



Consolidated Financial Statements of

**The City of Spruce Grove**

For the Year Ended December 31, 2017

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## INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council of the City of Spruce Grove

We have audited the accompanying consolidated financial statements of the City of Spruce Grove ("the City"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants

April 23, 2018  
Edmonton, Canada

## MANAGEMENT'S REPORT

The consolidated financial statements of the City of Spruce Grove (the "City") are the responsibility of management and have been prepared using the Canadian Public Sector Accounting Standards, as disclosed in the notes to the consolidated financial statements. These consolidated financial statements include amounts that are based on the best estimates and judgments of management. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

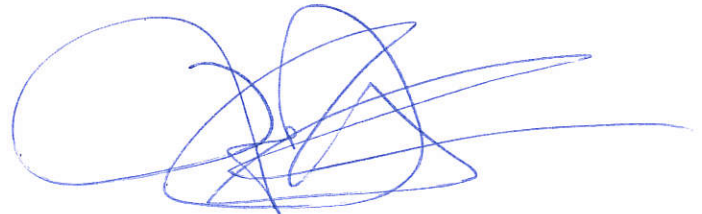
Management maintains systems of accounting and administrative controls to provide reasonable assurance that the transactions are appropriately authorized, accurately recorded, that assets are properly accounted for and safeguarded and that the consolidated financial statements realistically report the City's operating and financial results.

City Council has approved the information contained in the consolidated financial statements.

KPMG LLP, have been appointed by City Council to examine the consolidated financial statements and provide an independent audit opinion.



Louise Frostad, CPA, CMA  
Chief Financial officer



Robert Cotterill, P.Eng.  
City Manager

April 23, 2018  
Spruce Grove, Canada



**CITY OF SPRUCE GROVE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
December 31, 2017  
(in thousands of dollars)

	2017	2016
<b>Financial Assets</b>		
Cash and Cash Equivalents	6,100	16,133
Accounts Receivable (Note 3)	18,842	17,770
Investments (Note 4)	31,391	21,298
Land Held for Resale (Note 5)	1,746	1,746
	58,079	56,947
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	14,598	14,787
Deferred Revenue (Note 7)	22,995	27,532
Liability for Contaminated Sites (Note 8)	4,180	4,380
Long-Term Debt (Note 9)	24,533	18,769
	66,306	65,468
<b>Net Debt</b>	(8,227)	(8,521)
<b>Non-Financial Assets</b>		
Consumable Inventory and Prepaid Expenses	791	929
Tangible Capital Assets (Note 11)	494,874	465,230
	495,665	466,159
<b>Accumulated Surplus (Note 12)</b>	487,438	457,638

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

**CITY OF SPRUCE GROVE**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND**  
**ACCUMULATED SURPLUS**

For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
<b>Revenue</b>			
Property Taxes (Schedule 1)	35,684	35,563	33,860
Government Transfers - Operating (Schedule 2)	3,136	3,318	4,111
Sales and User Fees (Schedule 3)	44,395	44,110	40,561
Local Improvement Levies	-	60	126
Interest	498	388	169
	<u>83,713</u>	<u>83,439</u>	<u>78,827</u>
<b>Expenses</b> (Schedule 4, 5)			
Council	745	597	579
City Manager	673	566	588
Economic and Business Development	1,029	993	1,095
Corporate Communications	1,041	971	866
Community and Protective Services	28,980	28,288	29,695
Corporate Services	9,991	9,804	9,101
Planning and Infrastructure	28,553	26,579	26,253
Utilities	19,945	16,009	15,102
	<u>90,957</u>	<u>83,807</u>	<u>83,279</u>
<b>Annual Deficit Before the Undernoted</b>	<u>(7,244)</u>	<u>(368)</u>	<u>(4,452)</u>
Gain on Disposal of Tangible Capital Assets	177	17	1,741
Government Transfers - Capital (Schedule 2)	8,213	7,669	6,536
Contributed Tangible Capital Assets	8,904	16,432	19,808
Developer Contributions	3,840	6,050	7,344
	<u>21,134</u>	<u>30,168</u>	<u>35,429</u>
<b>Annual Surplus</b>	<u>13,890</u>	<u>29,800</u>	<u>30,977</u>
<b>Accumulated Surplus, Opening</b>		<u>457,638</u>	<u>426,661</u>
<b>Accumulated Surplus, Closing</b>		<u>487,438</u>	<u>457,638</u>

