

**CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Management's Responsibility

To the Members of Council:

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

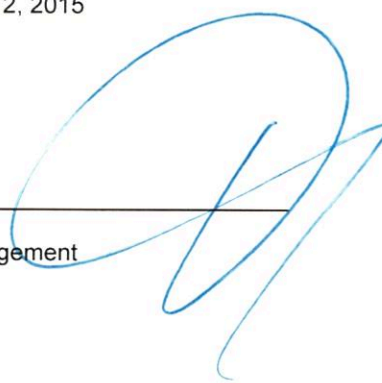
In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial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

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

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

May 12, 2015

Management

A large, stylized handwritten signature in blue ink, consisting of several overlapping loops and a long trailing stroke, positioned over a horizontal line.

Auditor's Report

To the Members of Council of the City of Grande Prairie:

We have audited the accompanying consolidated statements of the City of Grande Prairie, which comprise the consolidated statement of financial position at December 31, 2014, the consolidated statements of operations, change in net assets (debt), cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for 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 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 controls 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 controls. An audit also includes evaluating the appropriateness of the 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 the audit evidence 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 the City of Grande Prairie as at December 31, 2014, and the results of its operations, changes in its net assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta
May 12, 2015

MNP LLP

Chartered Accountants

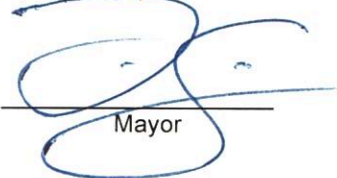
City of Grande Prairie
Consolidated Statement of Financial Position

As at December 31, 2014

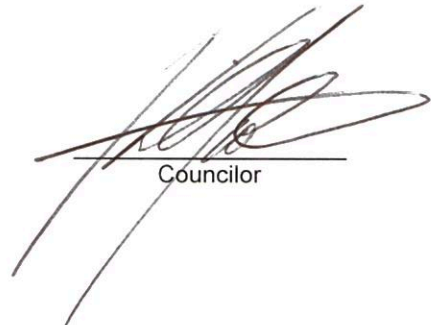
	2014	2013
FINANCIAL ASSETS		
Cash (Note 2)	12,589,740	20,428,759
Portfolio investments (Note 3)	85,157,145	95,348,666
Receivables		
Taxes and grants in place of taxes (Note 4)	2,915,984	3,838,805
Trade and other accounts receivables (Note 5)	17,655,335	10,297,682
Agreements receivable (Note 6)	2,806,736	3,165,281
Land held for resale inventory	752,300	752,300
Investments (Note 7)	63,656,385	56,322,506
	185,533,625	190,153,999
LIABILITIES		
Accounts payable and accrued liabilities	7,818,969	11,946,613
Deferred revenue (Note 8)	22,342,467	24,931,019
Employee benefit obligations (Note 9)	3,142,760	3,100,269
Long-term debt (Note 10)	141,458,560	135,896,089
	174,762,756	175,873,990
NET ASSETS	10,770,869	14,280,009
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	583,983,762	532,085,114
Inventory for consumption	815,575	743,161
Prepaid expenses	324,154	220,703
	585,123,491	533,048,978
ACCUMULATED SURPLUS (Schedule I, Note 12)	595,894,360	547,328,987

Commitments and contingencies - See Notes 22 and 23

Approved by



Mayor



Councilor

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Consolidated Statement of Operations

