

COUNTY OF GRANDE PRAIRIE NO. 1

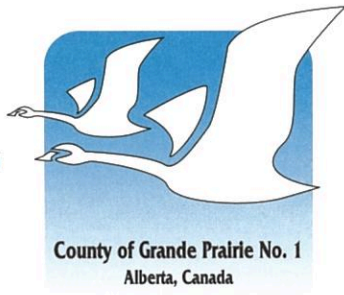
Consolidated Financial Statements

December 31, 2016

COUNTY OF GRANDE PRAIRIE NO. 1
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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COUNTY OF GRANDE PRAIRIE No. 1

MANAGEMENT REPORT

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

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

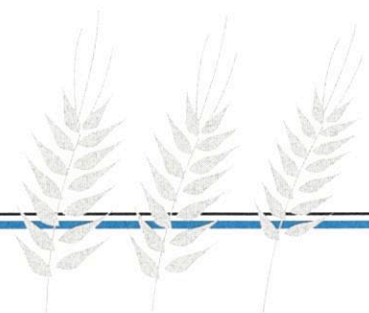
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the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

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

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

William A. Rogan
Chief Administrative Officer
April 24, 2017

Dawn Sauve
Director of Corporate Services
April 24, 2017





INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of County of Grande Prairie No. 1, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with Canadian Public Sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of County of Grande Prairie No. 1 as at December 31, 2016 and the results of its operations and accumulated surplus, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian Public Sector accounting standards.

Fletcher Mudryk LLP

County of Grande Prairie No. 1
Consolidated Statement of Financial Position
As at December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 98,466,974	\$ 86,955,153
Receivables		
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	4,060,374	2,473,073
Trade and other receivables	6,274,707	6,978,277
Annexation proceeds receivable <i>(Note 20)</i>	2,943,190	-
Loan receivable <i>(Note 4)</i>	4,142,730	4,406,312
Investments <i>(Note 5)</i>	19,443,088	17,584,097
	<u>135,331,063</u>	<u>118,396,912</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	10,082,472	6,746,865
Deposit liabilities <i>(Note 7)</i>	3,218,980	3,233,706
Deferred revenue <i>(Note 8)</i>	3,555,053	1,950,382
Provision for landfill closure and post-closure costs <i>(Note 9)</i>	136,728	209,045
Bank loan <i>(Note 10)</i>	1,000,000	1,000,000
Long-term debt <i>(Note 11)</i>	34,317,940	38,269,766
	<u>52,311,173</u>	<u>51,409,764</u>
NET FINANCIAL ASSETS	<u>83,019,890</u>	<u>66,987,148</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 2, Note 13)</i>	413,019,363	403,853,188
Inventory for consumption	1,087,032	798,543
Prepaid expenditures	1,016,262	808,174
	<u>415,122,657</u>	<u>405,459,905</u>
ACCUMULATED SURPLUS <i>(Schedule 1, Note 15)</i>	<u>\$ 498,142,547</u>	<u>\$ 472,447,053</u>
Contingencies <i>(Note 18)</i>		

County of Grande Prairie No. 1
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
REVENUE			
Net municipal taxes (Schedule 3)	\$ 73,072,505	\$ 73,016,119	\$ 73,038,099
User fees and sale of goods	7,243,417	7,439,797	7,828,184
Government transfers (Schedule 4)	4,058,309	3,249,917	3,094,897
Investment income	1,833,919	2,252,949	2,218,757
Penalties and costs of taxes	420,720	781,497	510,466
Insurance proceeds	-	6,543	140,678
Development levies	596,629	5,030,495	1,193,576
Licenses and permits	2,156,500	2,102,718	3,191,003
Other	419,021	609,284	657,903
TOTAL REVENUE	89,801,020	94,489,319	91,873,563
EXPENDITURES			
Legislative	1,146,707	1,011,169	1,081,752
Other general	2,195,666	2,332,353	1,558,609
Corporate and administrative services	10,495,850	9,655,143	8,496,834
Community services			
Agriculture services	2,534,698	2,339,982	2,432,531
Enforcement services	3,390,188	3,186,431	2,926,763
Family and Community Support Services	2,575,994	2,254,979	2,144,395
Fire services	7,135,764	7,170,044	7,178,675
Recreation, cultural, library and park services	14,390,579	13,570,719	12,729,831
Transportation and field services	36,029,072	35,338,742	33,529,469
Water and wastewater services	1,032,345	900,079	885,583
Solid waste management and recycling	2,668,196	2,266,869	2,843,812
Other environmental - Mountain Pine Beetle	707,000	552,378	757,606
Planning and economic development			
Planning and development	3,418,245	2,794,423	2,622,823
Economic development	782,425	580,912	1,173,093
TOTAL EXPENDITURES	88,502,729	83,954,223	80,361,776
EXCESS OF REVENUE OVER EXPENDITURES BEFORE OTHER ITEMS	1,298,291	10,535,096	11,511,787
OTHER ITEMS			
Contributed assets		7,227,125	10,270,188
Government transfers for capital (Schedule 4)	12,141,310	5,256,734	9,138,452
Net subsidiary operations - Aquatera Utilities Inc. (Note 21)		1,858,991	1,510,759
Transfer of assets to Aquatera Utilities Inc.	(12,800,000)		-
Proceeds from annexation (Note 20)		4,414,785	
Loss on annexation of tangible capital assets		(3,342,398)	-
Gain (loss) on disposal of tangible capital assets		(254,839)	429,388
EXCESS OF REVENUE OVER EXPENDITURES	639,601	25,695,494	32,860,574
ACCUMULATED SURPLUS, BEGINNING OF YEAR	472,447,043	472,447,053	439,586,479
ACCUMULATED SURPLUS, END OF YEAR	\$ 473,086,644	\$ 498,142,547	\$ 472,447,053

