

**CITY OF GRANDE PRAIRIE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**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, 2006 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, 2006 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Grande Prairie, Alberta  
February 12, 2007

Chartered Accountants

**CITY OF GRANDE PRAIRIE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>NET ASSETS</b>		
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 56,504,565	\$ 43,470,293
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	778,721	709,425
Trade and other receivables <i>(Note 4)</i>	10,618,947	5,202,551
Other assets	209,458	211,146
Agreements receivable <i>(Note 5)</i>	3,296,700	2,807,674
Investments <i>(Note 6)</i>	<u>40,758,950</u>	<u>39,435,698</u>
	<u>112,167,341</u>	<u>91,836,787</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(Note 8)</i>	11,284,508	8,363,417
Due to Aquatera Utilities Inc. <i>(Note 9)</i>	315,285	747,982
Deferred revenue <i>(Note 10)</i>	5,129,186	6,737,748
Long-term debt <i>(Note 11)</i>	<u>39,623,184</u>	<u>36,955,641</u>
	<u>56,352,163</u>	<u>52,804,788</u>
<b>NET FINANCIAL ASSETS</b>	<u>55,815,178</u>	<u>39,031,999</u>
<b>PHYSICAL AND OTHER ASSETS</b>		
Inventory	436,543	330,919
Land held for resale	768,712	443,711
Capital assets <i>(Note 7)</i>	<u>343,940,626</u>	<u>317,779,850</u>
	<u>345,145,881</u>	<u>318,554,480</u>
	<u>\$ 400,961,059</u>	<u>\$ 357,586,479</u>
<b>CONTINGENT LIABILITIES <i>(Note 21)</i></b>		
<b>MUNICIPAL EQUITY</b>		
<b>CAPITAL FUND <i>(Schedule 1)</i></b>	\$ -	\$ -
<b>OPERATING FUND <i>(Schedule 2)</i></b>	423,481	1,737,898
<b>RESERVE FUND <i>(Schedule 3)</i></b>	<u>51,625,901</u>	<u>33,042,730</u>
	52,049,382	34,780,628
<b>EQUITY IN PHYSICAL ASSETS <i>(Schedule 4)</i></b>	308,152,727	283,370,153
<b>EQUITY IN INVESTMENTS</b>	<u>40,758,950</u>	<u>39,435,698</u>
	<u>\$ 400,961,059</u>	<u>\$ 357,586,479</u>

**CITY OF GRANDE PRAIRIE**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**AND CHANGE IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>Unaudited Budget</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>			
Net municipal property taxes	\$ 45,875,728	\$ 45,361,702	\$ 38,733,120
Government transfers ( <i>Schedule 6</i> )	16,014,932	19,131,601	14,371,579
User fees and sale of goods	8,030,468	13,302,188	11,553,651
Interest and investment income	2,328,708	2,369,618	1,239,025
Penalties and costs of taxes	250,000	317,380	329,850
Development levies	1,000,000	4,035,795	3,797,891
Franchise and concession contracts	4,348,900	5,170,029	4,380,782
Fines, rentals, licenses and permits	3,712,808	6,623,701	5,398,304
Transfers from other organizations	-	815,250	5,495,409
Proceeds on disposal of capital assets	-	-	7,164
Other	<u>9,656,147</u>	<u>1,682,193</u>	<u>2,380,242</u>
	<u>91,217,691</u>	<u>98,809,457</u>	<u>87,687,017</u>
<b>EXPENDITURES</b>			
Council and other legislative services	751,050	938,467	744,830
Administrative services	9,173,185	8,975,132	8,048,700
Protective services	17,436,748	23,577,609	21,872,342
Transportation services	33,814,720	30,029,140	25,203,592
Public health and welfare services	1,654,831	1,958,456	1,179,506
Planning and development services	2,058,646	3,202,247	2,733,028
Recreation and cultural services	31,471,292	16,118,696	20,579,126
Other services	<u>7,877</u>	<u>529,938</u>	<u>414,012</u>
	<u>96,368,349</u>	<u>85,329,685</u>	<u>80,775,136</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING</b>			
	(5,150,658)	13,479,772	6,911,881
Subsidiary operations ( <i>Note 15</i> )	<u>-</u>	<u>3,303,407</u>	<u>4,496,956</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(5,150,658)</u>	<u>16,783,179</u>	<u>11,408,837</u>
Capital long-term debt issued	4,138,000	5,435,000	7,468,000
Capital long-term debt to be recovered	-	(815,250)	-
Capital long-term debt repayments	(3,057,211)	(2,614,080)	(2,173,040)
Debenture recoveries	294,731	134,077	141,954
Transfer to equity in investments	-	(1,323,252)	(2,658,095)
Prior year inventory equity adjustment	<u>-</u>	<u>(330,920)</u>	<u>-</u>
	<u>1,375,520</u>	<u>485,575</u>	<u>2,778,819</u>
<b>CHANGE IN FUND BALANCES</b>	<u>\$ (3,775,138)</u>	17,268,754	14,187,656
<b>FUND BALANCES - beginning</b>		<u>34,780,628</u>	<u>20,592,972</u>
<b>FUND BALANCES - ending</b>		<u>\$ 52,049,382</u>	<u>\$ 34,780,628</u>
<b>FUND BALANCES CONSIST OF:</b>			
City of Grande Prairie		\$ 49,166,164	\$ 32,210,830
Grande Prairie Airport Commission		2,611,463	2,367,196
Grande Prairie Public Library Board		<u>271,755</u>	<u>202,602</u>
		<u>\$ 52,049,382</u>	<u>\$ 34,780,628</u>

