

**CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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.

April 18, 2016



Chief Financial Officer

Independent 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, 2015, the consolidated statements of operations, change in net assets, 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, 2015, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta
April 18, 2016

MNP LLP

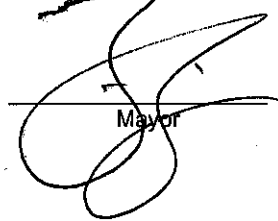
Chartered Professional Accountants

City of Grande Prairie
Consolidated Statement of Financial Position
As at December 31, 2015

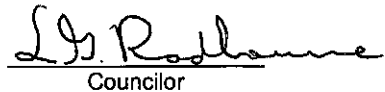
	2015	2014
FINANCIAL ASSETS		
Cash (Note 2)	12,853,844	12,589,740
Portfolio investments (Note 3)	84,334,550	85,157,145
Receivables		
Taxes and grants in place of taxes (Note 4)	3,252,980	2,915,984
Trade and other accounts receivables (Note 5)	26,412,289	17,655,335
Agreements receivable (Note 6)	2,529,467	2,806,736
Land held for resale inventory	752,300	752,300
Investments (Note 7)	73,748,220	63,656,385
	203,883,650	185,533,625
LIABILITIES		
Accounts payable and accrued liabilities	4,690,526	7,818,970
Deferred revenue (Note 8)	28,144,114	22,342,467
Employee benefit obligations (Note 9)	3,204,291	3,142,760
Long-term debt (Note 10)	133,672,371	141,458,560
	169,711,302	174,762,757
NET ASSETS	34,172,348	10,770,868
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	593,725,349	583,983,762
Inventory for consumption	963,633	815,575
Prepaid expenses	453,036	324,154
	595,142,018	585,123,491
ACCUMULATED SURPLUS (Schedule I, Note 12)	629,314,366	595,894,359

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, 2015

	Budget	2015	2014
REVENUE			
Net municipal taxes (Schedule III)	103,385,993	103,417,663	96,158,814
Government transfers for operating (Schedule IV)	4,088,583	11,363,036	8,778,858
User fees and sales of goods	20,641,000	21,113,798	21,021,377
Investment income	2,260,505	2,915,079	3,022,102
Penalties and costs of taxes	1,000,000	1,025,661	1,063,296
Development levies	344,837	2,374,915	2,502,199
Fines, rentals, licenses and permits	15,744,249	10,356,790	10,957,888
Franchise and concession contracts	10,437,140	10,518,243	10,000,402
Transfers from other organizations	62,043	199,806	200,054
Other	2,120,018	4,902,640	5,585,976
	160,084,368	168,187,631	159,290,966
EXPENSES			
Council and other legislative services	977,931	853,373	827,347
Administrative services	15,859,321	16,927,842	15,515,587
Protective services	37,920,371	37,731,819	35,928,572
Transportation services	38,296,157	50,100,382	52,497,015
Community social development	3,264,079	9,287,679	6,912,701
Planning and development services	3,662,012	3,551,899	3,641,110
Recreation and cultural services	40,564,444	43,356,433	43,262,264
Other services	-	225,835	400,409
	140,544,315	162,035,262	158,985,005
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	19,540,053	6,152,369	305,961
OTHER			
Contributed tangible capital assets	-	4,137,862	13,431,436
Loss on disposal of tangible capital assets	-	(12,320)	(278,795)
Government transfers for capital (Schedule IV)	19,463,150	14,334,514	25,160,276
Subsidiary operations (Note 18)	2,640,000	8,807,582	9,946,494
	22,103,150	27,267,638	48,259,411
EXCESS OF REVENUE OVER EXPENSES	41,643,203	33,420,007	48,565,372
ACCUMULATED SURPLUS, BEGINNING OF YEAR	595,894,359	595,894,359	547,328,987
ACCUMULATED SURPLUS, END OF YEAR	637,537,562	629,314,366	595,894,359

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31, 2015

	Budget	2015	2014
EXCESS OF REVENUE OVER EXPENSES	41,643,203	33,420,007	48,565,372
Acquisition of tangible capital assets	(30,054,517)	(27,912,372)	(60,215,602)
Contributed tangible capital assets	-	(4,137,862)	(13,431,436)
Proceeds on disposal of tangible capital assets	-	156,527	479,287
Amortization of tangible capital assets	-	22,139,800	20,990,308
Loss on sale of tangible capital assets	-	12,320	278,795
	(30,054,517)	(9,741,587)	(51,898,648)
Acquisition of supplies inventory	-	(148,058)	(72,414)
Use of prepaid assets	-	(128,882)	(103,451)
	-	(276,940)	(175,865)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	11,588,686	23,401,480	(3,509,141)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	10,770,868	10,770,868	14,280,009
NET FINANCIAL ASSETS, END OF YEAR	22,359,554	34,172,348	10,770,868

