
TOWN OF COCHRANE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Management's Responsibility

To the Members of Council of the Town of Cochrane:


Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

July 8, 2019

A handwritten signature in black ink, appearing to read "Dave Davane", written over a horizontal line.

Chief Administrative Officer

Independent Auditor's Report

To the Members of Council of the Town of Cochrane:

Opinion

We have audited the consolidated financial statements of the Town of Cochrane (the "Town"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets, cash flows, and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with Alberta regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in note 9.

Calgary, Alberta
July 8, 2019

MNP LLP

Chartered Professional Accountants

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Town of Cochrane
Consolidated Statement of Financial Position

As at December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Financial assets		
Cash and temporary investments (Note 2)	69,803,899	56,279,404
Receivables (Note 3)		
Taxes and grants in place of taxes	691,906	851,232
Trade and other receivables	9,055,656	5,336,567
Trade and other inventory	4,337	4,337
Investments (Note 4)	14,387,582	24,414,810
	<u>93,943,380</u>	<u>86,886,350</u>
Liabilities		
Accounts payable and accrued liabilities	8,020,610	6,555,210
Deposit liabilities	1,898,478	2,036,780
Deferred revenue (Note 5)	5,924,025	9,541,262
Employee benefit obligations (Note 6)	977,740	1,042,987
Long-term debt (Note 7)	16,967,303	24,612,910
Capital lease (Note 8)	6,575,464	6,666,655
	<u>40,363,620</u>	<u>50,455,804</u>
Net financial assets	<u>53,579,760</u>	<u>36,430,546</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	431,485,329	417,856,061
Prepaid expenses	42,057	38,498
	<u>431,527,386</u>	<u>417,894,559</u>
Accumulated surplus (Schedule 1, Note 11)	<u>485,107,146</u>	<u>454,325,105</u>
Contingencies and Commitments (Note 16)		

Approved by Council:

Mayor

CAO

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Consolidated Statement of Operations

For the year ended December 31, 2018

	Budget (Note 17) \$	2018 \$	2017 \$
Revenue			
Net municipal property taxes (Schedule 3)	25,650,512	25,650,512	24,119,988
Community revitalization levy	1,222,747	1,217,796	982,794
Local improvement taxes	31,615	31,615	31,615
Government transfers for operating (Schedule 4)	2,777,165	3,303,270	3,061,447
User fees and sales of goods	14,767,287	16,747,934	15,511,121
Licenses and permits	1,316,400	1,574,740	1,674,361
Fines and penalties	945,000	941,905	880,260
Rentals, donations and other	3,016,990	4,116,752	1,113,060
Franchise fees	3,086,374	3,127,556	3,067,737
Investment income	82,000	1,189,807	1,318,218
	<u>52,896,090</u>	<u>57,901,887</u>	<u>51,760,601</u>
Expenses			
Council	471,997	449,034	410,104
General Government	6,308,030	6,518,798	5,946,301
Police and municipal enforcement	5,168,527	4,565,911	4,296,344
Fire	5,765,132	6,437,302	5,647,908
Roads, streets and transit	4,136,892	6,802,850	6,118,380
Water, wastewater and storm sewer	6,537,397	10,007,486	9,189,706
Waste and recycling	2,887,906	2,956,798	2,707,768
Subdivision and land development	2,866,626	2,688,647	2,433,672
Parks and recreation	2,591,600	3,591,875	3,473,662
Culture and facilities	4,986,461	8,437,795	6,889,644
Family and community services	2,382,666	2,354,277	2,386,383
Economic development	565,600	540,078	490,253
Total expenses	<u>44,668,834</u>	<u>55,350,851</u>	<u>49,990,125</u>
Excess (deficiency) of revenue over expenses before other items	<u>8,227,256</u>	<u>2,551,036</u>	<u>1,770,476</u>
Other Revenue (Expense)			
Development levies	-	11,184,901	5,483,843
Capital donations	-	750	609,442
Contributed assets	-	5,087,742	15,808,606
Gain (loss) on disposal of Capital Assets	-	896,047	81,709
Government transfers for capital (Schedule 4)	4,275,000	11,061,565	12,174,559
Total other items	<u>4,275,000</u>	<u>28,231,005</u>	<u>34,158,159</u>
Excess (deficiency) of revenue over expenses	<u>12,502,256</u>	<u>30,782,041</u>	<u>35,928,635</u>
Accumulated surplus, beginning of year	<u>454,325,105</u>	<u>454,325,105</u>	<u>418,396,470</u>
Accumulated surplus, end of year	<u>466,827,361</u>	<u>485,107,146</u>	<u>454,325,105</u>

