

**TOWN OF COCHRANE**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Approved by Council:



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Truper McBride, Mayor



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Lori Craig, Deputy CAO

**Town of Cochrane  
Financial Statements  
As at December 31, 2010**

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April 26, 2011

## **Independent Auditor's Report**

### **To the Mayor and Council of the Town of Cochrane**

We have audited the accompanying financial statements of the Town of Cochrane, which comprise the statement of financial position as at December 31, 2010 and the statement of operations, change in net financial assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

#### **Management's responsibility 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Cochrane as at December 31, 2010 and the results of their operations and their cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*PricewaterhouseCoopers LLP*

**Chartered Accountants  
Calgary, Alberta**

**Town of Cochrane  
Statement of Financial Position  
As at December 31, 2010**

	<b>2010</b>	<b>2009</b>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 2)	27,473,857	24,615,194
Receivables		
Taxes and grants in place of taxes (Note 3)	449,484	510,127
Trade and other receivables	4,066,817	3,939,535
Investments (Note 4)	5,216,080	4,811,763
	<u>37,206,238</u>	<u>33,876,619</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	2,110,889	2,470,963
Deposits and other liabilities	439,959	582,819
Deferred revenue (Note 5)	10,987,601	12,134,693
Employee benefit obligations (Note 6)	591,370	605,410
Long term debt (Note 7)	16,252,594	17,243,680
	<u>30,382,413</u>	<u>33,037,565</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,823,825</u>	<u>839,054</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1 and Note 9)	229,862,058	220,683,810
Prepaid expenses	18,119	8,954
	<u>229,880,177</u>	<u>220,692,764</u>
<b>ACCUMULATED SURPLUS (Note 11)</b>	<u>236,704,002</u>	<u>221,531,818</u>

**Commitments and Contingencies - See Note 14**

**Town of Cochrane  
Statement of Operations  
For the Year Ended December 31, 2010**

	<b>Budget \$ (Unaudited)</b>	<b>2010 \$</b>	<b>2009 \$</b>
<b>REVENUE</b>			
Net municipal property taxes (Schedule 2)	13,572,611	13,566,940	12,819,229
Special assessment and local improvement taxes	277,228	274,781	272,716
Government transfers (Schedule 3)	3,027,779	2,984,931	4,670,014
User fees	7,673,045	8,230,938	7,856,494
Licenses, permits, fines, rentals, and other revenue	2,412,415	2,815,208	2,485,053
Franchise and concession contracts	1,240,100	1,311,501	1,185,626
Investment income	300,000	392,607	496,351
Development levies	-	772,863	290,219
Penalties and costs - taxes and utilities	110,000	199,384	190,116
<b>Total Revenue</b>	<b>28,613,178</b>	<b>30,549,153</b>	<b>30,265,818</b>
<b>EXPENSES</b>			
Legislative	388,445	349,469	429,333
General administrative	4,451,377	4,413,598	4,313,294
Police and bylaw enforcement	2,433,605	2,162,118	2,153,611
Fire and ambulance	4,463,695	4,524,653	5,068,796
Roads, streets, walks and lighting	3,639,806	4,047,531	3,905,995
Water and wastewater	5,229,078	5,475,618	4,821,758
Waste, recycling, environmental services	1,773,359	1,356,673	1,348,763
Subdivision land development	2,131,297	1,911,792	1,817,460
Recreation, parks, culture and facilities	5,157,641	4,950,038	4,965,447
Family and community service	1,435,263	1,470,098	1,456,861
Economic development, cemetery, and other	769,982	833,054	196,843
<b>Total expenditures</b>	<b>31,873,548</b>	<b>31,494,642</b>	<b>30,478,161</b>
<b>SHORTFALL OF REVENUE OVER EXPENSES</b>			
- BEFORE CAPITAL REVENUE	(3,260,370)	(945,489)	(212,343)
<b>CAPITAL REVENUE</b>			
Contributed assets	-	10,835,827	26,171,232
Loss on disposal of tangible capital assets	-	(1,414,989)	(118,785)
Government transfers for capital (Schedule 3)	6,696,835	6,696,835	9,801,284
<b>Total capital revenue</b>	<b>6,696,835</b>	<b>16,117,673</b>	<b>35,853,731</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>3,436,465</b>	<b>15,172,184</b>	<b>35,641,388</b>
<b>ACCUMULATED SURPLUS, BEGINNING</b>	<b>221,531,818</b>	<b>221,531,818</b>	<b>185,890,430</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>224,968,283</b>	<b>236,704,002</b>	<b>221,531,818</b>

