

Consolidated Financial Statements of the

TOWN OF BANFF

Year Ended December 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Town of Banff (the "Town") are the responsibility of management and have been approved by the Town's Council. The consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the consolidated financial position, the results of its consolidated financial activities and changes in consolidated 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 consolidated financial statements.

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

These consolidated financial statements have been audited, in accordance with Canadian public sector accounting standards, by KPMG LLP ("KPMG"), who were appointed by Council. KPMG have full and unrestricted access to management and Council to discuss their audit and related findings. The Independent Auditors' Report outlining the scope of their examination and their opinion on the consolidated financial statements is presented on the following page.

_____, Director, Corporate Services
Kelly Gibson

_____, Town Manager
Robert Earl

April 23, 2018

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, 2017, the consolidated statements of operations and accumulated surplus, cash flows, and changes in net financial assets (debt) for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, including schedules 1-5.

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, 2017, and its consolidated results of operations, its consolidated changes in net financial assets (debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

April 23, 2018

Calgary, Canada

TOWN OF BANFF

Consolidated Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Financial Assets		
Cash (note 3)	\$ 6,825,113	\$ 3,471,422
Short-term investments (note 3)	6,282,321	8,957,301
Taxes and grants in place of taxes receivable (note 4)	134,248	138,512
Trade and other receivables (notes 5 and 20)	8,334,711	5,650,376
Second mortgages receivable (note 6)	1,021,000	1,021,000
Due from related organizations (note 9)	100	100
	<u>22,597,493</u>	<u>19,238,711</u>
Liabilities		
Bank indebtedness (note 10)	650,000	650,082
Accounts payable and accrued liabilities	4,550,477	3,089,442
Deposits	367,534	145,414
Deferred revenue (note 8)	1,390,593	1,774,423
Long-term debt (note 11)	11,937,022	14,341,499
Asset retirement obligation	45,900	45,900
	<u>18,941,526</u>	<u>20,046,760</u>
Net financial assets (debt)	3,655,967	(808,049)
Non-Financial Assets		
Tangible capital assets (Schedule 1)	203,221,785	201,006,758
Prepaid expenses	126,420	1,133,710
Inventory (note 7)	114,848	150,835
	<u>203,463,053</u>	<u>202,291,303</u>
Commitments, guarantees, and contingencies (notes 13, 18, and 19)		
Accumulated surplus (note 15)	<u>\$207,119,020</u>	<u>\$201,483,254</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, 2017, with comparative information for 2016

	Budget (note 22)	2017	2016
Revenue (Schedules 4 and 5):			
General government	\$ 19,986,558	\$ 20,047,280	\$ 19,359,397
Protective services	2,137,100	1,898,772	2,142,242
Transportation services	1,154,775	2,071,189	1,644,696
Environmental use and protection	10,240,365	10,545,030	11,200,465
Public health and welfare services	840,110	1,321,300	1,284,989
Planning and development	6,943,188	7,338,405	6,469,974
Recreation and culture	3,210,265	3,289,169	3,212,512
	<u>44,512,361</u>	<u>46,511,145</u>	<u>45,314,275</u>
Expenses (Schedules 4 and 5):			
General government	4,100,209	4,299,682	3,935,248
Protective services	4,139,130	4,321,436	3,975,294
Transportation services	7,699,301	8,259,338	7,967,861
Environmental use and protection	9,354,603	9,868,381	9,796,516
Public health and welfare services	1,676,059	2,161,359	2,031,118
Planning and development	6,803,689	7,244,727	6,227,975
Recreation and culture	4,775,115	4,720,456	4,639,201
	<u>38,548,106</u>	<u>40,875,379</u>	<u>38,573,213</u>
Excess of revenue over expenses	5,964,255	5,635,766	6,741,062
Accumulated surplus, beginning of year	201,483,254	201,483,254	194,742,192
Accumulated surplus, end of year	<u>\$ 207,447,509</u>	<u>207,119,020</u>	<u>\$201,483,254</u>

See accompanying notes to consolidated financial statements.

