

Town of Cochrane

December 31, 2016

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April 24, 2017

Independent Auditor's Report

To the Mayor and Town Council of The Town of Cochrane

We have audited the accompanying consolidated financial statements of Town of Cochrane, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statement of operations, cash flows and change in net financial assets 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 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 the Town of Cochrane and its subsidiaries as at December 31, 2016 and the results of its operations, changes in its cash flow and net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Town of Cochrane

Consolidated Statement of Financial Position

December 31, 2016

	Note	2016	2015
FINANCIAL ASSETS			
Cash and temporary investments	(Note 2)	\$ 67,610,965	\$ 73,646,696
Receivables			
Taxes and grants in place of taxes	(Note 3)	674,963	560,581
Trade and other receivables		3,330,030	5,394,619
Inventory		4,337	7,313
Investments	(Note 4)	16,193,332	13,815,635
		87,813,627	93,424,844
LIABILITIES			
Accounts payable and accrued liabilities		9,416,314	7,827,604
Deposit and other liabilities		2,069,562	2,946,571
Deferred revenue	(Note 5)	10,721,440	13,197,503
Employee benefit obligations	(Note 6)	945,199	770,946
Long term debt	(Note 7)	30,136,153	30,803,567
		53,288,668	55,546,191
NET FINANCIAL ASSETS		34,524,959	37,878,653
NON-FINANCIAL ASSETS			
Tangible Capital Assets (Schedule 2)		383,849,768	344,674,133
Prepaid expenses		21,743	21,625
		383,871,511	344,695,758
ACCUMULATED SURPLUS		\$ 418,396,470	\$ 382,574,411

Commitments and Contingencies (Note 13)

Approved by Council:

Ivan Brooker, Mayor

Lori Craig, Deputy 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, 2016

	Budget	2016	2015
REVENUE			
Net municipal taxes (Schedule 3)	\$ 23,080,893	\$ 23,080,552	\$ 21,498,460
Community Revitalization Levy	-	853,978	462,369
Local Improvement Taxes	30,535	31,615	256,153
Government transfers for operating (Schedule 4)	3,104,277	2,863,577	3,014,479
User fees and sales of goods	13,969,039	15,206,528	14,557,010
Licenses and permits	835,250	1,755,637	1,836,833
Fines and penalties	1,120,000	834,596	1,128,711
Rentals, insurance and other	1,501,626	808,506	1,043,540
Franchise fees	2,728,955	2,750,704	2,542,065
Investment Income	85,000	1,105,206	1,465,673
Total Revenue	46,455,575	49,290,899	47,805,293
EXPENSES			
Council	447,189	401,544	383,251
General government	5,734,848	5,698,874	5,488,941
Police and municipal enforcement	4,555,857	4,347,464	3,838,461
Fire	4,902,524	5,598,295	5,170,298
Roads and streets	3,329,043	5,489,074	5,264,061
Water, wastewater and storm sewer	6,263,963	10,758,328	8,615,778
Waste and recycling	2,252,949	2,196,570	2,345,973
Subdivision and land development	2,679,007	2,738,762	2,924,542
Parks and recreation	2,599,414	3,414,132	3,178,079
Culture and facilities	5,418,707	5,439,239	5,630,672
Family and community services	2,239,349	2,236,595	1,956,651
Economic development	415,911	453,570	332,915
Total expenses	40,838,761	48,772,447	45,129,622
Excess of revenues over expenses before capital revenue	5,616,814	518,452	2,675,671
CAPITAL REVENUE			
Development levies	-	6,540,377	9,457,029
Capital donations	-	1,041,755	866,310
Contributed assets	-	20,863,596	32,450,906
(Loss) Gain on disposal of Tangible Capital Assets	-	(1,174,159)	320,382
Government transfers for capital (Schedule 4)	8,032,038	8,032,038	13,240,212
Total capital revenue	8,032,038	35,303,607	56,334,839
Excess of revenues over expenses	13,648,852	35,822,059	59,010,510
Accumulated Surplus, Beginning of year	382,574,411	382,574,411	323,563,901
ACCUMULATED SURPLUS, END OF YEAR	\$396,223,263	\$418,396,470	\$382,574,411