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



**CITY OF SPRUCE GROVE**  
**CONSOLIDATED STATEMENT OF CHANGES IN**  
**NET DEBT**

For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
<b>Annual Surplus</b>	13,890	29,800	30,977
Consumable Inventory and Prepaid Expenses			
Acquisition	(843)	(791)	(929)
Use	782	929	797
	<u>(61)</u>	<u>138</u>	<u>(132)</u>
<b>Tangible Capital Assets</b>			
Contributed	(8,904)	(16,432)	(19,808)
Purchased	(38,326)	(28,206)	(28,795)
Proceeds on Disposal	-	595	2,323
Gain on Disposal	(177)	(17)	(1,741)
Amortization	13,370	14,416	13,262
	<u>(34,037)</u>	<u>(29,644)</u>	<u>(34,759)</u>
<b>Change in Net Debt</b>	<u>(20,208)</u>	<u>294</u>	<u>(3,914)</u>
<b>Net Debt, Opening</b>		<u>(8,521)</u>	<u>(4,607)</u>
<b>Net Debt, Closing</b>		<u>(8,227)</u>	<u>(8,521)</u>

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

**CITY OF SPRUCE GROVE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Actual	2016 Actual
<b>Cash Provided by (Used For):</b>		
<b>Operating Activities</b>		
Annual Surplus	29,800	30,977
Adjustments:		
Amortization	14,416	13,262
Gain on Disposal of Tangible Capital Assets	(17)	(1,741)
Contributed Tangible Capital Assets	(16,432)	(19,808)
(Increase) Decrease in Accounts Receivable	(1,072)	1,848
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(189)	1,370
Decrease in Deferred Revenue	(4,537)	(4,774)
Decrease in Liability for Contaminated Sites	(200)	(71)
Decrease (Increase) in Inventory and Prepaid Expenses	138	(132)
	21,907	20,931
<b>Capital Activities</b>		
Purchased Tangible Capital Assets	(28,206)	(28,795)
Proceeds on Disposal of Tangible Capital Assets	595	2,323
	(27,611)	(26,472)
<b>Investing Activities</b>		
Purchased Investments	(32,598)	(22,874)
Proceeds on Disposal of Investments	22,505	32,273
	(10,093)	9,399
<b>Financing Activities</b>		
Long-Term Debt Issued	7,000	7,900
Long-Term Debt Repaid	(1,236)	(1,220)
	5,764	6,680
<b>(Decrease) Increase in Cash and Cash Equivalents</b>	(10,033)	10,538
<b>Cash and Cash Equivalents, Opening</b>	16,133	5,595
<b>Cash and Cash Equivalents, Closing</b>	6,100	16,133

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

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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The consolidated financial statements of the City of Spruce Grove ("the City") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS").

**1. Significant Accounting Policies**

**(a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations which are owned or controlled by the City, and are, therefore, accountable for the administration of their financial affairs and resources.

The reporting entity includes all divisions and departments that comprise City operations, the City of Spruce Grove Library Board (the "Library") and the TransAlta Tri Leisure Centre (the "TLC"). Inter-organizational transactions and balances between these entities have been eliminated.

The City is associated with various other boards, commissions and other organizations that are not part of the government reporting entity.

Property taxes levied also include requisitions for education and seniors housing organizations that are not part of the government reporting entity. The consolidated financial statements exclude any trusts under administration for the benefit of external parties.

**(b) Financial Assets**

**(i) Investments**

Investments are recorded at amortized cost. Should there be a loss in value that is not considered temporary, the respective investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms a part of the deferred revenue balance.

**(ii) Land Held for Resale**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes amounts for acquisition, sales commission and interest. Interest is capitalized whenever external debt is issued to finance the acquisition of land held for resale. Repayments of interest from third parties reduces the amount of capitalized interest.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**1. Significant Accounting Policies (Continued)**

**(c) 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 ordinary course of operations.

**(i) Tangible Capital Assets**

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

Asset	Useful Life in Years
Engineering Structures	20 - 75
Equipment	4 - 20
Facilities	25 - 50
Fleet	8 - 25
Land Improvements	15 - 25
Leasehold Improvements	Life of the Lease

Amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets that are a work in progress are not amortized until the asset is available for productive use.

**(ii) Contribution of Tangible Capital Assets**

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

**(iii) Leases**

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

**(iv) Works of Art and Cultural and Historic Assets**

Works of art and cultural and historic assets are not recorded as tangible capital assets in these consolidated financial statements.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**1. Significant Accounting Policies (Continued)**

**(v) Consumable Inventory**

Consumable Inventory is comprised of supplies held for consumption and are recorded at the lower of cost and replacement cost.

**(d) Revenue Recognition**

**(i) Revenues**

Revenues are normally recognized in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

**(ii) Property Tax Revenue**

Property tax revenues are recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year once the taxable event has occurred.

Requisition 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 differs from the requisition, the requisition tax rate is adjusted in the subsequent year.

**(iii) Developer Contributions**

Developer Contributions are recorded as a liability upon signing of a development agreement and these amounts are recognized as revenue in the period they are used for the purpose specified.

**(iv) Government Transfers**

Government transfers are received from higher levels of government 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. Revenue is recognized in the period when the related expenses are incurred, and services performed for the tangible capital assets are acquired.

