



Condensed Unconsolidated Financial Statements of

The City of Spruce Grove

For the Nine Months Ended September 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
September 30, 2018
(in thousands of dollars)

	September 2018 (Unaudited)	September 2017 (Unaudited)	December 2017 (Unaudited)
Financial Assets			
Cash	5,715	2,627	5,358
Accounts Receivable	22,463	23,197	18,961
Investments (Note 2)	41,680	42,612	30,846
Land Held for Resale	1,746	1,746	1,746
	<u>71,604</u>	<u>70,182</u>	<u>56,911</u>
Liabilities			
Accounts Payable and Accrued Liabilities	16,132	17,047	14,358
Deferred Revenue (Note 3)	27,682	24,168	22,751
Liability for Contaminated Sites	4,116	4,291	4,180
Long-Term Debt	31,165	20,079	24,533
	<u>79,095</u>	<u>65,585</u>	<u>65,822</u>
(Net Debt) Net Financial Assets	(7,491)	4,597	(8,911)
Non-Financial Assets			
Inventory and Prepaid Expenses	610	732	744
Tangible Capital Assets (Note 4)	500,539	472,180	493,529
	<u>501,149</u>	<u>472,912</u>	<u>494,273</u>
Accumulated Surplus	<u>493,658</u>	<u>477,509</u>	<u>485,362</u>

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

For the Nine Months Ended September 30, 2018
(in thousands of dollars)

	September 2018 Budget (Unaudited)	September 2018 Actual (Unaudited)	September 2017 Actual (Unaudited)
Revenue			
Property Taxes	37,903	37,928	35,544
Government Transfers - Operating	1,984	2,367	2,350
Sales and User Fees (Schedule 1)	30,853	28,725	31,093
Local Improvement Levies	-	6	-
Interest	168	241	274
	<u>70,908</u>	<u>69,267</u>	<u>69,261</u>
Expenses (Schedule 2, 3)			
Council	539	501	424
City Manager	496	428	412
Economic and Business Development	786	901	729
Corporate Communications	831	709	695
Community and Protective Services	20,300	19,880	18,947
Corporate Services	8,402	8,351	7,605
Planning and Infrastructure	22,676	21,123	19,244
Utilities	13,618	13,136	11,735
	<u>67,648</u>	<u>65,029</u>	<u>59,791</u>
Period Surplus Before the Undernoted	<u>3,260</u>	<u>4,238</u>	<u>9,470</u>
Gain on Disposal of Assets	-	18	34
Government Transfers - Capital	2,801	3,221	6,225
Contributed Tangible Capital Assets	8,512	-	122
Developer Contributions	4,348	819	5,944
	<u>15,661</u>	<u>4,058</u>	<u>12,325</u>
Period Surplus	<u>18,921</u>	<u>8,296</u>	<u>21,795</u>
Accumulated Surplus, Opening	<u>-</u>	<u>485,362</u>	<u>455,714</u>
Accumulated Surplus, Closing	<u>-</u>	<u>493,658</u>	<u>477,509</u>

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

For the Nine Months Ended September 30, 2018
(in thousands of dollars)

	September 2018 Budget (Unaudited)	September 2018 Actual (Unaudited)	September 2017 Actual (Unaudited)
Period Surplus	18,921	8,296	21,795
Inventory and Prepaid Expenses			
Acquisition	-	(610)	(732)
Consumption	-	744	876
	-	134	144
Tangible Capital Assets			
Contributed	(8,512)	-	(122)
Purchased	(22,334)	(18,014)	(18,020)
Proceeds on Disposal	-	193	442
Gain on Disposal of Assets	-	(18)	(34)
Amortization	10,982	10,829	9,689
	(19,864)	(7,010)	(8,045)
Change in Net Financial Assets	(943)	1,420	13,894
Net Debt, Opening	-	(8,911)	(9,297)
(Net Debt) Net Financial Assets, Closing	-	(7,491)	4,597

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

	September 2018 (Unaudited)	September 2017 (Unaudited)
Cash Provided by (Used For):		
Operating Activities		
Period Surplus	8,296	21,795
Adjustments:		
Amortization	10,829	9,689
Loss on Disposal of Assets	(18)	(34)
Contributed Tangible Capital Assets	-	(122)
Increase in Accounts Receivable	(3,502)	(5,302)
Increase in Accounts Payable and Accrued Liabilities	1,774	2,594
Increase (Decrease) in Deferred Revenue	4,931	(3,147)
Decrease in Liability for Contaminated Sites	(64)	(89)
Decrease in Inventory and Prepaid Expenses	134	144
	22,380	25,528
Capital Activities		
Purchased Tangible Capital Assets	(18,014)	(18,020)
Proceeds on Disposal of Tangible Capital Assets	193	442
	(17,821)	(17,578)
Investing Activities		
Purchased Investments	(22,856)	(29,518)
Proceeds on Disposal of Investments	12,022	7,750
	(10,834)	(21,768)
Financing Activities		
Long-Term Debt Issued	7,250	2,000
Long-Term Debt Repaid	(618)	(690)
	6,632	1,310
Increase (Decrease) in Cash	357	(12,508)
Cash, Opening	5,358	15,135
Cash, Closing	5,715	2,627

