



Non-Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying non-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 non-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 judgments, where appropriate. In the opinion of management, these non-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 non-consolidated financial statements have been audited, in accordance with Canadian generally accepted auditing standards, by KPMG, who were appointed by Council. KPMG have full and unrestricted access to management and Council to discuss their audit and related findings. The Auditors' Report outlining the scope of their examination and their opinion on the non-consolidated financial statements is presented on the following page.

_____, Manager of Corporate Services
Kelly Gibson

_____, Town Manager
Robert Earl

May 24, 2011



KPMG LLP
Chartered Accountants
2700 205 - 5th Avenue SW
Calgary AB T2P 4B9

Telephone (403) 691-8000
Fax (403) 691-8008
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of Council of the Town of Banff

We have audited the accompanying non-consolidated financial statements of the Town of Banff, which comprise the non-consolidated statement of financial position as at December 31, 2010, the non-consolidated statements of operations and accumulated surplus, cash flows, and change in net financial assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Town of Banff as at December 31, 2010, and its non-consolidated results of operations and its non-consolidated changes in net debt and its non-consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

The non-consolidated financial statements of the Town of Banff as at and for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on May 7, 2010.

KPMG LLP

May 24, 2011

Calgary, Canada

TOWN OF BANFF

Non-Consolidated Statement of Financial Position

December 31, 2010, with corresponding figures for 2009

	2010	2009
Financial Assets		
Cash (note 2)	\$ -	\$ 10,837,561
Short-term investments (note 2)	5,611,045	2,543,874
Taxes and grants in place of taxes receivable (note 3)	170,475	118,352
Trade and other receivables (note 3)	3,046,928	2,263,051
Due from related organizations (note 6)	139,817	139,817
Debt charges recoverable (note 4)	229,497	299,703
	<u>9,197,762</u>	<u>16,202,358</u>
Liabilities		
Bank indebtedness (note 2)	2,546,103	-
Accounts payable and accrued liabilities	3,998,954	4,691,277
Deposits	248,664	131,469
Deferred revenue (note 5)	193,613	247,520
Long-term debt (note 8)	17,784,910	19,837,974
	<u>24,772,244</u>	<u>24,908,240</u>
Net financial debt	(15,574,482)	(8,705,882)
Non-Financial Assets		
Tangible capital assets (Schedule 1)	185,193,340	167,249,143
Inventory for consumption	161,556	114,633
Prepaid expenses	92,814	90,043
	<u>185,447,710</u>	<u>167,453,819</u>
Commitments and contingencies (notes 15 and 16)		
Accumulated surplus (note 12)	<u>\$ 169,873,228</u>	<u>\$ 158,747,937</u>

See accompanying notes to non-consolidated financial statements.

Approved on behalf of Council by:

_____, Council

TOWN OF BANFF

Non-Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2010, with corresponding figures for 2009

	Budget (Unaudited – note 19)	2010	2009
Revenue:			
General government	\$ 13,893,910	\$ 13,800,397	\$ 12,991,302
Protective services	2,030,742	1,835,223	2,060,957
Transportation services	4,607,099	3,665,987	4,088,114
Environmental use and protection	5,118,700	5,178,312	5,253,293
Public health and welfare services	476,359	591,548	574,374
Planning and development	3,526,350	4,191,020	4,799,949
Recreation and culture	12,567,915	9,626,213	892,311
	<u>42,221,075</u>	<u>38,888,700</u>	<u>30,660,300</u>
Expenses:			
General government	3,343,958	3,313,644	3,375,772
Protective services	3,252,466	2,944,501	3,123,598
Transportation services	6,140,389	6,252,120	6,221,315
Environmental use and protection	6,776,517	6,896,236	6,584,879
Public health and welfare services	980,174	1,060,618	1,074,673
Planning and development	3,523,228	4,449,886	5,018,324
Recreation and culture	2,688,741	2,846,404	2,141,110
	<u>26,705,473</u>	<u>27,763,409</u>	<u>27,539,671</u>
Excess of revenue over expenses	15,515,602	11,125,291	3,120,629
Accumulated surplus, beginning of year	158,747,937	158,747,937	155,627,308
Accumulated surplus, end of year	<u>\$ 174,263,539</u>	<u>\$ 169,873,228</u>	<u>\$ 158,747,937</u>

