



Condensed Unconsolidated Financial Statements of

The City of Spruce Grove

For the Six Months Ended June 30, 2018

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MANAGEMENT'S REPORT

The condensed unconsolidated financial statements of the City of Spruce Grove (the "City") are unaudited and are the responsibility of management. These financial statements follow the same accounting policies and methods of computation as the most recent annual financial statements. These 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 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 financial statements realistically report the City's operating and financial results.

Louise Frostad, CPA, CMA
Chief Financial Officer

CITY OF SPRUCE GROVE
CONDENSED UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018
(in thousands of dollars)

	June 2018 (Unaudited)	June 2017 (Unaudited)	December 2017 (Unaudited)
Financial Assets			
Cash	28,689	24,434	5,358
Accounts Receivable	31,210	28,092	18,961
Investments (Note 2)	26,081	22,319	30,846
Land Held for Resale	1,746	1,746	1,746
	<u>87,726</u>	<u>76,591</u>	<u>56,911</u>
Liabilities			
Accounts Payable and Accrued Liabilities	19,439	19,513	14,358
Deferred Revenue (Note 3)	28,417	23,669	22,751
Liability for Contaminated Sites	4,133	4,372	4,180
Long-Term Debt	28,753	19,316	24,533
	<u>80,742</u>	<u>66,870</u>	<u>65,822</u>
Net Financial Assets (Net Debt)	6,984	9,721	(8,911)
Non-Financial Assets			
Inventory and Prepaid Expenses	621	727	744
Tangible Capital Assets (Note 4)	493,733	468,206	493,529
	<u>494,354</u>	<u>468,933</u>	<u>494,273</u>
Accumulated Surplus	<u>501,338</u>	<u>478,654</u>	<u>485,362</u>

CITY OF SPRUCE GROVE
CONDENSED UNCONSOLIDATED STATEMENT OF OPERATIONS AND
ACCUMULATED SURPLUS

For the Six Months Ended June 30, 2018
(in thousands of dollars)

	June 2018 Budget (Unaudited)	June 2018 Actual (Unaudited)	June 2017 Actual (Unaudited)
Revenue			
Property Taxes	37,903	37,933	35,590
Government Transfers - Operating	1,470	1,064	1,588
Sales and User Fees (Schedule 1)	20,455	18,865	18,174
Local Improvement Levies	-	6	-
Interest	146	183	126
	<u>59,974</u>	<u>58,051</u>	<u>55,478</u>
Expenses (Schedule 2, 3)			
Council	354	348	314
City Manager	349	304	317
Economic and Business Development	550	650	513
Corporate Communications	545	479	439
Community and Protective Services	13,785	13,585	13,300
Corporate Services	6,017	6,084	5,526
Planning and Infrastructure	14,842	13,627	12,286
Utilities	8,835	8,606	7,566
	<u>45,277</u>	<u>43,683</u>	<u>40,261</u>
Period Surplus Before the Undernoted	<u>14,697</u>	<u>14,368</u>	<u>15,217</u>
Gain on Disposal of Assets	-	30	24
Government Transfers - Capital	1,844	789	4,822
Developer Contributions	1,739	789	2,877
	<u>3,583</u>	<u>1,608</u>	<u>7,723</u>
Period Surplus	<u>18,280</u>	<u>15,976</u>	<u>22,940</u>
Accumulated Surplus, Opening	<u>-</u>	<u>485,362</u>	<u>455,714</u>
Accumulated Surplus, Closing	<u>-</u>	<u>501,338</u>	<u>478,654</u>

CITY OF SPRUCE GROVE
CONDENSED UNCONSOLIDATED STATEMENT OF CHANGES IN
NET FINANCIAL ASSETS

For the Six Months Ended June 30, 2018
(in thousands of dollars)

	June 2018 Budget (Unaudited)	June 2018 Actual (Unaudited)	June 2017 Actual (Unaudited)
Period Surplus	18,280	15,976	22,940
Inventory and Prepaid Expenses			
Acquisition	-	(621)	(727)
Consumption	-	744	876
	-	123	149
Tangible Capital Assets			
Purchased	(7,328)	(7,183)	(10,608)
Proceeds on Disposal	-	30	108
Gain on Disposal of Assets	-	(30)	(24)
Amortization	7,321	6,979	6,453
	(7)	(204)	(4,071)
Change in Net Financial Assets	18,273	15,895	19,018
Net Debt, Opening	-	(8,911)	(9,297)
Net Financial Assets, Closing	-	6,984	9,721

