - FINANCIAL ASSETS</b>		
Tangible capital assets (schedule 2)	96,574,128	98,075,998
Inventory for consumption	339,556	254,963
Prepaid expenses	<u>76,763</u>	<u>48,947</u>
	<u>96,990,447</u>	<u>98,379,908</u>
<b>ACCUMULATED SURPLUS</b> (schedule 1, note 7)	<u>\$ 99,520,693</u>	<u>\$ 100,713,324</u>

Contingencies and commitments - See notes 14 and 15

APPROVED BY:



Sheldon Steinke, CLGM  
Chief Administrative Officer

# MUNICIPALITY OF CROWSNEST PASS

## CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2013

	Budget (note 12)	2013	2012
<b>REVENUE</b>			
Net municipal taxes (schedule 3)	\$ 6,681,111	\$ 6,627,647	\$ 6,775,581
Government transfers (schedule 4)	592,168	655,243	1,109,859
User fees and sales of goods	4,673,909	4,517,618	3,962,300
Investment income	15,000	26,003	33,154
Penalties and cost of taxes	35,000	382,534	324,229
Licenses and permits	150,025	186,417	117,991
Franchise and concession contracts	592,107	759,545	612,499
Rental	286,662	281,524	239,293
Other	36,200	39,180	76,718
Contributed or donated assets	-	750,000	-
Gain on disposal of tangible capital assets	-	3,193	-
<b>Total Revenue</b>	<b>13,062,182</b>	<b>14,228,904</b>	<b>13,251,624</b>
<b>EXPENSES</b>			
Legislative	218,768	218,606	123,149
Administration	1,765,123	1,856,514	1,852,644
Protection services	1,319,482	1,519,465	1,484,857
Roads, streets, walks, lighting	2,228,449	4,820,943	4,854,534
Water supply, distribution and wastewater	1,530,831	2,424,416	2,337,509
Waste management	644,649	538,540	559,680
Family and community support services	252,235	253,992	251,573
Cemetaries and crematoriums	60,191	30,531	36,994
Planning and development	535,571	534,846	395,508
Recreation boards	1,941,714	2,153,695	1,950,256
Culture - libraries, museums, halls	631,038	505,192	531,054
Crowsnest Centre	-	568,549	12,134
Electrical distribution	981,793	1,014,853	925,883
Other	125,225	315,866	171,246
<b>Total Expenses</b>	<b>12,235,069</b>	<b>16,756,008</b>	<b>15,487,021</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	<b>827,113</b>	<b>(2,527,104)</b>	<b>(2,235,397)</b>
<b>OTHER</b>			
Government transfers for capital (schedule 4)	6,111,500	1,334,473	4,096,404
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>6,938,613</b>	<b>(1,192,631)</b>	<b>1,861,007</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>100,713,324</b>	<b>100,713,324</b>	<b>98,852,317</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 107,651,937</b>	<b>\$ 99,520,693</b>	<b>\$ 100,713,324</b>

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 CHANGES IN NET FINANCIAL ASSETS YEAR ENDED DECEMBER 31, 2013

	Budget	2013	2012
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 6,938,613</b>	<b>\$ (1,192,631)</b>	<b>\$ 1,861,007</b>
Acquisition of tangible capital assets	(6,239,500)	(2,305,789)	(4,441,827)
Proceeds on disposal of tangible capital assets	-	102,303	117,280
Amortization of tangible capital assets	-	3,708,549	3,608,398
Loss (gain) on disposal of tangible capital assets	-	(3,193)	55,665
	(6,239,500)	1,501,870	(660,484)
Net change in supplies inventory	-	(84,593)	48,386
Net change in prepaid expense	-	(27,816)	35,197
	-	(112,409)	83,583
<b>INCREASE IN NET FINANCIAL ASSETS</b>	699,113	196,830	1,284,106
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	2,333,416	2,333,416	1,049,310
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ 3,032,529	\$ 2,530,246	\$ 2,333,416

