



Consolidated Financial Statements of

The City of Spruce Grove

For the Year Ended December 31, 2014

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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, 2014, the consolidated statements of operations and accumulated surplus, changes in net financial assets 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 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.

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, 2014, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

April 27, 2015
Edmonton, Canada

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2014
(in thousands of dollars)

	2014	2013 (Note 2)
Financial Assets		
Cash and Temporary Investments (Note 3)	12,553	37,492
Accounts Receivable (Note 4)	22,100	17,617
Investments (Note 5)	20,536	-
Land Held for Resale (Note 6)	4,600	4,600
	59,789	59,709
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	13,852	9,795
Deferred Developer Contributions (Note 8)	17,136	12,868
Deferred Government Transfers (Note 9)	6,171	14,031
Deferred Other Revenue (Note 10)	1,001	614
Environmental Liability	200	200
Long-term Debt (Notes 11, 12)	16,152	17,271
	54,512	54,779
Net Financial Assets	5,277	4,930
Non-Financial Assets		
Inventory of Supplies and Prepaid Expenses (Note 13)	876	822
Tangible Capital Assets (Note 14)	392,076	351,623
	392,952	352,445
Accumulated Surplus (Note 15)	398,229	357,375
Commitments (Note 25)		

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, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual (Note 2)
Revenue			
Property Taxes (Schedule 1)	28,339	28,563	25,821
Government Transfers - Operating (Schedule 2)	3,176	2,428	2,241
Local Improvement Levies	3,119	1,674	676
Sales and User Fees (Schedule 3)	33,194	34,609	36,722
Gain on Disposal of Tangible Capital Assets	1,199	2,296	760
Interest	235	280	347
	<u>69,262</u>	<u>69,850</u>	<u>66,567</u>
Expenses (Schedule 4, 5)			
Council	501	474	437
City Manager	637	569	500
Economic and Business Development	4,701	1,872	4,482
Corporate Communications	733	692	634
Community and Protective Services	23,603	22,723	21,548
Corporate Services	7,429	7,305	6,182
Planning and Infrastructure	23,560	22,835	21,586
Utilities	12,266	12,444	11,177
	<u>73,430</u>	<u>68,914</u>	<u>66,546</u>
Annual Surplus (Deficiency) Before the Undernoted	(4,168)	936	21
Government Transfers - Capital (Schedule 2)	20,479	18,276	5,875
Developer Contributions	5,733	2,259	3,919
Contributed Tangible Capital Assets	6,140	19,383	17,048
Annual Surplus	<u>28,184</u>	<u>40,854</u>	<u>26,863</u>
Accumulated Surplus, Opening (Note 2)	<u>373,528</u>	<u>357,375</u>	<u>330,512</u>
Accumulated Surplus, Closing	<u>401,712</u>	<u>398,229</u>	<u>357,375</u>

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

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended December 31, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual (Note 2)
Annual Surplus	28,184	40,854	26,863
Inventory of Supplies and Prepaid Expenses			
Acquisition	(542)	(876)	(822)
Consumption	531	822	585
	(11)	(54)	(237)
Tangible Capital Assets			
Contributed Tangible Capital Assets	(6,140)	(19,383)	(17,048)
Purchases of Tangible Capital Assets	(30,262)	(32,422)	(18,042)
Proceeds on Disposal of Tangible Capital Assets	1,655	2,798	1,405
Gain on Disposal of Tangible Capital Assets	(1,199)	(2,296)	(760)
Amortization	10,416	10,850	9,711
	(25,530)	(40,453)	(24,734)
Change in Net Financial Assets	2,643	347	1,892
Net Financial Assets, Opening (Note 2)	12,106	4,930	3,038
Net Financial Assets, Closing	14,749	5,277	4,930

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, 2014
(in thousands of dollars)