CITY OF SPRUCE GROVE
CONDENSED UNCONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended June 30, 2018
(in thousands of dollars)

	June 2018 (Unaudited)	June 2017 (Unaudited)
Cash Provided by (Used For):		
Operating Activities		
Period Surplus	15,976	22,940
Adjustments:		
Amortization	6,979	6,453
Gain on Disposal of Assets	(30)	(24)
Increase in Accounts Receivable	(12,249)	(10,197)
Increase in Accounts Payable and Accrued Liabilities	5,081	5,060
Increase (Decrease) in Deferred Revenue	5,666	(3,646)
Decrease in Liability for Contaminated Sites	(47)	(8)
Decrease in Inventory and Prepaid Expenses	123	148
	<u>21,499</u>	<u>20,726</u>
Capital Activities		
Purchased Tangible Capital Assets	(7,183)	(10,608)
Proceeds on Disposal of Tangible Capital Assets	30	108
	<u>(7,153)</u>	<u>(10,500)</u>
Investing Activities		
Purchased Investments	(1,257)	(1,518)
Proceeds on Disposal of Investments	6,022	43
	<u>4,765</u>	<u>(1,475)</u>
Financing Activities		
Long-Term Debt Issued	4,690	1,000
Long-Term Debt Repaid	(470)	(452)
	<u>4,220</u>	<u>548</u>
Increase in Cash	23,331	9,299
Cash, Opening	<u>5,358</u>	<u>15,135</u>
Cash, Closing	<u>28,689</u>	<u>24,434</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2018
(in thousands of dollars)

1. Significant Accounting Policies

The condensed unconsolidated financial statements of the City of Spruce Grove ("the City") are the representations of management and follow the accounting policies described in the most recent annual consolidated financial statements.

2. Investments

	Amortized Cost June 2018	Market Value June 2018	Amortized Cost Dec. 2017	Market Value Dec. 2017
Bonds	6,419	6,262	7,427	7,384
Guaranteed Investment Certificates	2,000	2,029	2,000	2,012
Notes	7,461	7,195	6,311	6,208
Premier Investment Account	10,201	10,209	15,108	15,108
	26,081	25,695	30,846	30,712

Investments in callable bonds have effective interest rates of 2.58% to 6.631% with maturity dates from June 2021 to March 2027. An investment in guaranteed investment certificates (GICs) is at an effective interest rates of 1.70% with maturity date of August 2018.

Note investments are principal protected and have variable interest rates and maturity dates. Two of these notes are based on any positive price return of the S&P/TSX 60 Index, with maturity dates ranging from November 2022 to July 2023. Another note is auto callable, with an interest rate based on Canadian Growers Index with a maturity date of July 2024. Two other notes are based on step up rates currently earning between 2.30% to 2.90%, with maturity dates ranging from February 2019 to March 2019. The City also has an investment in a low volatility index principal protected deposit note earning variable returns based on the S&P/TSX composite index, with a maturity date of August 2022.

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 June 30, 2018. This decrease is considered temporary and no adjustment was made to change the carrying value of the investments in the current period

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2018
(in thousands of dollars)

