

CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

CITY OF GRANDE PRAIRIE

FINANCIAL STATEMENTS

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400 Windsor Court
9835 – 101 Avenue
Grande Prairie, Alberta
T8V 5V4

Phone: (780) 539-4110
Fax: (780) 532-1350
Email: info@fletchermudryk.com

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, 2004 and the consolidated statements of financial activities and fund equities and cash flows 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 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, 2004 and the results of its financial activities and the changes in its cash position for the year then ended in accordance with local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Grande Prairie, Alberta
March 1, 2005

FLETCHER MUDRYK & CO. LLP
Chartered Accountants

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 23,917,948	\$ 20,727,031
Taxes and grants in place of taxes receivable (note 3)	789,452	749,355
Trade and other receivables (note 4)	5,230,482	4,824,491
Prepaid expenditures	303,016	256,830
Land held for resale	443,711	443,713
Agreements receivable (note 5)	1,300,745	1,721,998
Due from Aquatera Utilities Inc. (note 6)	88,827	-
Investments (note 7)	<u>36,777,604</u>	<u>33,051,206</u>
TOTAL FINANCIAL ASSETS	68,851,785	61,774,624
PHYSICAL ASSETS (note 8)	<u>291,013,431</u>	<u>274,195,399</u>
	<u>\$ 359,865,216</u>	<u>\$ 335,970,023</u>
LIABILITIES		
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	\$ 7,199,357	\$ 6,824,455
Due to Aquatera Utilities Inc.	-	2,276,846
Deferred revenue (note 9)	3,460,252	2,780,271
Long-term debt (note 10)	<u>30,142,255</u>	<u>25,634,682</u>
TOTAL FINANCIAL LIABILITIES	<u>40,801,864</u>	<u>37,516,254</u>
MUNICIPAL EQUITY		
CAPITAL FUND (schedule 1)	-	-
OPERATING FUND (schedule 2)	863,292	714,763
RESERVE FUND (schedule 3)	<u>19,729,680</u>	<u>14,868,905</u>
	20,592,972	15,583,668
EQUITY IN PHYSICAL ASSETS (schedule 4)	261,692,776	249,818,895
EQUITY IN INVESTMENTS	<u>36,777,604</u>	<u>33,051,206</u>
	<u>319,063,352</u>	<u>298,453,769</u>
	<u>\$ 359,865,216</u>	<u>\$ 335,970,023</u>

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND FUND EQUITIES
YEAR ENDED DECEMBER 31, 2004

	<u>Unaudited Budget</u>	<u>2004</u>	<u>2003</u>
Revenues			
Net municipal property taxes	\$ 32,617,316	\$ 33,745,972	\$ 30,301,422
Government transfers (schedule 6)	7,903,476	7,970,698	7,364,106
User fees and sale of goods	6,458,447	10,960,871	13,280,731
Interest and investment income	800,592	910,909	1,030,202
Penalties and costs of taxes	185,000	301,262	303,932
Development levies	1,505,000	1,560,438	2,040,465
Franchise and concession contracts	2,873,396	4,225,697	4,969,299
Fines, rentals, licenses and permits	3,745,354	4,174,348	3,293,450
Proceeds on disposal of capital assets	543,000	34,612	103,455
Other	<u>2,410,812</u>	<u>2,728,407</u>	<u>4,461,108</u>
Total revenues	<u>59,042,393</u>	<u>66,613,214</u>	<u>67,148,170</u>
Expenditures			
Council and other legislative services	623,138	692,529	680,449
Administrative services	7,491,378	7,582,223	9,498,619
Protective services	21,216,462	14,731,608	12,892,756
Transportation services	29,111,281	24,978,981	21,344,930
Utilities and disposal services	193,220	30,383	3,059,763
Public health and welfare services	1,174,497	1,188,978	1,227,846
Planning and development services	1,328,774	1,352,912	1,215,526
Recreation and cultural services	15,037,180	15,473,218	16,967,417
Other services	<u>568,897</u>	<u>503,025</u>	<u>333,461</u>
Total expenditures (schedule 7)	<u>76,744,827</u>	<u>66,533,857</u>	<u>67,220,767</u>
Excess (deficiency) of revenues over expenditures before the following	(17,702,434)	79,357	(72,597)
Subsidiary operations (note 14)	<u>-</u>	<u>3,726,398</u>	<u>890,170</u>
Excess (deficiency) of revenues over expenditures	<u>(17,702,434)</u>	<u>3,805,755</u>	<u>817,573</u>
Long-term debt issued	13,982,000	6,707,000	7,830,400
Long-term debt repayments	(2,164,208)	(2,199,427)	(3,644,600)
Debt recovery from Aquatera Utilities Inc.	674,707	422,374	1,210,610
Transfer to equity in investments	-	(3,726,398)	(890,170)
Transfer to Aquatera Utilities Inc.	<u>-</u>	<u>-</u>	<u>(6,759,146)</u>
	<u>12,492,499</u>	<u>1,203,549</u>	<u>(2,252,906)</u>
Change in fund balances	<u>\$ (5,209,935)</u>	5,009,304	(1,435,333)
Fund balances - beginning		<u>15,583,668</u>	<u>17,019,001</u>
Fund balances - ending		<u>\$ 20,592,972</u>	<u>\$ 15,583,668</u>
Fund balances consist of:			
City of Grande Prairie		\$ 18,776,012	\$ 14,083,984
Grande Prairie Airport Commission		1,681,845	1,406,345
Grande Prairie Public Library Board		<u>135,115</u>	<u>93,339</u>
		<u>\$ 20,592,972</u>	<u>\$ 15,583,668</u>

