

CITY OF GRANDE PRAIRIE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

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, 2005 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 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, 2005 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 3, 2006

Chartered Accountants

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
ASSETS		
FINANCIAL ASSETS		
Cash and temporary investments <i>(note 2)</i>	\$ 43,470,293	\$ 23,917,948
Taxes and grants in place of taxes receivable <i>(note 3)</i>	709,425	789,452
Trade and other receivables <i>(note 4)</i>	5,202,551	5,230,482
Prepaid expenditures	211,146	303,016
Land held for resale	443,711	443,711
Agreements receivable <i>(note 5)</i>	2,807,674	1,300,745
Due from Aquatera Utilities Inc.	-	88,827
Investments <i>(note 6)</i>	<u>39,435,698</u>	<u>36,777,604</u>
TOTAL FINANCIAL ASSETS	<u>92,280,498</u>	<u>68,851,785</u>
PHYSICAL ASSETS		
Inventory	330,919	332,555
Capital assets <i>(note 7)</i>	<u>317,779,850</u>	<u>290,680,876</u>
TOTAL PHYSICAL ASSETS	<u>318,110,769</u>	<u>291,013,431</u>
	<u>\$ 410,391,267</u>	<u>\$ 359,865,216</u>
LIABILITIES		
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>(note 8)</i>	\$ 8,363,417	\$ 7,199,357
Due to Aquatera Utilities Inc. <i>(note 9)</i>	747,982	-
Deferred revenue <i>(note 10)</i>	6,737,748	3,460,252
Long-term debt <i>(note 11)</i>	<u>36,955,641</u>	<u>30,142,255</u>
TOTAL FINANCIAL LIABILITIES	<u>52,804,788</u>	<u>40,801,864</u>
CONTINGENT LIABILITIES <i>(note 21)</i>		
MUNICIPAL EQUITY		
CAPITAL FUND <i>(schedule 1)</i>	-	-
OPERATING FUND <i>(schedule 2)</i>	1,737,898	863,292
RESERVE FUND <i>(schedule 3)</i>	<u>33,042,730</u>	<u>19,729,680</u>
	34,780,628	20,592,972
EQUITY IN CAPITAL ASSETS <i>(schedule 4)</i>	283,370,153	261,692,776
EQUITY IN INVESTMENTS	<u>39,435,698</u>	<u>36,777,604</u>
	<u>357,586,479</u>	<u>319,063,352</u>
	<u>\$ 410,391,267</u>	<u>\$ 359,865,216</u>

