

Non-Consolidated Financial Statements of the

TOWN OF BANFF

December 31, 2013

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 14, 2014

TOWN OF BANFF

Non-Consolidated Statement of Financial Position

December 31, 2013, with corresponding figures for 2012

	2013	2012
Financial Assets		
Cash (note 2)	\$ 630,423	\$ 327,210
Short-term investments (note 2)	-	3,000,000
Taxes and grants in place of taxes receivable (note 3)	235,357	220,713
Trade and other receivables (note 3)	4,273,579	3,887,011
Due from related organizations (note 6)	100	100
Debt charges recoverable (note 4)	-	79,790
	<u>5,139,459</u>	<u>7,514,824</u>
Liabilities		
Bank indebtedness (note 2)	-	-
Accounts payable and accrued liabilities	2,407,260	3,784,806
Deposits	227,888	226,853
Deferred revenue (note 5)	313,003	253,245
Long-term debt (note 8)	10,853,867	12,203,979
	<u>13,802,018</u>	<u>16,468,883</u>
Net financial debt	(8,662,559)	(8,954,059)
Non-Financial Assets		
Tangible capital assets (Schedule 1)	190,384,821	186,960,457
Inventory for consumption	159,412	178,499
Prepaid expenses	83,103	416,637
	<u>190,627,336</u>	<u>187,555,593</u>
Commitments and contingencies (notes 15 and 16)		
Accumulated surplus (note 12)	<u>\$ 181,964,777</u>	<u>\$ 178,601,534</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, 2013, with corresponding figures for 2012

	Budget (Unaudited – note 19)	2013	2012
Revenue:			
General government	\$ 16,243,324	\$ 16,075,409	\$ 15,167,211
Protective services	1,390,852	1,570,949	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	4,475,860	4,840,340	4,423,159
Recreation and culture	2,918,700	2,663,502	2,854,312
	<u>34,651,218</u>	<u>35,292,363</u>	<u>33,951,209</u>
Expenses:			
General government	3,279,251	3,631,593	3,010,945
Protective services	3,396,866	3,716,902	3,150,497
Transportation services	6,396,036	6,410,764	6,005,247
Environmental use and protection	7,621,122	8,030,643	7,124,471
Public health and welfare services	1,349,443	1,385,489	1,366,511
Planning and development	4,728,177	5,068,925	4,662,448
Recreation and culture	3,833,128	3,684,804	3,684,866
	<u>30,604,023</u>	<u>31,929,120</u>	<u>29,004,985</u>
Excess of revenue over expenses	4,047,195	3,363,243	4,946,224
Accumulated surplus, beginning of year	178,601,534	178,601,534	173,655,310
Accumulated surplus, end of year	<u>\$ 182,648,729</u>	<u>\$ 181,964,777</u>	<u>\$ 178,601,534</u>

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Cash Flows

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

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 3,363,243	\$ 4,946,224
Change in non-cash items:		
Amortization of tangible capital assets	4,408,869	4,194,628
Loss on disposal of tangible capital assets	135,483	38,027
Write-off of tangible capital assets	32,844	315
Tangible capital assets received as contributions	—	—
Decrease (increase) in taxes and grants in place of taxes receivable	(14,644)	(9,845)
Decrease (increase) in trade and other receivables	(386,568)	(876,382)
Increase in inventory for consumption	19,087	(22,593)
Decrease (increase) in prepaid expenses	333,534	(336,336)
Increase (decrease) in accounts payable and accrued liabilities	(1,377,546)	1,392,739
Increase (decrease) in deposit liabilities	1,035	(3,962)
Increase (decrease) in deferred revenue	59,758	19,244
	<u>6,575,095</u>	<u>9,342,059</u>
Capital:		
Acquisition of tangible capital assets	(8,088,430)	(7,249,752)
Proceeds on disposal of tangible capital assets	86,870	2,150
	<u>(8,001,560)</u>	<u>(7,247,602)</u>
Investing:		
Decrease (increase) in investments	3,000,000	(1,965,226)
Decrease (increase) in amounts due from related organizations	—	151,730
	<u>3,000,000</u>	<u>(1,813,496)</u>
Financing:		
Debt charges recovered	79,790	76,450
Long-term debt issued	—	—
Long-term debt repaid	(1,350,112)	(2,721,313)
	<u>(1,270,322)</u>	<u>(2,644,863)</u>
Net change in cash and cash equivalents	303,213	(2,363,902)
Cash, beginning of year	327,210	2,691,112
Cash, end of year	<u>\$ 630,423</u>	<u>\$ 327,210</u>