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

Town of Cochrane

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2016

	Budget	2016	2015
Excess of revenues over expenses	\$ 13,648,852	\$ 35,822,059	\$ 59,010,510
Acquisition of tangible capital assets	-	(29,583,275)	(27,251,424)
Contributed assets	-	(20,863,596)	(32,450,906)
Proceeds on disposal of tangible capital assets	-	76,088	437,482
Amortization of tangible capital assets	-	10,020,989	7,432,581
Change in prepaid expenses	-	(118)	(2,113)
Loss (Gain) on disposal of Tangible Capital Assets	-	1,174,159	(320,382)
	13,648,852	(39,175,753)	(52,154,762)
INCREASE IN NET FINANCIAL ASSETS	13,648,852	(3,353,694)	6,855,748
NET FINANCIAL ASSETS, BEGINNING OF YEAR	37,878,653	37,878,653	31,022,905
NET FINANCIAL ASSETS, END OF YEAR	\$ 51,527,505	\$ 34,524,959	\$ 37,878,653

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, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 35,822,059	\$ 59,010,510
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	10,020,989	7,432,581
Loss (Gain) on disposal of Tangible Capital Assets	1,174,159	(320,382)
Contributed Assets	(20,863,596)	(32,450,906)
Net change in non-cash operations		
(Increase)/Decrease in taxes and grants in place of taxes	(114,382)	27,359
Decrease in trade, other receivables and prepaid expenses	2,064,471	4,936,361
Decrease (Increase) in inventory	2,976	(7,313)
Increase in accounts payable and accrued liabilities	1,588,710	2,572,397
Decrease in deposits and other liabilities	(877,009)	(105,722)
Decrease in deferred revenue	(2,476,063)	(6,969,813)
Increase in employee benefit obligations	174,253	36,959
Cash provided by operating transactions	26,516,567	34,162,031
CAPITAL		
Acquisition of tangible capital assets	(29,583,275)	(27,251,424)
Proceeds on disposal of tangible capital assets	76,088	437,482
Cash applied to capital transactions	(29,507,187)	(26,813,942)
INVESTING		
Increase in investments	(2,377,697)	(868,335)
FINANCING		
Long-term debt repaid	(667,414)	(920,517)
Cash applied to financing transactions	(667,414)	(920,517)
Change in Cash and Temporary Investments during the year	(6,035,731)	5,559,237
Cash and Temporary Investments, Beginning of the year	73,646,696	68,087,459
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 67,610,965	\$ 73,646,696

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

Town of Cochrane

Schedule 1- Changes in Accumulated Surplus

For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 217,644	\$ 68,486,201	\$313,870,566	\$382,574,411	\$323,563,901
Excess of revenues over expenses	35,822,059	-	-	35,822,059	59,010,510
Unrestricted funds designated for future use	(15,032,347)	15,032,347	-	-	-
Restricted funds used for operations	405,653	(405,653)	-	-	-
Restricted funds used for tangible capital assets	-	(18,505,045)	18,505,045	-	-
Current year funds used for tangible capital assets	(11,078,230)	-	11,078,230	-	-
Contributed tangible capital assets	(20,863,596)	-	20,863,596	-	-
Disposal of tangible capital assets	1,250,247	-	(1,250,247)	-	-
Annual amortization expense	10,020,989	-	(10,020,989)	-	-
Long term debt repaid	(667,414)	-	667,414	-	-
Change in accumulated surplus	(142,639)	(3,878,351)	39,843,049	35,822,059	59,010,510
BALANCE, YEAR END	\$ 75,005	\$ 64,607,850	\$353,713,615	\$418,396,470	\$382,574,411