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, 2015

	2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	33,420,007	48,565,372
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	22,139,800	20,990,308
Tangible capital assets received as contributions	(4,137,862)	(13,431,436)
Loss on disposal of tangible capital assets	12,320	278,795
Subsidiary operations	(8,807,582)	(9,946,494)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(336,996)	922,821
Decrease (increase) in trade and other accounts receivable	(8,756,954)	(7,357,653)
Decrease (increase) in inventory for consumption	(148,058)	(72,414)
Decrease (increase) in prepaid expenses	(128,882)	(103,451)
Increase (decrease) in accounts payable and accrued liabilities	(3,067,108)	(4,085,152)
Increase (decrease) in deferred revenue	5,801,647	(2,588,552)
Cash provided by operating transactions	35,990,332	33,172,144
CAPITAL		
Acquisition of tangible capital assets	(27,912,372)	(60,215,602)
Proceeds on disposal of tangible capital assets	156,527	479,287
Agreements receivable repayments	277,269	358,545
Dividends declared by Aquatera Utilities Inc.	2,715,942	2,612,615
Cash applied to capital transactions	(24,762,634)	(56,765,155)
INVESTING		
Decrease (increase) in investments	(4,000,000)	-
Cash provided by (applied to) investing transactions	(4,000,000)	-
FINANCING		
Long-term debt issued	-	12,940,637
Long-term debt repaid	(7,786,189)	(7,378,166)
Cash provided by financing transactions	(7,786,189)	5,562,471
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(558,491)	(18,030,540)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,746,885	115,777,425
CASH AND CASH EQUIVALENTS, END OF YEAR	97,188,394	97,746,885
Cash and cash equivalents is made up of:		
Cash (Note 2)	12,853,844	12,589,740
Portfolio investments (Note 3)	84,334,550	85,157,145
	97,188,394	97,746,885

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, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Investments	Equity in Tangible Capital Assets	2015	2014
BALANCE, BEGINNING OF YEAR	39,572,172	47,333,864	63,656,385	445,331,938	595,894,359	547,328,987
Excess of revenue over expenses	33,420,007	-	-	-	33,420,007	48,565,372
Unrestricted funds designated for future use	(1,924,681)	1,924,681	-	-	-	-
Share of earnings from subsidiary	(8,807,582)	-	8,807,582	-	-	-
Current year funds used for tangible capital assets	(27,912,372)	-	-	27,912,372	-	-
Contributed tangible capital assets	(4,137,862)	-	-	4,137,862	-	-
Dividends received	2,715,942	-	(2,715,942)	-	-	-
Purchase of investments	(4,000,195)	-	4,000,195	-	-	-
Annual amortization expense	22,139,800	-	-	(22,139,800)	-	-
Disposal of tangible capital assets	168,847	-	-	(168,847)	-	-
Long-term debt repaid	(7,508,920)	-	-	7,508,920	-	-
Change in accumulated surplus	4,152,984	1,924,681	10,091,835	17,250,507	33,420,007	48,565,372
BALANCE, END OF YEAR	43,725,156	49,258,545	73,748,220	462,582,445	629,314,366	595,894,359

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, 2015

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2015	2014
COST:								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	637,721	1,569,150	224,659	3,135,510	4,695,886	21,787,308	32,050,234	73,647,038
Transfers of assets under construction	-	985,376	4,068,179	20,442,650	-	(25,496,205)	-	-
Disposal of tangible capital assets	-	(22,693)	-	(1,762,715)	(1,333,466)	-	(3,118,874)	(5,269,127)
BALANCE, END OF YEAR	61,735,883	53,773,180	268,363,168	358,893,195	40,978,579	28,912,350	812,656,355	783,724,995
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	16,670,732	46,742,842	118,614,561	17,713,098	-	199,741,233	183,261,970
Annual amortization	-	2,847,878	5,968,519	10,685,865	2,637,538	-	22,139,800	20,990,308
Accumulated amortization on disposals	-	(22,693)	-	(1,744,423)	(1,182,911)	-	(2,950,027)	(4,511,045)
BALANCE, END OF YEAR	-	19,495,917	52,711,361	127,556,003	19,167,725	-	218,931,006	199,741,233
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	61,735,883	34,277,263	215,651,807	231,337,192	21,810,854	28,912,350	593,725,349	583,983,762
2014 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	

