

CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS

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AUDITORS' REPORT

To the Mayor and Members of Council of the
City of Grande Prairie

We have audited the consolidated statement of financial position of the **City of Grande Prairie** as at December 31, 2008 and the consolidated statements of financial activities and change in fund balances and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. 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 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the **City of Grande Prairie** as at December 31, 2008 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Grande Prairie, Alberta
February 27, 2009

Fletcher Mudryk & Co.
Chartered Accountants

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---|-----------------------|-----------------------|
| NET ASSETS | | |
| FINANCIAL ASSETS | | |
| Cash and temporary investments <i>(Note 2)</i> | \$ 88,518,117 | \$ 58,499,056 |
| Taxes and grants in place of taxes receivable <i>(Note 3)</i> | 2,060,624 | 1,259,682 |
| Trade and other receivables <i>(Note 4)</i> | 11,037,501 | 25,802,081 |
| Other assets | 267,282 | 170,160 |
| Agreements receivable <i>(Note 5)</i> | 4,745,539 | 2,238,331 |
| Investments <i>(Note 6)</i> | <u>40,894,592</u> | <u>40,296,880</u> |
| | <u>147,523,655</u> | <u>128,266,190</u> |
| FINANCIAL LIABILITIES | | |
| Accounts payable and accrued liabilities <i>(Note 7)</i> | 12,381,061 | 15,175,359 |
| Due to Aquatera Utilities Inc. <i>(Note 8)</i> | 740,185 | 165,544 |
| Deferred revenue <i>(Note 9)</i> | 39,084,565 | 19,719,754 |
| Long-term debt <i>(Note 10)</i> | <u>54,959,055</u> | <u>40,775,006</u> |
| | <u>107,164,866</u> | <u>75,835,663</u> |
| NET FINANCIAL ASSETS | <u>40,358,789</u> | <u>52,430,527</u> |
| PHYSICAL ASSETS | | |
| Inventory | 590,448 | 532,151 |
| Land held for resale | 768,710 | 768,711 |
| Capital assets <i>(Note 11)</i> | <u>442,961,364</u> | <u>381,792,642</u> |
| | <u>444,320,522</u> | <u>383,093,504</u> |
| | <u>\$ 484,679,311</u> | <u>\$ 435,524,031</u> |
| CONTINGENT LIABILITIES <i>(Note 21)</i> | | |
| MUNICIPAL EQUITY | | |
| CAPITAL FUND <i>(Schedule 1)</i> | \$ 433,779 | \$ (4,337,430) |
| OPERATING FUND <i>(Schedule 2)</i> | 1,461,116 | 1,292,475 |
| RESERVE FUND <i>(Schedule 3)</i> | <u>41,681,941</u> | <u>51,556,202</u> |
| | 43,576,836 | 48,511,247 |
| EQUITY IN PHYSICAL ASSETS <i>(Schedule 4)</i> | 400,207,883 | 346,715,904 |
| EQUITY IN INVESTMENTS | <u>40,894,592</u> | <u>40,296,880</u> |
| | <u>\$ 484,679,311</u> | <u>\$ 435,524,031</u> |

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2008

| | <u>Unaudited Budget</u> | <u>2008</u> | <u>2007</u> |
|---|-------------------------|----------------------|----------------------|
| REVENUES | | | |
| Net municipal property taxes | \$ 62,943,322 | \$ 62,447,175 | \$ 51,360,777 |
| Government transfers <i>(Schedule 6)</i> | 33,758,704 | 21,971,541 | 16,248,329 |
| User fees and sale of goods | 13,815,761 | 15,454,016 | 14,716,442 |
| Interest and investment income | 4,027,364 | 3,409,944 | 2,367,474 |
| Penalties and costs of taxes | 350,000 | 580,439 | 418,750 |
| Development levies | - | 1,627,052 | 3,626,910 |
| Franchise and concession contracts | 5,658,177 | 5,708,868 | 5,427,404 |
| Fines, rentals, licenses and permits | 7,756,680 | 8,208,933 | 7,898,073 |
| Transfers from other organizations | 331,422 | 2,678,597 | 175,491 |
| Other | <u>1,685,541</u> | <u>3,315,431</u> | <u>2,262,072</u> |
| | <u>130,326,971</u> | <u>125,401,996</u> | <u>104,501,722</u> |
| EXPENDITURES | | | |
| Council and other legislative services | 838,031 | 880,001 | 797,571 |
| Administrative services | 12,640,609 | 10,603,500 | 9,975,218 |
| Protective services | 23,903,217 | 24,427,764 | 21,900,678 |
| Transportation services | 70,668,000 | 45,695,816 | 43,020,605 |
| Public health and welfare services | 1,988,495 | 7,471,423 | 5,583,409 |
| Planning and development services | 2,454,261 | 3,979,993 | 4,378,225 |
| Recreation and cultural services | 63,233,721 | 46,872,760 | 23,366,663 |
| Other services | <u>-</u> | <u>201,866</u> | <u>463,613</u> |
| | <u>175,726,334</u> | <u>140,133,123</u> | <u>109,485,982</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING | (45,399,363) | (14,731,127) | (4,984,260) |
| Subsidiary operations <i>(Note 15)</i> | <u>-</u> | <u>2,659,390</u> | <u>1,599,609</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(45,399,363)</u> | <u>(12,071,737)</u> | <u>(3,384,651)</u> |
| Capital long-term debt issued | 40,874,188 | 12,459,748 | 1,000,000 |
| Capital long-term debt to be recovered | - | (2,784,852) | - |
| Capital long-term debt repayments | (2,801,931) | (2,052,215) | (1,849,011) |
| Debenture recoveries | - | 112,357 | 233,457 |
| Transfer from (to) equity in investments | <u>-</u> | <u>(597,712)</u> | <u>462,070</u> |
| | <u>38,072,257</u> | <u>7,137,326</u> | <u>(153,484)</u> |
| CHANGE IN FUND BALANCES | \$ <u>(7,327,106)</u> | (4,934,411) | (3,538,135) |
| FUND BALANCES - beginning | | <u>48,511,247</u> | <u>52,049,382</u> |
| FUND BALANCES - ending | | \$ <u>43,576,836</u> | \$ <u>48,511,247</u> |
| FUND BALANCES CONSIST OF: | | | |
| City of Grande Prairie | | \$ 41,713,589 | \$ 47,049,931 |
| Grande Prairie Airport Commission | | 1,101,286 | 966,198 |
| Grande Prairie Public Library Board | | <u>761,961</u> | <u>495,118</u> |
| | | <u>\$ 43,576,836</u> | <u>\$ 48,511,247</u> |