For the year ended December 31, 2014

	Budget	2014	2013
REVENUE			
Net municipal taxes (Schedule III)	96,888,137	96,158,814	92,653,608
Government transfers for operating (Schedule IV)	4,151,786	8,512,160	9,371,374
User fees and sales of goods	22,174,512	21,021,377	22,474,711
Investment income	3,433,273	3,022,102	1,793,808
Penalties and costs of taxes	800,000	1,063,296	1,092,160
Development levies	237,283	2,502,199	1,618,430
Fines, rentals, licenses and permits	12,241,745	10,957,888	10,892,345
Franchise and concession contracts	9,737,325	10,000,402	8,970,906
Transfers from other organizations	52,500	200,054	292,014
Other	2,377,341	5,585,976	2,516,784
	152,093,902	159,024,268	151,676,140
EXPENSES			
Council and other legislative services	1,206,545	827,347	914,378
Administrative services	16,040,580	15,515,587	15,977,935
Protective services	35,259,255	35,928,572	35,175,724
Transportation services	32,426,134	52,497,015	45,738,245
Community social development	2,310,057	6,912,701	6,503,075
Planning and development services	3,443,768	3,641,110	3,444,286
Recreation and cultural services	41,575,879	43,262,264	45,600,458
Other services	(310,000)	400,409	4,394
	131,952,218	158,985,005	153,358,495
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	20,141,684	39,263	(1,682,355)
OTHER			
Contributed tangible capital assets	-	13,431,436	8,714,390
Gain (loss) on disposal of tangible capital assets	-	(278,795)	197,559
Government transfers for capital (Schedule IV)	25,309,434	25,426,975	24,104,372
Subsidiary operations (Note 18)	2,696,596	9,946,494	6,605,252
	28,006,030	48,526,110	39,621,573
EXCESS OF REVENUE OVER EXPENSES	48,147,714	48,565,373	37,939,218
ACCUMULATED SURPLUS, BEGINNING OF YEAR	547,328,987	547,328,987	509,389,769
ACCUMULATED SURPLUS, END OF YEAR	595,476,701	595,894,360	547,328,987

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Consolidated Statement of Changes in Net Financial Assets (Debt)

For the year ended December 31, 2014

	Budget	2014	2013
EXCESS OF REVENUE OVER EXPENSES	48,147,714	48,565,373	37,939,218
Acquisition of tangible capital assets	(67,785,757)	(60,215,602)	(24,331,355)
Contributed tangible capital assets	-	(13,431,436)	(8,714,390)
Proceeds on disposal of tangible capital assets	-	479,287	314,579
Amortization of tangible capital assets	-	20,990,308	19,259,121
(Gain) loss on sale of tangible capital assets	-	278,795	(197,559)
	(67,785,757)	(51,898,648)	(13,669,604)
Acquisition of supplies inventory	-	(72,414)	(25,823)
Use of prepaid assets	-	(103,451)	53,048
	-	(175,865)	27,225
INCREASE (DECREASE) IN NET ASSETS	(19,638,043)	(3,509,140)	24,296,839
NET ASSETS (DEBT), BEGINNING OF YEAR	14,280,009	14,280,009	(10,016,830)
NET FINANCIAL ASSETS, END OF YEAR	(5,358,034)	10,770,869	14,280,009

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Consolidated Statement of Cash Flows
For the year ended December 31, 2014

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	48,565,373	37,939,218
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	20,990,308	19,259,121
Tangible capital assets received as contributions	(13,431,436)	(8,714,390)
Loss (gain) on disposal of tangible capital assets	278,795	(197,559)
Subsidiary operations	(9,946,494)	(6,605,252)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	922,821	(415,114)
Decrease (increase) in trade and other accounts receivable	(7,357,653)	(295,468)
Decrease (increase) in land held for resale	-	(123,200)
Decrease (increase) in inventory for consumption	(72,414)	(25,823)
Decrease (increase) in prepaid expenses	(103,451)	53,048
Increase (decrease) in accounts payable and accrued liabilities	(4,085,152)	1,183,233
Increase (decrease) in deferred revenue	(2,588,552)	(4,307,869)
Cash provided by operating transactions	33,172,145	37,749,945
CAPITAL		
Acquisition of tangible capital assets	(60,215,602)	(24,331,355)
Proceeds on disposal of tangible capital assets	479,287	314,579
Agreements receivable repayments	358,545	343,559
Dividends declared by Aquatera Utilities Inc.	2,612,615	2,637,300
Cash applied to capital transactions	(56,765,155)	(21,035,917)
FINANCING		
Long-term debt issued	12,940,637	-
Long-term debt repaid	(7,378,166)	(7,587,144)
Capital lease obligations repayments	-	(147,458)
Cash provided by financing transactions	5,562,471	(7,734,602)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(18,030,539)	8,979,426
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,777,425	106,797,999
CASH AND CASH EQUIVALENTS, END OF YEAR	97,746,886	115,777,425
Cash and cash equivalents is made up of:		
Cash (Note 2)	12,589,740	20,428,759
Portfolio investments (Note 3)	85,157,145	95,348,666
	97,746,885	115,777,425

