

Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2006

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Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of the Town of Banff (the "Town") are the responsibility of management and have been approved by the Town's Council. The consolidated financial statements have been prepared in conformity with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants, using management's best estimates and judgements, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position, the results of its financial activities and changes in financial position of the Town within reasonable limits of materiality.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are properly maintained to provide accurate and reliable financial statements.

Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Council carries out this responsibility through regular meetings with management throughout the year to review significant accounting and auditing matters.

These consolidated financial statements have been audited, in accordance with Canadian generally accepted auditing standards, by Chengkalath Van Eyck, Chartered Accountants, who were appointed by Council. Chengkalath Van Eyck have full and unrestricted access to management and Council to discuss their audit and related findings. The Auditor's Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on the following page.

Tom Maier
Director of Corporate Services

Robert Earl
Town Manager

March 31, 2007

March 31, 2007



Auditors' Report

To the Members of Council:

We have audited the consolidated statement of financial position of the Town of Banff (the "Town") as at December 31, 2006 and the consolidated statement of financial activities with change in fund balance and the consolidated statement of changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Town's management. 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 plan and perform an audit to obtain reasonable assurance whether the non-consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2006 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

Chengkalath Van Eyck

Chartered Accountants

March 31, 2007

TOWN OF BANFF
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2006 and 2005

	2006	2005
Financial Assets		
Cash	\$ 11,448,642	\$ 8,187,470
Taxes and grants in place of taxes receivables (Note 3)	392,425	319,698
Trade and other receivables (Note 4)	2,075,686	2,229,903
Under collection of requisitions (Note 5)	-	22,331
Land and housing held for development and resale	664,679	402,257
Due from related organizations (Note 6)	380,381	415,484
Second mortgages receivable (Note 7)	1,350,500	1,425,000
Prepaid expenses	33,206	18,447
	16,345,519	13,020,590
Liabilities		
Bank indebtedness (Note 8)	120,325	-
Accounts payable and accrued liabilities	2,559,544	2,384,963
Over collection of requisitions (Note 5)	53,386	-
Deposits	314,268	286,249
Deferred revenue	1,476,933	1,554,331
Long-term debt (Note 9)	580,980	629,119
	5,105,436	4,854,662
Net Financial Assets	11,240,083	8,165,928
Physical Assets		
Inventory of supplies	64,513	61,327
Capital assets (Note 10)	111,399,499	106,689,566
	111,464,012	106,750,893
Net Position	\$ 122,704,095	\$ 114,916,821
Municipal Position		
Equity in capital assets (Schedule 1)	\$ 111,107,909	\$ 106,384,939
Capital fund (Schedule 2)	-	-
Operating fund (Schedule 3)	379,255	725,247
Reserves (Schedule 4)	11,216,931	7,806,635
	\$ 122,704,095	\$ 114,916,821

Approved on behalf of Council by:

TOWN OF BANFF

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCES For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Revenues (Schedule 7 - revenues by object)			
General municipal	\$ 11,198,900	\$ 11,336,964	\$ 11,062,180
General government	106,800	843,365	2,066,994
Protective services	1,500,400	1,974,367	1,462,358
Transportation	4,485,700	5,122,860	3,677,757
Environmental use and protection	3,462,600	3,592,937	3,317,140
Public health and welfare	277,100	291,196	308,010
Planning and development	380,000	645,950	608,130
Recreation and culture	262,800	744,609	730,466
	<u>21,674,300</u>	<u>24,552,248</u>	<u>23,233,035</u>
Expenditures (Schedule 7 - expenditures by object)			
Operating			
General government	2,720,900	2,581,302	2,476,958
Protective services	2,619,800	3,003,872	2,593,571
Transportation	3,959,900	4,106,594	3,667,839
Environmental use and protection	3,205,300	3,100,560	2,941,676
Public health and welfare	536,200	556,151	499,631
Planning and development	1,634,800	1,744,462	1,761,452
Recreation and culture	941,200	1,359,331	1,224,997
	<u>15,618,100</u>	<u>16,452,272</u>	<u>15,166,124</u>
Capital			
General government	531,590	502,176	135,239
Protective services	190,262	166,794	122,017
Transportation	4,506,554	2,598,273	1,079,701
Environmental use and protection	442,722	968,571	2,094,997
Public health and welfare	-	57,507	-
Planning and development	175,289	112,303	41,711
Recreation and culture	381,398	617,011	153,110
	<u>6,227,815</u>	<u>5,022,635</u>	<u>3,626,775</u>
	<u>21,845,915</u>	<u>21,474,907</u>	<u>18,792,899</u>
Excess of revenues over expenditures (expenditures over revenues)	(171,615)	3,077,341	4,440,136
Less: Debt repayment	(13,000)	(13,037)	(12,127)
Change in fund balances	\$ (184,615)	\$ 3,064,304	\$ 4,428,009

