



**2015 Annual Financial Report  
For the Year Ended December 31, 2015**

**The Corporation of the City of Red Deer  
Red Deer, Alberta, Canada  
April 2016**

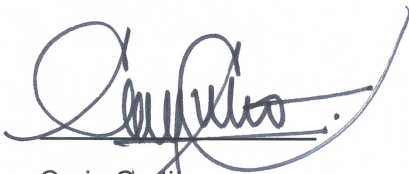
## **FINANCIAL INFORMATION**

# MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management of The City of Red Deer. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The preparation of the consolidated financial statements includes best estimates and judgments of management. Financial information contained throughout this annual report is consistent with these financial statements.

Management is responsible for maintaining an adequate system of internal control that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report operating and financial results, and that assets are properly accounted for and safeguarded. As well, it is the policy of The City of Red Deer to maintain the highest standard of ethics in all its activities. The audit committee has approved the financial statements.

KPMG LLP, an independent firm of chartered professional accountants, was appointed by a vote of City Council to audit the consolidated financial statements and provide an independent auditor's opinion in accordance with Canadian generally accepted auditing standards.



Craig Curtis  
City Manager



Dean Krejci  
Chief Financial Officer



**KPMG LLP**  
**Chartered Professional Accountants**  
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Canada

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## INDEPENDENT AUDITORS' REPORT

To Her Worship the Mayor and Members of Council of the City of Red Deer

We have audited the accompanying consolidated financial statements of the City of Red Deer, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, changes in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Red Deer as at December 31, 2015, 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.

Chartered Accountants

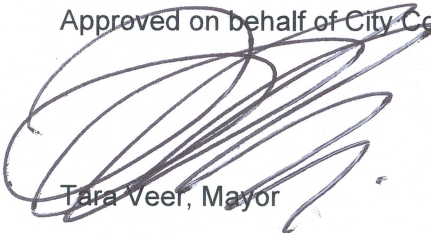
April 25, 2016  
Edmonton, Canada

**Consolidated Statement of Financial Position**  
**As at December 31, 2015 (in thousands of dollars)**

	2015	2014
<b>Financial Assets</b>		
Cash and cash equivalents (Note 2)	\$ 4,995	\$ 917
Accounts receivable (Note 3)	34,248	34,732
Land held ready for sale (Note 4)	6,198	5,611
Investments (Note 5)	244,672	265,540
Loans receivable (Note 6)	911	1,284
	<b>291,024</b>	<b>308,084</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	47,744	50,878
Deposits	3,532	5,667
Deferred revenue (Note 8)	53,680	63,891
Employee benefit obligations (Note 9)	13,911	13,036
Landfill closure and post-closure liability (Note 10)	4,551	4,481
Long-term debt (Note 11)	233,877	220,178
	<b>357,295</b>	<b>358,131</b>
<b>Net Debt</b>	<b>(66,271)</b>	<b>(50,047)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Schedule 1, Note 13 )	1,886,467	1,804,490
Land held not ready for sale (Note 4)	36,839	34,446
Prepaid expenses	1,563	2,083
Inventory held for consumption	9,126	8,441
	<b>1,933,995</b>	<b>1,849,460</b>
<b>Accumulated Surplus</b> (Schedule 2, Note 15)	<b>\$ 1,867,724</b>	<b>\$ 1,799,413</b>

Contractual obligations (Note 25)  
Contingencies (Note 26)  
Guarantees (Note 27)  
Segmented disclosures (Schedule 3, Note 28 )

Approved on behalf of City Council:



Tara Veer, Mayor



Ken Johnston, Councillor



## Consolidated Statement of Operations

For the Year Ended December 31, 2015 (in thousands of dollars)

	Budget (Note 29)	2015	2014
<b>Revenues</b>			
Net municipal taxes (Note 16)	\$ 124,213	\$ 123,923	\$ 112,537
User fees and sale of goods and services (Note 17)	212,390	161,879	172,911
Operating government transfers (Note 18)	12,205	12,301	11,061
Investment earnings	6,725	4,817	5,151
Fines and penalties	5,970	5,928	5,870
Franchise fees	7,301	7,394	7,441
Licenses and permits	3,581	3,283	3,690
Other revenue	2,715	4,102	5,521
	375,100	323,627	324,182
<b>Expenses (Note 19)</b>			
Legislative and administrative	36,796	34,146	33,260
Police and other protective	36,479	32,894	32,355
Fire and ambulance	32,630	31,859	30,822
Parking	2,150	2,196	2,619
Transportation	47,149	50,767	46,915
Transit	14,022	13,883	13,199
Fleet	16,176	12,155	13,627
Water	16,306	15,781	15,752
Wastewater	16,916	15,929	14,227
Solid waste collection	6,821	6,703	6,442
Solid waste disposal	5,200	5,061	3,914
Recycling	2,317	2,227	2,054
Social planning	4,018	3,870	3,920
Community services	9,850	7,634	7,481
Subdivisions, land, and development	1,105	2,023	11,640
Recreation, parks, and culture	45,673	46,892	45,074
Electric light and power	43,580	34,048	32,933
	337,188	318,068	316,234
<b>Annual Surplus before Other</b>	37,912	5,559	7,948
<b>Other</b>			
Capital government transfers (Note 18)	54,216	44,179	38,120
Contributed tangible capital assets (Note 13 )	19,574	9,389	34,284
Developer and customer contributions	15,397	8,777	10,015
Other	31	407	391
<b>Annual Surplus</b>	127,130	68,311	90,758
<b>Accumulated Surplus, beginning of year</b>	1,799,413	1,799,413	1,708,655
<b>Accumulated Surplus, end of year</b>	\$ 1,926,543	\$ 1,867,724	\$ 1,799,413

**Consolidated Statement of Change in Net Debt**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

	Budget (Note 29)	2015	2014
<b>Annual Surplus</b>	\$ 127,130	\$ 68,311	\$ 90,758
Acquisition of tangible capital assets	(195,765)	(131,996)	(123,423)
Contributed tangible capital assets	(19,574)	(9,389)	(34,284)
Proceeds on disposal of tangible capital assets	18	676	822
Amortization of tangible capital assets	56,365	58,576	53,798
Loss (gain) on disposal of tangible capital assets	(18)	156	1,334
	(158,974)	(81,977)	(101,753)
Net acquisition of land held not ready for sale	-	(2,393)	(4,998)
Net use of capital lease	-	-	11
Net use of prepaid expenses	-	520	524
Net acquisition of inventory held for consumption	-	(685)	(219)
	-	(2,558)	(4,682)
<b>Increase in Net Debt</b>	(31,844)	(16,224)	(15,677)
<b>Net Debt, beginning of year</b>	(50,047)	(50,047)	(34,370)
<b>Net Debt, end of year</b>	\$ (81,891)	\$ (66,271)	\$ (50,047)

## Consolidated Statement of Cash Flows

For the Year Ended December 31, 2015 (in thousands of dollars)

	2015	2014
<b>Net Inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Annual surplus	\$ 68,311	\$ 90,758
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	58,576	53,798
Loss on disposal of tangible capital assets	156	1,334
Contributed tangible capital assets	(9,389)	(34,284)
Change in non-cash items:		
Accounts receivable	484	7,895
Land held ready for sale	(587)	(3,098)
Loans receivable	373	(141)
Accounts payable and accrued liabilities	(3,134)	11,867
Deposits	(2,135)	1,942
Deferred revenue	(10,211)	(1,597)
Employee benefit obligations	875	748
Landfill closure and post-closure liability	70	(86)
Land held not ready for sale	(2,393)	(4,998)
Prepaid expenses	520	524
Inventory held for consumption	(685)	(219)
<b>Cash provided by operating transactions</b>	<b>100,831</b>	<b>124,443</b>
<b>Capital</b>		
Acquisition of tangible capital assets	(131,996)	(123,423)
Proceeds on disposal of tangible capital assets	676	822
<b>Cash applied to capital transactions</b>	<b>(131,320)</b>	<b>(122,601)</b>
<b>Investing</b>		
Decrease (increase) in investments	20,868	(27,549)
<b>Cash applied to investing transactions</b>	<b>20,868</b>	<b>(27,549)</b>
<b>Financing</b>		
Long-term debt issued	30,290	27,247
Long-term debt repaid	(16,591)	(15,570)
Capital lease repaid	-	11
<b>Cash provided by financing transactions</b>	<b>13,699</b>	<b>11,688</b>
<b>Change in cash and cash equivalents during the year</b>	<b>4,078</b>	<b>(14,019)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>917</b>	<b>14,936</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,995</b>	<b>\$ 917</b>



