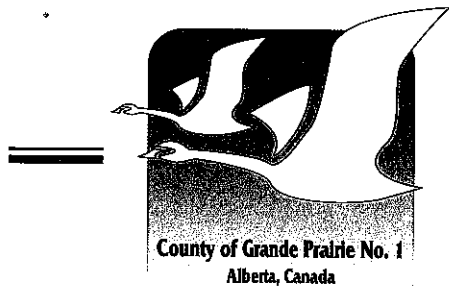


COUNTY OF GRANDE PRAIRIE NO. 1
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

COUNTY OF GRANDE PRAIRIE NO. 1
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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COUNTY OF GRANDE PRAIRIE No. 1

PROUD SUPPORTER OF



MANAGEMENT REPORT

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

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

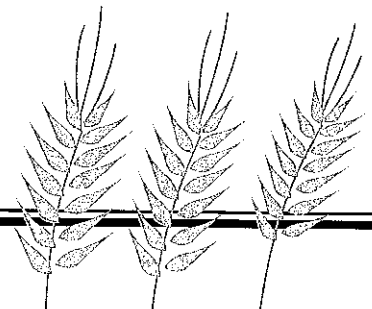
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the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

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

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

William A. Rogan
Chief Administrative Officer
May 7, 2010

Noreen Vavrek, C.G.A.
Director of Finance & Systems
May 7, 2010





400 Windsor Court
9835-101 Avenue
Grande Prairie, Alberta
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Fax: (780) 532-1350
Email: info@fletchermudryk.com

AUDITORS' REPORT

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

We have audited the Consolidated Statement of Financial Position, the Consolidated Statement of Operations and Accumulated Surplus, the Consolidated Statement of Change in Net Financial Assets (Debt) and the Consolidated Statement of Cash Flows of the **County of Grande Prairie No. 1** as at December 31, 2009. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the **County of Grande Prairie No. 1** as at December 31, 2009 and the results of its operations, the change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grande Prairie, Alberta
May 12, 2010

Fletcher Mudryk & Co.
Chartered Accountants

County of Grande Prairie No. 1
Consolidated Statement of Financial Position
As at December 31, 2009

	<u>2009</u>	<u>2008</u> <i>(Restated - Note 23)</i>
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 69,839,557	\$ 63,500,167
Receivables		
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	2,580,646	1,794,211
Trade and other receivables	5,069,217	8,727,552
Loans receivable <i>(Note 4)</i>	2,500,000	1,506,000
Investments <i>(Note 5)</i>	<u>9,549,815</u>	<u>9,077,545</u>
	<u>89,539,235</u>	<u>84,605,475</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	7,090,801	7,735,458
Deposit liabilities <i>(Note 7)</i>	1,837,582	1,593,219
Deferred revenue <i>(Note 8)</i>	6,976,679	6,595,261
Provision for landfill closure and post-closure costs <i>(Note 9)</i>	131,966	109,695
Long-term debt <i>(Note 10)</i>	<u>34,900,403</u>	<u>32,497,915</u>
	<u>50,937,431</u>	<u>48,531,548</u>
NET FINANCIAL ASSETS	<u>38,601,804</u>	<u>36,073,927</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 12)</i>	212,911,508	180,517,251
Inventory for consumption	1,113,276	1,476,436
Prepaid expenditures	<u>271,419</u>	<u>302,397</u>
	<u>214,296,203</u>	<u>182,296,084</u>
ACCUMULATED SURPLUS <i>(Note 14)</i>	<u>\$ 252,898,007</u>	<u>\$ 218,370,011</u>

Contingencies *(Note 18)*

County of Grande Prairie No. 1
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2009