	2014	2013 (Note 2)
Cash Provided by (Used For):		
Operations		
Annual Surplus	40,854	26,863
Items not involving cash		
Amortization	10,850	9,711
Gain on Disposal of Tangible Capital Assets	(2,296)	(760)
Contributed Tangible Capital Assets	(19,383)	(17,048)
Net Change in Non-Cash Assets and Liabilities		
Accounts Receivable	(4,483)	(2,889)
Land Held for Resale	-	2,743
Accounts Payable and Accrued Liabilities	4,057	1,272
Deferred Developer Contributions	4,268	619
Deferred Government Transfers	(7,860)	724
Deferred Other Revenue	387	156
Inventory of Supplies and Prepaid Expenses	(54)	(237)
	26,340	21,154
Capital Activities		
Purchases of Tangible Capital Assets	(32,422)	(18,042)
Proceeds on Disposal of Tangible Capital Assets	2,798	1,405
	(29,624)	(16,637)
Investing Activities		
Net Increase in Investments	(20,536)	-
Financing Activities		
Long Term Debt Issued	-	5,539
Long Term Debt Repaid	(1,119)	(4,575)
	(1,119)	964
Increase (Decrease) in Cash and Temporary Investments	(24,939)	5,481
Cash and Temporary Investments, Opening	37,492	32,011
Cash and Temporary Investments, Closing	12,553	37,492

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, 2014
(in thousands of dollars)

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 of the City of Spruce Grove, which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the City and are owned or controlled by the City.

The City accounts for the TransAlta Tri Leisure Centre as a government partnership using the proportionate consolidation method. Under this method, the City's proportionate share of assets, liabilities, revenue, and expenses are included in the consolidated financial statements.

The schedule of property taxes includes requisitions for education and seniors housing that are not part of the reporting entity.

The City is a member of a number of other boards and commissions that are not included within these consolidated financial statements.

(b) Financial Assets

(i) Investments

Bonds are recorded at amortized cost. The market value of the bonds fluctuate with changes in market interest rates. 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, 2014
(in thousands of dollars)

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 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:

<u>Asset</u>	<u>Useful Life in Years</u>
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) Works of Art and Cultural and Historic Assets

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

(iv) Inventory of Supplies

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

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(d) Statement of Operations

(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

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

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) Government Transfers

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, and services performed for the tangible capital assets are acquired.

(iv) 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.

(e) Use of Estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(f) Future Accounting Standards

The following describes PSAS changes which will be implemented in future years. The City continues to assess the impact of these standards on its financial reporting and is preparing to adopt these standards in the timelines prescribed by PSAS.

(i) PS3260 - Liability for Contaminated Sites, requires municipalities to review land holdings and determine whether contamination in excess of legislated thresholds exists. Where remediation of a site is required, the standard establishes requirements for recognition, measurement and disclosure of related liabilities. The City has planned the implementation of this standard and has begun reviewing land holdings for the risk of contamination. A liability has been recorded for the remediation of one site which was identified as contaminated in prior years. This standard is effective for the 2015 fiscal year.

(ii) PS1201 – Financial Statement Presentation, requires a new statement be prepared. The statement of re-measurement gains and losses must be separate from the statement of operations, and will include the unrealized gains and losses arising from re-measurement of financial instruments and foreign currency translation. This standard is effective for the 2017 fiscal year.

(iii) PS2601 – Foreign Currency Translation, will replace the existing section PS2600. This standard requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items recorded at fair value in a foreign currency are adjusted to reflect the exchange rate in effect at the financial statement date. Unrealized gains and losses would be included in the statement of re-measurement gains and losses under PS1201. Monetary assets and liabilities are those that would be settled in cash. This standard is expected to have a limited impact on the City's financial reporting and is effective for the 2017 fiscal year.

(iv) PS3041 – Portfolio Investments, removes the distinction between temporary and portfolio investments, and includes pooled investments in its scope. The standard was amended to conform to PS3450 – Financial Instruments. Upon adoption of PS3041 and PS3450, Section PS3030 – Temporary Investments will no longer apply. This standard is effective for the 2017 fiscal year.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(f) Future Accounting Standards (Continued)

(v) PS3450 – Financial Instruments, establishes the recognition, measurement and disclosure for any derivative and non-derivative financial instruments. A financial instrument is defined as a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. This standard requires fair value measurement of derivatives and equity instruments. All other financial instruments can be measured at cost, amortized cost or fair value. Unrealized gains and losses are recorded in the statement of re-measurement gains and losses under PS1201. The nature and extent of risks arising from financial instruments must be disclosed. This standard is effective for the 2017 fiscal year.

