

CITY OF SPRUCE GROVE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Spruce Grove

Opinion

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, 2024, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2024, and the results of its consolidated operations, remeasurement gains and losses, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will

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always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian public sector accounting standards, we exercise professional judgement and maintain professional skepticism through out the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the City or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta

April 14, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the City of Spruce Grove (the "City") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include amounts that are based on the best estimates and judgements of management. Management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly, in all material aspects.

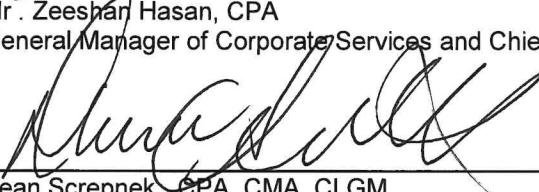
Management maintains systems of accounting and administrative controls to provide reasonable assurance that the transactions are appropriately authorized, accurately recorded, that assets are properly accounted for and safeguarded and that the consolidated financial statements reliably report the City's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

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

Metrix Group LLP has been appointed by City Council to provide an independent audit opinion on the consolidated financial statements.



Mr. Zeeshan Hasan, CPA
General Manager of Corporate Services and Chief Financial Officer



Dean Screpnik, CPA, CMA, CLGM
City Manager

April 14, 2025

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

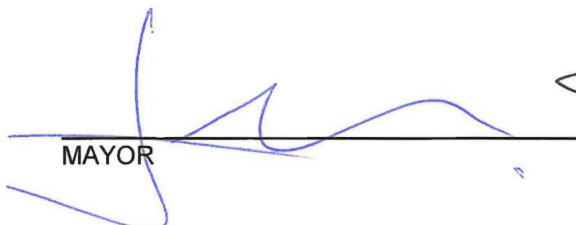
For the Year Ended December 31, 2024

(in thousands of dollars)

		<u>2024</u>	<u>2023</u>
Financial Assets			
Cash		\$ 25,869	\$ 14,761
Accounts Receivable	Note 2	17,303	16,049
Debt Recoverable	Note 3	2,783	-
Investments	Note 4	31,713	29,996
Land Held for Resale	Note 5	934	2,196
		<u>78,602</u>	<u>63,002</u>
Liabilities			
Bank Indebtedness	Note 6	3,284	-
Accounts Payable and Accrued Liabilities	Note 7	29,496	28,626
Deferred Revenue	Note 8	9,211	12,720
Liability for Contaminated Sites	Note 9	897	971
Asset Retirement Obligations	Note 10	538	531
Long-Term Debt	Note 12	80,267	39,257
		<u>123,693</u>	<u>82,105</u>
Net Debt		<u>(45,091)</u>	<u>(19,103)</u>
Non-Financial Assets			
Inventory and Prepaid Expenses		1,977	1,490
Tangible Capital Assets	Schedule 6, 7	691,790	634,127
		<u>693,767</u>	<u>635,617</u>
Accumulated Surplus	Note 14	\$ 648,676	\$ 616,514
Accumulated Surplus consists of:			
Accumulated Surplus from Operations		651,560	619,128
Accumulated Remeasurement Losses		(2,884)	(2,614)
		<u>\$ 648,676</u>	<u>\$ 616,514</u>

CONTRACTED RIGHTS	Note 25
CONTRACTUAL OBLIGATIONS	Note 26
CONTINGENCIES	Note 27

ON BEHALF OF THE COUNCIL:


MAYOR


COUNCILLOR

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

CITY OF SPRUCE GROVE

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For The Year Ended December 31, 2024

(in thousands of dollars)

			<u>2024</u> (Budget) (Note 30)	<u>2024</u> (Actual)	<u>2023</u> (Actual)
Revenue					
Property Taxes	Schedule 1	\$	54,203	\$ 54,315	\$ 49,247
Sales and User Fees			33,594	34,079	30,825
Franchise Fees	Note 29		8,155	8,613	7,738
Government Transfers - Operating	Schedule 2		4,492	4,795	4,663
Sales to Other Governments			3,121	4,279	2,779
Rentals			2,597	3,095	2,685
Licenses and Permits			2,291	3,093	3,038
Other			953	3,024	2,259
Investment Income			765	1,684	1,232
Penalties			806	867	816
Fines			2,407	698	2,030
			<u>113,384</u>	<u>118,542</u>	<u>107,312</u>
Expenses					
Transportation and Roadway Services			38,790	32,253	30,888
Utilities			24,490	25,890	23,861
Protective Services			24,213	22,118	21,840
General Government			19,349	18,209	16,474
Community Services			16,222	17,062	16,165
Development Services			4,721	4,263	4,188
			<u>127,785</u>	<u>119,795</u>	<u>113,416</u>
Annual Deficit before the Undernoted			<u>(14,401)</u>	<u>(1,253)</u>	<u>(6,104)</u>
Contributed Tangible Capital Assets	Schedule 6		11,280	17,782	27,461
Government Transfers - Capital	Schedule 2		12,422	10,884	31,635
Developer Contributions And Levies			2,003	6,073	180
Gain / (Loss) on Disposal of Tangible Capital Assets			-	(1,054)	409
			<u>25,705</u>	<u>33,685</u>	<u>59,685</u>
Annual Surplus			11,304	32,432	53,581
Annual Surplus, Opening			<u>619,128</u>	<u>619,128</u>	<u>565,547</u>
Accumulated Surplus, Closing		\$	<u>630,432</u>	\$ <u>651,560</u>	\$ <u>619,128</u>

CITY OF SPRUCE GROVE**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**

For The Year Ended December 31, 2024

(in thousands of dollars)

	<u>2024</u> (Budget) (Note 30)	<u>2024</u> (Actual)	<u>2023</u> (Actual)
Annual Surplus	\$ 11,304	\$ 32,432	\$ 53,581
Inventory and Prepaid Expenses			
Acquisition	-	(1,977)	(1,490)
Consumption	-	<u>1,490</u>	<u>1,345</u>
Change in Inventory and Prepaid Expenses	-	(487)	(145)
Tangible Capital Assets			
Contributed	(11,280)	(17,782)	(27,461)
Purchased	(81,422)	(61,469)	(56,533)
Proceeds on Disposal	-	338	561
(Gain) Loss on Disposal	-	1,054	(409)
Tangible Capital Assets transferred to			
Land Held for Sale	-	10	915
Amortization	<u>21,877</u>	<u>20,186</u>	<u>19,339</u>
	(70,825)	(57,663)	(63,588)
Other			
Change in Accumulated Remeasurement Loss	-	(270)	(2,614)
Change in Net Debt	(59,521)	(25,988)	(12,766)
Net Debt, Opening	<u>(19,103)</u>	<u>(19,103)</u>	<u>(6,337)</u>
Net Debt, Closing	\$ <u>(78,624)</u>	\$ <u>(45,091)</u>	\$ <u>(19,103)</u>

CITY OF SPRUCE GROVE**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**

For The Year Ended December 31, 2024

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
Accumulated remeasurement losses, Opening	\$ (2,614)	\$ -
Unrealized gain(loss) from adoption of PS 3450:		
Investments designated at fair value	-	(1,075)
Financial contracts	-	353
Amounts reclassified to consolidated statement of operations:		
Investments designated at fair value.	353	4
Unrealized gain (loss) attributable to:		
Investments designated at fair value	(202)	718
Financial contracts	<u>(421)</u>	<u>(2,614)</u>
Net change for the year	<u>(270)</u>	<u>(2,614)</u>
Accumulated remeasurement losses, Closing	\$ <u>(2,884)</u>	\$ <u>(2,614)</u>