TOWN OF BANFF

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 5,635,766	\$ 6,741,062
Change in non-cash items:		
Amortization of tangible capital assets	5,375,609	5,117,512
Loss (gain) on disposal of tangible capital assets	119,343	(287,608)
Write down of tangible capital assets	-	103,749
Decrease in taxes and grants in place of taxes receivable	4,264	27,270
Increase in trade and other receivables	(2,684,335)	(504,519)
Decrease in inventory	35,987	4,590
Decrease (increase) in prepaid expenses	1,007,290	(1,031,008)
Increase in accounts payable and accrued liabilities	1,461,035	962,753
Increase (decrease) in deposits	222,120	(92,764)
(Decrease) increase in deferred revenue	(383,830)	195,062
	10,793,249	11,236,099
Capital activities:		
Acquisition of tangible capital assets	(7,758,370)	(6,679,989)
Proceeds on disposal of tangible capital assets	48,391	33,145
	(7,709,979)	(6,646,844)
Investing activities:		
Decrease (increase) in short-term investments	2,674,980	(4,196,638)
	2,674,980	(4,196,638)
Financing activities:		
Repayment of bank indebtedness	(82)	(904,021)
Long-term debt issued	-	6,670,000
Long-term debt repaid	(2,404,477)	(3,080,163)
	(2,404,559)	2,685,816
Net change in cash	3,353,691	3,078,433
Cash, beginning of year	3,471,422	392,989
Cash, end of year	\$ 6,825,113	\$ 3,471,422

See accompanying notes to consolidated financial statements.

TOWN OF BANFF

Consolidated Statement of Changes in Net Financial Assets (Debt)

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 22)	2017	2016
Excess of revenue over expenses	\$ 5,876,991	\$ 5,635,766	\$ 6,741,062
Acquisition of tangible capital assets	(10,690,884)	(7,758,370)	(6,679,989)
Write down of tangible capital assets	-	-	103,749
Proceeds on disposal of tangible capital assets	-	48,391	33,145
Amortization of tangible capital assets	4,854,688	5,375,609	5,117,512
Loss (gain) on disposal of tangible capital assets	-	119,343	(287,608)
	(5,836,196)	(2,215,027)	(1,713,191)
Use of inventory	-	35,987	4,590
Use (acquisition) of prepaid expenses	-	1,007,290	(1,031,008)
	-	1,043,277	(1,026,418)
Increase in net financial assets	40,795	4,464,016	4,001,453
Net debt, beginning of year	(581,728)	(808,049)	(4,809,502)
Net financial assets (debt), end of year	\$ (540,933)	\$ 3,655,967	\$ (808,049)

See accompanying notes to consolidated financial statements.

TOWN OF BANFF

Notes to the Consolidated Financial Statements

Year ended December 31, 2017, with comparative information for 2016

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 CPA Canada. 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.

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Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2017, with comparative information for 2016

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:

Cash is comprised of cash deposits held with Canadian chartered banking institutions.

(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 consolidated 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 consolidated 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) Short-term 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.

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Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2017, with comparative information for 2016

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 consolidated 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 financial assets (debt) for the year.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2017, with comparative information for 2016

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(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.

The Town is fortunate to have many natural assets that reduce the need for person-made infrastructure that would otherwise be required. This includes ready access to an aquifer (water storage and filtration), rivers, and wetlands (rain water management). Canadian public sector accounting standards do not allow for the valuation and recording of such assets into the consolidated financial statements of the Town. As such, these natural assets are not reported in these consolidated financial statements. Nevertheless, the Town acknowledges the importance of these assets and the need to manage them in conjunction with person-made infrastructure. The Town acknowledges the importance of these assets and the need to manage them in conjunction with engineered infrastructure.

(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.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2017, with comparative information for 2016

1. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(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.

(k) 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.

(l) 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.

