

Non-Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2009

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TOWN OF BANFF

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 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 non-consolidated financial statements is presented on the following page.

Tom Maier
Manager of Corporate Services

May 7, 2010

Robert Earl
Town Manager

May 7, 2010

Auditors' Report

To the Members of Council:

We have audited the non-consolidated statement of financial position of the Town of Banff (the "Town") as at December 31, 2009 and the non-consolidated statement of financial activities with change in fund balance and the non-consolidated statement of changes in financial position for the year then ended. These non-consolidated financial statements are the responsibility of the Town's management. 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 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2009 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.

Chartered Accountants

May 7, 2010

TOWN OF BANFF
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2009

	2009	(restated) 2008
FINANCIAL ASSETS		
Cash (Note 3)	\$ 10,837,561	\$ 1,069,861
Short-term investments (Note 3)	2,543,874	4,252,496
Taxes and grants in place of taxes receivables (Note 4)	118,352	143,635
Trade and other receivables (Note 5)	2,263,051	2,884,319
Due from related organizations (Note 8)	139,817	91,663
Debt charges recoverable (Note 6)	299,703	366,991
	16,202,358	8,808,965
LIABILITIES		
Accounts payable and accrued liabilities	4,691,276	3,891,934
Deposits	131,469	181,971
Deferred revenue (Note 7)	247,520	211,722
Long-term debt (Note 10)	19,837,974	5,449,366
	24,908,239	9,734,993
NET FINANCIAL ASSETS (DEBT)	(8,705,881)	(926,028)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	167,249,143	156,402,720
Inventory for consumption	114,633	78,381
Prepaid expenses	90,043	72,236
	167,453,819	156,553,337
ACCUMULATED SURPLUS (Note 15)	\$ 158,747,938	\$ 155,627,309

Commitments and contingencies - See Notes 18 and 19

Approved on behalf of Council by:

TOWN OF BANFF**NON-CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

For the Years Ended December 31, 2009

	2009 Budget (unaudited)	2009	(restated) 2008
REVENUE			
General government	\$ 12,995,492	\$ 12,991,302	\$ 18,537,989
Protective services	2,099,420	2,060,957	2,252,999
Transportation services	4,204,291	4,088,114	6,735,629
Environmental use and protection	5,106,084	5,253,293	4,869,675
Public health and welfare services	499,910	574,374	349,765
Planning and development	4,774,478	4,583,013	503,415
Recreation and culture	872,933	892,311	655,715
	<u>30,552,608</u>	<u>30,443,364</u>	<u>33,905,187</u>
EXPENDITURES			
General government	3,685,174	3,375,772	3,575,123
Protective services	3,270,648	3,123,598	3,691,793
Transportation services	6,270,955	6,221,315	7,094,243
Environmental use and protection	6,318,346	6,584,879	6,749,946
Public health and welfare services	1,030,720	1,074,673	691,818
Planning and development	4,990,370	4,801,388	4,725,607
Recreation and culture	2,139,099	2,141,110	1,696,207
	<u>27,705,312</u>	<u>27,322,735</u>	<u>28,224,737</u>
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	2,847,296	3,120,629	5,680,450
ACCUMULATED SURPLUS, BEGINNING OF YEAR	155,627,308	155,627,308	149,946,858
ACCUMULATED SURPLUS, END OF YEAR	\$ 158,474,604	\$ 158,747,937	\$ 155,627,308

