

CITY OF GRANDE PRAIRIE
Consolidated Financial Statements
December 31, 2019



CITY OF GRANDE PRAIRIE
Index to Consolidated Financial Statements
Year Ended December 31, 2019

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities and Accumulated Surplus	4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Changes in Financial Position	6
Consolidated Schedule of Changes in Accumulated Surplus <i>(Schedule 1)</i>	7
Consolidated Schedule of Tangible Capital Assets <i>(Schedule 2)</i>	8
Consolidated Schedule of Property and Other Taxes <i>(Schedule 3)</i>	9
Consolidated Schedule of Government Transfers <i>(Schedule 4)</i>	10
Consolidated Schedule of Expenditures by Object <i>(Schedule 5)</i>	11
Consolidated Schedule of Segment Disclosure <i>(Schedule 6)</i>	12
Notes to Consolidated Financial Statements	13 - 31





INDEPENDENT AUDITORS' REPORT

To the Members of Council of the City of Grande Prairie

Opinion

We have audited the accompanying consolidated financial statements of the City of Grande Prairie (the City), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of financial activities and accumulated surplus, changes in net financial assets and changes in financial position for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2019, and the results of its financial activities and accumulated surplus, changes in its net financial assets and its financial position for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

(continues)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Gleithr Mundy & LLP

Grande Prairie, Alberta
May 4, 2020

Chartered Professional Accountants

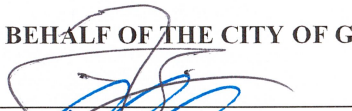



CITY OF GRANDE PRAIRIE
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash (Note 2)	\$ 35,398,610	\$ 24,727,930
Portfolio investments (Note 3)	134,818,751	140,769,427
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	7,511,163	9,125,897
Trade and other receivables (Note 5)	14,117,596	10,945,214
Agreements receivable (Note 6)	1,908,289	1,943,466
Land held for resale inventory	606,250	752,300
Investments (Note 7)	108,517,010	102,171,162
	<u>302,877,669</u>	<u>290,435,396</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	18,849,556	16,951,460
Deferred revenue (Note 9)	64,921,961	61,712,702
Employee benefit obligations (Note 10)	3,592,342	3,847,184
Long-term debt (Note 11)	132,371,803	140,139,518
	<u>219,735,662</u>	<u>222,650,864</u>
NET FINANCIAL ASSETS	<u>83,142,007</u>	<u>67,784,532</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	684,120,032	669,674,632
Inventory for consumption	978,445	1,093,528
Prepaid expenses	658,868	249,847
	<u>685,757,345</u>	<u>671,018,007</u>
NET ASSETS (Schedule 1)	<u>\$ 768,899,352</u>	<u>\$ 738,802,539</u>

CONTINGENT LIABILITIES (Note 24)

ON BEHALF OF THE CITY OF GRANDE PRAIRIE


 _____ Mayor

 _____ Chief Financial Officer

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Financial Activities and Accumulated Surplus
Year Ended December 31, 2019

	<i>Budget (Unaudited - Note 22)</i>		
	2019	2019	2018
REVENUES			
Net municipal taxes <i>(Schedule 3)</i>	\$ 115,864,435	\$ 115,798,134	\$ 117,035,903
Government transfers for operating <i>(Schedule 4)</i>	6,788,111	13,377,671	11,767,180
User fees and sales of goods	24,006,193	22,042,442	20,774,719
Interest and investment income	2,501,500	4,048,707	2,489,121
Penalties and cost of taxes	1,900,000	2,047,603	2,165,826
Development levies	-	772,770	2,369,324
Fines, rentals, licenses and permits	16,494,244	14,035,133	13,701,698
Franchise and concession contracts	13,542,716	12,774,515	11,370,403
Transfers from other organizations	80,700	169,005	156,851
Other revenue	2,065,099	2,824,972	1,921,949
	<u>183,242,998</u>	<u>187,890,952</u>	<u>183,752,974</u>
EXPENDITURES			
General government and administration	22,268,724	20,582,734	20,207,677
Protective services	46,293,501	49,108,401	47,064,614
Transportation services	45,099,794	65,026,450	62,519,681
Community and social development	3,394,424	8,581,146	9,140,716
Planning and development services	3,677,105	3,497,497	3,887,262
Recreation and cultural services	48,067,644	52,676,004	48,727,335
	<u>168,801,192</u>	<u>199,472,232</u>	<u>191,547,285</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENDITURES BEFORE THE FOLLOWING	<u>14,441,806</u>	<u>(11,581,280)</u>	<u>(7,794,311)</u>
OTHER ITEMS			
Contributed tangible capital assets	-	16,094,124	2,728,792
Loss on disposal of tangible capital assets	-	(729,500)	(286,510)
Government transfers for capital <i>(Schedule 4)</i>	-	16,569,560	15,344,091
Subsidiary operations <i>(Note 17)</i>	3,667,578	9,743,909	12,609,829
	<u>3,667,578</u>	<u>41,678,093</u>	<u>30,396,202</u>
EXCESS OF REVENUES OVER EXPENDITURES	18,109,384	30,096,813	22,601,891
ACCUMULATED SURPLUS - BEGINNING	<u>738,802,539</u>	<u>738,802,539</u>	<u>716,200,648</u>
ACCUMULATED SURPLUS - ENDING	<u>\$ 756,911,923</u>	<u>\$ 768,899,352</u>	<u>\$ 738,802,539</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2019

