



Consolidated Financial Statements of

The City of Spruce Grove

For the Year Ended December 31, 2016

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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, 2016, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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, 2016, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

April 24, 2017
Edmonton, Canada


MANAGEMENT'S REPORT

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

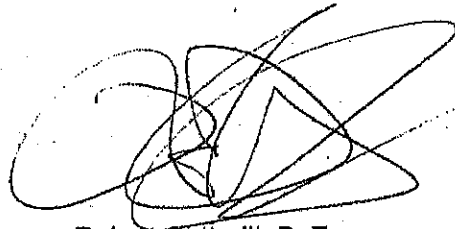
Management maintains systems of accounting and administrative controls to provide reasonable assurance that the transactions are appropriately authorized, accurately recorded, that assets are properly accounted for and safeguarded and that the consolidated financial statements realistically report the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

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

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



Glen Jarbeau, CPA, CA
Chief Financial Officer



Robert Cotterill, P. Eng
City Manager

April 24, 2017
Spruce Grove, Canada

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2016
(in thousands of dollars)

	2016	2015
Financial Assets		
Cash	16,133	5,595
Accounts Receivable (Note 3)	17,770	19,618
Investments (Note 4)	21,298	30,697
Land Held for Resale (Note 5)	1,746	1,746
	<u>56,947</u>	<u>57,656</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	14,787	13,417
Deferred Revenue (Note 7)	27,532	32,306
Liability for Contaminated Sites (Note 8)	4,380	4,451
Long-Term Debt (Notes 9, 10)	18,769	12,089
	<u>65,468</u>	<u>62,263</u>
Net Debt	(8,521)	(4,607)
Non-Financial Assets		
Inventory and Prepaid Expenses	929	797
Tangible Capital Assets (Note 11)	465,230	430,471
	<u>466,159</u>	<u>431,268</u>
Accumulated Surplus	<u>457,638</u>	<u>426,661</u>

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, 2016
(in thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Revenue			
Property Taxes (Schedule 1)	33,827	33,860	31,248
Government Transfers - Operating (Schedule 2)	3,211	4,111	2,665
Sales and User Fees (Schedule 3)	37,634	40,561	39,781
Gain on Disposal of Tangible Capital Assets	2,029	1,741	614
Local Improvement Levies	-	126	1,293
Interest	355	169	212
	<u>77,056</u>	<u>80,568</u>	<u>75,813</u>
Expenses (Schedule 4, 5)			
Council	704	579	532
City Manager	650	588	575
Economic and Business Development	948	1,095	5,586
Corporate Communications	890	866	741
Community and Protective Services	26,776	29,695	24,729
Corporate Services	9,116	9,101	7,816
Planning and Infrastructure	29,448	26,253	27,300
Utilities	15,002	15,102	14,932
	<u>83,534</u>	<u>83,279</u>	<u>82,211</u>
Annual Deficit Before the Undernoted	<u>(6,478)</u>	<u>(2,711)</u>	<u>(6,398)</u>
Government Transfers - Capital (Schedule 2)	7,428	6,536	13,497
Returned Government Transfers - Capital (Schedule 2)	-	-	(17,249)
Contributed Tangible Capital Assets	19,506	19,808	27,333
Developer Contributions	27,834	7,344	11,249
	<u>54,768</u>	<u>33,688</u>	<u>34,830</u>
Annual Surplus	<u>48,290</u>	<u>30,977</u>	<u>28,432</u>
Accumulated Surplus, Opening		<u>426,661</u>	<u>398,229</u>
Accumulated Surplus, Closing		<u>457,638</u>	<u>426,661</u>

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

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF CHANGES IN
NET DEBT

For the Year Ended December 31, 2016
(In thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Annual Surplus	48,290	30,977	28,432
Inventory and Prepaid Expenses			
Acquisition	(843)	(929)	(797)
Consumption	782	797	876
	(61)	(132)	79
Tangible Capital Assets			
Contributed	(19,506)	(19,808)	(27,333)
Purchased	(44,554)	(28,795)	(23,412)
Proceeds on Disposal	-	2,323	938
Gain on Disposal	(2,029)	(1,741)	(614)
Amortization	13,610	13,262	12,026
	(52,479)	(34,759)	(38,395)
Change in Net Debt	(4,250)	(3,914)	(9,884)
(Net Debt) Net Financial Assets, Opening		(4,607)	5,277
Net Debt, Closing		(8,521)	(4,607)