**(v) Deferred Revenue**

Deferred revenue consists of government transfers, development levies and other unearned revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**1. Significant Accounting Policies (Continued)**

**(e) Expenses**

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

**(f) Liability for Contaminated Sites**

A liability for remediation of a contaminated site is recognized at the financial statement date, when:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) the municipality owns the land; or is directly responsible; or accepts responsibility.
- d) it is expected that future economic benefits will be given up; and
- e) the liability can be reasonably estimated.

The liability is estimated to cover remediation, post remediation operation, maintenance and monitoring costs based on information available at the financial statement date.

In some cases, environmental standards are created by internal policy and voluntary compliance with such environmental standards may create a liability.

**(g) Use of Estimates**

The preparation of the consolidated financial statements of the City requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results may differ from those estimates.

Estimates have been used to determine provisions for accrued liabilities, liability for contaminated sites, useful lives of tangible capital assets, historic costs of certain tangible capital assets, fair values of contributed tangible capital assets, and provisions made for allowances for doubtful receivable accounts.

Revenue recognition related to developer contributions utilizes forecasted development costs, staging and financing requirements.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**1. Significant Accounting Policies (Continued)**

**(h) Future Accounting Standard Pronouncements**

The following summarizes upcoming changes to Canadian public sector accounting standards. In 2018, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translations (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

<b>Standard</b>	<b>Name</b>	<b>Effective Date</b>
PS2200	Related Party Transactions	April 1, 2017
PS3420	Inter-Entity Transactions	April 1, 2017
PS3210	Assets	April 1, 2017
PS3320	Contingent Assets	April 1, 2017
PS3380	Contractual Rights	April 1, 2017
PS3430	Restructuring Transactions	April 1, 2018
PS1201	Financial Statement Presentation	April 1, 2019
PS3450	Financial Instruments	April 1, 2019
PS2601	Foreign Currency Translation	April 1, 2019
PS3041	Portfolio Investments	April 1, 2019

**2. Budget**

City Council approved the 2017 - 2019 Corporate Plan on November 28, 2016, which formally approved revenues, expenses and capital acquisitions for 2017.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**3. Accounts Receivable**

	2017	2016
<b>Property Taxes</b>		
Current Taxes and Grants in Place of Taxes	2,027	2,032
Arrears	450	487
Allowance for Doubtful Accounts	(6)	(6)
	<u>2,471</u>	<u>2,513</u>
<b>Other</b>		
Developer Contributions	3,967	2,360
Goods and Services Tax	523	354
Government Transfers	-	1,447
Local Improvements	4,651	5,015
Trade and Other Amounts	4,674	3,604
Utilities	2,787	2,688
Allowance for Doubtful Accounts	(231)	(211)
	<u>16,371</u>	<u>15,257</u>
	<u>18,842</u>	<u>17,770</u>

**4. Investments**

	Amortized Cost 2017	Market Value 2017	Amortized Cost 2016	Market Value 2016
Bonds	7,427	7,384	9,019	9,058
GICs	2,545	2,557	7,998	8,016
Notes	6,311	6,208	4,250	4,305
Premier Investment Account	15,108	15,108	31	31
	<u>31,391</u>	<u>31,257</u>	<u>21,298</u>	<u>21,410</u>

Investments in callable bonds have effective interest rates of 2.58% to 9.98% with maturity dates from June 2019 to March 2026. Investments in guaranteed investment certificates (GICs) have an effective interest rate of 1.70% with a maturity date of August 2018.

Note investments are principal protected and have variable interest rates and maturity dates. Three of these notes are based on any positive price return of the S&P/TSX 60 Index, with maturity dates ranging from May 2022 to July 2023. Another note is auto callable, with an interest rate based on Canadian Growers Index with a maturity date as of July 2027. Two other notes are based on step up rates currently earning between 2.20% to 2.25%, with maturity dates ranging from June 2018 to December 2026.



**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**4. Investments (Continued)**

Premier investment account (PIA), a tiered-rate interest account with interest based on monthly average prime less a percentage based on the average monthly balance held in the account. Included in this investment is a high interest notice account, which is currently paying 0.85% and requires 31 days' notice to redeem.

The market value of certain investments is less than amortized cost at December 31, 2017. Management is of the opinion that the decrease in value is temporary. No adjustment was made to change the carrying value of the investments in the current year.

**5. Land Held for Resale**

The City holds an interest in lands in the amount of \$1,746 (2016 - \$1,746) representing the costs related to the Westwind land assembly undertaken by the City. The City has entered into an option agreement with the developer to dispose of the assembled land in parcels.

During the year, interest on long-term debt in the amount of \$14 (2016 - \$17) was capitalized and subsequently reimbursed by the developer.

