



2017 Annual Financial Report

The Corporation of the City of Red Deer
Red Deer, Alberta
For the Year Ended December 31, 2017
April 2018

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INTRODUCTORY INFORMATION

MAYOR AND CITY COUNCIL

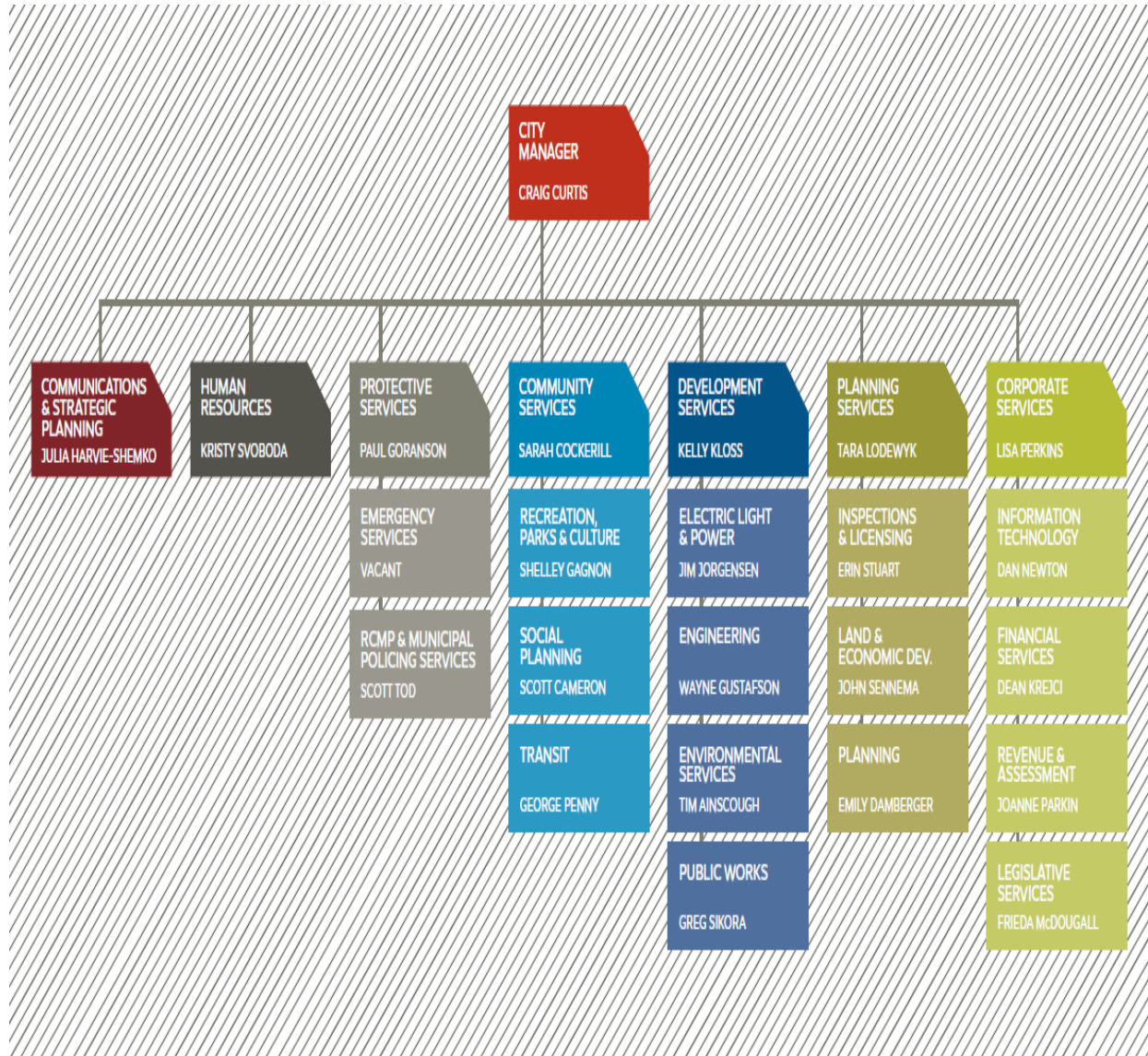


Left to Right: Councillor L. Lee, Councillor F. Wong, Councillor D. Wyntjes, Councillor M. Dawe, Mayor T. Veer, Councillor K. Johnston, Councillor V. Higham, Councillor T. Handley, Councillor S. Buchanan.

