

**Consolidated Financial Statements of the**

**TOWN OF BANFF**

**Year ended December 31, 2012**

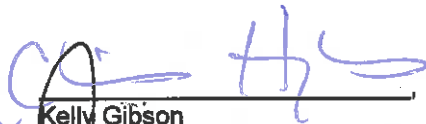
## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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 Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, using management's best estimates and judgments, 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 fulfills 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 public sector accounting standards, by KPMG LLP ("KPMG"), who were appointed by Council. KPMG have full and unrestricted access to management and Council to discuss their audit and related findings. The Independent Auditors' Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on the following page.

*Acting for*  \_\_\_\_\_, Manager of Corporate Services  
Kelly Gibson

\_\_\_\_\_ Town Manager  
Robert Earl

April 22, 2013



**KPMG LLP**  
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## INDEPENDENT AUDITORS' REPORT

To the Members of Council of the Town of Banff

We have audited the accompanying consolidated financial statements of the Town of Banff, which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of operations and accumulated surplus, cash flows, and changes in net debt for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Banff as at December 31, 2012, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants

April 22, 2013

Calgary, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

# TOWN OF BANFF

## Consolidated Statement of Financial Position

December 31, 2012, with corresponding figures for 2011

	2012	2011
<b>Financial Assets</b>		
Cash (note 3)	\$ 1,245,766	\$ 3,624,603
Short-term investments (note 3)	3,000,000	1,034,774
Taxes and grants in place of taxes receivable (note 4)	220,713	210,868
Trade and other receivables (note 5)	3,884,861	2,960,087
Second mortgage receivables (note 6)	1,083,000	1,145,000
Due from related organizations (note 10)	100	151,830
Debt charges recoverable (note 7)	79,790	156,240
	<u>9,514,230</u>	<u>9,283,402</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	3,800,754	2,438,198
Deposits	228,605	232,566
Deferred revenue (note 9)	1,352,927	1,377,068
Long-term debt (note 12)	12,203,979	14,925,292
	<u>17,586,265</u>	<u>18,973,124</u>
Net debt	(8,072,035)	(9,689,722)
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 1)	187,253,017	184,265,708
Inventory (note 8)	178,499	155,906
Prepaid expenses	418,007	81,891
	<u>187,849,523</u>	<u>184,503,505</u>
<b>Commitments and contingencies (notes 14, 19, and 20)</b>		
Accumulated surplus (note 16)	<u>\$ 179,777,488</u>	<u>\$ 174,813,783</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of Council by:

\_\_\_\_\_, Council

# TOWN OF BANFF

## Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with corresponding figures for 2011

	Budget (Unaudited – note 23)	2012	2011
Revenue (schedule 4):			
General government	\$ 15,043,748	\$ 15,167,211	\$ 14,364,720
Protective services	1,409,250	1,401,422	1,335,680
Transportation services	1,320,600	1,066,162	2,439,294
Environmental use and protection	7,201,810	8,152,574	6,261,100
Public health and welfare services	657,853	886,369	728,740
Planning and development	4,617,708	4,592,637	6,043,839
Recreation and culture	3,497,745	2,961,983	3,676,541
	<u>33,748,714</u>	<u>34,228,358</u>	<u>34,849,914</u>
Expenses (schedule 4):			
General government	3,119,371	3,010,945	3,067,756
Protective services	3,257,618	3,150,497	3,077,834
Transportation services	6,067,388	6,005,247	6,558,981
Environmental use and protection	7,402,440	7,124,471	7,114,225
Public health and welfare services	1,238,266	1,366,511	1,152,295
Planning and development	4,903,581	4,817,098	5,988,162
Recreation and culture	3,871,735	3,789,884	4,135,931
	<u>29,860,399</u>	<u>29,264,653</u>	<u>31,095,184</u>
Excess of revenue over expenses	3,888,315	4,963,705	3,754,730
Accumulated surplus, beginning of year	174,813,783	174,813,783	171,059,053
Accumulated surplus, end of year	<u>\$ 178,702,098</u>	<u>\$ 179,777,488</u>	<u>\$ 174,813,783</u>

