

Non-Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements of the Town of Banff (the "Town") are the responsibility of management and have been approved by the Town's Council. The non-consolidated financial statements have been prepared in conformity with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants, using management's best estimates and judgments, where appropriate. In the opinion of management, these non-consolidated financial statements reflect fairly the financial position, the results of its financial activities and changes in financial position of the Town within reasonable limits of materiality.

A system of internal accounting and administrative controls is maintained by management to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are properly maintained to provide accurate and reliable financial statements.

Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Council carries out this responsibility through regular meetings with management throughout the year to review significant accounting and auditing matters.

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

_____, Manager of Corporate Services
Kelly Gibson

_____, Town Manager
Robert Earl

April 23, 2012

TOWN OF BANFF

Non-Consolidated Statement of Financial Position

December 31, 2011, with corresponding figures for 2010

	2011	2010
Financial Assets		
Cash (note 2)	\$ 2,691,112	\$ –
Short-term investments (note 2)	1,034,774	5,611,045
Taxes and grants in place of taxes receivable (note 3)	210,868	170,475
Trade and other receivables (note 3)	2,992,934	3,046,928
Due from related organizations (note 6)	151,830	139,817
Debt charges recoverable (note 4)	156,240	229,497
	<u>7,237,758</u>	<u>9,197,762</u>
Liabilities		
Bank indebtedness (note 2)	–	2,546,103
Accounts payable and accrued liabilities	2,392,067	3,998,954
Deposits	230,815	248,664
Deferred revenue (note 5)	216,306	193,613
Long-term debt (note 8)	14,925,292	17,784,910
	<u>17,764,480</u>	<u>24,772,244</u>
Net financial debt	(10,526,722)	(15,574,482)
Non-Financial Assets		
Tangible capital assets (Schedule 1)	183,936,739	185,200,770
Inventory for consumption	155,906	161,556
Prepaid expenses	80,301	92,814
	<u>184,172,946</u>	<u>185,455,140</u>
Commitments and contingencies (notes 15 and 16)		
Accumulated surplus (note 12)	<u>\$ 173,646,224</u>	<u>\$ 169,880,658</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, 2011, with corresponding figures for 2010

	Budget (Unaudited – note 19)	2011	2010
Revenue:			
General government	\$ 13,850,527	\$ 14,364,720	\$ 13,804,298
Protective services	1,831,220	1,335,680	1,835,223
Transportation services	1,749,800	2,439,294	3,665,987
Environmental use and protection	6,370,500	6,261,100	5,178,312
Public health and welfare services	484,107	728,740	591,548
Planning and development	4,037,900	4,711,926	4,191,020
Recreation and culture	3,341,800	3,573,440	9,626,213
	<u>31,665,854</u>	<u>33,414,900</u>	<u>38,892,601</u>
Expenses:			
General government	3,113,279	3,067,756	3,317,545
Protective services	3,254,084	3,077,834	2,944,501
Transportation services	6,119,249	6,558,981	6,252,566
Environmental use and protection	6,999,479	7,114,225	6,896,236
Public health and welfare services	1,031,213	1,152,295	1,060,618
Planning and development	4,333,917	4,683,453	4,449,886
Recreation and culture	3,972,909	3,994,790	2,846,404
	<u>28,824,130</u>	<u>29,649,334</u>	<u>27,767,756</u>
Excess of revenue over expenses	2,841,724	3,765,566	11,124,845
Accumulated surplus, beginning of year	169,880,658	169,880,658	158,755,813
Accumulated surplus, end of year	<u>\$ 172,722,382</u>	<u>\$ 173,646,224</u>	<u>\$ 169,880,658</u>

