

Independent Auditors' Report

To the Mayor and Town Council of the Town of Cochrane:

We have audited the accompanying consolidated financial statements of the Town of Cochrane, which comprise the consolidated statement of financial position at December 31, 2017, and the consolidated statement of operations, changes in net financial assets, cash flows and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 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 an 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 the auditors' 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, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of the 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 the audit evidence 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 financial position of the Town of Cochrane and its subsidiaries as at December 31, 2017 and the results of its operations, changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements of the Town as at and for the year ended December 31, 2016 were audited by another firm of chartered professional accountants who expressed an unmodified audit opinion dated April 24, 2017.

Calgary, Alberta

April 23, 2018



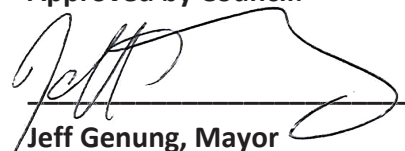
Chartered Professional Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017**

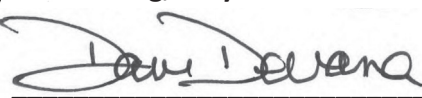
	Note	2017	2016
FINANCIAL ASSETS			
Cash and temporary investments	(Note 2)	\$ 56,279,405	\$ 61,420,950
Receivables			
Taxes and grants in place of taxes	(Note 3)	851,232	674,963
Trade and other receivables		5,336,567	3,330,030
Trade and other inventory		4,337	4,337
Investments	(Note 4)	24,414,810	22,383,347
		86,886,351	87,813,627
LIABILITIES			
Accounts payable and accrued liabilities		6,555,209	9,416,314
Deposit and other liabilities		2,036,780	2,069,562
Deferred revenue	(Note 5)	9,541,262	10,721,440
Employee benefit obligations	(Note 6)	1,042,987	945,199
Long term debt	(Note 7)	24,612,910	23,404,302
Capital lease	(Note 8)	6,666,655	6,731,851
		50,455,803	53,288,668
NET FINANCIAL ASSETS		36,430,548	34,524,959
NON-FINANCIAL ASSETS			
Tangible Capital Assets (Schedule 2)		417,856,061	383,849,768
Prepaid expenses		38,498	21,743
		417,894,559	383,871,511
ACCUMULATED SURPLUS (Schedule 1)	(Note 11)	\$ 454,325,107	\$ 418,396,470

Commitments and Contingencies (Note 15)

Approved by Council:



Jeff Genung, Mayor



Dave Devana, CAO

**CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31,2017**

	Budget (Note 17)	2017	2016
REVENUE			
Net municipal taxes (Schedule 3)	\$ 24,118,598	\$ 24,118,598	\$ 23,080,552
Community revitalization levy	950,000	982,794	853,978
Local improvement taxes	30,535	31,615	31,615
Government transfers for operating (Schedule 4)	3,089,530	3,061,447	2,863,577
User fees and sales of goods	14,645,421	15,511,124	15,206,992
Licenses and permits	902,600	1,674,361	1,755,173
Fines and penalties	1,125,000	880,260	834,596
Rentals, donations and other	340,490	1,113,060	808,506
Franchise fees	2,805,795	3,067,737	2,750,704
Investment Income	85,000	1,318,218	1,105,206
Total revenue	48,092,969	51,759,214	49,290,899
EXPENSES			
Council	481,630	410,104	401,544
General government	6,009,358	5,944,912	5,698,874
Police and municipal enforcement	4,575,125	4,296,344	4,347,464
Fire	5,252,925	5,647,908	5,598,295
Roads, streets and transit	3,816,074	6,118,380	5,489,074
Water, wastewater and storm sewer	6,114,419	9,189,706	10,758,328
Waste and recycling	2,598,752	2,707,768	2,196,570
Subdivision and land development	2,477,084	2,433,672	2,738,762
Parks and recreation	2,573,685	3,473,662	3,329,222
Culture and facilities	5,051,515	6,889,644	5,529,625
Family and community services	2,340,119	2,386,383	2,231,119
Economic development	461,422	490,253	453,570
Total expenses	41,752,108	49,988,736	48,772,447
Excess of revenue over expenses before other revenue	6,340,861	1,770,478	518,452
OTHER REVENUE			
Development levies	-	5,483,843	6,540,377
Capital donations	2,063,683	609,442	1,041,755
Contributed assets	-	15,808,606	20,863,596
Gain (loss) on disposal of tangible capital assets	-	81,709	(1,174,159)
Government transfers for capital (Schedule 4)	4,135,000	12,174,559	8,032,038
Total other revenue	6,198,683	34,158,159	35,303,607
Excess of revenue over expenses	12,539,544	35,928,637	35,822,059
Accumulated surplus, beginning of year	418,396,470	418,396,470	382,574,411
ACCUMULATED SURPLUS, END OF YEAR	\$430,936,014	\$454,325,107	\$418,396,470