3. Deferred Revenue

	December 2017	Amounts Received	Interest Earned	Amounts Recognized	June 2018
Developer Contributions					
Administration	72	12	-	-	84
Cash in Lieu of Parking	101	-	1	-	102
Downtown Redevelopment	2	-	-	-	2
Parks, Neighborhood	956	79	9	-	1,044
Parks, North	-	83	-	(83)	-
Parks, Municipal Reserve	182	-	2	-	184
Parks, South	1,618	-	22	-	1,640
Roads	-	473	-	(473)	-
Wastewater	-	70	-	(70)	-
Water	-	163	-	(163)	-
	<u>2,931</u>	<u>880</u>	<u>34</u>	<u>(789)</u>	<u>3,056</u>
Government Transfers - Capital					
Gas Tax	2,505	-	33	(247)	2,291
Sustainability (MSI)	15,784	3,846	261	(582)	19,309
Other	-	1,260	2	40	1,302
	<u>18,289</u>	<u>5,106</u>	<u>296</u>	<u>(789)</u>	<u>22,902</u>
Government Transfers - Operating					
Policing	26	688	-	-	714
FCSS	-	520	-	(411)	109
Other	143	931	-	(653)	421
	<u>169</u>	<u>2,139</u>	<u>-</u>	<u>(1,064)</u>	<u>1,244</u>
Other Revenue					
Property Tax	208	1,838	-	(1,936)	110
Sponsorships	531	145	-	(30)	646
User Fees	623	1,424	-	(1,588)	459
	<u>1,362</u>	<u>3,407</u>	<u>-</u>	<u>(3,554)</u>	<u>1,215</u>
	<u>22,751</u>	<u>11,532</u>	<u>330</u>	<u>(6,196)</u>	<u>28,417</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2018
(in thousands of dollars)

4. Tangible Capital Assets

	December 2017	Purchased/ Contributed	Disposals	June 2018
Cost				
Engineered Structures	366,104	-	-	366,104
Equipment	21,019	823	-	21,842
Facilities	66,676	-	-	66,676
Fleet	8,855	72	(50)	8,877
Land	153,434	-	-	153,434
Land Improvements	23,591	-	-	23,591
Leasehold Improvements	872	-	-	872
Work in Progress	14,901	6,288	-	21,189
	655,452	7,183	(50)	662,585
Accumulated Amortization				
Engineered Structures	125,042	-	4,727	129,769
Equipment	10,592	-	738	11,330
Facilities	14,243	-	735	14,978
Fleet	2,912	(50)	271	3,133
Land Improvements	8,262	-	508	8,770
Leasehold Improvements	872	-	-	872
	161,923	(50)	6,979	168,852
Net Book Value				
Engineered Structures	241,062			236,335
Equipment	10,427			10,512
Facilities	52,433			51,698
Fleet	5,943			5,744
Land	153,434			153,434
Land Improvements	15,329			14,821
Work in Progress	14,901			21,189
	493,529			493,733

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2018
(in thousands of dollars)

5. Segmented Disclosure

	2018				Total (Unaudited)
	Municipal (Unaudited)	Utility (Unaudited)	Development (Unaudited)	Investment in TCA (Unaudited)	
Revenue					
Property Taxes	37,933	-	-	-	37,933
Operating Grants	1,064	-	-	-	1,064
Sales and User Fees	9,430	9,435	-	-	18,865
Local Improvement Levies	6	-	-	-	6
Interest	183	-	-	-	183
	<u>48,616</u>	<u>9,435</u>	<u>-</u>	<u>-</u>	<u>58,051</u>
Expenses					
Amortization	5,373	1,606	-	-	6,979
Contracted Services	5,598	5,869	-	-	11,467
General	4,017	124	-	-	4,141
Grants	1,832	-	-	-	1,832
Human Resources	16,139	791	-	-	16,930
Interest on Long Term Debt	267	-	138	-	405
Materials, Equipment and Supplies	1,727	202	-	-	1,929
	<u>34,953</u>	<u>8,592</u>	<u>138</u>	<u>-</u>	<u>43,683</u>
Annual Surplus (Deficit) Before the Undernoted	<u>13,663</u>	<u>843</u>	<u>(138)</u>	<u>-</u>	<u>14,368</u>
Gain on Disposal of Assets	17	13	-	-	30
Government Transfers - Capital	789	-	-	-	789
Developer Contributions	-	-	789	-	789
	<u>806</u>	<u>13</u>	<u>789</u>	<u>-</u>	<u>1,608</u>
Annual Surplus	<u>14,469</u>	<u>856</u>	<u>651</u>	<u>-</u>	<u>15,976</u>
Inter-Surplus Transfer	1,289	(1,289)	-	-	-
Change in Tangible Capital Assets	177	1,356	(1,737)	204	-
Net Change in Debt	2,925	-	1,296	(4,221)	-
Net Change in Surplus	<u>18,860</u>	<u>923</u>	<u>210</u>	<u>(4,017)</u>	<u>15,976</u>
Accumulated Surplus, Opening	<u>17,982</u>	<u>8,620</u>	<u>(10,684)</u>	<u>469,444</u>	<u>485,362</u>
Closing Accumulated Surplus (Deficit)	<u>36,842</u>	<u>9,543</u>	<u>(10,474)</u>	<u>465,427</u>	<u>501,338</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2018
(in thousands of dollars)

5. 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.

