



Consolidated Financial Statements of

The City of Spruce Grove

For the Year Ended December 31, 2015

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KPMG LLP
Chartered Professional Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

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, 2015, 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, 2015, 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 Professional Accountants

April 25, 2016
Edmonton, Canada

MANAGEMENT'S REPORT

The consolidated financial statements of the City of Spruce Grove are the responsibility of management and have been prepared using the accounting principles disclosed in the notes to the 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.

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

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

A handwritten signature in black ink, appearing to read 'G. Jarbeau', with a long horizontal flourish extending to the right.

Glen Jarbeau, CPA, CA
Finance Manager

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2015
(in thousands of dollars)

	2015	2014
Financial Assets		
Cash	5,595	12,553
Accounts Receivable (Note 3)	19,152	22,100
Investments (Note 4)	30,697	20,536
Land Held for Resale (Note 5)	1,746	4,600
	57,190	59,789
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	13,417	13,852
Deferred Revenue (Note 7)	32,306	24,308
Liability for Contaminated Sites (Note 8)	4,451	200
Long-term Debt (Notes 9, 10)	12,089	16,152
	62,263	54,512
Net Financial Assets (Debt)	(5,073)	5,277
Non-Financial Assets		
Inventory and Prepaid Expenses	797	876
Tangible Capital Assets (Note 11)	430,937	392,076
	431,734	392,952
Accumulated Surplus (Note 12)	426,661	398,229

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, 2015
(in thousands of dollars)

	2015 Budget (Note 2)	2015 Actual	2014 Actual
Revenue			
Property Taxes (Schedule 1)	31,220	31,248	28,563
Operating Government Transfers (Schedule 2)	2,448	2,665	2,428
Local Improvement Levies	1,447	1,293	1,674
Sales and User Fees (Schedule 3)	35,749	39,781	34,609
Gain on Sale of Tangible Capital Assets	2,177	614	2,296
Interest	206	212	280
	73,247	75,813	69,850
Expenses (Schedule 4, 5)			
Council	598	532	474
City Manager	620	575	569
Economic and Business Development	3,236	5,586	1,872
Corporate Communications	745	741	692
Community and Protective Services	25,529	24,729	22,723
Corporate Services	7,962	7,816	7,305
Planning and Infrastructure	24,237	27,300	22,835
Utilities	13,589	14,932	12,444
	76,516	82,211	68,914
Annual Surplus (Deficit) Before the Undernoted	(3,269)	(6,398)	936
Capital Government Transfers (Schedule 2)	12,551	13,497	18,276
Returned Capital Government Transfers (Schedule 2)	-	(17,249)	-
Contributed Tangible Capital Assets	26,561	27,333	19,383
Developer Contributions	2,603	11,249	2,259
	41,715	34,830	39,918
Annual Surplus	38,446	28,432	40,854
Accumulated Surplus, Opening	-	398,229	357,375
Accumulated Surplus, Closing	-	426,661	398,229

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, 2015
(in thousands of dollars)

	2015 Budget (Note 2)	2015 Actual	2014 Actual
Annual Surplus	38,446	28,432	40,854
Inventory and Prepaid Expenses			
Acquisition	(553)	(797)	(876)
Consumption	542	876	822
	(11)	79	(54)
Tangible Capital Assets			
Contributed	(26,561)	(27,333)	(19,383)
Purchased	(26,594)	(23,878)	(32,422)
Proceeds on Disposal	3,142	938	2,798
Gain on Disposal	(2,177)	(614)	(2,296)
Amortization	10,988	12,026	10,850
	(41,202)	(38,861)	(40,453)
Change in Net Financial Assets (Debt)	(2,767)	(10,350)	347
Net Financial Assets, Opening	-	5,277	4,930
Net Financial Assets (Debt), Closing	-	(5,073)	5,277

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, 2015
(in thousands of dollars)