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenditures | \$ (12,071,737) | \$ (3,384,651) |
| Subsidiary operations | <u>(2,659,390)</u> | <u>(1,599,609)</u> |
| | <u>(14,731,127)</u> | <u>(4,984,260)</u> |
| Changes in non-cash working capital | | |
| Taxes and grants in place of taxes | (800,942) | (377,543) |
| Trade and other receivables | 14,764,580 | (15,183,134) |
| Other assets | (97,122) | 39,298 |
| Accounts payable and accrued liabilities | (2,794,299) | 3,890,852 |
| Deferred revenue | <u>19,364,811</u> | <u>14,487,150</u> |
| | <u>30,437,028</u> | <u>2,856,623</u> |
| Cash flow from (used by) operating activities | <u>15,705,901</u> | <u>(2,127,637)</u> |
| FINANCING ACTIVITIES | | |
| Due to Aquatera Utilities Inc. | 574,641 | (149,741) |
| Operating long-term debt proceeds | 4,387,341 | 2,375,000 |
| Operating long-term debt repayments | (610,825) | (374,167) |
| Capital long-term debt proceeds | 12,459,748 | 1,000,000 |
| Capital long-term debt repayments | <u>(2,052,215)</u> | <u>(1,849,011)</u> |
| Cash flow from financing activities | <u>14,758,690</u> | <u>1,002,081</u> |
| Cash flow before investment activities | <u>30,464,591</u> | <u>(1,125,556)</u> |
| INVESTMENT ACTIVITIES | | |
| Reduction in agreements receivable | 277,644 | 1,058,369 |
| Agreements receivable advances | (2,784,852) | - |
| Dividends declared by Aquatera Utilities Inc. | <u>2,061,678</u> | <u>2,061,678</u> |
| Cash flow from investment activities | <u>(445,530)</u> | <u>3,120,047</u> |
| INCREASE IN CASH AND TEMPORARY INVESTMENTS | <u>30,019,061</u> | <u>1,994,491</u> |
| CASH AND TEMPORARY INVESTMENTS - beginning | <u>58,499,056</u> | <u>56,504,565</u> |
| CASH AND TEMPORARY INVESTMENTS - ending | <u>\$ 88,518,117</u> | <u>\$ 58,499,056</u> |

CITY OF GRANDE PRAIRIE
SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2008

| | Unaudited <u>Budget</u> | <u>2008</u> | <u>2007</u> |
|--|----------------------------|---------------------|-----------------------|
| REVENUES | | | |
| Special taxation levies <i>(Schedule 5)</i> | \$ 10,943,598 | \$ 10,733,655 | \$ 7,941,720 |
| Government transfers | 29,925,451 | 16,736,360 | 11,577,046 |
| Development levies | - | 1,627,052 | 3,626,910 |
| Transfers from other individuals and organizations | 331,422 | 2,678,597 | 175,491 |
| Other | <u>-</u> | <u>1,452,396</u> | <u>462,546</u> |
| | <u>41,200,471</u> | <u>33,228,060</u> | <u>23,783,713</u> |
| EXPENDITURES | | | |
| Administrative services | 1,512,500 | 244,480 | 619,007 |
| Protective services | 758,922 | 1,472,965 | 923,703 |
| Transportation services | 46,992,069 | 25,426,014 | 25,812,873 |
| Public health and welfare services | - | 5,673,480 | 3,994,885 |
| Recreation and cultural services | <u>43,862,397</u> | <u>28,746,792</u> | <u>7,376,777</u> |
| | <u>93,125,888</u> | <u>61,563,731</u> | <u>38,727,245</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(51,925,417)</u> | <u>(28,335,671)</u> | <u>(14,943,532)</u> |
| Net interfund transfers from (to): | | | |
| Reserve fund | 10,680,367 | 6,364,436 | (243,363) |
| Operating fund | 370,862 | 17,067,548 | 9,849,465 |
| Capital long-term debt issued | 40,874,188 | 12,459,748 | 1,000,000 |
| Capital long-term debt to be recovered | <u>-</u> | <u>(2,784,852)</u> | <u>-</u> |
| | <u>51,925,417</u> | <u>33,106,880</u> | <u>10,606,102</u> |
| CHANGE IN FUND BALANCE | <u>\$ -</u> | 4,771,209 | (4,337,430) |
| FUND BALANCE - beginning | | <u>(4,337,430)</u> | <u>-</u> |
| FUND BALANCE - ending | | <u>\$ 433,779</u> | <u>\$ (4,337,430)</u> |
| FUND BALANCE CONSISTS OF: | | | |
| City of Grande Prairie | | \$ - | \$ - |
| Grande Prairie Airport Commission | | 433,779 | (4,337,430) |
| Grande Prairie Public Library Board | | <u>-</u> | <u>-</u> |
| | | <u>\$ 433,779</u> | <u>\$ (4,337,430)</u> |

CITY OF GRANDE PRAIRIE
SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2008