County of Grande Prairie No. 1
Consolidated Statement of Change in Net Financial Assets (Debt)
For the Year Ended December 31, 2016

	Budget <i>(Unaudited)</i>	2016	2015
EXCESS OF REVENUE OVER EXPENDITURES	\$ 639,601	\$ 25,695,494	\$ 32,860,574
Tangible Capital Assets Related			
Acquisition of tangible capital assets	(34,795,338)	(28,537,818)	(39,936,431)
Contributed assets	-	(7,227,125)	(10,270,188)
Proceeds on disposal of tangible capital assets	350,000	1,286,463	1,334,073
Write down of tangible capital assets	-	-	-
Amortization of tangible capital assets	18,446,791	20,878,906	19,749,445
Tangible capital assets transferred in annexation <i>(Note 20)</i>	-	4,178,560	-
Loss (gain) on disposal of tangible capital assets	-	254,839	(429,388)
	(15,998,547)	(9,166,175)	(29,552,489)
Other Non-Financial Assets			
Acquisition of supplies inventories		(2,510,513)	(2,334,195)
Use of supplies inventories		2,222,024	2,573,946
Acquisition of prepaid assets		(1,093,009)	(919,083)
Use of prepaid assets		884,921	1,491,796
	-	(496,577)	812,464
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(15,358,946)	16,032,742	4,120,549
NET FINANCIAL ASSETS, BEGINNING OF YEAR	66,987,148	66,987,148	62,866,599
NET FINANCIAL ASSETS, END OF YEAR	\$ 51,628,202	\$ 83,019,890	\$ 66,987,148

**County of Grande Prairie No. 1
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenditures	\$ 25,695,494	\$ 32,860,574
Non-cash items included in excess of revenue over expenditures:		
Amortization of tangible capital assets	20,878,906	19,749,445
Loss on annexation of tangible capital assets	3,342,398	-
Loss (gain) on disposal of tangible capital assets	254,839	(429,388)
Tangible capital assets received as contributions	(7,227,125)	(10,270,188)
Amortization of deferred revenue	(2,173)	(2,173)
Non-cash charges to operations (net change):		
Increase in taxes and grants in place of taxes receivable	(1,587,301)	(443,416)
Decrease (increase) in trade and other receivables	(2,239,620)	1,708,720
Decrease (increase) in loans receivable	263,582	(747,434)
Decrease (increase) in prepaid expenditures	(288,489)	572,713
Decrease (increase) in inventory for consumption	(208,088)	239,751
Increase (decrease) in accounts payable and accrued liabilities	3,335,607	(4,703,111)
Decrease in deposit liabilities	(14,725)	(534,689)
Increase (decrease) in provision for landfill closure and post-closure costs	(72,317)	31,448
Increase (decrease) in deferred revenue	1,606,845	(486,092)
Cash provided by operating transactions	<u>43,737,833</u>	<u>37,546,160</u>
CAPITAL		
Acquisition of tangible capital assets	(28,537,818)	(39,936,431)
Proceeds on disposal of tangible capital assets	1,286,461	1,334,073
Cash applied to capital transactions	<u>(27,251,357)</u>	<u>(38,602,358)</u>
INVESTING		
Increase (decrease) in restricted cash and temporary investments	(6,499,903)	189,510
Investment in Aquatera Utilities Inc.	(1,858,991)	(1,510,759)
Decrease in other investments	-	4,584
Cash applied to investing transactions	<u>(8,358,894)</u>	<u>(1,316,665)</u>
FINANCING		
Bank loan	-	1,000,000
Long-term debt issued	-	-
Long-term debt annexed	836,162	-
Long-term debt repaid	(3,951,826)	(3,222,293)
Cash applied to financing transactions	<u>(3,115,664)</u>	<u>(2,222,293)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	<u>5,011,918</u>	<u>(4,595,156)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>74,895,878</u>	<u>79,491,034</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 79,907,796</u>	<u>\$ 74,895,878</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	\$ 98,466,974	\$ 86,955,153
Less: restricted portion of cash and temporary investments (Note 2)	(18,559,178)	(12,059,275)
	<u>\$ 79,907,796</u>	<u>\$ 74,895,878</u>

