

Consolidated Financial Statements of the

TOWN OF BANFF

Year Ended December 31, 2018

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 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Council of The Town of Banff

Opinion

We have audited the consolidated financial statements of The Town of Banff (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets (debt) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated remeasurement gains and losses, 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.



Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

The Briefing 2018 Financial Results, other than the financial statements and the auditors' report thereon, included in the public meeting agenda.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Briefing 2018 Financial Results included in the public meeting agenda, other than the financial statements and the auditors' report thereon, included in the public meeting agenda as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 30, 2019

TOWN OF BANFF

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash (note 3)	\$ 1,284,662	\$ 6,825,113
Short-term investments (note 3)	10,207,657	6,267,321
Taxes and grants in place of taxes receivable (note 4)	173,036	134,248
Trade and other receivables (notes 5 and 20)	9,302,923	8,334,711
Second mortgages receivable (note 6)	1,021,000	1,021,000
Long term investments	15,000	15,000
Due from related organizations (note 9)	100	100
	<u>22,004,378</u>	<u>22,597,493</u>
Liabilities		
Bank indebtedness (note 10)	650,000	650,000
Accounts payable and accrued liabilities	3,695,124	4,535,477
Deposits	511,733	367,534
Deferred revenue (note 8)	1,359,713	1,390,593
Endowment Fund	15,000	15,000
Long-term debt (note 11)	16,036,330	11,937,022
Asset retirement obligation	45,900	45,900
	<u>22,313,800</u>	<u>18,941,526</u>
Net financial assets (debt)	(309,422)	3,655,966
Non-Financial Assets		
Tangible capital assets (Schedule 1)	214,885,889	203,221,785
Inventory (note 7)	108,993	114,848
Prepaid expenses	158,750	126,420
	<u>215,153,632</u>	<u>203,463,053</u>
Commitments, guarantees, and contingencies (notes 10, 13, 18, and 19)		
Accumulated surplus (note 15)	<u>\$214,844,210</u>	<u>\$ 207,119,020</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, 2018, with comparative information for 2017

	Budget (note 22)	2018	2017
Revenue (Schedules 4 and 5):			
General government	\$ 21,305,695	\$ 21,387,570	\$ 20,047,280
Protective services	1,983,050	1,804,106	1,898,772
Transportation services	1,239,380	2,771,710	2,071,189
Environmental use and protection	11,222,334	12,227,598	10,545,030
Public health and welfare services	1,109,050	1,385,580	1,321,300
Planning and development	8,324,454	8,387,593	7,338,405
Recreation and culture	3,242,920	4,208,886	3,289,169
	<u>48,426,883</u>	<u>52,173,043</u>	<u>46,511,145</u>
Expenses (Schedules 4 and 5):			
General government	4,283,292	4,239,160	4,299,682
Protective services	4,356,054	4,221,426	4,321,436
Transportation services	8,388,388	8,936,555	8,259,338
Environmental use and protection	9,639,242	10,503,962	9,868,381
Public health and welfare services	1,993,010	2,291,277	2,161,359
Planning and development	8,088,865	8,339,440	7,244,727
Recreation and culture	4,834,121	5,916,033	4,720,456
	<u>41,582,972</u>	<u>44,447,853</u>	<u>40,875,379</u>
Excess of revenue over expenses	6,843,911	7,725,190	5,635,766
Accumulated surplus, beginning of year	207,119,020	207,119,020	201,483,254
Accumulated surplus, end of year	<u>\$ 213,962,931</u>	<u>214,844,210</u>	<u>\$207,119,020</u>

See accompanying notes to consolidated financial statements.