CITY OF SPRUCE GROVE**CONSOLIDATED STATEMENT OF CASH FLOWS**

For The Year Ended December 31, 2024

(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
Cash Provided by (Used For):		
Operating Activities		
Annual Surplus	\$ 32,432	\$ 53,581
Items not involving cash:		
Amortization of Tangible Capital Assets	20,186	19,339
Loss (Gain) on Disposal of Tangible Capital Assets	1,054	(409)
Contributed Tangible Capital Assets	(17,782)	(27,461)
Asset Retirement Obligation Accretion	30	25
Change in non-cash working capital balances:		
Decrease / (Increase) in Accounts Receivable	(1,675)	2,861
Decrease / (Increase) in Inventory and Prepaid Expenses	(487)	(145)
Decrease / (Increase) in Land Held for Resale	1,262	(1,328)
Increase / (Decrease) in Accounts Payable and Accrued Liabilities	870	5,253
Increase / (Decrease) in Deferred Revenue	(3,509)	(21,095)
Decrease in Liability for Contaminated Sites	(74)	(210)
	<u>32,307</u>	<u>30,411</u>
Capital Activities		
Acquisition of Tangible Capital Assets	(61,469)	(56,533)
Proceeds on Disposal of Tangible Capital Assets	338	561
Transfer of Land Held for Sale	10	915
Asset Retirement Obligations Settled	(23)	-
	<u>(61,144)</u>	<u>(55,057)</u>
Investing Activities		
Purchased Investments	(17,207)	(4,002)
Proceeds on Disposal of Investments	15,641	33,855
	<u>(1,566)</u>	<u>29,853</u>
Financing Activities		
Bank Indebtedness Issued	3,284	-
Long-Term Debt Issued	44,109	4,600
Long-Term Debt Repaid	(3,099)	(3,454)
Debt Recoverable Issued	(2,783)	-
	<u>41,511</u>	<u>1,146</u>
Increase (Decrease) in Cash and Cash Equivalents	11,108	6,353
Cash, Opening	<u>14,761</u>	<u>8,408</u>
Cash, Closing	\$ 25,869	\$ 14,761

CITY OF SPRUCE GROVE**SCHEDULE 1 - PROPERTY TAXES**

For The Year Ended December 31, 2024

(In thousands of dollars)

	<u>2024</u> (Budget) (Note 30)	<u>2024</u> (Actual)	<u>2023</u> (Actual)
Property Taxes			
Real property taxes	\$ 55,164	\$ 56,184	\$ 51,322
Non-Residential			
Commercial	13,661	13,950	12,387
Industrial	3,506	3,469	2,976
Linear	501	546	462
Farmland	<u>25</u>	<u>10</u>	<u>22</u>
	<u>72,857</u>	<u>74,159</u>	<u>67,169</u>
Less Requisitions			
Alberta Education	15,443	16,444	15,020
Evergreen Catholic Schools	2,504	2,623	2,436
Meridian Foundation	703	773	462
Designated Industrial Property	<u>4</u>	<u>4</u>	<u>4</u>
	<u>18,654</u>	<u>19,844</u>	<u>17,922</u>
	<u>\$ 54,203</u>	<u>\$ 54,315</u>	<u>\$ 49,247</u>

CITY OF SPRUCE GROVE**SCHEDULE 2 - GOVERNMENT TRANSFERS**

For The Year Ended December 31, 2024

(In thousands of dollars)

	<u>2024</u> (Budget) (Note 30)	<u>2024</u> (Actual)	<u>2023</u> (Actual)
Government Transfers - Capital			
Municipal Sustainability Initiative	\$ 9,445	\$ 8,582	\$ 23,083
Other	251	1,171	2,363
Canada Community Building Fund	2,726	692	5,150
Local Government Fiscal Framework	-	405	-
GreenTrip	-	34	1,039
	<u>12,422</u>	<u>10,884</u>	<u>31,635</u>
Government Transfers - Operating			
Other	2,413	2,521	2,444
Family and Community Support Services	859	1,009	999
RCMP Policing	701	746	701
Local Government Fiscal Framework	519	519	-
Municipal Sustainability Initiative	-	-	519
	<u>4,492</u>	<u>4,795</u>	<u>4,663</u>
	<u>\$ 16,914</u>	<u>\$ 15,679</u>	<u>\$ 36,298</u>

CITY OF SPRUCE GROVE**SCHEDULE 3 - EXPENSES BY DEPARTMENT**

For The Year Ended December 31, 2024

(In thousands of dollars)

	2024 (Budget) (Note 30)	2024 (Actual)	2023 (Actual)
General Government			
City Clerk	\$ 753	\$ 739	\$ 616
City Manager	790	778	760
Corporate Communications	1,506	1,171	1,185
Corporate Services Administration	253	178	348
Council	886	809	761
Finance	3,290	3,131	2,806
Human Resources	2,397	2,827	2,317
Information Systems	6,147	5,668	5,605
Integrated Planning And Strategic Services	1,911	1,624	1,987
Policy	1,069	945	89
Strategy & Communication	347	339	-
	<u>19,349</u>	<u>18,209</u>	<u>16,474</u>
Protective Services			
Fire	12,370	11,942	11,455
Bylaw Enforcement	1,629	1,381	1,576
Safe City	1,367	833	665
Police Services	8,847	7,962	8,144
	<u>24,213</u>	<u>22,118</u>	<u>21,840</u>
Transportation and Roadway Services			
Engineering	4,256	2,492	2,202
Facilities and Fleet Management	9,907	6,511	6,724
Planning and Infrastructure Administration	499	449	538
Public Works	20,238	19,172	18,236
Environment and Transit	3,890	3,629	3,188
	<u>38,790</u>	<u>32,253</u>	<u>30,888</u>
Utilities			
Stormwater	1,349	2,930	2,856
Wastewater	3,239	3,250	3,065
Sanitary Sewer	6,817	7,085	5,986
Water	13,085	12,625	11,954
	<u>24,490</u>	<u>25,890</u>	<u>23,861</u>
Community Services			
Agrena/Sports Park	2,630	3,068	2,756
Community and Protective Services Administration	701	609	653
Culture	98	116	101
Family and Community Support Services	2,724	2,638	2,553
Leisure Centre	4,575	5,156	5,135
Library	1,903	2,130	1,916
Recreation	2,989	2,772	3,051
Civic Centre	602	573	-
	<u>16,222</u>	<u>17,062</u>	<u>16,165</u>
Development Services			
Economic Business Development	1,208	1,078	1,230
Planning and Development	3,513	3,185	2,958
	<u>4,721</u>	<u>4,263</u>	<u>4,188</u>
	<u>\$ 127,785</u>	<u>\$ 119,795</u>	<u>\$ 113,416</u>

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

CITY OF SPRUCE GROVE

SCHEDULE 4 - SEGMENTED DISCLOSURES

For The Year Ended December 31, 2024

(In thousands of dollars)