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2011, with corresponding figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,765,566	\$ 11,124,845
Change in non-cash items:		
Amortization of tangible capital assets	5,409,521	5,039,955
Loss on disposal of tangible capital assets	76,911	40,284
Tangible capital assets received as contributions	–	–
Decrease (increase) in taxes and grants in place of taxes receivable	(40,393)	(52,123)
Decrease (increase) in trade and other receivables	53,994	(783,877)
Increase in inventory for consumption	5,650	(46,923)
Decrease (increase) in prepaid expenses	12,513	(2,771)
Increase (decrease) in accounts payable and accrued liabilities	(1,606,887)	(692,323)
Increase (decrease) in deposit liabilities	(17,849)	117,195
Increase (decrease) in deferred revenue	22,693	(53,907)
	<u>7,681,719</u>	<u>14,690,355</u>
Capital:		
Acquisition of tangible capital assets	(4,231,501)	(23,065,710)
Proceeds on disposal of tangible capital assets	9,100	41,720
	<u>(4,222,401)</u>	<u>(23,023,990)</u>
Investing:		
Decrease (increase) in amounts due from related organizations	(12,013)	–
Financing:		
Debt charges recovered	73,257	70,206
Long-term debt issued	4,000,000	550,000
Long-term debt repaid	(6,859,618)	(2,603,064)
	<u>(2,786,361)</u>	<u>(1,982,858)</u>
Net change in cash and cash equivalents	660,944	(10,316,493)
Cash, beginning of year	3,064,942	13,381,435
Cash, end of year	<u>\$ 3,725,886</u>	<u>\$ 3,064,942</u>
Cash and cash equivalents is comprised of:		
Bank indebtedness (note 2)	\$ 2,691,112	\$ (2,546,103)
Short-term investments (note 2)	1,034,774	5,611,045

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

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

Year ended December 31, 2011, with corresponding figures for 2010

	Budget (Unaudited – note 19)	2011	2010
Excess of revenue over expenses	\$ 2,841,724	\$ 3,765,566	\$ 11,124,847
Acquisition of tangible capital assets	(10,477,734)	(4,297,153)	(23,065,710)
Write-off of tangible capital assets	–	65,652	–
Proceeds on disposal of tangible capital assets	–	9,100	41,720
Amortization of tangible capital assets	5,313,177	5,409,521	5,039,955
Loss on disposal of tangible capital assets	–	76,911	40,284
	(5,164,557)	1,264,031	(17,943,751)
Use of inventory for consumption	–	5,650	(46,923)
Use of prepaid expenses	–	12,513	(2,771)
	–	18,163	(49,694)
Decrease in net debt	(2,322,833)	5,047,760	(6,868,598)
Net financial debt, beginning of year	(15,574,480)	(15,574,480)	(8,705,882)
Net financial debt, end of year	\$ (17,897,313)	\$ (10,526,720)	\$ (15,574,480)

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements

Year ended December 31, 2011, with corresponding figures for 2010

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, 2011, with corresponding figures for 2010

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, 2011, with corresponding figures for 2010

1. Significant accounting policies (continued):

(g) Government transfers:

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

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

(h) Non-financial assets:

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

(h) (i) Tangible capital assets:

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

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

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

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

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

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 4

Year ended December 31, 2011, with corresponding figures for 2010

1. Significant accounting policies (continued):

(h) (iii) Leases:

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

(h) (iv) Inventory:

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

(i) Pension expenditure:

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

(j) Foreign currencies:

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

2. Cash and short-term investments:

	2011	2010
Cash (bank indebtedness)	\$ 2,691,112	\$ (2,546,103)
Short-term investments	1,034,774	5,611,045
	<u>\$ 3,725,886</u>	<u>\$ 3,064,942</u>

Short term investments consist of \$1,034,774 of money market funds with an effective rate of return of 1.66%

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 5

Year ended December 31, 2011, with corresponding figures for 2010

3. Taxes and grants in place of taxes receivable:

	2011	2010
Current taxes and grants in place of taxes	\$ 240,068	\$ 201,505
Less: Allowance for doubtful accounts	(29,200)	(31,030)
	\$ 210,868	\$ 170,475

Trade and other receivables:

	2011	2010
Receivables from other governments	\$ 1,188,288	\$ 434,543
Utility and other trade accounts receivable	1,662,210	1,777,219
Requisition under levy	124,640	—
	\$ 2,975,138	\$ 2,211,762