**6. Accounts Payable and Accrued Liabilities**

	2017	2016
Debenture Interest	53	62
Deposits	807	760
Developer Commitments	1,716	1,716
Holdbacks	1,596	1,586
Trade	7,804	8,056
Wages and Benefits	2,622	2,607
	14,598	14,787

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**7. Deferred Revenue**

	2016	Amounts Received	Interest Earned	Amounts Recognized	2017
<b>Developer Contributions</b>					
Administration	118	49	2	97	72
Neighborhood Parks	610	334	16	4	956
Municipal Reserve	182	-	-	-	182
Parks - South	1,576	-	42	-	1,618
Parks - North	-	307	-	307	-
Roads	-	1,887	-	1,887	-
Wastewater	-	297	-	297	-
Water	2,843	648	8	3,499	-
Cash in Lieu of Parking	60	-	-	(41)	101
Downtown Redevelopment	2	-	-	-	2
	<u>5,391</u>	<u>3,522</u>	<u>68</u>	<u>6,050</u>	<u>2,931</u>
<b>Government Transfers - Capital</b>					
Gas Tax Fund	1,436	3,547	80	2,558	2,505
Miscellaneous	-	1,448	-	1,448	-
Sustainability	19,011	-	436	3,663	15,784
	<u>20,447</u>	<u>4,995</u>	<u>516</u>	<u>7,669</u>	<u>18,289</u>
<b>Government Transfers - Operating</b>					
Policing	26	671	-	671	26
Social	-	821	-	821	-
Sustainability	-	241	-	241	-
Other	54	1,674	-	1,585	143
	<u>80</u>	<u>3,407</u>	<u>-</u>	<u>3,318</u>	<u>169</u>
<b>Other Revenue</b>					
Sponsorships	658	482	-	517	623
Property Taxes	239	152	-	182	209
User Fees	717	2,706	-	2,649	774
	<u>1,614</u>	<u>3,340</u>	<u>-</u>	<u>3,348</u>	<u>1,606</u>
	<u>27,532</u>	<u>15,264</u>	<u>584</u>	<u>20,385</u>	<u>22,995</u>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**8. Liability for Contaminated Sites**

	2017	2016
Historic Public Works Yard - salt impacted soil	2,480	2,480
Pioneer Cemetery - salt impacted soil	1,100	1,400
Historic Nuisance Grounds - site closure and post closure	600	500
	<u>4,180</u>	<u>4,380</u>

The fair value of the liability for contaminated sites is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted using the consumer price index. Subsequent to the initial measurement, the obligation will be adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation are recognized in the consolidated statement of operations and accumulated surplus.

The estimated undiscounted future remediation expenditures is \$4.5 million and a discount rate of 3% (2016 - 2.9%) has been used. The City plans to remediate the sites over a 5-year period.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**9. Long-Term Debt**

	2017	2016
Agrena	1,184	1,338
Library	1,080	1,211
Local Improvements	4,748	5,226
Public Works Facility	4,970	5,120
TransAlta Tri Leisure Centre Development	1,099	1,422
	<u>11,000</u>	<u>4,000</u>
	24,081	18,317
Westwind Land Assembly	452	452
	<u>24,533</u>	<u>18,769</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	1,188	768	1,956
2019	1,434	846	2,280
2020	1,943	788	2,731
2021	1,551	696	2,247
2022	1,349	634	1,983
Subsequent	17,068	4,837	21,905
	<u>24,533</u>	<u>8,569</u>	<u>33,102</u>

Debenture debt, other than Westwind land assembly debt, is repayable to the Alberta Capital Financing Authority and bears interest at rates ranging from 2.788% to 6.375% per annum and matures in periods 2018 to 2038. Debenture debt is issued on the credit and security of the City.

In 2016, the City signed an infrastructure loan facility with Canadian Imperial Bank of Canada ("CIBC") to provide funds for new development road, water and sewer infrastructure projects. The facility is available as Canadian Dollar Bankers Acceptances ("bankers acceptances") with terms renewable from 1 to 6 months subject to a stamping fee of .90% and interest at prime rate plus 0% per annum. The bankers acceptances will be converted to fixed term loan for 20 years upon project completion.

In 2010 the City borrowed \$8,900 from a chartered financial institution to finance the purchase of the Westwind Lands. This loan bears interest at prime plus 0.9%. The terms of this loan are interest only payments for 10 years, with principal payments due when land is sold and not later than March 2020. The City has entered into an agreement with a developer to reimburse any interest incurred on this loan.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**9. Long-Term Debt (Continued)**

The City has existing revolving demand facilities with Royal Bank of Canada and CIBC for \$5 million each. The City has no outstanding balance on either facility as of December 31, 2017.

Interest on long-term debt amounted to \$648 (2016 - \$511). The City's interest expense for the period is \$634 (2016 - \$494) while the remaining \$14 (2016 - \$17) relates to the Westwind lands and was capitalized as part of land held for resale during the year. The City's total cash payments for the interest in 2017 is \$682 (2016 - \$505).