The City has not started to review contracts to determine if derivative financial instruments exist. An assessment of the City's risk associated with financial instruments is included in Note 23 to these consolidated financial statements.

(vi) PS2200 - Related Party Disclosures, requires the disclosure of the effect of financially material transactions between related parties. This standard is effective for the 2018 fiscal year.

(vii) PS3420 - Inter-Entity Transactions, specifically covers how to account for and report transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and a recipient perspective. This standard is applicable for the 2018 fiscal year.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

2. Adjusted Comparative Information

The City has adjusted certain financial statement accounts as of December 31, 2013 due to the following:

(i) In 2014, the City implemented a change in accounting policy for developer contributions. Developer contributions are now recorded as a liability upon the signing of a development agreement. These amounts are recognized as revenue in the period they are used for the purpose specified.

Prior to 2014, the City recognized developer contributions as revenue upon the signing of the development agreement and as part of Restricted Surplus - Developer Contributions.

(ii) During 2014, additional information became available about the City's tangible capital assets (roadway systems, facilities, other engineering structures and land improvements) and the comparative consolidated financial statements have been adjusted to correct historical amounts.

The change in accounting policy and the adjustments to the tangible capital assets amounts have been applied retroactively and prior periods have been adjusted as follows:

	2013 As previously reported	Net Change	2013 As adjusted
Statement of Financial Position			
Deferred Developer Contributions	-	(12,868)	(12,868)
Tangible Capital Assets - Net Book Value	366,737	(15,114)	351,623
Accumulated Surplus	385,357	(27,982)	357,375
Statement of Operations and Accumulated Surplus			
Developer Contributions Revenue	4,538	(619)	3,919
Amortization	(9,799)	88	(9,711)
Annual Surplus	27,394	(531)	26,863
Accumulated Surplus, Opening	357,963	(27,451)	330,512

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

3. Cash and Temporary Investments

The cash balance represents the amount held as cash on hand in an operating bank account.

Temporary investments are held in a cash management fund account. Interest was earned on the 2013 temporary investments at rates ranging from 0.80% to 0.94%.

	2014	2013
Cash	12,553	8,745
Temporary Investments	-	28,747
	12,553	37,492

4. Accounts Receivable

	2014	2013
		(Note 2)
Property Taxes		
Current Taxes and Grants in Place of Taxes	1,489	1,827
Arrears	788	1,071
Less Allowance for Doubtful Accounts	(6)	(6)
	2,271	2,892
Other		
Developer Contributions Receivable	6,031	4,884
Goods and Services Tax Receivable	514	531
Government Transfers Receivable	1,217	-
Local Improvement Levies Receivable	4,351	2,942
Miscellaneous	467	153
Trade Receivable	6,230	5,222
Utilities Receivable	1,089	1,041
Less Allowance for Doubtful Accounts	(70)	(48)
	19,829	14,725
	22,100	17,617

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

5. Investments

	Amortized Cost 2014	Market Value 2014	Amortized Cost 2013	Market Value 2013
Callable Bonds	2,181	2,174	-	-
Notes	1,250	1,250	-	-
GICs	17,105	17,105	-	-
	20,536	20,529	-	-

Investments in callable bonds have effective interest rates of 2.05% to 3.00% with maturity dates from December 18, 2017 to June 30, 2019. Investments in GICs have effective interest rates of 1.45% to 1.80% with maturity dates ranging from September 1, 2015 to November 4, 2015. Investment in notes have a variable interest rate based on any positive price return of the S&P/TSX 60 Index with a maturity date of April 30, 2020.

The amortized cost of fixed income investments exceeds market value at December 31, 2014. Given the inherent risk in the fixed income market, management is of the opinion that the loss in value is a temporary decline. No adjustment was made to reduce the carrying value of the investments in the current year.

