

Consolidated Financial Statements of the

# **TOWN OF BANFF**

Year ended December 31, 2013

## **MANAGEMENT'S RESPONSIBILITY FOR THE 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 generally accepted auditing 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.

\_\_\_\_\_, Manager of Corporate Services  
Kelly Gibson

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

April 14, 2014



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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, 2013, 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, 2013, 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*

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Chartered Accountants

April 14, 2014

Calgary, Canada

# TOWN OF BANFF

## Consolidated Statement of Financial Position

December 31, 2013, with comparative figures for 2012

	2013	2012
<b>Financial Assets</b>		
Cash (note 3)	\$ 990,994	\$ 1,245,766
Short-term investments (note 3)	–	3,000,000
Taxes and grants in place of taxes receivable (note 4)	235,357	220,713
Trade and other receivables (note 5)	4,255,849	3,884,691
Second mortgage receivables (note 6)	1,083,000	1,083,000
Due from related organizations (note 10)	100	100
Debt charges recoverable (note 7)	–	79,790
	<u>6,565,300</u>	<u>9,514,060</u>
<b>Liabilities</b>		
Bank indebtedness (note 11)	725,715	–
Accounts payable and accrued liabilities	2,421,296	3,800,754
Deposits	229,640	228,605
Deferred revenue (note 9)	1,415,965	1,352,926
Long-term debt (note 12)	10,853,867	12,203,979
Asset retirement obligation	44,400	–
	<u>15,690,883</u>	<u>17,586,264</u>
Net debt	(9,125,583)	(8,072,204)
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 1)	192,000,925	187,263,108
Asset retirement cost	44,400	–
Inventory (note 8)	159,410	178,499
Prepaid expenses	83,436	418,007
	<u>192,288,171</u>	<u>187,859,614</u>
Commitments and contingencies (notes 14, 19, and 20)		
Accumulated surplus (note 16)	<u>\$ 183,162,588</u>	<u>\$ 179,787,410</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, 2013, with comparative figures for 2012

	Budget (Unaudited – note 23)	2013	2012
Revenue (schedule 4):			
General government	\$ 16,243,324	\$ 16,075,409	\$ 15,167,211
Protective services	1,390,852	1,570,948	1,401,422
Transportation services	909,000	936,557	1,066,162
Environmental use and protection	7,910,472	8,336,900	8,152,574
Public health and welfare services	803,010	868,706	886,369
Planning and development	4,600,605	4,965,086	4,593,246
Recreation and culture	3,026,166	2,770,968	2,961,983
	<u>34,883,429</u>	<u>35,524,574</u>	<u>34,228,967</u>
Expenses (schedule 4):			
General government	3,210,173	3,562,515	3,010,945
Protective services	3,396,866	3,716,902	3,150,497
Transportation services	6,396,036	6,410,765	6,005,247
Environmental use and protection	7,621,122	8,030,642	7,124,471
Public health and welfare services	1,349,443	1,385,488	1,366,511
Planning and development	4,915,072	5,255,821	4,817,878
Recreation and culture	3,935,587	3,787,263	3,779,793
	<u>30,824,299</u>	<u>32,149,396</u>	<u>29,255,342</u>
Excess of revenue over expenses	4,059,130	3,375,178	4,973,625
Accumulated surplus, beginning of year	179,787,410	179,787,410	174,813,785
Accumulated surplus, end of year	<u>\$ 183,846,540</u>	<u>\$ 183,162,588</u>	<u>\$ 179,787,410</u>

