



Consolidated Financial Statements of

The City of Spruce Grove

For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of the City of Spruce Grove

Opinion

We have audited the consolidated financial statements of the City of Spruce Grove (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Edmonton, Canada
April 27, 2020

MANAGEMENT'S REPORT

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 judgments of management. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

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

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

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

Louise Frostad, CPA, CMA

Chief Financial Officer

Simon Farbrother

City Manager

April 27, 2020

Spruce Grove, Canada

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019
(in thousands of dollars)

	2019	2018 (Note 25)
Financial Assets		
Cash and Cash Equivalents (Note 2)	\$ 8,539	\$ 4,077
Accounts Receivable (Note 3)	17,099	30,157
Investments (Note 4)	32,470	37,514
Land Held for Resale (Note 5)	1,746	1,746
	59,854	73,494
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	13,769	16,942
Deferred Revenue (Note 7)	31,579	40,356
Liability for Contaminated Sites (Note 8)	1,300	4,180
Long-Term Debt (Note 9)	42,122	38,464
	88,770	99,942
Net Debt	(28,916)	(26,448)
Non-Financial Assets		
Inventory and Prepaid Expenses	1,082	1,097
Tangible Capital Assets (Note 11)	543,773	518,609
	544,855	519,706
Accumulated Surplus (Note 12)	\$ 515,939	\$ 493,258

Subsequent Event (Note 27)

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

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2019
(in thousands of dollars)

	2019 Budget (Note 26)	2019 Actual	2018 Actual (Note 25)
Revenue			
Property Taxes (Schedule 1)	\$ 40,448	\$ 40,372	\$ 37,961
Sales and User Fees	26,049	24,183	23,996
Sales to Other Governments	2,662	2,667	2,665
Franchise Fees	5,709	5,443	4,578
Fines	4,782	3,484	3,939
Government Transfers - Operating (Schedule 2)	3,263	3,440	3,530
Licenses and Permits	2,225	1,609	1,736
Rentals	2,112	2,311	2,091
Penalties	833	970	868
Other	908	1,592	1,197
Investment Income	222	506	115
Local Improvement Levies	-	-	6
	89,213	86,577	82,682
Expenses (Schedule 3)			
General Government	13,995	11,644	12,972
Protective Services	18,157	17,981	16,031
Transportation and Roadway Services	30,692	29,268	28,237
Utilities	21,310	18,896	17,664
Community Services	13,959	13,623	14,404
Development Services	3,540	3,199	3,558
	101,653	94,611	92,866
Annual Deficit before the Undernoted	(12,440)	(8,034)	(10,184)
Loss on Disposal and Transfers of Tangible Capital Assets (Note 11)	-	(2,788)	(106)
Government Transfers - Capital (Schedule 2)	22,824	19,948	5,554
Contributed Tangible Capital Assets	13,795	11,581	9,651
Developer Contribution and Levies	5,735	1,974	905
	42,354	30,715	16,004
Annual Surplus	29,914	22,681	5,820
Accumulated Surplus, Opening	493,258	493,258	487,438
Accumulated Surplus, Closing	\$ 523,172	\$ 515,939	\$ 493,258

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

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
For the Year Ended December 31, 2019
(in thousands of dollars)

	2019 Budget (Note 26)	2019 Actual	2018 Actual (Note 25)
Annual surplus	\$ 29,914	\$ 22,681	\$ 5,820
Change in Inventory and Prepaid Expenses	(61)	15	(306)
Tangible Capital Assets			
Contributed	(13,795)	(11,581)	(9,651)
Purchased	(46,316)	(33,858)	(29,846)
Proceeds on Disposal	-	463	205
Loss on Disposal and Transfers	-	2,788	106
Amortization	16,074	17,024	15,450
	(44,037)	(25,164)	(23,736)
Change in Net Debt	(14,184)	(2,468)	(18,222)
Net Debt, Opening	(26,448)	(26,448)	(8,226)
Net Debt, Closing	\$ (40,632)	\$ (28,916)	\$ (26,448)

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

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(in thousands of dollars)