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Consolidated Statement of Cash Flows

Year ended December 31, 2012, with corresponding figures for 2011

	2012	2011
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenue over expenses	\$ 4,963,705	\$ 3,754,730
<b>Change in non-cash items:</b>		
Amortization of tangible capital assets	4,227,341	5,433,076
Loss on disposal of tangible capital assets	38,027	76,911
Write down of tangible capital assets	315	65,652
Increase in taxes and grants in place of taxes receivable	(9,845)	(40,393)
(Increase) decrease in trade and other receivables	(924,774)	48,130
Decrease in second mortgage receivables	62,000	93,000
(Increase) decrease in inventory	(22,593)	1,149,118
(Increase) decrease in prepaid expenses	(336,116)	12,230
Increase (decrease) in accounts payable and accrued liabilities	1,362,556	(1,619,734)
Decrease in deposits	(3,961)	(19,704)
Decrease in deferred revenue	(24,141)	(54,545)
	<u>9,332,514</u>	<u>8,898,471</u>
<b>Capital activities:</b>		
Acquisition of tangible capital assets	(7,255,142)	(4,305,528)
Proceeds on disposal of tangible capital assets	2,150	9,100
	<u>(7,252,992)</u>	<u>(4,296,428)</u>
<b>Investing activities:</b>		
Decrease (increase) in due from related organizations	151,730	(26,608)
(Increase) decrease in investments	(1,965,226)	4,656,649
	<u>(1,813,496)</u>	<u>4,630,041</u>
<b>Financing activities:</b>		
Debt charges recovered	76,450	73,257
Long-term debt issued	—	4,000,000
Long-term debt repaid	(2,721,313)	(6,859,618)
	<u>(2,644,863)</u>	<u>(2,786,361)</u>
Net change in cash	(2,378,837)	6,445,723
Cash (bank indebtedness), beginning of year	3,624,603	(2,821,120)
Cash, end of year	<u>\$ 1,245,766</u>	<u>\$ 3,624,603</u>

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2012, with corresponding figures for 2011

	Budget (Unaudited -- note 23)	2012	2011
Excess of revenue over expenses	\$ 3,888,315	\$ 4,963,705	\$ 3,754,730
Acquisition of tangible capital assets	(13,695,957)	(7,255,142)	(4,305,528)
Write down of tangible capital assets	—	315	65,652
Proceeds on disposal of tangible capital assets	—	2,150	9,100
Amortization of tangible capital assets	5,282,495	4,227,341	5,433,076
Loss on disposal of tangible capital assets	—	38,027	76,911
	(8,413,462)	(2,987,309)	1,279,211
Use (acquisition) of inventory	—	(22,593)	1,149,118
Use (acquisition) of prepaid expenses	220	(336,116)	12,230
	220	(358,709)	1,161,348
(Increase) decrease in net debt	(4,524,927)	1,617,687	6,195,289
Net debt, beginning of year	(9,689,722)	(9,689,722)	(15,885,011)
Net debt, end of year	\$ (14,214,649)	\$ (8,072,035)	\$ (9,689,722)

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Notes to the Consolidated Financial Statements

Year ended December 31, 2012, with corresponding figures for 2011

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### **Incorporation:**

The Town of Banff (the "Town") 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 the Province of 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 consolidated financial statements of the Town of Banff are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Town are as follows:

#### **(a) Reporting entity:**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net debt and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Banff Housing Corporation

Banff Public Library

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.



# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2012, with corresponding figures for 2011

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting:

The consolidated 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 based upon receipt of goods or services and/or a legal obligation to pay is established.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, 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 the tangible capital assets are acquired.

### (c) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and short-term investments with original maturities of 180 days or less.

### (d) Deferred revenue:

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.

### (e) 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 consolidated financial statements have been prepared within reasonable limits of materiality. Actual results may differ from those estimates.

### (f) Investments:

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Interest is accrued in trade and other receivables on the book value of the investments at a rate equivalent to the effective yield of each investment.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2012, with corresponding figures for 2011

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## 1. Significant accounting policies (continued):

### (g) Debt charges recoverable:

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt.

### (h) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax 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 tax revenue.

