

CITY OF GRANDE PRAIRIE
Consolidated Financial Statements
December 31, 2018



CITY OF GRANDE PRAIRIE
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Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of Council of the City of Grande Prairie

Opinion

We have audited the accompanying consolidated financial statements of the City of Grande Prairie (the City), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of financial activities and accumulated surplus, changes in net financial assets and financial position for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2018, and the results of its financial activities and accumulated surplus, changes in its net financial assets and its financial position for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fletcher Moody & LLP

Grande Prairie, Alberta
April 22, 2019

Chartered Professional Accountants



CITY OF GRANDE PRAIRIE
Consolidated Statement of Financial Position
December 31, 2018

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash (Note 2) | \$ 24,727,930 | \$ 22,560,435 |
| Portfolio investments (Note 3) | 140,769,427 | 99,721,255 |
| Receivables | | |
| Taxes and grants in place of taxes receivable (Note 4) | 9,125,897 | 7,655,826 |
| Trade and other receivables (Note 5) | 10,945,214 | 9,931,644 |
| Agreements receivable (Note 6) | 1,943,466 | 2,159,247 |
| Land held for resale inventory | 752,300 | 752,300 |
| Investments (Note 7) | 102,171,162 | 91,634,309 |
| | 290,435,396 | 234,415,016 |
| FINANCIAL LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 8) | 16,951,460 | 19,113,850 |
| Deferred revenue (Note 9) | 61,712,702 | 24,773,317 |
| Employee benefit obligations (Note 10) | 3,847,184 | 3,626,240 |
| Long-term debt (Note 11) | 140,139,518 | 130,435,996 |
| | 222,650,864 | 177,949,403 |
| NET FINANCIAL ASSETS | 67,784,532 | 56,465,613 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 2) | 669,674,632 | 658,326,639 |
| Inventory for consumption | 1,093,528 | 1,103,486 |
| Prepaid expenses | 249,847 | 304,910 |
| | 671,018,007 | 659,735,035 |
| NET ASSETS (Note 13, Schedule 1) | \$ 738,802,539 | \$ 716,200,648 |

CONTINGENT LIABILITIES (Note 24)

ON BEHALF OF THE CITY OF GRANDE PRAIRIE

_____ Mayor

_____ Corporate Services Director

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE

Consolidated Statement of Financial Activities and Accumulated Surplus

Year Ended December 31, 2018

| | <i>Budget (Unaudited)</i> 2018 | 2018 | 2017 |
|--|---------------------------------------|------------------------------|-----------------------|
| REVENUES | | | |
| Net municipal taxes <i>(Schedule 3)</i> | \$ 116,630,104 | \$ 117,035,903 | \$ 112,458,375 |
| Government transfers for operating <i>(Schedule 4)</i> | 5,972,135 | 11,767,180 | 11,209,265 |
| User fees and sales of goods | 18,671,074 | 20,774,719 | 19,029,746 |
| Interest and investment income | 3,101,000 | 2,489,121 | 2,718,791 |
| Penalties and cost of taxes | 1,425,000 | 2,165,826 | 1,769,641 |
| Development levies | 115,256 | 2,369,324 | 520,651 |
| Fines, rentals, licenses and permits | 14,979,198 | 13,701,698 | 13,695,505 |
| Franchise and concession contracts | 11,595,335 | 11,370,403 | 11,537,580 |
| Transfers from other organizations | 64,986 | 156,851 | 87,888 |
| Other revenue | 2,313,804 | 1,921,949 | 1,869,788 |
| | <u>174,867,892</u> | <u>183,752,974</u> | <u>174,897,230</u> |
| EXPENDITURES | | | |
| Council and other legislative services | 1,124,299 | 986,116 | 748,744 |
| Administrative services | 19,780,483 | 19,221,561 | 18,443,368 |
| Protective services | 44,811,766 | 47,064,614 | 44,825,660 |
| Transportation services | 42,270,050 | 62,519,681 | 57,174,696 |
| Community and social development | 3,735,439 | 9,140,716 | 8,852,500 |
| Planning and development services | 4,147,609 | 3,887,262 | 3,771,791 |
| Recreation and cultural services | 46,252,881 | 48,727,335 | 47,789,726 |
| | <u>162,122,527</u> | <u>191,547,285</u> | <u>181,606,485</u> |
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING | <u>12,745,365</u> | <u>(7,794,311)</u> | <u>(6,709,255)</u> |
| OTHER ITEMS | | | |
| Contributed tangible capital assets | - | 2,728,792 | 5,340,413 |
| Loss on disposal of tangible capital assets | - | (286,510) | (13,807) |
| Government transfers for capital <i>(Schedule 4)</i> | - | 15,344,091 | 22,638,916 |
| Subsidiary operations <i>(Note 18)</i> | 3,038,370 | 12,609,829 | 12,133,171 |
| | <u>3,038,370</u> | <u>30,396,202</u> | <u>40,098,693</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>15,783,735</u> | <u>22,601,891</u> | <u>33,389,438</u> |
| ACCUMULATED SURPLUS - BEGINNING | <u>716,200,648</u> | <u>716,200,648</u> | <u>682,811,210</u> |
| ACCUMULATED SURPLUS - ENDING | <u>\$ 731,984,383</u> | <u>\$ 738,802,539</u> | <u>\$ 716,200,648</u> |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

