

**COUNTY OF
GRANDE PRAIRIE**

Year Ended December 31, 2023

COUNTY OF GRANDE PRAIRIE NO. 1

Consolidated Financial Statements

December 31, 2023

COUNTY OF GRANDE PRAIRIE NO. 1

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MANAGEMENT REPORT


The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the County of Grande Prairie No. 1.

These consolidated financial statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.


In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that the financial information produced is relevant and reliable.

The elected Council of the County of Grande Prairie No. 1 is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Council approves the engagement or re-appointment of the external auditors and reviews the quarterly financial reports.

The consolidated financial statements have been audited by BDO Canada LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian auditing standards on behalf of Council, residents and ratepayers of the County.



Julia Whittleton
County Manager
May 13, 2024



Rob Beaupertuis
General Manager, Financial & Business Planning
May 13, 2024



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Independent Auditor's Report

To the Reeves and Council of the County of Grande Prairie No.1

Qualified Opinion

We have audited the consolidated financial statements of the County of Grande Prairie No.1 and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and its consolidated results of operations, its consolidated measurement gains and losses, its consolidated change in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Qualified Opinion

Effective April 1, 2022, the Group was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. As disclosed in Note 11, the Group has limited its adoption of PS 3280 to considering the impact on their landfill obligations. Management has not completed its assessment of the tangible capital assets for any other potential asset retirement obligations. In addition, we were unable to obtain sufficient appropriate audit evidence with respect to the amount recorded with respect to the landfill obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended December 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at December 31, 2023 and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

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



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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Statement of Financial Position
As at December 31, 2023

| | | 2023 | 2022 |
|--|-----------------------|-----------------------|-----------------------|
| FINANCIAL ASSETS | | | |
| Cash and cash equivalents | (Note 2) | \$ 38,841,818 | \$ 20,168,440 |
| Receivables | (Note 3) | 25,032,445 | 29,125,894 |
| Loans to other governments | (Note 4) | - | 61,999 |
| Loans receivable | (Note 5) | 1,620,848 | 1,852,989 |
| Investments | (Note 6) | 133,872,917 | 149,693,331 |
| | | 199,368,028 | 200,902,653 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | | 13,418,165 | 14,535,029 |
| Deposit liabilities | (Note 8) | 3,614,560 | 3,182,697 |
| Employee benefit obligations | (Note 9) | 3,495,111 | 2,334,665 |
| Asset retirement obligations | (Note 26) | 1,460,275 | 459,827 |
| Deferred revenue | (Note 10) | 13,260,846 | 13,046,182 |
| Operating line of credit | (Note 11) | 13,500 | 44,500 |
| Long-term debt | (Note 13) | 31,204,386 | 37,868,883 |
| | | 66,466,843 | 71,471,783 |
| NET FINANCIAL ASSETS | | 132,901,185 | 129,430,870 |
| NON-FINANCIAL ASSETS | | | |
| Tangible capital assets | (Schedule 2) | 492,600,535 | 491,064,955 |
| Inventory for consumption | (Note 15) | 2,451,190 | 1,839,499 |
| Land held for resale | (Note 16) | 1,720,018 | 4,583,239 |
| Prepaid expenses | | 1,241,222 | 971,567 |
| | | 498,012,965 | 498,459,260 |
| ACCUMULATED SURPLUS | (Schedule 1, Note 17) | \$ 630,914,150 | \$ 627,890,130 |
| Contingent liabilities | (Note 21) | | |

The accompanying notes form an integral part of these consolidated financial statements.

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Statement of Operations
For the Year Ended December 31, 2023

| | | 2023 <i>(Budget - Note 28)</i> | 2023 <i>(Actual)</i> | 2022 |
|--|---------------------|-----------------------------------|-------------------------|--------------------|
| REVENUE | | | | |
| Net municipal taxes | <i>(Schedule 3)</i> | \$ 99,741,213 | \$ 99,599,562 | \$ 94,249,650 |
| User fees and sale of goods | <i>(Schedule 6)</i> | 7,915,369 | 10,325,810 | 8,119,925 |
| Government transfers for operating | <i>(Schedule 4)</i> | 2,229,770 | 11,237,597 | 5,985,458 |
| Investment income | | 3,920,656 | 3,501,297 | 2,208,361 |
| Penalties and costs of taxes | | 1,209,000 | 965,544 | 1,238,279 |
| Insurance proceeds | | - | 35,589 | 104,688 |
| Development levies | | 447,720 | 599,756 | 696,213 |
| Licenses, permits, fines and rentals | | 2,461,800 | 2,301,429 | 2,960,520 |
| Other | | 499,050 | 1,887,975 | 453,650 |
| TOTAL REVENUE | | 118,424,578 | 130,454,559 | 116,016,744 |
| EXPENSES | | | | |
| General Government | | | | |
| Council and Other Legislative | | 1,423,612 | 1,232,605 | 1,224,580 |
| General Administration | | 14,904,196 | 12,125,401 | 23,942,045 |
| Other General Government | | 13,998,859 | 13,341,913 | 4,263,663 |
| Protective Services | | | | |
| Bylaw Enforcement | | 3,572,359 | 3,629,053 | 3,165,237 |
| Police | | 2,836,836 | 2,262,397 | 938,123 |
| Fire | | 11,397,051 | 12,994,740 | 10,954,016 |
| Disaster and Emergency Measures | | 575,022 | 7,851,767 | 276,572 |
| Transportation Services | | | | |
| Common and Equipment Pool | | 1,741,938 | 1,717,137 | 1,569,991 |
| Other Transportation | | 319,168 | 286,213 | 242,735 |
| Public Transit | | 21,702 | 21,207 | 21,005 |
| Roads, Streets, Walks and Lighting | | 48,837,570 | 50,532,846 | 46,245,569 |
| Storm Sewer and Drainage | | - | 107,418 | - |
| Planning and Development | | | | |
| Economic / Agricultural Development | | 3,211,777 | 2,896,379 | 2,967,758 |
| Land, Housing and Building Rentals | | - | 4,930 | - |
| Land Use Planning, Zoning and Development | | 4,288,034 | 3,315,538 | 2,634,078 |
| Other Planning and Development | | 1,426,759 | 1,402,633 | 915,955 |
| Public Health and Welfare | | | | |
| Family and Community Support | | 3,818,605 | 3,740,920 | 3,302,518 |
| Cemetaries and Crematoriums | | 60,000 | 49,671 | 55,099 |
| Recreation and Culture | | | | |
| Parks and Recreation | | 15,187,716 | 14,218,240 | 12,130,024 |
| Culture, Libraries, Museums and Halls | | 1,366,516 | 1,333,360 | 1,241,182 |
| Environmental Use and Protection | | | | |
| Water Supply and Distribution | | 801,135 | 541,820 | 540,712 |
| Wastewater Treatment and Disposal | | 389,319 | 339,658 | 692,297 |
| Waste Management | | 3,850,367 | 3,900,552 | 3,206,635 |
| Other Environmental Use and Protection | | - | 4,426 | - |
| TOTAL EXPENSES | | 134,028,541 | 137,850,825 | 120,529,794 |
| DEFICIENCY OF REVENUE OVER EXPENSES | | | | |
| BEFORE OTHER ITEMS | | (15,603,963) | (7,396,266) | (4,513,050) |

The accompanying notes form an integral part of these consolidated financial statements.

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Statement of Operations
For the Year Ended December 31, 2023

| | | 2023 <i>(Budget - Note 28)</i> | 2023 <i>(Actual)</i> | 2022 |
|--|------------------------------------|-----------------------------------|---------------------------------|-----------------------|
| OTHER ITEMS | | | | |
| Contributed tangible capital assets | | - | 4,135,188 | 1,352,742 |
| Government transfers for capital | <i>(Schedule 4)</i> | 20,504,557 | 2,634,694 | 7,964,292 |
| Subsidiary operations | <i>(Note 24)</i> | - | 3,012,768 | 2,956,383 |
| Assets transferred to Aquatera Utilities Inc. | | - | 39,183 | - |
| Gain (loss) on disposal of tangible capital assets | | - | 598,453 | 856,986 |
| | | <u>20,504,557</u> | <u>10,420,286</u> | <u>13,130,403</u> |
| EXCESS OF REVENUE OVER EXPENSES | | 4,900,594 | 3,024,020 | 8,617,353 |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | | <u>627,890,130</u> | <u>627,890,130</u> | <u>619,272,777</u> |
| ACCUMULATED SURPLUS - END OF YEAR | <i>Schedule 1 and Note 17)</i> | <u>\$ 632,790,724</u> | <u>\$ 630,914,150</u> | <u>\$ 627,890,130</u> |

The accompanying notes form an integral part of these consolidated financial statements.