TOWN OF BANFF**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operations		
Excess of revenues over expenditures	\$ 3,077,341	\$ 4,440,136
Change in non-cash items:		
Decrease (increase) in taxes and grants in place of taxes receivables	(72,727)	124,854
Decrease (increase) in trade and other receivables	154,217	(67,516)
Increase in land and housing held for development and resale	(262,422)	(397)
Decrease in mortgages receivable	74,500	63,000
Decrease in under collection of requisitions	22,331	100,443
Decrease (increase) in prepaid expenses	(14,759)	4,057
Decrease (increase) in inventory of supplies	(3,186)	8,455
Increase in accounts payable and accrued liabilities	174,581	821,197
Increase in over collection of requisitions	53,386	-
Increase in deposits	28,019	48,682
Decrease in deferred revenue	(77,398)	(34,696)
Total cash provided by operations	3,153,883	5,508,215
Investing		
Net change in amounts due from related organizations	35,103	71,621
Cash provided by investing	35,103	71,621
Financing		
Net change in long-term debt	(48,139)	(42,382)
Cash used for financing	(48,139)	(42,382)
Net change in cash	3,140,847	5,537,454
Cash, beginning of year	8,187,470	2,650,016
Cash, end of year	\$ 11,328,317	\$ 8,187,470
 Cash consists of:		
Cash	\$ 11,448,642	\$ 8,187,470
Bank indebtedness	(120,325)	-
	\$ 11,328,317	\$ 8,187,470

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

1. INCORPORATION

The Town of Banff was incorporated pursuant to the Parks Towns Act of Alberta as set out in the Town of Banff Incorporation Agreement ("the Federal-Provincial Agreement") dated December 12, 1989 between the Governments of Canada and Alberta. Except as modified by the Federal-Provincial Agreement, the Town has all the rights, obligations, duties, powers, and functions and is subject to the same limitations and constraints as provided for towns incorporated pursuant to the Municipal Government Act of Alberta. The boundaries of the Town are set pursuant to the National Parks Act and may only be altered by amendment to that Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Banff 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 the accounting policies adopted by the Town of Banff are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. This entity is comprised of all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to Council for the administration of their affairs and resources. They include the following:

- (i) General – activities associated with the provision of conventional municipal services including General Administrative Services, Protective Services (Fire, Police, Ambulance and Bylaw Services), Public Services (Engineering, Municipal Works, and Planning and Development), and Community Services (Family and Community Support Services and Parks and Recreation).
- (ii) Public Utilities – self-supporting activities which provide Water and Sewer.

The two related authorities included in the consolidated financial statements are the Banff Housing Corporation and the Banff Public Library (note 16). Transactions and balances between the Town and the related authorities have been eliminated.

The schedule of taxes levied also includes requisitions for education 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 are eliminated.

(b) 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 that gave rise to the revenues, and expenditures recognized 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(e).

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

(c) Fund accounting

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

(d) Government transfers

Government transfers are recognized in the financial statements as revenues in the period that the transfers occur.

(e) Pension expenditure

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

(f) Land and housing held for development and resale

Land and housing consists of construction-in-progress, unallocated infrastructure costs, property held for resale, and land held for use in the Banff Housing Corporation's housing projects and is recorded at cost.

(g) Investments

Investments are recorded at cost.

(h) Inventory of supplies

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

(i) Capital assets

Capital assets are reported as expenditures in the period they are acquired. These assets are reported at cost. Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital asset costs.