Development Deficit

	December 2017	Transfers In	Transfers Out	Other Adjustments	June 2018
Parks, North	(2,380)	83	(30)	-	(2,327)
Roads	(1,313)	473	(1,529)	1,296	(1,073)
Wastewater	(6,831)	70	(295)	-	(7,056)
Water	(160)	163	(21)	-	(18)
	<u>(10,684)</u>	<u>789</u>	<u>(1,875)</u>	<u>1,296</u>	<u>(10,474)</u>

Amounts Transferred Out

	<u>2018</u>
Arterial Roads	1,529
Jubilee Park	30
Reservoir	21
Sanitary Sewer	<u>295</u>
	<u>1,875</u>

CITY OF SPRUCE GROVE
SCHEDULE 1 - SALES AND USER FEES
For the Six Months Ended June 30, 2018
(in thousands of dollars)

	June 2018 Budget (Unaudited)	June 2018 Actual (Unaudited)	June 2017 Actual (Unaudited)
Donations and Sponsorships	295	44	86
Fines and Permits	3,426	2,944	3,148
Franchise Fees - Electrical	1,832	1,921	1,661
Franchise Fees - Gas	726	679	835
Goods and Services	2,434	2,183	2,240
Rental	503	637	586
Tax Penalties	276	364	258
Utility Charges	10,398	9,435	8,783
Other	565	658	577
	20,455	18,865	18,174

CITY OF SPRUCE GROVE
SCHEDULE 2 - EXPENSES BY OBJECT
For the Six Months Ended June 30, 2018
(in thousands of dollars)

	June 2018 Budget (Unaudited)	June 2018 Actual (Unaudited)	June 2017 Actual (Unaudited)
Amortization	7,321	6,979	6,453
Contracted Services	13,315	11,468	10,426
General	3,926	4,140	3,685
Grants	1,379	1,832	1,579
Human Resources	16,525	16,930	15,915
Interest on Long-Term Debt	541	405	313
Materials, Equipment and Supplies	2,270	1,929	1,890
	45,277	43,683	40,261

CITY OF SPRUCE GROVE
SCHEDULE 3 - EXPENSES BY DEPARTMENT
For the Six Months Ended June 30, 2018
(in thousands of dollars)

	June 2018 Budget (Unaudited)	June 2018 Actual (Unaudited)	June 2017 Actual (Unaudited)
Council	354	348	314
City Manager	349	304	317
Economic and Business Development	550	650	513
Corporate Communications	545	479	439
Community and Protective Services			
Administration	407	389	377
Agrena/Sports Park	896	911	822
Culture	757	741	760
Family and Community Support Services	886	907	889
Fire	3,802	3,838	3,639
Leisure Centre	1,284	1,312	1,112
Library	171	606	590
Municipal Enforcement and Safe City	2,230	1,572	2,041
Police	2,546	2,538	2,239
Recreation	806	771	831
	13,785	13,585	13,300
Corporate Services			
Administration	352	310	394
City Clerk	1,118	1,153	1,003
Finance	1,545	1,711	1,623
Human Resources	837	888	773
Information Systems	2,165	2,022	1,733
	6,017	6,084	5,526
Planning and Infrastructure			
Administration	301	316	237
Asset Management	2,727	2,471	2,407
Engineering	967	767	709
Planning and Development	1,094	1,094	1,034
Public Works	8,360	7,913	6,940
Sustainability and Transit	1,393	1,066	959
	14,842	13,627	12,286
Utilities			
Waste	1,500	1,334	1,329
Wastewater	2,175	2,084	1,881
Water	5,160	5,188	4,356
	8,835	8,606	7,566
	45,277	43,683	40,261