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2014

	Unrestricted Surplus	Restricted Surplus	Equity in Investments	Equity in Tangible Capital Assets	2014	2013
BALANCE, BEGINNING OF YEAR	38,114,673	53,537,502	56,322,506	399,354,306	547,328,987	509,389,769
Excess of revenue over expenses	48,565,373	-	-	-	48,565,373	37,939,218
Unrestricted funds designated for future use	6,203,638	(6,203,638)	-	-	-	-
Share of earnings from subsidiary	(9,946,494)	-	9,946,494	-	-	-
Current year funds used for tangible capital assets	(47,274,965)	-	-	47,274,965	-	-
Contributed tangible capital assets	(13,431,436)	-	-	13,431,436	-	-
Dividends received	2,612,615	-	(2,612,615)	-	-	-
Annual amortization expense	20,990,308	-	-	(20,990,308)	-	-
Disposal of tangible capital assets	758,082	-	-	(758,082)	-	-
Long-term debt repaid	(7,019,621)	-	-	7,019,621	-	-
Change in accumulated surplus	1,457,500	(6,203,638)	7,333,879	45,977,632	48,565,373	37,939,218
BALANCE, END OF YEAR	39,572,173	47,333,864	63,656,385	445,331,938	595,894,360	547,328,987

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2014

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2014	2013
COST:								
BALANCE, BEGINNING OF YEAR	50,705,739	36,663,382	262,753,213	312,534,346	35,583,921	17,106,483	715,347,084	684,447,255
Acquisition of tangible capital assets	10,392,423	17,005,115	619,234	12,044,865	2,762,838	30,822,563	73,647,038	33,045,745
Transfers of assets under construction	-	558,329	697,883	13,251,595	799,992	(15,307,799)	-	-
Disposal of tangible capital assets	-	(2,985,479)	-	(753,056)	(1,530,592)	-	(5,269,127)	(2,145,916)
BALANCE, END OF YEAR	61,098,162	51,241,347	264,070,330	337,077,750	37,616,159	32,621,247	783,724,995	715,347,084
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	16,513,229	40,916,909	109,529,307	16,302,525	-	183,261,970	166,031,745
Annual amortization	-	2,744,919	5,825,933	9,838,310	2,581,146	-	20,990,308	19,259,121
Accumulated amortization on disposals	-	(2,587,416)	-	(753,056)	(1,170,573)	-	(4,511,045)	(2,028,896)
BALANCE, END OF YEAR	-	16,670,732	46,742,842	118,614,561	17,713,098	-	199,741,233	183,261,970
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	61,098,162	34,570,615	217,327,488	218,463,189	19,903,061	32,621,247	583,983,762	532,085,114
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	50,705,739	20,150,153	221,836,304	203,005,039	19,281,396	17,106,483	532,085,114	

City of Grande Prairie
Schedule III - Schedule of Property and Other Taxes

For the year ended December 31, 2014

	Budget	2014	2013
TAXATION			
Real property taxes	116,636,654	116,620,889	111,063,713
Linear property taxes	1,818,835	1,818,835	1,823,174
Downtown Business Revitalization Zone	349,717	369,535	368,292
Government grants in lieu of property taxes	799,543	799,543	833,586
Local improvement	486,734	-	485,354
	120,091,483	119,608,802	114,574,119
REQUISITIONS			
Alberta School Foundation Fund	19,853,925	19,862,945	18,518,649
Grande Prairie Separate School Division No. 28	2,653,539	2,891,549	2,725,343
Grande Spirit Foundation	345,206	344,818	336,291
Downtown Business Revitalization Zone	350,676	350,676	340,228
	23,203,346	23,449,988	21,920,511
NET MUNICIPAL TAXES	96,888,137	96,158,814	92,653,608

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2014

	Budget	2014	2013
TRANSFERS FOR OPERATING			
Provincial government	2,462,990	6,886,865	7,865,884
Federal government	629,000	42,000	73,522
Other local governments	1,059,796	1,583,295	1,431,968
	4,151,786	8,512,160	9,371,374
TRANSFERS FOR CAPITAL			
Provincial government	21,459,434	21,774,615	16,721,977
Federal government	3,850,000	3,639,760	7,377,220
Other local governments	-	12,600	5,175
	25,309,434	25,426,975	24,104,372
TOTAL GOVERNMENT TRANSFERS	29,461,220	33,939,135	33,475,746

