

CITY OF GRANDE PRAIRIE
Consolidated Financial Statements
December 31, 2016



CITY OF GRANDE PRAIRIE
Index to Consolidated Financial Statements
Year Ended December 31, 2016

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Financial Activities and Accumulated Surplus	3
Consolidated Statement of Changes in Net Financial Assets	4
Consolidated Statement of Changes in Financial Position	5
Consolidated Schedule of Changes in Accumulated Surplus <i>(Schedule 1)</i>	6
Consolidated Schedule of Tangible Capital Assets <i>(Schedule 2)</i>	7
Consolidated Schedule of Property and Other Taxes <i>(Schedule 3)</i>	8
Consolidated Schedule of Government Transfers <i>(Schedule 4)</i>	9
Consolidated Schedule of Expenditures by Object <i>(Schedule 5)</i>	10
Consolidated Schedule of Segment Disclosure <i>(Schedule 6)</i>	11
Notes to Consolidated Financial Statements	12 - 29





INDEPENDENT AUDITORS' REPORT

To the Members of Council of the City of Grande Prairie

We have audited the accompanying consolidated financial statements of the City of Grande Prairie, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of financial activities and accumulated surplus, changes in net financial assets and financial position for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these 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.

Independent Auditors' 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 auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 auditor's 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 control 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 control. An audit also includes evaluating the appropriateness of 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 that the audit evidence we have 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, 2016 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.

Fletcher Mudryk & LLP

Grande Prairie, Alberta
May 1, 2017

Chartered Professional Accountants

CITY OF GRANDE PRAIRIE
Consolidated Statement of Financial Position
December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash <i>(Note 2)</i>	\$ 18,173,921	\$ 12,853,844
Portfolio investments <i>(Note 3)</i>	108,233,886	84,334,550
Receivables		
Taxes and grants in place of taxes receivable <i>(Note 4)</i>	5,452,160	3,252,980
Trade and other receivables <i>(Note 5)</i>	10,528,348	26,412,289
Agreements receivable <i>(Note 6)</i>	2,365,166	2,529,467
Land held for resale inventory	752,300	752,300
Investments <i>(Note 7)</i>	80,813,247	73,748,220
	226,319,028	203,883,650
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 8)</i>	15,579,377	4,690,526
Deferred revenue <i>(Note 9)</i>	27,720,142	28,144,114
Employee benefit obligations <i>(Note 10)</i>	3,597,062	3,204,291
Long-term debt <i>(Note 11)</i>	138,412,585	133,672,371
	185,309,166	169,711,302
NET FINANCIAL ASSETS	41,009,862	34,172,348
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 2)</i>	640,392,976	593,725,349
Inventory for consumption	962,428	963,633
Prepaid expenses	445,944	453,036
	641,801,348	595,142,018
NET ASSETS <i>(Note 13, Schedule 1)</i>	\$ 682,811,210	\$ 629,314,366

CONTINGENT LIABILITIES *(Note 24)*

COMMITMENTS *(Note 25)*

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, 2016

	<i>Budget (Unaudited)</i> 2016	2016	2015
REVENUES			
Net municipal taxes <i>(Schedule 3)</i>	\$ 109,991,802	\$ 109,633,209	\$ 103,417,663
Government transfers for operating <i>(Schedule 4)</i>	5,383,238	11,263,794	11,363,036
User fees and sales of goods	21,023,405	19,083,403	21,078,180
Interest and investment income	3,266,658	2,084,196	2,941,232
Penalties and cost of taxes	1,025,000	1,255,080	1,025,661
Development levies	1,436,837	3,307,785	2,374,915
Fines, rentals, licenses and permits	14,289,986	14,406,278	10,423,799
Franchise and concession contracts	11,507,746	10,743,992	10,518,243
Transfers from other organizations	62,970	139,971	199,806
Other revenue	2,511,995	1,375,828	4,845,096
	<u>170,499,637</u>	<u>173,293,536</u>	<u>168,187,631</u>
EXPENDITURES			
Council and other legislative services	993,489	785,369	853,373
Administrative services	20,301,758	23,126,884	16,932,737
Protective services	41,893,677	44,863,215	37,731,819
Transportation services	42,102,520	53,973,201	50,100,382
Community and social development	3,614,568	8,628,102	9,345,592
Planning and development services	3,773,097	3,583,784	3,493,985
Recreation and cultural services	45,958,759	48,268,857	43,354,834
Other services	12,000	86,522	222,540
	<u>158,649,868</u>	<u>183,315,934</u>	<u>162,035,262</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING	<u>11,849,769</u>	<u>(10,022,398)</u>	<u>6,152,369</u>
OTHER ITEMS			
Contributed tangible capital assets	-	29,673,929	4,137,862
Annexed tangible capital assets, net of debt	-	3,342,399	-
Loss on disposal of tangible capital assets	-	(32,637)	(12,320)
Government transfers for capital <i>(Schedule 4)</i>	20,557,503	20,754,387	14,334,514
Subsidiary operations <i>(Note 18)</i>	2,715,942	9,781,164	8,807,582
	<u>23,273,445</u>	<u>63,519,242</u>	<u>27,267,638</u>
EXCESS OF REVENUES OVER EXPENDITURES	35,123,214	53,496,844	33,420,007
ACCUMULATED SURPLUS - BEGINNING	<u>629,314,366</u>	<u>629,314,366</u>	<u>595,894,359</u>
ACCUMULATED SURPLUS - ENDING	<u>\$ 664,437,580</u>	<u>\$ 682,811,210</u>	<u>\$ 629,314,366</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2016