**Town of Cochrane**  
**Statement of Change in Net Financial Assets**  
**For the Year Ended December 31, 2010**

	<b>Budget</b> <b>\$</b> <b>(Unaudited)</b>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	3,436,465	15,172,184	35,641,388
Acquisition of tangible capital assets	(7,401,884)	(4,788,375)	(15,997,775)
Contributed assets	-	(10,835,827)	(26,171,232)
Proceeds on disposal of tangible capital assets	-	34,442	20,255
Amortization of tangible capital assets	4,300,000	4,996,523	4,458,889
Increase in prepaid expenses	-	(9,165)	-
Loss on sale of tangible capital assets	-	1,414,989	118,785
	<u>(3,101,884)</u>	<u>(9,187,413)</u>	<u>(37,571,078)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	334,581	5,984,771	(1,929,690)
<b>NET FINANCIAL ASSETS , BEGINNING OF YEAR</b>	839,054	839,054	2,768,744
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>1,173,635</u>	<u>6,823,825</u>	<u>839,054</u>

**Town of Cochrane  
Statement of Cash Flows  
For the Year Ended December 31, 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
	<hr/>	<hr/>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	15,172,184	35,641,388
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	4,996,523	4,458,889
Loss on disposal of tangible capital assets	1,414,989	118,785
Tangible capital assets received as contributions	(10,835,827)	(26,171,232)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	60,643	(223,675)
Increase in trade, other receivables and prepaid expenses	(136,447)	(633,723)
Decrease in accounts payable and accrued liabilities	(360,074)	(1,164,520)
Decrease in deposits and other liabilities	(142,860)	(122,255)
Decrease (increase) in deferred revenue	(1,147,092)	5,202,518
(Decrease) increase in employee benefit obligations	(14,040)	104,644
Cash provided by operating transactions	<u>9,007,999</u>	<u>17,210,819</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(4,788,375)	(15,997,775)
Proceeds from sale of tangible capital assets	34,442	20,255
Cash applied to capital transactions	<u>(4,753,933)</u>	<u>(15,977,520)</u>
<b>INVESTING</b>		
(Increase) in investments	<u>(404,317)</u>	<u>(362,115)</u>
<b>FINANCING</b>		
Long-term debt issued	-	45,400
Long-term debt repaid	<u>(991,086)</u>	<u>(1,164,024)</u>
Cash provided by (applied to) financing transactions	<u>(991,086)</u>	<u>(1,118,624)</u>
<b>CHANGE IN CASH DURING THE YEAR</b>	2,858,663	(247,440)
<b>CASH AND TEMPORARY INVESTMENTS BEGINNING OF YEAR (NOTE 2)</b>	<u>24,615,194</u>	<u>24,862,634</u>
<b>CASH AND TEMPORARY INVESTMENTS END OF YEAR (NOTE 2)</b>	<u>27,473,857</u>	<u>24,615,194</u>