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,375,178	\$ 4,973,625
Change in non-cash items:		
Amortization of tangible capital assets	4,430,584	4,217,250
Loss on disposal of tangible capital assets	135,483	38,027
Write down of tangible capital assets	32,843	315
Increase in taxes and grants in place of taxes receivable	(14,643)	(9,845)
(Increase) decrease in trade and other receivables	(371,159)	(897,100)
Decrease in second mortgage receivables	—	62,000
(Increase) decrease in inventory	19,089	(22,593)
(Increase) decrease in prepaid expenses	334,571	(336,116)
Increase (decrease) in accounts payable and accrued liabilities	(1,379,458)	1,352,749
Increase (decrease) in deposits	1,035	(3,961)
Increase (decrease) in deferred revenue	63,039	(41,837)
	<u>6,626,562</u>	<u>9,332,514</u>
Capital activities:		
Acquisition of tangible capital assets	(9,423,598)	(7,255,142)
Proceeds on disposal of tangible capital assets	86,871	2,150
	<u>(9,336,727)</u>	<u>(7,252,992)</u>
Investing activities:		
Decrease in due from related organizations	—	151,730
(Increase) decrease in short-term investments	3,000,000	(1,965,226)
	<u>3,000,000</u>	<u>(1,813,496)</u>
Financing activities:		
Debt charges recovered	79,790	76,450
Draw on line of credit	725,715	—
Long-term debt repaid	(1,350,112)	(2,721,313)
	<u>(544,607)</u>	<u>(2,644,863)</u>
Net change in cash	(254,772)	(2,378,837)
Cash, beginning of year	1,245,766	3,624,603
Cash, end of year	<u>\$ 990,994</u>	<u>\$ 1,245,766</u>

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Consolidated Statement of Change in Net Debt

Year ended December 31, 2013, with comparative figures for 2012

	Budget (Unaudited – note 23)	2013	2012
Excess of revenue over expenses	\$ 4,059,130	\$ 3,375,178	\$ 4,973,625
Acquisition of tangible capital assets	(14,434,263)	(9,423,598)	(7,255,142)
Write down of tangible capital assets	–	32,843	315
Proceeds on disposal of tangible capital assets	–	86,871	2,150
Amortization of tangible capital assets	5,306,005	4,430,584	4,217,250
Loss on disposal of tangible capital assets	–	135,483	38,027
Asset Retirement Cost	(44,400)	(44,400)	–
	(9,172,658)	(4,782,217)	(2,997,400)
Use (acquisition) of inventory	–	19,089	(22,593)
Use (acquisition) of prepaid expenses	–	334,571	(336,116)
	–	353,660	(358,709)
(Increase) decrease in net debt	(5,113,528)	(1,053,379)	1,617,516
Net debt, beginning of year	(8,072,204)	(8,072,204)	(9,689,720)
Net debt, end of year	\$ (13,185,732)	\$ (9,125,583)	\$ (8,072,204)

See accompanying notes to consolidated financial statements.



# TOWN OF BANFF

Notes to the Consolidated Financial Statements

Year ended December 31, 2013, with comparative figures for 2012

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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, 2013, with comparative figures for 2012

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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, 2013, with comparative figures for 2012

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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, 2013, with comparative figures for 2012

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## 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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2013, with comparative figures for 2012

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## 1. Significant accounting policies (continued):

(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.

(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) Change in accounting policy:

The Town adopted Public Sector Accounting Standard *PS 3510, Tax Revenue* effective January 1, 2013. This standard was adopted on a prospective basis.

Under PS 3510, municipalities recognize property tax revenue using the approved mill rate and the anticipated assessment. The standard requires that property tax revenue be reported net of tax concessions. Tax transfers are reported as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations.

There were no adjustments as a result of the adoption of this standard.

## 2. Future 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) 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, 2013, with comparative figures for 2012

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## 2. Recent accounting pronouncements (continued):

(c) 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:

	2013	2012
Cash	\$ 990,994	\$ 1,245,766
Short-term investments	-	3,000,000
	<u>\$ 990,994</u>	<u>\$ 4,245,766</u>

There were no short term investments as of December 31, 2013 (2012 - \$3,000,000 of 180 day term investments with an effective rate of return of 1.39%).

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

	2013	2012
Current taxes and grants in place of taxes	\$ 206,631	\$ 190,612
Arrears taxes and interest and penalties	57,817	59,301
Less: Allowance for doubtful accounts	(29,091)	(29,200)
	<u>\$ 235,357</u>	<u>\$ 220,713</u>

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2013, with comparative figures for 2012

## 5. Trade and other receivables:

	2013	2012
Receivables from other governments	\$ 1,531,234	\$ 1,015,703
Utility and other trade accounts receivable	2,651,610	2,851,293
Requisition under levy	73,005	17,695
	<u>\$ 4,255,849</u>	<u>\$ 3,884,691</u>

## 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. When a mortgage becomes due, the revenue is recognized.

	2013	2012
Second mortgages receivable	<u>\$ 1,083,000</u>	<u>\$ 1,083,000</u>

During the year, second mortgages of \$nil (2012 - \$62,000) were collected.

