

**MUNICIPALITY OF
CROWSNEST PASS**

**NON-CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 2003**



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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, 2003 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, 2003 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 4, 2004


Chartered Accountants

MUNICIPALITY OF CROWSNEST PASS

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2003

	2003	2002
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 1,222,124	\$ 6,092,286
Taxes and grants in place of taxes receivable (note 3)	401,410	290,140
Trade and other receivables	2,509,759	776,479
Land held for resale	335,643	76,643
Prepaid expenses	69,756	73,973
	4,538,692	7,309,521
PHYSICAL ASSETS		
Inventory for consumption	224,005	234,816
Physical assets (note 4)	57,485,463	49,589,226
	57,709,468	49,824,042
	\$ 62,248,160	\$ 57,133,563
LIABILITIES AND MUNICIPAL EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,141,037	\$ 1,098,470
Accrued interest payable	7,413	2,312
Deposits	9,930	10,340
Deferred revenue (note 5)	241,657	2,002,557
Long term debt (note 6)	1,604,450	467,375
	4,004,487	3,581,054
MUNICIPAL EQUITY		
Fund balances		
Operating Fund - (Schedule 1)	(102,000)	1,295,330
Capital - (Schedule 2)	-	-
Reserves - (Schedule 3, note 7)	2,248,067	2,902,824
	2,146,067	4,198,154
Equity in physical assets	56,097,606	49,354,355
	58,243,673	53,552,509
	\$ 62,248,160	\$ 57,133,563

APPROVED BY COUNCIL:



MAYOR



CHIEF ADMINISTRATIVE OFFICER

MUNICIPALITY OF CROWNEST PASS

NON-CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES YEAR ENDED DECEMBER 31, 2003

	Budget (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Net municipal property taxes (Schedule 4)	\$ 4,857,977	\$ 4,770,352	\$ 4,532,444
User fees and sale of goods	2,887,613	2,868,693	2,806,496
Penalties and costs of taxes	62,000	62,805	61,300
Franchise and concession contracts	231,066	232,426	190,563
Investment income	128,500	183,349	205,671
Licenses and permits	101,300	84,262	91,534
Rentals	166,601	175,533	155,774
Government transfers (note 8)	5,768,814	6,962,926	1,406,770
Gain on disposal of land held for resale	-	-	76,643
Other	97,769	222,460	210,963
	<u>14,301,640</u>	<u>15,562,806</u>	<u>9,738,158</u>
EXPENDITURES (Schedule 5)			
Legislative	118,372	144,487	128,163
Administrative	1,138,186	1,123,816	1,292,257
Police, fire, disaster, ambulance and bylaw enforcement	1,527,709	3,781,994	1,284,502
Roads, streets, walks and lighting	10,827,886	9,233,567	3,766,829
Water and wastewater	1,006,329	1,134,851	922,402
Waste management	431,472	546,254	516,066
Recreation and parks	1,770,004	1,827,552	1,361,603
Electrical distribution	505,730	423,280	532,494
Other	702,551	536,167	496,905
	<u>18,028,239</u>	<u>18,751,968</u>	<u>10,301,221</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(3,726,599)	(3,189,162)	(563,063)
CAPITAL FINANCING TRANSACTION			
Repayment of long term debt	-	-	-
New debt issued	2,699,193	1,137,075	467,375
CHANGE IN FUND BALANCES	\$ (1,027,406)	\$ (2,052,087)	\$ (95,688)

MUNICIPALITY OF CROWSNEST PASS

NON-CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 2003

	2003	2002
CASH FLOWS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (3,189,162)	\$ (563,063)
Net change in non-cash operating working capital balances:		
Taxes and grants in place of taxes receivable	(111,270)	17,092
Trade and other receivables	(1,733,280)	(85,735)
Land held for resale	(259,000)	10,451
Prepaid expenses	4,217	(8,844)
Accounts payable and accrued liabilities	1,042,568	(907,321)
Deposits	(410)	305
Deferred revenue	(1,760,900)	954,918
	(6,007,237)	(582,197)
FINANCING ACTIVITIES		
Proceeds from long term debt	1,137,075	467,375
DECREASE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(4,870,162)	(114,822)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	6,092,286	6,207,108
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 1,222,124	\$ 6,092,286