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

### (i) 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 the result of a direct financial return.

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

### (j) 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 debt for the year.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2012, with corresponding figures for 2011

## 1. Significant accounting policies (continued):

### (k) (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	15-100
Buildings	25-110
Engineered structures	
Water system	25-100
Wastewater system	45-100
Other engineered structures	5-100
Machinery and equipment	5-40
Vehicles	15-25

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

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

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

### (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.

### (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. Inventories 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 are recorded at the lower of cost and net realizable value.

### (l) Pension:

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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2012, with corresponding figures for 2011

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## 1. Significant accounting policies (continued):

### (m) 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.

### (n) Changes in accounting estimate:

Effective January 1, 2012, the Town changed its estimate in the useful lives of buildings, land improvements, vehicles, and engineered structures to align with the amortization rates and useful lives as recommended by the Town's Council. The changes have been applied prospectively. The change in the basis of amortization has had the effect of decreasing amortization expense by \$1,113,793 for the year ended December 31, 2012. Future periods are impacted but estimating the amount is impracticable and will be incorporated in future budgets commencing January 1, 2013.

## 2. Recent accounting pronouncements:

The Public Sector Accounting Board recently announced the following accounting pronouncements:

### (a) Liability for contaminated sites:

This accounting pronouncement establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. It is effective for fiscal years beginning on or after April 1, 2014, with early adoption encouraged.

### (b) Government transfers:

This accounting pronouncement establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. It is effective for fiscal years beginning on or after April 1, 2012, with early adoption encouraged.

### (c) Financial instruments:

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2015 for governments and for fiscal years beginning on or after April 1, 2012 for government organizations, with early adoption encouraged.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 2012, with corresponding figures for 2011

## 2. Recent accounting pronouncements (continued):

### (d) Foreign currency translation:

This accounting pronouncement establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. It is effective for fiscal years beginning on or after April 1, 2015 for governments and for fiscal years beginning on or after April 1, 2012 for government organizations, with early adoption encouraged.

Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

## 3. Cash and short-term investments:

	2012	2011
Cash	\$ 1,245,766	\$ 3,624,603
Short-term investments	3,000,000	1,034,774
	<u>\$ 4,245,766</u>	<u>\$ 4,659,377</u>

Short term investments consist of \$3,000,000 of 180 day term investments with an effective rate of return of 1.39% (2011 - \$1,034,774 of money market funds with an effective rate of return of 1.66%).

## 4. Taxes and grant in place of taxes receivable:

	2012	2011
Current taxes and grants in place of taxes	\$ 190,612	\$ 191,517
Arrears taxes and interest and penalties	59,301	48,551
Less: Allowance for doubtful accounts	(29,200)	(29,200)
	<u>\$ 220,713</u>	<u>\$ 210,868</u>

## 5. Trade and other receivables:

	2012	2011
Receivables from other governments	\$ 1,015,703	\$ 456,883
Utility and other trade accounts receivable	2,851,463	2,489,209
Requisition under levy	17,695	13,995
	<u>\$ 3,884,861</u>	<u>\$ 2,960,087</u>

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2012, with corresponding figures for 2011

## 6. Second mortgages receivables:

The second mortgages receivable arose 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 mortgages receivable. When a mortgage becomes due, the revenue is recognized.

	2012	2011
Second mortgages receivable	\$ 1,083,000	\$ 1,145,000

During the year, second mortgages of \$62,000 (2011 - \$93,000) were collected.

## 7. Debt charges recoverable:

	2012	2011
Current debt charges recoverable	\$ 79,790	\$ 76,450
Non-current debt charges recoverable	-	79,790
	\$ 79,790	\$ 156,240

Bow Valley Regional Housing had 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 totaling \$385,000 in 2003 and \$150,000 in 2008 for the two projects with the entire amounts, plus interest of 5.25% and 3.05% respectively, recoverable from the Bow Valley Regional Housing with respect to the financing of the two projects. Amounts are recoverable in annual installments of \$50,466 and \$32,570, including interest, and mature November 3, 2013 and December 15, 2013, respectively.