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, 2013

	2013	2012
<b>NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	\$ (1,192,631)	\$ 1,861,007
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,708,549	3,608,398
Loss (gain) on disposal of tangible capital assets	(3,193)	55,665
Non-cash charges to operations (net change):		
Taxes and grants in lieu receivable	(547,279)	(267,090)
Trade and other receivables	1,867,461	(2,487,017)
Land for resale inventory	41,948	(41,948)
Inventory for consumption	(84,593)	48,386
Prepaid expenses	(27,816)	35,197
Accounts payable	(912,173)	861,345
Deferred revenue	2,646,559	(279,980)
Deposits	2,120	1,380
Employee benefit obligation	(26,753)	13,610
Cash provided by operating transactions	5,472,199	3,408,953
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(2,305,789)	(4,441,827)
Proceeds on disposal of tangible capital assets	102,303	117,280
Cash applied to capital transactions	(2,203,486)	(4,324,547)
<b>INVESTING</b>		
Proceeds of long-term debt	-	-
Repayment of long-term debt	(404,741)	(404,742)
Cash applied to investing transactions	(404,741)	(404,742)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>2,863,972</b>	<b>(1,320,336)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>770,325</b>	<b>2,090,661</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,634,297</b>	<b>\$ 770,325</b>

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, 2013

### SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2013	2012
<b>BALANCE, BEGINNING OF YEAR</b>	2,137,068	1,674,023	96,902,233	\$ 100,713,324	\$ 98,852,317
Excess (deficiency) of revenue over expenses	(1,192,631)	-	-	(1,192,631)	1,861,007
Unrestricted funds designated for future use	(241,449)	241,449	-	-	-
Restricted funds used for operations	422,481	(422,481)	-	-	-
Current year funds used for tangible capital assets	(2,305,789)	-	2,305,789	-	-
Disposal of tangible capital assets	99,110	-	(99,110)	-	-
Annual amortization expense	3,708,549	-	(3,708,549)	-	-
Decrease in capital debt	(404,741)	-	404,741	-	-
<b>Change in accumulated surplus</b>	85,530	(181,032)	(1,097,129)	(1,192,631)	1,861,007
<b>BALANCE, END OF YEAR</b>	2,222,598	1,492,991	95,805,104	\$ 99,520,693	\$ 100,713,324



# MUNICIPALITY OF CROWSNEST PASS

## SCHEDULE OF TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2013

### SCHEDULE 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles		2013	2012
<b>COST:</b>									
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	750,000	110,408	200,201	337,802	281,005	48,779		1,728,195	4,077,304
Construction-in-progress	-	134,779	-	442,815	-	-		577,594	328,835
Disposition of tangible capital assets	(8,782)	-	(376,450)	(249,143)	(156,338)	(123,187)		(913,900)	(292,641)
Cost adjustment	-	-	-	-	-	-		-	35,688
<b>BALANCE, END OF YEAR</b>	<b>3,385,948</b>	<b>3,184,409</b>	<b>7,471,769</b>	<b>196,599,813</b>	<b>8,015,727</b>	<b>2,750,138</b>		<b>221,407,804</b>	<b>220,015,915</b>
<b>ACCUMULATED AMORTIZATION:</b>									
BALANCE, BEGINNING OF YEAR	-	967,147	4,036,908	110,928,147	4,433,340	1,574,375		121,939,917	118,451,215
Annual amortization	-	157,772	153,645	2,907,374	350,555	139,203		3,708,549	3,608,398
Accumulated amortization on disposal	-	-	(323,747)	(232,172)	(139,440)	(119,431)		(814,790)	(119,696)
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>1,124,919</b>	<b>3,866,806</b>	<b>113,603,349</b>	<b>4,644,455</b>	<b>1,594,147</b>		<b>124,833,676</b>	<b>121,939,917</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>									
	3,385,948	2,059,490	3,604,963	82,996,464	3,371,272	1,155,991	\$	96,574,128	\$ 98,075,998
<b>2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>									
	2,644,730	1,972,075	3,611,110	85,140,192	3,457,720	1,250,171	\$	98,075,998	