The accompanying notes are an integral part of these financial statements

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

For the year ended December 31, 2015

	Budget	2015	2014
TAXATION			
Real property taxes	125,106,861	125,366,770	116,620,889
Linear property taxes	1,839,486	1,839,486	1,818,835
Downtown Business Revitalization Zone	382,689	379,358	369,535
Government grants in lieu of property taxes	846,191	846,191	799,543
Local improvement	348,654	260,849	-
	128,523,881	128,692,654	119,608,802
REQUISITIONS			
Alberta School Foundation Fund	21,549,486	21,633,011	19,862,945
Grande Prairie Separate School Division No. 28	2,871,333	2,924,374	2,891,549
Grande Spirit Foundation	358,012	358,549	344,818
Downtown Business Revitalization Zone	359,057	359,057	350,676
	25,137,888	25,274,991	23,449,988
NET MUNICIPAL TAXES	103,385,993	103,417,663	96,158,814

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, 2015

	Budget	2015	2014
TRANSFERS FOR OPERATING			
Provincial government	3,006,327	9,413,442	6,886,865
Federal government	54,000	348,656	308,698
Other local governments	1,028,256	1,600,938	1,583,295
	4,088,583	11,363,036	8,778,858
TRANSFERS FOR CAPITAL			
Provincial government	19,463,150	13,395,379	21,774,615
Federal government	-	919,135	3,373,062
Other local governments	-	20,000	12,600
	19,463,150	14,334,514	25,160,277
TOTAL GOVERNMENT TRANSFERS	23,551,733	25,697,550	33,939,135

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, 2015

	Budget	2015	2014
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	77,550,344	75,564,714	73,869,310
Contracted and general services	27,864,870	32,329,195	30,943,467
Materials, goods and utilities	22,658,581	16,542,967	18,887,006
Provision for allowances	64,000	69	4,552
Transfers to local boards and agencies	6,094,927	9,423,274	8,098,421
Bank charges and short-term interest	240,835	279,576	259,015
Interest on long-term debt	6,070,758	5,755,489	5,796,203
Amortization of tangible capital assets	-	22,139,800	20,990,308
Other	-	178	136,723
	140,544,315	162,035,262	158,985,005

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, 2015

	General Government	Protective Services	Transportation Services	Planning & Development	Community Development	Recreation & Cultural	Other	Total
REVENUE								
Net municipal taxes	103,417,663	-	-	-	-	-	-	103,417,663
Government transfers	1,278,099	2,401,580	10,917,265	4,730,434	2,551,311	3,818,861	-	25,697,550
User fees and sales of goods	224,694	1,017,971	9,378,941	96,375	235,889	10,159,928	-	21,113,798
Investment income	2,845,997	-	69,082	-	-	-	-	2,915,079
Contributed assets	4,137,862	-	-	-	-	-	-	4,137,862
Other revenue	22,495,298	3,353,301	3,637,917	3,504,049	38,946	2,808,414	2,335,392	38,173,317
	134,399,613	6,772,852	24,003,205	8,330,858	2,826,146	16,787,203	2,335,392	195,455,269
EXPENSES								
Contract & general services	5,198,662	13,993,823	5,983,679	255,634	1,151,587	5,649,995	95,815	32,329,195
Salaries & wages	10,770,651	20,901,206	17,035,163	2,993,260	2,238,007	21,594,825	31,602	75,564,714
Goods & supplies	904,982	1,125,343	8,439,243	51,744	95,799	5,925,856	-	16,542,967
Transfers to local boards	518,166	149,686	516,000	4,288	5,784,434	2,355,581	95,119	9,423,274
Long-term debt interest	121,425	594,037	1,313,631	80,685	-	3,645,711	-	5,755,489
Other expenses	33,307	9,214	49,233	20,725	-	167,344	-	279,823
	17,547,193	36,773,309	33,336,949	3,406,336	9,269,827	39,339,312	222,536	139,895,462
NET REVENUE, BEFORE AMORTIZATION	116,852,420	(30,000,457)	(9,333,744)	4,924,522	(6,443,681)	(22,552,109)	2,112,856	55,559,807
Amortization expense	234,022	958,510	16,763,433	145,563	17,852	4,020,420	-	22,139,800
NET REVENUE	116,618,398	(30,958,967)	(26,097,177)	4,778,959	(6,461,533)	(26,572,529)	2,112,856	33,420,007

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, 2015

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 revenue 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) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring. At this time, no contaminated sites liabilities have been identified and, thus, no liability has been recorded.

j) 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.

k) 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.