	General Government	Protective Services	Transportation & Roadway Services	Utilities	Community Services	Development Services	2024 Total	2024 Budget
Revenue								
Property Taxes	\$ 54,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,315	\$ 54,203
Sales and User Fees	233	1,067	991	28,517	2,728	543	34,079	33,594
Franchise Fees	8,613	-	-	-	-	-	8,613	8,155
Government Transfer - Operating	5	819	944	2	2,485	540	4,795	4,492
Sales to Other Governments	-	4,279	-	-	-	-	4,279	3,121
Rentals	-	861	83	-	2,150	1	3,095	2,597
Licenses and Permits	-	137	122	-	-	2,834	3,093	2,291
Others	318	12	584	4	389	1,717	3,024	953
Investments	1,512	-	8	-	89	75	1,684	765
Penalties	722	-	-	145	-	-	867	806
Fines	-	698	-	-	-	-	698	2,407
	<u>65,718</u>	<u>7,873</u>	<u>2,732</u>	<u>28,668</u>	<u>7,841</u>	<u>5,710</u>	<u>118,542</u>	<u>113,384</u>
Expenses								
Salaries, Wages and Benefits	11,890	11,234	8,504	2,389	9,563	2,827	46,407	47,521
Purchases from Other Governments	-	7,292	2,948	11,769	-	-	22,009	22,871
Contracted and General Services	5,214	1,610	5,527	4,504	3,485	1,117	21,457	25,161
Amortization	583	1,071	10,826	6,195	1,505	8	20,188	21,877
Materials, Goods & Supplies	81	910	3,764	564	1,785	18	7,122	7,231
Interest on Long-Term Debt	51	-	681	437	468	70	1,707	1,912
Other	285	-	-	31	60	-	376	516
Transfers	-	-	-	-	172	81	253	499
Bank Charges	101	-	-	-	4	142	247	197
Accretion	4	1	3	1	20	-	29	-
	<u>18,209</u>	<u>22,118</u>	<u>32,253</u>	<u>25,890</u>	<u>17,062</u>	<u>4,263</u>	<u>119,795</u>	<u>127,785</u>
Annual Surplus (Deficit) before Undernoted	47,509	(14,245)	(29,521)	2,778	(9,221)	1,447	(1,253)	(14,401)
Other Income								
Contributed TCA	-	-	6,077	4,631	27	7,047	17,782	11,280
Government Transfers - Capital	-	-	6,014	-	4,870	-	10,884	12,422
Developer Contribution and Levies	-	-	4,825	1,248	-	-	6,073	2,003
Gain (Loss) on Disposal of Tangible Capital Assets	(38)	-	(422)	89	(682)	(1)	(1,054)	-
	<u>(38)</u>	<u>-</u>	<u>16,494</u>	<u>5,968</u>	<u>4,215</u>	<u>7,046</u>	<u>33,685</u>	<u>25,705</u>
Annual Surplus (Deficit)	<u>\$ 47,471</u>	<u>\$ (14,245)</u>	<u>\$ (13,027)</u>	<u>\$ 8,746</u>	<u>\$ (5,006)</u>	<u>\$ 8,493</u>	<u>\$ 32,432</u>	<u>\$ 11,304</u>

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

CITY OF SPRUCE GROVE

SCHEDULE 5 - SEGMENTED DISCLOSURES

For The Year Ended December 31, 2023

(In thousands of dollars)

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation & Roadway Services</u>	<u>Utilities</u>	<u>Community Services</u>	<u>Development Services</u>	<u>2023 Total</u>	<u>2023 Budget</u>
Revenue								
Property Taxes	\$ 49,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,247	\$ 49,230
Sales and User Fees	175	1,169	830	26,018	2,436	197	30,825	30,052
Franchise Fees	7,738	-	-	-	-	-	7,738	8,045
Government Transfer - Operating	17	709	1,262	-	2,139	536	4,663	5,058
Licenses and Permits	-	152	116	-	-	2,770	3,038	1,845
Sales to Other Governments	-	2,779	-	-	-	-	2,779	2,721
Rentals	-	647	95	-	1,941	2	2,685	2,584
Others	126	14	443	4	468	1,204	2,259	783
Fines	-	2,029	-	-	-	1	2,030	2,501
Investments	1,070	-	10	-	71	81	1,232	668
Penalties	681	-	7	128	-	-	816	795
	<u>59,054</u>	<u>7,499</u>	<u>2,763</u>	<u>26,150</u>	<u>7,055</u>	<u>4,791</u>	<u>107,312</u>	<u>104,282</u>
Expenses								
Salaries, Wages and Benefits	10,299	11,059	8,184	2,221	8,890	2,639	43,292	44,641
Purchases from Other Governments	-	7,550	2,648	10,869	-	-	21,067	20,346
Contracted and General Services	5,043	1,273	5,470	3,977	3,585	1,152	20,500	24,009
Amortization	590	1,070	10,399	6,039	1,200	41	19,339	20,194
Materials, Goods & Supplies	101	876	3,409	495	1,719	94	6,694	6,825
Interest on Long-Term Debt	2	-	765	251	20	80	1,118	1,595
Transfers	8	11	10	-	698	68	795	415
Other	341	-	-	8	29	-	378	435
Bank Charges	88	-	-	-	6	114	208	206
Accretion	2	1	3	1	18	-	25	-
	<u>16,474</u>	<u>21,840</u>	<u>30,888</u>	<u>23,861</u>	<u>16,165</u>	<u>4,188</u>	<u>113,416</u>	<u>118,666</u>
Annual Surplus (Deficit) before Undernoted	42,580	(14,341)	(28,125)	2,289	(9,110)	603	(6,104)	(14,384)
Other Income								
Government Transfers - Capital	101	203	11,341	-	19,990	-	31,635	29,987
Contributed TCA	-	-	3,707	8,051	26	15,677	27,461	18,375
Gain on Disposal of TCA	-	-	259	-	-	150	409	516
Developer Contribution and Levies	25	-	161	(6)	-	-	180	1,961
	<u>126</u>	<u>203</u>	<u>15,468</u>	<u>8,045</u>	<u>20,016</u>	<u>15,827</u>	<u>59,685</u>	<u>50,839</u>
Annual Surplus (Deficit)	<u>\$ 42,706</u>	<u>\$ (14,138)</u>	<u>\$ (12,657)</u>	<u>\$ 10,334</u>	<u>\$ 10,906</u>	<u>\$ 16,430</u>	<u>\$ 53,581</u>	<u>\$ 36,455</u>

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

CITY OF SPRUCE GROVE

SCHEDULE 6 - TANGIBLE CAPITAL ASSETS

For The Year Ended December 31, 2024

(In thousands of dollars)

	<u>Land</u>	<u>Land Improvement</u>	<u>Leashold Improvement</u>	<u>Buildings</u>	<u>Engineering Structures</u>	<u>Machine & Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>2024</u>
Cost									
Balance, Opening	\$ 188,687	\$ 29,700	\$ 1,005	\$ 105,754	\$ 480,445	\$ 32,504	\$ 13,338	\$ 41,060	\$ 892,493
Acquired	-	180	181	201	3,068	2,933	824	54,082	61,469
Contributed	7,047	-	-	-	10,426	171	138	-	17,782
Disposals	(35)	-	-	(726)	512	(819)	(426)	(357)	(1,851)
Transfers	5,196	3,872	-	1,271	52	738	248	(11,377)	-
Transfer of Land Held for Sale	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>
Cost, Closing	<u>200,885</u>	<u>33,752</u>	<u>1,186</u>	<u>106,500</u>	<u>494,503</u>	<u>35,527</u>	<u>14,122</u>	<u>83,408</u>	<u>969,883</u>
Accumulated Amortization									
Balance, Opening	-	16,052	927	26,622	187,476	21,597	5,692	-	258,366
Amortization	-	1,597	47	2,214	13,265	2,198	865	-	20,186
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>512</u>	<u>(673)</u>	<u>(256)</u>	<u>-</u>	<u>(459)</u>
Balance, Closing	<u>-</u>	<u>17,649</u>	<u>974</u>	<u>28,794</u>	<u>201,253</u>	<u>23,122</u>	<u>6,301</u>	<u>-</u>	<u>278,093</u>
Net Book Value, Closing	<u>\$ 200,885</u>	<u>\$ 16,103</u>	<u>\$ 212</u>	<u>\$ 77,706</u>	<u>\$ 293,250</u>	<u>\$ 12,405</u>	<u>\$ 7,821</u>	<u>\$ 83,408</u>	<u>\$ 691,790</u>