MUNICIPALITY OF CROWNEST PASS

OPERATING FUND YEAR ENDED DECEMBER 31, 2003

SCHEDULE 1

	Budget (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Net municipal property taxes (schedule 4)	\$ 4,857,977	\$ 4,770,352	\$ 4,532,444
User fees and sale of goods	2,887,613	2,868,693	2,806,496
Penalties and costs of taxes	62,000	62,805	61,300
Franchise and concession contracts	231,066	232,426	190,563
Investment income	128,500	183,349	205,671
Licenses and permits	101,300	84,262	91,534
Rentals	166,601	175,533	155,774
Government transfers (note 8)	5,768,814	6,962,926	1,406,770
Gain on disposal of land held for resale	-	-	76,643
Other	97,769	222,460	210,963
	14,301,640	15,562,806	9,738,158
EXPENDITURES (Schedule 5)			
Legislative	118,372	144,487	128,163
Administration	1,114,498	1,068,141	1,205,879
Police, fire, disaster, ambulance and bylaw enforcement	1,216,009	3,743,067	1,180,152
Roads, streets, walks, and lighting	2,074,467	1,896,455	1,981,285
Water and wastewater	1,006,329	1,134,474	872,962
Waste management	431,472	546,254	516,066
Recreation and parks	1,293,423	1,424,802	1,196,105
Electrical distribution	505,730	410,807	532,494
Other	692,587	487,244	409,560
	8,452,887	10,855,731	8,022,666
EXCESS OF REVENUE OVER EXPENDITURES	5,848,753	4,707,075	1,715,492
NET INTERFUND TRANSFERS			
Transfer from Reserves	54,490	256,252	1,330
Transfer to Reserves	(85,000)	(536,268)	(227,665)
Transfer to Capital	(5,580,332)	(5,824,389)	(1,524,352)
CHANGE IN FUND BALANCE	237,911	(1,397,330)	(35,195)
FUND BALANCE, BEGINNING OF YEAR	1,295,330	1,295,330	1,330,525
FUND BALANCE, END OF YEAR	\$ 1,533,241	\$ (102,000)	\$ 1,295,330

MUNICIPALITY OF CROWSNEST PASS

CAPITAL FUND YEAR ENDED DECEMBER 31, 2003

SCHEDULE 2

	Budget (Unaudited)	2003 Actual	2002 Actual
REVENUE			
Other	\$ -	\$ -	\$ -
EXPENDITURES			
Administration	23,688	55,675	86,378
Police, fire, disaster, ambulance and bylaw enforcement	311,700	38,927	104,350
Roads, streets, walks and lighting	8,753,419	7,337,112	1,785,544
Water and wastewater	-	377	49,440
Recreation and parks	476,581	402,750	165,498
Electrical distribution	-	12,473	-
Other	9,964	48,923	87,345
	9,575,352	7,896,237	2,278,555
DEFICIENCY OF EXPENDITURES OVER REVENUE	(9,575,352)	(7,896,237)	(2,278,555)
CAPITAL FINANCING TRANSACTION AND NET INTERFUND TRANSFERS			
Transfer from Reserves	1,295,827	934,773	286,828
Transfer from Operating	5,580,332	5,824,389	1,524,352
Debt issued	2,699,193	1,137,075	467,375
CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