6. Land Held for Resale

The City holds an interest in lands in the amount of \$4,600 (2013 - \$4,600) 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 \$145 (2013- \$215) was capitalized and subsequently reimbursed by the developer.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

7. Accounts Payable and Accrued Liabilities

	2014	2013 (Note 2)
Debenture Interest	102	137
Deposits	444	435
Developer Contributions Payable	1,704	1,655
Holdbacks	2,831	878
Trade Payable	5,681	4,109
Wages and Benefits Payable	3,090	2,581
	<u>13,852</u>	<u>9,795</u>

8. Deferred Developer Contributions

Deferred developer contributions consist of amounts received or receivable from developers with respect to existing development agreements.

	2013 (Note 2)	Amounts Received	Interest Earned	Amounts Recognized	2014
Administrative Study Contribution	-	102	1	10	93
Cash In Lieu of Municipal Reserve	886	458	10	-	1,354
Offsite Road	2,978	3,799	38	1,715	5,100
Offsite Water	7,765	1,018	64	139	8,708
Offsite Sewer	-	362	-	362	-
Parks Contributions	1,239	661	14	33	1,881
	<u>12,868</u>	<u>6,400</u>	<u>127</u>	<u>2,259</u>	<u>17,136</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

9. Deferred Government Transfers

	2013	Amounts Received	Interest Earned	Amounts Recognized	2014
Capital Government Transfers					
Basic Municipal					
Transportation Grant	1,013	-	4	1,017	-
Federal Gas Tax Fund	594	2,517	11	3,122	-
Miscellaneous	37	1,027	6	1,070	-
Municipal Sustainability Initiative Grant	11,259	6,865	90	13,067	5,147
	<u>12,903</u>	<u>10,409</u>	<u>111</u>	<u>18,276</u>	<u>5,147</u>
Operating Government Transfers					
Family and Community					
Support Services	-	403	-	403	-
Miscellaneous	163	1,091	1	1,221	34
Municipal Policing					
Assistance / New Police Officer Grant	25	590	-	590	25
Municipal Sustainability					
Housing Program	940	15	10	-	965
Municipal Sustainability Initiative Grant	-	214	-	214	-
	<u>1,128</u>	<u>2,313</u>	<u>11</u>	<u>2,428</u>	<u>1,024</u>
	<u>14,031</u>	<u>12,722</u>	<u>122</u>	<u>20,704</u>	<u>6,171</u>

The Basic Municipal Transportation Grant, Federal Gas Tax Fund and Municipal Sustainability Initiative Grant are multi-year grant programs that remit funding annually but allow the funding to be applied to projects over five years. The Basic Municipal Transportation Grant is now rolled into the Municipal Sustainability Initiative Grant.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

10. Deferred Other Revenue

	2013	Amounts Received	Interest Earned	Amounts Recognized	2014
Deferred Other Revenue					
Donations and Sponsorships	120	456	-	279	297
Property Tax	196	141	-	196	141
User Fees	298	5,671	-	5,406	563
	<u>614</u>	<u>6,268</u>	<u>-</u>	<u>5,881</u>	<u>1,001</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

11. Long-Term Debt

	2014	2013
Agrena	1,626	1,761
Library	1,459	1,576
Local Improvement	1,827	2,065
Other	-	283
Public Works Facility	5,405	5,539
TransAlta Tri Leisure Centre	2,484	2,696
	<u>12,801</u>	<u>13,920</u>
Westwind Land Assembly	3,351	3,351
	<u>16,152</u>	<u>17,271</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2015	1,164	728	1,892
2016	1,220	705	1,925
2017	1,024	659	1,683
2018	970	612	1,582
2019	818	571	1,389
Subsequent	10,956	2,528	13,484
	<u>16,152</u>	<u>5,803</u>	<u>21,955</u>

Debenture debt, other than 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, before Provincial subsidy, and matures in periods 2015 to 2038. Debenture debt is issued on the credit and security of the City.

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.