CITY OF SPRUCE GROVE

SCHEDULE 7 - TANGIBLE CAPITAL ASSETS

For The Year Ended December 31, 2023

(In thousands of dollars)

	<u>Land</u>	<u>Land Improvement</u>	<u>Leashold Improvement</u>	<u>Buildings</u>	<u>Engineering Structures</u>	<u>Machine & Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>2023</u>
Cost									
Balance, Opening	\$ 172,925	\$ 27,115	\$ 1,005	\$ 104,553	\$ 444,125	\$ 29,605	\$ 11,905	\$ 20,574	\$ 811,807
Acquired	-	575	-	1,128	18,721	2,760	1,499	31,850	56,533
Contributed	15,676	-	-	-	11,759	26	-	-	27,461
Disposals	-	-	-	-	(1,270)	(492)	(631)	-	(2,393)
Transfers	86	2,010	-	73	7,110	605	565	(10,449)	-
Transfer of Land Held for Sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(915)</u>	<u>(915)</u>
Cost, Closing	<u>188,687</u>	<u>29,700</u>	<u>1,005</u>	<u>105,754</u>	<u>480,445</u>	<u>32,504</u>	<u>13,338</u>	<u>41,060</u>	<u>892,493</u>
Accumulated Amortization									
Balance, Opening	-	14,646	916	24,444	175,969	19,784	5,509	-	241,268
Amortization	-	1,406	11	2,178	12,774	2,156	814	-	19,339
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,267)</u>	<u>(343)</u>	<u>(631)</u>	<u>-</u>	<u>(2,241)</u>
Balance, Closing	<u>-</u>	<u>16,052</u>	<u>927</u>	<u>26,622</u>	<u>187,476</u>	<u>21,597</u>	<u>5,692</u>	<u>-</u>	<u>258,366</u>
Net Book Value, Closing	<u>\$ 188,687</u>	<u>\$ 13,648</u>	<u>\$ 78</u>	<u>\$ 79,132</u>	<u>\$ 292,969</u>	<u>\$ 10,907</u>	<u>\$ 7,646</u>	<u>\$ 41,060</u>	<u>\$ 634,127</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

The City of Spruce Grove (the "City") is a municipality in the Province of Alberta, Canada and operates under the provision of the *Municipal Government Act*.

1. Significant Accounting Policies

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. Significant aspects of the accounting policies adopted by the City are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and changes in net financial position and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the City and are, therefore, accountable to Council 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 and the TransAlta Tri Leisure Centre. 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.

Property taxes levied 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) Valuation of Financial Assets and Liabilities

The City's financial assets and liabilities are generally measured as follows.

Financial Statement Component	Measurement
Cash	Cost
Investments	Fair value and amortized cost
Accounts receivable	Lower of cost and net recoverable value
Debt recoverable	Amortized cost
Land held for resale	Lower of cost and net realizable value
Accounts payable and accrued liabilities	Cost
Asset retirement obligations	Cost of present value
Long-term debt	Amortized cost
Derivatives	Fair value

Unrealized gains and losses from changes in the fair value of financial assets and liabilities are recognized in the consolidated statement of remeasurement gains and losses.

All financial assets are assessed annually for impairment. Impairment losses are recognized in the consolidated statement of operations. A write-down of a financial asset to reflect a loss that is other than temporary in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are expensed as they are incurred.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

1. Significant Accounting Policies (continued)

(b) Valuation of Financial Assets and Liabilities (continued)

i. Investments

Investments consist of authorized investments pursuant to provisions of the Municipal Government Act and comprise financial instruments issued by the Canadian government and Schedule I, II and III banks as well as asset backed securities. All investments are in accordance with the Investment Policy approved by Council.

Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the deferred revenue balance. Discounts and premiums arising on the purchase of investments are amortized over the term of the investment. Should there be a loss in value that is not considered temporary, the respective investment is written down to recognize the loss.

ii. Debt Recoverable

Debt recoverable consists of long-term debt amounts borrowed by the City that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

iii. Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes amounts for acquisition, land improvements, 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.

iv. Derivatives

The City uses derivative financial instruments consisting of bank interest rate swap agreements to manage its interest rate exposure. The City specifically designates these agreements as hedges of debt instruments and recognizes interest differentials as adjustments to interest expense in the period the differentials occur. Under interest rate swap agreements, the City agrees with other parties to exchange at specific intervals, the difference between fixed-rate and variable-rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The fair value of the interest swap agreements is estimated using quotes from counterparties and represents the cash requirement if the existing agreements had been settled at year end.

(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.

(continued)

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

1. Significant Accounting Policies (continued)**(c) Non-Financial Assets (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 the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful life as follows:

Asset	Useful Life in Years
Engineered Structures	20 - 75
Machinery and Equipment	4 - 20
Buildings	25 - 50
Vehicles	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. Construction in progress is not amortized until the asset is available for productive use.

i. Contributions 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.

ii. 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.

At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight line basis over the term of the lease that is the estimated useful lives of the assets. The imputed interest is charged against income. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iii. Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as tangible capital assets and are not amortized.

iv. Inventory

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

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

1. Significant Accounting Policies (continued)

(d) Revenue Recognition

i. Revenue

Revenues are 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 when the tax has been authorized by bylaw and the taxable event has occurred.

Requisition over-levies and under-levies arise from the difference between the actual tax levy made to cover each requisition and the actual amount requisitioned. Where the actual levy differs from the requisition, the requisition tax rate is adjusted in the subsequent year.

iii. Developer Contributions

Developer contributions are recognized as revenue in the prior they are used for the purpose specified.

iv. Developer Offsite Levies

Offsite levies are collected from developers upon the execution of a development agreement as per the offsite levy bylaw. These funds are restricted to fund the construction of specific infrastructure and are recognized as revenue once the infrastructure has been built and the City has provided a construction completion certificate.

v. Government Transfers

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs in the completion of specific work, or for the purchase of tangible capital assets. These transfers are not the result of an exchange transaction, and are not expected to be repaid in the future, or the result of a direct financial return. Revenue is recognized in the period when events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(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.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(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:

- an environmental standard exists;
- contaminations exceed the environmental standard;
- the City owns the land; or is directly responsible; or accepts responsibility
- it is expected that future economic benefits will be given up; and
- 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) Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

Asset retirement obligations are initially measured at the later of the date of acquisition or legislative obligation. When a liability for an asset retirement obligation is recognized, the asset retirement costs are added to the carrying amount of the related tangible capital asset in productive use and are amortized over the estimated useful life of the related tangible capital assets. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed in the consolidated statement of operations.

