

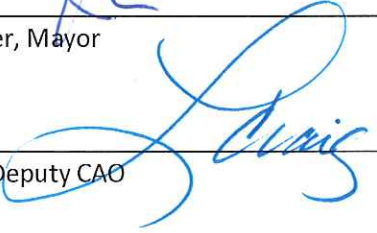
**TOWN OF COCHRANE**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Approved by Council:



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Ivan Brooker, Mayor



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Lori Craig, Deputy CAO

**Town of Cochrane**  
**Consolidated Financial Statements**  
**As at December 31, 2014**

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**Town of Cochrane**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 2)	68,087,459	44,616,610
Receivables		
Taxes and grants in place of taxes (Note 3)	587,940	676,824
Trade and other receivables	10,333,093	9,569,669
Investments (Note 4)	12,947,300	1,584,653
	<u>91,955,792</u>	<u>56,447,756</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	5,255,207	5,470,621
Deposits and other liabilities	3,052,293	1,013,023
Deferred revenue (Note 5)	20,167,316	15,907,905
Employee benefit obligations (Note 6)	733,987	798,310
Long term debt (Note 7)	31,724,084	13,632,710
	<u>60,932,887</u>	<u>36,822,569</u>
 <b>NET FINANCIAL ASSETS</b>	<u>31,022,905</u>	<u>19,625,187</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	289,523,553	262,692,911
Prepaid expenses	19,512	22,475
	<u>289,543,065</u>	<u>262,715,386</u>
 <b>ACCUMULATED SURPLUS (Note 10)</b>	<u>320,565,970</u>	<u>282,340,573</u>

**Commitments and Contingencies (Note 13)**

**Town of Cochrane  
Consolidated Statement of Operations  
For the Year Ended December 31, 2014**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	18,931,509	18,931,509	18,081,897
Community Revitalization Levy	-	290,202	94,411
Local improvement taxes	274,760	256,153	314,754
Government transfers (Schedule 4)	2,519,945	2,924,806	3,430,996
User fees	11,646,984	14,234,041	12,372,717
Licenses, permits, fines, penalties, rentals, insurance and other revenue	3,496,143	4,928,769	3,914,387
Franchise and concession contracts	1,784,227	2,058,362	1,783,155
Investment income	95,700	787,542	599,885
Development levies	-	7,460,204	4,893,453
Capital donations	-	252,774	4,915
<b>Total Revenue</b>	<b>38,749,268</b>	<b>52,124,362</b>	<b>45,490,570</b>
<b>EXPENSES</b>			
Legislative	442,212	392,109	396,680
General administrative	5,716,158	5,520,777	5,227,634
Police and bylaw enforcement	3,720,672	3,409,486	3,583,299
Fire	4,841,125	4,747,197	4,766,488
Roads, streets, and storm sewers	3,019,664	5,695,274	4,804,260
Water and wastewater	5,558,100	7,785,418	6,920,167
Waste and recycling	2,085,340	2,268,982	2,067,492
Subdivision land development	2,382,886	3,155,246	2,922,483
Recreation, parks, culture and facilities	7,161,914	8,505,054	7,251,550
Family and community service	1,821,449	1,989,704	1,993,019
Economic development, cemetery	401,233	381,908	365,379
<b>Total Expenditures</b>	<b>37,150,753</b>	<b>43,851,155</b>	<b>40,298,451</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>			
- BEFORE CAPITAL REVENUE	1,598,515	8,273,207	5,192,119
<b>CAPITAL REVENUE</b>			
Contributed assets	-	21,938,203	8,298,579
Loss on disposal of tangible capital assets	-	(20,892)	(81,919)
Government transfers for capital (Schedule 4)	3,633,000	8,034,879	6,065,325
<b>Total Capital Revenue</b>	<b>3,633,000</b>	<b>29,952,190</b>	<b>14,281,985</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>			
	5,231,515	38,225,397	19,474,104
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>			
	282,340,573	282,340,573	262,866,469
<b>ACCUMULATED SURPLUS, END OF YEAR</b>			
	287,572,088	320,565,970	282,340,573