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2005

	<u>Unaudited Budget</u>	<u>2005</u>	<u>2004</u>
REVENUES			
Net municipal property taxes	\$ 39,202,799	\$ 38,733,120	\$ 33,745,972
Government transfers (<i>schedule 6</i>)	7,067,218	14,254,612	7,970,698
User fees and sale of goods	9,767,090	11,553,651	10,960,871
Interest and investment income	2,220,570	1,239,025	910,909
Penalties and costs of taxes	250,000	329,850	301,262
Development levies	1,173,000	3,797,891	1,560,438
Franchise and concession contracts	4,264,948	4,380,782	4,225,697
Fines, rentals, licenses and permits	4,134,027	5,398,274	4,174,348
Transfers from local boards and agencies (<i>note 15</i>)	-	5,495,409	-
Proceeds on disposal of capital assets	-	7,164	34,612
Other	<u>1,788,610</u>	<u>2,497,239</u>	<u>2,728,407</u>
TOTAL REVENUES	<u>69,868,262</u>	<u>87,687,017</u>	<u>66,613,214</u>
EXPENDITURES			
Council and other legislative services	729,031	744,830	692,529
Administrative services	8,957,991	8,048,700	7,643,119
Protective services	22,092,729	21,872,342	14,731,608
Transportation services	32,659,359	25,333,868	24,978,981
Utilities and disposal services	15,317	11,261	30,383
Public health and welfare services	1,132,922	1,179,230	1,188,978
Planning and development services	1,887,535	2,603,028	1,352,912
Recreation and cultural services	18,623,736	20,579,126	15,473,218
Other services	<u>27,962</u>	<u>402,751</u>	<u>442,129</u>
TOTAL EXPENDITURES (<i>schedule 7</i>)	<u>86,126,582</u>	<u>80,775,136</u>	<u>66,533,857</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING			
	(16,258,320)	6,911,881	79,357
Subsidiary operations (<i>note 16</i>)	<u>-</u>	<u>4,496,956</u>	<u>3,726,398</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(16,258,320)</u>	<u>11,408,837</u>	<u>3,805,755</u>
Capital long-term debt issued	14,935,000	7,468,000	6,707,000
Capital long-term debt repayments	(2,495,140)	(2,173,040)	(2,199,427)
Debenture recovery from Aquatera Utilities Inc.	141,954	141,954	422,374
Transfer to equity in investments	<u>-</u>	<u>(2,658,095)</u>	<u>(3,726,398)</u>
	<u>12,581,814</u>	<u>2,778,819</u>	<u>1,203,549</u>
CHANGE IN FUND BALANCES	<u>\$ (3,676,506)</u>	14,187,656	5,009,304
FUND BALANCES - BEGINNING		<u>20,592,972</u>	<u>15,583,668</u>
FUND BALANCES - ENDING		<u>\$ 34,780,628</u>	<u>\$ 20,592,972</u>
FUND BALANCES CONSIST OF:			
City of Grande Prairie		\$ 32,210,830	\$ 18,776,012
Grande Prairie Airport Commission		2,367,196	1,681,845
Grande Prairie Public Library Board		<u>202,602</u>	<u>135,115</u>
		<u>\$ 34,780,628</u>	<u>\$ 20,592,972</u>

CITY OF GRANDE PRAIRIE
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 11,408,837	\$ 3,805,755
Adjustments for:		
Subsidiary operations	(4,496,956)	(3,726,398)
Canadian Mental Health Association transfers	<u>(15,076)</u>	<u>(14,274)</u>
	<u>6,896,805</u>	<u>65,083</u>
Changes in non-cash working capital		
Taxes and grants in place of taxes	80,027	(40,097)
Trade and other receivables	27,931	(405,991)
Prepaid expenditures	91,870	(46,186)
Inventory of consumable materials and supplies	1,636	(26,453)
Accounts payable and accrued liabilities	1,164,058	374,902
Deferred revenue	<u>3,277,496</u>	<u>679,981</u>
	<u>4,643,018</u>	<u>536,156</u>
Cash flow from operating activities	<u>11,539,823</u>	<u>601,239</u>
FINANCING ACTIVITIES		
Due to Aquatera Utilities Inc.	836,809	(2,365,673)
Operating long-term debt proceeds	1,600,000	-
Operating long-term debt repayments	(193,133)	(395,849)
Capital long-term debt proceeds	7,468,000	6,707,000
Capital long-term debt repayments	(2,173,040)	(2,199,427)
Debenture recovery from Aquatera Utilities Inc.	141,954	422,374
Dividends received from Aquatera Utilities Inc.	<u>1,838,861</u>	<u>-</u>
Cash flow from financing activities	<u>9,519,451</u>	<u>2,168,425</u>
Cash flow before investment activities	<u>21,059,274</u>	<u>2,769,664</u>
INVESTMENT ACTIVITIES		
Reduction in agreements receivable	403,727	600,473
Agreements receivable advances	<u>(1,910,656)</u>	<u>(179,220)</u>
Cash flow from (used by) investing activities	<u>(1,506,929)</u>	<u>421,253</u>
INCREASE IN CASH AND TEMPORARY INVESTMENTS	19,552,345	3,190,917
CASH AND TEMPORARY INVESTMENTS - BEGINNING	<u>23,917,948</u>	<u>20,727,031</u>
CASH AND TEMPORARY INVESTMENTS - ENDING	<u>\$ 43,470,293</u>	<u>\$ 23,917,948</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005