	<u>Budget</u> <i>(Unaudited)</i>	<u>2009</u>	<u>2008</u> <i>(Restated - Note 23)</i>
REVENUE			
Net municipal property taxes <i>(Schedule 2)</i>	\$ 49,400,597	\$ 49,387,823	\$ 45,319,239
User fees and sale of goods	3,000,605	9,872,337	12,594,307
Government transfers <i>(Schedule 3)</i>	3,747,878	5,343,579	6,802,574
Investment income	954,150	1,070,123	2,374,483
Penalties and costs of taxes	256,260	523,737	430,132
Insurance proceeds	-	17,751	41,763
Development levies	513,420	2,658,744	2,962,978
Licenses and permits	1,170,900	1,215,915	1,609,167
Other	758,290	1,146,920	1,783,562
TOTAL REVENUE	<u>59,802,100</u>	<u>71,236,929</u>	<u>73,918,205</u>
EXPENDITURES			
Legislative	1,072,274	825,809	842,539
Other general	594,037	896,191	554,822
Administration	5,286,570	5,508,933	4,567,945
Protective services	5,787,790	5,338,974	4,108,061
Transportation and field services	17,193,612	23,062,067	22,129,955
Water and wastewater services	631,828	633,411	699,414
Solid waste management and recycling	1,643,288	1,320,900	1,176,307
Other environmental - Mountain Pine Beetle	-	6,448,160	11,067,015
Family and Community Support Services	1,212,516	1,067,907	957,698
Planning and development	1,345,398	1,093,130	925,887
Agriculture services	1,356,399	1,590,981	1,185,005
Economic development	682,751	603,279	329,316
Recreation, cultural, library and park services	4,114,236	4,243,532	4,449,129
TOTAL EXPENDITURES	<u>40,920,699</u>	<u>52,633,274</u>	<u>52,993,093</u>
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	18,881,401	18,603,655	20,925,112
OTHER ITEMS			
Contributed assets	-	5,886,211	2,867,896
Government transfers for capital <i>(Schedule 3)</i>	18,635,099	12,061,243	14,462,021
Net subsidiary operations - Aquatera Utilities Inc. <i>(Note 20)</i>	-	472,516	492,883
Loss on disposal of tangible capital assets <i>(Note 16)</i>	-	(2,495,629)	(637,333)
EXCESS OF REVENUE OVER EXPENDITURES	<u>37,516,500</u>	<u>34,527,996</u>	<u>38,110,579</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	218,370,011	218,370,011	180,259,432
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 255,886,511</u>	<u>\$ 252,898,007</u>	<u>\$ 218,370,011</u>

County of Grande Prairie No. 1
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2009

	Budget <i>(Unaudited)</i>	2009	2008 <i>(Restated - Note 23)</i>
EXCESS OF REVENUE OVER EXPENDITURES	\$ 37,516,500	\$ 34,527,996	\$ 38,110,579
Tangible Capital Assets Related			
Acquisition of tangible capital assets	(54,899,938)	(39,645,354)	(33,005,408)
Contributed assets	-	(5,886,211)	(2,867,896)
Proceeds on disposal of tangible capital assets	393,421	650,792	5,782,503
Amortization of tangible capital assets	-	9,990,887	7,672,472
Loss on disposal of tangible capital assets <i>(Note 16)</i>	-	2,495,629	637,333
	<u>(54,506,517)</u>	<u>(32,394,257)</u>	<u>(21,780,996)</u>
Other Non-financial Assets			
Acquisition of supplies inventories	-	(2,196,839)	(2,261,985)
Use of supplies inventories	-	2,559,999	2,424,573
Acquisition of prepaid assets	-	(463,185)	(491,614)
Use of prepaid assets	-	494,163	611,007
	<u>-</u>	<u>394,138</u>	<u>281,981</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(16,990,017)	2,527,877	16,611,564
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	36,073,927	36,073,927	19,462,363
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ 19,083,910	\$ 38,601,804	\$ 36,073,927

**County of Grande Prairie No. 1
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2009**

	<u>2009</u>	<u>2008</u> <i>(Restated - Note 23)</i>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenditures	\$ 34,527,996	\$ 38,110,579
Non-cash items included in excess of revenue over expenditures:		
Amortization of tangible capital assets	9,990,887	7,672,472
Loss on disposal of tangible capital assets	2,495,629	637,333
Tangible capital assets received as contributions	(5,886,211)	(2,867,896)
Amortization of deferred revenue	(2,185)	20,084
Non-cash charges to operations (net change):		
Increase in taxes and grants in place of taxes receivable	(786,435)	(643,014)
Decrease (increase) in trade and other receivables	3,658,335	(1,402,259)
Increase in loans receivable	(994,000)	(1,494,000)
Decrease in prepaid expenditures	30,978	119,393
Decrease in inventory for consumption	363,160	162,588
Increase (decrease) in accounts payable and accrued liabilities	(644,657)	905,015
Increase (decrease) in deposit liabilities	244,363	(21,613)
Increase (decrease) in tax sale surplus	-	(37,765)
Increase (decrease) in provision for landfill closure and post-closure costs	22,271	18,228
Increase in deferred revenue	383,603	(883,416)
	<u>43,403,734</u>	<u>40,295,729</u>
Cash provided by operating transactions		
CAPITAL		
Acquisition of tangible capital assets	(39,645,354)	(33,005,408)
Proceeds on disposal of tangible capital assets	650,792	5,782,503
	<u>(38,994,562)</u>	<u>(27,222,905)</u>
Cash applied to capital transactions		
INVESTING		
Increase in restricted cash and temporary investments	(2,022,633)	(427,459)
Investment in Aquatera Utilities Inc.	(472,516)	(4,208,858)
Decrease (increase) in other investments	246	(98)
	<u>(2,494,903)</u>	<u>(4,636,415)</u>
Cash provided by (applied to) investing transactions		
FINANCING		
Long-term debt issued	4,763,935	8,964,000
Long-term debt repaid	(2,361,447)	(1,309,807)
Long-term debt transferred to City of Grande Prairie	-	(1,550,742)
	<u>2,402,488</u>	<u>6,103,451</u>
Cash provided by financing transactions		
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	<u>4,316,757</u>	<u>14,539,860</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>50,214,287</u>	<u>35,674,427</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 54,531,044</u>	<u>\$ 50,214,287</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments <i>(Note 2)</i>	\$ 69,839,557	\$ 63,500,167
Less: restricted portion of cash and temporary investments <i>(Note 2)</i>	(15,308,513)	(13,285,880)
	<u>\$ 54,531,044</u>	<u>\$ 50,214,287</u>

