

**CITY OF GRANDE PRAIRIE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

## Management's Responsibility

To the Members of Council:

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

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

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

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

April 30, 2012



Management

## Auditor's Report

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

#### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of the City of Grande Prairie, which comprise the consolidated statement of financial position at December 31, 2011, the consolidated statements of operations, change in net financial assets (debt), cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Grande Prairie as at December 31, 2011, and the results of its operations, changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta  
April 30, 2012

MNP LLP

Chartered Accountants

**MNP**

**City of Grande Prairie**  
**Consolidated Statement of Financial Position**

*As at December 31, 2011*

	2011	2010
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	97,580,653	97,664,330
Taxes and grants in place of taxes (Note 3)	4,786,689	6,555,991
Trade and other accounts receivable (Note 4)	7,345,020	7,487,051
Agreements receivable (Note 5)	3,838,050	4,153,518
Land held for resale inventory	645,100	1,804,310
Investments (Note 6)	48,338,493	46,364,861
	<b>162,534,005</b>	<b>164,030,061</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 7)	14,123,110	16,402,663
Due to Aquatera Utilities Inc. (Note 8)	383,674	383,267
Deferred revenue (Note 9)	27,366,486	32,235,876
Long-term debt (Note 10)	148,458,211	121,759,357
	<b>190,331,481</b>	<b>170,781,163</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>(27,797,476)</b>	<b>(6,751,102)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	501,750,450	449,652,106
Inventory for consumption	788,570	748,389
Prepaid expenses	174,109	149,277
	<b>502,713,129</b>	<b>450,549,772</b>
<b>ACCUMULATED SURPLUS (Schedule I, Note 12)</b>	<b>474,915,653</b>	<b>443,798,670</b>

*Commitments and contingencies - See Notes 21 and 22*

Approved by

  
Mayor

  
Councilor

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Consolidated Statement of Operations**

*For the year ended December 31, 2011*

	<i>Budget</i> <i>(Unaudited)</i>	<b>2011</b>	2010
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule III)</i>	81,206,009	<b>81,354,844</b>	76,717,211
Government transfers for operating <i>(Schedule IV)</i>	4,224,072	<b>6,582,014</b>	11,159,207
User fees and sales of goods	16,109,865	<b>17,736,130</b>	18,524,514
Investment income	2,213,039	<b>3,196,218</b>	3,608,394
Penalties and costs of taxes	1,050,000	<b>1,503,301</b>	1,354,176
Development levies	2,000,000	<b>1,067,809</b>	573,873
Fines, rentals, licenses and permits	8,122,102	<b>8,731,410</b>	6,464,151
Franchise and concession contracts	7,258,177	<b>7,636,328</b>	7,447,833
Transfers from other organizations	983,167	<b>1,347,904</b>	1,411,122
Other	2,071,500	<b>2,296,604</b>	1,725,217
	125,237,931	<b>131,452,562</b>	128,985,698
<b>EXPENSES</b>			
Council and other legislative services	865,467	<b>614,157</b>	684,912
Administrative services	14,458,496	<b>14,608,390</b>	12,813,920
Protective services	29,422,357	<b>31,593,405</b>	28,081,298
Transportation services	24,453,279	<b>39,888,463</b>	37,469,525
Public health and welfare services	2,409,039	<b>3,640,347</b>	3,575,377
Planning and development services	2,966,108	<b>7,085,956</b>	7,029,191
Recreation and cultural services	32,318,758	<b>33,397,272</b>	31,103,523
Other services	-	<b>347,865</b>	39,880
	106,893,504	<b>131,175,855</b>	120,797,626
<b>EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	18,344,427	<b>276,707</b>	8,188,072
<b>OTHER</b>			
Contributed tangible capital assets	-	<b>2,254,690</b>	5,233,604
Write-down of land held for resale	-	<b>(1,159,210)</b>	(604,603)
Gain (loss) on disposal of tangible capital assets	-	<b>77,780</b>	(35,574)
Government transfers for capital <i>(Schedule IV)</i>	19,778,000	<b>25,056,103</b>	18,699,609
Subsidiary operations <i>(Note 17)</i>	1,608,000	<b>4,610,913</b>	6,096,458
	21,386,000	<b>30,840,276</b>	29,389,494
<b>EXCESS OF REVENUE OVER EXPENSES</b>	39,730,427	<b>31,116,983</b>	37,577,566
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	443,798,670	<b>443,798,670</b>	406,221,104
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	483,529,097	<b>474,915,653</b>	443,798,670