## 7. Debt charges recoverable:

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 had 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 were recoverable in annual installments of \$50,466 and \$32,570, including interest, and matured November 3, 2013 and December 15, 2013, respectively.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2013, with comparative figures for 2012

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## 8. Inventory:

	2013	2012
Inventory for consumption	\$ 159,410	\$ 178,499
	\$ 159,410	\$ 178,499

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:

	2013	2012
Second mortgages (note 6)	\$ 1,083,000	\$ 1,083,000
Deferred grant revenue	305,770	262,184
Miscellaneous	27,195	7,743
	\$ 1,415,965	\$ 1,352,927



# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2013, with comparative figures for 2012

## 10. Due from related organizations:

	2013	2012
Rocky Mountain Co-operative Housing Association	\$ 100	\$ 100

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. Included in the amount noted above are RMCHA shares, which consist of the following:

	2013	2012
1 common share (par value \$100)	\$ 100	\$ 100
	\$ 100	\$ 100

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

The Bank of Montreal has authorized a general line of credit to the Banff Housing Corporation in the amount of \$1,000,000 (2012 - \$1,300,000). 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, 2013 there was \$725,715 (2012 - \$nil) drawn against the line of credit.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2013, with comparative figures for 2012

## 12. Long term debt:

	2013	2012
Tax/grant supported debentures	\$ 10,685,432	\$ 12,013,914
Self-supported debentures	168,435	190,065
	<u>\$ 10,853,867</u>	<u>\$ 12,203,979</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2018	1,463,473	133,286	1,596,759
Thereafter	3,936,347	385,998	4,322,345
	<u>\$ 10,853,867</u>	<u>\$ 1,498,906</u>	<u>\$ 12,352,773</u>

Debenture debt consists of \$7,043,867 repayable to the Alberta Capital Finance Authority and bears interest at fixed rates ranging from 3.344% to 7.50% per annum and matures in periods 2014 through 2019. The average annual interest rate is 4.70% for 2013 (4.70% for 2012). The balance includes \$3,600,000 repayable to the Federation of Canadian Municipalities which bears interest between 2.0% and 2.21%. The average annual interest rate is 2.11% for 2013 (1.50% for 2012) 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 \$1,306,293 (2012 – \$1,350,111).

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 11

Year ended December 31, 2013, with comparative figures for 2012

## 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:

	2013	2012
Total debt limit	\$ 48,919,469	\$ 45,941,723
Total debt	(10,853,867)	(12,203,979)
Loan guarantees (note 14)	(7,036,241)	(7,576,848)
<b>Amount of total debt limit exceeds total debt and guarantees</b>	<b>\$ 31,029,361</b>	<b>\$ 26,160,896</b>
Debt servicing limit	\$ 8,153,245	\$ 7,656,954
Debt servicing	(1,615,410)	(1,623,264)
<b>Amounts of debt servicing limit exceeds debt servicing</b>	<b>\$ 6,537,835</b>	<b>\$ 6,033,690</b>

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 Mountain Co-operative Housing Association and Rocky Mountain II Co-operative Housing Association with the Alberta Treasury Branch to a maximum of \$7,700,000. These guarantees expire on July 31, 2015. At December 31, 2013 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$7,036,241. These loans have an interest rate of 3.60% (2012 – 3.60% and 4.68%) and are repayable in blended monthly payments of \$66,300.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2013, with comparative figures for 2012

## 15. Equity in tangible capital assets:

	2013	2012
Tangible capital assets (Schedule 1)	\$ 288,094,779	\$ 280,563,643
Accumulated amortization (Schedule 1)	(96,093,854)	(93,300,535)
Long-term debt (note 12)	(10,853,867)	(12,203,979)
Debt charges recoverable (note 7)	-	79,790
	<u>\$ 181,147,058</u>	<u>\$ 175,138,919</u>

## 16. Accumulated surplus:

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

	2013	2012
Equity in tangible capital assets	\$ 181,147,058	\$ 175,138,919
Reserves (deficits):		
Special Purpose:		
Banff Housing Corporation	(556,079)	732,993
Banff Public Library	137,786	150,232
General	222,575	223,825
Budget stabilization	280,967	376,618
Computer	158,118	111,152
Fire	20,600	20,600
Community development	6,000	6,000
Recreation	90,544	78,263
Snow clearing	54,426	54,426
Transit	49,000	49,000
Environment	317,205	226,105
Solid Waste	301,539	127,157
Capital reserves	932,849	2,492,120
Accumulated Surplus	<u>\$ 183,162,588</u>	<u>\$ 179,787,410</u>