| | <i>Budget (Unaudited)</i> 2018 | 2018 | 2017 |
|--|---------------------------------------|---------------|---------------|
| EXCESS OF REVENUES OVER EXPENDITURES | \$ 15,783,735 | \$ 22,601,891 | \$ 33,389,438 |
| Acquisition of tangible capital assets | (55,262,538) | (36,426,381) | (38,392,064) |
| Contributed tangible capital assets | - | (2,728,792) | (5,340,413) |
| Proceeds on disposal of tangible capital assets | - | 280,579 | 159,132 |
| Amortization of tangible capital assets | - | 27,240,091 | 25,625,873 |
| Loss on disposal of tangible capital assets | - | 286,510 | 13,807 |
| | (55,262,538) | (11,347,993) | (17,933,665) |
| Acquisition of inventory for consumption | - | (1,344,801) | (1,412,050) |
| Use of inventory for consumption | - | 1,354,759 | 1,270,992 |
| Acquisition of prepaid assets | - | (1,651,953) | (1,899,478) |
| Use of prepaid assets | - | 1,707,016 | 2,040,514 |
| | - | 65,021 | (22) |
| | (55,262,538) | (11,282,972) | (17,933,687) |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (39,478,803) | 11,318,919 | 15,455,751 |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | 56,465,613 | 56,465,613 | 41,009,862 |
| NET FINANCIAL ASSETS - END OF YEAR | \$ 16,986,810 | \$ 67,784,532 | \$ 56,465,613 |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Changes in Financial Position
Year Ended December 31, 2018

| | 2018 | 2017 |
|---|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenditures | \$ 22,601,891 | \$ 33,389,438 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 27,240,091 | 25,625,873 |
| Contributed tangible capital assets | (2,728,792) | (5,340,413) |
| Loss on disposal of tangible capital assets | 286,510 | 13,807 |
| Subsidiary operations | (12,609,829) | (12,133,171) |
| | <u>34,789,871</u> | <u>41,555,534</u> |
| Taxes and grants in place of taxes receivable | (1,470,071) | (2,203,666) |
| Trade and other receivables | (1,013,570) | 596,704 |
| Accounts payable and accrued liabilities | (2,162,390) | 3,534,475 |
| Deferred revenue | 36,939,385 | (2,946,825) |
| Employee benefit obligations | 220,944 | 29,178 |
| Inventory for consumption | 9,958 | (141,058) |
| Prepaid expenses | 55,063 | 141,034 |
| | <u>67,369,190</u> | <u>40,565,376</u> |
| Cash from operating activities | | |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (36,426,381) | (38,392,064) |
| Proceeds on disposal of property, plant and equipment | 280,579 | 159,132 |
| Agreements receivable repayments | 215,781 | 205,919 |
| Dividends declared by Aquatera Utilities Inc. | 3,330,863 | 2,882,615 |
| Acquisition of investment on asset transfer | (1,257,887) | (1,570,506) |
| | <u>(33,857,045)</u> | <u>(36,714,904)</u> |
| Cash used by investing activities | | |
| FINANCING ACTIVITIES | | |
| Long-term debt issued | 19,040,514 | 900,000 |
| Long-term debt repaid | (9,336,992) | (8,876,589) |
| | <u>9,703,522</u> | <u>(7,976,589)</u> |
| Cash from (used by) financing activities | | |
| INCREASE (DECREASE) IN CASH | 43,215,667 | (4,126,117) |
| CASH - BEGINNING OF YEAR | <u>122,281,690</u> | <u>126,407,807</u> |
| CASH - END OF YEAR | <u>165,497,357</u> | <u>122,281,690</u> |
| CASH CONSISTS OF: | | |
| Cash (Note 2) | \$ 24,727,930 | \$ 22,560,435 |
| Portfolio investments (Note 3) | 140,769,427 | 99,721,255 |
| | <u>\$ 165,497,357</u> | <u>\$ 122,281,690</u> |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2018

(Schedule 1)

| | Unrestricted Surplus | Restricted Surplus | Equity in Investments | Equity in Tangible Capital Assets | 2018 | 2017 |
|--|-------------------------|-----------------------|--------------------------|---|-----------------------|-----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 38,180,400 | \$ 56,336,049 | \$ 91,634,309 | \$ 530,049,890 | \$ 716,200,648 | \$ 682,811,210 |
| Excess of revenues over expenditures | 22,601,891 | - | - | - | 22,601,891 | 33,389,438 |
| Unrestricted funds designated for future use | (20,335,861) | 20,335,861 | - | - | - | - |
| Restricted funds used for operations | 3,068,386 | (3,068,386) | - | - | - | - |
| Share of net earnings from subsidiary | (12,609,829) | - | 12,609,829 | - | - | - |
| Dividends received | 3,330,863 | - | (3,330,863) | - | - | - |
| Funds used for tangible capital assets | (23,967,149) | (12,459,232) | - | 36,426,381 | - | - |
| Contributed tangible capital assets | (2,728,792) | - | - | 2,728,792 | - | - |
| Annual amortization expense | 27,240,091 | - | - | (27,240,091) | - | - |
| Disposal of tangible capital assets | 567,087 | - | - | (567,087) | - | - |
| Long-term debt for capital repaid | (9,121,211) | - | - | 9,121,211 | - | - |
| Long-term debt for capital issued | 19,040,514 | - | - | (19,040,514) | - | - |
| Acquisition of investment on asset transfer <i>(Note 7)</i> | (1,257,887) | - | 1,257,887 | - | - | - |
| BALANCE, END OF YEAR | \$ 44,008,503 | \$ 61,144,292 | \$ 102,171,162 | \$ 531,478,582 | \$ 738,802,539 | \$ 716,200,648 |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2018