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, 2016
(in thousands of dollars)

	2016	2015
Cash Provided by (Used For):		
Operating Activities		
Annual Surplus	30,977	28,432
Adjustments:		
Amortization	13,262	12,026
Gain on Disposal of Tangible Capital Assets	(1,741)	(614)
Contributed Tangible Capital Assets	(19,808)	(27,333)
Decrease in Accounts Receivable	1,848	2,482
Decrease in Land Held for Resale	-	2,854
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,370	(435)
(Decrease) Increase in Deferred Revenue	(4,774)	7,998
(Decrease) Increase in Liability for Contaminated Sites	(71)	4,251
(Increase) Decrease in Inventory and Prepaid Expenses	(132)	79
	<u>20,931</u>	<u>29,740</u>
Capital Activities		
Purchased Tangible Capital Assets	(28,795)	(23,412)
Proceeds on Disposal of Tangible Capital Assets	2,323	938
	<u>(26,472)</u>	<u>(22,474)</u>
Investing Activities		
Purchased Investments	(22,874)	(19,581)
Proceeds on Disposal of Investments	32,273	9,420
	<u>9,399</u>	<u>(10,161)</u>
Financing Activities		
Long-Term Debt Issued	7,900	-
Long-Term Debt Repaid	(1,220)	(4,063)
	<u>6,680</u>	<u>(4,063)</u>
Increase (Decrease) in Cash	10,538	(6,958)
Cash, Opening	<u>5,595</u>	<u>12,553</u>
Cash, Closing	<u>16,133</u>	<u>5,595</u>

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, 2016
(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, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations which are owned or controlled by the City, and are, therefore, accountable for the administration of their financial affairs and resources.

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

The City is associated with various other boards, commissions and other organizations that are not part of the government reporting entity, including the Capital Region Parkland Water Services Commission.

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

(b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is 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. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

(c) Revenue Recognition

(i) Property Taxes

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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(ii) 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.

(iii) 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.

(d) Financial Assets

(i) Investments

Investments 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 and 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.

(e) Deferred Revenue

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

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(f) Liability for Contaminated Sites

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

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

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

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

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.

(g) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and 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

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

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) Contributed Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value on the date of receipt and are also recorded as tangible capital assets revenue in the consolidated statement of operations and accumulated surplus.

(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 Historical Treasures

The City manages and controls various works of art and non-operational historical cultural assets, including artifacts, paintings, and sculptures located at City sites and areas of public display. These assets are not recorded as tangible capital assets and are not amortized.

(h) Use of Estimates

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

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

(i) Comparative Information

Comparative figures have been reclassified to conform to the current year's presentation.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

1. Significant Accounting Policies (Continued)

(j) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2017, the City will continue to assess the impact and prepare for the adoption of these standards.

Standard		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 2016 - 2018 Corporate Plan on November 23, 2015, which formally approved revenues, expenses and capital acquisitions for 2016.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

3. Accounts Receivable

	2016	2015
Property Taxes		
Current Taxes and Grants in Place of Taxes	2,032	1,343
Arrears	487	898
Allowance for Doubtful Accounts	(6)	(6)
	<u>2,513</u>	<u>2,235</u>
Other		
Developer Contributions	2,360	5,654
Goods and Services Tax	354	404
Government Transfers	1,447	-
Local Improvements	5,015	5,379
Trade and Other Amounts	3,604	3,761
Utilities	2,688	2,360
Allowance for Doubtful Accounts	(211)	(175)
	<u>15,257</u>	<u>17,383</u>
	<u>17,770</u>	<u>19,618</u>

4. Investments

	Amortized Cost 2016	Market Value 2016	Amortized Cost 2015	Market Value 2015
Bonds	9,019	9,058	8,899	8,801
GICs	7,998	8,016	10,188	10,259
Notes	4,250	4,305	4,090	4,006
Other	31	31	7,520	7,526
	<u>21,298</u>	<u>21,410</u>	<u>30,697</u>	<u>30,592</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