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

Town of Cochrane

Schedule 2- Tangible Capital Assets

For the Year Ended December 31, 2016

	Cost					Accumulated Amortization					2016	2015
	Opening Balance	Additions	In Progress	Disposals	Ending Balance	Opening Balance	Additions	Disposals	Ending Balance			
Land	\$ 58,505,958	\$ 2,178,328	\$ 338,300	\$ (556,328)	\$ 60,466,258	\$ -	\$ -	\$ -	\$ -	\$ 60,466,258	\$ 58,505,958	
Land improvements	14,955,333	4,373,931	(1,631,181)	-	17,698,083	5,044,901	559,466	-	5,604,367	12,093,716	9,910,432	
Buildings	67,782,840	1,101,692	18,352,318	(868,951)	86,367,899	14,318,686	1,345,867	(217,538)	15,447,015	70,920,884	53,464,154	
Engineered structures	272,070,419	22,977,423	1,150,734	-	296,198,576	54,987,928	7,212,425	-	62,200,353	233,998,223	217,082,491	
Machines and equipment	5,848,702	382,642	-	(245,085)	5,986,259	3,430,726	479,082	(234,685)	3,675,123	2,311,136	2,417,976	
Vehicles	5,765,560	1,222,683	-	(254,445)	6,733,798	2,472,438	424,149	(222,340)	2,674,247	4,059,551	3,293,122	
	\$424,928,812	\$32,236,699	\$ 18,210,171	\$(1,924,809)	\$473,450,873	\$ 80,254,679	\$10,020,989	\$ (674,563)	\$89,601,105	\$383,849,768	\$344,674,133	

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

Town of Cochrane

Schedule 3- Property and Other Taxes

For the Year Ended December 31, 2016

	Budget	2016	2015
TAXATION			
Real property taxes	\$35,003,882	\$35,003,882	\$31,833,287
Linear property taxes	397,390	397,390	401,823
Government grants in place of property taxes	99,691	99,350	135,179
	35,500,963	35,500,622	32,370,289
REQUISITIONS			
Alberta School Foundation Fund	10,828,979	10,828,979	9,434,274
Calgary Catholic School Board	1,405,364	1,405,364	1,265,113
Rockyview Foundation	185,727	185,727	172,442
	12,420,070	12,420,070	10,871,829
	\$23,080,893	\$23,080,552	\$21,498,460

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

Town of Cochrane

Schedule 4- Government Transfers

For the Year Ended December 31, 2016

	Budget	2016	2015
TRANSFERS FOR OPERATING			
Provincial	\$ 2,658,964	\$ 2,334,157	\$ 2,019,041
Federal government	6,000	10,447	32,494
Other local governments	439,313	518,973	962,944
	3,104,277	2,863,577	3,014,479
TRANSFERS FOR CAPITAL			
Provincial grants	6,172,269	6,172,269	11,076,062
Federal grants	1,259,769	1,259,769	1,664,150
Local government grant-capital	600,000	600,000	500,000
	8,032,038	8,032,038	13,240,212
TOTAL GOVERNMENT TRANSFERS	\$11,136,315	\$10,895,615	\$16,254,691

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

Town of Cochrane

Schedule 5- Expenses by Object

For the Year Ended December 31, 2016

	Budget	2016	2015
Salaries, wages and benefits	\$20,113,497	\$ 20,443,941	\$18,021,623
Contracted and general services	8,882,285	8,071,692	9,343,217
Purchases from other governments	5,265,242	4,981,658	4,631,336
Materials, goods, utilities and other	4,327,209	3,554,094	3,337,314
Transfers to local boards and agencies	987,517	451,192	1,070,796
Bank charges and short-term interest	62,000	75,567	72,311
Interest on long-term debt and capital leases	1,201,011	1,173,314	1,220,444
Amortization of tangible capital assets	-	10,020,989	7,432,581
(Gain) loss on disposal of tangible capital assets	-	1,174,159	(320,382)
Total Expenses	\$40,838,761	\$ 49,946,606	\$44,809,240