	<i>Budget (Unaudited)</i> 2016	2016	2015
EXCESS OF REVENUES OVER EXPENDITURES	\$ 35,123,214	\$ 53,496,844	\$ 33,420,007
Acquisition of tangible capital assets	-	(39,367,378)	(27,912,372)
Contributed tangible capital assets	-	(29,673,929)	(4,137,862)
Annexed tangible capital assets	-	(4,178,560)	-
Proceeds on disposal of tangible capital assets	-	2,544,840	156,527
Amortization of tangible capital assets	-	23,974,763	22,139,800
Loss on disposal of tangible capital assets	-	32,637	12,320
	-	(46,667,626)	(9,741,587)
Decrease (increase) in inventory for consumption	-	1,205	(148,058)
Decrease (increase) in prepaid expenses	-	7,092	(128,882)
	-	8,297	(276,940)
	-	(46,659,330)	(10,018,527)
INCREASE IN NET FINANCIAL ASSETS	35,123,214	6,837,514	23,401,480
NET FINANCIAL ASSETS - BEGINNING OF YEAR	34,172,348	34,172,348	10,770,868
NET FINANCIAL ASSETS - END OF YEAR	\$ 69,295,562	\$ 41,009,862	\$ 34,172,348

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Changes in Financial Position
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 53,496,844	\$ 33,420,007
Items not affecting cash:		
Amortization of tangible capital assets	23,974,763	22,139,800
Contributed tangible capital assets	(29,673,929)	(4,137,862)
Loss on disposal of tangible capital assets	32,637	12,320
Annexed tangible capital assets	(3,342,399)	-
Subsidiary operations	(9,781,164)	(8,807,582)
	<u>34,706,752</u>	<u>42,626,683</u>
Taxes and grants in place of taxes receivable	(2,199,180)	(336,996)
Trade and other receivables	15,883,942	(8,756,954)
Accounts payable and accrued liabilities	10,889,047	(3,128,639)
Deferred revenue	(423,972)	5,801,647
Employee benefit obligations	392,771	61,531
Inventory for consumption	1,205	(148,058)
Prepaid expenses	7,092	(128,882)
	<u>59,257,657</u>	<u>35,990,332</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(39,367,378)	(27,912,372)
Proceeds on disposal of property, plant and equipment	2,544,840	156,527
Agreements receivable repayments	191,121	277,269
Agreements receivable issued	(26,821)	-
Dividends declared by Aquatera Utilities Inc.	2,715,942	2,715,942
Investments	-	(4,000,000)
	<u>(33,942,296)</u>	<u>(28,762,634)</u>
FINANCING ACTIVITIES		
Long-term debt issued	11,977,989	-
Long-term debt repaid	(8,073,937)	(7,786,189)
	<u>3,904,052</u>	<u>(7,786,189)</u>
INCREASE (DECREASE) IN CASH	29,219,413	(558,491)
CASH - BEGINNING OF YEAR	97,188,394	97,746,885
CASH - END OF YEAR	126,407,807	97,188,394
CASH CONSISTS OF:		
Cash (Note 2)	\$ 18,173,921	\$ 12,853,844
Portfolio investments (Note 3)	108,233,886	84,334,550
	<u>\$ 126,407,807</u>	<u>\$ 97,188,394</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2016