TOWN OF BANFF

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 7,725,190	\$ 5,635,766
Change in non-cash items:		
Amortization of tangible capital assets	5,647,860	5,375,609
Loss (gain) on disposal of tangible capital assets	893,770	119,343
Contributed Assets	(1,278,325)	-
Decrease in taxes and grants in place of taxes receivable	(38,788)	4,264
Increase in trade and other receivables	(968,212)	(2,684,335)
Decrease in inventory	5,855	35,986
Decrease (increase) in prepaid expenses	(32,330)	1,007,291
Increase in accounts payable and accrued liabilities	(840,353)	1,461,034
Increase (decrease) in deposits	144,199	222,119
(Decrease) increase in deferred revenue	(30,880)	(383,831)
	11,227,986	10,793,249
Capital activities:		
Acquisition of tangible capital assets	(16,928,674)	(7,758,370)
Proceeds on disposal of tangible capital assets	1,265	48,391
	(16,927,409)	(7,709,979)
Investing activities:		
Increase (decrease) in short-term investments	(3,940,336)	2,674,980
	(3,940,336)	2,674,980
Financing activities:		
Repayment of bank indebtedness	-	(82)
Long-term debt issued	5,700,000	-
Long-term debt repaid	(1,600,692)	(2,404,477)
	4,099,308	(2,404,559)
Net change in cash	(5,540,451)	3,353,689
Cash, beginning of year	6,825,113	3,471,424
Cash, end of year	\$ 1,284,662	\$ 6,825,113

See accompanying notes to consolidated financial statements.

TOWN OF BANFF

Consolidated Statement of Changes in Net Financial Assets (Debt)

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 22)	2018	2017
Excess of revenue over expenses	\$ 6,839,949	\$ 7,725,190	\$ 5,635,766
Acquisition of tangible capital assets	(23,058,769)	(16,928,675)	\$(7,758,370)
Contributed Assets	-	(1,278,325)	-
Proceeds on disposal of tangible capital assets	-	1,265	48,391
Amortization of tangible capital assets	5,284,267	5,647,860	5,375,609
Loss (gain) on disposal of tangible capital assets	-	893,770	119,343
Decrease in restricted cash or cash equivalents	-	-	-
	(17,774,501)	(11,664,105)	(2,215,027)
Use of inventory	-	5,855	35,987
Use (acquisition) of prepaid expenses	-	(32,329)	1,007,290
	-	(26,474)	1,043,277
Increase (decrease) in net financial assets	(10,934,552)	(3,965,389)	4,464,016
Net assets (debt), beginning of year	3,655,967	3,655,967	(808,049)
Net financial (debt) assets, end of year	\$ (7,278,585)	\$ (309,422)	\$3,655,967

See accompanying notes to consolidated financial statements.

TOWN OF BANFF

Notes to the Consolidated Financial Statements

Year ended December 31, 2018, with comparative information for 2017

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 Government 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.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2018, with comparative information for 2017

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. Significant estimates include the collectability of accounts receivable, the determination of useful lives and the valuation of tangible capital assets, the sufficiency of the liability for contaminated sites and asset retirement obligations. 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.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2018, with comparative information for 2017

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, 2018, with comparative information for 2017

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, 2018, with comparative information for 2017

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, 2018, with comparative information for 2017

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. This section must be adopted at the same time as foreign currency translation.

(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. This section must be adopted at the same time as financial instruments.

(c) Asset retirement obligations:

In August 2018, the Public Sector Accounting Board issued this accounting standard that addressing the reporting of legal obligations associated with the retirement of tangible capital assets. This new standard takes effect for annual reporting periods beginning on or after April 1, 2021 with early adoption permitted.

(d) Revenue:

This Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations, referred to as "exchange transactions", and transactions that do not have performance obligations, referred to as "non-exchange transactions". This new standard takes effect for annual reporting periods beginning on or after April 1, 2022.

Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2018, with comparative information for 2017

3. Cash and short-term investments:

	2018	2017
Cash	\$ 1,284,662	\$ 6,825,113
Short-term investments	10,207,657	6,282,321
	\$ 11,492,319	\$ 13,107,434

Short-term investments consist of Guaranteed Investment Certificates. There were total investments with fair values of \$8,770,619 (including accrued interest) as of December 31, 2018 (2017 - \$4,830,283) with effective interest rates in 2018 and 2017 ranging from the bank's prime rate less 2.10% (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 (2017 - \$1,452,038). 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% (2017 – bank's prime rate less 1.80%).

