



Condensed Unconsolidated Financial Statements of

**The City of Spruce Grove**

For the Six Months Ended June 30, 2019



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## **MANAGEMENT'S REPORT**

The condensed unconsolidated financial statements of the City of Spruce Grove (the "City") are unaudited and are the responsibility of management. These financial statements follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements. These financial statements include amounts that are based on the best estimates and judgments of management. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

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

Louise Frostad, CPA, CMA  
Chief Financial Officer

**CITY OF SPRUCE GROVE**  
**CONDENSED UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at June 30, 2019  
(in thousands of dollars)

	June 2019 (Unaudited)	June 2018 (Unaudited)	December 2018 (Unaudited)
<b>Financial Assets</b>			
Cash and Cash Equivalents	30,930	28,689	3,223
Accounts Receivable	30,485	31,210	15,517
Investments (Note 2)	27,066	26,081	36,720
Land Held for Resale	1,746	1,746	1,746
	<u>90,227</u>	<u>87,726</u>	<u>57,206</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	22,318	19,439	16,738
Deferred Revenue (Note 3)	31,003	28,417	25,253
Liability for Contaminated Sites	4,179	4,133	4,180
Long-Term Debt	41,305	28,753	38,464
	<u>98,805</u>	<u>80,742</u>	<u>84,635</u>
<b>(Net Debt) Net Financial Assets</b>	(8,578)	6,984	(27,429)
<b>Non-Financial Assets</b>			
Consumable Inventory and Prepaid Expenses	1,935	621	1,040
Tangible Capital Assets (Note 4)	524,710	493,733	516,817
	<u>526,645</u>	<u>494,354</u>	<u>517,857</u>
<b>Accumulated Surplus</b>	<u>518,067</u>	<u>501,338</u>	<u>490,428</u>

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

For the Six Months Ended June 30, 2019  
(in thousands of dollars)

	June 2019 Budget (Unaudited)	June 2019 Actual (Unaudited)	June 2018 Actual (Unaudited)
<b>Revenue</b>			
Property Taxes	40,167	40,330	37,933
Government Transfers - Operating	1,320	1,641	1,064
Sales and User Fees (Schedule 1)	19,846	18,998	18,865
Local Improvement Levies	-	-	6
Interest	140	205	183
	61,473	61,174	58,051
<b>Expenses (Schedule 2, 3)</b>			
Council	376	352	348
City Manager	322	397	304
Economic and Business Development	676	565	650
Corporate Communications	523	499	479
Community and Protective Services	14,427	13,567	13,585
Corporate Services	6,529	5,890	6,084
Planning and Infrastructure	15,182	14,806	13,627
Utilities	10,186	8,689	8,606
	48,221	44,765	43,683
<b>Surplus Before the Undernoted</b>	13,252	16,409	14,368
Gain on Disposal of Tangible Capital Assets	-	72	30
Government Transfers - Capital	7,773	9,979	789
Contributed Tangible Capital Assets	-	850	-
Developer Contributions and Levies	1,568	329	789
	9,341	11,230	1,608
<b>Period Surplus</b>	22,593	27,639	15,976
<b>Accumulated Surplus, Opening</b>	490,428	490,428	485,362
<b>Accumulated Surplus, Closing</b>	513,021	518,067	501,338

**CITY OF SPRUCE GROVE**  
**CONDENSED UNCONSOLIDATED STATEMENT OF CHANGES IN**  
**NET DEBT**

For the Six Months Ended June 30, 2019  
(in thousands of dollars)

	June 2019 Budget (Unaudited)	June 2019 Actual (Unaudited)	June 2018 Actual (Unaudited)
<b>Period Surplus</b>	22,593	27,639	15,976
<b>Consumable Inventory and Prepaid Expenses</b>			
Acquisition	-	(1,935)	(621)
Consumption	-	1,040	744
	-	(895)	123
<b>Tangible Capital Assets</b>			
Contributed	-	(850)	-
Purchased	(12,143)	(14,538)	(7,183)
Proceeds on Disposal	-	139	30
Gain on Disposal	-	(72)	(30)
Amortization	7,964	7,428	6,979
	(4,179)	(7,893)	(204)
<b>Change in Net Debt</b>	18,414	18,851	15,895
<b>Net Debt, Opening</b>	(27,429)	(27,429)	(8,911)
<b>(Net Debt) Net Financial Asset, Closing</b>	(9,015)	(8,578)	6,984