**Town of Cochrane  
Schedule of Tangible Capital Assets  
For the Year Ended December 31, 2010  
Schedule 1**

							2010 \$	2009 \$
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles		
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	44,204,238	5,966,943	41,068,135	167,339,653	4,052,614	5,021,112	267,652,695	225,866,435
Acquisition of tangible capital assets	2,929,800	328,710	259,596	21,245,008	417,848	49,845	25,230,807	35,728,866
Construction in progress	-	251,972	339,001	(10,454,339)	-	256,761	(9,606,605)	6,440,141
Disposal of tangible capital assets	(1,193,788)		-	(36,055)	(8,951)	(898,133)	(2,136,927)	(382,747)
BALANCE, END OF YEAR	<u>45,940,250</u>	<u>6,547,625</u>	<u>41,666,732</u>	<u>178,094,267</u>	<u>4,461,511</u>	<u>4,429,585</u>	<u>281,139,970</u>	<u>267,652,695</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	3,391,143	6,573,123	32,168,632	2,364,881	2,471,106	46,968,885	42,753,703
Annual amortization	-	218,090	1,116,466	3,118,787	290,113	253,067	4,996,523	4,458,889
Accumulated amortization on disposals	-	-	-	(26,040)	(6,451)	(655,005)	(687,496)	(243,707)
BALANCE, END OF YEAR	<u>-</u>	<u>3,609,233</u>	<u>7,689,589</u>	<u>35,261,379</u>	<u>2,648,543</u>	<u>2,069,168</u>	<u>51,277,912</u>	<u>46,968,885</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>45,940,250</u>	<u>2,938,392</u>	<u>33,977,143</u>	<u>142,832,888</u>	<u>1,812,968</u>	<u>2,360,417</u>	<u>229,862,058</u>	<u>220,683,810</u>
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>44,204,238</u>	<u>2,575,800</u>	<u>34,495,012</u>	<u>135,171,021</u>	<u>1,687,733</u>	<u>2,550,006</u>	<u>220,683,810</u>	

**Town of Cochrane  
Schedule of Property and Other Taxes  
For the Year Ended December 31, 2010  
Schedule 2**

	<b>Budget</b> \$ <b>(Unaudited)</b>	<b>2010</b> \$	<b>2009</b> \$
<b>TAXATION</b>			
Real property taxes	20,717,591	20,711,920	19,280,959
Linear property taxes	269,884	269,884	290,483
Government grants in place of property taxes	68,585	68,585	96,355
	<u>21,056,060</u>	<u>21,050,389</u>	<u>19,667,797</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	6,030,314	6,030,314	5,966,771
Calgary Separate School Board	1,333,093	1,333,093	785,655
Rockyview Foundation	120,042	120,042	96,142
	<u>7,483,449</u>	<u>7,483,449</u>	<u>6,848,568</u>
<b>NET MUNICIPAL TAXES</b>	<u>13,572,611</u>	<u>13,566,940</u>	<u>12,819,229</u>

**Town of Cochrane  
Schedule of Government Transfers  
For the Year Ended December 31, 2010  
Schedule 3**

	<b>Budgeted \$ (Unaudited)</b>	<b>2010 \$</b>	<b>2009 \$</b>
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	2,364,757	2,214,040	3,785,421
Federal Government	3,400	29,124	20,951
Other Local Governments	659,622	741,767	863,642
	<u>3,027,779</u>	<u>2,984,931</u>	<u>4,670,014</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	6,696,835	6,696,835	7,401,570
Federal Government	-	-	600,000
Provincial Government via Spray Lake			
Sawmills Recreation Park Society	-	-	1,799,714
	<u>6,696,835</u>	<u>6,696,835</u>	<u>9,801,284</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>9,724,614</u>	<u>9,681,766</u>	<u>14,471,298</u>

**Town of Cochrane  
Schedule of Expenses by Object  
For the Year Ended December 31, 2010  
Schedule 4**

	<b>Budget</b>	<b>2010</b>	<b>2009</b>
	\$	\$	\$
	<u>(Unaudited)</u>		
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	12,849,416	12,645,750	12,311,784
Contracted and general services	9,427,056	8,845,659	8,571,834
Materials, goods, utilities, and other	3,281,400	3,146,818	3,255,310
Transfers to local boards and agencies	740,565	691,130	637,495
Bank charges and short-term interest	59,330	56,396	46,433
Interest on long-term debt	1,215,781	1,112,366	1,196,416
Amortization of tangible capital assets	4,300,000	4,996,523	4,458,889
Loss on disposal of tangible capital assets	-	1,414,989	118,785
	<u>31,873,548</u>	<u>32,909,631</u>	<u>30,596,946</u>

**Town of Cochrane**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**1 Significant Accounting Policies**

The financial statements of the Town of Cochrane ("Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

**a) Reporting entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Town of Cochrane. The schedule of taxes levied also includes requisitions for education and social organizations that are not part of the municipal reporting entity.

**b) Basis of accounting**

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

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 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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

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) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**d) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the new present value basis over the term of the respective investments.

**Town of Cochrane**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

If there is a permanent loss in value, the respective investment is written down to recognize the loss.

**e) Taxes and grants in place of taxes receivable**

Taxes and grants in place of taxes receivables consist of current and non-current property tax levies which remain outstanding at December 31.