TOWN OF BANFF
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2009

	2009	(restated) 2008
OPERATIONS		
Excess of revenues over expenditures	\$ 3,120,629	\$ 5,680,450
Change in non-cash items:		
Amortization of tangible capital assets	4,633,810	4,533,148
Loss (gain) on disposal of tangible capital assets	119,036	-
Tangible capital assets received as contributions	(328,856)	-
Decrease (increase) in taxes and grants in place of taxes receivables	25,283	13,131
Decrease (increase) in trade and other receivables	621,268	388,778
Decrease (increase) in inventory for consumption	(36,252)	(5,035)
Decrease (increase) in prepaid expenses	(17,807)	(18,871)
Increase (decrease) in accounts payable and accrued liabilities	799,342	751,594
Increase (decrease) in deposits liability	(50,502)	(55,390)
Increase (decrease) in deferred revenue	35,798	116,476
Total cash provided by operations	8,921,749	11,404,281
CAPITAL		
Acquisition of tangible capital assets	(15,275,903)	(7,284,645)
Sale of tangible capital assets	5,490	33,000
Cash provided by capital transactions	(15,270,413)	(7,251,645)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	-	-
Decrease (increase) in amounts due from related organizations	(48,154)	-
Cash provided by investing	(48,154)	-
FINANCING		
Debt charges recovered	67,288	(113,547)
Long-term debt issued	15,600,000	150,000
Long-term debt repaid	(1,211,392)	(1,132,325)
Cash used for financing	14,455,896	(1,095,872)
Net change in cash and cash equivalents	8,059,078	3,056,764
Cash and cash equivalents, beginning of year	5,322,357	2,265,593
Cash and cash equivalents, end of year	\$ 13,381,435	\$ 5,322,357
Cash and cash equivalents comprised of:		
Cash (Note 3)	\$ 10,837,561	\$ 1,069,861
Short-term investments (Note 3)	2,543,874	4,252,496
	\$ 13,381,435	\$ 5,322,357

TOWN OF BANFF**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)****For the Years Ended December 31, 2009**

	2009 Budget (unaudited)	2009	(restated) 2008
EXCESS OF REVENUES OVER EXPENDITURES	\$ 3,091,238	\$ 3,120,629	\$ 5,680,450
Acquisition of tangible capital assets	(27,654,254)	(15,275,903)	(7,284,645)
Contributed tangible capital assets	-	(328,856)	-
Proceeds on disposal of tangible capital assets	-	5,490	33,000
Amortization of tangible capital assets	4,633,810	4,633,810	4,533,147
Loss (gain) on sale of tangible capital assets	119,036	119,036	-
	(22,901,408)	(10,846,423)	(2,718,498)
Acquisition (use) of supplies inventories	-	(36,252)	(5,035)
Acquisition (use) of prepaid assets	-	(17,807)	(18,871)
	-	(54,059)	(23,906)
(INCREASE) DECREASE IN NET DEBT	(19,810,170)	(7,779,853)	2,938,046
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	(926,028)	(926,029)	(3,864,075)
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (20,736,198)	\$ (8,705,882)	\$ (926,029)

TOWN OF BANFF
SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Years Ended December 31, 2009

Schedule 1

	Buildings	Cultural and Historical	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	2009	(restated) 2008
COST:									
Balance, beginning of year	\$ 15,053,511	\$ 156,714	\$ 98,173,649	\$ 40,142,785	\$ 12,608,606	\$ 61,240,309	\$ 6,598,614	\$ 233,974,188	\$ 226,845,474
Acquisition of tangible capital assets	4,063,082	1,779	1,768,709	31,238	490,137	519,600	765,475	7,640,020	6,029,766
Construction-in-progress	7,832,874	-	128,230	-	3,635	-	-	7,964,739	1,254,879
Disposal of tangible capital assets	(533,928)	-	(595,264)	-	-	(25,500)	(74,308)	(1,229,000)	(155,931)
Write down of tangible capital assets	-	-	-	-	-	-	-	-	-
Balance, end of year	26,415,539	158,493	99,475,324	40,174,023	13,102,378	61,734,409	7,289,781	248,349,947	233,974,188
ACCUMULATED AMORTIZATION:									
Balance, beginning of year	5,606,376	-	46,689,281	-	8,303,259	14,709,839	226,271	77,571,468	73,161,251
Annual amortization	346,421	-	1,853,482	-	440,837	1,646,771	346,299	4,633,810	4,533,148
Accumulated amortization on disposals	(497,819)	-	(514,799)	-	-	(25,128)	(66,728)	(1,104,474)	(122,931)
Balance, end of year	5,454,978	-	48,027,964	-	8,744,096	16,331,482	2,542,284	81,100,804	77,571,468
2009 NET BOOK VALUE OF									
TANGIBLE CAPITAL ASSETS	\$ 20,960,561	\$ 158,493	\$ 51,447,360	\$ 40,174,023	\$ 4,358,282	\$ 45,402,927	\$ 4,747,497	\$ 167,249,143	\$ 156,402,720
2008 NET BOOK VALUE OF									
TANGIBLE CAPITAL ASSETS	\$ 9,447,135	\$ 156,714	\$ 51,484,368	\$ 40,142,785	\$ 4,305,347	\$ 46,530,470	\$ 4,335,901	\$ 156,402,720	