**CITY OF SPRUCE GROVE**  
**CONDENSED UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

	June 2019 (Unaudited)	June 2018 (Unaudited)
<b>Cash Provided by (Used For):</b>		
<b>Operating Activities</b>		
Period Surplus	27,639	15,976
Adjustments:		
Amortization	7,428	6,979
Gain on Disposal of Tangible Capital Assets	(72)	(30)
Contributed Tangible Capital Assets	(850)	-
Increase in Accounts Receivable	(14,968)	(12,249)
Increase in Accounts Payable and Accrued Liabilities	5,580	5,081
Increase in Deferred Revenue	5,750	5,666
Decrease in Liability for Contaminated Sites	(1)	(47)
(Increase) Decrease in Consumable Inventory and Prepaid Expenses	(895)	123
	29,611	21,499
<b>Capital Activities</b>		
Purchased Tangible Capital Assets	(14,538)	(7,183)
Proceeds on Disposal of Tangible Capital Assets	139	30
	(14,399)	(7,153)
<b>Investing Activities</b>		
Purchased Investments	(3,133)	(1,257)
Proceeds on Disposal of Investments	12,787	6,022
	9,654	4,765
<b>Financing Activities</b>		
Long-Term Debt Issued	3,400	4,690
Long-Term Debt Repaid	(559)	(470)
	2,841	4,220
<b>Increase in Cash and Cash Equivalents</b>	27,707	23,331
<b>Cash and Cash Equivalents, Opening</b>	3,223	5,358
<b>Cash and Cash Equivalents, Closing</b>	30,930	28,689



**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

**1. Significant Accounting Policies**

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

**2. Investments**

	<b>Amortized Cost June 2019</b>	<b>Market Value June 2019</b>	<b>Amortized Cost December 2018</b>	<b>Market Value December 2018</b>
Bonds	13,041	13,165	12,662	12,419
GICs	7,500	7,557	12,500	12,520
Notes	6,266	6,181	6,266	5,933
PIA	259	259	5,292	5,301
	<b>27,066</b>	<b>27,162</b>	<b>36,720</b>	<b>36,173</b>

Investments in bonds have effective interest rates of 2.30% to 3.33% with maturity dates from June 2021 to July 2028. Investments in guaranteed investment certificates (GICs) have effective interest rates ranging from 2.49% to 3.00% and with maturity dates from July 2019 to September 2019.

Note investments have variable interest rates and maturity dates. Three of these notes are based on any positive price return of the S&P/TSX Comp Index, with maturity dates ranging from May 2022 to July 2023. Another note is auto callable, with an interest rate based on Canadian Growers Index with a maturity date of August 2028. The City also has an investment in a low volatility index principal protected deposit note earning variable returns based on the CDN Equity index, with a maturity date of August 2022.

Premier investment account (PIA), a tiered-rate interest account with interest based on monthly average prime less a percentage based on the average monthly balance held in the account. Included in this balance is a high interest notice account, which is currently paying 0.85% and requires 31 days' notice to redeem.

Should there be a loss in value that is not considered temporary, the respective investment is written down to recognize the loss.

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

**3. Deferred Revenue**

	December 2018	Amounts Received	Interest and Other	Amounts Recognized	June 2019
<b>Developer Contributions</b>					
Administration	86	2	-	-	88
Cash in Lieu of Parking	104	-	-	-	104
Downtown Redevelopment	2	-	-	-	2
Neighborhood Parks	970	11	4	-	985
Parks - North	-	11	-	11	-
Municipal Reserve	186	-	1	-	187
Parks - South	1,659	-	7	-	1,666
	<u>3,007</u>	<u>24</u>	<u>12</u>	<u>11</u>	<u>3,032</u>
<b>Developer Levies</b>					
Transportation	-	69	-	69	-
Water	225	24	-	249	-
	<u>225</u>	<u>93</u>	<u>-</u>	<u>318</u>	<u>-</u>
<b>Developer Contributions and Levies</b>	<u>3,232</u>	<u>117</u>	<u>12</u>	<u>329</u>	<u>3,032</u>
<b>Government Transfers - Capital</b>					
Gas Tax Fund	2,072	-	26	1,155	943
Sustainability	16,995	14,769	365	8,144	23,985
Other	1,319	600	23	680	1,262
	<u>20,386</u>	<u>15,369</u>	<u>414</u>	<u>9,979</u>	<u>26,190</u>
<b>Government Transfers - Operating</b>					
Policing	26	338	-	338	26
Social	-	520	-	411	109
Sustainability	-	115	-	115	-
Other	144	792	-	777	159
	<u>170</u>	<u>1,765</u>	<u>-</u>	<u>1,641</u>	<u>294</u>
<b>Other Revenue</b>					
Property Taxes	188	9,370	-	9,408	150
Sponsorships	587	28	-	158	457
User Fees	690	2,030	-	1,840	880
	<u>1,465</u>	<u>11,428</u>	<u>-</u>	<u>11,406</u>	<u>1,487</u>
	<u>25,253</u>	<u>28,679</u>	<u>426</u>	<u>23,355</u>	<u>31,003</u>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

