



TOWN OF COCHRANE

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Approved by Council:



Truper McBride, Mayor



Lori Craig, Deputy CAO

Town of Cochrane
Consolidated Financial Statements
As at December 31, 2012

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April 22, 2013

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Town of Cochrane and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statement of operations, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Cochrane and its subsidiaries as at December 31, 2012 and the results of their operations, changes in their net financial assets and their cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

Town of Cochrane
Consolidated Statement of Financial Position
As at December 31, 2012

	2012	2011
	\$	\$
		(restated - note 17)
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	34,109,557	28,987,889
Receivables		
Taxes and grants in place of taxes (Note 3)	640,039	558,475
Trade and other receivables	12,244,227	8,797,465
Investments (Note 4)	1,881,129	6,943,300
	48,874,952	45,287,129
 LIABILITIES		
Accounts payable and accrued liabilities	5,675,200	3,868,952
Deposits and other liabilities	1,062,857	677,883
Deferred revenue (Note 5)	12,395,595	9,417,072
Employee benefit obligations (Note 6)	768,981	654,559
Long term debt (Note 7)	14,522,969	15,335,695
	34,425,602	29,954,161
 NET FINANCIAL ASSETS	14,449,350	15,332,968
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2 and Note 9)	248,396,415	238,955,959
Prepaid expenses	20,704	20,534
	248,417,119	238,976,493
 ACCUMULATED SURPLUS (Note 11)	262,866,469	254,309,461

Commitments and Contingencies (Note 14)

**Town of Cochrane
Consolidated Statement of Operations
For the Year Ended December 31, 2012**

	Budget \$ (Unaudited)	2012 \$	2011 \$ (restated - note 17)
REVENUE			
Net municipal property taxes (Schedule 3)	16,625,112	16,625,112	14,990,416
Special assessment and local improvement taxes	277,228	277,642	275,039
Government transfers (Schedule 4)	3,054,818	2,905,469	3,728,702
User fees	9,694,406	10,408,179	8,890,929
Licenses, permits, fines, rentals, and other revenue	2,708,158	3,182,380	2,966,908
Franchise and concession contracts	1,502,000	1,555,973	1,492,562
Investment income	150,300	570,510	484,460
Development levies	-	3,050,493	8,430,368
Penalties and costs - taxes and utilities	184,400	227,284	196,928
Total Revenue	34,196,422	38,803,042	41,456,312
EXPENSES			
Legislative	409,334	379,236	360,691
General administrative	5,295,010	5,228,279	4,618,119
Police and bylaw enforcement	3,042,850	3,036,988	2,543,470
Fire	4,408,709	5,438,755	4,241,451
Roads, streets, walks and lighting	4,013,786	4,170,244	4,060,159
Water and wastewater	6,504,742	6,723,262	6,046,426
Waste, recycling, environmental services	1,942,435	1,988,531	1,655,704
Subdivision land development	1,952,601	2,584,203	2,668,267
Recreation, parks, culture and facilities	7,105,477	6,702,879	5,959,774
Family and community service	1,813,138	1,916,565	2,955,996
Economic development, cemetery	474,906	361,765	468,967
Total Expenditures	36,962,988	38,530,707	35,579,024
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES			
- BEFORE CAPITAL REVENUE	(2,766,566)	272,335	5,877,288
CAPITAL REVENUE			
Contributed assets	3,983,000	3,923,916	5,411,608
Gain (loss) on disposal of tangible capital assets	-	35,998	(18,986)
Government transfers for capital (Schedule 4)	4,324,759	4,324,759	6,239,686
Total Capital Revenue	8,307,759	8,284,673	11,632,308
EXCESS OF REVENUE OVER EXPENSES	5,541,193	8,557,008	17,509,596
ACCUMULATED SURPLUS, BEGINNING OF YEAR	254,309,461	254,309,461	236,799,865
ACCUMULATED SURPLUS, END OF YEAR	259,850,654	262,866,469	254,309,461

Town of Cochrane
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2012

	Budget \$ <u>(Unaudited)</u>	2012 \$ <u></u>	2011 \$ <u>(restated - note 17)</u>
EXCESS OF REVENUE OVER EXPENSES	5,541,193	8,557,008	17,509,596
Acquisition of tangible capital assets	(11,230,300)	(11,230,336)	(9,273,874)
Contributed assets	(3,983,000)	(3,923,916)	(5,411,608)
Proceeds on disposal of tangible capital assets	-	72,369	202,169
Amortization of tangible capital assets	5,678,000	5,677,425	5,402,420
Decrease in prepaid expenses	(200)	(170)	673
Loss on sale of tangible capital assets	-	(35,998)	18,986
	<u>(9,535,500)</u>	<u>(9,440,626)</u>	<u>(9,061,234)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,994,307)	(883,618)	8,448,362
NET FINANCIAL ASSETS , BEGINNING OF YEAR	15,332,968	15,332,968	6,884,606
NET FINANCIAL ASSETS, END OF YEAR	<u><u>11,338,661</u></u>	<u><u>14,449,350</u></u>	<u><u>15,332,968</u></u>