(m) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Town is directly responsible or accepts responsibility
- the Town expects the future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The prospective adoption of this standard has not resulted in any changes to the measurement and recognition of liabilities in the Town's consolidated financial statements.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 2017, with comparative information for 2016

2. Future accounting pronouncements:

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

(a) 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, 2019 for governments, with early adoption encouraged.

(b) 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, 2019 for governments, 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:

	2017	2016
Cash	\$ 6,825,113	\$ 3,471,422
Short-term investments	6,282,321	8,957,301
	<u>\$ 13,107,434</u>	<u>\$ 2,428,723</u>

Short-term investments consist of Guaranteed Investment Certificates. There were total investments with fair values of \$4,815,283 (including accrued interest) as of December 31, 2017 (2016 - \$7,509,903) with effective interest rates in 2017 and 2016 ranging from the bank's prime rate less 1.95% (with a minimum rate of 0.25%) to 3.12% per annum, as well as one \$1,452,038 Guaranteed Investment Certificate with a variable rate of interest (2016 - \$1,447,398). Short-term investments have maturity dates ranging from three months to seven years, and are readily convertible to cash.

Cash on deposit with financial institutions earns interest at the bank's prime rate less 1.80% (2016 – bank's prime rate less 1.80% to 2.00%).

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Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2017, with comparative information for 2016

4. Taxes and grants in place of taxes receivable:

	2017	2016
Current taxes and grants in place of taxes	\$ 102,361	\$ 125,561
Arrears taxes and interest and penalties	59,785	40,850
Allowance for doubtful accounts	(27,898)	(27,899)
	\$ 134,248	\$ 138,512

5. Trade and other receivables:

	2017	2016
Receivables from other governments	\$ 5,234,104	\$ 2,076,959
Utility and other trade accounts receivable	3,089,309	3,551,867
Requisition under levy	11,298	21,550
	\$ 8,334,711	\$ 5,650,376

6. Second mortgages receivable:

The second mortgages receivable arose with respect to the Middle Springs I housing development in the Town of Banff. The mortgages are registered against the titles of the properties but become due only when the initial owner ceases to reside in the Middle Springs I development. The full amount of the mortgages is recorded as long-term second mortgages receivable and deferred revenue. When a mortgage becomes due, the revenue is recognized.

During the year, second mortgages of \$nil (2016 - \$nil) were collected.

7. Inventory:

	2017	2016
Inventory for consumption	\$ 114,848	\$ 150,835
	\$ 114,848	\$ 150,835

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.

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Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2017, with comparative information for 2016

8. Deferred revenue:

	2017	2016
Second mortgages (note 6)	\$ 1,021,000	\$ 1,021,000
Deferred grant revenue	176,757	527,155
Deferred recreation revenue	113,094	143,798
Miscellaneous	79,742	82,470
	<u>\$ 1,390,593</u>	<u>\$ 1,774,423</u>

9. Due from related organizations:

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 valued at \$100 (2016 - \$100).

10. 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 \$6,200,000 for 2017 (2016 - \$6,200,000), with interest payable at the BMO's prime rate minus 0.50% (2016 - BMO's prime rate minus 0.50%). Security for the loan is on the property taxes of the Town. As at December 31, 2017 \$nil (2016 - \$nil) was drawn upon this credit facility. At December 31, 2017, the effective rate of interest on the credit facility was 2.70% (2016 - 2.20%). The Town also has an authorized overdraft limit of \$2,000,000 (2016 - \$2,000,000) with its bank, of which \$nil was drawn upon at December 31, 2017 and 2016.

The Bank of Montreal has authorized a general line of credit to the Banff Housing Corporation in the amount of \$1,000,000 (2016 - \$1,000,000), which includes an overdraft lending account up to \$350,000 (2016 - \$350,000). The line of credit is guaranteed by the Town of Banff and bears interest at the bank's prime rate minus 0.50% (2016 - bank's prime rate minus 0.50%). As at December 31, 2017 there was \$650,000 (2016 - \$650,082) drawn against the line of credit and \$nil (2016 - \$nil) in overdraft.