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2010, with corresponding figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 11,125,291	\$ 3,120,629
Change in non-cash items:		
Amortization of tangible capital assets	5,039,509	4,633,810
Loss on disposal of tangible capital assets	40,284	119,036
Tangible capital assets received as contributions	-	(328,856)
Decrease (increase) in taxes and grants in place of taxes receivable	(52,123)	25,283
Decrease (increase) in trade and other receivables	(783,877)	621,268
Increase in inventory for consumption	(46,923)	(36,252)
Decrease (increase) in prepaid expenses	(2,771)	(17,807)
Increase (decrease) in accounts payable and accrued liabilities	(692,323)	799,342
Increase (decrease) in deposit liabilities	117,195	(50,502)
Increase (decrease) in deferred revenue	(53,907)	35,798
	<u>14,690,355</u>	<u>8,921,749</u>
Capital:		
Acquisition of tangible capital assets	(23,065,710)	(15,275,903)
Proceeds on disposal of tangible capital assets	41,720	5,490
	<u>(23,023,990)</u>	<u>(15,270,413)</u>
Investing:		
Decrease (increase) in amounts due from related organizations	-	(48,154)
Financing:		
Debt charges recovered	70,206	67,288
Long-term debt issued	550,000	15,600,000
Long-term debt repaid	(2,603,064)	(1,211,392)
	<u>(1,982,858)</u>	<u>14,455,896</u>
Net change in cash and cash equivalents	(10,316,493)	8,059,078
Cash, beginning of year	13,381,435	5,322,357
Cash, end of year	<u>\$ 3,064,942</u>	<u>\$ 13,381,435</u>
Cash and cash equivalents is comprised of:		
Bank indebtedness (note 2)	\$ (2,546,103)	\$ 10,837,561
Short-term investments (note 2)	5,611,045	2,543,874

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2010, with corresponding figures for 2009

	Budget (Unaudited – note 19)	2010	2009
Excess of revenue over expenses	\$ 15,515,602	\$ 11,125,291	\$ 3,120,629
Acquisition of tangible capital assets	(26,774,950)	(23,065,710)	(15,275,903)
Contributed tangible capital assets	–	–	(328,856)
Proceeds on disposal of tangible capital assets	–	41,720	5,490
Amortization of tangible capital assets	4,725,153	5,039,509	4,633,810
Loss on disposal of tangible capital assets	–	40,284	119,036
	(22,049,797)	(17,944,197)	(10,846,423)
Use of inventory for consumption	–	(46,923)	(36,252)
Use of prepaid expenses	–	(2,771)	(17,807)
	–	(49,694)	(54,059)
Increase in net debt	(6,534,195)	(6,868,600)	(7,779,853)
Net financial debt, beginning of year	(8,705,882)	(8,705,882)	(926,029)
Net financial debt, end of year	\$ (15,240,077)	\$ (15,574,482)	\$ (8,705,882)

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements

Year ended December 31, 2010, with corresponding figures for 2009

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.

1. Significant accounting policies:

The non-consolidated financial statements of the Town of Banff are the representations of management prepared in accordance with accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town of Banff are as follows:

(a) Reporting entity:

The non-consolidated financial statements reflect the assets, liabilities, revenues and expenses, 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 and Banff Heritage Corporation).
- (ii) Public Utilities – self-supporting activities which provide Water and Sewer.

The non-consolidated financial statements do not include the assets, liabilities, revenues and expenditures of the Banff Library Board and the Banff Housing Corporation, however, details regarding transactions with these entities are included in Note 17.