TOWN OF BANFF
SCHEDULE OF PROPERTY AND OTHER TAXES
For the Years Ended December 31, 2009

Schedule 2

	2009 Budget (unaudited)	2009	(restated) 2008
TAXATION			
Real property taxes	\$ 18,363,813	\$ 18,358,362	\$ 18,208,423
Linear property taxes	110,000	110,787	118,626
Government grants in place of property taxes	638,000	637,883	608,887
	<u>19,111,813</u>	<u>19,107,032</u>	<u>18,935,936</u>
REQUISITIONS			
Alberta School Foundation Fund	6,658,210	6,657,947	7,056,383
Bow Valley Regional Housing Authority	411,011	410,728	229,768
	<u>7,069,221</u>	<u>7,068,675</u>	<u>7,286,151</u>
NET MUNICIPAL TAXES	<u>\$ 12,042,592</u>	<u>\$ 12,038,357</u>	<u>\$ 11,649,785</u>

TOWN OF BANFF
SCHEDULE OF GOVERNMENT TRANSFERS
For the Years Ended December 31, 2009

Schedule 3

	2009 Budget (unaudited)	2009	(restated) 2008
TRANSFERS FOR OPERATING			
Provincial Government	\$ 3,678,523	\$ 917,763	\$ 1,129,132
Federal Government	53,876	162,263	41,936
Other Local Government	24,000	23,583	13,654
	<u>3,756,399</u>	<u>1,103,609</u>	<u>1,184,722</u>
TRANSFERS FOR CAPITAL			
Provincial Government	6,058,213	3,506,066	8,214,494
Federal Government	3,005,100	194,233	-
	<u>9,063,313</u>	<u>3,700,299</u>	<u>8,214,494</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 12,819,712</u>	<u>\$ 4,803,908</u>	<u>\$ 9,399,216</u>

TOWN OF BANFF

Schedule 4

SCHEDULE OF NON-CONSOLIDATED REVENUES AND EXPENDITURES BY OBJECT

For the Years Ended December 31, 2009

	2009 Budget (Unaudited)	2009	(restated) 2008
REVENUES			
Net municipal property taxes (Schedule 2)	\$ 12,042,592	\$ 12,038,356	\$ 11,649,785
Sales to other governments	1,204,300	1,060,089	1,363,208
Sales and user charges	5,568,090	5,600,342	4,859,066
Penalties and costs on taxes	65,500	63,033	55,966
Licenses and permits	4,594,300	4,364,866	4,329,309
Fines	561,600	611,214	507,721
Franchise and concession contracts	400,000	440,658	406,212
Return on investments	100,000	84,531	131,292
Rentals	371,500	398,062	393,568
Contributed and donated assets	328,856	328,856	-
Government transfers (Schedule 3)	4,748,109	4,780,324	9,385,562
Local government transfers	24,000	23,583	13,654
Developer agreements and levies	135,892	135,892	165,214
Other revenues	407,869	513,558	644,630
	30,552,608	30,443,364	33,905,187
EXPENDITURES			
Salaries, wages and benefits	8,222,742	8,181,907	8,409,006
Contracted and general services	10,160,276	9,815,741	10,276,064
Purchases from other governments	1,731,500	1,559,979	1,649,241
Materials, goods, supplies and utilities	2,018,906	2,196,207	2,464,162
Provision for allowances	1,000	-	-
Transfers to local boards and agencies	90,900	60,520	58,329
Transfers to individuals and organizations	455,500	472,809	551,467
Bank charges and short-term interest	8,000	19,084	16,063
Interest on capital long-term debt	263,642	263,642	267,257
Amortization of tangible capital assets (Schedule 1)	4,633,810	4,633,810	4,533,148
Net loss on sale of tangible capital assets	119,036	119,036	-
	27,705,312	27,322,735	28,224,737
EXCESS OF REVENUES OVER EXPENDITURES			
(EXPENDITURES OVER REVENUES)	\$ 2,847,296	\$ 3,120,629	\$ 5,680,450

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

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 non-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 non-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 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 20.