4. Investments (Continued)

Investments in callable bonds have effective interest rates of 2.35% to 3.33% with maturity dates from June 2019 to December 2025. Investments in guaranteed investment certificates (GICs) have effective interest rates of 1.05% to 1.60% with maturity dates ranging from July 2017 to October 2017. Note investments are principal protected and have variable interest rates and maturity dates. Three notes are based on any positive price return of the S&P/TSX 60 Index with maturity dates from May 2020 to November 2022, and other notes are based on a step up rates currently earning between 2.10% to 2.15%, with maturity dates ranging from March 2017 to December 2026. Other investments consists of a high interest notice account which is currently paying 0.85% and requires 31 days notice to redeem.

5. Land Held for Resale

The City holds an interest in lands in the amount of \$1,746 (2015 - \$1,746) representing the costs related to the Westwind land assembly undertaken by the City. The City has entered into an option agreement with the developer to dispose of the assembled land in parcels.

During the year, interest on long-term debt in the amount of \$17 (2015 - \$105) was capitalized and subsequently reimbursed by the developer.

6. Accounts Payable and Accrued Liabilities

	2016	2015
Debenture Interest	62	70
Deposits	760	649
Developer Commitments	1,716	2,167
Holdbacks	1,586	1,742
Trade	8,056	6,279
Wages and Benefits	2,607	2,510
	<u>14,787</u>	<u>13,417</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

7. Deferred Revenue

	2015	Amounts Received	Interest Earned	Amounts Recognized	2016
Developer Contributions					
Administration	105	12	1	-	118
Neighborhood Parks	550	51	10	1	610
Municipal Reserve	-	180	2	-	182
Parks - South	1,566	-	10	-	1,576
Parks - North	-	77	-	77	-
Roads	-	491	-	491	-
Wastewater	-	65	-	65	-
Water	9,262	169	122	6,710	2,843
Cash in Lieu of Parking	-	60	-	-	60
Downtown Redevelopment	-	2	-	-	2
	<u>11,483</u>	<u>1,107</u>	<u>145</u>	<u>7,344</u>	<u>5,391</u>
Government Transfers - Capital					
Gas Tax Fund	2,454	-	40	1,058	1,436
Miscellaneous	-	1,206	-	1,206	-
Sustainability	15,619	7,370	294	4,272	19,011
	<u>18,073</u>	<u>8,576</u>	<u>334</u>	<u>6,536</u>	<u>20,447</u>
Government Transfers - Operating					
Housing	979	-	6	985	-
Policing	25	649	-	648	26
Social	-	821	-	821	-
Sustainability	-	231	-	231	-
Other	222	1,257	1	1,426	54
	<u>1,226</u>	<u>2,958</u>	<u>7</u>	<u>4,111</u>	<u>80</u>
Other Revenue	<u>1,524</u>	<u>5,652</u>	<u>-</u>	<u>5,562</u>	<u>1,614</u>
	<u>32,306</u>	<u>18,293</u>	<u>486</u>	<u>23,553</u>	<u>27,532</u>

In 2015 grant funds previously used to temporarily fund development projects were reassigned to municipal capital 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 in 2015, the balance of grant funds available for municipal capital projects increased by \$17,249. In 2016, capital projects amounting to \$3,752 (2015 - \$13,497) were funded from the historical grant funds. At December 31, 2016, \$nil (2015 - \$3,752) remains deferred to future years.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

8. Liability for Contaminated Sites

	2016	2015
Historic Public Works Yard - salt impacted soil	2,480	2,551
Pioneer Cemetery - salt impacted soil	1,400	700
Historic Nuisance Grounds - site closure and post closure	500	1,200
	<u>4,380</u>	<u>4,451</u>

The estimated undiscounted future remediation expenditures is \$4.5 million (2015- \$4.5 million) and a discount rate of 2.9% (2015 - 2.18%) has been used. The City plans to remediate the sites over a 5-year period.