	Principal	Interest	Total
2013	\$ 79,790	\$ 3,246	\$ 83,036
	\$ 79,790	\$ 3,246	\$ 83,036

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2012, with corresponding figures for 2011

## 8. Inventory:

	2012	2011
Inventory for consumption	\$ 178,499	\$ 155,906
	\$ 178,499	\$ 155,906

The Town of Banff has retained the head lease to reacquire value priced housing units when they become available for sale. Through this mechanism, these units are purchased and resold below market values. Although title of the units is retained by the Town, the transaction is structured such that the majority of the benefits and costs of ownership of the related units are transferred to the purchaser (leaseholder). Accordingly, no amount is recognized in the consolidated financial statements.

## 9. Deferred revenue:

	2012	2011
Second mortgages	\$ 1,083,000	\$ 1,145,000
Deferred grant revenue	262,184	223,737
Miscellaneous	7,743	8,331
	\$ 1,352,927	\$ 1,377,068

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2012, with corresponding figures for 2011

## 10. Due from related organizations:

	2012	2011
Rocky Mountain Co-operative Housing Association	\$ 100	\$ 151,830

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. The Town further acquired the subscription of one additional unit on June 1, 2011. 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:

	2012	2011
1 common share (par value \$100)	\$ 100	\$ 100
Advances receivable	-	151,730
	\$ 100	\$ 151,830

## 11. 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 \$10,000,000 for 2013 (2012 - \$11,000,000), 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, 2012 \$nil (2011 - \$nil) was drawn upon this credit facility. At December 31, 2012, the effective rate of interest on the credit facility was 2.25%.

The Bank of Montreal has authorized a general line of credit to the Banff Housing Corporation in the amount of \$1,300,000 (2011 - \$250,000 operating line and \$3,500,000 construction line). The line of credit is guaranteed by the Town of Banff and bears interest at the bank's prime rate minus 0.75%. As at December 31, 2012 there was \$nil (2011 - \$nil) drawn against the line of credit.



# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2012, with corresponding figures for 2011

## 12. Long term debt:

	2012	2011
Tax/grant supported debentures	\$ 12,013,914	\$ 14,715,107
Self-supported debentures	190,065	210,185
	<u>\$ 12,203,979</u>	<u>\$ 14,925,292</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2013	\$ 1,350,111	\$ 352,943	\$ 1,703,054
2014	1,306,293	309,117	1,615,410
2015	1,343,545	267,202	1,610,747
2016	1,382,125	224,009	1,606,134
2017	1,422,084	179,294	1,601,378
Thereafter	5,399,821	519,284	5,919,105
	<u>\$ 12,203,979</u>	<u>\$ 1,851,849</u>	<u>\$ 14,055,828</u>

Debenture debt consists of \$8,163,979 repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.05% to 7.50% per annum and matures in periods 2013 through 2019. The average annual interest rate is 4.70% for 2012 (4.70% for 2011). The balance includes \$4,040,000 repayable to the Federation of Canadian Municipalities which bears interest between 2.00% and 2.21%. The average annual interest rate is 1.50% for 2012 (1.50% for 2011) 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 \$1,350,111 (2011 – \$2,721,314).

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 11

Year ended December 31, 2012, with corresponding figures for 2011

## 13. 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 be disclosed as follows:

	2012	2011
Total debt limit	\$ 45,941,723	\$ 45,585,270
Total debt	(12,203,979)	(14,925,292)
Loan guarantees (note 14)	(7,576,848)	(6,761,591)
Amount of total debt limit exceeds total debt	\$ 26,160,896	\$ 23,898,387
Debt servicing limit	\$ 7,656,954	\$ 7,597,545
Debt servicing	(1,623,264)	(3,083,134)
Amounts of debt servicing limit exceeds debt servicing	\$ 6,033,690	\$ 4,514,411

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 consolidated financial statements must be interpreted as a whole.

