

Municipality of Crowsnest Pass

**FINANCIAL STATEMENTS
DECEMBER 31, 2010**

MUNICIPALITY OF CROWSNEST PASS

FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2010

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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 financial statements of the Municipality of Crowsnest Pass, which comprise the statement of financial position as at December 31, 2010, and the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Municipality of Crowsnest Pass as at December 31, 2010 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.

Chartered Accountants

Lethbridge, Alberta
May 3, 2011

MUNICIPALITY OF CROWNEST PASS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 2,841,999	\$ 3,506,470
Taxes and grants in lieu receivables (note 3)	570,581	357,519
Trade and other receivables	2,048,458	1,809,232
Land for resale inventory	259,000	259,000
	<u>5,720,038</u>	<u>5,932,221</u>
Total Financial Assets		
	<u>5,720,038</u>	<u>5,932,221</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,126,621	3,015,934
Employee benefit obligations (note 4)	315,535	342,193
Deposits	14,320	14,020
Deferred revenue (note 5)	1,068,538	1,156,966
Long-term debt (note 6)	1,633,248	1,751,989
	<u>5,158,262</u>	<u>6,281,102</u>
NET FINANCIAL ASSETS (DEBT)	<u>561,776</u>	<u>(348,881)</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	99,427,042	95,360,723
Inventory for consumption	307,441	283,973
Prepaid expenses	119,504	53,051
	<u>99,853,987</u>	<u>95,697,747</u>
ACCUMULATED SURPLUS (note 7)	<u>\$ 100,415,763</u>	<u>\$ 95,348,866</u>

Contingencies and commitments - See Notes 14 and 15

APPROVED BY:

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

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2010

	Budget (note 12)	2010	2009
REVENUE			
Net municipal taxes (schedule 3)	\$ 6,439,407	\$ 6,765,427	\$ 6,359,661
Government transfers (schedule 4)	984,845	915,525	786,969
User fees and sales of goods	3,954,470	4,061,902	4,195,220
Investment income	23,100	16,002	30,585
Penalties and cost of taxes	50,100	125,080	69,131
Licenses and permits	132,450	131,336	136,226
Franchise and concession contracts	366,000	339,061	392,669
Rental	264,252	241,978	203,608
Other	47,750	86,007	299,742
Total Revenue	12,262,374	12,682,318	12,473,811
EXPENSES			
Legislative	188,235	184,362	267,426
Administration	1,576,345	1,617,253	1,410,895
Protection services	1,047,826	1,031,137	1,002,001
Roads, streets, walks, lighting	4,552,332	4,346,503	4,270,364
Water supply and distribution and wastewater	2,159,237	2,429,202	2,049,703
Waste management	691,255	612,876	626,011
Family and community support services	229,609	213,006	213,205
Cemetaries and crematoriums	56,628	28,579	22,404
Planning and development	279,470	194,354	242,830
Recreation boards	1,839,165	1,915,668	1,980,085
Culture - libraries, museums, halls	489,926	640,986	468,022
Crowsnest Centre	103,991	128,790	402,776
Electrical distribution	800,635	822,018	802,527
Other	195,485	205,992	214,054
Total Expenses	14,210,139	14,370,726	13,972,303
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,947,765)	(1,688,408)	(1,498,492)
OTHER			
Government transfers for capital (schedule 4)	5,065,775	6,639,850	5,823,225
Contributed tangible capital assets	-	115,455	-
Total Other	5,065,775	6,755,305	5,823,225
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	3,118,010	5,066,897	4,324,733
ACCUMULATED SURPLUS, BEGINNING OF YEAR	95,348,866	95,348,866	91,024,133
ACCUMULATED SURPLUS, END OF YEAR	\$ 98,466,876	\$ 100,415,763	\$ 95,348,866

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 (DEBT) YEAR ENDED DECEMBER 31, 2010