(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Investments	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 40,474,941	\$ 52,508,760	\$ 73,748,220	\$ 462,582,445	\$ 629,314,366	\$ 595,894,359
Excess of revenues over expenditures	53,496,844	-	-	-	53,496,844	33,420,007
Unrestricted funds designated for future use	(19,378,566)	19,378,566	-	-	-	-
Restricted funds used for operations	8,412,559	(8,412,559)	-	-	-	-
Share of net earnings from subsidiary	(9,780,969)	-	9,780,969	-	-	-
Dividends received	2,715,942	-	(2,715,942)	-	-	-
Current year funds used for tangible capital assets	(18,216,265)	(9,199,945)	-	27,416,210	-	-
Contributed tangible capital assets	(29,673,929)	-	-	29,673,929	-	-
Annexed tangible capital assets	(4,178,560)	-	-	4,178,560	-	-
Annual amortization expense	23,974,763	-	-	(23,974,763)	-	-
Disposal of tangible capital assets	2,577,483	-	-	(2,577,483)	-	-
Long-term debt for capital repaid	(7,882,826)	-	-	7,882,826	-	-
Long-term debt assumed on annexation	836,161	-	-	(836,161)	-	-
BALANCE, END OF YEAR	\$ 43,377,578	\$ 54,274,822	\$ 80,813,247	\$ 504,345,563	\$ 682,811,210	\$ 629,314,366

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2016

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction	2016	2015
COST									
BALANCE, BEGINNING OF YEAR	\$ 61,735,883	\$ 53,773,180	\$ 268,363,168	\$ 358,893,195	\$ 20,072,303	\$ 20,906,276	\$ 28,912,350	\$ 812,656,355	\$ 783,724,995
Acquisition of tangible capital assets	24,566,554	166,988	1,312,763	9,788,319	2,500,588	584,788	36,032,193	74,952,193	32,050,234
Transfers of assets under construction	-	7,791,375	318,036	19,429,147	-	115,435	(27,653,993)	-	-
Other transfers	-	-	-	-	-	-	(1,732,320)	(1,732,320)	-
Disposal of tangible capital assets	(2,291,464)	(131,530)	(41,033)	(846,769)	(1,065,438)	(245,565)	-	(4,621,799)	(3,118,874)
BALANCE, END OF YEAR	84,010,973	61,600,013	269,952,934	387,263,892	21,507,453	21,360,934	35,558,230	881,254,429	812,656,355
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	19,495,917	52,711,361	127,556,003	10,124,514	9,043,211	-	218,931,006	199,741,233
Annual amortization	-	3,318,121	5,989,836	11,792,928	1,766,513	1,107,365	-	23,974,763	22,139,800
Accumulated amortization on disposals	-	(131,530)	(11,129)	(837,049)	(819,043)	(245,565)	-	(2,044,316)	(2,950,027)
BALANCE, END OF YEAR	-	22,682,508	58,690,068	138,511,882	11,071,984	9,905,011	-	240,861,453	218,931,006
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 84,010,973	\$ 38,917,505	\$ 211,262,866	\$ 248,752,010	\$ 10,435,469	\$ 11,455,923	\$ 35,558,230	\$ 640,392,976	\$ 593,725,349
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 61,735,883	\$ 34,277,263	\$ 215,651,807	\$ 231,337,192	\$ 9,947,789	\$ 11,863,065	\$ 28,912,350	\$ 593,725,349	

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2016

	<i>Budget (Unaudited) 2016</i>	2016	2015
Taxation			
Real property taxes	\$ 135,007,387	\$ 134,392,798	\$ 125,366,770
Linear property taxes	1,898,880	1,898,880	1,839,486
Downtown Business Revitalization Zone	357,997	373,882	379,358
Grants in place of taxes	778,127	778,128	846,191
Local improvement	30,325	261,364	260,849
	<u>138,072,716</u>	<u>137,705,052</u>	<u>128,692,654</u>
Requisitions			
Alberta School Foundation Fund	24,304,563	24,466,442	21,633,011
Grande Prairie Separate School Division No. 28	3,048,342	2,872,047	2,924,374
Grande Spirit Foundation	358,012	375,357	358,549
Business revitalization zone	369,997	357,997	359,057
	<u>28,080,914</u>	<u>28,071,843</u>	<u>25,274,991</u>
	<u>\$ 109,991,802</u>	<u>\$ 109,633,209</u>	<u>\$ 103,417,663</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Government Transfers
Year Ended December 31, 2016