When the future retirement date is unknown, the asset retirement obligations is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability. Subsequent to the initial measurement, the asset retirement obligation is adjusted to reflect the passage of time and is recognized as an accretion expense in the consolidated statement of operations.

These liabilities reflect the City's best estimate, as of December 31, 2024, of the amount required to retire tangible capital assets. Estimates are made by management using professional judgement, similar contractor costs, and third-party quotes, and are subsequently re-measured taking into account any new information and the appropriateness of assumptions used.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

1. Significant Accounting Policies (continued)

(h) Use of Estimates and Measurement Uncertainty

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, asset retirement obligations, liability of contaminated sites, useful lives of tangible capital assets, fair values of contributed tangible capital assets, and provisions made for allowances for doubtful receivable accounts.

In addition, developer contributions and offsite levies utilize forecasted development costs, staging and financing requirements.

(i) Changes in Accounting Policies - Prospective

PS 3400 Revenue

This standard provides guidance on how to account for and report on revenue. The standard provides a framework for recognizing, measuring and reporting revenues that arise from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

Effective January 1, 2024, the City adopted PS 3400 with respect to permit and license revenue. The City has applied this standard prospectively. Comparative results have not been restated. The changes to the City's financial statements from previous years are as follows:

1. The City has assessed permit and license cash received to determine if performance obligations have been completed or not. If performance obligations have been completed, revenue is recognized. If performance obligations have not been completed, the revenue is recorded to deferred revenue. Prior to January 1, 2024, revenue was recognized as cash was received.
2. The transition to PS 3400 has resulted in the following changes to the January 1, 2024 balances:
 - Decrease in revenue of \$1,396.
 - Increase in deferred revenue of \$1,396.

PSG-8 Purchased Intangibles

This standard provides guidance on accounting for and reporting on purchased intangible capital assets. It provides clarity on the recognition criteria, along with instances of assets that would not meet the definition of such.

Effective January 1, 2024, the City adopted PSG-8 with respect to purchased intangibles. The City has applied this standard prospectively. Comparative results have not been restated. The standard change has had no impact on the City's financial statements.

(continued)

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2024
(in thousands of dollars)

1. Significant Accounting Policies (continued)

(i) Changes in Accounting Policies - Prospective (continued)

PS 3160 Public Private Partnerships

This standard provides guidance on how to account for and report on partnerships between public and private sector entities. Specifically those in which the entity in the public sector procures infrastructure in conjunction with a private sector entity. In these scenarios the private sector entity must have obligations to design, build, acquire or improve existing infrastructure. Furthermore, they must also finance the transaction past the point in which the asset is initially ready for use along with operating and/or maintaining such on an ongoing basis.

Effective January 1, 2024, the City adopted PS 3160 with respect to public private partnerships. The City has applied this standard prospectively. Comparative results have not been restated. The standard change has had no impact on the City's financial statements.

(j) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2024, the City will continue to assess the impact and prepare for the adoption of this standard.

Standard	Name	Effective Date
PS 1202	Financial Statement Presentation	April 1 , 2026

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

2. Accounts Receivable

	<u>2024</u>	<u>2023</u>
Property Taxes		
Property Tax Receivable	\$ 1,977	\$ 1,843
Property Tax Receivable - Arrears	<u>477</u>	<u>589</u>
	<u>2,454</u>	<u>2,432</u>
Other		
Trade and other receivables	3,540	3,318
Debt recoverable - local improvements	2,483	2,789
Utility receivables	3,293	2,788
Developer contributions and levies	3,211	2,133
Finance contract receivables	914	1,335
Due from other governments	706	684
Goods and Services Tax recoverable	445	464
Interest receivables	467	346
Allowance for doubtful accounts	<u>(210)</u>	<u>(240)</u>
	<u>14,849</u>	<u>13,617</u>
	<u>\$ 17,303</u>	<u>\$ 16,049</u>

3. Debt Recoverable

	<u>2024</u>	<u>2023</u>
Meridian Housing Foundation	\$ <u>2,783</u>	\$ <u>-</u>

The City has borrowed and loaned funds to Meridian Housing Foundation in accordance with section 264 of the *Municipal Government Act*. The City passed Bylaw C-1316-24 on April 22, 2024 authorizing Council to lend \$2,871,850 to the Meridian Foundation for the construction of housing. The loan was advanced during 2024 and is repayable in 20 installments of \$216, including interest of 4.45%. The loan was financed by an equivalent borrowing from the Royal Bank of Canada (Note 12).

Principal and interest payments recoverable for each of the next five years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 91	\$ 125	\$ 216
2026	96	120	216
2027	101	116	217
2028	105	112	217
2029	110	106	216
Subsequent	<u>2,280</u>	<u>852</u>	<u>3,132</u>
	<u>\$ 2,783</u>	<u>\$ 1,431</u>	<u>\$ 4,214</u>

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

4. Investments

	<u>2024</u>	<u>2023</u>
Investments - Amortized Cost	\$ 24,037	\$ 17,231
Investments - Fair Value	<u>7,676</u>	<u>12,765</u>
	<u>\$ 31,713</u>	<u>\$ 29,996</u>

The composition of investments measure at amortized costs is as follows

	Amortized Cost <u>2024</u>	Market Value <u>2024</u>	Amortized Cost <u>2023</u>	Market Value <u>2023</u>
Bonds	\$ 22,973	\$ 22,022	\$ 16,738	\$ 15,418
GICs	1,035	1,035	466	466
Other	<u>29</u>	<u>29</u>	<u>27</u>	<u>27</u>
	<u>\$ 24,037</u>	<u>\$ 23,086</u>	<u>\$ 17,231</u>	<u>\$ 15,911</u>

Investments in bonds have effective interest rates of 1.28% to 3.78% (2023 - 1.29% to 3.55%) with maturity dates from March 2025 to August 2033. Other investments include a callable interest savings account with an effective rate of 3.80% (2023 - 5.55%).

The composition of investments measured at fair value is as follows

	<u>2024</u>			
	Level 1	Level 2	Level 3	Total
Principal Protected Notes	\$ -	\$ 7,676	\$ -	\$ 7,676

	<u>2023</u>			
	Level 1	Level 2	Level 3	Total
Principal Protected Notes	\$ -	\$ 12,765	\$ -	\$ 12,765

Fair Values are those derived from:

- Level 1: Fair value is based on quoted prices in active market.
- Level 2: Fair value is based on model based valuation methods for which all significant assumptions are observable in the market quoted prices similar but not identical assets.
- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation.

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

5. Land Held for Resale

The City holds interest in land in the amount of \$934 (2023 - \$2,196) representing the costs related to the Westwind land assembly and site servicing costs undertaken by the City to prepare an 18 acre industrial site owned by the City for future development. The City entered into an option agreement with the developer to dispose of the assembled land in parcels that was set to expire on March 21, 2025. In August 2022, the City entered into an amended agreement with the developer to purchase the Westwind lands for the development of an ice arena complex, public recreation and transit facilities along with related amenities.

In 2023 interest on long-term debt associated with the assembled land in the amount of \$NIL (2023 - \$15) was capitalized.

6. Operating Line of Credit

The City has access to an operating line of credit available for use, up to a maximum of \$5,000,000, bearing interest at prime + 0.00%, and is secured by the City at large. As at December 31, 2024, \$3,284 (2023 - \$NIL) was drawn against the operating line of credit.

