

CITY OF GRANDE PRAIRIE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Management's Responsibility

To the Members of Council:

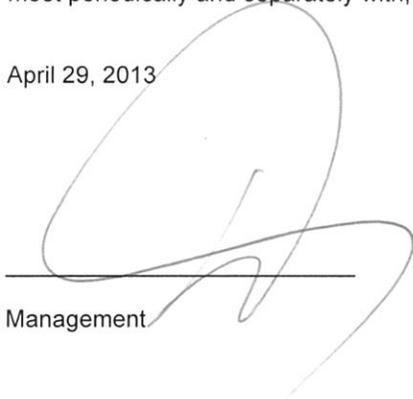
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting 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.

April 29, 2013



Management

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, 2012, the consolidated statements of operations, change in net 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, 2012, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grande Prairie, Alberta
April 29, 2013

MNP LLP

Chartered Accountants

MNP

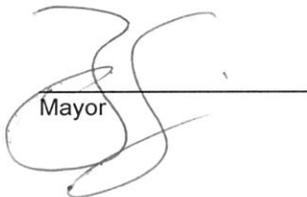
City of Grande Prairie
Consolidated Statement of Financial Position

As at December 31, 2012

	2012	2011
FINANCIAL ASSETS		
Cash (Note 2)	15,465,542	8,571,673
Portfolio investments (Note 3)	91,332,458	89,008,980
Taxes and grants in place of taxes (Note 4)	3,423,691	4,786,689
Trade and other accounts receivable (Note 5)	10,002,214	7,345,020
Agreements receivable (Note 6)	3,508,840	3,838,050
Land held for resale inventory	629,100	645,100
Investments (Note 7)	52,354,554	48,338,493
	176,716,399	162,534,005
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	13,863,650	14,123,110
Due to Aquatera Utilities Inc. (Note 9)	-	383,674
Deferred revenue (Note 10)	29,238,888	27,366,486
Long-term debt (Note 11)	143,630,691	148,458,211
	186,733,229	190,331,481
NET DEBT	(10,016,830)	(27,797,476)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	518,415,510	501,750,450
Inventory for consumption	717,338	788,570
Prepaid expenses	273,751	174,109
	519,406,599	502,713,129
ACCUMULATED SURPLUS (Schedule I, Note 13)	509,389,769	474,915,653

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, 2012

	Budget (Unaudited)	2012	2011
REVENUE			
Net municipal taxes <i>(Schedule III)</i>	87,652,285	87,647,122	80,888,868
Government transfers for operating <i>(Schedule IV)</i>	4,681,162	9,440,805	6,582,014
User fees and sales of goods	11,060,714	21,275,039	17,736,130
Investment income	5,125,856	3,705,227	3,196,218
Penalties and costs of taxes	1,300,000	1,336,438	1,503,301
Development levies	4,165,500	3,643,287	1,533,784
Fines, rentals, licenses and permits	9,005,727	10,460,825	8,731,410
Franchise and concession contracts	8,165,240	8,303,300	7,636,328
Transfers from other organizations	52,500	479,807	1,347,904
Other	2,383,898	2,942,676	2,296,604
	133,592,882	149,234,526	131,452,561
EXPENSES			
Council and other legislative services	908,454	699,191	614,157
Administrative services	14,851,639	14,938,630	14,608,390
Protective services	33,031,209	33,526,631	31,593,405
Transportation services	24,507,021	43,488,404	39,888,463
Community social development	2,687,915	7,521,632	7,926,272
Planning and development services	2,941,710	3,489,433	2,800,031
Recreation and cultural services	37,278,774	41,432,972	33,397,272
Other services	-	593,872	347,864
	116,206,722	145,690,765	131,175,854
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	17,386,160	3,543,761	276,707
OTHER			
Contributed tangible capital assets	-	5,134,442	2,254,690
Write-down of land held for resale	-	-	(1,159,210)
Gain (loss) on disposal of tangible capital assets	-	(56,023)	77,780
Government transfers for capital <i>(Schedule IV)</i>	17,634,993	19,198,575	25,056,103
Subsidiary operations <i>(Note 18)</i>	-	6,653,361	4,610,913
	17,634,993	30,930,355	30,840,276
EXCESS OF REVENUE OVER EXPENSES	35,021,153	34,474,116	31,116,983
ACCUMULATED SURPLUS, BEGINNING OF YEAR	474,915,653	474,915,653	443,798,670
ACCUMULATED SURPLUS, END OF YEAR	509,936,806	509,389,769	474,915,653