**Town of Cochrane
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2012**

	2012	2011
	\$	\$
	<u> </u>	<u>(restated - note 17)</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	8,557,008	17,509,596
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	5,677,425	5,402,420
(Gain) loss on disposal of tangible capital assets	(35,998)	18,986
Tangible capital assets received as contributions	(3,923,916)	(5,411,608)
Non-cash charges to operations (net change):		
Decrease in taxes and grants in lieu	(81,564)	(108,991)
Increase in trade, other receivables and prepaid expenses	(3,256,747)	(4,717,476)
Increase in accounts payable and accrued liabilities	1,616,063	1,538,183
Increase in deposits and other liabilities	384,974	237,924
Increase (decrease) in deferred revenue	2,978,523	(1,645,641)
Increase in employee benefit obligations	114,422	63,189
Cash provided by operating transactions	<u>12,030,190</u>	<u>12,886,582</u>
CAPITAL		
Acquisition of tangible capital assets	(11,230,336)	(9,273,874)
Proceeds from sale of tangible capital assets	72,369	202,169
Cash applied to capital transactions	<u>(11,157,967)</u>	<u>(9,071,705)</u>
INVESTING		
Decrease (increase) in investments	<u>5,062,171</u>	<u>(1,512,220)</u>
FINANCING		
Long-term debt issued	-	400,000
Long-term debt repaid	(812,726)	(1,316,899)
Cash applied to financing transactions	<u>(812,726)</u>	<u>(916,899)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	5,121,668	1,385,758
CASH AND TEMPORARY INVESTMENTS BEGINNING OF YEAR (NOTE 2)	<u>28,987,889</u>	<u>27,602,131</u>
CASH AND TEMPORARY INVESTMENTS END OF YEAR (NOTE 2)	<u><u>34,109,557</u></u>	<u><u>28,987,889</u></u>

Town of Cochrane
Consolidated Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2012
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2012	2011 (restated - note 17)
BALANCE, BEGINNING OF YEAR	353,025	30,336,172	223,620,264	254,309,461	236,799,865
Excess (deficiency) of revenues over expenses	8,557,008	-	-	8,557,008	17,509,596
Unrestricted funds designated for future use	(5,838,361)	5,838,361	-	-	-
Restricted funds used for operations	1,176,965	(1,176,965)	-	-	-
Restricted funds used for tangible capital assets	-	(6,365,769)	6,365,769	-	-
Current year funds used for tangible capital assets	(4,864,566)	-	4,864,566	-	-
Contributed tangible capital assets	(3,923,916)	-	3,923,916	-	-
Disposal of tangible capital assets	36,371	-	(36,371)	-	-
Annual amortization expense	5,677,425	-	(5,677,425)	-	-
Long term debt repaid	(812,726)	-	812,726	-	-
Change in accumulated surplus	8,200	(1,704,373)	10,253,181	8,557,008	17,509,596
BALANCE, END OF YEAR	361,225	28,631,799	233,873,445	262,866,469	254,309,461

Town of Cochrane
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2012
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2012 \$	2011 \$ (restated - note 17)
COST:								
BALANCE, BEGINNING OF YEAR	45,884,600	7,480,024	43,233,317	188,421,580	5,365,786	4,848,513	295,233,820	281,207,612
Acquisition of tangible capital assets	1,060,300	87,280	2,620,034	4,660,333	295,719	189,598	8,913,264	9,007,291
Construction in progress (net)	-	995,310	(717,645)	5,963,323	-	-	6,240,988	5,678,191
Disposal of tangible capital assets	-	-	-	-	(380,242)	(477,689)	(857,931)	(659,274)
BALANCE, END OF YEAR	46,944,900	8,562,614	45,135,706	199,045,236	5,281,263	4,560,422	309,530,141	295,233,820
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	3,827,400	8,854,916	38,646,834	2,825,319	2,123,392	56,277,861	51,313,557
Annual amortization	-	222,611	1,301,900	3,471,087	437,422	244,405	5,677,425	5,402,420
Accumulated amortization on disposals	-	-	-	-	(354,596)	(466,964)	(821,560)	(438,116)
BALANCE, END OF YEAR	-	4,050,011	10,156,816	42,117,921	2,908,145	1,900,833	61,133,726	56,277,861
NET BOOK VALUE OF								
TANGIBLE CAPITAL ASSETS	46,944,900	4,512,603	34,978,890	156,927,315	2,373,118	2,659,589	248,396,415	238,955,959
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	45,884,600	3,652,624	34,378,401	149,774,746	2,540,467	2,725,121	238,955,959	