	2019	2018 (Note 25)
Cash Provided by (Used For):		
Operating Activities		
Annual Surplus	\$ 22,681	\$ 5,820
Items not involving cash:		
Amortization	17,024	15,450
Loss on Disposal and Transfers of Tangible Capital Assets	2,788	106
Contributed Tangible Capital Assets	(11,581)	(9,651)
Change in non-cash working capital balances:		
Decrease (Increase) in Accounts Receivable	13,058	(11,315)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(3,173)	2,350
(Decrease) Increase in Deferred Revenue	(8,777)	17,354
Decrease in Liability for Contaminated Sites	(2,880)	-
Decrease (Increase) in Inventory and Prepaid Expenses	15	(306)
	29,155	19,808
Capital Activities		
Purchased Tangible Capital Assets	(33,858)	(29,846)
Proceeds on Disposal of Tangible Capital Assets	463	205
	(33,395)	(29,641)
Investing Activities		
Purchased Investments	(34,276)	(23,395)
Proceeds on Disposal of Investments	39,320	17,716
	5,044	(5,679)
Financing Activities		
Long-term Debt Issued	5,600	15,129
Long-term Debt Repaid	(1,942)	(1,198)
	3,658	13,931
Increase (Decrease) in Cash and Cash Equivalents	4,462	(1,581)
Cash and Cash Equivalents, Opening	4,077	5,658
Cash and Cash Equivalents, Closing	\$ 8,539	\$ 4,077

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

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

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

1. Significant Accounting Policies

The consolidated financial statements of the City of Spruce Grove are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies adopted by the City are as follows:

a. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations which are owned or controlled by the City, and are, therefore, accountable for the administration of their financial affairs and resources.

The reporting entity includes all divisions and departments that comprise City operations, the City of Spruce Grove Library Board 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. Financial Assets

i. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash equivalents that are highly liquid. Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

ii. Investments

Investments are recorded at amortized cost. Should there be a loss in value that is not considered temporary, the respective investment is written down to recognize the loss.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the deferred revenue balance.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(in thousands of dollars)

1. Significant Accounting Policies (continued)

b. Financial Assets (continued)

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, sales commission and interest. Interest is capitalized whenever external debt is issued to finance the acquisition of land held for resale. Repayments of interest from third parties reduces the amount of capitalized interest.

c. Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital assets. The cost, less residual value of tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful life as follows:

Asset	Useful Life in Years
Engineered Structures	20 - 75
Machinery & 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.

ii. 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.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

1. Significant Accounting Policies (continued)

c. Non-Financial Assets (continued)

iv. 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.

v. Inventory

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

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 period 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.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

1. Significant Accounting Policies (continued)

d. Revenue Recognition (continued)

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.

f. Liability for Contaminated Sites

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

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

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

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

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(in thousands of dollars)

1. Significant Accounting Policies (continued)

g. Use of Estimates

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

Estimates have been used to determine provisions for accrued liabilities, liability for contaminated sites, useful lives of tangible capital assets, 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.

h. Changes in Accounting Policies

The City has prospectively adopted PS 3430, Restructuring Transactions effective January 1, 2019. The adoption of this standard has not resulted in any measurement or disclosure changes in the consolidated financial statements.

i. Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. In 2020, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translation (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

Standard	Name	Effective Date
PS1201	Financial Statement Presentation	April 1, 2021
PS3450	Financial Instruments	April 1, 2021
PS2601	Foreign Currency Translation	April 1, 2021
PS3041	Portfolio Investments	April 1, 2021
PS3280	Asset Retirement Obligations	April 1, 2021
PS3400	Revenue	April 1, 2022

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

2. Cash and Cash Equivalents

	2019	2018
Cash	\$ 4,783	\$ 4,037
Cash Equivalents	3,756	40
	\$ 8,539	\$ 4,077

Cash equivalents include investments that have an effective interest rate of 2.40% (2018 - 2.05%) that mature in less than 3 months.

3. Accounts Receivable

	2019	2018
Property Taxes		
Current Taxes and Grants in Place of Taxes	\$ 2,247	\$ 1,859
Arrears	490	618
	2,737	2,477
Other		
Government Transfers	4,174	14,769
Local Improvements	3,991	4,271
Trade and Other	3,215	3,623
Utility	2,194	2,059
Developer Contributions and Levies	588	2,210
Goods and Services Tax	251	684
Interest Receivable	223	294
Allowance for Doubtful Accounts	(274)	(230)
	14,362	27,680
	\$ 17,099	\$ 30,157

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(in thousands of dollars)

4. Investments

	Amortized Cost 2019	Market Value 2019	Amortized Cost 2018	Market Value 2018
Bonds	\$ 13,026	\$ 13,134	\$ 12,662	\$ 12,419
GICs	1,190	1,190	13,293	13,313
Notes	6,335	6,377	6,267	5,933
Other	11,919	11,919	5,292	5,301
	\$ 32,470	\$ 32,620	\$ 37,514	\$ 36,966

Investments in bonds have effective interest rates of 2.35% to 3.29% with maturity dates from February 2020 to April 2029. Investments in guaranteed investment certificates (GICs) have effective interest rates ranging from 1.50% to 1.91% and with maturity dates from February 2020 to May 2020.

