

Consolidated Financial Statements of the

# **TOWN OF BANFF**

Year ended December 31, 2014

## **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 the Canadian Institute of Chartered Accountants, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position, the results of its financial activities and changes in financial position of the Town within reasonable limits of materiality.

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

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

These consolidated financial statements have been audited, in accordance with Canadian public section 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.

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

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

April 27, 2015

# 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, 2014, the consolidated statements of operations and accumulated surplus, cash flows, and changes in net debt for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Banff as at December 31, 2014, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 27, 2015

Calgary, Canada

# TOWN OF BANFF

## Consolidated Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	2014	2013
<b>Financial Assets</b>		
Cash (note 3)	\$ 2,188,710	\$ 990,994
Short-term investments (note 3)	4,793,994	-
Taxes and grants in place of taxes receivable (note 4)	202,899	235,357
Trade and other receivables (note 5)	4,549,762	4,255,849
Second mortgages receivable (note 6)	1,021,000	1,083,000
Due from related organizations (note 9)	100	100
	<u>12,756,465</u>	<u>6,565,300</u>
<b>Liabilities</b>		
Bank indebtedness (note 10)	719,605	725,715
Accounts payable and accrued liabilities	3,337,182	2,421,296
Deposits	562,286	229,640
Deferred revenue (note 8)	1,824,103	1,415,965
Long-term debt (note 11)	13,769,730	10,853,867
Asset retirement obligation	45,440	44,440
	<u>20,258,346</u>	<u>15,690,923</u>
Net debt	(7,501,881)	(9,125,623)
<b>Non-Financial Assets</b>		
Tangible capital assets (Schedule 1)	196,153,547	192,045,365
Inventory (note 7)	147,426	159,410
Prepaid expenses	94,966	83,436
	<u>196,395,939</u>	<u>192,288,211</u>
Commitments and contingencies (notes 13, 18, and 19)		
Accumulated surplus (note 15)	<u>\$ 188,894,058</u>	<u>\$ 183,162,588</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, 2014, with comparative figures for 2013

	Budget (note 22)	2014	2013
Revenue (Schedule 4):			
General government	\$ 16,829,531	\$ 16,953,413	\$ 16,075,409
Protective services	1,416,653	1,801,302	1,570,948
Transportation services	912,500	1,433,134	936,557
Environmental use and protection	8,315,750	10,051,507	8,336,900
Public health and welfare services	1,069,103	1,095,220	868,706
Planning and development	5,477,344	5,436,086	4,965,086
Recreation and culture	2,864,257	3,047,631	2,770,968
	<u>36,885,138</u>	<u>39,818,293</u>	<u>35,524,574</u>
Expenses (Schedule 4):			
General government	3,427,711	3,657,873	3,562,515
Protective services	3,473,419	3,647,160	3,716,902
Transportation services	6,028,959	7,074,300	6,410,765
Environmental use and protection	8,118,486	8,911,542	8,030,642
Public health and welfare services	1,696,642	1,667,188	1,385,488
Planning and development	5,394,177	5,101,168	5,255,821
Recreation and culture	4,020,521	4,027,592	3,787,263
	<u>32,159,915</u>	<u>34,086,823</u>	<u>32,149,396</u>
Excess of revenue over expenses	4,725,223	5,731,470	3,375,178
Accumulated surplus, beginning of year	183,162,588	183,162,588	179,787,410
Accumulated surplus, end of year	<u>\$ 187,887,811</u>	<u>\$ 188,894,058</u>	<u>\$ 183,162,588</u>

