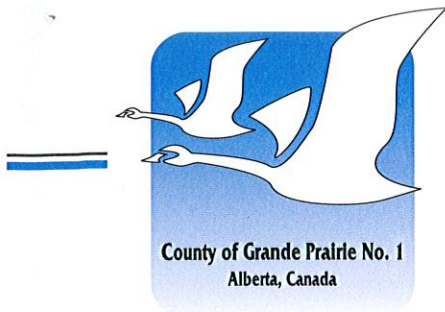


COUNTY OF GRANDE PRAIRIE NO. 1
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

COUNTY OF GRANDE PRAIRIE NO. 1
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Contents

	<u>Schedule Number</u>	<u>Page Number</u>
Management Report		
Independent Auditors' Report		
Consolidated Statement of Financial Position		1
Consolidated Statement of Operations and Accumulated Surplus		2
Consolidated Statement of Change in Net Financial Assets (Debt)		3
Consolidated Statement of Cash Flows		4
Schedule of Changes in Accumulated Surplus	1	5
Schedule of Tangible Capital Assets	2	6
Schedule of Property and Other Taxes	3	7
Schedule of Government Transfers	4	8
Schedule of Consolidated Expenditures by Object	5	9
Schedule of Salary and Benefits Disclosure	6	10
Notes to the Consolidated Financial Statements		11 - 23



COUNTY OF GRANDE PRAIRIE No. 1

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the **County of Grande Prairie No. 1**.

These consolidated financial statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian Public Sector accounting principles for governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

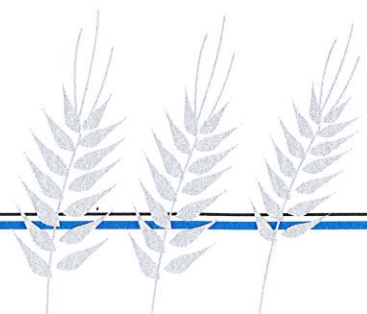
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the financial information produced is relevant and reliable.

The elected Council of the **County of Grande Prairie No. 1** is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Council approves the engagement or re-appointment of the external auditors, and reviews the monthly financial reports.

The consolidated financial statements have been audited by Fletcher Mudryk & Co. LLP Chartered Accountants, the external auditors, in accordance with Canadian auditing standards on behalf of Council, residents and ratepayers of the County.

William A. Rogan
Chief Administrative Officer
April 25, 2016

Dawn Sauve, C.A.
Director of Corporate Services
April 25, 2016



INDEPENDENT AUDITORS' REPORT

To the Reeve and Members of Council of County of Grande Prairie No. 1

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of County of Grande Prairie No. 1, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of County of Grande Prairie No. 1 as at December 31, 2015 and the results of its operations and accumulated surplus, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.

Fletcher Mudryk & Co.

County of Grande Prairie No. 1
Consolidated Statement of Financial Position
As at December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 86,955,153	\$ 91,739,819
Receivables		
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	2,473,073	2,029,657
Trade and other receivables	6,978,277	8,686,997
Loans receivable <i>(Note 4)</i>	4,406,312	3,658,878
Investments <i>(Note 5)</i>	17,584,097	16,077,922
	118,396,912	122,193,273
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	6,746,865	11,449,976
Deposit liabilities <i>(Note 7)</i>	3,233,706	3,768,396
Deferred revenue <i>(Note 8)</i>	1,950,382	2,438,646
Provision for landfill closure and post-closure costs <i>(Note 9)</i>	209,045	177,597
Bank loan <i>(Note 10)</i>	1,000,000	-
Long-term debt <i>(Note 11)</i>	38,269,766	41,492,059
	51,409,764	59,326,674
NET FINANCIAL ASSETS	66,987,148	62,866,599
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 13)</i>	403,853,188	374,300,699
Inventory for consumption	798,543	1,038,294
Prepaid expenditures	808,174	1,380,887
	405,459,905	376,719,880
ACCUMULATED SURPLUS <i>(Schedule 1, Note 15)</i>	\$ 472,447,053	\$ 439,586,479

Contingencies *(Note 18)*

County of Grande Prairie No. 1
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2015