	Budget	2010	2009
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 3,118,010	\$ 5,066,897	\$ 4,324,733
Acquisition of tangible capital assets	(6,152,751)	(7,526,684)	(7,059,988)
Contributed tangible capital assets	-	(115,455)	-
Proceeds on disposal of tangible capital assets	-	102,835	-
Amortization of tangible capital assets	3,250,000	3,193,412	3,203,696
Loss on disposal of tangible capital assets	-	279,573	25,230
	(2,902,751)	(4,066,319)	(3,831,062)
Net change in supplies inventory	-	(23,468)	57,001
Net change in prepaid expense	-	(66,453)	133,856
	-	(89,921)	190,857
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	215,259	910,657	684,528
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(348,881)	(348,881)	(1,033,409)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (133,622)	\$ 561,776	\$ (348,881)

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

MUNICIPALITY OF CROWNEST PASS

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2010

	2010	2009
NET INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ 5,066,897	\$ 4,324,733
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	3,193,412	3,203,696
Loss on disposal of tangible capital assets	279,573	25,230
Tangible capital assets received as contributions	(115,455)	-
Non-cash charges to operations (net change):		
Increase in taxes and grants in lieu receivable	(213,062)	(89,112)
Decrease (increase) in trade and other receivables	(239,226)	698,125
Decrease (increase) in inventory for consumption	(23,468)	57,007
Decrease (increase) in prepaid expenses	(66,453)	133,856
Increase (decrease) in accounts payable	(889,313)	106,339
Increase in deferred revenue	(88,428)	(1,536,269)
Increase (decrease) in deposits	300	(1,896)
Decrease in employee benefit obligation	(26,658)	(15,878)
	6,878,119	6,905,831
CAPITAL		
Acquisition of tangible capital assets	(7,526,684)	(7,059,988)
Proceeds on disposal of tangible capital assets	102,835	-
	(7,423,849)	(7,059,988)
INVESTING		
Proceeds of long-term debt	180,000	130,000
Repayment of long-term debt	(298,741)	(272,741)
	(118,741)	(142,741)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(664,471)	(296,898)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,506,470	3,803,368
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,841,999	\$ 3,506,470

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MUNICIPALITY OF CROWNEST PASS

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS YEAR ENDED DECEMBER 31, 2010

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital	2010	2009
BALANCE, BEGINNING OF YEAR	371,252	1,371,184	93,606,430	\$ 95,348,866	\$ 91,024,133
Excess (deficiency) of revenue over expenses	5,066,897	-	-	5,066,897	4,324,733
Unrestricted funds designated for future use	(182,844)	182,844	-	-	-
Restricted funds used for operations	80,213	(80,213)	-	-	-
Restricted funds used for tangible capital assets	-	(320,653)	320,653	-	-
Current year funds used for tangible capital assets	(7,411,533)	-	7,411,533	-	-
Contributed tangible capital assets	(115,455)	-	115,455	-	-
Disposal of tangible capital assets	466,865	-	(466,865)	-	-
Annual amortization expense	3,193,412	-	(3,193,412)	-	-
Change in accumulated surplus	1,097,555	(218,022)	4,187,364	5,066,897	4,324,733
BALANCE, END OF YEAR	1,468,807	1,153,162	97,793,794	\$ 100,415,763	\$ 95,348,866

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 TANGIBLE CAPITAL ASSETS YEAR ENDED DECEMBER 31, 2010

SCHEDULE 2

		Land	Land Improvement	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2010	2009
COST:									
BALANCE, BEGINNING OF YEAR	2,596,101	1,931,776	6,991,610	186,598,770	6,624,088	2,377,832	\$ 207,120,177	\$ 200,179,695	
Acquisition of tangible capital assets	39,769	146,047	201,665	-	591,501	185,378	1,164,360	1,111,650	
Construction-in-progress	-	1,982	161,406	6,198,936	-	-	6,362,324	5,948,338	
Disposition of tangible capital assets	(50,853)	-	-	(618,816)	(207,591)	-	(877,260)	(119,506)	
Cost adjustment	-	-	-	208,517	-	-	208,517	-	
BALANCE, END OF YEAR	2,585,017	2,079,805	7,354,681	192,387,407	7,007,998	2,563,210	213,978,118	207,120,177	
ACCUMULATED AMORTIZATION									
BEGINNING BALANCE	-	614,884	2,638,631	103,587,829	3,692,027	1,226,083	111,759,454	108,650,034	
Annual amortization	-	111,455	142,240	2,533,258	272,056	134,403	3,193,412	3,203,696	
Accumulated amortization on disposal	-	-	-	(430,416)	(154,279)	-	(584,695)	(94,276)	
Amortization capitalized for internally developed engineered structures	-	-	-	-	-	-	-	-	
Accumulated amortization adjustment	-	-	-	182,905	-	-	182,905	-	
BALANCE, END OF YEAR	-	726,339	2,780,871	105,873,576	3,809,804	1,360,486	114,551,076	111,759,454	
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,585,017	1,353,466	4,573,810	86,513,831	3,198,194	1,202,724	\$ 99,427,042	\$ 95,360,723	
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,596,101	1,316,892	4,352,979	83,010,941	2,932,061	1,151,749	\$ 95,360,723	-	