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.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 2

Year ended December 31, 2010, with corresponding figures for 2009

1. Significant accounting policies (continued):

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. Revenue is recorded when it is earned and measurable. Expenses are recognized as they are incurred and measurable upon receipt of goods or services and/or a legal obligation to pay is established.

(c) Deferred revenue:

Revenue related to certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or tangible capital assets acquired.

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 amount of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results may differ from those estimates.

(e) 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 recognize the loss. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

(f) 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 property tax revenue is increased.

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

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 3

Year ended December 31, 2010, with corresponding figures for 2009

1. Significant accounting policies (continued):

(g) Government transfers:

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

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

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(h) (i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land Improvements	15-20
Buildings	25-50
Engineered structures	
Water system	25-75
Wastewater system	45-75
Other engineered structures	5-60
Machinery and equipment	5-40
Vehicles	10-25

Assets under construction are not amortized until the asset is available for productive use.

(h) (ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at fair values at the date of receipt and are recorded as revenue.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 4

Year ended December 31, 2010, with corresponding figures for 2009

1. Significant accounting policies (continued):

(h) (iii) Leases:

Leases are classified as capital or operating leases. Leases which transfer substantially the entire benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(h) (iv) Inventory:

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) Pension expenditure:

The Town participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan whereby contributions are expensed as incurred.

(j) Foreign currencies:

Foreign currency transactions entered into by the Town have been translated at the exchange rate prevailing at the date of transaction. Monetary assets have been translated at the year-end exchange rate. Foreign exchange gain and losses are included in the determination of earnings.

2. Cash and short-term investments:

	2010	2009
Cash (bank indebtedness)	\$ (2,546,103)	\$ 10,837,561
Short-term investments	5,611,045	2,543,874
	<u>\$ 3,064,942</u>	<u>\$ 13,381,435</u>

Short term investments consist of \$2,593,118 in cashable Guaranteed Investment Certificates maturing on December 23, 2013 and bearing interest of 1.25% per annum and \$3,017,927 of money market funds with an effective rate of return of 0.76%.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 5

Year ended December 31, 2010, with corresponding figures for 2009

3. Taxes and grants in place of taxes receivable:

	2010	2009
Current taxes and grants in place of taxes	\$ 201,505	\$ 149,382
Less: Allowance for doubtful accounts	(31,030)	(31,030)
	\$ 170,475	\$ 118,352

Trade and other receivables:

	2010	2009
Receivables from other governments	\$ 1,271,268	\$ 434,543
Utility and other trade accounts receivable	1,651,020	1,828,508
Requisition under levy	124,640	-
	\$ 3,046,928	\$ 2,263,051

4. Debt charges recoverable:

	2010	2009
Current debt charges recoverable	\$ 73,257	\$ 70,206
Non-current debt charges recoverable	156,240	229,497
	\$ 229,497	\$ 299,703

Bow Valley Regional Housing has undertaken the expansion of the Bow River Lodge in Canmore in 2003 and the purchase and redevelopment of Cascade House in Banff in 2008. The Town has assumed long-term financing totalling \$385,000 in 2003 and \$150,000 in 2008 for the two projects with the entire amounts, plus interest of 5.25% and 3.046%, recoverable from the Bow Valley Regional Housing with respect to the financing of the two projects. Amounts are recoverable in annual instalments of \$50,466 and \$32,570, including interest, and mature November 3, 2013 and December 15, 2013 respectively.