**4. Tangible Capital Assets**

	December 2018	Purchased/ Contributed	Disposals	June 2019
<b>Cost</b>				
Engineered Structures	391,036	770	-	391,806
Equipment	21,528	920	(321)	22,127
Facilities	66,676	-	-	66,676
Fleet	8,918	2,158	-	11,076
Land	156,227	79	(4)	156,302
Land Improvements	24,132	-	-	24,132
Leasehold Improvements	872	133	-	1,005
Construction in Progress	22,621	11,328	-	33,949
	<b>692,010</b>	<b>15,388</b>	<b>(325)</b>	<b>707,073</b>
<b>Accumulated Amortization</b>				
	December 2018	Disposals	Amortization	June 2019
Engineered Structures	134,628	-	4,962	139,590
Equipment	11,164	(258)	821	11,727
Facilities	15,713	-	735	16,448
Fleet	3,225	-	336	3,561
Land Improvements	9,591	-	568	10,159
Leasehold Improvements	872	-	6	878
	<b>175,193</b>	<b>(258)</b>	<b>7,428</b>	<b>182,363</b>
<b>Net Book Value</b>				
Engineered Structures	256,408			252,216
Equipment	10,364			10,400
Facilities	50,963			50,228
Fleet	5,693			7,515
Land	156,227			156,302
Land Improvements	14,541			13,973
Leasehold Improvements	-			127
Construction in Progress	22,621			33,949
	<b>516,817</b>			<b>524,710</b>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

**5. Segmented Disclosure**

	June 2019				Total (Unaudited)
	Municipal (Unaudited)	Utility (Unaudited)	Development (Unaudited)	Investment in TCA (Unaudited)	
<b>Revenue</b>					
Property Taxes	40,330	-	-	-	40,330
Government Transfers - Operating	1,641	-	-	-	1,641
Sales and User Fees	9,236	9,762	-	-	18,998
Interest	205	-	-	-	205
	<u>51,412</u>	<u>9,762</u>	<u>-</u>	<u>-</u>	<u>61,174</u>
<b>Expenses</b>					
Amortization	5,817	1,611	-	-	7,428
Contracted Services	6,139	5,735	-	-	11,874
General	4,206	153	-	-	4,359
Grants	1,717	-	-	-	1,717
Human Resources	15,890	955	-	-	16,845
Interest on Long-Term Debt	450	-	212	-	662
Materials, Equipment and Supplies	1,645	235	-	-	1,880
	<u>35,864</u>	<u>8,689</u>	<u>212</u>	<u>-</u>	<u>44,765</u>
<b>Period Surplus (Deficit) Before the Undernoted</b>	15,548	1,073	(212)	-	16,409
Gain on Disposal of Tangible Capital Assets	72	-	-	-	72
Government Transfers - Capital	9,979	-	-	-	9,979
Contributed Tangible Capital Assets	-	-	850	-	850
Developer Contributions and Levies	-	-	329	-	329
	<u>10,051</u>	<u>-</u>	<u>1,179</u>	<u>-</u>	<u>11,230</u>
<b>Period Surplus</b>	25,599	1,073	967	-	27,639
Transfers	1,480	(1,303)	(177)	-	-
Change in Tangible Capital Assets	(6,308)	432	(2,017)	7,893	-
Net Change in Long-Term Debt	641	-	2,200	(2,841)	-
<b>Net Change in Surplus</b>	21,412	202	973	5,052	27,639
<b>Accumulated Surplus (Deficit), Opening</b>	15,922	8,791	(13,085)	478,800	490,428
<b>Accumulated Surplus (Deficit), Closing</b>	<u>37,334</u>	<u>8,993</u>	<u>(12,112)</u>	<u>483,852</u>	<u>518,067</u>

**CITY OF SPRUCE GROVE**  
**NOTES TO THE CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

**5. Segmented Disclosure (Continued)**

Segmented information has been identified above based upon lines of service provided by the City. The services that are disclosed in the segmented information are referred to as:

- (a) Municipal, for operating and capital activities other than those designated as Utility and Development.
- (b) Utility, for water, solid waste and wastewater services.
- (c) Development, for developer-funded projects and activities.