	<u>Budget</u> <i>(Unaudited)</i>	<u>2015</u>	<u>2014</u>
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 73,076,642	\$ 73,038,099	\$ 67,261,276
User fees and sale of goods	7,301,096	7,828,184	8,740,727
Government transfers <i>(Schedule 4)</i>	3,081,776	3,094,897	3,198,454
Investment income	1,913,436	2,218,757	2,523,343
Penalties and costs of taxes	421,300	510,466	455,835
Insurance proceeds	-	140,678	25,803
Development levies	605,373	1,193,576	4,367,216
Licenses and permits	2,533,900	3,191,003	5,203,052
Other	482,250	657,903	2,105,116
TOTAL REVENUE	<u>89,415,773</u>	<u>91,873,563</u>	<u>93,880,822</u>
EXPENDITURES			
Legislative	1,177,041	1,081,752	1,152,503
Other general	1,443,114	1,558,609	1,368,946
Corporate and administrative services	9,330,858	8,496,834	7,619,371
Community services			
Agriculture services	2,742,687	2,432,531	2,244,556
Enforcement services	3,083,628	2,926,763	2,767,599
Family and Community Support Services	2,384,373	2,144,395	1,941,892
Fire services	7,086,893	7,178,675	6,920,495
Recreation, cultural, library and park services	12,506,696	12,729,831	9,567,532
Transportation and field services	34,270,220	33,529,469	32,050,541
Water and wastewater services	1,028,530	885,583	1,851,068
Solid waste management and recycling	2,571,777	2,843,812	2,303,390
Other environmental - Mountain Pine Beetle	738,226	757,606	833,810
Planning and economic development			
Planning and development	3,025,465	2,622,823	2,838,652
Economic development	1,293,671	1,173,093	2,338,858
TOTAL EXPENDITURES	<u>82,683,179</u>	<u>80,361,776</u>	<u>75,799,213</u>
EXCESS OF REVENUE OVER EXPENDITURES			
BEFORE OTHER ITEMS	6,732,594	11,511,787	18,081,609
OTHER ITEMS			
Contributed assets	-	10,270,188	15,139,517
Government transfers for capital <i>(Schedule 4)</i>	10,186,564	9,138,452	10,869,777
Net subsidiary operations - Aquatera Utilities Inc. <i>(Note 21)</i>	-	1,510,759	1,980,968
Transfer of assets to Aquatera Utilities Inc.	-	-	883,266
(Loss) gain on disposal of tangible capital assets	-	429,388	(6,976,341)
EXCESS OF REVENUE OVER EXPENDITURES	16,919,158	32,860,574	39,978,796
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>439,586,479</u>	<u>439,586,479</u>	<u>399,607,683</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 456,505,637</u>	<u>\$ 472,447,053</u>	<u>\$ 439,586,479</u>

County of Grande Prairie No. 1
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2015

	Budget <i>(Unaudited)</i>	2015	2014
EXCESS OF REVENUE OVER EXPENDITURES	\$ 16,919,158	\$ 32,860,574	\$ 39,978,796
Tangible Capital Assets Related			
Acquisition of tangible capital assets	(51,829,229)	(39,936,431)	(43,920,604)
Contributed assets	-	(10,270,188)	(15,139,517)
Proceeds on disposal of tangible capital assets	537,000	1,334,073	1,618,373
Amortization of tangible capital assets	16,505,201	19,749,445	17,911,374
Loss (gain) on disposal of tangible capital assets	-	(429,388)	6,976,341
	<u>(34,787,028)</u>	<u>(29,552,489)</u>	<u>(32,554,033)</u>
Other Non-Financial Assets			
Acquisition of supplies inventories	-	(2,334,195)	(1,846,764)
Use of supplies inventories	-	2,573,946	1,765,256
Acquisition of prepaid assets	-	(919,083)	(1,747,769)
Use of prepaid assets	-	1,491,796	899,394
	<u>-</u>	<u>812,464</u>	<u>(929,883)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(17,867,870)	4,120,549	6,494,880
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>62,866,599</u>	<u>62,866,599</u>	<u>56,371,719</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 44,998,729</u>	<u>\$ 66,987,148</u>	<u>\$ 62,866,599</u>

County of Grande Prairie No. 1
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenditures	\$ 32,860,574	\$ 39,978,796
Non-cash items included in excess of revenue over expenditures:		
Amortization of tangible capital assets	19,749,445	17,911,374
Loss (gain) on disposal of tangible capital assets	(429,388)	6,976,341
Tangible capital assets received as contributions	(10,270,188)	(15,139,517)
Amortization of deferred revenue	(2,173)	(2,176)
Non-cash charges to operations (net change):		
Increase in taxes and grants in place of taxes receivable	(443,416)	(147,756)
Decrease (increase) in trade and other receivables	1,708,720	(3,728,697)
Decrease (increase) in loans receivable	(747,434)	171,218
Decrease (increase) in prepaid expenditures	572,713	(848,375)
Decrease (increase) in inventory for consumption	239,751	(81,508)
Increase (decrease) in accounts payable and accrued liabilities	(4,703,111)	2,273,886
Increase (decrease) in deposit liabilities	(534,689)	1,099,026
Increase in provision for landfill closure and post-closure costs	31,448	32,385
Decrease in deferred revenue	(486,092)	(739,061)
	37,546,160	47,755,936
CAPITAL		
Acquisition of tangible capital assets	(39,936,431)	(43,920,604)
Proceeds on disposal of tangible capital assets	1,334,073	1,618,373
	(38,602,358)	(42,302,231)
INVESTING		
Increase in restricted cash and temporary investments	189,510	8,898,736
Investment in Aquatera Utilities Inc.	(1,510,759)	(2,864,234)
Decrease in other investments	4,584	4,210
	(1,316,665)	6,038,712
FINANCING		
Bank loan	1,000,000	-
Long-term debt issued	-	497,115
Long-term debt repaid	(3,222,293)	(3,442,646)
	(2,222,293)	(2,945,531)
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(4,595,156)	8,546,886
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79,491,034	70,944,148
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 74,895,878	\$ 79,491,034
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	\$ 86,955,153	\$ 91,739,819
Less: restricted portion of cash and temporary investments (Note 2)	(12,059,275)	(12,248,785)
	\$ 74,895,878	\$ 79,491,034