The City of Red Deer is governed by an elected City Council comprised of a Mayor and eight Councillors. Through the City Manager, this group provides governance and leadership to City Administration. The Mayor and all Councillors are members in a number of Committees and Boards that address specific topics.

Each Councillor is elected on an 'at large' basis, meaning that Councillors are not elected on a geographic basis or in a ward. Each Councillor is available to any citizen who wishes to discuss an issue. City Council meetings are held in Council Chambers every second Monday. The meetings are open to the public.

ORGANIZATIONAL CHART



REPORT FROM THE CHIEF FINANCIAL OFFICER

The City of Red Deer

Introduction

Mayor Tara Veer, Members of Council of The City of Red Deer, I am pleased to present the 2017 Annual Financial Report of The City of Red Deer. The attached report provides information to taxpayers and other members of the public about The City's 2017 financial performance. In addition, this report describes some of The City's major financial policies, provides an assessment of The City's general economic condition and highlights significant accomplishments in meeting Strategic Plan objectives.

The financial statements of The City of Red Deer and all other information contained in the Annual Financial Report are prepared and presented by management, which is responsible for their accuracy, objectivity, and completeness. The responsibility includes presenting the statements in accordance with Canadian Public Sector Accounting Standards and in conformance to the requirements of the Municipal Government Act of the Province of Alberta. The preparation of the statements necessarily involves the use of estimates, which are made using careful judgment.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

City Council has the ultimate responsibility for these consolidated financial statements and oversees management's responsibilities for financial reporting through an Audit Committee, which is composed of the Mayor and three councillors. The Audit Committee, chaired by Councillor Johnston, reviews the consolidated financial statements and recommends them to City Council for approval. To carry out its duties, the Audit Committee reviews the annual consolidated financial statements, as well as issues related to them. The Audit Committee's review of financial reports includes an assessment of key management estimates and judgments material to the financial results. KPMG LLP, the external auditor appointed by City Council, has audited the financial statements and their Independent Auditors' Report is attached. They have full unrestricted access to the Audit Committee to discuss their findings, including the fairness of financial reporting and the adequacy of internal controls.

Strategic Plan

Based on the 2015 – 2018 strategic direction, Administration continued work on the 3 themes that Council has identified as requiring significant change or shift:

- Dialogue – engaging our community and enhancing our relationships
 - The next phase is Dialogue 2.0 which includes a government relations strategy, an advocacy strategy, and role clarification with arm’s length agencies.
- Community Amenities – planning great spaces and places for community living
 - The public consultation has been completed and projects have been included in the 10 Year Capital Plan as approved by Council
 - The Discovery Canyon Upgrades project and Memorial Center Building Enhancements project were completed
 - The City has committed to building or upgrading several facilities as part of the Games bid totaling \$26 million. This includes a contribution to Red Deer College for the Gary W. Harris Canada Games Centre. The City is also working closely with the Games society and committed to \$2 million in value in kind towards Games operations. The Servus Arena and Setter’s Place opened early in 2018.
- Financial Leadership – creating a sustainable financial foundation
 - The financial leadership framework was presented to Council and approved in June.
 - A risk management framework was approved by the Audit Committee in March 2017 and presented to Council at a City Manager Briefing in April 2017

These 3 themes are priorities for the 2015 – 18 timeframe and complement the work still being completed on 5 of the themes from the previous strategic plan:

- Design
- Economy
- Identity
- Movement
- Safety

With substantial progress made on these themes, The City will soon have a master plan in place to support each of the five pillars of sustainability: Economy (complete), Social (complete), Culture (complete), Environment (complete), and

Governance (ongoing). A Corporate Planning Architecture project commenced in November to provide an overarching framework that will tie the five pillars of sustainability together with the Strategic Plan.