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Schedule V - Consolidated Schedule of Expenses by Object

For the year ended December 31, 2014

	Budget	2014	2013
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	69,980,876	73,869,310	69,222,712
Contracted and general services	31,038,502	30,943,467	35,138,928
Materials, goods and utilities	19,255,792	18,887,006	16,213,494
Provision for (recovery of) allowances	64,000	4,552	(2,835)
Transfers to local boards and agencies	5,428,445	8,098,421	6,855,839
Bank charges and short-term interest	224,345	259,015	245,789
Interest on long-term debt	5,960,258	5,796,203	6,383,283
Amortization of tangible capital assets	-	20,990,308	19,259,121
Other	-	136,723	42,164
	131,952,218	158,985,005	153,358,495

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Schedule VI - Schedule of Segmented Disclosure

For the year ended December 31, 2014

	General Government	Protective Services	Transportation Services	Planning & Development	Community Development	Recreation & Cultural	Other	Total
REVENUE								
Net municipal taxes	96,158,814	-	-	-	-	-	-	96,158,814
Government transfers	1,091,172	1,415,366	24,307,767	2,437,295	2,893,688	1,793,847	-	33,939,135
User fees and sales of goods	231,908	969,259	9,555,675	121,766	230,274	9,912,495	-	21,021,377
Investment income	2,968,096	-	54,006	-	-	-	-	3,022,102
Contributed assets	13,431,436	-	-	-	-	-	-	13,431,436
Other revenue	23,173,660	4,341,952	5,354,937	4,597,829	48,884	2,152,252	308,000	39,977,514
	137,055,086	6,726,577	39,272,385	7,156,890	3,172,846	13,858,594	308,000	207,550,378
EXPENSES								
Contract & general services	4,472,199	12,717,272	7,658,424	509,156	877,179	4,709,237	-	30,943,467
Salaries & wages	9,970,505	20,071,762	16,372,957	2,756,645	2,133,640	22,337,240	226,561	73,869,310
Goods & supplies	1,213,939	1,212,190	10,176,548	36,451	125,002	6,117,738	5,139	18,887,007
Transfers to local boards	279,310	333,442	1,355,472	36,838	3,759,028	2,237,403	96,928	8,098,421
Long-term debt interest	134,830	634,392	1,097,644	85,858	-	3,843,479	-	5,796,203
Other expenses	35,319	8,218	72,274	70,599	-	142,099	71,781	400,290
	16,106,102	34,977,276	36,733,319	3,495,547	6,894,849	39,387,196	400,409	137,994,698
NET REVENUE, BEFORE AMORTIZATION	120,948,984	(28,250,699)	2,539,066	3,661,343	(3,722,003)	(25,528,602)	(92,409)	69,555,680
Amortization expense	236,832	951,296	15,763,696	145,563	17,852	3,875,068	-	20,990,307
NET REVENUE	120,712,152	(29,201,995)	(13,224,630)	3,515,780	(3,739,855)	(29,403,670)	(92,409)	48,565,373

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Grande Prairie (the "City") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the City and are, therefore, accountable to the City for the administration of their financial affairs and resources. Included within the reporting entity of the City are the following:

Grande Prairie Public Library
Grande Prairie Airport Commission
Downtown Business Revitalization Zone Association

Aquatera Utilities Inc., a subsidiary corporation controlled by the City of Grande Prairie, is accounted for on a modified equity basis, consistent with the Canadian public sector accounting standards treatment 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 City and inter-organizational transactions and balances are not eliminated.

The schedule of taxes levied also includes requisitions for education, health, social and senior foundations that are not part of the City's reporting entity.

Interdepartmental and organizational transactions and balances have been eliminated.

