

**CITY OF GRANDE PRAIRIE  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

## Management's Responsibility

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the City. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the City's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

May 5, 2014

Management

A large, stylized handwritten signature in black ink is written over a horizontal line. The signature is highly cursive and loops around the line.

## Auditor's Report

### To the Members of Council of the City of Grande Prairie:

#### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of the City of Grande Prairie, which comprise the consolidated statement of financial position at December 31, 2013, the consolidated statements of operations, change in net assets (debt), cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Grande Prairie as at December 31, 2013, and the results of its operations, changes in its net assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta  
May 5, 2014

MNP LLP

Chartered Accountants

**City of Grande Prairie**  
**Consolidated Statement of Financial Position**

As at December 31, 2013

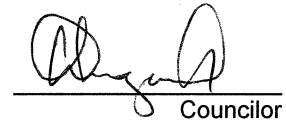
	2013	2012
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	20,428,759	15,465,542
Portfolio investments (Note 3)	95,348,666	91,332,458
Taxes and grants in place of taxes (Note 4)	3,838,805	3,423,691
Trade and other accounts receivable (Note 5)	10,297,682	10,002,214
Agreements receivable (Note 6)	3,165,281	3,508,840
Land held for resale inventory	752,300	629,100
Investments (Note 7)	56,322,506	52,354,554
	<b>190,153,999</b>	<b>176,716,399</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 8)	15,046,882	13,863,650
Deferred revenue (Note 9)	24,931,019	29,238,888
Long-term debt (Note 10)	135,896,089	143,630,691
	<b>175,873,990</b>	<b>186,733,229</b>
<b>NET ASSETS (DEBT)</b>	<b>14,280,009</b>	<b>(10,016,830)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	532,085,114	518,415,510
Inventory for consumption	743,161	717,338
Prepaid expenses	220,703	273,751
	<b>533,048,978</b>	<b>519,406,599</b>
<b>ACCUMULATED SURPLUS</b> (Schedule I, Note 12)	<b>547,328,987</b>	<b>509,389,769</b>

*Commitments and contingencies - See Notes 22 and 23*

Approved by



\_\_\_\_\_  
Mayor



\_\_\_\_\_  
Councilor

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Consolidated Statement of Operations**

For the year ended December 31, 2013

	Budget (Note 25)	2013	2012
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	92,479,092	<b>92,653,608</b>	87,647,122
Government transfers for operating (Schedule IV)	4,584,548	<b>9,371,374</b>	9,440,805
User fees and sales of goods	19,634,148	<b>22,474,711</b>	21,275,039
Investment income	2,442,282	<b>1,793,808</b>	3,705,227
Penalties and costs of taxes	1,000,000	<b>1,092,160</b>	1,336,438
Development levies	465,975	<b>1,618,430</b>	3,643,287
Fines, rentals, licenses and permits	12,032,767	<b>10,892,345</b>	10,460,825
Franchise and concession contracts	8,805,075	<b>8,970,906</b>	8,303,300
Transfers from other organizations	52,500	<b>292,014</b>	479,807
Other	2,370,984	<b>2,516,784</b>	2,942,676
	<b>143,867,371</b>	<b>151,676,140</b>	149,234,526
<b>EXPENSES</b>			
Council and other legislative services	946,794	<b>914,378</b>	699,191
Administrative services	15,423,505	<b>15,977,935</b>	14,938,630
Protective services	33,738,782	<b>35,175,724</b>	33,526,631
Transportation services	32,488,308	<b>45,738,245</b>	43,488,404
Community social development	2,298,259	<b>6,503,075</b>	7,521,632
Planning and development services	3,115,826	<b>3,444,286</b>	3,489,433
Recreation and cultural services	38,793,432	<b>45,600,458</b>	41,432,972
Other services	10,208	<b>4,394</b>	593,872
	<b>126,815,114</b>	<b>153,358,495</b>	145,690,765
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	17,052,257	<b>(1,682,355)</b>	3,543,761
<b>OTHER</b>			
Contributed tangible capital assets	-	<b>8,714,390</b>	5,134,442
Gain (loss) on disposal of tangible capital assets	-	<b>197,559</b>	(56,023)
Government transfers for capital (Schedule IV)	21,622,083	<b>24,104,372</b>	19,198,575
Subsidiary operations (Note 18)	2,637,300	<b>6,605,252</b>	6,653,361
	<b>24,259,383</b>	<b>39,621,573</b>	30,930,355
<b>EXCESS OF REVENUE OVER EXPENSES</b>	41,311,640	<b>37,939,218</b>	34,474,116
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	509,389,769	<b>509,389,769</b>	474,915,653
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	550,701,409	<b>547,328,987</b>	509,389,769