	2015	2014
Cash Provided by (Used For):		
Operations		
Annual Surplus	28,432	40,854
Items not Involving Cash		
Amortization	12,026	10,850
Gain on Disposal	(614)	(2,296)
Contributed Tangible Capital Assets	(27,333)	(19,383)
Net Change in Non-Cash Assets and Liabilities		
Accounts Receivable	2,948	(4,483)
Land Held for Resale	2,854	-
Accounts Payable and Accrued Liabilities	(435)	4,057
Deferred Revenue	7,998	(3,205)
Liability for Contaminated Sites	4,251	-
Inventory and Prepaid Expenses	79	(54)
	30,206	26,340
Capital Activities		
Purchases of Tangible Capital Assets	(23,878)	(32,422)
Proceeds on Disposal of Tangible Capital Assets	938	2,798
	(22,940)	(29,624)
Investing Activities		
Net Decrease in Investments	(10,161)	(20,536)
Financing Activities		
Long Term Debt Repaid	(4,063)	(1,119)
Decrease in Cash	(6,958)	(24,939)
Cash, Opening	12,553	37,492
Cash, Closing	5,595	12,553

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, 2015
(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 and are comprised of 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 Library and TransAlta Tri Leisure Centre as government partnerships 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

Investments are recorded at amortized cost. The market value of the investments 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.

(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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(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 tangible capital 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 assets in these consolidated financial statements.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(v) Inventory

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) Tax Revenue

Tax revenues are recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year and 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 unearned government transfers, development contributions, user charges and fees. 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, 2015
(in thousands of dollars)

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 contaminated site is recognized at the financial statement date, when:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) the City 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 financial statements requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities, liability for contaminated sites, useful lives and fair value of assets, and allowance for doubtful accounts for accounts receivable, 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, 2015
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(h) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2016, 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.

Public Accounting Standards	Name	Effective Date
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 2015 - 2017 Corporate Plan on November 24, 2014, which formally approved revenues, expenses and capital acquisitions for 2015.

The City has revised certain 2015 budget amounts to align with a change in accounting policy for developer contributions which was made in 2014. 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.

	Approved	2015 Budget Adjustments	Revised
Developer Contributions	5,864	(3,261)	2,603
Interest	401	(195)	206
Annual Surplus	41,902	(3,456)	38,446

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

3. Accounts Receivable

	2015	2014
Property Taxes		
Current Taxes and Grants in Place of Taxes	1,343	1,489
Arrears	898	788
Allowance for Doubtful Accounts	(6)	(6)
	<u>2,235</u>	<u>2,271</u>
Other		
Developer Contributions	5,654	6,031
Goods and Services Tax	404	514
Government Transfers	-	1,217
Local Improvements	5,379	4,351
Miscellaneous	624	467
Trade	3,822	6,230
Utilities	1,209	1,089
Allowance for Doubtful Accounts	(175)	(70)
	<u>16,917</u>	<u>19,829</u>
	<u>19,152</u>	<u>22,100</u>

4. Investments

	Amortized Cost 2015	Market Value 2015	Amortized Cost 2014	Market Value 2014
Bond	8,899	8,801	2,181	2,174
GIC	10,188	10,259	17,105	17,105
Note	4,090	4,006	1,250	1,250
High Interest Notice Account	7,520	7,526	-	-
	<u>30,697</u>	<u>30,592</u>	<u>20,536</u>	<u>20,529</u>

Investments in callable bonds have effective interest rates of 2.35% to 3.34% with maturity dates from June 2019 to December 2025. Investments in GICs have effective interest rates of 0.80% to 1.85% with maturity dates ranging from January 2016 to November 2016. Note investments have variable interest rates and maturity dates. Two notes are based on any positive price return of the S&P/TSX 60 Index with a maturity dates from May 2020 to May 2022, and other notes are based on a step-up rate starting at 2% with initial maturity dates ranging from March 2016 to May 2016 and can

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

4. Investments (Continued)

be extended to a maturity date ranging from March 2025 to May 2025. The other investment consists of a high interest notice account which is currently paying 0.90% and requires 31 days notice to redeem.

The market value of fixed income investments is less than the amortized cost at December 31, 2015. Given the inherent risk in the fixed income market, 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 period.

5. Land Held for Resale

The City holds an interest in lands in the amount of \$1,746 (2014 - \$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 \$105 (2014 - \$145) was capitalized and subsequently reimbursed by the developer.