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2023

| | 2023 <i>(Budget - Note 28)</i> | 2023 <i>(Actual)</i> | 2022 |
|---|-----------------------------------|---------------------------------|-----------------------|
| EXCESS OF REVENUE OVER EXPENSES | \$ 4,900,594 | \$ 3,024,020 | \$ 8,617,353 |
| Tangible capital assets related | | | |
| Acquisition of tangible capital assets | (82,402,840) | (25,995,309) | (37,014,102) |
| Contributed tangible capital assets | - | (4,135,188) | (1,352,742) |
| Proceeds on disposal of tangible capital assets | 490,400 | 889,511 | 997,108 |
| Annual amortization expense | 27,308,984 | 28,303,859 | 27,409,599 |
| Loss (gain) on disposal of tangible capital assets | - | (598,453) | (856,986) |
| | (54,603,456) | (1,535,580) | (10,817,123) |
| Other non-financial assets | | | |
| Use (acquisition) of prepaid expenditures | - | (269,655) | (171,478) |
| Use (acquisition) of inventory for consumption | - | (611,691) | (499,882) |
| Use (acquisition) of land held for resale <i>(Note 16)</i> | - | 2,863,221 | (10,047) |
| | - | 1,981,875 | (681,407) |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (49,702,862) | 3,470,315 | (2,881,177) |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | 129,430,870 | 129,430,870 | 132,312,047 |
| NET FINANCIAL ASSETS - END OF YEAR | \$ 79,728,008 | \$ 132,901,185 | \$ 129,430,870 |

The accompanying notes form an integral part of these consolidated financial statements.

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

| | 2023 | 2022 |
|---|-----------------------------|-----------------------------|
| OPERATING | | |
| Excess of revenue over expenses | \$ 3,024,020 | \$ 8,617,353 |
| Non-cash items included in Excess of revenue over expenses: | | |
| Amortization of tangible capital assets | 28,303,858 | 27,409,599 |
| Gain on disposal of tangible capital assets | (598,453) | (856,986) |
| Contributed tangible capital assets | (4,135,188) | (1,352,742) |
| Subsidiary operations | (3,012,768) | (2,956,383) |
| Assets transferred to Aquatera Utilities Inc. | (39,183) | - |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in receivables | 1,093,449 | (6,198,650) |
| Decrease in loans to other government | 61,999 | 80,000 |
| Decrease (increase) in land held for resale | - | (10,047) |
| Increase in prepaid expenditures | (269,655) | (171,478) |
| Increase in inventory for consumption | (611,691) | (499,881) |
| Increase (decrease) in accounts payable and accrued liabilities | (1,116,862) | 550,682 |
| Increase in employee benefit obligations | 1,160,446 | 238,877 |
| Increase in deposit liabilities | 431,863 | 443,076 |
| Increase (decrease) in deferred revenue | 214,664 | (2,146,317) |
| Increase (decrease) in asset retirement obligation | 1,000,448 | (248,513) |
| Cash provided by operating activities | <u>25,506,947</u> | <u>22,898,590</u> |
| CAPITAL | | |
| Acquisition of tangible capital assets | (23,132,088) | (37,014,102) |
| Proceeds on disposal of tangible capital assets | 889,511 | 997,108 |
| Cash used for capital activities | <u>(22,242,577)</u> | <u>(36,016,994)</u> |
| INVESTING | | |
| Decrease in loans receivable | 232,141 | 224,450 |
| Sale (purchase) of investments | 20,758,691 | 23,276,475 |
| Dividends declared by Aquatera Utilities Inc. | 1,113,673 | 958,282 |
| Cash provided by investing activities | <u>22,104,505</u> | <u>24,459,207</u> |
| FINANCING | | |
| Operating line of credit repaid | (31,000) | (31,000) |
| Long-term debt issued | - | 28,528 |
| Long-term debt repaid | (6,664,497) | (7,392,381) |
| Cash applied to financing transactions | <u>(6,695,497)</u> | <u>(7,394,853)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR | 18,673,378 | 3,945,950 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 20,168,440 | 16,222,490 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 38,841,818</u> | <u>\$ 20,168,440</u> |

The accompanying notes form an integral part of these consolidated financial statements.

(Schedule 1)

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2023

| | Unrestricted Surplus | Restricted Surplus | Equity in Aquatera Utilities Inc. | Equity in Tangible Capital Assets | 2023 | 2022 |
|--|-------------------------|-----------------------|---|---|-----------------------|-----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 425,398 | \$ 130,733,072 | \$ 36,591,781 | \$ 460,139,879 | \$ 627,890,130 | \$ 619,272,777 |
| Excess of revenues over expenses | 3,024,020 | - | - | - | 3,024,020 | 8,617,353 |
| Unrestricted funds designated for future use | (51,842,921) | 51,842,921 | - | - | - | - |
| Restricted funds used for operations | 25,113,113 | (25,113,113) | - | - | - | - |
| Subsidiary operations | (3,012,768) | - | 3,012,768 | - | - | - |
| Investment in Aquatera Utilities Inc. | (3,000,000) | - | 3,000,000 | - | - | - |
| Assets transferred to Aquatera Utilities Inc. | (39,183) | - | 39,183 | - | - | - |
| Dividends declared by Aquatera | 1,113,673 | - | (1,113,673) | - | - | - |
| Restricted funds used for tangible capital assets | - | (31,877,131) | - | 31,877,131 | - | - |
| Current year funds used for tangible capital asset | 6,928,110 | - | - | (6,928,110) | - | - |
| Contributed tangible capital assets | (4,135,188) | - | - | 4,135,188 | - | - |
| Disposal of tangible capital assets | 291,057 | - | - | (291,057) | - | - |
| Annual amortization expense | 28,303,858 | - | - | (28,303,858) | - | - |
| Long term debt repaid | (6,664,497) | - | - | 6,664,497 | - | - |
| Long term debt acquired | 2,883,397 | - | - | (2,883,397) | - | - |
| Asset retirement obligation accretion expense | 22,862 | - | - | (22,862) | - | - |
| Additions to local improvements | (28,528) | - | - | 28,528 | - | - |
| Levied portion of local improvements | 641,685 | - | - | (641,685) | - | - |
| Change in accumulated surplus | (401,310) | (5,147,323) | 4,938,278 | 3,634,375 | 3,024,020 | 8,617,353 |
| BALANCE, END OF YEAR | \$ 24,088 | \$ 125,585,749 | \$ 41,530,059 | \$ 463,774,253 | \$ 630,914,150 | \$ 627,890,130 |

(Note 17)

The accompanying notes form an integral part of these consolidated financial statements.

