

Non-Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2012

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.

_____, Manager of Corporate Services
Kelly Gibson

_____, Town Manager
Robert Earl

April 22, 2013

TOWN OF BANFF

Non-Consolidated Statement of Financial Position

December 31, 2012, with corresponding figures for 2011

	2012	2011
Financial Assets		
Cash (note 2)	\$ 327,210	\$ 2,691,112
Short-term investments (note 2)	3,000,000	1,034,774
Taxes and grants in place of taxes receivable (note 3)	220,713	210,868
Trade and other receivables (note 3)	3,887,011	2,992,934
Due from related organizations (note 6)	100	151,830
Debt charges recoverable (note 4)	79,790	156,240
	<u>7,514,824</u>	<u>7,237,758</u>
Liabilities		
Bank indebtedness (note 2)	—	—
Accounts payable and accrued liabilities	3,784,806	2,392,067
Deposits	226,853	230,815
Deferred revenue (note 5)	253,245	216,306
Long-term debt (note 8)	12,203,979	14,925,292
	<u>16,468,883</u>	<u>17,764,480</u>
Net financial debt	(8,954,059)	(10,526,722)
Non-Financial Assets		
Tangible capital assets (Schedule 1)	186,960,457	183,945,825
Inventory for consumption	178,499	155,906
Prepaid expenses	416,637	80,301
	<u>187,555,593</u>	<u>184,182,032</u>
Commitments and contingencies (notes 15 and 16)		
Accumulated surplus (note 12)	<u>\$ 178,601,534</u>	<u>\$ 173,655,310</u>

See accompanying notes to non-consolidated financial statements.

Approved on behalf of Council by:

_____, Council

TOWN OF BANFF

Non-Consolidated Statement of Operations and Accumulated Surplus

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

	Budget (Unaudited – note 19)	2012	2011
Revenue:			
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	4,447,450	4,423,159	4,711,926
Recreation and culture	3,390,074	2,854,312	3,573,440
	<u>33,470,785</u>	<u>33,951,209</u>	<u>33,414,900</u>
Expenses:			
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	4,748,151	4,662,448	4,683,453
Recreation and culture	3,766,717	3,684,866	3,994,790
	<u>29,599,951</u>	<u>29,004,985</u>	<u>29,649,334</u>
Excess of revenue over expenses	3,870,834	4,946,224	3,765,566
Accumulated surplus, beginning of year	173,655,310	173,655,310	169,889,744
Accumulated surplus, end of year	<u>\$ 177,526,144</u>	<u>\$ 178,601,534</u>	<u>\$ 173,655,310</u>

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Cash Flows

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

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 4,946,224	\$ 3,765,566
Change in non-cash items:		
Amortization of tangible capital assets	4,194,628	5,409,521
Loss on disposal of tangible capital assets	38,027	76,911
Write-off of tangible capital assets	315	65,652
Tangible capital assets received as contributions	—	—
Decrease (increase) in taxes and grants in place of taxes receivable	(9,845)	(40,393)
Decrease (increase) in trade and other receivables	(876,382)	53,994
Increase in inventory for consumption	(22,593)	5,650
Decrease (increase) in prepaid expenses	(336,336)	12,513
Increase (decrease) in accounts payable and accrued liabilities	1,392,739	(1,606,887)
Increase (decrease) in deposit liabilities	(3,962)	(17,849)
Increase (decrease) in deferred revenue	19,244	22,693
	<u>9,342,059</u>	<u>7,747,371</u>
Capital:		
Acquisition of tangible capital assets	(7,249,752)	(4,297,153)
Proceeds on disposal of tangible capital assets	2,150	9,100
	<u>(7,247,602)</u>	<u>(4,288,053)</u>
Investing:		
Decrease (increase) in amounts due from related organizations	151,730	(12,013)
Decrease (increase) in investments	(1,965,226)	4,576,271
	<u>(1,813,496)</u>	<u>4,564,258</u>
Financing:		
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 and cash equivalents	(2,363,902)	5,237,215
Cash, beginning of year	2,691,112	(2,546,103)
Cash, end of year	<u>\$ 327,210</u>	<u>\$ 2,691,112</u>