6. Accounts Payable and Accrued Liabilities

	2015	2014
Debenture Interest	70	102
Deposits	649	444
Developer Commitments	2,167	1,704
Holdbacks	1,742	2,831
Trade	6,279	5,681
Wages and Benefits	2,510	3,090
	13,417	13,852

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

7. Deferred Revenue

	2014	Amounts Received	Interest Earned	Net Amounts Recognized	2015
Developer Contributions					
Administration	93	62	-	50	105
Neighborhood Parks	1,053	163	10	676	550
Parks - North	828	292	9	1,129	-
Parks - South	1,354	196	16	-	1,566
Roads	5,100	3,625	46	8,771	-
Wastewater	-	232	-	232	-
Water	8,708	831	114	391	9,262
	<u>17,136</u>	<u>5,401</u>	<u>195</u>	<u>11,249</u>	<u>11,483</u>
Capital Government Transfers					
Federal Gas Tax Fund	-	1,846	3	(605)	2,454
Municipal Sustainability Initiative	5,147	7,304	21	(3,147)	15,619
	<u>5,147</u>	<u>9,150</u>	<u>24</u>	<u>(3,752)</u>	<u>18,073</u>
Operating Government Transfers					
Family and Community Support Services	-	542	-	542	-
Municipal Sustainability Housing Program	965	-	14	-	979
Municipal Sustainability Initiative	-	211	-	211	-
Policing	25	613	-	613	25
Other	34	1,485	2	1,299	222
	<u>1,024</u>	<u>2,851</u>	<u>16</u>	<u>2,665</u>	<u>1,226</u>
	<u>6,171</u>	<u>12,001</u>	<u>40</u>	<u>(1,087)</u>	<u>19,299</u>
Other Revenue					
Property Tax	141	111	-	141	111
Sales and User Fees	860	7,264	-	6,711	1,413
	<u>1,001</u>	<u>7,375</u>	<u>-</u>	<u>6,852</u>	<u>1,524</u>
	<u>24,308</u>	<u>24,777</u>	<u>235</u>	<u>17,014</u>	<u>32,306</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

7. Deferred Revenue (Continued)

Some government grants dating back 2006 under various programs have been used to temporarily fund development projects. The process of reassigning grants was developed through extensive consultation with legal counsel, auditors and the Province. With the Province's and Council's approval, the change is appropriately adjusted in the financial records.

As a result of reassigning historical grants, the balance of grant funds available for municipal capital projects has increased by \$17,249. Capital projects in 2015 amounting to \$13,497 were funded from the historical grant funds. The remaining amount of \$3,752 will continue to be recorded as deferred revenue until they are used for additional capital projects.

8. Liability for Contaminated Sites

	2015	2014
Historic Public Works Yard - salt impacted soil	2,551	200
Pioneer Cemetery - salt impacted soil	700	-
Historic Nuisance Grounds - site closure and post closure	1,200	-
	4,451	200

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 operations as an operating expense.

The estimated undiscounted future remediation expenditures is \$4.5 million and a discount rate of 2.18% 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, 2015
(in thousands of dollars)

9. Long-Term Debt

	2015	2014
Agrena	1,485	1,626
Library	1,338	1,459
Local Improvement	1,581	1,827
Public Works Facility	5,265	5,405
TransAlta Tri Leisure Centre	1,968	2,484
	<u>11,637</u>	<u>12,801</u>
Westwind Land Assembly	452	3,351
	<u>12,089</u>	<u>16,152</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	1,220	517	1,737
2017	1,024	460	1,484
2018	970	412	1,382
2019	818	371	1,189
2020	1,308	333	1,641
Subsequent	6,749	1,995	8,744
	<u>12,089</u>	<u>4,088</u>	<u>16,177</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 2016 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 \$613 (2014 - \$696). The City's interest expense for the period is \$533 (2014 - \$586) while the remaining \$80 (2014 - \$110) 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 2015 is \$649 (2014 - \$731).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

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:

	2015	2014
Total Debt Limit (1.5 times revenue, as defined in the regulation)	130,593	108,164
Total Debt	(12,089)	(16,152)
Amount of Debt Limit Unused	118,504	92,012
Debt Servicing Limit (0.25 times revenue, as defined in the regulation)	21,766	18,027
Debt Servicing	(1,737)	(1,892)
Amount of Debt Servicing Limit Unused	20,029	16,135

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, 2015
(in thousands of dollars)