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

Town of Cochrane

Schedule 6- Segmented Disclosure

For the Year Ended December 31, 2016

	Council	Protective Services	Transportation Services	Planning & Development	Community Services	Utility Services	General Government	2016	2015
REVENUES									
Net municipal taxes	\$ 447,190	\$ 8,027,517	\$ 1,576,363	\$ 1,586,309	\$ 6,387,565	\$ -	\$ 5,055,608	\$ 23,080,552	\$ 21,498,460
Community Revitalization Levy	-	-	-	-	-	-	853,978	853,978	462,369
Local Improvement Taxes	-	-	31,615	-	-	-	-	31,615	256,153
Government transfers for operating	-	582,901	4,183	180,878	1,941,663	153,952	-	2,863,577	3,014,479
Government transfers for capital	-	293,300	1,208,965	-	6,529,773	-	-	8,032,038	13,240,212
User fees and sales of goods	-	211,717	2,506	849,330	1,433,202	12,659,329	50,444	15,206,528	14,557,010
Licenses and permits	-	203,699	-	1,496,354	2,886	-	52,698	1,755,637	1,836,833
Fines and penalties	-	512,367	-	-	16,453	-	305,776	834,596	1,128,711
Rentals, insurance and other	-	17,032	19,818	2,897	389,139	26	379,594	808,506	1,043,540
Franchise fees	-	-	2,750,704	-	-	-	-	2,750,704	2,542,065
Investment Income	-	-	-	-	397	-	1,104,809	1,105,206	1,465,673
Contributed assets	-	-	2,311,125	1,317,673	-	17,234,798	-	20,863,596	32,450,906
Development levies	-	-	3,210,369	330,000	441,879	1,557,545	1,000,584	6,540,377	9,457,029
Capital donations	-	-	-	-	1,041,755	-	-	1,041,755	866,310
	447,190	9,848,533	11,115,648	5,763,441	18,184,712	31,605,650	8,803,491	85,768,665	103,819,750
EXPENSES									
Salaries, wages and benefits	294,216	5,298,815	1,374,298	2,008,181	5,722,326	1,750,430	3,995,675	20,443,941	18,021,623
Contracted and general services	99,541	606,780	425,185	1,142,391	1,545,124	2,888,128	1,364,543	8,071,692	9,343,217
Purchases from other governments	-	2,780,305	-	-	103,878	2,094,526	2,949	4,981,658	4,631,336
Materials, goods, utilities and other	7,787	223,026	1,230,591	35,447	1,160,808	772,188	124,247	3,554,094	3,337,314
Transfers to local boards and agencies	-	27,698	-	-	423,494	-	-	451,192	1,070,796
Bank charges and short-term interest	-	-	-	-	4,960	-	70,607	75,567	72,311
Interest on long-term debt and capital leases	-	578,480	39,577	-	424,787	130,470	-	1,173,314	1,220,444
Gain (loss) on disposal of Tangible Capital Assets	-	-	-	-	1,174,159	-	-	1,174,159	(320,382)
	401,544	9,515,104	3,069,651	3,186,019	10,559,536	7,635,742	5,558,021	39,925,617	37,376,659

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

Town of Cochrane
Schedule 6- Segmented Disclosure
For the Year Ended December 31, 2016

	Council	Protective Services	Transportation Services	Planning & Development	Community Services	Utility Services	General Government	2016	2015
NET REVENUE, BEFORE AMORTIZATION	45,646	333,429	8,045,997	2,577,422	7,625,176	23,969,908	3,245,470	45,843,048	66,443,091
Amortization of tangible capital assets	-	430,656	2,419,424	6,313	1,704,582	5,319,160	140,854	10,020,989	7,432,581
EXCESS OF REVENUES OVER EXPENDITURES	\$ 45,646	\$ (97,227)	\$ 5,626,573	\$ 2,571,109	\$ 5,920,594	\$ 18,650,748	\$ 3,104,616	\$ 35,822,059	\$ 59,010,510

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

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

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

a. Reporting entity

The 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 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.

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 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 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.

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Significant Accounting Policies continued

d. Off-site developers' levies

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

e. Requisition over-levies and under-levies

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the 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 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.

h. Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Significant Accounting Policies continued

i. Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

Asset Type	Estimated Useful Life
Land	Capitalize only
Land improvements	15-20 years
Buildings	40 years or over the term of the lease
Engineered structures:	
Water system	40-75 years
Wastewater system	45-75 years
Stormwater system	75 years
Roadway system	43 years
Road signals	30 years
Machines and equipment	5-10 years
Vehicles	10-25 years

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Significant Accounting Policies continued

j. 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, bylaw enforcement and fire.

iii. Transportation Services

Transportation services include roads and fleet.

iv. Planning and Development

Planning and Development includes subdivision land development and economic development .

v. Community Services

Community Services includes parks and recreation, culture and facilities and family and community services (FCSS).

vi. Utility Services

Utility services includes water, wastewater and storm sewer, waste and recycling.

vii. General Government

General government consists of general administrative which includes executive leadership, corporate services, legislative services and human resources and communications.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements. For additional information see the Schedule of Segmented Disclosure. (Schedule 6)

