

**MUNICIPALITY OF
CROWSNEST PASS**

**NON-CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 2001**



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Chartered Accountants
and Consultants

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AUDITORS' REPORT

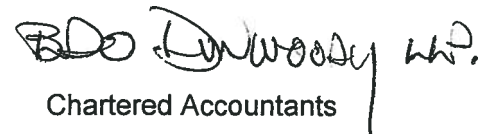
To the Mayor and Council
Municipality of Crowsnest Pass

We have audited the non-consolidated statement of financial position of the Municipality of Crowsnest Pass as at December 31, 2001 and the non-consolidated statement of financial activities and change in fund balance, and non-consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of Crowsnest Pass as at December 31, 2001 and the results of its financial activities and cash flows for the year then ended in accordance with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants, except that they are non-consolidated as explained in note 1(a).

Lethbridge, Alberta
March 13, 2002


Chartered Accountants

MUNICIPALITY OF CROWNEST PASS

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2001

	2001	2000
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 6,044,293	\$ 4,342,258
Taxes and grants in place of taxes receivable (note 3)	307,232	415,701
Trade and other receivables	690,744	1,056,994
Land held for resale	87,094	89,728
Prepaid expenses	65,130	60,209
	7,194,493	5,964,890
PHYSICAL ASSETS		
Inventory for consumption	244,231	246,110
Physical assets (note 4)	47,310,671	46,343,550
	47,554,902	46,589,660
	\$ 54,749,395	\$ 52,554,550
LIABILITIES AND MUNICIPAL EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,007,612	\$ 1,797,956
Deposits	10,035	19,803
Deferred revenue (note 5)	1,047,639	433,198
Long term debt (note 6)	-	27,939
	3,065,286	2,278,896
MUNICIPAL EQUITY		
Fund balances		
Operating Fund - (Schedule 1)	1,330,525	631,518
Capital - (Schedule 2)	-	-
Reserves - (Schedule 3, note 7)	2,798,682	3,082,415
	4,129,207	3,713,933
Equity in physical assets	47,554,902	46,561,721
	51,684,109	50,275,654
	\$ 54,749,395	\$ 52,554,550

APPROVED BY COUNCIL:

 <hr style="border: 0; border-top: 1px solid black;"/> MAYOR	 <hr style="border: 0; border-top: 1px solid black;"/> CHIEF ADMINISTRATIVE OFFICER
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MUNICIPALITY OF CROWNEST PASS

NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES YEAR ENDED DECEMBER 31, 2001

	Budget	2001 Actual	2000 Actual
REVENUE			
Net municipal property taxes (Schedule 4)	\$ 4,124,362	\$ 4,271,732	\$ 3,883,909
User fees and sale of goods	2,639,770	2,852,641	3,379,177
Penalties and costs of taxes	65,000	72,686	75,567
Franchise and concession contracts	300,000	231,065	262,359
Investment income	164,000	265,380	206,791
Licenses and permits	94,510	68,805	77,883
Rentals	139,082	136,457	140,067
Government transfers (note 8)	3,712,001	938,194	588,693
Gain on disposal of land held for resale	-	23,867	177,109
Other	6,219	260,557	170,080
	11,244,944	9,121,384	8,961,635
EXPENDITURES (Schedule 5)			
Legislative	86,270	105,427	85,878
Administrative	1,310,660	1,237,737	989,553
Police, fire, disaster, ambulance and bylaw enforcement	1,307,250	1,305,657	1,091,163
Roads, streets, walks and lighting	6,690,552	2,509,081	2,462,307
Water and wastewater	740,950	794,376	678,851
Waste management	399,130	464,357	395,080
Recreation and parks	2,190,698	1,410,776	1,504,073
Electrical distribution	425,600	499,446	1,214,079
Other	564,505	351,314	451,251
	13,715,615	8,678,171	8,872,235
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,470,671)	443,213	89,400
CAPITAL FINANCING TRANSACTION			
Repayment of long term debt	(30,405)	(27,939)	(280,155)
New debt issued	1,814,697	-	-
CHANGE IN FUND BALANCES	\$ (686,379)	\$ 415,274	\$ (190,755)

MUNICIPALITY OF CROWNEST PASS

NON-CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 2001

	<u>2001</u>	<u>2000</u>
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 443,213	\$ 89,400
Net change in non-cash operating working capital balances:		
Taxes and grants in place of taxes receivable	108,469	96,286
Trade and other receivables	368,884	1,903
Prepaid expenses	(4,921)	52,796
Accounts payable and accrued liabilities	209,656	730,199
Deposits	(9,768)	(1,018)
Deferred revenue	614,441	330,548
	<u>1,729,974</u>	<u>1,300,114</u>
FINANCING ACTIVITIES		
Repayment of long term debt	<u>(27,939)</u>	<u>(280,155)</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR		
	1,702,035	1,019,959
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR		
	<u>4,342,258</u>	<u>3,322,299</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR		
	<u>\$ 6,044,293</u>	<u>\$ 4,342,258</u>

