

CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007 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, 2007 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
March 6, 2008

Chartered Accountants

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
NET ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 58,499,056	\$ 56,504,565
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	1,259,682	882,139
Trade and other receivables <i>(Note 4)</i>	25,802,081	10,618,947
Other assets	170,160	209,458
Agreements receivable <i>(Note 5)</i>	2,238,331	3,296,700
Investments <i>(Note 6)</i>	<u>40,296,880</u>	<u>40,758,950</u>
	<u>128,266,190</u>	<u>112,270,759</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 7)</i>	15,175,359	11,284,508
Due to Aquatera Utilities Inc. <i>(Note 8)</i>	165,544	315,285
Deferred revenue <i>(Note 9)</i>	19,719,754	5,232,604
Long-term debt <i>(Note 10)</i>	<u>40,775,006</u>	<u>39,623,184</u>
	<u>75,835,663</u>	<u>56,455,581</u>
NET FINANCIAL ASSETS	<u>52,430,527</u>	<u>55,815,178</u>
PHYSICAL AND OTHER ASSETS		
Inventory	532,151	436,543
Land held for resale	768,711	768,712
Capital assets <i>(Note 11)</i>	<u>381,792,642</u>	<u>343,940,626</u>
	<u>383,093,504</u>	<u>345,145,881</u>
	<u>\$ 435,524,031</u>	<u>\$ 400,961,059</u>
CONTINGENT LIABILITIES <i>(Note 21)</i>		
MUNICIPAL EQUITY		
CAPITAL FUND <i>(Schedule 1)</i>	\$ (4,337,430)	\$ -
OPERATING FUND <i>(Schedule 2)</i>	1,292,475	423,481
RESERVE FUND <i>(Schedule 3)</i>	<u>51,556,202</u>	<u>51,625,901</u>
	48,511,247	52,049,382
EQUITY IN PHYSICAL ASSETS <i>(Schedule 4)</i>	346,715,904	308,152,727
EQUITY IN INVESTMENTS	<u>40,296,880</u>	<u>40,758,950</u>
	<u>\$ 435,524,031</u>	<u>\$ 400,961,059</u>

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2007

	<u>Unaudited Budget</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Net municipal property taxes	\$ 52,427,078	\$ 51,627,057	\$ 45,361,702
Government transfers (<i>Schedule 6</i>)	22,198,894	16,248,329	19,131,601
User fees and sale of goods	10,873,535	14,661,831	13,302,188
Interest and investment income	2,332,850	2,367,474	2,369,618
Penalties and costs of taxes	250,000	418,750	317,380
Development levies	200,000	3,626,910	4,035,795
Franchise and concession contracts	4,944,054	5,427,404	5,170,029
Fines, rentals, licenses and permits	4,831,194	7,952,684	6,623,701
Transfers from other organizations	320,000	175,491	815,250
Other	<u>1,649,592</u>	<u>2,262,072</u>	<u>1,682,193</u>
	<u>100,027,197</u>	<u>104,768,002</u>	<u>98,809,457</u>
EXPENDITURES			
Council and other legislative services	780,000	1,063,851	938,467
Administrative services	10,159,253	9,975,218	8,975,132
Protective services	19,888,014	21,900,678	23,577,609
Transportation services	64,197,606	43,020,605	30,029,140
Public health and welfare services	1,266,623	5,583,409	1,958,456
Planning and development services	2,301,199	4,378,225	3,202,247
Recreation and cultural services	33,296,258	23,366,663	16,118,696
Other services	<u>600,568</u>	<u>463,613</u>	<u>529,938</u>
	<u>132,489,521</u>	<u>109,752,262</u>	<u>85,329,685</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING			
	(32,462,324)	(4,984,260)	13,479,772
Subsidiary operations (<i>Note 15</i>)	<u>-</u>	<u>1,599,609</u>	<u>3,303,407</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(32,462,324)</u>	<u>(3,384,651)</u>	<u>16,783,179</u>
Capital long-term debt issued	20,106,000	1,000,000	5,435,000
Capital long-term debt to be recovered	-	-	(815,250)
Capital long-term debt repayments	(2,346,223)	(1,849,011)	(2,614,080)
Debt recovery recoveries	152,777	233,457	134,077
Transfer from (to) equity in investments	-	462,070	(1,323,252)
Prior year inventory equity adjustment	<u>-</u>	<u>-</u>	<u>(330,920)</u>
	<u>17,912,554</u>	<u>(153,484)</u>	<u>485,575</u>
CHANGE IN FUND BALANCES	<u>\$ (14,549,770)</u>	(3,538,135)	17,268,754
FUND BALANCES - beginning		<u>52,049,382</u>	<u>34,780,628</u>
FUND BALANCES - ending		<u>\$ 48,511,247</u>	<u>\$ 52,049,382</u>
FUND BALANCES CONSIST OF:			
City of Grande Prairie		\$ 47,049,931	\$ 49,166,164
Grande Prairie Airport Commission		966,198	2,611,463
Grande Prairie Public Library Board		<u>495,118</u>	<u>271,755</u>
		<u>\$ 48,511,247</u>	<u>\$ 52,049,382</u>