## 14. Loan guarantees:

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 250-2 on July 19, 2012 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 \$7,700,000. These guarantees expire on July 31, 2015. At December 31, 2012 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$7,576,848. These loans have an interest rate of 3.60% and 4.68%, respectively (2011 – 3.60% and 4.68%) and are repayable over the next twenty nine months in blended monthly payments of \$74,738.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2012, with corresponding figures for 2011

## 15. Equity in tangible capital assets:

	2012	2011
Tangible capital assets (Schedule 1)	\$ 280,563,634	\$ 274,412,444
Accumulated amortization (Schedule 1)	(93,310,617)	(90,146,736)
Long-term debt (note 12)	(12,203,979)	(14,925,292)
Debt charges recoverable (note 7)	79,790	156,240
	<u>\$ 175,128,828</u>	<u>\$ 169,496,656</u>

## 16. Accumulated surplus:

Accumulated surplus consists of internally restricted amounts and equity in tangible capital assets as follows:

	2012	2011
Equity in tangible capital assets	\$ 175,128,828	\$ 169,496,656
Reserves:		
Special Purpose:		
Banff Housing Corporation	733,163	710,650
Banff Public Library	150,231	127,940
General	223,825	180,996
Budget stabilization	376,618	390,890
Computer	111,152	78,671
Fire	20,600	20,600
Community development	6,000	6,000
Recreation	78,263	88,992
Snow clearing	54,426	-
Transit	49,000	49,000
Environment	226,105	97,263
Solid Waste	127,157	79,637
Capital reserves	2,492,120	3,486,488
Accumulated Surplus	<u>\$ 179,777,488</u>	<u>\$ 174,813,783</u>

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 13

Year ended December 31, 2012, with corresponding figures for 2011

## 17. 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:

	2012			2011
	Salary	Benefits and Allowances	Total	Total
<b>Councillors:</b>				
Karen Sorensen	\$ 38,565	\$ 3,858	\$ 42,423	\$ 41,215
Chip Oliver	18,563	4,159	22,722	24,016
Leslie Taylor	17,933	3,622	21,555	21,340
Stavros Karlos	17,933	3,622	21,555	21,340
Paul Baxter	17,933	3,622	21,555	21,340
Brian Standish	17,933	3,622	21,555	21,340
Grant Canning	19,193	2,023	21,216	20,481
<b>Town Manager</b>	<b>219,385</b>	<b>25,480</b>	<b>244,865</b>	<b>231,263</b>

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, computer allowance and club memberships.

## 18. 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 approximately 214,300 people and 423 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

Notes to the Consolidated Financial Statements, page 14

Year ended December 31, 2012, with corresponding figures for 2011

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## 18. Local authorities pension plan (continued):

The Town is required to make current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings (\$48,300) under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2012 were \$723,122 (2011 – \$659,283). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2012 were \$666,537 (2011 – \$595,828).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.64 billion.

## 19. 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 in the consolidated statement of operations. Under the terms of the agreement the Town of Banff is committed to the following minimum annual payments for the next five years:

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2013	550,000
2014	550,000
2015	550,000
2016	550,000
2017	550,000

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# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 15

Year ended December 31, 2012, with corresponding figures for 2011

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## 19. Commitments (continued):

2. 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 minimum payments of \$38,000 until July 1, 2013.
3. Town of Banff has an agreement with TransAlta 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:

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Electricity - Baseload	\$ 0.08078	per kWh
Electricity - Extended Peak	\$ 0.10421	per kWh
Natural Gas	\$ 8.33	per Gj

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4. 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 daily payments until June 30, 2013:

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2013	\$ 3,059.15	+ 2013 CPI
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5. Town of Banff has an agreement with the Bow Valley Waste Commission to provide solid waste hauling. Under the terms of the agreement the Town of Banff is committed to the following hauling and disposal rates per ton of solid waste until 2015:

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2013	\$ 111.25 per ton
2014	\$ 112.78 per ton
2015	\$ 114.34 per ton

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# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 16

Year ended December 31, 2012, with corresponding figures for 2011

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## 20. 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 MUNIX. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town of Banff has provided a guarantee on line of credit held by the Banff Housing Corporation with the Bank of Montreal to a maximum of \$4,000,000. At December 31, 2012, there was \$nil (2011 - \$nil) drawn on this line of credit.