The accompanying notes are an integral part of these financial statements

**City of Grande Prairie**  
**Consolidated Statement of Changes in Net Financial Assets (Debt)**

For the year ended December 31, 2013

	Budget (Note 25)	2013	2012
<b>EXCESS OF REVENUE OVER EXPENSES</b>	41,311,640	<b>37,939,218</b>	34,474,116
Acquisition of tangible capital assets	(35,759,514)	<b>(24,331,355)</b>	(30,358,174)
Contributed tangible capital assets	-	<b>(8,714,390)</b>	(5,134,442)
Proceeds on disposal of tangible capital assets	-	<b>314,579</b>	457,265
Amortization of tangible capital assets	-	<b>19,259,121</b>	18,314,268
(Gain) loss on sale of tangible capital assets	-	<b>(197,559)</b>	56,023
	(35,759,514)	<b>(13,669,604)</b>	(16,665,060)
Acquisition of supplies inventory	-	<b>(25,823)</b>	-
Acquisition of prepaid assets	-	-	(99,642)
Use of inventory	-	-	71,232
Use of prepaid assets	-	<b>53,048</b>	-
	-	<b>27,225</b>	(28,410)
<b>DECREASE (INCREASE) IN NET ASSETS (DEBT)</b>	5,552,126	<b>24,296,839</b>	17,780,646
<b>NET DEBT, BEGINNING OF YEAR</b>	(10,016,830)	<b>(10,016,830)</b>	(27,797,476)
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	(4,464,704)	<b>14,280,009</b>	(10,016,830)

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Consolidated Statement of Cash Flows**

For the year ended December 31, 2013

	2013	2012
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	37,939,218	34,474,116
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	19,259,121	18,314,268
Tangible capital assets received as contributions	(8,714,390)	(5,134,442)
Loss (gain) on disposal of tangible capital assets	(197,559)	56,023
Subsidiary operations	(6,605,252)	(6,653,361)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(415,114)	1,362,998
Decrease (increase) in trade and other accounts receivable	(295,468)	(2,657,194)
Decrease (increase) in land held for resale	(123,200)	16,000
Decrease (increase) in inventory for consumption	(25,823)	71,232
Decrease (increase) in prepaid expenses	53,048	(99,642)
Increase (decrease) in accounts payable and accrued liabilities	1,183,233	(259,461)
Increase (decrease) in deferred revenue	(4,307,869)	1,872,402
<b>Cash provided by operating transactions</b>	<b>37,749,945</b>	<b>41,362,939</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(24,331,355)	(30,358,174)
Proceeds on disposal of tangible capital assets	314,579	457,265
Agreements receivable repayments	343,559	329,210
Dividends declared by Aquatera Utilities Inc.	2,637,300	2,637,300
<b>Cash applied to capital transactions</b>	<b>(21,035,917)</b>	<b>(26,934,399)</b>
<b>FINANCING</b>		
Due to Aquatera Utilities Inc.	-	(383,674)
Long-term debt issued	-	2,446,947
Long-term debt repaid	(7,587,144)	(7,145,997)
Capital lease obligations repayments	(147,458)	(128,470)
<b>Cash provided by financing transactions</b>	<b>(7,734,602)</b>	<b>(5,211,194)</b>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>8,979,426</b>	<b>9,217,346</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>106,797,999</b>	<b>97,580,653</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>115,777,425</b>	<b>106,797,999</b>
<b>Cash and cash equivalents is made up of:</b>		
Cash (Note 2)	20,428,759	15,465,542
Portfolio investments (Note 3)	95,348,666	91,332,458
	<b>115,777,425</b>	<b>106,798,000</b>