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Significant Accounting Policies continued

k. Future accounting policies

PSAB recently announced the following accounting pronouncements; management is assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time:

i. PSAB Section 2200, Related Party Disclosures

New Section defines a related party and establishes disclosures required for related party transactions. Effective for years beginning on/after April 1, 2017.

ii. PSAB Section 3210, Assets

New Section provides guidance for applying the definition of assets set out in *Section PS 1000, Financial Statement Concepts*, and establishes general disclosure standards for assets. Effective for years beginning on/after April 1, 2017.

iii. PSAB Section 3320, Contingent Assets

New Section defines and establishes disclosure standards on contingent assets. Effective for years beginning on/after April 1, 2017.

iv. PSAB Section 3380, Contractual Rights

New Section defines and establishes disclosure standards on contractual rights. Effective for years beginning on/after April 1, 2017.

v. PSAB Section 3420, Inter-entity Transactions

New section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Effective for years beginning on/after April 1, 2017.

vi. PSAB Section 3450, Financial Instruments

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2019 for governments only, with early adoption encouraged. In addition, the Town will be required to assess Section 3041, Portfolio Investments; Section 3050, Loans Receivable; Section 3390, Contractual Obligations; Section 3230, Long-term Debt; Section 2500, Consolidation and Section 3070, Investments in Government Business Enterprises.

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

2. Cash and Temporary Investments

	2016	2015
Cash	\$ 15,737,376	\$ 17,397,498
Temporary Investments	51,873,589	56,249,198
	\$ 67,610,965	\$ 73,646,696

Temporary investments are short term deposits with maturities within one year from the date of purchase bearing interest at rate from 1.50% to 2.08% (2015 - 1.20% to 2.08%).

3. Taxes and Grants In Place of Taxes

	2016	2015
Current taxes and grants in place of taxes	\$ 487,366	\$ 381,056
Arrears taxes	187,597	179,525
	\$ 674,963	\$ 560,581

4. Investments

	2016	2015
Temporary Investments	\$ 51,873,589	\$ 56,249,198
Investments	16,193,332	13,815,635
	68,066,921	70,064,833
Reclassify to cash and temporary investments (Note 2)	(51,873,589)	(56,249,198)
	\$ 16,193,332	\$ 13,815,635

Temporary and long term investments primarily represent term deposits issued by financial institutions, bearing interest at rates from 1.50% to 2.08% (2015 - 1.20% to 2.08%) maturing between 30 days and 1 year and from 1.65% to 2.38% (2015 - 1.10% to 2.38%) for maturities over one year. Market value at December 31, 2016 was \$68,066,921 (2015 - \$70,064,833).

5. Deferred Revenue

	2016	2015
Deferred grant revenue	\$ 8,975,492	\$ 9,533,782
Deferred facility revenue	35,441	52,165
Deferred developer revenue	1,210,134	3,059,141
Prepaid meters, licenses and fees	500,373	552,415
	\$ 10,721,440	\$ 13,197,503

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

6. Employee Benefit Obligations

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

	2016	2015
Employee benefit obligations	\$ 945,199	\$ 770,946

7. Long Term Debt

	2016	2015
Debentures	\$ 23,404,302	\$ 24,020,510
Leases	6,731,851	6,783,057
	\$ 30,136,153	\$ 30,803,567

The current portion of long term debt is \$6,856,588 (2015 - \$667,415). Principal and interest repayments are as follows:

Year	Principal	Interest	Total
2017	\$ 6,856,588	\$ 1,094,598	\$ 7,951,186
2018	7,024,300	964,220	7,988,520
2019	7,177,746	810,774	7,988,520
2020	782,855	680,563	1,463,418
2021	754,247	630,928	1,385,175
Subsequent	7,540,417	5,534,307	13,074,724
	\$ 30,136,153	\$ 9,715,390	\$ 39,851,543

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.718% to 9.625% per annum (2015 - 1.52% to 9.625%) and matures between 2017 and 2029. The average interest rate is 2.53% (2015 - 2.53%). Debenture debt is issued on the credit and security of the Town of Cochrane at large.

Interest on long term debt and capital leases amounted to \$1,173,314 (2015 - \$1,220,444).

The Town's total cash payments for interest in 2016 were \$1,201,012 (2015 - \$1,239,066).

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

7. Long Term Debt continued

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 \$2,441,974, and the resulting net book value included in tangible capital assets is \$5,269,524.