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 13

Year ended December 31, 2013, with comparative figures for 2012

## 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:

	2013			2012
	Salary	Benefits and Allowances	Total	Total
Councillors:				
Karen Sorensen	\$ 44,142	\$ 4,101	\$ 48,243	\$ 42,423
Chip Olver	20,771	3,729	24,500	22,722
Leslie Taylor	15,989	2,609	18,598	21,555
Stavros Karlos	20,321	3,714	24,035	21,555
Paul Baxter	15,989	2,609	18,598	21,555
Brian Standish	19,421	3,684	23,105	21,555
Grant Canning	20,771	2,086	22,857	21,216
Theodore Christensen	3,703	619	4,322	–
Corrie DiManno	3,973	621	4,594	–
Municipal Manager	226,740	26,957	253,697	244,865

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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 14

Year ended December 31, 2013, with comparative figures for 2012

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## 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 about 223,643 people and 428 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.

The Town is required to make current service contributions to the LAPP of 10.43% of pensionable earnings up to the year's maximum pensionable earnings (\$51,100) under the Canada Pension Plan and 14.47% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.43% of pensionable salary up to the year's maximum pensionable salary and 13.47% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2013 were \$700,207 (2012 – \$723,122). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2013 were \$744,070 (2012 – \$666,537).

At December 31, 2012, the LAPP disclosed an actuarial deficiency of \$4.98 billion.

## 19. Commitments:

- i. Under the terms of the Federal – Provincial Agreement the Town of Banff is committed to pay annual rent in respect of land leased in perpetuity 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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2014	550,000
2015	550,000
2016	550,000
2017	550,000
2018	550,000

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# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 15

Year ended December 31, 2013, with comparative figures for 2012

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## 19. Commitments (continued):

- ii. 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 monthly payments of \$6,333 until June 30, 2015.
- iii. Town of Banff has an agreement with TransAlta Energy Marketing Corp. to supply electricity. Under the terms of the agreement the Town of Banff is committed to the following electricity rates until December 31, 2017:

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Electricity	\$ 54.50	per MWh
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- iv. Town of Banff has an agreement with Access Gas Services Inc. to supply natural gas. Under the terms of the agreement the Town of Banff is committed to the following natural gas rates until December 31, 2015:

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Natural Gas	\$ 3.69	per GJ
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- v. Town of Banff has an agreement with EPCOR to operate the waste water treatment plant. Under the terms of the agreement, the Town of Banff is committed to the following daily payments until December 31, 2014:

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2013	\$ 3,108	+ 2014 CPI
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- vi. 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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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, 2013, with comparative figures for 2012

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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 a line of credit held by the Banff Housing Corporation with the Bank of Montreal to a maximum of \$10,000,000. At December 31, 2013, there was \$725,715 (2012 - \$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 at no charge 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, 2013 is \$87,022 (2012 – \$156,163) 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, 2013 is \$172,536 (2012 – \$169,068) 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.



# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 17

Year ended December 31, 2013, with comparative figures for 2012

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## **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.

## **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 10, 2012.

## **24. Comparative information:**

Certain 2012 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 14, 2014.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 18

Year ended December 31, 2013, with comparative figures for 2012

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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, 2013, with comparative figures for 2012