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Change in Net Debt

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

	Budget (Unaudited – note 19)	2012	2011
Excess of revenue over expenses	\$ 3,870,834	\$ 4,946,224	\$ 3,765,566
Acquisition of tangible capital assets	(13,690,567)	(7,249,752)	(4,297,153)
Write-off of tangible capital assets	–	315	65,652
Proceeds on disposal of tangible capital assets	–	2,150	9,100
Amortization of tangible capital assets	5,249,782	4,194,628	5,409,521
Loss on disposal of tangible capital assets	–	38,027	76,911
	(8,440,785)	(3,014,632)	1,264,031
Use (acquisition) of inventory for consumption	–	(22,593)	5,650
Use (acquisition) of prepaid expenses	–	(336,336)	12,513
	–	(358,929)	18,163
(Increase) decrease in net debt	(4,569,951)	1,572,663	5,047,760
Net debt, beginning of year	(10,526,722)	(10,526,722)	(15,574,482)
Net debt, end of year	\$ (15,096,673)	\$ (8,954,059)	\$ (10,526,722)

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements

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

Incorporation:

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

1. Significant accounting policies:

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

(a) Reporting entity:

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

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

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

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

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

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 2

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

1. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Deferred revenue:

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

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results may differ from those estimates.

(e) Investments:

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

(f) Over-levies and under-levies:

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and property tax revenue is increased.

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

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 3

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

1. Significant accounting policies (continued):

(g) Government transfers:

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

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

(h) Non-financial assets:

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

(h) (i) Tangible capital assets:

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

	Years
Land Improvements	15-100
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.

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

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

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 4

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

1. Significant accounting policies (continued):

(h) (iii) Leases:

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

(h) (iv) Inventory:

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

(i) Pension expenditure:

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

(j) Foreign currencies:

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

(n) Changes in accounting estimates:

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. Cash and short-term investments:

	2012	2011
Cash (bank indebtedness)	\$ 327,210	\$ 2,691,112
Short-term investments	3,000,000	1,034,774
	<u>\$ 3,327,210</u>	<u>\$ 3,725,886</u>

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 5

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

Short term investments consist of \$3,000,000 of 180 day term investments with an effective rate of return of 1.385% (2010 - \$1,034,774 of money market funds with an effective return of 1.66%).

3. Taxes and grants in place of taxes receivable:

	2012	2011
Current taxes and grants in place of taxes	\$ 249,913	\$ 240,068
Less: Allowance for doubtful accounts	(29,200)	(29,200)
	\$ 220,713	\$ 210,868

Trade and other receivables:

	2012	2011
Receivables from other governments	\$ 1,015,703	\$ 456,883
Utility and other trade accounts receivable	2,853,613	2,522,056
Requisition under levy	17,695	13,995
	\$ 3,887,011	\$ 2,992,934

4. 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 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 totaling \$385,000 in 2003 and \$150,000 in 2008 for the two projects with the entire amounts, plus interest of 5.25% and 3.046%, 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.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 6

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

	Principal	Interest	Total
2012	\$ 76,450	\$ 6,586	\$ 83,036
2013	79,790	3,246	83,036
	\$ 156,240	\$ 9,832	\$ 166,072

5. Deferred revenue:

	2012	2011
Miscellaneous	253,245	216,306
	\$ 253,245	\$ 216,306

6. 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 including accrued interest	-	151,730
	\$ 100	\$ 151,830

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 7

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

7. 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 three quarter percent. 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%.

8. 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 for the next five years and thereafter 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 \$8,163,977 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 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 2.0% and 2.21%. The average annual interest rate is 1.50% for 2012 (1.5% 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

Non-Consolidated Notes to the Financial Statements, page 8

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

9. Debt limits:

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

	2012	2011
Total debt limit	\$ 45,941,723	\$ 45,585,270
Total debt	(12,203,979)	(14,925,292)
Loan guaranteed (note 10)	(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 serving	\$ 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 servicing limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

10. Loan guarantee:

Section 266 of the Municipal Government Act allows municipalities to guarantee the repayment of a loan between a lender and a non-profit organization. The Town passed bylaw 250-2 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 and are repayable over the next five months in blended monthly payments of \$74,560.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 9

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

11. Equity in tangible assets:

	2012	2011
Tangible capital assets (Schedule 1)	\$279,969,474	\$273,823,674
Accumulated amortization (Schedule 1)	(93,009,017)	(89,877,849)
Long-term debt (note 8)	(12,203,979)	(14,925,292)
Debt charges recoverable (note 4)	79,790	156,240
	<u>\$174,836,268</u>	<u>\$169,176,773</u>

12. Accumulated surplus:

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

	2012	2011
Equity in tangible capital assets	\$174,836,268	\$169,176,773
Unrestricted surplus	—	—
Restricted surplus:		
Reserves:		
Special purpose:		
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
	<u>\$178,601,534</u>	<u>\$173,655,310</u>

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 10

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

13. Salary and benefits disclosure:

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

	2012			2011
	Salary	Benefits & allowances	Total	Total
Councilors:				
Karen Sorensen	38,565	3,858	42,423	41,125
Chip Olver	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
Municipal Manager	219,385	25,480	244,865	231,263

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.