Financial Statement Discussion & Analysis

1. HIGHLIGHTS

Net debt increased by \$31.9 million mainly due to investments in tangible capital assets that required additional long term debt. The increase in long term debt of \$29.3 million resulted in the debt limit used increasing from 47% to 53%. The overall amount of reserves decreased by \$1.3 million, bringing the balance to \$221 million. Expenses remained at the same level as 2016 with operating revenues increasing by 0.6%. There was an one time revenue and expense in 2016 in the amount of \$6 million related the airport runway expansion grant. Actual expenses and revenues were both less than budgeted.

2. OPERATING RESULTS

Operating results are on the Consolidated Statement of Operations and in Note 19 - Expenses by Object in the Notes to Consolidated Financial Statements.

Revenue

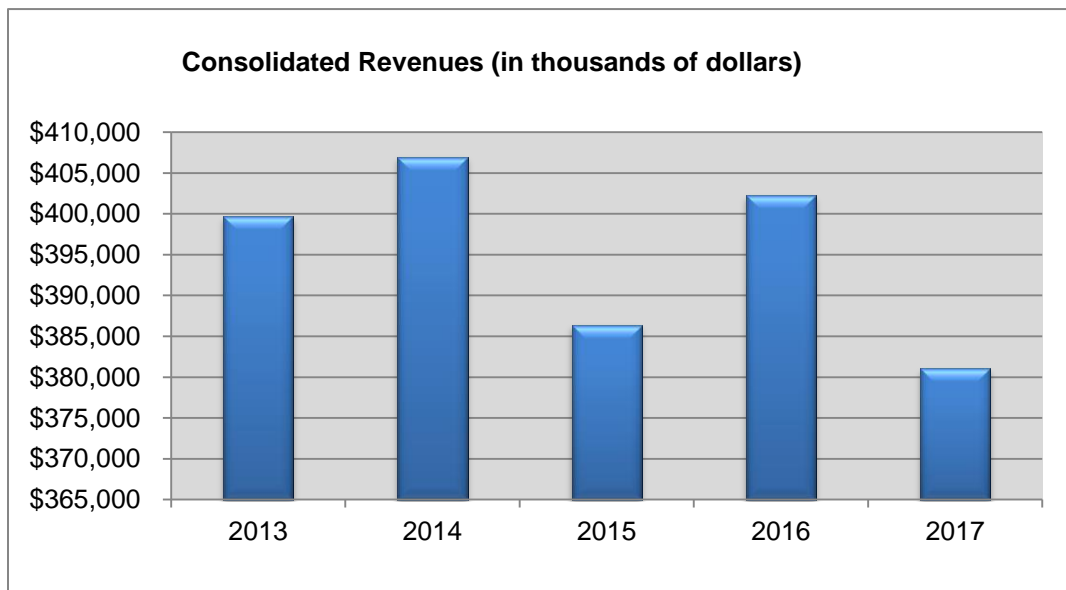
Operating revenues increased by \$1.9 million over 2016. There was an increase in property tax revenue of \$2.4 million and user fees and sale of goods and services of \$7.3 million. These were offset by decreases in operating government transfers of \$4.1 million and investment earnings of \$3.8 million. The reason for the decrease in government transfers was due to a one time grant of \$6 million for the Red Deer Regional Airport received in 2016. Investment earnings decreased due to redemption of \$45 million worth of investments to fund capital projects earlier in the year.

Within user fees and sale of goods and services, the only significant difference from 2016 to 2017 revenues was an increase in utility fees of \$7.0 million.

Capital revenues decreased by \$23.1 million over 2016 due to decreases in capital government transfers of \$21.7 million and other capital revenue of \$1.9 million.

Government transfers decreased due to less capital work being completed in transportation, which is typically funded by federal and provincial grants. Other capital revenue decreased because of a \$3 million donation received for Canada Winter Games projects in 2016.

Capital revenues vary greatly from year to year depending on the amount of capital work funded from grants completed, and the amount of tangible capital assets contributed by developers.



Expenses

2017 operating expenses decreased by \$0.3 million over 2016 expenses.