(Schedule 4)

	<i>Budget (Unaudited) 2016</i>	2016	2015
Transfers for operating			
Provincial government	\$ 3,505,980	\$ 9,135,944	\$ 9,413,957
Federal government	42,000	485,713	348,656
Other local governments	1,835,258	1,642,137	1,600,423
	<u>5,383,238</u>	<u>11,263,794</u>	<u>11,363,036</u>
Transfers for capital			
Provincial government	20,557,503	20,051,651	13,395,379
Federal government	-	702,736	919,135
Other local governments	-	-	20,000
	<u>20,557,503</u>	<u>20,754,387</u>	<u>14,334,514</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 25,940,741</u>	<u>\$ 32,018,181</u>	<u>\$ 25,697,550</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Expenditures by Object *(Schedule 5)*
Year Ended December 31, 2016

	<i>Budget (Unaudited)</i>		
	2016	2016	2015
EXPENDITURES			
Salaries, wages and benefits	\$ 82,988,635	\$ 84,006,556	\$ 74,663,085
Contracted and general services	37,325,050	35,601,873	31,533,361
Materials, goods and utilities	24,040,400	18,306,973	17,549,337
Provision for allowances	64,000	1,645	2,134
Transfers to individuals, local boards and other organizations	8,436,627	15,722,663	10,112,274
Bank charges and short-term interest	204,450	240,499	279,573
Interest on long-term debt	5,590,706	5,460,847	5,755,520
Amortization provision	-	23,974,763	22,139,800
Other expenditures	-	115	178
	<u>\$ 158,649,868</u>	<u>\$ 183,315,934</u>	<u>\$ 162,035,262</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Segment Disclosure
Year Ended December 31, 2016

(Schedule 6)

	General Government	Protective Services	Transportation Services	Planning and Development	Community Development	Recreation and Culture	Other	Total
REVENUE								
Net municipal taxes	\$ 109,633,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,633,209
Government transfers	1,196,100	1,858,167	933,789	2,815,580	3,481,822	978,336	-	11,263,794
User fees and sales of goods	269,165	1,035,959	8,713,294	57,700	252,539	8,754,746	-	19,083,403
Investment income	1,895,919	-	78,425	-	72,084	37,768	-	2,084,196
Other revenue	12,387,332	7,887,875	3,138,890	4,025,204	50,188	3,739,445	-	31,228,934
	<u>125,381,725</u>	<u>10,782,001</u>	<u>12,864,398</u>	<u>6,898,484</u>	<u>3,856,633</u>	<u>13,510,295</u>	<u>-</u>	<u>173,293,536</u>
EXPENSES								
Salaries, wages and benefits	11,740,569	23,898,606	18,363,406	3,401,531	2,707,786	23,894,658	-	84,006,556
Contracted and general services	5,076,498	17,757,246	4,398,879	129,048	399,663	7,836,888	3,651	35,601,873
Materials, goods and utilities	1,897,355	1,469,582	10,769,341	33,802	143,553	3,993,340	-	18,306,973
Transfers to local boards and agencies	4,812,403	202,394	904,088	-	5,138,433	4,582,474	82,871	15,722,663
Interest on long-term debt	137,431	552,530	1,258,118	-	75,252	3,437,516	-	5,460,847
Amortization expense	222,039	971,334	18,227,992	-	163,415	4,389,983	-	23,974,763
Other expenses	25,958	11,523	51,377	19,403	-	133,998	-	242,259
	<u>23,912,253</u>	<u>44,863,215</u>	<u>53,973,201</u>	<u>3,583,784</u>	<u>8,628,102</u>	<u>48,268,857</u>	<u>86,522</u>	<u>183,315,934</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	<u>\$ 101,469,472</u>	<u>\$ (34,081,214)</u>	<u>\$ (41,108,803)</u>	<u>\$ 3,314,700</u>	<u>\$ (4,771,469)</u>	<u>\$ (34,758,562)</u>	<u>\$ (86,522)</u>	<u>\$ (10,022,398)</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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.