| | Unaudited <u>Budget</u> | <u>2008</u> | <u>2007</u> |
|--|----------------------------|---------------------|---------------------|
| REVENUES | | | |
| Net municipal property taxes <i>(Schedule 5)</i> | \$ 51,999,724 | \$ 51,713,520 | \$ 43,419,057 |
| Government transfers | 3,833,253 | 5,235,181 | 4,671,283 |
| User fees and sale of goods | 13,815,761 | 15,454,016 | 14,716,442 |
| Interest and investment income | 4,027,364 | 3,409,944 | 2,367,474 |
| Penalties and costs of taxes | 350,000 | 580,439 | 418,750 |
| Franchise and concession contracts | 5,658,177 | 5,708,868 | 5,427,404 |
| Fines, rentals, licenses and permits | 7,756,680 | 8,208,933 | 7,898,073 |
| Other | <u>1,685,541</u> | <u>1,863,035</u> | <u>1,799,526</u> |
| | <u>89,126,500</u> | <u>92,173,936</u> | <u>80,718,009</u> |
| EXPENDITURES | | | |
| Council and other legislative services | 838,031 | 880,001 | 797,571 |
| Administrative services | 11,128,109 | 10,359,020 | 9,356,211 |
| Protective services | 23,144,295 | 22,954,799 | 20,976,975 |
| Transportation services | 23,675,931 | 20,269,802 | 17,207,732 |
| Public health and welfare services | 1,988,495 | 1,797,943 | 1,588,524 |
| Planning and development services | 2,454,261 | 3,979,993 | 4,378,225 |
| Recreation and cultural services | 19,371,324 | 18,125,968 | 15,989,886 |
| Other services | <u>-</u> | <u>201,866</u> | <u>463,613</u> |
| | <u>82,600,446</u> | <u>78,569,392</u> | <u>70,758,737</u> |
| EXCESS OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING | 6,526,054 | 13,604,544 | 9,959,272 |
| Subsidiary operations <i>(Note 15)</i> | <u>-</u> | <u>2,659,390</u> | <u>1,599,609</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>6,526,054</u> | <u>16,263,934</u> | <u>11,558,881</u> |
| Net interfund transfers from (to): | | | |
| Reserve fund | (3,353,261) | 4,802,300 | 736,543 |
| Capital fund | (370,862) | (17,067,548) | (9,849,465) |
| Capital long-term debt repayments | (2,801,931) | (2,052,215) | (1,849,011) |
| Debenture recoveries | - | 112,357 | 233,457 |
| Transfer from (to) equity in investments | <u>-</u> | <u>(597,712)</u> | <u>462,070</u> |
| | <u>(6,526,054)</u> | <u>(14,802,818)</u> | <u>(10,266,406)</u> |
| CHANGE IN FUND BALANCE | <u>\$ -</u> | 1,461,116 | 1,292,475 |
| FUND BALANCE - beginning | | 1,292,475 | 423,481 |
| Prior year surplus transfer to reserve fund | | <u>(1,292,475)</u> | <u>(423,481)</u> |
| FUND BALANCE - ending | | <u>\$ 1,461,116</u> | <u>\$ 1,292,475</u> |
| FUND BALANCE CONSISTS OF: | | | |
| City of Grande Prairie | | \$ 1,461,116 | \$ 1,292,475 |
| Grande Prairie Airport Commission | | - | - |
| Grande Prairie Public Library Board | | <u>-</u> | <u>-</u> |
| | | <u>\$ 1,461,116</u> | <u>\$ 1,292,475</u> |

CITY OF GRANDE PRAIRIE
SCHEDULE OF RESERVE FUND AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---|----------------------|----------------------|
| FUND BALANCE - beginning | \$ <u>51,556,202</u> | \$ <u>51,625,901</u> |
| Add (Deduct): | | |
| Transfer from operating fund | 32,254,755 | 30,102,755 |
| Transfer to operating fund | (34,472,105) | (29,992,336) |
| Prior year surplus transfer to reserve fund | <u>(1,292,475)</u> | <u>(423,481)</u> |
| | <u>(3,509,825)</u> | <u>(313,062)</u> |
| Add (Deduct): | | |
| Transfer from capital fund | 281,843 | 243,363 |
| Transfer to capital fund | <u>(6,646,279)</u> | <u>-</u> |
| | <u>(6,364,436)</u> | <u>243,363</u> |
| FUND BALANCE - ending | \$ <u>41,681,941</u> | \$ <u>51,556,202</u> |

Summary of reserves and reserve fund transfers:

| | <u>Balance Beginning</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance Ending</u> |
|--------------------------------|------------------------------|----------------------|----------------------|---------------------------|
| Aquatics Centre | \$ 2,949,224 | \$ 320,811 | \$ - | \$ 3,270,035 |
| Cemetery Perpetual Care | 512,069 | 170,399 | - | 682,468 |
| Engineering | 182,190 | 343,056 | 96,111 | 429,135 |
| Facility Depreciation | 2,458,382 | 4,655,851 | 3,891,305 | 3,222,928 |
| Financial Stabilization | 3,987,374 | 1,292,471 | 561,000 | 4,718,845 |
| Fire Department | | | | |
| Equipment Replacement | 372,434 | 76,003 | 114,662 | 333,775 |
| Fleet Management System | 3,348,498 | 2,721,617 | 1,383,814 | 4,686,301 |
| Future Capital Expenditures | 5,305,029 | 4,783,435 | 9,593,126 | 495,338 |
| Geographic Information Systems | 260,784 | 24,141 | 69,237 | 215,688 |
| Information Technology | 960,133 | 2,045,103 | 200,763 | 2,804,473 |
| Land Equalization | 226,306 | 173,162 | - | 399,468 |
| Library/Art Gallery | 5,930,116 | 766,855 | 6,696,971 | - |
| Public | 1,713,815 | 365,182 | 635,000 | 1,443,997 |
| Public Housing Commission | 1,400,787 | 1,803,397 | 2,988,253 | 215,931 |
| RCMP Detachment | - | 486,205 | - | 486,205 |
| Transportation System Levies | 12,555,862 | 7,926,779 | 8,554,338 | 11,928,303 |
| Transit | 1,644,434 | 1,632,254 | 840,000 | 2,436,688 |
| Urban Park | 236,602 | 134,266 | 140,000 | 230,868 |
| Winter Stabilization | <u>1,713,417</u> | <u>538,610</u> | <u>-</u> | <u>2,252,027</u> |
| | 45,757,456 | 30,259,597 | 35,764,580 | 40,252,473 |
| Library | 495,118 | 281,843 | 15,000 | 761,961 |
| Airport | <u>5,303,628</u> | <u>1,995,158</u> | <u>6,631,279</u> | <u>667,507</u> |
| | \$ <u>51,556,202</u> | \$ <u>32,536,598</u> | \$ <u>42,410,859</u> | \$ <u>41,681,941</u> |

