

Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2008

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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

April 09, 2009

Robert Earl
Town Manager

April 09, 2009





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, 2008 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, 2008 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

April 09, 2008

TOWN OF BANFF
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2008 and 2007

	2008	2007
Financial Assets		
Cash and short term investments (Note 3)	\$ 6,661,804	\$ 2,956,087
Taxes and grants in place of taxes receivables (Note 4)	143,635	156,766
Trade and other receivables (Note 5)	2,856,824	3,352,410
Under collection of requisitions (Note 6)	12,754	17,497
Land and housing held for development and resale	-	1,802,229
Due from related organizations (Note 7)	458,655	345,108
Second mortgages receivable	1,295,500	1,295,500
Prepaid expenses	72,236	54,655
	11,501,408	9,980,252
Liabilities		
Bank indebtedness (Note 8)	-	2,008,447
Accounts payable and accrued liabilities	3,911,955	2,877,837
Deposits	183,721	289,061
Deferred revenue (Note 9)	1,830,209	1,408,243
Long-term debt (Note 10)	5,449,366	6,431,691
	11,375,251	13,015,279
Net Financial Assets	126,157	(3,035,027)
Physical Assets		
Inventory of supplies	169,994	73,347
Capital assets (Note 11)	141,902,660	133,606,111
	142,072,654	133,679,458
Net Position	\$ 142,198,811	\$ 130,644,431
Municipal Position		
Equity in capital assets (Schedule 1)	\$ 136,820,285	\$ 127,428,535
Capital fund (Schedule 2)	-	-
Operating fund (Schedule 3)	381,773	362,657
Reserves (Schedule 4)	4,996,753	2,853,239
	\$ 142,198,811	\$ 130,644,431

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, 2008 and 2007

	2008 Budget (unaudited)	2008	2,007
Revenues (Schedule 7 - revenues by function)			
General municipal	\$ 15,431,599	\$ 16,659,830	\$ 14,169,996
General government	1,556,700	1,795,852	7,420,683
Protective services	2,245,800	2,252,999	2,232,296
Transportation	6,927,550	6,841,846	3,984,509
Environmental use and protection	4,422,200	4,869,675	3,997,027
Public health and welfare	277,418	349,765	277,539
Planning and development	460,500	943,213	983,378
Recreation and culture	642,200	741,001	942,428
	<u>31,963,967</u>	<u>34,454,181</u>	<u>34,007,856</u>
Expenditures (Schedule 7 - expenditures by function)			
Operating			
General government	3,103,000	3,387,959	3,031,151
Protective services	3,481,800	3,559,528	3,350,843
Transportation	4,831,450	5,257,537	4,756,671
Environmental use and protection	3,590,900	3,799,161	3,375,495
Public health and welfare	592,300	664,861	529,917
Planning and development	3,447,100	4,838,311	3,619,696
Recreation and culture	1,299,130	1,359,445	1,500,957
	<u>20,345,680</u>	<u>22,866,802</u>	<u>20,164,730</u>
Capital			
General government	68,500	70,654	1,275,531
Protective services	121,600	106,007	344,461
Transportation	12,586,639	6,544,936	19,332,396
Environmental use and protection	1,667,400	1,099,215	378,263
Public health and welfare	75,400	75,681	42,034
Planning and development	-	-	42,663
Recreation and culture	1,138,800	433,056	794,053
	<u>15,658,339</u>	<u>8,329,549</u>	<u>22,209,401</u>
	<u>36,004,019</u>	<u>31,196,351</u>	<u>42,374,131</u>
Excess of revenues over expenditures (expenditures over revenues)	(4,040,052)	3,257,830	(8,366,275)
Less: Debt repayment	(15,100)	(1,095,200)	(14,015)
Change in fund balances	<u>\$ (4,055,152)</u>	<u>\$ 2,162,630</u>	<u>\$ (8,380,290)</u>