**Schedule 1 - Consolidated Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction	2015	2014
<b>Cost:</b>									
Balance, beginning of year	\$ 332,228	\$ 74,700	\$ 319,581	\$ 61,561	\$ 48,468	\$ 1,574,432	\$ 175,094	\$ 2,586,064	\$ 2,444,003
Acquisition of tangible capital assets	8,185	4,662	8,496	10,593	5,078	139,736	(35,365)	141,385	157,707
Disposal of tangible capital assets	-	(33)	(759)	(2,347)	(1,416)	(700)	-	(5,255)	(15,646)
Balance, end of year	340,413	79,329	327,318	69,807	52,130	1,713,468	139,729	2,722,194	2,586,064
<b>Accumulated Amortization:</b>									
Balance, beginning of year	-	(34,287)	(89,201)	(35,615)	(20,873)	(601,598)	-	(781,574)	(741,266)
Amortization expense	-	(3,682)	(8,986)	(5,004)	(3,709)	(37,195)	-	(58,576)	(53,798)
Accumulated amortization on disposals	-	30	739	1,945	1,309	400	-	4,423	13,490
Balance, end of year	-	(37,939)	(97,448)	(38,674)	(23,273)	(638,393)	-	(835,727)	(781,574)
<b>Net book value of tangible capital assets</b>	<b>\$ 340,413</b>	<b>\$ 41,390</b>	<b>\$ 229,870</b>	<b>\$ 31,133</b>	<b>\$ 28,857</b>	<b>\$ 1,075,075</b>	<b>\$ 139,729</b>	<b>\$ 1,886,467</b>	<b>\$ 1,804,490</b>
2014 Net Book Value of Tangible Capital Assets	\$ 332,228	\$ 40,413	\$ 230,380	\$ 25,946	\$ 27,595	\$ 972,834	\$ 175,094	\$ 1,804,490	

See Note 13

## Schedule 2 - Consolidated Schedule of Change in Accumulated Surplus

For the Year Ended December 31, 2015 (in thousands of dollars)

	Unrestricted surplus (deficits) and advances for construction	Reserves	Equity in Tangible Capital Assets	2015	2014
<b>Balance, beginning of year</b>	<b>(172)</b>	<b>215,273</b>	<b>1,584,312</b>	<b>1,799,413</b>	1,708,655
Annual Surplus	68,311	-	-	<b>68,311</b>	90,758
Unrestricted funds designated for future use	(78,216)	78,216	-	-	-
Restricted funds designated for operations	31,979	(31,979)	-	-	-
Restricted funds used for tangible capital assets	-	(50,680)	50,680	-	-
Current year funds used for tangible capital assets	(81,316)	-	81,316	-	-
Contributed tangible capital assets	(9,389)	-	9,389	-	-
Disposal of tangible capital assets	832	-	(832)	-	-
Amortization of tangible capital assets	58,576	-	(58,576)	-	-
Long term debt issued	30,290	-	(30,290)	-	-
Long term debt repaid	(16,591)	-	16,591	-	-
Change in accumulated surplus	4,476	(4,443)	68,278	<b>68,311</b>	90,758
<b>Balance, end of year</b>	<b>4,304</b>	<b>210,830</b>	<b>1,652,590</b>	<b>1,867,724</b>	1,799,413

See Note 15

## Schedule 3 - Consolidated Schedule of Segmented Disclosures

For the Year Ended December 31, 2015 (in thousands of dollars)

	Legislative and administrative	Protective services	Transportation	Water and wastewater	Waste management	Community services	Subdivisions, land, and development	Recreation, parks, and culture	Electric light and power	Total
<b>Revenues</b>										
Net municipal taxes	\$ 125,024	\$ -	\$ (207)	\$ -	\$ -	\$ -	\$ (7)	\$ (27)	\$ (860)	\$ 123,923
User fees and sale of goods and services	219	14,462	6,691	53,292	17,913	532	6,226	10,435	52,109	161,879
Operating government transfers	1,319	3,417	271	-	-	6,276	-	1,014	4	12,301
Investment earnings	1,758	29	1,175	361	446	79	211	234	524	4,817
Fines and penalties	718	4,446	-	191	19	-	148	169	237	5,928
Franchise fees	7,323	-	-	-	-	-	-	71	-	7,394
Licenses and permits	4	3,248	6	-	-	25	-	-	-	3,283
Other revenue	1,102	367	946	23	273	90	19	1,280	2	4,102
	137,467	25,969	8,882	53,867	18,651	7,002	6,597	13,176	52,016	323,627
<b>Expenses</b>										
Salaries, wages, and benefits	19,756	38,280	26,014	9,730	978	4,163	483	28,813	4,810	133,027
Contracted services	7,304	5,215	5,517	2,034	11,701	547	66	5,342	3,358	41,084
Materials and supplies	1,083	1,681	12,047	4,961	53	264	1,466	4,164	22,277	47,996
Purchases from other governments	-	18,754	-	-	-	-	-	-	-	18,754
Grants to organizations	237	-	443	-	-	6,366	-	1,641	-	8,687
Financial charges	3,884	518	1,496	2,361	3	11	8	138	711	9,130
Amortization of tangible capital assets	1,713	2,261	31,312	12,415	1,116	153	-	6,820	2,786	58,576
Other expenses	169	240	(24)	209	140	-	-	(26)	106	814
	34,146	66,949	76,805	31,710	13,991	11,504	2,023	46,892	34,048	318,068
<b>Annual surplus (deficit) before other</b>	103,321	(40,980)	(67,923)	22,157	4,660	(4,502)	4,574	(33,716)	17,968	5,559
<b>Other</b>										
Capital government transfers	-	1,726	40,057	1,501	-	-	-	727	168	44,179
Contributed tangible capital assets	-	-	6,344	2,950	-	-	-	95	-	9,389
Developer and customer contributions	-	-	4,230	1,752	-	-	(13)	881	1,927	8,777
Other	-	3	76	116	-	-	206	6	-	407
<b>Annual surplus (deficit)</b>	\$ 103,321	\$ (39,251)	\$ (17,216)	\$ 28,476	\$ 4,660	\$ (4,502)	\$ 4,767	\$ (32,007)	\$ 20,063	\$ 68,311

See Note 28

## Schedule 3 - Consolidated Schedule of Segmented Disclosures

For the Year Ended December 31, 2014 (in thousands of dollars)

	Legislative and administrative	Protective services	Transportation	Water and wastewater	Waste management	Community services	Subdivisions, land, and development	Recreation, parks, and culture	Electric light and power	Total
<b>Revenues</b>										
Net municipal taxes	\$ 113,584	\$ -	\$ (194)	\$ (1)	\$ -	\$ -	\$ (7)	\$ (26)	\$ (819)	\$ 112,537
User fees and sale of goods and services	432	16,217	6,318	50,438	17,369	550	20,488	10,415	50,684	172,911
Operating government transfers	852	2,649	263	-	-	6,488	-	809	-	11,061
Investment earnings	1,793	33	1,009	590	405	93	558	222	448	5,151
Fines and penalties	680	4,673	-	101	20	-	59	108	229	5,870
Franchise fees	7,332	-	-	-	-	-	-	109	-	7,441
Licenses and permits	-	3,662	2	-	-	26	-	-	-	3,690
Other revenue	2,400	274	907	4	350	77	18	1,486	5	5,521
	127,073	27,508	8,305	51,132	18,144	7,234	21,116	13,123	50,547	324,182
<b>Expenses</b>										
Salaries, wages, and benefits	19,234	37,466	24,858	8,548	875	3,928	471	27,685	4,229	127,294
Contracted services	6,889	5,172	8,300	1,856	10,702	674	2,207	5,025	3,708	44,533
Materials and supplies	1,015	1,469	9,810	4,947	46	274	8,629	4,134	21,811	52,135
Purchases from other governments	-	18,869	-	-	-	-	-	-	-	18,869
Grants to organizations	349	-	185	-	-	6,360	334	1,727	-	8,955
Financial charges	3,843	544	1,497	2,426	2	12	-	138	575	9,037
Amortization of tangible capital assets	1,732	2,245	29,435	10,410	1,098	153	-	6,228	2,508	53,809
Other expenses	198	31	(344)	1,792	(313)	-	(1)	137	102	1,602
	33,260	65,796	73,741	29,979	12,410	11,401	11,640	45,074	32,933	316,234
<b>Annual surplus (deficit) before other</b>	93,813	(38,288)	(65,436)	21,153	5,734	(4,167)	9,476	(31,951)	17,614	7,948
<b>Other</b>										
Capital government transfers	-	226	31,573	5,715	-	-	600	6	-	38,120
Contributed tangible capital assets	-	-	23,728	10,734	-	(178)	-	-	-	34,284
Developer and customer contributions	-	-	3,751	2,478	-	-	227	600	2,959	10,015
Other	-	-	182	201	-	-	2	6	-	391
<b>Annual surplus (deficit)</b>	\$ 93,813	\$ (38,062)	\$ (6,202)	\$ 40,281	\$ 5,734	\$ (4,345)	\$ 10,305	\$ (31,339)	\$ 20,573	\$ 90,758

See Note 28

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the "financial statements") of The City of Red Deer ("The City") are prepared by management in accordance with Canadian public sector accounting standards (PSAS). 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 and expenses of the reporting entity which comprises all the organizations and committees that are accountable to City Council for the administration of their financial affairs and resources and are owned or controlled by The City. They include the following:

#### **City Municipal and Utility Operations:**

- ◆ Legislative and administrative;
- ◆ Protective services;
- ◆ Transportation;
- ◆ Water and wastewater;
- ◆ Waste management
- ◆ Community services;
- ◆ Subdivisions, land, and development;
- ◆ Recreation, parks, and culture; and
- ◆ Electric light and power.