County of Grande Prairie No. 1
 Schedule of Changes in Accumulated Surplus
 For the Year Ended December 31, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Aquaterra Utilities	Equity in Tangible Capital Assets	2015 \$	2014 \$
BALANCE, BEGINNING OF YEAR	\$ 475,464	\$ 90,229,207	\$ 16,073,168	\$ 332,808,640	\$ 439,586,479	\$ 399,607,683
Excess of revenue over expenditures	32,860,574	-	-	-	32,860,574	39,978,796
Unrestricted funds designated for future use	(35,130,372)	35,130,372	-	-	-	-
Restricted funds used for operations	5,485,543	(5,485,543)	-	-	-	-
Net subsidiary operations - Aquaterra Utilities Inc.	(1,510,759)	-	1,510,759	-	-	-
Restricted funds used for tangible capital assets	-	(31,114,751)	-	31,114,751	-	-
Current year funds used for tangible capital assets	(8,821,680)	-	-	8,821,680	-	-
Contributed tangible capital assets	(10,270,188)	-	-	10,270,188	-	-
Disposal of tangible capital assets	904,685	-	-	(904,685)	-	-
Annual amortization expense	19,749,445	-	-	(19,749,445)	-	-
Long-term debt repaid	(3,222,293)	-	-	3,222,293	-	-
Change in accumulated surplus	44,955	(1,469,922)	1,510,759	32,774,782	32,860,574	39,978,796
BALANCE, END OF YEAR	\$ 520,419	\$ 88,759,285	\$ 17,583,927	\$ 365,583,422	\$ 472,447,053	\$ 439,586,479

County of Grande Prairie No. 1
 Schedule of Tangible Capital Assets
 For the Year Ended December 31, 2015

	Land	Site Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$
COST:								
BALANCE, BEGINNING OF YEAR	70,856,011	15,614,949	92,360,017	323,480,758	24,754,896	12,688,721	539,755,352	492,869,905
Acquisition of tangible capital assets	5,885,158	2,072,638	1,947,907	24,179,723	12,254,040	1,139,417	47,478,883	78,271,727
Construction-in-progress	-	302,304	(133,921)	2,549,858	86,271	(76,776)	2,727,736	(19,211,606)
Disposal of tangible capital assets	-	-	(21,321)	(1,440,824)	(4,899,238)	(442,306)	(6,803,689)	(12,174,674)
BALANCE, END OF YEAR	76,741,169	17,989,891	94,152,682	348,769,515	32,195,969	13,309,056	583,158,282	539,755,352
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	3,806,358	6,673,282	135,616,190	13,541,321	5,817,502	165,454,653	151,123,239
Annual amortization	-	953,204	2,073,314	12,357,397	3,219,451	1,146,079	19,749,445	17,911,374
Accumulated amortization on disposals	-	-	(4,904)	(1,139,577)	(4,339,083)	(415,440)	(5,899,004)	(3,579,960)
BALANCE, END OF YEAR	-	4,759,562	8,741,692	146,834,010	12,421,689	6,548,141	179,305,094	165,454,653
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	76,741,169	13,230,329	85,410,990	201,935,505	19,774,280	6,760,915	403,853,188	374,300,699

2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS

\$	70,856,011	11,808,591	85,686,735	187,864,568	11,213,375	6,871,219	374,300,699
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**County of Grande Prairie No. 1
Schedule of Property and Other Taxes
For the Year Ended December 31, 2015**

	Budget <i>(Unaudited)</i>	2015	2014
TAXATION			
Real property taxes	\$ 66,808,614	\$ 66,819,238	\$ 59,998,389
Linear property taxes	25,439,197	25,438,187	24,747,629
Government grants in place of property taxes	87,738	82,738	91,037
Local improvement taxes	906,482	906,483	1,071,169
	<u>93,242,031</u>	<u>93,246,646</u>	<u>85,908,224</u>
LESS: REQUISITIONS			
Alberta School Foundation Fund	18,825,539	18,736,736	17,312,726
Grande Prairie Roman Catholic Separate School District No. 28	1,022,850	1,154,811	1,025,335
Grande Spirit Foundation	317,000	317,000	308,887
	<u>20,165,389</u>	<u>20,208,547</u>	<u>18,646,948</u>
NET MUNICIPAL TAXES	<u>\$ 73,076,642</u>	<u>\$ 73,038,099</u>	<u>\$ 67,261,276</u>

County of Grande Prairie No. 1
Schedule of Government Transfers
For the Year Ended December 31, 2015

	Budget <i>(Unaudited)</i>	2015	2014
TRANSFERS FOR OPERATING:			
Federal transfers	\$ -	\$ 49,278	\$ -
Provincial transfers	3,071,776	3,015,283	3,175,834
Local government transfers	-	30,336	22,620
	<u>3,071,776</u>	<u>3,094,897</u>	<u>3,198,454</u>
TRANSFERS FOR CAPITAL:			
Federal transfers	1,886,649	1,561,354	1,142,950
Provincial transfers	8,299,915	7,573,098	7,789,493
Local government transfers	-	4,000	1,937,334
	<u>10,186,564</u>	<u>9,138,452</u>	<u>10,869,777</u>
	<u>\$ 13,258,340</u>	<u>\$ 12,233,349</u>	<u>\$ 14,068,231</u>

County of Grande Prairie No. 1
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2015