4. Taxes and grants in place of taxes receivable:

	2018	2017
Current taxes and grants in place of taxes	\$ 140,961	\$ 102,361
Arrears taxes and interest and penalties	59,974	59,785
Allowance for doubtful accounts	(27,899)	(27,898)
	\$ 173,036	\$ 134,248

5. Trade and other receivables:

	2018	2017
Receivables from other governments	\$ 6,589,298	\$ 5,234,104
Utility and other trade accounts receivable	2,727,563	3,089,309
Requisition (over) under levy	(10,938)	11,298
	\$ 9,302,923	\$ 8,334,711

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2018, with comparative information for 2017

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 (2017 - \$nil) were collected.

7. Inventory:

	2018	2017
Inventory for consumption	\$ 108,993	\$ 114,848
	\$ 108,993	\$ 114,848

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.

8. Deferred revenue:

	2018	2017
Second mortgages (note 6)	\$ 1,021,000	\$ 1,021,000
Deferred grant revenue	74,998	176,757
Deferred recreation revenue	171,911	113,094
Miscellaneous	91,804	79,742
	\$ 1,359,713	\$ 1,390,593

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2018, with comparative information for 2017

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 (2017 -\$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 2018 (2017 – \$6,200,000), with interest payable at the BMO's prime rate minus 0.50% (2017 – BMO's prime rate minus 0.50%). Security for the loan is on the property taxes of the Town. As at December 31, 2018 \$nil (2017 – \$nil) was drawn upon this credit facility. At December 31, 2018, the effective rate of interest on the credit facility was 3.45% (2017 – 2.70%). The Town also has an authorized overdraft limit of \$400,000 (2017 - \$2,000,000) with its bank, of which \$nil was drawn upon at December 31, 2018 and 2017.

The Bank of Montreal has authorized a general line of credit to the Banff Housing Corporation in the amount of \$1,000,000 (2017 – \$1,000,000), which includes an overdraft lending account up to \$345,000 (2017 – \$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% (2017 – bank's prime rate minus 0.50%). As at December 31, 2018 there was \$650,000 (2017 – \$650,000 drawn against the line of credit and \$nil (2017 – \$nil) in overdraft.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2018, with comparative information for 2017

11. Long term debt:

	2018	2017
Tax/grant supported debentures	\$ 3,902,966	\$ 5,335,387
Self-supported debentures	12,133,364	6,601,635
	<u>\$ 16,036,330</u>	<u>\$ 11,937,022</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 1,763,552	\$ 478,041	\$ 2,241,593
2020	495,654	431,203	926,857
2021	474,381	418,077	892,458
2022	483,395	405,094	888,489
2023	492,707	391,782	884,489
Thereafter	12,326,641	4,942,001	17,268,642
	<u>\$ 16,036,330</u>	<u>\$ 7,066,198</u>	<u>\$ 23,102,528</u>

Debenture debt consists of \$13,376,330 (2017 - \$9,047,022) repayable to the Alberta Capital Finance Authority and bears interest at fixed rates ranging from 2.719% to 7.50% per annum (2017 – 1.40% to 7.50% per annum) and matures in periods 2019 through 2048. The average annual interest rate is 4.03% (2017 – 4.23%). The balance includes \$2,660,000 (2017 – \$2,890,000) repayable to the Federation of Canadian Municipalities which bears interest between 2.0% and 2.21% per annum (2017 – 2.0% to 2.21% per annum). The average annual interest rate is 2.11% (2017 – 2.11%) on this debt. Debenture debt is issued on the credit and security of the Town at large.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 11

Year ended December 31, 2018, with comparative information for 2017

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:

	2018	2017
Total debt limit	\$ 70,183,295	\$ 64,102,017
Total debt	(16,036,330)	(11,937,022)
Loan guarantees (note 13)	-	(4,665,921)
Amount of total debt limit exceeds total debt and guarantees	\$ 54,146,965	\$ 47,499,074
Debt servicing limit	\$ 11,697,216	\$ 10,683,670
Debt servicing	(2,241,593)	(1,949,615)
Amounts of debt servicing limit exceeds debt servicing	\$ 9,455,623	\$ 8,734,055