**10. Debt Limits**

Section 276 (2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/200 for the City be disclosed as follows:

	2017	2016
Total Debt Limit (1.5 times revenue, as defined in the regulation)	134,259	131,868
Total Debt	(24,533)	(18,769)
Amount of Debt Limit Unused	109,726	113,099
Debt Servicing Limit (0.25 times revenue, as defined in the regulation)	22,377	21,978
Debt Servicing	(1,956)	(1,876)
Amount of Debt Servicing Limit Unused	20,421	20,102

Revenue as defined in Alberta Regulation 255/2000 is calculated using the total revenue for the reporting year less capital government transfers and contributed tangible capital assets recognized in the year.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**11. Tangible Capital Assets**

	2017			2017
	2016	Purchased/ Contributed	Disposals	
<b>Cost</b>				
Engineering Structures	335,141	31,810	(529)	366,422
Equipment	23,254	2,006	(683)	24,577
Facilities	65,478	1,197	-	66,675
Fleet	6,872	2,362	(379)	8,855
Land	145,019	8,688	(273)	153,434
Land Improvements	19,964	3,823	-	23,787
Leasehold Improvements	872	-	-	872
Work in Progress	20,187	(5,248)	-	14,939
	<b>616,787</b>	<b>44,638</b>	<b>(1,864)</b>	<b>659,561</b>
	2016	Disposals	Amortization	2017
<b>Accumulated Amortization</b>				
Engineering Structures	116,177	(509)	9,548	125,216
Equipment	11,719	(403)	1,823	13,139
Facilities	12,773	-	1,471	14,244
Fleet	2,734	(374)	550	2,910
Land Improvements	7,282	-	1,024	8,306
Leasehold Improvements	872	-	-	872
	<b>151,557</b>	<b>(1,286)</b>	<b>14,416</b>	<b>164,687</b>
	2016			2017
<b>Net Book Value</b>				
Engineering Structures	218,964			241,206
Equipment	11,535			11,438
Facilities	52,705			52,431
Fleet	4,138			5,945
Land	145,019			153,434
Land Improvements	12,682			15,481
Work in Progress	20,187			14,939
	<b>465,230</b>			<b>494,874</b>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**11. Tangible Capital Assets (Continued)**

	2016			2016
	2015	Purchased/ Contributed	Disposals	
<b>Cost</b>				
Engineering Structures	315,000	20,939	(798)	335,141
Equipment	20,215	3,112	(73)	23,254
Facilities	52,714	12,764	-	65,478
Fleet	5,167	2,107	(402)	6,872
Land	139,923	5,468	(372)	145,019
Land Improvements	19,374	590	-	19,964
Leasehold Improvements	872	-	-	872
Work in Progress	16,564	3,623	-	20,187
	<b>569,829</b>	<b>48,603</b>	<b>(1,645)</b>	<b>616,787</b>
<b>Accumulated Amortization</b>				
Engineering Structures	108,209	(632)	8,600	116,177
Equipment	10,055	(58)	1,722	11,719
Facilities	11,326	-	1,447	12,773
Fleet	2,681	(373)	426	2,734
Land Improvements	6,311	-	971	7,282
Leasehold Improvements	776	-	96	872
	<b>139,358</b>	<b>(1,063)</b>	<b>13,262</b>	<b>151,557</b>
<b>Net Book Value</b>				
Engineering Structures	206,791			218,964
Equipment	10,160			11,535
Facilities	41,388			52,705
Fleet	2,486			4,138
Land	139,923			145,019
Land Improvements	13,063			12,682
Leasehold Improvements	96			-
Work in Progress	16,564			20,187
	<b>430,471</b>			<b>465,230</b>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**12. Accumulated Surplus**

	Budget (Note 2)	2017	2016
Municipal	11,879	18,712	15,319
Utility	4,831	8,620	7,948
Developer Deficit (Note 13)	(5,537)	(10,684)	(12,542)
Segmented Surplus Total	11,173	16,648	10,725
Investment in Tangible Capital Assets	442,916	470,790	446,913
	454,089	487,438	457,638

**13. Developer Deficit**

	2016	Transfers In	Transfers Out	Other Adjustments	2017
Administration	-	97	-	(97)	-
Roads	(3,941)	1,887	(3,960)	4,701	(1,313)
Sewer	(6,371)	297	(757)	-	(6,831)
Water	-	3,499	(3,878)	219	(160)
Parks - North	(2,271)	307	(416)	-	(2,380)
Neighborhood Parks	-	4	(4)	-	-
Cash in Lieu of Parking	41	(41)	-	-	-
	(12,542)	6,050	(9,015)	4,823	(10,684)

**Amounts Transferred Out**

	2017
Arterial Roads	3,960
Jubilee Park	416
Neighborhood Parks	4
Reservoir	3,878
Sanitary Sewer	757
	9,015

Other adjustments includes debentures issued to fund new growth transportation projects, as well as adjustments made to properly present offsite levy reserve balances for roads, wastewater, and water on implementation of a new offsite levy model in 2017.