**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget (Note 17)	2017	2016
Excess of revenue over expenses	\$ 12,539,544	\$ 35,928,637	\$ 35,822,059
Acquisition of tangible capital assets	(22,302,233)	(27,702,395)	(29,583,275)
Contributed assets	-	(15,808,606)	(20,863,596)
Proceeds on disposal of tangible capital assets	-	83,825	76,088
Amortization of tangible capital assets	-	9,502,592	10,020,989
Changes in prepaid expenses	-	(16,755)	(118)
(Gain) loss on disposal of tangible capital assets	-	(81,709)	1,174,159
	(22,302,233)	(34,023,048)	(39,175,753)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(9,762,689)	1,905,589	(3,353,694)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	34,520,622	34,524,959	37,878,653
NET FINANCIAL ASSETS, END OF YEAR	\$ 24,757,933	\$ 36,430,548	\$ 34,524,959

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 35,928,637	\$ 35,822,059
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	9,502,592	10,020,989
(Gain)/Loss on disposal of tangible capital assets	(81,709)	1,174,159
Contributed assets	(15,808,606)	(20,863,596)
Net change in non-cash operations		
Increase in taxes and grants in place of taxes	(176,269)	(114,382)
(Increase)/decrease in trade, other receivables and prepaid expenses	(2,023,292)	2,064,471
Decrease (increase) in inventory	-	2,976
(Decrease) increase in accounts payable and accrued liabilities	(3,362,214)	1,588,710
Decrease in deposits and other liabilities	(32,782)	(877,009)
Decrease in deferred revenue	(1,180,178)	(2,476,063)
Increase in employee benefit obligations	97,788	66,174
Cash provided by operating transactions	22,863,967	26,408,488
CAPITAL		
Acquisition of tangible capital assets	(27,201,286)	(29,583,275)
Proceeds on disposal of tangible capital assets	83,825	76,088
Cash applied to capital transactions	(27,117,461)	(29,507,187)
INVESTING		
Decrease (increase) in investments	(2,031,463)	(8,459,633)
FINANCING		
New long term debt issued	8,000,000	-
Long term debt repaid	(6,856,588)	(667,414)
Cash applied to financing transactions	1,143,412	(667,414)
Change in cash and temporary investments during the year	(5,141,545)	(12,225,746)
Cash and temporary investments, beginning of the year	61,420,950	73,646,696
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 56,279,405	\$ 61,420,950