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 3,805,755	\$ 817,573
Adjustments for:		
Subsidiary operations	(3,726,398)	(890,170)
Canadian Mental Health Association transfers	<u>(14,274)</u>	<u>(920,998)</u>
	<u>65,083</u>	<u>(993,595)</u>
Changes in non-cash working capital		
Taxes and grants in place of taxes	(40,097)	(95,381)
Trade and other receivables	(405,991)	532,800
Inventory of consumable materials and supplies	(26,453)	199,805
Prepaid expenditures	(46,186)	144,886
Accounts payable and accrued liabilities	374,902	(1,182,261)
Deferred revenue	<u>679,981</u>	<u>1,552,225</u>
	<u>536,156</u>	<u>1,152,074</u>
Cash flow from operating activities	<u>601,239</u>	<u>158,479</u>
FINANCING ACTIVITIES		
Long-term debt proceeds	6,707,000	7,830,400
Long-term debt repayments	(2,199,427)	(3,644,600)
Debenture recovery from Aquatera Utilities Inc.	422,374	1,210,610
Shares added to equity in investments	-	61
Amounts to be recovered	-	(180,000)
Due to Aquatera Utilities Inc.	(2,365,673)	2,276,846
Debt transferred to Aquatera Utilities Inc.	-	656,563
Debt repayments from Aquatera Utilities Inc.	(395,849)	-
Reserves transferred to Aquatera Utilities Inc.	<u>-</u>	<u>(7,441,470)</u>
Cash flow from financing activities	<u>2,168,425</u>	<u>708,410</u>
Cash flow before investment activities	<u>2,769,664</u>	<u>866,889</u>
INVESTMENT ACTIVITIES		
Reduction in agreements receivable	600,473	872,851
Agreements receivable advances	<u>(179,220)</u>	<u>(913,855)</u>
Cash flow from (used by) investing activities	<u>421,253</u>	<u>(41,004)</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	3,190,917	825,885
CASH AND TEMPORARY INVESTMENTS - beginning	<u>20,727,031</u>	<u>19,901,146</u>
CASH AND TEMPORARY INVESTMENTS - ending	<u>\$ 23,917,948</u>	<u>\$ 20,727,031</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES AND EQUITY
YEAR ENDED DECEMBER 31, 2004