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 5,731,470	\$ 3,375,178
Change in non-cash items:		
Amortization of tangible capital assets	4,658,067	4,430,584
Accretion of asset retirement obligation	1,000	-
Loss on disposal of tangible capital assets	196,018	135,483
Write down of tangible capital assets	13,720	32,843
Decrease (increase) in taxes and grants in place of taxes receivable	32,458	(14,644)
Increase in trade and other receivables	(293,913)	(371,159)
Decrease in second mortgages receivable	62,000	-
Decrease in inventory	11,984	19,089
(Increase) decrease in prepaid expenses	(11,530)	334,571
Increase (decrease) in accounts payable and accrued liabilities	915,886	(1,379,458)
Increase in deposits	332,646	1,035
Increase in deferred revenue	408,138	63,039
	<u>12,057,944</u>	<u>6,626,561</u>
Capital activities:		
Acquisition of tangible capital assets	(8,997,919)	(9,423,598)
Proceeds on disposal of tangible capital assets	21,932	86,871
	<u>(8,975,987)</u>	<u>(9,336,727)</u>
Investing activities:		
(Increase) decrease in investments	(4,793,994)	3,000,000
	<u>(4,793,994)</u>	<u>3,000,000</u>
Financing activities:		
Debt charges recovered	-	79,790
Draw on bank indebtedness	(6,110)	725,715
Long-term debt issued	5,058,717	-
Long-term debt repaid	(2,142,854)	(1,350,112)
	<u>2,909,753</u>	<u>(544,607)</u>
Net change in cash	1,197,716	(254,772)
Cash, beginning of year	990,994	1,245,766
Cash, end of year	<u>\$ 2,188,710</u>	<u>\$ 990,994</u>

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

## Consolidated Statement of Changes in Net Debt

Year ended December 31, 2014, with comparative figures for 2013

	Budget (note 22)	2014	2013
Excess of revenue over expenses	\$ 4,725,223	\$ 5,731,470	\$ 3,375,178
Acquisition of tangible capital assets	(15,361,433)	(8,997,919)	(9,423,599)
Write down of tangible capital assets	–	13,720	32,843
Proceeds on disposal of tangible capital assets	–	21,932	86,871
Amortization of tangible capital assets	4,393,579	4,658,067	4,430,584
Loss on disposal of tangible capital assets	–	196,018	135,483
Asset retirement cost	–	–	(44,440)
	(10,967,854)	(4,108,182)	(4,782,258)
Use of inventory	–	11,984	19,089
Use (acquisition) of prepaid expenses	–	(11,530)	334,572
	–	454	353,661
(Increase) decrease in net debt	(6,242,631)	1,623,742	(1,053,419)
Net debt, beginning of year	(9,125,623)	(9,125,623)	(8,072,204)
Net debt, end of year	\$ (15,368,254)	\$ (7,501,881)	\$ (9,125,623)

See accompanying notes to consolidated financial statements.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements

Year ended December 31, 2014, with comparative figures for 2013

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## **Incorporation:**

The Town of Banff (the "Town") was incorporated pursuant to the Parks Towns Act of Alberta as set out in the Town of Banff Incorporation Agreement ("the Federal-Provincial Agreement") dated December 12, 1989 between the Governments of Canada and the Province of Alberta. Except as modified by the Federal-Provincial Agreement, the Town has all the rights, obligations, duties, powers, and functions and is subject to the same limitations and constraints as provided for towns incorporated pursuant to the Municipal Government Act of Alberta. The boundaries of the Town are set pursuant to the National Parks Act and may only be altered by amendment to that Act.

## **1. Significant accounting policies:**

The consolidated financial statements of the Town of Banff are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of 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, 2014, with comparative figures for 2013

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## 1. Significant accounting policies (continued):

### (b) Basis of accounting:

The consolidated financial statements are prepared using the accrual basis of accounting. Revenue is recorded when it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or a legal obligation to pay is established.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### (c) Cash:

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 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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2014, with comparative figures for 2013

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## 1. Significant accounting policies (continued):

### (g) Debt charges recoverable:

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt.

### (h) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

### (i) Government transfers:

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

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

### (j) Non-financial assets:

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

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2014, with comparative figures for 2013

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## 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.

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

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

#### (iii) Leases:

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

#### (iv) Inventory:

Inventories of materials and supplies are valued at the lower of cost or net realizable value with cost determined by the average cost method. Inventories of construction-in-progress, unallocated infrastructure costs, property held for resale, and land held for use in the Banff Housing Corporation's housing projects and are recorded at the lower of cost and net realizable value.

### (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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2014, with comparative figures for 2013

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## 1. Significant accounting policies (continued):

### (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.

## 2. Future accounting pronouncements:

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

### (a) Liability for contaminated sites:

This accounting pronouncement establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. It is effective for fiscal years beginning on or after April 1, 2014, with early adoption encouraged.

### (b) Financial instruments:

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2015 for governments, with early adoption encouraged.