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 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

	Cost			Cost	Market
	December			September	September
	2017	Purchased	Redeemed	2018	2018
Bonds	7,427	2,440	(1,022)	8,845	8,693
Guaranteed Investment Certificates	2,000	15,000	(4,500)	12,500	12,505
Notes	6,311	5,277	(1,500)	10,088	9,714
Premier Investment Account	15,108	139	(5,000)	10,247	10,263
	30,846	22,856	(12,022)	41,680	41,175

Investments in callable bonds have effective interest rates of 2.58% to 6.631% with maturity dates from June 2021 to March 2027. Investments in guaranteed investment certificates (GICs) have effective interest rates ranging from 1.70% - 2.49% with maturity date of August 2018 to July 2019.

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 August 2024. Another note is auto callable, with an interest rate based on Canadian Growers Index with a maturity date of August 2024. Three other notes are based on step up rates currently earning between 2.30% to 2.90%, with maturity dates ranging from February 2019 to August 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 August 31, 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 Nine Months Ended September 30, 2018
(in thousands of dollars)

3. Deferred Revenue

	December 2017	Amounts Received	Interest Earned	Amounts Recognized	September 2018
Developer Contributions					
Administration	72	13	1	-	86
Cash in Lieu of Parking	101	-	2	-	103
Downtown Redevelopment	2	-	-	-	2
Parks, Neighborhood	956	79	11	-	1,046
Parks, North	-	87	2	(83)	6
Parks, Municipal Reserve	182	-	-	-	182
Parks, South	1,618	-	27	-	1,645
Roads	-	493	-	(493)	-
Wastewater	-	74	-	(74)	-
Water	-	169	-	(169)	-
	<u>2,931</u>	<u>915</u>	<u>43</u>	<u>(819)</u>	<u>3,070</u>
Government Transfers - Capital					
Gas Tax	2,505	1,924	46	(1,051)	3,424
Sustainability (MSI)	15,784	3,845	358	(2,170)	17,817
Other	-	1,300	9	-	1,309
	<u>18,289</u>	<u>7,069</u>	<u>413</u>	<u>(3,221)</u>	<u>22,550</u>
Government Transfers - Operating					
Policing	26	688	-	(516)	198
FCSS	-	670	-	(616)	54
Sustainability	-	237	-	(178)	59
Other	143	1,125	-	(1,057)	211
	<u>169</u>	<u>2,720</u>	<u>-</u>	<u>(2,367)</u>	<u>522</u>
Other Revenue					
Taxes	208	1,976	-	(2,053)	131
Sponsorships	531	162	-	(88)	605
User Fees	623	2,807	-	(2,626)	804
	<u>1,362</u>	<u>4,945</u>	<u>-</u>	<u>(4,767)</u>	<u>1,540</u>
	<u>22,751</u>	<u>15,649</u>	<u>456</u>	<u>(11,174)</u>	<u>27,682</u>

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

4. Tangible Capital Assets

	December 2017	Purchased/ Contributed	Disposals	September 2018
Cost				
Engineered Structures	366,068	-	-	366,068
Equipment	21,019	1,452	(287)	22,184
Facilities	66,676	-	-	66,676
Fleet	8,855	332	(84)	9,103
Land	153,434	12	-	153,446
Land Improvements	23,591	-	-	23,591
Leasehold Improvements	872	-	-	872
Work in Progress	14,937	16,218	-	31,155
	655,452	18,014	(371)	673,095
Accumulated Amortization				
Engineered Structures	125,042	-	7,109	132,151
Equipment	10,592	(117)	1,217	11,692
Facilities	14,243	-	1,103	15,346
Fleet	2,912	(79)	436	3,269
Land Improvements	8,262	-	964	9,226
Leasehold Improvements	872	-	-	872
	161,923	(196)	10,829	172,556
Net Book Value				
Engineered Structures	241,026			233,917
Equipment	10,427			10,492
Facilities	52,433			51,330
Fleet	5,943			5,834
Land	153,434			153,446
Land Improvements	15,329			14,365
Work in Progress	14,937			31,155
	493,529			500,539