	Unaudited <u>Budget</u>	<u>2005</u>	<u>2004</u>
REVENUES			
Special taxation levies	\$ 4,314,304	\$ 4,482,182	\$ 3,662,450
Government transfers	4,584,000	11,154,467	5,512,980
Interest and investment income	-	22,629	12,228
Development levies	1,173,000	3,797,891	1,560,438
Transfers from local boards and agencies	-	5,495,409	-
Proceeds from disposal of capital assets	-	7,164	34,612
Other	<u>550,000</u>	<u>419,439</u>	<u>669,697</u>
	<u>10,621,304</u>	<u>25,379,181</u>	<u>11,452,405</u>
EXPENDITURES			
Administrative services	890,000	876,879	656,480
Protective services	6,361,000	6,670,536	557,832
Transportation services	18,978,300	12,629,106	11,846,020
Recreation and cultural services	<u>5,176,000</u>	<u>6,979,235</u>	<u>4,280,714</u>
	<u>31,405,300</u>	<u>27,155,756</u>	<u>17,341,046</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(20,783,996)</u>	<u>(1,776,575)</u>	<u>(5,888,641)</u>
Net interfund transfers from (to):			
Reserve fund	3,613,181	(577,502)	(56,834)
Operating fund	(420,698)	(5,113,923)	(761,525)
Capital long-term debt issued	<u>14,935,000</u>	<u>7,468,000</u>	<u>6,707,000</u>
	<u>18,127,483</u>	<u>1,776,575</u>	<u>5,888,641</u>
CHANGE IN FUND BALANCE			
	<u>\$ (2,656,513)</u>	-	-
FUND BALANCE - BEGINNING			
		<u>-</u>	<u>-</u>
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>
		<u>\$ -</u>	<u>\$ -</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES
AND CHANGE IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005

	Unaudited Budget	2005	2004
REVENUES			
Net municipal property taxes (<i>schedule 5</i>)	\$ 34,888,495	\$ 34,250,938	\$ 30,083,522
Government transfers	2,483,218	3,100,145	2,457,718
User fees and sale of goods	9,767,090	11,553,651	10,960,871
Interest and investment income	2,220,570	1,216,396	898,681
Penalties and costs of taxes	250,000	329,850	301,262
Franchise and concession contracts	4,264,948	4,380,782	4,225,697
Fines, rentals, licenses and permits	4,134,027	5,398,274	4,174,348
Other	<u>1,238,610</u>	<u>2,077,800</u>	<u>2,058,710</u>
	<u>59,246,958</u>	<u>62,307,836</u>	<u>55,160,809</u>
EXPENDITURES			
Council and other legislative services	729,031	744,830	692,529
Administrative services	8,067,991	7,171,821	6,986,639
Protective services	15,731,729	15,201,806	14,173,776
Transportation services	13,681,059	12,704,762	13,132,961
Utilities and disposal services	15,317	11,261	30,383
Public health and welfare services	1,132,922	1,179,230	1,188,978
Planning and development services	1,887,535	2,603,028	1,352,912
Recreation and cultural services	13,447,736	13,599,891	11,192,504
Other services	<u>27,962</u>	<u>402,751</u>	<u>442,129</u>
	<u>54,721,282</u>	<u>53,619,380</u>	<u>49,192,811</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING			
	4,525,676	8,688,456	5,967,998
Subsidiary operations (<i>note 16</i>)	<u>-</u>	<u>4,496,956</u>	<u>3,726,398</u>
EXCESS OF REVENUES OVER EXPENDITURES			
	<u>4,525,676</u>	<u>13,185,412</u>	<u>9,694,396</u>
Net interfund transfers from (to):			
Reserve fund	(2,593,188)	(12,735,548)	(4,803,941)
Capital fund	420,698	5,113,923	761,525
Capital long-term debt repayments	(2,495,140)	(2,173,040)	(2,199,427)
Debenture recovery from Aquatera Utilities Inc.	141,954	141,954	422,374
Transfer to equity in investments	<u>-</u>	<u>(2,658,095)</u>	<u>(3,726,398)</u>
	<u>(4,525,676)</u>	<u>(12,310,806)</u>	<u>(9,545,867)</u>
CHANGE IN FUND BALANCE			
	\$ <u>-</u>	874,606	148,529
FUND BALANCE - BEGINNING			
		<u>863,292</u>	<u>714,763</u>
FUND BALANCE - ENDING			
		<u>\$ 1,737,898</u>	<u>\$ 863,292</u>
FUND BALANCE CONSISTS OF:			
City of Grande Prairie		\$ 1,737,898	\$ 863,292
Grande Prairie Airport Commission		-	-
Grande Prairie Public Library Board		<u>-</u>	<u>-</u>
		<u>\$ 1,737,898</u>	<u>\$ 863,292</u>