	Unaudited <u>Budget</u>	<u>2004</u>	<u>2003</u>
Revenues			
Special taxation levies	\$ 3,108,000	\$ 3,662,450	\$ 2,717,000
Government transfers	5,952,000	5,512,980	4,129,961
Interest and investment income	-	12,228	12,891
Development levies	1,505,000	1,560,438	2,040,465
Proceeds from disposal of capital assets	543,000	34,612	103,455
Other	<u>320,000</u>	<u>669,697</u>	<u>903,086</u>
	<u>11,428,000</u>	<u>11,452,405</u>	<u>9,906,858</u>
Expenditures			
Administrative services	577,000	656,480	2,147,807
Protective services	7,458,000	557,832	265,490
Transportation services	17,099,844	11,846,020	8,066,793
Utilities and disposal services	-	-	484,930
Recreation and cultural services	<u>3,553,000</u>	<u>4,280,714</u>	<u>5,353,260</u>
	<u>28,687,844</u>	<u>17,341,046</u>	<u>16,318,280</u>
Excess (deficiency) of revenues over expenditures	<u>(17,259,844)</u>	<u>(5,888,641)</u>	<u>(6,411,422)</u>
Net interfund transfers from (to):			
Reserves	2,239,048	(56,834)	(1,912,739)
Operating fund	(900,048)	(761,525)	(183,178)
Long-term debt proceeds	<u>13,982,000</u>	<u>6,707,000</u>	<u>7,830,400</u>
	<u>15,321,000</u>	<u>5,888,641</u>	<u>5,734,483</u>
Change in fund balance	<u>\$ (1,938,844)</u>	-	(676,939)
Fund balance - beginning		-	676,939
Fund balance - ending		<u>\$ -</u>	<u>\$ -</u>
Fund balance consists of:			
City of Grande Prairie		\$ -	\$ -
Grande Prairie Airport Commission		-	-
Grande Prairie Public Library Board		-	-
		<u>\$ -</u>	<u>\$ -</u>