*The accompanying notes are an integral part of these financial statements*

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

*For the year ended December 31, 2011*

	<i>Budget</i> <i>(Unaudited)</i>	<b>2011</b>	2010
<b>EXCESS OF REVENUE OVER EXPENSES</b>	39,730,427	<b>31,116,983</b>	37,577,566
Acquisition of tangible capital assets	(109,013,132)	<b>(66,726,373)</b>	(56,514,172)
Contributed tangible capital assets	-	<b>(2,254,690)</b>	(5,233,604)
Proceeds on disposal of tangible capital assets	-	<b>296,960</b>	74,508
Amortization of tangible capital assets	-	<b>16,663,539</b>	13,242,844
(Gain) loss on sale of tangible capital assets	-	<b>(77,780)</b>	35,574
Contributions of tangible capital assets to other organizations	-	-	878,704
	(109,013,132)	<b>(52,098,344)</b>	(47,516,146)
Acquisition of inventory	-	-	(1,403,618)
Acquisition of prepaid assets	-	-	(1,504,661)
Use of inventory	-	<b>(40,181)</b>	1,296,924
Use of prepaid assets	-	<b>(24,832)</b>	1,496,961
	-	<b>(65,013)</b>	(114,394)
<b>(INCREASE) DECREASE IN NET DEBT</b>	(69,282,705)	<b>(21,046,374)</b>	(10,052,974)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	(6,751,102)	<b>(6,751,102)</b>	3,301,872
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	(76,033,807)	<b>(27,797,476)</b>	(6,751,102)

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Consolidated Statement of Cash Flows**  
*For the year ended December 31, 2011*

	<b>2011</b>	<b>2010</b>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	31,116,983	37,577,566
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	16,663,539	13,242,844
Tangible capital assets received as contributions	(2,254,690)	(5,233,604)
Loss (gain) on disposal of tangible capital assets	(77,780)	35,574
Contributions of tangible capital assets to other organizations	-	878,704
Subsidiary operations	(4,610,913)	(6,096,458)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	1,769,302	(2,024,423)
Decrease (increase) in trade and other accounts receivable	142,031	321,934
Decrease (increase) in land held for resale	1,159,210	(1,035,600)
Decrease (increase) in inventory for consumption	(40,181)	(106,694)
Decrease (increase) in prepaid expenses	(24,832)	(7,700)
Increase (decrease) in accounts payable and accrued liabilities	(2,279,553)	(3,550,372)
Increase (decrease) in deferred revenue	(4,869,390)	(908,288)
Cash provided by operating transactions	36,693,726	33,093,483
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(66,726,373)	(56,514,172)
Proceeds on disposal of tangible capital assets	296,960	74,508
Agreements receivable repayments	315,468	302,311
Dividends declared by Aquatera Utilities Inc.	2,637,281	1,608,032
Cash applied to capital transactions	(63,476,664)	(54,529,321)
<b>FINANCING</b>		
Due to Aquatera Utilities Inc.	407	(1,212,313)
Long-term debt issued	33,006,300	22,695,300
Long-term debt repaid	(6,152,939)	(5,322,689)
Capital lease obligations repayments	(154,507)	(148,935)
Aquatera Utilities Inc. stock dividend adjustment	-	63,590
Cash provided by financing transactions	26,699,261	16,074,953
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(83,677)</b>	<b>(5,360,885)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>97,664,330</b>	<b>103,025,215</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>97,580,653</b>	<b>97,664,330</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash and temporary investments (Note 2)	99,206,731	99,402,843
Less: restricted portion of cash and temporary investments (Note 2)	(1,626,078)	(1,738,513)
<b>Cash and cash equivalents, end of year</b>	<b>97,580,653</b>	<b>97,664,330</b>

The accompanying notes are an integral part of these financial statements

**City of Grande Prairie**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
*For the year ended December 31, 2011*

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus</i>	<i>Equity in Investments</i>	<i>Equity in Tangible Capital Assets</i>	<b>2011</b>	<b>2010</b>
<b>BALANCE, BEGINNING OF YEAR</b>	<b>6,559,659</b>	<b>58,062,916</b>	<b>46,364,861</b>	<b>332,811,234</b>	<b>443,798,670</b>	406,221,104
Excess of revenue over expenses	31,116,983	-	-	-	<b>31,116,983</b>	37,577,566
Unrestricted funds designated for future use	(2,507,974)	2,507,974	-	-	-	-
Share of earnings from subsidiary	(4,610,913)	-	4,610,913	-	-	-
Current year funds used for tangible capital assets	(33,720,073)	-	-	33,720,073	-	-
Contributed tangible capital assets	(2,254,690)	-	-	2,254,690	-	-
Dividends received	2,637,281	-	(2,637,281)	-	-	-
Change in use of debenture	764,967	-	-	(764,967)	-	-
Annual amortization expense	16,663,539	-	-	(16,663,539)	-	-
Disposal of tangible capital assets	219,180	-	-	(219,180)	-	-
Long-term debt repaid	(5,991,978)	-	-	5,991,978	-	-
Change in accumulated surplus	2,316,322	2,507,974	1,973,632	24,319,055	<b>31,116,983</b>	37,577,566
<b>BALANCE, END OF YEAR</b>	<b>8,875,981</b>	<b>60,570,890</b>	<b>48,338,493</b>	<b>357,130,289</b>	<b>474,915,653</b>	443,798,670