CITY OF GRANDE PRAIRIE
SCHEDULE OF EQUITY IN PHYSICAL ASSETS
YEAR ENDED DECEMBER 31, 2008

| | <u>2008</u> | <u>2007</u> |
|---|-----------------------|-----------------------|
| Acquisition of capital assets | \$ 61,218,731 | \$ 38,312,449 |
| Disposal of capital assets (cost) | (50,009) | (460,433) |
| Cost of land held for resale purchased (sold) | (1) | (1) |
| Inventory | 58,296 | 95,608 |
| Capital long-term debt issued | (12,459,748) | (1,000,000) |
| Capital long-term debt repaid from operating fund | 2,052,215 | 1,849,011 |
| Debentures to be recovered | 2,784,852 | - |
| Debenture recoveries | <u>(112,357)</u> | <u>(233,457)</u> |
| CHANGE IN EQUITY BALANCE | 53,491,979 | 38,563,177 |
| EQUITY BALANCE - beginning | <u>346,715,904</u> | <u>308,152,727</u> |
| EQUITY BALANCE - ending | <u>\$ 400,207,883</u> | <u>\$ 346,715,904</u> |
| EQUITY BALANCE CONSISTS OF: | | |
| City of Grande Prairie | \$ 375,079,872 | \$ 321,603,647 |
| Grande Prairie Airport Commission | 24,293,515 | 24,416,778 |
| Grande Prairie Public Library Board | <u>834,496</u> | <u>695,479</u> |
| | <u>\$ 400,207,883</u> | <u>\$ 346,715,904</u> |

CITY OF GRANDE PRAIRIE
SCHEDULE OF PROPERTY TAXES LEVIED
YEAR ENDED DECEMBER 31, 2008

| | Unaudited <u>Budget</u> | <u>2008</u> | <u>2007</u> |
|--|----------------------------|----------------------|----------------------|
| TAXATION | | | |
| Real property taxes | | | |
| Residential | \$ 47,096,047 | \$ 46,764,408 | \$ 38,398,265 |
| Commercial | 19,729,010 | 19,835,918 | 16,562,266 |
| Industrial | 11,234,776 | 11,251,409 | 10,009,727 |
| Farm land | <u>8,369</u> | <u>8,369</u> | <u>8,681</u> |
| | 78,068,202 | 77,860,104 | 64,978,939 |
| Linear property taxes | 1,258,642 | 1,295,840 | 1,336,344 |
| Business revitalization zone | 304,795 | 304,482 | 278,319 |
| Government grants in place of property taxes | 615,118 | 615,118 | 571,482 |
| Local improvement taxes | <u>1,228,450</u> | <u>1,121,441</u> | <u>1,121,441</u> |
| | <u>81,475,207</u> | <u>81,196,985</u> | <u>68,286,525</u> |
| DEDUCT | | | |
| Requisition transfers: | | | |
| Alberta School Foundation Fund | 15,499,088 | 15,582,102 | 14,053,797 |
| Grande Prairie Roman Catholic Separate School District No. 28 | 2,598,583 | 2,620,634 | 2,391,857 |
| Senior Foundation | 214,029 | 254,074 | 213,814 |
| Business revitalization zone | <u>207,465</u> | <u>293,000</u> | <u>266,280</u> |
| | 18,519,165 | 18,749,810 | 16,925,748 |
| Transfer to other governments | 12,720 | - | - |
| Special levies for capital projects | <u>10,943,598</u> | <u>10,733,655</u> | <u>7,941,720</u> |
| | <u>29,475,483</u> | <u>29,483,465</u> | <u>24,867,468</u> |
| NET MUNICIPAL PROPERTY TAXES | <u>\$ 51,999,724</u> | <u>\$ 51,713,520</u> | <u>\$ 43,419,057</u> |

CITY OF GRANDE PRAIRIE
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2008

| | Unaudited <u>Budget</u> | <u>2008</u> | <u>2007</u> |
|--|----------------------------|----------------------|----------------------|
| FEDERAL GOVERNMENT TRANSFERS | \$ <u>420,000</u> | \$ <u>2,025,606</u> | \$ <u>6,442,206</u> |
| PROVINCIAL GOVERNMENT TRANSFERS | | | |
| Unconditional | | | |
| Municipal assistance | 1,317,022 | 1,395,820 | 1,241,608 |
| Conditional | | | |
| Administrative services | 36,000 | 65,113 | 13,060 |
| Protective services | 109,925 | 676,374 | (243,949) |
| Public health and welfare services | 918,379 | 960,014 | 1,054,691 |
| Transportation services | 23,175,014 | 10,640,072 | 6,010,535 |
| Public housing | 6,840,373 | 3,865,718 | 867,564 |
| Recreation and cultural services | <u>416,713</u> | <u>1,395,348</u> | <u>331,269</u> |
| | <u>32,813,426</u> | <u>18,998,459</u> | <u>9,274,778</u> |
| LOCAL GOVERNMENT TRANSFERS | <u>525,278</u> | <u>947,476</u> | <u>531,345</u> |
| TOTAL GOVERNMENT TRANSFERS | \$ <u>33,758,704</u> | \$ <u>21,971,541</u> | \$ <u>16,248,329</u> |

The Provincial government has committed to provide grant funds of \$250,000 under the Centennial Legacies Grants Program for specific capital projects. In 2008, expenditures of \$535,060 (2007 - \$145,084) were incurred in accordance with clause 1 of the grant agreement. At year-end, no amounts had been received nor had any interest been accrued.

CITY OF GRANDE PRAIRIE
SCHEDULE OF EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2008

| | Unaudited <u>Budget</u> | <u>2008</u> | <u>2007</u> |
|--|------------------------------|------------------------------|------------------------------|
| Salaries, wages and benefits | \$ 42,688,670 | \$ 42,261,213 | \$ 37,303,413 |
| Contracted and general services | 21,381,032 | 19,778,693 | 17,607,182 |
| Materials, goods and utilities | 13,302,824 | 11,085,873 | 10,647,174 |
| Provision for allowances | 100,000 | 29,281 | 94,128 |
| Operating transfers to local boards and agencies | 123,279 | 124,196 | 188,594 |
| Capital transfers to local boards and agencies | - | 345,000 | 414,796 |
| Transfers to individuals and organizations | 1,825,469 | 3,087,061 | 2,667,326 |
| Bank charges and short-term interest | 97,200 | 105,217 | 98,361 |
| Interest on long-term debt | 2,958,376 | 1,981,811 | 1,977,143 |
| Other expenditures | 123,596 | 116,047 | 175,416 |
| Capital assets acquired | <u>93,125,888</u> | <u>61,218,731</u> | <u>38,312,449</u> |
| TOTAL EXPENDITURES | \$ <u>175,726,334</u> | \$ <u>140,133,123</u> | \$ <u>109,485,982</u> |

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Grande Prairie are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City of Grande Prairie are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and cash flows of the reporting entity which includes all the organizations that are accountable for the administration of their financial affairs and resources to Council and are owned or controlled by the City. Included in the City's consolidated financial statements are the financial activities of the Grande Prairie Public Library and the Grande Prairie Airport Commission. Interdepartmental and organizational transactions and balances have been eliminated.