	<i>Budget (Unaudited - Note 22)</i>		
	2019	2019	2018
EXCESS OF REVENUES OVER EXPENDITURES	\$ 18,109,384	\$ 30,096,813	\$ 22,601,891
Acquisition of tangible capital assets	(26,732,262)	(29,838,117)	(36,426,381)
Contributed tangible capital assets	-	(16,094,124)	(2,728,792)
Proceeds on disposal of tangible capital assets	-	1,385,738	280,579
Amortization of tangible capital assets	-	29,214,103	27,240,091
Loss on disposal of tangible capital assets	-	729,500	286,510
Land reclassified as held for resale	-	157,500	-
	(26,732,262)	(14,445,400)	(11,347,993)
Acquisition of inventory for consumption	-	(2,485,157)	(1,344,801)
Use of inventory for consumption	-	2,600,240	1,354,759
Acquisition of prepaid assets	-	(1,898,708)	(1,651,953)
Use of prepaid assets	-	1,489,687	1,707,016
	-	(293,938)	65,021
	(26,732,262)	(14,739,338)	(11,282,972)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(8,622,878)	15,357,475	11,318,919
NET FINANCIAL ASSETS - BEGINNING OF YEAR	67,784,532	67,784,532	56,465,613
NET FINANCIAL ASSETS - END OF YEAR	\$ 59,161,654	\$ 83,142,007	\$ 67,784,532

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Statement of Changes in Financial Position
Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 30,096,813	\$ 22,601,891
Items not affecting cash:		
Amortization of tangible capital assets	29,214,103	27,240,091
Contributed tangible capital assets	(16,094,124)	(2,728,792)
Loss on disposal of tangible capital assets	729,500	286,510
Subsidiary operations	(9,743,909)	(12,609,829)
	<u>34,202,383</u>	<u>34,789,871</u>
Change in non-cash working capital:		
Taxes and grants in place of taxes receivable	1,614,734	(1,470,071)
Trade and other receivables	(3,172,382)	(1,013,570)
Accounts payable and accrued liabilities	1,898,096	(2,162,390)
Deferred revenue	3,209,259	36,939,385
Employee benefit obligations	(254,842)	220,944
Land held for resale	303,550	-
Inventory for consumption	115,083	9,958
Prepaid expenses	(409,021)	55,063
	<u>37,506,860</u>	<u>67,369,190</u>
Cash from operating activities		
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(29,838,117)	(36,426,381)
Proceeds on disposal of tangible capital assets	1,385,738	280,579
Issuance of agreements receivable	(200,000)	-
Agreements receivable repayments	235,177	215,781
Dividends declared by Aquatera Utilities Inc.	3,398,065	3,330,863
Acquisition of investment on asset transfer	(64)	(1,257,887)
Loss on investment in Alberta Capital Finance Authority	60	-
	<u>(25,019,141)</u>	<u>(33,857,045)</u>
Cash used by investing activities		
FINANCING ACTIVITIES		
Long-term debt issued	-	19,040,514
Long-term debt repaid	(7,767,715)	(9,336,992)
	<u>(7,767,715)</u>	<u>9,703,522</u>
Cash from (used by) financing activities		
INCREASE (DECREASE) IN CASH	4,720,004	43,215,667
CASH - BEGINNING OF YEAR	165,497,357	122,281,690
CASH - END OF YEAR	<u>170,217,361</u>	<u>165,497,357</u>
CASH CONSISTS OF:		
Cash (Note 2)	\$ 35,398,610	\$ 24,727,930
Portfolio investments (Note 3)	134,818,751	140,769,427
	<u>\$ 170,217,361</u>	<u>\$ 165,497,357</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2019