**Town of Cochrane**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the Year Ended December 31, 2014**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	5,231,515	38,225,397	19,474,104
Acquisition of tangible capital assets	(6,285,942)	(11,636,923)	(12,228,006)
Contributed assets	-	(21,938,203)	(8,298,579)
Proceeds on disposal of tangible capital assets	-	10,112	26,925
Amortization of tangible capital assets	-	6,713,480	6,121,245
Change in prepaid expenses	-	2,963	(1,771)
Loss on disposal of tangible capital assets	-	20,892	81,919
	<u>(6,285,942)</u>	<u>(26,827,679)</u>	<u>(14,298,267)</u>
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	(1,054,427)	11,397,718	5,175,837
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	19,625,187	19,625,187	14,449,350
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>18,570,760</u>	<u>31,022,905</u>	<u>19,625,187</u>

**Town of Cochrane  
Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2014**

	<b>2014</b>	<b>2013</b>
	<u>\$</u>	<u>\$</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	38,225,397	19,474,104
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	6,713,480	6,121,245
Loss on disposal of tangible capital assets	20,892	81,919
Tangible capital assets received as contributions	(21,938,203)	(8,298,579)
Non-cash charges to operations (net change):		
Decrease/(increase) in taxes and grants in place of taxes	88,884	(36,785)
(Increase)/decrease in trade, other receivables and prepaid expenses	(760,461)	2,811,033
Decrease in accounts payable and accrued liabilities	(215,414)	(342,825)
Increase/(decrease) in deposits and other liabilities	2,039,270	(49,834)
Increase in deferred revenue	4,259,411	3,512,310
(Decrease)/increase in employee benefit obligations	(64,323)	29,329
Cash provided by operating transactions	<u>28,368,933</u>	<u>23,301,917</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(11,636,923)	(12,228,006)
Proceeds from sale of tangible capital assets	10,112	26,925
Cash applied to capital transactions	<u>(11,626,811)</u>	<u>(12,201,081)</u>
<b>INVESTING</b>		
(Increase)/decrease in investments	<u>(11,362,647)</u>	<u>296,476</u>
<b>FINANCING</b>		
Long-term debt issued	19,000,000	-
Long-term debt repaid	(908,626)	(890,259)
Cash applied to financing transactions	<u>18,091,374</u>	<u>(890,259)</u>
<b>CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR</b>	<b>23,470,849</b>	<b>10,507,053</b>
<b>CASH AND TEMPORARY INVESTMENTS BEGINNING OF YEAR (NOTE 2)</b>	<b>44,616,610</b>	<b>34,109,557</b>
<b>CASH AND TEMPORARY INVESTMENTS END OF YEAR (NOTE 2)</b>	<b><u>68,087,459</u></b>	<b><u>44,616,610</u></b>

**Town of Cochrane**  
**Consolidated Schedule of Changes in Accumulated Surplus**  
**For the Year Ended December 31, 2014**  
**Schedule 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014 \$	2013 \$
<b>BALANCE, BEGINNING OF YEAR</b>	285,703	32,994,669	249,060,201	282,340,573	262,866,469
Excess of revenues over expenses	38,225,397	-	-	38,225,397	19,474,104
Unrestricted funds designated for future use	(32,032,173)	32,032,173	-	-	-
Restricted funds used for operations	648,316	(648,316)	-	-	-
Restricted funds used for tangible capital assets	-	(1,867,271)	1,867,271	-	-
Current year funds used for tangible capital assets	(9,769,652)	-	9,769,652	-	-
Contributed tangible capital assets	(21,938,203)	-	21,938,203	-	-
Disposal of tangible capital assets	31,004	-	(31,004)	-	-
Annual amortization expense	6,713,480	-	(6,713,480)	-	-
Long term debt issued	19,000,000	-	(19,000,000)	-	-
Long term debt repaid	(908,626)	-	908,626	-	-
Change in accumulated surplus	(30,457)	29,516,586	8,739,268	38,225,397	19,474,104
<b>BALANCE, END OF YEAR</b>	<b>255,246</b>	<b>62,511,255</b>	<b>257,799,469</b>	<b>320,565,970</b>	<b>282,340,573</b>