Aquatera Utilities Inc., a subsidiary corporation of the City of Grande Prairie, 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's accounting policies are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated.

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

The consolidated financial statements exclude trust assets that are amounts collected and administered for the benefit of external parties (*Note 17*).

b) Basis of Accounting

The basis of accounting followed in these consolidated financial statements includes recognizing revenue in the period in which the transactions or events occurred that gave rise to the revenue. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are recorded in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

d) Government Transfers

Government transfers are recognized in the consolidated financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met by the City and reasonable estimates of the amounts can be made.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - continued

e) Employee Future Benefits

Certain employees of the City are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer 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 City does not recognize its share of any plan surplus or deficit.

Qualifying employees of the City are members of the APEX Supplementary Pension Plan (APEX), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Municipal Services Corporation, a subsidiary of the Alberta Urban Municipalities Association 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 City does not recognize its share of any plan surplus or deficit.

Employees of the Grande Prairie Firefighters Association, a department of the City, are members of the Grande Prairie Firefighters Supplementary Pension Plan, a defined benefit pension plan. The plan is administered by a board of trustees made up of representatives of the City, the Association and independent trustees.

The City does not provide post-employment benefits, compensated absences or termination benefits to its employees.

f) Land Held for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing costs and levelling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks and street lighting are recorded as capital assets under their respective function. Proceeds from sales of land held for resale are recorded as operating fund revenue. The cost of land sold is written off against equity in physical assets as it is sold.

g) Agreements Receivable

Agreements receivable from various organizations are recorded at cost, to the extent they are recoverable as determined by management.

h) Investments

Portfolio investments are recorded at cost. Investments in subsidiaries are accounted for as discussed in Note 1(a).

i) Inventory

Inventories of materials and supplies for consumption consist mainly of central stores and road maintenance materials and are recorded at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - continued

j) Capital Assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair market value when acquired. When capital assets are sold, the proceeds are recorded in revenue.

Government transfers for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

No provision is made for depreciation of capital assets. However, amounts to finance future replacements are transferred to reserve on a calculated basis related to specific buildings, fleet equipment, vehicles and mobile equipment.

k) Tangible Capital Assets

Effective January 1, 2007, the City adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 - Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

The City records assets at cost in the period in which they are acquired on the statement of financial position and as an expenditure within the capital fund. To date, assets have not been subject to amortization.

During 2008, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2008, the City is in the process of compiling a complete listing of tangible capital assets and determining the historical cost of such assets. The listing is expected to be completed during 2009.

l) 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 collectible from the property owners for work authorized by property owners and undertaken by the City.

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.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES - continued

m) Over-levies and Under-levies

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

Over-levies are recorded as deferred revenue and property tax revenue is reduced. Under-levies are recorded as an accrued 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.

n) Asset Retirement Obligations

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

o) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as adjustments to the respective funds.

p) Equity in Physical Assets

Equity in physical assets represents the City's net investment in the total physical assets, after deducting work in progress, the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing, capitalized leases or other capital liabilities.

q) Equity in Investments

Equity in investments represents the City's net accumulated investment in a subsidiary corporation, Aquatera Utilities Inc. and other miscellaneous portfolio investments. The amount consists of the original investment in common and preferred shares plus the earnings of the subsidiary less dividends.

r) Budget

The budget amounts are presented for information purposes and have not been audited. It should be noted that the capital budget figures are taken from long-range capital plans and, thus, due to timing delays of certain projects, may contain large variances from the actual figures for that calendar year.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

2. CASH AND TEMPORARY INVESTMENTS

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| Cash on hand | \$ 29,149 | \$ 43,762 |
| Cash in banks | 4,590,934 | 4,507,293 |
| Temporary investments | <u>85,491,790</u> | <u>55,535,006</u> |
| | 90,111,873 | 60,086,061 |
| Less cash and temporary investments held in trust <i>(Note 17)</i> | <u>(1,593,756)</u> | <u>(1,587,005)</u> |
| | <u>\$ 88,518,117</u> | <u>\$ 58,499,056</u> |

Cash in banks bear interest at a rate of 2.25% on balances up to \$1.50 million and 4.05% on balances greater than \$1.50 million.

Temporary investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear interest at rates between 2.30% and 5.75% and mature between February, 2009 and September, 2018.

Included in cash and temporary investments are restricted amounts aggregating \$34,513,962 (2007 - \$15,303,374) to be used for specific capital and operating projects, as detailed in Note 9.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Current taxes and grants in place of taxes | \$ 1,936,501 | \$ 1,309,694 |
| Tax arrears | <u>377,546</u> | <u>203,411</u> |
| | 2,314,047 | 1,513,105 |
| Less allowance for uncollectible taxes and taxes under appeal | <u>(253,423)</u> | <u>(253,423)</u> |
| | <u>\$ 2,060,624</u> | <u>\$ 1,259,682</u> |

4. TRADE AND OTHER RECEIVABLES

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| Trade and other receivables | \$ 3,832,457 | \$ 3,344,491 |
| Receivables from other governments | 1,175,430 | 790,904 |
| Capital grants receivable | 1,496,501 | 18,816,623 |
| Accrued interest receivable | 2,476,435 | 1,824,224 |
| Dividend receivable <i>(Note 15)</i> | <u>2,061,678</u> | <u>1,030,839</u> |
| | 11,042,501 | 25,807,081 |
| Less allowance for uncollectible trade and other receivables | <u>(5,000)</u> | <u>(5,000)</u> |
| | <u>\$ 11,037,501</u> | <u>\$ 25,802,081</u> |