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 60 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 as of August 2029. The City also has an investment in a low volatility index deposit note earning returns based on the CDN Equity Index with a maturity date of August 2022.

Other investments include a 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 investment is a high interest notice account, which is currently paying 1.20% and requires 31 days' notice to redeem. There is also an investment in a High Interest Savings Account ("HISA") with CIBC which is currently paying 2.40% and requires no notice to redeem.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

5. Land Held for Resale

The City hold an interest in lands in the amount of \$1,746 (2018 - \$1,746) representing the costs related to the Westwind land assembly undertaken by the City. The City has entered into an option agreement with the developer to dispose of the assembled land in parcels. That agreement is set to expire on March 21, 2020. The developer and the City are currently in the process of exchanging letters of understanding extending the deadline to November 2020 in order to allow for further negotiation of a longer term.

During the year, interest on long-term debt in the amount of \$18 (2018 - \$17) was capitalized and subsequently reimbursed by the developer.

6. Accounts Payable and Accrued Liabilities

	2019	2018
Trade and Accrued Liabilities	\$ 6,256	\$ 7,986
Wages and Benefits	3,107	2,764
Holdbacks	2,403	3,456
Deposits	1,226	1,081
Developer Commitments	729	1,601
Debenture Interest	48	54
	<u>\$ 13,769</u>	<u>\$ 16,942</u>

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(in thousands of dollars)

7. Deferred Revenue

	2018	Amount Received and Receivable	Interest and Other	Amounts Recognized	2019
Developer Contributions					
Administration	\$ 86	\$ 2	\$ 2	\$ -	\$ 90
Neighborhood Parks	970	11	19	173	827
Municipal Reserve	186	-	4	-	190
Parks - South	1,659	-	40	-	1,699
Regional Parks	-	11	-	11	-
Cash in Lieu of Parking	103	-	2	-	105
Downtown Redevelopment	3	-	-	-	3
	3,007	24	67	184	2,914
Developer Offsite Levies					
Water	225	1,014	-	1,239	-
Transportation	-	69	-	69	-
Sewer	-	482	-	482	-
	225	1,565	-	1,790	-
Developer Contributions and Offsite Levies	3,232	1,589	67	1,974	2,914
Government Transfers - Capital					
Gas Tax Fund	2,072	4,042	26	2,946	3,194
Other	1,318	1,347	23	2,549	139
Sustainability	31,763	5,255	642	14,453	23,207
	35,153	10,644	691	19,948	26,540
Government Transfers - Operating					
Policing	25	701	-	701	25
Social	-	821	-	821	-
Sustainability	-	239	-	239	-
Other	145	1,651	1	1,679	118
	170	3,412	1	3,440	143
Other Revenue					
Sponsorships	691	567	-	525	733
Property Taxes	189	9,836	-	9,561	464
User Fees	921	5,758	-	5,894	785
	1,801	16,161	-	15,980	1,982
	\$ 40,356	\$ 31,806	\$ 759	\$ 41,342	\$ 31,579

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

8. Liability for Contaminated Sites

	2019	2018
Historic Public Works Yard - salt impacted soil	\$ 200	\$ 2,480
Pioneer Cemetery - salt impacted soil	1,100	1,100
Historic Nuisance Grounds - site closure and post closure	-	600
	\$ 1,300	\$ 4,180

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.

There was a reduction in the estimate that resulted in a \$1,878 decrease to the liability which is reflected as a reduction in the general government expenses in the consolidated statement of operations and accumulated surplus, finance department in schedule 3 and contracted and general services in the segmented disclosure note 14.

The estimated undiscounted future remediation expenditures is \$1,300 and a discount rate of 3.00% (2018 - 3.00%) has been used. The City plans to remediate the sites over a 4-year period with an expected completion date of December 31, 2023 (2018 - December 31, 2023).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(in thousands of dollars)

9. Long-Term Debt

	2019	2018
Alberta Capital Finance Authority		
Agrena	\$ 855	\$ 1,023
Library	801	943
Local Improvements	3,941	4,255
Public Works Facility	4,650	4,813
Storm Upgrades	2,200	-
TransAlta Tri Leisure Centre	601	858
Protective Services Facility	5,683	6,000
	18,731	17,892
CIBC		
Development Facility	14,049	12,250
RCMP Facility	8,703	7,650
	22,752	19,900
Other		
Other	187	220
Westwind Land Assembly	452	452
	639	672
	\$ 42,122	\$ 38,464