(Schedule 2)

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | Assets Under Construction | 2018 | 2017 |
|--|----------------------|----------------------|-----------------------|-----------------------|-------------------------|----------------------|---------------------------|-----------------------|-----------------------|
| COST | | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 85,748,525 | \$ 65,044,832 | \$ 274,990,384 | \$ 428,798,583 | \$ 21,627,511 | \$ 21,785,607 | \$ 22,001,553 | \$ 919,996,995 | \$ 881,254,429 |
| Acquisition of tangible capital assets | 130,161 | 1,844,472 | 1,312,840 | 17,702,958 | 1,449,519 | 2,288,743 | 14,426,479 | 39,155,172 | 44,207,644 |
| Transfers of assets under construction | - | 4,781,738 | 6,226,219 | 10,993,596 | - | - | (22,001,553) | - | - |
| Other transfers | - | - | - | - | - | - | - | - | (475,169) |
| Disposal of tangible capital assets | (4,344) | (44,887) | - | (5,062,320) | (148,329) | (251,176) | - | (5,511,056) | (4,989,909) |
| BALANCE, END OF YEAR | 85,874,342 | 71,626,155 | 282,529,443 | 452,432,817 | 22,928,701 | 23,823,174 | 14,426,479 | 953,641,111 | 919,996,995 |
| ACCUMULATED AMORTIZATION | | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 26,051,693 | 64,782,356 | 149,312,903 | 11,725,090 | 9,798,314 | - | 261,670,356 | 240,861,453 |
| Annual amortization | - | 3,736,836 | 6,275,121 | 14,196,934 | 1,817,454 | 1,213,746 | - | 27,240,091 | 25,625,873 |
| Accumulated amortization on disposals | - | (23,749) | - | (4,565,361) | (103,681) | (251,177) | - | (4,943,968) | (4,816,970) |
| BALANCE, END OF YEAR | - | 29,764,780 | 71,057,477 | 158,944,476 | 13,438,863 | 10,760,883 | - | 283,966,479 | 261,670,356 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 85,874,342 | \$ 41,861,375 | \$ 211,471,966 | \$ 293,488,341 | \$ 9,489,838 | \$ 13,062,291 | \$ 14,426,479 | \$ 669,674,632 | \$ 658,326,639 |
| 2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 85,748,525 | \$ 38,993,139 | \$ 210,208,028 | \$ 279,485,680 | \$ 9,902,421 | \$ 11,987,293 | \$ 22,001,553 | \$ 658,326,639 | |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2018

| | <i>Budget (Unaudited) 2018</i> | 2018 | 2017 |
|---------------------------------------|--|------------------------------|-----------------------|
| Taxation | | | |
| Real property taxes | \$ 143,520,001 | \$ 143,612,586 | \$ 139,300,892 |
| Linear property taxes | 2,095,456 | 2,095,456 | 1,961,172 |
| Downtown Business Revitalization Zone | 356,597 | 371,475 | 389,727 |
| Grants in place of taxes | 492,814 | 492,814 | 463,749 |
| Local improvement | 30,300 | 16,700 | 16,700 |
| | <u>146,495,168</u> | <u>146,589,031</u> | <u>142,132,240</u> |
| Requisitions | | | |
| Alberta School Foundation Fund | 29,097,514 | 28,751,791 | 28,889,427 |
| Grande Spirit Foundation | 410,953 | 444,740 | 427,841 |
| Business revitalization zone | 356,597 | 356,597 | 356,597 |
| | <u>29,865,064</u> | <u>29,553,128</u> | <u>29,673,865</u> |
| | <u>\$ 116,630,104</u> | <u>\$ 117,035,903</u> | <u>\$ 112,458,375</u> |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Government Transfers *(Schedule 4)*
Year Ended December 31, 2018

| | <i>Budget (Unaudited) 2018</i> | 2018 | 2017 |
|-----------------------------------|--|----------------------|---------------|
| Transfers for operating | | | |
| Provincial government | \$ 3,798,069 | \$ 9,335,736 | \$ 8,963,550 |
| Federal government | 54,000 | 635,853 | 590,593 |
| Other local governments | 2,120,066 | 1,795,591 | 1,655,122 |
| | <u>5,972,135</u> | <u>11,767,180</u> | 11,209,265 |
| Transfers for capital | | | |
| Provincial government | - | 15,294,766 | 22,497,183 |
| Federal government | - | 49,325 | 141,733 |
| | <u>-</u> | <u>15,344,091</u> | 22,638,916 |
| TOTAL GOVERNMENT TRANSFERS | <u>\$ 5,972,135</u> | <u>\$ 27,111,271</u> | \$ 33,848,181 |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Expenditures by Object *(Schedule 5)*
Year Ended December 31, 2018

| | <i>Budget (Unaudited)</i> | | |
|--|-------------------------------|------------------------------|-----------------------|
| | 2018 | 2018 | 2017 |
| EXPENDITURES | | | |
| Salaries, wages and benefits | \$ 89,958,915 | \$ 90,280,979 | \$ 85,472,202 |
| Contracted and general services | 35,279,326 | 35,052,897 | 33,304,442 |
| Materials, goods and utilities | 23,112,494 | 23,318,705 | 21,099,925 |
| Provision for allowances | 65,000 | 295 | 252 |
| Transfers to individuals, local boards and other organizations | 7,362,209 | 10,150,674 | 10,414,986 |
| Bank charges and short-term interest | 325,957 | 300,801 | 237,799 |
| Interest on long-term debt | 6,018,626 | 5,202,843 | 5,451,006 |
| Amortization provision | - | 27,240,091 | 25,625,873 |
| | <u>\$ 162,122,527</u> | <u>\$ 191,547,285</u> | <u>\$ 181,606,485</u> |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Segment Disclosure
Year Ended December 31, 2018