Schedule 1

County of Grande Prairie No. 1
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Aquatera Utilities	Equity in Tangible Capital Assets	2016 \$	2015 \$
BALANCE, BEGINNING OF YEAR	\$ 520,419	\$ 88,759,285	\$ 17,583,927	\$ 365,583,422	\$ 472,447,053	\$ 439,586,479
Excess of revenue over expenditures	25,695,494				25,695,494	32,860,574
Unrestricted funds designated for future use	(50,149,988)	50,149,988			-	-
Restricted funds used for operations	20,591,419	(20,591,419)			-	-
Net subsidiary operations - Aquatera Utilities Inc.	(1,858,991)		1,858,991		-	-
Restricted funds used for tangible capital assets		(18,885,972)		18,885,972	-	-
Current year funds used for tangible capital assets	(9,651,846)			9,651,846	-	-
Contributed tangible capital assets	(7,227,125)			7,227,125	-	-
Tangible capital assets transferred in annexation	4,178,560			(4,178,560)	-	-
Disposal of tangible capital assets	1,541,302			(1,541,302)	-	-
Annual amortization expense	20,878,906			(20,878,906)	-	-
Long-term debt repaid	(3,951,826)			3,951,826	-	-
Change in accumulated surplus	45,905	10,672,597	1,858,991	13,118,001	25,695,494	32,860,574
BALANCE, END OF YEAR	\$ 566,324	\$ 99,431,882	\$ 19,442,918	\$ 378,701,423	\$ 498,142,547	\$ 472,447,053

County of Grande Prairie No. 1
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016

	Land	Site Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016 \$	2015
COST:								
BALANCE, BEGINNING OF YEAR	\$ 76,741,169	\$ 17,989,891	\$ 94,152,682	\$ 348,769,515	\$ 32,195,969	\$ 13,309,056	\$ 583,158,282	\$ 539,755,352
Acquisition of tangible capital assets	1,770,044	1,478,744	-	20,024,425	3,290,535	672,302	27,236,050	47,478,883
Adjustments	-	-	(42,606)	-	-	-	(42,606)	-
Construction-in-progress	11,303	(749,314)	225,532	8,454,445	629,533	-	8,571,499	2,727,736
Tangible capital assets transferred in annexation	(1,260,681)	-	-	(6,659,287)	-	-	(7,919,968)	-
Disposal of tangible capital assets	(709,019)	-	-	(1,066,297)	(2,473,750)	(791,746)	(5,040,812)	(6,803,689)
BALANCE, END OF YEAR	76,552,816	18,719,321	94,335,608	369,522,801	33,642,287	13,189,612	605,962,445	583,158,282
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	4,759,562	8,741,692	146,834,010	12,421,689	6,548,141	179,305,094	165,454,653
Annual amortization	-	811,976	2,093,328	13,194,289	3,650,936	1,128,377	20,878,906	19,749,445
Accumulated amortization transferred in annexation	-	-	-	(3,741,408)	-	-	(3,741,408)	-
Accumulated amortization on disposals	-	-	-	(815,414)	(2,251,221)	(432,875)	(3,499,510)	(5,899,004)
BALANCE, END OF YEAR	-	5,571,538	10,835,020	155,471,477	13,821,404	7,243,643	192,943,082	179,305,094
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 76,552,816	\$ 13,147,783	\$ 83,500,588	\$ 214,051,324	\$ 19,820,883	\$ 5,945,969	\$ 413,019,363	\$ 403,853,188
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 76,741,169	\$ 13,230,329	\$ 85,410,990	\$ 201,935,505	\$ 19,774,280	\$ 6,760,915	\$ 403,853,188	

County of Grande Prairie No. 1
Schedule of Property and Other Taxes
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	\$ 70,506,601	\$ 70,450,215	\$ 66,819,238
Linear property taxes	23,917,341	23,917,341	25,438,187
Government grants in place of property taxes	74,232	74,232	82,738
Local improvement taxes	774,682	774,682	906,483
	<u>95,272,856</u>	<u>95,216,470</u>	<u>93,246,646</u>
LESS: REQUISITIONS			
Alberta School Foundation Fund	20,639,750	20,977,490	18,736,736
Grande Prairie Roman Catholic Separate School District No. 28	1,231,305	893,565	1,154,811
Grande Spirit Foundation	329,296	329,296	317,000
	<u>22,200,351</u>	<u>22,200,351</u>	<u>20,208,547</u>
NET MUNICIPAL TAXES	<u>\$ 73,072,505</u>	<u>\$ 73,016,119</u>	<u>\$ 73,038,099</u>