The required repayments for the Alberta Capital Finance Authority debt and expected repayments for all other debt are as follows:

	Principal	Interest	Total
2020	\$ 3,401	\$ 1,120	\$ 4,521
2021	3,011	998	4,009
2022	2,810	904	3,714
2023	2,810	825	3,635
2024	2,706	751	3,457
Subsequent	27,384	4,278	31,662
	\$ 42,122	\$ 8,876	\$ 50,998

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.68% to 6.38% per annum and matures in periods 2021 to 2039. Debenture debt is issued on the credit and security of the City.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

(in thousands of dollars)

9. Long-Term Debt (continued)

In 2019, the City converted the infrastructure loan facility with Canadian Imperial Bank of Canada ("CIBC") that was used to provide funds for new development transportation and water infrastructure projects, into a fixed term loan with CIBC with an effective interest rate of 2.50% and matures May 2034.

In 2019, the City converted the second infrastructure loan facility with CIBC that was used to provide funds to pay for its share of the costs to build a new RCMP facility with the Town of Stony Plain into a fixed term loan with CIBC with an effective interest rate of 2.59% and matures in July 2039.

In 2010, the City borrowed \$8.9 million from Pacific Western Bank of Canada (now Versabank) to finance the purchase of the Westwind Lands. This loan bears interest at prime plus 0.9%. The terms of this loan are interest only payments for 10 years, with principal payments due when land is sold and not later than March 2020. The interest only payments were extended five years as authorized by Council on March 9, 2020. The City has entered into an agreement with a developer to reimburse any interest incurred on this loan.

The City has an existing revolving demand facility with CIBC for \$5 million. The City does not have an outstanding balance as of December 31, 2019.

Interest on long-term debt amounted to \$1,283 (2018 - \$915). The City's interest expense for the year is \$1,265 (2018 - \$898) while the remaining \$18 (2018 - \$17) 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 2019 is \$1,294 (2018 - \$951).

10. Debt Limits

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

	2019	2018
Total Debt Limit		
(1.5 times revenue, as defined in the regulation)	\$ 128,643	\$ 125,224
Total Debt	(42,122)	(38,464)
Amount of Debt Limit Unused	86,521	86,760
Debt Servicing Limit		
(0.25 times revenue, as defined in the regulation)	21,440	20,871
Debt Servicing	(4,521)	(3,248)
Amount of Debt Servicing Limit Unused	\$ 16,919	\$ 17,623

Revenue as defined in Alberta Regulation 255/2000 is calculated using the total revenue for the reporting year less capital government transfers and contributed tangible capital assets recognized in the year.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

(in thousands of dollars)

11. Tangible Capital Assets

2019	Land	Land Improvements	Leasehold Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	2019
Cost									
Balance, Opening	\$ 156,227	\$ 24,348	\$ 872	\$ 66,675	\$ 391,911	\$ 24,771	\$ 8,917	\$ 22,621	\$ 696,342
Acquired	700	1,011	1	12,504	12,150	2,787	2,052	2,653	33,858
Contributed	2,227	219	-	-	9,061	74	-	-	11,581
Disposals and Transfers	(2,428)	-	-	-	(1,251)	(1,068)	(188)	-	(4,935)
Transfers	-	327	132	21,481	102	-	494	(22,536)	-
Balance, Closing	156,726	25,905	1,005	100,660	411,973	26,564	11,275	2,738	736,846
Accumulated Amortization									
Balance, Opening	-	9,648	872	15,714	134,851	13,424	3,224	-	177,733
Amortization	-	1,231	11	2,150	10,770	2,157	705	-	17,024
Disposals and Transfers	-	-	-	-	(787)	(733)	(164)	-	(1,684)
Balance, Closing	-	10,879	883	17,864	144,834	14,848	3,765	-	193,073
Net Book Value, Closing	\$ 156,726	\$ 15,026	\$ 122	\$ 82,796	\$ 267,139	\$ 11,716	\$ 7,510	\$ 2,738	\$ 543,773

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

(in thousands of dollars)