**Developer Deficit**

	December 2018	Transfers In	Transfers Out	Other Adjustments	June 2019
Parks - North	(2,305)	11	-	(31)	(2,325)
Transportation	(3,400)	69	(349)	1,958	(1,722)
Sewer	(7,380)	-	-	(100)	(7,480)
Water	-	249	(819)	(15)	(585)
	<u>(13,085)</u>	<u>329</u>	<u>(1,168)</u>	<u>1,812</u>	<u>(12,112)</u>

Other adjustments include long term debt issued to fund transportation and water projects, as well as adjustments made to properly present contributions and costs in the City's offsite levy reserves.

The City paid costs for certain transportation and water infrastructure projects on behalf of developers and financed this development with long-term debt in order to advance the construction of these projects. The developer deficits are expected to be repaid with proceeds from future developer contributions and levies. Long-term debt in the amount of \$14.45 million (2018 - \$12.25 million) was taken out by the City as offsite levy reserve balances are currently insufficient to pay for future development's share of these project costs.

**CITY OF SPRUCE GROVE**  
**SCHEDULE 1 - SALES AND USER FEES**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

	June 2019 Budget (Unaudited)	June 2019 Actual (Unaudited)	June 2018 Actual (Unaudited)
Donations and Sponsorships	56	160	44
Fines and Permits	3,089	2,517	2,944
Electrical Franchise Fees	1,817	1,862	1,921
Gas Franchise Fees	1,000	804	679
Goods and Services	2,385	2,235	2,183
Rental Revenue	530	662	637
Tax Penalties	-	314	364
Utility Charges	10,512	9,762	9,435
Other	457	682	658
	19,846	18,998	18,865

**CITY OF SPRUCE GROVE**  
**SCHEDULE 2 - EXPENSES BY OBJECT**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

	June 2019 Budget (Unaudited)	June 2019 Actual (Unaudited)	June 2018 Actual (Unaudited)
Amortization	7,964	7,428	6,979
Contracted Services	13,565	11,874	11,468
General	4,962	4,359	4,140
Grants	1,662	1,717	1,832
Human Resources	16,962	16,845	16,930
Interest on Long-Term Debt	673	662	405
Materials, Equipment and Supplies	2,433	1,880	1,929
	48,221	44,765	43,683

**CITY OF SPRUCE GROVE**  
**SCHEDULE 3 - EXPENSES BY DEPARTMENT**  
For the Six Months Ended June 30, 2019  
(in thousands of dollars)

	June 2019 Budget (Unaudited)	June 2019 Actual (Unaudited)	June 2018 Actual (Unaudited)
<b>Council</b>	376	352	348
<b>City Manager</b>	322	397	304
<b>Economic and Business Development</b>	676	565	650
<b>Corporate Communications</b>	523	499	479
<b>Community and Protective Services</b>			
Administration	205	133	389
Agrena/Sports Park	951	880	911
Culture	710	728	741
Family and Community Support Services	993	741	907
Fire	3,881	4,105	3,838
Leisure Centre	1,278	1,302	1,312
Library	699	620	606
Municipal Enforcement and Safe City	1,908	1,365	1,572
Police	3,030	2,581	2,538
Recreation	772	855	771
CSD	-	257	-
	<b>14,427</b>	<b>13,567</b>	<b>13,585</b>
<b>Corporate Services</b>			
Administration	365	340	310
City Clerk	1,060	364	1,153
Finance	1,605	1,409	1,711
Human Resources	714	807	888
Information Systems	2,785	2,320	2,022
IPSS	-	650	-
	<b>6,529</b>	<b>5,890</b>	<b>6,084</b>
<b>Planning and Infrastructure</b>			
Administration	342	343	316
Asset Management	2,991	2,779	2,471
Engineering	934	930	767
Planning and Development	1,132	1,056	1,094
Public Works	8,487	8,485	7,913
Transit and Sustainability	1,296	1,213	1,066
	<b>15,182</b>	<b>14,806</b>	<b>13,627</b>
<b>Utilities</b>			
Waste	1,809	1,251	1,334
Wastewater	2,316	2,132	2,084
Water	6,061	5,204	5,188
Storm Utility	-	102	-
	<b>10,186</b>	<b>8,689</b>	<b>8,606</b>
	<b>48,221</b>	<b>44,765</b>	<b>43,683</b>