

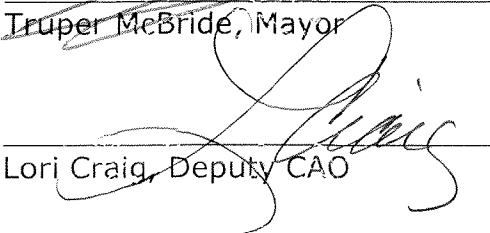
TOWN OF COCHRANE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Approved by Council:



Truper McBride, Mayor



Lori Craig, Deputy CAO

**Town of Cochrane
Financial Statements
As at December 31, 2011**

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April 23, 2012

Independent Auditor's Report

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

We have audited the accompanying financial statements of **Town of Cochrane**, which comprise the statement of financial position as at December 31, 2011 and the statement of operations, change 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the 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 statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the program statement 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 statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Town of Cochrane as at December 31, 2011 and the results of their operations and their cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

**Town of Cochrane
Statement of Financial Position
As at December 31, 2011**

	2011	2010
	\$	\$
FINANCIAL ASSETS		
Cash and Temporary Investments (Note 2)	28,815,901	27,473,857
Receivables		
Taxes and grants in place of taxes (Note 3)	558,475	449,484
Trade and other receivables	8,986,905	4,066,817
Investments (Note 4)	6,762,702	5,216,080
	<u>45,123,983</u>	<u>37,206,238</u>
 LIABILITIES		
Accounts payable and accrued liabilities	3,866,273	2,110,889
Deposits and other liabilities	677,883	439,959
Deferred revenue (Note 5)	9,396,944	10,987,601
Employee benefit obligations (Note 6)	654,559	591,370
Long term debt (Note 7)	15,335,695	16,252,594
	<u>29,931,354</u>	<u>30,382,413</u>
 NET FINANCIAL ASSETS	<u>15,192,629</u>	<u>6,823,825</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2 and Note 9)	238,929,382	229,862,058
Prepaid expenses	18,209	18,119
	<u>238,947,591</u>	<u>229,880,177</u>
 ACCUMULATED SURPLUS (Note 11)	<u>254,140,220</u>	<u>236,704,002</u>
 Commitments and Contingencies (Note 14)		

**Town of Cochrane
Statement of Operations
For the Year Ended December 31, 2011**

	Budget \$ (Unaudited)	2011 \$	2010 \$
REVENUE			
Net municipal property taxes (Schedule 3)	14,990,416	14,990,416	13,566,940
Special assessment and local improvement taxes	272,228	275,039	274,781
Government transfers (Schedule 4)	2,689,524	3,609,248	2,984,931
User fees	8,457,103	8,818,465	8,230,938
Licenses, permits, fines, rentals, and other revenue	2,406,294	2,875,090	2,815,208
Franchise and concession contracts	1,289,704	1,492,562	1,311,501
Investment income	149,116	483,454	392,607
Development levies	-	8,430,368	772,863
Penalties and costs - taxes and utilities	214,400	196,928	199,384
Total Revenue	30,468,785	41,171,570	30,549,153
EXPENSES			
Legislative	399,550	360,691	349,469
General administrative	4,589,412	4,618,119	4,413,598
Police and bylaw enforcement	2,743,745	2,543,470	2,162,118
Fire and ambulance	4,147,335	4,241,451	4,524,653
Roads, streets, walks and lighting	3,479,739	4,060,159	4,047,531
Water and wastewater	5,990,991	6,046,426	5,475,618
Waste, recycling, environmental services	1,729,698	1,655,704	1,356,673
Subdivision land development	2,790,060	2,668,267	1,911,792
Recreation, parks, culture and facilities	5,472,678	5,748,410	4,950,038
Family and community service	2,083,714	2,955,996	1,470,098
Economic development, cemetery, and other	419,960	468,967	833,054
Total Expenditures	33,846,882	35,367,660	31,494,642
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES			
- BEFORE CAPITAL REVENUE	(3,378,097)	5,803,910	(945,489)
CAPITAL REVENUE			
Contributed assets	9,000,000	5,411,608	10,835,827
Loss on disposal of tangible capital assets	-	(18,986)	(1,414,989)
Government transfers for capital (Schedule 4)	6,239,686	6,239,686	6,696,835
Total Capital Revenue	15,239,686	11,632,308	16,117,673
EXCESS OF REVENUE OVER EXPENSES	11,861,589	17,436,218	15,172,184
ACCUMULATED SURPLUS, BEGINNING OF	236,704,002	236,704,002	221,531,818
ACCUMULATED SURPLUS, END OF YEAR	248,565,591	254,140,220	236,704,002