11. Tangible Capital Assets (continued)

2018	Land	Land Improvements	Leasehold Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	2018
Cost									
Balance, Opening	\$ 153,434	\$ 23,789	\$ 872	\$ 66,675	\$ 366,422	\$ 24,540	\$ 8,854	\$ 14,973	\$ 659,559
Acquired	76	482	-	-	10,045	2,217	335	16,691	29,846
Contributed	2,717	112	-	-	6,761	61	-	-	9,651
Disposals and Transfers	-	(35)	-	-	(360)	(2,047)	(272)	-	(2,714)
Transfers	-	-	-	-	9,043	-	-	(9,043)	-
Balance, Closing	156,227	24,348	872	66,675	391,911	24,771	8,917	22,621	696,342
Accumulated Amortization									
Balance, Opening	-	8,307	872	14,243	125,217	13,136	2,911	-	164,686
Amortization	-	1,377	-	1,471	9,941	2,084	577	-	15,450
Disposals and Transfers	-	(36)	-	-	(307)	(1,796)	(264)	-	(2,403)
Balance, Closing	-	9,648	872	15,714	134,851	13,424	3,224	-	177,733
Net Book Value, Closing	\$ 156,227	\$ 14,700	\$ -	\$ 50,961	\$ 257,060	\$ 11,347	\$ 5,693	\$ 22,621	\$ 518,609

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

11. Tangible Capital Assets (continued)

a. Construction in Progress

Construction in progress having a value of \$2,738 (2018 - \$22,621) has not been amortized. Amortization of these assets will commence when the assets are put into service.

b. Contributed Tangible Capital Assets

Contributed tangible capital assets have been recognized at fair value at the date of contribution. Contributed tangible capital assets consisting of land, land improvements, roads, stormwater, water and wastewater infrastructure received during the year have a value of \$11,581 (2018 - \$9,651).

c. Disposal and Transfers of Tangible Capital Assets

In 2019, loss on disposal and transfers of tangible capital assets on the consolidated statement of operations and accumulated surplus includes \$2,400 related to three parcels of land that were classified as school reserve and were subsequently transferred to Parkland School Division.

d. Cultural and Historical Tangible Capital Assets

The City owns original artworks that are on permanent display at City Center. The artworks were purchased by the City and have significant cultural and historical value in perpetuity.

12. Accumulated Surplus

	Budget (Note 26)	2019	2018
Municipal	\$ 13,252	\$ 21,069	\$ 16,954
Utility	1,353	7,778	8,792
Developer (Note 13)	(14,116)	(15,011)	(13,084)
	489	13,836	12,662
Investment in Tangible Capital Assets	522,683	502,103	480,596
	\$ 523,172	\$ 515,939	\$ 493,258

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

13. Developer Deficit

	2018	Transfer In	Transfer Out	Other Adjustments	2019
Transportation	\$ (3,400)	\$ 69	\$ (2,825)	\$ 1,383	\$ (4,773)
Sewer	(7,380)	482	(456)	(188)	(7,542)
Water	-	1,239	(1,435)	(149)	(345)
Regional Parks	(2,304)	11	-	(58)	(2,351)
Neighborhood Parks	-	173	(173)	-	-
	<u>\$ (13,084)</u>	<u>\$ 1,974</u>	<u>\$ (4,889)</u>	<u>\$ 988</u>	<u>\$ (15,011)</u>

Other adjustments include long-term debt issued to fund transportation and water infrastructure projects, as well as associated interest and principal payments. It also includes adjustments made to appropriately present receipts, expenditures and interest charges in the City's offsite levy fund balances.

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 future developer levies. Long-term debt in the amount of \$14,049 (2018 - \$12,250) was taken out by the City as offsite levy fund balances are currently insufficient to pay for future development's share of these project costs.

14. 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 municipality 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 municipality as a whole.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

14. Segmented Disclosure (continued)

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 and Roadway 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, Wastewater 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 well being 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, 2019
(in thousands of dollars)