	Principal	Interest	Total
2011	\$ 73,257	\$ 9,779	\$ 83,036
2012	76,450	6,586	83,036
2013	79,790	3,246	83,036
	\$ 229,497	\$ 19,611	\$ 249,108

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 6

Year ended December 31, 2010, with corresponding figures for 2009

5. Deferred revenue:

	2010	2009
Requisition over levy	\$ -	\$ 50,366
Miscellaneous	193,613	197,154
	<u>\$ 193,613</u>	<u>\$ 247,520</u>

6. Due from related organizations:

	2010	2009
Rocky Mountain Co-operative Housing Association	\$ 139,817	\$ 139,817

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. The Town of Banff acquired the subscription of two additional units in the RMCHA on July 1, 2009 and November 1, 2009. Under these subscriptions, the Town of Banff purchased one share in RMCHA and advanced RMCHA certain amounts, which are due no later than December 31, 2012, and do not bear interest. Included in the amount noted above are RMCHA shares and advances receivable, which consist of the following:

	2010	2009
1 common share (par value \$100)	\$ 100	\$ 100
Advances receivable including accrued interest	139,717	139,717
	<u>\$ 139,817</u>	<u>\$ 139,817</u>

7. Credit facilities:

In order to facilitate temporary financing for operating expenses 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 \$11,800,000 for 2010 (2009 - \$12,000,000), with interest payable at the BMO's prime rate minus 0.75%. Security for the loan is on the property taxes of the Town. As at December 31, 2010 \$2,744,273 (2009 - \$nil) was drawn upon this credit facility. At December 31, 2010, the effective rate of interest on the credit facility was 2.25%.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 7

Year ended December 31, 2010, with corresponding figures for 2009

8. Long-term debt:

	2010	2009
Tax supported debentures	\$ 17,556,008	\$ 19,591,661
Self supported debentures	228,902	246,313
	<u>\$ 17,784,910</u>	<u>\$ 19,837,974</u>

Principal and interest repayments for the next five years and thereafter are as follows:

	Principal	Interest	Total
2011	\$ 2,859,618	\$ 595,926	\$ 3,455,544
2012	2,965,236	489,300	3,454,536
2013	1,609,003	393,114	2,002,117
2014	1,580,659	337,762	1,918,421
2015	1,633,906	283,852	1,917,758
Thereafter	7,136,488	558,246	7,694,735
	<u>\$ 17,784,910</u>	<u>\$ 2,658,200</u>	<u>\$ 20,443,110</u>

Debenture debt consists of \$17,234,910 repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.046% to 7.50% per annum and matures in periods 2012 through 2019. The average annual interest rate is 4.70% for 2010 (4.70% for 2009). The balance includes \$550,000 repayable to the Federation of Canadian Municipalities which bears interest between 0.24% and 2.21%. The average annual interest rate is 1.11% for 2010 on this debt. Debenture debt is issued on the credit and security of the Town at large.

The current portion of the long-term debt amounts to \$2,603,064 (2009 – \$1,211,392).

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 8

Year ended December 31, 2010, with corresponding figures for 2009

9. Debt limits:

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

	2010	2009
Total debt limit	\$ 39,341,874	\$ 40,014,588
Total debt	(17,784,910)	(19,837,974)
Loan guaranteed (note 10)	(7,325,471)	(7,863,673)
Amount of total debt limit exceeds total debt	\$ 14,231,493	\$ 12,312,941
Debt servicing limit	\$ 6,556,979	\$ 6,669,098
Debt servicing	(3,455,544)	(3,293,722)
Amounts of debt servicing limit exceeds debt serving	\$ 3,101,435	\$ 3,375,376

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

10. Loan guarantee:

Section 266 of the Municipal Government Act allows municipalities to guarantee the repayment of a loan between a lender and a non-profit organization. The Town passed bylaw 250-1 on March 9, 2009, guaranteeing the loans for Rocky Mountains Cooperative Housing Association and Rocky Mountains II Cooperative Housing Association with the Alberta Treasury Branch to a maximum of \$8,400,000. These guarantees expire on May 31, 2012. At December 31, 2010 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$7,325,471. These loans have an interest rate of 4.68% and are repayable over the next seventeen months in blended monthly payments of \$74,560.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 9