11. Tangible Capital Assets

	2014	Purchases/ Contributions	Disposals	2015
Cost				
Engineering Structures	295,397	20,478	(875)	315,000
Equipment	17,500	2,874	(159)	20,215
Facilities	32,352	20,630	(268)	52,714
Fleet	5,210	89	(132)	5,167
Land	127,919	12,052	(48)	139,923
Land Improvements	16,807	2,567	-	19,374
Leasehold Improvements	872	-	-	872
Work in Progress	24,509	(7,479)	-	17,030
	520,566	51,211	(1,482)	570,295
Accumulated Amortization				
Engineering Structures	101,049	(796)	7,956	108,209
Equipment	8,609	(64)	1,510	10,055
Facilities	10,295	(166)	1,197	11,326
Fleet	2,485	(132)	328	2,681
Land Improvements	5,373	-	938	6,311
Leasehold Improvements	679	-	97	776
	128,490	(1,158)	12,026	139,358
Net Book Value				
Engineering Structures	194,348			206,791
Equipment	8,891			10,160
Facilities	22,057			41,388
Fleet	2,725			2,486
Land	127,919			139,923
Land Improvements	11,434			13,063
Leasehold Improvements	193			96
Work in Progress	24,509			17,030
	392,076			430,937

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

12. Accumulated Surplus

	2015 Actual	2014 Actual
Municipal	13,378	4,967
Development (Note 13)	(14,000)	(2,872)
Utility	7,984	16,859
Investment in Tangible Capital Assets	419,299	379,275
	426,661	398,229

13. Development Surplus

	2014	Transfers In	Transfers Out	Adjustments	2015
Administration	-	50	(50)	-	-
Roads	-	8,771	(1,025)	(13,834)	(6,088)
Sewer	(4,370)	232	(1,451)	(609)	(6,198)
Water	-	391	(391)	-	-
Parks - North	-	1,129	-	(2,512)	(1,383)
Neighborhood Parks	-	676	(382)	(294)	-
Cash in Lieu of Parking	41	-	-	-	41
Downtown Redevelopment	(372)	-	-	-	(372)
	(4,701)	11,249	(3,299)	(17,249)	(14,000)
Municipal Reserve	1,829	723	(2,552)	-	-
	(2,872)	11,972	(5,851)	(17,249)	(14,000)

Amounts Transferred Out

	2015
Arterial Roads	1,025
Pioneer Trunk Sanitary Sewer	1,451
Neighborhood Parks	382
Reservoir	391
Storm Master Plan Study	50
Border Paving Athletic Centre	2,552
	5,851

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

14. 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.

	2015 Salaries	2015 Benefits	2014 Salaries	2014 Benefits
Mayor Houston	85,208	12,047	75,233	11,664
Alderman Baxter	39,517	7,421	38,907	7,240
Alderman Kesanko	41,591	5,945	39,525	6,122
Alderman Mclean	41,486	8,517	37,152	7,458
Alderman Rothe	37,240	9,017	36,928	8,967
Alderman Steinburg	38,991	5,760	38,662	6,033
Alderman Turton	37,114	9,015	32,259	8,636
	<u>321,147</u>	<u>57,722</u>	<u>298,666</u>	<u>56,120</u>
Chief Administrative Officer	235,274	35,948	210,365	56,451
	<u>556,421</u>	<u>93,670</u>	<u>509,031</u>	<u>112,571</u>

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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

15. 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% (2014 - 11.39%) of eligible pensionable earnings up to the Year's Maximum Pension Earnings and 15.84% (2014 - 15.84%) on pensionable earnings above this amount. Employees are required to make current service contributions of 10.39% (2014 - 10.39%) of pensionable salary up to the Year's Maximum Pensionable Earnings and 14.84% (2014 - 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 2015 were \$2,270 (2014 - \$1,985). Total current service contributions by the employees of the City of Spruce Grove to LAPP in 2015 were \$2,103 (2014 - \$1,831). Total optional service contributions by the City of Spruce Grove to LAPP in 2015 were \$80 (2014 - \$24).

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 2015 the City's potential liability for optional service buy-back is \$68 (2014 - \$41).

At December 31, 2014, LAPP disclosed an actuarial deficit of \$2.455 billion.

16. 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 91 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 \$141 (2014 - \$139).

Total current service contributions by the City to APEX in 2015 were \$226 (2014 - \$182). Total current service contributions by the employees of the City in 2015 were \$188 (2014 - \$152).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

17. 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 \$2,123 (2014 - \$1,796) to support the operations of the Centre, with the City's proportionate share being 45.4% (2014 - 45.4%) or \$964 (2014 - \$823).