Interest on long-term debt amounted to \$696 (2013 - \$646). The City's interest expense for the year is \$586 (2013 - \$431) while the remaining \$110 (2013 - \$215) 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 2014 were \$731 (2013 - \$673).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

12. 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:

	2014	2013 (Note 2)
Total Debt Limit (1.5 times revenue, as defined in the regulation)	108,164	105,729
Total Debt	(16,152)	(17,271)
Amount of Debt Limit Unused	92,012	88,458
Debt Servicing Limit (0.25 times revenue, as defined in the regulation)	18,027	17,622
Debt Servicing	(1,892)	(1,872)
Amount of Debt Servicing Limit Unused	16,135	15,750

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.

13. Inventory of Supplies and Prepaid Expense

	2014	2013
Inventory of Supplies	623	509
Prepaid Expenses	253	313
	876	822

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

14. Tangible Capital Assets

	2013 (Note 2)	Purchases/ Contributions	Disposals	2014
Cost				
Engineering Structures	272,293	24,523	(1,419)	295,397
Equipment	14,791	3,359	(650)	17,500
Facilities	31,362	990	-	32,352
Fleet	5,123	306	(219)	5,210
Land	122,551	5,622	(254)	127,919
Land Improvements	14,522	2,289	(4)	16,807
Leasehold Improvements	872	-	-	872
Work in Progress	9,808	14,716	(15)	24,509
	471,322	51,805	(2,561)	520,566
Accumulated Amortization				
Engineering Structures	95,016	(1,393)	7,426	101,049
Equipment	7,580	(466)	1,495	8,609
Facilities	9,604	-	691	10,295
Fleet	2,347	(197)	335	2,485
Land Improvements	4,570	(3)	806	5,373
Leasehold Improvements	582	-	97	679
	119,699	(2,059)	10,850	128,490
Net Book Value				
Engineering Structures	177,277			194,348
Equipment	7,211			8,891
Facilities	21,758			22,057
Fleet	2,776			2,725
Land	122,551			127,919
Land Improvements	9,952			11,434
Leasehold Improvements	290			193
Work in Progress	9,808			24,509
	351,623			392,076

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

15. Accumulated Surplus

	2014 Actual	2013 Actual (Note 2)
Operating Surplus	5,008	3,111
Restricted Surplus (Deficiency)		
Developer Contributions (Note 16)	(2,913)	(3,285)
Future Capital Projects	16,859	19,846
Investment in Tangible Capital Assets	379,275	337,703
	398,229	357,375

16. Restricted Surplus (Deficiency) - Developer Contributions

	2013 (Note 2)	Transfers In	Transfers Out	2014
Administration	(10)	10	-	-
Offsite Roads	-	(1,854)	1,854	-
Offsite Sewer	(4,732)	362	-	(4,370)
Neighborhood Park	-	(33)	33	-
Water and Sewer Downtown Redevelopment	(372)	-	-	(372)
	(5,114)	(1,515)	1,887	(4,742)
Proceeds on Sale of Municipal Reserve	1,829	-	-	1,829
	(3,285)	(1,515)	1,887	(2,913)

Amounts Transferred Out

	2014
Storm Water Master Plan	139
Grove Drive East Roadway	1,422
Madison Crescent Storm Sewer	246
Traffic Signals	47
Hawthorne	33
	1,887

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

17. 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.

	2014 Salaries	2014 Benefits	2013 Salaries	2013 Benefits
Mayor Houston	75,233	11,664	70,229	11,038
Alderman Acker	-	-	28,126	7,327
Alderman Baxter	38,907	7,240	32,386	6,974
Alderman Kesanko	39,525	6,122	35,169	5,510
Alderman McLean	37,152	7,458	5,831	1,195
Alderman Rothe	36,928	8,967	34,406	8,315
Alderman Steinburg	38,662	6,033	33,613	5,376
Alderman Turton	32,259	8,636	29,940	6,757
	298,666	56,120	269,700	52,492
Chief Administrative Officer	210,365	56,451	231,088	55,722
	509,031	112,571	500,788	108,214

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 (CPP), 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 (EI), Long Term Disability (LTD), Local Authorities Pension Plan (LAPP), 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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