(Schedule 6)

| | General Government | Protective Services | Transportation Services | Planning and Development | Community Development | Recreation and Culture | Total |
|--|-----------------------|------------------------|----------------------------|-----------------------------|--------------------------|---------------------------|-----------------------|
| REVENUE | | | | | | | |
| Net municipal taxes | \$ 117,035,903 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 117,035,903 |
| Government transfers | 1,679,314 | 1,743,820 | 34,726 | 4,562,233 | 2,603,178 | 1,143,909 | 11,767,180 |
| User fees and sales of goods | 247,924 | 2,122,750 | 9,938,859 | 281,182 | 56,650 | 8,127,354 | 20,774,719 |
| Investment income | 2,203,450 | - | 242,040 | - | 1,868 | 41,763 | 2,489,121 |
| Other revenue | 14,392,680 | 6,784,160 | 3,821,400 | 83,228 | 3,187,297 | 3,417,286 | 31,686,051 |
| | <u>135,559,271</u> | <u>10,650,730</u> | <u>14,037,025</u> | <u>4,926,643</u> | <u>5,848,993</u> | <u>12,730,312</u> | <u>183,752,974</u> |
| EXPENSES | | | | | | | |
| Salaries, wages and benefits | 12,766,467 | 24,496,611 | 21,216,135 | 3,568,593 | 2,432,970 | 25,800,203 | 90,280,979 |
| Contracted and general services | 5,119,398 | 19,236,131 | 5,631,847 | 258,751 | 350,708 | 4,456,062 | 35,052,897 |
| Materials, goods and utilities | 1,351,289 | 1,679,547 | 12,506,943 | 37,493 | 134,503 | 7,608,930 | 23,318,705 |
| Transfers to local boards and agencies | 619,966 | 149,000 | 756,575 | - | 5,994,662 | 2,630,471 | 10,150,674 |
| Interest on long-term debt | 76,070 | 475,173 | 1,434,751 | - | 63,555 | 3,153,294 | 5,202,843 |
| Amortization expense | 243,055 | 1,014,891 | 20,917,419 | - | 163,415 | 4,901,311 | 27,240,091 |
| Other expenses | 31,432 | 13,261 | 56,011 | 22,425 | 903 | 177,064 | 301,096 |
| | <u>20,207,677</u> | <u>47,064,614</u> | <u>62,519,681</u> | <u>3,887,262</u> | <u>9,140,716</u> | <u>48,727,335</u> | <u>191,547,285</u> |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS | <u>\$ 115,351,594</u> | <u>\$ (36,413,884)</u> | <u>\$ (48,482,656)</u> | <u>\$ 1,039,381</u> | <u>\$ (3,291,723)</u> | <u>\$ (35,997,023)</u> | <u>\$ (7,794,311)</u> |
| 2017 EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS | <u>\$ 111,584,810</u> | <u>\$ (34,547,182)</u> | <u>\$ (44,318,344)</u> | <u>\$ 696,147</u> | <u>\$ (3,813,249)</u> | <u>\$ (36,311,437)</u> | <u>\$ (6,709,255)</u> |

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity

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

Grande Prairie Public Library
Grande Prairie Airport Commission

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

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

Interdepartmental and organizational transactions and balances have been eliminated.

The consolidated financial statements also exclude trust assets that are administered for the benefit of external parties as described in Note 20.

Basis of accounting

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

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

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

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

Investments

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

Agreements receivable

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

Requisition over-levy and under-levy

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and the property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

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 President of the Alberta Treasury Board and the Minister of Finance are the legal trustees and administrators of the Plan, which is governed 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 City does not recognize its share of any plan surplus or deficit.

Qualifying employees of the City are members of the APEX Supplementary Pension Plan (APEX), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Municipal Services Corporation, a subsidiary of the Alberta Urban Municipalities Association and the plan is administered by a Board of Trustees. Since the Plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the City does not recognize its share of any plan surplus or deficit.

Employees of the Grande Prairie Firefighters Association, a department of the City of Grande Prairie, 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.

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CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring. At this time, no contaminated sites liabilities have been identified and, thus, no liability has been recorded.

Non-financial assets

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

Tangible capital assets

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

| | |
|-------------------------|---------|
| Buildings | 25 - 50 |
| Land improvements | 15 - 45 |
| Engineered structures | 5 - 75 |
| Machinery and equipment | 5 - 25 |
| Vehicles | 5 - 25 |

In the year of acquisition, a full year of amortization is applied. Assets under construction are not amortized until the asset is available for productive use. No amortization is recorded in the year an asset is disposed of.

The City regularly reviews its tangible capital assets for sold or scrapped assets, at which time the cost and the related accumulated amortization are removed from the accounts and any resulting gain or loss on disposal is reflected in income. No amortization is recorded in the year of disposition.