CITY OF GRANDE PRAIRIE

SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES AND EQUITY

YEAR ENDED DECEMBER 31, 2004

	Unaudited <u>Budget</u>	<u>2004</u>	<u>2003</u>
Revenues			
Net municipal property taxes (schedule 5)	\$ 29,509,316	\$ 30,083,522	\$ 27,584,422
Government transfers	1,951,476	2,457,718	3,234,145
User fees and sale of goods	6,458,447	10,960,871	13,280,731
Interest and investment income	800,592	898,681	1,017,311
Penalties and costs of taxes	185,000	301,262	303,932
Franchise and concession contracts	2,873,396	4,225,697	4,969,299
Fines, rentals, licenses and permits	3,745,354	4,174,348	3,293,450
Other	<u>2,090,812</u>	<u>2,058,710</u>	<u>3,558,022</u>
	<u>47,614,393</u>	<u>55,160,809</u>	<u>57,241,312</u>
Expenditures			
Council and other legislative services	623,138	692,529	680,449
Administrative services	6,914,378	6,925,743	7,350,812
Protective services	13,758,462	14,173,776	12,627,266
Transportation services	12,011,437	13,132,961	13,278,137
Utilities and disposal services	193,220	30,383	2,574,833
Public health and welfare services	1,174,497	1,188,978	1,227,846
Planning and development services	1,328,774	1,352,912	1,215,526
Recreation and cultural services	11,484,180	11,192,504	11,614,157
Other services	<u>568,897</u>	<u>503,025</u>	<u>333,461</u>
	<u>48,056,983</u>	<u>49,192,811</u>	<u>50,902,487</u>
Excess (deficiency) of revenues over expenditures before the following	(442,590)	5,967,998	6,338,825
Subsidiary operations (note 14)	<u>-</u>	<u>3,726,398</u>	<u>890,170</u>
Excess (deficiency) of revenues over expenditures	<u>(442,590)</u>	<u>9,694,396</u>	<u>7,228,995</u>
Net interfund transfers from (to):			
Reserves	1,032,043	(4,803,941)	(3,866,780)
Capital	900,048	761,525	183,178
Transfer to equity in investments	-	(3,726,398)	(890,170)
Long-term debt repayments	(2,164,208)	(2,199,427)	(3,644,600)
Debenture recovery from Aquatera Utilities Inc.	674,707	422,374	1,210,610
Amounts to be recovered	<u>-</u>	<u>-</u>	<u>(180,000)</u>
	<u>442,590</u>	<u>(9,545,867)</u>	<u>(7,187,762)</u>
Change in fund balance	\$ <u>-</u>	148,529	41,233
Fund balance - beginning		<u>714,763</u>	<u>673,530</u>
Fund balance - ending		\$ <u>863,292</u>	\$ <u>714,763</u>
Fund balance consists of:			
City of Grande Prairie		\$ 863,292	\$ 714,763
Grande Prairie Airport Commission		-	-
Grande Prairie Public Library Board		<u>-</u>	<u>-</u>
		<u>\$ 863,292</u>	<u>\$ 714,763</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF RESERVE FUND EQUITY
YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
Fund balance - beginning	\$ <u>14,868,905</u>	\$ <u>16,530,856</u>
Add (Deduct):		
Transfer from operating fund	14,170,097	9,307,885
Transfer to operating fund	<u>(9,366,156)</u>	<u>(5,441,105)</u>
	<u>4,803,941</u>	<u>3,866,780</u>
Add (Deduct):		
Transfer from capital fund	89,342	4,122,960
Transfer to capital fund	<u>(32,508)</u>	<u>(2,210,221)</u>
	<u>56,834</u>	<u>1,912,739</u>
Add (Deduct):		
Reserves transferred to Aquatera Utilities Inc.	<u>-</u>	<u>(7,441,470)</u>
Fund balance - ending	<u>\$ 19,729,680</u>	<u>\$ 14,868,905</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>
Airport Fund	\$ 31,505	\$ -	\$ 31,505	\$ -
Cemetery Perpetual Care	279,677	38,427	2,872	315,232
Development Levies	1,704,375	4,642,713	3,937,912	2,409,176
Engineering	343,171	11,395	71,632	282,934
Facilities Depreciation Fund	809,835	2,896,996	2,112,622	1,594,209
Financial Stabilization Fund	1,655,220	117,775	-	1,772,995
Fire Department Business Initiatives	207,927	111,659	50,000	269,586
Fleet	1,943,384	1,295,405	1,363,031	1,875,758
Future Capital Expenditures	3,657,049	1,147,560	-	4,804,609
Information Technology	494,640	28,134	162,104	360,670
Land Fund	572,906	592,736	971,000	194,642
Public Housing	158,000	1,493,260	30,147	1,621,113
Computer systems	-	946,104	363,588	582,516
Tax Stabilization	72,686	-	72,686	-
Transit	742,731	384,198	197,057	929,872
Urban Park	<u>696,115</u>	<u>203,293</u>	<u>-</u>	<u>899,408</u>
	13,369,221	13,909,655	9,366,156	17,912,720
Library	93,339	74,284	32,508	135,115
Airport	<u>1,406,345</u>	<u>275,500</u>	<u>-</u>	<u>1,681,845</u>
	<u>\$ 14,868,905</u>	<u>\$ 14,259,439</u>	<u>\$ 9,398,664</u>	<u>\$ 19,729,680</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF EQUITY IN CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>	<u>2003</u>
Acquisition of capital assets	\$ 16,829,047	\$ 16,155,154
Disposal of capital assets (cost)	(37,468)	(92,810,802)
Cost of land held for resale sold	(2)	(49,169)
Capital debt issued	(6,707,000)	(7,830,400)
Capital debt repaid from operating fund	2,185,154	2,723,603
Debenture transferred to Aquatera Utilities Inc.	-	656,563
Debt charges recovered	<u>(395,850)</u>	<u>-</u>
Change in equity balance	11,873,881	(81,155,051)
Equity balance - beginning	<u>249,818,895</u>	<u>330,973,946</u>
Equity balance - end	<u>\$ 261,692,776</u>	<u>\$ 249,818,895</u>
Equity balance consists of:		
City of Grande Prairie	\$ 252,437,284	\$ 243,171,871
Grande Prairie Airport Commission	8,621,647	6,125,877
Grande Prairie Public Library Board	<u>633,845</u>	<u>521,147</u>
	<u>\$ 261,692,776</u>	<u>\$ 249,818,895</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF PROPERTY TAXES LEVIED
YEAR ENDED DECEMBER 31, 2004