As a result of this process, the opening development deficit balance decreased \$4,687 and opening deferred water levies decreased \$782.



**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**14. Segmented Disclosure**

	2017			Total
	Municipal	Utility	Development	
<b>Revenue</b>				
Property Taxes	35,563	-	-	35,563
Government Transfers - Operating	3,318	-	-	3,318
Sales and User Fees	26,007	18,103	-	44,110
Local Improvement	60	-	-	60
Interest	388	-	-	388
	<b>65,336</b>	<b>18,103</b>	<b>-</b>	<b>83,439</b>
<b>Expenses</b>				
Amortization	11,183	3,233	-	14,416
Contracted Services	11,357	10,841	-	22,198
General	7,589	198	-	7,787
Grants	250	-	-	250
Human Resources	32,437	1,430	-	33,867
Interest on Long-Term Debt	527	-	107	634
Materials, Equipment and Supplies	4,343	308	4	4,655
	<b>67,686</b>	<b>16,010</b>	<b>111</b>	<b>83,807</b>
<b>Annual (Deficit) Surplus Before the Undernoted</b>	<b>(2,350)</b>	<b>2,093</b>	<b>(111)</b>	<b>(368)</b>
Gain (Loss) on Disposal of Tangible Capital Assets	20	(3)	-	17
Government Transfers - Capital	7,669	-	-	7,669
Contributed Tangible Capital Assets	33	-	16,399	16,432
Developer Contributions	-	-	6,050	6,050
	<b>7,722</b>	<b>(3)</b>	<b>22,449</b>	<b>30,168</b>
<b>Annual Surplus</b>	<b>5,372</b>	<b>2,090</b>	<b>22,338</b>	<b>29,800</b>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**14. Segmented Disclosure (Continued)**

	2016			Total
	Municipal	Utility	Development	
<b>Revenue</b>				
Property Taxes	33,860	-	-	33,860
Government Transfers - Operating	4,111	-	-	4,111
Sales and User Fees	22,202	17,628	731	40,561
Local Improvement	126	-	-	126
Interest	169	-	-	169
	60,468	17,628	731	78,827
<b>Expenses</b>				
Amortization	10,386	2,876	-	13,262
Contracted Services	12,476	9,776	731	22,983
General	7,205	185	-	7,390
Grants	1,779	-	-	1,779
Human Resources	30,976	1,362	-	32,338
Interest on Long-Term Debt	483	-	11	494
Materials, Equipment and Supplies	4,595	436	2	5,033
	67,900	14,635	744	83,279
<b>Annual (Deficit) Surplus Before the Undernoted</b>	(7,432)	2,993	(13)	(4,452)
Gain on Disposal of Tangible Capital Assets	1,741	-	-	1,741
Government Transfers - Capital	6,536	-	-	6,536
Contributed Tangible Capital Assets	42	-	19,766	19,808
Developer Contributions	-	-	7,344	7,344
	8,319	-	27,110	35,429
<b>Annual Surplus</b>	887	2,993	27,097	30,977

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**14. Segmented Disclosure (Continued)**

Segmented information has been identified above based upon lines of service provided by the City. The services that are disclosed in the segmented information are referred to as:

- (a) Municipal, for operating and capital activities other than those designated as Utility and Development.
- (b) Utility, for water, solid waste and wastewater services.
- (c) Development, for developer-funded projects and activities.

**15. Salary and Benefits Disclosure**

Disclosure of salaries and benefits for municipal officials and the chief administrative officer is required by Alberta Regulation 313/2000. This information is not presented in thousands of dollars.

	2017 Salaries	2017 Benefits	2016 Salaries	2016 Benefits
Mayor Houston	98,883	14,531	85,208	12,047
Alderman Baxter	35,398	7,133	39,517	7,421
Councillor Thebaud-Gruhlke	7,973	2,335	-	-
Alderman Kesanko	41,009	5,581	41,591	5,945
Councillor Mckenzie	9,511	2,169	-	-
Alderman Mclean	41,859	8,840	41,486	8,517
Councillor Oldham	8,998	2,382	-	-
Councillor Rothe	43,222	10,849	37,240	9,017
Alderman Steinburg	37,180	5,135	38,991	5,760
Councillor Stevenson	10,793	1,931	-	-
Councillor Turton	47,223	11,010	37,114	9,015
	<b>382,049</b>	<b>71,896</b>	<b>321,147</b>	<b>57,722</b>
Chief Administrative Officer	237,727	47,407	235,274	35,948
	<b>619,776</b>	<b>119,303</b>	<b>556,421</b>	<b>93,670</b>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**15. Salary and Benefits Disclosure (Continued)**

Salaries include remuneration and per diem paid to elected officials, including a basic honorarium, and a meeting per diem. Benefits include the employer's share of all benefits paid on behalf of elected officials and include Canada Pension Plan, health care, extended health care, dental, group life, accidental death and dismemberment insurance, dependant life insurance, a home office expense allowance, car allowance, and WCB coverage. Employees are also eligible for Employment Insurance, Long Term Disability, Local Authorities Pension Plan, APEX Plus Pension Plan and memberships to the TransAlta Tri Leisure Centre. Council is eligible for a matching RRSP contribution of up to 4% of their annual salary.