**f) Off-site developers' levies**

Off-site developers' levies are recorded as revenue when received. Monies received are transferred to reserves for future capital expenditures in accordance with the terms of each agreement.

**g) Requisition over-levies and under-levies**

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and property tax revenue is increased. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**h) Prepaid local improvement charges**

Construction and borrowing costs associated with local improvements are recovered through annual special property assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

**i) Restricted surplus – Reserve funds**

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

**j) Restricted surplus - Equity in Tangible Capital Assets**

Equity in capital assets represents the town's net investment in its capital assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowings, capitalized leases and other capital liabilities which will be repaid by the municipality.

**Town of Cochrane**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

**k) 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 revenues over expenditures, provides the consolidated Change in Net Financial Assets (Debt) for the year.

**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:

<b>ASSET TYPE</b>	<b>ESTIMATED USEFUL LIFE</b>
Land	Capitalize only
Construction in Progress	Capitalize only
Land Improvements	15 - 20 years
Buildings	40 years
Leasehold Improvements	Over term of the lease
Infrastructure:	
Water System	40 - 75 years
Wastewater System	45 - 75 years
Stormwater System	75 years
Roadway System	43 years
Land under roads	Capitalize only
Machinery & Equipment	5 - 10 years
Vehicles	10 - 25 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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 final acceptance certificate and also are recorded as revenue.

**iii. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all 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 Cochrane  
Notes to Financial Statements  
For the Year Ended December 31, 2010**

**iv. Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed (Note 9).

**2 Cash and Temporary Investments**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Cash	<u>4,413,388</u>	<u>17,028,685</u>
Temporary Investments (note 4)	<u>23,060,469</u>	<u>7,586,509</u>
	<u>27,473,857</u>	<u>24,615,194</u>

Temporary investments are short term deposits with maturities within one year from the date of purchase bearing interest at rates from 1.16% to 4.4% (2009 - .5% - 4.16%).

**3 Taxes and Grants in Place of Taxes Receivable**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Current taxes and grants in place of taxes	<u>363,945</u>	<u>483,579</u>
Arrears taxes	<u>85,539</u>	<u>26,548</u>
	<u>449,484</u>	<u>510,127</u>

**4 Investments**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Cash equivalents	<u>5,000,000</u>	<u>601,509</u>
Temporary investments	<u>18,060,469</u>	<u>6,985,000</u>
Long term investments	<u>5,216,080</u>	<u>4,811,763</u>
<b>Total investments</b>	<b><u>28,276,549</u></b>	<b><u>12,398,272</u></b>
Reclassify to cash and temporary investments (Note 2)	<u>(23,060,469)</u>	<u>(7,586,509)</u>
Long Term Investments	<u>5,216,080</u>	<u>4,811,763</u>

Temporary and long term investments primarily represent debentures or discount notes issued by the Provincial Government or financial institutions, bearing interest at rates from 1.16% to 6.3% (2009 - .5% - 4.16%) maturing between 30 days and 1 year and a number of term deposits, bearing interest at rates from 1.16% - 6.3% (2009 - 1.75% - 6.3%), all of which have original maturities of between 13 months to a maximum of 6 years. Market value at December 31, 2010 was \$ 28,276,549 (2009 - \$12,415,728).



**Town of Cochrane  
Notes to Financial Statements  
For the Year Ended December 31, 2010**

**5 Deferred Revenue**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Prepaid local improvements	59,088	65,692
Deferred revenue facility bookings	29,450	46,313
Deferred grant revenue	10,616,759	11,693,033
Prepaid meters and licenses	282,304	329,655
	<u>10,987,601</u>	<u>12,134,693</u>

**6 Employee Benefit Obligations – Vacation and Overtime Liability**

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

**7 Long-Term Debt**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Debentures	8,572,238	9,201,321
Bow Valley High School Developer Advances (Note 7 a)	-	281,908
Leases (Note 7 b)	7,680,356	7,760,451
	<u>16,252,594</u>	<u>17,243,680</u>

The current portion of long term debt is \$1,307,430 (2009 - \$970,373). Principal and interest repayments are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
2011	1,307,430	1,073,949	2,381,379
2012	753,155	1,048,562	1,801,717
2013	787,110	1,006,660	1,793,770
2014	796,762	952,540	1,749,302
2015	849,434	900,347	1,749,781
Subsequent	11,758,703	9,924,519	21,683,222
	<u>16,252,594</u>	<u>14,906,577</u>	<u>31,159,171</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 5.25% to 11.125% per annum (2009 – 5.25% to 11.125%), and matures between 2013 and 2037. The average annual interest rate is 6.98% for 2010 (2009 – 6.98%). Debenture debt is issued on the credit and security of the Town of Cochrane at large.