The accompanying notes are an integral part of these financial statements

**City of Grande Prairie**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2013

	Unrestricted Surplus	Restricted Surplus	Equity in Investments	Equity in Tangible Capital Assets	2013	2012
<b>BALANCE, BEGINNING OF YEAR</b>	<b>19,372,440</b>	<b>59,369,116</b>	<b>52,354,554</b>	<b>378,293,659</b>	<b>509,389,769</b>	474,915,653
Excess of revenue over expenses	37,939,218	-	-	-	<b>37,939,218</b>	34,474,116
Unrestricted funds designated for future use	(5,903,514)	5,903,514	-	-	-	-
Share of earnings from subsidiary	(6,605,252)	-	6,605,252	-	-	-
Current year funds used for tangible capital assets	(24,331,355)	-	-	24,331,355	-	-
Contributed tangible capital assets	(8,714,390)	-	-	8,714,390	-	-
Dividends received	2,637,300	-	(2,637,300)	-	-	-
Annual amortization expense	19,259,121	-	-	(19,259,121)	-	-
Disposal of tangible capital assets	117,020	-	-	(117,020)	-	-
Long-term debt repaid	(7,391,043)	-	-	7,391,043	-	-
<b>Change in accumulated surplus</b>	<b>7,007,105</b>	<b>5,903,514</b>	<b>3,967,952</b>	<b>21,060,647</b>	<b>37,939,218</b>	<b>34,474,116</b>
<b>BALANCE, END OF YEAR</b>	<b>26,379,545</b>	<b>65,272,630</b>	<b>56,322,506</b>	<b>399,354,306</b>	<b>547,328,987</b>	509,389,769

*The accompanying notes are an integral part of these financial statements*



**City of Grande Prairie**  
**Schedule II - Schedule of Tangible Capital Assets**  
For the year ended December 31, 2013

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Assets Under Construction	2013	2012
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	49,175,159	36,085,837	262,266,101	293,401,177	32,177,420	11,341,561	<b>684,447,255</b>	651,298,905
Acquisition of tangible capital assets	1,530,580	625,795	18,916	12,363,872	3,124,882	15,381,700	<b>33,045,745</b>	35,492,616
Transfers of assets under construction	-	-	468,196	7,709,173	1,439,409	(9,616,778)	-	-
Disposal of tangible capital assets	-	(48,250)	-	(939,876)	(1,157,790)	-	<b>(2,145,916)</b>	(2,344,266)
BALANCE, END OF YEAR	50,705,739	36,663,382	262,753,213	312,534,346	35,583,921	17,106,483	<b>715,347,084</b>	684,447,255
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	14,790,735	35,140,650	101,200,195	14,900,165	-	<b>166,031,745</b>	149,548,455
Annual amortization	-	1,770,744	5,776,259	9,258,459	2,453,659	-	<b>19,259,121</b>	18,314,268
Accumulated amortization on disposals	-	(48,250)	-	(929,347)	(1,051,299)	-	<b>(2,028,896)</b>	(1,830,978)
BALANCE, END OF YEAR	-	16,513,229	40,916,909	109,529,307	16,302,525	-	<b>183,261,970</b>	166,031,745
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>50,705,739</b>	<b>20,150,153</b>	<b>221,836,304</b>	<b>203,005,039</b>	<b>19,281,396</b>	<b>17,106,483</b>	<b>532,085,114</b>	518,415,510
2012 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	49,175,159	21,295,102	227,125,451	192,200,982	17,277,255	11,341,561	518,415,510	

The accompanying notes are an integral part of these financial statements

**City of Grande Prairie**  
**Schedule III - Schedule of Property and Other Taxes**

For the year ended December 31, 2013

	Budget (Note 25)	2013	2012
<b>TAXATION</b>			
Real property taxes	110,817,820	<b>111,063,713</b>	105,902,406
Linear property taxes	1,823,174	<b>1,823,174</b>	1,876,031
Downtown Business Revitalization Zone	349,717	<b>368,292</b>	356,607
Government grants in lieu of property taxes	833,586	<b>833,586</b>	837,691
Local improvement	473,374	<b>485,354</b>	464,645
	114,297,671	<b>114,574,119</b>	109,437,380
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	18,539,780	<b>18,518,649</b>	18,439,175
Grande Prairie Separate School Division No. 28	2,614,223	<b>2,725,343</b>	2,689,509
Grande Spirit Foundation	336,576	<b>336,291</b>	326,854
Downtown Business Revitalization Zone	328,000	<b>340,228</b>	334,720
	21,818,579	<b>21,920,511</b>	21,790,258
<b>NET MUNICIPAL TAXES</b>	92,479,092	<b>92,653,608</b>	87,647,122