On a functional basis, the following areas saw increases in expenses compared to 2016:

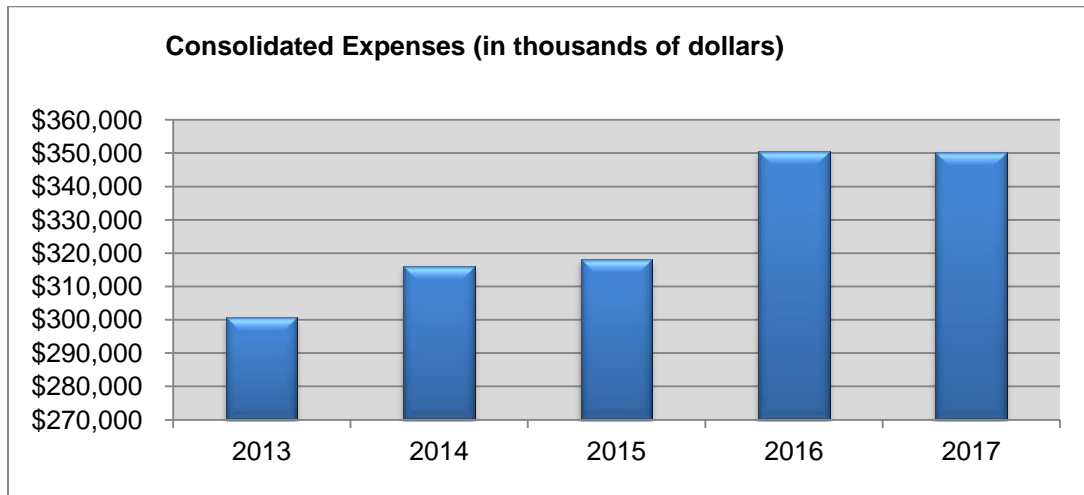
- Fire and ambulance increased by \$1.3 million primarily because of higher wages and salaries due to more overtime and a full year of amortization of the new fire station.
- Police and other protective expenses increased by \$1.1 million due to the addition of the Protective Services Division as well as the amalgamation of enforcement positions from other departments within The City.
- Fleet increased by \$1.1 million due to increased fuel costs of \$0.3 million and decreases in cost recoveries from capital projects totaling \$0.4 million.
- Wastewater increased by \$1.4 million due to contracted services for bio-solids to land project.
- Community services increased by \$1.5 million primarily due to an increase in grants to organizations related to public housing of \$1.3 million.

- Electric light and power increased by \$3.4 million primarily because of higher transmission charges, overtime for labour related to the windstorm and higher depreciation on major additions to the electrical system.

The following areas saw decreases in expenses compared to 2016:

- Transportation decreased by \$9.0 million due to \$6 million for the Red Deer Airport grant being included in 2016 and \$4 million of work on the Riverview Park bank stabilization project expensed in 2016.
- Recreation, parks, and culture decreased by \$1.0 million due to \$0.6 million less grants to organizations and \$1.4 million for loss on disposal of assets from the Servus Arena from 2016. These reductions were offset by \$0.9 million increases in materials and supplies related to 2019 Canada Winter Games projects.

On an object basis, salaries, wages, and benefits increased by \$2.9 million due to collective agreement settlements, overtime in fire and ambulance, and an increase in temporary term positions in 2017. Grants to organizations decreased by \$6.7 million mainly due to the Red Deer Regional Airport grant of \$6 million included in 2016. Amortization of tangible capital assets increased by \$2.9 million due to additions of tangible capital assets, particularly engineered structures (roads, water and wastewater infrastructure and electrical system upgrades) and buildings (Great Chief Park, Kinsmen Arena, and fire station relocations). Other expenses decreased by \$1.0 million due to the loss on disposal of tangible capital assets for the Servus Arena included in 2016.



3. FINANCIAL POSITION

Financial position is shown on the Consolidated Statement of Financial Position.

The City's Financial Assets decreased in 2017 by \$5.5 million over 2016. This was due to an overall decrease in investments of \$44.6 million to provide cash flows for capital projects throughout the year. This is offset by increase in cash and cash equivalents of \$18.6 million and receivables of \$19.5 million. Cash increased due to new debenture issuance at the end of the year. Accounts receivable increased due to the Municipal Sustainability Initiative (MSI) and Federal Gas Tax grant funding not being received until January 2018.