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (3,384,651)	\$ 16,783,179
Adjustments for:		
Subsidiary operations	(1,599,609)	(3,303,407)
Canadian Mental Health Association transfers	<u>-</u>	<u>(15,924)</u>
	<u>(4,984,260)</u>	<u>13,463,848</u>
Changes in non-cash working capital		
Taxes and grants in place of taxes	(377,543)	(69,296)
Trade and other receivables	(15,183,134)	(5,416,396)
Other assets	39,298	1,688
Accounts payable and accrued liabilities	3,890,851	2,921,090
Deferred revenue	<u>14,487,150</u>	<u>(1,608,562)</u>
	<u>2,856,622</u>	<u>(4,171,476)</u>
Cash flow from (used by) operating activities	<u>(2,127,638)</u>	<u>9,292,372</u>
FINANCING ACTIVITIES		
Due to Aquatera Utilities Inc.	(149,741)	(432,697)
Operating long-term debt proceeds	2,375,000	-
Operating long-term debt repayments	(374,167)	(271,529)
Capital long-term debt proceeds	1,000,000	5,435,000
Capital long-term debt repayments	(1,849,011)	(2,614,080)
Debenture recovery from Aquatera Utilities Inc.	<u>-</u>	<u>134,077</u>
Cash flow from financing activities	<u>1,002,081</u>	<u>2,250,771</u>
Cash flow before investment activities	<u>(1,125,557)</u>	<u>11,543,143</u>
INVESTMENT ACTIVITIES		
Reduction in agreements receivable	1,058,369	326,224
Agreements receivable advances	-	(815,250)
Dividends declared by Aquatera Utilities Inc.	<u>2,061,679</u>	<u>1,980,155</u>
Cash flow from investment activities	<u>3,120,048</u>	<u>1,491,129</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	1,994,491	13,034,272
CASH AND TEMPORARY INVESTMENTS - beginning	<u>56,504,565</u>	<u>43,470,293</u>
CASH AND TEMPORARY INVESTMENTS - ending	<u>\$ 58,499,056</u>	<u>\$ 56,504,565</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2007

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Special taxation levies (<i>Schedule 5</i>)	\$ 7,941,720	\$ 7,941,720	\$ 5,113,390
Government transfers	18,387,000	11,577,046	15,910,434
Development levies	200,000	3,626,910	4,035,795
Transfers from other individuals and organizations	320,000	175,491	815,250
Other	<u>370,000</u>	<u>462,546</u>	<u>62,086</u>
	<u>27,218,720</u>	<u>23,783,713</u>	<u>25,936,955</u>
EXPENDITURES			
Administrative services	485,000	619,007	989,291
Protective services	385,000	923,703	6,042,663
Transportation services	46,415,720	25,812,873	16,399,287
Public health and welfare services	-	3,994,885	672,633
Recreation and cultural services	<u>16,118,000</u>	<u>7,376,777</u>	<u>2,176,580</u>
	<u>63,403,720</u>	<u>38,727,245</u>	<u>26,280,454</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(36,185,000)</u>	<u>(14,943,532)</u>	<u>(343,499)</u>
Net interfund transfers from (to):			
Reserve fund	5,991,423	(243,363)	1,957,903
Operating fund	(355,317)	9,849,465	(6,234,154)
Capital long-term debt issued	20,106,000	1,000,000	5,435,000
Capital long-term debt to be recovered	<u>-</u>	<u>-</u>	<u>(815,250)</u>
	<u>25,742,106</u>	<u>10,606,102</u>	<u>343,499</u>
CHANGE IN FUND BALANCE			
	<u>\$ (10,442,894)</u>	<u>(4,337,430)</u>	<u>-</u>
FUND BALANCE - beginning			
		<u>-</u>	<u>-</u>
FUND BALANCE - ending			
		<u>\$ (4,337,430)</u>	<u>\$ -</u>
FUND BALANCE CONSISTS OF:			
City of Grande Prairie		\$ -	\$ -
Grande Prairie Airport Commission		(4,337,430)	-
Grande Prairie Public Library Board		<u>-</u>	<u>-</u>
		<u>\$ (4,337,430)</u>	<u>\$ -</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2007