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2018

	Budget (Note 17) \$	2018 \$	2017 \$
Excess of revenue over expenses	12,502,256	30,782,041	35,928,635
Acquisition of tangible capital assets	(21,600,000)	(19,344,615)	(27,702,395)
Contributed assets	-	(5,087,742)	(15,808,606)
Proceeds on disposal of tangible capital assets	-	1,060,500	83,825
Amortization of tangible capital assets	-	10,638,636	9,502,592
Changes in prepaid expenses	-	(3,559)	(16,755)
Gain (loss) of tangible capital assets	-	(896,047)	(81,709)
	<u>(21,600,000)</u>	<u>(13,632,827)</u>	<u>(34,023,048)</u>
Increase (decrease) in net financial assets	(9,097,744)	17,149,214	1,905,587
Net financial assets, beginning of year	36,430,546	36,430,546	34,524,959
Net financial assets, end of year	<u>27,332,802</u>	<u>53,579,760</u>	<u>36,430,546</u>

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	30,782,041	35,928,637
Non-cash items		
Amortization of tangible capital assets	10,638,636	9,502,592
Loss on disposal of tangible capital assets	(896,047)	(81,709)
Contributed Assets	(5,087,742)	(15,808,606)
Net change in non-cash operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	159,326	(176,269)
Decrease (increase) in trade and other receivables	(3,719,089)	(2,023,292)
Decrease (increase) in prepaid expenses	(3,559)	-
(Decrease) in accounts payable and accrued liabilities (Schedule 2)	(2,051,704)	(3,362,215)
Increase (decrease) in deposit liabilities	(138,302)	(32,782)
Increase (decrease) in derred revenue	(3,617,237)	(1,180,178)
Increase (decrease) in employee benefit obligations	(65,247)	97,788
Cash provided by (applied) to operating transactions	<u>26,001,076</u>	<u>22,863,966</u>
Capital		
Acquisition of tangible capital assets (Schedule 2)	(15,827,511)	(27,201,286)
Proceeds on disposal of tangible capital assets	1,060,500	83,825
Cash provided by (applied) to capital transactions	<u>(14,767,011)</u>	<u>(27,117,461)</u>
Investing		
Decrease (increase) in investments	10,027,228	(2,031,463)
	<u>10,027,228</u>	<u>(2,031,463)</u>
Financing		
Long-term debt issued	-	8,000,000
Long-term debt repaid	(7,736,798)	(6,856,588)
Cash provided by (applied) to financing transactions	<u>(7,736,798)</u>	<u>1,143,412</u>
Change in cash and cash equivalents during the year	13,524,495	(5,141,546)
Cash resources, beginning of year	<u>56,279,404</u>	<u>61,420,950</u>
Cash resources, end of year	<u><u>69,803,899</u></u>	<u><u>56,279,404</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Statement of Changes in Accumulated Surplus

For the year ended December 31, 2018

Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018 \$	2017 \$
BALANCE, BEGINNING OF YEAR	229,807	67,518,802	386,576,496	454,325,105	418,396,470
Excess of revenues over expenses	30,782,041	-	-	30,782,041	35,928,635
Unrestricted funds designated for future use	(7,309,046)	7,309,046	-	-	-
Restricted funds used for operations	698,840	(698,840)	-	-	-
Restricted funds used for tangible capital assets	-	(15,379,473)	15,379,473	-	-
Current year funds used for tangible capital assets	(3,965,142)	-	3,965,142	-	-
Contributed tangible capital assets	(5,087,742)	-	5,087,742	-	-
Disposal of tangible capital assets	(896,047)	-	896,047	-	-
Cash proceeds on disposal of capital assets	1,060,500	-	(1,060,500)	-	-
Annual amortization expense	10,638,636	-	(10,638,636)	-	-
Long term debt repaid	(7,736,798)	-	7,736,798	-	-
Change in accumulated surplus	18,185,242	(8,769,267)	21,366,066	30,782,041	35,928,635
BALANCE, END OF YEAR	18,415,049	58,749,535	407,942,562	485,107,146	454,325,105