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 Mountain Cooperative Housing Association and Rocky Mountains II Cooperative Housing Association with the Alberta Treasury Branch to a maximum of \$5,990,000. This guarantee expired on November 30, 2018 and was not renewed at the request of the Rocky Mountain Cooperative Housing Association.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2018, with comparative information for 2017

14. Equity in tangible capital assets:

	2018	2017
Tangible capital assets (Schedule 1)	\$ 328,827,969	\$ 312,525,021
Accumulated amortization (Schedule 1)	(113,942,080)	(109,303,236)
Long-term debt (note 11)	(16,036,330)	(11,937,022)
Ti'nu Asset Funding	(11,707,294)	-
Asset retirement obligation	(45,900)	(45,900)
	<u>\$ 187,096,365</u>	<u>\$191,238,863</u>

15. Accumulated surplus:

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

	2018	2017
Equity in tangible capital assets (note 14)	\$ 187,096,365	\$ 191,238,863
Reserves (deficits):		
Special Purpose:		
Banff Housing Corporation	(52,616)	(350,506)
Banff Public Library	335,145	279,841
General	663,339	410,320
Budget stabilization	886,881	741,814
Computer	203,715	166,068
Fire	21,160	20,956
Community development	6,163	6,104
Recreation	119,906	94,154
Snow clearing	8,893	56,104
Transit	198,877	196,958
Environment	662,917	514,721
Solid Waste	981,787	667,551
Capital reserves	23,711,678	13,076,072
Accumulated Surplus	<u>\$ 214,844,210</u>	<u>\$ 207,119,020</u>

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 13

Year ended December 31, 2018, with comparative information for 2017

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:

	2018		2017	
	Salary (1)	Benefits and Allowances (2)	Total	Total
Councillors:				
Karen Sorensen	\$ 81,357	\$ 9,013	\$ 90,370	\$ 85,449
Chip Olver	27,147	5,501	32,648	32,492
Brian Standish	27,867	5,501	33,368	31,013
Grant Canning	28,587	3,401	31,988	31,230
Theodore Christensen	31,774	1,084	32,858	31,797
Corrie DiManno	28,047	3,401	31,448	30,780
Stavros Karlos	-	-	-	24,994
Peter Poole	27,147	337	27,484	5,189
Municipal Manager	243,602	35,051	278,653	279,008
Designated Officer (1)	156,578	25,737	182,315	179,058

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 259,714 people and 420 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 14

Year ended December 31, 2018, with comparative information for 2017

17. Local authorities pension plan (continued):

The Town is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings (\$55,900) under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$954,973 (2017 – \$958,035). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2018 were \$866,066(2017 – \$882,679).

At December 31, 2017, which is the most recent actuarial assessment, the LAPP disclosed an actuarial surplus of \$4.8 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:

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 15

Year ended December 31, 2018, with comparative information for 2017

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, 2018, there was \$650,000 (2017 - \$650,000) 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 trade and other account receivables at December 31, 2018 is \$688,906 (2017 – \$204,445) 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 16

Year ended December 31, 2018, with comparative information for 2017

21. Financial instruments:

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

The Town is subject to credit risk with respect to cash on hand, 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 January 15, 2018.

23. Comparative information:

Certain 2017 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 29, 2019.

TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 17

Year ended December 31, 2018, with comparative information for 2017

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 is comprised 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, 2018, with comparative information for 2017