TOWN OF BANFF
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operations		
Excess of revenues over expenditures	\$ 3,257,830	\$ (8,366,275)
Change in non-cash items:		
Decrease (increase) in taxes and grants in place of taxes receivables	13,131	235,659
Decrease (increase) in trade and other receivables	495,586	(1,276,724)
Increase in land and housing held for development and resale	1,802,229	(1,137,550)
Decrease in mortgages receivable	-	55,000
Decrease in under collection of requisitions	4,743	(17,497)
Decrease (increase) in prepaid expenses	(17,581)	(21,449)
Decrease (increase) in inventory of supplies	(96,647)	(8,834)
Increase in accounts payable and accrued liabilities	1,034,118	318,293
Increase in over collection of requisitions	-	(53,386)
Increase in deposits	(105,340)	(25,207)
Decrease in deferred revenue	421,966	(68,690)
Total cash provided by operations	6,810,035	(10,366,660)
Investing		
Net change in amounts due from related organizations	(113,546)	35,273
Cash provided by investing	(113,546)	35,273
Financing		
Repayment of bank indebtedness	-	-
Net change in long-term debt	(982,325)	(49,290)
Cash used for financing	(982,325)	(49,290)
Net change in cash	5,714,164	(10,380,677)
Cash, beginning of year	947,640	11,328,317
Cash, end of year	\$ 6,661,804	\$ 947,640
Cash consists of:		
Cash	\$ 6,661,804	\$ 2,956,087
Bank indebtedness	-	(2,008,447)
	\$ 6,661,804	\$ 947,640

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 18). 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) Revenue recognition

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon that are restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition (Continued)

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, the municipality has met any eligibility criteria and reasonable estimates of the amounts can be made.

Expenditures are 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).

(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, unless they are externally restricted. Externally restricted transfers are recognized as revenue in the year in which the related expenses are related.

(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 amortized cost. When there is a loss in value that is other than a temporary decline, the respective investment is written down to recognized loss.

(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.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

(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.

(O) Foreign currencies

Foreign currency translations entered into by the Town have been translated at the exchange rate prevailing at the rate date of transaction.

Monitory assets have been translated at the year end exchange rate.

Foreign exchange gain and losses are included in the determination of earnings.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Second mortgage receivable

Second mortgage receivable relates to mortgage registered against the title of the property as a second charge. The entire amount is treated as deferred revenue and it recognized as income when mortgage become due.

3. CASH AND SHORT TERM INVESTMENTS

	<u>2008</u>	<u>2007</u>
Cash	\$ 1,957,286	\$ 2,896,419
Cash - restricted	\$ 310,234	
Short term investments	4,394,284	59,668
	<u>\$ 6,661,804</u>	<u>\$ 2,956,087</u>

Short term investments consist of GIC'S maturing on December 19, 2011 and bearing interest ranging from 1.75% to 2.1% per annum.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2008</u>	<u>2007</u>
Taxes and grants in place of taxes	\$ 174,665	\$ 192,838
Less: Allowance for doubtful accounts	(31,030)	(36,072)
	<u>\$ 143,635</u>	<u>\$ 156,766</u>

5. TRADE AND OTHER RECEIVABLES

	<u>2008</u>	<u>2007</u>
Receivables from other governments	\$ 222,607	\$ 177,872
Utility and other trade accounts receivable	2,634,217	3,174,538
	<u>\$ 2,856,824</u>	<u>\$ 3,352,410</u>

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

6. UNDER (OVER) COLLECTION OF REQUISITIONS

	<u>2008</u>	<u>2007</u>
Alberta School Foundation	\$ 11,976	\$ 28,691
Bow Valley Foundation	778	(11,194)
	<u>\$ 12,754</u>	<u>\$ 17,497</u>

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

7. DUE FROM RELATED ORGANIZATIONS

	<u>2008</u>	<u>2007</u>
Rocky Mountain Co-operative Housing Association (see below)	\$ 91,663	\$ 91,663
Bow Valley Regional Housing Authority (see below)	366,992	253,445
	<u>\$ 458,655</u>	<u>\$ 345,108</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:

	<u>2008</u>	<u>2007</u>
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.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

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 \$12,000,000 for 2008 (2007 - \$13,400,000), which includes \$4,000,000 (2007 - \$4,000,000) 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, 2008 and 2007, 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 (2007 - \$500,000) and a construction line of credit in the amount of \$3,500,000 (2007 - \$3,500,000). 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, 2008 there was \$ nil (2007 - \$ nil) drawn against the operating line of credit and \$ nil (2007 - \$ 2,008,447) drawn against construction line of credit.