(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Investments	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 44,008,503	\$ 61,144,292	\$ 102,171,162	\$ 531,478,582	\$ 738,802,539	\$ 716,200,648
Excess of revenues over expenditures	30,096,813	-	-	-	30,096,813	22,601,891
Unrestricted funds designated for future use	(26,708,881)	26,708,881	-	-	-	-
Restricted funds used for operations	4,755,399	(4,755,399)	-	-	-	-
Share of net earnings from subsidiary	(9,743,909)	-	9,743,909	-	-	-
Dividends received	3,398,065	-	(3,398,065)	-	-	-
Current year funds used for tangible capital assets	(22,238,282)	-	-	22,238,282	-	-
Restricted funds used for tangible capital assets	-	(7,599,835)	-	7,599,835	-	-
Contributed tangible capital assets	(16,094,124)	-	-	16,094,124	-	-
Annual amortization expense	29,214,103	-	-	(29,214,103)	-	-
Disposal of tangible capital assets	2,272,738	-	-	(2,272,738)	-	-
Long-term debt for capital repaid	(7,541,558)	-	-	7,541,558	-	-
Disposal of investment in Alberta Capital Finance Authority	60	-	(60)	-	-	-
Stock dividend (Note 7)	(64)	-	64	-	-	-
BALANCE, END OF YEAR	\$ 31,418,863	\$ 75,497,939	\$ 108,517,010	\$ 553,465,540	\$ 768,899,352	\$ 738,802,539



Please see accompanying notes to financial statements

CITY OF GRANDE PRAIRIE
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2019

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction	2019	2018
COST									
BALANCE, BEGINNING OF YEAR	\$ 85,874,342	\$ 71,626,155	\$ 282,529,443	\$ 452,432,817	\$ 22,928,701	\$ 23,823,174	\$ 14,426,479	\$ 953,641,111	\$ 919,996,995
Acquisition of tangible capital assets	729,697	1,437,522	547,944	25,875,244	7,800,718	1,405,560	8,135,557	45,932,241	39,155,172
Transfers of assets under construction	-	1,309,696	5,057,144	6,410,428	1,172,560	-	(13,949,828)	-	-
Other transfers	(157,500)	-	-	-	-	-	-	(157,500)	-
Disposal of tangible capital assets	(282,000)	(218,793)	(160,046)	(3,927,009)	(2,969,759)	(1,171,742)	-	(8,729,349)	(5,511,056)
BALANCE, END OF YEAR	86,164,539	74,154,580	287,974,485	480,791,480	28,932,220	24,056,992	8,612,208	990,686,503	953,641,111
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF YEAR	-	29,764,780	71,057,477	158,944,476	13,438,863	10,760,883	-	283,966,479	261,670,356
Annual amortization	-	3,701,641	6,395,774	15,357,950	2,473,192	1,285,546	-	29,214,103	27,240,091
Accumulated amortization on disposals	-	(218,793)	(138,558)	(3,690,764)	(1,394,254)	(1,171,742)	-	(6,614,111)	(4,943,968)
BALANCE, END OF YEAR	-	33,247,628	77,314,693	170,611,662	14,517,801	10,874,687	-	306,566,471	283,966,479
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 86,164,539	\$ 40,906,952	\$ 210,659,792	\$ 310,179,818	\$ 14,414,419	\$ 13,182,305	\$ 8,612,208	\$ 684,120,032	\$ 669,674,632
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 85,874,342	\$ 41,861,375	\$ 211,471,966	\$ 293,488,341	\$ 9,489,838	\$ 13,062,291	\$ 14,426,479	\$ 669,674,632	



Please see accompanying notes to financial statements

CITY OF GRANDE PRAIRIE

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2019

	Budget (Unaudited) 2019	2019	2018
Taxation			
Real property taxes	\$ 143,500,550	\$ 142,446,736	\$ 143,612,586
Linear property taxes	2,127,514	2,129,352	2,095,456
Downtown Business Revitalization Zone	360,263	373,724	371,475
Grants in place of taxes	501,157	395,640	492,814
Local improvement	16,700	16,675	16,700
	<u>146,506,184</u>	<u>145,362,127</u>	<u>146,589,031</u>
Requisitions			
Alberta School Foundation Fund	29,825,749	28,749,058	28,751,791
Grande Spirit Foundation	455,737	454,672	444,740
Business revitalization zone	360,263	360,263	356,597
	<u>30,641,749</u>	<u>29,563,993</u>	<u>29,553,128</u>
	<u>\$ 115,864,435</u>	<u>\$ 115,798,134</u>	<u>\$ 117,035,903</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Government Transfers *(Schedule 4)*
Year Ended December 31, 2019