4. Debt charges recoverable:

	2011	2010
Current debt charges recoverable	\$ 76,450	\$ 73,257
Non-current debt charges recoverable	79,790	156,240
	\$ 156,240	\$ 229,497

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, 2011, with corresponding figures for 2010

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

5. Deferred revenue:

	2011	2010
Miscellaneous	216,306	193,613
	\$ 216,306	\$ 193,613

6. Due from related organizations:

	2011	2010
Rocky Mountain Co-operative Housing Association	\$ 151,830	\$ 139,817

Rocky Mountain Co-operative Housing Association - Pursuant to a subscription commitment dated April 15, 1992, the Town of Banff has subscribed for four units in the Rocky Mountain Co-operative Housing Association's (RMCHA) Bow River Housing Project. The Town of Banff acquired the subscription of two additional units in the RMCHA on July 1, 2009 and November 1, 2009. 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:

	2011	2010
1 common share (par value \$100)	\$ 100	\$ 100
Advances receivable including accrued interest	151,730	139,717
	\$ 151,830	\$ 139,817

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 7

Year ended December 31, 2011, with corresponding figures for 2010

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 \$11,000,000 for 2012 (2010 - \$11,800,000), 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, 2011 \$nil (2010 - \$2,744,273) was drawn upon this credit facility. At December 31, 2011, the effective rate of interest on the credit facility was 2.25%.

8. Long-term debt:

	2011	2010
Tax supported debentures	\$ 14,715,107	\$ 17,556,008
Self supported debentures	210,185	228,902
	<u>\$ 14,925,292</u>	<u>\$ 17,784,910</u>

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

	Principal	Interest	Total
2012	\$ 2,721,314	\$ 438,270	\$ 3,159,584
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
Thereafter	6,821,904	698,579	7,520,483
	<u>\$ 14,925,292</u>	<u>\$ 2,290,120</u>	<u>\$ 17,215,412</u>

Debenture debt consists of \$10,530,292 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 2011 (4.70% for 2010). The balance includes \$4,395,000 repayable to the Federation of Canadian Municipalities which bears interest between 0.28% and 2.21%. The average annual interest rate is 1.50% for 2011 (1.11% for 2010) on this debt. Debenture debt is issued on the credit and security of the Town at large.

The current portion of the long-term debt amounts to \$3,151,470 (2010 – \$3,449,663).

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 8

Year ended December 31, 2011, with corresponding figures for 2010

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:

	2011	2010
Total debt limit	\$ 45,585,270	\$ 39,341,874
Total debt	(14,925,292)	(17,784,910)
Loan guaranteed (note 10)	(6,761,591)	(7,325,471)
Amount of total debt limit exceeds total debt	\$ 23,898,387	\$ 14,231,493
Debt servicing limit	\$ 7,597,545	\$ 6,556,979
Debt servicing	(3,159,584)	(3,455,544)
Amounts of debt servicing limit exceeds debt serving	\$ 4,514,411	\$ 3,101,435

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

10. Loan guarantee:

Section 266 of the Municipal Government Act allows municipalities to guarantee the repayment of a loan between a lender and a non-profit organization. The Town passed bylaw 250-1 on March 9, 2009, guaranteeing the loans for Rocky Mountains Cooperative Housing Association and Rocky Mountains II Cooperative Housing Association with the Alberta Treasury Branch to a maximum of \$8,400,000. These guarantees expire on May 31, 2012. At December 31, 2011 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$6,761,591. These loans have an interest rate of 4.68% 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, 2011, with corresponding figures for 2010

11. Equity in tangible assets:

	2011	2010
Tangible capital assets (Schedule 1)	\$273,816,759	\$ 270,265,156
Accumulated amortization (Schedule 1)	(89,880,020)	(85,064,386)
Long-term debt (note 8)	(14,925,292)	(17,784,910)
Debt charges recoverable (note 4)	156,240	229,497
	<u>\$ 169,167,687</u>	<u>\$ 167,645,357</u>