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

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

Impairment of long-lived assets

The City tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Inventory held for consumption

Inventories of materials and supplies held for consumption are recorded at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis.

Reserves for future expenditures

Reserves are established at the discretion of Council to set aside funds for future expenditures and capital projects.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be determined.

Measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

Significant estimates made by management in these financial statements include the provision for amortization of tangible capital assets and provisions for uncollectible trade and other receivables.

Budget

The budget amounts are presented for information purposes and have not been audited.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

2. CASH

| | 2018 | 2017 |
|--------------|---------------|---------------|
| Cash on hand | \$ 33,114 | \$ 36,930 |
| Cash in bank | 24,694,816 | 22,523,505 |
| | \$ 24,727,930 | \$ 22,560,435 |

Cash in bank bears interest at a rate of prime minus 1.8% (2017 - prime minus 1.8%) per annum on balances over \$1,000,000.

Included in cash and portfolio investments are restricted amounts aggregating \$58,950,916 (2017 - \$22,588,038) to be used for specific projects included in deferred revenue (*Note 9*).

3. PORTFOLIO INVESTMENTS

Portfolio investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, have a weighted average investment yield of 2.58% (2017 - 2.48%) per annum and mature between June, 2019 and August, 2028.

Included in cash and portfolio investments are restricted amounts aggregating \$58,950,916 (2017 - \$22,588,038) to be used for specific projects included in deferred revenue (*Note 9*).

In addition, the City has investments of \$2,169,191 (2017 - \$2,111,071) that are held in trust as described in Note 20.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | 2018 | 2017 |
|--|--------------|--------------|
| Current taxes and grants in place of taxes | \$ 7,062,060 | \$ 6,351,516 |
| Arrears | 2,272,260 | 1,512,733 |
| Allowance for doubtful accounts | (208,423) | (208,423) |
| | \$ 9,125,897 | \$ 7,655,826 |

5. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|--|---------------|--------------|
| Trade and other receivables | \$ 5,429,117 | \$ 5,649,759 |
| Government grants receivable | 448,545 | 38,166 |
| Dividend receivable | 3,330,863 | 2,882,615 |
| Goods and services tax | 647,591 | 224,761 |
| Accrued investment earnings | 1,154,098 | 1,201,343 |
| Less: allowances for uncollectible trade and other receivables | (65,000) | (65,000) |
| | \$ 10,945,214 | \$ 9,931,644 |



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

6. AGREEMENTS RECEIVABLE

| | 2018 | 2017 |
|--|---------------------|--------------|
| RCMP | \$ 1,786,265 | \$ 1,965,972 |
| Canadian Mental Health Association | 141,108 | 171,817 |
| Army, Navy and Airforce Veterans Unit #389 | 16,093 | 21,458 |
| | 1,943,466 | 2,159,247 |
| Current portion | (226,149) | (215,780) |
| | \$ 1,717,317 | \$ 1,943,467 |

Estimated principal amounts to be received are as follows:

| | |
|-------------|---------------------|
| 2019 | \$ 226,149 |
| 2020 | 237,030 |
| 2021 | 248,449 |
| 2022 | 255,069 |
| 2023 | 227,273 |
| To maturity | 749,496 |
| | \$ 1,943,466 |

The RCMP agreement receivable is for a portion of the costs of the new RCMP facility as agreed to by the parties. The amount is based on a proportion of specific debentures issued by the City to Alberta Capital Finance Authority (ACFA), is unsecured, bears interest at a weighted average rate equal to the corresponding ACFA debentures of 4.00% per annum, with repayment to be proportionate to the total annual principal and interest repayments on the specific debentures and matures in 2026. The actual amount receivable will be determined annually based on certain criteria established between the parties. Management has determined this estimate based on the best information available at year-end date. Any change to the estimate will be accounted for as a current transaction in the period the change becomes known.

The Canadian Mental Health Association agreement receivable is secured by a general security agreement, bears interest at a rate equal to the corresponding ACFA debenture of 5.63% per annum, with repayment to be equal to the annual principal and interest repayments and matures in 2022.

The Army, Navy, Airforce Veterans Unit #389 agreement receivable is unsecured and non-interest bearing with annual principal repayments of \$5,364 and matures in 2021.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

7. LONG-TERM INVESTMENTS

| | 2018 | 2017 |
|--|----------------|---------------|
| Alberta Capital Finance Authority shares | \$ 60 | \$ 60 |
| Aquatera Utilities Inc. - 74.09% ownership | | |
| 94,922 common shares (2017 - 84,314) | 950 | 843 |
| 103,919 preferred shares (2017 - 93,311) | 103,918,691 | 93,311,080 |
| Cumulative share of earnings | 96,565,866 | 83,956,037 |
| Cumulative share of dividends declared | (98,314,405) | (85,633,711) |
| | 102,171,102 | 91,634,249 |
| | \$ 102,171,162 | \$ 91,634,309 |

On December 31, 2018, the City transferred assets with a carrying value of \$1,257,780 to Aquatera Utilities Inc. in exchange for 1,258 common and 1,258 preferred shares. Immediately prior to the asset transfer, Aquatera Utilities Inc. declared a stock dividend, under which the City received 9,350 common and 9,350 preferred shares with a carrying value of \$9,349,831 in aggregate.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2018 | 2017 |
|--|---------------|---------------|
| Trade payables and other accrued liabilities | \$ 11,627,492 | \$ 9,469,500 |
| Construction holdbacks payable | 1,627,518 | 5,044,386 |
| Accrued payroll | 1,724,849 | 1,701,517 |
| Accrued interest payable | 1,088,644 | 1,132,533 |
| Annexation liability (<i>Note 23</i>) | 882,957 | 1,765,914 |
| | \$ 16,951,460 | \$ 19,113,850 |