(Schedule 2)

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2023

| | Land | Site Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | Construction in Progress | 2023 \$ | 2022 \$ |
|--|----------------------|----------------------|----------------------|--------------------------|----------------------------|---------------------|-----------------------------|-----------------------|-----------------------|
| COST | | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 86,219,454 | \$ 26,225,744 | \$ 101,600,130 | \$ 529,879,930 | \$ 45,735,507 | \$ 19,969,160 | \$ 9,057,708 | \$ 818,687,633 | \$ 783,154,171 |
| Acquisition of tangible capital assets | 3,065,112 | 1,685,526 | 623,779 | 6,808,638 | 4,919,832 | 1,665,430 | 7,226,992 | 25,995,309 | 37,014,102 |
| Contributed tangible capital assets | 1,314,150 | 79,400 | - | 2,741,638 | - | - | - | 4,135,188 | 1,352,742 |
| Transfer of construction in progress | 10,430 | 89,214 | - | 211,550 | 1,667,939 | 87,106 | (2,066,240) | - | - |
| Disposals of tangible capital assets | - | - | - | - | (1,580,422) | (738,470) | (155,804) | (2,474,696) | (2,833,382) |
| BALANCE, END OF YEAR | 90,609,146 | 28,079,884 | 102,223,909 | 539,641,756 | 50,742,856 | 20,983,226 | 14,062,656 | 846,343,434 | 818,687,633 |
| ACCUMULATED AMORTIZATION | | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 11,610,060 | 24,628,838 | 251,290,061 | 29,245,117 | 10,848,601 | - | 327,622,677 | 302,906,339 |
| Annual amortization expense | - | 1,042,425 | 2,272,614 | 18,271,945 | 5,168,951 | 1,547,924 | - | 28,303,859 | 27,409,599 |
| Accumulated amortization on disposals | - | - | - | - | (1,467,734) | (715,903) | - | (2,183,637) | (2,693,260) |
| BALANCE, END OF YEAR | - | 12,652,485 | 26,901,452 | 269,562,006 | 32,946,334 | 11,680,622 | - | 353,742,899 | 327,622,678 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 90,609,146 | \$ 15,427,399 | \$ 75,322,457 | \$ 270,079,750 | \$ 17,796,522 | \$ 9,302,604 | \$ 14,062,656 | \$ 492,600,535 | \$ 491,064,955 |
| 2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 86,219,454 | \$ 14,615,681 | \$ 76,961,906 | \$ 278,597,321 | \$ 16,520,847 | \$ 9,092,037 | \$ 9,057,709 | \$ 491,064,955 | |

The accompanying notes form an integral part of these consolidated financial statements.

(Schedule 3)

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Schedule of Property and Other Taxes
Year Ended December 31, 2023

| | 2023 <i>(Budget - Note 28)</i> | 2023 <i>(Actual)</i> | 2022 <i>(Actual)</i> |
|--|-----------------------------------|-------------------------|-------------------------|
| TAXATION | | | |
| Real property taxes | \$ 96,907,705 | \$ 96,984,888 | \$ 93,597,535 |
| Linear property taxes | 28,248,908 | 28,126,704 | 26,473,450 |
| Government grants in place of property taxes | 62,457 | 60,966 | 42,859 |
| Other Taxes | 136,972 | 136,972 | 186,112 |
| | <u>125,356,042</u> | <u>125,309,530</u> | <u>120,299,956</u> |
| LESS: REQUISITIONS | | | |
| Provincial School | (23,713,629) | (23,811,056) | (24,103,071) |
| Designated Industrial Properties | (302,474) | (300,186) | (283,696) |
| Separate School | (1,059,588) | (1,059,588) | (1,202,304) |
| Senior Foundation | (539,138) | (539,138) | (461,235) |
| | <u>(25,614,829)</u> | <u>(25,709,968)</u> | <u>(26,050,306)</u> |
| NET MUNICIPAL TAXES | <u>\$ 99,741,213</u> | <u>\$ 99,599,562</u> | <u>\$ 94,249,650</u> |

The accompanying notes form an integral part of these consolidated financial statements.

(Schedule 4)

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Schedule of Government Transfers
Year Ended December 31, 2023

| | 2023 <i>(Budget - Note 28)</i> | 2023 <i>(Actual)</i> | 2022 <i>(Actual)</i> |
|-------------------------------------|-----------------------------------|-------------------------|-------------------------|
| TRANSFERS FOR OPERATING: | | | |
| Federal transfers | \$ 6,300 | \$ 24,200 | \$ 2,162,099 |
| Municipal Sustainability Initiative | 1,098,563 | 1,185,227 | 698,620 |
| Provincial transfers | 1,124,907 | 10,022,735 | 3,087,674 |
| Local government transfers | - | 5,435 | 37,065 |
| | <u>2,229,770</u> | <u>11,237,597</u> | <u>5,985,458</u> |
| TRANSFERS FOR CAPITAL: | | | |
| Canada Community Building Fund | 5,856,086 | 35,428 | 26,110 |
| Municipal Sustainability Initiative | 9,109,019 | 814,940 | 3,622,794 |
| Provincial transfers | 5,490,471 | 1,784,326 | 4,315,388 |
| | <u>20,455,576</u> | <u>2,634,694</u> | <u>7,964,292</u> |
| | <u>\$ 22,685,346</u> | <u>\$ 13,872,291</u> | <u>\$ 13,949,750</u> |

The accompanying notes form an integral part of these consolidated financial statements.

(Schedule 5)

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2023

| | General Government | Protective Services | Transportation | Planning and Development | Public Health and Welfare | Recreation and Culture | Environmental Use and Protection | 2023 | 2022 |
|--|-----------------------|------------------------|------------------------|-----------------------------|------------------------------|---------------------------|--|---------------------|---------------------|
| REVENUE | | | | | | | | | |
| Net municipal taxes | \$ 99,599,562 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 99,599,562 | \$ 94,249,650 |
| User fees and sale of goods | 1,302,161 | 2,550,340 | 800,227 | 253,633 | 421,410 | 1,748,201 | 3,249,838 | 10,325,810 | 8,119,925 |
| Government transfers for operating | 8,264 | 6,655,161 | 3,553,870 | 289,271 | 566,926 | 149,711 | 14,394 | 11,237,597 | 5,985,458 |
| Investment income | 3,430,946 | - | - | - | - | - | 70,351 | 3,501,297 | 2,208,361 |
| Penalties and costs of taxes | 961,935 | - | - | 3,609 | - | - | - | 965,544 | 1,238,279 |
| Insurance proceeds | - | 35,589 | - | - | - | - | - | 35,589 | 104,688 |
| Development levies | 310,548 | - | 110,874 | - | - | 109,758 | 68,575 | 599,755 | 696,213 |
| Licenses, permits, fines and rentals | 8,700 | 314,060 | 1,138,919 | 839,750 | - | - | - | 2,301,429 | 2,960,520 |
| Other | 121,440 | 1,422,395 | 45,070 | 21,789 | 13,588 | 135,923 | 127,770 | 1,887,975 | 453,650 |
| Total Revenue | 105,743,556 | 10,977,545 | 5,648,960 | 1,408,052 | 1,001,924 | 2,143,593 | 3,530,928 | 130,454,558 | 116,016,744 |
| EXPENSES | | | | | | | | | |
| Contracted and general services | 4,259,043 | 7,516,088 | 12,067,852 | 1,582,000 | 472,294 | 2,340,999 | 1,600,832 | 29,839,108 | 18,992,518 |
| Salaries, wages and benefits | 12,803,114 | 13,516,368 | 11,788,726 | 5,102,884 | 2,648,128 | 2,315,257 | 1,663,293 | 49,837,770 | 41,841,949 |
| Materials, goods and utilities | 1,020,723 | 2,396,997 | 6,525,361 | 445,080 | 90,305 | 995,804 | 551,876 | 12,026,146 | 12,154,045 |
| Transfers to other governments, local boards and agencies | 6,444,050 | - | 74,683 | 166,346 | 579,866 | 7,267,120 | - | 14,532,065 | 17,724,084 |
| Purchases from other governments | - | 2,239,943 | - | - | - | - | - | 2,239,943 | 901,287 |
| Interest on long-term debt | 1,073,752 | - | - | - | - | - | - | 1,073,752 | 1,292,160 |
| Accretion of asset retirement obligation | - | - | - | - | - | - | 22,862 | 22,862 | - |
| Amortization of tangible capital assets | 1,160,518 | 1,068,560 | 22,208,201 | 323,170 | - | 2,599,170 | 944,239 | 28,303,858 | 27,409,599 |
| Other expenses | (61,284) | - | - | - | - | 33,250 | 3,354 | (24,680) | 214,152 |
| Total Expenses | 26,699,916 | 26,737,956 | 52,664,823 | 7,619,480 | 3,790,593 | 15,551,600 | 4,786,456 | 137,850,824 | 120,529,794 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER | 79,043,640 | (15,760,411) | (47,015,863) | (6,211,428) | (2,788,669) | (13,408,007) | (1,255,528) | (7,396,266) | (4,513,050) |
| OTHER ITEMS | | | | | | | | | |
| Contributed tangible capital assets | 180,850 | - | 159,420 | 2,821,038 | - | 973,880 | - | 4,135,188 | 1,352,742 |
| Government transfers for capital | - | - | 2,524,776 | 74,490 | - | 35,428 | - | 2,634,694 | 7,964,292 |
| Subsidiary operations | 3,012,768 | - | - | - | - | - | - | 3,012,768 | 2,956,383 |
| Assets transferred to Aquatera Utilities Inc. | 39,183 | - | - | - | - | - | - | 39,183 | - |
| Loss (gain) on disposal of tangible capital assets | - | 28,672 | 288,601 | 126,693 | - | 76,253 | 78,234 | 598,453 | 856,986 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 82,276,441 | \$ (15,731,739) | \$ (44,043,066) | \$ (3,189,207) | \$ (2,788,669) | \$ (12,322,446) | \$ (1,177,294) | \$ 3,024,020 | \$ 8,617,353 |