## 21. Related party transactions:

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, 2016. The Town also provides the Day Care Society of Banff with administrative resources in order to maintain its operations. The Day Care Society of Banff is economically dependent upon this support from the Town.

Included in accounts receivable at December 31, 2012 is \$156,163 (2011 – \$105,638) due from the Day Care Society of Banff for year-end payroll distributions.

The Town provides the Bow Valley Regional Transit Services Commission (the "Commission") with administrative resources in order to maintain its operations. Included in accounts receivable at December 31, 2012 is \$169,068 (2011 – \$63,526) due from the Commission for year-end expense distributions. The Town has the authority to appoint two of the Commission's six Board members.

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 22. 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.

# **TOWN OF BANFF**

Notes to the Consolidated Financial Statements, page 17

Year ended December 31, 2012, with corresponding figures for 2011

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## **23. Budget data:**

The unaudited budget data presented throughout these consolidated financial statements are based upon the Three Year Budget approved by Council on December 14, 2011 and any subsequent budget adjustments.

## **24. Comparative Information:**

Certain 2011 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

## **25. Approval of financial statements:**

The Council and Management have approved these consolidated financial statements on April 22, 2013.



# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 18

Year ended December 31, 2012, with corresponding figures for 2011

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## **26. Segment disclosures:**

Segment disclosures (Schedule 5) are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the Town. For each reported segment, revenues and expenses represent both amounts directly attributable to the segment and amounts that are allocated on a reasonable basis.

The segments have been selected based on the Financial Information Return segmentation reported annually to Alberta Municipal Affairs. Segments include:

- **General Government** is comprised of Council & Other Legislative, General Municipal, Town Manager, Human Resources, Communications & Marketing, Corporate Services and Computer Services
- **Protective Services** is comprised of Bylaw Services, Fire Services and Police Services
- **Transportation** is comprised of Engineering Services, Operations Administration, Fleet Services, Safety, Facilities, Public Transit, Streets and Storm Sewers.
- **Environmental Use & Protection** is comprised of Resource Recovery, Sanitary Sewer, Water and Environment.
- **Public Health & Safety** is comprised of Cemeteries, FCSS Administration, Seniors Programming, Community Development, Family School Liaison Worker, Young Adult Programming and Youth Programs.
- **Planning & Development** consists of Special Events, Tourism, Development, Building Inspection, Town Owned Lands, Staff Housing, Heritage and Banff Housing Corporation.
- **Recreation & Culture** is comprised of Library, Grounds, Recreation Programs, Recreation Administration, Recreation Centre, Recreation Grounds and Recreation Facilities.

# TOWN OF BANFF

## Consolidated Schedule of Tangible Capital Assets

Schedule 1

Year ended December 31, 2012, with corresponding figures for 2011

	Buildings	Engineered Structures	Land Improvements	Land	Machinery and Equipment	Vehicles	Construction in progress	2012	2011
<b>Cost:</b>									
Balance, beginning of year	\$ 48,406,994	\$ 100,180,334	\$ 40,174,023	\$ 14,786,396	\$ 62,320,038	\$ 7,930,633	\$ 614,026	\$ 274,412,444	\$ 270,852,466
Acquisition of tangible capital assets	160,020	889,137	-	170,273	876,278	233,681	4,923,753	7,255,142	4,305,528
Reclass from Construction in progress	122,279	20,705	-	60,119	-	-	(203,103)	-	-
Disposal of tangible capital assets	(84,332)	(488,246)	-	(57,085)	(417,397)	(66,577)	-	(1,103,637)	(679,898)
Write down of tangible capital assets	-	-	-	-	-	-	(315)	(315)	(65,652)
Balance, end of year	48,604,961	100,601,930	40,174,023	14,959,703	62,780,919	8,107,737	5,334,361	280,563,634	274,412,444
<b>Accumulated amortization:</b>									
Balance, beginning of year	7,087,130	51,132,015	-	9,398,303	19,394,548	3,134,740	-	90,146,736	85,307,547
Annual amortization	1,069,224	1,213,156	-	167,274	1,467,097	310,590	-	4,227,341	5,433,076
Accumulated amortization on disposals	(78,357)	(479,842)	-	(57,010)	(417,397)	(30,854)	-	(1,063,460)	(593,887)
Balance, end of year	8,077,997	51,865,329	-	9,508,567	20,444,248	3,414,476	-	93,310,617	90,146,736
<b>Net book value of tangible capital assets</b>	<b>\$ 40,526,964</b>	<b>\$ 48,736,601</b>	<b>\$ 40,174,023</b>	<b>\$ 5,451,136</b>	<b>\$ 42,336,671</b>	<b>\$ 4,693,261</b>	<b>\$ 5,334,361</b>	<b>\$ 187,253,017</b>	<b>\$ 184,265,708</b>