	Budget <i>(Unaudited)</i>	2015	2014
Consolidated expenditures by object			
Salaries, wages and benefits	\$ 29,942,234	\$ 28,840,356	\$ 26,357,202
Contracted and general services	16,460,118	14,331,065	14,740,489
Materials, goods and utilities	9,399,137	8,211,765	8,870,030
Transfers to other governments, local boards and agencies	12,214,334	7,073,961	5,692,313
Purchases from other governments	511,500	449,989	460,589
Provision for allowances	21,000	28,492	18,483
Bank charges and short-term interest	100,800	161,598	104,672
Interest on long-term debt	1,506,748	1,506,749	1,622,798
Amortization of tangible capital assets	16,505,201	19,749,445	17,911,374
Other expenditures	22,107	8,356	21,263
Total expenditures	\$ 86,683,179	\$ 80,361,776	\$ 75,799,213

County of Grande Prairie No. 1
 Schedule of Salary and Benefits Disclosure
 Year Ended December 31, 2015

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

COUNTY COUNCIL	Division	2015			2014		
		Salary (1)	Benefits (2)	Travel Cost and Allowances (3)	Total	Total	
Reeve - L. Beaupre	3	84,563	13,581	25,797	123,941	118,459	
H. Bulford	1	65,804	11,822	35,388	113,014	113,243	
D. Beeston	2	69,872	13,030	30,073	112,975	118,845	
R. Sutherland	4	75,242	12,730	18,877	106,849	107,667	
B. Marshall	5	66,314	11,985	25,443	103,742	110,589	
P. Harris	6	60,909	12,343	23,284	96,536	99,280	
B. Smith	7	54,507	5,686	23,200	83,393	83,531	
R. Harpe	8	57,590	5,741	33,895	97,226	112,752	
C. Beck	9	69,613	13,044	36,642	119,299	126,850	
		\$ 604,414	\$ 99,962	\$ 252,599	\$ 956,975	\$ 991,216	

OFFICERS

	Positions	Salary (1)	Benefits (2)	Travel Cost and Allowances (3)	Total
Chief Administrative Officer	1	\$ 234,705	\$ 20,113	\$ 23,937	\$ 278,755
Designated Officers	2	256,127	38,117	16,116	310,360
		\$ 490,832	\$ 58,230	\$ 40,053	\$ 589,115
					\$ 592,308

(1) Salary includes regular base pay, gross honoraria and any other direct cash remuneration.

(2) Employer's share of all County Council benefits and contributions or payments made on behalf of County Council including Canada Pension Plan, health care, dental coverage, vision coverage, group life insurance, accidental death and dismemberment insurance and registered retirement savings plan contributions. Employer's share of all Officers benefits and contributions or payments made on behalf of Officers including pension, health care, dental coverage, vision coverage, group life insurance, accidental death and dismemberment insurance and employment insurance.

(3) Travel allowances and travel costs including mileage and airfare.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Grande Prairie No. 1 are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County of Grande Prairie No. 1 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 municipality and are, therefore, accountable to the County for the administration of their financial affairs and resources. Included in these consolidated financial statements are the financial activities of the County of Grande Prairie Library Board and the County's proportionate share of the financial activities of the West Grande Prairie County Solid Waste Management Authority, as disclosed in Note 21.

The County's investment in Aquatera Utilities Inc. is accounted for on a modified equity basis, consistent with the Canadian Public Sector accounting standards for government business enterprises. Under the modified equity basis, the business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the County and inter-organizational transactions and balances are not eliminated.

The schedule of taxes levied includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

Interdepartmental and inter-organizational transactions and balances have been eliminated.

(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 purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. 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 asset is acquired.

(c) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian Public Sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Such estimates include the provisions for uncollectible accounts receivable, provision for amortization of tangible capital assets, provision for landfill closure and post-closure liability, amortization of deferred revenue and the fair value of contributed tangible capital assets. Actual results could differ from those estimates.

(d) Investments

Investments, except for the investment in Aquatera Utilities Inc., are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Employee future benefits

Selected employees of the Municipality are members of the Local Authorities Pension Plan (LAPP), a multi-employer benefit pension plan. The trustee of the plan is Alberta Treasury and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the County does not recognize its share of any plan surplus or deficit.

(f) Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax 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 requisitioned amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Prepaid local improvement charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special 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.

(h) Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the County is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover and landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(i) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of service. 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 expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

(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:

	YEARS
Site improvements	10-50
Buildings	20-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-100
Machinery and equipment	4-20
Vehicles	4-20

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(II) Contributions of tangible capital assets

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

(III) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the 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.

(IV) Inventories

Inventories consist of materials and supplies for consumption and are valued at the lower of cost and replacement cost with cost determined by the average cost method.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(V) Cultural and historical tangible capital assets

Works of art for display are not recorded as tangible capital assets.

(j) Equity in Aquatera Utilities Inc. and tangible capital assets

Equity in Aquatera Utilities Inc. represents the County's net accumulated investment in its minority holding of Aquatera Utilities Inc. The amount consists of the investment in common and preferred shares, plus the County's share of earnings less any dividends received.

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

(k) Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(l) Asset retirement obligations

The County recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination.