7. Accounts Payable and Accrued Liabilities

	<u>2024</u>	<u>2023</u>
Trade and accrued liabilities	\$ 14,429	\$ 12,434
Wages and benefits	4,168	4,053
Holdbacks	2,587	4,051
Finance contract payable	3,596	3,596
Developer commitments	1,569	2,249
Deposits	3,083	2,214
Interest payable	64	29
	<u>\$ 29,496</u>	<u>\$ 28,626</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

8. Deferred Revenue

	<u>2023</u>	Amount Received and Receivable	Interest and Other	Amounts Recognized	<u>2024</u>
Developer Contributions					
Cash in Lieu of Municipal Reserve	\$ 2,329	\$ 146	\$ 108	\$ -	\$ 2,583
Neighborhood Parks	1,346	-	(65)	-	1,281
Administration	242	2	10	(110)	144
Land Acquisition	4	-	-	-	4
District and Regional Parks	-	390	-	(390)	-
	<u>3,921</u>	<u>538</u>	<u>53</u>	<u>(500)</u>	<u>4,012</u>
Developer Levies					
Water	-	414	-	(414)	-
Transportation	-	3,036	-	(3,036)	-
Recreation	30	1,141	-	(1,171)	-
Library	8	220	-	(228)	-
Sewer	-	834	-	(834)	-
	<u>38</u>	<u>5,645</u>	<u>-</u>	<u>(5,683)</u>	<u>-</u>
Developer Contributions and Levies	<u>3,959</u>	<u>6,183</u>	<u>53</u>	<u>(6,183)</u>	<u>4,012</u>
Government Transfers - Capital					
Municipal Sustainability Initiative	5,651	3,894	150	(8,177)	1,518
Canada Community Building Fund	687	-	26	(692)	21
Local Government Fiscal Framework	-	405	-	(405)	-
GreenTrip	34	-	-	(34)	-
Other Government Transfers	41	1,535	-	(1,576)	-
	<u>6,413</u>	<u>5,834</u>	<u>176</u>	<u>(10,884)</u>	<u>1,539</u>
Government Transfers - Operating					
Other Government Transfers	91	1,984	-	(1,944)	131
Family & Community Support Services	-	858	-	(858)	-
Local Government Fiscal Framework	-	519	-	(519)	-
RCMP Policing	-	701	-	(701)	-
	<u>91</u>	<u>4,062</u>	<u>-</u>	<u>(4,022)</u>	<u>131</u>
Total Government Transfers	<u>6,504</u>	<u>9,896</u>	<u>176</u>	<u>(14,906)</u>	<u>1,670</u>
Other Revenue					
Permits	-	1,395	-	-	1,395
User Fees	1,242	6,662	-	(6,645)	1,259
Property Taxes	403	13,389	-	(13,335)	457
Sponsorship	424	152	-	(447)	129
Cash in Lieu of Parking	188	-	10	-	198
Meridian Housing Foundation	-	91	-	-	91
	<u>2,257</u>	<u>21,689</u>	<u>10</u>	<u>(20,427)</u>	<u>3,529</u>
	<u>\$ 12,720</u>	<u>\$ 37,768</u>	<u>\$ 239</u>	<u>\$ (41,516)</u>	<u>\$ 9,211</u>

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

9. Liability for Contaminated Sites

	<u>2024</u>	<u>2023</u>
Pioneer Cemetery - salt impacted soil	\$ 855	\$ 899
Historic Public Works Yard - salt impacted soil	<u>42</u>	<u>72</u>
	<u>\$ 897</u>	<u>\$ 971</u>

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 the consolidated statement of operations and accumulated surplus.

The estimated undiscounted future remediation expenditures are \$897 and a discount rate of 5.45% (2023 - 6.95%) has been used. The Historic Public Works Yard (PW Yard) and Pioneer Cemetery contaminated sites have active Risk Management Plans (RMP). Both RMPs have demonstrated impacts are low risk to cause adverse environmental impact under current or potential future land use. The PW Yard RMP was approved by Alberta Environment and Protected Areas (AEPA) in 2022 and requires annual monitoring and reporting of groundwater, surface water, and soil vapour. The Pioneer Cemetery RMP was approved by AEPA in early 2025 and will require groundwater monitoring and reporting once every three years.

10. Asset Retirement Obligations

	<u>2024</u>	<u>2023</u>
Balance, Opening	\$ 531	\$ 506
Accretion	30	25
Liability settled	<u>(23)</u>	<u>-</u>
Balance, Closing	<u>\$ 538</u>	<u>\$ 531</u>

Tangible capital assets with associated retirement obligations include buildings and engineered structures.

The City has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the City to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the City to remove the materials when the asset retirement activities occur.

Asset retirement obligations of \$538 (2023 - \$531) are measured using a present value technique. The present value was calculated using estimated total undiscounted cash flow amounting to \$1,694 (2023 - \$1,694), a discount rate of 5.25% (2023 - 5.25%) with retirement and reclamation activities expected to be settled between 2034 and 2070.

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

11. Derivatives

The City has entered into interest rate swap agreement with financial institutions to manage volatility of interest rates. As at December 31, 2024, the City held contracts for settlement between June 2039 and June 2050, with a notional amounts ranging from \$670 to \$25,704 (2023 - \$698 to \$25,704). The fair value of outstanding contracts receivable is \$914 (2023 - \$1,135) and of contracts payable is \$3,596 (2023 - \$3,596).

12. Long-Term Debt

	<u>2024</u>	<u>2023</u>
Province of Alberta		
Protective Services Facility	\$ 3,936	\$ 4,308
Public Works Facility	3,735	3,933
Local Improvements	2,236	2,596
Industrial Watermain	1,790	1,885
Storm Upgrade	1,755	1,848
Library	-	173
Agrena	-	104
	<u>13,452</u>	14,847
CIBC		
Civic Centre	41,069	-
Development	9,902	10,893
RCMP Facility	6,490	6,933
Industrial Watermain	3,983	3,900
CIBC - City Centre ARP	2,240	2,360
	<u>63,684</u>	24,086
RBC		
Meridian Housing Foundation	<u>2,842</u>	-
Other		
Capital Lease Obligations	<u>289</u>	324
	<u>\$ 80,267</u>	<u>\$ 39,257</u>

The required repayments for the Province of Alberta debt and expected repayments for all other debt are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 4,747	\$ 3,200	\$ 7,947
2026	4,941	3,016	7,957
2027	4,872	2,831	7,703
2028	4,910	2,670	7,580
2029	4,951	2,450	7,401
Subsequent	<u>55,557</u>	<u>17,711</u>	<u>73,268</u>
	<u>\$ 79,978</u>	<u>\$ 31,878</u>	<u>\$ 111,856</u>

(continued)

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

12. Long-Term Debt (continued)

Debt Repayable to the Province of Alberta bears interest at rates ranging from 1.88% to 4.44% per annum (2023 - 1.88% to 4.44%) and matures in periods 2026 to 2040. This debt is issued on the credit and security of the City.

Infrastructure loan facilities with Canadian Imperial Bank of Canada have fixed terms of 15 to 25 years, effective interest rates ranging from 2.50% to 5.19% (2023 - 2.50% to 6.00%) and maturing in periods 2034 to 2050 and are repayable upon demand.

Debt repayable to the Royal Bank of Canada for the Meridian Housing Foundation has a fixed term of 20 years, maturing in 2044 with an effective interest rate of 4.45%.