SCHEDULE 1: CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets (Note 10)	2017	2016
BALANCE, BEGINNING OF YEAR	\$ 75,005	\$ 64,607,850	\$ 353,713,615	\$418,396,470	\$382,574,411
Excess of revenue over expenses	35,928,637	-	-	35,928,637	35,822,059
Unrestricted funds designated for future use	(16,106,516)	16,106,516	-	-	-
Restricted funds used for operations	205,900	(205,900)	-	-	-
Restricted funds used for tangible capital assets	-	(12,989,664)	12,989,664	-	-
Current year funds used for tangible capital assets	(14,712,732)	-	14,712,732	-	-
Contributed tangible capital assets	(15,808,606)	-	15,808,606	-	-
Disposal of tangible capital assets	2,117	-	(2,117)	-	-
Annual amortization expense	9,502,592	-	(9,502,592)	-	-
New long term debt issued	8,000,000	-	(8,000,000)	-	-
Long term debt repaid	(6,856,588)	-	6,856,588	-	-
Change in accumulated surplus	154,804	2,910,952	32,862,881	35,928,637	35,822,059
BALANCE, YEAR END (Note 11)	\$ 229,809	\$ 67,518,802	\$ 386,576,496	\$454,325,107	\$418,396,470

SCHEDULE 2: CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Cost					Accumulated Amortization					2017	2016
	Opening Balance	Additions	In Progress	Disposals	Ending Balance	Opening Balance	Additions	Disposals	Ending Balance			
Land	\$ 60,466,258	\$ 5,088,194	\$ (388,300)	\$ -	\$ 65,166,152	\$ -	\$ -	\$ -	\$ -	\$ 65,166,152	\$ 60,466,258	
Land improvements	17,698,083	1,434,497	(347,106)	-	18,785,474	5,604,736	690,686	-	6,295,422	12,490,052	12,093,347	
Buildings	86,301,516	49,553,869	(40,294,028)	-	95,561,357	15,447,817	2,151,654	-	17,599,471	77,961,886	70,853,699	
Engineered structures	296,198,182	17,842,303	8,683,139	-	322,723,624	62,201,951	5,645,402	-	67,847,353	254,876,271	233,996,231	
Machines and equipment	5,986,256	1,248,379	362,180	(92,483)	7,504,332	3,676,084	539,220	(92,071)	4,123,233	3,381,099	2,310,172	
Vehicles	6,800,179	88,735	239,140	(328,348)	6,799,706	2,670,118	475,630	(326,643)	2,819,105	3,980,601	4,130,061	
	\$473,450,474	\$75,255,977	\$(31,744,975)	\$(420,831)	\$516,540,645	\$ 89,600,706	\$ 9,502,592	\$(418,714)	\$98,684,584	\$417,856,061	\$383,849,768	

During the year, tangible capital assets were acquired at an aggregate cost of \$75,255,977 (2016- \$32,236,699), less the net change in construction in progress of \$31,744,975 (2016 increase \$18,210,171), less contributed assets of \$15,808,606 (2016-\$20,863,596). Of the \$27,702,395 acquired (2016- \$29,583,275), \$501,109 (2016-\$NIL) remains in accounts payable, therefore, \$27,201,286 (2016- \$29,583,275) was acquired with cash.

Included in the buildings category is a capital lease for the Protective Services Facility having a net book value of \$5,042,204 (2016- \$5,269,524). Amortization of \$257,554 (2016-\$257,050) has been recorded for the lease during the year. The terms of the capital lease are disclosed in Note 8.

Tangible capital assets include the cost of the expansion of the Aquatic and Curling Multipurpose Facility. However, the ultimate ownership has yet to be determined on this jointly owned facility and it is uncertain what impact if any, the final determination will have on tangible capital assets.

**SCHEDULE 3: CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget (Note 17)	2017	2016
TAXATION			
Real property taxes	\$37,805,614	\$37,805,614	\$35,003,882
Linear property taxes	439,582	439,582	397,390
Government grants in place of property taxes	109,841	109,841	99,350
	38,355,037	38,355,037	35,500,622
REQUISITIONS			
Alberta School Foundation Fund	12,410,338	12,410,338	10,828,979
Calgary Catholic School Board	1,627,829	1,627,829	1,405,364
Rockyview Foundation	198,272	198,272	185,727
	14,236,439	14,236,439	12,420,070
	\$24,118,598	\$24,118,598	\$23,080,552