2. CASH AND TEMPORARY INVESTMENTS

	2015	2014
Cash on hand	\$ 4,513	\$ 3,910
Cash in banks	14,441,995	9,149,244
Temporary investments	72,508,645	82,586,665
	86,955,153	91,739,819
Less: Restricted cash included in temporary investments		
Provincial and federal government grants for specific capital and operating projects	(2,507,484)	(2,680,628)
Municipal reserve funds	(2,072,863)	(2,364,037)
Development levies	(6,939,214)	(6,695,029)
West Grande Prairie County Solid Waste Management Authority	(539,714)	(509,091)
	(12,059,275)	(12,248,785)
	\$ 74,895,878	\$ 79,491,034

Temporary investments are readily convertible to cash, consist of fixed income investments including short-term notes and deposits and Schedule 1 (one) bank bonds. Short-term notes and deposits bear effective interest rates between 1.2% and 1.59% with maturity dates between January, 2016 and November, 2016. Bank bonds have rates of return between 3.98% and 4.78% with maturity dates between July, 2016 and December, 2016.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2015	2014
Current taxes and grants in place of taxes	\$ 1,940,956	\$ 1,633,376
Non-current taxes and grants in place of taxes	678,820	519,065
	2,619,776	2,152,441
Allowance for doubtful accounts	(146,703)	(122,784)
	\$ 2,473,073	\$ 2,029,657

4. LOANS RECEIVABLE

	2015	2014
Grande Prairie Regional Agricultural & Exhibition Society (TEC Centre)	\$ 3,406,312	\$ 3,658,878
Peace Area Riding for the Disabled Society (PARDS)	1,000,000	-
Total loans receivable	4,406,312	3,658,878
Less: current portion	(201,200)	(193,012)
	\$ 4,205,112	\$ 3,465,866

Advances to the Grande Prairie Regional Agricultural & Exhibition Society are unsecured and bear interest from 3.70% to 4.75%. Advance #1, with a balance of \$1,708,836 consists of principal and accrued interest for 2009 through 2015, bears interest at 4.75% and is repayable in blended annual payments of \$179,188. Advance #2, with a balance of \$1,201,606, consists of principal and accrued interest for 2010 through 2015, bears interest at 3.70% and is repayable in blended annual payments of \$119,459. Advance #3, with a balance of \$495,869, bears interest at 3.70% and is repayable with blended monthly payments of \$9,982. By motion of Council, 2015 annual repayments of \$298,978, representing interest and principal were set off by a grant from the County of Grande Prairie No. 1. Under the terms of the motion, this arrangement is for a period of ten years, and is subject to annual review. Accrued interest on the loans total \$118,523 at December 31, 2015 and is included under trade and other receivables. Advances #1 and #2 are to be fully repaid by January 31, 2029 and Advance #3 is to be fully repaid by June 14, 2020.

Advances to the Peace Area Riding for the Disabled Society (PARDS) is secured by a mortgage and charge upon all land and permanent structures located at Lot 1, plan 922 3240, bears interest at the bank's prime rate and principal and accrued interest is repayable in full on or before March 9, 2025. Accrued interest on the loan totals \$10,056 and is included under trade and other receivables. By motion of Council, a corresponding bank loan of \$1,000,000 was obtained from ATB Financial to fund this advance. See Note 10.

5. INVESTMENTS

	2015	2014
Alberta Capital Finance Authority shares	\$ 170	\$ 170
AAMD&C dividend reserve	-	4,584
	170	4,754
Aquatera Utilities Inc. (18.16% ownership; 2014 - 19.23% ownership)		
8,846 Class A common shares (2014 - 8,846)	88	88
4,018 Class C common shares (2014 - 4,018)	40	40
7,962 Class D preferred shares (2014 - 7,962)	7,961,696	7,961,696
883 Class F common shares (2014 - 883)	883,266	833,266
4,268 Class H preferred shares (2014 - 4,268)	4,267,417	4,267,417
Cumulative share of earnings	12,644,095	10,482,156
Cumulative share of dividends received	(8,172,675)	(7,521,495)
Total equity in Aquatera Utilities Inc. (Note 15)	17,583,927	16,073,168
Total investments	\$ 17,584,097	\$ 16,077,922

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables	\$ 5,329,729	\$ 10,126,072
Vacation and overtime	1,417,136	1,323,904
	\$ 6,746,865	\$ 11,449,976

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. DEPOSIT LIABILITIES

	2015	2014
West Grande Prairie County Solid Waste Management Authority	\$ 35,581	\$ 34,888
Safety codes council fees	4,168	725
Subdivision approach and development agreement deposits	2,300,491	2,948,729
Public works approach/performance deposits	778,000	783,000
ANI/Appeal deposits	115,466	-
Nustadia Recreation Inc.	-	1,054
	\$ 3,233,706	\$ 3,768,396

8. DEFERRED REVENUE

	2015	2014
Provincial government transfer - Mountain Pine Beetle Program	\$ 170,065	\$ 882,570
Provincial government transfer - MSI (Municipal Sustainability Initiative)	1,372,266	1,392,195
Federal government transfer - gas tax fund	139,103	-
Other deferred amounts	242,871	135,631
	1,924,305	2,410,396
Prepaid local improvement charges	26,077	28,250
	\$ 1,950,382	\$ 2,438,646

Prepaid local improvement charges are being amortized to revenue on a straight-line basis over the remaining term of the respective debentures and mature in 2027.