14. Segmented Disclosure (continued)

2019	General Governmen t	Protective Services	Transportation & Roadway Services	Utilities	Community Services	Development Services	Total	Budget (Note 26)
Revenue								
Property Taxes	\$ 40,063	\$ -	\$ -	\$ -	\$ 309	\$ -	\$ 40,372	40,448
Sales and User Fees	135	1,071	777	19,821	2,295	84	24,183	26,049
Sales to Other Governments	-	2,667	-	-	-	-	2,667	2,662
Franchise Fees	5,443	-	-	-	-	-	5,443	5,709
Fines	-	3,484	-	-	-	-	3,484	4,782
Government Transfers - Operating	-	701	842	-	1,858	39	3,440	3,263
Licenses and Permits	-	3	68	34	-	1,504	1,609	2,225
Rentals	-	4	393	-	1,913	1	2,311	2,112
Penalties	885	-	6	79	-	-	970	833
Other	357	1	437	37	432	328	1,592	908
Investment Income	350	-	25	-	33	98	506	222
	47,233	7,931	2,548	19,971	6,840	2,054	86,577	89,213
Expenses								
Salaries, Wages & Benefits	8,465	8,636	7,466	2,093	7,736	2,201	36,597	37,000
Contracted & General Services	1,772	2,145	5,306	3,926	3,017	853	17,019	22,032
Materials, Goods & Supplies	153	685	2,891	473	1,236	14	5,452	5,992
Purchases from Other Governments	-	5,439	2,250	8,832	-	-	16,521	18,686
Transfers to Government, Agencies & Other Org	66	26	-	-	84	-	176	260
Bank Charges	141	-	-	-	26	-	167	167
Interest on Long-Term Debt	12	-	1,030	2	126	95	1,265	1,038
Other	339	-	-	11	40	-	390	404
Amortization	696	1,050	10,325	3,559	1,358	36	17,024	16,074
	11,644	17,981	29,268	18,896	13,623	3,199	94,611	101,653
Annual Surplus (Deficit) before Undernoted								
	35,589	(10,050)	(26,720)	1,075	(6,783)	(1,145)	(8,034)	(12,440)
Loss on Disposal of Tangible Capital Assets	(43)	-	(298)	(28)	-	(2,419)	(2,788)	-
Government Transfers - Capital	(7)	-	19,954	-	1	-	19,948	22,824
Contributed Tangible Capital Assets	-	-	5,751	3,529	74	2,227	11,581	13,795
Developer Contribution and Levies	-	-	253	1,721	-	-	1,974	5,735
	(50)	-	25,660	5,222	75	(192)	30,715	42,354
Annual Surplus (Deficit)	\$ 35,539	\$ (10,050)	\$ (1,060)	\$ 6,297	\$ (6,708)	\$ (1,337)	\$ 22,681	29,914

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019
(in thousands of dollars)

14. Segmented Disclosure (continued)

2018	General Government	Protective Services	Transportation & Roadway Services	Utilities	Community Services	Development Services	Total
Revenue							
Property Taxes	\$ 37,652	\$ -	\$ -	\$ -	\$ 309	\$ -	\$ 37,961
Sales and User Fees	140	1,092	916	19,198	2,501	149	23,996
Sales to Other Governments	-	2,665	-	-	-	-	2,665
Franchise Fees	4,578	-	-	-	-	-	4,578
Fines	-	3,939	-	-	-	-	3,939
Government Transfers - Operating	-	742	764	-	1,767	257	3,530
Licenses and Permits	-	4	64	42	-	1,626	1,736
Rentals	-	9	145	-	1,936	1	2,091
Penalties	806	-	-	62	-	-	868
Other	186	32	375	63	390	151	1,197
Investment Income	(32)	-	16	-	28	103	115
Local Improvement Levies	-	-	-	-	-	6	6
	43,330	8,483	2,280	19,365	6,931	2,293	82,682
Expenses							
Salaries, Wages & Benefits	8,058	8,395	7,190	1,460	7,591	2,216	34,910
Contracted & General Services	3,537	2,150	5,707	3,238	3,208	1,185	19,025
Materials, Goods & Supplies	205	541	3,016	245	1,370	25	5,402
Purchases from Other Governments	-	4,553	1,991	9,312	-	-	15,856
Transfers to Government, Agencies & Other Org	89	26	-	-	728	-	843
Bank Charges	138	-	-	-	26	-	164
Interest on Long-Term Debt	6	-	637	-	154	101	898
Other	298	-	-	11	9	-	318
Amortization	641	366	9,696	3,398	1,318	31	15,450
	12,972	16,031	28,237	17,664	14,404	3,558	92,866
Annual (Deficit) Surplus before Undernoted	30,358	(7,548)	(25,957)	1,701	(7,473)	(1,265)	(10,184)
Loss on Disposal of Tangible Capital Assets	(38)	-	(69)	(72)	73	-	(106)
Government Transfers - Capital	778	-	4,251	-	525	-	5,554
Contributed Tangible Capital Assets	-	-	2,327	4,546	61	2,717	9,651
Developer Contribution and Levies	-	-	656	249	-	-	905
	740	-	7,165	4,723	659	2,717	16,004
Annual (Deficit) Surplus	\$ 31,098	\$ (7,548)	\$ (18,792)	\$ 6,424	\$ (6,814)	\$ 1,452	\$ 5,820

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

15. 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.