### (c) Foreign currency translation:

This accounting pronouncement establishes standards on how to account for and report transactions that are denominated in a foreign currency in government financial statements. It is effective for fiscal years beginning on or after April 1, 2015 for governments, 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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 2014, with comparative figures for 2013

## 3. Cash and short-term investments:

	2014	2013
Cash	\$ 2,188,710	\$ 990,994
Short-term investments	4,793,994	-
	<u>\$ 6,982,704</u>	<u>\$ 990,994</u>

Short-term investments consist of Guaranteed Investment Certificates. There were total investments with fair values of \$4,793,994 (including accrued interest) as of December 31, 2014 with effective interest rates 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 \$500,000 Guaranteed Investment Certificate with a variable rate of interest (2013 - nil). Short-term investments have maturity dates ranging from three months to seven years. Cash on deposit with financial institutions earns interest at the bank's prime rate less 1.80% to 2.00% (2013 – bank's prime rate less 1.80% to 2.00%).

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

	2014	2013
Current taxes and grants in place of taxes	\$ 175,821	\$ 206,631
Arrears taxes and interest and penalties	54,977	57,817
Allowance for doubtful accounts	(27,899)	(29,091)
	<u>\$ 182,899</u>	<u>\$ 235,357</u>

## 5. Trade and other receivables:

	2014	2013
Receivables from other governments	\$ 1,558,269	\$ 1,531,234
Utility and other trade accounts receivable	2,982,717	2,651,610
Requisition under levy	8,776	73,005
	<u>\$ 4,549,762</u>	<u>\$ 4,255,849</u>

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2014, with comparative figures for 2013

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## 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 \$62,000 (2013 - nil) were collected.

## 7. Inventory:

	2014	2013
Inventory for consumption	\$ 147,426	\$ 159,410
	\$ 147,426	\$ 159,410

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:

	2014	2013
Second mortgages (note 6)	\$ 1,021,000	\$ 1,083,000
Deferred grant revenue	475,601	213,362
Deferred Tourism & Recreation Revenue	228,974	83,128
Miscellaneous	98,528	36,475
	\$ 1,824,103	\$ 1,415,965

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2014, with comparative figures for 2013

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## **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.

## **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 \$10,500,000 for 2014 (2013 - \$10,000,000), with interest payable at the BMO's prime rate minus 0.75%. Security for the loan is on the property taxes of the Town. As at December 31, 2014 \$nil (2013 - \$nil) was drawn upon this credit facility. At December 31, 2014, the effective rate of interest on the credit facility was 2.25% (2013 - 2.25%).

The Bank of Montreal has authorized a general line of credit to the Banff Housing Corporation in the amount of \$1,000,000 (2013 - \$1,000,000), which includes an overdraft lending account up to \$350,000 (2013 - \$350,000). The line of credit is guaranteed by the Town of Banff and bears interest at the bank's prime rate minus 0.75%. As at December 31, 2014 there was \$650,000 (2013 - \$650,000) drawn against the line of credit and \$69,605 (2013 - \$75,715) in overdraft.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2014, with comparative figures for 2013

## 11. Long term debt:

	2014	2013
Tax/grant supported debentures	\$ 13,624,546	\$ 10,685,432
Self-supported debentures	145,184	168,435
	<u>\$ 13,769,730</u>	<u>\$ 10,853,867</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2015	\$ 3,018,068	\$ 320,372	\$ 3,338,440
2016	3,080,162	253,666	3,333,828
2017	2,271,680	185,230	2,456,910
2018	1,463,473	133,286	1,596,759
2019	1,506,347	85,749	1,592,096
Thereafter	2,430,000	300,249	2,730,249
	<u>\$ 13,769,730</u>	<u>\$ 1,278,552</u>	<u>\$ 15,048,282</u>

Debenture debt consists of \$10,148,705 repayable to the Alberta Capital Finance Authority and bears interest at fixed rates ranging from 1.40% to 7.50% per annum and matures in periods 2017 through 2019. The average annual interest rate is 4.08% for 2014 (4.70% for 2013). The balance includes \$3,580,000 repayable to the Federation of Canadian Municipalities which bears interest between 2.0% and 2.21%. The average annual interest rate is 2.11% for 2014 (2.11% for 2013) 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 public sector accounting standards is classified as a capital lease. The capital lease obligation as of December 31, 2014 was \$41,024 and the determined discount rate is 1.34%. The agreement commenced February 1, 2014 and consists of monthly payments of \$1,663 for a duration of 36 months.