Liabilities increased by \$26.4 million over 2016. This was due to additional borrowing for capital projects exceeding debt principal repayments by \$29.3 million offset by a decrease in bank indebtedness of \$5.9 million.

The City's Net Debt increased by \$31.9 million over 2016. In the same period \$126.8 million of tangible capital assets were acquired.

The City increased its Non-Financial Assets by \$62.6 million. Tangible capital assets net book value increased by \$66.3 million and prepaid expenses decreased by \$3.5 million.

Long Term Debt

Additional information is included in Note 11 Long-Term Debt and Note 12 Debt Limit in the Notes to Consolidated Financial Statements as well as the Statistical Information section.

Debt is used to finance capital projects and capital leases. Self-supported debt is included in rate setting to ensure that repayments will be made. Where rate setting does not result in debt repayments being covered, internal borrowing from other reserves is used to ensure the debt repayments are made. The borrowing will be repaid from future surpluses within the individual self-supported operations. The Parking operation has internally borrowed \$0.85 million as of December 31, 2017. Projections indicate that this amount will be repaid by 2021.

For offsite related debt, the ability to make repayments is dependent on the amount of land developed each year. In years where insufficient land is developed to make debt repayments, internal borrowing from other reserves is used to ensure the debt payments are made. The borrowing will be repaid from future development revenues. As of December 31, 2017 there have been no internal borrowings from other reserves for offsite levies.

For tax-supported debt, a contribution to a reserve is made annually to ensure that repayments are made. The reserve is reviewed annually, with debt repayments and contributions forecast for the next 10 years, to ensure the

reserve is sustainable. The reserve is forecast to be sustainable for the period 2018 – 2027.

The Municipal Government Act (MGA) limits the total debt that a municipality may have. In September 2013, Council approved a policy that The City shall not exceed 90% of the debt limit. In July 2015, Council amended the policy so that The City shall not exceed 75% of the debt limit. As of December 31, 2017 The City reached 53% of the debt limit.

Based on the 2017 Capital Budget, the debt balance at December 31, 2017 was estimated to be \$346.1 million. The estimate of debt limit used was 67%. The actual debt at December 31, 2017 is \$274.6 million due to delays in borrowing for capital projects. The actual debt limit used is 53%. This is due to the combination of debt limit increasing in 2017 as revenues have increased and the delay in borrowing for capital projects. The debt is split approximately 50% tax supported and 50% self-supported.

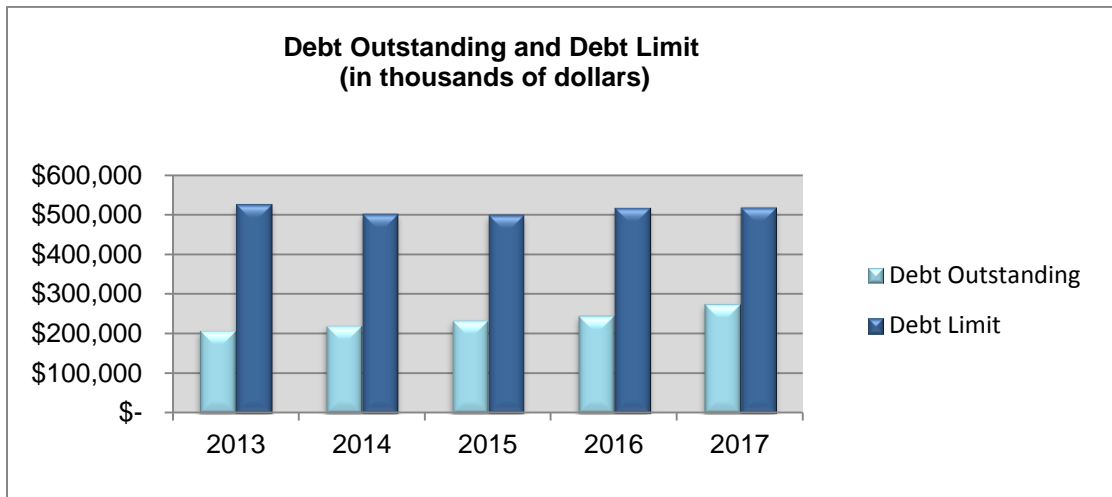
Based on the 2018 budget the debt balance at December 31, 2018 is estimated to be \$315.9 million. Borrowing planned for previously approved projects include the following:

- Water Treatment Plant Upgrades \$5.8 million
- Ross St from Rideout Ave to 20 Ave \$2.4 million
- Queen’s Business Park Storm Pond \$2.4 million
- Ross St from 20 Ave to 10 Ave \$4.6 million
- Offsite Levy Projects \$21.3 million

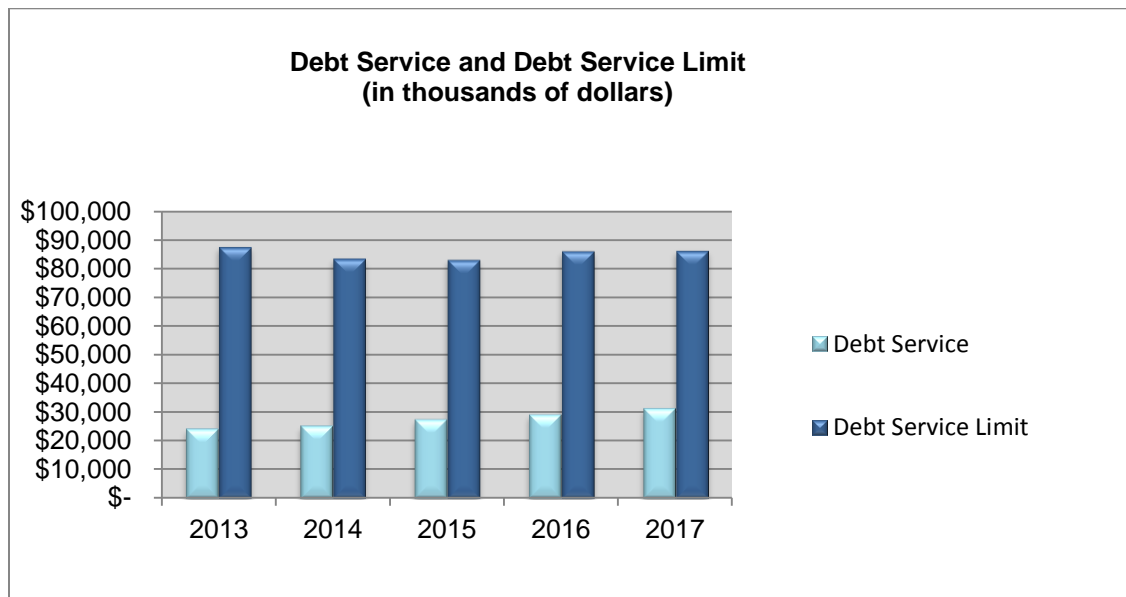
The 2018 projects where borrowing is planned are as follows:

- EL&P Infrastructure – 4 kV and 25 kV \$1.0 million
- EL&P Substations and SCADA \$3.4 million
- EL&P Communications Infrastructure \$1.1 million
- Gaetz Ave Vision Implementation \$1.0 million
- Bower Ponds Node Enhancements \$1.6 million
- Downtown Arena Parking Lot \$1.8 million
- Heritage Ranch Enhancements \$1.0 million
- Offsite Levy Projects \$5.4 million

The estimated debt limit used would be 59%.



The MGA also limits the total debt servicing a municipality may have. Due to the current low interest rate environment, The City has not exceeded 40% of the debt servicing limit in the last 5 years. All debt has fixed interest rates so the City is not exposed to the risk of changes in interest rate on its existing debt. The actual debt servicing limit used in 2017 is 36%



Reserves

Additional information is included in Note 15 Accumulated Surplus in the Notes to Consolidated Financial Statement and the Statistical Information section.

Reserves decreased by \$1.3 million from 2016, resulting in an ending balance of \$221 million.