	Unaudited <u>Budget</u>	<u>2004</u>	<u>2003</u>
Taxation			
Real property taxes			
Residential	\$ 25,402,342	\$ 26,284,161	\$ 23,684,926
Commercial	11,582,801	11,593,312	10,875,663
Industrial	6,613,376	6,634,036	6,133,747
Farm land	<u>14,948</u>	<u>14,948</u>	<u>23,549</u>
	43,613,467	44,526,457	40,717,885
Linear property taxes	1,231,988	1,305,923	1,218,288
Business taxes	211,270	207,542	180,606
Government grants in place of property taxes	723,156	711,688	571,640
Local improvement taxes	<u>760,507</u>	<u>1,058,649</u>	<u>1,082,913</u>
	<u>46,540,388</u>	<u>47,810,259</u>	<u>43,771,332</u>
Deduct			
Requisition transfers:			
Alberta School Foundation Fund	11,606,413	11,725,618	11,192,969
Grande Prairie Roman Catholic Separate School District No. 28	2,176,015	2,197,477	2,086,970
Senior Foundation	<u>140,644</u>	<u>141,192</u>	<u>134,648</u>
	13,923,072	14,064,287	13,414,587
Transfer to other governments	-	-	55,323
Special levies for capital projects	<u>3,108,000</u>	<u>3,662,450</u>	<u>2,717,000</u>
	<u>17,031,072</u>	<u>17,726,737</u>	<u>16,186,910</u>
Net municipal property taxes	<u>\$ 29,509,316</u>	<u>\$ 30,083,522</u>	<u>\$ 27,584,422</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2004

	Unaudited <u>Budget</u>	<u>2004</u>	<u>2003</u>
Federal Government Transfers	\$ <u>75,518</u>	\$ <u>2,123,708</u>	\$ <u>1,082,184</u>
Provincial Government Transfers			
Unconditional			
Municipal assistance	716,706	592,188	716,706
Conditional			
Interest stabilization	2,925	48,283	62,786
General administration	-	5,779	109,196
Protective services	-	591,728	660
Family and Community Support Service	725,385	750,980	789,507
Transportation services	6,001,563	3,517,017	3,051,772
Utilities and disposal services	-	-	159,537
Public housing	117,100	13,592	888,157
Recreation, cultural, tourism, employment and other	<u>184,201</u>	<u>229,776</u>	<u>492,611</u>
Total Provincial Transfers	<u>7,747,880</u>	<u>5,749,343</u>	<u>6,270,932</u>
Local Government Transfers	<u>80,078</u>	<u>97,647</u>	<u>10,990</u>
Total Government Transfers	<u>\$ 7,903,476</u>	<u>\$ 7,970,698</u>	<u>\$ 7,364,106</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2004

	Unaudited <u>Budget</u>	<u>2004</u>	<u>2003</u>
Salaries, wages and benefits	\$ 22,617,949	\$ 24,133,223	\$ 22,762,171
Contracted and general services	11,769,511	10,977,041	14,139,033
Materials, goods and utilities	8,531,256	9,203,785	8,703,488
Provision for allowances	50,000	40,302	66,229
Transfers to local boards and agencies	747,450	518,205	831,774
Transfers to individuals and organizations	1,876,421	2,570,421	2,417,333
Bank charges and short term interest	42,000	56,767	98,506
Interest on long-term debt	1,684,903	1,581,135	1,585,668
Other expenditures	737,493	623,932	461,410
Physical assets acquired	<u>28,687,844</u>	<u>16,829,046</u>	<u>16,155,155</u>
Total expenditures	<u>\$ 76,744,827</u>	<u>\$ 66,533,857</u>	<u>\$ 67,220,767</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures and 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 Municipality. Included in the City financial statements are the financial activities of the Grande Prairie Public Library Board 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 Municipal reporting entity.

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

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, 2004

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 Municipality and reasonable estimates of the amounts can be made.

e) Employee Future Benefits

Selected employees of the company 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.

f) Investments

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

g) Agreements Receivable

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

h) Physical 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.