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Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2017, with comparative information for 2016

11. Long term debt:

	2017	2016
Tax/grant supported debentures	\$ 5,335,387	\$ 7,578,181
Self-supported debentures	6,601,635	6,763,318
	<u>\$ 11,937,022</u>	<u>\$ 14,341,499</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$ 1,600,692	\$ 348,435	\$ 1,949,127
2019	1,648,134	296,330	1,944,464
2020	376,508	253,220	629,728
2021	351,387	243,942	595,329
2022	356,429	234,931	591,360
Thereafter	7,603,872	2,823,901	10,427,773
	<u>\$ 11,937,022</u>	<u>\$ 4,200,759</u>	<u>\$ 16,137,781</u>

Debenture debt consists of \$9,047,022 (2016 - \$11,219,836) repayable to the Alberta Capital Finance Authority and bears interest at fixed rates ranging from 1.40% to 7.50% per annum (2016 – 1.40% to 7.50% per annum) and matures in periods 2019 through 2046. The average annual interest rate is 4.23% (2016 – 3.67%). The balance includes \$2,890,000 (2016 – \$3,120,000) repayable to the Federation of Canadian Municipalities which bears interest between 2.0% and 2.21% per annum (2016 – 2.0% to 2.21% per annum). The average annual interest rate is 2.11% (2016 – 2.11%) on this debt. Debenture debt is issued on the credit and security of the Town at large. The Town of Banff also has entered into an agreement with Golf Lease Inc. for the lease of a piece of equipment which under Canadian public sector accounting standards is classified as a capital lease. The capital lease obligation as of December 31, 2017 was \$nil (2016 – \$1,663) and the determined discount rate is 1.34% (2016 – 1.34%). The agreement commenced February 1, 2014 and consists of monthly payments of \$1,663 for a duration of 36 months with the final payment being made in January 2017.

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Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2017, with comparative information for 2016

12. 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:

	2017	2016
Total debt limit	\$ 64,102,017	\$ 63,060,408
Total debt	(11,937,022)	(14,341,499)
Loan guarantees (note 13)	(4,665,921)	(5,328,037)
Amount of total debt limit exceeds total debt and guarantees	\$ 47,499,074	\$ 43,390,871
Debt servicing limit	\$ 10,683,670	\$ 10,510,068
Debt servicing	(1,949,615)	(2,807,615)
Amounts of debt servicing limit exceeds debt servicing	\$ 8,734,055	\$ 7,702,453

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.

13. 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 250-3 on December 17, 2015 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 \$5,990,000. These guarantees expire on November 30, 2018. At December 31, 2017 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$4,665,921. These loans have an interest rate of 3.20% (2016 – 3.20%) and are repayable in blended monthly payments of \$66,300.

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Notes to the Consolidated Financial Statements, page 11

Year ended December 31, 2017, with comparative information for 2016

14. Equity in tangible capital assets:

	2017	2016
Tangible capital assets (Schedule 1)	\$ 312,525,021	\$ 305,476,497
Accumulated amortization (Schedule 1)	(109,303,236)	(104,469,739)
Long-term debt (note 11)	(11,937,022)	(14,341,499)
Asset retirement obligation	(45,900)	(45,900)
	<u>\$ 191,238,863</u>	<u>\$ 186,619,359</u>

15. Accumulated surplus:

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

	2017	2016
Equity in tangible capital assets	\$ 191,238,863	\$ 186,619,359
Reserves (deficits):		
Special Purpose:		
Banff Housing Corporation	(350,506)	(418,059)
Banff Public Library	279,841	237,820
General	410,320	406,229
Budget stabilization	741,814	932,903
Computer	166,068	140,553
Fire	20,956	20,837
Community development	6,104	6,069
Recreation	94,154	26,728
Snow clearing	56,104	63,820
Transit	196,958	195,837
Environment	514,721	390,275
Solid Waste	667,551	293,782
Capital reserves	13,076,072	12,567,101
Accumulated Surplus	<u>\$ 207,119,020</u>	<u>\$ 201,483,254</u>