	2019 Salaries	2019 Benefits	2018 Salaries	2018 Benefits
Mayor Houston	\$ 123,285	\$ 16,954	\$ 111,740	\$ 15,944
Councillor Gruhlke	56,303	13,125	49,272	11,715
Councillor McKenzie	61,139	13,254	51,197	11,872
Councillor Oldham	53,296	13,063	48,772	11,836
Councillor Rothe	52,235	12,879	50,527	11,748
Councillor Stevenson	56,751	10,311	56,365	9,022
Councillor Turton	13,943	3,741	46,545	11,639
Councillor Acker	23,427	5,995	-	-
	440,379	89,322	414,418	83,776
Former Chief Administrative Officer	129,016	25,826	237,585	46,802
Interim Chief Administrative Officer	31,532	6,963	-	-
Current Chief Administrative Officer	134,291	19,370	-	-
	294,839	52,159	237,585	46,802
	\$ 735,218	\$ 141,481	\$ 652,003	\$ 130,578

Salaries include remuneration and per diem paid to elected officials, including a basic honorarium, and a meeting per diem. Benefits include the employer's share of all benefits paid on behalf of elected officials and include Canada Pension Plan, health care, extended health care, dental, group life, accidental death and dismemberment insurance, dependent life insurance, a home office expense allowance, car allowance, and WCB coverage. Employees are also eligible for Employment Insurance, Long Term Disability, Local Authorities Pension Plan, APEX Plus Pension Plan and memberships to the TransAlta Tri Leisure Centre. Council is eligible for a matching RRSP contribution of up to 4% of their annual salary.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

16. 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 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 9.39% (2018 - 10.39%) of eligible pensionable earnings up to the year's maximum pension earnings and 13.84% (2018 - 14.84%) on pensionable earnings above this amount. Employees are required to make current service contributions of 8.39% (2018 - 9.39%) of pensionable salary up to the year's maximum pensionable earnings and 12.84% (2018 - 13.84%) on pensionable salary above this amount. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to LAPP in 2019 were \$2,340 (2018 - \$2,458). Total current service contributions by the employees of the City to LAPP in 2019 were \$2,128 (2018 - \$2,254). Total optional service contributions by the City to LAPP in 2019 were \$73 (2018 - \$158).

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 2019, the City's potential liability for optional service buy-back is \$48 (2018 - \$86).

At December 31, 2018, LAPP disclosed a surplus of \$3.5 billion.

17. 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 Pensions Plans Act commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees (approximately 116 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 2.84% and 3.78% respectively of pensionable earnings up to \$151 (2018 - \$147).

Total current service contributions by the City to APEX in 2019 were \$394 (2018 - \$378). Total current service contributions by the employees of the City in 2019 were \$296 (2018 - \$284).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

18. 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 (the "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 42.0% (2018 - 42.0%).

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 \$2,442 (2018 - \$1,852) to support the operations of the TLC, with the City's proportionate share being 49.5% - (2018 - 49.5%).

The City's proportionate share (49.5%) of the financial position and operations of the TLC is as follows:

	2019	2018
Financial Position		
Financial Assets	\$ 1,385	\$ 1,259
Liabilities	(693)	(754)
Net Financial Assets	692	505
Non Financial Assets	1,211	1,283
Accumulated Surplus	1,903	1,788
Operations		
Revenue	4,370	4,689
Expenses	(4,255)	(4,115)
Annual Surplus	\$ 115	\$ 574

19. 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.

20. Alberta Municipal Insurance Exchange

The City is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the City could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

21. Developer Agreements

Developers have entered into agreements with the City in the amount of approximately \$176,000 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 \$24,000 to secure the performance by the developers under the agreements.

22. Financial Instruments

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

The City is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that taxpayers and entities to which the City provides services may experience financial difficulty and be unable to fulfil their obligations. The large number of diversity of taxpayers and customers minimizes the credit risk.

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

23. Contractual Obligations

As at December 31, 2019, authorized costs for capital projects and transfers committed through a purchase order or other contractual agreement, but not yet expended, amounts to \$1,474.

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

Year	Basic Rent
2020	\$ 298
2021	230
2022	230
2023	122
2024	68
Thereafter	406
	<u>\$ 1,354</u>

24. Contingent Liabilities

The City is defendant in various lawsuits as at December 31, 2019. 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. No amounts have been recorded at December 31, 2019 (2018 - nil).

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(in thousands of dollars)

25. Comparative Information

During the year, the City reclassified comparative information in its consolidated statement of operations and accumulated surplus and in note 13 segmented disclosure to better align its reporting of revenues and expenses by function with current accountabilities.

In addition, certain other comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

26. Budget

City Council approved the 2019 - 2021 Corporate Plan on November 26, 2018, which formally approved revenues, expenses and tangible capital asset acquisitions for 2019.