18. 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% (2013 - 10.43%) of eligible pensionable earnings up to the Year's Maximum Pension Earnings and 15.84% (2013 - 14.47%) on pensionable earnings above this amount. Employees are required to make current service contributions of 10.39% (2013 - 9.43%) of pensionable salary up to the Year's Maximum Pensionable Earnings and 14.84% (2013 - 13.47%) 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 2014 were \$1,985 (2013 - \$1,560). Total current service contributions by the employees of the City of Spruce Grove to LAPP in 2014 were \$1,831 (2013 - \$1,427). Total optional service contributions by the City of Spruce Grove to LAPP in 2014 were \$24 (2013 - \$42).

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 2014 the City's potential liability for optional service buy-back is \$41 (2013 - \$27).

At December 31, 2013 LAPP disclosed an actuarial deficit of \$4.862 billion.

19. 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 82 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 2.5% and 3.0% respectively of pensionable earnings up to \$139 (2013 - \$135).

Total current service contributions by the City to APEX in 2014 were \$182 (2013 - \$159). Total current service contributions by the employees of the City in 2014 were \$152 (2013 - \$132).

APEX PLUS (MuniSerp) supplementary pension plan, a plan sponsored by AUMA, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees (- beneficiary). APEX PLUS supplements APEX and LAPP and is a voluntary, non-contributory defined benefit pension plan. Total current and past service costs to the City were nil in 2014 (2013 - \$107,976). This pension was paid in full to the beneficiary in 2013.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
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20. 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 \$1,796 (2013 - \$1,146) to support the operations of the Centre, with the City's proportionate share being 45.8% (2013 - 42.5%) or \$823 (2013 - \$487).

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

	2014	2013
Financial Position		
Financial Assets	849	798
Financial Liabilities	(476)	(509)
Net Financial Assets	373	289
Non-Financial Assets	586	569
Accumulated Surplus	959	858
Operations		
Revenue	3,430	3,407
Expenses	(3,322)	(3,160)
Annual Surplus (Deficit)	108	247
Accumulated Surplus, Opening	858	611
Accumulated Surplus, Closing	966	858
Change in Net Financial Assets		
Annual Surplus (Deficit)	108	247
Acquisition of Tangible Capital Assets	(149)	(149)
Amortization	111	98
Acquisition of Inventory	14	18
	84	214
Net Financial Assets, Opening	289	75
Net Financial Assets, Closing	373	289

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

21. 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.

22. Developer Agreements

Developers have entered into agreements with the City in the amount of approximately \$133 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 \$35 million to secure the performance by the developers under the agreements.

23. Financial Instruments

The City's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, environmental liability, and long-term debt. It is management's opinion the 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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

24. Segmented Disclosure

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional area in the body of the 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) Tax Supported

The City provides services that include recreation, protection services, planning and development, public works, cultural services and social services. The cost of providing these services are reported on the statement of operations.

(b) Utility Supported

The City is responsible for programs such as the engineering and operation of water and wastewater systems and waste management, the latter of which encompasses solid waste collection, disposal and recycling.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

24. Segmented Disclosure (Continued)

	2014		
	Tax Supported	Utility Supported	Total
Revenue			
Property Taxes	28,563	-	28,563
Government Transfers - Operating	2,417	11	2,428
Sales and User Fees	19,899	14,710	34,609
Gain on Disposal of Tangible Capital Assets	2,296	-	2,296
Interest	280	-	280
Local Improvement Levies	1,674	-	1,674
	55,129	14,721	69,850
Expenses			
Amortization	8,287	2,563	10,850
Contingency	173	-	173
Grants	341	-	341
Human Resources	25,929	1,114	27,043
Interest on Long-Term Debt	586	-	586
Operations and Maintenance	21,154	8,767	29,921
	56,470	12,444	68,914
Annual Surplus (Deficiency) Before the Undernoted	(1,341)	2,277	936
Government Transfers - Capital	18,276	-	18,276
Developer Contributions	2,120	139	2,259
Contributed Tangible Capital Assets	14,753	4,630	19,383
Annual Surplus	33,808	7,046	40,854