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule IV - Schedule of Government Transfers**  
For the year ended December 31, 2013

	Budget (Note 25)	2013	2012
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	3,136,110	<b>7,865,884</b>	7,558,987
Federal government	455,642	<b>73,522</b>	416,477
Other local governments	992,796	<b>1,431,968</b>	1,465,341
	4,584,548	<b>9,371,374</b>	9,440,805
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	17,622,083	<b>16,721,977</b>	15,527,898
Federal government	4,000,000	<b>7,377,220</b>	3,666,177
Other local governments	-	<b>5,175</b>	4,500
	21,622,083	<b>24,104,372</b>	19,198,575
<b>TOTAL GOVERNMENT TRANSFERS</b>	26,206,631	<b>33,475,746</b>	28,639,380

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule V - Consolidated Schedule of Expenses by Object**

For the year ended December 31, 2013

	Budget (Note 25)	2013	2012
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	65,825,105	<b>69,222,712</b>	63,231,728
Contracted and general services	29,574,896	<b>35,138,928</b>	31,402,942
Materials, goods and utilities	19,857,127	<b>16,213,494</b>	17,614,330
Provision for (recovery of) allowances	64,000	<b>(2,835)</b>	80,668
Transfers to local boards and agencies	5,127,585	<b>6,855,839</b>	8,028,487
Bank charges and short-term interest	153,140	<b>245,789</b>	237,530
Interest on long-term debt	6,213,261	<b>6,383,283</b>	6,675,560
Amortization of tangible capital assets	-	<b>19,259,121</b>	18,314,268
Other	-	<b>42,164</b>	105,252
	126,815,114	<b>153,358,495</b>	145,690,765

*The accompanying notes are an integral part of these financial statements*

**City of Grande Prairie**  
**Schedule VI - Schedule of Segmented Disclosure**  
For the year ended December 31, 2013

	General Government	Protective Services	Transportation Services	Planning & Development	Community Development	Recreation & Cultural	Other	Total
<b>REVENUE</b>								
Net municipal taxes	92,653,608	-	-	-	-	-	-	<b>92,653,608</b>
Government transfers	1,976,571	2,726,338	19,075,239	3,046,744	2,118,560	4,532,294	-	<b>33,475,746</b>
User fees and sales of goods	264,756	942,113	9,092,114	491,547	338,856	11,345,325	-	<b>22,474,711</b>
Investment income	1,698,998	-	94,810	-	-	-	-	<b>1,793,808</b>
Contributed assets	8,696,323	-	18,067	-	-	-	-	<b>8,714,390</b>
Other revenues	19,154,797	4,195,057	3,384,678	3,426,479	29,544	1,994,895	-	<b>32,185,450</b>
	124,445,053	7,863,508	31,664,908	6,964,770	2,486,960	17,872,514	-	<b>191,297,713</b>
<b>EXPENSES</b>								
Contract & general services	5,720,325	13,134,666	7,871,217	404,719	465,558	7,538,049	4,394	<b>35,138,928</b>
Salaries & wages	9,568,031	19,144,123	14,016,757	2,685,189	1,947,952	21,860,660	-	<b>69,222,712</b>
Goods & supplies	955,528	1,124,255	7,756,332	39,736	126,981	6,210,662	-	<b>16,213,494</b>
Transfers to local boards	285,406	139,000	469,040	15,247	3,954,978	1,992,168	-	<b>6,855,839</b>
Long-term debt interest	147,461	673,073	1,430,233	90,785	7,606	4,034,125	-	<b>6,383,283</b>
Other expenses	20,562	6,638	56,906	63,047	-	137,965	-	<b>285,118</b>
	16,697,313	34,221,755	31,600,485	3,298,723	6,503,075	41,773,629	4,394	<b>134,099,374</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	107,747,740	(26,358,247)	64,423	3,666,047	(4,016,115)	(23,901,115)	(4,394)	<b>57,198,339</b>
Amortization expense	195,000	953,969	14,137,760	145,563	-	3,826,829	-	<b>19,259,121</b>
<b>NET REVENUE</b>	<b>107,552,740</b>	<b>(27,312,216)</b>	<b>(14,073,337)</b>	<b>3,520,484</b>	<b>(4,016,115)</b>	<b>(27,727,944)</b>	<b>(4,394)</b>	<b>37,939,218</b>