	<i>Budget (Unaudited) 2019</i>	2019	2018
Transfers for operating			
Provincial government	\$ 4,129,374	\$ 10,612,532	\$ 9,335,736
Federal government	55,000	599,518	635,853
Other local governments	2,603,737	2,165,621	1,795,591
	<u>6,788,111</u>	<u>13,377,671</u>	<u>11,767,180</u>
Transfers for capital			
Provincial government	-	15,624,525	15,294,766
Federal government	-	945,035	49,325
	<u>-</u>	<u>16,569,560</u>	<u>15,344,091</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 6,788,111</u>	<u>\$ 29,947,231</u>	<u>\$ 27,111,271</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Expenditures by Object *(Schedule 5)*
Year Ended December 31, 2019

	<i>Budget (Unaudited)</i>		
	2019	2019	2018
EXPENDITURES			
Salaries, wages and benefits	\$ 97,863,191	\$ 94,110,613	\$ 90,280,979
Contracted and general services	35,891,962	33,634,694	35,052,897
Materials, goods and utilities	20,929,739	21,482,269	23,318,705
Provision for allowances	-	915,672	295
Transfers to individuals, local boards and other organizations	7,497,300	10,048,004	10,150,674
Bank charges and short-term interest	543,091	534,745	300,801
Interest on long-term debt	6,075,909	9,532,132	5,202,843
Amortization provision	-	29,214,103	27,240,091
	<u>\$ 168,801,192</u>	<u>\$ 199,472,232</u>	<u>\$ 191,547,285</u>

Please see accompanying notes to financial statements



CITY OF GRANDE PRAIRIE
Consolidated Schedule of Segment Disclosure
Year Ended December 31, 2019

(Schedule 6)

	General Government	Protective Services	Transportation Services	Planning and Development	Community Development	Recreation and Culture	Total
REVENUE							
Net municipal taxes	\$ 115,798,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,798,134
Government transfers	1,932,394	3,676,516	290,512	-	6,362,546	1,115,703	13,377,671
User fees and sales of goods	46,098	2,334,786	10,787,711	65,900	248,370	8,559,577	22,042,442
Investment income	3,505,854	-	382,065	-	119,786	41,002	4,048,707
Other revenue	16,289,514	8,163,972	3,848,867	2,425,832	64,562	1,831,251	32,623,998
	137,571,994	14,175,274	15,309,155	2,491,732	6,795,264	11,547,533	187,890,952
EXPENSES							
Salaries, wages and benefits	14,455,086	25,754,918	21,962,814	3,380,748	1,992,415	26,564,632	94,110,613
Contracted and general services	4,359,480	18,936,717	4,897,838	77,495	627,425	4,735,739	33,634,694
Materials, goods and utilities	986,586	2,526,783	11,827,185	14,195	110,546	6,016,974	21,482,269
Transfers to local boards and agencies	371,651	-	(45,675)	-	5,629,124	4,092,904	10,048,004
Interest on long-term debt	59,055	660,847	3,741,281	-	57,262	5,013,687	9,532,132
Amortization expense	303,986	1,214,198	22,302,200	-	163,415	5,230,304	29,214,103
Other expenses	46,890	14,938	340,807	25,059	959	1,021,764	1,450,417
	20,582,734	49,108,401	65,026,450	3,497,497	8,581,146	52,676,004	199,472,232
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	\$ 116,989,260	\$ (34,933,127)	\$ (49,717,295)	\$ (1,005,765)	\$ (1,785,882)	\$ (41,128,471)	\$ (11,581,280)
2018 EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	\$ 115,351,594	\$ (36,413,884)	\$ (48,482,656)	\$ 1,039,381	\$ (3,291,723)	\$ (35,997,023)	\$ (7,794,311)



Please see accompanying notes to financial statements

CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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 19.

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.

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.

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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.

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 unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Requisition over-levy and under-levy

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

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

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

Employee future benefits

Certain employees of the City are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The President of the Alberta Treasury Board and the Minister of Finance are the legal trustees and administrators of the Plan, which is governed by a Board of Trustees. Since the Plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the City does not recognize its share of any plan surplus or deficit.

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

Employees of the Grande Prairie Firefighters Association, a department of the City of Grande Prairie, are members of the Grande Prairie Firefighters Supplementary Pension Plan, a defined benefit pension plan. The plan is administered by a Board of Trustees made up of representatives of the City, the Association and independent trustees.

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.

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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

Non-financial assets

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

Tangible capital assets

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

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

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

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

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

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

Impairment of long-lived assets

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

Asset retirement obligations

The City recognizes a liability for the future environmental remediation of certain properties and for future removal and handling costs for contamination. At this time, no asset retirement obligations have been identified and, thus, no liability has been recorded.