Year ended December 31, 2010, with corresponding figures for 2009

11. Equity in tangible assets:

	2010	2009
Tangible capital assets (Schedule 1)	\$ 270,254,309	\$ 248,349,947
Accumulated amortization (Schedule 1)	(85,060,969)	(81,100,804)
Long-term debt (note 8)	(17,784,910)	(19,837,974)
Debt charges recoverable (note 4)	229,497	299,703
	<u>\$ 167,637,927</u>	<u>\$ 147,710,872</u>

12. Accumulated surplus:

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

	2010	2009
Equity in tangible capital assets	\$ 167,637,927	\$ 147,710,872
Unrestricted surplus	—	—
Restricted surplus:		
Reserves:		
Special purpose:		
General	230,602	408,002
Budget stabilization	740,018	343,789
Computer	76,359	78,394
Fire	20,600	20,600
Public Art	6,000	6,000
Recreation	75,978	75,978
Snow clearing	25,000	—
Capital reserves	1,060,744	10,104,302
	<u>\$ 169,873,228</u>	<u>\$ 158,747,937</u>

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 10

Year ended December 31, 2010, with corresponding figures for 2009

13. Salary and benefits 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:

	2010			2009
	Salary	Benefits & allowances	Total	Total
Councilors:				
John Stutz	\$ 30,024	\$ 2,443	\$ 32,467	\$ 40,103
Chip Olver	19,936	3,248	23,184	24,053
Christina MacDonald	13,950	2,346	16,296	21,461
Karen Sorensen	22,783	3,322	26,105	21,588
Leslie Taylor	17,290	3,137	20,427	20,765
John Gibson	14,676	2,335	17,011	21,313
Stavros Karlos	18,530	3,179	21,709	21,934
Paul Baxter	3,323	826	4,149	—
Brian Standish	3,323	826	4,149	—
Grant Canning	3,766	381	4,147	—
Town Manager	192,216	22,746	218,962	204,508

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.

14. Local authorities pension plan:

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 189,149 people and 411 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 11

Year ended December 31, 2010, with corresponding figures for 2009

14. Local authorities pension plan (continued):

The Town is required to make current service contributions to the LAPP of 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2010 were \$605,241 (2009 – \$555,792). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2010 were \$544,230 (2009 – \$496,170).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$3,998 million.

15. Commitments:

1. Under the terms of the Federal – Provincial Agreement the Town of Banff is committed to pay annual rent in respect of land leased from the Government of Canada. Land rent expense is included in General Government costs in operating expenses. Under the terms of the agreement the Town of Banff is committed to the following minimum annual payments for the next five years:

2011	\$ 550,000
2012	550,000
2013	550,000
2014	550,000
2015	550,000

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

2011	\$ 773,242
2012	797,670
2013	274,033

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 12

Year ended December 31, 2010, with corresponding figures for 2009

15. Commitments (continued):

3. Town of Banff has an agreement with Bow Valley Property Valuers (BVPV) to provide assessment valuation services. Assessment valuation services are required by municipalities in order to carry out the assessment of property within each municipality, primarily for taxation purposes. Under the terms of the agreement the Town of Banff is committed to the following minimum payments until July 1, 2013:

2011	\$	73,000
2012		75,000
2013		38,000

4. Town of Banff has an agreement with BFI Canada to provide solid waste hauling. Under the terms of the agreement the Town of Banff is committed to the following hauling rates per ton of solid waste until 2012:

2011	\$	92.19 per ton
2012	\$	94.96 per ton

5. Town of Banff has an agreement with Nexen to supply electricity and natural gas. Under the terms of the agreement the Town of Banff is committed to the following electricity and natural gas rates until December 31, 2013:

2011-2013	Electricity - Baseload	\$ 0.08078	per kWh
2011-2013	Electricity - Ext. Peak	\$ 0.10421	per kWh
2011-2013	Natural Gas	\$ 8.33	per Gj

6. Town of Banff has an agreement with EPCOR to operate the waste water treatment plant. Under the terms of the agreements the Town of Banff is committed to the following annual payments until June 30, 2011:

2011	\$1,166,550 + 2011 CPI
2012	\$1,166,550 + 2011 CPI + 2012 CPI

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 13

Year ended December 31, 2010, with corresponding figures for 2009

16. Contingencies:

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town 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, 2010 there was \$1,042,823 (2009 - Nil) drawn on these lines of credit.