**1. 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 Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

**a) Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, 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  
Downtown Business Revitalization Zone Association

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 generally accepted 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 benefits of external parties as described in Note 19.

**b) 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.

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**d) 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.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013

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**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**e) Debt Charges Recoverable**

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.

**f) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual 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 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.

**g) 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 roads, sidewalks and street lighting are recorded as physical assets under the respective function. Proceeds from sales of land held for resale are recorded as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be made.

**h) 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 collectable from property owners for work performed 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 into revenue by an amount equal to the debt repayment.

**i) 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.

**j) Government Transfers**

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

**k) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and 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 revenue over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**

*For the year ended December 31, 2013*

**1. SIGNIFICANT ACCOUNTING POLICIES** (continued from previous page)

**k) Non-Financial Assets** (continued from previous page)

**i. 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 over the estimated useful life as follows:

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

A full year's amortization is recorded in the year the asset is acquired, constructed or developed and put into use, regardless of when this event occurs in the fiscal year. No amortization is recorded in the year an asset is disposed of.

**ii. Contributions of tangible capital assets**

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

**iii. Leases**

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.

**iv. Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**v. Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**2. CASH**

	2013	2012
Cash on hand	32,030	36,900
Cash in bank	20,396,729	15,428,642
	20,428,759	15,465,542

Cash in bank bears interest at a rate of prime minus 1.8% per annum.

Included in cash and portfolio investments are restricted amounts aggregating \$21,145,890 (2012 - \$24,744,068) to be used for specific capital and other projects, as detailed in Note 10.

**3. PORTFOLIO INVESTMENTS**

Portfolio investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear interest at rates between 1.30% and 5.76% per annum and mature between January 2014 and December 2023.

In addition the City has investments \$1,762,983 (2012 - \$1,532,909) that are held in trust as described in Note 21.



**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013

**4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	<b>2013</b>	2012
Current taxes and grants in place of taxes	<b>2,760,749</b>	2,639,861
Arrears taxes	<b>1,286,484</b>	992,635
	<b>4,047,233</b>	3,632,496
Less: allowance for uncollectible taxes and taxes under appeal	<b>(208,428)</b>	(208,805)
	<b>3,838,805</b>	3,423,691

**5. TRADE AND OTHER ACCOUNTS RECEIVABLES**

	<b>2013</b>	2012
Trade and other receivables	<b>7,136,725</b>	7,011,182
Goods and services tax	<b>351,107</b>	274,882
Accrued investment earnings	<b>2,874,850</b>	2,781,150
	<b>10,362,682</b>	10,067,214
Less: allowance for uncollectible trade and other receivables	<b>(65,000)</b>	(65,000)
	<b>10,297,682</b>	10,002,214

**6. AGREEMENTS RECEIVABLE**

	<b>2013</b>	2012
RCMP	<b>2,606,071</b>	2,748,168
Canadian Mental Health Association	<b>279,147</b>	302,504
Grande Prairie Gymnastics Society	<b>280,063</b>	458,168
	<b>3,165,281</b>	3,508,840
Less: current portion	<b>(358,545)</b>	(343,559)
	<b>2,806,736</b>	3,165,281

Estimated principal amounts to be received are as follows:

2014	358,545
2015	277,269
2016	191,121
2017	200,536
2018	210,416
To maturity	1,927,393

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%, 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% with repayment to be equal to the annual principal and interest repayments and matures in 2022.