Interest on long-term debt amounted to \$1,707 (2023 - \$1,133). The City's interest expense for the year is \$1,707 (2023 - \$1,118) while the remaining \$NIL (2023 - \$15) relates to Westwind lands and was capitalized as part of land held for resale during the year. The City's total cash payment for interest in 2024 is \$1,628 (2023 - \$1,132).

Capital lease obligations are included in the long-term debt balances. The City has entered into lease agreements to acquire printers and solar panels which have been financed by a capital lease with Meridian OneCap and Enmax Generation respectively. The liability recorded under the capital leases represents the minimum lease payments payable net of imputed interest at an average rates ranging from 3.00% to 5.75% per annum.

The City's obligation under capital leases consists of :

	<u>2024</u>	<u>2023</u>
Minimum lease payments payable	\$ 337	\$ 381
Less: Portion representing interest to be recorded over the remaining term of the lease	<u>(48)</u>	<u>(57)</u>
Total Leases	289	324
Less: current portion	<u>(24)</u>	<u>(62)</u>
Long-term portion	\$ 265	\$ 262

Future minimum annual lease payments payable under the capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 24	\$ 8	\$ 32
2026	25	8	33
2027	26	7	33
2028	26	6	32
2029	27	5	32
Subsequent	<u>161</u>	<u>14</u>	<u>175</u>
	<u>\$ 289</u>	<u>\$ 48</u>	<u>\$ 337</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

13. Debt Limits

Section 276 (2) of the *Municipal Government Act* requires that debt and debt limits are defined by the Alberta Regulation 255/200 for the City be disclosed as follows:

	<u>2024</u>	<u>2023</u>
Total Debt Limit		
(1.5 times revenue, as defined in the regulation)	\$ 185,342	\$ 161,852
Total Debt	<u>(80,267)</u>	<u>(39,257)</u>
Amount of Debt Limit Unused	<u>\$ 105,075</u>	<u>\$ 122,595</u>
Debt Servicing Limit		
(0.25 times revenue, as defined in the regulation)	\$ 30,890	\$ 26,975
Debt Servicing	<u>(7,979)</u>	<u>(4,154)</u>
Amount of Debt Servicing Limit Unused	<u>\$ 22,911</u>	<u>\$ 22,821</u>

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. The City has a financial policy that requires maintaining debt to a maximum of 50.00% of the above provincial debt limit. As of December 31, 2024 the City is in compliance with this internal debt limit.

14. Accumulated Surplus

		<u>2024</u>	<u>2023</u>
Reserves	Note 15	\$ 37,677	\$ 34,794
Unrestricted		9,375	3,403
Spruce Grove Public Library		(1,004)	(812)
TransAlta Tri Leisure Centre		(1,016)	(1,208)
Developer Deficit	Note 16	<u>(9,776)</u>	<u>(14,171)</u>
		35,256	22,006
Equity in Tangible Capital Assets	Note 17	<u>616,304</u>	597,122
Accumulated Surplus from Operations		651,560	619,128
Accumulated Remeasurement Loss		<u>(2,884)</u>	<u>(2,614)</u>
		<u>\$ 648,676</u>	<u>\$ 616,514</u>

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

15. Reserves

	<u>2024</u>	<u>2023</u>
Municipal Lifecycle Reserves	\$ 10,200	\$ 10,216
Specific Purposes Reserves	9,962	8,498
Utility Reserves	8,344	7,498
Project Reserves	5,697	6,554
Stabilization and Contingency Reserves	<u>3,474</u>	<u>2,028</u>
	<u>\$ 37,677</u>	<u>\$ 34,794</u>

16. Developer Deficit

	<u>2023</u>	<u>Funds Received</u>	<u>Funds Utilized</u>	<u>2024</u>
Sanitary Sewer	\$ (7,155)	\$ 834	\$ (176)	\$ (6,497)
Transportation	(4,184)	3,036	(1,241)	(2,389)
District and Regional Parks	(1,715)	390	(42)	(1,367)
Water	(1,117)	414	(117)	(820)
Library	-	228	(31)	197
Recreation	<u>-</u>	<u>1,171</u>	<u>(71)</u>	<u>1,100</u>
	<u>\$ (14,171)</u>	<u>\$ 6,073</u>	<u>\$ (1,678)</u>	<u>\$ (9,776)</u>

The City paid 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 the future offsite levies. Long-term debt in the amount of \$25,267 (2023 - \$10,893) was taken out by the City as offsite developer fund balances are currently insufficient to pay for future development's share of these project costs.

17. Equity in Tangible Capital Assets

Equity in tangible capital assets is comprised of the following:

	<u>2024</u>	<u>2023</u>
Net book value of tangible capital assets	\$ 691,790	\$ 634,127
Debt recoverable related to tangible capital assets	2,478	2,783
Asset retirement obligations	(538)	(531)
Long term debt related to tangible capital assets	<u>(77,426)</u>	<u>(39,257)</u>
	<u>\$ 616,304</u>	<u>\$ 597,122</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

18. 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. Allocation methodologies are employed in the preparation of the segmented financial information. User charges and other revenue have been allocated to the segment based upon the segment that generated that revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges and developer levies are allocated to the segment for which the transfer was made. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

(a) General Government

General Government is comprised of Council and General Administration. Council makes decisions regarding delivery and service levels on behalf of the City in order to balance the needs and wants of City residents in a financially responsible manner. General Administration is responsible for the administration of the City as a whole.

(b) Protective Services

Protective Services is comprised of Safe City - Enforcement Services, Police and Fire. Safe City - Enforcement Services provides enforcement in the areas of Provincial Acts and Municipal Bylaws; developing proactive educational safe city programs; and management of the Automated Traffic Enforcement contract. Fire is responsible to provide fire suppression services; fire prevention programs; training and education related to prevention; detection or extinguishment of fires; and advanced life support to Alberta Health Services 24/7.

(c) Transportation Services

Transportation and Roadway Services is comprised of the Engineering Services and the Public Works departments. They are responsible for the planning, development and maintenance of roadway systems.

(d) Utilities

The City is responsible for environmental programs such as the engineering, operation and maintenance of Water, Sanitary Sewer and Stormwater networks and facilities and Solid Waste Management.

(e) Community Services

Community Services provides recreational and cultural services, activities which promote the health and wellbeing of its citizens, and activities related to parks and cemetery maintenance and operation.

(f) Development Services

Development Services is comprised of Planning and Development Services and Economic Development. Planning and Development Service manages long term planning, current planning and subdivision, development permits and safety code disciplines. Economic Development is responsible for facilitating programs and services intended to help local businesses prosper and grow, and attract new business and investment in the City.

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

19. 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**

	<u>2024</u> <u>Salaries /</u> <u>Contract</u> ^{1,2}	<u>2024</u> <u>Benefits</u> ³	<u>2023</u> <u>Salaries /</u> <u>Contract</u> ^{1,2}	<u>2023</u> <u>Benefits</u> ³
Mayor Acker	\$ 121,656	\$ 19,691	\$ 118,801	\$ 18,672
Councillor Carter	70,076	15,418	68,107	14,582
Councillor Gillett	66,797	15,334	69,529	14,606
Councillor Houston	72,100	10,828	67,263	14,459
Councillor MacDonald	64,812	12,694	60,122	11,751
Councillor Oldham	67,960	15,404	62,484	14,228
Councillor Stevenson	<u>66,067</u>	<u>12,237</u>	<u>67,461</u>	<u>11,823</u>
	529,468	101,606	513,767	100,121
City Manager	283,155	50,530	260,581	48,697
Designated Officer ⁴	<u>340,896</u>	<u>-</u>	<u>314,580</u>	<u>-</u>
	<u>\$ 1,153,519</u>	<u>\$ 152,136</u>	<u>\$ 1,088,928</u>	<u>\$ 148,818</u>

- (1) 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 and death and dismemberment insurance, dependent life insurance, a home office expense allowance, car allowance, and WCB coverage.
- (2) Contract include remuneration paid to third parties for services performed.
- (3) 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 contributions of up to 4.00% of their annual salary.
- (4) Designated officers include the City's third-party assessor.