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 financial statements are prepared using accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable in the period in which transactions or events occurred that gave rise to revenues. Expenses are recognized as they are incurred and measurable upon receipt of goods

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

and services and a legal liability is established, with the exception of pension expenditures as disclosed in Note 2(m).

(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 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.

(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.

(g) *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.

(h) *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.

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(i) 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 revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(j) 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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Cultural and historical assets recorded as tangible capital assets in the financial statements but are not subject to amortization.

(k) Contributions of tangible capital assets

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

(l) 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.

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

(m) Pension expenditure

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

(n) Foreign currencies

Foreign currency translations 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.

(o) 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 in accumulated surplus.

3. CASH AND SHORT TERM INVESTMENTS

	<u>2009</u>	<u>2008</u>
Cash	\$ 10,837,561	\$ 1,069,861
Short term investments	2,543,874	4,252,496
	<u>\$ 13,381,435</u>	<u>\$ 5,322,357</u>

Short term investments consist of GIC'S cashable on December 19, 2010 and bearing interest of 1.90% per annum.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2009</u>	<u>2008</u>
Current taxes and grants in place of taxes	\$ 149,382	\$ 174,665
Less: Allowance for doubtful accounts	(31,030)	(31,030)
	<u>\$ 118,352</u>	<u>\$ 143,635</u>

5. TRADE AND OTHER RECEIVABLES

	<u>2009</u>	<u>2008</u>
Receivables from other governments	\$ 434,543	\$ 222,607
Utility and other trade accounts receivable	1,828,508	2,661,768
	<u>\$ 2,263,051</u>	<u>\$ 2,884,375</u>

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

6. DEBT CHARGES RECOVERABLE

	<u>2009</u>	<u>2008</u>
Current debt charges recoverable	\$ 70,206	\$ 67,288
Non-current debt charges recoverable	229,497	299,703
	<u>\$ 299,703</u>	<u>\$ 366,991</u>

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.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 70,206	\$ 12,830	\$ 83,036
2011	73,257	9,779	83,036
2012	76,450	6,586	83,036
2013	79,790	3,246	83,036
	<u>\$ 299,703</u>	<u>\$ 32,441</u>	<u>\$ 332,144</u>

7. DEFERRED REVENUE

	<u>2009</u>	<u>2008</u>
Requisition over (under) levy	\$ 50,366	\$ (12,753)
Miscellaneous	197,154	224,475
	<u>\$ 247,520</u>	<u>\$ 211,722</u>

8. DUE FROM RELATED ORGANIZATIONS

	<u>2009</u>	<u>2008</u>
Rocky Mountain Co-operative Housing Association (see below)	\$ 139,817	\$ 91,663
	<u>\$ 139,817</u>	<u>\$ 91,663</u>

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

8. DUE FROM RELATED ORGANIZATIONS (continued)

Rocky Mountain Co-operative Housing Association - Pursuant to a subscription commitment dated April 15, 1992, the Town of Banff has subscribed for four (4) units in the Rocky Mountain Co-operative Housing Association's (RMCHA) Bow River Housing Project. The Town of Banff acquired the subscription of two (2) 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. Included in the amount noted above are RMCHA shares and advances receivable, which consist of the following:

	<u>2009</u>	<u>2008</u>
1 common share (par value \$100)	\$ 100	\$ 100
Advances receivable including accrued interest	139,717	91,563
	<u>\$ 139,817</u>	<u>\$ 91,663</u>

9. CREDIT FACILITIES

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 2009 (2008 - \$12,000,000), which includes \$4,000,000 (2008 - \$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, 2009 and 2008, there were no amounts drawn upon this credit facility.

10. LONG-TERM DEBT

	<u>2009</u>	<u>2008</u>
Tax supported debentures	\$ 19,591,661	\$ 5,186,857
Self supported debentures	246,313	262,509
	<u>\$ 19,837,974</u>	<u>\$ 5,449,366</u>

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

10. LONG-TERM DEBT (continued)

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

	Principal	Interest	Total
2010	2,603,064	690,658	3,293,722
2011	2,704,618	589,103	3,293,721
2012	2,810,236	483,486	3,293,722
2013	1,579,003	388,146	1,967,149
2014	1,550,659	333,454	1,884,113
Thereafter	8,590,394	830,167	9,420,561
	\$ 19,837,974	\$ 3,315,014	\$ 23,152,988

Debenture debt is 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 2009 (5.04% for 2008). Debenture debt is issued on the credit and security of the town at large.