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CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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

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.

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.

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.

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.

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.

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.

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CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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.

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.

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.

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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

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.

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.

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.

Reserves for future expenditures

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

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.

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, 2016

2. CASH

	2016	2015
Cash on hand	\$ 32,330	\$ 24,430
Cash in bank	18,141,591	12,829,414
	\$ 18,173,921	\$ 12,853,844

Cash in bank bears interest at a rate of prime minus 1.8% (2015 - prime minus 1.8%) per annum on balances over \$1,000,000.

Included in cash and portfolio investments are restricted amounts aggregating \$24,606,573 (2015 - \$22,311,319) to be used for specific capital and other projects, as detailed in Note 9.

3. PORTFOLIO INVESTMENTS

Portfolio investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, bear coupon rates between 1.28% (2015 - 1.90%) and 4.86% (2015 - 5.76%) per annum and mature between October, 2017 and December, 2026.

Included in cash and portfolio investments are restricted amounts aggregating \$24,606,573 (2015 - \$22,311,319) to be used for specific capital and other projects, as detailed in Note 9.

In addition, the City has investments of \$1,501,795 (2015 - \$2,389,814) that are held in trust as described in Note 20.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place of taxes	\$ 4,600,680	\$ 2,805,308
Arrears	1,084,984	662,188
Allowance for doubtful accounts	(233,504)	(214,516)
	\$ 5,452,160	\$ 3,252,980

5. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade and other receivables	\$ 4,901,225	\$ 4,072,143
Government grants receivable	1,215,786	14,078,257
Dividend receivable	2,715,942	2,715,942
Goods and services tax	249,279	120,604
Accrued investment earnings	1,511,116	5,490,343
Less: allowances for uncollectible trade and other receivables	(65,000)	(65,000)
	\$ 10,528,348	\$ 26,412,289



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

6. AGREEMENTS RECEIVABLE

	2016	2015
RCMP	\$ 2,137,455	\$ 2,301,051
Canadian Mental Health Association	200,891	228,416
Army, Navy and Airforce Veterans Unit #389	26,820	-
	2,365,166	2,529,467
Current portion	(205,900)	(191,121)
	\$ 2,159,266	\$ 2,338,346

Estimated principal amounts to be received are as follows:

2017	\$ 205,900
2018	215,780
2019	226,149
2020	237,030
2021	248,449
To maturity	1,231,858
	\$ 2,365,166

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% (2015 - 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% (2015 - 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, 2016

7. LONG-TERM INVESTMENTS

	2016	2015
Alberta Capital Finance Authority shares	\$ 60	\$ 60
Aquatera Utilities Inc. - 73.77% ownership		
52,407 common shares (2015 - 52,407)	524	524
61,404 preferred shares (2015 - 64,404)	61,403,709	61,403,709
Cumulative share of earnings	71,822,679	62,041,710
Cumulative share of dividends declared	(52,413,725)	(49,697,783)
	80,813,187	73,748,160
	\$ 80,813,247	\$ 73,748,220

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables and other accrued liabilities	\$ 6,230,599	\$ 3,028,108
Construction holdbacks payable	3,545,774	362,322
Accrued payroll	1,632,767	-
Accrued interest payable	1,227,047	1,300,096
Annexation liability (<i>Note 23</i>)	2,943,190	-
	\$ 15,579,377	\$ 4,690,526



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

9. DEFERRED REVENUE

	2016	2015
Deferred sales and user charges	\$ 4,615,364	\$ 5,832,795
Deferred capital grants	17,615,711	18,159,240
Deferred operating grants	5,489,067	4,152,079
	\$ 27,720,142	\$ 28,144,114

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.

Municipal Sustainability Initiative

Capital funding in the amount of \$15,570,443 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 cash and portfolio investments of \$14,208,526 held exclusively for these projects, which are scheduled for completion in 2017.

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 \$12,784 (2015 - \$9,288).



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

11. LONG-TERM DEBT

Tax supported debentures

	Principal	Interest	Total
2017	\$ 8,876,589	\$ 5,645,067	\$ 14,521,656
2018	9,267,671	5,253,986	14,521,657
2019	9,676,895	4,844,761	14,521,656
2020	10,105,143	4,416,514	14,521,657
2021	10,205,799	3,968,318	14,174,117
Thereafter	90,280,488	17,770,988	108,051,476
	\$ 138,412,585	\$ 41,899,634	\$ 180,312,219

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 2020 through 2034.