The consolidated financial statements also exclude trust assets that are administered for the benefits of external parties as described in Note 20.

b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, 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 assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

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

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

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

e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

f) Requisition Over-levy and Under-levy

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as roads, sidewalks and street lighting are recorded as physical assets under the respective function. Proceeds from sales of land held for resale are recorded as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be made.

h) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

i) Asset Retirement Obligations

The City recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination. At this time, no asset retirement obligations have been identified and, thus, no liability has been recorded.

j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transactions, 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.

k) Non-Financial Assets

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

City of Grande Prairie
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

k) Non-Financial Assets (continued from previous page)

i. Tangible capital assets

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

	Years
Buildings	25 - 50
Land improvements	15 - 45
Engineered structures	5 - 75
Machinery and equipment	5 - 25
Vehicles	5 - 25

A full year's amortization is recorded in the year the asset is acquired, constructed or developed and put into use, regardless of when this event occurs in the fiscal year. No amortization is recorded in the year an asset is disposed of.

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 held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

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

2. CASH

	2014	2013
Cash on hand	41,105	32,030
Cash in bank	12,548,635	20,396,729
	12,589,740	20,428,759

Cash in bank bears interest at a rate of prime minus 1.8% per annum on balances over \$1,500,000.

Included in cash and portfolio investments are restricted amounts aggregating \$16,927,341 (2013 - \$21,145,890) to be used for specific capital and other projects, as detailed in Note 8.

3. PORTFOLIO INVESTMENTS

Portfolio investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear interest at rates between 1.90% and 5.76% per annum and mature between February 2015 and December 2023.

In addition the City has investments \$2,126,184 (2013 - \$1,762,983) that are held in trust as described in Note 20.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2014	2013
Current taxes and grants in place of taxes	2,389,821	2,760,749
Arrears	734,586	1,286,484
Allowance for doubtful accounts	(208,423)	(208,428)
	2,915,984	3,838,805

5. TRADE AND OTHER ACCOUNTS RECEIVABLES

	2014	2013
Trade and other receivables	12,772,673	7,136,725
Goods and services tax	82,384	351,107
Accrued investment earnings	4,865,278	2,874,850
Allowance for doubtful accounts	(65,000)	(65,000)
	17,655,335	10,297,682

6. AGREEMENTS RECEIVABLE

	2014	2013
RCMP	2,457,142	2,606,071
Canadian Mental Health Association	254,475	279,147
Grande Prairie Gymnastics Society	95,119	280,063
	2,806,736	3,165,281
Current portion	(277,269)	(358,545)
	2,529,467	2,806,736

Estimated principal amounts to be received are as follows:

2015	277,269
2016	191,121
2017	200,536
2018	210,416
2020	220,785
To maturity	1,706,609

The RCMP agreement receivable is for a portion of the costs of the new RCMP facility as agreed to by the parties. The amount is based on a proportion of specific debentures issued by the City to Alberta Capital Finance Authority (ACFA), is unsecured, bears interest at a weighted average rate equal to the corresponding ACFA debentures of 4.00% per annum, with repayment to be proportionate to the total annual principal and interest repayments on the specific debentures and matures in 2026. The actual amount receivable will be determined annually based on certain criteria established between the parties. Management has determined this estimate based on the best information available at year-end date. Any change to the estimate will be accounted for as a current transaction in the period the change becomes known.

The Canadian Mental Health Association agreement receivable is secured by a general security agreement, bears interest at a rate equal to the corresponding ACFA debenture of 5.63% per annum, with repayment to be equal to the annual principal and interest repayments and matures in 2022.

The Grande Prairie Gymnastics Society agreement receivable is secured by a general security agreement, bears interest at a rate equal to the corresponding ACFA debenture of 3.80% per annum, with repayment to be equal to the annual principal and interest repayments and matures in 2015.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

7. INVESTMENTS

	2014	2013
Alberta Capital Finance Authority shares	60	60
Aquatera Utilities Inc. - 73.33% ownership		
Stock dividend receivable	-	16,233,743
Common shares (32,820)	329	322
Preferred shares (57,404)	57,403,709	41,169,973
Cumulative share of earnings	53,234,128	43,287,634
Cumulative share of dividends received/receivable	(46,981,841)	(44,369,226)
	63,656,385	56,322,506

8. DEFERRED REVENUE

	2014	2013
Deferred sales and user charges	5,415,126	3,785,129
Deferred capital grants	12,401,478	16,932,746
Deferred operating grants	4,525,863	4,213,144
	22,342,467	24,931,019

Deferred sales and user charges consist of amounts received which are taken into revenue in the period in which they are earned and corresponding expenditures incurred. Unexpended funds related to deferred grants are fully supported by cash and portfolio investments held exclusively for these projects.