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

9. DEFERRED REVENUE

| | 2018 | 2017 |
|---------------------------------|----------------------|----------------------|
| Deferred sales and user charges | \$ 4,930,976 | \$ 4,296,350 |
| Deferred capital grants | 30,706,009 | 14,667,131 |
| Deferred operating grants | 26,075,717 | 5,809,836 |
| | \$ 61,712,702 | \$ 24,773,317 |

Deferred sales and user charges consist of amounts received which are taken into revenue in the period in which they are earned and corresponding expenditures incurred. Unexpended funds related to deferred grants are fully supported by cash and portfolio investments held exclusively for these projects.

Deferred capital grants consist of restricted amounts for specific capital projects.

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

Municipal Sustainability Initiative

Capital funding in the amount of \$19,774,745 was received in the current year from the Municipal Sustainability Initiative, as approved under the funding agreement. Unexpended funds related to this advance, and amounts from prior periods carried forward are supported by cash and portfolio investments of \$23,294,951 held exclusively for these projects, which are scheduled for completion in subsequent periods.

10. EMPLOYEE BENEFIT OBLIGATIONS

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Post-employment benefits

The City pays 100% of the premiums for retiree life insurance benefits to qualifying retirees for a two-year period after termination of employment. The City's cost of these benefits is recognized as a program expenditure as the coverage is incurred.

Total benefit payments on behalf of retirees during the year were \$27,917 (2017 - \$13,315).



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

11. LONG-TERM DEBT

Tax supported debentures

| | Principal | Interest | Total |
|------------|----------------|---------------|----------------|
| 2019 | \$ 7,767,706 | \$ 4,577,262 | \$ 12,344,968 |
| 2020 | 7,622,360 | 4,504,430 | 12,126,790 |
| 2021 | 7,588,992 | 4,190,258 | 11,779,250 |
| 2022 | 7,431,675 | 3,885,724 | 11,317,399 |
| 2023 | 6,832,855 | 3,595,680 | 10,428,535 |
| Thereafter | 102,895,930 | 36,584,956 | 139,480,886 |
| | \$ 140,139,518 | \$ 57,338,310 | \$ 197,477,828 |

Subsequent to year-end, debenture debt was restructured to match debt repayments to the useful life of the related tangible capital assets acquired. The repayment schedule reflects the post-restructuring balances.

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.18% to 6.75% per annum and matures in years 2019 through 2049.

Debenture debt is issued on the credit and security of the City at large.

Included in the balance are long-term debentures issued for non-capital purposes aggregating \$141,108 (2017 - \$171,817).

Cash paid for interest on long-term debt amounted to \$5,338,037 (2017 - \$5,645,067).

Included in long-term debt is a loan in the amount of \$15,610,678 (2017 - \$16,510,797) that was entered into on behalf of the Grande Prairie Airport Commission and is being repaid by the Commission.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

12. 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:

| | 2018 | 2017 |
|---------------------------------|-----------------------|-----------------------|
| Total debt limit | \$ 275,629,461 | \$ 262,345,845 |
| Total debt <i>(Note 11)</i> | <u>(140,139,518)</u> | <u>(130,435,996)</u> |
| Amount debt limit remaining | <u>\$ 135,489,943</u> | <u>\$ 131,909,849</u> |
| Debt servicing limit | \$ 45,938,244 | \$ 43,724,308 |
| Debt servicing <i>(Note 11)</i> | <u>(12,344,968)</u> | <u>(14,581,359)</u> |
| Service on debt limit remaining | <u>\$ 33,593,276</u> | <u>\$ 29,142,949</u> |

The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

13. ACCUMULATED SURPLUS

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

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Unrestricted surplus | \$ 44,008,503 | \$ 38,180,400 |
| Equity in long-term investments <i>(Note 7)</i> | 102,171,162 | 91,634,309 |
| Equity in tangible capital assets <i>(Note 14)</i> | 531,478,582 | 530,049,890 |
| Restricted surplus <i>(Note 15)</i> | <u>61,144,292</u> | <u>56,336,049</u> |
| | <u>\$ 738,802,539</u> | <u>\$ 716,200,648</u> |

14. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Tangible capital assets <i>(Schedule 2)</i> | \$ 669,674,632 | \$ 658,326,639 |
| Capital agreements receivable <i>(Note 6)</i> | 1,802,358 | 1,987,430 |
| Long-term debt issued for capital purposes <i>(Note 11)</i> | <u>(139,998,408)</u> | <u>(130,264,179)</u> |
| | <u>\$ 531,478,582</u> | <u>\$ 530,049,890</u> |