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Schedule of Tangible Capital Assets
For the year ended December 31, 2018
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2018 \$	2017 \$
Cost:									
Balance, beginning of the year	65,166,152	17,466,761	95,413,949	311,589,974	7,142,151	6,494,186	13,267,471	516,540,644	473,450,474
Acquisition of tangible capital assets	641,827	757,945	475,522	10,088,038	247,738	692,704	11,528,583	24,432,357	43,511,001
Disposals of tangible capital assets	-	-	877,082	-	6,880	4,210	-	888,172	420,831
Transfers	-	40,247	-	39,094	-	305,521	(384,862)	-	-
Balance, end of the year	65,807,979	18,264,953	95,012,389	321,717,106	7,383,009	7,488,201	24,411,192	540,084,829	516,540,644
Accumulated amortization:									
Balance, beginning of the year	-	6,295,422	17,599,470	67,847,353	4,123,234	2,819,104	-	98,684,583	89,600,705
Annual amortization	-	715,227	2,947,571	5,919,968	580,176	475,694	-	10,638,636	9,502,592
Disposals of tangible capital assets	-	-	712,629	-	6,880	4,210	-	723,719	418,714
Balance, end of the year	-	7,010,649	19,834,412	73,767,321	4,696,530	3,290,588	-	108,599,500	98,684,583
Net book value of tangible capital assets	65,807,979	11,254,304	75,177,977	247,949,785	2,686,479	4,197,613	24,411,192	431,485,329	417,856,061
 2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	 65,166,152	 11,171,339	 77,814,479	 243,742,621	 3,018,917	 3,675,082	 13,267,471	 417,856,061	

During the year, tangible capital assets were acquired at an aggregate cost of \$24,432,357 (2017 - \$43,511,001), less contributed assets of \$5,087,742 (2017 - \$15,808,606). Of the \$19,344,615 acquired (2017- \$27,702,395), \$4,018,213 (2017 - \$501,109) remains in accounts payable, therefore, \$15,326,402 (2017 - \$17,201,286) was acquired with cash during the year. Total cash paid for capital assets during the year includes the assets acquired during the year, plus the amounts in accounts payable from the prior year which is a total of \$15,827,511.

During the year, assets having a net book value of \$164,453 were sold for proceeds of \$1,060,500, resulting in a gain on disposal of capital assets of \$896,047.

The net change in accounts payable as stated on the statement of cash flows has been adjusted for the amount remaining in accounts payable related to tangible capital assets.

Included in the buildings category is a capital lease for the Protective Services Facility having a net book value of \$4,785,658 (2017- \$5,042,204). Amortization of \$256,546 (2017 - \$257,554) 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 Multisport 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.

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Schedule of Property and Other Taxes
For the year ended December 31, 2018
Schedule 3

	Budget (Note 17) \$	2018 \$	2017 \$
Taxation			
Real property taxes	39,774,156	39,774,156	37,807,004
Linear property taxes	458,068	458,068	439,582
Government grants in place of property taxes	119,643	119,643	109,841
	<u>40,351,867</u>	<u>40,351,867</u>	<u>38,356,427</u>
Expenses			
Alberta School Foundation Fund	12,874,041	12,874,041	12,410,338
Calgary Catholic School Board	1,622,540	1,622,540	1,627,829
Rockyview Foundation	204,774	204,774	198,272
	<u>14,701,355</u>	<u>14,701,355</u>	<u>14,236,439</u>
Net municipal taxes	<u>25,650,512</u>	<u>25,650,512</u>	<u>24,119,988</u>

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Schedule of Government Transfers

For the year ended December 31, 2018

Schedule 4

	Budget (Note 17)	2018	2017
	\$	\$	\$
	<u> </u>	<u> </u>	<u> </u>
Transfers for operating			
Provincial Government	2,212,042	2,828,681	2,329,141
Federal Government	3,000	11,899	17,126
Other Local Governments	562,123	462,690	715,180
	<u>2,777,165</u>	<u>3,303,270</u>	<u>3,061,447</u>
 Transfers for capital			
Provincial Government	4,275,000	9,561,565	10,215,734
Federal Government	-	1,500,000	1,358,825
Other Local Governments	-	-	600,000
	<u>4,275,000</u>	<u>11,061,565</u>	<u>12,174,559</u>
 Total Government Transfers	<u>7,052,165</u>	<u>14,364,835</u>	<u>15,236,006</u>

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Schedule of Consolidated Expenses by Object