**SCHEDULE 4: CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget (Note 17)	2017	2016
TRANSFERS FOR OPERATING			
Provincial government	\$ 2,440,547	\$ 2,329,141	\$ 2,334,157
Federal government	8,000	17,126	10,447
Other local governments	640,983	715,180	518,973
	3,089,530	3,061,447	2,863,577
TRANSFERS FOR CAPITAL			
Provincial government	4,135,000	10,215,734	6,172,269
Federal government	-	1,358,825	1,259,769
Other local governments	-	600,000	600,000
	4,135,000	12,174,559	8,032,038
TOTAL GOVERNMENT TRANSFERS	\$ 7,224,530	\$15,236,006	\$10,895,615

**SCHEDULE 5: CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget (Note 17)	2017	2016
Salaries, wages and benefits	\$21,135,075	\$ 20,648,804	\$20,443,941
Contracted and general services	9,392,909	8,807,901	8,091,042
Purchases from other governments	5,257,639	4,948,011	4,981,658
Materials, goods, utilities and other	3,768,123	3,662,689	3,534,744
Transfers to local boards and agencies	1,035,763	1,256,993	451,192
Bank charges and short term interest	68,000	67,147	75,567
Interest on long term debt and capital leases	1,094,599	1,094,599	1,173,314
Amortization of tangible capital assets	-	9,502,592	10,020,989
Total Expenses	\$41,752,108	\$ 49,988,736	\$48,772,447

SCHEDULE 6: CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2017

	Council	Protective Services	Transportation Services	Planning & Development	Community Services	Utility Services	General Government	2017	2016
REVENUE									
Net municipal taxes	\$ 474,622	\$ 9,299,270	\$ 1,489,235	\$ 1,785,994	\$ 6,749,504	\$ -	\$ 4,319,973	\$ 24,118,598	\$ 23,080,552
Community revitalization levy	-	-	-	-	-	-	982,794	982,794	853,978
Local improvement taxes	-	-	31,615	-	-	-	-	31,615	31,615
Government transfers for operating	-	621,708	166,000	16,534	2,095,132	162,073	-	3,061,447	2,863,577
Government transfers for capital	-	1,202,901	3,025,201	-	7,946,457	-	-	12,174,559	8,032,038
User fees and sales of goods	-	192,757	2,603	983,226	1,044,378	13,234,335	53,825	15,511,124	15,206,992
Licenses and permits	-	249,852	-	1,363,311	4,035	-	57,163	1,674,361	1,755,173
Fines and penalties	-	533,436	-	-	25,081	-	321,743	880,260	834,596
Rentals, donations and other	-	39,193	4,857	12,251	764,109	22,592	270,058	1,113,060	808,506
Franchise fees	-	-	3,067,737	-	-	-	-	3,067,737	2,750,704
Investment Income	-	-	-	-	187	-	1,318,031	1,318,218	1,105,206
Contributed assets	-	-	4,651,927	1,673,600	-	9,483,079	-	15,808,606	20,863,596
Development levies	-	-	3,030,801	-	814,899	1,638,143	-	5,483,843	6,540,377
Capital donations	-	-	-	-	609,442	-	-	609,442	1,041,755
	474,622	12,139,117	15,469,976	5,834,916	20,053,224	24,540,222	7,323,587	85,835,664	85,768,665
EXPENSES									
Salaries, wages and benefits	290,872	5,302,267	1,460,331	2,069,389	5,633,310	1,806,001	4,086,634	20,648,804	20,443,941
Contracted and general services	117,630	661,440	520,511	828,506	1,762,806	3,409,806	1,507,202	8,807,901	8,091,042
Purchases from other governments	-	2,796,081	-	-	113,049	2,033,727	5,154	4,948,011	4,981,658
Materials, goods, utilities and other	1,602	205,137	1,344,089	20,655	1,115,420	838,842	136,944	3,662,689	3,534,744
Transfers to local boards and agencies	-	22,500	168,317	-	1,066,176	-	-	1,256,993	451,192
Bank charges and short term interest	-	-	-	-	5,717	-	61,430	67,147	75,567
Interest on long term debt and capital leases	-	531,951	35,219	-	409,183	118,246	-	1,094,599	1,173,314
(Gain) loss on disposal of tangible capital assets	-	-	-	-	(81,709)	-	-	(81,709)	1,174,159
	410,104	9,519,376	3,528,467	2,918,550	10,023,952	8,206,622	5,797,364	40,404,435	39,925,617
NET REVENUE, BEFORE AMORTIZATION									
Amortization of tangible capital assets	64,518	2,619,741	11,941,509	2,916,366	10,029,272	16,333,600	1,526,223	45,431,229	45,843,048
	-	424,876	2,589,913	5,375	2,644,028	3,690,852	147,548	9,502,592	10,020,989
EXCESS OF REVENUE OVER EXPENSES									
	\$ 64,518	\$ 2,194,865	\$ 9,351,596	\$ 2,910,991	\$ 7,385,244	\$ 12,642,748	\$ 1,378,675	\$ 35,928,637	\$ 35,822,059