MUNICIPALITY OF CROWNEST PASS

RESERVE FUND YEAR ENDED DECEMBER 31, 2003

SCHEDULE 3

	<u>Budget (Unaudited)</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 2,902,824	\$ 2,902,824	\$ 2,963,317
NET INTERFUND TRANSFERS			
Transfer to Operating	(54,490)	(256,252)	(1,330)
Transfer from Operating	85,000	536,268	227,665
Transfer to Capital	(1,295,827)	(934,773)	(286,828)
	<u>(1,265,317)</u>	<u>(654,757)</u>	<u>(60,493)</u>
FUND BALANCE, END OF YEAR (note 7)	<u>\$ 1,637,507</u>	<u>\$ 2,248,067</u>	<u>\$ 2,902,824</u>

MUNICIPALITY OF CROWSNEST PASS

TAXES LEVIED YEAR ENDED DECEMBER 31, 2003

SCHEDULE 4

	Budget (Unaudited)	2003 Actual	2002 Actual
TAXATION			
Real property taxes	\$ 6,033,942	\$ 5,929,174	\$ 5,486,138
Linear property taxes	840,700	840,700	919,399
Government grants in place of property taxes	131,735	148,876	167,308
Special assessments and local improvement taxes	15,083	15,083	14,069
	<u>7,021,460</u>	<u>6,933,833</u>	<u>6,586,914</u>
REQUISITIONS			
Alberta School Foundation Fund	2,048,884	2,048,884	1,950,289
Crowsnest Pass Senior Housing	114,599	114,597	104,181
	<u>2,163,483</u>	<u>2,163,481</u>	<u>2,054,470</u>
NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES	<u>\$ 4,857,977</u>	<u>\$ 4,770,352</u>	<u>\$ 4,532,444</u>

MUNICIPALITY OF CROWSNEST PASS

NON-CONSOLIDATED EXPENDITURES BY OBJECT YEAR ENDED DECEMBER 31, 2003

SCHEDULE 5

	<u>Budget</u> <u>(Unaudited)</u>	<u>2003</u> <u>Actual</u>	<u>2002</u> <u>Actual</u>
OPERATING			
Salaries, wages, and benefits	\$ 3,061,207	\$ 3,627,205	\$ 2,982,788
Contracted and general services	2,893,415	4,385,830	2,541,582
Materials, goods, supplies, and utilities	1,745,937	2,367,127	1,945,595
Bank charges and short term interest	2,450	1,598	8,234
Interest on long term debt	54,208	-	-
Other expenditures	695,670	473,971	544,467
	<u>8,452,887</u>	<u>10,855,731</u>	<u>8,022,666</u>
CAPITAL			
Purchase of physical assets	<u>9,575,352</u>	<u>7,896,237</u>	<u>2,278,555</u>
TOTAL EXPENDITURES	<u>\$ 18,028,239</u>	<u>\$ 18,751,968</u>	<u>\$ 10,301,221</u>

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

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 CROWNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

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, 2003

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>2003</u>	<u>2002</u>
Cash	\$ 971,538	\$ 563,283
Temporary investments	250,586	5,529,003
	<u>\$ 1,222,124</u>	<u>\$ 6,092,286</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>2003</u>	<u>2002</u>
Current year	\$ 294,914	\$ 212,025
Arrears	106,496	78,115
	<u>\$ 401,410</u>	<u>\$ 290,140</u>

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003

4. PHYSICAL ASSETS

	<u>2003</u>	<u>2002</u>
Land	\$ 970,309	\$ 767,266
Buildings	8,413,108	8,307,791
Engineering structures	39,137,169	31,824,220
Machinery, equipment and furnishings	7,049,918	6,794,982
Vehicles	1,914,959	1,894,967
	<u>\$ 57,485,463</u>	<u>\$ 49,589,226</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>2003</u>	<u>2002</u>
Beginning balance	\$ 2,002,557	\$ 1,047,639
Change in balance during the year	(1,760,900)	954,918
Ending balance	<u>\$ 241,657</u>	<u>\$ 2,002,557</u>

6. LONG TERM DEBT

	<u>2003</u>	<u>2002</u>
Community Savings demand loans	\$ 1,604,450	\$ 467,375
Less current portion	<u>(1,604,450)</u>	<u>(467,375)</u>
Current portion	<u>\$ -</u>	<u>\$ -</u>

At year end, the Municipality had two lines of credit with overdraft limits of \$1,356,406 and \$1,342,787. Interest is payable monthly at the credit union prime rate, secured by an account set off agreement and a general security agreement. The loans are due on demand. However, the Municipal by-laws state the Municipality will repay the indebtedness over a five year period in annual instalments, to be paid by 2007.