14. Local authorities pension plan:

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 214,328 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

Non-Consolidated Notes to the Financial Statements, page 11

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

14. Local authorities pension plan (continued):

The Town is required to make current service contributions to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings (\$50,100) under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% 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 \$4,639 million.

15. Commitments:

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

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

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 the following minimum payments until July 1, 2013:

2013	38,000
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Non-Consolidated Notes to the Financial Statements, page 12

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

15. Commitments (continued):

3. 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 rates per ton of solid waste until 2015:

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

4. 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:

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

5. 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:

2013	\$ 3,059.15	+ 2013 CPI
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Non-Consolidated Notes to the Financial Statements, page 13

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

16. Contingencies:

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

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

17. Related party transactions:

The Town provides the Banff Public Library with significant funding in order to maintain its operations. During the year the Town made an appropriation of \$404,500 (2011 – \$371,200) 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, 2012 is \$8,550 (2011 – \$40,728) 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, 2012 is \$31,512 (2011 – \$32,135) due from the Banff Housing Corporation for year-end expense 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, 2016. 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, 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 with administrative resources in order to maintain its operations. Included in accounts receivable at December 31, 2012 is \$169,068 (2011 – \$62,980) due from the Bow Valley Regional Transit Services Commission for year-end expense distributions.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 14

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

18. Financial instruments:

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

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

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

19. Budget data:

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

20. Comparative figures:

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

21. Approval of financial statements:

The Council and Management have approved these financial statements.

TOWN OF BANFF

Schedule of Non-Consolidated Tangible Capital Assets

Schedule 1

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

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	Construction in Progress	2012	2011
Cost:									
Balance, beginning of year	\$ 48,086,282	\$ 100,180,334	\$ 40,174,023	\$ 14,786,396	\$ 62,051,980	\$ 7,930,633	\$ 614,026	\$ 273,823,674	\$ 270,272,071
Acquisition of tangible capital assets	160,020	889,137	–	170,273	872,888	233,681	4,923,753	7,249,752	4,297,153
Reclass from CIP	122,279	20,705	–	60,119	–	–	(203,103)	–	–
Disposal of tangible capital assets	(84,332)	(488,246)	–	(57,085)	(417,397)	(56,577)	–	(1,103,637)	(679,898)
Write down of tangible capital assets	–	–	–	–	–	–	(315)	(315)	(65,652)
Balance, end of year	48,284,249	100,601,930	40,174,023	14,959,703	62,507,471	8,107,737	5,334,361	279,969,474	273,823,674
Accumulated amortization:									
Balance, beginning of year	6,971,497	51,132,015	–	9,398,303	19,241,294	3,134,740	–	89,877,849	85,062,215
Annual amortization	1,061,586	1,213,156	–	167,274	1,442,022	310,590	–	4,194,628	5,409,521
Accumulated amortization on disposals	(78,357)	(479,842)	–	(57,010)	(417,397)	(30,854)	–	(1,063,460)	(593,887)
Balance, end of year	7,954,726	51,865,329	–	9,508,567	20,265,919	3,414,476	–	93,009,017	89,877,849
Net book value of tangible capital assets	\$ 40,329,523	\$ 48,736,601	\$ 40,174,023	\$ 5,451,136	\$ 42,241,552	\$ 4,693,261	\$ 5,334,361	\$ 186,960,457	\$ 183,945,825
2011 Net book value of tangible capital assets									
	\$ 41,114,785	\$ 49,048,319	\$ 40,174,023	\$ 5,388,093	\$ 42,810,686	\$ 4,795,893	\$ 614,026	\$ 183,945,825	

TOWN OF BANFF

Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

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

	Budget (Unaudited – note 19)	2012	2011
Taxation:			
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>
Requisitions:			
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>
Net Municipal Property Taxes	\$ 12,889,327	\$ 14,047,103	\$ 13,323,664

TOWN OF BANFF

Schedule of Non-Consolidated Government Transfers

Schedule 3

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

	Budget (Unaudited – note 19)	2012	2011
Transfers for operating:			
Provincial Government	\$ 1,106,212	\$ 1,128,078	\$ 1,111,746
Federal Government	8,100	167,703	24,948
Other Local Governments	14,000	19,114	18,342
	1,128,312	1,314,895	1,155,036
Transfer for capital:			
Provincial Government	3,620,000	3,600,543	4,002,646
Federal Government	–	–	464,054
	3,620,000	3,600,543	4,466,700
Transfers	\$ 4,748,312	\$ 4,915,438	\$ 5,621,736