9. 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 is recorded as long-term second mortgage receivable and deferred revenue. When a mortgage becomes due, the revenue is recognized.

	<u>2008</u>	<u>2007</u>
Grants - Deferred	\$ 224,475.00	\$ 112,743.00
Second mortgage receivable	1,295,500	1,295,500
Affordable housing plan grant	310,234	-
	<u>\$ 1,830,209</u>	<u>\$ 1,408,243</u>

10. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Debentures	\$ 5,449,366	\$ 6,431,691

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,211,392	\$ 234,102	\$ 1,445,494
2010	1,265,410	180,084	1,445,494
2011	1,321,859	123,635	1,445,494
2012	1,380,851	64,643	1,445,494
2013	101,418	17,502	118,920
Thereafter	168,436	46,870	215,306
	<u>\$ 5,449,366</u>	<u>\$ 666,836</u>	<u>\$ 6,116,202</u>

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

10. LONG-TERM DEBT (Continued)

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.

11. PHYSICAL ASSETS

	<u>2008</u>	<u>2007</u>
Land	\$ 3,315,539	\$ 2,499,517
Engineering structures	73,671,354	70,982,578
Buildings	49,160,673	48,221,607
Machinery and equipment	8,226,604	7,228,092
Vehicles	7,528,490	4,674,317
	\$ 141,902,660	\$ 133,606,111

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.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

12. 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:

	2008			2007
	Salary	Benefits & Allowances	Total	Total
Councillors:				
John Stutz	\$ 38,179	\$ 5,635	\$ 43,814	\$ 40,086
Bob Haney	-	-	-	15,942
Chip Olver	20,291	3,936	24,227	23,485
Oswald Treutler	-	-	-	15,840
Christina MacDonald	18,438	4,415	22,853	24,083
Justin Burwash	-	-	-	14,252
Karen Sorensen	17,938	4,866	22,804	21,295
Leslie Taylor	17,318	4,846	22,164	4,378
John Gibson	18,470	2,904	21,374	3,383
Stavros Karlos	18,470	4,794	23,264	-
Municipal Manager	178,104	20,551	198,655	174,154

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

13. 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 558 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% of pension able earnings up to the Canada Pension Plan Year's Maximum Pension able Earnings and 10.64% for the excess.

Total current service contributions by the Town of Banff to the LAPP in 2008 were \$ 499,971 (2007 - \$424,999). Total current service contributions by the employees of the Town of Banff to the LAPP in 2008 were \$441,996 (2007 \$ 374,817).

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

13. LOCAL AUTHORITIES PENSION PLAN(Continued)

Based on the latest information available (December 31, 2007 audited financial statements), in total the LAPP had an actuarial deficit of \$1,183 billion based on the extrapolation of the December 31, 2007 actuarial valuation performed by Mercer Human Resource Consulting, the Town of Banff's portion of which is not readily determinable.

14. 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.

	<u>2008</u>	<u>2007</u>
Total debt limit	\$ 38,571,600	\$ 43,238,871
Total debt	5,449,366	6,431,691
Amount total debt limit exceeds total debt	\$ 33,122,234	\$ 36,807,180
Debt servicing limit	\$ 6,428,600	\$ 7,206,479
Debt servicing	1,095,200	1,401,237
Amount debt servicing limit exceeds debt servicing	\$ 5,333,400	\$ 5,805,242

15. 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.

The Town of Banff has provided guarantees on lines of credit held by the Banff Housing Corporation with the Bank of Montreal to a maximum of \$4,000,000. At December 31, 2008 there was Nil (2007 - \$2,008,447) drawn on these lines of credit.