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
REVENUES			
Net municipal property taxes (<i>Schedule 5</i>)	\$ 44,485,358	\$ 43,685,337	\$ 40,248,312
Government transfers	3,811,894	4,671,283	3,221,167
User fees and sale of goods	10,873,535	14,661,831	13,302,188
Interest and investment income	2,332,850	2,367,474	2,369,618
Penalties and costs of taxes	250,000	418,750	317,380
Franchise and concession contracts	4,944,054	5,427,404	5,170,029
Fines, rentals, licenses and permits	4,831,194	7,952,684	6,623,701
Other	<u>1,279,592</u>	<u>1,799,526</u>	<u>1,620,107</u>
	<u>72,808,477</u>	<u>80,984,289</u>	<u>72,872,502</u>
EXPENDITURES			
Council and other legislative services	780,000	1,063,851	938,467
Administrative services	9,674,253	9,356,211	7,985,841
Protective services	19,503,014	20,976,975	17,534,946
Transportation services	17,781,886	17,207,732	13,629,853
Public health and welfare services	1,266,623	1,588,524	1,285,823
Planning and development services	2,301,199	4,378,225	3,202,247
Recreation and cultural services	17,178,258	15,989,886	13,942,116
Other services	<u>600,568</u>	<u>463,613</u>	<u>529,938</u>
	<u>69,085,801</u>	<u>71,025,017</u>	<u>59,049,231</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING			
	3,722,676	9,959,272	13,823,271
Subsidiary operations (<i>Note 15</i>)	<u>-</u>	<u>1,599,609</u>	<u>3,303,407</u>
EXCESS OF REVENUES OVER EXPENDITURES			
	<u>3,722,676</u>	<u>11,558,881</u>	<u>17,126,678</u>
Net interfund transfers from (to):			
Reserve fund	(1,569,141)	736,543	(18,803,176)
Capital fund	355,317	(9,849,465)	6,234,154
Capital long-term debt repayments	(2,346,223)	(1,849,011)	(2,614,080)
Debenture recoveries	152,777	233,457	134,077
Transfer from (to) equity in investments	-	462,070	(1,323,252)
Prior year inventory equity adjustment	<u>-</u>	<u>-</u>	<u>(330,920)</u>
	<u>(3,407,270)</u>	<u>(10,266,406)</u>	<u>(16,703,197)</u>
CHANGE IN FUND BALANCE			
	<u>\$ 315,406</u>	1,292,475	423,481
FUND BALANCE - beginning			
		423,481	1,737,898
Prior year surplus transfer to reserve fund		<u>(423,481)</u>	<u>(1,737,898)</u>
FUND BALANCE - ending			
		<u>\$ 1,292,475</u>	<u>\$ 423,481</u>
FUND BALANCE CONSISTS OF:			
City of Grande Prairie		\$ 1,292,475	\$ 423,481
Grande Prairie Airport Commission		-	-
Grande Prairie Public Library Board		<u>-</u>	<u>-</u>
		<u>\$ 1,292,475</u>	<u>\$ 423,481</u>