Town of Cochrane
Statement of Change in Net Financial Assets
For the Year Ended December 31, 2011

	Budget \$ (Unaudited)	2011 \$	2010 \$
EXCESS OF REVENUE OVER EXPENSES	11,861,589	17,436,218	15,172,184
Acquisition of tangible capital assets	(9,300,000)	(9,270,989)	(4,788,375)
Contributed assets	(9,000,000)	(5,411,608)	(10,835,827)
Proceeds on disposal of tangible capital assets	-	202,169	34,442
Amortization of tangible capital assets	4,730,000	5,394,115	4,996,523
Increase (decrease) in prepaid expenses	-	90	(9,165)
Loss on sale of tangible capital assets	-	18,986	1,414,989
	<u>(13,570,000)</u>	<u>(9,067,237)</u>	<u>(9,187,413)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,708,411)	8,368,981	5,984,771
NET FINANCIAL ASSETS , BEGINNING OF YEAR	6,823,648	6,823,648	838,877
NET FINANCIAL ASSETS, END OF YEAR	<u>5,115,237</u>	<u>15,192,629</u>	<u>6,823,648</u>

**Town of Cochrane
Statement of Cash Flows
For the Year Ended December 31, 2011**

	2011	2010
	\$	\$
	<hr/>	<hr/>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	17,436,218	15,172,184
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	5,394,115	4,996,523
Loss on disposal of tangible capital assets	18,986	1,414,989
Tangible capital assets received as contributions	(5,411,608)	(10,835,827)
Non-cash charges to operations (net change):		
Increase (decrease) in taxes and grants in lieu	(108,991)	60,643
Increase in trade, other receivables and prepaid expenses	(4,920,178)	(136,447)
Increase (decrease) in accounts payable and accrued liabilities	1,755,387	(360,074)
Increase (decrease) in deposits and other liabilities	237,924	(142,860)
Decrease in deferred revenue	(1,590,657)	(1,147,092)
Increase (decrease) in employee benefit obligations	63,189	(14,040)
Cash provided by operating transactions	<u>12,874,385</u>	<u>9,007,999</u>
CAPITAL		
Acquisition of tangible capital assets	(9,270,989)	(4,788,375)
Proceeds from sale of tangible capital assets	202,169	34,442
Cash applied to capital transactions	<u>(9,068,820)</u>	<u>(4,753,933)</u>
INVESTING		
Increase in investments	<u>(1,546,622)</u>	<u>(404,317)</u>
FINANCING		
Long-term debt issued	400,000	-
Long-term debt repaid	(1,316,899)	(991,086)
Cash applied to financing transactions	<u>(916,899)</u>	<u>(991,086)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	1,342,044	2,858,663
CASH AND TEMPORARY INVESTMENTS BEGINNING OF YEAR (NOTE 2)	<u>27,473,857</u>	<u>24,615,194</u>
CASH AND TEMPORARY INVESTMENTS END OF YEAR (NOTE 2)	<u><u>28,815,901</u></u>	<u><u>27,473,857</u></u>

Town of Cochrane
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2011
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2011	2010
BALANCE, BEGINNING OF YEAR	239,790	22,854,842	213,609,370	236,704,002	221,531,818
Excess (deficiency) of revenues over expenses	17,436,218	-	-	17,436,218	15,172,184
Unrestricted funds designated for future use	(9,859,668)	9,859,668	-	-	-
Restricted funds used for operations	1,155,599	(1,155,599)	-	-	-
Restricted funds used for tangible capital assets	-	(1,252,091)	1,252,091	-	-
Current year funds used for tangible capital assets	(7,618,992)	-	7,618,992	-	-
Contributed tangible capital assets	(5,411,608)	-	5,411,608	-	-
Disposal of tangible capital assets	221,158	-	(221,158)	-	-
Annual amortization expense	5,394,115	-	(5,394,115)	-	-
Long term debt repaid	(1,316,899)	-	1,316,899	-	-
Change in accumulated surplus	(77)	7,451,978	9,984,317	17,436,218	15,172,184
BALANCE, END OF YEAR	239,713	30,306,820	223,593,687	254,140,220	236,704,002