# MUNICIPALITY OF CROWSNEST PASS

## SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2013

### SCHEDULE 3

	<u>Budget</u>	<u>2013</u>	<u>2012</u>
<b>TAXATION</b>			
Real property taxes	\$ 8,609,324	\$ <b>8,555,860</b>	\$ 8,740,007
Linear property taxes	871,646	<b>871,646</b>	861,620
Government grants in lieu of property taxes	146,312	<b>146,312</b>	154,139
	<u>9,627,282</u>	<u><b>9,573,818</b></u>	<u>9,755,766</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	2,700,546	<b>2,700,546</b>	2,756,889
Crowsnest Pass Senior Housing	245,625	<b>245,625</b>	223,296
	<u>2,946,171</u>	<u><b>2,946,171</b></u>	<u>2,980,185</u>
<b>NET TAXES</b>	<u>\$ 6,681,111</u>	<u>\$ <b>6,627,647</b></u>	<u>\$ 6,775,581</u>

# MUNICIPALITY OF CROWSNEST PASS

## SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2013

### SCHEDULE 4

	<u>Budget</u>	<u>2013</u>	<u>2012</u>
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	\$ 592,168	\$ 655,243	\$ 1,109,859
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	6,111,500	1,334,473	4,096,404
Federal Government	-	-	-
	<u>6,111,500</u>	<u>1,334,473</u>	<u>4,096,404</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 6,703,668</u>	<u>\$ 1,989,716</u>	<u>\$ 5,206,263</u>

# MUNICIPALITY OF CROWSNEST PASS

## SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2013

### SCHEDULE 5

	Budget	2013	2012
<b>EXPENSES</b>			
Salaries, wages and benefits	\$ 5,475,532	\$ 5,534,434	\$ 5,213,142
Contracted and general services	3,040,699	4,122,316	3,457,034
Materials, goods, supplies and utilities	3,254,366	2,751,132	2,764,994
Bank charges and short-term interest	7,600	5,504	3,804
Interest on long-term debt	35,438	23,181	32,898
Other expenditures	120,441	377,733	132,333
Transfers to organizations and others	300,993	233,159	218,753
Loss on disposal of tangible capital assets	-	-	55,665
Amortization of tangible capital assets	-	3,708,549	3,608,398
	<u>\$ 12,235,069</u>	<u>\$ 16,756,008</u>	<u>\$ 15,487,021</u>