Deferred capital grants consist of restricted amounts for specific capital projects, as follows:

Capital transportation projects	12,401,478	10,068,640
Recreation	-	28,193
Other restricted funds not allocated to specific capital projects	-	6,835,913
	12,401,478	16,932,746

Deferred operating grants consist of restricted amounts for specific affordable housing and homelessness initiatives.

Municipal Sustainability Initiative

Capital funding in the amount of \$9,782,221 was received in the current year from the Municipal Sustainability Initiative, as approved under the funding agreement. Unexpended funds related to the advance are supported by portfolio investments of \$8,852,832 held exclusively for these projects, which are scheduled for completion in 2014.

9. EMPLOYEE BENEFIT OBLIGATIONS

	2014	2013
Vacation and overtime	3,142,760	3,100,269

Vacation and overtime

The vacation and overtime accrual liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Post-employment benefits

The City pays 100% of the premiums for retiree life insurance benefits to qualifying retirees for a two year period after termination of employment. The City's cost of these benefits is recognized as a program expenditure as the coverage is incurred.

Total benefit payments on behalf of retirees during the year were \$9,018.

City of Grande Prairie
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

10. LONG-TERM DEBT

	2014	2013
Tax supported debentures	141,458,560	135,896,089

The current portion of the long-term debt amounts to \$7,786,189 (2013 - \$7,378,165).

Principal and interest repayments are as follows:

	Principal	Interest	Total
2015	7,786,189	5,956,632	13,742,821
2016	7,975,505	5,612,294	13,587,799
2017	8,332,170	5,255,629	13,587,799
2018	8,705,575	4,882,224	13,587,799
2019	9,096,538	4,491,261	13,587,799
Thereafter	99,562,583	23,038,885	122,601,468
	141,458,560	49,236,925	190,695,485

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.18% to 6.75% per annum and matures in periods 2015 through 2032.

Debenture debt is issued on the credit and security of the City at large.

Included in the Alberta Capital Finance Authority balance are long-term debentures issued for non-capital purposes aggregating \$349,594 (2013 - \$559,210).

Interest on long-term debt amounted to \$5,796,203 (2013 - \$6,383,283).

Included in long term debt is a loan in the amount of \$19,017,965 (2013 - \$7,358,785) that was entered into on behalf of the Grande Prairie Airport Commission.

11. DEBT LIMITS

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

	2014	2013
Total debt limit	238,536,402	227,514,210
Total debt (Note 10)	(141,458,560)	(135,896,089)
Amount debt limit remaining	97,077,842	91,618,121
Debt servicing limit	39,756,067	37,919,035
Debt servicing	(13,742,821)	(13,292,174)
Service on debt limit remaining	26,013,246	24,626,861

The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

City of Grande Prairie
Notes to the Consolidated Financial Statements
For the year ended December 31, 2014

12. ACCUMULATED SURPLUS

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

	2014	2013
Unrestricted surplus	39,572,173	38,114,673
Equity in long-term investments (Note 7)	63,656,385	56,322,506
Restricted surplus (Note 14)	47,333,864	53,537,502
Equity in tangible capital assets (Note 15)	445,331,938	399,354,306
	595,894,360	547,328,987

13. SEGMENTED DISCLOSURE

The City of Grande Prairie provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

14. RESERVES

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

	Balance Beginning	Additions	Reductions	Balance Closing
Cemetery perpetual care	1,797,292	269,091	-	2,066,383
Facility renewal reserve	7,972,679	3,801,860	4,526,157	7,248,382
Financial stabilization	9,180,833	233,960	2,500,000	6,914,793
Fire Department equipment replacement	855,593	217,867	17,844	1,055,616
Fleet management system	10,397,984	3,280,042	3,881,853	9,796,173
Future expenditures	8,000,074	4,701,509	6,947,254	5,754,329
Pinnacle Ridge special tax	6,157	62	5,753	466
Public	176,737	5,623	-	182,360
Public Housing Commission	271,332	8,632	-	279,964
RCMP Detachment	281,763	8,964	-	290,727
Transportation system levies	9,971,959	302,224	645,859	9,628,324
Winter stabilization	2,872,850	56,529	1,500,000	1,429,379
Library	1,752,249	934,719	-	2,686,968
	53,537,502	13,821,082	20,024,720	47,333,864