**Town of Cochrane**  
**Consolidated Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2014**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2014 \$	2013 \$
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	49,918,622	9,756,323	45,483,882	214,318,733	4,809,577	5,172,952	329,460,089	309,530,141
Acquisition of tangible capital assets	1,928,900	3,808,763	78,474	27,267,343	811,183	465,609	34,360,272	29,503,630
Construction in progress (net)	-	(1,576,518)	2,847,792	(2,056,420)	-	-	(785,146)	(8,977,045)
Disposal of tangible capital assets	-	-	-	-	(48,648)	(91,000)	(139,648)	(596,637)
BALANCE, END OF YEAR	51,847,522	11,988,568	48,410,148	239,529,656	5,572,112	5,547,561	362,895,567	329,460,089
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	4,279,449	11,560,554	45,880,235	2,969,052	2,077,888	66,767,178	61,133,726
Annual amortization	-	332,470	1,412,943	4,233,374	442,562	292,131	6,713,480	6,121,245
Accumulated amortization on disposals	-	-	-	-	(17,644)	(91,000)	(108,644)	(487,793)
BALANCE, END OF YEAR	-	4,611,919	12,973,497	50,113,609	3,393,970	2,279,019	73,372,014	66,767,178
<b>NET BOOK VALUE OF</b>								
<b>TANGIBLE CAPITAL ASSETS</b>	51,847,522	7,376,649	35,436,651	189,416,047	2,178,142	3,268,542	289,523,553	262,692,911

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



**Town of Cochrane  
Consolidated Schedule of Property and Other Taxes  
For the Year Ended December 31, 2014  
Schedule 3**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>TAXATION</b>			
Real property taxes	28,283,340	28,283,340	27,472,473
Linear property taxes	380,763	380,763	373,964
Government grants in place of property taxes	118,477	118,477	123,714
	<u>28,782,580</u>	<u>28,782,580</u>	<u>27,970,151</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	8,494,754	8,494,754	8,511,857
Calgary Separate School Board	1,197,498	1,197,498	1,249,077
Rockyview Foundation	158,819	158,819	127,320
	<u>9,851,071</u>	<u>9,851,071</u>	<u>9,888,254</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u><u>18,931,509</u></u>	<u><u>18,931,509</u></u>	<u><u>18,081,897</u></u>

**Town of Cochrane  
Consolidated Schedule of Government Transfers  
For the Year Ended December 31, 2014  
Schedule 4**

	Budgeted \$ (Unaudited)	2014 \$	2013 \$
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	2,091,822	2,026,367	2,494,233
Federal Government	3,400	107,706	89,051
Other Local Governments	424,723	790,733	847,712
	<u>2,519,945</u>	<u>2,924,806</u>	<u>3,430,996</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	3,633,000	7,028,528	5,111,377
Federal Government	-	1,006,351	953,948
	<u>3,633,000</u>	<u>8,034,879</u>	<u>6,065,325</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>6,152,945</u></u>	<u><u>10,959,685</u></u>	<u><u>9,496,321</u></u>

**Town of Cochrane**  
**Consolidated Schedule of Expenses by Object**  
**For the Year Ended December 31, 2014**  
**Schedule 5**

	Budget \$ (Unaudited)	2014 \$	2013 \$
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	17,138,069	16,861,498	15,622,778
Contracted and general services	8,900,496	10,074,523	8,841,064
Purchases from other governments	5,029,583	4,569,620	4,449,622
Materials, goods, utilities, and other	3,702,597	3,260,432	3,502,106
Transfers to local boards and agencies	1,344,452	1,399,369	739,209
Bank charges and short-term interest	44,400	54,808	57,510
Interest on long-term debt and capital leases	991,156	917,425	964,917
Amortization of tangible capital assets	-	6,713,480	6,121,245
Loss on disposal of tangible capital assets	-	20,892	81,919
<b>TOTAL EXPENSES</b>	<u>37,150,753</u>	<u>43,872,047</u>	<u>40,380,370</u>