9. Long-Term Debt

	2016	2015
Agrena	1,338	1,485
Library	1,211	1,338
Local Improvement	5,226	1,581
Public Works Facility	5,120	5,265
TransAlta Tri Leisure Centre	1,422	1,968
Pioneer Road/ Jennifer Heil Road	4,000	-
	<u>18,317</u>	<u>11,637</u>
Westwind Land Assembly	452	452
	<u>18,769</u>	<u>12,089</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

9. Long-Term Debt (Continued)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	1,236	640	1,876
2018	1,338	587	1,925
2019	1,213	536	1,749
2020	1,712	489	2,201
2021	1,310	408	1,718
Subsequent	11,960	2,704	14,664
	18,769	5,364	24,133

Debenture debt, other than Westwind Land Assembly and Pioneer Road / Jennifer Heil Road, 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 2017 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 outstanding balance at December 31, 2016 is \$452 (2015 - \$452). 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.

The City entered into an infrastructure loan facility agreement with the Canadian Imperial Bank of Commerce on January 7, 2016 for a term of 10 years, bearing interest at the prime rate, with interest only payments to March 31, 2018, and regular principal repayments to commence April 30, 2018. The loan is provided on the faith and credit of the City. The outstanding balance at December 31, 2016 is \$4,000 (2015 - nil).

Interest on long-term debt amounted to \$511 (2015 - \$613). The City's interest expense for the period is \$494 (2015 - \$533) while the remaining \$17 (2015 - \$80) 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 2016 is \$505 (2015 - \$649).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(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:

	2016	2015
Total Debt Limit (1.5 times revenue, as defined in the regulation)	131,868	130,593
Total Debt	(18,769)	(12,089)
Amount of Debt Limit Unused	113,099	118,504
Debt Servicing Limit (0.25 times revenue, as defined in the regulation)	21,978	21,766
Debt Servicing	(1,876)	(1,737)
Amount of Debt Servicing Limit Unused	20,102	20,029

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, 2016
(in thousands of dollars)

11. Tangible Capital Assets

	2015	Purchased/ Contributed	Disposals	2016
Cost				
Engineering Structures	315,000	20,939	(798)	335,141
Equipment	20,215	3,112	(73)	23,254
Facilities	52,714	12,764	-	65,478
Fleet	5,167	2,107	(402)	6,872
Land	139,923	5,468	(372)	145,019
Land Improvements	19,374	590	-	19,964
Leasehold Improvements	872	-	-	872
Work in Progress	16,564	3,623	-	20,187
	569,829	48,603	(1,645)	616,787

	2015	Disposals	Amortization	2016
Accumulated Amortization				
Engineering Structures	108,209	(632)	8,600	116,177
Equipment	10,055	(58)	1,722	11,719
Facilities	11,326	-	1,447	12,773
Fleet	2,681	(373)	426	2,734
Land Improvements	6,311	-	971	7,282
Leasehold Improvements	776	-	96	872
	139,358	(1,063)	13,262	151,557

	2015	2016
Net Book Value		
Engineering Structures	206,791	218,964
Equipment	10,160	11,535
Facilities	41,388	52,705
Fleet	2,486	4,138
Land	139,923	145,019
Land Improvements	13,063	12,682
Leasehold Improvements	96	-
Work in Progress	16,564	20,187
	430,471	465,230

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

11. Tangible Capital Assets (Continued)

Purchased tangible capital assets are \$28,795 (2015 - \$23,412). While, contributed tangible capital assets are \$19,808 (2015 - \$27,333). Amortization expense of \$13,262 was recognized for the current year (2015 - \$12,026). The net book value of disposals are \$582 (2015 - \$324).

12. 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.