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**City of Grande Prairie**  
**Schedule II - Schedule of Tangible Capital Assets**  
*For the year ended December 31, 2011*

	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery &amp; equipment</i>	<i>Assets Under Construction</i>	<b>2011</b>	<b>2010</b>
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	46,106,651	11,187,434	129,827,459	266,537,581	26,644,890	103,966,437	<b>584,270,452</b>	524,709,628
Acquisition of tangible capital assets	2,107,741	967,835	11,106,779	27,499,584	3,145,859	24,153,265	<b>68,981,063</b>	61,747,776
Transfers of assets under construction	-	-	100,711,488	-	-	(100,711,488)	-	-
Disposal of tangible capital assets	(164,055)	-	(73,311)	(1,189,095)	(526,149)	-	<b>(1,952,610)</b>	(2,186,952)
BALANCE, END OF YEAR	48,050,337	12,155,269	241,572,415	292,848,070	29,264,600	27,408,214	<b>651,298,905</b>	584,270,452
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	4,930,268	24,631,035	93,055,856	12,001,187	-	<b>134,618,346</b>	122,573,668
Annual amortization	-	400,385	5,158,568	9,041,074	2,063,512	-	<b>16,663,539</b>	13,242,844
Accumulated amortization on disposals	-	-	(22,557)	(1,177,454)	(533,419)	-	<b>(1,733,430)</b>	(1,198,166)
BALANCE, END OF YEAR	-	5,330,653	29,767,046	100,919,476	13,531,280	-	<b>149,548,455</b>	134,618,346
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>48,050,337</b>	<b>6,824,616</b>	<b>211,805,369</b>	<b>191,928,594</b>	<b>15,733,320</b>	<b>27,408,214</b>	<b>501,750,450</b>	449,652,106
2010 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	46,106,651	6,257,166	105,196,424	173,481,725	14,643,703	103,966,437	449,652,106	

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule III - Schedule of Property and Other Taxes**  
*For the year ended December 31, 2011*

	<i>Budget</i> (Unaudited)	<b>2011</b>	2010
<b>TAXATION</b>			
Real property taxes	99,281,261	<b>99,427,535</b>	94,630,225
Linear property taxes	1,794,812	<b>1,794,812</b>	1,688,446
Downtown Business Revitalization Zone	347,512	<b>347,132</b>	339,432
Government grants in lieu of property taxes	816,527	<b>816,527</b>	747,844
Local improvement	929,908	<b>939,589</b>	560,720
	103,170,020	<b>103,325,595</b>	97,966,667
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	18,431,752	<b>18,429,207</b>	17,856,305
Grande Prairie Separate School Division No. 28	2,884,627	<b>2,889,146</b>	2,760,150
Downtown Business Revitalization Zone	324,632	<b>324,398</b>	310,001
Grande Spirit Foundation	323,000	<b>328,000</b>	323,000
	21,964,011	<b>21,970,751</b>	21,249,456
<b>NET MUNICIPAL TAXES</b>	81,206,009	<b>81,354,844</b>	76,717,211

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule IV - Schedule of Government Transfers**  
*For the year ended December 31, 2011*

	<i>Budget</i> (Unaudited)	<b>2011</b>	2010
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	2,176,239	<b>5,129,962</b>	8,823,290
Federal government	420,000	<b>81,063</b>	386,851
Other local governments	1,627,833	<b>1,370,989</b>	1,949,066
	4,224,072	<b>6,582,014</b>	11,159,207
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	16,535,000	<b>16,034,785</b>	16,578,812
Federal government	3,243,000	<b>9,016,388</b>	1,972,836
Other local governments	-	<b>4,930</b>	147,961
	19,778,000	<b>25,056,103</b>	18,699,609
<b>TOTAL GOVERNMENT TRANSFERS</b>	24,002,072	<b>31,638,117</b>	29,858,816

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule V - Consolidated Schedule of Expenses by Object**  
*For the year ended December 31, 2011*