**CITY OF GRANDE PRAIRIE**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 16,783,179	\$ 11,408,837
Adjustments for:		
Subsidiary operations	(3,303,407)	(4,496,956)
Canadian Mental Health Association transfers	<u>(15,924)</u>	<u>(15,076)</u>
	<u>13,463,848</u>	<u>6,896,805</u>
Changes in non-cash working capital		
Taxes and grants in place of taxes	(69,296)	80,027
Trade and other receivables	(5,416,396)	27,931
Other assets	1,688	91,870
Inventory of consumable materials and supplies	-	1,636
Accounts payable and accrued liabilities	2,921,090	1,164,058
Deferred revenue	<u>(1,608,562)</u>	<u>3,277,496</u>
	<u>(4,171,476)</u>	<u>4,643,018</u>
Cash flow from operating activities	<u>9,292,372</u>	<u>11,539,823</u>
<b>FINANCING ACTIVITIES</b>		
Due to Aquatera Utilities Inc.	(432,697)	836,809
Operating long-term debt proceeds	-	1,600,000
Operating long-term debt repayments	(271,529)	(193,133)
Capital long-term debt proceeds	5,435,000	7,468,000
Capital long-term debt repayments	(2,614,080)	(2,173,040)
Debenture recovery from Aquatera Utilities Inc.	<u>134,077</u>	<u>141,954</u>
Cash flow from financing activities	<u>2,250,771</u>	<u>7,680,590</u>
Cash flow before investment activities	<u>11,543,143</u>	<u>19,220,413</u>
<b>INVESTMENT ACTIVITIES</b>		
Reduction in agreements receivable	326,224	403,727
Agreements receivable advances	(815,250)	(1,910,656)
Dividends received from Aquatera Utilities Inc.	<u>1,980,155</u>	<u>1,838,861</u>
Cash flow from (used by) investing activities	<u>1,491,129</u>	<u>331,932</u>
<b>INCREASE IN CASH AND TEMPORARY INVESTMENTS</b>	13,034,272	19,552,345
<b>CASH AND TEMPORARY INVESTMENTS - beginning</b>	<u>43,470,293</u>	<u>23,917,948</u>
<b>CASH AND TEMPORARY INVESTMENTS - ending</b>	<u>\$ 56,504,565</u>	<u>\$ 43,470,293</u>

**CITY OF GRANDE PRAIRIE**  
**SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES**  
**AND CHANGE IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2006**