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 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, revenue and expenses and changes 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 Town of Cochrane Library Board. The schedule of taxes levied also includes requisitions for education and social 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.

b. Basis of accounting

The consolidated 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 revenue 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.

Tax revenue is recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

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 expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Amortization

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives. Management reviews useful lives and residual values of the depreciable assets at each reporting date, based on the expected utilization of the assets by the municipality. Significant judgment is involved in the determination of useful life and residual values will not differ significantly from current assumptions.

b) Allowance for doubtful accounts

Trade and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

d. 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.

e. 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 overlevy 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.

f. 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.

g. Restricted surplus - Equity in Tangible Capital Assets

Equity in tangible capital assets represents the Town's net investment in its tangible 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.

h. Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31.

At each reporting date, the Town reviews that carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Town continues to recognize the liability until it is settled or otherwise distinguished. Disbursements made to settle the liability are deducted from the reported liability when made.

It is management's assessment that no contaminated sites exist for the Town.

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:

Asset type	Estimated useful life
Land	Capitalize only
Land Improvements	15 – 20 years
Buildings and leasehold improvements	40 years or over the term of the lease
Structures:	
Water System	40 – 75 years
Wastewater System	45 – 75 years
Stormwater System	75 years
Roadway System	43 years
Road Signals	30 years
Equipment	5 – 10 years
Vehicles	10 – 25 years

One-half of the annual amortization is charged in the year of acquisition. No amortization is taken in the year of disposal. Assets in progress are not amortized until the asset is available for productive use.

j. Contributions of tangible capital assets

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

k. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of the 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.

l. Inventory

Inventory held for sale is recorded at the lower of cost and net realizable value using the first-in-first-out (FIFO) method.

m. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in 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 Change in Net Financial Assets for the year.

n. Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of their respective investments. 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.

o. 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. The functions that have been disclosed in the segmented information, along with the services provided are as follows:

- i. **Council:** Council consists of Town council.
- ii. **Protective Services:** Protective Services includes police, municipal enforcement and fire.
- iii. **Transportation Services:** Transportation services include roads and transit.
- iv. **Planning and Development:** Planning and Development includes subdivision land development and economic development.
- v. **Community Services:** Community Services includes parks and recreation, culture and facilities and family and community services (FCSS).
- vi. **Utility Services:** Utility services includes water, wastewater and storm sewer, waste and recycling.
- vii. **General Government:** General government consists of general administrative which includes executive leadership, corporate services, legislative services and human resources and communications.

For each reported segment, revenue 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 followed in the preparation of the consolidated financial statements. For additional information see the Schedule of Segmented Disclosure. (Schedule 6).

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash	\$17,803,500	\$15,683,461
Temporary Investments	38,475,905	45,737,489
Total	\$56,279,405	\$61,420,950

Temporary investments are short term deposits with maturities within three months from the date of purchase bearing interest at rate from 1.65% to 2.15% (2016 - 1.50% to 2.08%).