The current portion of the total long-term debt amounts to \$3,018,068 (2013 – \$1,306,293).

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2014, with comparative figures for 2013

## 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:

	2014	2013
Total debt limit	\$ 52,595,345	\$ 48,919,469
Total debt	(13,769,730)	(10,853,867)
Loan guarantees (note 13)	(6,509,118)	(7,036,241)
<b>Amount of total debt limit exceeds total debt and guarantees</b>	<b>\$ 32,316,497</b>	<b>\$ 31,029,361</b>
Debt servicing limit	\$ 8,765,891	\$ 8,153,245
Debt servicing	(3,338,440)	(1,615,410)
<b>Amounts of debt servicing limit exceeds debt servicing</b>	<b>\$ 5,427,451</b>	<b>\$ 6,537,835</b>

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

## 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 250-2 on July 19, 2013 guaranteeing the loans for Rocky Mountains Cooperative Housing Association and Rocky Mountains II Cooperative Housing Association with the Alberta Treasury Branch to a maximum of \$7,700,000. These guarantees expire on July 31, 2015. At December 31, 2014 the amounts outstanding on the loans that the Town of Banff has guaranteed were \$6,509,118. These loans have an interest rate of 3.60% (2013 – 3.60%) and are repayable in blended monthly payments of \$66,300.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 11

Year ended December 31, 2014, with comparative figures for 2013

## 14. Equity in tangible capital assets:

	2014	2013
Tangible capital assets (Schedule 1)	\$ 295,952,243	\$ 288,139,219
Accumulated amortization (Schedule 1)	(99,798,696)	(96,093,854)
Long-term debt (note 11)	(13,769,730)	(10,853,867)
Asset retirement obligation	(45,440)	(44,440)
	<u>\$ 182,338,377</u>	<u>\$ 181,147,058</u>

## 15. Accumulated surplus:

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

	2014	2013
Equity in tangible capital assets	\$182,338,377	\$ 181,147,058
Reserves (deficits):		
Special Purpose:		
Banff Housing Corporation	(479,591)	(556,079)
Banff Public Library	181,938	137,786
General	254,038	222,575
Budget stabilization	429,491	280,967
Computer	82,072	158,118
Fire	20,600	20,600
Community development	6,000	6,000
Recreation	90,544	90,544
Snow clearing	-	54,426
Transit	49,000	49,000
Environment	495,362	317,205
Solid Waste	511,498	301,539
Capital reserves	4,914,729	932,849
Accumulated Surplus	<u>\$ 188,894,058</u>	<u>\$ 183,162,588</u>

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2014, with comparative figures for 2013

## 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:

	2014			2013
	Salary	Benefits and Allowances	Total	Total
Councilors:				
Karen Sorensen	\$ 77,000	\$ 3,455	\$ 80,455	\$ 48,243
Chip Olver	26,580	3,426	30,006	24,500
Leslie Taylor	-	-	-	18,598
Stavros Karlos	25,500	3,426	28,926	24,035
Paul Baxter	-	-	-	18,598
Brian Standish	25,500	3,426	28,926	23,105
Grant Canning	25,500	2,406	27,906	22,857
Theodore Christensen	27,200	3,426	30,626	4,322
Corrie DiManno	26,220	1,686	27,906	4,594
Municipal Manager	225,943	33,123	259,066	253,697

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 230,534 people and 418 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, 2014, with comparative figures for 2013

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## 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 (\$52,500) 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 2014 were \$828,464 (2013 – \$700,207). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2014 were \$762,104 (2013 – \$744,070).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.86 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:

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2015	\$ 550,000
2016	550,000
2017	550,000
2018	550,000
2019	550,000

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# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 14

Year ended December 31, 2014, with comparative figures for 2013

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## 18. Commitments (continued):

2. Town of Banff has an agreement with Bow Valley Property Valuers (BVPV) to provide assessment valuation services. Assessment valuation services are required by municipalities in order to carry out the assessment of property within each municipality, primarily for taxation purposes. Under the terms of the agreement the Town of Banff is committed to minimum monthly payments of \$6,333 until June 30, 2015.
3. Town of Banff has an agreement with TransAlta Energy Marketing Corp. to supply electricity. Under the terms of the agreement the Town of Banff is committed to the following electricity rates until December 31, 2017:

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

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Natural Gas	\$ 3.69	per GJ
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5. Town of Banff has an agreement with the Bow Valley Waste Commission to provide solid waste hauling. Under the terms of the agreement the Town of Banff is committed to the following hauling and disposal rates per ton of solid waste until December 31, 2015:

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2015	\$ 114.34	per ton
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# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 15

Year ended December 31, 2014, with comparative figures for 2013

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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 \$10,000,000. At December 31, 2014, there was \$719,605 (2013 - \$725,715) drawn on this line of credit.

## 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, 2016. The Day Care Society of Banff is economically dependent upon this support from the Town.

Included in accounts receivable at December 31, 2014 is \$12 (2013 – \$87,022) due from the Day Care Society of Banff for solid waste disposal. The 2013 outstanding amount was for payroll expenses.

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, 2014 is \$223,524 (2013 – \$172,536) 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.

## 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.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 16

Year ended December 31, 2014, with comparative figures for 2013

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## **22. Budget data:**

The budget data presented throughout these consolidated financial statements are based upon the Three Year Budget approved by Council on January 27, 2014.

## **23. Comparative information:**

Certain 2013 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

## **24. Approval of financial statements:**

The Council and Management have approved these consolidated financial statements on April 27, 2015.

# TOWN OF BANFF

Notes to the Consolidated Financial Statements, page 17

Year ended December 31, 2014, with comparative figures for 2013

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## **26. Segment disclosures:**

Segment disclosures (Schedule 5) are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the Town. For each reported segment, revenues and expenses represent both amounts directly attributable to the segment and amounts that are allocated on a reasonable basis.

The segments have been selected based on the Financial Information Return segmentation reported annually to Alberta Municipal Affairs. Segments include:

- General Government is comprised of Council & Other Legislative, General Municipal, Town Manager, Human Resources, Communications & Marketing, Corporate Services and Computer Services
- Protective Services is comprised of Bylaw Services, Fire Services and Police Services
- Transportation is comprised of Engineering Services, Operations Administration, Fleet Services, Safety, Facilities, Public Transit, Streets and Storm Sewers.
- Environmental Use & Protection is comprised of Resource Recovery, Sanitary Sewer, Water and Environment.
- Public Health & Safety is comprised of Cemeteries, FCSS Administration, Seniors Programming, Community Development, Family School Liaison Worker, Young Adult Programming and Youth Programs.
- Planning & Development consists of Special Events, Tourism, Development, Building Inspection, Town Owned Lands, Staff Housing, Heritage and Banff Housing Corporation.
- Recreation & Culture is comprised of Library, Grounds, Recreation Programs, Recreation Administration, Recreation Centre, Recreation Grounds and Recreation Facilities.

# TOWN OF BANFF

## Consolidated Schedule of Tangible Capital Assets

## Schedule 1

Year ended December 31, 2014, with comparative figures for 2013

	Buildings	Engineered Structures	Land	Land Improvements	Machinery and Equipment	Vehicles	Construction in progress	2014	2013
<b>Cost:</b>									
Balance, beginning of year	\$ 49,201,632	\$ 107,489,774	\$ 41,468,402	\$ 15,414,098	\$ 65,372,008	\$ 8,252,834	\$ 940,471	\$ 288,139,219	\$ 280,608,083
Acquisition of tangible capital assets	103,299	4,634,946	–	649,361	2,528,837	–	1,081,476	8,997,919	9,423,598
Reclass from Construction in progress	–	(3,578,206)	–	12,686	(567,437)	–	4,132,957	–	–
Disposal of tangible capital assets	(5,060)	(483,889)	–	–	(682,226)	–	–	(1,171,175)	(1,859,619)
Write down of tangible capital assets	–	–	–	–	–	–	(13,720)	(13,720)	(32,843)
Balance, end of year	49,299,871	108,062,625	41,468,402	16,076,145	66,651,182	8,252,834	6,141,184	295,952,243	288,139,219
<b>Accumulated amortization:</b>									
Balance, beginning of year	9,163,022	52,475,146	–	9,686,184	21,497,973	3,271,529	–	96,093,854	93,300,535
Annual amortization	1,110,649	1,409,311	–	179,880	1,603,763	354,464	–	4,658,067	4,430,584
Accumulated amortization on disposals	(2,499)	(441,867)	–	–	(508,859)	–	–	(953,225)	(1,637,265)
Balance, end of year	10,271,172	53,442,590	–	9,866,064	22,592,877	3,625,993	–	99,798,696	96,093,854
<b>Net book value of tangible capital assets</b>									
	\$ 39,028,699	\$ 54,620,035	\$ 41,468,402	\$ 6,210,081	\$ 44,058,305	\$ 4,626,841	\$ 6,141,184	\$ 196,153,547	\$ 192,045,365
<b>2013 Net book value of tangible capital assets</b>									
	\$ 40,038,610	\$ 55,014,628	\$ 41,468,402	\$ 5,727,914	\$ 43,874,035	\$ 4,981,305	\$ 940,471	\$ 192,045,365	