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Leases bear interest at rates ranging from 4.58% – 7.55% (2009 – 4.58% to 7.55%) and mature between 2011 and 2037. The leases are collateralized by the underlying assets.

The calculation of the fair value of the debt is based on current lending rates available for debentures with comparable maturities from the Alberta Municipal Financing Corporation. The estimated fair value of the long-term debt is approximately \$20 million (2009 – \$20.2 million).

Interest on long term debt amounted to \$1,112,366 (2009- \$1,196,416).

The Town's total cash payments for interest in 2010 were \$1,126,188 (2009- \$1,161,751).

**a) Bow Valley High School Servicing Developer Advances**

The Town received developer advances to construct utility services for Bow Valley High School. Advances bear interest at prime plus 2%. Principal repayments of \$ nil (2009 - nil) were repaid to the developer from development levies collected within the affected area. After April 2008 principal repayments were repaid from Town reserves which will be replenished from future development levies collected within the affected area.

As a result of an Assignment and Direction to pay First Calgary Savings and Credit Union, a principal payment of \$665,635 was paid on October 16, 2008 to First Calgary Savings and Credit Union. An additional \$500,000 was due January 30, 2009. Further the Town paid the remaining balance plus interest to the developer on January 30, 2010.

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	281,908	781,908
Principal repayments	(281,908)	(500,000)
Ending Balance	-	281,908

**b) Protective Services Facility Capital Lease**

On March 13, 2006, Council approved a Partnering Agreement with Grand Central Properties Ltd. ("GCP") to construct a Protective Services Facility on their site located on Griffin Rd. The facility was completed in August 2007 and the Town began leasing the building for 30 years at a rate of \$18.66 per square foot for the first five years with rent increases of \$2 per square foot every five years to the end of the lease term.

In addition to the financial terms above, the Town is required to pay GCP \$581,599 plus interest costs calculated at the Royal Bank of Canada prime rate, at the earlier of:

- i. the sale of the Town's existing property on 2nd Ave and 2nd St; or
- ii. March 31, 2011

At the end of the lease, the Town has an option to purchase GCP's land for fair market value less a one million dollar credit.

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**8 Debt Limits**

Section 276(2) of the Municipal Government Act requires that debt and debt servicing limits as defined by Alberta Regulation 255/00 for the Town be disclosed as follows:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Total debt limit	<u>45,822,605</u>	<u>45,398,727</u>
Total debt	<u>16,252,594</u>	<u>17,243,680</u>
Amount of total debt limit available	<u>29,570,011</u>	<u>28,155,047</u>
Debt servicing limit	<u>7,637,101</u>	<u>7,566,455</u>
Debt servicing	<u>2,381,379</u>	<u>2,116,601</u>
Amount of debt servicing limit available	<u>5,255,722</u>	<u>5,449,854</u>

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 financial statements must be interpreted as a whole.

**9 Tangible capital assets**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Land	<u>45,940,250</u>	<u>44,204,238</u>
Land improvements	2,938,392	2,575,800
Buildings	26,296,787	26,734,561
Engineered structures	142,832,888	135,171,021
Machinery, equipment and furnishings	1,812,968	1,687,733
Vehicles	2,360,417	2,550,006
Assets under capital lease	<u>7,680,356</u>	<u>7,760,451</u>
	<u>229,862,058</u>	<u>220,683,810</u>

Major works of art include the Man of Vision statue, Pioneer statue, and Trust Mural.