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	Construction in progress	2013	2012
<b>Cost:</b>									
Balance, beginning of year	\$ 48,606,083	\$ 100,601,930	\$ 40,174,023	\$ 14,959,703	\$ 62,779,806	\$ 8,107,737	\$ 5,334,361	\$ 280,563,643	\$ 274,412,453
Acquisition of tangible capital assets	428,692	4,055,622	1,294,379	454,395	1,909,622	734,486	546,402	9,423,598	7,255,142
Reclass from Construction in progress	130,674	3,553,130	–	–	1,223,645	–	(4,907,449)	–	–
Disposal of tangible capital assets	(8,257)	(720,908)	–	–	(541,065)	(589,389)	–	(1,859,619)	(1,103,637)
Write down of tangible capital assets	–	–	–	–	–	–	(32,843)	(32,843)	(315)
Balance, end of year	49,157,192	107,489,774	41,468,402	15,414,098	65,372,008	8,252,834	940,471	288,094,779	280,563,643
<b>Accumulated amortization:</b>									
Balance, beginning of year	8,080,935	51,865,329	–	9,508,567	20,431,228	3,414,476	–	93,300,535	90,146,745
Annual amortization	1,086,562	1,316,866	–	177,617	1,510,377	339,162	–	4,430,584	4,217,250
Accumulated amortization on disposals	(4,475)	(707,049)	–	–	(443,632)	(482,109)	–	(1,637,265)	(1,063,460)
Balance, end of year	9,163,022	52,475,146	–	9,686,184	21,497,973	3,271,529	–	96,093,854	93,300,535
<b>Net book value of tangible capital assets</b>									
	\$ 39,994,170	\$ 55,014,628	\$ 41,468,402	\$ 5,727,914	\$ 43,874,035	\$ 4,981,305	\$ 940,471	\$ 192,000,925	\$ 187,263,108
<b>2012 Net book value of tangible capital assets</b>									
	\$ 40,525,148	\$ 48,736,601	\$ 40,174,023	\$ 5,451,136	\$ 42,348,578	\$ 4,693,261	\$ 5,334,361	\$ 187,263,108	

# TOWN OF BANFF

Consolidated Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2013, with comparative figures for 2012

	Budget (Unaudited - note 23)	2013	2012
Taxation:			
Real property taxes	\$ 19,747,521	\$ 19,466,847	\$ 18,661,563
Linear property taxes	161,000	160,968	110,394
Government grants in place of property taxes	810,000	811,450	768,364
	<u>20,718,521</u>	<u>20,439,265</u>	<u>19,540,321</u>
Requisitions:			
Alberta School Foundation Fund	5,759,868	5,688,459	5,145,704
Bow Valley Regional Housing	378,529	376,558	347,514
	<u>6,138,397</u>	<u>6,065,017</u>	<u>5,493,218</u>
<b>Net Municipal Property Taxes</b>	<b>\$ 14,580,124</b>	<b>\$ 14,374,248</b>	<b>\$ 14,047,103</b>

# TOWN OF BANFF

Consolidated Schedule of Government Transfers

Schedule 3

Year ended December 31, 2013, with comparative figures for 2012

	Budget (Unaudited - note 23)	2013	2012
Transfers for operating:			
Provincial Government	\$ 1,139,894	\$ 1,245,105	\$ 1,181,499
Federal Government	69,409	190,454	167,703
Other Local Governments	46,788	42,157	40,692
	<u>1,256,091</u>	<u>1,477,716</u>	<u>1,389,894</u>
Transfers for capital:			
Provincial Government	3,120,000	2,911,595	3,600,543
Federal Government	—	—	—
	<u>3,120,000</u>	<u>2,911,595</u>	<u>3,600,543</u>
<b>Government transfers</b>	<b>\$ 4,376,091</b>	<b>\$ 4,389,311</b>	<b>\$ 4,990,437</b>

# TOWN OF BANFF

Consolidated Schedule of Revenue and Expenses by Object

Schedule 4

Year ended December 31, 2013, with comparative figures for 2012

	Budget (Unaudited - note 23)	2013	2012
<b>Revenue:</b>			
Net municipal property taxes (Schedule 2)	\$ 14,580,124	\$ 14,374,248	\$ 14,047,103
Sales to other governments	332,150	277,345	295,736
Sales and user charges	9,196,729	9,453,963	8,602,340
Penalties and cost on taxes	89,900	95,056	81,199
Licenses and permits	4,194,500	4,614,215	4,152,427
Fines	481,000	640,025	528,568
Franchise and concession contracts	654,700	659,943	585,992
Return on investments	98,999	57,850	87,821
Rentals	492,060	488,309	468,468
Government transfers (Schedule 3)	4,376,091	4,389,311	4,990,437
Developer agreements and levies	85,000	5,951	50,228
Net gain on disposal of tangible capital assets	–	6,291	845
Other revenue	302,176	462,067	337,803
	<b>34,883,429</b>	<b>35,524,574</b>	<b>34,228,967</b>
<b>Expenses:</b>			
Salaries, wages and benefits	10,898,133	10,793,776	9,949,084
Contracted and general services	9,986,730	11,383,291	10,450,141
Purchases from other governments	1,675,000	1,995,500	1,575,126
Material, goods and utilities	2,372,854	2,566,761	2,347,543
Provision for allowances	1,000	–	–
Transfers to local boards and agencies	96,775	271,107	96,750
Transfers to individuals and organizations	125,922	149,938	126,551
Bank charges and short-term interest	14,000	33,275	21,214
Interest on capital long-term debt	343,000	345,666	425,480
Amortization of tangible capital assets (Schedule 1)	5,306,005	4,430,584	4,217,250
Net loss on disposal of tangible capital assets	–	174,618	38,872
Other expenditures	4,880	4,880	7,331
	<b>30,824,299</b>	<b>32,149,396</b>	<b>29,255,342</b>
<b>Excess of revenue over expenses</b>	<b>\$ 4,059,130</b>	<b>\$ 3,375,178</b>	<b>\$ 4,973,625</b>