County of Grande Prairie No. 1
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2009

	Land	Site Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2009 \$	2008 \$ <i>(Restated - Note 23)</i>
COST:								
BALANCE, BEGINNING OF YEAR	\$ 47,631,040	\$ 3,125,521	\$ 21,342,662	\$ 194,705,400	\$ 13,448,708	\$ 5,908,844	\$ 286,162,175	\$ 262,929,037
Acquisition of tangible capital assets	3,699,228	2,530,365	3,554,896	23,232,905	4,433,450	805,972	38,256,816	20,908,737
Construction-in-progress	-	89,718	-	7,185,031	-	-	7,274,749	14,964,567
Disposal of tangible capital assets	(95,011)	-	(783,629)	(8,459,742)	(1,633,574)	(536,853)	(11,508,809)	(12,640,166)
BALANCE, END OF YEAR	51,235,257	5,745,604	24,113,929	216,663,594	16,248,584	6,177,963	320,184,931	286,162,175
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	1,034,323	1,426,547	92,724,495	7,634,989	2,824,570	105,644,924	104,192,782
Annual amortization	-	258,474	395,602	6,842,885	1,910,641	583,285	9,990,887	7,672,472
Accumulated amortization on disposals	-	-	(78,363)	(6,396,681)	(1,384,153)	(503,191)	(8,362,388)	(6,220,330)
BALANCE, END OF YEAR	-	1,292,797	1,743,786	93,170,699	8,161,477	2,904,664	107,273,423	105,644,924
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 51,235,257	\$ 4,452,807	\$ 22,370,143	\$ 123,492,895	\$ 8,087,107	\$ 3,273,299	\$ 212,911,508	\$ 180,517,251
2008 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS <i>(Restated - Note 23)</i>	\$ 47,631,040	\$ 2,091,198	\$ 19,916,115	\$ 101,980,905	\$ 5,813,719	\$ 3,084,274	\$ 180,517,251	

County of Grande Prairie No. 1
Schedule of Property and Other Taxes
For the Year Ended December 31, 2009

	Budget <i>(Unaudited)</i>	2009	2008
TAXATION			
Real property taxes	\$ 43,150,114	\$ 43,041,339	\$ 40,035,760
Linear property taxes	20,262,985	20,279,653	18,490,774
Government grants in place of property taxes	78,138	77,848	77,885
Local improvement taxes	301,201	380,824	327,264
	<u>63,792,438</u>	<u>63,779,664</u>	<u>58,931,683</u>
LESS: REQUISITIONS			
Alberta School Foundation Fund	13,387,604	13,387,604	12,684,297
Grande Prairie Roman Catholic Separate School District No. 28	767,926	767,926	739,731
Grande Spirit Foundation	236,311	236,311	188,416
	<u>14,391,841</u>	<u>14,391,841</u>	<u>13,612,444</u>
NET MUNICIPAL TAXES	<u>\$ 49,400,597</u>	<u>\$ 49,387,823</u>	<u>\$ 45,319,239</u>

County of Grande Prairie No. 1
Schedule of Government Transfers
For the Year Ended December 31, 2009

	Budget <i>(Unaudited)</i>	2009	2008 <i>(Restated - Note 23)</i>
TRANSFERS FOR OPERATING:			
Federal transfers	\$ 54,000	\$ 100,657	\$ 16,710
Provincial transfers	3,670,478	5,219,072	6,757,256
Local government transfers	23,400	23,850	28,608
	<u>3,747,878</u>	<u>5,343,579</u>	<u>6,802,574</u>
TRANSFERS FOR CAPITAL:			
Federal transfers	1,070,000	2,300,104	1,780,274
Provincial transfers	17,557,099	9,729,139	12,673,747
Local government transfers	8,000	32,000	8,000
	<u>18,635,099</u>	<u>12,061,243</u>	<u>14,462,021</u>
	<u>\$ 22,382,977</u>	<u>\$ 17,404,822</u>	<u>\$ 21,264,595</u>

County of Grande Prairie No. 1
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2009

	Budget <i>(Unaudited)</i>	2009	2008 <i>(Restated - Note 23)</i>
Consolidated expenditures by object			
Salaries, wages and benefits	\$ 15,371,644	\$ 14,151,996	\$ 12,743,832
Contracted and general services	13,199,038	17,707,336	20,735,488
Materials, goods and utilities	6,548,238	5,322,090	6,459,271
Transfers to other governments, local boards and agencies	4,382,901	3,935,412	4,193,776
Provision for allowances	13,000	106,858	50,082
Bank charges and short-term interest	8,220	14,873	6,386
Interest on long-term debt	1,394,058	1,401,411	1,129,656
Amortization of tangible capital assets	-	9,990,887	7,672,472
Other expenditures	3,600	2,411	2,130
Total expenditures	\$ 40,920,699	\$ 52,633,274	\$ 52,993,093