Town of Cochrane
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2011
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2011 \$	2010 \$
COST:								
BALANCE, BEGINNING OF YEAR	45,940,250	6,547,625	41,666,732	178,094,267	4,461,511	4,429,585	281,139,970	267,652,695
Acquisition of tangible capital assets	152,400	165,891	973,677	5,753,305	1,117,944	841,189	9,004,406	25,230,807
Construction in progress (net)	-	766,508	592,908	4,575,536	-	(256,761)	5,678,191	(9,606,605)
Disposal of tangible capital assets	(208,050)	-	-	(1,528)	(284,196)	(165,500)	(659,274)	(2,136,927)
BALANCE, END OF YEAR	<u>45,884,600</u>	<u>7,480,024</u>	<u>43,233,317</u>	<u>188,421,580</u>	<u>5,295,259</u>	<u>4,848,513</u>	<u>295,163,293</u>	<u>281,139,970</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	3,609,233	7,689,589	35,261,379	2,648,543	2,069,168	51,277,912	46,968,885
Annual amortization	-	218,167	1,165,327	3,385,828	405,069	219,724	5,394,115	4,996,523
Accumulated amortization on disposals	-	-	-	(373)	(272,243)	(165,500)	(438,116)	(687,496)
BALANCE, END OF YEAR	<u>-</u>	<u>3,827,400</u>	<u>8,854,916</u>	<u>38,646,834</u>	<u>2,781,369</u>	<u>2,123,392</u>	<u>56,233,911</u>	<u>51,277,912</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>45,884,600</u>	<u>3,652,624</u>	<u>34,378,401</u>	<u>149,774,746</u>	<u>2,513,890</u>	<u>2,725,121</u>	<u>238,929,382</u>	<u>229,862,058</u>
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>45,940,250</u>	<u>2,938,392</u>	<u>33,977,143</u>	<u>142,832,888</u>	<u>1,812,968</u>	<u>2,360,417</u>	<u>229,862,058</u>	

**Town of Cochrane
Schedule of Property and Other Taxes
For the Year Ended December 31, 2011
Schedule 3**

	Budget \$ (Unaudited)	2011 \$	2010 \$
	<u> </u>	<u> </u>	<u> </u>
TAXATION			
Real property taxes	22,651,437	22,651,437	20,711,920
Linear property taxes	268,583	268,583	269,884
Government grants in place of property taxes	84,942	84,942	68,585
	<u>23,004,962</u>	<u>23,004,962</u>	<u>21,050,389</u>
 REQUISITIONS			
Alberta School Foundation Fund	6,704,905	6,704,905	6,030,314
Calgary Separate School Board	1,185,999	1,185,999	1,333,093
Rockyview Foundation	123,642	123,642	120,042
	<u>8,014,546</u>	<u>8,014,546</u>	<u>7,483,449</u>
 NET MUNICIPAL TAXES			
	<u>14,990,416</u>	<u>14,990,416</u>	<u>13,566,940</u>

**Town of Cochrane
Schedule of Government Transfers
For the Year Ended December 31, 2011
Schedule 4**

	Budgeted \$ (Unaudited)	2011 \$	2010 \$
TRANSFERS FOR OPERATING			
Provincial Government	1,971,967	2,801,164	2,214,040
Federal Government	10,400	7,813	29,124
Other Local Governments	707,157	800,271	741,767
	<u>2,689,524</u>	<u>3,609,248</u>	<u>2,984,931</u>
TRANSFERS FOR CAPITAL			
Provincial Government	6,148,959	6,148,959	6,696,835
Federal Government	90,727	90,727	-
	<u>6,239,686</u>	<u>6,239,686</u>	<u>6,696,835</u>
TOTAL GOVERNMENT TRANSFERS	<u>8,929,210</u>	<u>9,848,934</u>	<u>9,681,766</u>

**Town of Cochrane
Schedule of Expenses by Object
For the Year Ended December 31, 2011
Schedule 5**

	Budget \$	2011 \$	2010 \$
EXPENSES BY OBJECT	(Unaudited)	<hr/>	<hr/>
Salaries, wages and benefits	13,862,209	13,341,602	12,645,750
Contracted and general services	7,138,046	7,403,218	6,381,559
Purchases from other governments	3,157,983	3,001,631	2,464,100
Materials, goods, utilities, and other	3,043,316	3,131,186	3,146,818
Transfers to local boards and agencies	763,498	1,965,816	691,130
Bank charges and short-term interest	58,050	51,673	56,396
Interest on long-term debt	1,093,780	1,078,419	1,112,366
Amortization of tangible capital assets	4,730,000	5,394,115	4,996,523
Loss on disposal of tangible capital assets	-	18,986	1,414,989
	<hr/>	<hr/>	<hr/>
	33,846,882	35,386,646	32,909,631

Town of Cochrane
Notes to the Financial Statements
For the Year Ended December 31, 2011

1 Significant Accounting Policies

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

a) Reporting entity

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

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the new present value basis over the term of the respective investments. If there is a permanent loss in value, the respective investment is written down to recognize the loss.