	<i>Budget</i> (Unaudited)	<b>2011</b>	2010
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	51,437,109	<b>55,400,070</b>	50,609,681
Contracted and general services	26,310,976	<b>30,704,497</b>	24,653,803
Materials, goods and utilities	15,764,018	<b>13,700,984</b>	17,580,383
Provision for allowances	49,000	<b>12,324</b>	103,579
Transfers to local boards and agencies	7,007,129	<b>8,128,681</b>	8,825,408
Bank charges and short-term interest	101,373	<b>170,306</b>	177,651
Interest on long-term debt	6,223,899	<b>6,339,310</b>	5,200,932
Amortization of tangible capital assets	-	<b>16,663,539</b>	13,242,844
Other	-	<b>56,144</b>	403,345
	106,893,504	<b>131,175,855</b>	120,797,626

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule VI - Schedule of Segmented Disclosure**  
*For the year ended December 31, 2011*

	General Government	Protective Services	Transportation Services	Planning & Development	Public Health & Welfare	Recreation & Cultural	Other	Total
<b>REVENUE</b>								
Net municipal taxes	81,354,844	-	-	-	-	-	-	<b>81,354,844</b>
Government transfers	1,732,600	1,583,344	17,740,565	4,680,655	1,997,088	3,903,864	-	<b>31,638,116</b>
User fees and sales of goods	289,077	2,884,375	7,642,430	95,851	294,620	4,894,040	1,635,737	<b>17,736,130</b>
Investment income	3,159,381	-	36,837	-	-	-	-	<b>3,196,218</b>
Contributed assets	2,254,690	-	-	-	-	-	-	<b>2,254,690</b>
Other revenues	15,608,992	3,291,603	3,053,627	1,775,125	262,678	2,113,471	7,344	<b>26,112,840</b>
	104,399,584	7,759,322	28,473,459	6,551,631	2,554,386	10,911,375	1,643,081	<b>162,292,838</b>
<b>EXPENSES</b>								
Contract & general services	5,385,119	12,208,150	6,626,376	385,501	435,815	5,640,391	23,145	<b>30,704,497</b>
Salaries & wages	8,099,656	16,805,806	11,489,536	2,153,460	1,680,236	14,860,689	310,687	<b>55,400,070</b>
Goods & supplies	1,206,906	1,157,204	7,327,475	77,565	111,433	3,820,401	-	<b>13,700,984</b>
Transfers to local boards	220,131	168,067	466,429	4,168,813	1,393,698	1,711,543	-	<b>8,128,681</b>
Long-term debt interest	165,993	675,021	1,632,326	99,946	19,165	3,746,859	-	<b>6,339,310</b>
Other expenses	42,052	5,026	48,741	55,108	-	73,814	14,033	<b>238,774</b>
	15,119,857	31,019,274	27,590,883	6,940,393	3,640,347	29,853,697	347,865	<b>114,512,316</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<b>89,279,727</b>	<b>(23,259,952)</b>	<b>882,576</b>	<b>(388,762)</b>	<b>(1,085,961)</b>	<b>(18,942,322)</b>	<b>1,295,216</b>	<b>47,780,522</b>
Amortization expense	102,690	574,131	12,297,580	145,563	-	3,543,575	-	<b>16,663,539</b>
<b>NET REVENUE</b>	<b>89,177,037</b>	<b>(23,834,083)</b>	<b>(11,415,004)</b>	<b>(534,325)</b>	<b>(1,085,961)</b>	<b>(22,485,897)</b>	<b>1,295,216</b>	<b>31,116,983</b>

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Reporting entity**

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

Grande Prairie Public Library  
Grande Prairie Airport Commission  
Arctic Winter Games Host Society  
Downtown Business Revitalization Zone

Aquatera Utilities Inc., a subsidiary corporation controlled by the City of Grande Prairie, is accounted for on a modified equity basis, consistent with the Canadian generally accepted accounting treatment for government business enterprises. Under the modified equity basis, the business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the City and inter-organizational transactions and balances are not eliminated.

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

Interdepartmental and organizational transactions and balances have been eliminated.

The consolidated financial statements also exclude trust assets that are administered for the benefits of external parties as described in Note 19.

**b) Basis of accounting**

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

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

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

**c) Use of Estimates**

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

**d) Investments**

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

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

**e) Debt Charges Recoverable**

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

**f) Requisition Over-levy and Under-levy**

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

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

**g) Inventories for Resale**

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

**h) 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 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 into revenue by an amount equal to the debt repayment.