	Unaudited <u>Budget</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>			
Special taxation levies	\$ 5,113,390	\$ 5,113,390	\$ 4,482,182
Government transfers	13,540,016	15,910,434	11,154,467
Interest and investment income	-	-	22,629
Development levies	1,000,000	4,035,795	3,797,891
Transfers from other organizations	-	815,250	5,495,409
Proceeds from disposal of capital assets	-	-	7,164
Other	<u>8,495,000</u>	<u>62,086</u>	<u>419,439</u>
	<u>28,148,406</u>	<u>25,936,955</u>	<u>25,379,181</u>
<b>EXPENDITURES</b>			
Administrative services	635,000	989,291	876,879
Protective services	287,000	6,042,663	6,670,536
Transportation services	20,276,000	16,399,287	12,498,830
Public health and welfare services	460,000	672,633	276
Planning and development services	-	-	130,000
Recreation and cultural services	<u>17,092,000</u>	<u>2,176,580</u>	<u>6,979,235</u>
	<u>38,750,000</u>	<u>26,280,454</u>	<u>27,155,756</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(10,601,594)</u>	<u>(343,499)</u>	<u>(1,776,575)</u>
Net interfund transfers from (to):			
Reserve fund	7,703,201	1,957,903	(577,502)
Operating fund	(1,239,607)	(6,234,154)	(5,113,923)
Capital long-term debt issued	4,138,000	5,435,000	7,468,000
Capital long-term debt to be recovered	<u>-</u>	<u>(815,250)</u>	<u>-</u>
	<u>10,601,594</u>	<u>343,499</u>	<u>1,776,575</u>
<b>CHANGE IN FUND BALANCE</b>			
	<u>\$ -</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - beginning</b>			
		<u>-</u>	<u>-</u>
<b>FUND BALANCE - ending</b>			
		<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE CONSISTS OF:</b>			
City of Grande Prairie		\$ -	\$ -
Grande Prairie Airport Commission		-	-
Grande Prairie Public Library Board		<u>-</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ -</u>

**CITY OF GRANDE PRAIRIE**  
**SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES**  
**AND CHANGE IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2006**

	Unaudited <u>Budget</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>			
Net municipal property taxes ( <i>Schedule 5</i> )	\$ 40,762,338	\$ 40,248,312	\$ 34,250,938
Government transfers	2,474,916	3,221,167	3,217,112
User fees and sale of goods	8,030,468	13,302,188	11,553,651
Interest and investment income	2,328,708	2,369,618	1,216,396
Penalties and costs of taxes	250,000	317,380	329,850
Franchise and concession contracts	4,348,900	5,170,029	4,380,782
Fines, rentals, licenses and permits	3,712,808	6,623,701	5,398,304
Other	1,161,147	1,620,107	1,960,803
	<u>63,069,285</u>	<u>72,872,502</u>	<u>62,307,836</u>
<b>EXPENDITURES</b>			
Council and other legislative services	751,050	938,467	744,830
Administrative services	8,538,185	7,985,841	7,171,821
Protective services	17,149,748	17,534,946	15,201,806
Transportation services	13,538,720	13,629,853	12,704,762
Public health and welfare services	1,194,831	1,285,823	1,179,230
Planning and development services	2,058,646	3,202,247	2,603,028
Recreation and cultural services	14,379,292	13,942,116	13,599,891
Other services	7,877	529,938	414,012
	<u>57,618,349</u>	<u>59,049,231</u>	<u>53,619,380</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING</b>			
	5,450,936	13,823,271	8,688,456
Subsidiary operations ( <i>Note 15</i> )	<u>-</u>	<u>3,303,407</u>	<u>4,496,956</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
	<u>5,450,936</u>	<u>17,126,678</u>	<u>13,185,412</u>
Net interfund transfers from (to):			
Reserve fund	(2,593,188)	(18,803,176)	(11,872,256)
Capital fund	1,239,607	6,234,154	5,113,923
Capital long-term debt repayments	(3,057,211)	(2,614,080)	(2,173,040)
Debenture recoveries	294,731	134,077	141,954
Transfer to equity in investments	-	(1,323,252)	(2,658,095)
Prior year inventory equity adjustment	<u>-</u>	<u>(330,920)</u>	<u>-</u>
	<u>(4,116,061)</u>	<u>(16,703,197)</u>	<u>(11,447,514)</u>
<b>CHANGE IN FUND BALANCE</b>			
	\$ <u>1,334,875</u>	423,481	1,737,898
<b>FUND BALANCE - beginning</b>			
		1,737,898	863,292
Prior year surplus transfer to reserve fund		<u>(1,737,898)</u>	<u>(863,292)</u>
<b>FUND BALANCE - ending</b>			
		\$ <u>423,481</u>	\$ <u>1,737,898</u>
<b>FUND BALANCE CONSISTS OF:</b>			
City of Grande Prairie		\$ 423,481	\$ 1,737,898
Grande Prairie Airport Commission		-	-
Grande Prairie Public Library Board		<u>-</u>	<u>-</u>
		\$ <u>423,481</u>	\$ <u>1,737,898</u>