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 \$200,891 (2015 - \$228,416).

Cash paid for interest on long-term debt amounted to \$5,673,974 (2015 - \$5,755,489).

Included in long-term debt is a loan in the amount of \$17,377,874 (2015 - \$18,213,187) that was entered into on behalf of the Grande Prairie Airport Commission and is being repaid by the Commission.

On January 1, 2016, \$836,161 in debenture debt was assumed in relation to the tangible capital assets acquired on annexation as detailed in Note 23.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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:

	2016	2015
Total debt limit	\$ 259,940,304	\$ 252,281,447
Total debt <i>(Note 11)</i>	<u>(138,412,585)</u>	<u>(133,672,371)</u>
Amount debt limit remaining	<u>\$ 121,527,719</u>	<u>\$ 118,609,076</u>
Debt servicing limit	\$ 43,323,393	\$ 42,046,908
Debt servicing <i>(Note 11)</i>	<u>(14,521,656)</u>	<u>(13,587,799)</u>
Service on debt limit remaining	<u>\$ 28,801,737</u>	<u>\$ 28,459,109</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:

	2016	2015
Unrestricted surplus	\$ 43,377,578	\$ 40,474,941
Equity in long-term investments <i>(Note 7)</i>	80,813,247	73,748,220
Equity in tangible capital assets <i>(Note 14)</i>	504,345,563	462,582,445
Restricted surplus <i>(Note 15)</i>	<u>54,274,822</u>	<u>52,508,760</u>
	<u>\$ 682,811,210</u>	<u>\$ 629,314,366</u>

14. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets <i>(Schedule 2)</i>	\$ 640,392,976	\$ 593,725,349
Capital agreements receivable <i>(Note 6)</i>	2,164,281	2,301,051
Long-term debt issued for capital purposes	<u>(138,211,694)</u>	<u>(133,443,955)</u>
	<u>\$ 504,345,563</u>	<u>\$ 462,582,445</u>



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

15. RESTRICTED SURPLUS

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

	Balance Beginning	Additions	Reductions	Balance Closing
Cemetery perpetual care	\$ 2,293,660	\$ 238,275	\$ -	\$ 2,531,935
Facility renewal	801,936	4,121,103	4,324,734	598,305
Financial stabilization	7,096,421	3,018,397	3,203,016	6,911,802
Fire department equipment replacement	806,867	270,105	312,500	764,472
Fleet management system	13,188,420	3,644,119	2,657,590	14,174,949
Future expenditures	10,958,086	6,105,944	5,797,430	11,266,600
Pinnacle Ridge special tax	-	6,949	-	6,949
Public	1,053,560	1,490,754	100,100	2,444,214
Public art	-	25,000	-	25,000
Public housing commission	455,122	87,119	-	542,241
RCMP detachment	293,362	2,583	-	295,945
Transportation system levies	8,857,103	2,135,287	5,417,757	5,574,633
Winter stabilization	1,442,337	1,012,702	-	2,455,039
	<u>47,246,874</u>	<u>22,158,337</u>	<u>21,813,127</u>	<u>47,592,084</u>
Library	2,011,674	122,191	124,994	2,008,871
Airport	3,250,212	1,423,655	-	4,673,867
	<u>\$ 52,508,760</u>	<u>\$ 23,704,183</u>	<u>\$ 21,938,121</u>	<u>\$ 54,274,822</u>



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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	2016	2015
Mayor:				
B. Given	\$ 105,139	\$ 6,284	\$ 111,423	\$ 106,270
Councillors:				
J. Clayton	39,126	4,856	43,982	41,793
D. Logan	37,526	3,702	41,228	39,398
K. McLean	43,526	5,001	48,527	42,403
K. O'Toole	41,626	4,938	46,564	45,718
L. Radbourne	38,926	4,849	43,775	41,483
H. Rice	39,326	1,481	40,807	38,250
R. Tarant	41,709	4,941	46,650	40,720
C. Thiessen	43,925	5,022	48,947	44,989
City Manager:				
G. Scerbak	243,513	32,977	276,490	269,294

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, 2016

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 244,621 people and 426 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the City are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the City to the LAPP in 2016 were \$6,175,264 (2015 - \$5,513,789). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2016 were \$5,703,148 (2015 - \$5,088,545).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million (2015 - \$2.45 billion).