For the year ended December 31, 2018

Schedule 5

	Budget (Note 17) \$	2018 \$	2017 \$
Consolidated Expenses by Object			
Salaries, wages and benefits	21,695,613	21,991,278	20,648,804
Contracted and general services	9,727,174	10,113,319	8,807,900
Purchases from other governments	5,799,808	5,308,982	4,948,011
Materials, goods and utilities	4,306,244	4,481,296	3,664,079
Transfers to local boards and agencies	1,879,775	1,591,301	1,256,993
Bank charges and short term interest	72,000	63,741	67,147
Interest on long term debt and capital leases	1,188,220	1,162,298	1,094,599
Amortization of tangible capital assets	-	10,638,636	9,502,592
Total expenses	44,668,834	55,350,851	49,990,125

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Schedule of Segmented Disclosures
For the year ended December 31, 2018
Schedule 6

	Council	Protective Services	Transportation Services	Planning & Development	Community Services	Utility Services	General Government	2018	2017
REVENUE									
Net municipal taxes	513,010	10,516,710	1,795,536	1,282,526	6,925,638	-	4,617,092	25,650,512	24,119,988
Community revitalization levy	-	-	-	-	-	-	1,217,796	1,217,796	982,794
Local improvement taxes	-	-	31,615	-	-	-	-	31,615	31,615
Government transfers for operating	-	734,855	154,516	220,047	2,145,936	47,916	-	3,303,270	3,061,447
User fees and sales of goods	-	199,680	6,086	665,642	796,634	15,029,781	50,111	16,747,934	15,511,121
Licenses and permits	-	244,365	-	1,291,048	2,050	-	37,277	1,574,740	1,674,361
Fine and penalties	-	562,926	-	-	24,024	-	354,955	941,905	880,260
Rental, donations and other	-	54,555	20,056	28,832	3,033,773	127,517	852,019	4,116,752	1,113,060
Franchise fees	-	-	3,127,556	-	-	-	-	3,127,556	3,067,737
Investment income	-	-	-	-	248	-	1,189,559	1,189,807	1,318,218
Development levies	-	-	10,335,420	-	682,835	166,646	-	11,184,901	5,483,843
Capital donations	-	-	-	-	750	-	-	750	609,442
Contributed assets	-	-	1,395,009	629,969	-	3,062,764	-	5,087,742	15,808,606
Government transfers for capital	-	-	928,186	-	10,133,379	-	-	11,061,565	12,174,559
	513,010	12,313,091	17,793,980	4,118,064	23,745,267	18,434,624	8,318,809	85,236,845	85,837,051
EXPENSES									
Salaries, wages and benefits	300,466	5,746,508	1,642,973	2,369,634	5,572,011	1,910,243	4,449,443	21,991,278	20,648,804
Contracted and general services	147,252	720,890	871,461	828,279	2,108,008	3,866,070	1,571,359	10,113,319	8,807,900
Purchases from other governments	-	3,049,001	-	-	118,439	2,136,872	4,670	5,308,982	4,948,011
Materials, goods, utilities and other	1,316	405,971	1,449,131	30,812	1,124,551	1,215,937	253,578	4,481,296	3,664,079
Transfers to local boards and agencies	-	22,500	189,504	-	1,379,297	-	-	1,591,301	1,256,993
Bank charges and short term interest	-	-	-	-	-	-	63,741	63,741	67,147
Interest on long term debt and capital leases	-	543,289	2,285	-	616,724	-	-	1,162,298	1,094,599
(Gain) loss on disposal of tangible capital assets	-	-	-	-	(896,047)	-	-	(896,047)	(81,709)
	449,034	10,488,159	4,155,354	3,228,725	10,022,983	9,129,122	6,342,791	43,816,168	40,405,824
NET REVENUE, BEFORE AMORTIZATION	63,976	1,824,932	13,638,626	889,339	13,722,284	9,305,502	1,976,018	41,420,677	45,431,227
Amortization expense	-	515,053	2,647,496	-	3,464,916	3,835,162	176,009	10,638,636	9,502,592
EXCESS OF REVENUE OVER EXPENSES	63,976	1,309,879	10,991,130	889,339	10,257,368	5,470,340	1,800,009	30,782,041	35,928,635

The accompanying notes are an integral part of these financial statements.

Town of Cochrane
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Cochrane (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of CPA 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) Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported 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 area which requires management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

i) 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 company. Significant judgement is involved in the determination of useful life and residual values will not differ significantly from current assumptions.

ii) Allowance for doubtful accounts

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

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

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-levy and under-levy

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.

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) Contaminated sites liability

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 over the estimated useful life as follows:

	<u>Years</u>
Buildings	40
Engineered structures	30 - 75
Machinery and equipment	5 - 10
Vehicles	10 - 25

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.