Estimated transfers to revenue from prepaid local improvement charges in the next five years are:

2016		\$ 2,173
2017		\$ 2,173
2018		\$ 2,173
2019		\$ 2,173
2020		\$ 2,173

9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the Clairmont landfill is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated 528,878 cubic meters. The estimated remaining capacity of the landfill site is approximately 3,490 (2014 - 71,645) cubic meters. In 2010 an additional 90,726 cubic meters of airspace was added and in 2011 an additional 188,800 cubic meters of air space was added. In 2015 an adjustment of 6,980 cubic meters of airspace was required. The existing landfill site is expected to reach capacity in approximately .04 years. Stage two future development has 500,000 cubic meter capacity and estimated life of 6.29 years. Taking this into consideration, the useful life of the landfill is 6.33 years.

The County has not yet designated assets for settling closure and post closure liabilities.

	2015	2014
Estimated closure costs	\$ 100,542	\$ 97,653
Estimated post-closure costs	64,717	62,832
Estimated total liability	165,259	160,485
Estimated capacity remaining	0.66%	13.73%
Portion of total liability remaining to be recognized	\$ -	\$ 22,031
Estimated capacity used	99.34%	86.27%
Accrued liability portion - Clairmont landfill	\$ 166,364	\$ 138,454
Accrued liability portion - West Grande Prairie County Solid Waste Management Authority (Note 23)	42,681	39,143
Total accrued liability	\$ 209,045	\$ 177,597

10. BANK LOAN

	2015	2014
Bank loan	\$ 1,000,000	\$ -

ATB Financial loan bears interest at prime and is repayable in interest only payments. The loan is due on demand but no later than December 31, 2016. The loan is secured under the same terms as those as of the loan receivable due from the Peace Area Riding for the Disabled Society (PARDS), as disclosed in Note 4.

11. LONG-TERM DEBT

	<u>2015</u>	<u>2014</u>
Alberta Capital Financing Authority		
General tax levy supported debentures	\$ 5,815,089	\$ 6,238,661
Other self supported debentures	24,379,147	26,560,230
Local improvement supported debentures	<u>8,062,978</u>	<u>8,680,616</u>
Other	38,257,214	41,479,507
General tax levy supported capital leases	<u>12,552</u>	<u>12,552</u>
 Total long-term debt	 38,269,766	 41,492,059
Less: current portion	<u>(3,214,095)</u>	<u>(3,222,293)</u>
	 <u>\$ 35,055,671</u>	 <u>\$ 38,269,766</u>

Estimated principal and interest repayments due in each of the next five years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,214,095	\$ 1,393,208	\$ 4,607,303
2017	3,350,964	1,268,891	4,619,855
2018	3,467,788	1,139,516	4,607,304
2019	3,602,435	1,004,868	4,607,303
2020	3,742,580	864,724	4,607,304
Thereafter	<u>20,891,904</u>	<u>2,597,853</u>	<u>23,489,757</u>
	 <u>\$ 38,269,766</u>	 <u>\$ 8,269,060</u>	 <u>\$ 46,538,826</u>

Debenture debt in the amount of \$ 38,257,214 is repayable to Alberta Capital Finance Authority and bears interest at varying rates ranging from 2.627% to 5.15% per annum and mature between 2021 and 2031. Debenture debt is issued on the credit and security of the County of Grande Prairie No. 1.

Capital Lease

The County has entered into a 60-month lease for a specific vehicle with a carrying value of \$31,330, bearing interest at a rate of 0.9%, requiring monthly payments of \$349 until December, 2017. The lease option provides an option to purchase the vehicle at the end of the lease term at a cost of \$12,552.

Interest on long-term debt amounted to \$1,506,749 (2014 - \$1,622,798).

The County's total cash payments for interest was \$1,497,366 (2014 - \$1,613,414).

12. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County of Grande Prairie No. 1 be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 137,799,179	\$ 141,831,293
Total debt	<u>39,269,766</u>	<u>41,492,059</u>
 Total debt limit available	 <u>\$ 98,529,413</u>	 <u>\$ 100,339,234</u>
 Debt servicing limit	 \$ 22,966,530	 \$ 23,638,549
Debt servicing	<u>3,607,303</u>	<u>4,739,104</u>
 Service on debt limit available	 <u>\$ 19,359,227</u>	 <u>\$ 18,899,445</u>

The debt limit is calculated at 1.5 times certain revenue of the Municipality (as defined in Alberta Regulation 255/00) 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 consolidated financial statements must be interpreted as a whole.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2015

13. TANGIBLE CAPITAL ASSETS

	2015	2014
Land	\$ 76,741,169	\$ 70,856,011
Site improvements	13,230,329	11,808,591
Buildings	85,410,990	85,686,735
Engineered structures	201,935,505	187,864,568
Machinery and equipment	19,774,280	11,213,575
Vehicles	6,760,915	6,871,219
	<u>\$ 403,853,188</u>	<u>\$ 374,300,699</u>

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets (Schedule 2)	\$ 583,158,282	\$ 539,755,352
Accumulated amortization (Schedule 2)	(179,305,094)	(165,454,653)
Long-term debt (Note 11)	(38,269,766)	(41,492,059)
	<u>\$ 365,583,422</u>	<u>\$ 332,808,640</u>