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 1,199 people and 60 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 3.00% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$144,500 (2015 - \$140,945) 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 \$144,500, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2016 were \$309,607 (2015 - \$263,650). The current and past service contributions by employees of the City to APEX in 2016 were \$258,008 (2015 - \$219,708).

At December 31, 2015, the Plan disclosed an actuarial surplus of \$677,018 (2014 - \$6,079,290 surplus).

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CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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 2016 were \$265,767 (2015 - \$253,906). Total current contributions by the employees of the City of the Plan in 2016 were \$217,243 (2015 - \$207,978).

At December 31, 2015, the Plan disclosed an actuarial surplus of \$887,400 (2014 - \$2,044 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, 2016 would not have significant impact on the financial position of the City.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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 (2016 - 73.77%; 2015 - 73.93%) in Aquatera Utilities Inc. for the year ended December 31, 2016:

	2016	2015
Financial Position:		
Financial assets	\$ 61,542,532	\$ 53,725,164
Physical assets	215,197,780	201,194,089
Total assets	276,740,312	254,919,253
Current liabilities, including callable debt	81,980,869	76,763,941
Deferred revenue of capital contributions	109,279,067	101,353,019
Landfill closure and post-closure liability	5,065,102	3,864,735
Total liabilities	196,325,038	181,981,695
Net assets	\$ 80,415,274	\$ 72,937,558
	2016	2015
Results of Operations:		
Revenue	\$ 42,126,134	\$ 40,628,583
Amortization expense	(5,564,243)	(2,719,738)
Finance costs	(627,889)	(559,471)
Fair value adjustment of interest rate swap	(290,026)	(1,185,168)
Net subsidiary operations	(330,328)	(245,933)
Operating expenses	(25,532,484)	(27,110,691)
	\$ 9,781,164	\$ 8,807,582

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CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

18. SUBSIDIARY OPERATIONS *(continued)*

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 \$2,715,942 (2015 - \$2,715,942). 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 \$6,866,163 (2015 - \$5,227,904), 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 9 to 11 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 591,656 (2015 - 660,062) metric tonnes remaining with an annual estimated utilization of 68,066 metric tonnes. Current year capacity reflects phases 1 and 2 of a five-year phase plan a total capacity of approximately 3.6 million metric tonnes and a total lifespan of approximately 31 years once all cells are completed.

19. RELATED PARTY TRANSACTIONS

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2016:

	2016	2015
Aquatera Utilities Inc.		
<i>(a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	\$ 3,175,974	\$ 3,178,519
General administrative charge revenue and other recoveries	90,450	279,486
Utility and other expenses	993,563	535,922
Dividends declared	2,715,942	2,715,942
Trade and other accounts receivable	2,717,090	3,067,949
Trade accounts payable	14,300	135,908

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.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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	\$ 299,665	\$ 1,133,783	\$ 1,261,436	\$ 172,012
Community funds and endowments	1,437,506	312,968	592,705	1,157,769
Advance ticket sales	652,643	1,193,014	1,673,643	172,014
	<u>\$ 2,389,814</u>	<u>\$ 2,639,765</u>	<u>\$ 3,527,784</u>	<u>\$ 1,501,795</u>

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, 2016.

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*).



CITY OF GRANDE PRAIRIE

Notes to Consolidated Financial Statements

Year Ended December 31, 2016

23. ANNEXATION

On January 1, 2016, the City annexed 6,316 hectares of land from the County of Grande Prairie No. 1. Tangible capital assets comprising land, engineered structures and construction in progress with aggregate cost of \$7,919,968, carrying value of \$4,178,560 and long-term debt of \$836,161 were acquired via annexation. In connection with the annexation order, the City must 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>(1,471,595)</u>
Remaining annexation liability (<i>Note 8</i>)	<u>\$ 2,943,190</u>

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, 2016. 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 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.

26. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered professional accountants. Fletcher Mudryk LLP performed those procedures as determined to be necessary to ensure reliance could be placed on the comparative figures.

Some of the comparative figures have been reclassified to conform to the current year's presentation.