The Town of Banff has provided guarantees on loans held by the Rocky Mountain Co-operative Housing Association Phase I and Phase II with the Alberta Treasury Branch to a maximum of \$9,650,000. These guarantees expire on May 31, 2009. At December 31, 2008 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$8,398,802. These loans are repayable in blended monthly payments of \$74,560.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

16. 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:

2009	-	\$ 566,500
2010	-	\$ 566,500
2011	-	\$ 566,500
2012	-	\$ 566,500
2013	-	\$ 566,500

- Town of Banff has an agreement with Brewster Inc. to provide the transit services in Banff. Under the terms of the agreements the Town of Banff is committed to the following minimum annual payments for the next five years:

2008	-	\$ 553,472
2009	-	\$ 726,786
2010	-	\$ 750,014
2011	-	\$ 773,242
2012	-	\$ 797,670
2013	-	\$ 274,033

- Town of Banff has an agreement with Bow valley property valuers (BVPV) to provide assessment services. Assessment services are required by the municipalities in order to carry out the assessment of property within each municipality, primarily for taxation purposes. Under the terms of the agreements the Town of Banff is committed to the following minimum payments until end of July 31, 2009:

2009	-	\$ 53,253
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17. TANGIBLE CAPITAL ASSETS

Section 3150 - Tangible Capital Assets section of the Public Sector Accounting Board comes into effect on January 1, 2009. During 2008 the Town continued to work towards compliance with the new recommendations for accounting for tangible capital assets. A complete listing of assets and their values for Land and its improvements, Buildings, Machinery and Equipment, Vehicles and Engineering Structures is currently underway and is expected to be completed by the due date.

TOWN OF BANFF
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

18. RELATED PARTY TRANSACTIONS

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

	2008		2007	
	Banff Housing Corporation	Banff Public Library	Banff Housing Corporation	Banff Public Library
Financial Position				
Financial assets	\$ 2,542,999	\$ 199,121	\$ 4,015,363	\$ 214,025
Financial liabilities	1,648,654	21,964	3,418,686	35,074
Net financial assets	894,345	177,157	596,677	178,951
Physical assets	1,430	-	1,430	-
Net position	\$ 895,775	\$ 177,157	\$ 598,107	\$ 178,951
Results of Operations				
Total revenue	\$ 4,215,775	\$ 477,807	\$ 872,706	\$ 580,523
Total expenditures	3,918,107	479,601	774,559	603,993
Change in fund balance	\$ 297,668	\$ (1,794)	\$ 98,147	\$ (23,470)

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, 2008 is \$ 53,881 (2007 - \$ 148,517) due from the Day Care Society of Banff for year-end payroll distributions.

19. 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 10 is subject to fixed interest rates; therefore the Town is not subject to interest rate risk.

TOWN OF BANFF
SCHEDULE OF EQUITY IN CAPITAL ASSETS
For the Years Ended December 31, 2008 and 2007

Schedule 1

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 127,428,535	\$ 111,107,909
Increases		
Capital assets acquired		
Buildings	939,066	1,063,341
Engineering structures	2,688,280	20,566,330
Machinery and equipment	1,032,009	356,471
Land	816,022	14,283
Vehicles	2,854,173	208,976
Repayment of long-term debt	1,095,200	14,015
	9,424,750	22,223,416
Decreases		
Proceeds from sale of capital assets		
Land	-	2,790
Machinery and equipment	33,000	-
Vehicles	-	-
Capital asset addition funded by debentures	-	5,900,000
	33,000	5,902,790
Balance, end of year	\$ 136,820,285	\$ 127,428,535
Represented by:		
Capital assets per non-consolidated statement of financial position	141,902,660	\$ 133,606,111
Less: long-term debt related to capital assets	(5,082,375)	(6,177,576)
	\$ 136,820,285	\$ 127,428,535

TOWN OF BANFF

Schedule 2

**SCHEDULE OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE - CAPITAL
For the Years Ended December 31, 2008 and 2007**

	2008 Budget (unaudited)	2008	2,007
Revenues			
General government	\$ 1,545,000	\$ 1,666,457	\$ 7,398,111
Protective services	-	-	-
Transportation	6,125,550	6,108,734	3,449,456
Environmental use and protection	153,000	769,092	104,498
Public health and welfare	-	-	-
Planning and development	10,000	11,766	60,002
Recreation and culture	-	-	53,209
	7,833,550	8,556,049	11,065,276
Expenditures			
General government	68,500	70,654	1,275,531
Protective services	121,600	106,007	344,461
Transportation	12,586,639	6,544,936	19,332,396
Environmental use and protection	1,667,400	1,099,215	378,263
Public health and welfare	75,400	75,681	42,034
Planning and development	-	-	42,663
Recreation and culture	1,138,800	433,056	794,053
	15,658,339	8,329,549	22,209,401
Excess of revenues over expenditures (expenditures over revenues)	(7,824,789)	226,500	(11,144,125)
Net interfund transfers			
From (to) reserves	7,838,789	868,700	11,158,140
Repayment of long-term debt	(14,000)	(1,095,200)	(14,015)
	7,824,789	(226,500)	11,144,125
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, 2008 and 2007