#### **Societies and Boards:**

- ◆ Red Deer Public Library;
- ◆ Red Deer Downtown Business Association;
- ◆ Waskasoo Environmental Education Society;
- ◆ Red Deer and District Museum Society; and
- ◆ Red Deer River Bend Golf & Recreation Society ("River Bend Golf Course").

Interdepartmental and inter-organizational transactions and balances are eliminated on consolidation.

The schedule of taxes levied includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### (b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

#### *i. Net Municipal Taxes*

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by City Council. Taxation revenues are recorded at the time the tax billings are issued, except for local improvement taxes which are recognized as revenue in the year in which the capital project has been completed and the Local Improvement Bylaw is approved. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gains or losses on assessment changes or appeals are recorded as adjustments to tax revenue and tax receivables when a written decision is received from the authorized board or a change is generated by authorized assessment staff.

#### *ii. Government Transfers*

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with The City's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, The City complies with its communicated use of the transfer. Government transfers without terms for the use of the transfer are recorded as revenue when The City is eligible to receive the funds.

#### *iii. Contributions*

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Developer contributions received from third parties are recognized as revenue when the related expenditures have been incurred. Offsite levy revenue is deferred in the appropriate offsite deferred account and recognized as revenue as The City constructs the related offsite basins.



## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### (c) Use of Estimates

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

Significant financial statement areas requiring the use of management estimates include:

- ◆ costs and revenues associated with electrical services acquired and provided by The City;
- ◆ landfill closure and post-closure liability;
- ◆ valuation of inventory;
- ◆ employee benefits obligations;
- ◆ useful life of tangible capital assets;
- ◆ accrued liabilities;
- ◆ liabilities for contaminated sites;
- ◆ allowance for doubtful accounts receivable and loans receivable; and
- ◆ fair value of contributed tangible capital assets.

### (d) Financial Instruments

The City's financial assets measured at amortized cost consist of cash and cash equivalents, accounts receivable, investments, and loans receivable.

Financial liabilities reported at amortized cost include accounts payable and accrued liabilities, deposits, and long-term debt.

Financial assets are tested annually for impairment. Impairment losses are recorded in the statement of operations. Any write-downs resulting from impairment are not reversed for subsequent increases in value.

Transaction costs are treated as a component of the cost of financial instruments measured at amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The City does not currently have any financial instruments that are measured at fair value (i.e. equity instruments quoted in an active market or derivative instruments).

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### *i. Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments with original term to maturity of three months or less.

### *ii. Investments*

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

### *iii. Loans Receivable*

Loans receivable are recorded at amortized cost less an allowance for impairment. Loans are classified as impaired when, in management's opinion, there is no reasonable assurance of the timely collection of the full amount of principal and interest. Changes in the allowance are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable.

The allowance for impairment represents management's best estimate of losses due to impaired loans. The provision is determined based on management's identification and evaluation of the problem accounts and estimated losses that exist in the portfolio. Loan write-offs must be approved by City Council.

### **(e) Land Held Ready for Sale**

Land held ready for sale is recorded at the lower of cost or net realizable value. Cost includes the acquisition costs of the land and the improvements required to prepare the land for servicing such as clearing, stripping, and leveling. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function. Land held ready for sale is land inventory in which the land is in a condition to be sold, is marketed for sale and it is reasonably anticipated the land will be sold within one year.

### **(f) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. If the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

### **(g) Employee Benefit Obligations**

The cost of employment benefits, pension benefits, compensated absences and termination benefits are recorded as an expense at the time the event giving rise to the obligation occurs.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### (h) Local Improvement Charges

Construction costs associated with local improvement projects are recovered through annual tax levies collectible from property owners for work performed by The City. Taxpayers may elect to pay over a number of years or immediately prepay the outstanding local improvement charges.

### (i) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water, sediment, a chemical, organic or radioactive material, or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance, and monitoring.

### (j) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, The City is required to fund the closure of its landfill sites and provide for post-closure care of the facility. Closure and post-closure activities include final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**(k) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Consolidated Changes in Net Debt for the year.

*i. Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. Government contributions for the acquisition of tangible capital assets are reported as revenue and do not reduce the related tangible capital asset costs.

The cost, less residual value of the tangible capital assets, excluding land and landfill cells, are amortized on a straight-line basis over the estimated useful life as follows:

<b>ASSET TYPE</b>	<b>Years</b>
Land improvements	7-50
Buildings	10-50
Machinery, equipment, and furnishings	4-40
Vehicles	8-18
Engineered structures	
Roadway system	7-90
Water system	7-75
Wastewater system	7-75
Storm system	45-75
Electrical system	20-40
Fibre optics system	30

Amortization begins in the month the tangible capital asset is placed in service and ends in the month the tangible capital asset is disposed. Tangible capital assets under construction or development are reported as assets under construction with no amortization recorded until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to The City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Consolidated Statement of Operations.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### ii. *Contributed Tangible Capital Assets*

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems, and roads are recorded at their fair value at the date of receipt. Equivalent amounts are recorded as revenue for the year on the Consolidated Statement of Operations.

### iii. *Cultural and Historical Tangible Capital Assets*

Works of art for display, archived municipal records, and municipal historical artifacts are not recorded as tangible capital since a reasonable estimate of the future economic benefits associated with such property cannot be made. Acquisitions of cultural and historical assets are expensed in the period the related costs are incurred.

### iv. *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.

### v. *Land Held Not Ready for Sale*

Land held not ready for sale is recorded at the lower of cost or net realizable value. Cost includes the acquisition costs of the land and the improvements required to prepare the land for servicing such as clearing, stripping, and leveling. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function. Land held not ready for sale is land held for future development and is not reasonably anticipated to be sold within one year.

### vi. *Inventory Held for Consumption*

Inventories held for consumption are recorded at lower of weighted average cost and net realizable value.

## (l) Adoption of New Accounting Standards

The City has not adopted any new accounting standards for 2015.

## (m) Future Accounting Standards

The following summarizes upcoming changes to Public Sector Accounting Standards (PSAS) put forward by the Public Sector Accounting Board (PSAB). In the coming years, The City will assess the impact and prepare for the adoption of these standards. While the timing of adopting each new standard can 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.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### i. *Related Party Disclosures*

PS2200, *Related Party Disclosures* requires the disclosure of the effect of financially material transactions between related parties. Related party transactions that are in the normal course of operations are not required to be disclosed. This standard is applicable for fiscal years beginning on or after April 1, 2017 and will be applied prospectively.

### ii. *Inter-Entity Transactions*

PS3420, *Inter-Entity Transactions*, specifically covers how to account for and report transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and a recipient perspective. This standard is applicable to fiscal years beginning on or after April 1, 2017.

### iii. *Assets*

PS3210, *Assets*, states the definition of an asset and establishes general disclosure and recognition requirements. This section is designed to provide more detailed guidance in association with asset recognition criteria and disclosure requirements in PS1000, *Financial Statement Concepts*. This new section applies to fiscal years beginning on or after April 1, 2017.

### iv. *Contingent Assets*

PS3320, *Contingent Assets*, defines contingent assets as possible assets arising from existing conditions or situations where the outcome is uncertain. The existence of a contingent asset should be disclosed in the financial statements if the occurrence of the future event that gives rise to the asset is likely. In such an event, unlike PS3320, *Contingent Liabilities*, contingent assets are not recognized as assets on the statement of financial position. This standard is applicable to fiscal years beginning on or after April 1, 2017.

### v. *Contractual Rights*

PS3380, *Contractual Rights*, defines contractual rights as economic resources arising from contracts or agreements that will result in both an asset and revenue in the future. Information about a public sector entity's contractual rights should be disclosed in the notes to the financial statements and should include descriptions about their nature, extent and timing. Disclosure requirements for contractual rights are similar to the disclosure requirements outlined in PS3390, *Contractual Obligations*. This standard is applicable for fiscal years beginning on or after April 1, 2017.

### vi. *Restructuring Transactions*

PS3430, *Restructuring Transactions*, provides guidance in accounting for transactions arising from restructuring type transactions such as: amalgamation of entities or operations within the reporting entity, amalgamation of local governments, annexation or boundary alterations, transfers of operations or programs from one entity to another, and/or shared service arrangements entered into by local governments in a region. The net effect of restructuring transactions should be presented as separate revenue and expense items in the statement of operations and sufficient detail of the nature and financial effects on financial position and operations should be disclosed. This standard is applicable for fiscal years beginning on or after April 1, 2018.



## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### vii. *Financial Statement Presentation*

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for the fiscal years beginning on or after April 1, 2019.

### viii. *Financial Instruments*

PS3450, *Financial Instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost, amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As The City is not investing in derivatives and equity instruments based on its investment policy, this new standard will have little impact on current systems. This standard is applicable for fiscal years beginning on or after April 1, 2019.

### ix. *Foreign Currency Translation*

PS2601, *Foreign Currency Translation* must be adopted in conjunction with PS3450. It requires that monetary assets and liabilities be denominated in a foreign currency and non-monetary items included in the fair value category that are denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2019.

### x. *Portfolio Investments*

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to *Financial Instruments*, PS3450. Once PS3450 and PS3041 are adopted, *Temporary Investments* PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**2 CASH AND CASH EQUIVALENTS**

	<b>2015</b>		2014	
Cash	\$	3,924	\$	3,934
Cash equivalent		1,082		2,039
Temporary bank indebtedness		(11)		(5,056)
	\$	<b>4,995</b>	\$	917

Cash includes cash on hand and balances with financial institutions. Cash equivalents consist of liquid funds held for investment purposes.

The City has access to an unsecured line of credit of up to \$25,000 with an interest rate of 2.45% (2014 - 2.75%) to cover any bank overdraft arising from day to day cash transactions. As at December 31, 2015, \$11 (2014 - \$5,056) was outstanding on the line of credit overdraft.

**3 ACCOUNTS RECEIVABLE**

	<b>2015</b>		2014	
General accounts receivable	\$	7,741	\$	9,701
Utility receivable		14,810		14,403
Taxes receivable		7,910		3,177
Government receivables		2,261		3,874
Interest on investments		636		2,044
Other receivables		1,101		1,861
		<b>34,459</b>		35,060
Allowance for doubtful accounts		(211)		(328)
	\$	<b>34,248</b>	\$	34,732

**4 LAND INVENTORY**

	<b>2015</b>		2014	
Residential	\$	1,091	\$	265
Industrial and commercial		5,107		5,346
Land held ready for sale		<b>6,198</b>		5,611
Residential		<b>20,300</b>		20,691
Industrial and commercial		<b>16,539</b>		13,755
Land held not ready for sale	\$	<b>36,839</b>	\$	34,446

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**5 INVESTMENTS**

	2015		2014	
	Cost	Market Value	Cost	Market Value
Temporary investments	\$ 53,636	\$ 53,431	\$ 130,752	\$ 128,001
Federal government	12,418	12,602	5,599	5,815
Provincial government	103,967	106,741	74,897	76,537
Municipal government	2,241	2,324	930	1,036
Canadian banks	59,324	56,948	41,520	42,020
Corporate	12,410	12,559	7,250	7,563
Other	676	678	4,592	4,528
	<b>\$ 244,672</b>	<b>\$ 245,283</b>	<b>\$ 265,540</b>	<b>\$ 265,500</b>

Temporary investments are short-term reasonably liquid investments held in various financial institutions. These investments have effective rates of 0.00% to 1.45% (2014 - 0.89% to 1.85%) with maturities of one year or less.

The remaining investments have effective interest rates of 1.40% to 11.00% (2014 - 1.25% to 11.00%) and mature in periods from January 11, 2017 to June 30, 2108 (2014 - January 1, 2016 to June 30, 2108).

Any declines in market value below cost are considered to be temporary and therefore no write-downs have been recorded.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**6 LOANS RECEIVABLE**

	<b>2015</b>	2014
Red Deer Gymnastics Club	\$ 107	\$ 147
Central Alberta Theatre	31	31
Red Deer and District SPCA	804	935
Canada Winter Games	-	202
	<b>942</b>	1,315
Allowance for doubtful loans	<b>(31)</b>	(31)
	<b>\$ 911</b>	<b>\$ 1,284</b>

Principal amounts due (net of allowance) are as follows:

2016	\$ 75
2017	78
2018	58
2019	37
2020	39
Thereafter	624
	<b>\$ 911</b>

i. The City provided a loan to Red Deer Gymnastics Club for space in the Collicutt Centre. The term of the loan is 17 years bearing interest at an initial rate of 6.00% per annum. The interest rate was reduced effective January 1, 2012 under Bylaw 3390/A-201 to 3.75%.

ii. The City provided a loan to Central Alberta Theatre to pay for servicing and fire suppression apparatus to meet the requirements of the Alberta Building Code. The original term of the loan was four years and with an interest rate of 5.33% per annum. In 2013, the Society filed a Notice of Proposal to Creditors, which was accepted by the creditors. This notice did not include the loan payable to The City. In early 2014, City Council approved an amended loan bylaw that extended the loan term to 7 years and reduced the interest rate to 2.96%. An allowance was established for \$31 (2014 - \$31).

iii. The City provided a loan to The Red Deer & District SPCA for the construction of a new facility. The term of the loan is 25 years and bears interest at a rate of 3.60% per annum, changed from 5.06% per annum upon an amended loan agreement signed in October of 2015. The interest rate is to be reviewed every three years on the anniversary date of the original agreement.

iv. The City provided a loan to the 2019 Canada Winter Games Host Society Organization to be used for operating expenditures until such time as Provincial and / or Federal grants are received by the Host Society. The Canada Winter Games Host Society was formed in February 2015. The total amount of the loan outstanding was invoiced to the Host Society in December 2015 and is reported in accounts receivable.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>2015</b>		2014
Trade	<b>\$ 37,035</b>	\$	40,873
Payroll and remittances	<b>5,479</b>		4,837
Goods and Services Tax	<b>311</b>		315
Liability for contaminated sites	<b>3,802</b>		3,883
Accrued interest	<b>805</b>		812
Other	<b>312</b>		158
	<b>\$ 47,744</b>	\$	50,878

The City owns properties that have undergone initial Environmental Site Assessments. Where the site assessments identified environmental contamination estimates, liabilities for future environmental remediation were established. In 2015, remediation costs of \$81 have been spent on the Riverlands development project, reducing the liability for contaminated sites to \$3,802 as at December 31, 2015.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**8 DEFERRED REVENUE**

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted or subject to stipulations from the funders. For more information on capital and operating government transfers recognized in the year, see Note 18.

	2014	Restricted contributions received	Revenue recognized	2015
<b>Deferred Government Transfers</b>				
Basic Municipal Transportation Grant	\$ 7,551	\$ -	\$ 4,968	\$ 2,583
Municipal Sustainability Initiative - Capital	28,219	24,412	32,052	20,579
Federal Gas Tax Fund	-	8,644	4,397	4,247
Family and Community Support Services	30	2,585	2,391	224
Outreach Support Services Initiative	3,579	4,045	3,231	4,393
Other government	505	313	626	192
	39,884	39,999	47,665	32,218
<b>Other Deferred Revenue</b>				
Recreation amenity	5,238	90	1,480	3,848
Developer and customer contributions	15,754	7,351	8,777	14,328
Other	3,015	9,331	9,060	3,286
	24,007	16,772	19,317	21,462
	\$ 63,891	\$ 56,771	\$ 66,982	\$ 53,680

Additional government transfers received during the year that have not been deferred and therefore are not included in the above table are as follows:

(a) During the year The City received \$271 (2014 - \$718) from the Municipal Sustainability Initiative's operating component. The entire amount was recognized as operating government transfers in addition to \$671 reported as receivable for 2015.

(b) The Homelessness Partnering Strategy (HPS) is a program offered by the Government of Canada to address local homelessness issues aimed at preventing and reducing homelessness. It is run from April 1, 2014 to March 31, 2017. The revenue is recognized quarterly on a claim basis submitted to the Federal Government. In 2015 the amount claimed was \$467 (2014 - \$446).

(c) Alberta Solicitor General and Public Security provides annual funding for supporting municipalities with the costs of policing services. The City received \$1,577 in 2015 (2014 - \$1,554), and the full amount was recognized as operating government transfers in 2015.



**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

(d) The Green Transit Incentives Program (GreenTRIP) is derived from Alberta Transportation and its purpose is to support municipalities in providing sustainable public transit alternatives. In 2015, The City received \$1,197 of GreenTRIP funding and reported a receivable of \$620. A total of \$1,817 has been recognized as capital government transfers for 2015.

(e) Alberta Emergency Management Agency provides funding to The City under the 911 Grant Program which can only be used in relation to 911 call answering services. In 2015, The City received \$1,376 for the 911 Grant Program and recognized the entire amount in operating government transfers for 2015.