12. Accumulated surplus:

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

	2011	2010
Equity in tangible capital assets	\$ 169,167,687	\$ 167,645,357
Unrestricted surplus	—	—
Restricted surplus:		
Reserves:		
Special purpose:		
General	180,996	230,602
Budget stabilization	390,890	740,018
Computer	78,671	76,359
Fire	20,600	20,600
Community development	6,000	6,000
Recreation	88,992	75,978
Snow clearing	—	25,000
Transit	49,000	—
Environment	97,263	—
Solid Waste	79,637	—
Capital reserves	3,486,488	1,060,744
	<u>\$ 173,646,224</u>	<u>\$ 169,880,658</u>

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 10

Year ended December 31, 2011, with corresponding figures for 2010

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:

	2011			2010
	Salary	Benefits & allowances	Total	Total
Councilors:				
Karen Sorensen	37,160	4,055	41,215	26,105
Chip Olver	20,590	3,426	24,016	23,184
Leslie Taylor	17,500	3,840	21,340	20,427
Stavros Karlos	17,500	3,840	21,340	21,709
Paul Baxter	17,500	3,840	21,340	4,149
Brian Standish	17,500	3,840	21,340	4,149
Grant Canning	18,400	2,081	20,481	4,147
John Stutz	—	—	—	32,467
Christina MacDonald	—	—	—	16,296
John Gibson	—	—	—	17,011
Municipal Manager	206,962	24,301	231,263	218,962

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 206,249 people and 421 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, 2011, with corresponding figures for 2010

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 2011 were \$659,283 (2010 – \$605,241). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2011 were \$595,828 (2010 – \$544,230).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4,635 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:

2012	550,000
2013	550,000
2014	550,000
2015	550,000
2016	550,000

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

2012	797,670
2013	274,033

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 12

Year ended December 31, 2011, with corresponding figures for 2010

15. Commitments (continued):

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

2012	75,000
2013	38,000

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

2012	\$ 94.96 per ton
------	------------------

5. 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

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 daily payments until June 30, 2012:

2012	\$ 3,283.49	+ 2012 CPI
------	-------------	------------

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 13

Year ended December 31, 2011, with corresponding figures for 2010

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, 2011 there was \$nil (2010 - \$1,042,823) 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 \$371,200 (2010 – \$363,400) 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, 2011 is \$40,728 (2010 – \$49,614) 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, 2011 is \$32,135 (2010 – \$33,366) 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, 2011. 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, 2011 is \$105,638 (2010 – \$131,909) 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, 2011 is \$62,980 (2010 – nil) 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, 2011, with corresponding figures for 2010

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 29, 2010 and any subsequent budget adjustments.

20. Comparative figures:

Certain 2010 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, 2011, with corresponding figures for 2010

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	2011	2010
Cost:								
Balance, beginning of year	\$ 45,718,349	\$100,150,475	\$ 40,174,023	\$ 14,645,337	\$ 61,959,153	\$ 7,617,819	\$270,265,156	\$248,360,794
Acquisition of tangible capital assets	2,388,870	513,379	–	145,479	173,862	461,537	3,683,127	22,683,741
Construction-in-progress	123,849	435,494	–	54,683	–	–	614,026	381,969
Disposal of tangible capital assets	(20,937)	(417,868)	–	(4,420)	(87,950)	(148,723)	(679,898)	(1,161,348)
Write down of tangible capital assets	–	(65,652)	–	–	–	–	(65,652)	–
Balance, end of year	48,210,131	100,615,828	40,174,023	14,841,079	62,045,065	7,930,633	273,816,759	270,265,156
Accumulated amortization:								
Balance, beginning of year	5,850,214	49,637,982	–	8,921,396	17,791,998	2,862,796	85,064,386	81,103,775
Annual amortization	1,144,391	1,841,623	–	481,327	1,536,413	405,767	5,409,521	5,039,955
Accumulated amortization on disposals	(20,937)	(347,590)	–	(4,420)	(87,117)	(133,823)	(593,887)	(1,079,344)
Balance, end of year	6,973,668	51,132,015	–	9,398,303	19,241,294	3,134,740	89,880,020	85,064,386
Net book value of tangible capital assets	\$ 41,236,463	\$ 49,483,813	\$ 40,174,023	\$ 5,442,776	\$ 42,803,771	\$ 4,795,893	\$183,936,739	\$185,200,770
2010 Net book value of tangible capital assets								
	\$ 39,868,135	\$ 50,512,493	\$ 40,174,023	\$ 5,723,941	\$ 44,167,155	\$ 4,755,023	\$185,200,770	