Capital assets for reporting purposes are not depreciated.

(j) Allowances for operating and capital assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as revenue in the respective operating and capital fund.

(k) 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 reserves are reflected as an adjustment to the respective fund.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

(l) Equity in capital assets

Equity in capital assets represents the Town of Banff's net investment in its total capital assets, after deducting the portion financed by third parties through debentures.

(m) Over-levies and under-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 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 taxes.

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

(n) Use of estimates

The preparation of financial statements in conformity with 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.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2006</u>	<u>2005</u>
Taxes and grants in place of taxes	\$ 435,061	\$ 361,741
Less: Allowance for doubtful accounts	(42,636)	(42,043)
	<u>\$ 392,425</u>	<u>\$ 319,698</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
Receivables from other governments	\$ 177,872	\$ 215,043
Utility and other trade accounts receivable	1,897,814	2,014,860
	<u>\$ 2,075,686</u>	<u>\$ 2,229,903</u>

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

5. UNDER (OVER) COLLECTION OF REQUISITIONS

	2006	2005
Alberta School Foundation	\$ (21,440)	\$ (2,824)
Bow Valley Foundation	(31,946)	25,155
	<u>\$ (53,386)</u>	<u>\$ 22,331</u>

The under (over) collections are applied against the requisition tax rate for the following year.

6. DUE FROM RELATED ORGANIZATIONS

	2006	2005
Rocky Mountain Co-operative Housing Association (see below)	\$ 91,663	\$ 91,663
Bow Valley Regional Housing Authority (see below)	288,718	323,821
	<u>\$ 380,381</u>	<u>\$ 415,484</u>

Rocky Mountain Co-operative Housing Association – Pursuant to a subscription commitment dated April 15, 1992, the Town of Banff has subscribed for four units in the Rocky Mountain Co-operative Housing Association's (RMCHA) Bow River Housing Project. Under this subscription, the Town of Banff purchased one share in RMCHA and advanced RMCHA certain amounts, which are due no later than December 31, 2012. Included in the investments noted above are RMCHA shares and advances, which consist of the following:

	2005	2004
1 common share (par value \$100)	\$ 100	\$ 100
Advances including accrued interest	91,563	91,563
	<u>\$ 91,663</u>	<u>\$ 91,663</u>

Bow Valley Regional Housing Loan – Loan receivable from the Bow Valley Regional Housing Authority bearing interest at 5.25%. The loan is repayable in blended payments of principal and interest of \$50,466 per year until fully repaid in 2013.

7. SECOND MORTGAGES RECEIVABLE/DEFERRED REVENUE

Deferred revenue arose from mortgages receivable with respect to the Middle Springs I housing development in the Town of Banff. The mortgages are registered against the titles of the properties but become due only when the initial owner ceases to reside in the Middle Springs I development. The full amount of the mortgages are recorded as a long-term second mortgage receivable and deferred revenue. When a mortgage becomes due, the revenue is recognized.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

8. CREDIT ARRANGEMENTS

In order to facilitate temporary financing for operating expenditures the Town of Banff has passed a borrowing bylaw approving an operating loan from the Bank of Montreal (BMO). The loan is approved to a maximum of \$13,400,000 for 2006 (2005 - \$12,700,000), which includes \$4,000,000 (2005 - \$3,900,000) to be used for "School Purposes", with interest payable at the BMO's prime rate minus three quarter percent. Security for the loan is on the property taxes of the Town at large. As at December 31, 2005 and 2006, there were no amounts drawn upon this credit facility.

The Bank of Montreal has authorized an operating line of credit to the Banff Housing Corporation in the amount of \$500,000 (2005 - \$250,000) and a construction line of credit in the amount of \$3,500,000 (2005 - \$NIL). Both lines of credit are guaranteed by the Town of Banff and bear interest at Bank of Montreal prime minus 0.75%. As at December 31, 2006 there was \$120,177 (2005 - \$NIL) drawn against the operating line of credit and \$148 (2005 - \$NIL) drawn against the construction line of credit.