The current portion of the long-term debt amounts to \$1,211,392 (2008 – \$1,132,324)

11. 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:

	2009	2008
Total debt limit	\$ 40,014,588	\$ 38,571,600
Total debt	19,837,974	5,449,366
Loan guarantee (Note 14)	7,863,673	8,398,802
Amount of total debt limit exceeds total debt	\$ 12,312,941	\$ 24,723,432
Debt servicing limit	\$ 6,669,098	\$ 6,428,600
Debt servicing	1,144,103	1,095,200
Amount of debt servicing limit exceeds debt servicing	\$ 5,524,995	\$ 5,333,400

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities 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.

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

12. 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, 2009 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$7,863,673. These loans have an interest rate of 4.68% and are repayable in blended monthly payments of \$74,560.

13. TANGIBLE CAPITAL ASSETS

	Net Book Value	
	<u>2009</u>	<u>2008</u>
Buildings	\$ 13,127,687	\$ 8,192,256
Cultural and historical	158,493	156,714
Engineered structures	51,319,130	51,484,368
Land	40,174,023	40,142,785
Land improvements	4,354,647	4,305,347
Machinery, equipment and furnishings	45,402,927	46,530,470
Vehicles	4,747,497	4,335,901
	<u>\$ 159,284,404</u>	<u>\$ 155,147,841</u>
Assets under construction	7,964,739	1,254,879
	<u>\$ 167,249,143</u>	<u>\$ 156,402,720</u>

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2009</u>	<u>2008</u>
Tangible capital assets (Schedule 1)	\$ 248,349,947	\$ 233,974,188
Accumulated amortization (Schedule 1)	(81,100,804)	(77,571,468)
Long-term debt (Note 12)	(19,837,974)	(5,449,366)
Debt charges recoverable (Note 7)	299,703	366,991
	<u>\$ 147,710,872</u>	<u>\$ 151,320,345</u>

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

15. ACCUMULATED SURPLUS

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

	2009	2008 (restated)
	<hr/>	<hr/>
Equity in tangible capital assets	\$ 147,710,872	\$ 151,320,345
Unrestricted surplus (deficit)	-	-
Restricted surplus:		
Reserves:		
Special purpose:		
General	408,002	240,648
Budget stabilization	343,789	7,945
Computer	78,394	169,715
Fire	20,600	20,600
Community development	6,000	6,000
Recreation	75,978	71,503
Capital reserves:		
General	6,436,467	(104,474)
Solid waste	66,500	66,500
Fire	414,108	349,108
Fleet	(13,318)	496,666
Cave-Spray Avenue ARP	154,668	154,668
Heritage	145,151	157,652
Art	50,814	42,593
Staff housing	130,900	91,350
Parking	(244,592)	(244,592)
Community	51,950	51,950
Cash-in-lieu of housing	-	6,300
Offsite levy	900,595	900,595
Revolving	246,903	246,903
Water	1,387,980	1,274,411
Sanitary sewer	376,177	300,923
	<hr/> \$ 158,747,938 <hr/>	<hr/> \$ 155,627,309 <hr/>

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

16. 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:

	2009			2008
	Salary	Benefits & Allowances	Total	Total
Councillors:				
John Stutz	\$ 35,907	\$ 4,196	\$ 40,103	\$ 43,814
Chip Olver	20,446	3,607	24,053	24,227
Christina MacDonald	17,937	3,524	21,461	22,853
Karen Sorensen	18,087	3,501	21,588	22,804
Leslie Taylor	17,290	3,475	20,765	22,164
John Gibson	17,821	3,492	21,313	21,374
Stavros Karlos	18,421	3,513	21,934	23,264
Municipal Manager	182,491	22,017	204,508	198,655

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.

17. 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 expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2009 were \$555,792 (2008 – \$499,971). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2009 were \$496,170 (2008 – \$411,996).

At December 31, 2008, the LAPP disclosed an actuarial deficiency of \$4.4 billion.