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

5. AGREEMENTS RECEIVABLE

| | Current Portion | <u>2008</u> | <u>2007</u> |
|------------------------------------|--------------------|---------------------|---------------------|
| Canadian Mental Health Association | \$ 18,766 | \$ 384,141 | \$ 401,907 |
| Grande Prairie Gymnastics Society | 153,184 | 1,107,112 | 1,254,631 |
| RCMP | <u>241,183</u> | <u>3,254,286</u> | <u>581,793</u> |
| | \$ <u>413,133</u> | 4,745,539 | 2,238,331 |
| Less current portion | | <u>(413,133)</u> | <u>(385,285)</u> |
| | | \$ <u>4,332,406</u> | \$ <u>1,853,046</u> |

The Canadian Mental Health Association amount receivable is unsecured, bears interest at a rate equal to the corresponding Alberta Capital Finance Authority (ACFA) debenture of 5.6% with repayment to be equal to the annual principal and interest repayments and matures in 2022.

The Grande Prairie Gymnastics Society amount receivable is unsecured, bears interest at a rate equal to the corresponding ACFA debenture of 3.8% with repayment to be equal to the annual principal and interest repayments and matures in 2015.

The RCMP amount receivable is for a portion of the costs of the new RCMP facility as agreed by the parties. The amount is based on a proportion of specific debentures issued by the City to ACFA, is unsecured, bears interest at a weighted average rate equal to the corresponding ACFA debentures of 4.752%, with repayment to be proportionate to the total annual principal and interest repayments on the specific debentures and matures in 2026. The actual amount receivable will be determined annually based on certain criteria established between the two parties. Management has established this estimate based on the best information available at the year-end date. Any change to the estimate will be accounted for as a current transaction in the period the change becomes known.

Estimated principal amounts to be received are as follows:

| | |
|------------|------------|
| 2009 | \$ 413,133 |
| 2010 | 443,823 |
| 2011 | 477,137 |
| 2012 | 513,319 |
| 2013 | 552,632 |
| Thereafter | 2,345,495 |

6. INVESTMENTS

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| Alberta Capital Finance Authority shares | \$ 60 | \$ 60 |
| Aquatera Utilities Inc. - 73.3% (2007 - 80.2%) ownership | | |
| Common shares (32,161; 2007 - 32,161) | 322 | 322 |
| Preferred shares (41,234; 2007 - 41,234) | 41,233,563 | 41,233,563 |
| Cumulative share of earnings | 16,675,930 | 14,016,540 |
| Non-cumulative dividends declared | <u>(17,015,283)</u> | <u>(14,953,605)</u> |
| | \$ <u>40,894,592</u> | \$ <u>40,296,880</u> |

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| Trade payables and other accrued liabilities | \$ 7,075,618 | \$ 8,797,832 |
| Accrued payroll payable | 804,799 | 691,708 |
| Accrued vacation pay payable | 1,748,296 | 1,548,137 |
| Accrued interest payable | 789,633 | 683,898 |
| Accrued tax appeal provision | 400,000 | 400,000 |
| Capital payables | <u>1,562,715</u> | <u>3,053,784</u> |
| | <u>\$ 12,381,061</u> | <u>\$ 15,175,359</u> |

8. DUE TO AQUATERA UTILITIES INC.

Amounts due to Aquatera Utilities Inc. are unsecured, non-interest bearing and repayable on demand.

9. DEFERRED REVENUE

| | <u>Current Portion</u> | <u>2008</u> | <u>2007</u> |
|--------------------------------------|----------------------------|---------------------|---------------------|
| Deferred sales and user charges | \$ 4,570,603 | \$ 4,570,603 | \$ 4,416,380 |
| Deferred provincial capital grants | 32,352,304 | 32,352,304 | 10,322,607 |
| Deferred provincial operating grants | <u>2,161,658</u> | <u>2,161,658</u> | <u>4,980,767</u> |
| | <u>\$ 39,084,565</u> | 39,084,565 | 19,719,754 |
| Less current portion | | <u>(39,084,565)</u> | <u>(19,719,754)</u> |
| | | <u>\$ -</u> | <u>\$ -</u> |

Deferred sales and user charges represent amounts received which are taken into revenue in the period in which they are earned and corresponding expenditures are incurred.

The deferred provincial capital grants consist of restricted amounts of \$17,766,083 (2007 - \$10,322,607) received from Alberta Transportation to be used for specific capital transportation projects, \$5,873,859 (2007 - \$NIL) from Alberta Municipal Affairs and Housing for specific affordable housing initiatives and \$8,712,362 (2007 - \$NIL) for the Aquatics and Wellness Multiplex project.

The deferred provincial operating grants consist of restricted amounts of \$2,161,658 (2007 - \$4,980,767) received from Alberta Municipal Affairs and Housing to be used for specific affordable housing and homelessness initiatives.

Unexpended funds related to deferred provincial grants are fully supported by cash and temporary investments held exclusively for these projects.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

10. LONG-TERM DEBT

| | <u>Current Portion</u> | <u>2008</u> | <u>2007</u> |
|---|----------------------------|----------------------|----------------------|
| Debentures | | | |
| Alberta Capital Finance Authority | \$ 3,258,131 | \$ 54,695,626 | \$ 40,501,840 |
| Canada Mortgage and Housing Corporation | <u>10,556</u> | <u>263,429</u> | <u>273,166</u> |
| | <u>\$ 3,268,687</u> | 54,959,055 | 40,775,006 |
| Less current portion | | <u>(3,268,687)</u> | <u>(2,586,976)</u> |
| | | <u>\$ 51,690,368</u> | <u>\$ 38,188,030</u> |

Debenture debt is issued on the credit and security of the City of Grande Prairie at large, bears interest at rates ranging from 3.8% to 8.3% per annum and mature in 2010 through 2027.

The City's total cash payments for interest in 2008 were \$1,981,293 (2007 - \$2,028,856).