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Statement of Change in Net Debt

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

	Budget (Unaudited – note 19)	2013	2012
Excess of revenue over expenses	\$ 4,047,195	\$ 3,363,243	\$ 4,946,224
Acquisition of tangible capital assets	(13,099,099)	(8,088,430)	(7,249,752)
Write-off of tangible capital assets	–	32,844	315
Proceeds on disposal of tangible capital assets	–	86,870	2,150
Amortization of tangible capital assets	5,284,290	4,408,869	4,194,628
Loss on disposal of tangible capital assets	–	135,483	38,027
	(7,814,809)	(3,424,364)	(3,014,632)
Use (acquisition) of inventory for consumption	–	19,087	(22,593)
Use (acquisition) of prepaid expenses	–	333,534	(336,336)
	–	352,621	(358,929)
(Increase) decrease in net debt	(3,767,614)	291,500	1,572,663
Net debt, beginning of year	(8,954,059)	(8,954,059)	(10,526,722)
Net debt, end of year	\$ (12,721,673)	\$ (8,662,559)	\$ (8,954,059)

See accompanying notes to non-consolidated financial statements.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements

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

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, 2013, with corresponding figures for 2012

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, 2013, with corresponding figures for 2012

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, 2013, with corresponding figures for 2012

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:

	2013	2012
Cash (bank indebtedness)	\$ 630,423	\$ 327,210
Short-term investments	-	3,000,000
	\$ 630,423	\$ 3,327,210

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 5

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

3. Taxes and grants in place of taxes receivable:

	2013	2012
Current taxes and grants in place of taxes	\$ 264,448	\$ 249,913
Less: Allowance for doubtful accounts	(29,091)	(29,200)
	\$ 235,357	\$ 220,713

Trade and other receivables:

	2013	2012
Receivables from other governments	\$ 1,531,534	\$ 1,015,703
Utility and other trade accounts receivable	2,669,040	2,853,613
Requisition under levy	73,005	17,695
	\$ 4,273,579	\$ 3,887,011

4. Debt charges recoverable:

	2013	2012
Current debt charges recoverable	\$ -	\$ 79,790
Non-current debt charges recoverable	-	-
	\$ -	\$ 79,790

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

Non-Consolidated Notes to the Financial Statements, page 6

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

5. Deferred revenue:

	2013	2012
Miscellaneous	313,003	253,245
	\$ 313,003	\$ 253,245

6. Due from related organizations:

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

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:

	2013	2012
1 common share (par value \$100)	\$ 100	\$ 100
Advances receivable including accrued interest	-	-
	\$ 100	\$ 100

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, 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%.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 7

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

8. 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 for the next five years and thereafter 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 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

Non-Consolidated Notes to the Financial Statements, page 8

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

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:

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

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, 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 – 3.6% and 4.68%) and are repayable in blended monthly payments of \$66,300.

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 9

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

11. Equity in tangible assets:

	2013	2012
Tangible capital assets (Schedule 1)	\$286,165,441	\$279,969,474
Accumulated amortization (Schedule 1)	(95,780,620)	(93,009,017)
Long-term debt (note 8)	(10,853,867)	(12,203,979)
Debt charges recoverable (note 4)	-	79,790
	<u>\$179,530,954</u>	<u>\$174,836,268</u>

12. Accumulated surplus:

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

	2013	2012
Equity in tangible capital assets	\$179,530,954	\$174,836,268
Unrestricted surplus	-	-
Restricted surplus:		
Reserves:		
Special purpose:		
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
	<u>\$181,964,777</u>	<u>\$178,601,534</u>

TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 10

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

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:

	2013			2012
	Salary	Benefits & allowances	Total	Total
Councilors:				
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.