**9 EMPLOYEE BENEFIT OBLIGATIONS**

	2015	2014
Vacation, overtime, and earned days off	\$ 7,024	\$ 6,409
Retiring allowance	2,404	2,325
Other employment benefits	4,483	4,302
	<b>\$ 13,911</b>	<b>\$ 13,036</b>

i. *Vacation, Overtime, and Earned Days Off*

The liability is comprised of vacation, overtime, and earned days off that employees are deferring to future years. Employees are entitled to these benefits within the next fiscal year.

ii. *Retiring Allowance*

The City provides a retiring allowance to employees consisting of one day of pay for each year of employment with The City as long as the employee has 15 years of service with The City and they retire into the Local Authorities Pension Plan. The retiring allowance is not currently funded. An actuarial valuation for the retiring allowance was completed by an independent actuary as at December 31, 2015. Key actuarial assumptions used in the valuation were based on a number of assumptions about future events, which reflect management's best estimates. The next valuation of the program will be performed in 2017.

The expected discount rate of 3.00% and the expected salary escalations of 2.75% are used to determine the accrued benefit obligation. The accrued benefit obligation is \$2,638 (2014 - \$2,534) using projected benefit method prorated on services. The net actuarial loss of \$234 (2014 - \$210) is amortized on a straight line basis over 13 years starting with the year following its determination.

iii. *Other Employee Benefits*

Employees accumulate sick day entitlements up to maximums set in the various union agreements that may be used for casual or short term benefits. Employees are also eligible for Employee Disability Support Plan (EDSP) and sick plan benefits for longer-term disability. The liability is recorded on an accrual basis based on the most recent five-year average usage of sick time, EDSP, and sick plan benefits.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**10 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

Under legislation, The City has a liability for closure and post closure costs for its landfill. Landfill closure and post-closure requirements include construction of final cap and landscaping of the landfill, pumping leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 3.21% (2014 - 3.20% and annual inflation of 1.74% (2014 - 1.41%). The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively as a change in estimate when applicable.

The 1972 landfill site reached its full capacity and was permanently closed in 2002. It is estimated that post-closure care will be required for a period of 40 years from the time of closure. The present value of estimated future post-closure costs has been calculated and accrued.

The new waste management facility commenced operation in 2001 and consists of three phases of development. All three phases combined are estimated to provide capacity to 2050. Closure activities will be ongoing as the landfill reaches final design elevation. Closure and post-closure costs are based on an independent study conducted in 2012. Phase one of the landfill has an estimated capacity of 1,060,270 (2014 - 1,220,700) cubic metres remaining, which is projected to last until 2024 based on current growth and usage. It is estimated that post closure care will be required for a period of 40 years from closure. The present value of estimated future closure and post closure costs has been calculated and accrued.

The City has not designated assets for settling closure and post-closure liabilities.

The following summarizes the total net present value for the estimated costs of closure and post-closure care:

	1972 Site	2001 Site Phase One	2015	2014
Total estimated closure and post-closure costs	1,981	3,701	<b>5,682</b>	5,606
Estimated capacity used	100 %	69 %	<b>69 %</b>	63 %
Liability recognized as of December 31, 2015	1,981	2,570	<b>4,551</b>	4,481
Estimated capacity remaining	-%	31 %	<b>31 %</b>	37 %
Remaining estimated costs to be recognized	\$ -	\$ 1,131	<b>\$ 1,131</b>	\$ 1,125

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**11 LONG-TERM DEBT**

Long-term debt is comprised of :

	<b>2015</b>		2014	
Tax-supported debt	\$	<b>84,043</b>	\$	67,434
Self-supported debt		<b>149,834</b>		152,744
	<b>\$</b>	<b>233,877</b>	<b>\$</b>	<b>220,178</b>

Current portion of long-term debt amounts to \$18,636 (2014 - \$16,418).

Self-supported debt represents the amount funded through self-supported municipal operations including fleet, subdivisions, parking, offsite levies collected from developers, wastewater, waste management, and electric light and power. Tax-supported debt represents the amount funded by municipal taxes.

Principal and interest repayments are as follows:

	Principal		Interest		Total	
2016	\$	18,636	\$	8,900	\$	<b>27,536</b>
2017		19,106		8,228		<b>27,334</b>
2018		18,551		7,547		<b>26,098</b>
2019		16,263		6,912		<b>23,175</b>
2020		15,218		6,355		<b>21,573</b>
Thereafter		146,103		46,735		<b>192,838</b>
	<b>\$</b>	<b>233,877</b>	<b>\$</b>	<b>84,677</b>	<b>\$</b>	<b>318,554</b>

Long-term debt consists of debentures payable to Alberta Capital Finance Authority (ACFA).

Debentures mature in annual amounts to 2045 (2014 – 2042). Interest rates on these debentures range from 1.84% to 5.38% (2014 - 2.18% to 5.38%) per annum. The average annual interest rate is 3.82% (2014 - 4.07%). Debenture debt is issued on the credit and security of The City at large.

The loan payable to CMHC was issued January 1, 1972, for a term of 50 years at an interest rate of 8.25% with an annual repayment of interest and principal of \$27. The remaining principal balance of \$152 was paid out in December 2015.

During the year, a total of \$30,290 (2014- \$27,247) was added through new debenture borrowings to fund capital projects. Interest expenses on long-term debt amounted to \$8,875 (2014 - \$8,780). Cash payments for interest and principal were \$8,870 (2014 - \$8,796) and \$16,591 (2014 - 15,570) respectively.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**12 DEBT LIMIT**

The debt limit is calculated at 1.5 times revenue of The City as defined in Alberta Regulation 255/2000 and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of The City. Rather, the financial statements must be interpreted as a whole.

Pursuant to section 6(1) of the Regulation, The City has elected to include revenue, total debt and debt service costs for controlled organizations in its debt limit and debt service limit calculations. The controlled organizations that have been included are Red Deer Public Library, Red Deer Downtown Business Association, Waskasoo Environmental Education Society, Red Deer and District Museum Society, and River Bend Golf and Recreation Society.

Section 276(2) of the MGA requires that debt and debt limits as defined by Alberta Regulation 255/2000 for The City be disclosed as follows:

	<b>2015</b>	2014
Total debt limit	<b>\$ 499,217</b>	\$ 501,882
Total debt	<b>233,877</b>	220,178
Percentage used	<b>47 %</b>	44 %
Total debt service limit	<b>83,203</b>	83,647
Total debt service	<b>27,536</b>	25,233
Service on debt limit available	<b>33 %</b>	30 %

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**13 TANGIBLE CAPITAL ASSETS**

	2015	2014
Net book value		
Land	\$ 340,413	\$ 332,228
Land improvements	41,390	40,413
Buildings	229,870	230,380
Machinery, equipment, and furnishings	31,133	25,946
Vehicles	28,857	27,595
Engineered structures		
Roadway system	376,619	372,011
Water system	198,880	185,163
Wastewater system	239,478	175,763
Storm system	202,599	194,736
Electrical system	56,344	43,943
Fiber optics system	1,155	1,218
	<b>1,746,738</b>	1,629,396
Assets under construction	<b>139,729</b>	175,094
	<b>\$ 1,886,467</b>	\$ 1,804,490

For additional information, see Schedule 1 - Consolidated Schedule of Tangible Capital Assets.

In 2015, \$9,389 (2014 - \$34,284) in land and engineered structures were contributed to The City and were recorded at their fair value at the time received. There were no write-down of tangible capital assets in 2015 (2014 - \$Nil).

**14 EQUITY IN TANGIBLE CAPITAL ASSETS**

	2015	2014
Tangible capital assets (Schedule 1)	\$ 2,722,194	\$ 2,586,064
Accumulated amortization (Schedule 1)	(835,727)	(781,574)
Long-term debt (Note 11)	(233,877)	(220,178)
Equity in tangible capital assets	<b>\$ 1,652,590</b>	\$ 1,584,312

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**15 ACCUMULATED SURPLUS**

Accumulated surplus consists of restricted and unrestricted amounts including operating surplus, reserves, and equity invested in tangible capital assets.