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. RESTRICTED SURPLUS

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

| | Balance Beginning | Additions | Reductions | Balance Closing |
|--|----------------------|----------------------|----------------------|----------------------|
| Cemetery perpetual care | \$ 2,776,841 | \$ 266,390 | \$ - | \$ 3,043,231 |
| Facility renewal | 1,270,368 | 4,402,939 | 4,229,527 | 1,443,780 |
| Financial stabilization | 7,206,046 | 2,840,176 | 1,675,000 | 8,371,222 |
| Fire department equipment replacement | 1,033,980 | 291,377 | 450,000 | 875,357 |
| Fleet management system | 13,107,431 | 1,221,046 | 528,436 | 13,800,041 |
| Future expenditures | 9,970,476 | 4,441,911 | 5,110,782 | 9,301,605 |
| Neighbourhood entrance | - | 2,525 | - | 2,525 |
| Pinnacle Ridge special tax Public | 6,190 | 7,763 | - | 13,953 |
| Public art | 2,314,667 | 926,901 | 400,000 | 2,841,568 |
| Public housing commission | 50,213 | 28,693 | 9,000 | 69,906 |
| RCMP detachment | 590,950 | 36,608 | - | 627,558 |
| Transportation system levies | 298,465 | 5,989 | - | 304,454 |
| Winter stabilization | 6,280,220 | 1,452,442 | 929,530 | 6,803,132 |
| | 2,575,753 | 51,683 | - | 2,627,436 |
| | <u>47,481,600</u> | <u>15,976,443</u> | <u>13,332,275</u> | <u>50,125,768</u> |
| Library | 2,070,507 | 246,598 | 218,005 | 2,099,100 |
| Airport | 6,783,942 | 4,112,820 | 1,977,338 | 8,919,424 |
| | <u>\$ 56,336,049</u> | <u>\$ 20,335,861</u> | <u>\$ 15,527,618</u> | <u>\$ 61,144,292</u> |



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

16. SALARY AND BENEFITS DISCLOSURE

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

| | Salary ¹ | Benefits and Allowances ² | 2018 | 2017 |
|---------------|---------------------|---|-------------------|------------|
| Mayor: | | | | |
| B. Given | \$ 113,252 | \$ 11,647 | \$ 124,899 | \$ 109,237 |
| Councillors: | | | | |
| C. Blackburn | 63,198 | 6,816 | 70,014 | 11,519 |
| D. Bressey | 67,798 | 6,816 | 74,614 | 10,681 |
| J. Clayton | 60,298 | 6,816 | 67,114 | 52,359 |
| E. Friesen | 59,375 | 6,816 | 66,191 | 11,521 |
| D. Logan | - | - | - | 40,379 |
| K. McLean | - | - | - | 47,451 |
| Y. Minhas | 61,075 | 6,816 | 67,891 | 11,521 |
| K. O'Toole | 68,098 | 6,816 | 74,914 | 57,535 |
| W. Pilat | 59,875 | 6,816 | 66,691 | 11,521 |
| L. Radbourne | - | - | - | 42,414 |
| H. Rice | - | - | - | 40,576 |
| R. Tarant | - | - | - | 44,376 |
| C. Thiessen | 68,013 | 6,816 | 74,829 | 56,502 |
| City Manager: | | | | |
| R. Nicolay | 310,782 | 33,010 | 343,792 | 286,538 |
| G. Scerbak | - | - | - | 95,305 |

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, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

17. EMPLOYEE FUTURE BENEFITS

a) Local Authorities Pension Plan

Employees of the City participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 259,714 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings from the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the City are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the City to the LAPP in 2018 were \$6,179,012 (2017 - \$6,253,657). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2018 were \$5,666,224 (2017 - \$5,772,974).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.8 billion (2016 - \$637 million deficiency).

LAPP has announced that member contribution rates will be reduced by 1% for employees and 1% for employers, effective January 1, 2019.

b) APEX Supplementary Pension Plan

Eligible employees may also elect to participate in the voluntary APEX Supplementary Pension Plan offered through the Alberta Municipalities Association, which is covered by the Public Sector Pension Plans Act. The plan serves about 1,381 people and 70 employers. It is funded by employer and employee contributions and investment earnings on the APEX fund.

The City is required to make current service contributions of 3.78% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$147,222 (2017 - \$145,722) for those employees who have elected to participate in the Plan. No contributions are required on earnings above the maximum threshold.

Employees of the City electing to participate in the Plan are required to make current service contributions of 2.84% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$147,222, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2018 were \$432,845 (2017 - \$401,267). The current and past service contributions by employees of the City to APEX in 2018 were \$325,209 (2017 - \$301,481).

At December 31, 2017, the Plan disclosed an actuarial deficiency of \$2,370,293 (2016 - \$2,269,192).

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

17. EMPLOYEE FUTURE BENEFITS *(continued)*

c) Grande Prairie Firefighters Supplementary Pension Plan

Effective January 1, 2004, the City initiated a defined benefit pension plan on behalf of employees of the Grande Prairie Firefighters Association.

The City is required to make current service contributions to the Plan of 2.77% of pensionable earnings, with no annual maximum limit. Plan members are required to make current service contributions of 2.26% of pensionable earnings with no annual maximum limit and are responsible for 100% of past service contributions.

Total current service contributions made by the City to the Firefighters Supplementary Pension Plan in 2018 were \$260,800 (2017 - \$261,642). Total current contributions by the employees of the City to the Plan in 2018 were \$212,783 (2017 - \$213,470).

At December 31, 2017, the Plan disclosed a surplus of \$512,128 (2016 - \$582,145 surplus). The City and the plan members have agreed to share the cost of future service and future additional unfunded liabilities 55% by the City and 45% by plan members. It is management's opinion that the City's proportionate share of any such unfunded liability as at December 31, 2018, would not have significant impact on the financial position of the City.