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 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.

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Non-Consolidated Notes to the Financial Statements, page 11

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

14. Local authorities pension plan (continued):

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 \$639,831 (2011 – \$666,537).

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

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:

2014	550,000
2015	550,000
2016	550,000
2017	550,000
2018	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 minimum monthly payments of \$6,333 until June 30, 2015.
3. 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:

Electricity	\$ 54.50	per MWh
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TOWN OF BANFF

Non-Consolidated Notes to the Financial Statements, page 12

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

15. Commitments (continued):

4. 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:

Natural Gas	\$	3.69	per GJ
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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 December 31, 2014:

2013	\$	3,108	+ 2014 CPI
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6. 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:

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

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Non-Consolidated Notes to the Financial Statements, page 13

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

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 a guarantee on 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

17. 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

Non-Consolidated Notes to the Financial Statements, page 14

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

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 consolidated financial statements are based upon the Three Year Budget approved by Council on December 10, 2012.

20. Comparative figures:

Certain 2012 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, 2013, with corresponding figures for 2012

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	Construction in Progress	2013	2012
Cost:									
Balance, beginning 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
Acquisition of tangible capital assets	412,901	4,055,622	–	454,395	1,884,625	734,485	546,402	8,088,430	7,249,752
Reclass from CIP	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	–	–	–	–	–	–	(32,844)	(32,844)	(315)
Balance, end of year	48,819,567	107,489,774	40,174,023	15,414,098	65,074,676	8,252,833	940,470	286,165,441	279,969,474
Accumulated amortization:									
Balance, beginning of year	7,954,726	51,865,329	–	9,508,567	20,265,919	3,414,476	–	93,009,017	89,877,849
Annual amortization	1,076,113	1,316,866	–	177,617	1,499,111	339,162	–	4,408,869	4,194,628
Accumulated amortization on disposals	(4,475)	(707,050)	–	–	(443,632)	(482,109)	–	(1,637,266)	(1,063,460)
Balance, end of year	9,026,364	52,475,145	–	9,686,184	21,321,398	3,271,529	–	95,780,620	93,009,017
Net book value of tangible capital assets	\$ 39,793,203	\$ 55,014,629	\$ 440,174,023	\$ 5,727,914	\$ 43,753,278	\$ 4,981,304	\$ 940,470	\$ 190,384,821	\$ 186,960,457
2012 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	

TOWN OF BANFF

Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

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

	Budget (Unaudited – note 19)	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
	20,718,521	20,439,265	19,540,321
Requisitions:			
Alberta School Foundation Fund	5,759,868	5,688,459	5,145,704
Bow Valley Regional Housing	378,529	376,558	347,514
	6,138,397	6,065,017	5,493,218
Net Municipal Property Taxes	\$ 14,580,124	\$ 14,374,248	\$ 14,047,103

TOWN OF BANFF

Schedule of Non-Consolidated Government Transfers

Schedule 3

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

	Budget (Unaudited – note 19)	2013	2012
Transfers for operating:			
Provincial Government	\$ 1,087,253	\$ 1,192,464	\$ 1,128,078
Federal Government	69,409	190,454	167,703
Other Local Governments	21,000	16,368	19,114
	<u>1,177,662</u>	<u>1,399,286</u>	<u>1,314,895</u>
Transfer 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>
<u>Transfers</u>	<u>\$ 4,297,662</u>	<u>\$ 4,310,881</u>	<u>\$ 4,915,438</u>