MUNICIPALITY OF CROWNEST PASS

OPERATING FUND YEAR ENDED DECEMBER 31, 2001

SCHEDULE 1

	<u>Budget</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
REVENUE			
Net municipal property taxes	\$ 4,124,362	\$ 4,271,732	\$ 3,883,909
User fees and sale of goods	2,639,770	2,852,641	3,379,177
Penalties and costs of taxes	65,000	72,686	75,567
Franchise and concession contracts	300,000	231,065	262,359
Investment income	164,000	265,380	206,791
Licenses and permits	94,510	68,805	77,883
Rentals	139,082	136,457	140,067
Government transfers (note 8)	3,712,001	938,194	588,693
Gain on disposal of land held for resale	-	23,867	177,109
Other	6,219	220,215	158,024
	<u>11,244,944</u>	<u>9,081,042</u>	<u>8,949,579</u>
EXPENDITURES (Schedule 5)			
Legislative	86,270	105,427	85,878
Administration	1,117,299	1,193,168	957,441
Police, fire, disaster, ambulance and bylaw enforcement	1,075,250	1,155,819	1,031,883
Roads, streets, walks, and lighting	1,752,978	1,864,260	1,606,920
Water and wastewater	740,950	794,376	670,321
Waste management	399,130	464,357	395,080
Recreation and parks	1,215,287	1,275,209	1,233,421
Electrical distribution	425,600	499,446	1,021,960
Other	564,505	351,314	451,251
	<u>7,377,269</u>	<u>7,703,376</u>	<u>7,454,155</u>
EXCESS OF REVENUE OVER EXPENDITURES	3,867,675	1,377,666	1,495,424
NET INTERFUND TRANSFERS			
Transfer to Capital - repayment of long term debt	(30,405)	(27,939)	(280,155)
Transfer from Reserves	-	-	106,155
Transfer to Reserves	-	-	(747,459)
Transfer to Capital	(4,002,247)	(650,720)	(778,930)
	<u>(164,977)</u>	<u>699,007</u>	<u>(204,965)</u>
CHANGE IN FUND BALANCE	(164,977)	699,007	(204,965)
FUND BALANCE, BEGINNING OF YEAR	631,518	631,518	-
As previously reported	-	-	981,305
Prior period error correction	-	-	(144,822)
	<u>631,518</u>	<u>631,518</u>	<u>836,483</u>
FUND BALANCE, END OF YEAR	\$ 466,541	\$ 1,330,525	\$ 631,518

MUNICIPALITY OF CROWSNEST PASS

CAPITAL FUND YEAR ENDED DECEMBER 31, 2001

SCHEDULE 2

	Budget	2001 Actual	2000 Actual
REVENUE			
Other	\$ -	\$ 40,342	\$ 12,056
EXPENDITURES			
Administration	193,361	44,569	32,112
Police, fire, disaster, ambulance and bylaw enforcement	232,000	149,838	59,279
Roads, streets, walks and lighting	4,937,574	644,821	855,388
Water and wastewater	-	-	8,530
Waste management	-	-	-
Recreation and parks	975,411	135,567	270,652
Electrical distribution	-	-	192,119
Other	-	-	-
	6,338,346	974,795	1,418,080
EXCESS OF EXPENDITURES OVER REVENUE	(6,338,346)	(934,453)	(1,406,024)
CAPITAL FINANCING TRANSACTION AND NET INTERFUND TRANSFERS			
Repayment of long term debt	(30,405)	(27,939)	(280,155)
Transfer from Operating - repayment of long term debt	30,405	27,939	280,155
Transfer from Reserves	521,402	283,733	460,388
Transfer from Operating	4,002,247	650,720	778,930
Debt issued	1,814,697	-	-
	-	-	(166,706)
CHANGE IN FUND BALANCE	-	-	(166,706)
FUND BALANCE, BEGINNING OF YEAR	-	-	166,706
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

MUNICIPALITY OF CROWSNEST PASS

RESERVE FUND YEAR ENDED DECEMBER 31, 2001

SCHEDULE 3

	<u>Budget</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 3,082,415	\$ 3,082,415	\$ 2,901,499
NET INTERFUND TRANSFERS			
Transfer to Operating	-	-	(106,155)
Transfer from Operating	-	-	747,459
Transfer to Capital	(521,402)	(283,733)	(460,388)
	<u>(521,402)</u>	<u>(283,733)</u>	<u>180,916</u>
FUND BALANCE, END OF YEAR (note 7)	\$ 2,561,013	\$ 2,798,682	\$ 3,082,415