	2016	2016	2015	2015
	Salaries	Benefits	Salaries	Benefits
Mayor Houston	93,593	14,428	85,208	12,047
Alderman Baxter	47,725	8,592	39,517	7,421
Alderman Kesanko	48,879	7,175	41,591	5,945
Alderman Mclean	46,498	10,718	41,486	8,517
Alderman Rothe	42,933	10,610	37,240	9,017
Alderman Steinburg	48,991	6,605	38,991	5,760
Alderman Turton	40,290	10,081	37,114	9,015
	<u>368,909</u>	<u>68,209</u>	<u>321,147</u>	<u>57,722</u>
Chief Administrative Officer	233,089	45,235	235,274	35,948
	<u>601,998</u>	<u>113,444</u>	<u>556,421</u>	<u>93,670</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, 2016
(in thousands of dollars)

13. 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% (2015 - 11.39%) of eligible pensionable earnings up to the Year's Maximum Pension Earnings and 15.84% (2015 - 15.84%) on pensionable earnings above this amount. Employees are required to make current service contributions of 10.39% (2015 - 10.39%) of pensionable salary up to the Year's Maximum Pensionable Earnings and 14.84% (2015 - 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 2016 were \$2,401 (2015 - \$2,270). Total current service contributions by the employees of the City of Spruce Grove to LAPP in 2016 were \$2,216 (2015 - \$2,103). Total optional service contributions by the City of Spruce Grove to LAPP in 2016 were \$52 (2015 - \$80).

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 2016 the City's potential liability for optional service buy-back is \$88 (2015 - \$68).

At December 31, 2015, LAPP disclosed an actuarial deficit of \$923 million.

14. 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 112 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 \$144 (2015 - \$141).

Total current service contributions by the City to APEX in 2016 were \$264 (2015 - \$226). Total current service contributions by the employees of the City in 2016 were \$220 (2015 - \$188).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

15. 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 "TLC"). 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 TLC. The City of Spruce Grove, Parkland County and Town of Stony Plain contributed a total of \$2,621 (2015 - \$2,123) to support the operations of the TLC, with the City's proportionate share being 45.4% (2015 - 45.4%) or \$1,190 (2015 - \$964).

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

	2016	2015
Financial Position		
Financial Assets	929	1,030
Liabilities	(520)	(670)
Net Financial Assets	409	360
Non-Financial Assets	723	719
Accumulated Surplus	1,132	1,079
Operations and Accumulated Surplus		
Revenue	3,983	3,639
Expenses	(3,930)	(3,519)
Annual Surplus	53	120
Accumulated Surplus, Opening	1,079	959
Accumulated Surplus, Closing	1,132	1,079
Change in Net Financial Assets		
Annual Surplus	53	120
Purchased Tangible Capital Assets	(258)	(246)
Amortization	147	118
Loss on Disposal of Tangible Capital Assets	123	-
Acquisition of Inventory	(16)	(5)
	49	(13)
Net Financial Assets, Opening	360	373
Net Financial Assets, Closing	409	360

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

16. 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.

17. Developer Agreements

Developers have entered into agreements with the City in the amount of approximately \$153 million and are committed to installing and constructing certain works to serve the development of lands within the city. The City has taken security from the developers in the form of letters of credit in the amount of \$27 million to secure the performance by the developers under the agreements.

18. Financial Instruments

The City's financial instruments consist of accounts receivable, investments, accounts payable and accrued liabilities, liability for contaminated sites, and long-term debt. It is management's opinion that the City is not exposed to significant interest or currency risks arising from these financial instruments.

The City is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the City provides services may experience financial difficulty and be unable to fulfil their obligations. The large number of diversity of taxpayers and customers minimizes the credit risk. The City has fixed interest rate debt to mitigate its exposure to fluctuations in cash flow due to changes in interest rates.

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

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(In thousands of dollars)