City of Grande Prairie
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

l) 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 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 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

	2015	2014
Cash on hand	24,430	41,105
Cash in bank	12,829,414	12,548,635
	12,853,844	12,589,740

Cash in bank bears interest at a rate of prime minus 1.8% (2014 - prime minus 1.8%) per annum on balances over \$1,500,000.

Included in cash and portfolio investments are restricted amounts aggregating \$22,311,319 (2014 - \$16,927,341) to be used for specific capital and other projects, as detailed in Note 8.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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% (2014 - 1.90%) and 5.76% (2014 - 5.76%) per annum and mature between February 2015 and December 2023.

In addition, the City has investments of \$2,389,815 (2014 - \$2,126,184) that are held in trust as described in Note 20.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2015	2014
Current taxes and grants in place of taxes	2,805,308	2,389,821
Arrears	662,188	734,586
Allowance for doubtful accounts	(214,516)	(208,423)
	3,252,980	2,915,984

5. TRADE AND OTHER ACCOUNTS RECEIVABLES

	2015	2014
Trade and other receivables	20,866,342	12,772,673
Goods and services tax	120,604	82,384
Accrued investment earnings	5,490,343	4,865,278
Allowance for doubtful accounts	(65,000)	(65,000)
	26,412,289	17,655,335

6. AGREEMENTS RECEIVABLE

	2015	2014
RCMP	2,301,051	2,457,142
Canadian Mental Health Association	228,416	254,475
Grande Prairie Gymnastics Society	-	95,119
	2,529,467	2,806,736
Current portion	(191,121)	(277,269)
	2,338,346	2,529,467

Estimated principal amounts to be received are as follows:

2016	191,121
2017	200,536
2018	210,416
2019	220,785
2020	231,666
To maturity	1,474,943

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% (2014 - 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% (2014 - 5.63%) per annum, with repayment to be equal to the annual principal and interest repayments and matures in 2022.

City of Grande Prairie
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015

7. INVESTMENTS

	2015	2014
Alberta Capital Finance Authority shares	60	60
Aquatera Utilities Inc. - 73.93% ownership		
36,820 Common shares (2014 - 32,820)	524	329
61,404 Preferred shares (2014 - 57,404)	61,403,709	57,403,709
Cumulative share of earnings	62,041,710	53,234,128
Cumulative share of dividends received/receivable	(49,697,783)	(46,981,841)
	73,748,220	63,656,385

8. DEFERRED REVENUE

	2015	2014
Deferred sales and user charges	5,832,795	5,415,126
Deferred capital grants	18,159,240	12,401,478
Deferred operating grants	4,152,079	4,525,863
	28,144,114	22,342,467

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 transportation projects:

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

Municipal Sustainability Initiative

Capital funding in the amount of \$14,027,907 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 \$16,220,030 held exclusively for these projects, which are scheduled for completion in 2016.

9. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
Vacation and overtime	3,204,291	3,142,760

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 \$9,288 (2014 - \$9,018).

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

10. LONG-TERM DEBT

	2015	2014
Tax supported debentures	133,672,371	141,458,560

The current portion of the long-term debt amounts to \$7,975,505 (2014 - \$7,786,189).

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2020	9,505,920	4,081,879	13,587,799
Thereafter	90,056,663	18,957,006	109,013,669
	133,672,371	43,280,293	176,952,664

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 2024 through 2034.

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 \$228,416 (2014 - \$349,594).

Interest on long-term debt amounted to \$5,755,489 (2014 - \$5,796,203).

Included in long term debt is a loan in the amount of \$18,213,187 (2014 - \$19,017,965) 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:

	2015	2014
Total debt limit	252,281,447	238,936,449
Total debt (Note 10)	(133,672,371)	(141,458,560)
Amount debt limit remaining	118,609,076	97,477,889
Debt servicing limit	42,046,908	39,822,742
Debt servicing	(13,587,799)	(13,742,821)
Service on debt limit remaining	28,459,109	26,079,921

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, 2015

12. ACCUMULATED SURPLUS

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

	2015	2014
Unrestricted surplus	43,725,156	39,572,172
Equity in long-term investments (Note 7)	73,748,220	63,656,385
Restricted surplus (Note 14)	49,258,545	47,333,864
Equity in tangible capital assets (Note 15)	462,582,445	445,331,938
	629,314,366	595,894,359