**i) Asset Retirement Obligations**

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

**j) Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transactions, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**k) Non-Financial Assets**

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

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

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

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

**i. Tangible capital assets**

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

	Years
Buildings	25 - 50
Land improvements	15 - 45
Engineered structures:	
Water system	5 - 75
Wastewater system	5 - 75
Other engineered structures	5 - 75
Machinery and equipment	5 - 25
Vehicles	5 - 25

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

**ii. Contributions of tangible capital assets**

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

**iii. Leases**

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

**iv. Inventories**

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

**v. Cultural and Historical Tangible Capital Assets**

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

**2. CASH AND TEMPORARY INVESTMENTS**

	2011	2010
Cash on hand	38,149	11,480
Cash in bank	8,533,524	8,866,323
Temporary investments	90,635,058	90,525,040
	99,206,731	99,402,843
Less: cash and temporary investments held in trust (Note 19)	(1,626,078)	(1,738,513)
	97,580,653	97,664,330

Cash in bank bears interest at a rate of 2.25% per annum on balances up to \$1.5 million and 4.05% per annum on balances greater than \$1.5 million.

Temporary investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear interest at rates between 2.20% and 5.76% per annum and mature between April 2012 and December 2021.

Included in cash are restricted amounts aggregating \$23,141,731 (2010 - \$28,025,362) to be used for specific capital and other projects, as detailed in Note 9.



**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	2011	2010
Current taxes and grants in place of taxes	3,441,070	4,910,366
Arrears taxes	1,554,618	1,899,056
	<b>4,995,688</b>	6,809,422
Less: allowance for uncollectible taxes and taxes under appeal	<b>(208,999)</b>	(253,431)
	<b>4,786,689</b>	6,555,991

**4. TRADE AND OTHER ACCOUNTS RECEIVABLES**

	2011	2010
Trade and other receivables	4,279,269	4,146,840
Receivable from other governments	1,090,361	787,636
Accrued investment earnings	2,040,390	2,572,575
	<b>7,410,020</b>	7,507,051
Less: allowance for uncollectible trade and other receivables	<b>(65,000)</b>	(20,000)
	<b>7,345,020</b>	7,487,051

**5. AGREEMENTS RECEIVABLE**

	2011	2010
RCMP	2,883,746	3,013,103
Canadian Mental Health Association	324,618	345,554
Grande Prairie Gymnastics Society	629,686	794,861
	<b>3,838,050</b>	4,153,518
Less: current portion	<b>(329,210)</b>	(315,469)
	<b>3,508,840</b>	3,838,049

Estimated principal amounts to be received are as follows:

2012	329,210
2013	343,559
2014	358,545
2015	277,269
2016	191,121
To maturity	2,338,346

The RCMP amount receivable is for a portion of the costs of the new RCMP facility as agreed to by the parties. The amount is based on a proportion of specific debentures issued by the City to ACFA, is unsecured, bears interest at a weighted average rate equal to the corresponding ACFA debentures of 4.528%, with repayment to be proportionate to the total annual principal and interest repayments on the specific debentures and matures in 2026. The actual amount receivable will be determined annually based on certain criteria established between the parties. Management has determined this estimate based on the best information available at year-end date. Any change to the estimate will be accounted for as a current transaction in the period the change becomes known.

The Canadian Mental Health Association amount receivable is secured by a general security agreement, bears interest at a rate equal to the corresponding Alberta Capital Finance Authority (ACFA) debenture of 5.625% with repayment to be equal to the annual principal and interest repayments and matures in 2022.

The Grande Prairie Gymnastics Society amount receivable is secured by a general security agreement, bears interest at a rate equal to the corresponding ACFA debenture of 3.804% with repayment to be equal to the annual principal and interest repayments and matures in 2015.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**6. INVESTMENTS**

	2011	2010
Alberta Capital Finance Authority shares	60	60
Aquaterra Utilities Inc. - 73.3% ownership		
Common shares (32,173)	322	322
Preferred shares (41,170)	41,169,973	41,169,973
Cumulative share of earnings	30,029,021	25,418,108
Non-cumulative dividends declared	(22,860,883)	(20,223,602)
	<b>48,338,493</b>	<b>46,364,861</b>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2011	2010
Trade payables and other accrued liabilities	6,164,907	8,323,170
Accrued payroll payable	879,277	1,054,007
Accrued vacation pay payable	2,694,145	2,286,260
Accrued interest payable	1,618,766	1,498,916
Accrued tax appeal provision	719,000	800,000
Capital payables	2,047,015	2,440,310
	<b>14,123,110</b>	<b>16,402,663</b>

**8. DUE TO AQUATERA UTILITIES INC.**

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

**9. DEFERRED REVENUE**

	2011	2010
Deferred sales and user charges	4,224,755	4,210,514
Deferred capital grants	18,870,822	22,095,150
Deferred operating grants	4,270,909	5,930,212
	<b>27,366,486</b>	<b>32,235,876</b>