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

24. Segmented Disclosure (Continued)

	2013		
	Tax Supported (Note 2)	Utility Supported (Note 2)	Total (Note 2)
Revenue			
Property Taxes	25,821	-	25,821
Government Transfers - Operating	2,241	-	2,241
Sales and User Fees	23,311	13,411	36,722
Gain on Disposal of Tangible Capital Assets	760	-	760
Interest	347	-	347
Local Improvement Levies	676	-	676
	<u>53,156</u>	<u>13,411</u>	<u>66,567</u>
Expenses			
Amortization	7,349	2,362	9,711
Contingency	117	-	117
Cost of Sale - Land Held for Resale	3,323	-	3,323
Grants	634	-	634
Human Resources	23,186	1,041	24,227
Interest on Long-Term Debt	431	-	431
Operations and Maintenance	20,330	7,773	28,103
	<u>55,370</u>	<u>11,176</u>	<u>66,546</u>
Annual Surplus (Deficiency) Before the Undernoted	(2,214)	2,235	21
Government Transfers - Capital	5,875	-	5,875
Developer Contributions	3,724	195	3,919
Contributed Tangible Capital Assets	15,575	1,473	17,048
	<u>22,960</u>	<u>3,903</u>	<u>26,863</u>
Annual Surplus	<u>22,960</u>	<u>3,903</u>	<u>26,863</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2014
(in thousands of dollars)

25. Commitments

The project budget reflected in the 2014 - 2016 Corporate Plan includes amounts for future years, which have not yet been approved by Council. These amounts are subject to change as each annual budget is approved.

	Project Budget	Completed to Date	Remaining (Over) Budget
Public Works Facility	18,693	15,281	3,412
Public Works Sand and Salt Storage Building	869	1,063	(194)
Sports and Recreation Facility	11,238	2,877	8,361
Tri Village Local Improvement	2,800	2,352	448
Highway 16A Rehabilitation	2,500	2,058	442
Beautification of a section of Highway 16A Median	2,000	1,194	806
TLC Parking Lot	576	-	576
Elks Hall	427	675	(248)
King Street Mall - Option Purchase	747	711	36
King Street Mall - Office Development	1,823	74	1,749
	41,673	26,285	15,388

Subsequent to 2014 budget approval, the Elks Hall project budget was increased to \$1,114. The 2015 - 2017 Corporate Plan also includes an increase in the total budget for the Sports and Recreation Facility to \$12,488.

26. Budget

City Council approved the 2014 - 2016 Corporate Plan on November 25, 2013, which formally approved revenues, expenses and capital acquisitions for 2014.

27. Comparative Information

Certain other 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, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual
Property Taxes			
Residential property taxes	31,536	31,163	28,984
Non-Residential			
Commercial property taxes	7,067	7,333	6,548
Industrial property taxes	1,351	1,470	1,259
Linear property taxes	289	291	278
Agricultural	3	2	2
	40,246	40,259	37,071
Less Requisitions			
Education - Province of Alberta	9,956	9,718	9,407
Education - Evergreen Catholic Separate R.D. #2	1,772	1,802	1,674
	11,728	11,520	11,081
Meridian Foundation	179	176	169
	11,907	11,696	11,250
Net Municipal Property Taxes	28,339	28,563	25,821

CITY OF SPRUCE GROVE
SCHEDULE 2- GOVERNMENT TRANSFERS
For the Year Ended December 31, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual
Capital Government Transfers			
Basic Municipal Transportation Grant	2,480	1,017	1,600
Federal Gas Tax Fund	3,047	3,122	311
Miscellaneous Capital Grants	1,070	1,070	92
Municipal Sustainability Initiative Grant	13,882	13,067	3,872
	<u>20,479</u>	<u>18,276</u>	<u>5,875</u>
Operating Government Transfers			
Family and Community Support Services	403	403	403
Miscellaneous Operating Grants	1,050	1,221	912
Municipal Policing Assistance / New Police Officer Grant	566	590	566
Municipal Sustainability Housing Program	941	-	-
Municipal Sustainability Initiative Grant	216	214	360
	<u>3,176</u>	<u>2,428</u>	<u>2,241</u>
	<u>23,655</u>	<u>20,704</u>	<u>8,116</u>