**Town of Cochrane  
Consolidated Schedule of Segmented Disclosure  
For the Year Ended December 31, 2014  
Schedule 6**

	Legislative	Protective Services	Transportation Services	Planning & Development	Community Services	Utility Services	General Government	2014 \$	2013 \$
<b>Revenue</b>									
Net municipal taxes and special taxes	442,212	7,184,916	3,283,233	944,417	5,092,623	-	2,530,463	19,477,864	18,491,06
Government transfers	-	785,358	3,236,006	274,560	6,019,862	643,899	-	10,959,685	9,496,32
User fees, licenses, penalties, other revenues	-	1,050,496	47,509	2,880,471	3,251,870	10,811,896	3,178,929	21,221,171	18,070,24
Investment income	-	-	-	-	1,400	-	786,142	787,542	599,88
Contributed assets	-	-	871,282	-	-	19,134,862	1,932,059	21,938,203	8,298,57
Development levies	-	-	4,703,205	-	986,650	1,705,350	65,000	7,460,205	4,893,45
Capital donations	-	-	-	-	252,774	-	-	252,774	4,92
	442,212	9,020,770	12,141,235	4,099,448	15,605,179	32,296,007	8,492,593	82,097,444	59,854,47
<b>Expenses</b>									
Salaries and wages and benefits	264,016	4,315,883	1,196,579	1,686,012	4,806,341	1,583,347	3,009,320	16,861,498	15,622,77
Contract & general services	128,093	3,172,032	1,596,585	1,778,628	2,709,332	6,244,049	2,296,748	17,925,467	16,792,79
Grants to organizations	-	-	-	-	1,399,369	-	-	1,399,369	739,20
Long-term debt interest	-	516,844	84,182	-	126,233	161,627	28,539	917,425	964,92
Bank charges and loss on disposal	-	-	-	-	-	-	54,808	54,808	139,42
	392,109	8,004,759	2,877,346	3,464,640	9,041,275	7,989,023	5,389,415	37,158,567	34,259,12
<b>NET REVENUE, BEFORE AMORTIZATION</b>	50,103	1,016,011	9,263,889	634,808	6,563,904	24,306,984	3,103,178	44,938,877	25,595,32

Amortization expense	-	151,924	2,153,339	48,017	1,477,981	2,729,965	152,254	6,713,480	6,121,24
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>50,103</b>	<b>864,087</b>	<b>7,110,550</b>	<b>586,791</b>	<b>5,085,923</b>	<b>21,577,019</b>	<b>2,950,924</b>	<b>38,225,397</b>	<b>19,474,10</b>

**Town of Cochrane**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2014**

**1 Significant Accounting Policies**

The consolidated 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 (PSAB) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

**a) Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances 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 is the Nan Boothby Memorial Library. 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 measureable. Expenses are recognized as they are incurred and measureable 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 PSAB 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. If there is a permanent loss in value, the respective investment is written down to recognize the loss.

**Town of Cochrane**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2014**

**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.

**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 for the year.

**Town of Cochrane**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2014**

**l) PSAB Section 3260, Liability for Contaminated Sites**

Beginning with the 2015 fiscal year, municipalities will be required to account for and report liabilities associated with the remediation of contaminated sites within their municipality. Specifically, the new section:

- defines which activities would be included in a liability for remediation;
- establishes when to recognise and how to measure a liability for remediation.

**m) PSAB Section 3450, 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, 2016 for governments only, 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.

**n) PSAB Section 3401, Portfolio Investments**

This accounting pronouncement addresses the distinction between temporary and portfolio investments. It is effective for fiscal years beginning on or after April 1, 2016. Management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

**o) 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:

<u>ASSET TYPE</u>	<u>ESTIMATED USEFUL LIFE</u>
Land	Capitalize only
Land Improvements	15 – 20 years
Buildings	40 years or over the term of the lease
Engineered Structures:	
Water System	40 – 75 years
Wastewater System	45 – 75 years
Stormwater System	75 years
Roadway System	43 years
Road Signals	30 years
Machinery and 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.

**i. Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded as an asset and revenue at fair value at the date of final acceptance certificate.



**Town of Cochrane**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2014**

ii. 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.

iii. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed (Schedule 2).

**p) Segmented Information**

The Town is a diversified municipal government that provides a wide range of services to its citizens, including police, fire, roads, water and waste management.