The Grande Prairie Gymnastics Society agreement receivable is secured by a general security agreement, bears interest at a rate equal to the corresponding ACFA debenture of 3.80% with repayment to be equal to the annual principal and interest repayments and matures in 2015.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2013

**7. INVESTMENTS**

	2013	2012
Alberta Capital Finance Authority shares	60	60
Aquatera Utilities Inc. - 73.33% ownership		
Stock dividend receivable	16,233,743	-
Common shares (32,173)	322	322
Preferred shares (41,170)	41,169,973	41,169,973
Cumulative share of earnings	43,287,634	36,682,382
Cumulative share of dividends received/receivable	(44,369,226)	(25,498,183)
	<b>56,322,506</b>	<b>52,354,554</b>

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2013	2012
Trade payables and other accrued liabilities	6,520,465	6,090,115
Accrued payroll payable	-	526,564
Accrued vacation pay payable	3,100,269	2,884,767
Accrued interest payable	1,445,835	1,547,670
Accrued tax appeal provision	-	719,000
Capital payables	3,980,313	2,095,534
	<b>15,046,882</b>	<b>13,863,650</b>

**9. DEFERRED REVENUE**

	2013	2012
Deferred sales and user charges	3,785,129	4,494,820
Deferred capital grants	16,932,746	20,922,954
Deferred operating grants	4,213,144	3,821,114
	<b>24,931,019</b>	<b>29,238,888</b>

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, as follows:

Capital transportation projects	10,068,640	12,592,661
Emergency services projects	-	83,575
Recreation	28,193	350,855
Other restricted funds not allocated to specific capital projects	6,835,913	7,895,863
	<b>16,932,746</b>	<b>20,922,954</b>

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

**Municipal Sustainability Initiative**

Capital funding in the amount of \$9,782,221 was received in the current year from the Municipal Sustainability Initiative, as approved under the funding agreement. Unexpended funds related to the advance are supported by portfolio investments of \$12,910,404 held exclusively for these projects, which are scheduled for completion in 2014.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013

**10. LONG-TERM DEBT**

	<b>2013</b>	2012
Alberta Capital Finance Authority	<b>135,896,089</b>	143,264,643
Canada Mortgage and Housing Corporation	-	218,590
Royal Bank of Canada	-	147,458
	<b>135,896,089</b>	143,630,691
Amounts payable within one year	<b>(7,378,165)</b>	(7,383,249)
	<b>128,517,924</b>	136,247,442

Estimated principal and interest repayments to maturity are as follows:

	Principal	Interest	Total
2014	7,378,165	5,914,009	13,292,174
2015	7,254,364	5,582,967	12,837,331
2016	7,428,311	5,253,998	12,682,309
2017	7,769,159	4,913,150	12,682,309
2018 and thereafter	106,066,090	29,381,496	135,447,586
	<b>135,896,089</b>	<b>51,045,620</b>	<b>186,941,709</b>

Debenture debt is issued on the credit and security of the City of Grande Prairie at large, bears interest at rates ranging from 2.177% to 6.750% per annum and mature between 2015 and 2032.

Included in the Alberta Capital Finance Authority balance are long-term debentures issued for non-capital purposes aggregating \$559,210 (2012 - \$760,672).

Interest on long-term debt amounted to \$6,383,283 (2012 - \$6,675,560).

The City's total cash payments for interest in 2013 were \$6,485,118 (2012 - \$6,544,016).

Included in long term debt is a loan in the amount of \$7,358,785 (2012 - \$7,683,951) that was entered into on behalf of the Grande Prairie Airport Commission.

**11. 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:

	<b>2013</b>	2012
Total debt limit	<b>227,514,210</b>	223,851,789
Total debt (Note 10)	<b>(135,896,089)</b>	(143,630,691)
Amount debt limit remaining	<b>91,618,121</b>	80,221,098
Debt servicing limit	<b>37,919,035</b>	37,308,632
Debt servicing	<b>(13,292,174)</b>	(13,651,056)
Service on debt limit remaining	<b>24,626,861</b>	23,657,576

The debt limit is calculated at 1.5 times revenue of the City (as defined in Alberta Regulation 255/2000) 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 a 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.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2013

**12. ACCUMULATED SURPLUS**

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

	2013	2012
Unrestricted surplus	<b>26,379,545</b>	19,372,440
Equity in long-term investments (Note 7)	<b>56,322,506</b>	52,354,554
Restricted surplus (Note 14)	<b>65,272,630</b>	59,369,116
Equity in tangible capital assets (Note 15)	<b>399,354,306</b>	378,293,659
	<b>547,328,987</b>	509,389,769