	<b>2015</b>	2014
Unrestricted deficits in controlled agencies	\$ (122)	\$ (135)
Advances for construction (Capital to be financed)	4,426	(37)
Reserves		
Finance a specific purpose	2,287	2,211
Capital projects - tax supported	31,589	25,033
Municipal parkland	6,464	5,450
Operating - tax supported	33,294	24,441
Debt repayment	4,718	12,642
Capital asset replacement	31,356	27,499
Land development	48,593	50,363
Parking	663	1,369
Offsite	7,947	12,659
Power	16,885	21,534
Water	7,858	9,385
Wastewater	3,001	6,169
Solid waste management	16,175	16,518
Total reserves	210,830	215,273
Equity in tangible capital assets (Note 14)	1,652,590	1,584,312
Accumulated surplus (Schedule 2)	\$ 1,867,724	\$ 1,799,413



**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**16 NET MUNICIPAL TAXES**

	Budget (Note 29)	2015	2014
<b>Taxation</b>			
Real property taxes	\$ 156,295	\$ 158,327	\$ 149,439
Grants in lieu of taxes	1,746	1,746	2,203
Local improvement levies	5,073	5,073	5
Linear property taxes	989	989	979
	164,103	166,135	152,626
<b>Requisitions</b>			
Public schools	34,990	36,979	35,189
Catholic schools	4,781	5,066	4,781
Piper Creek Foundation	119	167	119
	39,890	42,212	40,089
	\$ 124,213	\$ 123,923	\$ 112,537

**17 USER FEES AND SALE OF GOODS AND SERVICES**

	Budget (Note 29)	2015	2014
Utility user fees	\$ 127,524	\$ 119,038	\$ 113,822
Land sales	47,876	6,186	20,465
Transit revenue	5,911	6,105	5,765
Ambulance and dispatch revenue	12,682	12,418	14,193
Facility user fees	6,281	5,998	5,802
Equipment and facility rental	3,866	4,264	3,995
Electrical transmission recovery	3,885	3,453	3,885
Other	4,365	4,417	4,984
	\$ 212,390	\$ 161,879	\$ 172,911

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**18 GOVERNMENT TRANSFERS**

	Budget (Note 29)	2015	2014
<b>Operating transfers</b>			
Provincial	\$ 11,473	\$ 11,492	\$ 10,338
Federal	427	467	446
Other local	305	342	277
	12,205	12,301	11,061
<b>Capital transfers</b>			
Provincial	51,155	39,483	33,773
Federal	3,061	4,396	4,347
Other local	-	300	-
	54,216	44,179	38,120
	\$ 66,421	\$ 56,480	\$ 49,181

For government transfer amounts deferred to future years, see Note 8.

**19 EXPENSES BY OBJECT**

	Budget (Note 29)	2015	2014
Salaries, wages, and benefits	\$ 138,873	\$ 133,027	\$ 127,294
Contracted services	42,666	41,084	44,533
Materials and supplies	54,323	47,996	52,135
Purchases from other governments	21,716	18,754	18,869
Grants to organizations	12,517	8,687	8,955
Financial charges	9,997	9,130	9,037
Amortization of tangible capital assets	56,365	58,576	53,809
Other expenses	731	814	1,602
	\$ 337,188	\$ 318,068	\$ 316,234

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**20 SALARIES AND BENEFITS DISCLOSURE**

The following City Council and executive salaries and benefits are disclosed as required by Alberta Regulation 313/2000 of the MGA.

	Salaries (a)	Benefits (b), (c)	2015	2014
<b>Mayor:</b>				
T. Veer	\$ 107	\$ 14	\$ 121	\$ 119
<b>Councillors:</b>				
S. Buchanan	55	8	63	67
T. Handley	59	9	68	67
P. Harris	50	4	54	68
K. Johnston	59	9	68	67
L. Lee	59	9	68	67
L. Mulder	59	6	65	64
F. Wong	59	5	64	69
D. Wyntjes	59	9	68	66
	<b>459</b>	<b>59</b>	<b>518</b>	535
<b>City Manager</b>	<b>246</b>	<b>40</b>	<b>286</b>	283
<b>Designated Officer</b>	<b>127</b>	<b>30</b>	<b>157</b>	147
	<b>\$ 939</b>	<b>\$ 143</b>	<b>\$ 1,082</b>	\$ 1,084

(a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long and short-term disability plans, professional memberships, tuition, and car allowance. Benefits and allowances also include supplementary employee retirement plan payments and moving and relocation allowances.

(c) Benefits for City Councilors include accidental death and dismemberment, group life, health care, dental coverage, registered savings plan, internet and phone allowances, transit, and pension plans.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### 21 LOCAL AUTHORITIES PENSION PLAN

Employees of The City participate in the Local Authorities Pension Plan (LAPP), which is a multi-employer plan governed by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The City is required to make current service contributions to LAPP of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 15.84% for the excess. Employees of The City are required to make current service contributions of 10.39% to the YMPE and 14.84% thereafter.

Total current service contributions by The City to LAPP in 2015 were \$12,023 (2014 - \$11,652). Total contributions by the employees of The City to LAPP in 2015 were \$11,090 (2014 - \$10,750).

As at December 31, 2014, LAPP disclosed an actuarial deficit of \$2.45 billion. This amount is not specifically allocated to the participating government organizations. The 2015 actuarial balance was not available at the date these financial statements were released.

### 22 APEX SUPPLEMENTARY PENSION PLAN

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003, and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the LAPP.

Contributions are made by the prescribed class of employees and The City. Employees and The City are required to make current service contributions to APEX of 2.50% and 3.00% respectively of individual pensionable earnings up to \$141 (2014 - \$139).

Total current service contributions by The City to APEX were \$408 (2014 - \$380). Total current service contributions by the employees of The City were \$340 (2014 - \$317).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement age of employees. The costs of post-retirement benefits are fully funded.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### 23 MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN

Muni SERP is a supplementary employee retirement plan (SERP) defined by The City and administered by the Alberta Municipal Services Corporation (AMSC). The plan commenced on January 1, 2003, and provides supplementary retirement benefits to a prescribed class of employees in excess of the limits of the Income Tax Act (Canada). The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. Muni SERP supplements APEX and LAPP and is a voluntary, non-contributory defined benefit employee retirement plan. The total current and past service liability to The City as at December 31, 2015 is estimated at \$1,086 (2014 - \$915).

A projected accrued benefit cost with prorating on service method is used to determine the accrued benefit obligation. Key actuarial assumptions used in the valuation were based on actuarial estimates. Those assumptions involve forecasts of expected future inflation rates, discount rates, wage and salary increases, maximum pension limit under the Income Tax Act, and employee turnover and mortality. Key assumptions are as follows: expected discount rate of 5.00% (2014 - 5.00%), expected salary escalations of 4.00% (2014 - 4.00%) per year, and inflation rate of 2.50% (2014 - 2.50%).

### 24 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loans receivable, accounts payable and accrued liabilities, deposits, 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 statements.

The City is subject to credit risk with respect to taxes and grants in place of tax receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which The City provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**25 CONTRACTUAL OBLIGATIONS**

As at December 31, 2015, The City had the following major capital contractual obligations:

<b>Construction Contracts</b>	<b>Commitment Amount</b>	
Street improvements	\$	24,029
Water and wastewater treatment plant upgrades		11,824
Fleet purchases		4,230
North Highway Connector		4,212
Roadway reconstruction and rehabilitation		3,128
Commercial development		2,597
Red Deer Arena		1,036
Local improvements		806
Subdivision developments		605
Greater Downtown street revitalization		601
	\$	53,068

*(a) Solid Waste and Recyclables Collection Contracts*

The City's solid waste and recyclables collection contracts are based on a percentage of the utility billing until October 31, 2016. The estimated annual contract costs are \$8,312 (2014 - \$6,081). The Waste Management Facility Operations contract is an annual contract with a value of \$1,963 (2014 - \$1,963) with an end date of December 31, 2017.

*(b) RCMP Contract*

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost for 2015 is \$20,000 (2014 - \$22,571).

*(c) ENMAX Contract*

The City entered into a two year agreement with ENMAX Power Corporation to provide Meter Data Management Services to The City until 2017. The estimated cost for 2016 and 2017 is \$3,800 (2014 - \$3,800).

*(d) Canada Winter Games*

The City was selected by the Canada Games Council as Host City for the 2019 Canada Winter Games. This commitment includes operating and capital commitments from 2014 through to the Games event in 2019 in conjunction with the official Host Society that was formed in 2015. During 2015, The City entered into a contract valued at \$1,150 for the design and development of the Great Chief Park Enhancement Plan related to the Games.

*(e) Subdivision Maintenance*

The City becomes responsible for the maintenance of private subdivisions once the construction completion certificate is obtained. This includes maintenance of water, sanitary, storm, roads, and electrical infrastructure.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### 26 CONTINGENCIES

#### (a) Insurance Agreement

The City was a member of a reciprocal insurance agreement known as the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE), licensed by the Superintendent of Insurance of Alberta on October 1, 1990, and dissolved on December 31, 2002.

A portion of prior year payments, in excess of the cost of purchasing liability insurance, has been accumulated in a self-insurance fund administered by ALARIE. Any balance of the self-insurance fund will be utilized for the settlement of the joint venture claims liability outstanding. If there is a residual balance in the fund, it will be refunded to The City once the claims are settled.

#### (b) Environmental Issues

*i.* A pre-existing, non-PCB hydrocarbon plume was discovered beneath Substation 12 as a result of an initial incident in 2009 that was remediated. A plan has been submitted to Alberta Environment to allow The City to continue to monitor the contamination.

*ii.* Subsurface contamination has been found as part of the Ross Street and Taylor Drive project. An environmental mitigation strategy is ongoing. The extent of the remediation requirements are unknown.