County of Grande Prairie No. 1
Schedule of Salary and Benefits Disclosure
Year Ended December 31, 2009

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

COUNTY COUNCIL	Division	2009			2008	
		Salary (1)	Benefits (2)	Travel Cost and Allowances (3)	Total	Total
Reeve - E. McDonald	1	\$ 64,912	\$ 10,656	\$ 40,193	\$ 115,761	\$ 114,671
S. Nelson	2	38,458	7,772	10,129	56,359	66,084
L. Beaupre	3	61,620	9,650	25,178	96,447	95,409
J. O'Toole	4	53,500	9,782	36,810	100,092	88,884
P. Jacobs	5	43,024	6,729	16,496	66,249	64,385
L. Dueck	6	48,166	3,873	24,130	76,169	62,290
F. Lowen	7	31,433	6,947	9,520	47,900	59,308
R. Harpe	8	52,628	8,695	36,281	97,604	112,445
M. Eckstrom	9	50,718	6,111	20,158	76,987	75,405
		<u>\$ 444,459</u>	<u>\$ 70,213</u>	<u>\$ 218,894</u>	<u>\$ 733,567</u>	<u>\$ 738,881</u>
<u>OFFICERS</u>	<u>Positions</u>					
Chief Administrative Officer	1	\$ 184,202	\$ 24,144	\$ 16,090	\$ 224,436	\$ 200,281
Designated Officer	1	107,999	20,220	9,144	137,363	126,525
		<u>\$ 292,201</u>	<u>\$ 44,364</u>	<u>\$ 25,234</u>	<u>\$ 361,799</u>	<u>\$ 326,806</u>

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Grande Prairie No. 1 are prepared by management in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the County of Grande Prairie No. 1 are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net financial assets 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 municipality and are, therefore, accountable to the County for the administration of their financial affairs and resources. Included in these consolidated financial statements are the financial activities of the County of Grande Prairie Library Board and the County's proportionate share of the financial activities of the West Grande Prairie County Solid Waste Management Authority, as disclosed in Note 22.

The County's investment in Aquatera Utilities Inc. is accounted for on a modified equity basis, consistent with the Canadian generally accepted accounting 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 County and inter-organizational transactions and balances are not eliminated.

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

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

(b) Basis of accounting

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

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain program, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital asset is acquired.

(c) Use of estimates

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

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Investments

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

(e) Employee future benefits

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

(f) Requisition over-levy and under-levy

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisitioned amount, the under-levy is accrued as a receivable and as property tax revenue.

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

(g) Prepaid local improvement charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

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

(h) Landfill closure and post-closure liability

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

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Non-financial assets

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

(I) Tangible capital assets

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

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

(II) Contributions of tangible capital assets

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

(III) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(IV) Inventories

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

(V) Cultural and historical tangible capital assets

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

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

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

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

(k) Government transfers

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

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

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(l) Asset retirement obligations

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

2. CASH AND TEMPORARY INVESTMENTS

	2009	2008
Cash on hand	\$ 1,260	\$ 1,260
Cash in banks	4,923,183	4,793,779
Temporary investments	64,915,114	58,705,128
	69,839,557	63,500,167
Less: restricted cash included in temporary investments		
Provincial and federal government grants for specific capital and operating projects	(7,863,533)	(5,201,747)
Municipal reserve funds	(3,119,119)	(2,204,080)
Development levies	(3,732,462)	(5,144,327)
West Grande Prairie County Solid Waste Management Authority	(593,399)	(735,726)
	(15,308,513)	(13,285,880)
	\$ 54,531,044	\$ 50,214,287

Temporary investments are short-term deposits bearing interest at rates between 0.51% and 3.25% maturing within one year.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2009	2008
Current taxes and grants in place of taxes	\$ 1,958,377	\$ 1,461,225
Non-current taxes and grants in place of taxes	793,229	443,438
	2,751,606	1,904,663
Allowance for doubtful accounts	(170,960)	(110,452)
	\$ 2,580,646	\$ 1,794,211

4. LOANS RECEIVABLE

	2009	2008
Grande Prairie Regional Agricultural & Exhibition Society (TEC Building)	\$ 2,500,000	\$ 1,500,000
Sexsmith Co-op Seed Cleaning Association Ltd.	-	6,000
	2,500,000	1,506,000
Less: current portion	-	(6,000)
	\$ 2,500,000	\$ 1,500,000