	2008 Budget (unaudited)	2008	2,007
Revenues			
General municipal	\$ 15,431,599	\$ 16,659,830	\$ 14,169,996
General government	11,700	129,395	22,572
Protective services	2,245,800	2,252,999	2,232,296
Transportation	802,000	733,112	535,053
Environmental use and protection	4,269,200	4,100,583	3,892,529
Public health and welfare	277,418	349,765	277,539
Planning and development	450,500	931,447	923,376
Recreation and culture	642,200	741,001	889,219
	<u>24,130,417</u>	<u>25,898,132</u>	<u>22,942,580</u>
Expenditures			
General government	3,103,000	3,387,959	3,031,151
Protective services	3,481,800	3,559,528	3,350,843
Transportation	4,831,450	5,257,537	4,756,671
Environmental use and protection	3,590,900	3,799,161	3,375,495
Public health and welfare	592,300	664,861	529,917
Planning and development	3,447,100	4,838,311	3,619,696
Recreation and culture	1,299,130	1,359,445	1,500,957
	<u>20,345,680</u>	<u>22,866,802</u>	<u>20,164,730</u>
Excess of revenues over expenditures	3,784,737	3,031,330	2,777,850
Net interfund transfers			
To reserves	(3,765,737)	(2,720,183)	(2,642,093)
Change in fund balance	19,000	311,147	135,757
Opening fund balance			
Transfer of surplus to reserves	-	362,657	379,255
	(19,000)	(292,031)	(152,355)
Closing fund balance	\$ -	\$ 381,773	\$ 362,657

TOWN OF BANFF
SCHEDULE OF CHANGE IN FUND BALANCE - RESERVES
For the Years Ended December 31, 2008 and 2007

Schedule 4

	2008 Budget (unaudited)	2008	2007
Balance at beginning of year	\$ 2,853,239	\$ 2,853,239	\$ 11,216,931
Net inter-fund transfers			
From operating fund	3,765,737	2,720,183	2,642,093
From (to) capital fund	(11,664,308)	(868,700)	(11,158,140)
Change in fund balance	(7,898,571)	1,851,483	(8,516,047)
Transfer of surplus from operating fund	-	292,031	152,355
Balance at end of year	\$ (5,045,332)	\$ 4,996,753	\$ 2,853,239

Reserves are comprised of the following:

	2007	Withdrawals	Additions	2008
Operating reserves				
General operating	\$ 437,770	\$ 274,120	\$ 76,998	\$ 240,648
Tax stabilization	497,059	489,262	-	7,797
Fire Equipment reserve	10,300	-	10,300	20,600
Recreation	67,864	-	3,638	71,502
Art	6,000	-	-	6,000
Computer	65,719	76,218	90,000	79,501
	1,084,712	839,600	180,936	426,048
Capital reserves				
Offsite levies	754,846	-	145,748	900,594
Computer replacement	90,213	-	-	90,213
Art	79,601	47,008	10,000	42,593
Fire services	274,108	-	75,000	349,108
Common services equipment	439,272	167,605	225,000	496,667
Cave/Spray redevelopment	149,202	-	5,466	154,668
Water	303,648	343,240	1,314,003	1,274,411
Sewer	(488,808)	31,018	820,746	300,920
Garbage facility	58,800	-	7,700	66,500
Heritage	160,352	2,699	-	157,653
Cash in lieu of housing	42,722	42,722	6,300	6,300
Staff housing	45,935	-	45,414	91,349
Revolving capital	246,904	-	-	246,904
General capital	(608,597)	9,067,250	9,571,380	(104,467)
Municipal Reserve	51,950	-	-	51,950
Parking facilities	(244,592)	-	-	(244,592)
Banff Housing Corporation	238,940	-	279,846	518,786
Banff Public Library	174,029	3,088	-	170,941
Current year surplus	-	-	207	207
	1,768,525	9,704,630	12,506,810	4,570,705
	\$ 2,853,237	\$ 10,544,230	\$ 12,687,746	\$ 4,996,753