CITY OF GRANDE PRAIRIE

SCHEDULE OF RESERVE FUND AND CHANGE IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
FUND BALANCE - BEGINNING	\$ <u>19,729,680</u>	\$ <u>14,868,905</u>
Add (Deduct):		
Transfer from operating fund	28,024,892	14,170,097
Transfer to operating fund	<u>(15,289,344)</u>	<u>(9,366,156)</u>
	<u>12,735,548</u>	<u>4,803,941</u>
Add (Deduct):		
Transfer from capital fund	596,000	89,342
Transfer to capital fund	<u>(18,498)</u>	<u>(32,508)</u>
	<u>577,502</u>	<u>56,834</u>
FUND BALANCE - ENDING	\$ <u>33,042,730</u>	\$ <u>19,729,680</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	\$ 315,232	\$ 99,242	\$ 35,000	\$ 379,474
Development Levies	2,409,176	12,991,922	5,390,195	10,010,903
Engineering	130,987	25,311	58,263	98,035
Facility Depreciation	1,594,209	2,165,920	2,665,352	1,094,777
Financial Stabilization	1,772,995	53,000	-	1,825,995
Fire Department				
Equipment Replacement	269,586	257,060	103,585	423,061
Future Capital Expenditures	4,804,609	2,771,203	5,299,432	2,276,380
General Equipment Replacement	1,875,758	1,960,296	482,726	3,353,328
Geographic Information Systems	360,670	26,593	21,929	365,334
Information Technology	582,516	1,068,135	445,516	1,205,135
Land Equalization	194,642	285,887	-	480,529
Library / Art Gallery	-	2,000,000	-	2,000,000
Public Reserve	858,656	285,325	5,794	1,138,187
Public Housing	1,621,113	1,505,607	400,000	2,726,720
Transit	929,872	200,767	350,451	780,188
Urban Park	40,752	1,756,447	31,101	1,766,098
Winter Stabilization	<u>151,947</u>	<u>396,841</u>	<u>-</u>	<u>548,788</u>
	17,912,720	27,849,556	15,289,344	30,472,932
Library	135,115	85,985	18,498	202,602
Airport	<u>1,681,845</u>	<u>685,351</u>	<u>-</u>	<u>2,367,196</u>
	\$ <u>19,729,680</u>	\$ <u>28,620,892</u>	\$ <u>15,307,842</u>	\$ <u>33,042,730</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF PROPERTY TAXES LEVIED
YEAR ENDED DECEMBER 31, 2005

	Unaudited <u>Budget</u>	<u>2005</u>	<u>2004</u>
TAXATION			
Real property taxes			
Residential	\$ 29,930,294	\$ 29,887,115	\$ 26,284,161
Commercial	12,927,399	12,772,321	11,593,312
Industrial	7,460,683	7,790,612	6,634,036
Farm land	<u>12,998</u>	<u>12,998</u>	<u>14,948</u>
	50,331,374	50,463,046	44,526,457
Linear property taxes	1,318,113	1,336,421	1,305,923
Business taxes	217,918	215,890	207,542
Government grants in place of property taxes	583,842	583,842	711,688
Local improvement taxes	<u>1,238,442</u>	<u>801,086</u>	<u>1,058,649</u>
	<u>53,689,689</u>	<u>53,400,285</u>	<u>47,810,259</u>
DEDUCT			
Requisition transfers:			
Alberta School Foundation Fund	12,079,528	12,218,305	11,725,618
Grande Prairie Roman Catholic Separate School District No. 28	2,244,935	2,286,433	2,197,477
Senior Foundation	<u>162,427</u>	<u>162,427</u>	<u>141,192</u>
	14,486,890	14,667,165	14,064,287
Special levies for capital projects	<u>4,314,304</u>	<u>4,482,182</u>	<u>3,662,450</u>
	<u>18,801,194</u>	<u>19,149,347</u>	<u>17,726,737</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 34,888,495</u>	<u>\$ 34,250,938</u>	<u>\$ 30,083,522</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2005