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

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

Capital transportation projects	9,991,777	21,103,735
Emergency services projects	150,000	462,369
Recreation	212,530	-
Aquatics and Wellness Multiplex project	-	318,906
Other restricted funds not allocated to specific capital projects	8,516,515	210,140
	<b>18,870,822</b>	<b>22,095,150</b>

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

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

**Municipal Sustainability Initiative**

Capital funding in the amount of \$10,823,265 was received in the current year from the Municipal Sustainability Initiative, as approved under the funding agreement, which are scheduled for completion in 2012. Unexpended funds related to the advance are supported by temporary investments of \$8,893,411 held exclusively for these projects.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**10. LONG-TERM DEBT**

	2011	2010
Alberta Capital Finance Authority	147,953,554	121,087,654
Canada Mortgage and Housing Corporation	228,729	241,268
Royal Bank of Canada	275,928	430,435
	<b>148,458,211</b>	121,759,357
Amounts payable within one year	<b>(7,308,508)</b>	(6,202,074)
	<b>141,149,703</b>	115,557,283

Estimated principal and interest repayments to maturity are as follows:

	Principal	Interest	Total
2012	7,308,508	6,536,011	13,844,519
2013	7,316,763	6,211,426	13,528,189
2014	7,209,997	5,876,781	13,086,778
2015	7,083,239	5,548,697	12,631,936
2016 and thereafter	119,539,704	70,527,918	190,067,622
	<b>148,458,211</b>	<b>94,700,833</b>	<b>243,159,044</b>

Debenture debt is issued on the credit and security of the City of Grande Prairie at large, bears interest at rates ranging from 3.80% to 8.25% per annum and mature between 2013 and 2034.

Included in the Alberta Capital Finance Authority balance are long-term debentures issued for non-capital purposes aggregating \$954,304 (2010 - \$1,905,382).

Royal Bank of Canada capital lease obligations are secured by machinery and equipment with a carrying value of \$462,544 (2010 - \$539,634).

Interest on long-term debt amounted to \$6,339,310 (2010 - \$5,200,932).

The City's total cash payments for interest in 2011 were \$5,843,687 (2010 - \$5,052,590).

**11. DEBT LIMITS**

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

	2011	2010
Total debt limit	197,178,843	193,478,547
Total debt ( <i>Note 10</i> )	<b>(148,458,211)</b>	(121,759,357)
Amount debt limit remaining	<b>48,720,632</b>	71,719,190
Debt servicing limit	32,863,141	32,246,425
Debt servicing	<b>(13,844,519)</b>	(11,940,984)
Service on debt limit remaining	<b>19,018,622</b>	20,305,441

The debt limit is calculated at 1.5 times revenue of the City (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 which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**12. ACCUMULATED SURPLUS**

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

	2011	2010
Unrestricted surplus	<b>8,875,981</b>	6,559,659
Equity in long-term investments (Note 6)	<b>48,338,493</b>	46,364,861
Restricted surplus (Note 13)	<b>60,570,890</b>	58,062,916
Equity in tangible capital assets (Note 14)	<b>357,130,289</b>	332,811,234
	<b>474,915,653</b>	443,798,670

**13. RESERVES**

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

	Balance Beginning	Additions	Reductions	Balance Closing
Aquatics Centre	2,073,168	41,463	2,114,631	-
Cemetery perpetual care	1,045,554	239,164	-	<b>1,284,718</b>
Engineering	461,519	9,231	470,750	-
Facility depreciation	4,347,306	6,017,556	9,241,190	<b>1,123,672</b>
Financial stabilization	5,859,976	4,321,968	1,669,763	<b>8,512,181</b>
Fire Department equipment replacement	582,660	222,829	132,840	<b>672,649</b>
Fleet management system	7,459,092	7,082,818	2,322,378	<b>12,219,532</b>
Future capital expenditures	9,251,832	22,125,448	10,610,530	<b>20,766,750</b>
Geographic information systems	339,889	6,798	346,687	-
Information technology	5,488,712	109,774	5,598,486	-
Land equalization	341,738	6,834	348,572	-
Public	1,498,029	410,674	569,416	<b>1,339,287</b>
Public Housing Commission	242,523	314,263	-	<b>556,786</b>
RCMP Detachment	556,794	20,456	309,930	<b>267,320</b>
Transportation system levies	9,940,364	5,333,244	5,486,827	<b>9,786,781</b>
Transit	3,759,898	75,199	3,835,097	-
Urban Park	203,980	4,080	208,060	-
Winter stabilization	2,578,983	146,611	-	<b>2,725,594</b>
Library	2,030,899	-	715,279	<b>1,315,620</b>
	58,062,916	46,488,410	43,980,436	<b>60,570,890</b>