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MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF PROPERTY AND OTHER TAXES YEAR ENDED DECEMBER 31, 2010

SCHEDULE 3

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
TAXATION			
Real property taxes	\$ 8,222,282	\$ 8,547,942	\$ 7,942,133
Linear property taxes	607,313	607,313	632,296
Government grants in lieu of property taxes	136,115	136,115	134,624
Special assessments and local improvements	25,164	25,164	52,826
	<u>8,990,874</u>	<u>9,316,534</u>	<u>8,761,879</u>
REQUISITIONS			
Alberta School Foundation	2,366,925	2,366,565	2,234,452
Crowsnest Pass Senior Housing	184,542	184,542	167,766
	<u>2,551,467</u>	<u>2,551,107</u>	<u>2,402,218</u>
NET TAXES	<u>\$ 6,439,407</u>	<u>\$ 6,765,427</u>	<u>\$ 6,359,661</u>

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

MUNICIPALITY OF CROWSNEST PASS

SCHEDULE OF GOVERNMENT TRANSFERS YEAR ENDED DECEMBER 31, 2010

SCHEDULE 4

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
TRANSFERS FOR OPERATING			
Provincial Government	<u>\$ 984,845</u>	<u>\$ 915,525</u>	<u>\$ 786,969</u>
TRANSFERS FOR CAPITAL			
Provincial Government	4,168,494	5,924,675	5,823,225
Federal Government	897,281	715,175	-
	<u>5,065,775</u>	<u>6,639,850</u>	<u>5,823,225</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 6,050,620</u>	<u>\$ 7,555,375</u>	<u>\$ 6,610,194</u>

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

MUNICIPALITY OF CROWNEST PASS

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT YEAR ENDED DECEMBER 31, 2010

SCHEDULE 5

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
EXPENSES			
Salaries, wages and benefits	\$ 4,814,442	\$ 4,923,486	\$ 4,572,803
Contracted and general services	3,149,189	2,963,122	3,154,950
Materials, goods, supplies and utilities	2,419,749	2,510,983	2,666,489
Bank charges and short-term interest	22,250	8,934	14,888
Interest on long-term debt	109,800	45,928	46,380
Other expenditures	98,250	197,679	89,019
Transfers to organizations and others	346,461	247,609	198,850
Loss on disposal of tangible capital assets	-	279,573	25,229
Amortization of tangible capital assets	3,250,000	3,193,412	3,203,695
	<u>\$ 14,210,141</u>	<u>\$ 14,370,726</u>	<u>\$ 13,972,303</u>

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

MUNICIPALITY OF CROWSNEST PASS

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE YEAR ENDED DECEMBER 31, 2010

SCHEDULE 6

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

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

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and changes in net financial assets and cash flows of the reporting entity. This entity is comprised of all the organizations that are owned or controlled by the Municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources. Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

Organizations that are controlled by the Municipality are the following:

- The Municipality of Crowsnest Pass Library Board
- Crowsnest Learning Centre Society (wound-up in 2010)

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 and are held for the purpose of meeting short-term cash commitments rather than for investing

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

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

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Inventories for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

f) Requisition Over-levy and Under-levy

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

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

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

g) Government Transfers

Government transfers are the transfers of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

h) Employee Benefit Obligations

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

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

i) Financial Instruments

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

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

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

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

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Measurement Uncertainty

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

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

The Municipality maintains a number of gravel pits to service its need relating to road construction and maintenance. The Municipality is responsible for reclaiming the sites where these pits are located. The Municipality has established reserves of \$25,000 (2009 - \$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>2010</u>	<u>2009</u>
Cash	\$ 1,263,389	\$ 1,246,587
Short-term investments	1,578,610	2,259,883
	<u>\$ 2,841,999</u>	<u>\$ 3,506,470</u>

Short-term investments consist of GICs and short-term securities with original maturities of three months or less. The investments bear interest at 0.55% and mature in January 2011.