CITY OF GRANDE PRAIRIE

SCHEDULE OF RESERVE FUND AND CHANGE IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
FUND BALANCE - beginning	\$ <u>51,625,901</u>	\$ <u>33,042,730</u>
Add (Deduct):		
Transfer from operating fund	30,102,755	36,466,534
Transfer to operating fund	(29,992,336)	(14,187,562)
Prior year surplus transfer to reserve fund	<u>(423,481)</u>	<u>(1,737,898)</u>
	<u>(313,062)</u>	<u>20,541,074</u>
Add (Deduct):		
Transfer from capital fund	243,363	-
Transfer to capital fund	<u>-</u>	<u>(1,957,903)</u>
	<u>243,363</u>	<u>(1,957,903)</u>
FUND BALANCE - ending	\$ <u><u>51,556,202</u></u>	\$ <u><u>51,625,901</u></u>

Summary of reserves and reserve fund transfers:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>
Aquatics Centre	\$ -	\$ 2,949,224	\$ -	\$ 2,949,224
Cemetery Perpetual Care	422,270	89,799	-	512,069
Development Levies	10,099,701	10,179,365	7,723,204	12,555,862
Engineering	210,767	182,021	210,598	182,190
Facility Depreciation	1,928,905	2,933,074	2,403,597	2,458,382
Financial Stabilization	3,563,893	423,481	-	3,987,374
Fire Department				
Equipment Replacement	413,894	186,132	227,592	372,434
Future Capital Expenditures	6,564,313	5,061,786	6,321,070	5,305,029
General Equipment Replacement	2,949,790	1,533,409	1,134,701	3,348,498
Geographic Information Systems	304,015	15,709	58,940	260,784
Information Technology	1,005,592	459,852	505,311	960,133
Infrastructure	7,226,576	289,063	7,515,639	-
Land Equalization	243,316	27,507	44,517	226,306
Library/Art Gallery	6,167,695	327,405	564,984	5,930,116
Public Reserve	1,508,705	205,110	-	1,713,815
Public Housing	3,360,665	1,400,786	3,360,664	1,400,787
Transit	1,115,781	853,653	325,000	1,644,434
Urban Park	224,406	12,196	-	236,602
Winter Stabilization	<u>1,432,399</u>	<u>281,018</u>	<u>-</u>	<u>1,713,417</u>
	48,742,683	27,410,590	30,395,817	45,757,456
Library	271,755	243,363	20,000	495,118
Airport	<u>2,611,463</u>	<u>2,692,165</u>	<u>-</u>	<u>5,303,628</u>
	\$ <u><u>51,625,901</u></u>	\$ <u><u>30,346,118</u></u>	\$ <u><u>30,415,817</u></u>	\$ <u><u>51,556,202</u></u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF EQUITY IN PHYSICAL ASSETS
YEAR ENDED DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>
Acquisition of capital assets	\$ 38,312,449	\$ 26,161,454
Disposal of capital assets (cost)	(460,433)	(678)
Cost of land held for resale purchased (sold)	(1)	325,002
Inventory	95,608	436,543
Capital long-term debt issued	(1,000,000)	(5,435,000)
Capital long-term debt repaid from operating fund	1,849,011	2,614,080
Debenture to be recovered from RCMP	-	815,250
Debt charges recovered	<u>(233,457)</u>	<u>(134,077)</u>
CHANGE IN EQUITY BALANCE	38,563,177	24,782,574
EQUITY BALANCE - beginning	<u>308,152,727</u>	<u>283,370,153</u>
EQUITY BALANCE - ending	<u>\$ 346,715,904</u>	<u>\$ 308,152,727</u>
 EQUITY BALANCE CONSISTS OF:		
City of Grande Prairie	\$ 321,603,647	\$ 292,777,415
Grande Prairie Airport Commission	24,416,778	14,529,719
Grande Prairie Public Library Board	<u>695,479</u>	<u>845,593</u>
	<u>\$ 346,715,904</u>	<u>\$ 308,152,727</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF PROPERTY TAXES LEVIED
YEAR ENDED DECEMBER 31, 2007