## CITY OF GRANDE PRAIRIE

## SCHEDULE OF RESERVE FUND AND CHANGE IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2006

	<u>2006</u>	<u>2005</u>
<b>FUND BALANCE - beginning</b>	\$ <u>33,042,730</u>	\$ <u>19,729,680</u>
Add (Deduct):		
Transfer from operating fund	36,466,534	28,024,892
Transfer to operating fund	(14,187,562)	(14,426,052)
Prior year surplus transfer to reserve fund	<u>(1,737,898)</u>	<u>(863,292)</u>
	<u>20,541,074</u>	<u>12,735,548</u>
Add (Deduct):		
Transfer from capital fund	-	596,000
Transfer to capital fund	<u>(1,957,903)</u>	<u>(18,498)</u>
	<u>(1,957,903)</u>	<u>577,502</u>
<b>FUND BALANCE - ending</b>	\$ <u>51,625,901</u>	\$ <u>33,042,730</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>
Cemetery Perpetual Care	\$ 379,474	\$ 75,734	\$ 32,938	\$ 422,270
Development Levies	10,010,903	6,527,233	6,438,435	10,099,701
Engineering	98,035	112,732	-	210,767
Facility Depreciation	1,094,777	2,559,096	1,724,968	1,928,905
Financial Stabilization	1,825,995	1,737,898	-	3,563,893
Fire Department				
Equipment Replacement	423,061	194,300	203,467	413,894
Future Capital Expenditures	2,276,380	6,270,569	1,982,636	6,564,313
General Equipment Replacement	3,353,328	1,628,886	2,032,424	2,949,790
Geographic Information Systems	365,334	23,199	84,518	304,015
Information Technology	1,205,135	890,583	1,090,126	1,005,592
Infrastructure	-	7,316,694	90,118	7,226,576
Land Equalization	480,529	44,847	282,060	243,316
Library / Art Gallery	2,000,000	4,167,695	-	6,167,695
Public Reserve	1,138,187	370,518	-	1,508,705
Public Housing	2,726,720	887,197	253,252	3,360,665
Transit	780,188	335,593	-	1,115,781
Urban Park	1,766,098	112,047	1,653,739	224,406
Winter Stabilization	<u>548,788</u>	<u>883,611</u>	<u>-</u>	<u>1,432,399</u>
	30,472,932	34,138,432	15,868,681	48,742,683
Library	202,602	122,410	53,257	271,755
Airport	<u>2,367,196</u>	<u>2,308,733</u>	<u>2,064,466</u>	<u>2,611,463</u>
	\$ <u>33,042,730</u>	\$ <u>36,569,575</u>	\$ <u>17,986,404</u>	\$ <u>51,625,901</u>

**CITY OF GRANDE PRAIRIE**  
**SCHEDULE OF EQUITY IN PHYSICAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>2006</u>	<u>2005</u>
Acquisition of capital assets	\$ 26,161,454	\$ 27,120,756
Disposal of capital assets (cost)	(678)	(21,782)
Cost of land held for resale purchased (sold)	325,002	-
Inventory	436,543	-
Capital long-term debt issued	(5,435,000)	(7,468,000)
Capital long-term debt repaid from operating fund	2,614,080	2,173,040
Debenture to be recovered from RCMP	815,250	-
Debt charges recovered	<u>(134,077)</u>	<u>(126,637)</u>
<b>CHANGE IN EQUITY BALANCE</b>	24,782,574	21,677,377
<b>EQUITY BALANCE - beginning</b>	<u>283,370,153</u>	<u>261,692,776</u>
<b>EQUITY BALANCE - ending</b>	<u>\$ 308,152,727</u>	<u>\$ 283,370,153</u>
 <b>EQUITY BALANCE CONSISTS OF:</b>		
City of Grande Prairie	\$ 292,777,415	\$ 272,322,076
Grande Prairie Airport Commission	14,529,719	10,406,810
Grande Prairie Public Library Board	<u>845,593</u>	<u>641,267</u>
	<u>\$ 308,152,727</u>	<u>\$ 283,370,153</u>