Town of Cochrane
Notes to the Consolidated Financial Statements

For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

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.

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

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

	2018	2017
Cash	28,910,681	17,803,499
Temporary investments	40,893,218	38,475,905
	69,803,899	56,279,404

Temporary investments are short term deposits with maturities within three months from the date of purchase bearing interest at rates from 2.00% to 2.38% per annum (2017 - 1.65% to 2.15%).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current taxes and grants in place of taxes	497,950	677,519
Arrears	193,956	173,713
	691,906	851,232

4. INVESTMENTS

	2018	2017
Temporary investments	40,893,218	38,475,905
Investments	14,387,582	24,414,810
	55,280,800	62,890,715
Reclassified to cash and temporary investments (Note 2)	(40,893,218)	(38,475,905)
	14,387,582	24,414,810

Temporary and long term investments primarily represent term deposits issued by financial institutions, bearing interest at rates from 2.00% to 2.38% per annum (2017 - 1.65% to 2.15%) maturing between 30 days and 1 year and from 1.81% to 2.40% (2017 - 1.99% to 2.38%) for maturities over one year. Market value at December 31, 2018 was \$55,280,800 (2017 - \$62,890,715).

5. DEFERRED REVENUE

	2018	2017
Deferred grant revenue	5,390,634	6,377,937
Deferred facility revenue	33,814	29,598
Deferred developer revenue	-	2,616,404
Prepaid meters, licenses and fees	499,577	517,323
	5,924,025	9,541,262

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

6. EMPLOYEE BENEFIT OBLIGATION

Employee benefit obligations consist of vacation, overtime and uniform points liability for unionized personnel. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

	2018	2017
Employee benefit obligation	977,740	1,042,987

7. LONG TERM DEBT

	2018	2017
Long term debt	16,967,303	24,612,910

The current portion of the long-term debt amounts to \$7,809,443 (2017 - \$7,645,607).

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2023	1,090,926	135,913	1,226,839
Thereafter	3,770,979	258,561	4,029,540
	16,967,303	1,615,748	18,583,051

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.72% to 9.63% per annum (2017 - 1.72% to 9.63%) and matures between 2019 and 2029. The average interest rate is 2.13% (2017 - 2.57%). 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 \$1,162,298 (2017 - \$1,094,599). The Town's total cash payments for interest in 2018 were \$1,162,298 (2017 - \$1,094,599).

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 Road. 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 \$2,956,074 (2017 - \$2,699,528), and the resulting net book value included in tangible capital assets is \$4,785,658 (2017 - \$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 bears interest at 8.20% (2017 - 8.20%) and matures in 2037. The lease is collateralized by underlying assets.

	2018	2017
Long term debt	6,575,464	6,666,655

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

8. CAPITAL LEASE (continued from previous page)

The current portion of the capital lease is \$98,956 (2017 - \$91,191). Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	98,956	535,524	634,480
2020	107,383	527,097	634,480
2021	116,527	518,506	635,033
2022	139,096	514,051	653,147
2023	177,647	512,833	690,480
Thereafter	5,935,855	4,341,048	10,276,903
	6,575,464	6,949,059	13,524,523

9. DEBT LIMITS

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

	2018	2017
Total debt limit	103,631,307	86,780,829
Total debt (Notes 7 and 8)	23,542,767	31,279,565
Amount debt limit remaining	80,088,540	55,501,264
Debt servicing limit	17,271,885	14,463,472
Debt servicing	8,899,096	8,899,096
Service on debt limit remaining	8,372,789	5,564,376

The debt limit is calculated at 1.5 times revenue of the Town (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 which could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets (Schedule II)	431,485,329	417,856,061
Long term debt (including capital leases) (Note 7 and 8)	(23,542,767)	(31,279,565)
	407,942,562	386,576,496

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

11. ACCUMULATED SURPLUS

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

	2018	2017
Unrestricted surplus	18,415,049	229,807
Restricted surplus (Note 12)		
Operating reserves	10,622,561	10,817,631
Capital reserves	48,126,974	56,701,171
Equity in tangible capital assets (Note 10)	407,942,562	386,576,496
	485,107,146	454,325,105

12. RESTRICTED SURPLUS - RESERVES FUNDS

Council has set aside funds as an internal allocation of accumulated surplus as follows:

	2018	2017
Restricted Operating Surplus		
Reserves for commitments	2,440,811	3,137,995
Reserves for contingencies	8,181,750	7,679,636
Operating Reserves	10,622,561	10,817,631
Restricted Capital Surplus		
Offsite and voluntary levies	14,262,410	24,194,298
Asset replacement and other capital reserves	33,864,564	32,506,873
Capital Reserves	48,126,974	56,701,171
	58,749,535	67,518,802