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 a rate of 7.55% (2015 - 7.55%) and matures in 2037. The lease is collateralized by underlying assets.

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:

	2016	2015
Total debt limit	\$83,746,914	\$87,192,948
Long term debt	30,136,153	30,803,567
Amount of total debt limit available	53,610,761	56,389,381
Debt servicing limit	13,957,819	14,532,158
Debt servicing	7,951,187	1,817,220
	\$ 6,006,632	\$12,714,938

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, 2016

9. Equity in Tangible Capital Assets

	2016	2015
Tangible capital assets	\$ 473,450,873	\$ 424,928,812
Accumulated amortization	(89,601,105)	(80,254,679)
Long term debt	(30,136,153)	(30,803,567)
	\$ 353,713,615	\$ 313,870,566

10. Accumulated Surplus

	2016	2015
Unrestricted surplus	\$ 75,005	\$ 217,644
Restricted surplus		
Operating Reserves	9,471,286	8,756,057
Capital Reserves	55,136,564	59,730,144
Equity in TCA	353,713,615	313,870,566
	\$ 418,396,470	\$ 382,574,411

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

11. Salary and Benefits Disclosure

	Salary	Benefits	2016	2015
Mayor (Brooker)	\$ 84,166	\$ 11,851	\$ 96,017	\$ 94,397
Councillor (Eckmeier)	28,331	5,621	33,952	32,747
Councillor (Levisky)	28,331	6,797	35,128	34,924
Councillor (McFadden)	28,331	7,313	35,644	36,897
Councillor (Nagel)	28,331	3,408	31,739	32,127
Councillor (Toews)	28,331	7,783	36,114	35,695
Councillor (Watson)	28,331	5,791	34,122	36,691
Chief Administrative Officer	245,392	20,218	265,610	296,181
Designated Officers (1)	\$ 103,927	\$ 26,837	\$ 130,764	\$ 127,887

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 include 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

For the Year Ended December 31, 2016

12. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP" or the "Plan"), which is covered by the Public Sector Pension Plans Act. The Plan serves about 244,621 people and 426 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

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

Total current and prior period service contributions by the Town to the Plan in 2016 were \$1,521,108 (2015- \$1,436,218). Total current and prior year service contributions by the employees of the Town to the Plan in 2016 were \$1,398,314 (2015- \$1,320,583). At December 31, 2015, the Plan disclosed an actuarial deficit of 923 million (2014 - \$2.45 billion).

13. Commitments and Contingencies

a. Lawsuits and Claims

No provision has been made for various lawsuits and legal claims filed against the Town as management believes the Town has minimal exposure to these actions at December 31, 2016.

b. Bow Valley High School Servicing Conditional Grant

The Town received a \$5 million conditional grant in 2006 from the Province of Alberta to construct utility services for Bow Valley High School. The total project cost was \$7,608,973 with \$5 million funded by the Provincial grant and \$2,608,973 advanced by the developer. The Town recovered the full \$2,608,973 of advances from offsite levies collected. The Province is now receiving 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 revenues from associated development levies within the affected area, and the anticipated Grant repayment schedule. Offsite levies collected and remitted to the Province in 2016 were \$102,980 (2015- \$1,852,908). As of December 31, 2016, the remaining amount to be paid is \$1,176,738 (2015- \$1,279,718).

c. Land Purchase Commitments

The Town placed deposits on the purchase of two properties with closing dates in 2017 with a total commitment of \$3.4 million.

Town of Cochrane

Notes to the Financial Statements

For the Year Ended December 31, 2016

14. Restricted Surplus- Reserve Funds

	2016	2015
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Restricted Operating Surplus		
Reserves for commitments	\$ 3,188,136	\$ 3,341,409
Reserves for contingencies	6,283,150	5,414,648
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Operating Reserves	9,471,286	8,756,057
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Restricted Capital Surplus		
Offsite levies	4,610,694	16,677,801
Voluntary levies	874,485	836,307
Asset replacements and other capital reserves	49,651,385	42,216,036
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Capital Reserves	55,136,564	59,730,144
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	\$ 64,607,850	\$ 68,486,201
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15. Financial Instruments

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

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

16. Comparative Amounts

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

17. Approval of Financial Statements

Council and management approved these financial statements.