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

	2015	2014
Financial Position		
Financial Assets	1,030	849
Financial Liabilities	(670)	(476)
Net Financial Assets	360	373
Non-Financial Assets	719	586
Accumulated Surplus	1,079	959
Operations		
Revenue	3,639	3,430
Expenses	(3,519)	(3,322)
Annual Surplus	120	108
Accumulated Surplus, Opening	966	858
Accumulated Surplus, Closing	1,086	966
Change in Net Financial Assets		
Annual Surplus	120	108
Acquisition of Tangible Capital Assets	(246)	(149)
Amortization of Tangible Capital Assets	118	111
Acquisition (Consumption) of Inventory	(5)	14
	(13)	84
Net Financial Assets, Opening	373	289
Net Financial Assets, Closing	360	373

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

18. 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.

19. Developer Agreements

Developers have entered into agreements with the City in the amount of approximately \$148 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 \$31 million to secure the performance by the developers under the agreements.

20. Financial Instruments

The City's financial instruments consist of accounts receivable, investments, accounts payable and accrued liabilities, environmental liability, 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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

21. 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) Municipal

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

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.

(c) Development

The City is responsible for implementing projects related to development such as new growth roads, new growth parks, new water, sewer and drainage systems that are funded by developer levies and contributions.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

21. Segmented Disclosure (Continued)

	2015			Total
	Municipal	Utility	Development	
Revenue				
Property Tax	31,248	-	-	31,248
Operating Government Transfers	2,665	-	-	2,665
Sales and User Fees	23,245	16,536	-	39,781
Gain (Loss) on Sale of Tangible Capital Assets	648	(34)	-	614
Interest	212	-	-	212
Local Improvement	1,293	-	-	1,293
	59,311	16,502	-	75,813
Expenses				
Amortization	9,331	2,695	-	12,026
Contracted Services	15,555	10,377	50	25,982
Cost of Land Sold	2,854	-	-	2,854
General Expenses	6,624	279	-	6,903
Grants	244	-	-	244
Human Resources	27,827	1,211	-	29,038
Interest on Long Term Debt	533	-	-	533
Materials, Equipment and Supplies	4,294	337	-	4,631
	67,262	14,899	50	82,211
Annual Surplus (Deficit) Before the Undernoted	(7,951)	1,603	(50)	(6,398)
Capital Government Transfers	13,497	-	-	13,497
Returned Capital Government Transfers	(17,249)	-	-	(17,249)
Contributed Tangible Assets	-	-	27,333	27,333
Developer Contributions	-	-	11,249	11,249
	(3,752)	-	38,582	34,830
Annual Surplus (Deficit)	(11,703)	1,603	38,532	28,432

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
(in thousands of dollars)

21. Segmented Disclosure (Continued)

	2014			Total
	Municipal	Utility	Development	
Revenue				
Property Tax	28,563	-	-	28,563
Operating Government Transfers	2,417	11	-	2,428
Sales and User Fees	19,899	14,710	-	34,609
Gain on Sale of Tangible Capital Assets	2,296	-	-	2,296
Interest	280	-	-	280
Local Improvement	1,674	-	-	1,674
	55,129	14,721	-	69,850
Expenses				
Amortization	8,287	2,563	-	10,850
Contracted Services	10,491	8,074	894	19,459
General Expenses	6,309	246	-	6,555
Grants	341	-	-	341
Human Resources	25,929	1,114	-	27,043
Interest on Long Term Debt	586	-	-	586
Materials, Equipment and Supplies	3,661	419	-	4,080
	55,604	12,416	894	68,914
Annual Surplus (Deficit) Before the Undernoted	(475)	2,305	(894)	936
Capital Government Transfers	18,276	-	-	18,276
Contributed Tangible Assets	-	-	19,383	19,383
Developer Contributions	-	-	2,259	2,259
	18,276	-	21,642	39,918
Annual Surplus	17,801	2,305	20,748	40,854

22. 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, 2015
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Property Taxes			
Residential	33,641	33,907	31,163
Non-Residential			
Commercial	7,943	8,010	7,333
Industrial	1,693	1,778	1,470
Linear	301	286	291
Agricultural	3	2	2
	<u>43,581</u>	<u>43,983</u>	<u>40,259</u>
Less Requisitions			
Alberta Education	10,273	10,649	9,718
Evergreen Catholic Schools	1,903	1,886	1,802
Meridian Foundation	185	200	176
	<u>12,361</u>	<u>12,735</u>	<u>11,696</u>
	<u>31,220</u>	<u>31,248</u>	<u>28,563</u>