2011 Net book value of tangible capital assets	\$ 41,319,864	\$ 49,048,319	\$ 40,174,023	\$ 5,388,093	\$ 42,925,490	\$ 4,795,893	\$ 614,026	\$ 184,265,708
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# TOWN OF BANFF

Consolidated Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2012, with corresponding figures for 2011

	Budget (Unaudited - note 23)	2012	2011
<b>Taxation:</b>			
Real property taxes	\$ 17,933,529	\$ 18,661,563	\$ 18,870,816
Linear property taxes	138,000	110,394	165,647
Government grants in place of property taxes	755,500	768,364	210,500
	<u>18,827,029</u>	<u>19,540,321</u>	<u>19,246,963</u>
<b>Requisitions:</b>			
Alberta School Foundation Fund	5,578,695	5,145,704	5,571,609
Bow Valley Regional Housing	359,007	347,514	351,690
	<u>5,937,702</u>	<u>5,493,218</u>	<u>5,923,299</u>
<b>Net Municipal Property Taxes</b>	<b>\$ 12,889,327</b>	<b>\$ 14,047,103</b>	<b>\$ 13,323,664</b>

# TOWN OF BANFF

Consolidated Schedule of Government Transfers

Schedule 3

Year ended December 31, 2012, with corresponding figures for 2011

	Budget (Unaudited - note 23)	2012	2011
<b>Transfers for operating:</b>			
Provincial Government	\$ 1,135,150	\$ 1,180,719	\$ 1,163,904
Federal Government	8,100	167,703	24,948
Other Local Governments	35,578	40,692	46,271
	<u>1,178,828</u>	<u>1,389,114</u>	<u>1,235,123</u>
<b>Transfers for capital:</b>			
Provincial Government	3,620,000	3,600,543	4,002,646
Federal Government	-	-	464,054
	<u>3,620,000</u>	<u>3,600,543</u>	<u>4,466,700</u>
<b>Government transfers</b>	<u>\$ 4,798,828</u>	<u>\$ 4,989,657</u>	<u>\$ 5,701,823</u>

# TOWN OF BANFF

Consolidated Schedule of Revenue and Expenses by Object

Schedule 4

Year ended December 31, 2012, with corresponding figures for 2011

	Budget (Unaudited - note 22)	2012	2011
<b>Revenue:</b>			
Net municipal property taxes (Schedule 2)	\$ 13,869,248	\$ 14,047,103	\$ 13,323,664
Sales to other governments	314,000	295,736	329,725
Sales and user charges	8,239,928	8,602,511	9,086,254
Penalties and cost on taxes	85,500	81,199	85,758
Licenses and permits	4,159,800	4,152,427	4,111,587
Fines	521,000	528,568	432,474
Franchise and concession contracts	649,000	585,992	523,877
Return on investments	93,502	87,821	71,954
Rentals	483,140	468,468	442,093
Government transfers (Schedule 3)	4,823,311	4,989,657	5,701,823
Developer agreements and levies	90,000	50,228	434,777
Net gain on disposal of tangible capital assets	-	845	-
Other revenue	420,285	337,803	305,928
	<b>33,748,714</b>	<b>34,228,358</b>	<b>34,849,914</b>
<b>Expenses:</b>			
Salaries, wages and benefits	10,109,348	9,949,084	9,434,096
Contracted and general services	9,831,754	10,449,361	9,950,760
Purchases from other governments	1,600,000	1,575,126	1,508,986
Material, goods and utilities	2,246,304	2,347,543	3,670,699
Provision for allowances	1,000	-	-
Transfers to local boards and agencies	96,775	96,750	96,750
Transfers to individuals and organizations	135,992	126,551	65,240
Bank charges and short-term interest	14,000	21,214	18,306
Interest on operating long-term debt	-	-	4,171
Interest on capital long-term debt	535,400	425,480	830,925
Amortization of tangible capital assets (Schedule 1)	5,282,495	4,227,341	5,433,076
Net loss on disposal of tangible capital assets	-	38,872	76,911
Other expenditures	7,331	7,331	5,264
	<b>29,860,399</b>	<b>29,264,653</b>	<b>31,095,184</b>
<b>Excess of revenue over expenses</b>	<b>\$ 3,888,315</b>	<b>\$ 4,963,705</b>	<b>\$ 3,754,730</b>