Subsequent to year end, a third line of credit was established with an overdraft limit of \$1,000,000, interest payable monthly at the credit union prime rate, due on demand, secured by a general security agreement.

MUNICIPALITY OF CROWNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003

7. RESERVES

Reserves for operating and capital activities changed as follows:

	2002	Increases	Decreases	2003
Administration	\$ 321,140	\$ -	\$ 321,140	\$ -
Police, fire, disaster, ambulance and bylaw enforcement	204,207	106,702	-	310,909
Roads, streets, walks and lighting	168,168	-	165	168,003
Sanitary sewer equipment	280,000	445,129	403,975	321,154
Family Community Support Services	3,685	127	-	3,812
Land/housing	920,668	94,455	248,052	767,071
Recreational facilities	314,998	46,543	217,693	143,848
Electrical distribution	172,000	-	156,688	15,312
Millrate stabilization	517,958	-	-	517,958
	<u>\$ 2,902,824</u>	<u>\$ 692,956</u>	<u>\$ 1,347,713</u>	<u>\$ 2,248,067</u>

8. COMMITMENTS

The Municipality has a contract for Phase III of the Bellevue Waterline for approximately \$254,000.

The Municipality has committed to the purchase of a fire truck for approximately \$133,000.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003

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)	2003 Total	2002 Total
Mayor Irwin	\$ 17,635	\$ -	\$ 17,635	\$ 18,300
Councillor Chorney	13,100	-	13,100	12,885
Councillor Cole	12,955	-	12,955	11,710
Councillor Marra	10,605	-	10,605	11,215
Councillor Rejman	11,255	-	11,255	11,365
Councillor Stanley	12,890	-	12,890	12,445
Councillor Sterling	10,130	-	10,130	11,840
	<u>\$ 88,570</u>	<u>\$ -</u>	<u>\$ 88,570</u>	<u>\$ 89,760</u>
Chief Administrative Officer	\$ 79,918	\$ 1,714	\$ 81,632	\$ 96,242

(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 CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003

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 133,000 people and about 389 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, 2002, the Plan disclosed an actuarial surplus of \$635.0 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>2003</u>	<u>2002</u>
Total debt limit	\$ 13,261,275	\$ 14,607,237
Total debt	<u>1,604,450</u>	<u>469,687</u>
Total unused debt limit	<u>\$ 11,656,825</u>	<u>\$ 14,137,550</u>
Debt servicing limit	\$ 2,210,213	\$ 2,434,540
Debt servicing	<u>642,044</u>	<u>469,687</u>
Amount of unused debt servicing limit	<u>\$ 1,568,169</u>	<u>\$ 1,964,853</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.

MUNICIPALITY OF CROWSNEST PASS

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2003

12. CONTINGENCY (continued)

The employees accumulate two days sick leave for each month of employment, up to a total accumulation of 120 working days. Upon death (after five years of service) or retirement (after ten years of service), fifty percent (50%) of accumulated sick pay shall be payable upon retirement to the employee. Therefore, the Municipality has accrued fifty percent (50%) of the total liability for accumulated sickness benefits. The total estimated sickness benefit liability as at December 31, 2003 is \$417,000, of which \$369,000 is accrued in the financial statements.

13. BUDGET FIGURES

The budgeted figures have been presented for comparative purposes only, they have not been audited or reviewed.