The amounts advanced to the Grande Prairie Regional Agricultural & Exhibition Society are unsecured, bear interest at 4.75% per annum with annual repayments being deferred for the first five years and repayments beginning in January 2014 and January 2015. Full amount of loans and interest must be repaid by January 31, 2029.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

5. INVESTMENTS

	2009	2008
Alberta Capital Finance Authority shares	\$ 170	\$ 170
AAMD&C dividend reserve	9,892	10,138
	<u>10,062</u>	<u>10,308</u>
Aquatera Utilities Inc. (18.16% ownership; 2008 - 18.16% ownership)		
7,963 Class A common shares (2008 - 7,963)	79	79
8,212 Class D preferred shares (2008 - 8,178)	8,211,209	8,177,424
Cumulative share of earnings	1,996,229	1,341,236
Cumulative share of dividends received	(667,764)	(451,502)
	<u>9,539,753</u>	<u>9,067,237</u>
Total equity in Aquatera Utilities Inc. (Note 14)		
	<u>\$ 9,549,815</u>	<u>\$ 9,077,545</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
		<i>(Restated - Note 23)</i>
Trade payables	\$ 6,364,453	\$ 7,053,750
Vacation and overtime	726,348	681,708
	<u>\$ 7,090,801</u>	<u>\$ 7,735,458</u>

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

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

7. DEPOSIT LIABILITIES

	2009	2008 <i>(Restated - Note 23)</i>
Gravel truck/supply deposits and other	\$ 34,967	\$ 174,136
Subdivision approach and development agreement deposits	1,584,615	1,236,583
Site agreement deposits	-	4,500
Public works approach/performance deposits	218,000	178,000
	<u>\$ 1,837,582</u>	<u>\$ 1,593,219</u>

8. DEFERRED REVENUE

	2009	2008 <i>(Restated - Note 23)</i>
Provincial government transfer - Mountain Pine Beetle Program	\$ 15,600	\$ 1,206,274
Provincial government transfer - Alberta Municipal Infrastructure Program	4,479,877	3,574,003
Provincial government transfer - MSI (Municipal Sustainability Initiative)	183,095	962,276
Provincial government transfer - Dino project	1,116,876	-
Federal government transfer - New Deal for Cities and Communities	815,059	5,285
Other government transfers	216,844	483,437
Other deferred amounts	128,761	341,324
	<u>6,956,112</u>	<u>6,572,599</u>
Prepaid local improvement charges	20,567	22,662
	<u>\$ 6,976,679</u>	<u>\$ 6,595,261</u>

Prepaid local improvement charges are being amortized to revenue on a straight-line basis over the remaining term of the respective debentures and mature in 2029.

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

2010	\$ 1,572
2011	\$ 1,572
2012	\$ 1,572
2013	\$ 1,057
2014	\$ 1,057

9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The accrued liability for closure and post-closure of the Clairmont landfill is recognized over the life of the cell, using the net present value of the total estimated costs of closure and post-closure care, prorated on the basis of the current capacity in metric tonnes utilized over the total estimated capacity of the site.

Management estimates the site has approximately 31,749 metric tonnes of landfill capacity remaining. With a current estimated annual utilization of 17,688 metric tonnes, the landfill has approximately 1.79 years of life remaining. Stage two future development has 354,000 metric tonne capacity and estimated life of 20.01 years (based on a 17,688 metric tonnes utilization per year). Taking this into consideration, the useful life of the landfill will increase to 21.80 years.

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

	<u>2009</u>	<u>2008</u>
Estimated closure costs	\$ 86,955	\$ 86,955
Estimated post-closure costs	<u>52,500</u>	<u>52,500</u>
Estimated total liability	139,455	139,455
Estimated capacity remaining	<u>20.76%</u>	<u>34.79%</u>
Portion of total liability remaining to be recognized	<u>\$ 28,957</u>	<u>\$ 48,522</u>
Estimated capacity used	<u>79.24%</u>	<u>65.21%</u>
Accrued liability portion - Clairmont landfill	\$ 110,498	\$ 90,933
Accrued liability portion - West Grande Prairie County Solid Waste Management Authority (Note 22)	<u>21,468</u>	<u>18,762</u>
Total accrued liability portion	<u>\$ 131,966</u>	<u>\$ 109,695</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

10. LONG-TERM DEBT

	2009	2008
Alberta Capital Finance Authority		
General tax levy supported debentures	\$ 7,583,765	\$ 6,305,544
Other agreement supported debentures	211,156	257,391
Other supported debentures	24,269,970	22,857,824
Local improvement supported debentures	2,835,512	3,077,156
Total long-term debt	34,900,403	32,497,915
Less: current portion	(2,897,141)	(2,361,447)
	\$ 32,003,262	\$ 30,136,468

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

	Principal	Interest	Total
2011	\$ 2,897,141	\$ 1,472,497	\$ 4,369,638
2012	3,004,757	1,360,508	4,365,265
2013	3,121,055	1,244,209	4,365,264
2014	3,224,130	1,123,154	4,347,284
2015	2,143,738	1,006,329	3,150,067
Thereafter	20,509,582	5,411,702	25,921,284
	\$ 34,900,403	\$ 11,618,399	\$ 46,518,802

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at varying rates ranging from 2.284% to 6.125% per annum and mature between 2010 and 2031. Debenture debt is issued on the credit and security of the County of Grande Prairie No. 1.