9. LONG-TERM DEBT

	2006	2005
Debentures	\$ 580,980	\$ 629,119

Principal and interest repayments are as follows:

	Principal	Interest	Total
2007	\$ 49,288	\$ 37,063	\$ 86,351
2008	52,191	34,160	86,351
2009	54,978	31,373	86,351
2010	57,681	28,670	86,351
2011	62,001	24,350	86,351
Thereafter	304,841	83,163	388,004
	\$ 580,980	\$ 238,779	\$ 819,759

Debenture debt is repayable to the Alberta Capital Finance Authority, bears interest at rates ranging from 5.25% to 7.50% per annum before provincial subsidy, and matures in periods from 2013 through 2019. Debenture debt is issued on the credit and security of the Town of Banff at large.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

10. CAPITAL ASSETS

	2006	2005
Land	\$ 2,488,024	\$ 2,691,181
Engineering structures	50,416,246	47,709,059
Buildings	47,158,267	45,722,887
Machinery and equipment	6,871,621	6,397,330
Vehicles	4,465,341	4,169,109
	\$ 111,399,499	\$ 106,689,566

Pursuant to the Federal – Provincial Agreement and undertakings by the Banff School District, the Town of Banff assumed control of certain capital assets from the Government of Canada and the Banff School District upon incorporation. Although the Town of Banff took possession of these assets and assumed all of the risks and benefits of ownership effective January 1, 1990, legal title to certain of these assets still rests with the Government of Canada or Improvement District #9, as applicable. It is the opinion of the administration that the agreements providing for the transfer of these assets are irrevocable, barring dissolution of the Town of Banff, and that recording the assets is necessary to fairly represent the assets under the administration of the Town of Banff. Accordingly, the assets have been recorded in the accompanying consolidated financial statements.

11. SALARY AND BENEFIT DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2006			2005
	Salary	Benefits & Allowances	Total	Total
Councillors:				
John Stutz	\$ 33,420	\$ 2,234	\$ 35,654	\$ 35,849
Bob Haney	18,530	494	19,024	19,484
Chip Olver	18,900	2,478	21,378	21,669
Oswald Treutler	15,000	2,349	17,349	15,210
Christina MacDonald	16,380	3,226	19,606	19,879
Justin Burwash	15,000	1,373	16,373	19,011
Karen Sorensen	15,540	3,198	18,738	18,648
Municipal Manager	140,024	18,963	158,987	141,911

- Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

2. Benefits and Allowances includes the employer's share of all employee benefits and contributions or payments 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 also includes the Employer's share of the cost of additional taxable benefits including retirement planning services, travel allowances, car allowances and club memberships.

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Banff participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves about 160,000 people and 407 employers. Employer and employee contributions and investment earnings of the LAPP fund finance it.

Effective January 1, 2006, the Town of Banff is required to make current service contributions to the Plan of 7.75% (2005-7.40%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 10.64% (2005-10.14%) for the excess.

Total current service contributions by the Town of Banff to the LAPP in 2006 were \$393,169 (2005 - \$317,810). Total current service contributions by the employees of the Town of Banff to the LAPP in 2006 were \$346,336 (2005 - \$277,564).

Based on the latest information available (December 31, 2005 audited financial statements), in total the LAPP had an actuarial deficit of \$0.864 billion based on the extrapolation of the December 31, 2004 actuarial valuation performed by Mercer Human Resource Consulting, the Town of Banff's portion of which is not readily determinable.

13. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires disclosure of debt and debt limits for the Town of Banff. The debt limit is calculated at 1.5 times revenue (as defined in the Regulations) and the debt service limit is calculated at 0.25 times such revenue.

	2006	2005
Total debt limit	\$ 29,749,142	\$ 27,334,863
Total debt	10,035,579	629,119
Amount total debt limit exceeds total debt	\$ 19,713,563	\$ 26,705,744
Debt servicing limit	\$ 4,958,190	\$ 4,555,811
Debt servicing	981,071	86,351
Amount debt servicing limit exceeds debt servicing	\$ 3,977,119	\$ 4,469,460

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

14. CONTINGENCIES

The Town of Banff is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of the membership, the Town of Banff 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

Under the terms of the Federal – Provincial Agreement the Town of Banff is committed to pay annual rent of \$550,000 plus goods and services tax in respect of land leased from the Government of Canada. Land rent expense is included in General Government Costs in operating expenditures. Under the terms of the agreement the Town of Banff is committed to the following minimum annual payments for the next five years:

2007	-	\$ 566,500
2008	-	\$ 566,500
2009	-	\$ 566,500
2010	-	\$ 566,500
2011	-	\$ 566,500

16. RELATED PARTY TRANSACTIONS

The assets and liabilities and the operations of the following related authorities are included in the Town's consolidated financial statements.