Inventory held for consumption

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

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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

Reserves for future expenditures

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

Tax revenue

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

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

Government transfers

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

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

Measurement uncertainty

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

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

Budget

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

2. CASH

	2019	2018
Cash on hand	\$ 23,066	\$ 33,114
Cash in bank	35,375,544	24,694,816
	<u>\$ 35,398,610</u>	<u>\$ 24,727,930</u>

Cash in bank bears interest at a rate of prime minus 1.8% (2018 - prime minus 1.8%) per annum on balances over \$1,000,000.

Included in cash and portfolio investments are restricted amounts aggregating \$59,642,618 (2018 - \$56,781,725) to be used for specific projects included in deferred revenue (*Note 9*).



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

3. PORTFOLIO INVESTMENTS

Portfolio investments are readily convertible to cash, consist of fixed income investments and Canadian treasury bills, have a weighted average investment yield of 2.76% (2018 - 2.58%) per annum and mature between April, 2020 and September, 2029.

Included in cash and portfolio investments are restricted amounts aggregating \$59,642,618 (2018 - \$56,781,725) to be used for specific projects included in deferred revenue (*Note 9*).

In addition, the City holds \$1,964,929 (2018 - \$2,169,191) that is held in trust as described in Note 19.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Current taxes and grants in place of taxes	\$ 5,380,808	\$ 7,062,060
Arrears	2,235,873	2,272,260
Allowance for doubtful accounts	(105,518)	(208,423)
	<u>\$ 7,511,163</u>	<u>\$ 9,125,897</u>

5. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade and other receivables	\$ 8,812,623	\$ 5,429,117
Government grants receivable	1,426,672	448,545
Dividend receivable	3,398,065	3,330,863
Goods and services tax	148,948	647,591
Accrued investment earnings	1,246,497	1,154,098
Less: allowances for uncollectible trade and other receivables	(915,209)	(65,000)
	<u>\$ 14,117,596</u>	<u>\$ 10,945,214</u>



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

6. AGREEMENTS RECEIVABLE

	2019	2018
RCMP	\$ 1,597,916	\$ 1,786,265
Canadian Mental Health Association	108,672	141,108
Swan City Hockey Association	190,972	-
Army, Navy and Airforce Veterans Unit #389	10,729	16,093
	1,908,289	1,943,466
Agreements receivable due in one year	(274,111)	(226,149)
	<u>\$ 1,634,178</u>	<u>\$ 1,717,317</u>

Estimated principal amounts to be received are as follows:

2020	\$ 274,111
2021	287,132
2022	295,422
2023	269,368
2024	270,961
To maturity	511,295
	<u>\$ 1,908,289</u>

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

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

The Swan City Hockey Association agreement receivable is secured by a seat on the Board of Directors, bears interest at a rate of 4.25%, with quarterly blended payments of \$11,153 and matures in 2024.

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.

Capital agreements above consist of the RCMP and the Army, Navy and Airforce Veterans Unit #389 for a total of \$1,608,645 (2018 - \$1,802,358) (Note 13).



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

7. LONG-TERM INVESTMENTS

	2019	2018
Alberta Capital Finance Authority (ACFA) shares	\$ -	\$ 60
Aquatera Utilities Inc. - 72.86% ownership (2018 - 74.09%)		
101,342 common shares (2018 - 94,922)	1,014	950
110,339 preferred shares (2018 - 103,919)	110,339,112	103,918,691
Cumulative share of earnings	106,309,775	96,565,866
Cumulative share of dividends declared	(108,132,891)	(98,314,405)
	<u>108,517,010</u>	<u>102,171,102</u>
	<u>\$ 108,517,010</u>	<u>\$ 102,171,162</u>

On December 31, 2019, Aquatera Utilities Inc. declared a stock dividend, under which the City received 6,420 common and 6,420 preferred shares with a carrying value of \$6,420,421 in aggregate.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade payables and other accrued liabilities	\$ 14,450,606	\$ 11,627,492
Construction holdbacks payable	739,168	1,627,518
Accrued payroll	2,402,179	1,724,849
Accrued interest payable	963,284	1,088,644
Annexation liability (<i>Note 23</i>)	294,319	882,957
	<u>\$ 18,849,556</u>	<u>\$ 16,951,460</u>



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

9. DEFERRED REVENUE

	2019	2018
Requisition over-levy	\$ 1,162,382	\$ -
Deferred sales and user charges	4,116,961	4,930,976
Deferred operating grants	24,984,940	26,075,717
Deferred MSI capital grant	22,566,601	23,294,951
Deferred FGTF capital grant	7,887,105	2,213,622
Other deferred capital grants	4,203,972	5,197,436
	<u>\$ 64,921,961</u>	<u>\$ 61,712,702</u>

The requisition over-levy consists of amounts collected by the City on behalf of the Alberta Government. It is expected that the City will apply the over-levy to subsequent years requisition, thereby rectifying the balance.