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2017, with comparative information for 2016

16. 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:

	2017		2016	
	Salary	Benefits and Allowances	Total	Total
Councilors:				
Karen Sorensen	\$ 81,604	\$ 3,845	\$ 85,449	\$ 83,563
Chip Olver	27,068	5,424	32,492	31,321
Brian Standish	27,068	3,945	31,013	30,061
Grant Canning	27,068	4,162	31,230	29,025
Theodore Christensen	27,068	4,729	31,797	30,601
Corrie DiManno	27,068	3,712	30,780	28,845
Stavros Karlos	21,895	3,099	24,994	30,061
Peter Poole	5,173	16	5,189	-
Municipal Manager	242,573	36,435	279,008	273,398
Designated Officer (1)	152,759	26,299	179,058	168,182

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.

17. 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 253,862 people and 417 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 13

Year ended December 31, 2017, with comparative information for 2016

17. Local authorities pension plan (continued):

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings (\$55,300) under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2017 were \$958,035 (2016 – \$975,294). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2017 were \$882,679 (2016 – \$898,098).

At December 31, 2016, which is the most recent actuarial assessment, the LAPP disclosed an actuarial deficiency of \$0.64 billion.

18. 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 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:

2018	\$ 550,000
2019	550,000
2020	550,000
2021	550,000
2022	550,000

2. Town of Banff has an agreement with Bow Valley Property Valuers 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 \$6,000 until August 31, 2019.
3. Town of Banff has an agreement with ENMAX Commercial Energy Marketing Inc. to supply electricity. Under the terms of the agreement the Town of Banff is committed to the following electricity rates until December 31, 2020:

Electricity	\$ 58.38	per MWh
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TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 14

Year ended December 31, 2017, with comparative information for 2016

18. 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, 2021:

Natural Gas	\$	2.69	per GJ
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19. Contingencies:

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

The Town of Banff has provided a guarantee on line of credit held by the Banff Housing Corporation with the Bank of Montreal to a maximum of \$1,000,000. At December 31, 2017, there was \$650,000 (2016 - \$650,082) drawn on this line of credit.

From time to time, the Town is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable. At the time of the financial statement preparation, there has been no resolution or indication that the settlement of these actions will result in any material liabilities.

20. 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, 2022. The Day Care Society of Banff is economically dependent upon this support from the Town.

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, 2017 is \$204,445 (2016 – \$50,873) 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 15

Year ended December 31, 2017, with comparative information for 2016

21. 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.

22. Budget data:

The budget data presented throughout these consolidated financial statements are based upon the Three Year Budget approved by Council on December 19, 2016.

23. Comparative information:

Certain 2016 comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

24. Approval of consolidated financial statements:

Council and Management have approved these consolidated financial statements on April 23, 2018.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 16

Year ended December 31, 2017, with comparative information for 2016

25. 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, 2017, with comparative information for 2016