The accompanying notes form an integral part of these consolidated financial statements.

COUNTY OF GRANDE PRAIRIE NO. 1
Consolidated Schedule of User Fees and Sale of Goods
For the Year Ended December 31, 2023

| | 2023 (Budget) | 2023 (Actual) | 2022 (Actual) |
|---|---------------------|----------------------|---------------------|
| CONSOLIDATED USER FEES AND SALE OF GOODS | | | |
| General Administration | \$ 625,000 | \$ 992,808 | \$ 1,101,184 |
| Other General Government | 259,202 | 309,352 | 55,243 |
| Bylaw Enforcement | 402,395 | 551,813 | 423,186 |
| Police | 21,836 | 34,326 | 9,964 |
| Fire | 267,386 | 1,649,434 | 343,038 |
| Disaster and Emergency Measures | - | 314,767 | - |
| Common and Equipment Pool | - | 3,163 | - |
| Roads, Streets, Walks and Lighting | 525,000 | 796,224 | 579,112 |
| Storm Sewer and Drainage | - | 840 | - |
| Economic / Agricultural Development | 29,400 | 29,971 | 23,925 |
| Land Use Planning, Zoning and Development | 124,800 | 96,344 | 29,767 |
| Other Planning and Development | 151,000 | 127,319 | 152,642 |
| Family and Community Support | 393,996 | 410,260 | 387,747 |
| Cemetaries and Crematoriums | 12,000 | 11,150 | 9,769 |
| Culture, Libraries, Museums and Halls | - | 5,376 | - |
| Parks and Recreation | 1,797,870 | 1,742,825 | 1,514,606 |
| Waste Management | 2,959,494 | 2,885,942 | 3,144,170 |
| Wastewater Treatment and Disposal | 216,769 | 221,136 | 214,651 |
| Water Supply and Distribution | 129,221 | 142,760 | 130,921 |
| TOTAL USER FEES AND SALE OF GOODS | \$ 7,915,369 | \$ 10,325,810 | \$ 8,119,925 |

The accompanying notes form an integral part of these consolidated financial statements.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Grande Prairie No. 1 (the "County") are the representations of management prepared in accordance with accounting standards established by the Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the County and are, therefore, accountable to the County for the administration of their financial affairs and resources. Included in these consolidated financial statements are the financial activities of the County of Grande Prairie Library Board, the County's proportionate share of the financial activities of the West Grande Prairie County Solid Waste Management Authority, as disclosed in Note 26, and Hythe Net Co Limited Partnership, as disclosed in Note 27.

The consolidated statements exclude trust assets that are administered by the County for the benefit of the external parties. Interdepartmental and organizational transactions and balances are eliminated.

The schedule of taxes levied also includes requisitions for education and other external organization that are not part of the municipal reporting entity.

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.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues are reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized in the period the goods or services are acquired and a liability is incurred or transfers are due.

Use of estimates

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 and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Such estimates include the provisions for uncollectible accounts receivable, provision for amortization of tangible capital assets, provision for asset retirement obligation, amortization of deferred revenue and the fair value of contributed tangible capital assets. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value and have a maturity of one year or less at acquisition.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Portfolio investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on corporate bonds are recognized as income when sold.

The County's investment in Aquatera Utilities Inc., is accounted for on a modified equity basis, consistent with the Canadian public sector accounting standards for business partnerships. Under the modified equity basis, entire business enterprise is not consolidated, its accounting policies are not adjusted to conform with those of the County and the inter-organizational transactions and balances are not eliminated.

Employee future benefits

Selected employees of the County 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 County does not recognize its share of any plan surplus or deficit. Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

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 property tax revenue is reduced. Where the actual levy is less than the requisitioned 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.

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the County to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset retirement obligation (continued)

At each financial reporting date, the County reviews the carrying amount of the liability. The County recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The County continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Pursuant to the *Environmental Protection and Enhancement Act* (Alberta), the County is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover and landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The estimated costs to close and maintain the closed solid waste landfill sites are based on estimated future expenses in current dollars, discounted, adjusted for estimated inflation, and are recognized and charged to expense as the landfill site's capacity is used.

The annual provision is reported as an operating expense in solid waste and recycling services and the accumulated provision is reported as a liability on the consolidated statement of financial position.

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:

| | |
|-----------------------------|----------------|
| Site improvements | 10- 50 years |
| Buildings | 20- 50 years |
| Engineered structures | |
| Water system | 25 - 75 years |
| Wastewater system | 45 - 75 years |
| Other engineered structures | 10 - 100 years |
| Machinery and equipment | 4 - 20 years |
| Vehicles | 4 - 20 years |

One half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

Inventories consist of materials and supplies for consumption and are valued at the lower of cost and replacement cost with cost determined by the average cost method.

Cultural and historical tangible capital assets

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

Equity in Aquatera Utilities Inc. and tangible capital assets

Equity in Aquatera Utilities Inc. represents the County's net accumulated investment in its minority holding of Aquatera Utilities Inc. The amount consists of the investment in common and preferred shares, plus the County's share of earnings less any dividends received.

Equity in tangible capital assets represents the County's net investment in its capital assets, after deducting the portion financed by third parties through debenture, bond and mortgage debts, long-term capital borrowing and capitalized leases and other capital liabilities which will be repaid by the County.

Tax revenue

Property tax revenue is based on assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the County. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the County has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or service to the payor. User fees are recognized over the period of use, sales of goods are recognized when the goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

Financial Instruments

The County's financial instruments consist of cash and cash equivalents, accounts receivable, loans receivable, portfolio investments, accounts payable, deposit liabilities, operating line of credit and long-term debt.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

For portfolio measurements measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent receivable. When an investment is written down to recognize impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards Adopted During the Year

PS 3280 Asset Retirement Obligations, a new standard establishing guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. As this standard includes solid waste landfill sites active and post-closing obligations, upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn. Information presented for comparative purposes is restated unless the necessary financial data is not reasonably determinable.

PS 3450 Financial Instruments, provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the County. These measurements are to be applied prospectively with any difference between the fair value and the prior carrying value being recognized as an adjustment to accumulated remeasurement gains and losses at the beginning of the fiscal year. This standard was adopted in conjunction with PS 1201 - Financial Statement Presentation, PS 2601 - Foreign Currency Translation and PS 3041 - Portfolio Investments. Management has reviewed the standard and all the financial statements and determined the County does not have derivative or equity instrument.