The County of Grande Prairie No. 1 has entered into an agreement with the West Grande Prairie County Solid Waste Management Authority to be reimbursed for the landfill access road paving project costs annually of \$60,068 over the next four years as support for the other agreement supported debentures.

Interest on long-term debt amounted to \$1,401,411 (2008 - \$1,129,656).

The County's total cash payments for interest in 2009 was \$1,403,242 (2008 - \$1,117,193).

11. DEBT LIMIT

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

	2009	2008
Total debt limit	\$ 99,443,100	\$ 98,867,153
Total debt	34,900,403	32,497,915
Total debt limit available	\$ 64,542,697	\$ 66,369,238
Debt servicing limit	\$ 16,573,850	\$ 16,477,859
Debt servicing	4,369,638	3,605,989
Service on debt limit available	\$ 12,204,212	\$ 12,871,870

The debt limit is calculated at 1.5 times certain revenue of the Municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Municipality. Rather, the consolidated financial statements must be interpreted as a whole.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

12. TANGIBLE CAPITAL ASSETS

	2009	2008 <i>(Restated - Note 23)</i>
Land	\$ 51,235,257	\$ 47,631,040
Site Improvements	4,452,807	2,091,198
Buildings	22,370,143	19,916,115
Engineered structures	123,492,895	101,980,905
Machinery and equipment	8,087,107	5,813,719
Vehicles	3,273,299	3,084,274
	<u>\$ 212,911,508</u>	<u>\$ 180,517,251</u>

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2009	2008 <i>(Restated - Note 23)</i>
Tangible capital assets <i>(Schedule 1)</i>	\$ 320,184,931	\$ 286,162,175
Accumulated amortization <i>(Schedule 1)</i>	(107,273,423)	(105,644,924)
Long-term debt <i>(Note 10)</i>	(34,900,403)	(32,497,915)
	<u>\$ 178,011,105</u>	<u>\$ 148,019,336</u>

14. ACCUMULATED SURPLUS

	2009	2008 <i>(Restated - Note 23)</i>
Unrestricted surplus (deficit)		
County of Grande Prairie No. 1	\$ 282,802	\$ 265,085
West Grande Prairie County Solid Waste Management Authority	8,000	6,000
	<u>290,802</u>	<u>271,085</u>
Restricted surplus (reserves)		
Carry forward project completions	6,749,736	3,239,843
Financial stabilization	5,069,988	5,069,988
Tax revenue stabilization	493,098	493,098
Project debt repayment	15,803,081	16,928,546
Future grants	2,219,954	1,125,840
Future operational projects	2,087,623	2,132,235
Future capital and infrastructure projects and rehabilitation	25,515,473	25,923,601
Future equipment replacement	3,535,228	3,559,572
Municipal reserve	3,108,269	2,204,283
Regional landfill 40% consolidation	473,897	335,348
	<u>65,056,347</u>	<u>61,012,354</u>
Equity in Aquatera Utilities Inc. <i>(Note 5)</i>	<u>9,539,753</u>	<u>9,067,237</u>
Equity in tangible capital assets <i>(Note 13)</i>		
Equity in capital assets	188,723,870	158,335,461
Amounts to recover <i>(Note 15)</i>	(10,712,765)	(10,316,125)
	<u>178,011,105</u>	<u>148,019,335</u>
	<u>\$ 252,898,007</u>	<u>\$ 218,370,011</u>

15. AMOUNTS TO BE RECOVERED

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

	2009	2008 <i>(Restated - Note 23)</i>
Evergreen Park Trade and Convention Centre	\$ 4,209,663	\$ 4,368,544
Waterline installation	6,503,102	5,947,581
	\$ 10,712,765	\$ 10,316,125

16. LOSS ON DISPOSAL OF TANGIBLE CAPITAL ASSETS

	2009	2008 <i>(Restated - Note 23)</i>
Loss on disposal of tangible capital assets	\$ 683,671	\$ 603,769
Tangible capital assets transferred to Aquatera Utilities Inc.	1,106,692	-
Tangible capital assets transferred to other organizations	705,266	33,564
	\$ 2,495,629	\$ 637,333

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the County of Grande Prairie No. 1 participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 189,140 people and about 411 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The County of Grande Prairie No.1 is required to make current service contributions to the Plan of 8.46% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable salary and 10.66% on pensionable salary above this amount.

Total current service contributions by the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2009 were \$892,707 (2008 - \$648,692). Total current service contributions by the employees of the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2009 were \$808,874 (2008 - \$586,935).