# MUNICIPALITY OF CROWSNEST PASS

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2013

SCHEDULE 6

	General Government	Protective Services	Public Works	Water & Waste	Public Health & Welfare	Planning & Development	Recreation & Culture	Electrical Distribution	Consolidated
<b>Revenue</b>									
Taxation	\$ 6,627,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,627,647
User fees and sales of goods	55,572	303,582	78,028	2,388,846	6,299	192,127	374,985	1,118,179	4,517,618
Government transfers (schedule 4)	58,737	302,630	364,925	491,620	163,586	76,619	531,599	-	1,989,716
Investment income	26,003	-	-	-	-	-	-	-	26,003
Penalties and costs of taxes	382,534	-	-	-	-	-	-	-	382,534
Licenses and permits	51,773	11,650	-	11,231	165	97,306	-	14,292	186,417
Franchise and concession contracts	355,484	-	-	-	-	-	-	404,061	759,545
Rental	-	5,882	-	-	-	16,883	240,121	18,638	281,524
Contributed or donated assets	-	-	-	-	-	-	750,000	-	750,000
Gain (loss) on disposal of tangible capital assets	39,920	29,147	(13,171)	-	-	-	(52,703)	-	3,193
Other	-	1,000	-	-	33,180	-	5,000	-	39,180
	<u>7,597,670</u>	<u>653,891</u>	<u>429,782</u>	<u>2,891,697</u>	<u>203,230</u>	<u>382,935</u>	<u>1,849,002</u>	<u>1,555,170</u>	<u>15,563,377</u>
<b>Expenses</b>									
Salaries and benefits	1,153,585	629,982	1,533,227	533,252	105,903	90,461	1,303,474	184,550	5,534,434
Goods and services	872,609	690,258	1,358,969	1,257,224	63,131	435,493	1,476,276	719,488	6,873,448
Interest	2,188	5,458	-	17,723	-	-	3,316	-	28,685
Transfers to organizations and others	-	-	-	-	113,077	-	120,082	-	233,159
Other expenditures	290,650	42,373	1,323	670	815	8,892	1,683	31,327	377,733
Amortization of tangible capital assets	71,954	151,394	1,927,424	1,154,087	1,597	-	322,605	79,488	3,708,549
	<u>2,390,986</u>	<u>1,519,465</u>	<u>4,820,943</u>	<u>2,962,956</u>	<u>284,523</u>	<u>534,846</u>	<u>3,227,436</u>	<u>1,014,853</u>	<u>16,756,008</u>
<b>Net revenue</b>	<u>\$ 5,206,684</u>	<u>\$ (865,574)</u>	<u>\$ (4,391,161)</u>	<u>\$ (71,259)</u>	<u>\$ (81,293)</u>	<u>\$ (151,911)</u>	<u>\$ (1,378,434)</u>	<u>\$ 540,317</u>	<u>\$ (1,192,631)</u>

# MUNICIPALITY OF CROWNEST PASS

## CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2012

SCHEDULE 7

	General Government	Protective Services	Public Works	Water & Waste	Public Health & Welfare	Planning & Development	Recreation & Culture	Electrical Distribution	Consolidated
<b>Revenue</b>									
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>
<b>Expenses</b>									
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 expenses	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>
<b>Net revenue</b>	<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

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 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, 2013

### 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 11 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. See note 3.

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



# MUNICIPALITY OF CROWSNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 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, 2013

### 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.

### 2. CASH AND TEMPORARY INVESTMENTS

	2013	2012
Cash	\$ 2,849,216	\$ 524,951
Short-term investments	785,081	245,374
	\$ 3,634,297	\$ 770,325

Short-term investments consist of savings cash and term deposits with original maturities of one year or less or are redeemable. The savings cash bears interest at 0.70% with no maturity date. The term deposits bear interest at 0.80% and have a maturity date of November 2014.

Included in cash and investments are deferred revenue (note 5) and restricted surplus (note 7). As of December 31, 2013 the Municipality has a \$1,155,736 deficiency in restricted cash for eligible projects and restricted surplus.

### 3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2013	2012
Current taxes and grants in lieu	\$ 1,025,273	\$ 738,894
Arrears taxes and grants in lieu	673,194	403,157
	1,698,467	1,142,051
Less: allowance for doubtful accounts	(39,733)	(30,596)
	\$ 1,658,734	\$ 1,111,455

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 \$1,312,248 (2012 - \$716,116) 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, 2013

### 4. EMPLOYEE BENEFIT OBLIGATIONS

	2013	2012
Reconciliation of accrued benefit obligation		
Accrued benefit obligation - January 1	\$ 344,700	\$ 323,700
Current service cost	25,200	25,700
Interest cost	9,300	7,700
Plan amendments	-	-
Benefits paid	(43,100)	(24,900)
Actuarial loss (gain)	(124,300)	12,500
Accrued benefit obligation - December 31	211,800	344,700
Change in plan assets		
Market value of plan assets - January 1	-	-
Actual return in plan assets	-	-
Employer contributions	43,100	24,900
Benefits paid	(43,100)	(24,900)
Market value of plan assets - December 31	-	-
Components of net benefit cost		
Current service cost	25,200	25,700
Interest cost	9,300	7,700
Actual return on plan assets	-	-
Amortization of actuarial loss (gain)	100	(1,000)
Amortization of past service costs	-	-
Net benefit cost recognized	34,600	32,400
Reconciliation of Accrued Benefit Liability		
Accrued benefit liability - January 1	342,700	335,200
Benefit cost for the year	34,600	32,400
Benefit payments	(43,100)	(24,900)
Accrued benefit liability - December 31	334,200	342,700
Vacation and overtime	25,486	43,739
	\$ 359,686	\$ 386,439