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	Construction in progress	2017	2016
Cost:									
Balance, beginning of year	\$ 50,285,235	\$ 113,801,653	\$ 41,468,402	\$ 17,908,945	\$ 70,391,922	\$ 8,574,409	\$ 3,045,931	\$ 305,476,497	\$ 302,523,317
Acquisition of tangible capital assets	1,414,548	741,007	313,255	83,285	1,396,753	635,848	3,173,674	7,758,370	6,679,989
Reclass from Construction in progress	101,296	457,537	—	101,679	704,675	5,147	(1,370,334)	—	—
Disposal of tangible capital assets	(47,445)	(21,442)	—	(57,671)	(403,288)	(180,000)	—	(709,846)	(3,623,060)
Write down of tangible capital assets	—	—	—	—	—	—	—	—	(103,749)
Balance, end of year	51,753,634	114,978,755	41,781,657	18,036,238	72,090,062	9,035,404	4,849,271	312,525,021	305,476,497
Accumulated amortization:									
Balance, beginning of year	12,288,996	53,239,753	—	10,110,014	25,032,700	3,798,276	—	104,469,739	103,229,750
Annual amortization	1,184,426	1,645,356	—	219,638	1,900,906	425,283	—	5,375,609	5,117,512
Accumulated amortization on disposals	(36,126)	(20,413)	—	(39,218)	(296,250)	(150,105)	—	(542,112)	(3,877,523)
Balance, end of year	13,437,296	54,864,696	—	10,290,434	26,637,356	4,073,454	—	109,303,236	104,469,739
Net book value of tangible capital assets	38,316,338	60,114,059	41,781,657	7,745,804	45,452,706	4,961,950	4,849,271	203,221,785	201,006,758
2016 Net book value of tangible capital assets	\$ 37,996,239	\$ 60,561,900	\$ 41,468,402	\$ 7,798,931	\$ 45,359,222	\$ 4,776,133	\$ 3,045,931	\$ 201,006,758	\$

TOWN OF BANFF

Consolidated Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 22)	2017	2016
Taxation:			
Real property taxes	\$ 24,670,296	\$ 24,493,503	\$ 23,158,975
Linear property taxes	150,000	129,278	140,651
Government grants in place of property taxes	880,000	920,554	862,646
	<u>25,700,296</u>	<u>25,543,335</u>	<u>24,162,272</u>
Requisitions:			
Alberta School Foundation Fund	7,183,207	7,173,359	6,768,765
Bow Valley Regional Housing	386,848	385,961	296,713
	<u>7,570,055</u>	<u>7,559,320</u>	<u>7,065,478</u>
Net Municipal Property Taxes	<u>\$ 18,130,241</u>	<u>\$ 17,984,015</u>	<u>\$ 17,096,794</u>

TOWN OF BANFF

Consolidated Schedule of Government Transfers

Schedule 3

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 22)	2017	2016
Transfers for operating:			
Provincial Government	\$ 1,078,630	\$ 1,511,839	\$ 1,236,502
Federal Government	89,452	430,166	428,985
Other Local Governments	68,921	71,604	75,766
	1,237,003	2,013,609	1,741,253
Transfers for capital:			
Provincial Government	3,130,564	3,537,067	3,229,003
Federal Government	-	239,400	45,000
	3,130,564	3,776,467	3,274,003
Government transfers	\$ 4,367,567	\$ 5,790,076	\$ 5,015,256

TOWN OF BANFF

Consolidated Schedule of Revenue and Expenses by Object

Schedule 4

Year ended December 31, 2017, with comparative information for 2016

	Budget (note 22)	2017	2016
Revenue:			
Net municipal property taxes (Schedule 2)	\$ 18,130,241	\$ 17,984,015	\$ 17,096,794
Sales to other governments	559,050	476,279	487,353
Sales and user charges	11,959,451	12,123,854	12,039,889
Penalties and cost on taxes	85,000	55,865	57,770
Licenses and permits	6,184,400	6,603,270	5,987,138
Fines	1,150,750	781,223	1,138,212
Franchise and concession contracts	870,000	894,587	941,733
Return on investments	162,531	188,507	215,504
Rentals	734,074	742,339	670,941
Government transfers (Schedule 3)	4,367,567	5,790,076	5,015,256
Developer agreements and levies	89,800	297,743	374,072
Net gain on disposal of tangible capital assets	–	13,143	794,924
Other revenue	219,497	560,244	494,689
	44,512,361	46,511,145	45,314,275
Expenses:			
Salaries, wages and benefits	15,367,410	15,321,458	14,712,853
Contracted and general services	12,604,972	14,338,524	12,854,380
Purchases from other governments	2,160,366	2,133,777	1,943,722
Material, goods and utilities	2,966,301	2,816,983	2,768,742
Provision for allowances	1,000	–	–
Transfers to local boards and agencies	91,250	91,250	91,250
Transfers to individuals and organizations	199,078	194,136	156,435
Bank charges and short-term interest	37,384	41,918	33,830
Interest on operating long-term debt	21,021	21,021	17,284
Interest on capital long-term debt	210,666	399,288	262,177
Amortization of tangible capital assets (Schedule 1)	4,879,729	5,375,609	5,117,512
Net loss on disposal of tangible capital assets	–	132,486	507,316
Write down of tangible capital assets	–	–	103,749
Other expenditures	8,929	8,929	3,963
	38,548,106	40,875,379	38,573,213
Excess of revenue over expenses	\$ 5,964,255	\$ 5,635,766	\$ 6,741,062