Town of Cochrane
Consolidated Schedule of Property and Other Taxes
For the Year Ended December 31, 2012
Schedule 3

	Budget \$ (Unaudited)	2012 \$	2011 \$
TAXATION			
Real property taxes	25,096,192	25,096,192	22,651,437
Linear property taxes	302,900	302,900	268,583
Government grants in place of property taxes	100,236	100,236	84,942
	<u>25,499,328</u>	<u>25,499,328</u>	<u>23,004,962</u>
REQUISITIONS			
Alberta School Foundation Fund	7,618,203	7,618,203	6,704,905
Calgary Separate School Board	1,135,104	1,135,104	1,185,999
Rockyview Foundation	120,909	120,909	123,642
	<u>8,874,216</u>	<u>8,874,216</u>	<u>8,014,546</u>
NET MUNICIPAL TAXES	<u>16,625,112</u>	<u>16,625,112</u>	<u>14,990,416</u>

Town of Cochrane
Consolidated Schedule of Government Transfers
For the Year Ended December 31, 2012
Schedule 4

	Budgeted \$ (Unaudited)	2012 \$	2011 \$ (restated - note 17)
TRANSFERS FOR OPERATING			
Provincial Government	2,260,515	1,973,684	2,884,454
Federal Government	4,600	43,978	7,813
Other Local Governments	789,703	887,807	836,435
	<u>3,054,818</u>	<u>2,905,469</u>	<u>3,728,702</u>
TRANSFERS FOR CAPITAL			
Provincial Government	2,947,573	2,947,573	6,148,959
Federal Government	1,249,663	1,249,663	90,727
Other Local Governments	127,523	127,523	-
	<u>4,324,759</u>	<u>4,324,759</u>	<u>6,239,686</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>7,379,577</u></u>	<u><u>7,230,228</u></u>	<u><u>9,968,388</u></u>

Town of Cochrane
Consolidated Schedule of Expenses by Object
For the Year Ended December 31, 2012
Schedule 5

	Budget \$ <u>(Unaudited)</u>	2012 \$	2011 \$ (restated - note 17)
EXPENSES BY OBJECT			
Salaries, wages and benefits	15,085,713	16,010,397	13,668,325
Contracted and general services	7,866,045	8,853,878	7,612,454
Purchases from other governments	3,642,682	3,632,787	3,001,631
Materials, goods, utilities, and other	2,868,487	2,517,799	2,798,286
Transfers to local boards and agencies	704,941	715,428	1,965,816
Bank charges and short-term interest	58,400	66,355	51,673
Interest on long-term debt and capital leases	1,058,720	1,056,638	1,078,419
Amortization of tangible capital assets	5,678,000	5,677,425	5,402,420
(Gain) loss on disposal of tangible capital assets	-	(35,998)	18,986
	<u>36,962,988</u>	<u>38,494,709</u>	<u>35,598,010</u>

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

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 of the Canadian Institute of Chartered Accountants (PSAB). 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 (see note 17). 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, 2012

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, 2012

l) 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
Construction in Progress	Capitalize only
Land Improvements	15 – 20 years
Buildings	40 years
Leasehold Improvements	Over term of the lease
Infrastructure:	
Water System	40 – 75 years
Wastewater System	45 – 75 years
Stormwater System	75 years
Roadway System	43 years
Road Signals	30 years
Land under roads	Capitalize only
Machinery & Equipment	5 - 10 years
Fiber Optic Network	30 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 at fair value at the date of final acceptance certificate and also are recorded as revenue.

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.

Cultural and Historical Tangible Capital Assets

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

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

2 Cash and Temporary Investments

	2012 \$	2011 \$ (restated - note 17)
Cash	18,508,010	13,819,047
Temporary Investments (note 4)	15,601,547	15,168,842
	<u>34,109,557</u>	<u>28,987,889</u>

Temporary investments are short term deposits with maturities within one year from the date of purchase bearing interest at rates from 1.31% to 2.40% (2011 – 1.25% - 2.05%).