	2006		2005	
	Banff Housing Corporation	Banff Public Library	Banff Housing Corporation	Banff Public Library
Financial Position				
Financial assets	\$ 2,045,383	\$ 216,575	\$ 2,007,751	\$ 207,433
Financial liabilities	1,546,853	14,154	1,543,197	10,820
Net financial assets	498,530	202,421	464,554	196,613
Physical assets	1,430	-	8,681	-
Net position	\$ 499,960	\$ 202,421	\$ 473,235	\$ 196,613
Results of Operations				
Total revenue	\$ 143,760	\$ 452,911	\$ 221,066	\$ 427,254
Total expenditures	117,035	447,103	110,926	409,073
Change in fund balance	\$ 26,725	\$ 5,808	\$ 110,140	\$ 18,181

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

The Banff Housing Corporation was incorporated as a non-profit organization to provide affordable housing to residents of the Town of Banff.

The Banff Public Library promotes literacy, lifelong learning, and access to knowledge, thought, culture and information.

The Town provides the Day Care Society of Banff the use of the property on which it operates for a nominal rent of one dollar per year. The Town also provides the Day Care Society of Banff with administrative resources in order to maintain its operations.

Included in accounts receivable at December 31, 2006 is \$79,621 (2005 - \$80,349) due from the Day Care Society of Banff for year-end payroll distributions.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and deferred revenue.

The fair values of these financial instruments approximate their carrying amount due to the short-term maturity of those instruments unless disclosed otherwise.

A substantial portion of the Town's receivables, are with members of the Town and government agencies and are subject to normal industry credit risk.

Long term debt as described in note 8 is subject to fixed interest rates, therefore the Town is not subject to interest rate risk.

18. CORRECTION OF ERROR

In examining the outstanding balance of second mortgages receivable it was determined that an error was made in 2001. The result of this error was that the second mortgages receivable/deferred revenue balances were overstated by \$64,500. The error was corrected in the current period and all prior period balances were restated to reflect the correction of the error. The result of the correction was that prior period second mortgages receivable/deferred revenue balances were reduced by \$64,500. The correction of this error had no impact on the Town's overall net assets.

19. SUBSEQUENT EVENTS

The Town passed a bylaw on February 26, 2007, which authorizes the designated officers of the Town to issue debenture(s) on behalf of the Town in the amount of \$6,900,000 for the purpose of financing the "Banff Refreshing" project. These debentures are to be repaid in semi-annual or annual payments over a term not to exceed five years, with interest calculated at a rate not to exceed the greater of the rate fixed by the Alberta Capital Finance Authority on the date of the borrowing and six percent.

The Town passed a bylaw on January 8, 2007, which reduces the authorized amount of the Town's short-term credit facility with the Bank of Montreal, as described in note 7, to a maximum of \$10,000,000.

TOWN OF BANFF

Schedule 1

SCHEDULE OF EQUITY IN CAPITAL ASSETS

For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Balance, beginning of year	\$ 106,384,939	\$ 102,916,430
Increases		
Capital assets acquired		
Buildings	1,435,380	60,927
Engineering structures	2,707,187	3,193,391
Machinery and equipment	484,367	148,979
Vehicles	395,701	223,478
Repayment of long-term debt	13,037	12,127
	5,035,672	3,638,902
Decreases		
Proceeds from sale of capital assets		
Land	203,157	159,344
Machinery and equipment	10,076	2,290
Vehicles	99,469	8,759
	312,702	170,393
Balance, end of year	\$ 111,107,909	\$ 106,384,939
Represented by:		
Capital assets per non-consolidated statement of financial position	\$ 111,399,499	\$ 106,689,566
Less: long-term debt related to capital assets	(291,590)	(304,627)
	\$ 111,107,909	\$ 106,384,939