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

18. 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 expenditures. Under the terms of the agreement the Town of Banff is committed to the following minimum annual payments for the next five years:

2010	-	\$ 550,000
2011	-	550,000
2012	-	550,000
2013	-	550,000
2014	-	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 four years:

2010	-	\$ 750,014
2011	-	773,242
2012	-	797,670
2013	-	274,033

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:

2010	-	\$ 71,000
2011	-	73,000
2012	-	75,000
2013	-	38,000

4. Town of Banff has an agreement with BFI 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:

2010	-	\$89.50 per ton
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:

2010-2013	Electricity - Baseload	\$0.08078 per kWh
2010-2013	Electricity - Ext. Peak	\$0.10421 per kWh
2010-2013	Natural Gas	\$8.33 per Gj

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

18. COMMITMENTS (continued)

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:

2010 - \$1,155,000 + 2010 CPI
2011 - \$1,155,000 + 2010 CPI + 2011 CPI

19. 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, 2009 there was Nil (2008 - Nil) drawn on these lines of credit.

20. 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 \$349,800 (2008 – \$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, 2009 is \$22,760 (2008 – \$15,363) 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.

Included in accounts receivable at December 31, 2009 is \$41,835 (2008 – \$29,932) 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, 2009 is \$62,756 (2008 – \$53,881) due from the Day Care Society of Banff for year-end payroll distributions.

Banff Heritage Tourism Corporation Red Serge funding included in accounts receivable at December 31, 2009 is \$2,782 (2008 – \$Nil)

Bow Valley Waste Management Commission - included in accounts receivable at December 31, 2009 is \$2,294 (2008 – \$Nil) for Council per diem reimbursement and included in accounts payable at December 31, 2009 is \$15,645 (2008 – \$Nil) for the Town's portion of the Regional Zero Waste Coordinator.

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

21. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these 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.

Long term debt as described in Note 10 is subject to fixed interest rates; therefore the Town is not subject to interest rate risk.

22. 2009 BUDGETS

The budget amounts presented throughout these financial statements are based upon the Three Year Budget approved by Council on April 27, 2009, except in regard to budget amounts for amortization, developer contributions for tangible capital asset and gains and losses on tangible capital asset disposals (collectively referred to as the "tangible capital asset related budgets").

The town has adopted the new PSAB-3150 Tangible Capital Asset accounting rules in the current year. At the time of budget preparation the tangible capital asset related budgets could not reasonably be budgeted for as the municipality was in the process of completing its tangible capital asset inventory and valuation.

The budget amounts presented throughout these financial statements for the tangible capital asset related budgets are the actual values determined at the completion of the town's tangible capital asset accounting process. These values have been added to the April 27, 2009 budget approved by Council in order to improve the comparability of the 2009 budget and actual values in the Financial Statements.

The table below show the adjustments to the April 27, 2009 budget approved by Council after adjusting the budget values by the actual revenues and expenses incurred for tangible capital asset related items (amortization, developer contributions for tangible capital assets and gains and losses on tangible capital asset disposals) that were not included in the approved 2009 budget.

The town has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

22. BUDGETS (continued)

Statement of Operations	2009 Budget Council Approved	TCA Related Adjustments	2009 Budget Financial Statements
Revenue	\$ 26,203,502	\$ 4,349,106	\$ 30,552,608
Expenditures	(26,124,312)	(1,581,000)	(27,705,312)
Suplus (Deficit)	\$ 79,190	\$ 2,768,106	\$ 2,847,296

23. PRIOR PERIOD ADJUSTMENTS

The town has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2008
Adjustment to opening accumulated surplus:	
As previously reported	\$ 129,867,315
Adjustment to net book value of tangible capital assets	20,079,543
As restated	\$ 149,946,858
	2008
Adjustment to shortfall of revenues over expenditures:	
As previously reported	\$ 2,961,956
Tangible capital assets recorded but previously expensed	7,251,643
Annual amortization expense	(4,533,149)
As restated	\$ 5,680,450
	2008
Adjustments to tangible capital assets:	
As previously reported	\$ 141,901,230
Adjustment to historical cost of tangible capital assets	92,072,958
Accumulated amortization recorded	(77,571,468)
As restated	\$ 156,402,720

TOWN OF BANFF
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

24. APPROVAL OF FINANCIAL STATEMENTS

The Council and Management have approved these financial statements.

25. COMPARATIVE FIGURE

Certain comparative figures have been reclassified in order to conform to the current year's presentation.