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

Municipal Sustainability Initiative (MSI)

Capital funding in the amount of \$9,783,797 (2018 - \$19,774,745) was received in the current year from the Municipal Sustainability Initiative, as approved under the funding agreement. Unexpended funds related to this advance, and amounts from prior periods carried forward are supported by cash and portfolio investments held exclusively for these projects, which are scheduled for completion in subsequent periods.

Federal Gas Tax Fund (FGTF)

Capital funding in the amount of \$7,806,981 (2018 - \$3,483,863) was received in the current year from the Federal Gas Tax Fund. Unexpended funds related to this advance, and amounts from prior periods carried forward are supported by cash and portfolio investments held exclusively for these projects, which are scheduled for completion in subsequent periods.

Other deferred capital grants consist of restricted amounts for specific capital projects.

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 \$30,422 (2018 - \$27,917).



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

11. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax supported debentures	\$ 132,371,803	\$ 140,139,518
Long-term debt due in one year	<u>(7,622,360)</u>	<u>(7,767,715)</u>
	<u>\$ 124,749,443</u>	<u>\$ 132,371,803</u>

Principal repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,622,360	\$ 4,504,430	\$ 12,126,790
2021	7,588,992	4,190,258	11,779,250
2022	7,431,675	3,885,724	11,317,399
2023	6,832,855	3,595,680	10,428,535
2024	6,635,917	3,335,447	9,971,364
Thereafter	<u>96,260,004</u>	<u>33,249,509</u>	<u>129,509,513</u>
	<u>\$ 132,371,803</u>	<u>\$ 52,761,048</u>	<u>\$ 185,132,851</u>

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 2049.

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

Included in the balance are long-term debentures issued for non-capital purposes aggregating \$108,666 (2018 - \$141,108).

Cash paid for interest on long-term debt amounted to \$4,796,442 (2018 - \$5,338,037). Additionally, payments of \$4,735,690 were made in stop loss payments due to the refinancing of long term debt in March, 2019.

Included in long-term debt is a loan in the amount of \$14,676,179 (2018 - \$15,610,678) that was entered into on behalf of the Grande Prairie Airport Commission and is being repaid by the Commission.



CITY OF GRANDE PRAIRIE

Notes to Consolidated Financial Statements

Year Ended December 31, 2019

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:

	2019	2018
Total debt limit	\$ 281,836,428	\$ 275,629,461
Total debt	(132,371,803)	(140,139,518)
Amount debt limit remaining	<u>\$ 149,464,625</u>	<u>\$ 135,489,943</u>
Debt servicing limit	\$ 46,972,738	\$ 45,938,244
Debt servicing	(12,126,790)	(12,344,968)
Service on debt limit remaining	<u>\$ 34,845,948</u>	<u>\$ 33,593,276</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. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (<i>Schedule 2</i>)	\$ 684,120,032	\$ 669,674,632
Capital agreements receivable (<i>Note 6</i>)	1,608,645	1,802,358
Long-term debt issued for capital purposes	(132,263,137)	(139,998,408)
	<u>\$ 553,465,540</u>	<u>\$ 531,478,582</u>



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

14. RESTRICTED SURPLUS

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

	Balance Beginning	Additions	Reductions	Balance Closing
Cemetery perpetual care	\$ 3,043,231	\$ 154,097	\$ -	\$ 3,197,328
Facility renewal	1,443,780	6,589,264	4,337,000	3,696,044
Financial stabilization	8,371,222	7,434,432	1,764,259	14,041,395
Fire department equipment replacement	875,357	-	875,357	-
Fleet management system	13,800,041	1,556,064	2,576,372	12,779,733
Future expenditures	9,301,605	8,584,951	410,435	17,476,121
Neighbourhood entrance	2,525	-	2,525	-
Pinnacle Ridge special tax	13,953	9,032	-	22,985
Public	2,841,568	108,915	-	2,950,483
Public art	69,906	39,461	15,000	94,367
Public housing commission	627,558	18,280	384,951	260,887
RCMP detachment	304,454	-	304,454	-
Transportation system levies	6,803,132	1,512,096	208,663	8,106,565
Winter stabilization	2,627,436	-	2,627,436	-
	<u>50,125,768</u>	<u>26,006,592</u>	<u>13,506,452</u>	<u>62,625,908</u>
Library	2,099,100	-	182,187	1,916,913
Airport	8,919,424	4,712,061	2,676,367	10,955,118
	<u>\$ 61,144,292</u>	<u>\$ 30,718,653</u>	<u>\$ 16,365,006</u>	<u>\$ 75,497,939</u>