27. Subsequent Event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these consolidated financial statements, the City has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Deferred utility and tax payments without penalty for up to 90 days
- Eliminated the 3.9% tax increase included in the 2020 approved budget
- The City is in the process of extending the existing revolving demand facility with CIBC to supplement operating cash flow
- TransAlta Tri Leisure Centre was temporarily closed to the public March 14, 2020 indefinitely
- City of Spruce Grove Public Library was temporarily closed to the public March 13, 2020 indefinitely
- Temporarily closed all facilities for walk-in access from March 20, 2020 indefinitely
- Experienced temporary decline in the fair value of investments and investment income
- Working from home requirements have been setup for those able to do so, as well as segregated work units
- Temporarily suspended fares on Spruce Grove Transit routes; with one route being permanently cancelled
- Some part-time and seasonal employees have been temporarily or permanently terminated
- Deferred the first reading of a proposed business improvement area tax bylaw

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Estimates and assumptions have been made by management to try and quantify the financial effect of these activities on the consolidated financial statements. The City prepared a spring budget adjustment that will incorporate some reductions and deferrals to better reflect the financial impacts of COVID-19.

CITY OF SPRUCE GROVE
SCHEDULE 1 - PROPERTY TAXES
For the Year Ended December 31, 2019
(in thousands of dollars)

	2019 Budget (Note 26)	2019 Actual	2018 Actual
Property Taxes			
Residential	\$ 44,439	\$ 43,641	\$ 41,648
Non-Residential			
Commercial	10,821	10,673	10,024
Industrial	2,404	2,360	2,274
Linear	317	334	318
Agricultural	2	2	2
	57,983	57,010	54,266
Less Requisitions			
Alberta Education	14,745	13,996	13,734
Evergreen Catholic Schools	2,556	2,341	2,296
Meridian Foundation	234	301	275
	17,535	16,638	16,305
	\$ 40,448	\$ 40,372	\$ 37,961

CITY OF SPRUCE GROVE
SCHEDULE 2 - GOVERNMENT TRANSFERS

For the Year Ended December 31, 2019

(in thousands of dollars)

	2019 Budget (Note 26)	2019 Actual	2018 Actual
Government Transfers - Capital			
Gas Tax Fund	\$ 3,384	\$ 2,946	\$ 2,419
Other	2,250	2,549	26
Sustainability	17,190	14,453	3,109
	22,824	19,948	5,554
Government Transfers - Operating			
Policing	675	701	688
Social	821	821	821
Sustainability	231	239	237
Other	1,536	1,679	1,784
	3,263	3,440	3,530
	\$ 26,087	\$ 23,388	\$ 9,084

CITY OF SPRUCE GROVE
SCHEDULE 3 - EXPENSES BY DEPARTMENT

For the Year Ended December 31, 2019
(in thousands of dollars)

	2019 Budget (Note 26)	2019 Actual	2018 Actual
General Government			
City Clerk	\$ 1,679	\$ 613	\$ 1,512
City Manager	574	620	668
Corporate Communications	1,068	1,028	971
Corporate Services Administration	716	553	746
Council	715	690	646
Finance	3,090	938	3,092
Human Resources	1,476	1,663	1,559
Information Services	4,677	4,463	3,778
Integrated Planning and Strategic Services	-	1,076	-
	13,995	11,644	12,972
Protective Services			
Fire	8,178	8,965	7,871
Municipal Enforcement and Safe City	3,721	2,896	3,156
Police	6,258	6,120	5,004
	18,157	17,981	16,031
Transportation and Roadway Services			
Engineering	1,564	1,851	2,294
Facilities and Fleet Management	6,328	6,158	5,295
Planning and Infrastructure Administration	693	680	635
Public Works	18,920	18,064	17,765
Transit and Sustainability	3,187	2,515	2,248
	30,692	29,268	28,237
Utilities			
Storm Utility	80	1,153	-
Waste	3,601	2,752	2,970
Wastewater	4,909	4,543	4,618
Water	12,720	10,448	10,076
	21,310	18,896	17,664
Community Services			
Agrena/Sports Park	1,856	1,758	1,757
Community and Protective Services Administration	564	302	1,040
Community Social Development	679	578	405
Culture	1,559	1,540	1,554
Family and Community Support Services	1,292	1,368	1,374
Leisure Centre	4,450	4,580	4,878
Library	1,904	1,785	1,754
Recreation	1,655	1,712	1,642
	13,959	13,623	14,404
Development Services			
Economic and Business Development	1,289	1,055	1,397
Planning and Development	2,251	2,144	2,161
	3,540	3,199	3,558
	\$ 101,653	\$ 94,611	\$ 92,866