At December 31, 2008, the Plan disclosed an actuarial deficit of \$4,413 million (2007 - \$1,183 million).

18. CONTINGENCIES

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

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

19. COMMITMENTS

Photocopier lease

The County has entered into leases in respect to photocopiers requiring annual payments of \$32,707 expiring in December, 2013.

20. AQUATERA UTILITIES INC. SUMMARY OF CONDENSED FINANCIAL INFORMATION

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

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

	2009	2008
<u>Financial position</u>		
Assets		
Current assets	\$ 11,419,618	\$ 11,337,588
Long-term investments	6,781,081	4,754,871
Property, plant and equipment	72,046,311	69,257,406
Total assets	\$ 90,247,010	\$ 85,349,865
Liabilities		
Current liabilities	\$ 30,246,346	\$ 29,301,644
Infrastructure over sizing and asset retirement obligations	4,000,519	1,648,421
Total liabilities	34,246,865	30,950,065
Preferred shares	53,343,460	53,343,460
Shareholders' equity		
Share capital	438	438
Retained earnings (deficit)	2,656,247	1,055,902
	\$ 90,247,010	\$ 85,349,865
<u>Results of operations</u>		
Revenue	\$ 32,419,042	\$ 29,690,066
Operating expenses	28,812,551	26,064,941
Net earnings	3,606,491	3,625,125
Retained earnings, beginning	1,055,902	(220,831)
Dividends	(2,006,146)	(2,348,392)
Retained earnings (deficit), ending	\$ 2,656,247	\$ 1,055,902
The County of Grande Prairie No. 1 share is as follows:		
Net earnings from operations, current year	\$ 654,993	\$ 658,415
Shares issued (Note 21)	33,785	-
Less dividends declared	(216,262)	(165,532)
Subsidiary operations	\$ 472,516	\$ 492,883

21. RELATED PARTY TRANSACTIONS

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

(a) Transfer of water assets and other adjustments

As a result of adjustment of prior years stock dividends, the County of Grande Prairie No. 1 received additional class D shares in the current year.

	2009	2008
Assets transferred		
Capital assets - at agreed amounts	<u>\$ 1,106,692</u>	<u>\$ 3,715,975</u>
Class D non-voting preferred shares received		
Consideration for assets transferred	-	3,715,975
Adjustment to stock dividend previously declared	<u>33,785</u>	<u>-</u>
	<u>\$ 33,785</u>	<u>\$ 3,715,975</u>

(b) Received from Aquatera Utilities Inc.

Franchise fee revenue	\$ 133,299	\$ 107,495
Debenture payment recovery	-	28,603

In addition to the above, the County entered into numerous trade transactions with Aquatera Utilities Inc. for which disclosure has not been prepared. Management has indicated that the aggregate balance of such transactions is not significant to these financial statements.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

22. GOVERNMENT PARTNERSHIP

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

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

	2009	2008 <i>(Restated - Note 23)</i>
	<u> </u>	<u> </u>
ASSETS		
Financial assets		
Cash and temporary investments	\$ 593,439	\$ 735,766
Trade and other receivables	3,022	10,843
Due from County of Grande Prairie No. 1	3,311	43,591
	<u>599,772</u>	<u>790,200</u>
LIABILITIES		
Financial liabilities		
Accounts payable and accrued liabilities	\$ 5,969	\$ 3,665
Deferred revenue	90,438	426,425
Landfill closure and post-closure liability	21,468	18,762
	<u>117,875</u>	<u>448,852</u>
NET FINANCIAL ASSETS (DEBT)	<u>481,897</u>	<u>341,348</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>990,492</u>	<u>1,052,156</u>
ACCUMULATED SURPLUS	<u>\$ 1,472,389</u>	<u>\$ 1,393,504</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2009

22. GOVERNMENT PARTNERSHIP - continued

	2009	2008 <i>(Restated - Note 23)</i>
Revenue		
User fees and sale of goods	\$ 74,164	\$ 83,161
Investment income	6,113	28,587
Gain on disposal of tangible capital assets	5,134	-
Contributions from participating municipalities	76,022	52,368
Facility rental	17,218	16,717
Land rent	4,632	4,034
Other	59,544	43,866
Total revenue	242,827	228,733
Expenditures		
Salaries, wages and benefits	4,362	4,052
Contracted and general services	55,301	39,875
Materials, goods and utilities	1,993	5,546
Landfill closure and post-closure	2,706	2,029
Local government transfers	360,014	119,928
Amortization	73,015	63,628
Loss on disposal of tangible capital assets	2,537	-
Total expenditures	499,928	235,058
Excess (shortfall) of revenue over expenditures before other items	(257,101)	(6,325)
Other items		
Government transfers for capital	335,986	95,901
Excess (shortfall) of revenue over expenditures	78,885	89,576
Accumulated surplus - beginning of year	1,393,504	1,303,928
Accumulated surplus - end of year	\$ 1,472,389	\$ 1,393,504