The accompanying notes are an integral part of these financial statements

City of Grande Prairie
Consolidated Statement of Changes in Net Debt
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011
EXCESS OF REVENUE OVER EXPENSES	35,021,153	34,474,116	31,116,983
Acquisition of tangible capital assets	(39,496,454)	(30,358,174)	(66,726,373)
Contributed tangible capital assets	-	(5,134,442)	(2,254,690)
Proceeds on disposal of tangible capital assets	-	457,265	296,960
Amortization of tangible capital assets	-	18,314,268	16,663,539
(Gain) loss on sale of tangible capital assets	-	56,023	(77,780)
	(39,496,454)	(16,665,060)	(52,098,344)
Use of inventory	-	71,232	(40,181)
Use of prepaid assets	-	(99,642)	(24,832)
	-	(28,410)	(65,013)
(INCREASE) DECREASE IN NET DEBT	(4,475,301)	17,780,646	(21,046,374)
NET DEBT, BEGINNING OF YEAR	(27,797,476)	(27,797,476)	(6,751,102)
NET DEBT, END OF YEAR	(32,272,777)	(10,016,830)	(27,797,476)

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, 2012

	2012	2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	34,474,116	31,116,983
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	18,314,268	16,663,539
Tangible capital assets received as contributions	(5,134,442)	(2,254,690)
Loss (gain) on disposal of tangible capital assets	56,023	(77,780)
Subsidiary operations	(6,653,361)	(4,610,913)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	1,362,998	1,769,302
Decrease (increase) in trade and other accounts receivable	(2,657,194)	142,031
Decrease (increase) in land held for resale	16,000	1,159,210
Decrease (increase) in inventory for consumption	71,232	(40,181)
Decrease (increase) in prepaid expenses	(99,642)	(24,832)
Increase (decrease) in accounts payable and accrued liabilities	(259,461)	(2,279,553)
Increase (decrease) in deferred revenue	1,872,402	(4,869,390)
Cash provided by operating transactions	41,362,939	36,693,726
CAPITAL		
Acquisition of tangible capital assets	(30,358,174)	(66,726,373)
Proceeds on disposal of tangible capital assets	457,265	296,960
Agreements receivable repayments	329,210	315,468
Dividends declared by Aquatera Utilities Inc.	2,637,300	2,637,281
Cash applied to capital transactions	(26,934,399)	(63,476,664)
FINANCING		
Due to Aquatera Utilities Inc.	(383,674)	407
Long-term debt issued	2,446,947	33,006,300
Long-term debt repaid	(7,145,997)	(6,152,939)
Capital lease obligations repayments	(128,470)	(154,507)
Cash provided by financing transactions	(5,211,194)	26,699,261
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	9,217,346	(83,677)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,580,653	97,664,330
CASH AND CASH EQUIVALENTS, END OF YEAR	106,797,999	97,580,653
Cash and cash equivalents is made up of:		
Cash (Note 2)	15,465,542	8,571,673
Portfolio investments (Note 3)	91,332,458	89,008,980
106,798,000	106,798,000	97,580,653

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, 2012

	Unrestricted Surplus	Restricted Surplus	Equity in Investments	Equity in Tangible Capital Assets	2012	2011
BALANCE, BEGINNING OF YEAR	8,875,981	60,570,890	48,338,493	357,130,289	474,915,653	443,798,670
Excess of revenue over expenses	34,474,116	-	-	-	34,474,116	31,116,983
Unrestricted funds designated for future use	1,201,774	(1,201,774)	-	-	-	-
Share of earnings from subsidiary	(6,653,361)	-	6,653,361	-	-	-
Current year funds used for tangible capital assets	(27,911,227)	-	-	27,911,227	-	-
Contributed tangible capital assets	(5,134,442)	-	-	5,134,442	-	-
Dividends received	2,637,300	-	(2,637,300)	-	-	-
Annual amortization expense	18,314,268	-	-	(18,314,268)	-	-
Disposal of tangible capital assets	513,288	-	-	(513,288)	-	-
Long-term debt repaid	(6,945,257)	-	-	6,945,257	-	-
Change in accumulated surplus	10,496,459	(1,201,774)	4,016,061	21,163,370	34,474,116	31,116,983
BALANCE, END OF YEAR	19,372,440	59,369,116	52,354,554	378,293,659	509,389,769	474,915,653