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2014	2013
Tangible capital assets (Schedule II)	583,983,762	532,085,114
Capital agreements receivable (Note 6)	2,457,142	2,606,071
Long-term debt issued for capital purposes	(141,108,966)	(135,336,879)
	445,331,938	399,354,306

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

16. SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits & allowances ²	2014	2013
Mayor:				
B. Given	101,165	3,260	104,425	93,449
Councillors:				
J. Clayton	37,717	3,222	40,939	6,000
D. Logan	36,017	3,222	39,239	5,400
K. McLean	40,517	3,222	43,739	39,827
K. O'Toole	39,417	3,222	42,639	38,327
L. Radbourne	37,417	3,222	40,639	36,727
H. Rice	36,908	1,294	38,202	36,660
R. Tarant	36,417	3,222	39,639	5,500
C. Thiessen	40,917	3,222	44,139	5,900
J. Croken	-	-	-	36,417
A. Gustafson	-	-	-	30,617
J. Munroe	-	-	-	30,117
D. Wong	-	-	-	32,817
City Manager:				
G. Scerbak	235,012	33,193 ³	268,205	258,778

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, mileage allowances and any other direct cash remuneration.
2. 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 tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances and club memberships.

17. EMPLOYEE FUTURE BENEFITS

a) Local Authorities Pension Plan

Employees of the City participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 230,534 people and 418 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan of 15.84% on pensionable earnings above this amount. Employees of the City 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 City to the LAPP in 2014 were \$5,163,257 (2013 - \$4,580,623). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2014 were \$4,766,091 (2013 - \$4,195,014).

At December 31, 2013, the LAPP disclosed a deficiency of \$4,861,516 (2012 - deficiency of \$4,977,303).

b) APEX Supplementary Pension Plan

Eligible employees may also elect to participate in the voluntary APEX Supplementary Pension Plan offered through the Alberta Municipalities Association, which is covered by the Public Sector Pension Plans Act. The plan serves about 415 people and 30 employers. It is funded by employer and employee contributions and investment earnings on the APEX fund.

The City is required to make current service contributions to the plan of 3.00% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$138,500 (2013 - \$132,333) for those employees who have elected to participate in the Plan. No contributions are required on earnings above the maximum threshold.

Employees of the City electing to participate in the Plan are required to make current service contributions of 2.50% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$32,333, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2014 were \$259,212 (2013 - \$208,874). The current and past service contributions by employees of the City to APEX in 2014 were \$216,011 (2013 - \$174,060).

At December 31, 2013, the Plan disclosed an actuarial surplus of \$4,106,924 (2012 - \$772,494 surplus).

c) Grande Prairie Firefighters Supplementary Pension Plan

Effective January 1, 2004, the City initiated a defined benefit pension plan on behalf of employees of the Grande Prairie Firefighters Association.

The City is required to make current service contributions to the Plan of 2.63% of pensionable earnings, with no annual maximum limit. Plan members are required to make current service contributions of 2.40% of pensionable earnings with no annual maximum limit, and are responsible for 100% of past service contributions.

Total current service contributions made by the City to the Firefighters Supplementary Pension Plan in 2014 were \$204,259 (2013 - \$219,580). Total current contributions by the employees of the City of the Plan in 2014 were \$204,259 (2013 - \$187,371).

At December 31, 2013, the Plan disclosed an actuarial surplus of \$2,044 (2012 - \$2,044 surplus). The City and the plan members have agreed to share the cost of future service and future additional unfunded liabilities 55% by the City and 45% by plan members. It is management's opinion that the City's proportionate share of any such unfunded liability as at December 31, 2014 would not have significant impact on the financial position of the City.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

18. SUBSIDIARY OPERATIONS

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

The following is a summary of condensed financial information related to the City's proportionate share (2014 - 73.33%; 2013 - 73.33%) in Aquatera Utilities Inc. for the year ended December 31, 2014:

	2014	2013
<u>Financial Position:</u>		
Financial assets	50,299,202	36,080,374
Physical assets	172,782,855	140,728,396
Total assets	223,082,057	176,808,770
Current liabilities, including callable debt	70,318,142	56,634,768
Deferred revenue of capital contributions	85,725,811	61,306,568
Landfill closure and post-closure liability	3,668,538	3,503,963
Total liabilities	159,712,491	121,445,299
Net assets	63,369,566	55,363,471
<u>Results of Operations:</u>		
Revenue	37,832,765	32,892,938
Amortization expense	2,221,827	2,072,794
Finance costs	546,105	698,976
Fair value adjustment of interest rate swap	(466,294)	-
Net subsidiary operations	104,863	-
Operating expenses	24,756,908	23,515,916
	9,946,494	6,605,252

Non-cumulative annual dividends calculated at 5% of the redemption amount of preferred shares held by the City not issued on account of stock dividends were declared in the year in the amount of \$3,529,616 (2013 - \$3,527,000). At year end, the dividends declared had not been received.

Aquatera Utilities Inc. has recognized a decommissioning liability for the estimated expected costs for closure and post-closure activities of the landfill site. These estimated costs are based on estimates and assumptions related to future events and using information currently available to management. Future events may result in significant changes to the estimated total costs and the estimated liability.

Aquatera Utilities Inc. estimates the discounted amount of cash flow required to settle its decommissioning liability to be approximately \$5,407,596, calculated using inflation rates of 2.00% and a long-term discount rate of 4.50%.

The majority of closure costs are related to phase 1 and 2 of the landfill and are expected to occur in approximately 9 to 11 years dependent upon future usage rates. Annual post-closure costs are expected to extend to 25 years beyond closure of the landfill. The expected capacity remaining is 719,654 (2013 - 773,789) metric tonnes remaining with an annual estimated utilization of 68,066 metric tonnes. Current year capacity reflects phases 1 and 2 of a 5 year phase plan a total capacity of approximately 3.6 million metric tonnes and a total lifespan of approximately 33 years once all cells are completed.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

19. RELATED PARTY TRANSACTIONS

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2014.

	2014	2013
<i>Aquatera Utilities Inc. (a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	2,904,385	2,628,960
General administrative charge revenue and other recoveries	155,168	191,076
Utility and other expenses	479,268	395,473
Trade accounts receivable	2,612,615	2,637,300
Trade accounts payable	358,872	623,152

Transactions and balances with Aquatera Utilities Inc. are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The summary of specific transactions with regional municipalities is not intended to be representative of all transactions undertaken with these or other municipalities, but is intended to identify only specific transactions that management has identified as relevant to the users of these consolidated financial statements.

20. FUNDS HELD IN TRUST

The City administers the following trusts on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the consolidated financial statements. The following table provides a summary of the transactions within these trusts during the year:

	Balance Beginning	Receipts	Disbursements	Balance Closing
Facility deposits and registrations	349,530	449,523	(402,550)	396,503
Community funds and endowments	1,010,784	1,482,784	(1,189,750)	1,303,817
Advance ticket sales	402,669	2,007,326	(1,984,131)	425,864
	1,762,983	3,939,633	(3,576,431)	2,126,184

21. FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and portfolio investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the City is not exposed to significant interest or currency risks arising from these financial instruments.

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

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

22. COMMITMENTS

The City has entered into various leases and other agreements as part of its ongoing operations. It is the opinion of management that there are no commitments that will have a materially adverse effect on the financial position of the City.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

23. CONTINGENCIES

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

The City has been named defendant in various lawsuits as at December 31, 2014. While it is not possible to estimate the ultimate liability with respect to pending litigation, based on evaluation and correspondence with the City's various legal counsel, management indicates that it is unlikely that there will be a material adverse effect on the financial position of the City. The ultimate settlement of these lawsuits, if any, will be recorded in the period the details become known.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

25. BUDGET

The disclosed budgeted figures have been approved by council on December 9, 2013 and are comprised of all consolidated entities. Management does not include budget figures for amortization, gain (loss) on disposal of assets and share of earnings from Aquatera Utilities Inc. The approved budgets do reflect capital asset additions, dividends from Aquatera Utilities Inc., transfers from (to) restricted equity and debt repayment. However, these items are not reflected in the statement as presented in order to comply with generally accepted accounting principles.

26. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.