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

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2010</u>	<u>2009</u>
Current taxes and grants in lieu	\$ 445,975	\$ 235,328
Arrears taxes and grants in lieu	124,606	122,191
	<u>\$ 570,581</u>	<u>\$ 357,519</u>

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

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

4. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2010</u>	<u>2009</u>
Sick time	\$ 306,000	\$ 330,117
Unamortized actuarial loss	(9,842)	-
Vacation and overtime	<u>19,377</u>	<u>12,076</u>
	<u>\$ 315,535</u>	<u>\$ 342,193</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, 2010, are based on an actuarial valuation for accounting purposes as at December 31, 2010. Significant assumptions used in the valuation include a discount rate of 3.10%, annual inflation of 4.0%, and a net annual sick leave accumulation of 25%.

5. DEFERRED REVENUE

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

	<u>2010</u>	<u>2009</u>
Municipal Sustainability Initiative (MSI)	\$ 132,029	\$ 359,523
Other	153,560	289,741
New Deal for Cities and Communities	239,372	270,654
Alberta Municipal Infrastructure Program	17,065	114,068
Street Improvement Plan	287,773	-
Municipal Sponsorship Program Walking Trails	238,739	-
Alberta Municipal Water Wastewater Partnership	-	111,855
Sentinel sewer development	-	8,821
Unamortized deferred capital contribution (Crowsnest Centre)	-	2,304
	<u>\$ 1,068,538</u>	<u>\$ 1,156,966</u>

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

MUNICIPALITY OF CROWNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

6. LONG-TERM DEBT

	2010	2009
Tax supported debentures	\$ 1,453,248	\$ 1,751,989
Line of credit	180,000	-
	\$ 1,633,248	\$ 1,751,989

The current portion of the long-term debt amounts to \$478,741 (2009 - 298,741).
Principal and interest repayments are as follows:

	Principal	Interest	Total
2011	\$ 478,741	\$ 36,377	\$ 515,118
2012	298,741	26,659	325,400
2013	298,741	19,547	318,288
2014	298,741	12,436	311,177
2015	258,284	5,324	263,608
	\$ 1,633,248	\$ 100,343	\$ 1,733,591

Debenture debt is repayable to Community Savings and Credit Union Ltd. and matures in 2011 to 2015. Interest is payable at rates ranging from the prime rate to the prime rate plus 1.50%. 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, 2010.

Interest on long-term debt during the year amounted to \$45,928 (2009 - \$46,380).

The Municipality's total cash payments for interest in 2010 were \$45,928 (2009 - \$46,380).

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

7. ACCUMULATED SURPLUS

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

	2010	2009
Unrestricted surplus		
Municipal	\$ 1,376,386	\$ 374,471
Crowsnest Pass Municipal Library	92,421	82,126
Crowsnest Learning Centre Society	-	(85,345)
	1,468,807	371,252
Restricted surplus		
Roads, streets, walks and lighting	470,430	504,806
Land/housing	289,728	425,496
Recreational facilities	85,054	142,847
Electrical distribution	136,028	105,118
Operating contingencies	93,972	93,972
Telecommunications and information technology	29,360	49,000
Police, fire, disaster, ambulance and by-law enforcement	11,566	18,205
Family Community Support Services	23,212	17,928
Risk Management	13,281	13,281
Sanitary sewer equipment	531	531
	1,153,162	1,371,184
Equity in tangible capital assets	97,793,794	93,606,430
	\$ 100,415,763	\$ 95,348,866

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

MUNICIPALITY OF CROWNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

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:

	2010			2009
	Salary ¹	Benefits ²	Total	Total
Council				
Mayor Irwin	\$ 10,619	\$ 5,537	\$ 16,156	\$ 20,920
Councilor Salus	6,730	3,864	10,594	15,440
Councilor Mitchell	9,205	4,799	14,004	14,380
Councilor Taje	4,629	2,656	7,285	11,090
Councilor Ward	6,663	3,825	10,488	14,210
Councilor Cole	6,950	3,996	10,946	13,850
Councilor Macleod	6,103	3,182	9,285	12,320
Mayor Decoux	2,368	1,235	3,603	-
Councilor Gail	1,954	1,121	3,075	-
Councilor Gallant	2,341	1,351	3,692	-
Councilor Saje	2,294	1,323	3,617	-
Councilor Saindon	2,168	1,248	3,416	-
Councilor Lonsbury	2,188	1,141	3,329	-
Chief Administrative Officer	163,851	23,364	187,215	114,438
Designated Officers (3)	244,566	28,747	273,313	250,959

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships, and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial 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 200,000 people and about 418 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, 2010

9. LOCAL AUTHORITIES PENSION PLAN (continued)

The Municipality is required to make current service contributions to the LAPP of 11.66% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 10.66% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by Municipality of Crowsnest Pass to the LAPP in 2010 were \$273,165 (2009 - \$255,316). Total current service contributions by the employees of Municipality of Crowsnest Pass to the Local Authorities Pension Plan in 2010 were \$244,933 (2009 - \$226,997).

At December 31, 2009, the Plan disclosed an actuarial deficiency of \$3,999 million.

10. DEBT LIMITS

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

	<u>2010</u>	<u>2009</u>
Total debt limit	\$ 19,023,477	\$ 18,710,717
Total debt	<u>1,633,248</u>	<u>1,751,989</u>
Amount total debt limit unused	<u>\$ 17,390,229</u>	<u>\$ 16,958,728</u>
Debt servicing limit	\$ 3,170,580	\$ 3,118,453
Debt servicing	<u>515,118</u>	<u>339,623</u>
Amount of debt servicing limit unused	<u>\$ 2,655,462</u>	<u>\$ 2,778,830</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2010	2009
Tangible capital assets (Schedule 2)	\$ 213,978,118	\$ 207,120,177
Accumulated amortization (Schedule 2)	(114,551,076)	(111,759,454)
Long-term debt (note 6)	(1,633,248)	(1,751,989)
Unamortized deferred capital contribution	-	(2,304)
	\$ 97,793,794	\$ 93,606,430

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.

	2010
Financial Plan Bylaw surplus for the year	\$ 17,285
Add: Adjustment for salaries and wages	170,000
Add: Capital expenditures	6,152,751
Add: Principal payments on long-term debt	298,741
Less: Proceeds on long-term debt	(60,000)
Less: Transfers to reserve and own funds	(56,458)
Less: Amortization	(3,250,000)
Less: Increase due to change in minimum tax by-law	(150,000)
Less: Increase in expected grant revenue	(4,309)
Budget surplus reported in financial statements	\$ 3,118,010

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:

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

MUNICIPALITY OF CROWNEST PASS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010

13. SEGMENTED INFORMATION (continued)

General Government

General government includes the administration and management of the Municipality.

Protection

Protection is comprised of by-law enforcement, police, fire and ambulance services requisitions. The mandate of the police and by-law 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, heritage matters, and highway maintenance 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, 2010

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, 2012. 2011 payments are \$317,626 and 2012 payments are \$134,236.
- 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 2011.
- c) Fortis Alberta Inc. Under the terms of this agreement, Fortis Alberta Inc. will provide distribution access services. Contract expires in 2015.
- d) 660903 Alberta Ltd. (Pass Beverages). This agreement is for recycling services within the Municipality, monthly fee of \$7,500 per month and expires December 2012, and carries an option for a three year renewal.
- e) Professional services. BDO Canada LLP to provide auditing services for the audit periods through 2012. North & Company LLP to provide legal advisory services to December 2012.
- f) Other. The Municipality has other leases and agreements with clubs and citizens for the use of various facilities and properties. The Municipality also has leases for various office equipment.