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, 2012

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & equipment	Assets Under Construction	2012	2011
COST:								
BALANCE, BEGINNING OF YEAR	48,050,337	12,155,269	241,572,415	292,848,070	29,264,600	27,408,214	651,298,905	584,270,452
Acquisition of tangible capital assets	1,127,522	2,058,420	7,686,007	9,940,220	3,558,245	11,122,202	35,492,616	68,981,063
Transfers of assets under construction	-	-	13,378,007	13,111,653	699,195	(27,188,855)	-	-
Disposal of tangible capital assets	(2,700)	-	(370,328)	(626,618)	(1,344,620)	-	(2,344,266)	(1,952,610)
BALANCE, END OF YEAR	49,175,159	14,213,689	262,266,101	315,273,325	32,177,420	11,341,561	684,447,255	651,298,905
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	5,330,653	29,767,046	100,919,476	13,531,280	-	149,548,455	134,618,346
Annual amortization	-	458,808	5,743,932	9,902,531	2,208,997	-	18,314,268	16,663,539
Accumulated amortization on disposals	-	-	(370,328)	(620,538)	(840,112)	-	(1,830,978)	(1,733,430)
BALANCE, END OF YEAR	-	5,789,461	35,140,650	110,201,469	14,900,165	-	166,031,745	149,548,455
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	49,175,159	8,424,228	227,125,451	205,071,856	17,277,255	11,341,561	518,415,510	501,750,450
2011 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	48,050,337	6,824,616	211,805,369	191,928,594	15,733,320	27,408,214	501,750,450	

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, 2012

	Budget (Unaudited)	2012	2011
TAXATION			
Real property taxes	105,776,393	105,902,406	99,427,535
Linear property taxes	1,876,031	1,876,031	1,794,812
Downtown Business Revitalization Zone	349,717	356,607	347,132
Government grants in lieu of property taxes	837,691	837,691	816,527
Local improvement	473,374	464,645	473,613
	109,313,206	109,437,380	102,859,619
REQUISITIONS			
Alberta School Foundation Fund	18,323,675	18,439,175	18,429,207
Grande Prairie Separate School Division No. 28	2,675,474	2,689,509	2,889,146
Grande Spirit Foundation	327,052	326,854	324,398
Downtown Business Revitalization Zone	334,720	334,720	328,000
	21,660,921	21,790,258	21,970,751
NET MUNICIPAL TAXES	87,652,285	87,647,122	80,888,868

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, 2012

	Budget (Unaudited)	2012	2011
TRANSFERS FOR OPERATING			
Provincial government	2,586,110	7,558,987	5,129,962
Federal government	479,000	416,477	81,063
Other local governments	1,616,052	1,465,341	1,370,989
	4,681,162	9,440,805	6,582,014
TRANSFERS FOR CAPITAL			
Provincial government	14,178,993	15,527,898	16,034,785
Federal government	2,344,000	3,666,177	9,016,388
Other local governments	1,112,000	4,500	4,930
	17,634,993	19,198,575	25,056,103
TOTAL GOVERNMENT TRANSFERS	22,316,155	28,639,380	31,638,117

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, 2012

	Budget (Unaudited)	2012	2011
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	58,356,992	63,231,728	55,400,070
Contracted and general services	26,458,306	31,402,942	30,704,497
Materials, goods and utilities	17,262,407	17,614,330	13,700,984
Provision for allowances	64,000	80,668	12,324
Transfers to local boards and agencies	7,227,416	8,028,487	8,128,681
Bank charges and short-term interest	98,800	237,530	170,306
Interest on long-term debt	6,738,801	6,675,560	6,339,310
Amortization of tangible capital assets	-	18,314,268	16,663,539
Other	-	105,252	56,143
	116,206,722	145,690,765	131,175,854