**CITY OF GRANDE PRAIRIE**  
**SCHEDULE OF PROPERTY TAXES LEVIED**  
**YEAR ENDED DECEMBER 31, 2006**

	Unaudited <u>Budget</u>	<u>2006</u>	<u>2005</u>
<b>TAXATION</b>			
Real property taxes			
Residential	\$ 33,696,069	\$ 33,573,223	\$ 29,887,115
Commercial	14,280,447	14,374,141	12,772,321
Industrial	9,210,943	9,129,596	7,790,612
Farm land	<u>11,703</u>	<u>11,703</u>	<u>12,998</u>
	57,199,162	57,088,663	50,463,046
Linear property taxes	1,395,196	1,380,647	1,336,421
Business taxes	207,465	274,093	215,890
Government grants in place of property taxes	579,134	579,134	583,842
Local improvement taxes	<u>1,525,275</u>	<u>1,260,249</u>	<u>801,086</u>
	<u>60,906,232</u>	<u>60,582,786</u>	<u>53,400,285</u>
<b>DEDUCT</b>			
Requisition transfers:			
Alberta School Foundation Fund	12,569,072	12,720,839	12,218,305
Grande Prairie Roman Catholic Separate School District No. 28	2,289,146	2,327,959	2,286,433
Senior Foundation	<u>172,286</u>	<u>172,286</u>	<u>162,427</u>
	15,030,504	15,221,084	14,667,165
Special levies for capital projects	<u>5,113,390</u>	<u>5,113,390</u>	<u>4,482,182</u>
	<u>20,143,894</u>	<u>20,334,474</u>	<u>19,149,347</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 40,762,338</u>	<u>\$ 40,248,312</u>	<u>\$ 34,250,938</u>

**CITY OF GRANDE PRAIRIE**  
**SCHEDULE OF GOVERNMENT TRANSFERS**  
**YEAR ENDED DECEMBER 31, 2006**

	Unaudited <u>Budget</u>	<u>2006</u>	<u>2005</u>
<b>FEDERAL GOVERNMENT TRANSFERS</b>	\$ <u>202,752</u>	\$ <u>1,754,185</u>	\$ <u>1,176,525</u>
<b>PROVINCIAL GOVERNMENT TRANSFERS</b>			
Unconditional			
Municipal assistance	1,183,916	592,188	592,188
Conditional			
Interest stabilization	31,961	16,948	31,961
General administration	-	4,791	5,566
Protective services	23,974	1,130,626	682,379
Family and Community Support Service	780,368	866,289	782,173
Transportation services	13,589,579	13,882,161	10,067,377
Public housing	40,373	263,044	338,079
Recreation, cultural, tourism, employment and other	<u>8,852</u>	<u>363,226</u>	<u>503,060</u>
	<u>15,659,023</u>	<u>17,119,273</u>	<u>13,002,783</u>
<b>LOCAL GOVERNMENT TRANSFERS</b>	<u>153,157</u>	<u>258,143</u>	<u>192,270</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	\$ <u>16,014,932</u>	\$ <u>19,131,601</u>	\$ <u>14,371,578</u>

**CITY OF GRANDE PRAIRIE**  
**SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT**  
**YEAR ENDED DECEMBER 31, 2006**

	Unaudited <u>Budget</u>	<u>2006</u>	<u>2005</u>
Salaries, wages and benefits	\$ 27,665,329	\$ 29,545,841	\$ 27,641,239
Contracted and general services	15,137,578	15,289,573	12,600,155
Materials, goods and utilities	8,819,810	9,444,606	8,135,458
Provision for allowances	50,000	3,342	401,581
Transfers to local boards and agencies	836,046	124,982	87,837
Transfers to individuals and organizations	2,380,280	2,481,824	2,741,341
Bank charges and short term interest	71,750	100,229	85,770
Interest on long-term debt	2,585,556	1,961,222	1,819,519
Other expenditures	72,000	216,612	141,480
Capital assets acquired	<u>38,750,000</u>	<u>26,161,454</u>	<u>27,120,756</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>96,368,349</u></b>	<b>\$ <u>85,329,685</u></b>	<b>\$ <u>80,775,136</u></b>

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

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. Proceeds from sales of land held for resale are recorded as operating fund revenue.

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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. The cost of land sold is written off against equity in capital 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, 2006**

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) 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.

l) 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.

m) 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.