# TOWN OF BANFF

Consolidated Schedule of Taxes Levied and Net Municipal Property Taxes

Schedule 2

Year ended December 31, 2014, with comparative figures for 2013

	Budget (note 22)	2014	2013
Taxation:			
Real property taxes	\$ 20,174,774	\$ 20,205,573	\$ 19,466,847
Linear property taxes	140,000	138,468	160,968
Government grants in place of property taxes	850,000	853,372	811,450
	<u>21,164,774</u>	<u>21,197,413</u>	<u>20,439,265</u>
Requisitions:			
Alberta School Foundation Fund	5,706,684	5,700,087	5,688,459
Bow Valley Regional Housing	291,559	290,974	376,558
	<u>5,998,243</u>	<u>5,991,061</u>	<u>6,065,017</u>
<u>Net Municipal Property Taxes</u>	<u>\$ 15,166,531</u>	<u>\$ 15,206,352</u>	<u>\$ 14,374,248</u>

# TOWN OF BANFF

Consolidated Schedule of Government Transfers

Schedule 3

Year ended December 31, 2014, with comparative figures for 2013

	Budget (note 22)	2014	2013
Transfers for operating:			
Provincial Government	\$ 1,135,645	\$ 1,166,183	\$ 1,245,105
Federal Government	320,960	216,920	190,454
Other Local Governments	36,992	39,852	42,157
	<u>1,493,597</u>	<u>1,422,955</u>	<u>1,477,716</u>
Transfers for capital:			
Provincial Government	2,950,933	4,754,731	2,911,595
	<u>2,950,933</u>	<u>4,754,731</u>	<u>2,911,595</u>
<b>Government transfers</b>	<b>\$ 4,444,530</b>	<b>\$ 6,177,686</b>	<b>\$ 4,389,311</b>

# TOWN OF BANFF

Consolidated Schedule of Revenue and Expenses by Object

Schedule 4

Year ended December 31, 2014, with comparative figures for 2013

	Budget (note 22)	2014	2013
<b>Revenue:</b>			
Net municipal property taxes (Schedule 2)	\$ 15,166,531	\$ 15,206,352	\$ 14,374,248
Sales to other governments	331,951	448,036	277,345
Sales and user charges	9,659,129	10,166,645	9,453,963
Penalties and cost on taxes	86,600	107,365	95,056
Licenses and permits	4,771,250	4,763,614	4,614,215
Fines	506,000	679,388	640,025
Franchise and concession contracts	662,000	751,648	659,943
Return on investments	82,502	72,267	57,850
Rentals	547,200	589,862	488,310
Government transfers (Schedule 3)	4,444,530	6,177,686	4,389,311
Developer agreements and levies	325,000	459,257	5,951
Net gain on disposal of tangible capital assets	–	12,279	6,291
Other revenue	302,445	383,894	462,066
	<b>36,885,138</b>	<b>39,818,293</b>	<b>35,524,574</b>
<b>Expenses:</b>			
Salaries, wages and benefits	11,911,925	11,682,566	10,793,776
Contracted and general services	10,997,001	12,519,755	11,384,291
Purchases from other governments	1,730,500	1,935,846	1,995,500
Material, goods and utilities	2,535,630	2,426,130	2,566,761
Provision for allowances	1,000	20,202	–
Transfers to local boards and agencies	84,200	93,000	271,107
Transfers to individuals and organizations	165,900	127,060	149,938
Bank charges and short-term interest	14,000	38,527	33,275
Interest on operating long-term debt	15,933	15,993	–
Interest on capital long-term debt	304,903	342,315	345,666
Amortization of tangible capital assets (Schedule 1)	4,393,579	4,658,068	4,430,584
Accretion of asset retirement obligation	1,000	1,000	–
Net loss on disposal of tangible capital assets	–	222,017	174,618
Other expenditures	4,344	4,344	4,880
	<b>32,159,915</b>	<b>34,086,823</b>	<b>32,149,396</b>
<b>Excess of revenue over expenses</b>	<b>\$ 4,725,283</b>	<b>\$ 5,731,470</b>	<b>\$ 3,374,177</b>