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, 2012

	General Government	Protective Services	Transportation Services	Planning & Development	Community Development	Recreation & Cultural	Other	Total
REVENUE								
Net municipal taxes	87,647,122	-	-	-	-	-	-	87,647,122
Government transfers	2,853,867	2,418,054	14,336,188	3,809,065	2,288,902	2,933,304	-	28,639,380
User fees and sales of goods	247,643	875,517	9,074,332	119,164	404,920	10,553,464	-	21,275,040
Investment income	3,651,463	-	53,764	-	-	-	-	3,705,227
Contributed assets	5,134,442	-	-	-	-	-	-	5,134,442
Other revenues	18,502,454	4,215,361	3,299,928	5,390,880	80,052	2,141,570	133,425	33,763,670
	118,036,991	7,508,932	26,764,212	9,319,109	2,773,874	15,628,338	133,425	180,164,881
EXPENSES								
Contract & general services	5,009,591	12,870,597	7,744,172	536,533	672,501	4,568,390	1,157	31,402,941
Salaries & wages	8,655,318	17,277,262	11,964,683	2,559,510	1,859,512	20,369,942	545,501	63,231,728
Goods & supplies	1,343,095	1,349,538	8,402,437	47,759	133,436	6,338,065	-	17,614,330
Transfers to local boards	239,660	464,137	469,040	23,993	4,834,369	1,997,288	-	8,028,487
Long-term debt interest	156,301	678,190	1,524,350	95,477	21,814	4,199,428	-	6,675,560
Other expenses	110,660	5,616	35,077	80,598	-	144,286	47,214	423,451
	15,514,625	32,645,340	30,139,759	3,343,870	7,521,632	37,617,399	593,872	127,376,497
NET REVENUE, BEFORE AMORTIZATION	102,522,366	(25,136,408)	(3,375,547)	5,975,239	(4,747,758)	(21,989,061)	(460,447)	52,788,384
Amortization expense	123,196	881,291	13,348,645	145,563	-	3,815,573	-	18,314,268
NET REVENUE	102,399,170	(26,017,699)	(16,724,192)	5,829,676	(4,747,758)	(25,804,634)	(460,447)	34,474,116

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

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 20.

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.

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 translations, 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, 2012

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

	2012	2011
Cash on hand	36,900	38,149
Cash in bank	15,428,642	8,533,524
	15,465,542	8,571,673

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 \$24,744,068 (2011 - \$23,141,731) 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 1.28% and 5.76% per annum and mature between July 2013 and December 2023.

In addition the City has investments \$1,532,909 (2011 - \$1,626,078) that are held in trust as described in Note 20.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2012	2011
Current taxes and grants in place of taxes	2,639,861	3,441,070
Arrears taxes	992,635	1,554,618
	3,632,496	4,995,688
Less: allowance for uncollectible taxes and taxes under appeal	(208,805)	(208,999)
	3,423,691	4,786,689

5. TRADE AND OTHER ACCOUNTS RECEIVABLES

	2012	2011
Trade and other receivables	7,013,855	4,279,269
Receivable from other governments	272,209	1,090,361
Accrued investment earnings	2,781,150	2,040,390
	10,067,214	7,410,020
Less: allowance for uncollectible trade and other receivables	(65,000)	(65,000)
	10,002,214	7,345,020

6. AGREEMENTS RECEIVABLE

	2012	2011
RCMP	2,748,168	2,883,746
Canadian Mental Health Association	302,504	324,618
Grande Prairie Gymnastics Society	458,168	629,686
	3,508,840	3,838,050
Less: current portion	(343,559)	(329,210)
	3,165,281	3,508,840

Estimated principal amounts to be received are as follows:

2013	343,559
2014	358,545
2015	277,269
2016	191,121
2017	200,536
To maturity	2,137,810

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 5.625% 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 3.804% 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, 2012

7. INVESTMENTS

	2012	2011
Alberta Capital Finance Authority shares	60	60
Aquatera Utilities Inc. - 73.3% ownership		
Common shares (32,173)	322	322
Preferred shares (41,170)	41,169,973	41,169,973
Cumulative share of earnings	36,682,382	30,029,021
Non-cumulative dividends declared	(25,498,183)	(22,860,883)
	52,354,554	48,338,493

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade payables and other accrued liabilities	6,090,115	6,164,907
Accrued payroll payable	526,564	879,277
Accrued vacation pay payable	2,884,767	2,694,145
Accrued interest payable	1,547,670	1,618,766
Accrued tax appeal provision	719,000	719,000
Capital payables	2,095,534	2,047,015
	13,863,650	14,123,110

9. DUE TO AQUATERA UTILITIES INC.

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

10. DEFERRED REVENUE

	2012	2011
Deferred sales and user charges	4,494,820	4,224,755
Deferred capital grants	20,922,954	18,870,822
Deferred operating grants	3,821,114	4,270,909
	29,238,888	27,366,486

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	12,592,661	9,991,777
Emergency services projects	83,575	150,000
Recreation	350,855	212,530
Other restricted funds not allocated to specific capital projects	7,895,863	8,516,515
	20,922,954	18,870,822

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

Municipal Sustainability Initiative

Capital funding in the amount of \$10,361,667 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 \$13,530,639 held exclusively for these projects, which are scheduled for completion in 2013.