17. Related party transactions:

The Town provides the Banff Public Library with significant funding in order to maintain its operations. During the year the Town made an appropriation of \$363,400 (2009 – \$349,800) to the Banff Public Library. The Town also provides the Banff Public Library with administrative resources in order to maintain its operations.

Included in accounts receivable at December 31, 2010 is \$49,614 (2009 – \$22,760) due from the Banff Public Library for year-end payroll distributions.

The Town provides the Banff Housing Corporation with administrative resources in order to maintain its operations. During the year the Town contributed provincial housing grant funding to the Banff Housing Corporation in the amount \$230,959 (2009 - \$216,936) and developer levies for cash in lieu of housing in the amount of \$56,706 (2009 – \$nil).

Included in accounts receivable at December 31, 2010 is \$33,366 (2009 – \$40,670) due from the Banff Housing Corporation for year-end payroll distributions.

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 until December 31, 2010. 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, 2010 is \$131,909 (2009 – \$62,756) due from the Day Care Society of Banff for year-end payroll distributions.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 14

Year ended December 31, 2010, with corresponding figures for 2009

18. Financial instruments:

It is management's opinion that the Town is not exposed to significant interest or currency risks arising from its financial instruments.

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

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

19. Budget data:

The unaudited budget data presented throughout these non-consolidated financial statements are based upon the Three Year Budget approved by Council on December 2, 2009 and any subsequent budget adjustments.

20. Comparative information:

Certain 2009 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

21. Approval of financial statements:

The Council and Management have approved these financial statements.

TOWN OF BANFF

Schedule of Non-Consolidated Tangible Capital Assets

Schedule 1

Year ended December 31, 2010, with corresponding figures for 2009

	Buildings	Engineered Structures	Land	Land Improvements	Land	Machinery and Equipment	Vehicles	2010	2009
Cost:									
Balance, beginning of year	\$ 26,415,539	\$ 99,475,324	\$ 40,174,023	\$ 13,260,871	\$ 61,734,409	\$ 7,289,781	\$ 248,349,947	\$ 233,974,188	
Acquisition of tangible capital assets	19,529,999	576,540	-	1,691,637	465,512	420,053	22,683,741	7,640,020	
Construction-in-progress	650	381,319	-	-	-	-	381,969	7,964,739	
Disposal of tangible capital assets	(227,839)	(293,555)	-	(307,171)	(240,768)	(92,015)	(1,161,348)	(1,229,000)	
Balance, end of year	45,718,349	100,139,628	40,174,023	14,645,337	61,959,153	7,617,819	270,254,309	248,349,947	
Accumulated amortization:									
Balance, beginning of year	5,454,978	48,027,964	-	8,744,096	16,331,482	2,542,284	81,100,804	77,571,468	
Annual amortization	618,688	1,870,637	-	484,471	1,662,386	403,327	5,039,509	4,633,810	
Accumulated amortization on disposals	(223,452)	(264,036)	-	(307,171)	(201,870)	(82,815)	(1,079,344)	(1,104,474)	
Balance, end of year	5,850,214	49,634,565	-	8,921,396	17,791,998	2,862,796	85,060,969	81,100,804	
Net book value of tangible capital assets	\$ 39,868,135	\$ 50,505,063	\$ 40,174,023	\$ 5,723,941	\$ 44,167,155	\$ 4,755,023	\$ 185,193,340	\$ 167,249,143	
2009 Net book value of tangible capital assets	\$ 20,960,561	\$ 51,447,360	\$ 40,174,023	\$ 4,516,775	\$ 45,402,927	\$ 4,747,497	\$ 167,249,143		