19. Segmented Disclosure

	2016			Total
	Municipal	Utility	Development	
Revenue				
Property Taxes	33,860	-	-	33,860
Government Transfers - Operating	4,111	-	-	4,111
Sales and User Fees	22,202	17,628	731	40,561
Gain on Disposal of Tangible Capital Assets	1,741	-	-	1,741
Local Improvement Levies	126	-	-	126
Interest	169	-	-	169
	<u>62,209</u>	<u>17,628</u>	<u>731</u>	<u>80,568</u>
Expenses				
Amortization	10,386	2,876	-	13,262
Contracted Services	12,476	9,776	731	22,983
General	7,205	185	-	7,390
Grants	1,779	-	-	1,779
Human Resources	30,976	1,362	-	32,338
Interest on Long-Term Debt	483	-	11	494
Materials, Equipment and Supplies	4,595	436	2	5,033
	<u>67,900</u>	<u>14,635</u>	<u>744</u>	<u>83,279</u>
Annual (Deficit) Surplus Before the Undernoted	(5,691)	2,993	(13)	(2,711)
Government Transfers - Capital Contributed Tangible Capital Assets	6,536	-	-	6,536
Developer Contributions	42	-	19,766	19,808
	<u>-</u>	<u>-</u>	<u>7,344</u>	<u>7,344</u>
	<u>6,578</u>	<u>-</u>	<u>27,110</u>	<u>33,688</u>
Annual Surplus	887	2,993	27,097	30,977
Transfers	2,195	(2,195)	-	-
Change in Tangible Capital Assets	2,797	(84)	(30,792)	(28,079)
Net Change in Surplus (Deficit)	5,879	714	(3,695)	2,898
Accumulated Surplus (Deficit), Opening	13,411	7,950	(13,534)	7,827
Accumulated Surplus (Deficit), Closing	<u>19,290</u>	<u>8,664</u>	<u>(17,229)</u>	<u>10,725</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

19. Segmented Disclosure (Continued)

	2015			Total
	Municipal	Utility	Development	
Revenue				
Property Taxes	31,248	-	-	31,248
Government Transfers - Operating	2,665	-	-	2,665
Sales and User Fees	23,245	16,536	-	39,781
Gain on Disposal of Tangible Capital Assets	648	(34)	-	614
Local Improvement Levies	1,293	-	-	1,293
Interest	212	-	-	212
	59,311	16,502	-	75,813
Expenses				
Amortization	9,331	2,695	-	12,026
Contracted Services	15,556	10,377	50	25,983
Cost of Sales	2,854	-	-	2,854
General	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	4,293	337	-	4,630
	67,262	14,899	50	82,211
Annual (Deficit) Surplus Before the Undernoted	(7,951)	1,603	(50)	(6,398)
Government Transfers - Capital	13,497	-	-	13,497
Returned Government Transfer - Capital	(17,249)	-	-	(17,249)
Contributed Tangible Capital Assets	-	-	27,333	27,333
Developer Contributions	-	-	11,249	11,249
	(3,752)	-	38,582	34,830
Annual (Deficit) Surplus	(11,703)	1,603	38,532	28,432
Transfers	1,513	(2,235)	722	-
Change in Tangible Capital Assets	10,230	127	(49,916)	(39,559)
Net Change in (Deficit) Surplus	40	(505)	(10,662)	(11,127)
Accumulated Surplus (Deficit), Opening	13,371	8,455	(2,872)	18,954
Accumulated Surplus (Deficit), Closing	13,411	7,950	(13,534)	7,827

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2016
(in thousands of dollars)

19. 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) Surplus

	2015	Transfers In	Transfers Out	Long-term Debt Issued	2016
Roads	(6,088)	491	(5,937)	4,000	(7,534)
Sewer	(5,732)	65	(1,426)	-	(7,093)
Water	-	6,710	(6,710)	-	-
Regional Parks	(1,383)	77	(965)	-	(2,271)
Neighborhood Parks	-	1	(1)	-	-
Cash in Lieu of Parking	41	-	-	-	41
Downtown Redevelopment	(372)	-	-	-	(372)
	<u>(13,534)</u>	<u>7,344</u>	<u>(15,039)</u>	<u>4,000</u>	<u>(17,229)</u>

Amounts Transferred Out

	2016
Arterial Roads	5,937
Jubilee Park	965
Neighborhood Parks	1
Reservoir	6,710
Sanitary Sewer	1,426
	<u>15,039</u>

CITY OF SPRUCE GROVE
SCHEDULE 1 - PROPERTY TAXES
For the Year Ended December 31, 2016
(in thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Property Taxes			
Residential	36,295	36,894	33,907
Non-Residential			
Commercial	8,516	8,789	8,010
Industrial	2,051	2,163	1,778
Linear	298	291	286
Agricultural	3	2	2
	47,163	48,139	43,983
Less Requisitions			
Alberta Education	11,074	11,939	10,649
Evergreen Catholic Schools	2,055	2,114	1,886
Meridian Foundation	207	226	200
	13,336	14,279	12,735
	33,827	33,860	31,248