	Unaudited <u>Budget</u>	<u>2005</u>	<u>2004</u>
FEDERAL GOVERNMENT TRANSFERS	\$ <u>138,752</u>	\$ <u>1,176,525</u>	\$ <u>2,123,708</u>
PROVINCIAL GOVERNMENT TRANSFERS			
Unconditional			
Municipal assistance	592,188	592,188	592,188
Conditional			
Interest stabilization	31,961	31,961	48,283
General administration	-	5,566	5,779
Protective services	597,683	682,379	591,728
Family and Community Support Service	779,332	782,173	750,980
Transportation services	4,633,563	10,067,377	3,517,017
Public housing	40,373	338,079	13,592
Recreation, cultural, tourism, employment and other	<u>177,509</u>	<u>503,060</u>	<u>229,776</u>
TOTAL PROVINCIAL TRANSFERS	<u>6,852,609</u>	<u>13,002,783</u>	<u>5,749,343</u>
LOCAL GOVERNMENT TRANSFERS	<u>75,857</u>	<u>75,304</u>	<u>97,647</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>7,067,218</u>	\$ <u>14,254,612</u>	\$ <u>7,970,698</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF EQUITY IN CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2005

	<u>2005</u>	<u>2004</u>
Acquisition of capital assets	\$ 27,120,756	\$ 16,829,047
Disposal of capital assets (cost)	(21,782)	(37,468)
Cost of land held for resale sold	-	(2)
Capital long-term debt issued	(7,468,000)	(6,707,000)
Capital long-term debt repaid from operating fund	2,173,040	2,185,154
Debt charges recovered	<u>(126,637)</u>	<u>(395,850)</u>
CHANGE IN EQUITY BALANCE	21,677,377	11,873,881
EQUITY BALANCE - BEGINNING	<u>261,692,776</u>	<u>249,818,895</u>
EQUITY BALANCE - ENDING	<u>\$ 283,370,153</u>	<u>\$ 261,692,776</u>
 EQUITY BALANCE CONSISTS OF:		
City of Grande Prairie	\$ 272,322,076	\$ 252,437,284
Grande Prairie Airport Commission	10,406,810	8,621,647
Grande Prairie Public Library Board	<u>641,267</u>	<u>633,845</u>
	<u>\$ 283,370,153</u>	<u>\$ 261,692,776</u>

CITY OF GRANDE PRAIRIE
SCHEDULE OF CONSOLIDATED EXPENDITURES BY OBJECT
YEAR ENDED DECEMBER 31, 2005

	Unaudited <u>Budget</u>	<u>2005</u>	<u>2004</u>
Salaries, wages and benefits	\$ 26,860,335	\$ 27,641,239	\$ 24,133,223
Contracted and general services	13,876,237	12,600,155	10,977,041
Materials, goods and utilities	8,759,507	8,135,458	9,203,785
Provision for allowances	50,000	401,581	40,302
Transfers to local boards and agencies	5,019	87,837	518,205
Transfers to individuals and organizations	2,529,314	2,741,341	2,570,421
Bank charges and short term interest	69,500	85,770	56,767
Interest on long-term debt	2,376,885	1,819,519	1,581,135
Other expenditures	194,485	141,480	623,932
Capital assets acquired	<u>31,405,300</u>	<u>27,120,756</u>	<u>16,829,046</u>
TOTAL EXPENDITURES	<u>\$ 86,126,582</u>	<u>\$ 80,775,136</u>	<u>\$ 66,533,857</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City of Grande Prairie are the representations of management prepared in accordance with 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 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 City. Included in the City 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.