CITY OF SPRUCE GROVE
SCHEDULE 2 - GOVERNMENT TRANSFERS
For the Year Ended December 31, 2015
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Capital Government Transfers			
Basic Municipal Transportation Grant	-	2,468	1,017
Federal Gas Tax Fund	1,707	1,246	3,122
Miscellaneous	438	9,458	1,070
Municipal Sustainability Initiative	10,406	325	13,067
	<u>12,551</u>	<u>13,497</u>	<u>18,276</u>
Returned Capital Government Transfers	-	(17,249)	-
	<u>12,551</u>	<u>(3,752)</u>	<u>18,276</u>
Operating Government Transfers			
Family and Community Support Services	403	542	403
Miscellaneous	1,347	1,299	1,221
Municipal Sustainability Initiative	108	211	214
Policing	590	613	590
	<u>2,448</u>	<u>2,665</u>	<u>2,428</u>
	<u>14,999</u>	<u>(1,087)</u>	<u>20,704</u>

CITY OF SPRUCE GROVE
SCHEDULE 3 - SALES AND USER FEES
For the Year Ended December 31, 2015
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Donations and Sponsorships	230	227	87
Fines and Permits	5,680	5,894	5,271
Franchise Fees	3,397	3,874	3,920
Goods and Services	7,002	7,127	7,292
Other	886	1,794	1,811
Rental Revenue	794	706	714
Sale of Land Held for Resale	1,469	2,899	-
Tax Penalties	975	724	806
Utility Charges	15,316	16,536	14,708
	<u>35,749</u>	<u>39,781</u>	<u>34,609</u>

CITY OF SPRUCE GROVE
SCHEDULE 4 - EXPENSES BY OBJECT
For the Year Ended December 31, 2015
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Amortization	10,988	12,026	10,850
Contracted Services			
Enforcement Services	1,422	2,003	784
General Services	7,882	12,106	7,898
Police	3,496	2,937	2,966
Waste	2,670	2,387	2,277
Wastewater	2,544	2,704	2,406
Water	3,610	3,846	3,128
	<u>21,624</u>	<u>25,983</u>	<u>19,459</u>
Cost of Land Sold	1,469	2,854	-
General	7,014	6,903	6,555
Grants	814	244	341
Human Resources	29,109	29,038	27,043
Interest on Long-Term Debt	546	533	586
Materials, Equipment and Supplies	4,952	4,630	4,080
	<u>76,516</u>	<u>82,211</u>	<u>68,914</u>

CITY OF SPRUCE GROVE
SCHEDULE 5 - EXPENSES BY DEPARTMENT
For the Year Ended December 31, 2015
(in thousands of dollars)

	2015 Budget	2015 Actual	2014 Actual
Council	598	532	474
City Manager	620	575	569
Economic and Business Development	3,236	5,586	1,872
Corporate Communications	745	741	692
Community and Protective Services			
Administration	548	569	756
Agrena/Fuhr Sports Park	1,583	1,542	1,540
Culture	1,593	1,571	1,278
Family and Community Support Services	1,701	1,639	1,536
Fire	6,828	6,475	6,112
Leisure Centre	3,850	3,972	3,770
Library	1,579	1,501	1,526
Municipal Enforcement and Safe City	2,446	3,020	1,697
Police	4,243	3,620	3,681
Recreation	1,158	820	827
	<u>25,529</u>	<u>24,729</u>	<u>22,723</u>
Corporate Services			
Administration	621	610	470
City Clerk's Office	1,248	1,197	1,215
Finance	2,789	3,004	2,967
Human Resources	1,334	1,153	942
Information Systems	1,970	1,852	1,711
	<u>7,962</u>	<u>7,816</u>	<u>7,305</u>
Planning and Infrastructure			
Administration	906	999	344
Asset Management	4,320	7,123	3,443
Engineering	1,562	1,526	1,999
Planning and Development	2,027	1,912	1,842
Public Works	14,163	14,536	14,076
Transit	1,259	1,204	1,131
	<u>24,237</u>	<u>27,300</u>	<u>22,835</u>
Utilities			
Waste	3,147	3,939	2,715
Wastewater	3,590	3,681	3,237
Water	6,852	7,312	6,492
	<u>13,589</u>	<u>14,932</u>	<u>12,444</u>
	<u>76,516</u>	<u>82,211</u>	<u>68,914</u>