TOWN OF BANFF

Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2011, with corresponding figures for 2010

	Budget (Unaudited – note 19)	2011	2010
Taxation:			
Real property taxes	\$ 17,933,529	\$ 18,870,816	\$ 18,958,269
Linear property taxes	138,000	165,647	137,546
Government grants in place of property taxes	755,000	210,500	512,421
	<u>18,827,029</u>	<u>19,246,963</u>	<u>19,608,236</u>
Requisitions:			
Alberta School Foundation Fund	5,578,695	5,571,609	6,471,812
Bow Valley Regional Housing	359,007	351,690	386,193
	<u>5,937,702</u>	<u>5,923,299</u>	<u>6,858,005</u>
Net Municipal Property Taxes	\$ 12,889,327	\$ 13,323,664	\$ 12,750,231

TOWN OF BANFF

Schedule of Non-Consolidated Government Transfers

Schedule 3

Year ended December 31, 2011, with corresponding figures for 2010

	Budget (Unaudited – note 19)	2011	2010
Transfers for operating:			
Provincial Government	\$ 1,432,707	\$ 1,111,746	\$ 1,561,251
Federal Government	5,300	24,948	23,136
Other Local Governments	24,000	18,342	47,205
	<u>1,462,007</u>	<u>1,155,036</u>	<u>1,631,592</u>
Transfer for capital:			
Provincial Government	3,620,000	4,002,646	9,296,988
Federal Government	–	464,054	3,363,796
	<u>3,620,000</u>	<u>4,466,700</u>	<u>12,660,784</u>
Transfers	\$ 5,082,007	\$ 5,621,736	\$ 14,292,376

TOWN OF BANFF

Schedule of Non-Consolidated Revenue and Expenditures by Object

Schedule 4

Year ended December 31, 2011, with corresponding figures for 2010

	Budget (Unaudited – note 19)	2011	2010
Revenues:			
Net municipal property taxes (Schedule 2)	\$ 12,889,327	\$ 13,323,663	\$ 12,750,231
Sales to other governments	272,420	329,725	441,916
Sales and user charges	7,921,050	7,776,308	5,939,774
Penalties and cost on taxes	75,500	85,758	71,768
Licenses and permits	3,747,900	4,111,587	3,646,929
Fines	526,200	432,474	463,756
Franchise and concession contracts	440,000	523,877	511,360
Return on investments	80,000	64,703	116,318
Rentals	437,900	419,793	401,485
Insurance proceeds	–	–	–
Contributed and donated assets	–	–	–
Government transfers (Schedule 3)	5,058,007	5,603,394	14,245,171
Local government transfers	24,000	18,342	47,205
Transfers from local boards and agencies	–	–	–
Developer agreements and levies	85,000	434,777	98,822
Other revenues	108,550	290,498	157,866
	31,665,854	33,414,899	38,892,601
Expenses:			
Salaries, wages and benefits	9,014,611	8,924,026	8,263,130
Contracted and general services	9,337,512	9,884,114	9,464,660
Purchases from other governments	1,671,000	1,508,986	1,347,088
Material, goods and utilities	2,247,555	2,463,355	2,064,658
Provision for allowances	1,000	–	–
Transfers to other governments	–	–	–
Transfers to local boards and agencies	109,775	96,750	96,750
Transfers to individuals and organizations	469,400	436,440	756,212
Bank charges and short-term interest	14,000	18,305	13,273
Interest on operating long-term debt	–	–	–
Interest on capital long-term debt	646,100	830,925	677,845
Amortization of tangible capital assets (Schedule 1)	5,313,177	5,409,522	5,039,955
Net loss on disposal of tangible capital assets	–	76,911	44,185
Write down of tangible capital assets	–	–	–
Other expenditures	–	–	–
	28,824,130	29,649,332	27,767,756
Excess of revenue over expenses	\$ 2,841,724	\$ 3,765,566	\$ 11,124,845