**14. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2011	2010
Tangible capital assets (Schedule II)	<b>501,750,450</b>	449,652,106
Capital agreements receivable (Note 5)	<b>2,883,746</b>	3,013,103
Long-term debt issued for capital purposes	<b>(147,227,979)</b>	(119,423,540)
Capital lease obligations	<b>(275,928)</b>	(430,435)
	<b>357,130,289</b>	332,811,234

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**15. SALARY AND BENEFITS DISCLOSURE**

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

	<i>Salary</i> <sup>1</sup>	<i>Benefits &amp; allowances</i> <sup>2</sup>	<b>2011</b>	2010
Mayor:				
D. Logan	-	-	-	72,983
B. Given	89,004	4,866	<b>93,870</b>	41,134
Councillors:				
G. Blackmore	-	-	-	28,871
J. Croken	40,181	3,074	<b>43,255</b>	6,977
E. Deimert	-	-	-	28,724
A. Gustafson	33,115	3,542	<b>36,657</b>	32,639
K. McLean	33,615	3,559	<b>37,174</b>	6,137
Y. Minhas	-	-	-	27,571
J. Munroe	37,015	3,679	<b>40,694</b>	6,077
K. O'Toole	35,915	3,635	<b>39,550</b>	6,177
L. Radbourne	34,515	3,589	<b>38,104</b>	35,676
H. Rice	34,215	2,026	<b>36,241</b>	33,746
D. Wong	34,715	3,595	<b>38,310</b>	36,676
City Manager:				
G. Scerbak	192,029	26,374 <sup>3</sup>	<b>218,403</b>	216,218

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

**16. EMPLOYEE FUTURE BENEFITS**

**a) Local Authorities Pension Plan**

Employees of the City participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 199,849 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service contributions to the LAPP of 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan of 13.13% on pensionable earnings above this amount. Employees of the City are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the City to the LAPP in 2011 were \$3,495,880 (2010 - \$2,897,989). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2011 were \$3,170,938 (2010 - \$2,620,267).

At December 31, 2010, the LAPP disclosed a deficiency of \$4,635.2 million (2009 - \$3,998.6 million).

**b) APEX Supplementary Pension Plan**

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

The City is required to make current service contributions to the plan of 3.00% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$127,611 (2010 - \$124,722) for those employees who have elected to participate in the Plan. No contributions are required on earnings above the maximum threshold.

Employees of the City electing to participate in the Plan are required to make current service contributions of 2.5% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$124,722, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2011 were \$183,745 (2010 - \$170,855). The current and past service contributions by employees of the City to APEX in 2011 were \$153,121 (2010 - \$142,504).

At December 31, 2010, the Plan disclosed an actuarial surplus of \$242,000 (2009 - \$121,402 deficiency).

**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 is required to make current service contributions to the Plan of 3.22% of pensionable earnings, with no annual maximum limit. Plan members are required to make current service contributions of 2.63% of pensionable earnings with no annual maximum limit, and are responsible for 100% of past service contributions.

Total current service contributions made by the City to the Firefighters Supplementary Pension Plan in 2011 were \$218,393 (2010 - \$178,337). Total current contributions by the employees of the City of the Plan in 2011 were \$178,377 (2010 - \$145,721).

At December 31, 2010 the Plan disclosed an actuarial surplus of \$126,712 (2009 - \$24,425 surplus). The City and the plan members have agreed to share the cost of future service and future additional unfunded liabilities 55% by the City and 45% by plan members. It is management's opinion that the City's proportionate share of any such unfunded liability as at December 31, 2011 would not have significant impact on the financial position of the City.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**17. SUBSIDIARY OPERATIONS**

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

The following is a summary of condensed financial information related to the City's proportionate share (2011 - 73.33%; 2010 - 73.33%) in Aquatera Utilities Inc. for the year ended December 31, 2011:

	2011	2010
<u>Financial Position:</u>		
Financial assets	<b>20,893,936</b>	15,149,254
Physical assets	<b>58,941,044</b>	54,492,670
<b>Total assets</b>	<b>79,834,980</b>	69,641,924
Current liabilities, including callable debt	<b>30,186,022</b>	21,481,257
Landfill closure and post-closure liability	<b>2,056,334</b>	2,591,111
<b>Total liabilities</b>	<b>32,242,356</b>	24,072,368
<b>Net assets</b>	<b>47,592,624</b>	45,569,556
<u>Results of Operations:</u>		
Revenue	<b>27,711,345</b>	26,319,959
Amortization expense	<b>1,421,260</b>	1,410,606
Interest expense	<b>779,533</b>	798,839
Operating expenses	<b>20,899,639</b>	18,014,056
	<b>4,610,913</b>	6,096,458

Non-cumulative annual dividends calculated at 5% of the redemption amount of preferred shares held by the City not issued on account of stock dividends were declared in the year in the amount of \$3,525,504 (2010 - \$2,191,919). At year end, all of the dividends declared had been received.