Estimated principal and interest repayments are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|----------------------|----------------------|----------------------|
| 2009 | \$ 3,268,687 | \$ 2,711,648 | \$ 5,980,335 |
| 2010 | 3,431,842 | 2,568,191 | 6,000,033 |
| 2011 | 3,567,377 | 2,417,219 | 5,984,596 |
| 2012 | 3,360,164 | 2,260,535 | 5,620,699 |
| 2013 | 3,258,337 | 2,102,051 | 5,360,388 |
| Thereafter | <u>38,072,648</u> | <u>13,500,206</u> | <u>51,572,854</u> |
| | <u>\$ 54,959,055</u> | <u>\$ 25,559,850</u> | <u>\$ 80,518,905</u> |

11. CAPITAL ASSETS

| | <u>Balance Beginning</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance Ending</u> |
|-----------------------------------|------------------------------|----------------------|-------------------|---------------------------|
| Land | \$ 11,211,353 | \$ 720 | \$ - | \$ 11,212,073 |
| Buildings | 111,169,687 | 38,065,999 | - | 149,235,686 |
| Engineering structures | 217,218,056 | 19,594,071 | - | 236,812,127 |
| Machinery, equipment and vehicles | <u>42,193,546</u> | <u>3,557,941</u> | <u>50,009</u> | <u>45,701,478</u> |
| | <u>\$ 381,792,642</u> | <u>\$ 61,218,731</u> | <u>\$ 50,009</u> | <u>\$ 442,961,364</u> |

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/00 is as follows:

| | <u>Salary (1)</u> | <u>Benefits & Allowances (2)</u> | <u>2008 Total</u> | <u>2007 Total</u> |
|---------------------|-------------------|--------------------------------------|-------------------|-------------------|
| Mayor | | | | |
| D. Logan | \$ 80,450 | \$ 3,027 | \$ 83,477 | \$ 12,130 |
| W. Ayling (past) | - | - | - | 73,925 |
| Alderman | | | | |
| G. Blackmore | 32,800 | 30 | 32,830 | 28,810 |
| J. Croken | - | - | - | 29,859 |
| E. Deimert | 33,200 | - | 33,200 | 5,799 |
| C. Eckhardt | - | - | - | 27,301 |
| B. Given | 34,000 | 2,865 | 36,865 | 31,239 |
| A. Gustafson | 31,100 | - | 31,100 | 5,799 |
| M. Heath | - | - | - | 21,251 |
| D. Logan | - | - | - | 21,251 |
| G. Mazer | - | - | - | 21,905 |
| Y. Minhas | 31,800 | 2,466 | 34,266 | 5,800 |
| L. Radbourne | 32,600 | 2,469 | 35,069 | 5,592 |
| H. Rice | 33,450 | 1,394 | 34,844 | 27,369 |
| D. Wong | <u>32,704</u> | <u>2,035</u> | <u>34,739</u> | <u>5,868</u> |
| | <u>\$ 342,104</u> | <u>\$ 14,286</u> | <u>\$ 356,390</u> | <u>\$ 323,898</u> |
| City Manager | | | | |
| Past | \$ 118,175 | \$ 10,165 | \$ 128,340 | \$ 223,804 |
| Present | <u>83,885</u> | <u>10,735</u> | <u>94,620</u> | - |
| | <u>\$ 202,060</u> | <u>\$ 20,900</u> | <u>\$ 222,960</u> | <u>\$ 223,804</u> |

- (1) Salary includes regular base pay, bonuses, overtime, lump-sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accident and dismemberment insurance, long and short-term disability plans, professional memberships and tuition. It also includes the employer's share of the cost of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

13. EMPLOYEE FUTURE BENEFITS

(a) Local Authorities Pension Plan

Employees of the City of Grande Prairie participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 180,000 people and about 407 employers. It is financed by employer, employee and Government of Alberta contributions and investment earnings of the LAPP fund.

The City of Grande Prairie is required to make current service contributions to the Plan of 7.75% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.64% on the excess.

Employees of the City of Grande Prairie are required to make current service contributions to the Plan of 6.75% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 9.64% on the excess.

Total current and past service contributions by the City of Grande Prairie to the Local Authorities Pension Plan in 2008 were \$2,067,524 (2007 - \$1,855,137). Total current and past service contributions by the employees of the City of Grande Prairie to the Local Authorities Pension Plan in 2008 were \$1,832,197 (2007 - \$1,641,516).

At December 31, 2007, the Plan disclosed an actuarial deficiency of \$1,183 million (2006 - \$747 million).

(b) APEX Supplementary Pension Plan

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

The City of Grande Prairie is required to make current service contributions to the Plan of 3.0% of pensionable payroll above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$116,667 for those employees who have elected to participate in the Plan. No contributions are required on earnings above the maximum threshold.

Employees of the City of Grande Prairie electing to participate in the Plan are required to make current service contributions of 2.5% of pensionable payroll above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$116,667, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2008 were \$148,023 (2007 - \$136,680). Total current and past service contributions by the employees of the City to APEX in 2008 were \$123,353 (2007 - \$113,900).

At December 31, 2007, the Plan disclosed an actuarial surplus of \$1,090,862 (2006 - \$1,129,485).

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

13. EMPLOYEE FUTURE BENEFITS - continued

(c) Grande Prairie Firefighters Supplementary Pension Plan

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

The City of Grande is required to make current service contributions to the Plan of 2.97% of pensionable payroll, with no annual maximum limit. Plan members are required to make current service contributions of 2.44% of pensionable payroll with no annual maximum limit, and are responsible for 100% of past service contributions.

Total current service contributions made by the City to the Firefighters Supplementary Pension Plan in 2008 were \$115,710 (2007 - \$121,472). Total current and past service contributions by the employees of the City to the Pension Plan in 2008 were \$121,615 (2007 - \$134,179).

At December 31, 2007, the Plan disclosed an actuarial deficiency of \$64,583 (2006 - \$61,845). The City and the plan members have agreed to share the cost of future service and future additional unfunded liabilities 55% by the City and 45% by the plan members. It is management's opinion that the City's proportionate share of any such unfunded liability as at December 31, 2008 would not have a significant impact on the financial position of the City.