3. TAXES AND GRANTS IN PLACE OF TAXES

	2017	2016
Current taxes and grants in place of taxes	\$677,519	\$487,366
Arrears taxes	173,713	187,597
Total	\$851,232	\$674,963

4. INVESTMENTS

	2017	2016
Temporary investments	\$38,475,905	\$45,737,489
Investments	24,414,810	22,383,347
Total	\$62,890,715	\$68,120,836
Reclassify to cash and temporary investments (Note 2)	(38,475,905)	(45,737,489)
Total Investments	\$24,414,810	\$22,383,347

Temporary and long term investments primarily represent term deposits issued by financial institutions, bearing interest at rates from 1.65% to 2.15% (2016 - 1.50% to 2.08%) maturing between 30 days and 1 year and from 1.99% to 2.38% (2016 - 1.65% to 2.38%) for maturities over one year. Market value at December 31, 2017 was \$62,890,715 (2016 - \$68,120,836).

5. DEFERRED REVENUE

	2017	2015
Deferred grant revenue	\$6,377,937	\$8,975,492
Deferred facility bookings revenue	29,598	35,441
Deferred developer revenue	2,616,404	1,210,134
Prepaid meters, licenses, fees	517,323	500,373
Total	\$9,541,262	\$10,721,440

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.

	2017	2016
Employee benefit obligations	\$1,042,987	\$945,199
Total	\$1,042,987	\$945,199

7. LONG-TERM DEBT

	2017	2016
Long-term debt	\$24,612,910	\$23,404,302
Total	\$24,612,910	\$23,404,302

The current portion of long term debt is \$7,645,607 (2016 - \$6,856,588). Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$7,645,607	\$619,009	\$8,264,616
2019	7,809,443	455,173	8,264,616
2020	1,424,742	314,772	1,739,514
2021	1,406,634	254,637	1,661,271
2022	1,464,579	196,692	1,661,271
Subsequent	4,861,905	367,811	5,229,715
Total	\$24,612,910	\$2,208,095	\$26,821,003

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.718% to 9.625% per annum (2016 - 1.718% to 9.625%) and matures between 2019 and 2029. The average interest rate is 2.57% (2016 - 2.53%). Debenture debt is issued on the credit and security of the Town of Cochrane at large.

Interest on long term debt and capital leases amounted to \$1,094,599 (2016 - \$1,173,314).

The Town's total cash payments for interest in 2017 were \$1,094,599 (2016 - \$1,201,012).

8. 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 \$7,741,732, the accumulated amortization is \$2,699,528, and the resulting net book value included in tangible capital assets is \$5,042,204.

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.

The Protective Services Centre lease bore interest at a rate of 7.80% until September when it bears interest at 8.2% (2016 - 7.55%) and matures in 2037. The lease is collateralized by underlying assets.

	2017	2016
Leases	\$6,666,655	\$6,731,851
Total	\$6,666,655	\$6,731,851

The current portion of the capital lease is \$91,191 (2016-\$65,196). Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$91,191	\$543,289	\$634,480
2019	98,956	535,524	634,480
2020	107,383	527,097	634,480
2021	116,527	518,506	634,480
2022	139,096	514,051	653,147
Subsequent	6,113,502	4,853,880	10,967,382
Total	\$6,666,655	\$7,492,347	\$14,158,449

9. 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:

	2017	2016
Total debt limit	\$86,901,314	\$83,746,914
Total debt	31,279,565	30,136,153
Amount of total debt limit available	\$55,621,749	\$53,610,761
Debt servicing limit	14,483,552	13,957,819
Debt servicing	8,899,096	7,951,187
Amount of debt servicing limit available	\$5,584,456	\$6,006,632

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible Capital assets (Schedule 2)	\$516,540,645	\$473,450,477
Accumulated amortization (Schedule 2)	(98,684,584)	(89,600,708)
Long-term debt (including capital leases) (Note 7 and 8)	(31,279,565)	(30,136,153)
Total	\$386,576,496	\$353,713,616