18. SUBSIDIARY OPERATIONS

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

The following is a summary of condensed financial information related to the City's proportionate share (2018 - 74.13%; 2017 - 73.77%) in Aquatera Utilities Inc. for the year ended December 31, 2018:

| | 2018 | 2017 |
|--|----------------|---------------|
| Financial Position: | | |
| Financial assets | \$ 78,533,324 | \$ 65,541,204 |
| Physical assets | 241,014,820 | 221,932,976 |
| Total assets | 319,548,144 | 287,474,180 |
| Current liabilities, including callable debt | 90,538,339 | 80,310,281 |
| Deferred revenue of capital contributions | 121,920,186 | 111,272,194 |
| Landfill closure and post-closure liability | 5,072,602 | 4,987,712 |
| Total liabilities | 217,531,127 | 196,570,187 |
| Net assets | \$ 102,017,017 | \$ 90,903,993 |

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

18. SUBSIDIARY OPERATIONS *(continued)*

| | 2018 | 2017 |
|-------------------------------|----------------------|----------------------|
| Results of Operations: | | |
| Revenue | \$ 46,861,108 | \$ 42,356,859 |
| Amortization expense | (6,509,168) | (6,040,119) |
| Finance costs | (881,932) | (1,688,519) |
| Net subsidiary operations | (1,050,200) | (781,007) |
| Operating expenses | (25,809,979) | (21,714,043) |
| | \$ 12,609,829 | \$ 12,133,171 |

Annual dividends were declared in the year in the amount of \$3,330,863 (2017 - \$2,882,615). At year-end, the dividends declared had not been received.

Aquatera Utilities Inc. has recognized a decommissioning liability for the estimated expected costs for closure and post-closure activities of the landfill site. These estimated costs are based on estimates and assumptions related to future events and using information currently available to management. Future events may result in significant changes to the estimated total costs and the estimated liability.

Aquatera Utilities Inc. estimates the discounted amount of cash required to settle its decommissioning liability to be approximately \$5,965,907 (2017 - \$5,709,002), calculated using inflation rates of 2.00% and a long-term discount rate of 4.50% per annum.

The majority of closure costs are related to phase 1 and 2 of the landfill and are expected to occur in approximately 5 to 7 years dependent upon future usage rates. Annual post-closure costs are expected to extend to 25 years beyond closure of the landfill in accordance with Alberta Environment regulations. The expected capacity remaining is 448,529 (2017 - 520,273) metric tonnes remaining with an annual estimated utilization of 71,744 metric tonnes. The current year liability and capacity reflects phases 1 and 2 of a five-year phased plan, a total capacity of approximately 3.6 million metric tonnes and a total lifespan of approximately 29 years once all cells are completed.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

19. RELATED PARTY TRANSACTIONS

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2018:

| | 2018 | 2017 |
|---|--------------|--------------|
| Aquatera Utilities Inc. <i>(a government business enterprise controlled by the City)</i> | | |
| Franchise fee revenue, including amounts in lieu of taxes | \$ 3,403,065 | \$ 3,215,055 |
| General administrative charge revenue and other recoveries | - | 127,815 |
| Utility and other expenses | 1,286,925 | 770,567 |
| Dividends declared | 3,330,863 | 2,882,615 |
| Trade and other accounts receivable | 3,330,863 | 2,882,615 |
| Trade accounts payable | 31,510 | 37,402 |

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

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

20. FUNDS HELD IN TRUST

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

| | Balance Beginning | Receipts | Disbursements | Balance Closing |
|-------------------------------------|----------------------|--------------|---------------|--------------------|
| Facility deposits and registrations | \$ 148,480 | \$ 894,370 | \$ 847,001 | \$ 195,849 |
| Community funds and endowments | 1,146,329 | 323,123 | 82,390 | 1,387,062 |
| Advance ticket sales | 816,262 | 2,624,362 | 2,854,344 | 586,280 |
| | \$ 2,111,071 | \$ 3,841,855 | \$ 3,783,735 | \$ 2,169,191 |



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

21. FINANCIAL INSTRUMENTS

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

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

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

The City has an available bank line of credit in the amount of \$2,000,000, all of which is unused at December 31, 2018.

22. SEGMENT DISCLOSURE

The City of Grande Prairie provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (*Schedule 6*).

23. ANNEXATION

On January 1, 2016, the City annexed real property from the County of Grande Prairie No. 1 which included land, engineered structures and construction in progress, as well as specific long-term debt directly attributable to those specific tangible capital assets. In connection with the annexation order, the City is required to pay the following amounts to the County of Grande Prairie No. 1:

| | |
|--|--------------------|
| Amounts due on or before: | |
| December 31, 2016 | \$ 1,471,595 |
| December 31, 2017 | 1,177,276 |
| December 31, 2018 | 882,957 |
| December 31, 2019 | 588,638 |
| December 31, 2020 | <u>294,319</u> |
| Total liability arising due to annexation | 4,414,785 |
| Less amounts paid | <u>(3,531,828)</u> |
| Remaining annexation liability (<i>Note 8</i>) | <u>\$ 882,957</u> |



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

24. CONTINGENT LIABILITIES

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

The City has been named defendant in various lawsuits as at December 31, 2018. 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, management indicates that it is unlikely that there will be a materially adverse effect on the financial position of the City. The ultimate settlement of these lawsuits, if any, will be recorded in the period the details become known.

25. COMMITMENTS

The city has entered into various leases and other agreements as part of its on-going 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.