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
TAXATION			
Real property taxes			
Residential	\$ 38,476,879	\$ 38,398,265	\$ 33,573,223
Commercial	16,690,569	16,562,266	14,374,141
Industrial	10,033,059	10,009,727	9,129,596
Farm land	<u>7,652</u>	<u>8,681</u>	<u>11,703</u>
	65,208,159	64,978,939	57,088,663
Linear property taxes	1,336,343	1,336,344	1,380,647
Business taxes	207,465	278,319	274,093
Government grants in place of property taxes	571,481	571,482	579,134
Local improvement taxes	<u>1,513,846</u>	<u>1,121,441</u>	<u>1,260,249</u>
	<u>68,837,294</u>	<u>68,286,525</u>	<u>60,582,786</u>
DEDUCT			
Requisition transfers:			
Alberta School Foundation Fund	13,906,043	14,053,797	12,720,839
Grande Prairie Roman Catholic Separate School District No. 28	2,362,981	2,391,857	2,327,959
Senior Foundation	<u>141,192</u>	<u>213,814</u>	<u>172,286</u>
	16,410,216	16,659,468	15,221,084
Special levies for capital projects	<u>7,941,720</u>	<u>7,941,720</u>	<u>5,113,390</u>
	<u>24,351,936</u>	<u>24,601,188</u>	<u>20,334,474</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 44,485,358</u>	<u>\$ 43,685,337</u>	<u>\$ 40,248,312</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2007

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
FEDERAL GOVERNMENT TRANSFERS	\$ <u>202,752</u>	\$ <u>6,442,206</u>	\$ <u>1,754,185</u>
PROVINCIAL GOVERNMENT TRANSFERS			
Unconditional			
Municipal assistance	1,183,916	1,241,608	592,188
Conditional			
Interest stabilization	31,961	-	16,948
Administrative services	36,000	13,060	4,791
Protective services	26,966	(243,949)	1,130,626
Public health and welfare services	1,048,362	1,054,691	866,289
Transportation services	16,182,000	6,010,535	13,882,161
Public housing	40,373	867,564	263,044
Recreation and cultural services	<u>2,231,352</u>	<u>331,269</u>	<u>363,226</u>
	<u>20,780,930</u>	<u>9,274,778</u>	<u>17,119,273</u>
LOCAL GOVERNMENT TRANSFERS	<u>1,215,212</u>	<u>531,345</u>	<u>258,143</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>22,198,894</u>	\$ <u>16,248,329</u>	\$ <u>19,131,601</u>

The Provincial government has committed to provide grant funds of \$250,000 under the Centennial Legacies Grants Program for specific capital projects. In 2007, expenditures of \$3,175 (2006 - \$NIL) 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, 2007

	Unaudited <u>Budget</u>	<u>2007</u>	<u>2006</u>
Salaries, wages and benefits	\$ 35,551,897	\$ 37,303,413	\$ 29,545,841
Contracted and general services	17,578,458	17,607,182	15,289,573
Materials, goods and utilities	10,199,236	10,647,174	9,444,606
Provision for allowances	50,000	3,739	3,342
Operating transfers to local boards and agencies	907,265	260,594	5,982
Capital transfers to local boards and agencies	-	414,796	119,000
Transfers to individuals and organizations	1,983,927	2,861,606	2,481,824
Bank charges and short-term interest	74,000	100,175	100,229
Interest on long-term debt	2,526,110	1,977,143	1,961,222
Other expenditures	214,908	263,991	216,612
Capital assets acquired	<u>63,403,720</u>	<u>38,312,449</u>	<u>26,161,454</u>
TOTAL EXPENDITURES	\$ <u>132,489,521</u>	\$ <u>109,752,262</u>	\$ <u>85,329,685</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007

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 company 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 company 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, 2007

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 2007, the City continued to work towards compliance with the new recommendations for accounting for tangible capital assets. As of December 31, 2007, 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 by December 31, 2008.

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, 2007

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, 2007

2. CASH AND TEMPORARY INVESTMENTS

	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 43,762	\$ 15,613
Cash in banks	4,507,293	8,329,672
Temporary investments	<u>55,535,006</u>	<u>49,930,916</u>
	60,086,061	58,276,201
Less cash and temporary investments held in trust (<i>Note 17</i>)	<u>(1,587,005)</u>	<u>(1,771,636)</u>
	<u>\$ 58,499,056</u>	<u>\$ 56,504,565</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 3.69% and 6.20% and mature between January, 2008 and August, 2019.