Inventories of materials and supplies for consumption consist mainly of central stores and road maintenance materials and are recorded at cost.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES - continued

i) 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 physical assets under their respective function. The cost of land sold is written off against equity in capital assets as it is sold.

j) 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.

k) 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.

l) Asset Retirement Obligations

Effective January 1, 2004, the City adopted the new CICA standard for accounting for asset retirement obligations. Under the new standard, the City recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination. The adoption of the new standard resulted in no impact on the financial position of the City.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES - continued

m) 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.

n) Equity in Investments

Equity in investments represents the City's net accumulated investment in its wholly owned subsidiary, 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.

o) Equity in Physical Assets

Equity in physical assets represents the City of Grande Prairie'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.

p) Financial Instruments

The City's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivables, trade and other receivables, agreements receivable, due from Aquatera Utilities Inc., investments, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the City of Grande Prairie 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.

q) 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 expenditures 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.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

2. CASH AND TEMPORARY INVESTMENTS

	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 19,580	\$ 14,107
Cash in banks	3,786,681	5,880,944
Temporary investments	<u>21,235,719</u>	<u>16,279,445</u>
	25,041,980	22,174,496
Less cash and temporary investments held in trust	<u>(1,124,032)</u>	<u>(1,447,465)</u>
	<u>\$ 23,917,948</u>	<u>\$ 20,727,031</u>

Temporary investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear interest at rates between 2.40% and 6.20% and mature between January, 2005 and October, 2015.

Included in temporary investments is a restricted amount of \$1,248,149 (2003 - \$1,631,064) received from Alberta Transportation to be used for specific capital transportation projects (note 9).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2004</u>	<u>2003</u>
Current taxes and grants in place of taxes	\$ 830,038	\$ 817,068
Tax arrears	<u>212,837</u>	<u>185,710</u>
	1,042,875	1,002,778
Less allowance for uncollectible taxes and taxes under appeal	<u>(253,423)</u>	<u>(253,423)</u>
	<u>\$ 789,452</u>	<u>\$ 749,355</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2004</u>	<u>2003</u>
Trade and other receivables	\$ 3,671,780	\$ 2,972,640
Receivable from other governments	<u>1,563,702</u>	<u>1,856,851</u>
	5,235,482	4,829,491
Less allowance for uncollectible trade and other receivables	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 5,230,482</u>	<u>\$ 4,824,491</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

5. AGREEMENTS RECEIVABLE

	<u>Current Portion</u>	<u>2004</u>	<u>2003</u>
Individuals and organizations	\$ 53,791	\$ 53,791	\$ 133,268
Aquatera Utilities Inc.	126,637	260,714	656,563
Centre 2000	-	100,000	100,000
Grande Prairie Public School Board	328,424	328,424	257,292
Grande Prairie Catholic School District	108,088	108,088	-
Canadian Mental Health Association	<u>15,076</u>	<u>449,728</u>	<u>574,875</u>
	<u>\$ 632,016</u>	1,300,745	1,721,998
Less current portion		<u>(632,016)</u>	<u>(747,683)</u>
		<u>\$ 668,729</u>	<u>\$ 974,315</u>

Agreements receivable from individuals and organizations are non-interest bearing, are collectible in monthly instalments of \$791 and \$5,200 and mature in 2005.

The Aquatera Utilities Inc. amount receivable bears interest at a rate equal to the corresponding Alberta Capital Finance Authority debenture of 5.9% with repayment to be equal to the annual principal and interest repayments and matures in 2006.

The 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 debenture of 5.6% with repayment to be equal to the annual principal and interest repayments and matures in 2022.