For management reporting purposes, the Town's operations and activities are organized and reported by functions and services provided. Certain functions that have been disclosed in the segmented information, along with the services provided are as follows:

a) Legislative

This category includes Town Council

b) Protective Services

Protective services include Police and Fire Protection, Emergency Management, Bylaw Enforcement, and Animal Control.

c) Transportation Services

Transportation services include Roads, Fleet, and Storm Water.

d Planning and Development

Planning and development includes planning, engineering and economic development.

e) Community Services

Includes includes Parks, Recreation, Culture, Facilities, Family and Community Support Services (FCSS) and cemeteries.

f) Utility Services

Utility Services include Water Supply and Distribution, Wastewater Disposal, Waste and Recycling.

g) General Government

General government is comprised of the Executive Leadership Team, Human Resources, and Communications, Corporate Services, and Legislative Services.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those

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followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segmented Disclosure (Schedule 6).

**2 Cash and Temporary Investments**

	2014	2013
	\$	\$
Cash	10,103,824	26,509,482
Temporary Investments (note 4)	57,983,635	18,107,128
	<u>68,087,459</u>	<u>44,616,610</u>

Temporary investments are short term deposits with maturities within one year from the date of purchase bearing interest at rates from 1.28% to 2.04% (2013 – 1.20% to 2.40%).

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

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	370,653	451,582
Arrears taxes	217,287	225,242
	<u>587,940</u>	<u>676,824</u>

**4 Investments**

	2014	2013
	\$	\$
Temporary investments	57,983,635	18,107,128
Long term investments	12,947,300	1,584,653
Total investments	70,930,935	19,691,781
Reclassify to cash and temporary investments (Note 2)	(57,983,635)	(18,107,128)
Long Term Investments	<u>12,947,300</u>	<u>1,584,653</u>

Temporary and long term investments primarily represent term deposits issued by financial institutions, bearing interest at rates from 1.28% to 2.04% (2013 – 1.20% to 2.40%) maturing between 30 days and 1 year and from 1.60% - 2.38% (2013 - 1.45% - 1.95%) for maturities over one year. Market value at December 31, 2014 was \$70,930,935 (2013- \$19,691,781).

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**5 Deferred Revenue**

	2014	2013
	\$	\$
Deferred grant revenue	17,445,002	12,723,320
Deferred revenue facility bookings	72,447	81,582
Developer revenue deferred	2,026,201	2,700,641
Deferred fundraising revenue	-	20,695
Prepaid meters, licenses & fees	623,666	381,667
	<u>20,167,316</u>	<u>15,907,905</u>

**6 Employee Benefit Obligations**

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.

	2014	2013
	\$	\$
Vacation and overtime accrual	<u>733,987</u>	<u>798,310</u>

**7 Long-Term Debt**

	2014	2013
	\$	\$
Debentures	24,921,398	6,768,394
Leases	6,802,686	6,864,316
	<u>31,724,084</u>	<u>13,632,710</u>

The current portion of long term debt is \$967,363 (2013 - \$908,632). Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	967,363	1,192,224	2,159,587
2016	687,887	1,129,340	1,817,227
2017	6,887,523	1,063,669	7,951,192
2018	7,075,898	912,626	7,988,524
2019	7,232,755	755,767	7,988,522
Subsequent	8,872,658	7,070,806	15,943,464
	<u>31,724,084</u>	<u>12,124,432</u>	<u>43,848,516</u>

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Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.52% to 9.625% per annum (2013 – 1.52% to 9.625%), and matures between 2015 and 2029. The average annual interest rate is 2.53% for 2014 (2013– 6.16%). Debenture debt is issued on the credit and security of the Town of Cochrane at large.

The Protective Services Centre lease bears interest at a rate of 7.55% (2013-7.55%) and matures in 2037. The lease is collateralized by the underlying assets.

Interest on long term debt and capital leases amounted to \$917,417 (2013- \$964,917).

The Town’s total cash payments for interest in 2014 were \$924,524 (2013- \$982,127).

**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. The cost of the asset under capital lease is \$7,711,498, the accumulated amortization is \$1,927,875 and the resulting net book value included in tangible capital assets is \$5,783,623.

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.