**13. SEGMENTED 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).

**14. RESERVES**

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

	Balance Beginning	Additions	Reductions	Balance Closing
Cemetery perpetual care	1,562,559	234,733	-	<b>1,797,292</b>
Facility renewal reserve	3,717,968	8,572,017	4,317,306	<b>7,972,679</b>
Financial stabilization	8,522,084	1,516,628	857,879	<b>9,180,833</b>
Fire Department equipment replacement	795,542	194,051	134,000	<b>855,593</b>
Fleet management system	12,371,033	1,375,679	3,391,552	<b>10,355,160</b>
Future expenditures	18,408,062	7,420,552	6,050,588	<b>19,778,026</b>
Pinnacle Ridge special tax	12,635	116	6,594	<b>6,157</b>
Public	412,933	3,804	240,000	<b>176,737</b>
Public Housing Commission	372,818	47,895	149,381	<b>271,332</b>
RCMP Detachment	279,191	2,572	-	<b>281,763</b>
Transportation system levies	8,780,823	2,498,291	1,307,155	<b>9,971,959</b>
Winter stabilization	2,846,629	26,221	-	<b>2,872,850</b>
Library	1,286,839	465,410	-	<b>1,752,249</b>
	59,369,116	22,357,969	16,454,455	<b>65,272,630</b>

**15. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2013	2012
Tangible capital assets (Schedule II)	<b>532,085,114</b>	518,415,510
Capital agreements receivable (Note 6)	<b>2,606,071</b>	2,748,168
Long-term debt issued for capital purposes	<b>(135,336,879)</b>	(142,722,561)
Capital lease obligations	-	(147,458)
	<b>399,354,306</b>	378,293,659

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2013

**16. SALARY AND BENEFITS DISCLOSURE**

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

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	<b>2013</b>	2012
Mayor:				
B. Given	90,453	2,996	<b>93,449</b>	93,182
Councillors:				
J. Clayton	5,510	490	<b>6,000</b>	-
J. Croken	33,950	2,467	<b>36,417</b>	42,974
D. Logan	4,910	490	<b>5,400</b>	-
A. Gustafson	28,150	2,467	<b>30,617</b>	36,083
K. McLean	36,867	2,960	<b>39,827</b>	38,035
R. Tarant	5,010	490	<b>5,500</b>	-
C. Thiessen	5,410	490	<b>5,900</b>	-
J. Munroe	27,650	2,467	<b>30,117</b>	35,683
K. O'Toole	35,367	2,960	<b>38,327</b>	39,083
L. Radbourne	33,767	2,960	<b>36,727</b>	36,183
H. Rice	35,467	1,193	<b>36,660</b>	34,140
D. Wong	30,350	2,467	<b>32,817</b>	39,218
City Manager:				
G. Scerbak	230,650	28,128 <sup>3</sup>	<b>258,778</b>	240,974

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, mileage allowances 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, financial and retirement planning services, concessionary loans, travel allowances and club memberships.

**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 223,643 people and 428 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service contributions to the LAPP of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan of 13.74% on pensionable earnings above this amount. Employees of the City are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the City to the LAPP in 2013 were \$4,580,623 (2012 - \$3,920,192). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2013 were \$4,195,014 (2012 - \$3,569,142).

At December 31, 2012, the LAPP disclosed a deficiency of \$4,977,303 (2011 - deficiency of \$4,639,390).

**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 415 people and 30 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 to the plan of 3.00% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$132,333 (2012 - \$127,611) 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 2.50% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$32,333, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2013 were \$208,874 (2012 - \$183,745). The current and past service contributions by employees of the City to APEX in 2013 were \$174,060 (2012 - \$153,121).

At December 31, 2012, the Plan disclosed an actuarial surplus of \$240,911 (2011 - \$242,000 surplus).

**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 3.22% of pensionable earnings, with no annual maximum limit. Plan members are required to make current service contributions of 2.63% 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 2013 were \$219,580 (2012 - \$242,000). Total current contributions by the employees of the City of the Plan in 2013 were \$187,371 (2012 - \$178,377).