Estimated principal amounts to be received are as follows:

2005	\$ 632,016
2006	150,001
2007	16,820
2008	17,766
2009	18,766
Thereafter	465,376

6. DUE FROM AQUATERA UTILITIES INC.

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

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

7. INVESTMENTS

	<u>2004</u>	<u>2003</u>
Alberta Capital Finance Authority shares	\$ 60	\$ 60
Grande Prairie Regional Emergency Medical Service - representing a 1/13 interest	1	1
Aquatera Utilities Inc. - a wholly owned subsidiary		
Common shares	322	322
Preferred shares	32,160,653	32,160,653
Cumulative share of earnings	4,616,568	890,170
Dividends declared	(4,616,568)	-
Preferred shares to be issued by Aquatera	<u>4,616,568</u>	<u>-</u>
	<u>\$ 36,777,604</u>	<u>\$ 33,051,206</u>

8. PHYSICAL ASSETS

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>
Land	\$ 9,433,819	\$ 457,676	\$ -	\$ 9,891,495
Buildings	70,635,630	3,604,621	-	74,240,251
Engineering structures	161,749,741	12,261,623	-	174,011,364
Machinery, equipment and vehicles	<u>32,070,107</u>	<u>505,127</u>	<u>37,468</u>	<u>32,537,766</u>
	273,889,297	16,829,047	37,468	290,680,876
Materials and supplies	<u>306,102</u>	<u>26,453</u>	<u>-</u>	<u>332,555</u>
	<u>\$ 274,195,399</u>	<u>\$ 16,855,500</u>	<u>\$ 37,468</u>	<u>\$ 291,013,431</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

9. DEFERRED REVENUE

	<u>Current Portion</u>	<u>2004</u>	<u>2003</u>
Prepaid local improvement charges	\$ 686	\$ 1,373	\$ 2,059
Deferred agreements	53,791	153,791	233,268
Deferred sales and user charges	<u>3,305,088</u>	<u>3,305,088</u>	<u>2,544,944</u>
	<u>\$ 3,359,565</u>	3,460,252	2,780,271
Less current portion		<u>(3,359,565)</u>	<u>(2,598,028)</u>
		<u>\$ 100,687</u>	<u>\$ 182,243</u>

Prepaid local improvement charges are being amortized to revenue on a straight-line basis over the remaining term of the debenture to 2006.

Deferred agreements are taken into revenue on a scheduled basis 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. Included in this amount is a restricted amount of \$1,248,149 (2003 - \$1,631,064) received from Alberta Transportation to be used for specific capital transportation projects. Unexpended funds related to this amount are fully supported by temporary investments held exclusively for these projects.

10. LONG-TERM DEBT

	<u>Current Portion</u>	<u>2004</u>	<u>2003</u>
Debentures			
Alberta Capital Finance Authority	\$ 2,148,653	\$ 29,844,186	\$ 25,127,567
Canada Mortgage and Housing Corporation	7,639	298,069	305,115
Agreement for sale			
Province of Alberta	<u>-</u>	<u>-</u>	<u>202,000</u>
	<u>\$ 2,156,292</u>	30,142,255	25,634,682
Less current portion		<u>(2,156,292)</u>	<u>(2,199,427)</u>
		<u>\$ 27,985,963</u>	<u>\$ 23,435,255</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

10. LONG-TERM DEBT - continued

Debenture debt is issued on the credit and security of the City of Grande Prairie at large, bears interest at rates ranging from 4.230% to 12.0% per annum (before Provincial subsidy) and mature in 2005 through 2024. 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.

Estimated principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 2,156,292	\$ 1,804,271	\$ 3,960,563
2006	2,321,282	1,639,281	3,960,563
2007	1,419,481	1,459,599	2,879,080
2008	1,497,413	1,381,668	2,879,081
2009	1,579,715	1,299,366	2,879,081
Thereafter	<u>21,168,072</u>	<u>8,896,663</u>	<u>30,064,735</u>
	<u>\$ 30,142,255</u>	<u>\$ 16,480,848</u>	<u>\$ 46,623,103</u>

11. 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>2004 Total</u>	<u>2003 Total</u>
Mayor				
W. Ayling	\$ 82,615	\$ 3,844	\$ 86,459	\$ 76,657
Alderman				
G. Blackmore	22,832	615	23,447	20,884
J. Croken	26,282	2,680	28,962	28,541
C. Eckhardt	26,132	2,675	28,807	29,058
B. Given	22,082	592	22,674	20,577
M. Heath	24,932	986	25,918	25,764
D. Logan	4,030	101	4,131	-
G. Mazer	21,932	585	22,517	20,265
H. Rice	22,532	2,563	25,095	29,839
D. Taylor	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,061</u>
	<u>\$ 253,369</u>	<u>\$ 14,641</u>	<u>\$ 268,010</u>	<u>\$ 273,646</u>
City Manager	<u>\$ 145,642</u>	<u>\$ 17,364</u>	<u>\$ 163,006</u>	<u>\$ 139,954</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

11. SALARY AND BENEFITS DISCLOSURE - continued

- (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.