County of Grande Prairie No. 1
Schedule of Government Transfers
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING:			
Federal transfers			\$ 49,278
Provincial transfers	2,576,714	3,186,090	3,015,283
Local government transfers	1,481,595	63,827	30,336
	<u>4,058,309</u>	<u>3,249,917</u>	<u>3,094,897</u>
TRANSFERS FOR CAPITAL:			
Federal transfers	4,236,071	1,236,071	1,561,354
Provincial transfers	7,905,239	4,020,663	7,573,098
Local government transfers	-	-	4,000
	<u>12,141,310</u>	<u>5,256,734</u>	<u>9,138,452</u>
	<u>\$ 16,199,619</u>	<u>\$ 8,506,651</u>	<u>\$ 12,233,349</u>

County of Grande Prairie No. 1
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015
Consolidated expenditures by object			
Salaries, wages and benefits	\$ 31,673,968	\$ 30,453,173	\$ 28,840,356
Contracted and general services	17,244,530	14,882,183	14,331,065
Materials, goods and utilities	9,364,698	7,400,517	8,211,765
Transfers to other governments, local boards and agencies	9,607,630	8,020,192	7,073,961
Purchases from other governments	651,900	618,347	449,989
Provision for allowances	25,000	103,814	28,492
Bank charges and short-term interest	111,400	235,219	161,598
Interest on long-term debt	1,367,485	1,352,704	1,506,749
Amortization of tangible capital assets	18,446,791	20,878,906	19,749,445
Other expenditures	9,327	9,167	8,356
Total expenditures	<u>\$ 88,502,729</u>	<u>\$ 83,954,222</u>	<u>\$ 80,361,776</u>

County of Grande Prairie No. 1
Schedule of Salary and Benefits Disclosure
For the Year Ended December 31, 2016

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	2016				2015
		Salary (1)	Benefits (2)	Travel Cost and Allowances (3)	Total	Total
Reeve - L. Beaupre	3	85,816	14,530	30,638	130,984	123,941
H. Bulford	1	58,156	11,753	26,520	96,429	113,014
D. Beeston	2	69,675	13,398	29,501	112,574	112,975
R. Sutherland	4	69,347	12,943	22,161	104,451	106,849
B. Marshall	5	66,323	13,161	34,097	113,581	103,742
P. Harris	6	56,104	12,002	18,932	87,038	96,536
B. Smith	7	52,495	5,885	18,975	77,355	83,393
R. Harpe	8	2,749	404	350	3,503	97,226
K. Rosvold	8	37,434	7,499	15,513	60,446	-
C. Beck	9	65,501	12,342	33,215	111,058	119,299
		<u>\$ 563,600</u>	<u>\$ 103,917</u>	<u>\$ 229,902</u>	<u>\$ 897,419</u>	<u>\$ 956,975</u>
<u>OFFICERS</u>	<u>Positions</u>					
Chief Administrative Officer	1	\$ 258,019	\$ 20,820	\$ 17,874	\$ 296,713	\$ 278,755
Designated Officers	2	<u>264,399</u>	<u>39,914</u>	<u>15,403</u>	<u>319,716</u>	<u>310,360</u>
		<u>\$ 522,418</u>	<u>\$ 60,734</u>	<u>\$ 33,277</u>	<u>\$ 616,429</u>	<u>\$ 589,115</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 the representations of management prepared in accordance with generally accepted accounting principals for local government established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the County of Grande Prairie No. 1 are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the County for the administration of their financial affairs and resources. Included in these consolidated financial statements are the financial activities of the County of Grande Prairie Library Board and the County's proportionate share of the financial activities of the West Grande Prairie County Solid Waste Management Authority, as disclosed in Note 23.