TOWN OF BANFF

Schedule of Non-Consolidated Revenue and Expenditures by Object

Schedule 4

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

	Budget (Unaudited – note 19)	2012	2011
Revenues:			
Net municipal property taxes (Schedule 2)	\$ 13,869,248	\$ 14,047,103	\$ 13,323,663
Sales to other governments	314,000	295,736	329,725
Sales and user charges	8,095,344	8,457,927	7,776,309
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	85,000	79,319	64,703
Rentals	460,340	445,668	419,793
Insurance proceeds	–	–	–
Contributed and donated assets	–	–	–
Government transfers (Schedule 3)	4,734,312	4,896,324	5,603,394
Local government transfers	14,000	19,114	18,342
Transfers from local boards and agencies	–	–	–
Developer agreements and levies	90,000	50,228	434,777
Net gain on disposal of tangible capital assets	–	845	–
Other revenues	393,241	310,759	290,498
	33,470,785	33,951,209	33,414,900
Expenses:			
Salaries, wages and benefits	9,605,292	9,445,028	8,924,026
Contracted and general services	9,747,335	10,365,722	9,884,114
Purchases from other governments	1,600,000	1,575,126	1,508,986
Material, goods and utilities	2,186,172	2,287,411	2,463,355
Provision for allowances	1,000	–	–
Transfers to other governments	–	–	–
Transfers to local boards and agencies	96,775	96,750	96,750
Transfers to individuals and organizations	564,195	554,754	436,440
Bank charges and short-term interest	14,000	21,214	18,305
Interest on operating long-term debt	–	–	–
Interest on capital long-term debt	535,400	425,480	830,925
Amortization of tangible capital assets (Schedule 1)	5,249,782	4,194,628	5,409,522
Net loss on disposal of tangible capital assets	–	38,872	76,911
Write down of tangible capital assets	–	–	–
Other expenditures	–	–	–
	29,599,951	29,004,985	29,649,334
Excess of revenue over expenses	\$ 3,870,834	\$ 4,946,224	\$ 3,765,566

TOWN OF BANFF

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
Revenues:								
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	6,248	645,559	8,457,927
Penalties & Costs on Taxes	69,949	—	—	9,938	—	—	1,312	81,199
Licenses & 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	—	—	—	—	—	—	79,319
Rentals	—	—	—	—	—	402,716	42,952	445,668
Contributed & Donated Assets	—	—	—	—	—	—	—	—
Government Transfers	186,109	465,952	532,245	977,292	606,680	5,000	2,123,046	4,896,324
Local Government Transfers	—	—	—	—	11,000	—	8,114	19,114
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	33,329	310,759
	15,167,211	1,401,422	1,066,162	8,152,574	886,369	4,423,159	2,854,312	33,951,209
Expenses:								
Salaries, Wages & Benefits	1,705,290	1,268,467	2,058,429	1,531,099	1,072,858	492,203	1,316,682	9,445,028
Contracted and General Services	1,089,834	127,566	1,992,862	2,615,672	143,298	4,020,481	376,009	10,365,722
Purchases from Other Governments	—	1,575,126	—	—	—	—	—	1,575,126
Materials, Goods, Supplies & Utilities	73,332	74,009	799,262	850,100	78,643	17,478	394,587	2,287,411
Provisions for Allowances	—	—	—	—	—	—	—	—
Transfers to Other Governments	—	—	—	—	—	—	—	—
Transfers to Local Boards & Agencies	—	—	—	96,750	—	—	—	96,750
Transfers to Individuals & Organizations	1,000	5,000	—	19,723	44,645	79,886	404,500	554,754
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	37,469	825,502	4,194,628
Net Loss on Disposal of Capital Assets	—	972	8,404	24,417	2,259	486	2,334	38,872
Write-Down on Capital Assets	—	—	—	—	—	—	—	—
Other Expenditures	—	—	—	—	—	—	—	—
	3,010,945	3,150,497	6,005,247	7,124,471	1,366,511	4,662,448	3,684,866	29,004,985
Excess of revenue over expenses (expenses over revenues)	\$ 12,156,266	\$ (1,749,075)	\$ (4,939,085)	\$ 1,028,103	\$ (480,142)	\$ (239,289)	\$ (830,554)	\$ 4,946,224