# TOWN OF BANFF

Consolidated Schedule of Segmented Information

Schedule 5

Year ended December 31, 2014

	General Government	Protective Services	Transportation	Environmental Use & Protection	Public Health & Safety	Planning & Development	Recreation & Culture	Total
<b>Revenues:</b>								
Taxes	\$ 15,206,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$15,206,352
Sales to Other Governments	-	311,175	136,861	-	-	-	-	448,036
Sales & User Charges	2	74,404	262,183	8,705,597	274,407	132,893	717,159	10,166,645
Penalties & Costs on Taxes	83,748	-	-	20,488	-	-	3,129	107,365
Licences & Permits	168,923	32,734	83,648	-	-	4,478,309	-	4,763,614
Fines	-	679,388	-	-	-	-	-	679,388
Franchise & Concession Contracts	751,648	-	-	-	-	-	-	751,648
Return on Investments	69,765	-	-	-	-	2,502	-	72,267
Rentals	6,059	-	-	-	-	516,303	67,500	589,862
Government Transfers	584,268	667,832	729,404	1,248,469	769,886	-	2,137,975	6,137,834
Transfers from Local Boards & Agencies	-	-	-	-	11,000	-	28,852	39,852
Developer's Agreements & Offsite Levies	-	-	129,645	27,300	-	302,312	-	459,257
Net Gain on Disposal of TCA	-	-	12,279	-	-	-	-	12,279
Other Revenue	82,648	35,769	79,114	49,652	39,927	3,766	93,018	383,894
	16,953,413	1,801,302	1,433,134	10,051,506	1,095,220	5,436,085	3,047,631	39,818,293
<b>Expenses:</b>								
Salaries, Wages & Benefits	2,096,820	1,353,245	2,473,446	1,956,732	1,381,265	608,131	1,812,925	11,682,564
Contracted and General Services	1,143,433	166,247	2,567,807	3,615,354	133,857	4,377,700	515,357	12,519,755
Purchases from Other Governments	-	1,935,846	-	-	-	-	-	1,935,846
Materials, Goods, Supplies & Utilities	214,827	66,192	708,304	891,632	108,875	8,536	427,765	2,426,131
Provisions for Allowances	20,202	-	-	-	-	-	-	20,202
Transfers to Local Boards & Agencies	-	-	-	93,000	-	-	-	93,000
Transfers to Individuals & Organizations	107,967	-	-	12,595	6,499	-	-	127,061
Bank Charges & Short Term Interest	37,586	-	-	341	-	-	601	38,528
Interest on Operating Long Term Debt	-	-	-	-	-	15,993	-	15,993
Interest on Capital Long Term Debt	-	-	41,581	-	-	11,109	289,625	342,315
Amortization of Tangible Capital Assets	37,038	125,630	1,236,165	2,166,868	36,692	78,699	976,975	4,658,067
Accretion of asset retirement obligation	-	-	-	-	-	1,000	-	1,000
Net Loss on Disposal of Capital Assets	-	-	46,997	175,020	-	-	-	222,017
Other expenditures	-	-	-	-	-	-	4,344	4,344
	3,657,873	3,647,160	7,074,300	8,911,542	1,667,188	5,101,168	4,027,592	34,086,823
Excess (deficiency) of revenue over expenses	\$13,295,541	\$ (1,845,858)	\$ (5,641,167)	\$ 1,139,963	\$ (571,968)	\$ 334,916	\$ (979,960)	\$ 5,731,470