**16. Local Authorities Pension Plan**

Employees of the City of Spruce Grove participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

The City of Spruce Grove is required to make current service contributions to LAPP of 11.39% (2016 - 11.39%) of eligible pensionable earnings up to the Year's Maximum Pension Earnings and 15.84% (2016 - 15.84%) on pensionable earnings above this amount. Employees are required to make current service contributions of 10.39% (2016 - 10.39%) of pensionable salary up to the Year's Maximum Pensionable Earnings and 14.84% (2016 - 14.84%) on pensionable salary above this amount. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City of Spruce Grove to LAPP in 2017 were \$2,588 (2016 - \$2,401). Total current service contributions by the employees of the City of Spruce Grove to LAPP in 2017 were \$2,388 (2016 - \$2,216). Total optional service contributions by the City of Spruce Grove to LAPP in 2017 were \$96 (2016 - \$52).

City employees are able to buy back their first year of service within five years from their start date with LAPP. The City is obligated to pay the employer portion of any prior service buy-back. In 2017 the City's potential liability for optional service buy-back is \$139 (2016 - \$88).

At December 31, 2016, LAPP disclosed an actuarial deficit of \$637 million.

**17. APEX Supplementary Pension Plan**

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees (approximately 114 beneficiaries). The plan supplements the Local Authorities Pension Plan.

The prescribed class of employees and the City make contributions. Employees and the City are required to make current service contributions to APEX of 2.8% and 3.8% respectively of pensionable earnings up to \$145 (2016 - \$144).

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

**17. APEX Supplementary Pension Plan (Continued)**

Total current service contributions by the City to APEX in 2017 were \$370 (2016 - \$264). Total current service contributions by the employees of the City in 2017 were \$278 (2016 - \$220).

**18. TransAlta Tri Leisure Centre**

The City of Spruce Grove, Parkland County and the Town of Stony Plain have jointly developed, constructed, and are now operating the TransAlta Tri Leisure Centre (the "Centre"). The building is jointly owned by the City of Spruce Grove, Parkland County and the Town of Stony Plain.

The Tri-Municipal Leisure Facility Corporation (the "Corporation") was incorporated on December 19, 2001 under the Companies Act (Alberta) as a not-for-profit Part IX corporation to operate and manage the Centre. The City of Spruce Grove, Parkland County and Town of Stony Plain contributed a total of \$1,985 (2016 - \$2,621) to support the operations of the Centre, with the City's proportionate share being 45.4% (2016 - 45.4%) or \$901 (2016 - \$1,190).

A financial summary of the City's proportionate share of the financial position and operations of the Centre is as follows:

	2017	2016
<b>Financial Position</b>		
Financial Assets	864	929
Financial Liabilities	(499)	(520)
Net Financial Assets	365	409
Non-Financial Assets	849	723
Accumulated Surplus	1,214	1,132
<b>Operations</b>		
Revenue	3,766	3,983
Expenses	(3,684)	(3,930)
Annual Surplus	82	53
Accumulated Surplus, Opening	1,132	1,079
Accumulated Surplus, Closing	1,214	1,132
<b>Change in Net Financial Assets</b>		
Annual Surplus	82	53
Acquisition of Tangible Capital Assets	(308)	(258)
Amortization	177	147
Loss on Disposal of Tangible Capital Assets	-	123
Use (Acquisition) of Inventory	5	(16)
	(44)	49
Net Financial Assets, Opening	409	360
Net Financial Assets, Closing	365	409

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**19. Alberta Municipal Insurance Exchange**

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.

**20. Developer Agreements**

Developers have entered into agreements with the City in the amount of approximately \$166 million and are committed to installing and constructing certain works to serve the development of lands within the City. The City has taken security from the developers in the form of letters of credit in the amount of \$27 million to secure the performance by the developers under the agreements.

**21. Financial Instruments**

The City's financial instruments consist of accounts receivable, investments, accounts payable and accrued liabilities, liability for contaminated sites, 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 accounts receivable. 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 of diversity of taxpayers and customers minimizes the credit risk. The City has fixed interest rate debt to mitigate its exposure to fluctuations in cash flow due to changes in interest rates.

Unless otherwise noted, the carrying values of all the City's financial instruments approximate their fair value.