TOWN OF BANFF

Consolidated Schedule of Segmented Information

Schedule 5

Year ended December 31, 2017

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Safety	Planning & Development	Recreation & Culture	Total
Revenues:								
Taxes	\$ 17,984,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,984,015
Sales to Other Governments	-	370,037	106,242	-	-	-	-	476,279
Sales & User Charges	178	151,278	551,925	10,221,790	342,810	74,217	781,656	12,123,854
Penalties & Costs on Taxes	39,766	-	-	14,408	-	-	1,691	55,865
Licences & Permits	25,485	27,692	129,923	-	-	6,420,170	-	6,603,270
Fines	-	781,223	-	-	-	-	-	781,223
Franchise & Concession Contracts	894,587	-	-	-	-	-	-	894,587
Return on Investments	185,976	-	-	-	-	2,531	-	188,507
Rentals	5,128	-	-	15,350	2,827	634,830	84,204	742,339
Government Transfers	731,347	560,258	1,164,231	230,059	867,097	23,703	2,141,777	5,718,472
Local Government Transfers	7,683	-	-	-	11,000	-	52,921	71,604
Developer's Agreements & Offsite Levies	-	-	86,389	31,500	-	179,854	-	297,743
Net Gain on Disposal of TCA	-	-	13,143	-	-	-	-	13,143
Other Revenue	173,115	8,284	19,336	31,923	97,566	3,100	226,920	560,244
	20,047,280	1,898,772	2,071,189	10,545,030	1,321,300	7,338,405	3,289,169	46,511,145
Expenses:								
Salaries, Wages & Benefits	2,393,884	1,661,598	3,225,920	3,421,249	1,731,973	724,020	2,162,814	15,321,458
Contracted and General Services	1,606,581	291,520	2,772,354	2,515,139	205,810	6,164,276	782,844	14,338,524
Purchases from Other Governments	-	2,078,024	-	-	-	-	55,753	2,133,777
Materials, Goods, Supplies & Utilities	144,127	84,814	776,484	1,156,374	160,258	19,248	475,678	2,816,983
Provisions for Allowances	-	-	-	-	-	-	-	-
Transfers to Local Boards & Agencies	-	-	-	91,250	-	-	-	91,250
Transfers to Individuals & Organizations	66,907	22,500	-	96,500	8,229	-	-	194,136
Bank Charges & Short Term Interest	41,428	-	-	489	-	-	1	41,918
Interest on Operating Long Term Debt	-	-	-	-	-	21,021	-	21,021
Interest on Capital Long Term Debt	-	-	7,625	-	-	224,377	167,286	399,288
Amortization of Tangible Capital Assets	46,755	170,937	1,465,849	2,506,316	55,089	91,785	1,038,878	5,375,609
Net Loss on Disposal of Capital Assets	-	12,043	11,106	81,064	-	-	28,273	132,486
Write down of Tangible Capital Assets	-	-	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-	8,929	8,929
	4,299,682	4,321,436	8,259,338	9,868,381	2,161,359	7,244,727	4,720,456	40,875,379
Excess (deficiency) of revenue over expenses	\$ 15,747,598	\$ (2,422,664)	\$ (6,188,149)	\$ 676,649	\$ (840,059)	\$ 93,678	\$ (1,431,287)	\$ 5,635,766