2. CASH AND CASH EQUIVALENTS

| | <u>2023</u> | <u>2022</u> |
|------------------|----------------------|----------------------|
| Cash on hand | \$ 4,901 | \$ 5,937 |
| Cash in banks | 3,533,009 | 13,237,815 |
| Cash equivalents | <u>35,303,908</u> | <u>6,924,688</u> |
| | <u>\$ 38,841,818</u> | <u>\$ 20,168,440</u> |

Cash equivalents are readily convertible to cash, consist of investment savings account bearing interest at 1.00%-2.50% throughout the year. Restricted cash amount is \$5,936,585 which is equal to Deferred Revenue \$13,260,846 less Restricted Accounts Receivable \$7,324,261.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

3. RECEIVABLES

| | 2023 | 2022 |
|--|----------------------|---------------|
| Current taxes and grants in place of taxes | \$ 2,795,680 | \$ 3,711,202 |
| Non-current taxes and grants in place of taxes | 2,831,719 | 3,327,877 |
| | 5,627,399 | 7,039,079 |
| Allowance for doubtful accounts | (728,575) | (1,286,470) |
| Taxes receivable | 4,898,824 | 5,752,609 |
| Trade and other receivables | 5,483,386 | 4,341,416 |
| Portfolio investment interest receivable (Note 6) | 3,778,654 | 4,079,544 |
| Government grants | 7,324,261 | 7,153,928 |
| Goods and Services Tax receivable | 115,405 | 737,100 |
| Local improvements | 3,447,255 | 4,088,940 |
| Allowance for doubtful accounts | (15,340) | (27,643) |
| Deposit held for Aquatera for share issuance January 1, 2023 | - | 3,000,000 |
| | \$ 25,032,445 | \$ 29,125,894 |

4. LOANS TO OTHER GOVERNMENTS

| | 2023 | 2022 |
|-----------------|-------------|-----------|
| Town of Wembley | \$ - | \$ 61,999 |

Loan to the Town of Wembley consists of a non-interest bearing loan in the amount of \$381,999 related to Township Road 712 road improvements. The loan is to be repaid over a five year term with four annual instalments of \$80,000 and a final payment of \$61,999. As at December 31, 2023 the loan is fully repaid.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

5. LOANS RECEIVABLE

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Grande Prairie Regional Ag. & Exhibition Society (TEC Centre) | \$ 1,392,392 | \$ 1,614,356 |
| Bezanson Agricultural Society | 137,500 | 137,500 |
| Hilltop Estates Homeowners Association | <u>90,956</u> | <u>101,133</u> |
| Total loans receivable | <u>\$ 1,620,848</u> | <u>\$ 1,852,989</u> |

Advances to the Grande Prairie Regional Agricultural & Exhibition Society are unsecured and bear interest from 3.70% to 4.75%. Advance #1, with a balance of \$781,180, consists of principal and accrued interest for 2009 through 2023, bears interest at 4.75% and is repayable in blended annual payments of \$179,188. Advance #2, with a balance of \$611,213, consists of principal and accrued interest for 2010 through 2021, bears interest at 4.75% and is repayable in blended annual payments of \$119,458.

By motion of Council, 2023, annual repayments of \$298,646, representing interest and principal were offset by a grant from the County. Under the terms of the motion, this arrangement is for a period of ten years, and is subject to annual review. Accrued interest on the loans total \$56,010 at December 31, 2023 and is included under trade and other receivables. Advance #1 is to be fully repaid by January 31, 2028, Advance #2 is to be fully repaid by January 31, 2029.

Advance to Bezanson Agricultural Society for the completion of Bezanson Community Centre is unsecured, bears interest at the bank's prime rate and is repayable in full on or before November 16, 2033. By motion of Council a corresponding loan agreement was obtained from TD Bank. See Note 11.

Advance to Hilltop Estates Homeowners Association for the construction of a new water treatment system is unsecured, bears interest at the bank's prime rate and is repayable in full on or before February 28, 2031.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

6. INVESTMENTS

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------|-----------------------|
| Portfolio investments (<i>market value \$128,443,598, 2022</i> <i>\$122,113,011</i>) | <u>\$ 92,342,858</u> | <u>\$ 113,101,550</u> |
| Aquatera Utilities Inc. - 19.86% ownership | | |
| 15,775 Class A common shares (2022 - 12,736) | 158 | 127 |
| 25,507 Class C common shares (2022 - 22,293) | 255 | 223 |
| 10,962 Class D common shares (2022 - 7,962) | 10,961,695 | 7,961,695 |
| 4,812 Class F common shares (2022 - 4,773) | 4,811,631 | 4,772,448 |
| 25,757 Class H common shares (2022 - 22,543) | 25,756,439 | 22,542,869 |
| Cumulative share of earnings | 35,973,176 | 32,960,471 |
| Cumulative share of dividends declared | <u>(35,973,295)</u> | <u>(31,646,052)</u> |
| Total equity in Aquatera Utilities Inc. <i>(Note 17)</i> | <u>41,530,059</u> | <u>36,591,781</u> |
| Total investments | <u>\$ 133,872,917</u> | <u>\$ 149,693,331</u> |

Investments consist of fixed income investments including long-term notes, deposits, and Schedule 1 chartered bank bonds. Long-term notes and deposits bear effective interest rate of 3.23% with a maturity date to January 2028. Bank bonds have rates of return between 0.89% and 3.40% with maturity dates between September 2024 and December 2027.

Portfolio investment interest receivable of \$3,778,654 (2022 - \$4,079,544) has been recorded and included in the County's receivables amount.

The market value of the bonds are based on quoted market values. The market value of the bonds fluctuate with changes in market interest rates and indices. 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. Market values are based on market conditions at a certain point in time and as such, may not be reflective of future fair values.

7. LINE OF CREDIT

The County has a revolving demand credit facility of \$10,000,000. The demand loan bears interest at the bank's prime rate minus 0.75% per annum, was not drawn on at December 31, 2023 (2022 - \$NIL) and is unsecured.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

8. DEPOSIT LIABILITIES

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Subdivision approach and development agreement deposits | \$ 1,544,512 | \$ 1,675,502 |
| Public works approach/performance deposits | 618,722 | 649,093 |
| West Grande Prairie County Solid Waste Management Authority | 805,583 | 599,319 |
| General deposits | 211,081 | 26,175 |
| Safety codes council fees | 3,068 | 1,776 |
| Funds held in trust | 25,510 | 230,832 |
| Tax sale surplus | 406,084 | - |
| | \$ 3,614,560 | \$ 3,182,697 |

9. EMPLOYEE BENEFIT OBLIGATION

| | 2023 | 2022 |
|----------------------------|---------------------|---------------------|
| Accrued vacation pay | \$ 2,636,811 | \$ 2,334,665 |
| Accrued sick leave benefit | 858,300 | - |
| | \$ 3,495,111 | \$ 2,334,665 |

The obligation is comprised of the vacation, overtime, and sick time that employees have earned or are entitled to as at December 31, 2023.

Vacation and overtime are governed by various employment agreements and Alberta Labour Standards. Overtime can be banked or paid out for non-exempt employees. Certain employees are allowed to bank up to 60 hours of overtime a year.

Sick time is accrued at a rate of 1.75 days per month to a maximum of 792 hours. These accruals differ depending on the standard work hours per week for each employee group. Employees are only allowed to accrue up to 90 days per year to use as sick time and the accrual does not vest with the employee.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

10. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

| | 2022 | Amounts Received | Interest and Other | Amounts Recognized | 2023 |
|---|----------------------|----------------------|-----------------------|------------------------|----------------------|
| Government transfers capital | | | | | |
| Alberta Municipal Water/Wastewater Partnership | \$ - | \$ 375,000 | \$ - | \$ (375,000) | \$ - |
| Municipal Sustainability Initiative | 6,092,856 | 500,689 | 156,918 | (1,315,629) | 5,434,834 |
| Canada Community Building Fund | 3,899,307 | 1,460,434 | 93,996 | - | 5,453,737 |
| Strategic Transportation Infrastructure Program | 1,536,383 | 772,943 | - | (1,409,326) | 900,000 |
| Alberta Community Partnership | 950,000 | - | - | - | 950,000 |
| Other Capital Deferred Amounts | - | 35,428 | - | (35,428) | - |
| | 12,478,546 | 3,144,494 | 250,914 | (3,135,383) | 12,738,571 |
| Government transfers operating | | | | | |
| Municipal Sustainability Initiative | - | 684,538 | - | (684,538) | - |
| Other Operating Deferred Amounts | 567,636 | 10,077,511 | - | (10,122,872) | 522,275 |
| | 567,636 | 10,762,049 | - | (10,807,410) | 522,275 |
| | \$ 13,046,182 | \$ 13,906,543 | \$ 250,914 | \$ (13,942,793) | \$ 13,260,846 |

11. TERM FACILITY

| | 2023 | 2022 |
|--------------------------|------------------|-----------|
| Operating line of credit | \$ 13,500 | \$ 44,500 |

The term facility has been obtained to assist in financing the construction of the Bezanson Community Center. The term facility bear interest at prime plus 0.00%, is repayable in annual installments and is due on demand. The County holds a corresponding loan receivable from Bezanson Agricultural Society as disclosed in Note 5.