TOWN OF BANFF
SCHEDULE OF PROPERTY TAXES LEVIED
For the Years Ended December 31, 2008 and 2007

Schedule 5

	2008 Budget (unaudited)	2008	2007
Taxation			
Real property taxes	18,336,039	\$ 18,327,049	\$ 17,126,862
Government grants in place of property taxes	608,887	608,887	867,195
	<u>18,944,926</u>	<u>18,935,936</u>	<u>17,994,057</u>
Requisitions			
Alberta School Foundation Fund	7,055,140	7,056,383	7,441,254
Bow River Lodge Foundation	216,437	216,426	199,420
	<u>7,271,577</u>	<u>7,272,809</u>	<u>7,640,674</u>
Net municipal property taxes	11,673,349	\$ 11,663,127	\$ 10,353,383

TOWN OF BANFF
SCHEDULE OF GOVERNMENT TRANSFERS
For the Years Ended December 31, 2008 and 2007

Schedule 6

	2008 Budget (unaudited)	2008	2007
Federal transfers			
Shared-cost agreements and grants	\$ 450,053	\$ 41,936	\$ 259,269
Provincial transfers			
Shared-cost agreements and grants	8,436,215	9,269,305	6,267,969
Local government transfers			
Shared-cost agreements and grants	14,000	13,654	272,669
Total government transfers	\$ 8,900,268	\$ 9,324,895	\$ 6,799,907

TOWN OF BANFF
SCHEDULE OF CONSOLIDATED REVENUES AND EXPENDITURES BY OBJECT
For the Years Ended December 31, 2008 and 2007

Schedule 7

	2008 Budget (unaudited)	TOB	BHC	BPL	Eliminations	2008	2007
Revenues							
Net municipal property taxes (Schedule 5)	\$ 11,673,349	\$ 11,663,127	\$ -			\$ 11,663,127	\$ 10,353,383
Sales and user charges	6,548,150	6,716,010	339,997	47,131		7,103,138	11,231,159
Penalties and costs on taxes	115,500	55,966	-	-		55,966	93,887
Licenses and permits	3,114,000	4,483,508	-	-		4,483,508	3,618,223
Fines	427,500	507,721	-	-		507,721	503,727
Franchise and concession contracts	402,000	406,212	-	-		406,212	363,399
Return on investments	100,000	131,292	44,829	7,850		183,971	371,008
Rentals	683,200	713,189	12,454	-		725,643	673,163
Government transfers (Schedule 6)	8,900,268	9,251,869	42,722	422,826	(392,522)	9,324,895	6,799,907
	31,963,967	33,928,894	440,002	477,807	(392,522)	34,454,181	34,007,856
Expenditures							
Salaries, wages and benefits	8,175,600	8,386,639	124,874	366,097	-	8,877,610	7,872,056
Contracted and general services	7,399,880	9,215,571	11,383	5,100	-	9,232,054	7,348,924
Purchases from other governments	2,235,000	2,199,241	-	-	-	2,199,241	2,233,292
Materials, goods, supplies and utilities	1,892,900	1,929,994	6,077	108,404	-	2,044,475	2,143,363
Provision for allowances	-	-	-	-	-	-	22,868
Appropriations to local agencies	466,700	445,575	-	-	(392,522)	53,053	158,354
Appropriations to individuals and organizations	147,300	163,706	-	-	-	163,706	130,117
Bank charges and short-term interest	7,500	16,063	-	-	-	16,063	218,695
Interest on long-term debt	20,800	280,599	-	-	-	280,599	37,062
Capital assets acquired	15,658,339	8,329,550	-	-	-	8,329,550	22,209,401
	36,004,019	30,966,938	142,334	479,601	(392,522)	31,196,351	42,374,131
Excess of revenues over expenditures (expenditures over revenues)	(4,040,052)	2,961,956	297,668	(1,794)	-	3,257,830	(8,366,275)
Less: Debt repayment	(15,100)	(1,095,200)				(1,095,200)	(14,015)
Change in fund balances	\$ (4,055,152)	\$ 1,866,756	\$ 297,668	\$ (1,794)	\$ -	\$ 2,162,630	\$ (8,380,290)