CITY OF SPRUCE GROVE
SCHEDULE 2 - GOVERNMENT TRANSFERS
For the Year Ended December 31, 2016
(in thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Government Transfers - Capital			
Transportation	-	-	2,468
Gas Tax Fund	1,713	1,058	1,246
Miscellaneous	1,136	1,206	9,458
Sustainability	4,579	4,272	325
	7,428	6,536	13,497
Returned Government Transfers - Capital	-	-	(17,249)
	7,428	6,536	(3,752)
Government Transfers - Operating			
Housing	979	985	-
Policing	626	648	613
Social	588	821	542
Sustainability	-	231	211
Other	1,018	1,426	1,299
	3,211	4,111	2,665
	10,639	10,647	(1,087)

CITY OF SPRUCE GROVE
SCHEDULE 3 - SALES AND USER FEES
For the Year Ended December 31, 2016
(in thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Donations and Sponsorships	469	171	227
Fines and Permits	5,852	7,319	5,894
Electrical Franchise Fees	2,970	3,426	2,914
Gas Franchise Fees	1,209	904	960
Goods and Services	7,465	7,332	7,127
Other	944	2,109	1,794
Rental Revenue	944	959	706
Sale of Land Held for Resale	-	-	2,899
Tax Penalties	793	713	724
Utility Charges	16,988	17,628	16,536
	37,634	40,561	39,781

CITY OF SPRUCE GROVE
SCHEDULE 4 - EXPENSES BY OBJECT
For the Year Ended December 31, 2016
(in thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Amortization	13,610	13,262	12,026
Contracted Services	23,376	22,983	25,983
Cost of Land Sold	-	-	2,854
General	7,741	7,390	6,903
Grants	1,174	1,779	244
Human Resources	32,141	32,338	29,038
Interest on Long-Term Debt	518	494	533
Materials, Equipment and Supplies	4,974	5,033	4,630
	83,534	83,279	82,211

CITY OF SPRUCE GROVE
SCHEDULE 5 - EXPENSES BY DEPARTMENT
For the Year Ended December 31, 2016
(in thousands of dollars)

	2016 Budget (Note 2)	2016 Actual	2015 Actual
Council	704	579	532
City Manager	650	588	575
Economic and Business Development	948	1,095	5,586
Corporate Communications	890	866	741
Community and Protective Services			
Administration	1,053	1,103	569
Agrena / Sports Park	1,689	1,661	1,542
Culture	1,463	1,478	1,571
Family and Community Support Services	1,796	1,774	1,639
Fire	6,775	8,049	6,475
Leisure Centre	4,064	4,198	3,972
Library	1,681	1,676	1,501
Municipal Enforcement and Safe City	2,447	3,966	3,020
Police	4,443	4,390	3,620
Recreation	1,365	1,400	820
	<u>26,776</u>	<u>29,695</u>	<u>24,729</u>
Corporate Services			
Administration	990	823	610
City Clerk	1,344	1,331	1,197
Finance	3,046	3,035	3,004
Human Resources	1,365	1,431	1,153
Information Systems	2,371	2,481	1,852
	<u>9,116</u>	<u>9,101</u>	<u>7,816</u>
Planning and Infrastructure			
Administration	621	750	999
Asset Management	4,859	4,458	7,123
Engineering	3,190	1,419	1,526
Planning and Development	3,203	3,051	1,912
Public Works	15,950	15,174	14,536
Transit and Sustainability	1,625	1,401	1,204
	<u>29,448</u>	<u>26,253</u>	<u>27,300</u>
Utilities			
Waste	3,001	2,601	3,939
Wastewater	3,957	3,888	3,681
Water	8,044	8,613	7,312
	<u>15,002</u>	<u>15,102</u>	<u>14,932</u>
	<u>83,534</u>	<u>83,279</u>	<u>82,211</u>