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

13. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary ¹	Benefits & allowances ²	2018	2017
Mayor:				
Genung	84,671	7,507	92,178	16,635
Brooker	-	-	-	78,007
Councillors:				
Fedeyko	29,227	5,858	35,085	6,356
Flowers	29,227	3,087	32,314	5,642
McFadden	29,227	6,638	35,865	35,107
Nagel	29,227	3,867	33,094	31,270
Reed	29,227	5,858	35,085	6,356
Wilson	29,227	5,040	34,267	5,642
Eckmeier	-	-	-	27,850
Levisky	-	-	-	27,850
Toews	-	-	-	29,242
Watson	-	-	-	27,950
Administrators				
Chief Administrative Officer (Devana)	201,930	40,029	241,959	47,783
Chief Administrative Officer (deCocq)	-	-	-	158,555
Deputy Chief Administrative Officer (Gaida)	161,887	38,374	200,261	98,677
Deputy Chief Administrative Officer (Craig)	-	-	-	222,346
Designated Officers (1)	107,690	25,170	132,860	129,963

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 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 include regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. Amounts for 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

The Town is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town is required to make current service contributions to the Plan of 10.39% (2017 - 11.39%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.84% (2017 - 15.84%) for the excess. Employees of the Town are required to make current service contributions of 9.39% (2017 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 13.84% (2017 - 14.84%) on pensionable salary above this amount.

Total current and prior period service contributions by the Town to the Plan in 2018 were \$1,578,903 (2017 - \$1,607,253). Total current and prior year service contributions by the employees of the Town to the Plan in 2018 were \$1,447,498 (2017 - \$1,480,671). At December 31, 2017, the date of the most recent actuarial valuation, the Plan disclosed an actuarial surplus of \$4.83 billion (2016 - deficit of \$637 million).

LAPP has announced that member contribution rates will be reduced by 1% for employees and 1% for employers, effective January 1, 2019.

15. COMPARATIVE FIGURES

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

16. COMMITMENTS AND CONTINGENCIES

i. Lawsuits and Claims

There are pending claims by and against the Town. Litigation is subject to uncertainties, and the outcome of the individual matters is not predictable with assurance. Management believes the Town has minimal exposure to these actions at December 31, 2018.

ii. 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 payments 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 development and anticipated revenue from associated development levies within the affected area, and the anticipated grant repayment schedule. Offsite levies collected and remitted to the Province in 2018 were \$125,600 (2017 - \$68,606). As of December 31, 2018, the remaining amount to be paid is \$982,500 (2017 - \$1,108,132).

iii. Spray Lake Sawmills Recreation Park Society

Effective June 20, 2017, the Town entered into a reimbursement agreement with the Spray Lake Sawmills Recreation Park Society (the "Society") wherein the Town has agreed to reimburse the Society for operating losses incurred for 7.5 years from the date of the agreement, with an automatic renewal for an additional 7.5 years, unless the agreement is terminated in writing by one or both of the parties not less than twelve months prior to its expiry. During the year, the Town provided \$995,543 (2017 - \$627,610) to support the Society. The amount is included in transfers to local boards and agencies as disclosed in the Community Services segment on schedule 6.

Town of Cochrane
Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

17. BUDGET INFORMATION

The disclosed budget information has been approved by Council. The following is a reconciliation between the budget approved and that showing in the consolidated financial statements.

i. Budgeted Revenue

Approved budget revenue	61,283,629
Draws from reserves	(4,112,539)
Presented as other revenue	(4,275,000)
	<hr/> 52,896,090

i. Budgeted Expenses

Approved budget expenses	60,200,358
Transfers to reserves	(7,802,927)
Principal debt repayments	(7,728,597)
	<hr/> 44,668,834
	<hr/> 8,227,256

18. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2018, the Town adopted the recommendations relating to the following Sections, as set out in the CPA Canada Public Sector Accounting Standards Handbook:

- PS 2200 *Related Party Disclosures*
- PS 3210 *Assets*
- PS 3320 *Contingent Assets*
- PS 3380 *Contractual Rights*
- PS 3420 *Inter-entity Transactions*

Pursuant to the recommendations, the changes were applied prospectively, and prior periods have not been restated. There was no material impact on the consolidated financial statement of adopting the new Sections.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.