TOWN OF BANFF

Schedule of Non-Consolidated Revenue and Expenditures by Object

Schedule 4

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

	Budget (Unaudited – note 19)	2013	2012
Revenues:			
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	9,098,772	9,356,007	8,457,927
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	90,000	48,851	79,319
Rentals	469,260	465,509	445,668
Government transfers (Schedule 3)	4,276,662	4,294,513	4,896,324
Local government transfers (Schedule 3)	21,000	16,368	19,114
Developer agreements and levies	85,000	5,951	50,228
Net gain on disposal of tangible capital assets	–	6,291	845
Other revenues	278,150	438,041	310,759
	34,651,218	35,292,363	33,951,209
Expenses:			
Salaries, wages and benefits	10,377,837	10,273,480	9,445,028
Contracted and general services	9,896,663	11,293,224	10,365,722
Purchases from other governments	1,675,000	1,995,500	1,575,126
Material, goods and utilities	2,307,959	2,501,864	2,287,411
Provision for allowances	1,000	–	–
Transfers to local boards and agencies	96,775	271,107	96,750
Transfers to individuals and organizations	607,500	631,516	554,754
Bank charges and short-term interest	14,000	33,275	21,214
Interest on capital long-term debt	343,000	345,667	425,480
Amortization of tangible capital assets (Schedule 1)	5,284,290	4,408,869	4,194,628
Net loss on disposal of tangible capital assets	–	174,618	38,872
Write down of tangible capital assets	–	–	–
Other expenditures	–	–	–
	30,604,024	31,929,120	29,004,985
Excess of revenue over expenses	\$ 4,047,194	\$ 3,363,243	\$ 4,946,224

TOWN OF BANFF

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
Revenues:								
Taxes	\$ 14,374,248	–	–	–	–	–	–	14,374,248
Sales to Other Governments	–	277,345	–	–	–	–	–	277,345
Sales & User Charges	1,476	66,736	209,687	8,208,528	235,424	4,915	629,241	9,356,007
Penalties & Costs on Taxes	73,388	–	–	15,885	–	–	5,783	95,056
Licenses & 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	–	–	–	–	–	–	48,851
Rentals	–	–	–	–	–	419,395	46,114	465,509
Contributed & Donated Assets	–	–	–	–	–	–	–	–
Government Transfers	702,357	503,752	494,640	70,463	581,368	7,000	1,934,933	4,294,513
Local Government Transfers	–	–	–	–	11,000	–	5,368	16,368
Transfers from Local Boards & Agencies	–	–	–	–	–	–	–	–
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	40,914	20,920	42,063	438,041
	16,075,409	1,570,949	936,557	8,336,900	868,706	4,840,340	2,663,502	35,292,363
Expenses:								
Salaries, Wages & Benefits	1,868,662	1,380,047	2,255,554	1,767,205	1,124,295	500,244	1,377,473	10,273,480
Contracted and General Services	1,212,524	129,373	2,031,765	2,988,328	131,179	4,490,525	309,530	11,293,224
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	19,777	386,229	2,501,864
Provisions for Allowances	–	–	–	–	–	–	–	–
Transfers to Other Governments	–	–	–	–	–	–	–	–
Transfers to Local Boards & Agencies	174,357	–	–	96,750	–	–	–	271,107
Transfers to Individuals & Organizations	196,525	–	–	15,344	6,000	1,147	412,500	631,516
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	345,667
Amortization of Tangible Capital Assets	77,429	109,196	1,233,960	2,049,580	24,295	44,395	870,014	4,408,869
Net Loss on Disposal of Capital Assets	–	27,038	55,809	90,713	–	–	1,058	174,618
Write-Down on Capital Assets	–	–	–	–	–	–	–	–
Other Expenditures	–	–	–	–	–	–	–	–
	3,631,593	3,716,902	6,410,764	8,030,643	1,385,489	5,068,925	3,684,804	31,929,120
Excess of revenue over expenses (expenses over revenues)	\$ 12,443,816	\$ (2,145,953)	\$ (5,474,207)	\$ 306,257	\$ (516,783)	\$ (228,585)	\$ (1,021,302)	\$ 3,363,243