3 Taxes and Grants in Place of Taxes

	2012 \$	2011 \$
Current taxes and grants in place of taxes	629,809	413,118
Arrears taxes	10,230	145,357
	<u>640,039</u>	<u>558,475</u>

4 Investments

	2012 \$	2011 \$ (restated - note 17)
Cash equivalents	-	5,000,000
Temporary investments	15,601,547	10,168,842
Long term investments	1,881,129	6,943,300
Total investments	<u>17,482,676</u>	<u>22,112,142</u>
Reclassify to cash and temporary investments (Note 2)	<u>(15,601,547)</u>	<u>(15,168,842)</u>
Long Term Investments	<u>1,881,129</u>	<u>6,943,300</u>

Temporary and long term investments primarily represent debentures or discount notes issued by the Provincial Government or financial institutions, bearing interest at rates from 1.31% to 2.4% (2011 – 1.25% - 4.25%) maturing between 30 days and 1 year and a number of term deposits, bearing interest at rates from 1.65% - 2.11% (2011 - 1.55% - 4.25%), all of which have original maturities of between 7 months to a maximum of 3 years. Market value at December 31, 2012 was \$17,505,188 (2011 - \$22,112,142).

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

5 Deferred Revenue

	2012	2011
	\$	\$
		(restated - note 17)
Prepaid local improvements	49,750	52,484
Deferred revenue facility bookings	47,000	51,521
Deferred grant revenue	11,962,759	8,997,576
Deferred fundraising revenue	5,175	-
Prepaid meters, licenses & fees	330,911	315,491
	<u>12,395,595</u>	<u>9,417,072</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.

7 Long-Term Debt

	2012	2011
	\$	\$
Debentures	7,575,593	8,334,659
Leases	6,947,376	7,001,036
	<u>14,522,969</u>	<u>15,335,695</u>

The current portion of long term debt is \$891,191 (2011 - \$821,194). Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2013	891,191	986,245	1,877,436
2014	908,632	924,044	1,832,676
2015	967,351	865,804	1,833,155
2016	687,872	802,920	1,490,792
2017	662,205	763,873	1,426,078
Subsequent	10,405,718	8,463,688	18,869,406
	<u>14,522,969</u>	<u>12,806,574</u>	<u>27,329,543</u>

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.52% to 11.125% per annum (2011 – 1.52% to 11.125%), and matures between 2013 and 2029. The average annual interest rate is 6.38% for 2012 (2011 – 7.05%). Debenture debt is issued on the credit and security of the Town of Cochrane at large.

Leases bear interest at rates ranging from 5.52% – 7.55% (2011 – 5.52% – 7.55%) and mature between 2013 and 2037. The leases are collateralized by the underlying assets.

Interest on long term debt and capital leases amounted to \$1,056,638 (2011- \$1,078,418).

The Town’s total cash payments for interest in 2012 were \$1,060,800 (2011- \$1,081,558).

a) 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 \$1,413,775 and the resulting net book value included in tangible capital assets is \$6,297,723.

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.

b) Self Contained Breathing Apparatus Capital Lease

The cost of the asset under capital lease is \$286,360, the accumulated amortization is \$128,862 and the resulting net book value included in tangible capital assets is \$157,498. The interest rate implicit on the lease is 19% and it expires June 2013.

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:

	2012	2011
	\$	\$
Total debt limit	57,868,544	61,757,355
Total debt	14,522,969	15,335,695
Amount of total debt limit available	<u>43,345,575</u>	<u>46,421,660</u>
Debt servicing limit	9,644,757	10,292,893
Debt servicing	1,877,436	1,872,940
Amount of debt servicing limit available	<u>7,767,321</u>	<u>8,419,953</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.

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

9 Tangible capital assets

	2012	2011
	\$	\$
		(restated - note 17)
Land	46,944,900	45,884,600
Land improvements	4,512,603	3,652,624
Buildings	28,681,167	27,823,628
Engineered structures	156,927,315	149,774,746
Machinery, equipment and furnishings	2,215,620	2,354,333
Vehicles	2,659,589	2,725,121
Assets under capital lease	6,455,221	6,740,907
	<u>248,396,415</u>	<u>238,955,959</u>

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

10 Equity in tangible capital assets

	2012	2011
	\$	\$
		(restated - note 17)
Tangible Capital assets (Schedule 2)	309,530,141	295,233,820
Accumulated amortization (Schedule 2)	(61,133,726)	(56,277,861)
Long-term debt (Note 7)	(14,522,970)	(15,335,695)
	<u>233,873,445</u>	<u>223,620,264</u>