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, 2005

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.

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, 2005

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, 2005

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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 15,923	\$ 19,580
Cash in banks	27,044,067	3,786,681
Temporary investments	<u>17,744,919</u>	<u>21,235,719</u>
	44,804,909	25,041,980
Less cash and temporary investments held in trust	<u>(1,334,616)</u>	<u>(1,124,032)</u>
	<u>\$ 43,470,293</u>	<u>\$ 23,917,948</u>

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

Temporary investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear interest at rates between 2.53% and 6.20% and mature between January, 2006 and December, 2015.

Included in cash and temporary investments is a restricted amount of \$1,380,343 (2004 - \$1,248,149) received from Alberta Transportation to be used for specific capital transportation projects and \$3,157,729 received from Alberta Infrastructure to be used for specific capital infrastructure projects (note 10).

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2005</u>	<u>2004</u>
Current taxes and grants in place of taxes	\$ 707,054	\$ 830,038
Tax arrears	<u>255,794</u>	<u>212,837</u>
	962,848	1,042,875
Less allowance for uncollectible taxes and taxes under appeal	<u>(253,423)</u>	<u>(253,423)</u>
	<u>\$ 709,425</u>	<u>\$ 789,452</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2005</u>	<u>2004</u>
Trade and other receivables	\$ 2,607,967	\$ 3,117,427
Receivables from other governments	1,804,857	1,563,702
Accrued interest receivable	<u>794,727</u>	<u>554,353</u>
	5,207,551	5,235,482
Less allowance for uncollectible trade and other receivables	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 5,202,551</u>	<u>\$ 5,230,482</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

5. AGREEMENTS RECEIVABLE

	Current Portion	<u>2005</u>	<u>2004</u>
Individuals and organizations	\$ 791	\$ 791	\$ 53,791
Aquatera Utilities Inc.	134,077	134,077	260,714
Grande Prairie Centre 2000	-	100,000	100,000
Grande Prairie Public School Board	472,520	472,520	328,424
Grande Prairie Catholic School District	93,508	93,508	108,088
Canadian Mental Health Association	15,924	406,778	449,728
Grande Prairie Gymnastics Society	<u>203,306</u>	<u>1,600,000</u>	<u>-</u>
	<u>\$ 920,126</u>	2,807,674	1,300,745
Less current portion		<u>(920,126)</u>	<u>(632,016)</u>
		<u>\$ 1,887,548</u>	<u>\$ 668,729</u>

Agreements receivable from individuals and organizations are non-interest bearing, are collectible in monthly instalments of \$791 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 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 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 Alberta Capital Finance Authority debenture of 3.8% with repayment to be equal to the annual principal and interest repayments and matures in 2015.

Estimated principal amounts to be received are as follows:

2006	\$ 920,126
2007	158,884
2008	165,285
2009	171,950
2010	178,888
Thereafter	1,212,541

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

6. INVESTMENTS

	<u>2005</u>	<u>2004</u>
Alberta Capital Finance Authority shares	\$ 60	\$ 60
Grande Prairie Regional Emergency Medical Service	-	1
Aquatera Utilities Inc. - 92.3% ownership		
Common shares (32,161; 2004 - 32,161)	322	322
Preferred shares (36,778; 2004 - 32,161)	36,777,221	32,160,653
Cumulative share of earnings	9,113,524	4,616,568
Cumulative dividends declared	(9,281,315)	(4,616,568)
Preferred shares to be issued by Aquatera	<u>2,825,886</u>	<u>4,616,568</u>
	<u>\$ 39,435,698</u>	<u>\$ 36,777,604</u>