*iii.* The Queen's Business Park - NE and SE, the current fire training grounds, and the Bellevue reservoir all have contamination issues. The extent of these remediation requirements are unknown.

*iv.* Phases 1 and 2 environmental site assessments have been completed on all eight pre-1972 landfill sites within City limits. They were all found to have environmental issues. Estimates for future remediation cost are not yet complete.

#### (c) Land Expropriation Compensation

In 2009, The City acquired land under the Expropriation Act from several property owners in connection with the Gaetz Avenue and 32 Street intersection upgrades and the North Highway Connector project. Four property owners have since filed with the Alberta Land Compensation Board for compensation to which they believe they are entitled. At this time The City cannot determine the amount or the likelihood of the compensation in these cases.

#### (d) Other

In 2015, The City was notified that an entity has gone into receivership filing for protection under the Companies' Creditors Arrangement Act. The City has significant ongoing transactions and agreements with this entity and will face detriment should the Receiver fail to continue with the commitments and representations made to the City. As at the financial statement date the impact that this matter will have on The City's financial position is unknown.

## Notes to Consolidated Financial Statements For the Year Ended December 31, 2015 (in thousands of dollars)

### 27 GUARANTEES

The City has issued an irrevocable standby letter of credit for \$3,000 as required by its supplier, The Alberta Electric System Operator, in the event of payment default for electrical distribution charges. The letter of credit has not been utilized to date.

The City has issued an irrevocable standby letters of credit of \$617 as requested by its supplier, Altalink LP, in the event of payment default for transmission substation project. The letter of credit has not been utilized to date.

### 28 SEGMENTED DISCLOSURES

The City is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, The City's operations and activities are organized and reported by functions and services provided. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Investment earnings are allocated to each segment based on an average of fund balances. Internal charges and recoveries among segments are recorded at exchange amounts.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. Certain functions that have been disclosed in the segmented information, along with the services provided, are as follows:

#### *(a) Legislative and Administrative*

This category of functions is used to report activities that provide for the overall operation of The City, which are common to, or affect all of the services provided by The City, including Council and legislative, general administration, property assessment, taxation administration, licensing, elections, and municipal census.

#### *(b) Protective Services*

This category of functions is used to report activities that provide for the public safety of the inhabitants of The City, including police, bylaw enforcement, and disaster management services as well as fire, ambulance, and parking.

#### *(c) Transportation*

This category of functions is used to report activities related to public transportation, including equipment pool, roads and streets, public transit, and storm sewers and drainage.

#### *(d) Water and Wastewater*

These functions report activities related to acquiring, treating, and supplying water as well as collection or removal and treatment and disposal of sanitary sewage.

#### *(e) Waste Management*

This function is used to report activities related to the collection of recyclables, garbage, and other waste material, the maintenance and operation of sanitary landfill sites, and management of solid waste landfill closure and post-closure.



**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

*(f) Community Services*

This function is used to report activities related to the development and management of social issues in the community, including public housing, research, and addressing at-risk group needs.

*(g) Subdivisions, Land, and Development*

This function is used to report activities related to the development of land and infrastructure for use by The City or for resale.

*(h) Recreation, Parks, and Culture*

This function is used to report activities related to providing recreational and cultural opportunities to the community.

*(i) Electric Light and Power*

This function is used to report activities related to the operation and maintenance of electric transmission and distribution facilities and delivery of power.

For additional information see Schedule 3 - Consolidated Schedule of Segmented Disclosures.

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**29 BUDGET**

The reported budget information has been derived from the capital budget that was approved by Council on May 25, 2015 and the operating budget that was approved on April 2, 2015. The budgets were subsequently amended by Council. This note reconciles the final budget to the reported budget information presented in the consolidated financial statements.

	Approved Budget	Amendments	Final Budget
<b>Revenues</b>			
Net municipal taxes	\$ 124,213	\$ -	124,213
User fees and sale of goods and services	212,390	(1,027)	211,363
Operating government transfers	12,205	1,088	13,293
Investment earnings	6,725	-	6,725
Fines and penalties	5,970	14	5,984
Franchise fees	7,301	-	7,301
Licenses and permits	3,581	-	3,581
Other revenue	2,715	-	2,715
	<b>375,100</b>	<b>75</b>	<b>375,175</b>
<b>Expenses</b>			
Legislative and administrative	36,796	36	36,832
Police and other protective	36,479	26	36,505
Fire and ambulance	32,630	149	32,779
Parking	2,150	(3)	2,147
Transportation	47,149	439	47,588
Transit	14,022	(12)	14,010
Fleet	16,176	(21)	16,155
Water	16,306	(10)	16,296
Wastewater	16,916	(4)	16,912
Solid waste collection	6,821	(4)	6,817
Solid waste disposal	5,200	(3)	5,197
Recycling	2,317	(4)	2,313
Social planning	4,018	32	4,050
Community services	9,850	229	10,079
Subdivisions, land, and development	1,105	-	1,105
Recreation, parks, and culture	45,673	52	45,725
Electric light and power	43,580	(19)	43,561
	<b>337,188</b>	<b>883</b>	<b>338,071</b>
<b>Annual Surplus before Other</b>	<b>37,912</b>	<b>(808)</b>	<b>37,104</b>
<b>Other</b>			
Capital government transfers	54,216	4,401	58,617
Contributed tangible capital assets	19,574	-	19,574
Developer and customer contributions	15,397	-	15,397
Other	31	-	31
<b>Annual Surplus</b>	<b>\$ 127,130</b>	<b>\$ 3,593</b>	<b>\$ 130,723</b>

**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2015 (in thousands of dollars)**

**30 COMPARATIVE INFORMATION**

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**31 APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements on April 25, 2016.

## **STATISTICAL INFORMATION**

**General Municipal Data - Unaudited  
(2011-2015) (in thousands of dollars)**

	2015	2014	2013	2012	2011
Population	<b>100,807</b>	98,585	97,109	91,877	91,877
Assessed valuation	<b>\$ 15,666,694</b>	\$ 14,882,334	\$ 13,827,046	\$ 13,032,279	\$ 12,818,060
Per capita assessed valuation	<b>\$ 155</b>	\$ 151	\$ 142	\$ 142	\$ 140
Mill rates (commercial)					
Municipal	<b>12.6665</b>	12.2177	12.2313	12.3765	12.5997
Education foundation	<b>3.6200</b>	3.5416	3.7565	3.4849	3.4244
Piper Creek Foundation	<b>0.0107</b>	0.0079	0.0195	0.0143	0.0146
	<b>16.2972</b>	15.7672	16.0073	15.8757	16.0387
Taxes paid by the largest single taxpayer	<b>\$ 3,059</b>	\$ 2,942	\$ 2,885	\$ 2,833	\$ 2,847
Percent of taxes	<b>1.89 %</b>	1.93 %	1.97 %	2.05 %	2.20 %
Property taxes					
Current levy	<b>\$ 162,199</b>	\$ 152,819	\$ 146,208	\$ 138,154	\$ 129,491
Current collected	<b>\$ 160,628</b>	\$ 152,661	\$ 146,082	\$ 136,152	\$ 127,403
Percent of current levy	<b>99 %</b>	100 %	100 %	99 %	98 %
Gross tax collections	<b>\$ 161,702</b>	\$ 153,780	\$ 147,799	\$ 139,033	\$ 130,532
Taxes outstanding	<b>\$ 2,255</b>	\$ 2,198	\$ 2,311	\$ 2,962	\$ 2,919

No census was conducted in 2012. The 2011 census results were used for 2012 statistical information.

**Consolidated Revenue by Source - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Operating Revenue:					
Net municipal taxes	\$ 123,923	\$ 112,537	\$ 107,035	\$ 98,463	\$ 92,423
User fees and sale of goods and services	159,321	170,246	172,904	151,913	121,751
Operating government transfers	11,323	10,258	9,829	9,349	8,967
Investment income	4,790	5,105	6,218	7,694	5,788
Fines and penalties	5,759	3,690	3,542	3,324	2,647
Franchise fees	7,394	5,762	5,882	6,411	5,235
Licenses and permits	3,283	7,441	6,927	6,188	6,300
Other revenue	2,790	3,595	1,666	886	4,665
Contributed tangible capital assets	9,389	34,284	21,878	17,975	10,133
<b>Total Operating Revenue</b>	<b>327,972</b>	<b>352,918</b>	<b>335,881</b>	<b>302,203</b>	<b>257,909</b>
Capital Revenue	53,847	49,307	58,257	84,435	51,598
Agencies Revenue	4,560	4,767	5,527	4,262	4,309
<b>Consolidated Revenue</b>	<b>\$ 386,379</b>	<b>\$ 406,992</b>	<b>\$ 399,665</b>	<b>\$ 390,900</b>	<b>\$ 313,816</b>

Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012

**Capital Fund Activities - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Capital expenditure by segment:					
Legislative and administrative	\$ 4,102	\$ 2,420	\$ 2,174	\$ (759)	\$ 1,462
Protective services	1,814	1,036	1,041	1,734	4,103
Transportation	51,235	46,772	40,598	60,769	56,773
Water and wastewater	30,897	39,474	49,080	35,617	23,337
Waste management	2,576	164	1,279	3,927	84
Community services	289	162	42	80	1,161
Subdivisions, land, and development	13,045	13,722	6,952	8,590	7,044
Recreation, parks, and culture	6,334	6,855	7,178	5,238	3,362
Electric light and power	19,427	11,537	9,516	6,656	4,975
<b>Total Capital Spending</b>	<b>\$ 129,719</b>	<b>\$ 122,142</b>	<b>\$ 117,860</b>	<b>\$ 121,852</b>	<b>\$ 102,301</b>
Financing Sources Applied:					
Developer contributions	8,777	10,015	29,341	8,941	13,726
Government transfers	44,179	38,120	27,032	73,381	35,184
Other revenue	891	1,172	1,884	2,113	2,688
Debt issued	30,290	27,247	16,337	21,795	22,975
From (to) operating	(635)	7,678	13,757	4,223	23,487
From (to) reserves	50,680	44,879	18,607	(10,167)	2,184
Increase (decrease) in fund balance	4,463	6,969	(10,902)	(21,566)	(2,057)
Capital fund balance, beginning of the year	(37)	(7,006)	3,896	25,462	27,519
<b>Capital fund balance, end of year</b>	<b>\$ 4,426</b>	<b>\$ (37)</b>	<b>\$ (7,006)</b>	<b>\$ 3,896</b>	<b>\$ 25,462</b>

Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012

**Consolidated Operating Expenses by Function - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Operating Expenses:					
Legislative and administrative	\$ 34,146	\$ 33,260	\$ 31,899	\$ 33,031	\$ 29,764
Police and other protective	32,894	32,355	30,972	28,015	27,363
Fire and ambulance	31,859	30,822	27,364	25,279	26,019
Parking	2,196	2,619	2,098	2,197	2,038
Transportation	50,767	46,915	46,134	37,156	38,822
Transit	13,883	13,199	12,445	12,119	11,712
Fleet	12,155	13,627	11,356	11,113	10,473
Water	15,781	15,752	14,942	14,060	14,113
Wastewater	15,929	14,227	16,173	11,732	11,954
Solid waste collection	6,703	6,442	6,218	6,047	5,943
Solid waste disposal	5,061	3,914	5,089	4,255	3,560
Recycling	2,227	2,054	2,027	1,920	1,885
Social planning	3,870	3,920	3,871	3,764	3,922
Community services	7,634	7,481	7,424	6,231	5,634
Subdivisions, land, and development	2,023	11,640	6,671	2,016	1,062
Recreation, parks, and culture	46,892	45,074	43,545	46,028	39,985
Electric light and power	34,048	32,933	32,634	29,785	27,658
<b>Total operating expenses</b>	<b>\$ 318,068</b>	<b>\$ 316,234</b>	<b>\$ 300,862</b>	<b>\$ 274,748</b>	<b>\$ 261,907</b>

Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012



**Consolidated Operating Expenses by Object - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Operating Expenses:					
Salaries, wages, and benefits	\$ 133,027	\$ 127,294	\$ 117,585	\$ 109,673	\$ 107,701
Contracted services	41,084	44,533	38,369	36,200	34,540
Materials and supplies	47,996	52,135	54,363	42,321	41,504
Purchases from other governments	18,754	18,869	18,223	16,667	16,041
Grants to organizations	8,687	8,955	6,983	13,285	7,137
Financial charges	9,130	9,037	8,959	8,873	9,433
Amortization of tangible capital assets	58,576	53,809	54,768	46,428	45,201
Other expenses	814	1,602	1,612	1,301	350
<b>Total operating expenses</b>	<b>\$ 318,068</b>	<b>\$ 316,234</b>	<b>\$ 300,862</b>	<b>\$ 274,748</b>	<b>\$ 261,907</b>

Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012

**Financial Position and Net Revenues - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Financial assets	\$ 291,024	\$ 308,084	\$ 299,210	\$ 288,636 <sup>1</sup>	\$ 247,901
Liabilities	357,295	358,131	333,580	327,613	311,732
Net debt	(66,271)	(50,047)	(34,370)	(38,977)	(63,831)
Non-financial assets	1,933,995	1,849,460	1,743,025	1,648,829	1,557,531
Accumulated surplus	1,867,724	1,799,413	1,708,655	1,609,852	1,493,700
Annual surplus	\$ 68,311	\$ 90,758	\$ 98,803	\$ 116,152	\$ 51,909

**Consolidated Accumulated Surplus - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Advances for construction (capital to be financed)	\$ 4,426	\$ (37)	\$ (7,006)	\$ 3,896	\$ 25,462
Reserves	210,830	215,273	221,828	194,725	141,067
Equity in tangible capital assets	1,652,590	1,584,312	1,494,236	1,411,879	1,328,020
Unrestricted deficits in controlled agencies	(122)	(135)	(403)	(648)	(849)
Total	\$ 1,867,724	\$ 1,799,413	\$ 1,708,655	\$ 1,609,852	\$ 1,493,700

Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012

**Consolidated Reserves - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Finance a specific purpose	\$ 2,287	\$ 2,211	\$ 2,125	\$ 2,002	\$ 1,922
Capital projects - tax supported	31,589	25,033	28,809	27,479	18,639
Municipal parkland	6,464	5,450	4,825	4,666	1,100
Operating - tax supported	33,294	24,441	16,142	9,769	6,695
Debt repayment	4,718	12,642	11,685	10,646	5,451
<b>Tax-supported reserves</b>	<b>78,352</b>	<b>69,777</b>	<b>63,586</b>	<b>54,562</b>	<b>33,807</b>
Power	16,885	21,534	17,567	13,773	5,011
Water	7,858	9,385	17,569	14,811	9,584
Wastewater	3,001	6,169	9,544	20,621	12,111
Solid waste management	16,175	16,518	13,086	12,050	13,102
<b>Utility-supported reserves</b>	<b>43,919</b>	<b>53,606</b>	<b>57,766</b>	<b>61,255</b>	<b>39,808</b>
Capital asset replacement	31,356	27,499	25,743	25,214	20,766
Land development	48,593	50,363	54,334	46,006	38,783
Parking	663	1,369	1,080	1,444	1,743
Offsite	7,947	12,659	19,319	6,244	6,160
<b>Self-supported reserves</b>	<b>88,559</b>	<b>91,890</b>	<b>100,476</b>	<b>78,908</b>	<b>67,452</b>
<b>Total reserves</b>	<b>\$ 210,830</b>	<b>\$ 215,273</b>	<b>\$ 221,828</b>	<b>\$ 194,725</b>	<b>\$ 141,067</b>

In 2014, City Council approved a reserve consolidation for tax-supported and self-supported operations. Comparative information has been reclassified to conform to the current year's presentation.

**Long-term Debt Issued by Function - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Transportation	\$ 2,000	\$ 4,968	\$ 6,723	\$ 14,375	\$ 6,825
Water	3,800	608	-	6,370	6,050
Wastewater	-	13,671	8,286	1,050	4,400
Parking	-	-	-	-	5,700
Storm sewer and drainage	1,000	-	-	-	-
Recreation, parks, and culture	11,500	-	1,328	-	-
Electric light and power	-	8,000	-	-	-
Subdivisions, land, and development	11,990	-	-	-	-
<b>Total</b>	<b>\$ 30,290</b>	<b>\$ 27,247</b>	<b>\$ 16,337</b>	<b>\$ 21,795</b>	<b>\$ 22,975</b>

**Long-term Debt - Unaudited  
2011-2015 (in thousands of dollars)**

	2015	2014	2013	2012	2011
Tax-supported debt	\$ 84,043	\$ 67,434	\$ 69,331	\$ 55,397	\$ 57,321
Self-supported debt	149,834	152,744	139,170	150,567	139,437
<b>Total long-term debt</b>	<b>233,877</b>	<b>220,178</b>	<b>208,501</b>	<b>205,964</b>	<b>196,758</b>
Population	100,807	98,585	97,109	91,877	91,877
Long-term debt per capita	2,320	2,233	2,147	2,242	2,142
Debt limit per regulation	499,217	501,882	526,134	449,316	402,749
Debt limit unused	265,340	281,704	317,633	243,352	205,991
Percentage of debt limit used	47 %	44 %	40 %	46 %	49 %
Service on debt limit	83,203	83,647	87,689	74,886	67,125
Service on existing debt	27,536	25,233	24,200	22,559	21,242
Service on debt limit unused	55,667	58,414	63,489	52,327	45,883
Percentage of service on debt limit used	33 %	30 %	28 %	30 %	32 %
Percentage of expenses	9 %	8 %	8 %	8 %	8 %