The following summarizes the City's portion of Aquatera Utilities Inc.'s total net present value of the estimated total expenditures for closure and post-closure care:

Estimated closure costs	<b>3,470,748</b>
Estimated post-closure costs	<b>1,160,064</b>
<b>Estimated total costs</b>	<b>4,630,812</b>
Amount accrued to December 31, 2011	<b>2,126,430</b>
<b>Balance of estimated total costs to accrue</b>	<b>2,504,382</b>

Aquatera Utilities Inc. management estimated the site has 1,502,419 (2010 - 1,509,244) metric tonnes of landfill capacity remaining. With an estimated annual utilization of 50,000 metric tonnes expected to increase at a rate of 2% annually, the landfill has approximately twenty-four years of life remaining. It is anticipated that post-closure care will be required for a period of twenty-six years once the landfill has been closed.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**18. RELATED PARTY TRANSACTIONS**

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2011.

	<b>2011</b>	2010
<i>Aquatera Utilities Inc. (a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	<b>2,120,129</b>	2,177,957
General administrative charge revenue and other recoveries	<b>2,444,439</b>	2,379,682
Utility and other expenses	<b>318,291</b>	396,274
Trade accounts receivable	<b>51,382</b>	30,713
Trade accounts payable	<b>41,970</b>	158,847

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

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

**19. FUNDS HELD IN TRUST**

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

	Balance Beginning	Receipts	Disbursements	Balance Closing
Facility deposits and registrations	274,808	500,960	(346,303)	429,465
Community funds and endowments	713,846	1,791,974	(1,439,159)	1,066,661
Advance ticket sales	749,859	834,740	(1,454,647)	129,952
	<b>1,738,513</b>	<b>3,127,674</b>	<b>(3,240,109)</b>	<b>1,626,078</b>

**20. FINANCIAL INSTRUMENTS**

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

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

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

**21. COMMITMENTS**

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



**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
*For the year ended December 31, 2011*

**22. CONTINGENCIES**

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

The City has been named defendant in various lawsuits as at December 31, 2011. While it is not possible to estimate the ultimate liability with respect to pending litigation, based on evaluation and correspondence with the City's various legal counsel, management indicates that it is unlikely that there will be a material adverse effect on the financial position of the City. The ultimate settlement of these lawsuits, if any, will be recorded in the period the details become known.

**23. COMPARATIVE FIGURES**

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

**24. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM**

The 2011 budget, prepared by the City of Grande Prairie, reflects all municipal activities including capital projects, debt repayments and reserves for future use. 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.

	<i>Budget</i> (Unaudited)	<b>2011</b>	2010
Excess of revenue over expenditures, per financial statements	39,730,427	<b>31,116,983</b>	37,577,566
Add back:			
Amortization expense	-	<b>16,663,539</b>	13,242,844
Capital transfers (to) from other organizations	-	-	1,146,463
Net transfers (to) from reserves	(7,733,911)	<b>1,899,697</b>	(1,251,370)
Net transfers (to) from capital projects	1,947,641	<b>481,195</b>	536,033
Write-down of land held for resale	-	<b>1,159,210</b>	604,603
Deduct:			
Share of earnings from subsidiary	-	<b>(1,973,632)</b>	(6,096,458)
Principal debt repayments	(6,557,716)	<b>(6,307,446)</b>	(5,471,624)
(Gain) loss on disposal of tangible capital assets	-	<b>(77,780)</b>	35,574
Contributed transfers for capital	-	<b>(2,254,690)</b>	(5,233,604)
Government transfers for capital	(19,778,000)	<b>(25,056,103)</b>	(18,441,924)
Special tax levies for capital	(4,719,774)	<b>(5,873,166)</b>	(12,311,720)
Development levies for capital	(2,000,000)	<b>(1,067,809)</b>	(573,873)
Other capital revenues	(888,667)	<b>(1,347,904)</b>	(1,411,122)
Results of operations - previous methods	-	<b>7,362,094</b>	2,351,388
Results of operations are as follows:			
Grande Prairie Airport Commission		<b>3,735,560</b>	
Grande Prairie Public Library		<b>39,995</b>	
Downtown Business Revitalization Zone		<b>21,805</b>	
Non-consolidated City of Grande Prairie operations		<b>3,564,734</b>	
		<b>7,362,094</b>	

**25. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.