7. PHYSICAL ASSETS

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Ending</u>
Land	\$ 9,891,495	\$ 843,820	\$ -	\$ 10,735,315
Buildings	74,240,251	13,447,337	-	87,687,588
Engineering structures	174,011,364	10,745,552	-	184,756,916
Machinery, equipment and vehicles	<u>32,537,766</u>	<u>2,084,047</u>	<u>21,782</u>	<u>34,600,031</u>
	<u>290,680,876</u>	<u>27,120,756</u>	<u>21,782</u>	<u>317,779,850</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2005</u>	<u>2004</u>
Trade payables and other accrued liabilities	\$ 4,801,732	\$ 4,264,418
Accrued payroll payable	365,396	-
Accrued vacation pay payable	1,099,171	1,035,365
Accrued interest payable	736,758	767,543
Accrued tax appeal provision	400,000	-
Accrued capital payables	<u>960,360</u>	<u>1,132,031</u>
	<u>\$ 8,363,417</u>	<u>\$ 7,199,357</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, 2005

10. DEFERRED REVENUE

	<u>Current Portion</u>	<u>2005</u>	<u>2004</u>
Prepaid local improvement charges	\$ 687	\$ 687	\$ 1,373
Deferred agreements	791	100,791	153,791
Deferred sales and user charges	2,098,198	2,098,198	2,056,939
Deferred provincial capital grants	<u>4,538,072</u>	<u>4,538,072</u>	<u>1,248,149</u>
	<u>\$ 6,637,748</u>	6,737,748	3,460,252
Less current portion		<u>(6,637,748)</u>	<u>(3,359,565)</u>
		<u>\$ 100,000</u>	<u>\$ 100,687</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 and corresponding expenditures are incurred.

Included in deferred provincial capital grants are restricted amounts of \$1,380,343 (2004 - \$1,248,149) received from Alberta Transportation to be used for specific capital transportation projects and \$3,157,729 (2004 - \$NIL) 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>2005</u>	<u>2004</u>
Debentures			
Alberta Capital Finance Authority	\$ 2,713,428	\$ 36,665,212	\$ 29,844,186
Canada Mortgage and Housing Corporation	<u>8,283</u>	<u>290,429</u>	<u>298,069</u>
	<u>\$ 2,721,711</u>	36,955,641	30,142,255
Less current portion		<u>(2,721,711)</u>	<u>(2,156,292)</u>
		<u>\$ 34,233,930</u>	<u>\$ 27,985,963</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

11. 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 4.2% to 12.0% per annum (before Provincial subsidy) and mature in 2006 through 2025. 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 2005 were \$1,940,975 (2004 - \$1,637,902).

Estimated principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,721,711	\$ 2,021,655	\$ 4,743,366
2007	1,836,897	1,824,987	3,661,884
2008	1,932,539	1,729,345	3,661,884
2009	2,033,307	1,628,578	3,661,885
2010	2,139,481	1,522,404	3,661,885
Thereafter	<u>26,291,706</u>	<u>9,800,475</u>	<u>36,092,181</u>
	<u>\$ 36,955,641</u>	<u>\$ 18,527,444</u>	<u>\$ 55,483,085</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 & Allowances (2)</u>	<u>2005 Total</u>	<u>2004 Total</u>
Mayor				
W. Ayling	\$ 79,413	\$ 4,690	\$ 84,103	\$ 86,459
Alderman				
G. Blackmore	22,497	2,833	25,330	23,447
J. Croken	28,147	3,559	31,706	28,962
C. Eckhardt	26,097	3,506	29,603	28,807
B. Given	21,897	1,874	23,771	22,674
M. Heath	25,947	906	26,853	25,918
D. Logan	20,847	2,776	23,623	4,131
G. Mazer	20,847	2,779	23,626	22,517
H. Rice	<u>22,947</u>	<u>1,916</u>	<u>24,863</u>	<u>25,095</u>
	<u>\$ 268,639</u>	<u>\$ 24,839</u>	<u>\$ 293,478</u>	<u>\$ 268,010</u>
City Manager	<u>\$ 148,060</u>	<u>\$ 20,274</u>	<u>\$ 168,334</u>	<u>\$ 163,006</u>

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

12. 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.