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	Construction in progress	2018	2017
Cost:									
Balance, beginning 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
Acquisition of tangible capital assets	10,270,029	2,393,698	2,860	839,381	1,677,433	257,068	1,488,208	16,928,675	7,758,370
Reclass from Construction in progress	951,741	365,876	594,308	1,459,163	119,723	–	(3,490,811)	–	–
Disposal of tangible capital assets	748,110	455,452	–	(555,807)	(1,116,848)	(156,635)	–	(625,727)	(709,846)
Write down of tangible capital assets	–	–	–	–	–	–	–	–	–
Balance, end of year	63,723,514	118,193,781	42,378,825	19,778,975	72,770,369	9,135,837	2,846,668	328,827,969	312,525,021
Accumulated amortization:									
Balance, beginning of year	13,437,296	54,864,696	–	10,290,434	26,637,356	4,073,454	–	109,303,236	104,469,739
Annual amortization	1,298,708	1,719,396	–	236,451	1,950,742	442,563	–	5,647,860	5,375,609
Accumulated amortization on disposals	(220,851)	(168,552)	–	(54,813)	(423,988)	(140,812)	–	(1,009,016)	(542,112)
Balance, end of year	14,515,153	56,415,540	–	10,472,072	28,164,110	4,375,205	–	113,942,080	109,303,236
Net book value of tangible capital assets	49,208,361	61,778,241	42,378,825	9,306,903	44,606,259	4,760,632	2,846,668	214,885,889	203,221,785
2017 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	

TOWN OF BANFF

Consolidated Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 22)	2018	2017
Taxation:			
Real property taxes	\$ 26,397,292	\$ 26,443,190	\$ 24,493,503
Linear property taxes	130,000	131,352	129,278
Government grants in place of property taxes	950,000	977,403	920,554
	<u>27,477,292</u>	<u>27,551,945</u>	<u>25,543,335</u>
Requisitions:			
Alberta School Foundation Fund	7,760,148	7,794,022	7,173,359
Bow Valley Regional Housing	356,116	356,435	385,961
	<u>8,116,264</u>	<u>8,150,457</u>	<u>7,559,320</u>
Net Municipal Property Taxes	\$ 19,361,028	\$ 19,401,488	\$ 17,984,015

TOWN OF BANFF

Consolidated Schedule of Government Transfers

Schedule 3

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 22)	2018	2017
Transfers for operating:			
Provincial Government	\$ 1,066,661	\$ 1,409,846	\$ 1,511,839
Federal Government	381,161	629,091	430,166
Other Local Governments	65,264	63,264	71,604
	1,513,086	2,102,201	2,013,609
Transfers for capital:			
Provincial Government	3,132,244	4,881,699	3,537,067
Federal Government	565,000	502,482	239,400
	3,697,244	5,384,181	3,776,467
Government transfers	\$ 5,210,330	\$ 7,486,382	\$ 5,790,076

TOWN OF BANFF

Consolidated Schedule of Revenue and Expenses by Object

Schedule 4

Year ended December 31, 2018, with comparative information for 2017

	Budget (note 22)	2018	2017
Revenue:			
Net municipal property taxes (Schedule 2)	\$ 19,361,028	\$ 19,401,488	\$ 17,984,015
Sales to other governments	537,000	486,918	476,279
Sales and user charges	12,477,435	12,754,058	12,123,854
Penalties and cost on taxes	85,900	84,419	55,865
Licenses and permits	6,953,660	7,000,892	6,603,270
Fines	960,750	618,713	781,223
Franchise and concession contracts	935,000	823,754	894,587
Return on investments	177,392	259,706	188,507
Rentals	1,406,656	1,419,386	742,339
Government transfers (Schedule 3)	5,145,066	7,423,118	5,718,472
Local government transfers	65,264	63,264	71,604
Developer agreements and levies	89,800	205,364	297,743
Net gain on disposal of tangible capital assets	-	8,587	13,143
Contributed and donated assets		1,278,325	
Other revenue	231,932	345,051	560,244
	<u>48,426,883</u>	<u>52,173,043</u>	<u>46,511,145</u>
Expenses:			
Salaries, wages and benefits	16,470,252	16,225,664	15,321,458
Contracted and general services	14,012,545	16,063,720	14,338,524
Purchases from other governments	2,219,879	2,025,773	2,133,777
Material, goods and utilities	2,914,401	2,898,809	2,816,983
Provision for allowances	1,000	2,343	-
Transfers to local boards and agencies	91,250	39,374	91,250
Transfers to individuals and organizations	175,966	172,457	194,136
Bank charges and short-term interest	37,384	49,385	41,918
Interest on operating long-term debt	24,218	24,218	21,021
Interest on capital long-term debt	351,778	395,863	399,288
Amortization of tangible capital assets (Schedule 1)	5,284,267	5,647,860	5,375,609
Net loss on disposal of tangible capital assets	-	902,357	132,486
Write down of tangible capital assets	-	-	-
Other expenditures	30	30	8,929
	<u>41,582,972</u>	<u>44,447,853</u>	<u>40,875,379</u>
Excess of revenue over expenses	\$ 6,843,911	\$ 7,725,190	\$5,635,766