**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

1. SIGNIFICANT ACCOUNTING POLICIES - continued

n) 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.

o) Equity in Capital Assets

Equity in capital assets represents the City of Grande Prairie's net investment in the total capital 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.

p) 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.

q) 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, 2006**

2. CASH AND TEMPORARY INVESTMENTS

	<u>2006</u>	<u>2005</u>
Cash on hand	\$ 15,613	\$ 15,923
Cash in banks	8,329,672	27,044,067
Temporary investments	<u>49,930,916</u>	<u>17,744,919</u>
	58,276,201	44,804,909
Less cash and temporary investments held in trust ( <i>Note 17</i> )	<u>(1,771,636)</u>	<u>(1,334,616)</u>
	<u>\$ 56,504,565</u>	<u>\$ 43,470,293</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, 2007 and September, 2018.

Included in cash and temporary investments is a restricted amount of \$854,007 (2005 - \$1,380,343) received from Alberta Transportation to be used for specific capital transportation projects and \$1,223,959 (2005 - \$3,157,729) received from Alberta Infrastructure to be used for specific capital infrastructure projects (*Note 10*).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2006</u>	<u>2005</u>
Current taxes and grants in place of taxes	\$ 828,733	\$ 707,054
Tax arrears	<u>203,411</u>	<u>255,794</u>
	1,032,144	962,848
Less allowance for uncollectible taxes and taxes under appeal	<u>(253,423)</u>	<u>(253,423)</u>
	<u>\$ 778,721</u>	<u>\$ 709,425</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2006</u>	<u>2005</u>
Trade and other receivables	\$ 2,669,871	\$ 2,607,967
Receivables from other governments	1,123,546	363,808
Capital grants receivable	5,508,048	1,441,049
Accrued interest receivable	<u>1,322,482</u>	<u>794,727</u>
	10,623,947	5,207,551
Less allowance for uncollectible trade and other receivables	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 10,618,947</u>	<u>\$ 5,202,551</u>

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

5. AGREEMENTS RECEIVABLE

	Current Portion	2006	2005
Individuals and organizations	\$ -	\$ -	\$ 791
Aquatera Utilities Inc.	-	-	134,077
Grande Prairie Centre 2000	-	100,000	100,000
Grande Prairie Public School Board	-	472,520	472,520
Grande Prairie Catholic School District	-	93,508	93,508
Canadian Mental Health Association	16,820	418,728	406,778
Grande Prairie Gymnastics Society	142,064	1,396,694	1,600,000
RCMP	<u>25,553</u>	<u>815,250</u>	<u>-</u>
	<u>\$ 184,437</u>	3,296,700	2,807,674
Less current portion		<u>(184,437)</u>	<u>(920,126)</u>
		<u>\$ 3,112,263</u>	<u>\$ 1,887,548</u>

The Grande Prairie Centre 2000, Grande Prairie Public School Board and Grande Prairie Catholic School District amounts receivable are unsecured, non-interest bearing and are repayable on demand.

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:

2007	\$ 184,437
2008	192,061
2009	200,006
2010	208,287
2011	216,917
Thereafter	2,294,992

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

6. INVESTMENTS

	<u>2006</u>	<u>2005</u>
Alberta Capital Finance Authority shares	\$ 60	\$ 60
Aquatera Utilities Inc. - 85.9% ownership		
Common shares (32,161; 2005 - 32,161)	322	322
Preferred shares (39,604; 2005 - 36,778)	39,603,108	36,777,221
Cumulative share of earnings	12,416,931	9,113,524
Cumulative dividends declared	(12,891,926)	(9,281,315)
Preferred shares to be issued by Aquatera	<u>1,630,455</u>	<u>2,825,886</u>
	<u>\$ 40,758,950</u>	<u>\$ 39,435,698</u>

7. CAPITAL ASSETS

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>
Land	\$ 10,735,315	\$ 401,322	\$ -	\$ 11,136,637
Buildings	87,687,588	10,955,132	-	98,642,720
Engineering structures	184,756,916	9,945,611	-	194,702,527
Machinery, equipment and vehicles	<u>34,600,031</u>	<u>4,859,389</u>	<u>678</u>	<u>39,458,742</u>
	<u>317,779,850</u>	<u>26,161,454</u>	<u>678</u>	<u>343,940,626</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2006</u>	<u>2005</u>
Trade payables and other accrued liabilities	\$ 6,193,299	\$ 4,801,732
Accrued payroll payable	497,994	365,396
Accrued vacation pay payable	1,264,738	1,099,171
Accrued interest payable	698,041	736,758
Accrued tax appeal provision	400,000	400,000
Accrued capital payables	<u>2,230,436</u>	<u>960,360</u>
	<u>\$ 11,284,508</u>	<u>\$ 8,363,417</u>