MUNICIPALITY OF CROWSNEST PASS

TAXES LEVIED
YEAR ENDED DECEMBER 31, 2001

SCHEDULE 4

	<u>Budget</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
TAXATION			
Real property taxes	\$ 4,992,254	\$ 5,113,076	\$ 4,957,146
Linear property taxes	919,618	941,874	938,905
Government grants in place of property taxes	148,379	151,970	154,275
Special assessments and local improvement taxes	28,946	29,647	35,370
	<u>6,089,197</u>	<u>6,236,567</u>	<u>6,085,696</u>
REQUISITIONS			
Alberta School Foundation Fund	1,870,125	1,870,125	2,115,687
Crowsnest Pass Senior Housing	94,710	94,710	86,100
	<u>1,964,835</u>	<u>1,964,835</u>	<u>2,201,787</u>
NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	<u>\$ 4,124,362</u>	<u>\$ 4,271,732</u>	<u>\$ 3,883,909</u>

MUNICIPALITY OF CROWNEST PASS

NON-CONSOLIDATED EXPENDITURES BY OBJECT YEAR ENDED DECEMBER 31, 2001

SCHEDULE 5

	<u>Budget</u>	<u>2001 Actual</u>	<u>2000 Actual</u>
OPERATING			
Salaries, wages, and benefits	\$ 2,848,538	\$ 2,727,995	\$ 2,651,003
Contracted and general services	2,301,071	2,465,753	2,233,526
Materials, goods, supplies, and utilities	1,798,353	1,914,097	2,138,787
Bank charges and short term interest	750	57,232	575
Interest on long term debt	2,466	2,662	18,131
Other expenditures	426,091	535,637	412,133
	<u>7,377,269</u>	<u>7,703,376</u>	<u>7,454,155</u>
CAPITAL			
Purchase of physical assets	<u>6,338,346</u>	<u>974,795</u>	<u>1,418,080</u>
TOTAL EXPENDITURES	<u>\$ 13,715,615</u>	<u>\$ 8,678,171</u>	<u>\$ 8,872,235</u>

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

The non-consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

(b) Fund Accounting

Municipality funds consist of the operating, capital, and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

(c) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues recognized in the period in which the transactions or events occurred and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due, with the exception of pension expenditures as disclosed in note 1(m).

(d) Financial Instruments

The Municipality of Crowsnest Pass' financial instruments consist of cash and temporary investments, 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 statements. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

(e) Temporary Investments

Temporary investments are stated at cost.

(f) Inventories

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

(g) Physical Assets

Physical assets, comprising capital property and inventories of materials and supplies are recognized as expenditures in the period they are acquired. Further, physical assets are carried on the statement of financial position at cost except for donated assets, which are recorded at estimated fair value when acquired.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Physical Assets

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

Physical assets for tax supported operations are not depreciated.

(h) Prepaid Local Improvements Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Municipality.

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

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

(i) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from operating reserves are reflected as an adjustment to the operating fund while transfers to and/or from capital reserves are shown as an adjustment to capital equity.

(j) Over-Levies

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and shown as an operating expenditure.

In situations where the actual levy is less than the requisition amount, the resulting under-levy is not adjusted for in the financial statements.

Requisition mill-rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year. Amounts previously accrued for excess collections are included in operating revenue.

(k) Equity in Physical Assets

Equity in physical assets represents the Municipality's net investment in its total physical assets after deducting long term capital borrowings and other capital liabilities.

MUNICIPALITY OF CROWNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Government Transfers

Government transfers are recognized in the financial statements as revenues or capital finances acquired in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, and eligibility criteria have been met by the Municipality, and reasonable estimates of the amounts can be made.

(m) Pension

The Municipality participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

(n) Deferred Revenue

Deferred revenue represents grant and other funds received for which the corresponding expenditure has not been incurred. The deferred revenue will be taken into income when the corresponding expenditures have occurred, which is likely to occur in the ensuing fiscal year.