12. ASSET RETIREMENT OBLIGATIONS

As of April 1, 2022, all public sector entities were required to adopt section PS 3280, Asset Retirement Obligations, that was issued by the Public Sector Accounting Standard Board in August 2018. For the 2023 Fiscal year, the County of Grande Prairie is unsure if they have any asset retirement obligations relating to their tangible capital assets as only a portion of their tangible capital asset listing was reviewed and therefore the tangible capital assets have not been assessed for asset retirement obligations as required by PS 3280 Asset Retirement Obligations. These assets listed may be understated by the amounts of any existing asset retirement obligation.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

12. ASSET RETIREMENT OBLIGATIONS (continued)

Clairmont Landfill

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachate from the site and ongoing environmental monitoring, site inspections and maintenance.

For the 2023 fiscal year, the County maintained the same landfill closure and post-closure liability as at December 31, 2022. The County is engaging professional services to determine its total asset retirement obligation related to County assets in 2024.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a long-term borrowing rate of 4.90% and assuming annual inflation of 3.00%.

The County has not yet designated assets for settling closure and post-closure liabilities.

West Grande Prairie County Solid Waste Management Authority Landfill

The Authority operates a landfill site and is legally required to perform closure and post-closure activities upon retirement of this site. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. A liability for the total obligation, which was incurred when the site started accepting waste, irrespective of volume of waste has been accrued. Undiscounted future cash flow expected are a closure cost in year 2025 of \$1,864,800 and post closing activities starting in year 2100 of \$35,000 per year, increasing at an annual inflation rate of 3.5% for 25 years to year 2144. The estimated total liability of \$1,939,710 (2022 - \$124,912), for which the County has consolidated in their proportionate share of 55%, is based on the sum of discounted future cash flow for closure and post - closure activities using a discount rate of 5.28%. The Authority has not designated asset for settling closure and post-closure liabilities.

| | 2023 | 2022 |
|--------------------------------|---------------------|-------------------|
| Balance, beginning of year | \$ 459,827 | \$ 459,827 |
| Liabilities incurred | 1,046,288 | - |
| Liabilities settled | - | - |
| Change in estimated cash flows | (68,702) | - |
| Accretion expense | 22,862 | - |
| Estimated total liability | \$ 1,460,275 | \$ 459,827 |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

13. LONG-TERM DEBT

| | 2023 | 2022 |
|--|----------------------|---------------|
| General tax levy supported debentures | \$ 18,768,914 | \$ 22,817,738 |
| Other self supported debentures | 8,898,779 | 10,862,757 |
| Local improvement supported debentures | 3,536,693 | 4,188,388 |
| Total long-term debt | 31,204,386 | 37,868,883 |
| Less: current portion | (6,492,814) | (6,664,497) |
| | \$ 24,711,572 | \$ 31,204,386 |

Estimated principal and interest repayments due in each of the next five years and thereafter are as follows:

| | Principal | Interest | Total |
|------------|----------------------|---------------------|----------------------|
| 2024 | \$ 6,492,814 | \$ 897,452 | \$ 7,390,266 |
| 2025 | 5,532,659 | 716,156 | 6,248,815 |
| 2026 | 5,706,051 | 540,176 | 6,246,227 |
| 2027 | 4,764,207 | 367,997 | 5,132,204 |
| 2028 | 4,083,642 | 225,983 | 4,309,625 |
| Thereafter | 4,625,013 | 543,333 | 5,168,346 |
| | \$ 31,204,386 | \$ 3,291,097 | \$ 34,495,483 |

Debenture debt in the amount of \$31,204,386 is repayable to the Province of Alberta and bears interest at varying rates ranging from 0.84% to 5.15% per annum and mature between 2024 and 2050. Debenture debt is issued on the credit and security of the County of Grande Prairie No. 1.

Interest on long-term debt amounted to \$1,073,752 (2022 - \$1,292,160).

The County's total cash payments for interest were \$1,088,733 (2022 - \$1,308,702).

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

14. 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 County of Grande Prairie be disclosed as follows:

| | 2023 | 2022 |
|---------------------------------|-----------------------|----------------|
| Total debt limit | \$ 195,681,839 | \$ 175,462,539 |
| Total debt | (31,217,886) | (37,913,383) |
| Amount of debt limit available | 164,463,953 | 137,549,156 |
| Debt servicing limit | 32,613,640 | 29,243,757 |
| Debt servicing | (7,390,266) | (7,753,229) |
| Service on debt limit available | \$ 25,223,374 | \$ 21,490,528 |

The debt limit is calculated at 1.5 times revenue of the Municipality (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.

15. INVENTORY FOR CONSUMPTION

| | 2023 | 2022 |
|-----------------------|---------------------|--------------|
| Gravel | \$ 1,602,990 | \$ 1,028,554 |
| Material and supplies | 848,200 | 810,945 |
| | \$ 2,451,190 | \$ 1,839,499 |

16. LAND HELD FOR RESALE

The County of Grande Prairie holds lands in the amount of \$1,720,018 (2022 - \$4,583,239) representing costs related to the Multi Modal site \$1,719,868 and \$150 in Hythe Cemetary Plots. The County has reallocated \$2,863,221 of land to Tangible Capital Assets as it is not currently for sale. The County has entered into an option agreement with the developer to dispose of the assembled land in parcels.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

17. ACCUMULATED SURPLUS

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

| | 2023 | 2022 |
|---|-----------------------|----------------|
| Unrestricted surplus | | |
| County of Grande Prairie No. 1 | \$ 5,394 | \$ 406,701 |
| West Grande Prairie County Solid Waste Management Authority | 18,694 | 18,694 |
| | 24,088 | 425,395 |
| Restricted surplus (reserves) | | |
| Project carry forward | 26,969,600 | 23,420,073 |
| Financial stabilization | 3,652,963 | 8,669,554 |
| Project debt repayment | 4,025,743 | 5,125,755 |
| Future grants | 890,542 | 2,607,409 |
| Future operational projects | 9,635,260 | 16,010,956 |
| Future capital projects | 48,782,110 | 44,364,030 |
| Future equipment replacement | 26,603,414 | 23,918,402 |
| Municipal reserve | 1,930,700 | 2,845,249 |
| Unfunded liability for sick leave | (858,300) | - |
| Hythe reserves | 1,387,337 | 1,553,252 |
| West Grande Prairie County Solid Waste Management Authority reserve (55% consolidation) | 2,566,380 | 2,218,392 |
| | 125,585,749 | 130,733,072 |
| Equity in Aquatera Utilities Inc. <i>(Note 6)</i> | 41,530,059 | 36,591,781 |
| Equity in tangible capital assets | | |
| Equity in tangible capital assets | 466,842,317 | 463,950,721 |
| Amounts to recover <i>(Note 18)</i> | (3,068,064) | (3,810,840) |
| | 463,774,253 | 460,139,881 |
| | \$ 630,914,150 | \$ 627,890,130 |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

18. AMOUNTS TO BE RECOVERED

Amounts to be recovered represent the unfunded portion of liabilities established for accrual accounting purposes. The County has adopted a plan whereby these amounts are to be funded from future years' budgetary allocations and transfers from reserve funds. The amounts to be recovered are a result of the County incurring debt for the installation of water lines and a capital grant to the Grande Prairie Regional Agricultural and Exhibition Society for the Trade, Exhibition and Conference Centre.