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	2,066,383	227,276	-	2,293,659
Facility renewal reserve	7,248,382	2,106,001	8,552,447	801,936
Financial stabilization	6,914,793	181,627	-	7,096,420
Fire Department equipment replacement	1,055,616	132,268	381,018	806,866
Fleet management system	9,796,173	3,392,248	-	13,188,421
Future expenditures	5,754,329	5,533,755	330,000	10,958,084
Pinnacle Ridge special tax	466	5	471	-
Public	182,360	871,200	-	1,053,560
Public Housing Commission	279,964	175,160	-	455,124
RCMP Detachment	290,727	2,635	-	293,362
Transportation system levies	9,628,324	4,268,400	5,039,621	8,857,103
Winter stabilization	1,429,379	12,957	-	1,442,336
Library	2,686,968	(675,294)	-	2,011,674
	47,333,864	16,228,238	14,303,557	49,258,545

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets (Schedule II)	593,725,349	583,983,762
Capital agreements receivable (Note 6)	2,301,051	2,457,142
Long-term debt issued for capital purposes	(133,443,955)	(141,108,966)
	462,582,445	445,331,938

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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	2015	2014
Mayor:				
B. Given	100,194	6,076	106,270	104,425
Councillors:				
J. Clayton	37,140	4,653	41,793	40,939
D. Logan	35,840	3,558	39,398	39,239
K. McLean	37,724	4,679	42,403	43,739
K. O'Toole	40,940	4,778	45,718	42,639
L. Radbourne	36,840	4,643	41,483	40,639
H. Rice	36,840	1,410	38,250	38,202
R. Tarant	36,095	4,625	40,720	39,639
C. Thiessen	40,240	4,749	44,989	44,139
City Manager:				
G. Scerbak	235,007	34,287 ³	269,294	268,205

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 237,612 people and 423 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 2015 were \$5,513,789 (2014 - \$5,163,257). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2015 were \$5,088,545 (2014 - \$4,766,091).

At December 31, 2014, the LAPP disclosed a deficiency of \$2,454,636 (2013 - deficiency of \$4,861,516).

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 1,076 people and 56 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 \$140,945 (2014 - \$138,500) 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 \$140,945, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2015 were \$263,650 (2014 - \$259,212). The current and past service contributions by employees of the City to APEX in 2015 were \$219,708 (2014 - \$216,011).

At December 31, 2014, the Plan disclosed an actuarial surplus of \$6,079,290 (2013 - \$4,106,924 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 2.93% 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 2015 were \$253,906 (2014 - \$204,259). Total current contributions by the employees of the City of the Plan in 2015 were \$207,978 (2014 - \$204,259).

At December 31, 2014, the Plan disclosed an actuarial surplus of \$2,044 (2013 - \$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, 2015 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, 2015

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 (2015 - 73.93%; 2014 - 73.33%) in Aquatera Utilities Inc. for the year ended December 31, 2015:

	2015	2014
<u>Financial Position:</u>		
Financial assets	53,725,164	50,299,202
Physical assets	201,194,089	172,782,855
Total assets	254,919,253	223,082,057
Current liabilities, including callable debt	76,763,941	70,318,142
Deferred revenue of capital contributions	101,353,019	85,725,811
Landfill closure and post-closure liability	3,864,735	3,668,538
Total liabilities	181,981,695	159,712,491
Net assets	72,937,558	63,369,566
<u>Results of Operations:</u>		
Revenue	40,628,583	37,832,765
Amortization expense	2,719,738	2,221,827
Finance costs	559,471	546,105
Fair value adjustment of interest rate swap	(1,185,168)	(466,294)
Net subsidiary operations	(245,933)	104,863
Operating expenses	27,110,691	24,756,908
	8,807,582	9,946,494

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 \$3,667,107 (2014 - \$3,529,616). 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 \$5,227,904 (2014 - \$5,002,780), calculated using inflation rates of 2.00% and a long-term discount rate of 4.50% per annum.

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 660,062 (2014 - 719,654) 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 32 years once all cells are completed.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

19. RELATED PARTY TRANSACTIONS

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2015.

	2015	2014
<i>Aquatera Utilities Inc. (a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	3,178,519	2,904,385
General administrative charge revenue and other recoveries	279,486	155,168
Utility and other expenses	535,922	479,268
Trade and other accounts receivables	3,067,949	3,012,397
Trade accounts payable	135,908	38,500

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	396,503	491,759	(588,597)	299,665
Community funds and endowments	1,303,817	2,049,166	(1,915,477)	1,437,506
Advance ticket sales	425,864	3,078,468	(2,851,689)	652,643
	2,126,184	5,619,393	(5,355,763)	2,389,814

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, 2015

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, 2015. 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 15, 2014 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 Canadian public sector accounting standards.

26. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.