Councillors also serve on a number of external Committees/Boards for which they receive remuneration directly from those organizations and which are not included in the above Salary and Benefits Disclosure.

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

20. Local Authorities Pension Plan

Employees of the City participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The City is required to make current service contributions to LAPP of 8.45% (2023 - 8.45%) of eligible pensionable earnings up to the year's maximum pensionable earnings (YMPE) and 11.65% (2023 - 12.23%) on pensionable earning above this amount. Employees are required to make current service contributions of 7.45% (2023 - 7.45%) of pensionable salary up to the YMPE and 10.65% (2023 - 11.23%) of 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 made by the City to LAPP in 2024 were \$2,812 (2023 - \$2,634). Total current service contributions made by the employees of the City to LAPP in 2024 were \$2,514 (2023 - \$2,359). Total optional service contributions by the City to LAPP in 2024 were \$30 (2023 - \$46).

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, 2024, the City's potential liability for optional service buy-back is \$33 (2023 - \$35).

At December 31, 2023, LAPP disclosed an actuarial surplus of \$15 billion (2022 - \$13 billion).

21. APEX Supplementary Pension Plan

The APEX supplementary pension plan, and 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 173 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 2.42% and 2.96% respectively of pensionable earnings up to \$181 (2023 - \$175).

Total current contributions by the City to APEX in 2024 were 443 (2023 - \$409). Total current service contributions by the employees of the City in 2024 were \$362 (2023 - \$335).

22. Related Parties

Transactions with related parties are included within these consolidated financial statements.

Related parties include key management personnel which the City has determined to include the Mayor, Council and members of the City's senior leadership team. In the normal course of operations, key management personnel incur various costs on behalf of the City. Such transactions between the City and key management personnel are recorded at a value similar to that which would have been arrived at if the parties were unrelated.

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

23. TransAlta Tri Leisure Centre

The City, Parkland County and the Town of Stony Plain jointly developed, constructed, and are now operating the TransAlta Tri Leisure Centre (TLC). The building is jointly owned by the City, Parkland County and the Town of Stony Plain. The City's proportionate share of the building is 51.80% (2023 - 51.80%).

The Tri-Municipal Leisure Facility Corporation (the "Corporation") operates and manages the TLC. The City, Parkland County and Town of Stony Plain provide annual contributions for a total of \$3,251 (2023 - \$2,945) to support the operations of the TLC, with the City's proportionate share being 51.80% (2023 - 51.80%).

The City's proportionate share 51.80% of the financial position and operations of the TLC is as follows:

	<u>2024</u>	<u>2023</u>
Financial Position		
Total Financial Assets	\$ 1,327	\$ 917
Liabilities	<u>(670)</u>	<u>(691)</u>
Net Financial Assets	657	226
Non-Financial Assets	<u>870</u>	<u>973</u>
Accumulated Surplus	\$ 1,527	\$ 1,199
Operations		
Revenues	\$ 3,585	\$ 3,331
Expenses	<u>(5,016)</u>	<u>(4,777)</u>
Annual Deficits	\$ (1,431)	\$ (1,446)

24. Developer Agreements

Developers have entered into agreements with the City 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 \$24,075 to secure the performance by the developers under the agreements.

25. Contractual Rights

The Contractual rights are rights of the City to economic resources from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

25. Contractual Rights (continued)

The City's ongoing leases and contracts that will be received or receivable for each of the next five years and thereafter are as follows:

<u>Year</u>	<u>Lease and Contracts</u>
2025	\$ 1,212
2026	1,263
2027	1,249
2028	1,247
2029	1,182
Thereafter	<u>8,931</u>
	<u>\$ 15,084</u>

26. Contractual Obligations

As at December 31, 2024, authorized costs for capital projects and transfers committed through a purchase order or other contractual agreement, but not yet expended, amounts to \$16,906.

The City has ongoing operating leases for facilities, as well as service agreements. The future minimum payments are as follows:

<u>Year</u>	<u>Basic Rent</u>
2025	\$ 159
2026	159
2027	159
2028	136
2029	103
Thereafter	<u>1,026</u>
	<u>\$ 1,742</u>

27. Contingent Liabilities

The City is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of 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.

The City is defendant in various lawsuits as at December 31, 2024. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of the loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded.

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2024

(in thousands of dollars)

28. Financial Risk Management

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty, debtor or issuer to fully honour its financial obligations with the City. The City is exposed to credit risk on investments and has established an investment policy in compliance with the MGA to limit investments with required minimum credit quality standards. The City's exposure, based on the risk rating of money market holdings and bonds, has not changed significantly year over year.

Credit risk arises from the possibility that tax payers 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. Management has established a provision for receivables and assesses it annually to address any concerns that may arise.

The maximum amount of credit risk exposure is equal to the carrying value of the balances recorded in these consolidated financial statements.

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities

Market risk comprises three types of risk: currency rate risk, interest rate risk, and other price risk. The City is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the City's earnings will be affected by the fluctuation and degree of volatility in interest rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments.

The City is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities. The City manages exposure through its normal operating and financing activities. The City uses interest rate swap agreements to manage its interest rate exposure. The City specifically designates these agreements as hedges of debt instruments and recognizes interest differentials as adjustments to interest expense in the period the differentials occur. Under interest rate swap agreements, the City agrees with other parties to exchange, at specific intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed-upon notional principal amount. The fair value of the interest rate swap agreements is estimated using quotes from counterparties and represents the cash requirement if the existing agreements had been settled at year end.

Liquidity Risk

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with its financial liabilities.

The City has a revolving credit facility with RBC for \$5 million that bears interest at prime. The City has drawn \$3,284 as of December 31, 2024. The City believes, based on assessment of future cash flows, it will have access to sufficient capital through internally generated cash flows, external resources and the remaining undrawn credit facility to meet current spending forecasts. Management continues to monitor the City's liquidity position on a regular basis.

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2024

(in thousands of dollars)

29. Franchise Agreements

Disclosure of utility franchise agreement annual revenues as required by Alberta Regulation 313/2000 is as follows:

	<u>2024</u>	<u>2023</u>
Fortis Alberta Inc.	\$ 5,091	\$ 4,564
ATCO Gas	<u>3,522</u>	<u>3,174</u>
	<u>\$ 8,613</u>	<u>\$ 7,738</u>

30. Budget

City Council approved the 2024 - 2026 Corporate Plan on December 4, 2023 which formally approved the interim budget for operating revenue and expenses and capital revenue and expenditures for 2024. The operating budget information presented in these consolidated financial statements is based on the final operating budget for revenues and expenses approved by the Council as part of the 2024 Spring Budget Adjustment process on May 13, 2024. The capital budget presented in these consolidated statements is based on the final capital budget for revenues and expenditures approved by Council on December 4, 2023.

31. Approval of the City of Spruce Grove Financial Statements

Council and Management have approved these consolidated financial statements on April 14, 2025.