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Evergreen Park Trade, Exhibition and Convention (TEC) Centre | \$ 1,002,877 | \$ 1,307,295 |
| Waterline installation | <u>2,065,187</u> | <u>2,503,545</u> |
| | <u>\$ 3,068,064</u> | <u>\$ 3,810,840</u> |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

19. 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:

| | | 2023 | | | | 2022 | |
|-----------------------|------------------|-------------------|---------------------|-------------------|---------------------------------------|-------------------|-------------------|
| COUNTY COUNCIL | Division | Salary (1) | Benefits (2) | Subtotal | Travel Cost and Allowances (3) | Total | Total |
| Reeve - B. Marshall | 5 | \$ 116,095 | \$ 19,143 | \$ 135,238 | \$ 20,707 | \$ 155,945 | \$ 97,686 |
| A. Frayn | 1 | 82,410 | 20,201 | 102,611 | 12,052 | 114,663 | 101,864 |
| K. Balderson | 2 | 73,672 | 19,180 | 92,852 | 9,882 | 102,734 | 99,851 |
| L. Beaupre | 3 | 74,529 | 18,521 | 93,050 | 8,303 | 101,353 | 111,787 |
| S. Zimmerman | 4 | 88,242 | 12,054 | 100,296 | 24,264 | 124,560 | 124,690 |
| P. Harris | 6 | 64,934 | 7,924 | 72,858 | 19,512 | 92,370 | 91,308 |
| B. Peterson | 7 | 95,429 | 20,808 | 116,237 | 23,391 | 139,628 | 131,908 |
| K. Rosvold | 8 | 56,025 | 19,413 | 75,438 | 45,717 | 121,155 | 144,373 |
| B. Chrenek | 9 | 77,784 | 18,904 | 96,688 | 11,896 | 108,584 | 103,876 |
| | | 729,120 | 156,148 | 885,268 | 175,724 | 1,060,992 | 1,007,343 |
| OFFICERS | Positions | | | | | | |
| County Manager | 1 | 310,302 | 37,904 | 348,206 | 11,613 | 359,819 | 313,955 |
| Designated Officers | 2 | 337,406 | 66,931 | 404,337 | 6,066 | 410,403 | 358,723 |
| | | \$ 647,708 | \$ 104,835 | \$ 752,543 | \$ 17,679 | \$ 770,222 | \$ 672,678 |

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all County Council benefits and contributions or payments made on behalf of County Council including Canada Pension Plan, health care, dental coverage, vision coverage, group life insurance, accidental death and dismemberment insurance and registered retirement savings plan contributions. Employer's share of all Officers benefits and contributions or payments made on behalf of Officers including pension, health care, dental coverage, vision coverage, group life insurance, accidental death and dismemberment insurance and employment insurance.
- (3) Travel cost and allowances include mileage and airfare.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

20. LOCAL AUTHORITIES PENSION PLAN

Employees of the County 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 is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The County is required to make current service contributions to LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current service contributions by the County to LAPP in 2023 were \$2,841,986 (2022 - \$2,479,119). Total current service contributions by the employees of the County of Grande Prairie No. 1 to the Local Authorities Pension Plan in 2023 were \$2,589,138 (2022 - \$2,219,694).

At December 31, 2022, the Plan disclosed an actuarial surplus of \$12.70 billion (2021 - \$11.90 billion surplus).

21. CONTINGENT LIABILITIES

The County is a member of the Jubilee Insurance Reciprocal Exchange (Genesis). Under the terms of the membership, the County 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 County has been named defendant in various lawsuits as at December 31, 2023. While it is not possible to estimate the ultimate liability with respect to the pending litigation, based on evaluation and correspondence with the County's legal counsel, management indicates that it is unlikely that there will be a materially adverse effect on the financial position of the County. The ultimate settlement of these lawsuits, if any, will be recorded in the period details become known.

Under Provincial legislation, the County is required to reclaim lands used for the extraction of aggregate material (gravel pits). Reclamation requirements have been defined in accordance with industry standards and include re-vegetation of sites upon closure. The County owns and operates a number of gravel pits. The aggregate material from these gravel pits are used for road maintenance and construction projects within the County.

22. COMMITMENTS

Operating leases

The County has entered into various leases in respect to photocopiers, printers, computer hardware, vehicles and office space requiring total payments of \$358,708 expiring in 2023, \$387,677 expiring in 2024, \$350,191 expiring in 2025, \$332,572 expiring in 2026, \$154,862 expiring in 2027. The County has an office space leased until October 2026.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

23. SEGMENTED DISCLOSURE

Segmented information has been identified based upon lines of service provided by the County. County services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government

General Government is comprised of County Council, General Revenues/Expenses, Net Taxes for Municipal, and General Administration.

Council makes decisions regarding service delivery and service levels on behalf of the County in order to balance the needs and wants of County residents in a financially responsible manner. General administration reports activities related to the administration of the municipality as a whole. It includes: Administrative Services which is comprised of the County Manager, People and Organizational Development, and Facilities. Corporate Services is comprised of Communications, Information Systems, Legislative Services, and Records Management. Financial Services which is comprised of Assessment, Analysis and Reporting, Cash Control and Business Advisory Services. Business Advisory Services is comprised of Asset Management, Risk Management and Insurance, and Procurement.

(b) Protective Services

Protective Services is comprised of Regional Enforcement Services, Regional Fire Services, and Disaster Services.

Regional Enforcement Services provide bylaw and enhanced policing enforcement that ranges from community standards, to traffic safety, to animal control as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta. Regional Fire Services is responsible to provide fire suppression services; fire prevention programs; training and education related to fire prevention; and detection or extinguishment of fires. The mandate of Disaster Services to help maintain safe communities and public safety in disaster situations.

(c) Transportation Services

Transportation Services is comprised of Capital Delivery, Operations and Fleet Management.

Capital Delivery develops and manages the County's long-term improvement plan for all capital road and bridge projects. Operations oversees the maintenance of the roadway network throughout the year through gravel programs, dust control, snow removal, sign installation, and drainage improvements. Fleet Management is responsible for managing the vehicles and equipment held by the County to ensure operational safety.

(d) Planning and Development

Planning and Development is comprised of Planning, Economic Development, and Agriculture.

Planning and Development work with developers in planning the growth of the County in a sustainable manner. Economic Development works with businesses in the County to encourage investment and attraction as well as economic sustainability. Agriculture provides field services and is responsible for the control of pests, soil, weed and crop services, protection and care of domestic animals, and seed cleaning plants.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

23. SEGMENTED DISCLOSURE (continued)

(e) Public Health and Welfare

Public Health and Welfare consists of Family and Community Services. This department provides services mandated by Family and Community Support Services Alberta through a shared funding model between the Province of Alberta and the County.

(f) Recreation and Culture

Recreation and Culture provides recreational services and activities which promote the well-being of its citizens, this area also acts as a liaison between community groups and provides grant funding to the community. Recreation and Culture also provides maintenance for the parks, playgrounds, facilities, and green spaces of the County. Library services provides community grants to libraries within the County as well as operating multiple community libraries.

(g) Environmental Use and Protection

Environmental Use and Protection provide environmentally regulated utility services including Water Supply and Distribution, Water Treatment and Disposal, and Waste Management.

Water Supply and Distribution includes activities related to acquiring, treating, and supplying water. Wastewater Treatment and Disposal relates to the collection or removal, treatment, and disposal of sanitary sewage. Waste Management includes activities related to the collection of garbage and other waste material, as well as the maintenance and operation of sanitary landfill sites, incinerators or other plants, trucks and other equipment used for collection and disposal, and solid waste landfill closure and post-closure costs.