# TOWN OF BANFF

Consolidated Schedule of Segmented Information

Schedule 5

Year ended December 31, 2013

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Safety	Planning & Development	Recreation & Culture	Total
<b>Revenues:</b>								
Taxes	\$ 14,374,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$14,374,248
Sales to Other Governments	-	277,345	-	-	-	-	-	277,345
Sales & User Charges	1,476	66,735	209,687	8,208,528	235,424	97,861	634,252	9,453,963
Penalties & Costs on Taxes	73,388	-	-	15,885	-	-	5,783	95,056
Licences & Permits	151,486	32,775	46,395	-	-	4,383,559	-	4,614,215
Fines	-	640,025	-	-	-	-	-	640,025
Franchise & Concession Contracts	659,943	-	-	-	-	-	-	659,943
Return on Investments	48,851	-	-	-	-	8,999	-	57,850
Rentals	-	-	-	-	-	442,195	46,114	488,309
Government Transfers	702,357	503,752	494,640	70,463	581,369	7,000	1,987,574	4,347,155
Transfers from Local Boards & Agencies	-	-	-	-	11,000	-	31,156	42,156
Developer's Agreements & Offsite Levies	-	-	-	1,400	-	4,551	-	5,951
Net Gain on Disposal of TCA	-	699	5,592	-	-	-	-	6,291
Other Revenue	63,660	49,617	180,243	40,624	40,913	20,921	66,089	462,067
	16,075,409	1,570,948	936,557	8,336,900	868,706	4,965,086	2,770,968	35,524,574
<b>Expenses:</b>								
Salaries, Wages & Benefits	1,868,662	1,380,048	2,255,554	1,767,205	1,124,294	625,618	1,772,395	10,793,776
Contracted and General Services	1,212,524	129,372	2,031,766	2,988,328	131,179	4,542,588	347,534	11,383,291
Purchases from Other Governments	-	1,995,500	-	-	-	-	-	1,995,500
Materials, Goods, Supplies & Utilities	68,821	75,748	828,846	1,022,723	99,720	21,617	449,286	2,566,761
Transfers to Local Boards & Agencies	174,357	-	-	96,750	-	-	-	271,107
Transfers to Individuals & Organizations	127,447	-	-	15,343	6,000	1,148	-	149,938
Bank Charges & Short Term Interest	33,275	-	-	-	-	-	-	33,275
Interest on Operating Long Term Debt	-	-	-	-	-	-	-	-
Interest on Capital Long Term Debt	-	-	4,830	-	-	12,837	327,999	345,666
Amortization of Tangible Capital Assets	77,429	109,196	1,233,960	2,049,580	24,295	52,013	884,111	4,430,584
Net Loss on Disposal of Capital Assets	-	27,038	55,809	90,713	-	-	1,058	174,618
Other expenditures	-	-	-	-	-	-	4,880	4,880
	3,562,515	3,716,902	6,410,765	8,030,642	1,385,488	5,255,821	3,787,263	32,149,396
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$12,512,894</b>	<b>\$ (2,145,954)</b>	<b>\$ (5,474,208)</b>	<b>\$ 306,258</b>	<b>\$ (516,782)</b>	<b>\$ (290,735)</b>	<b>\$ (1,016,295)</b>	<b>\$ 3,375,178</b>