Included in cash and temporary investments is a restricted amount of \$10,322,607 (2006 - \$854,077) received from Alberta Transportation to be used for specific capital transportation projects and \$4,980,767 (2006 - \$NIL) received from Alberta Municipal Affairs and Housing to be used for specific affordable housing and homelessness initiatives (*Note 9*).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2007</u>	<u>2006</u>
Current taxes and grants in place of taxes	\$ 1,309,694	\$ 932,151
Tax arrears	<u>203,411</u>	<u>203,411</u>
	1,513,105	1,135,562
Less allowance for uncollectible taxes and taxes under appeal	<u>(253,423)</u>	<u>(253,423)</u>
	<u>\$ 1,259,682</u>	<u>\$ 882,139</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2007</u>	<u>2006</u>
Trade and other receivables	\$ 3,344,491	\$ 2,669,871
Receivables from other governments	790,904	1,123,546
Capital grants receivable	18,816,623	5,508,048
Accrued interest receivable	1,824,224	1,322,482
Dividend receivable (<i>Note 15</i>)	<u>1,030,839</u>	<u>-</u>
	25,807,081	10,623,947
Less allowance for uncollectible trade and other receivables	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 25,802,081</u>	<u>\$ 10,618,947</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

5. AGREEMENTS RECEIVABLE

	<u>Current Portion</u>	<u>2007</u>	<u>2006</u>
Grande Prairie Centre 2000	\$ -	\$ -	\$ 100,000
Grande Prairie Public School Board	-	-	472,520
Grande Prairie Catholic School District	-	-	93,508
Canadian Mental Health Association	17,766	401,907	418,728
Grande Prairie Gymnastics Society	147,519	1,254,631	1,396,694
RCMP	<u>220,000</u>	<u>581,793</u>	<u>815,250</u>
	<u>\$ 385,285</u>	2,238,331	3,296,700
Less current portion		<u>(385,285)</u>	<u>(184,437)</u>
		<u>\$ 1,853,046</u>	<u>\$ 3,112,263</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 15% of the debenture issued by the City to ACFA, is unsecured, bears interest at a rate equal to the corresponding ACFA debentures of 4.7% and 4.8%, with repayment to be approximately 15% of the annual principal and interest repayments 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:

2008	\$ 385,285
2009	200,006
2010	208,287
2011	216,917
2012	226,302
Thereafter	1,001,534

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

6. INVESTMENTS

	<u>2007</u>	<u>2006</u>
Alberta Capital Finance Authority shares	\$ 60	\$ 60
Aquatera Utilities Inc. - 80.2% (2006 - 85.9%) ownership		
Common shares (32,161; 2006 - 32,161)	322	322
Preferred shares (41,234; 2006 - 39,604)	41,233,563	39,603,108
Cumulative share of earnings	14,016,540	12,416,931
Regular dividends declared	(14,953,605)	(12,891,926)
Preferred shares to be issued by Aquatera Utilities Inc.	<u>-</u>	<u>1,630,455</u>
	<u>\$ 40,296,880</u>	<u>\$ 40,758,950</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2007</u>	<u>2006</u>
Trade payables and other accrued liabilities	\$ 8,797,832	\$ 6,193,299
Accrued payroll payable	691,708	497,994
Accrued vacation pay payable	1,548,137	1,264,738
Accrued interest payable	683,898	698,041
Accrued tax appeal provision	400,000	400,000
Accrued capital payables	<u>3,053,784</u>	<u>2,230,436</u>
	<u>\$ 15,175,359</u>	<u>\$ 11,284,508</u>

8. DUE TO AQUATERA UTILITIES INC.

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

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

9. DEFERRED REVENUE

	<u>Current Portion</u>	<u>2007</u>	<u>2006</u>
Deferred agreements	\$ -	\$ -	\$ 100,000
Deferred sales and user charges	4,416,380	4,416,380	3,054,638
Deferred provincial capital grants	10,322,607	10,322,607	2,077,966
Deferred provincial operating grants	<u>4,980,767</u>	<u>4,980,767</u>	<u>-</u>
	<u>\$ 19,719,754</u>	19,719,754	5,232,604
Less current portion		<u>(19,719,754)</u>	<u>(5,132,604)</u>
		<u>\$ -</u>	<u>\$ 100,000</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 \$10,322,607 (2006 - \$854,077) received from Alberta Transportation to be used for specific capital transportation projects.