CITY OF SPRUCE GROVE
SCHEDULE 3 - SALES AND USER FEES
For the Year Ended December 31, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual
Donations and Sponsorships	85	87	120
Fines and Permits	6,046	5,271	6,058
Franchise Fees	3,062	3,920	3,123
Goods and Services	6,264	7,292	6,418
Other	703	1,811	2,474
Sale of Land Held for Resale	1,250	-	3,558
Rental Revenue	724	714	732
Tax Penalties	978	806	830
Utility Charges	14,082	14,708	13,409
	<u>33,194</u>	<u>34,609</u>	<u>36,722</u>

CITY OF SPRUCE GROVE
SCHEDULE 4 - EXPENSES BY OBJECT
For the Year Ended December 31, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual (Note 2)
Amortization	10,416	10,850	9,711
Contingency	225	173	117
Cost of Sale - Land Held for Resale	775	-	3,323
Grants	1,292	341	634
Human Resources	27,071	27,043	24,227
Interest on Long-Term Debt	562	586	431
Operations and Maintenance			
Bank Charges and Interest	95	155	103
Equipment Operations	421	478	397
General	1,672	1,529	1,455
Insurance	423	499	425
Janitorial	336	275	267
Marketing and Publications	317	278	230
Materials and Supplies	1,493	1,267	1,167
Office	622	615	537
Office Lease	232	233	250
Professional Services	845	947	675
Repairs and Maintenance	1,932	1,753	1,673
Utilities	2,408	2,433	2,554
Contract - Enforcement Services	1,622	784	1,236
Contract - Garbage Collection and Disposal	2,410	2,277	2,155
Contract - General Services	9,815	7,847	7,321
Contract - Purchase of Water	2,891	3,128	2,624
Contract - Police	3,078	2,966	2,717
Contract - Sewage Treatment	2,477	2,457	2,317
	<u>33,089</u>	<u>29,921</u>	<u>28,103</u>
	<u>73,430</u>	<u>68,914</u>	<u>66,546</u>

CITY OF SPRUCE GROVE
SCHEDULE 5 - EXPENSES BY DEPARTMENT
For the Year Ended December 31, 2014
(in thousands of dollars)

	2014 Budget (Note 26)	2014 Actual	2013 Actual (Note 2)
Council	501	474	437
City Manager	637	569	500
Economic and Business Development	4,701	1,872	4,482
Corporate Communications	733	692	634
Community and Protective Services			
Agregna/Fuhr Sports Park	1,542	1,540	1,499
Community and Protective Services Administration	674	756	435
Cultural Services	1,396	1,278	1,136
FCSS and Social Planning	1,534	1,536	1,465
Municipal Enforcement and Safe City	2,515	1,697	2,006
Recreation and Parks Planning	715	827	624
Royal Canadian Mounted Police	3,821	3,681	3,276
Spruce Grove Fire Services	6,114	6,112	6,223
Spruce Grove Public Library	1,519	1,526	1,231
TransAlta Tri Leisure Centre	3,773	3,770	3,653
	23,603	22,723	21,548
Corporate Services			
Corporate Services Administration	553	470	225
City Clerk's Office	1,069	1,215	1,137
Finance	2,865	2,967	2,526
Human Resources	1,237	942	815
Information Systems	1,705	1,711	1,479
	7,429	7,305	6,182
Planning and Infrastructure			
Planning and Infrastructure Administration	544	344	344
Engineering	2,273	1,999	3,146
Planning and Development	2,626	1,842	1,639
Transit	1,268	1,131	1,107
Asset Management	4,684	3,443	2,859
Public Works	12,165	14,076	12,491
	23,560	22,835	21,586
Utilities			
Water Supply and Distribution	6,738	6,492	6,230
Wastewater Treatment and Disposal	2,719	3,237	2,460
Waste Management	2,809	2,715	2,487
	12,266	12,444	11,177
	73,430	68,914	66,546