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 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	37,928	-	-	-	37,928
Operating Grants	2,367	-	-	-	2,367
Sales and User Fees	14,126	14,599	-	-	28,725
Local Improvement Levies	6	-	-	-	6
Interest	241	-	-	-	241
	54,668	14,599	-	-	69,267
Expenses					
Amortization	8,408	2,421	-	-	10,829
Contracted Services	9,119	9,082	-	-	18,201
General	5,580	185	-	-	5,765
Grants	2,085	-	-	-	2,085
Human Resources	23,406	1,155	-	-	24,561
Interest on Long Term Debt	420	-	220	-	640
Materials, Equipment and Supplies	2,676	272	-	-	2,948
	51,694	13,115	220	-	65,029
Annual Surplus (Deficit) Before the Undernoted	2,974	1,484	(220)	-	4,238
Gain on Disposal of Assets	18	-	-	-	18
Government Transfers - Capital	3,221	-	-	-	3,221
Developer Contributions	-	-	819	-	819
	3,239	-	819	-	4,058
Annual Surplus	6,213	1,484	599	-	8,296
Inter-Surplus Transfer	1,967	(1,967)	-	-	-
Change in Tangible Capital Assets	(4,120)	329	(3,219)	7,010	-
Net Change in Debt	4,085	-	2,546	(6,631)	-
Net Change in Surplus	8,145	(154)	(74)	379	8,296
Accumulated Surplus, Opening	17,982	8,620	(10,684)	469,444	485,362
Closing Accumulated Surplus (Deficit)	26,127	8,466	(10,758)	469,823	493,658

CITY OF SPRUCE GROVE
NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 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	Debt Issued/ Adj.	September 2018
Parks, North	(2,380)	83	(44)	-	(2,341)
Roads	(1,313)	493	(2,964)	2,446	(1,338)
Wastewater	(6,831)	74	(314)	-	(7,071)
Water	(160)	169	(117)	100	(8)
	<u>(10,684)</u>	<u>819</u>	<u>(3,439)</u>	<u>2,546</u>	<u>(10,758)</u>

Amounts Transferred Out

	<u>2018</u>
Arterial Roads	2,964
Jubilee Park	44
Reservoir	117
Sanitary Sewer	<u>314</u>
	<u>3,439</u>

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

	September 2018 Budget (Unaudited)	September 2018 Actual (Unaudited)	September 2017 Actual (Unaudited)
Donations and Sponsorships	369	99	120
Fines and Permits	5,683	4,567	5,211
Franchise Fees - Electrical	2,502	2,649	2,521
Franchise Fees - Gas	984	811	1,007
Goods and Services	3,621	3,546	3,438
Rental	757	918	801
Tax Penalties	534	607	538
Utility Charges	15,619	14,599	13,532
Other	784	929	3,925
	30,853	28,725	31,093

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

	September 2018 Budget (Unaudited)	September 2018 Actual (Unaudited)	September 2017 Actual (Unaudited)
Amortization	10,982	10,829	9,689
Contracted Services	20,149	18,201	16,118
General	5,713	5,765	5,101
Grants	1,398	2,085	1,808
Human Resources	25,181	24,561	23,434
Interest on Long-Term Debt	541	640	475
Materials, Equipment and Supplies	3,684	2,948	3,166
	67,648	65,029	59,791

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

	September 2018 Budget (Unaudited)	September 2018 Actual (Unaudited)	September 2017 Actual (Unaudited)
Council	539	501	424
City Manager	496	428	412
Economic and Business Development	786	901	729
Corporate Communications	831	709	695
Community and Protective Services			
Administration	550	459	471
Agrena/Sports Park	1,281	1,264	1,172
Culture	1,192	1,184	1,217
Family and Community Support Services	1,276	1,360	1,298
Fire	5,709	5,716	5,373
Leisure Centre	1,353	1,403	1,201
Library	274	944	925
Municipal Enforcement and Safe City	3,495	2,513	2,595
Police	3,853	3,819	3,435
Recreation	1,317	1,218	1,260
	20,300	19,880	18,947
Corporate Services			
Administration	518	521	502
City Clerk	1,366	1,377	1,245
Finance	2,289	2,438	2,320
Human Resources	1,153	1,200	1,159
Information Systems	3,076	2,815	2,379
	8,402	8,351	7,605
Planning and Infrastructure			
Administration	468	469	398
Asset Management	4,063	3,776	3,748
Engineering	1,296	1,239	1,125
Planning and Development	1,640	1,603	1,537
Public Works	13,102	12,429	10,905
Sustainability and Transit	2,107	1,607	1,531
	22,676	21,123	19,244
Utilities			
Waste	2,269	2,180	2,097
Wastewater	3,523	3,249	2,958
Water	7,826	7,707	6,680
	13,618	13,136	11,735
	67,648	65,029	59,791