TOWN OF BANFF

Schedule 2

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL

For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Revenues			
General government	\$ 95,000	\$ 829,314	\$ 2,053,890
Protective services	-	-	8,500
Transportation	3,903,000	4,532,162	3,194,556
Environmental use and protection	39,000	144,608	125,816
Public health and welfare	-	-	-
Planning and development	-	10,334	-
Recreation and culture	-	-	39,268
	4,037,000	5,516,418	5,422,030
Expenditures			
General government	531,590	502,176	135,239
Protective services	190,262	166,794	122,017
Transportation	4,506,554	2,598,273	1,079,701
Environmental use and protection	442,722	968,571	2,094,997
Public health and welfare	-	57,507	-
Planning and development	175,289	112,303	41,711
Recreation and culture	381,398	617,011	153,110
	6,227,815	5,022,635	3,626,775
Excess of revenues over expenditures (expenditures over revenues)	(2,190,815)	493,783	1,795,255
Net interfund transfers			
From (to) reserves	2,203,815	(480,746)	(1,783,128)
Repayment of long-term debt	(13,000)	(13,037)	(12,127)
	2,190,815	(493,783)	(1,795,255)
Change in fund balance	-	-	-
Opening fund balance	-	-	-
Closing fund balance	\$ -	\$ -	\$ -

TOWN OF BANFF

Schedule 3

SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - OPERATING

For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Revenues			
General municipal	\$ 11,198,900	\$ 11,336,964	\$ 11,062,180
General government	11,800	14,051	13,104
Protective services	1,500,400	1,974,367	1,453,858
Transportation	582,700	590,698	483,201
Environmental use and protection	3,423,600	3,448,329	3,191,324
Public health and welfare	277,100	291,196	308,010
Planning and development	380,000	635,616	608,130
Recreation and culture	262,800	744,609	691,198
	<u>17,637,300</u>	<u>19,035,830</u>	<u>17,811,005</u>
Expenditures			
General government	2,720,900	2,581,302	2,476,958
Protective services	2,619,800	3,003,872	2,593,571
Transportation	3,959,900	4,106,594	3,667,839
Environmental use and protection	3,205,300	3,100,560	2,941,676
Public health and welfare	536,200	556,151	499,631
Planning and development	1,634,800	1,744,462	1,761,452
Recreation and culture	941,200	1,359,331	1,224,997
	<u>15,618,100</u>	<u>16,452,272</u>	<u>15,166,124</u>
Excess of revenues over expenditures	2,019,200	2,583,558	2,644,881
Net interfund transfers			
To reserves	(2,019,200)	(2,273,975)	(2,266,841)
Change in fund balance	-	309,583	378,040
Opening fund balance	381,780	725,247	347,207
Transfer of surplus to reserves	-	(655,575)	-
Closing fund balance	\$ 381,780	\$ 379,255	\$ 725,247

TOWN OF BANFF

Schedule 4

SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES

For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Balance at beginning of year	\$ 7,806,635	\$ 7,806,635	\$ 3,631,280
Net inter-fund transfers			
From operating fund	2,019,200	2,273,975	2,392,227
From (to) capital fund	(2,203,815)	480,746	1,783,128
Change in fund balance	(184,615)	2,754,721	4,175,355
Transfer of surplus from operating fund	-	655,575	-
Balance at end of year	\$ 7,622,020	\$ 11,216,931	\$ 7,806,635

Reserves are comprised of the following:

	2005	Withdrawals	Additions	2006
Operating reserves				
General operating	\$ 337,333	\$ 187,716	\$ 481,039	\$ 630,656
Tax stabilization	-	-	655,575	655,575
Recreation	64,566	-	-	64,566
Art	6,000	-	-	6,000
Computer	16,706	64,661	87,000	39,045
	424,605	252,377	1,223,614	1,395,842
Capital reserves				
Offsite levies	552,853	-	139,542	692,395
Computer replacement	146,888	203,460	150,395	93,823
Art	31,694	54	10,000	41,640
Fire services	304,171	-	65,000	369,171
Common services equipment	438,268	395,701	324,469	367,036
Cave/Spray redevelopment	152,888	14,129	-	138,759
Water	(21,099)	660,298	425,633	(255,764)
Sewer	(1,740,157)	131,059	699,452	(1,171,764)
Garbage facility	41,300	-	8,400	49,700
Heritage	216,551	36,599	-	179,952
Cash in lieu of housing	9,975	-	1,653	11,628
Staff housing	(203,669)	-	203,156	(513)
Revolving capital	390,962	11,250	-	379,712
General capital	6,988,297	3,625,540	5,485,453	8,848,210
Parking facilities	(244,592)	-	-	(244,592)
Banff Housing Corporation	125,386	-	-	125,386
Banff Public Library	192,314	-	3,996	196,310
	7,382,030	5,078,090	7,517,149	9,821,089
	\$ 7,806,635	\$ 5,330,467	\$ 8,740,763	\$ 11,216,931

TOWN OF BANFF**Schedule 5****SCHEDULE OF PROPERTY TAXES LEVIED**

For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Taxation			
Real property taxes	\$ 16,875,944	\$ 16,640,971	\$ 16,479,007
Government grants in place of property taxes	384,500	675,012	676,777
	<u>17,260,444</u>	<u>17,315,983</u>	<u>17,155,784</u>
Requisitions			
Alberta School Foundation Fund	7,632,844	7,684,386	7,823,634
Bow River Lodge Foundation	235,000	188,432	190,704
	<u>7,867,844</u>	<u>7,872,818</u>	<u>8,014,338</u>
Net municipal property taxes	\$ 9,392,600	\$ 9,443,165	\$ 9,141,446

TOWN OF BANFF**Schedule 6****SCHEDULE OF GOVERNMENT TRANSFERS**

For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Federal transfers			
Shared-cost agreements and grants	\$ 2,200	\$ 151,581	\$ 237,957
Provincial transfers			
Shared-cost agreements and grants	4,177,600	6,097,350	6,294,883
Local government transfers			
Shared-cost agreements and grants	101,000	275,484	252,915
Total government transfers	\$ 4,280,800	\$ 6,524,415	\$ 6,785,755

TOWN OF BANFF

Schedule 7

SCHEDULE OF CONSOLIDATED REVENUES AND EXPENDITURES BY OBJECT

For the Years Ended December 31, 2006 and 2005

	2006 Budget (unaudited)	2006	2005
Revenues			
Net municipal property taxes (Schedule 5)	\$ 9,392,600	\$ 9,443,165	\$ 9,141,446
Sales and user charges	5,137,100	4,900,973	4,330,553
Penalties and costs on taxes	85,000	92,718	84,974
Licenses and permits	1,415,200	1,603,306	1,372,132
Fines	212,500	384,416	203,171
Franchise and concession contracts	450,000	462,520	523,501
Return on investments	100,000	474,320	159,700
Rentals	601,100	666,415	631,803
Government transfers (Schedule 6)	4,280,800	6,524,415	6,785,755
	<u>21,674,300</u>	<u>24,552,248</u>	<u>23,233,035</u>
Expenditures			
Salaries, wages and benefits	6,624,500	6,946,710	6,690,835
Contracted and general services	4,496,350	4,996,138	4,312,368
Purchases from other governments	1,946,000	2,097,984	1,860,723
Materials, goods, supplies and utilities	1,903,350	1,857,703	1,853,803
Provision for allowances	1,000	18,544	4,379
Appropriations to local agencies	328,300	333,543	251,727
Appropriations to individuals and organizations	275,200	154,466	138,638
Bank charges and short-term interest	7,500	8,973	9,682
Interest on long-term debt	22,900	38,211	43,969
Capital assets acquired	6,240,815	5,022,635	3,626,775
	<u>21,845,915</u>	<u>21,474,907</u>	<u>18,792,899</u>
Excess of revenues over expenditures			
(expenditures over revenues)	(171,615)	3,077,341	4,440,136
Less: Debt repayment	(13,000)	(13,037)	(12,127)
Change in fund balances	<u>\$ (184,615)</u>	<u>\$ 3,064,304</u>	<u>\$ 4,428,009</u>