15. ACCUMULATED SURPLUS

	2015	2014
Unrestricted surplus (deficit)		
County of Grande Prairie No. 1	\$ 507,619	\$ 463,264
West Grande Prairie County Solid Waste Management Authority	12,800	12,200
	<u>520,419</u>	<u>475,464</u>
Restricted surplus (reserves)		
Carry forward project completions	4,978,713	6,151,850
Financial stabilization	5,069,988	5,069,988
Tax revenue stabilization	433,090	433,090
Project debt repayment	13,369,641	12,694,973
Future grants	1,371,506	598,763
Future operational projects	3,092,436	2,756,346
Future capital and infrastructure projects and rehabilitation	49,604,124	50,489,105
Future equipment replacement	8,453,260	9,172,644
Municipal reserve	1,878,740	2,355,156
West Grande Prairie County Solid Waste Management Authority reserve (40% consolidation)	507,787	507,292
	<u>88,759,285</u>	<u>90,229,207</u>
Equity in Aquatera Utilities Inc. (Note 5)	<u>17,583,927</u>	<u>16,073,168</u>
Equity in tangible capital assets (Note 14)		
Equity in capital assets	374,107,090	342,026,197
Amounts to recover (Note 16)	(8,523,668)	(9,217,557)
	<u>365,583,422</u>	<u>332,808,640</u>
	<u>\$ 472,447,053</u>	<u>\$ 439,586,479</u>

16. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the unfunded portion of liabilities established for accrual accounting purposes. The County has adopted a plan whereby these amounts are to be funded from future years' budgetary allocations and transfers from reserve funds. The amounts to be recovered are a result of the County incurring debt for the installation of water lines and a capital grant to the Grande Prairie Regional Agricultural and Exhibition Society for the Trade, Exhibition and Conference Centre.

	2015	2014
Evergreen Park Trade, Exhibition and Convention (TEC) Centre	\$ 3,084,573	\$ 3,294,515
Waterline installation	5,439,095	5,923,042
	\$ 8,523,668	\$ 9,217,557

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the County of Grande Prairie No. 1 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 237,612 people and about 423 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 County of Grande Prairie No.1 is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County 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 service contributions by the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2015 were \$2,241,633 (2014 - \$1,948,986). Total current service contributions by the employees of the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2015 were \$2,093,226 (2014 - \$1,798,458).

At December 31, 2014, the Plan disclosed an actuarial deficit of \$2.45 billion (2013 - \$4.86 billion).

18. CONTINGENCIES

The County of Grande Prairie No. 1 is a member of the Jubilee Insurance Reciprocal Exchange (Genesis). Under the terms of the membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

19. COMMITMENTS

Operating leases

The County has entered into leases in respect to photocopiers, printers and computer hardware requiring annual payments of \$85,717 expiring in February, 2018.

20. SUBSEQUENT EVENT - ANNEXATION BY THE CITY OF GRANDE PRAIRIE

On January 1, 2016, the City of Grande Prairie annexed 6,316 hectares (approximately 15,607 acres) of land from the County of Grande Prairie No. 1. The County transferred to the City land, roads and bridge assets having a net book value of approximately \$3,386,189 along with debt of \$836,161 directly related to the areas annexed. In connection with the annexation order, the County will receive from the City the following payments:

2016	\$1,471,595
2017	\$1,177,276
2018	\$882,957
2019	\$588,638
2020	\$294,319

Total payments received, reduced operating costs plus transferred debt approximates an offset to the land values transferred and lost assessment value.

21. AQUATERA UTILITIES INC. SUMMARY OF CONDENSED FINANCIAL INFORMATION

Aquatera Utilities Inc. was established in 2003 to provide water, wastewater and solid waste management services to the City of Grande Prairie, County of Grande Prairie No. 1, Town of Sexsmith and other commercial users.

The following is a summary of condensed financial information of Aquatera Utilities Inc. for the year ended December 31, of which the County's proportionate ownership is 18.16%:

	2015	2014
<u>Financial position</u>		
Assets		
Current assets	\$ 47,520,631	\$ 42,311,951
Long-term investments	25,154,476	26,280,988
Property, plant and equipment	272,159,280	235,623,694
Total assets	\$ 344,834,387	\$ 304,216,633
Liabilities		
Current liabilities	\$ 103,840,123	\$ 95,892,735
Deferred revenue of capital contributions	137,102,262	116,904,147
Infrastructure over sizing and asset retirement obligations	5,227,904	5,002,779
Total liabilities	246,170,289	217,799,661
Preferred shares	80,381,902	76,381,902
Shareholders' equity		
Share capital	709	669
Retained earnings	18,281,487	10,034,401
	\$ 344,834,387	\$ 304,216,633
<u>Results of operations</u>		
Revenue	\$ 53,485,096	\$ 50,527,053
Operating expenses	43,041,331	39,058,863
Operating income	10,443,765	11,468,190
Other income (expenses)	1,470,428	2,095,827
Net income	11,914,193	13,564,017
Retained earnings, beginning	10,034,401	-
Dividends	(3,667,107)	(3,529,616)
Retained earnings, ending	\$ 18,281,487	\$ 10,034,401
The County of Grande Prairie No. 1 share is as follows:		
Net earnings from operations, current year	\$ 2,161,939	\$ 2,608,545
Less dividends declared	(651,180)	(627,577)
Subsidiary operations	\$ 1,510,759	\$ 1,980,968

22. RELATED PARTY TRANSACTIONS

The following summarizes the related party transactions between the County of Grande Prairie No. 1 and Aquatera Utilities Inc., a company in which the County of Grande Prairie No. 1 exerts significant influence. All transactions are in the normal course of business and are measured by the exchange amounts, which is the amount of consideration established and agreed to by the related parties.