9. 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, 2006**

10. DEFERRED REVENUE

	<u>Current Portion</u>	<u>2006</u>	<u>2005</u>
Prepaid local improvement charges	\$ -	\$ -	\$ 687
Deferred agreements	-	100,000	100,791
Deferred sales and user charges	2,951,220	2,951,220	2,098,198
Deferred provincial capital grants	<u>2,077,966</u>	<u>2,077,966</u>	<u>4,538,072</u>
	<u>\$ 5,029,186</u>	5,129,186	6,737,748
Less current portion		<u>(5,029,186)</u>	<u>(6,637,748)</u>
		<u>\$ 100,000</u>	<u>\$ 100,000</u>

Deferred agreements are taken into revenue as the related agreements receivable are collected.

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.

Included in deferred provincial capital grants are restricted amounts of \$854,007 (2005 - \$1,380,343) received from Alberta Transportation to be used for specific capital transportation projects and \$1,223,959 (2005 - \$3,157,729) received from Alberta Infrastructure to be used for specific capital infrastructure projects. Unexpended funds related to this amount are fully supported by cash and temporary investments held exclusively for these projects.

11. LONG-TERM DEBT

	<u>Current Portion</u>	<u>2006</u>	<u>2005</u>
Debentures			
Alberta Capital Finance Authority	\$ 1,998,271	\$ 39,341,037	\$ 36,665,212
Canada Mortgage and Housing Corporation	<u>8,980</u>	<u>282,147</u>	<u>290,429</u>
	<u>\$ 2,007,251</u>	39,623,184	36,955,641
Less current portion		<u>(2,007,251)</u>	<u>(2,721,711)</u>
		<u>\$ 37,615,933</u>	<u>\$ 34,233,930</u>

Debenture debt is issued on the credit and security of the City of Grande Prairie at large, bears interest at rates ranging from 4.2% to 8.3% per annum (before Provincial subsidy) and mature in 2010 through 2026. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum rate of 12.5% depending on the date borrowed.

The City's total cash payments for interest in 2006 were \$2,068,481 (2005 - \$1,940,975).

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

11. LONG-TERM DEBT - continued

Estimated principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,007,251	\$ 2,077,804	\$ 4,085,055
2008	2,111,044	1,974,011	4,085,055
2009	2,220,352	1,864,703	4,085,055
2010	2,335,475	1,749,580	4,085,055
2011	2,420,762	1,628,323	4,049,085
Thereafter	<u>28,528,300</u>	<u>14,985,080</u>	<u>43,513,380</u>
	<u>\$ 39,623,184</u>	<u>\$ 24,279,501</u>	<u>\$ 63,902,685</u>

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 &amp; Allowances (2)</u>	<u>2006 Total</u>	<u>2005 Total</u>
Mayor				
W. Ayling	\$ 81,379	\$ 4,731	\$ 86,110	\$ 84,103
Alderman				
G. Blackmore	23,274	2,854	26,128	25,330
J. Croken	29,774	3,623	33,397	31,706
C. Eckhardt	24,174	3,438	27,612	29,603
B. Given	21,151	2,642	23,793	23,771
M. Heath	26,574	893	27,467	26,853
D. Logan	21,024	2,780	23,804	23,623
G. Mazer	22,524	2,829	25,353	23,626
H. Rice	<u>23,724</u>	<u>1,932</u>	<u>25,656</u>	<u>24,863</u>
	<u>\$ 273,598</u>	<u>\$ 25,722</u>	<u>\$ 299,320</u>	<u>\$ 293,478</u>
City Manager	<u>\$ 172,003</u>	<u>\$ 22,151</u>	<u>\$ 194,154</u>	<u>\$ 168,334</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, 2006**

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 2006 were \$1,501,602 (2005 - \$1,317,609). Total current and past service contributions by the employees of the City of Grande Prairie to the Local Authorities Pension Plan in 2006 were \$1,326,579.