TOWN OF BANFF

Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2010, with corresponding figures for 2009

	Budget (Unaudited – note 19)	2010	2009
Taxation:			
Real property taxes	\$ 18,688,255	\$ 18,958,269	\$ 18,358,362
Linear property taxes	138,000	137,546	110,787
Government grants in place of property taxes	512,000	512,421	637,883
	<u>19,338,255</u>	<u>19,608,236</u>	<u>19,107,032</u>
Requisitions:			
Alberta School Foundation Fund	6,040,464	6,471,812	6,657,947
Bow Valley Regional Housing	366,792	386,193	410,728
	<u>6,407,256</u>	<u>6,858,005</u>	<u>7,068,675</u>
Net Municipal Property Taxes	\$ 12,930,999	\$ 12,750,231	\$ 12,038,357

TOWN OF BANFF

Schedule of Non-Consolidated Government Transfers

Schedule 3

Year ended December 31, 2010, with corresponding figures for 2009

	Budget (Unaudited – note 19)	2010	2009
Transfers for operating:			
Provincial Government	\$ 3,678,534	\$ 1,561,251	\$ 917,763
Federal Government	5,300	23,136	162,263
Other Local Governments	19,000	47,205	23,583
	<u>3,702,834</u>	<u>1,631,592</u>	<u>1,103,609</u>
Transfer for capital:			
Provincial Government	10,047,800	9,296,988	3,506,066
Federal Government	3,404,300	3,363,796	194,233
	<u>13,452,100</u>	<u>12,660,784</u>	<u>3,700,299</u>
Transfers	\$ 17,154,934	\$ 14,292,376	\$ 4,803,908

TOWN OF BANFF

Schedule of Non-Consolidated Revenue and Expenditures by Object

Schedule 4

Year ended December 31, 2010, with corresponding figures for 2009

	Budget (Unaudited – note 19)	2010	2009
Revenues:			
Net municipal property taxes (Schedule 2)	\$ 12,930,999	\$ 12,750,231	\$ 12,038,357
Sales to other governments	1,088,542	441,916	1,060,088
Sales and user charges	5,967,700	5,939,774	5,600,342
Penalties and cost on taxes	70,500	71,768	63,033
Licenses and permits	3,130,100	3,646,929	4,364,866
Fines	621,100	463,756	611,214
Franchise and concession contracts	420,000	511,360	440,658
Return on investments	100,000	116,318	84,531
Rentals	430,250	401,485	398,062
Contributed and donated assets	–	–	328,856
Government transfers (Schedule 3)	17,135,934	14,245,171	4,997,260
Local government transfers (Schedule 3)	19,000	47,205	23,583
Developer agreements and levies	250,000	98,822	135,892
Other revenues	56,950	153,965	513,558
	<u>42,221,075</u>	<u>38,888,700</u>	<u>30,660,300</u>
Expenses:			
Salaries, wages and benefits	8,478,104	8,263,130	8,181,907
Contracted and general services	8,583,731	9,464,660	9,815,741
Purchases from other governments	1,700,000	1,347,088	1,559,979
Material, goods and utilities	2,047,801	2,064,658	2,196,207
Provision for allowances	1,000	–	–
Transfers to local boards and agencies	83,525	96,750	60,520
Transfers to individuals and organizations	756,212	756,212	689,745
Bank charges and short-term interest	14,000	13,273	19,084
Interest on capital long-term debt	692,200	677,845	263,642
Amortization of tangible capital assets (Schedule 1)	4,348,900	5,039,509	4,633,810
Net loss on disposal of tangible capital assets	–	40,284	119,036
	<u>26,705,473</u>	<u>27,763,409</u>	<u>27,539,671</u>
Excess of revenue over expenditures	\$ 15,515,602	\$ 11,125,291	\$ 3,120,629