At December 31, 2012 the Plan disclosed an actuarial surplus of \$2,044 (2011 - \$126,712 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, 2013 would not have significant impact on the financial position of the City.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013

**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 (2013 - 73.33%; 2012 - 73.33%) in Aquatera Utilities Inc. for the year ended December 31, 2013:

	<b>2013</b>	2012
<u>Financial Position:</u>		
Financial assets	<b>36,080,374</b>	28,272,491
Physical assets	<b>140,728,396</b>	118,087,879
<b>Total assets</b>	<b>176,808,770</b>	146,360,370
Current liabilities, including callable debt	<b>56,634,768</b>	36,001,023
Deferred revenue of capital contributions	<b>61,306,568</b>	55,049,389
Landfill closure and post-closure liability	<b>3,503,963</b>	3,965,389
<b>Total liabilities</b>	<b>121,445,299</b>	95,015,801
<b>Net assets</b>	<b>55,363,471</b>	51,344,569
<u>Results of Operations:</u>		
Revenue	<b>32,892,938</b>	30,675,905
Amortization expense	<b>2,072,794</b>	1,822,253
Finance costs	<b>698,976</b>	852,618
Operating expenses	<b>23,515,916</b>	21,347,673
	<b>6,605,252</b>	6,653,361

Non-cumulative annual dividends calculated at 5% of the redemption amount of preferred shares held by the City not issued on account of stock dividends were declared in the year in the amount of \$3,527,000 (2012 - \$3,525,504). 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 flow required to settle its decommissioning liability to be approximately \$5,407,596, calculated using inflation rates of 2.00% and a long-term discount rate of 4.50%.

The majority of closure costs are expected to occur in approximately 20 to 21 years dependent upon future usage rates. Annual post-closure costs are expected to extend to 25 years beyond closure of the landfill. Currently the landfill has an expected capacity of 1,435,317 (2012 - 1,502,419) metric tonnes remaining with an annual estimated utilization of 65,000 metric tonnes.

**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2013

**19. RELATED PARTY TRANSACTIONS**

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2013.

	2013	2012
<i>Aquatera Utilities Inc. (a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	<b>2,628,960</b>	2,504,453
General administrative charge revenue and other recoveries	<b>191,076</b>	357,045
Utility and other expenses	<b>395,473</b>	401,754
Trade accounts receivable	<b>2,637,300</b>	2,664,513
Trade accounts payable	<b>623,152</b>	116,056

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	415,331	490,834	(556,635)	349,530
Community funds and endowments	944,222	152,082	(85,520)	1,010,784
Advance ticket sales	173,356	1,925,476	(1,696,163)	402,669
	1,532,909	2,568,392	(2,338,318)	1,762,983

**21. FINANCIAL INSTRUMENTS**

The City's financial instruments consist of cash and portfolio investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, 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 accounts 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 fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

**22. COMMITMENTS**

The City has entered into various leases and other agreements as part of its ongoing operations. It is the opinion of management that there are no commitments that will have a materially adverse effect on the financial position of the City.



**City of Grande Prairie**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013

**23. CONTINGENCIES**

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, 2013. While it is not possible to estimate the ultimate liability with respect to 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 material 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.

**24. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM**

The 2013 budget, prepared by the City of Grande Prairie, reflects all municipal activities including debt repayments and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	<b>2013</b>	2012
Results of operations are as follows:		
Grande Prairie Airport Commission	<b>4,195,228</b>	4,842,797
Grande Prairie Public Library	<b>1,805</b>	666,940
Downtown Business Revitalization Zone	<b>14,675</b>	17,226
Non-consolidated City of Grande Prairie operations	<b>2,795,397</b>	6,488,415
	<b>7,007,105</b>	12,015,378

**25. BUDGET**

Budgeted figures have been approved by council and are comprised of all consolidated entities. Management does not include budget figures for amortization, gain (loss) on disposal of assets and share of earnings from Aquatera Utilities Inc. The approved budgets do reflect capital asset additions, dividends from Aquatera Utilities Inc., transfers from (to) restricted equity and debt repayment. However, these items are not reflected in the statement as presented in order to comply with generally accepted accounting principles.

**26. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.