TOWN OF BANFF

Schedule of Segmented Information

Schedule 5

Year ended December 31, 2011

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Safety	Planning & Development	Recreation & Culture	Total
Revenues:								
Taxes	\$ 13,323,663	–	–	–	–	–	–	13,323,663
Sales to Other Governments	–	322,661	7,063	–	–	–	–	329,725
Sales & User Charges	456	58,153	752,304	6,216,990	174,396	5,924	568,086	7,776,309
Penalties & Costs on Taxes	70,326	–	–	15,432	–	–	–	85,758
Licenses & Permits	146,053	31,737	31,601	–	–	3,902,197	–	4,111,587
Fines	–	432,474	–	–	–	–	–	432,474
Franchise & Concession Contracts	523,877	–	–	–	–	–	–	523,877
Return on Investments	64,703	–	–	–	–	–	–	64,703
Rentals	–	–	1,690	–	–	388,399	29,704	419,793
Contributed & Donated Assets	–	–	–	–	–	–	–	–
Government Transfers	190,147	485,214	1,585,043	5,473	427,674	4,000	2,905,844	5,603,394
Local Government Transfers	–	–	–	–	12,000	–	6,342	18,342
Transfers from Local Boards & Agencies	–	–	–	–	–	–	–	–
Developer's Agreements & Offsite Levies	–	–	49,770	2,100	–	382,907	–	434,777
Other Revenue	45,495	5,441	11,823	21,105	114,671	28,499	63,464	290,498
	14,364,720	1,335,680	2,439,294	6,261,100	728,740	4,711,926	3,573,440	33,414,900
Expenses:								
Salaries, Wages & Benefits	1,680,874	1,260,097	1,979,735	1,337,266	885,707	482,906	1,297,441	8,924,026
Contracted and General Services	1,020,733	127,225	1,638,759	2,455,283	131,497	4,113,054	397,563	9,884,114
Purchases from Other Governments	–	1,508,986	–	–	–	–	–	1,508,986
Materials, Goods, Supplies & Utilities	104,595	73,611	904,775	972,874	68,632	13,020	325,847	2,463,355
Provisions for Allowances	–	–	–	–	–	–	–	–
Transfers to Other Governments	–	–	–	–	–	–	–	–
Transfers to Local Boards & Agencies	–	–	–	96,750	–	–	–	96,750
Transfers to Individuals & Organizations	1,000	–	–	12,599	36,067	15,574	371,200	436,440
Bank Charges & Short Term Interest	18,306	–	–	–	–	–	–	18,306
Interest on Operating Long Term Debt	–	–	–	–	–	–	–	–
Interest on Capital Long Term Debt	94,619	–	6,163	508	–	15,941	713,694	830,925
Amortization of Tangible Capital Assets	147,630	107,082	1,953,472	2,238,944	30,392	42,957	889,045	5,409,522
Net Loss on Disposal of Capital Assets	–	833	76,078	–	–	–	–	76,911
Write-Down on Capital Assets	–	–	–	–	–	–	–	–
Other Expenditures	–	–	–	–	–	–	–	–
	3,067,756	3,077,834	6,558,981	7,114,225	1,152,295	4,683,453	3,994,790	29,649,334
Excess of revenue over expenses (expenses over revenues)	\$ 11,296,963	\$ (1,742,154)	\$ (4,119,687)	\$ (853,125)	\$ (423,554)	\$ 28,473	\$ (421,350)	\$ 3,765,567