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

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

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

(b) Basis of accounting

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

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

(c) Use of estimates

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

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 site 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

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

(II) Contributions of tangible capital assets

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

(III) Leases

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

(IV) Inventories

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

(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.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) Government transfers

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

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

(l) Asset retirement obligations

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

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Cash on hand	\$ 3,710	\$ 4,513
Cash in banks	14,254,615	14,441,995
Temporary investments	84,208,649	72,508,645
	<u>98,466,974</u>	<u>86,955,153</u>
Less: Restricted cash included in temporary investments		
Provincial and federal government grants for specific capital and operating projects	(8,639,639)	(2,507,484)
Municipal reserve funds	(2,293,471)	(2,072,863)
Development levies	(7,029,765)	(6,939,214)
West Grande Prairie County Solid Waste Management Authority	(596,303)	(539,714)
	<u>(18,559,178)</u>	<u>(12,059,275)</u>
	<u>\$ 79,907,796</u>	<u>\$ 74,895,878</u>

Temporary investments are readily convertible to cash, consist of fixed income investments including short-term notes and deposits and Schedule 1 (one) bank bonds. Short-term notes and deposits bear effective interest rates between 0.86% and 1.80% with maturity dates between January, 2017 and March, 2018. Bank bonds have rates of return between 9.98% and 10.22% with maturity dates between June, 2019 and December, 2107.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place of taxes	\$ 3,231,234	\$ 1,940,956
Non-current taxes and grants in place of taxes	1,051,190	678,820
	<u>4,282,424</u>	<u>2,619,776</u>
Allowance for doubtful accounts	(222,050)	(146,703)
	<u>\$ 4,060,374</u>	<u>\$ 2,473,073</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

4. LOANS RECEIVABLE

	2016	2015
Grande Prairie Regional Agricultural & Exhibition Society (TEC Centre)	\$ 3,142,730	\$ 3,406,312
Peace Area Riding for the Disabled Society (PARDS)	1,000,000	1,000,000
Total loans receivable	4,142,730	4,406,312
Less: current portion	(209,738)	(201,200)
	<u>\$ 3,932,992</u>	<u>\$ 4,205,112</u>

Advances to the Grande Prairie Regional Agricultural & Exhibition Society are unsecured and bear interest from 3.70% to 4.75%. Advance #1, with a balance of \$1,610,818, consists of principal and accrued interest for 2009 through 2016, bears interest at 4.75% and is repayable in blended annual payments of \$179,188. Advance #2, with a balance of \$1,139,224, consists of principal and accrued interest for 2010 through 2016, bears interest at 4.75% and is repayable in blended monthly payments of \$9,982. Advance #3, with a balance of \$392,687, bears interest at 3.70% and is repayable in blended monthly payments of \$9,982.

By motion of Council, 2016 annual repayments of \$420,175, representing interest and principal were offset by a grant from the County of Grande Prairie No. 1. Under the terms of the motion, this arrangement is for a period of ten years, and is subject to annual review. Accrued interest on the loans total \$111,830 at December 31, 2016 and is included under trade and other receivables. Advances #1 and #2 are to be fully repaid by January 31, 2029 and Advance #3 is to be fully repaid by June 14, 2020.

Advances to the Peace Area Riding for the Disabled Society (PARDS) is secured by a mortgage and charge upon all land and permanent structures located at Lot 1, plan 922 3240, bears interest at the bank's prime rate and principal and accrued interest is repayable in full on or before March 9, 2025. Accrued interest on the loan totals \$37,130 and is included under trade and other receivables. By motion of Council, a corresponding bank loan of \$1,000,000 was obtained from ATB Financial to fund this advance. See Note 10.

5. INVESTMENTS

	2016	2015
Alberta Capital Finance Authority shares	\$ 170	\$ 170
Aquatera Utilities Inc. (18.11% ownership; 2015 - 18.16% ownership)		
8,846 Class A common shares (2015 - 8,846)	88	88
4,018 Class C Common shares (2015 - 4,018)	40	40
7,962 Class D preferred shares (2015 - 7,962)	7,961,696	7,961,696
883 Class F Common shares (2015 - 883)	883,266	883,266
4,268 Class H preferred shares (2015 - 4,268)	4,267,417	4,267,417
Cumulative share of earnings	15,154,266	12,644,095
Cumulative share of dividends received	(8,823,855)	(8,172,675)
Total equity in Aquatera Utilities Inc. (Note 15)	<u>19,442,918</u>	<u>17,583,927</u>
Total investments	<u>\$ 19,443,088</u>	<u>\$ 17,584,097</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables	\$ 8,664,048	\$ 5,329,729
Vacation and overtime	1,418,424	1,417,136
	<u>\$ 10,082,472</u>	<u>\$ 6,746,865</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.

7. DEPOSIT LIABILITIES

	2016	2015
West Grande Prairie County Solid Waste Management Authority	\$ 71,722	\$ 35,581
Safety codes council fees	4,504	4,168
Subdivision approach and development agreement deposits	2,129,028	2,300,491
Public works approach/performance deposits	653,000	778,000
ANI/Appeal deposits	95,412	115,466
Bezanson Cultural Center donations	71,072	-
Tax sale surplus	194,243	-
	<u>\$ 3,218,981</u>	<u>\$ 3,233,706</u>

8. DEFERRED REVENUE

	2016	2015
Provincial government transfer - Mountain Pine Beetle Program	\$ 123,870	\$ 170,065
Provincial government transfer - MSI (Municipal Sustainability Initiative)	3,179,702	1,372,266
Federal government transfer - gas tax fund	-	139,103
Other deferred amounts	227,577	242,871
	<u>3,531,149</u>	<u>1,924,305</u>
Prepaid local improvement charges	23,904	26,077
	<u>\$ 3,555,053</u>	<u>\$ 1,950,382</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 2027.