14. DEBT LIMITS

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

| | <u>2008</u> | <u>2007</u> |
|---------------------------------|-----------------------|----------------------|
| Total debt limit available | \$ 166,683,659 | \$ 139,905,408 |
| Total debt | <u>(54,959,055)</u> | <u>(40,775,006)</u> |
| Total debt limit remaining | <u>\$ 111,724,604</u> | <u>\$ 99,130,402</u> |
| Debt servicing limit available | \$ 27,780,610 | \$ 23,317,568 |
| Debt servicing | <u>(5,980,335)</u> | <u>(4,609,555)</u> |
| Service on debt limit remaining | <u>\$ 21,800,275</u> | <u>\$ 18,708,013</u> |

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

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15. SUBSIDIARY OPERATIONS

Aquatera Utilities Inc. was established in 2003 by the City of Grande Prairie to provide water, wastewater and solid waste management services to the City, other Municipalities and commercial users.

The following is condensed financial information related to the City's proportionate share in Aquatera Utilities Inc. for the year ended December 31, 2008:

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|----------------------|
| <u>Financial position:</u> | | |
| Financial assets | \$ 11,550,939 | \$ 13,092,277 |
| Physical assets | <u>51,061,676</u> | <u>48,538,263</u> |
| Total assets | <u>62,612,615</u> | <u>61,630,540</u> |
| Current liabilities, including callable debt | 21,495,670 | 20,441,613 |
| Landfill closure and post-closure liability | <u>1,209,281</u> | <u>1,587,186</u> |
| Total liabilities | <u>22,704,951</u> | <u>22,028,799</u> |
| Net assets | <u>\$ 39,907,664</u> | <u>\$ 39,601,741</u> |
| <u>Results of operations:</u> | | |
| Revenue | \$ 21,780,616 | \$ 23,448,905 |
| Depreciation expense | 1,381,485 | 1,318,598 |
| Interest expense | 719,401 | 349,722 |
| Operating expense | <u>17,020,340</u> | <u>20,180,976</u> |
| Net earnings | <u>\$ 2,659,390</u> | <u>\$ 1,599,609</u> |

Non-cumulative annual dividends calculated at 5% of the redemption amount of preferred shares held by the City were declared in the year in the amount of \$2,061,678 (2007 - \$2,061,678). At year-end, \$2,061,678 (2007 - \$1,030,839) of this amount had not yet been received (*Note 4*).

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16. RELATED PARTY TRANSACTIONS

The following summarizes the related party transactions between the City of Grande Prairie and Aquatera Utilities Inc. All transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

| | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|
| Franchise fees, including amounts in lieu of taxes | \$ 1,749,327 | \$ 1,846,950 |
| General administrative charges and other recoveries | 3,576,742 | 2,444,621 |
| Utility expenses | 448,425 | 292,193 |

The following summarizes specific revenue transactions between the City of Grande Prairie and other municipalities.

| | | | |
|--------------------------------|------------|----|---------|
| County of Grande Prairie No. 1 | | | |
| Recreation agreement | \$ 209,972 | \$ | 202,630 |
| Fire protection agreement | 665,231 | | 642,735 |
| Tax revenue sharing | 402,079 | | 209,177 |
| Town of Sexsmith | | | |
| Tax revenue sharing | \$ 8,904 | \$ | 2,809 |

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

17. FUNDS HELD IN TRUST

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

| | <u>Balance</u> <u>Beginning</u> | <u>Receipts</u> | <u>Investment</u> <u>Income</u> | <u>Disbursements</u> | <u>Balance</u> <u>Ending</u> |
|-------------------------------------|------------------------------------|---------------------|------------------------------------|-----------------------|---------------------------------|
| Facility deposits and registrations | \$ 259,312 | \$ 331,604 | \$ - | \$ (365,233) | \$ 225,683 |
| Community funds and endowments | 754,024 | 1,344,504 | 2,597 | (1,132,488) | 968,637 |
| Advance ticket sales | <u>573,669</u> | <u>2,708,983</u> | <u>-</u> | <u>(2,883,216)</u> | <u>399,436</u> |
| | <u>\$ 1,587,005</u> | <u>\$ 4,385,091</u> | <u>\$ 2,597</u> | <u>\$ (4,380,937)</u> | <u>\$ 1,593,756</u> |

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18. FINANCIAL INSTRUMENTS

a) Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The City is exposed to credit risk from its customers. In order to reduce this risk, the City 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 City are property taxes and government transfers. The City 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 payors, the City is not exposed to significant credit risk on such transactions.

b) Interest rate risk

The City 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 City has an available bank demand loan in the amount of \$2,000,000, all of which is unused at December 31, 2008.

d) Currency risk

Currency risk is the risk to the City's surplus that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The City 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 City's carrying value of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables 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 agreements receivable and long-term debt approximates fair value as the interest rates are consistent with the current rates available for instruments with similar terms.

The fair value of amounts due to Aquatera Utilities Inc. are less than carrying value, as the amounts are non-interest bearing. As the amount has no terms of repayment, the fair value cannot be determined with any degree of certainty.

The investments consist substantially of the City's investment in Aquatera Utilities Inc. including voting common shares and preferred shares bearing 5% dividend rights, carried at the fixed redemption value. As a formal business valuation has not been prepared for Aquatera Utilities Inc., the fair value cannot be estimated with any degree of certainty. At this time, there is no indication of any significant difference between the fair value and the carrying value of the investments.

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19. MEASUREMENT UNCERTAINTY

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Significant estimates made by management in these financial statements include the accruals for tax appeals, RCMP agreement receivable and provisions for uncollectible receivables.

20. COMMITMENTS

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

The City is committed to completion of the Aquatics and Wellness Multiplex for a total approved cost of \$109,682,000. At year-end, total capital expenditures from conception of the project are \$5,904,286 (2007 - \$417,004). Funding for this project is expected to be obtained through the issuance of long-term debentures in the amount of \$61,568,000, special tax levies of \$15,579,000, government transfers of \$22,400,000 and other sources aggregating \$10,135,000.

The City is also committed to various other capital projects at year-end. Funding for all capital projects is established and approved by Council in the Capital Plan prior to the commencement of a project.

21. CONTINGENT LIABILITIES

The City of Grande Prairie has been named defendant in various lawsuits as at December 31, 2008. While it is not possible to estimate the ultimate liability with respect to the pending litigation, based on evaluation and correspondence with the City's various legal counsel, management indicates it is unlikely that there will be a material adverse effect on the financial position of the City of Grande Prairie.

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

22. PRIOR YEAR COMPARATIVE FIGURES

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