12. 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 143,000 people and about 401 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 6.602% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 8.477% on the excess.

Employees of the City of Grande Prairie are required to make current service contributions to the Plan of 5.602% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.477% on the excess.

Total current and past service contributions by the City of Grande Prairie to the Local Authorities Pension Plan in 2004 were \$794,278 (2003 - \$711,381). Total current and past service contributions by the employees of the City of Grande Prairie to the Local Authorities Pension Plan in 2004 were \$659,403 (2003 - \$579,063).

At December 31, 2004, the Plan disclosed an actuarial deficiency of \$1.289 billion (2003 - \$1.411 billion). Effective January 1, 2005, employer and employee contribution rates were increased by 0.798%.

(b) 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, 2004 was not readily determinable and thus no amounts have been recorded in these financial statements. It is management's opinion that any funding excess or unfunded liability as at December 31, 2004 would not have a significant impact on the financial position of the City.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

13. 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>2004</u>	<u>2003</u>
Total debt limit available	\$ 91,684,101	\$ 94,625,312
Total debt	<u>(30,142,255)</u>	<u>(25,634,682)</u>
Total debt limit remaining	<u>\$ 61,541,846</u>	<u>\$ 68,990,630</u>
Debt servicing limit available	\$ 15,280,684	\$ 15,770,885
Debt servicing	<u>(3,960,563)</u>	<u>(3,873,580)</u>
Service on debt limit remaining	<u>\$ 11,320,121</u>	<u>\$ 11,897,305</u>

The debt limit is calculated at 1.5 times 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, 2004

14. 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 share in Aquatera Utilities Inc. for the year ended December 31, 2004.

	<u>2004</u>	<u>2003</u>
<u>Financial position:</u>		
Financial assets	\$ 11,090,258	\$ 8,198,110
Physical assets	<u>30,699,645</u>	<u>30,240,167</u>
Total assets	<u>41,789,903</u>	<u>38,438,277</u>
Current liabilities, including callable debt	8,530,571	4,404,084
Landfill closure and post closure liability	<u>1,099,054</u>	<u>983,048</u>
Total liabilities	<u>9,629,625</u>	<u>5,387,132</u>
Net assets	<u>\$ 32,160,278</u>	<u>\$ 33,051,145</u>
<u>Results of operations:</u>		
Revenue	\$ 18,285,700	\$ 11,292,515
Depreciation expense	949,879	625,931
Operating expense	<u>13,609,423</u>	<u>9,094,090</u>
Net earnings	<u>\$ 3,726,398</u>	<u>\$ 1,572,494</u>

Callable debt reported by Aquatera Utilities Inc. includes \$260,713 (2003 - \$656,563) in debenture debt issued in the name of the City of Grande Prairie.

Estimated principal repayments on callable debt are as follows:

2005	\$ 126,657
2006	134,056

During the year, dividends were declared payable to the City in the amount of \$4,616,568 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.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004

15. 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.

Paid to the City of Grande Prairie:

	<u>2004</u>	<u>2003</u>
Franchise fees, including amounts in lieu of taxes	\$ 1,330,841	\$ 923,830
General administrative charges and other recoveries	1,887,064	1,083,544
Interest and investment income	26,524	117,769

16. COMMITMENTS

The City of Grande Prairie has entered into various leases and other agreements as part of its ongoing operations. Management has indicated that there are no commitments that will have a material 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, with an assumption of the lease that currently exists between the City and the Airport.

17. CONTINGENT LIABILITIES

The City of Grande Prairie has been named defendant in various lawsuits as at December 31, 2004. While it is not possible to estimate the ultimate liability with respect to the pending litigation, based on evaluation and discussion 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.

18. PRIOR YEAR COMPARATIVE FIGURES

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