At December 31, 2005, the Plan disclosed an actuarial deficiency of \$864 million (2004 - \$1,289 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 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 \$105,556 for those employees who have elected to participate in the Plan. No contributions are required on earnings above the maximum threshold.

Employees 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 \$105,556, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2006 were \$31,229 (2005 - \$20,194). Total current and past service contributions by the employees of the City to APEX in 2006 were \$26,015 (2005 - \$16,828).

At December 31, 2005, the Plan disclosed an actuarial surplus of \$768,803 (2004 - \$409,416).

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

13. EMPLOYEE FUTURE BENEFITS

(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, 2006 was not readily determinable 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, 2006 would not have a significant impact on the financial position of the City.

14. DEBT LIMITS

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

	<u>2006</u>	<u>2005</u>
Total debt limit available	\$ 124,348,536	\$ 114,798,825
Total debt	<u>(39,623,184)</u>	<u>(36,955,641)</u>
Total debt limit remaining	<u>\$ 84,725,352</u>	<u>\$ 77,843,184</u>
Debt servicing limit available	\$ 20,724,756	\$ 19,133,138
Debt servicing	<u>(4,085,055)</u>	<u>(4,743,366)</u>
Service on debt limit remaining	<u>\$ 16,639,701</u>	<u>\$ 14,389,772</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 financial statements must be interpreted as a whole.



**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

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, 2006:

	<u>2006</u>	<u>2005</u>
<u>Financial position:</u>		
Financial assets	\$ 15,643,809	\$ 16,317,970
Physical assets	<u>39,993,962</u>	<u>32,984,606</u>
Total assets	<u>55,637,771</u>	<u>49,302,576</u>
Current liabilities, including callable debt	15,459,776	11,689,009
Landfill closure and post closure liability	<u>1,452,400</u>	<u>1,189,410</u>
Total liabilities	<u>16,912,176</u>	<u>12,878,419</u>
Net assets	<u>\$ 38,725,595</u>	<u>\$ 36,424,157</u>
<u>Results of operations:</u>		
Revenue	\$ 22,453,894	\$ 19,902,771
Depreciation expense	1,113,981	1,008,380
Operating expense	<u>18,036,506</u>	<u>14,397,435</u>
Net earnings	<u>\$ 3,303,407</u>	<u>\$ 4,496,956</u>

During the year, stock dividends were declared payable to the City in the amount of \$1,630,455 (2005 - \$2,825,866) 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 received in the year in the amount of \$1,980,155 (2005 - \$1,838,861).

**CITY OF GRANDE PRAIRIE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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16. RELATED PARTY TRANSACTIONS

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

	<u>2006</u>	<u>2005</u>
Franchise fees, including amounts in lieu of taxes	\$ 1,668,387	\$ 1,356,629
General administrative charges and other recoveries	1,964,611	1,976,386
Interest and investment income	7,877	15,317
Utility expenses	(287,405)	(193,731)

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>December 31,</u> <u>2005</u>	<u>Receipts</u>	<u>Investment</u> <u>Income</u>	<u>Disbursements</u>	<u>December 31,</u> <u>2006</u>
Facility deposits and registrations	\$ 133,566	\$ 566,381	\$ -	\$ (570,349)	\$ 129,598
Community funds and endowments	665,601	1,286,295	18,448	(1,191,731)	778,613
Advance ticket sales	<u>535,449</u>	<u>3,403,761</u>	<u>-</u>	<u>(3,075,785)</u>	<u>863,425</u>
	<u>\$ 1,334,616</u>	<u>\$ 5,256,437</u>	<u>\$ 18,448</u>	<u>\$(4,837,865)</u>	<u>\$ 1,771,636</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 interest rate risk as a result of the issuance of fixed-rate debentures, as outlined in Note 11.

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, 2006.

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 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 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 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, accruals for unbilled utility expenses, 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.

The City has entered into an agreement with Aquatera Utilities Inc. and the Grande Prairie Airport Commission to sell the utility assets at the Grande Prairie Airport to Aquatera in 2007 for a nominal amount, with an assumption of the lease that currently exists between the City and the Airport.

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21. CONTINGENT LIABILITIES

The City of Grande Prairie has been named defendant in various lawsuits as at December 31, 2006. 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.