	2015	2014
Received from Aquatera Utilities Inc.		
Franchise fee revenue	\$ 328,633	\$ 298,485

In addition to the above, the County entered into numerous trade transactions with Aquatera Utilities Inc. for which disclosure has not been prepared.

Management has indicated that the aggregate balance of such transactions is not significant to these financial statements.

23. GOVERNMENT PARTNERSHIP

In accordance with the Canadian public sector accounting recommendations PS 3060 Government Partnerships, the financial position of the County has been consolidated with the County's proportionate 40% share of the West Grande Prairie County Solid Waste Management Authority.

The following is a summary of the County's share in this government partnership:

	2015	2014
ASSETS		
Financial assets		
Cash and temporary investments	\$ 539,754	\$ 509,131
Trade and other receivables	24,718	39,596
Due from County of Grande Prairie No. 1	23,721	23,259
	588,193	571,986
LIABILITIES		
Financial liabilities		
Accounts payable and accrued liabilities	24,925	13,351
Landfill closure and post-closure liability	42,680	39,143
	67,605	52,494
NET FINANCIAL ASSETS (DEBT)	520,588	519,492
NON-FINANCIAL ASSETS		
Tangible capital assets	1,132,076	1,115,953
ACCUMULATED SURPLUS	\$ 1,652,664	\$ 1,635,445

23. GOVERNMENT PARTNERSHIP - continued

	2015	2014
Revenue		
User fees and sale of goods	\$ 94,136	\$ 119,478
Investment income	7,358	7,845
Contributions from participating municipalities	80,427	52,072
Facility rental	20,560	19,961
Land rent	12,676	8,422
Other	8,175	34,830
Total revenue	223,332	242,608
Expenditures		
Salaries, wages and benefits	5,113	6,157
Contracted and general services	125,548	112,596
Materials, goods and utilities	7,842	5,006
Landfill closure and post-closure	3,538	3,614
Amortization	64,072	69,827
Total expenditures	206,113	197,200
Excess of revenue over expenditures before other items	17,219	45,408
Other items		
Loss on disposal of tangible capital assets	-	4,031
Excess of revenue over expenditures	17,219	49,439
Accumulated surplus - beginning of year	1,635,444	1,586,005
Accumulated surplus - end of year	\$ 1,652,663	\$ 1,635,444

24. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The 2015 budget reflects all of the County of Grande Prairie activities including capital projects and reserve transfers. The financial reporting requirements as set out in the Public Sector Accounting Handbook for financial statements are accrual based, as described in Note 1(b). The differences in the requirements for the Budget and the financial statements result in different items being recognized as revenues and expenditures. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (Unaudited)	2015	2014
Statement of Operations, Surplus	\$ 16,919,158	\$ 32,860,574	\$ 39,978,796
Add back non-cash items:			
Contributed capital assets	-	(10,270,188)	(15,139,517)
Amortization of tangible capital assets	16,505,201	19,749,445	17,911,374
(Gain) loss on disposal of assets	-	(429,388)	6,976,341
Debt proceeds	-	-	497,115
Debt principal repayments	(3,222,294)	(3,222,293)	(3,442,646)
Tangible capital assets sale proceeds	537,000	1,334,073	1,618,373
Capital expenditures	(51,829,229)	(39,936,431)	(43,920,604)
Net transfer (to) from reserves (restricted surplus)	21,090,164	1,469,922	(1,572,507)
Net transfer (to) from equity in Aquatera (restricted surplus)	-	(1,510,759)	(2,864,234)
Net transfer (to) from unrestricted surplus	-	(44,955)	(42,491)
Balance	\$ -	\$ -	\$ -

25. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposit liabilities, bank loan and long-term debt.

(a) Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The County is exposed to credit risk from its customers. In order to reduce this risk, the County conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The two most significant revenue sources for the County are property taxes and government transfers. The County has a significant number of taxpayers which minimizes concentration of credit risk. No one taxpayer makes up a significant portion of such revenue. The majority of government transfers are received from the provincial and federal government agencies. Due to the nature of these payers, the County is not exposed to significant credit risk on such transactions.

(b) Interest rate risk

The County is not exposed to significant interest rate risk as a result of fixed-rate investments held, as outlined in Note 2, and the issuance of fixed-rate debentures, as outlined in Note 11.

(c) Unused lines of credit

The County has an available bank demand loan in the amount of \$2,000,000 all of which is unused at December 31, 2015.

(d) Currency risk

Currency risk is the risk to the County's surplus that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the County is not exposed to significant currency risks arising from transactions in its US bank account.

(e) Fair values of financial instruments

The County's carrying value of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, loans receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term liquidity of these instruments.

The carrying value of long-term debt approximates fair value as the interest rates are consistent with the current rates available for instruments with similar terms.

26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and management approved these consolidated financial statements.