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**10 Equity in tangible capital assets**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Tangible Capital assets (Schedule 1)	<u>281,139,970</u>	<u>267,652,695</u>
Accumulated amortization (Schedule 1)	(51,277,912)	(46,968,885)
Long-term debt (Note 7)	<u>(16,252,594)</u>	<u>(17,243,680)</u>
	<u>213,609,464</u>	<u>203,440,130</u>

**11 Accumulated Surplus**

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

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Unrestricted surplus	<u>239,695</u>	<u>239,695</u>
Restricted surplus		
Operating fund (Note 15)	4,467,068	3,318,372
Reserve fund (Note 15)	18,387,775	14,533,621
Equity in tangible capital assets (Note 10)	<u>213,609,464</u>	<u>203,440,130</u>
	<u>236,704,002</u>	<u>221,531,818</u>

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**12 Salary and Benefits Disclosure**

Disclosure of salaries and benefits for municipal officials and the Chief Administrative Officer as required by Alberta Regulation 313/2000 is as follows:

	<b>2010</b>			<b>2009</b>
	<b>Salary</b>	<b>Benefits</b>	<b>Total</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Mayor McBride	65,000	10,596	75,596	56,889
Councillor Brooker	4,098	1,722	5,820	-
Councillor Chester	18,953	3,432	22,385	29,492
Councillor Churchill	23,035	5,306	28,341	30,628
Councillor Davies	23,035	3,616	26,651	27,238
Councillor McFadden	23,035	5,250	28,285	30,642
Councillor Sine	18,953	1,722	20,675	25,733
Councillor Toews	4,098	716	4,814	-
Councillor Watson	23,035	4,134	27,169	28,797
Chief Administrative Officer	170,904	29,758	200,662	179,527
Designated Officers (2)	226,505	44,067	270,572	252,431

Council salary includes regular base pay, gross honoraria, and any other direct cash remuneration. Council benefits include:

- a) employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans; and
- b) allowances and the employer's share of the cost of additional taxable benefits, including special leave with pay, car and travel allowances, conferences, memberships, and Calgary Regional Partnership related expenses.

CAO and Designated Officers salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration. CAO and Designated Officers benefits include:

- c) employer's share of all employee benefits and contributions or payments made 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 tuitions.

**Town of Cochrane**  
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**13 Local Authorities Pension Plan**

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP" or the "Plan"), which is covered by the Public Sector Pensions Plans Act. The Plan serves about 199,849 people and 425 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the Plan of 9.49% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.13% for the excess. Employees of the town are required to make currently service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the Town to the Plan in 2010 were \$811,787 (2009 - \$689,364). Total current service contributions by the employees of the Town to the Plan in 2010 were \$729,899 (2009 - \$614,216). At December 31, 2009, the Plan disclosed an actuarial deficiency of \$4.0 billion (2008 - \$4.4 billion).

**14 Commitments and Contingencies**

**a) Lawsuits and Claims**

No provision has been made for various lawsuits and legal claims filed against the Town as management believes the Town has minimal exposure to these actions at December 31, 2010.

**b) Bow Valley High School Servicing Conditional Grant**

The Town received a \$5 million conditional grant in 2006 from the Province of Alberta to construct utility services for Bow Valley High School. The total project cost was \$7,284,234 with \$5 million funded by the Provincial grant and \$2,284,234 advanced by the developer. The Town is expected to recover the full \$2,284,234 of advances from offsite levies collected from future developments. Once this has been recovered, the Province will receive repayments on the \$5 million conditional grant which is only repayable if there is sufficient offsite levies collected from future development. The Town must provide the Province with annual reports which forecast the amount, nature and timing of expected future development and anticipated revenues from associated development levies within the affected area, and the anticipated Grant repayment schedule.

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**15 Restricted Surplus - Reserve Funds**

	2010 \$	2009 \$
<b>Restricted Operating Surplus</b>		
General operating reserves	3,758,674	2,862,261
Tax stabilization reserve	708,394	456,111
	<u>4,467,068</u>	<u>3,318,372</u>
<b>Restricted Capital Surplus</b>		
Offsite levies	4,171,703	7,674,820
Asset replacements reserves	14,216,072	6,858,801
	<u>18,387,775</u>	<u>14,533,621</u>

**16 Financial Instruments**

The Town's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities, employee benefit obligations, deposit and other liabilities, and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial statements.

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.

**17 Comparative Figures**

Certain comparative figures have been restated to conform to the current year's presentation.

**18 Approval of financial statements**

Council and management approved these financial statements.