11. ACCUMULATED SURPLUS

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

	2017	2016
Unrestricted surplus	\$229,809	\$75,005
Restricted surplus		
Operating reserves	10,817,632	9,471,286
Capital reserves	56,701,170	55,136,564
Equity in tangible capital assets	386,576,496	353,713,615
Total	\$454,325,107	\$418,396,470

12. RESTRICTED SURPLUS - RESERVE FUNDS

	2017	2016
Restricted operating surplus		
Reserves for commitments	\$3,137,995	\$3,188,136
Reserves for contingencies	7,679,637	6,283,150
Operating reserves	10,817,632	9,471,286
Restricted capital surplus		
Offsite levies	23,335,315	23,088,434
Voluntary levies	858,982	874,485
Asset replacements and other capital reserves	32,506,873	31,173,645
Capital Reserves	56,701,170	55,136,564
Total	\$67,518,802	\$64,607,850

13. 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:

	2017		2016	
	Salary	Benefits	Total	Total
Mayor (Brooker)	69,918	8,089	78,007	96,017
Clr. (Eckmeier)	23,534	4,315	27,850	33,952
Clr. (Levisky)	23,534	4,315	27,850	35,128
Clr. (Toews)	23,534	5,708	29,242	36,114
Clr. (Watson)	23,534	4,415	27,950	34,122
Mayor (Genung)	14,753	1,882	16,635	-

Councillor (Fedeyko)	5,090	1,266	6,356	-
Councillor (Flowers)	5,090	552	5,642	-
Councillor (McFadden)	28,633	6,474	35,107	35,644-
Councillor (Nagel)	28,633	2,637	31,270	31,739
Councillor (Reed)	5,090	1,266	6,356	-
Councillor (Wilson)	5,090	552	5,642	-
CAO (deCocq)	149,165	9,389	158,555	265,610
CAO (Devana)	36,167	11,616	47,783	-
DCAO (Craig)	210,373	11,973	222,346	218,239
DCAO (Gaida)	81,301	17,376	98,677	-
Designated Officers (1)	104,551	25,412	129,963	130,764

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

- 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
- Allowances 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:

- 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.

14. 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 253,862 people and 417 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 2017 were \$1,607,253 (2016 - \$1,521,108). Total

current and prior year service contributions by the employees of the Town to the Plan in 2017 were \$1,480,671 (2016 - \$1,398,314). At December 31, 2016, the date of the most recent actuarial valuation, the Plan disclosed an actuarial deficit of \$637,357,000 (2015- \$923,416,000).

15. 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, 2017.

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 off-site levies collected. The Province is now receiving payments on the \$5 million conditional grant which is only repayable if there is sufficient off-site levies collected from future development. The Town must provide the Province with annual reports which forecast the amount, nature and timing of expected development and anticipated revenue from associated development levies within the affected area, and the anticipated grant repayment schedule. Off-site levies collected and remitted to the Province in 2017 were \$68,606 (2016- \$102,980). As of December 31, 2017, the remaining amount to be paid is \$1,108,132 (2016 - \$1,176,738).

16. COMPARATIVE FIGURES

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

17. BUDGET

The disclosed budget information has been approved by Council. The following is reconciliation between the approved budget and the amounts on the consolidated financial statements.

a. Budgeted Revenue	
Approved budgeted operating revenue	\$56,977,473
Reserve transfers	(664,941)
Interdepartmental revenue	(2,020,880)
Presented as other revenue	(6,198,683)
Total	\$48,092,969

b. Budgeted Expenses	
Approved budgeted operating expenses	\$56,977,473
Community revitalization levy	(950,000)
Reserve transfers	(5,455,658)
Interdepartmental expenses	(2,020,880)
Principal debt repayments	(6,856,588)
Library (net consolidated difference)	57,761
Total	\$41,752,108