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

2017	\$ 2,173
2018	\$ 2,173
2019	\$ 2,173
2020	\$ 2,173
2021	\$ 2,173

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

9. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The accrued liability for closure and post-closure of the Clairmont landfill is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated 1,116,309 cubic meters. The estimated remaining capacity of the landfill site is approximately 529,716 (2015 - 3,490) cubic meters. In 2010, an additional 90,726 cubic meters of airspace was added, in 2011, an additional 188,800 cubic meters of air space was added and in 2016, an additional 576,672 cubic meters of air space was added. In 2015, an adjustment of 6,980 cubic meters of airspace was required. The existing landfill site is expected to reach capacity in approximately 7.57 years.

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

	2016	2015
Estimated closure costs	\$ 103,624	\$ 100,542
Estimated post-closure costs	66,658	64,717
Estimated total liability	170,282	165,259
Estimated capacity remaining	0.48%	0.66%
Portion of total liability remaining to be recognized	\$ 80,803	\$ -
Estimated capacity used	52.55%	99.34%
Accrued liability portion - Clairmont landfill	\$ 89,479	\$ 166,364
Accrued liability portion - West Grande Prairie County Solid Waste Management Authority (Note 23)	47,249	42,681
Total accrued liability	\$ 136,728	\$ 209,045

10. BANK LOAN

	2016	2015
Bank loan	\$ 1,000,000	\$ 1,000,000

ATB Financial loan bears interest at prime and is repayable in interest only payments. The loan is due on demand but no later than December 31, 2017. The loan is secured under the same terms as those of the loan receivable due from the Peace Area Riding for the Disabled Society (PARDS), as disclosed in Note 4.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

11. LONG-TERM DEBT

	2016	2015
Alberta Capital Financing Authority		
General tax levy supported debentures	\$ 5,317,273	\$ 5,815,089
Other self supported debentures	21,437,292	24,379,147
Local improvement supported debentures	7,550,823	8,062,978
Other	34,305,388	38,257,214
General tax levy supported capital leases	12,552	12,552
Total long-term debt	34,317,940	38,269,766
Less: current portion	(3,248,636)	(3,214,095)
	<u>\$ 31,069,304</u>	<u>\$ 35,055,671</u>

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

	Principal	Interest	Total
2017	3,248,636	1,242,385	4,491,021
2018	3,361,406	1,117,065	4,478,471
2019	3,491,834	986,636	4,478,470
2020	3,627,588	850,883	4,478,471
2021	3,768,892	709,578	4,478,470
Thereafter	16,819,584	1,860,166	18,679,750
	<u>\$ 34,317,940</u>	<u>\$ 6,766,713</u>	<u>\$ 41,084,653</u>

Debenture debt in the amount of \$ 34,305,388 is repayable to Alberta Capital Finance Authority and bears interest at varying rates ranging from 2.627% to 5.15% per annum and mature between 2021 and 2031. Debenture debt is issued on the credit and security of the County of Grande Prairie No. 1.

Capital Lease

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

Interest on long-term debt amounted to \$1,352,704 (2015 - \$1,506,749).

The County's total cash payments for interest was \$1,342,642 (2015 - \$1,497,366).

On January 1, 2016, the City of Grande Prairie annexed 6,316 hectares (approximately 15,607 acres) of land from the County of Grande Prairie No. 1. Long-term debt aggregating \$831,161 was transferred to the City of Grande Prairie in conjunction with the land annexation.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

12. DEBT LIMIT

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

	2016	2015
Total debt limit	\$ 141,733,979	\$ 137,799,179
Total debt	<u>35,317,940</u>	<u>39,269,766</u>
Total debt limit available	<u>\$ 106,416,039</u>	<u>\$ 98,529,413</u>
Debt servicing limit	\$ 23,622,330	\$ 22,966,530
Debt servicing	<u>3,491,021</u>	<u>3,607,303</u>
Service on debt limit available	<u>\$ 20,131,309</u>	<u>\$ 19,359,227</u>