Town of Cochrane
Notes to the Financial Statements
For the Year Ended December 31, 2011

e) Taxes and grants in place of taxes receivable

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

f) Off-site developers' levies

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

g) Requisition over-levies and under-levies

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

h) Prepaid local improvement charges

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

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

i) Restricted surplus – Reserve funds

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

j) Restricted surplus - Equity in Tangible Capital Assets

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

Town of Cochrane
Notes to the Financial Statements
For the Year Ended December 31, 2011

k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the consolidated Change in Net Financial Assets (Debt) for the year.

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.

Town of Cochrane
Notes to the Financial Statements
For the Year Ended December 31, 2011

iii. Cultural and Historical Tangible Capital Assets

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

2 Cash and Temporary Investments

	2011	2010
	\$	\$
Cash	<u>13,647,059</u>	<u>4,413,388</u>
Temporary Investments (note 4)	<u>15,168,842</u>	<u>23,060,469</u>
	<u>28,815,901</u>	<u>27,473,857</u>

Temporary investments are short term deposits with maturities within one year from the date of purchase bearing interest at rates from 1.25% to 2.05% (2010 - 1.16% - 4.4%).

3 Taxes and Grants in Place of Taxes

	2011	2010
	\$	\$
Current taxes and grants in place of taxes	<u>413,118</u>	<u>363,945</u>
Arrears taxes	<u>145,357</u>	<u>85,539</u>
	<u>558,475</u>	<u>449,484</u>

4 Investments

	2011	2010
	\$	\$
Cash equivalents	<u>5,000,000</u>	<u>5,000,000</u>
Temporary investments	10,168,842	18,060,469
Long term investments	<u>6,762,702</u>	<u>5,216,080</u>
Total investments	21,931,544	28,276,549
Reclassify to cash and temporary investments (Note 2)	<u>(15,168,842)</u>	<u>(23,060,469)</u>
Long Term Investments	<u>6,762,702</u>	<u>5,216,080</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 1.25% to 4.25% (2010 - 1.16% - 6.3%) maturing between 30 days and 1 year and a number of term deposits, bearing interest at rates from 1.55% - 4.25% (2010 - 1.16% - 6.3%), all of which have original maturities of between 13 months to a maximum of 3 years. Market value at December 31, 2011 was \$21,931,544 (2010 - \$28,276,549).

Town of Cochrane
Notes to the Financial Statements
For the Year Ended December 31, 2011

5 Deferred Revenue

	2011	2010
	\$	\$
Prepaid local improvements	52,484	59,088
Deferred revenue facility bookings	51,521	29,450
Deferred grant revenue	8,992,659	10,616,759
Prepaid meters and licenses	300,280	282,304
	<u>9,396,944</u>	<u>10,987,601</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

	2011	2010
	\$	\$
Debentures	8,334,659	8,572,238
Leases (Note 7a)	7,001,036	7,680,356
	<u>15,335,695</u>	<u>16,252,594</u>

The current portion of long term debt is \$821,194 (2010 - \$1,307,430). Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2012	821,194	1,051,746	1,872,940
2013	896,566	971,541	1,868,107
2014	914,334	918,350	1,832,684
2015	973,454	859,709	1,833,163
2016	694,407	796,393	1,490,800
Subsequent	11,035,740	9,240,153	20,275,893
	<u>15,335,695</u>	<u>13,837,892</u>	<u>29,173,587</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.52% to 11.125% per annum (2010 - 5.25% to 11.125%), and matures between 2013 and 2037. The average annual interest rate is 7.05% for 2011 (2010 - 6.98%). 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% (2010 - 4.58% to 7.55%) and mature between 2013 and 2037. The leases are collateralized by the underlying assets.