The deferred provincial operating grants consist of restricted amounts of \$4,980,767 (2006 - \$NIL) 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, 2007

10. LONG-TERM DEBT

	<u>Current Portion</u>	<u>2007</u>	<u>2006</u>
Debentures			
Alberta Capital Finance Authority	\$ 2,577,240	\$ 40,501,840	\$ 39,341,037
Canada Mortgage and Housing Corporation	<u>9,736</u>	<u>273,166</u>	<u>282,147</u>
	<u>\$ 2,586,976</u>	40,775,006	39,623,184
Less current portion		<u>(2,586,976)</u>	<u>(2,007,251)</u>
		<u>\$ 38,188,030</u>	<u>\$ 37,615,933</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 (before Provincial subsidy) and mature in 2010 through 2027.

The City's total cash payments for interest in 2007 were \$2,028,856 (2006 - \$2,068,481).

Estimated principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,586,976	\$ 2,108,521	\$ 4,695,497
2009	2,716,684	1,911,766	4,628,450
2010	2,853,085	1,795,063	4,648,148
2011	2,960,562	1,672,147	4,632,709
2012	2,723,921	1,544,883	4,268,804
Thereafter	<u>26,933,778</u>	<u>14,289,436</u>	<u>41,223,214</u>
	<u>\$ 40,775,006</u>	<u>\$ 23,321,816</u>	<u>\$ 64,096,822</u>

11. CAPITAL ASSETS

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Ending</u>
Land	\$ 11,136,637	\$ 74,716	\$ -	\$ 11,211,353
Buildings	98,642,720	12,744,793	217,826	111,169,687
Engineering structures	194,702,527	22,693,161	177,632	217,218,056
Machinery, equipment and vehicles	<u>39,458,742</u>	<u>2,799,779</u>	<u>64,975</u>	<u>42,193,546</u>
	<u>343,940,626</u>	<u>38,312,449</u>	<u>460,433</u>	<u>381,792,642</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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>2007 Total</u>	<u>2006 Total</u>
Mayor				
D. Logan	\$ 11,570	\$ 560	\$ 12,130	\$ -
W. Ayling (past)	69,420	4,505	73,925	86,110
Alderman				
G. Blackmore	25,722	3,088	28,810	26,128
J. Croken	26,608	3,251	29,859	33,397
E. Deimert	5,646	153	5,799	-
C. Eckhardt	24,132	3,169	27,301	27,612
B. Given	27,672	3,567	31,239	23,793
A. Gustafson	5,646	153	5,799	-
M. Heath	20,458	793	21,251	27,467
D. Logan	19,639	2,800	21,251	23,804
G. Mazer	19,408	2,497	21,905	25,353
Y. Minhas	5,647	153	5,800	-
L. Radbourne	5,446	146	5,592	-
H. Rice	25,317	2,052	27,369	25,656
D. Wong	<u>5,646</u>	<u>222</u>	<u>5,868</u>	<u>-</u>
	<u>\$ 297,977</u>	<u>\$ 27,109</u>	<u>\$ 323,898</u>	<u>\$ 299,320</u>
City Manager	<u>\$ 187,764</u>	<u>\$ 36,040</u>	<u>\$ 223,804</u>	<u>\$ 194,154</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, employment insurance, 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, 2007

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 160,000 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 2007 were \$1,855,137 (2006 - \$1,501,602). Total current and past service contributions by the employees of the City of Grande Prairie to the Local Authorities Pension Plan in 2007 were \$1,641,516 (2006 - \$1,326,579).

At December 31, 2006, the Plan disclosed an actuarial deficiency of \$747 million (2005 - \$864 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 \$111,111 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 \$111,111, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2007 were \$136,680 (2006 - \$31,229). Total current and past service contributions by the employees of the City to APEX in 2007 were \$113,900 (2006 - \$26,015).