On February 11, 2019, Council approved a consolidated reserve policy that resulted in the consolidation of specific reserve balances previously disclosed separately. Immediately after approval of the consolidated reserve policy, Council rescinded all previous reserve policies.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

15. 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	Benefits and Allowances	2019	2018
Mayor:				
B. Given	\$ 111,452	\$ 12,123	\$ 123,575	\$ 124,899
Councilors:				
C. Blackburn	57,756	7,291	65,047	70,014
D. Bressey	67,899	7,291	75,190	74,614
J. Clayton	64,099	7,291	71,390	67,114
E. Friesen	59,175	7,291	66,466	66,191
Y. Minhas	63,399	7,291	70,690	67,891
K. O'Toole	68,899	7,291	76,190	74,914
W. Pilat	64,298	7,291	71,589	66,691
C. Thiessen	66,698	7,291	73,989	74,829
City Manager:	278,865	43,102	321,967	343,792
Designated officers:	965,031	94,152	1,059,183	760,573

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

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.

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.

Designated officers include the Chief Financial Officer, City Assessor and City Clerk, consisting of three full-time equivalent positions (2018 - 3 FTE).



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

16. 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 265,813 people and 421 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the City are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the City to the LAPP in 2019 were \$5,977,986 (2018 - \$6,179,012). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2019 were \$5,435,971 (2018 - \$5,666,224).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 billion (2017 - \$4.8 billion).

b) APEX Supplementary Pension Plan

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

The City is required to make current service contributions of 3.78% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$151,278 (2018 - \$147,222) for those employees who have elected to participate in the Plan. No contributions are required on earnings above the maximum threshold.

Employees of the City electing to participate in the Plan are required to make current service contributions of 2.84% of pensionable earnings above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of \$151,278, with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the City to APEX in 2019 were \$458,930 (2018 - \$432,845). The current and past service contributions by employees of the City to APEX in 2019 were \$344,802 (2018 - \$325,209).

At December 31, 2018, the Plan disclosed an actuarial deficiency of \$7,899,642 (2017 - \$2,370,293).

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

16. 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 2019 were \$290,397 (2018 - \$260,800). Total current contributions by the employees of the City to the Plan in 2019 were \$236,932 (2018 - \$212,783).

At December 31, 2018, the Plan disclosed an actuarial deficit of \$130,819 (2017 - \$512,128 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, 2019, would not have significant impact on the financial position of the City.

17. 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 in Aquatera Utilities Inc. for the year ended December 31, 2019:

	<u>2019</u>	<u>2018</u>
Financial Position:		
Financial assets	\$ 73,341,480	\$ 78,533,324
Physical assets	<u>256,284,066</u>	<u>241,014,820</u>
Total assets	<u>329,625,546</u>	<u>319,548,144</u>
Current liabilities, including callable debt	<u>88,948,309</u>	<u>90,538,339</u>
Deferred revenue of capital contributions	<u>127,293,631</u>	<u>121,920,186</u>
Landfill closure and post-closure liability	<u>4,866,596</u>	<u>5,072,602</u>
Total liabilities	<u>221,108,536</u>	<u>217,531,127</u>
Net assets	<u>\$ 108,517,010</u>	<u>\$ 102,017,017</u>

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

17. SUBSIDIARY OPERATIONS *(continued)*

	2019	2018
Results of Operations:		
Revenue	\$ 46,750,286	\$ 46,861,108
Amortization expense	(7,016,833)	(6,509,168)
Finance costs	(219,450)	(881,932)
Net subsidiary operations	(2,833,622)	(1,050,200)
Operating expenses	(26,936,472)	(25,809,979)
	<u>\$ 9,743,909</u>	<u>\$ 12,609,829</u>

Annual dividends were declared in the year in the amount of \$3,398,065 (2018 - \$3,330,863). At year-end, the dividends declared had not been received.

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

Aquatera Utilities Inc. estimates the discounted amount of cash required to settle its decommissioning liability to be approximately \$5,888,208 (2018 - \$5,965,907), 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 cells 1 - 9 of the landfill and are expected to occur in approximately eight 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 365,326 (2018 - 448,529) metric tonnes with an annual estimated utilization of 83,203 metric tonnes. The current year liability and capacity reflects cells 1 - 9 of a five-year phased plan, a total capacity of approximately 3.6 million metric tonnes and a total lifespan of approximately 50 years once cells 1 - 17 are completed.