**Town of Cochrane
Notes to the Financial Statements
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The calculation of the fair value of the debt is based on current lending rates available for debentures with comparable maturities from the Alberta Municipal Financing Corporation. The estimated fair value of the long-term debt is approximately \$19.85 million (2010 – \$20 million).

Interest on long term debt amounted to \$1,078,418 (2010- \$1,112,366).

The Town's total cash payments for interest in 2011 were \$1,081,558 (2010- \$1,126,188).

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.

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

8 Debt Limits

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

	2011	2010
	\$	\$
Total debt limit	<u>61,757,355</u>	<u>45,822,605</u>
Total debt	<u>15,335,695</u>	<u>16,252,594</u>
Amount of total debt limit available	<u>46,421,660</u>	<u>29,570,011</u>
Debt servicing limit	10,292,893	7,637,101
Debt servicing	<u>1,872,940</u>	<u>2,381,379</u>
Amount of debt servicing limit available	<u>8,419,953</u>	<u>5,255,722</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 Financial Statements
For the Year Ended December 31, 2011

9 Tangible capital assets

	2011	2010
	\$	\$
Land	45,884,600	45,940,250
Land improvements	3,652,624	2,938,392
Buildings	27,466,373	26,296,787
Engineered structures	149,774,746	142,832,888
Machinery, equipment and furnishings	2,424,882	1,812,968
Vehicles	2,725,121	2,360,417
Assets under capital lease	7,001,036	7,680,356
	<u>238,929,382</u>	<u>229,862,058</u>

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

10 Equity in tangible capital assets

	2011	2010
	\$	\$
Tangible Capital assets (Schedule 2)	295,163,293	281,139,970
Accumulated amortization (Schedule 2)	(56,233,911)	(51,277,912)
Long-term debt (Note 7)	(15,335,695)	(16,252,594)
	<u>223,593,687</u>	<u>213,609,464</u>

11 Accumulated Surplus

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

	2011	2010
	\$	\$
Unrestricted surplus	239,713	239,695
Restricted surplus		
Operating fund (Note 15)	3,627,271	4,467,068
Reserve fund (Note 15)	26,679,549	18,387,775
Equity in tangible capital assets (Note 10)	223,593,687	213,609,464
	<u>254,140,220</u>	<u>236,704,002</u>

**Town of Cochrane
Notes to the Financial Statements
For the Year Ended December 31, 2011**

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:

	2011			2010
	Salary	Benefits	Total	Total
	\$	\$	\$	\$
Mayor McBride	65,000	9,310	74,310	75,596
Councillor Brooker	25,073	5,654	30,727	5,820
Councillor Chester	-	-	-	22,385
Councillor Churchill	25,073	4,385	29,458	28,341
Councillor Davies	25,073	3,480	28,553	26,651
Councillor McFadden	25,073	4,497	29,570	28,285
Councillor Sine	-	-	-	20,675
Councillor Toews	25,073	5,654	30,727	4,814
Councillor Watson	25,073	4,732	29,805	27,169
Chief Administrative Officer	189,427	93,792	283,219	200,662
Designated Officers (2)	248,074	45,900	293,974	270,572

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

Total current service contributions by the Town to the Plan in 2011 were \$824,957 (2010 - \$811,787). Total current service contributions by the employees of the Town to the Plan in 2011 were \$746,009 (2010 - \$729,899). At December 31, 2010, the Plan disclosed an actuarial deficiency of \$4.6 billion (2009 - \$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, 2011.

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.

c) Land purchase

On September 26, 2011 council authorized the purchase of lands legally described as Plan 2033R, Block 7, Lots 3, 4, 5, 12 and 13, funds to come from existing reserves.

Town of Cochrane
Notes to the Financial Statements
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15 Restricted Surplus - Reserve Funds

	2011	2010
	\$	\$
Restricted Operating Surplus		
Committed operating reserves	853,017	1,841,876
Reserves for contingencies	<u>2,774,254</u>	<u>2,625,192</u>
Operating reserves	<u><u>3,627,271</u></u>	<u><u>4,467,068</u></u>
Restricted Capital Surplus		
Offsite levies	12,482,695	7,014,470
Asset replacements reserves	<u>14,196,854</u>	<u>11,373,305</u>
Capital reserves	<u><u>26,679,549</u></u>	<u><u>18,387,775</u></u>

16 Financial Instruments

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

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

17 Comparative Figures

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

18 Approval of financial statements

Council and management approved these financial statements.