**22. Commitments**

The City has entered into an agreement to lease a facility over the next five years as follows:

Year	Basic Rent
2018	\$161,016
2019	161,880
2020	161,880
2021	161,880
2022	161,880
Thereafter	<u>53,960</u>
Total	<u>\$862,496</u>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

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**23. Contingent Liabilities**

The City is defendant in various lawsuits as at December 31, 2017. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of the loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded.

**24. Comparative Information**

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

**CITY OF SPRUCE GROVE**  
**SCHEDULE 1 - PROPERTY TAXES**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
<b>Property Taxes</b>			
Residential	38,315	39,262	36,894
Non-Residential			
Commercial	9,505	9,546	8,789
Industrial	2,274	2,270	2,163
Linear	300	291	291
Agricultural	2	2	2
	50,396	51,371	48,139
<b>Less Requisitions</b>			
Alberta Education	12,215	13,256	11,939
Evergreen Catholic Schools	2,268	2,298	2,114
Meridian Foundation	229	254	226
	14,712	15,808	14,279
	35,684	35,563	33,860

**CITY OF SPRUCE GROVE**  
**SCHEDULE 2 - GOVERNMENT TRANSFERS**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
<b>Government Transfers - Capital</b>			
Gas Tax Fund	2,382	2,558	1,058
Miscellaneous	1,048	1,448	1,206
Sustainability	4,783	3,663	4,272
	8,213	7,669	6,536
<b>Government Transfers - Operating</b>			
Policing	648	671	648
Social	821	821	821
Sustainability	231	241	231
Other	1,436	1,585	2,411
	3,136	3,318	4,111
	11,349	10,987	10,647



**CITY OF SPRUCE GROVE**  
**SCHEDULE 3 - SALES AND USER FEES**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
Donations and Sponsorships	398	237	171
Fines and Permits	8,185	7,031	7,319
Electrical Franchise Fees	3,262	3,377	3,426
Gas Franchise Fees	1,199	1,220	904
Goods and Services	7,974	7,461	7,332
Other	1,373	4,821	2,109
Rental Revenue	1,018	1,120	959
Tax Penalties	817	740	713
Utility Charges	20,169	18,103	17,628
	<b>44,395</b>	<b>44,110</b>	<b>40,561</b>

**CITY OF SPRUCE GROVE**  
**SCHEDULE 4 - EXPENSES BY OBJECT**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
Amortization	13,370	14,416	13,262
Contracted Services	26,627	22,198	22,983
General	8,389	7,787	7,390
Grants	2,247	250	1,779
Human Resources	34,239	33,867	32,338
Interest on Long-Term Debt	791	634	494
Materials, Equipment and Supplies	5,294	4,655	5,033
	<b>90,957</b>	<b>83,807</b>	<b>83,279</b>

**CITY OF SPRUCE GROVE**  
**SCHEDULE 5 - EXPENSES BY DEPARTMENT**  
For the Year Ended December 31, 2017  
(in thousands of dollars)

	2017 Budget (Note 2)	2017 Actual	2016 Actual
<b>Council</b>	745	597	579
<b>City Manager</b>	673	566	588
<b>Economic and Business Development</b>	1,029	993	1,095
<b>Corporate Communications</b>	1,041	971	866
<b>Community and Protective Services</b>			
Administration	578	574	1,103
Agrena / Sports Park	1,821	1,646	1,661
Culture	1,634	1,577	1,478
Family and Community Support Services	1,730	1,691	1,774
Fire	7,184	7,395	8,049
Leisure Centre	3,824	3,937	4,198
Library	1,708	1,632	1,676
Municipal Enforcement and Safe City	4,381	3,408	3,966
Police	4,762	4,759	4,390
Recreation	1,358	1,669	1,400
	<u>28,980</u>	<u>28,288</u>	<u>29,695</u>
<b>Corporate Services</b>			
Administration	865	649	823
City Clerk	1,638	1,501	1,331
Finance	3,128	3,147	3,035
Human Resources	1,377	1,433	1,431
Information Systems	2,983	3,074	2,481
	<u>9,991</u>	<u>9,804</u>	<u>9,101</u>
<b>Planning and Infrastructure</b>			
Administration	542	457	750
Asset Management	4,630	5,053	4,458
Engineering	2,968	1,481	1,419
Planning and Development	2,124	2,050	3,051
Public Works	16,040	15,407	15,174
Transit and Sustainability	2,249	2,131	1,401
	<u>28,553</u>	<u>26,579</u>	<u>26,253</u>
<b>Utilities</b>			
Waste	3,580	2,791	2,601
Wastewater	4,636	4,049	3,888
Water	11,729	9,169	8,613
	<u>19,945</u>	<u>16,009</u>	<u>15,102</u>
	<u>90,957</u>	<u>83,807</u>	<u>83,279</u>