# TOWN OF BANFF

## Consolidated Schedule of Segmented Information

Schedule 5

Year ended December 31, 2012

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Safety	Planning & Development	Recreation & Culture	Total
<b>Revenues:</b>								
Taxes	\$ 14,047,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,047,103
Sales to Other Governments	-	295,736	-	-	-	-	-	295,736
Sales & User Charges	5	66,174	406,021	7,121,503	212,417	144,424	651,967	8,602,511
Penalties & Costs on Taxes	69,949	-	-	9,938	-	-	1,312	81,199
Licences & Permits	150,025	32,408	33,994	-	-	3,936,000	-	4,152,427
Fines	-	528,568	-	-	-	-	-	528,568
Franchise & Concession Contracts	585,992	-	-	-	-	-	-	585,992
Return on Investments	79,319	-	-	-	-	8,502	-	87,821
Rentals	-	-	-	-	-	425,516	42,962	468,468
Government Transfers	186,109	465,952	532,245	977,292	617,680	5,000	2,205,379	4,989,657
Transfers from Local Boards & Agencies	-	-	-	-	-	-	-	-
Developer's Agreements & Offsite Levies	-	-	-	8,400	-	41,828	-	50,228
Net Gain on Disposal of TCA	-	-	845	-	-	-	-	845
Other Revenue	48,709	12,584	93,057	35,441	56,272	31,367	60,373	337,803
	15,167,211	1,401,422	1,086,162	8,152,574	886,369	4,582,637	2,961,983	34,228,358
<b>Expenses:</b>								
Salaries, Wages & Benefits	1,705,290	1,268,467	2,058,429	1,531,099	1,072,858	615,587	1,697,354	9,949,084
Contracted and General Services	1,089,834	127,566	1,992,862	2,615,672	143,298	4,065,545	414,584	10,449,361
Purchases from Other Governments	-	1,575,126	-	-	-	-	-	1,575,126
Materials, Goods, Supplies & Utilities	73,332	74,009	799,262	850,100	78,643	19,423	462,774	2,347,543
Transfers to Local Boards & Agencies	-	-	-	96,750	-	-	-	96,750
Transfers to Individuals & Organizations	1,000	5,000	-	19,723	44,645	56,183	-	128,551
Bank Charges & Short Term Interest	21,214	-	-	-	-	-	-	21,214
Interest on Operating Long Term Debt	-	-	-	-	-	-	-	-
Interest on Capital Long Term Debt	40,131	-	5,493	159	-	14,445	365,252	425,480
Amortization of Tangible Capital Assets	80,144	99,357	1,140,797	1,986,551	24,808	45,429	850,255	4,227,341
Net Loss on Disposal of Capital Assets	-	972	8,404	24,417	2,259	486	2,334	38,672
Other expenditures	-	-	-	-	-	-	7,331	7,331
	3,010,945	3,150,497	6,005,247	7,124,471	1,366,511	4,817,098	3,789,884	29,264,663
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$12,156,266</b>	<b>\$ (1,749,075)</b>	<b>\$ (4,939,085)</b>	<b>\$ 1,028,103</b>	<b>\$ (480,142)</b>	<b>\$ (224,461)</b>	<b>\$ (827,901)</b>	<b>\$ 4,963,705</b>