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 7.40% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.14% on the excess.

Employees of the City of Grande Prairie are required to make current service contributions to the Plan of 6.40% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 9.14% on the excess.

Total current and past service contributions by the City of Grande Prairie to the Local Authorities Pension Plan in 2005 were \$1,317,609 (2004 - \$794,278). Total current and past service contributions by the employees of the City of Grande Prairie to the Local Authorities Pension Plan in 2005 were \$1,228,385 (2004 - \$659,403).

At December 31, 2005, the Plan disclosed an actuarial deficiency of \$864 million (2004 - \$1,289 million). Effective January 1, 2006, employer and employee contribution rates were increased by 0.35% up to the year's maximum pensionable earnings under the Canada Pension Plan and 0.50% on the excess.

(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, 2005 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, 2005 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, 2005

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>2005</u>	<u>2004</u>
Total debt limit available	\$ 114,798,825	\$ 91,684,101
Total debt	<u>(36,955,641)</u>	<u>(30,142,255)</u>
Total debt limit remaining	<u>\$ 77,843,184</u>	<u>\$ 61,541,846</u>
Debt servicing limit available	\$ 19,133,138	\$ 15,280,684
Debt servicing	<u>(4,743,366)</u>	<u>(3,960,563)</u>
Service on debt limit remaining	<u>\$ 14,389,772</u>	<u>\$ 11,320,121</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.

15. TRANSFERS FROM LOCAL BOARDS AND AGENCIES

During the year, the Grande Prairie Gymnastics Society completed construction of their new gymnastics facility upon which time the asset was transferred to the City, in accordance with the agreement between the parties.

The cost of the building transferred to the City has been recognized in revenue as a transfer from the Society and a corresponding capital expenditure has been recorded in the amount of \$5,495,409, the cost of the project based on the Grande Prairie Gymnastics Society's audited financial statements.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

16. 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, 2005:

	<u>2005</u>	<u>2004</u>
<u>Financial position:</u>		
Financial assets	\$ 16,317,970	\$ 11,090,258
Physical assets	<u>32,984,606</u>	<u>30,699,645</u>
Total assets	<u>49,302,576</u>	<u>41,789,903</u>
Current liabilities, including callable debt	11,689,009	8,530,571
Landfill closure and post closure liability	<u>1,189,410</u>	<u>1,099,054</u>
Total liabilities	<u>12,878,419</u>	<u>9,629,625</u>
Net assets	<u>\$ 36,424,157</u>	<u>\$ 32,160,278</u>
<u>Results of operations:</u>		
Revenue	\$ 19,902,771	\$ 18,285,700
Depreciation expense	1,008,380	949,879
Operating expense	<u>14,397,435</u>	<u>13,609,423</u>
Net earnings	<u>\$ 4,496,956</u>	<u>\$ 3,726,398</u>

Callable debt reported by Aquatera Utilities Inc. includes \$134,077 (2004 - \$260,714) in debenture debt issued in the name of the City of Grande Prairie.

Estimated principal repayments on callable debt are as follows:

2006	\$ 134,077
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During the year, dividends were declared payable to the City in the amount of \$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 \$1,838,861.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

17. 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.

Received from Aquatera Utilities Inc.

	<u>2005</u>	<u>2004</u>
Franchise fees, including amounts in lieu of taxes	\$ 1,356,629	\$ 1,330,841
General administrative charges and other recoveries	1,976,386	1,887,064
Interest and investment income	15,317	26,524

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, 2005.

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.

CITY OF GRANDE PRAIRIE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005

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. Significant estimates made by management in these financial statements include accruals for unbilled utility expenses, wage settlement costs regarding the Grande Prairie Firefighters Association contract, accrual for tax appeals and provisions for uncollectible receivables. 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.

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 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 for a nominal amount, with an assumption of the lease that currently exists between the City and the Airport.

21. CONTINGENT LIABILITIES

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.

The City of Grande Prairie has been named defendant in various lawsuits as at December 31, 2005. 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.