At December 31, 2006, the Plan disclosed an actuarial surplus of \$1,129,485 (2005 - \$768,803).

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 actuarial surplus or deficit in the plan at December 31, 2007 was not readily determinable (2006 actuarial surplus - \$63,100) and, thus, no amounts have been recorded in these consolidated financial statements. It is management's opinion that any funding excess or unfunded liability as at December 31, 2007 would not have a significant impact on the financial position of the City.

Total current and past service contributions made by the City to the Firefighters Supplementary Pension Plan in 2007 were \$105,121 (2006 - \$93,245). Total current and past service contributions by the employees of the City to the Pension Plan in 2007 were \$87,892 (2006 - \$76,604).

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>2007</u>	<u>2006</u>
Total debt limit available	\$ 139,905,408	\$ 124,348,536
Total debt	<u>(40,775,006)</u>	<u>(39,623,184)</u>
Total debt limit remaining	<u>\$ 99,130,402</u>	<u>\$ 84,725,352</u>
Debt servicing limit available	\$ 23,317,568	\$ 20,724,756
Debt servicing	<u>(4,609,555)</u>	<u>(4,085,055)</u>
Service on debt limit remaining	<u>\$ 18,708,013</u>	<u>\$ 16,639,701</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.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007:

	<u>2007</u>	<u>2006</u>
<u>Financial position:</u>		
Financial assets	\$ 13,092,277	\$ 15,643,809
Physical assets	<u>48,538,263</u>	<u>39,993,962</u>
Total assets	<u>61,630,540</u>	<u>55,637,771</u>
Current liabilities, including callable debt	20,441,613	15,459,776
Landfill closure and post-closure liability	<u>1,587,186</u>	<u>1,452,400</u>
Total liabilities	<u>22,028,799</u>	<u>16,912,176</u>
Net assets	<u>\$ 39,601,741</u>	<u>\$ 38,725,595</u>
<u>Results of operations:</u>		
Revenue	\$ 23,448,905	\$ 22,453,894
Depreciation expense	1,318,598	1,113,981
Operating expense	<u>20,530,698</u>	<u>18,036,506</u>
Net earnings	<u>\$ 1,599,609</u>	<u>\$ 3,303,407</u>

During the year, stock dividends were declared payable to the City in the amount of \$NIL (2006 - \$1,630,455) pursuant to the unanimous shareholders agreement whereby a stock dividend equal to the cumulative earnings is recorded payable prior to any asset transfer to Aquatera Utilities Inc. by its shareholders. In addition, a regular annual dividend calculated at 5% of the redemption amount of preferred shares held by the City was declared in the year in the amount of \$2,061,679 (2006 - \$1,980,155). At year-end, \$1,030,839 of this amount had not yet been received (*Note 4*).

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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>2007</u>	<u>2006</u>
Franchise fees, including amounts in lieu of taxes	\$ 1,846,950	\$ 1,668,387
General administrative charges and other recoveries	2,444,621	1,946,611
Interest and investment income	-	7,877
Utility expenses	(292,193)	(287,405)

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	\$ 129,598	\$ 616,920	\$ -	\$ (487,206)	\$ 259,312
Community funds and endowments	778,613	1,249,124	-	(1,273,713)	754,024
Advance ticket sales	<u>863,425</u>	<u>3,657,032</u>	<u>-</u>	<u>(3,946,788)</u>	<u>573,669</u>
	<u>\$ 1,771,636</u>	<u>\$ 5,523,076</u>	<u>\$ -</u>	<u>\$(5,707,707)</u>	<u>\$ 1,587,005</u>

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18. FINANCIAL INSTRUMENTS

a) Credit risk

The City is exposed to normal credit risk from its customers.

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, 2007.

d) Fair values of financial instruments

The City's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, agreements receivable, investments, accounts payable and accrued liabilities, due to Aquatera Utilities Inc. and long-term debt. It is management's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

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 agreement receivable from the RCMP, accrual for tax appeals 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.

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21. CONTINGENT LIABILITIES

The City of Grande Prairie has been named defendant in various lawsuits as at December 31, 2007. 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, it is unlikely 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.