Certain allocation methodologies are employed in the preparation of segmented financial information. Net municipal taxes are unallocated to segments and are presented under General Government. Sales and user charges have been allocated to the segment based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

24. AQUATERA UTILITIES INC. SUMMARY OF CONDENSED FINANCIAL INFORMATION

Aquatera Utilities Inc. was established in 2003 to provide water, wastewater and solid waste management services to the City of Grande Prairie, 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 County's proportionate share (2023 - 19.86%; 2022 - 19.21%) in Aquatera Utilities Inc. for the year ended December 31, 2023:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Financial Position: | | |
| Financial assets | \$ 18,419,322 | \$ 18,921,037 |
| Tangible capital assets | <u>81,954,307</u> | <u>76,518,819</u> |
| Total assets | <u>100,373,629</u> | <u>95,439,856</u> |
| Liabilities | 13,803,463 | 16,211,036 |
| Deferred revenue of capital contributions | 43,578,809 | 41,179,369 |
| Landfill closure and post-closure liability | <u>1,461,298</u> | <u>1,457,670</u> |
| Total liabilities | <u>58,843,570</u> | <u>58,848,075</u> |
| Accumulated surplus | <u>\$ 41,530,059</u> | <u>\$ 36,591,781</u> |
| Results of Operations: | | |
| Revenue | \$ 15,350,743 | \$ 13,499,994 |
| Amortization expense | (2,257,271) | (2,086,694) |
| Finance costs | (299,110) | (405,502) |
| Net subsidiary operations | (69,760) | (2,183) |
| Expenses and other income | <u>(8,397,359)</u> | <u>(8,049,252)</u> |
| Net earnings from operations, current year | <u>\$ 4,327,243</u> | <u>\$ 2,956,363</u> |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

25. RELATED PARTY TRANSACTIONS

The following summarizes the related party transactions between the County and Aquatera Utilities Inc., a company in which the County has shared control over. All transactions are in the normal course of business and are measured by the exchange amounts, which is the amount of consideration established and agreed to by all parties. Disclosure of utility franchise agreement annual revenues as required by Alberta Regulation 313/2000 included below:

| | 2023 | 2022 |
|---|-------------|-------------|
| Aquatera Utilities Inc. | | |
| Revenue | | |
| Aquatera franchise fees | \$ 657,281 | \$ 560,634 |
| Dividend income | 1,113,662 | 958,282 |
| Expense | | |
| General, administrative and contracted services expense | 199,053 | 13,399 |
| Transfers to other governments, local boards and agencies | 3,559,183 | 4,523,523 |

26. GOVERNMENT PARTNERSHIP

In accordance with the Canadian public sector accounting recommendations PS 3060 Government Partnerships, the financial position of the County has been consolidated with the County's proportionate 55% share of the West Grande Prairie County Solid Waste Management Authority.

The following is a summary of the County's share in this government partnership:

| | 2023 | 2022 |
|---------------------------------|--------------|--------------|
| <u>Financial Position:</u> | | |
| Assets | | |
| Financial assets and inventory | \$ 2,419,435 | \$ 2,169,464 |
| Tangible capital assets | 1,952,511 | 1,008,345 |
| Total assets | 4,371,946 | 3,177,809 |
| Liabilities | | |
| Current liabilities | 13,380 | 24,520 |
| Asset retirement obligation | 1,069,151 | 68,702 |
| Total liabilities | 1,082,531 | 93,222 |
| Accumulated surplus | 3,289,415 | 3,084,587 |
| <u>Results of Operations:</u> | | |
| Revenue | \$ 589,053 | \$ 570,633 |
| Amortization expense | (112,764) | (64,106) |
| Expenses and other income | (225,625) | (243,825) |
| Proportionate share of earnings | \$ 250,664 | \$ 262,702 |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

27. PARTNERSHIP

In accordance with the Canadian public sector accounting recommendations PS 3060 Government Partnerships, the financial position of the County has been consolidated with the County's proportionate 70% share of Hythe Net Co. Limited Partnership.

The following is a summary of the County's share in this partnership:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|-------------------|-----------------|
| <u>Financial Position:</u> | | |
| Assets | | |
| Financial assets | \$ 22,027 | \$ 26,308 |
| Tangible capital assets | 420,228 | 433,226 |
| Total assets | <u>442,255</u> | <u>459,534</u> |
| Liabilities | | |
| Current liabilities | 3,500 | 10,500 |
| Partners' capital | 438,755 | 449,034 |
| Total liabilities | <u>442,255</u> | <u>459,534</u> |
| <u>Results of Operations:</u> | | |
| Revenue | \$ 21,648 | \$ 21,965 |
| Amortization expense | (12,997) | (13,399) |
| Other expenses | (17,551) | (9,273) |
| Proportionate share of earnings | <u>\$ (8,900)</u> | <u>\$ (707)</u> |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

28. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The 2023 budget reflects all of the County activities including capital projects and reserve transfers. The financial reporting requirements as set out in the Canadian public sector accounting standards for financial statements are accrual based, as described in Note 1. The differences in the requirements for the budget and the financial statements result in different items being recognized as revenues and expenditures. 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 | 2023 | 2022 |
|--|--------------|--------------|--------------|
| Statement of Operations, Surplus | \$ 4,900,594 | \$ 3,024,020 | \$ 8,617,353 |
| Add back non-cash items: | | | |
| Contributed tangible capital assets | - | (4,135,188) | (1,352,742) |
| Amortization of tangible capital assets | 27,308,984 | 28,303,858 | 27,409,599 |
| Disposal of tangible capital assets | 490,400 | 291,058 | 140,122 |
| Debt proceeds | 18,857,607 | 2,883,397 | 28,528 |
| Debt principal repayments | (6,664,497) | (6,664,497) | (7,392,382) |
| Capital expenditures | (82,402,840) | (24,949,024) | (37,014,102) |
| Levied portion of local improvements | 641,685 | 613,158 | 617,466 |
| Net transfer (to) from reserves (restricted surplus) | 36,868,067 | 5,147,324 | 10,946,694 |
| Net transfer (to) from equity in Aquatera (restricted surplus) | - | (4,938,278) | (1,998,101) |
| Asset retirement obligation accretion expense | - | 22,862 | - |
| | \$ - | \$ (401,310) | \$ 2,435 |

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

29. RISK MANAGEMENT

Through its financial assets and liabilities, the County is exposed to various risks. Tax receivables and requisitions over/under-levy are compulsory in nature, rather than contractual, however, the County manages risk exposure on these items similar to other receivables and payables.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge their responsibilities with respect to the financial instrument, and in so doing, cause a loss for the other party. The financial instruments that potentially subject the County to credit risk consist of cash and cash equivalents, accounts receivable, loans receivable and portfolio investments. The County's cash and cash equivalents and investments are maintained at a major financial institution; therefore, the County considers the risk of non-performance of these instruments to be remote. The County is exposed to credit risk from its customers. To reduce this risk, the County conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

The majority of government transfers are received from the provincial and federal government agencies. Due to the nature of these payers, the County is not exposed to significant credit risk on such transactions.

(b) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The County is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the County to fair value risk, while floating rate instruments subject it to cash flow risk. The financial instruments that potentially subject the County to fair value consist of loans receivable (Note 5), portfolio investments (Note 6) and long-term debt (Note 13). During the year the County had no material sensitivity to changing interest rates, as the financial instruments with variable interest rates, cash and cash equivalents (Note 2), line of credit (Note 7) did not result in material transactions.

(c) Currency risk

Currency risk is the risk to the County that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the County is not exposed to significant currency risks arising from transactions in its US bank account.

(d) Liquidity risk

Liquidity risk is the risk that the County will encounter difficulty in meeting financial obligations as they fall due. The County undertakes regular cash flow analyses to ensure that there are sufficient cash resources to meet all obligations. The financial instruments that potentially subject the County to liquidity risk consist of accounts payable, deposit liabilities, operating line of credit and long-term debt. Sufficient cash is maintained to be able to pay off the liabilities as they become due. All accounts payable, deposit liabilities and operating line of credit are due within in one year. Note 13 includes the contractual due dates of the long-term debt.

Unless otherwise noted, it is management's opinion that the County is not exposed to significant other price risks arising from these financial instruments.

COUNTY OF GRANDE PRAIRIE NO. 1
Notes to the Consolidated Financial Statements
Year Ended December 31, 2023

30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and Management have approved these financial statements on May 13, 2024.

31. COMPARATIVE INFORMATION

Certain other comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.