11 Accumulated Surplus

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

	2012	2011
	\$	\$
		(restated - note 17)
Unrestricted surplus	361,225	353,025
Restricted surplus		
Operating fund (Note 15)	3,609,384	3,627,271
Reserve fund (Note 15)	25,022,415	26,708,901
Equity in tangible capital assets (Note 10)	233,873,445	223,620,264
	<u>262,866,469</u>	<u>254,309,461</u>

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

12 Salary and Benefits Disclosure

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

	2012			2011
	Salary	Benefits	Total	Total
	\$	\$	\$	\$
Mayor McBride	66,690	6,219	72,909	74,310
Councillor Brooker	25,725	4,596	30,321	30,727
Councillor Churchill	25,725	4,596	30,321	29,458
Councillor Davies	25,725	2,250	27,975	28,553
Councillor McFadden	25,725	4,596	30,321	29,570
Councillor Toews	25,725	4,596	30,321	30,727
Councillor Watson	25,725	4,596	30,321	29,805
Chief Administrative Officer	197,948	41,229	239,177	283,219
Designated Officers (2)	259,309	50,880	310,189	293,974

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.

Town of Cochrane
Notes to the Consolidated Financial Statements
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13 Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP" or the "Plan"), which is covered by the Public Sector Pensions Plans Act. The Plan serves about 206,000 people and 421 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the Plan of 9.91% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.74% for the excess. Employees of the town are required to make currently service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the Town to the Plan in 2012 were \$1,015,561 (2011 - \$824,957). Total current service contributions by the employees of the Town to the Plan in 2012 were \$922,636 (2011 - \$746,009). At December 31, 2011, the Plan disclosed an actuarial deficiency of \$4.6 billion (2010 - \$4.0 billion).

14 Commitments and Contingencies

a) Lawsuits and Claims

No provision has been made for various lawsuits and legal claims filed against the Town as management believes the Town has minimal exposure to these actions at December 31, 2012.

b) Bow Valley High School Servicing Conditional Grant

The Town received a \$5 million conditional grant in 2006 from the Province of Alberta to construct utility services for Bow Valley High School. The total project cost was \$7,284,234 with \$5 million funded by the Provincial grant and \$2,284,234 advanced by the developer. The Town is expected to recover the full \$2,284,234 of advances from offsite levies collected from future developments. Once this has been recovered, the Province will receive repayments on the \$5 million conditional grant which is only repayable if there is sufficient offsite levies collected from future development. The Town must provide the Province with annual reports which forecast the amount, nature and timing of expected future development and anticipated revenues from associated development levies within the affected area, and the anticipated Grant repayment schedule. Offsite levies collected and remitted to the province in 2012 were \$350,195 (2011 - \$nil).

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

15 Restricted Surplus - Reserve Funds

	2012 \$	2011 \$ (restated - note 17)
Restricted Operating Surplus		
Committed operating reserves	1,396,318	853,017
Reserves for contingencies	<u>2,213,066</u>	<u>2,774,254</u>
Operating reserves	<u><u>3,609,384</u></u>	<u><u>3,627,271</u></u>
Restricted Capital Surplus		
Offsite levies	14,424,449	12,482,695
Asset replacements reserves	<u>10,597,966</u>	<u>14,226,206</u>
Capital reserves	<u><u>25,022,415</u></u>	<u><u>26,708,901</u></u>
Total restricted surplus	<u><u>28,631,799</u></u>	<u><u>30,336,172</u></u>

16 Financial Instruments

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

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Town of Cochrane
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2012

17 Prior Period Adjustments

Public Sector Accounting requires governments to consolidate the results of wholly owned or controlled corporations. The Town controls the Nan Boothby Memorial Library. The Town has consolidated the results of the Library into its financial statements for the first time in 2012, to better reflect the results of the organization. The first time consolidation has resulted in prior period adjustments to the 2011 comparative figures.

	2011
	\$
Adjustments to opening accumulated surplus:	
As previously reported	236,704,002
Equity in Nan Boothby Memorial Library	95,863
As restated	236,799,865
 Adjustments to excess of revenue over expenses:	
As previously reported	17,436,218
Surplus in Nan Boothby Memorial Library - operating net of intercompany transactions	73,378
As restated	17,509,596
 Adjustment to tangible capital assets:	
As previously reported	238,929,382
Capital assets Nan Boothby Memorial Library	26,577
As restated	238,955,959

18 Comparative Figures

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

19 Approval of financial statements

Council and management approved these financial statements.