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

18. RELATED PARTY TRANSACTIONS

The following is a summary of transactions and balances with related and other parties for the year ended December 31, 2019:

	2019	2018
Aquatera Utilities Inc. <i>(a government business enterprise controlled by the City)</i>		
Franchise fee revenue, including amounts in lieu of taxes	\$ 3,408,537	\$ 3,403,065
Utility and other expenses	1,105,409	1,286,925
Dividends declared	3,398,065	3,330,863
Trade and other accounts receivable	3,401,262	3,330,863
Trade accounts payable	539	31,510

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.

19. 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	\$ 195,849	\$ 503,965	\$ 656,186	\$ 43,628
Community funds and endowments	1,387,062	114,558	98,885	1,402,735
Advance ticket sales	586,280	2,098,099	2,165,813	518,566
	\$ 2,169,191	\$ 2,716,622	\$ 2,920,884	\$ 1,964,929



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

20. 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.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency rate risk, interest rate risk and other price risk. The City is mainly exposed to interest rate risk and other price risk with respect to its portfolio investments.

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

21. SEGMENTED DISCLOSURE

The City of Grande Prairie is a diversified municipal government that provides a wide range of services to its citizens. The Schedule of Segmented Disclosure (Schedule 6) has been prepared in accordance with PS 2700 Segmented Disclosures and is intended to help users of the consolidated financial statements identify the resources allocated to support major activities of the City and allow users to make more informed judgments regarding the government reporting entity.

Segmented information has been identified based on functional activities provided by the City. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. The functional areas that have been separately disclosed in the segmented information, along with services they provide are as follow:

General Government

General Government is comprised of Council, City Manager, Corporate Communications, Information Technology, Financial Services, Assessment and Taxation, Procurement, Human Resources, Legislative Services, Insurance and Risk Management, Organizational Efficiency and other corporate functions that provide for the overall operation of the City.

Protective Services

Protective Services is comprised of Fire, Police, Emergency Management, Bylaw Enforcement, Business Licenses, Animal Control and Building Inspections.

Transportation Services

Transportation Services is comprised of Engineering Services, Roads, Public Transit, Fleet, Storm Water and Airport Operations.

Planning and Development

Planning and Development is comprised of Economic Development, Municipal Planning and Land Development.

(continues)



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

21. SEGMENTED DISCLOSURE *(continued)*

Community Development

Community Development is comprised of Family and Community Support Services, Cemetery and other community supports.

Recreation and Culture

Recreation and Culture is comprised of Parks Operations, Arenas, Community Knowledge Campus, Library, and other activities related to providing recreational and cultural opportunities in the City.

22. BUDGETED ANNUAL SURPLUS

The annual operating budget is prepared based upon the City's annual fiscal plan, therefore, a reconciliation of the budgeted surplus as disclosed in these consolidated financial statements to the budget as approved by Council is required under Public Sector Accounting Board standards.

	<u>2019</u>
Budget surplus per consolidated financial statements	18,109,384
Transfers to reserves	(3,231,943)
Transfers from reserves	2,352,000
Internal charges	(5,960,046)
Internal recoveries	5,960,046
Capital investment income	(6,159,500)
Capital project expenses	2,846,895
Debt principal payments	(10,163,449)
Subsidiary budget - Library	29,181
Subsidiary budget - Airport	(5,268,880)
Budgeted revenue earned from subsidiaries	<u>1,486,312</u>
City budget as approved by Council (December 3, 2018)	<u>\$ -</u>

23. ANNEXATION

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

Amounts due on or before:

December 31, 2016	\$ 1,471,595
December 31, 2017	1,177,276
December 31, 2018	882,957
December 31, 2019	588,638
December 31, 2020	<u>294,319</u>
Total liability arising due to annexation	4,414,785
Less amounts paid	<u>(4,120,466)</u>
Remaining annexation liability <i>(Note 8)</i>	<u>\$ 294,319</u>



CITY OF GRANDE PRAIRIE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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, 2019. While it is not possible to estimate the ultimate liability with respect to the pending litigation, based on evaluation and correspondence with the City's various legal counsel, management indicates that it is unlikely that there will be a materially adverse effect on the financial position of the City. The ultimate settlement of these lawsuits, if any, will be recorded in the period the details become known.

25. COMMITMENTS

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

26. SUBSEQUENT EVENTS

On March 11, 2020, COVID-19 was declared a global pandemic. There has been a significant financial impact to the local, national and global economies. The overall impact on the City's operations is uncertain and management is currently taking measures to protect its operations and mitigate the market and credit risks that have arisen therefrom.

On April 6, 2020, City Council approved a by-law authorizing a revolving line of credit with a maximum credit limit of \$35,000,000. No formal agreement has been entered into as at the date of approval of these consolidated financial statements. Proposed terms are that the credit facility will be due on demand and be repayable in monthly interest payments at a rate of bank prime less 0.25%.