(o) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2001</u>	<u>2000</u>
Cash	\$ 238,517	\$ 230,158
Temporary investments	5,805,776	4,112,100
	<u>\$ 6,044,293</u>	<u>\$ 4,342,258</u>

The temporary investments are held in a RT Capital Management Unit Participation Fund. The investments earn varying interest rates throughout the year.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2001</u>	<u>2000</u>
Current year	\$ 177,885	\$ 274,563
Arrears	129,347	141,138
	<u>\$ 307,232</u>	<u>\$ 415,701</u>

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001

4. PHYSICAL ASSETS

	<u>2001</u>	<u>2000</u>
Land	\$ 535,820	\$ 446,554
Buildings	8,155,237	7,985,757
Engineering structures	30,202,582	29,647,701
Machinery, equipment and furnishings	6,584,005	6,443,091
Vehicles	1,833,027	1,820,447
	<u>\$ 47,310,671</u>	<u>\$ 46,343,550</u>

5. DEFERRED REVENUE

The deferred revenue balance represents restricted funds received in the current period that are related to the subsequent period. Changes in the deferred revenue balance is as follows:

	<u>2001</u>	<u>2000</u>
Beginning balance	\$ 433,198	\$ 102,650
Change in balance during the year	614,441	330,548
Ending balance	<u>\$ 1,047,639</u>	<u>\$ 433,198</u>

6. LONG TERM DEBT

	<u>2001</u>	<u>2000</u>
Tax supported debentures	\$ -	\$ 27,939
Current portion	\$ -	\$ 27,939

MUNICIPALITY OF CROWNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001

7. RESERVES

Reserves for operating and capital activities changed as follows:

	2000	Increases	Decreases	2001
Administration	\$ 347,337	-	\$ 10,631	\$ 336,706
Police, fire, disaster, ambulance and bylaw enforcement	107,192	96,307	3,420	200,079
Roads, streets, walks and lighting	650,520	15,000	482,447	183,073
Sanitary sewer equipment	280,000	-	-	280,000
Family Community Support Services	6,746	200	2,035	4,911
Land/housing	760,836	50,974	15,422	796,388
Recreational facilities	239,826	132,366	64,625	307,567
Electrical distribution	172,000	-	-	172,000
Millrate stabilization	517,958	-	-	517,958
	<u>\$ 3,082,415</u>	<u>\$ 294,847</u>	<u>\$ 578,580</u>	<u>\$ 2,798,682</u>

8. GOVERNMENT TRANSFERS

	Budget	2001 Actual	2000 Actual
Federal transfers			
Shared-cost agreements and grants	\$ 48,940	\$ 49,683	\$ 32,295
Provincial transfers			
Shared-cost agreements and grants	3,633,026	884,511	552,398
Local government transfers			
Shared-cost agreements and grants	4,000	4,000	4,000
	<u>\$ 3,685,966</u>	<u>\$ 938,194</u>	<u>\$ 588,693</u>

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001

9. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected Municipality officials, the chief administrative officer and designated officers as required by Alberta Regulation 379/94 are as follows:

	Salary (1)	Benefits & Allowances (2)	2001 Total	2000 Total
Mayor Irwin	\$ 11,925	\$ 362	\$ 12,287	\$ 12,179
Councillor Bellerose	5,370	105	5,475	9,230
Councillor Chorney	2,910	-	2,910	-
Councillor Cole	2,780	82	2,862	-
Councillor Littlewood	5,150	-	5,150	8,495
Councillor Marra	2,500	70	2,570	-
Councillor Montgomery	4,390	63	4,453	9,121
Councillor Prince	5,070	92	5,162	9,609
Councillor Rejman	8,135	199	8,334	7,495
Councillor Stanley	2,695	78	2,773	-
Councillor Sterling	2,565	73	2,638	-
Councillor Sygutek	5,050	88	5,138	8,285
	<u>\$ 58,540</u>	<u>\$ 1,212</u>	<u>\$ 59,752</u>	<u>\$ 64,414</u>
Chief Administrative Officer	\$ 79,461	\$ 12,105	\$ 91,566	\$ 70,502

(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 retirement pension, Canada Pension Plan (CPP), Employment Insurance (EI), 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.

MUNICIPALITY OF CROWNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2001

10. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipality of Crowsnest Pass participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 110,000 people and about 422 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Municipality of Crowsnest Pass is required to make current service contributions to the Plan of 5.025% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 6.9% for the excess.

At December 31, 2001, the Plan disclosed an actuarial surplus of \$883.8 million.

11. DEBT LIMITS

Section 267(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>2001</u>	<u>2000</u>
Total debt limit	\$ 13,621,563	\$ 13,348,842
Total debt	-	30,406
Total unused debt limit	<u>\$ 13,621,563</u>	<u>\$ 13,318,436</u>
Debt servicing limit	\$ 2,270,260	\$ 2,224,807
Debt servicing	-	32,872
Amount of unused debt servicing limit	<u>\$ 2,270,260</u>	<u>\$ 2,191,935</u>

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

12. CONTINGENCY

The Municipality of Crowsnest Pass is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Municipality of Crowsnest Pass 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 losses are determined.

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.