# MUNICIPALITY OF CROWSNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 4. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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, 2013, are based on an actuarial valuation for accounting purposes as at December 31, 2013. 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>2013</u>	<u>2012</u>
Southern Alberta Flood Response Program	\$ 1,521,053	\$ -
Basic Municipal Transportation Grant (BMTG)	451,741	106,801
Federal Gas Tax Fund	1,098,567	307,029
Other	124,406	189,521
Regional Initiative	29,881	47,132
Regional Fire and Rescue Consolidation	71,394	-
	<u>\$ 3,297,042</u>	<u>\$ 650,483</u>

#### **Southern Alberta Flood Response Program**

Funding in the amount of \$1,862,000 was received in the year from the Alberta Government of which \$340,947 was spent in costs related to flooding damage incurred in 2013. The remainder of these funds are expected to be used in 2014 for the costs related to the various flooding damage of 2013.

#### **Basic Municipal Transport Grant**

Funding in the amount of \$344,940 received in 2013 from Alberta Infrastructure and Transportation are restricted to eligible capital projects, as approved under the funding agreement.

# MUNICIPALITY OF CROWSNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 5. DEFERRED REVENUE (continued)

#### Federal Gas Tax Fund

Funding carried forward from the prior year of \$307,029 and \$791,538 received in 2013 from Alberta Infrastructure and Transportation are restricted to eligible capital projects, as approved under the funding agreement.

#### Other

This deferred revenue is made up of general revenues in the amount of \$61,431 for ski hill passes related to the 2013-2014 season, \$27,832 for property taxes, \$6,967 for the Alberta Municipal Infrastructure Program and \$28,176 for various other programs.

#### Regional Initiative

This funding is carried forward from the prior year, in which it was designed for the Municipality to explore regional initiatives with its neighboring communities. \$17,251 was allocated in the current year towards operation costs related to this program.

#### Regional Fire and Rescue Consolidation

Funding in the amount of \$250,000 was received from Municipal Affairs in which \$178,606 was allocated to various fire department operating costs.

### 6. LONG-TERM DEBT

	2013	2012
Tax supported debentures	<u>\$ 769,024</u>	<u>\$ 1,173,765</u>

The current portion of the long-term debt amounts to \$404,741 (2012 - \$404,741).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2014	404,741	12,260	417,001
2015	364,283	5,729	370,012
	<u>\$ 769,024</u>	<u>\$ 17,989</u>	<u>\$ 787,013</u>

Debenture debt is repayable to Servus Credit Union Ltd. and matures in 2014 and 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, 2013.

Interest on long-term debt during the year amounted to \$33,061 (2012 - \$47,120). The Municipality's total cash payments for interest in 2013 were \$34,449 (2012 - \$46,516).

# MUNICIPALITY OF CROWSNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 7. ACCUMULATED SURPLUS

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

	2013	2012
Unrestricted surplus		
Municipal	\$ 2,118,339	\$ 2,048,995
Crowsnest Pass Municipal Library	104,259	88,073
	2,222,598	2,137,068
Restricted surplus		
Roads, streets, walks and lighting	91,830	423,260
Land/housing	613,064	562,896
Recreational facilities	-	78,599
Electrical distribution	545,691	467,378
Operating contingencies	205,044	93,972
Police, fire, disaster, ambulance and by-law enforcement	500	-
Family Community Support Services	18,010	21,492
Risk Management	18,852	25,895
Sanitary sewer equipment	-	531
	1,492,991	1,674,023
Equity in tangible capital assets (note 11)	95,805,104	96,902,233
	\$ 99,520,693	\$ 100,713,324

# MUNICIPALITY OF CROWNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 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:

	2013			2012
	Salary <sup>1</sup>	Benefits <sup>2</sup>	Total	Total
<b>Council</b>				
Mayor Decoux	\$ 12,873	\$ 6,427	\$ 19,300	\$ 20,400
Councilor Gail	6,850	3,420	10,270	11,000
Councilor Gallant	7,390	3,690	11,080	13,190
Councilor Mitchell	7,537	3,763	11,300	12,990
Councilor Saje	6,890	3,440	10,330	12,880
Councilor Saindon	5,449	2,721	8,170	10,820
Councilor Lonsbury	6,723	3,357	10,080	13,060
Mayor Painter	2,534	1,266	3,800	-
Councilor Ward	964	481	1,445	-
Councilor Filipuzzi	1,411	704	2,115	-
Councilor Lazzorotto	1,271	634	1,905	-
Councilor Glavin	857	857	1,714	-
Councilor Anctil	1,377	688	2,065	-
Councilor Kovach	1,331	664	1,995	-
Chief Administrative Officer	192,780	62,221	255,001	177,372
Designated Officers (2)	255,215	103,391	358,606	295,761

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 Crownsnest 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 224,000 people and about 428 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 CROWNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 9. LOCAL AUTHORITIES PENSION PLAN (continued)

The Municipality is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the Municipality of Crowsnest Pass to the LAPP in 2013 were \$377,691 (2012 - \$337,394). Total current service contributions by the employees of Municipality of Crowsnest Pass to the Local Authorities Pension Plan in 2013 were \$344,710 (2012 - \$306,133).

At December 31, 2012, the Plan disclosed an actuarial deficiency of \$4.98 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>2013</u>	<u>2012</u>
Total debt limit	\$ 20,218,356	\$ 19,877,436
Total debt	<u>769,024</u>	<u>1,173,765</u>
Amount total debt limit unused	<u>\$ 19,449,332</u>	<u>\$ 18,703,671</u>
Debt servicing limit	\$ 3,369,726	\$ 3,312,906
Debt servicing	<u>417,001</u>	<u>441,673</u>
Amount of debt servicing limit unused	<u>\$ 2,952,725</u>	<u>\$ 2,871,233</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, 2013

### 11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2013	2012
Tangible capital assets (schedule 2)	\$ 221,407,804	\$ 220,015,915
Accumulated amortization (schedule 2)	(124,833,676)	(121,939,917)
Long-term debt (note 6)	(769,024)	(1,173,765)
	\$ 95,805,104	\$ 96,902,233

### 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.

	2013
Financial Plan Bylaw surplus for the year	\$ 18,916
Add: Capital expenditures	6,239,500
Add: Principal payments on long-term debt	404,741
Less: Debenture income	(143,000)
Add: Net transfers from reserves	418,456
	\$ 6,938,613

### 13. SEGMENTED INFORMATION

The Municipality of Crownsnest 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, 2013

### 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.

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.

# MUNICIPALITY OF CROWSNEST PASS

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

### 13. SEGMENTED INFORMATION (continued)

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 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) The Municipality and a counterparty have agreed to settle a contract dispute. The Municipality has estimated and accrued a loss of \$260,000 in these financial statements. As of the report date the settlement has not been finalized and could differ from the amount accrued. The accrued loss has been made on the estimation of profits lost from the contract dispute.
- c) The Municipality is involved in multiple labour disputes that are currently scheduled for arbitration. As of the report date the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of settlement.
- d) There is a possible claim against the Municipality regarding a dispute over a lease agreement and ownership of goods. Management has estimated the possible claim to be \$60,000. As of the report date the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of 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, 2015 and has an annual fee of \$328,609 (June to May).
- 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 2016.
- 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) Servus Credit Union. This agreement is for banking services for a five year period which expires December 2014.
- f) Alberta Transportation. This agreement is to participate in the Transportation Routing and Vehicle Information Multi-Jurisdiction Permitting System for a period of five years with an effective date of April 1, 2014.