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

11. LONG-TERM DEBT

	2012	2011
Alberta Capital Finance Authority	143,264,643	147,953,554
Canada Mortgage and Housing Corporation	218,590	228,729
Royal Bank of Canada	147,458	275,928
	143,630,691	148,458,211
Amounts payable within one year	(7,383,249)	(7,308,508)
	136,247,442	141,149,703

Estimated principal and interest repayments to maturity are as follows:

	Principal	Interest	Total
2013	7,383,249	6,267,807	13,651,056
2014	7,394,072	5,930,840	13,324,912
2015	7,271,584	5,598,485	12,870,069
2016	7,448,231	5,266,816	12,715,047
2017 and thereafter	114,133,555	71,626,255	185,759,810
	143,630,691	94,690,203	238,320,894

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 6.75% per annum and mature between 2013 and 2032.

Included in the Alberta Capital Finance Authority balance are long-term debentures issued for non-capital purposes aggregating \$760,672 (2011 - \$954,304).

Royal Bank of Canada capital lease obligations are secured by machinery and equipment with a carrying value of \$385,453 (2011 - \$462,544).

Interest on long-term debt amounted to \$6,675,560 (2011 - \$6,339,310).

The City's total cash payments for interest in 2012 were \$6,544,016 (2011 - \$5,843,687).

Included in long term debt is a loan in the amount of \$7,994,184 (2011 - \$7,683,951) that was entered into on behalf of the Grande Prairie Airport Commission.

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:

	2012	2011
Total debt limit	223,851,789	197,178,842
Total debt (<i>Note 10</i>)	(143,630,691)	(148,458,211)
Amount debt limit remaining	80,221,098	48,720,631
Debt servicing limit	37,308,632	32,863,140
Debt servicing	(13,651,056)	(13,844,519)
Service on debt limit remaining	23,657,576	19,018,621

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, 2012

13. ACCUMULATED SURPLUS

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

	2012	2011
Unrestricted surplus	19,372,440	8,875,981
Equity in long-term investments (Note 7)	52,354,554	48,338,493
Restricted surplus (Note 14)	59,369,116	60,570,890
Equity in tangible capital assets (Note 15)	378,293,659	357,130,289
	509,389,769	474,915,653

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	1,284,718	277,841	-	1,562,559
Facility renewal reserve	1,123,672	11,447,881	8,853,585	3,717,968
Financial stabilization	8,512,181	4,160,287	4,150,384	8,522,084
Fire Department equipment replacement	672,649	236,381	113,488	795,542
Fleet management system	12,219,532	2,170,073	2,018,572	12,371,033
Future capital expenditures	20,766,750	17,135,816	19,494,504	18,408,062
Pinnacle Ridge special tax	-	12,635	-	12,635
Public	1,339,287	32,664	959,018	412,933
Public Housing Commission	556,786	108,913	292,881	372,818
RCMP Detachment	267,320	11,871	-	279,191
Transportation system levies	9,786,781	4,276,190	5,282,148	8,780,823
Winter stabilization	2,725,594	121,035	-	2,846,629
Library	1,315,620	-	28,781	1,286,839
	60,570,890	39,991,587	41,193,361	59,369,116

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2012	2011
Tangible capital assets (Schedule II)	518,415,510	501,750,450
Capital agreements receivable (Note 6)	2,748,168	2,883,746
Long-term debt issued for capital purposes	(142,722,561)	(147,227,979)
Capital lease obligations	(147,458)	(275,928)
	378,293,659	357,130,289

City of Grande Prairie
Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

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:

	<i>Salary</i> ¹	<i>Benefits & allowances</i> ²	2012	2011
Mayor:				
B. Given	90,230	2,952	93,182	93,870
Councillors:				
J. Croken	40,056	2,918	42,974	43,255
A. Gustafson	33,165	2,918	36,083	36,657
K. McLean	35,117	2,918	38,035	37,174
J. Munroe	32,765	2,918	35,683	40,694
K. O'Toole	36,165	2,918	39,083	39,550
L. Radbourne	33,265	2,918	36,183	38,104
H. Rice	32,965	1,175	34,140	36,241
D. Wong	36,300	2,918	39,218	38,310
City Manager:				
G. Scerbak	214,658	26,316 ³	240,974	218,403

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 214,328 people and 423 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 2012 were \$3,920,192 (2011 - \$3,495,880). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2012 were \$3,569,142 (2011 - \$3,170,938).

At December 31, 2011, the LAPP disclosed a deficiency of \$4,639,390 (2010 - \$4,635,250).

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 (2011 - \$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 2.5% 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 2012 were \$208,874 (2011 - \$183,745). The current and past service contributions by employees of the City to APEX in 2012 were \$174,060 (2011 - \$153,121).

At December 31, 2011, the Plan disclosed an actuarial surplus of \$240,911 (2010 - \$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 2012 were \$219,580 (2011 - \$218,393). Total current contributions by the employees of the City of the Plan in 2012 were \$187,371 (2011 - \$178,377).

At December 31, 2011 the Plan disclosed an actuarial surplus of \$2,044 (2010 - \$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, 2012 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, 2012

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 (2012 - 73.33%; 2011 - 73.33%) in Aquatera Utilities Inc. for the year ended December 31, 2012:

	2012	2011
<u>Financial Position:</u>		
Financial assets	28,272,491	20,504,646
Physical assets	118,087,879	114,212,927
Total assets	146,360,370	134,717,573
Current liabilities, including callable debt	36,001,023	30,186,022
Deferred revenue of capital contributions	55,049,389	52,787,769
Landfill closure and post-closure liability	3,965,389	4,635,490
Total liabilities	95,015,801	87,609,281
Net assets	51,344,569	47,108,292
<u>Results of Operations:</u>		
Revenue	30,675,905	27,711,345
Amortization expense	1,822,253	1,421,260
Finance costs	852,618	779,533
Operating expenses	21,347,673	20,899,639
	6,653,361	4,610,913

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 (2011 - \$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 (2011 - 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, 2012

19. RELATED PARTY TRANSACTIONS

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2012.

	2012	2011
<i>Aquatera Utilities Inc. (a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	2,504,453	2,120,129
General administrative charge revenue and other recoveries	357,045	2,444,439
Utility and other expenses	401,754	318,291
Trade accounts receivable	2,664,513	51,382
Trade accounts payable	116,056	41,970

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	429,465	697,426	(756,355)	370,536
Community funds and endowments	1,066,661	145,105	(267,544)	944,222
Advance ticket sales	129,952	2,055,939	(1,967,740)	218,151
	1,626,078	2,898,470	(2,991,639)	1,532,909

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, 2012

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, 2012. 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 2012 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.

	Budget (Unaudited)	2012	2011
Excess of revenue over expenditures, per financial statements	35,021,153	34,474,116	31,116,983
Add back:			
Amortization expense	-	18,314,268	16,663,539
Net transfers (to) from reserves	86,321	3,984,137	1,899,697
Net transfers (to) from capital projects	766,145	860,924	481,195
Write-down of land held for resale	-	-	1,159,210
Deduct:			
Share of earnings from subsidiary net of dividends	-	(4,016,061)	(1,973,632)
Principal debt repayments	(7,163,651)	(7,274,467)	(6,307,446)
(Gain) loss on disposal of tangible capital assets	-	56,023	(77,780)
Contributed transfers for capital	-	(5,098,200)	(2,254,690)
Government transfers for capital	(17,634,993)	(19,198,575)	(25,056,103)
Special tax levies for capital	(6,909,475)	(6,443,500)	(5,873,166)
Development levies for capital	(4,165,500)	(3,643,287)	(1,533,784)
Other capital revenues	-	-	(1,347,904)
Results of operations - previous methods	-	12,015,378	6,896,119
Results of operations are as follows:			
Grande Prairie Airport Commission		4,842,797	
Grande Prairie Public Library		666,940	
Downtown Business Revitalization Zone		17,226	
Non-consolidated City of Grande Prairie operations		6,488,415	
		12,015,378	

25. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.