23. PRIOR PERIOD ADJUSTMENTS

The County has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. These adjustments are as follows:

	2008
Adjustments to opening accumulated surplus:	
As previously reported	\$ 65,909,411
Adjustments to net book value of tangible capital assets	115,191,545
Amounts previously recorded as accounts receivable reversed and recorded as current period transactions	(815,981)
Debt receivable from Aquatera Utilities Inc.	(25,543)
As restated	\$ 180,259,432

	2008
Adjustments to shortfall of revenue over expenses:	
As previously reported	\$ 10,942,721
Tangible capital assets recorded but previously expensed	35,873,304
Net book value of tangible capital assets disposed	(6,419,836)
Annual amortization expense	(7,672,472)
Revenue related to recoveries of receivables for debt principal payments on road construction previously recorded as a reduction to accounts receivable	120,145
Transfer of debt principal to City of Grande Prairie for tangible capital assets annexed previously expensed	1,550,742
Transfer of tangible capital assets to Aquatera Utilities Inc. previously expensed	3,715,975
As restated	\$ 38,110,579

	2008
Adjustments to tangible capital assets:	
As previously reported	\$ 49,194,072
Adjustment to historical cost of tangible capital assets	236,968,103
Accumulated amortization recorded	(105,644,924)
As restated	\$ 180,517,251

	2008
Adjustments to accounts receivable	
As previously reported	\$ 9,423,387
Receivable for principal on debentures for road infrastructure tangible capital assets which were previously expensed and funded by local improvements and agreement	(695,835)
As restated	\$ 8,727,552

24. BUDGET AND STATEMENT OF OPERATIONS RECONCILIATION

The legislative requirements, as set out in the Municipal Government Act for budgets are cash based, meaning that planned revenue sources for the period must equal planned expenditures. Accordingly, the legislation does not require (but does not preclude) the funding of non-cash items such as amortization of tangible capital assets, contributions of tangible capital assets or liability accruals to provide for future cash needs.

The financial reporting requirements as set out in the Public Sector Accounting Handbook for financial statements are accrual based, as described in Note 1(b). The differences in the requirements for the Budget and the financial statements result in different items being recognized as revenues and expenditures.

For example, planned cash flows, recognized as revenues and expenditures in the Budget include such items as debt proceeds, transfers to and from reserves, debt principal repayment and proceeds on disposal of assets. These items are not recognized as revenues and expenditures in the financial statements as they do not meet the Public Sector Accounting Standard requirements for recognition as they do not result in a change in the County's accumulated surplus.

A reconciliation of the results of operations including these items is as follows:

	Budget <i>(Unaudited)</i>	2009	2008 <i>(Restated - Note 23)</i>
Statement of Operations, Surplus	\$ 37,516,500	\$ 34,527,996	\$ 38,110,579
Add back non-cash items:			
Contributed capital assets	-	(5,886,211)	(2,867,896)
Amortization of tangible capital assets	-	9,990,887	7,672,472
Loss on disposal of assets	-	2,495,629	637,333
Debt proceeds	7,528,002	4,763,935	8,964,000
Debt principal repayments	(2,235,083)	(2,361,447)	(1,309,807)
Debt principal transferred to City of Grande Prairie (annexation)	-	-	(1,550,742)
Tangible capital assets sale proceeds	393,421	650,792	5,782,503
Capital expenditures	(54,899,938)	(39,645,354)	(33,005,408)
Net transfer (to)/from reserves (restricted surplus)	11,697,098	(4,043,993)	(18,203,775)
Net transfer (to)/from Equity in Aquatera (restricted surplus)	-	(472,516)	(4,208,858)
Net transfer (to)/from unrestricted surplus	-	(19,718)	(20,401)
Balance	\$ -	\$ -	\$ -

25. FINANCIAL INSTRUMENTS

(a) Credit risk

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

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

(b) Interest rate risk

The County is not exposed to significant interest rate risk as a result of fixed-rate investments held, as outlined in Note 2, and the issuance of fixed-rate debentures, as outlined in Note 10.

(c) Unused lines of credit

The County has an available bank demand loan in the amount of \$1,930,000, all of which is unused at December 31, 2009.

25. FINANCIAL INSTRUMENTS - continued

(d) Currency risk

Currency risk is the risk to the County's surplus that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The County of Grande Prairie is not exposed to foreign currency exchange risk on cash and temporary investments, accounts receivable and accounts payable as no significant amounts are held in foreign dollars.

(e) Fair values of financial instruments

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

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

26. SUBSEQUENT EVENT

On May 3, 2010, Council approved providing a loan to the Grande Prairie Regional Agricultural & Exhibition Society, a non-profit organization, for \$1,000,000 with terms to be determined and subject to passage of a loan bylaw and entering into an agreement for repayment of principal and interest.

27. PRIOR YEAR COMPARATIVES

Certain amounts have been regrouped to conform with the presentation adopted for the current year.

28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and management approved these consolidated financial statements.