TOWN OF BANFF

Consolidated Schedule of Segmented Information

Schedule 5

Year ended December 31, 2018

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Safety	Planning & Development	Recreation & Culture	Total
Revenues:								
Taxes	\$ 19,401,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,401,488
Sales to Other Governments	-	373,238	113,680	-	-	-	-	486,918
Sales & User Charges	175	88,584	660,948	10,779,687	288,049	118,294	818,321	12,754,058
Penalties & Costs on Taxes	53,832	-	-	13,239	-	-	17,348	84,419
Licences & Permits	27,061	30,493	137,972	-	-	6,805,366	-	7,000,892
Fines	-	618,713	-	-	-	-	-	618,713
Franchise & Concession Contracts	823,754	-	-	-	-	-	-	823,754
Return on Investments	252,314	-	-	-	-	7,392	-	259,706
Rentals	9,348	-	-	22,549	-	1,316,289	71,200	1,419,386
Contributed and Donated Assets	-	-	656,034	622,291	-	-	-	1,278,325
Government Transfers	708,435	686,267	1,115,761	744,714	1,040,149	22,912	3,104,880	7,423,118
Local Government Transfers	-	-	-	-	11,000	-	52,264	63,264
Developer's Agreements & Offsite Levies	-	-	63,733	6,550	-	135,081	-	205,364
Net Gain on Disposal of TCA	-	-	6,787	-	-	-	1,800	8,587
Other Revenue	111,163	6,811	16,795	38,568	46,382	2,240	123,092	345,051
	21,387,570	1,804,106	2,771,711	12,227,598	1,385,580	8,407,574	4,188,905	52,173,043
Expenses:								
Salaries, Wages & Benefits	2,520,006	1,651,911	3,336,654	3,659,210	1,776,250	917,684	2,363,949	16,225,664
Contracted and General Services	1,420,397	292,611	3,184,653	2,158,691	280,658	6,910,748	1,815,962	16,063,719
Purchases from Other Governments	-	1,971,990	-	-	-	-	53,783	2,025,773
Materials, Goods, Supplies & Utilities	143,781	88,618	834,933	1,211,359	167,978	28,977	423,163	2,898,809
Provisions for Allowances	2,343	-	-	-	-	-	-	2,343
Transfers to Local Boards & Agencies	-	-	-	39,374	-	-	-	39,374
Transfers to Individuals & Organizations	57,800	25,200	-	79,858	9,599	-	-	172,457
Bank Charges & Short Term Interest	48,821	-	-	564	-	-	-	49,385
Interest on Operating Long Term Debt	-	-	-	-	-	24,218	-	24,218
Interest on Capital Long Term Debt	-	-	1,517	-	-	270,319	-	395,863
Amortization of Tangible Capital Assets	46,012	171,889	1,516,687	2,585,716	56,792	197,871	1,072,893	5,647,860
Net Loss on Disposal of Tangible Capital Assets	-	19,207	62,111	769,190	-	9,603	42,246	902,357
Write down of Tangible Capital Assets	-	-	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-	30	30
	4,239,161	4,221,426	8,936,555	10,503,961	2,291,277	8,359,421	5,896,051	44,447,853
Excess (deficiency) of revenue over expenses	\$ 17,148,410	\$ (2,417,320)	\$ (6,164,845)	\$ 1,723,636	\$ (905,697)	\$ 48,153	\$ (1,707,147)	\$ 7,725,190