**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>2014</b>	<b>2013</b>
	<u>\$</u>	<u>\$</u>
Total debt limit	78,155,205	67,948,052
Total debt	<u>31,724,084</u>	<u>13,632,710</u>
Amount of total debt limit available	<u>46,431,121</u>	<u>54,315,342</u>
Debt servicing limit	13,025,868	11,324,675
Debt servicing	<u>2,159,575</u>	<u>1,832,676</u>
Amount of debt servicing limit available	<u>10,866,293</u>	<u>9,491,999</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

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**9 Equity in tangible capital assets**

	2014 \$	2013 \$
Tangible Capital assets (Schedule 2)	362,895,567	329,460,089
Accumulated amortization (Schedule 2)	(73,372,014)	(66,767,178)
Long-term debt (Note 7)	(31,724,084)	(13,632,710)
	<u>257,799,469</u>	<u>249,060,201</u>

**10 Accumulated Surplus**

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

	2014 \$	2013 \$
Unrestricted surplus	255,246	285,703
Restricted surplus		
Operating fund (Note 14)	6,920,460	5,473,993
Reserve fund (Note 14)	55,590,795	27,520,676
Equity in tangible capital assets (Note 9)	257,799,469	249,060,201
	<u>320,565,970</u>	<u>282,340,573</u>

**11 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:

	2014			2013
	Salary \$	Benefits \$	Total \$	Total \$
Mayor (McBride)	-	-	-	65,831
Mayor (Brooker)	68,502	13,816	82,318	12,727
Councillor (Brooker)	-	-	-	29,377
Councillor (Churchill)	-	-	-	26,250
Councillor (Davies)	-	-	-	26,518
Councillor (Davis)	26,424	3,100	29,524	4,925
Councillor (Levisky)	26,424	5,825	32,249	4,996
Councillor (McFadden)	26,424	7,226	33,650	34,763
Councillor (Nagel)	26,424	3,835	30,259	4,515
Councillor (Toews)	26,424	9,596	36,020	35,058
Councillor (Watson)	26,424	9,117	35,541	30,764
Chief Administrative Officer	206,981	44,375	251,356	253,268
Designated Officers (2)	277,710	59,351	337,061	320,691

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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, and memberships.

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.

## **12 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 230,534 people and 418 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 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. 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 and prior period service contributions by the Town to the Plan in 2014 were \$1,307,855 (2013 - \$1,246,315). Total current and prior period service contributions by the employees of the Town to the Plan in 2014 were \$1,208,871 (2013 - \$1,139,835). At December 31, 2013, the Plan disclosed an actuarial deficiency of \$4.86 billion (2012 - \$4.98 billion).

## **13 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, 2014.

### **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 \$7,608,973 with \$5 million funded by the Provincial grant and \$2,608,973 advanced by the developer. The Town recovered the full \$2,608,973 of advances from offsite levies collected. The Province is now receiving 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. Offsite levies collected and remitted to the province in 2014 were \$588,944 (2013 - \$928,235). As of December 31, 2014 the remaining amount to be paid is \$3,132,626 (2013- \$3,721,570).

**Town of Cochrane**  
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**14 Restricted Surplus - Reserve Funds**

	2014	2013
	\$	\$
<b>Restricted Operating Surplus</b>		
Committed operating reserves	2,390,033	2,432,315
Reserves for contingencies	4,530,427	3,041,678
Operating reserves	<u>6,920,460</u>	<u>5,473,993</u>
<b>Restricted Capital Surplus</b>		
Offsite levies	11,696,250	12,313,861
Voluntary levies	4,287,369	3,329,418
Asset replacements and other capital reserves	39,607,176	11,877,397
Capital reserves	<u>55,590,795</u>	<u>27,520,676</u>
<b>Total restricted surplus</b>	<u>62,511,255</u>	<u>32,994,669</u>

**15 Financial Instruments**

The Town's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities, deposit and other liabilities, employee benefit obligations and long term debt. Unless otherwise noted, the carrying value of the financial instruments approximates fair value. 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.

**16 Subsequent Events**

On March 6, 2015, the Province of Alberta announced an additional \$400,000,000 of Municipal Sustainability Initiatives (MSI) capital funding. Of this amount, the Town of Cochrane was allocated \$1,901,579 which will be used to fund the new Aquatic and Curling Centre.

**17 Comparative Amounts**

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

**18 Approval of financial statements**

Council and management approved these financial statements.