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

13. TANGIBLE CAPITAL ASSETS

	2016	2015
Land	\$ 76,552,816	\$ 76,741,169
Site improvements	13,147,783	13,230,329
Buildings	83,500,588	85,410,990
Engineered structures	214,051,324	201,935,505
Machinery and equipment	19,820,883	19,774,280
Vehicles	5,945,969	6,760,915
	<u>\$ 413,019,363</u>	<u>\$ 403,853,188</u>

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (<i>Schedule 2</i>)	\$ 605,962,445	\$ 583,158,282
Accumulated amortization (<i>Schedule 2</i>)	(192,943,082)	(179,305,094)
Long-term debt (<i>Note 11</i>)	<u>(34,317,940)</u>	<u>(38,269,766)</u>
	<u>\$ 378,701,423</u>	<u>\$ 365,583,422</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

15. ACCUMULATED SURPLUS

	2016	2015
Unrestricted surplus (deficit)		
County of Grande Prairie No. 1	\$ 552,924	\$ 507,619
West Grande Prairie County Solid Waste Management Authority	13,400	12,800
	<u>566,324</u>	<u>520,419</u>
Restricted surplus (reserves)		
Carry forward project completions	2,890,647	4,978,713
Financial stabilization	5,503,078	5,069,988
Tax revenue stabilization	-	433,090
Project debt repayment	14,388,781	13,369,641
Future grants	2,368,821	1,371,506
Future operational projects	2,417,285	3,092,436
Future capital and infrastructure projects and rehabilitation	51,625,274	49,604,124
Future equipment replacement	14,642,481	8,453,260
Municipal reserve	2,062,261	1,878,740
Annexation reserve	2,943,190	-
West Grande Prairie County Solid Waste Management Authority reserve (40% consolidation)	<u>590,064</u>	<u>507,787</u>
	<u>99,431,882</u>	<u>88,759,285</u>
Equity in Aquatera Utilities Inc. (Note 5)	<u>19,442,918</u>	<u>17,583,927</u>
Equity in tangible capital assets (Note 14)		
Equity in capital assets	386,577,405	374,107,090
Amounts to recover (Note 16)	<u>(7,875,982)</u>	<u>(8,523,668)</u>
	<u>378,701,423</u>	<u>365,583,422</u>
	<u><u>\$ 498,142,547</u></u>	<u><u>\$ 472,447,053</u></u>

16. AMOUNTS TO BE RECOVERED

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

	2016	2015
Evergreen Park Trade, Exhibition and Convention (TEC) Centre	\$ 2,864,650	\$ 3,084,573
Waterline installation	5,011,332	5,439,095
	<u><u>\$ 7,875,982</u></u>	<u><u>\$ 8,523,668</u></u>

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 244,621 people and about 426 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The County of Grande Prairie No.1 is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2016 were \$2,365,187 (2015 - \$2,241,633). Total current service contributions by the employees of the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2016 were \$2,181,405 (2015 - \$2,093,226).

At December 31, 2015, the Plan disclosed an actuarial deficit of \$923 million (2014 - \$2.45 billion).

18. CONTINGENCIES

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

19. COMMITMENTS

Operating leases

The County has entered into leases in respect to photocopiers, printers and computer hardware requiring annual payments of \$72,786 expiring in November, 2019.

20. ANNEXATION - CITY OF GRANDE PRAIRIE

On January 1, 2016, the City of Grande Prairie annexed 6,316 hectares (approximately 15,607 acres) of land from the County of Grande Prairie No. 1. The County transferred to the City land, roads and bridge assets having a net book value of approximately \$4,178,560 along with debt of \$836,161 directly related to the areas annexed. As part of the Provincial annexation order, the City is to pay the County a total sum of \$4,414,785 over five years. The related receivable at the end of 2016 is \$2,943,190 which consists of:

- (a) \$1,177,276 on or before December 31, 2017
- (b) \$882,957 on or before December 31, 2018
- (c) \$588,638 on or before December 31, 2019, and
- (d) \$294,319 on or before December 31, 2020.

A reserve has been established for the monies due to the County and will be drawn down by the amounts and in the fiscal years indicated above.

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

21. AQUATERA UTILITIES INC. SUMMARY OF CONDENSED FINANCIAL INFORMATION

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

The following is a summary of condensed financial information of Aquatera Utilities Inc. for the year ended December 31, of which the County's proportionate ownership is 18.11%:

	2016	2015
<u>Financial position</u>		
Assets		
Current assets	\$ 47,965,728	\$ 47,520,631
Long-term investments	36,175,301	25,154,476
Property, plant and equipment	291,003,231	272,159,280
Total assets	<u>\$ 375,144,260</u>	<u>\$ 344,834,387</u>
Liabilities		
Current liabilities	\$ 111,131,812	\$ 103,840,123
Deferred revenue of capital contributions	148,136,766	137,102,262
Infrastructure over sizing and asset retirement obligations	6,866,163	5,227,904
Total liabilities	266,134,741	246,170,289
Preferred shares	80,531,902	80,381,902
Shareholders' equity		
Share capital	710	709
Retained earnings	28,476,907	18,281,487
	<u>\$ 375,144,260</u>	<u>\$ 344,834,387</u>
<u>Results of operations</u>		
Revenue	\$ 54,030,892	\$ 53,485,096
Operating expenses	42,362,580	43,041,331
Operating income	11,668,312	10,443,765
Other income (expenses)	2,194,215	1,470,428
Net income	13,862,527	11,914,193
Retained earnings, beginning	18,281,487	10,034,401
Dividends	(3,667,107)	(3,667,107)
Retained earnings, ending	<u>\$ 28,476,907</u>	<u>\$ 18,281,487</u>
The County of Grande Prairie No. 1 share is as follows:		
Net earnings from operations, current year	\$ 2,510,171	\$ 2,161,939
Less dividends declared	(651,180)	(651,180)
Subsidiary operations	<u>\$ 1,858,991</u>	<u>\$ 1,510,759</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

22. RELATED PARTY TRANSACTIONS

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

	2016	2015
Received from Aquatera Utilities Inc.		
Franchise fee revenue	\$ 329,652	\$ 328,633

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

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

23. GOVERNMENT PARTNERSHIP

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

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

	2016	2015
ASSETS		
Financial assets		
Cash and temporary investments	\$ 596,343	\$ 539,754
Trade and other receivables	22,997	24,718
Due from County of Grande Prairie No. 1	47,815	23,721
	<u>667,155</u>	<u>588,193</u>
LIABILITIES		
Financial liabilities		
Accounts payable and accrued liabilities	16,442	24,925
Landfill closure and post-closure liability	47,249	42,680
	<u>63,691</u>	<u>67,605</u>
NET FINANCIAL ASSETS (DEBT)	<u>603,464</u>	<u>520,588</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>1,079,085</u>	<u>1,132,076</u>
ACCUMULATED SURPLUS	<u>\$ 1,682,549</u>	<u>\$ 1,652,664</u>

County of Grande Prairie No. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2016

23. GOVERNMENT PARTNERSHIP - continued

	2016	2015
Revenue		
User fees and sale of goods	\$ 92,999	\$ 94,136
Investment income	7,265	7,358
Contributions from participating municipalities	83,236	80,427
Facility rental	21,176	20,560
Land rent	10,517	12,676
Other	7,701	8,175
Total revenue	222,894	223,332
Expenditures		
Salaries, wages and benefits	6,233	5,113
Contracted and general services	99,145	125,548
Materials, goods and utilities	9,815	7,842
Landfill closure and post-closure	4,568	3,538
Amortization	73,247	64,072
Total expenditures	193,008	206,113
Excess (shortfall) of revenue over expenditures before other items	29,886	17,219
Accumulated surplus - beginning of year	1,652,663	1,635,444
Accumulated surplus - end of year	\$ 1,682,549	\$ 1,652,663

24. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The 2016 budget reflects all of the County of Grande Prairie activities including capital projects and reserve transfers. The financial reporting requirements as set out in the Public Sector Accounting Handbook for financial statements are accrual based, as described in Note 1(b). The differences in the requirements for the Budget and the financial statements result in different items being recognized as revenues and expenditures. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (Unaudited)	2016	2015
Statement of Operations, Surplus	\$ 639,601	\$ 25,695,494	\$ 32,860,574
Add back non-cash items:			
Contributed capital assets	-	(7,227,125)	(10,270,188)
Amortization of tangible capital assets	18,446,791	20,878,906	19,749,445
Write down of assets	-	-	-
Tangible capital assets transferred in annexation	-	4,178,560	-
(Gain) loss on disposal of assets	-	254,839	(429,388)
Debt proceeds	5,600,000	-	-
Debt principal repayments	(3,115,665)	(3,951,826)	(3,222,293)
Tangible capital assets sale proceeds	350,000	1,286,463	1,334,073
Capital expenditures	(34,795,338)	(28,537,818)	(39,936,431)
Net transfer (to) from reserves (restricted surplus)	12,874,611	(10,672,598)	1,469,922
Net transfer (to) from equity in Aquatera (restricted surplus)	-	(1,858,991)	(1,510,759)
Net transfer (to) from unrestricted surplus	-	(45,904)	(44,955)
Balance	\$ -	\$ -	\$ -

25. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

(b) Interest rate risk

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

(c) Unused lines of credit

The County has an available bank demand loan in the amount of \$2,500,000 all of which is unused at December 31, 2016.

(d) Currency risk

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

(e) Fair values of financial instruments

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

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

26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and management approved these consolidated financial statements.