The following self-supported reserves increased in 2017 as capital expenditures funded were less than contributions to the reserves:

- Land Development \$11.0 million
- Parking \$0.2 million
- Power Utility \$1.9 million
- Wastewater Utility \$3.2 million
- Solid Waste Utility \$0.4 million

The following self-supported reserves decreased in 2017 as capital expenditures funded were greater than contributions to the reserves:

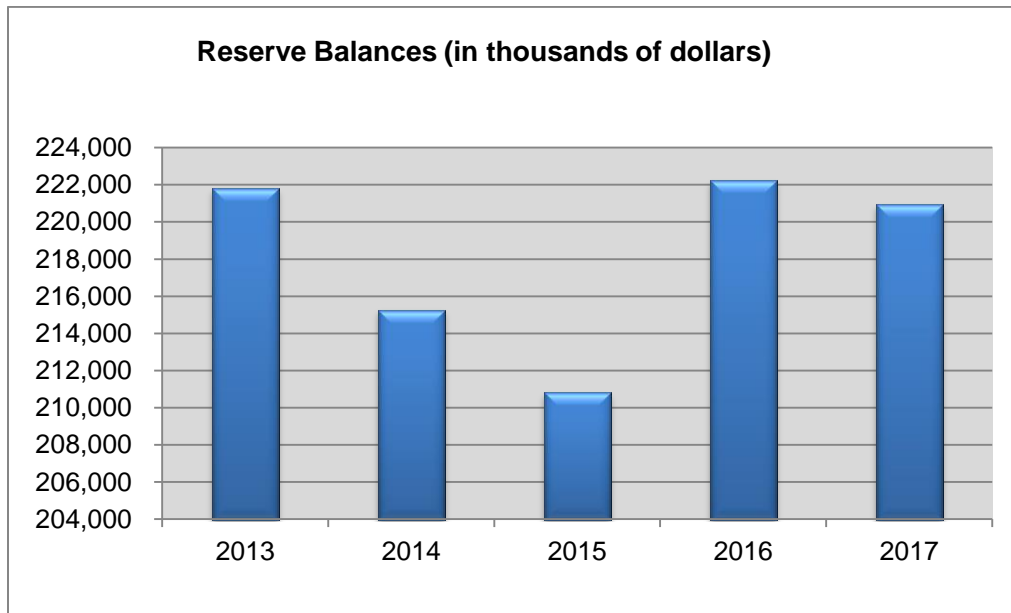
- Capital Asset Replacement \$9.1 million
- Offsite \$7.9 million

The Parking Reserve showed an increase in 2017 due to borrowing \$0.85 million from another reserve. The Water Utility reserve remained unchanged.

It is anticipated that further reductions will occur in the Parking and Offsite Reserves in future years in excess of their current balances. Internal borrowing from other reserves will keep the balance in the Parking Reserve above zero. Although the Offsite Reserve showed a negative balance, it is offset by deferred revenues such that the Offsite Fund as a whole is positive. It is anticipated that the Offsite Fund will reach an overall negative balance in future years so internal borrowing will be utilized at that time.

Tax supported reserves decreased by \$1.0 million mainly due to the Operating Reserve – Tax Supported decreasing by \$1.7 million offset by the Debt Repayment Reserve increasing by \$1.3 million. The Operating Reserve – Tax Supported decreased due to withdrawals for various carryforward budget items and internal borrowing to Parking Reserve which in total, exceed the contribution from operating surplus and investment earnings allocation. The Debt Repayments Reserve increased due to debt repayments being less than the annual contribution / transfers to the reserve.

Additional information on reserves will be available when the 2017 reserve report is presented to Council in May / June 2018.



4. VARIANCES – BUDGET TO ACTUAL

Additional information on budget to actual variances will be available when the annual variance report is presented to Council in May / June 2018.

5. RISKS & UNCERTAINTIES

Provincial Government Funding – due to the current economic situation the Provincial Government may reduce funding to municipalities. The City will continue to monitor future Provincial budgets to determine the impact.

2019 Canada Winter Games – The City was successful in its bid to be the Host City of the 2019 Games. Council has approved \$26 million as part of the 2014 Capital Budget to construct the required facilities. This includes partnerships with other organizations. The City's ability to deliver on the facilities is dependent on these partners achieving their commitments. Council has also approved a resolution to assume responsibility for any operating deficit associated with hosting the Games. Details of these commitments and guarantees in regards to the Games can be found in Note 29 Disclosure Summary of the 2019 Canada Winter Games in the Notes to the Consolidated Financial Statements.

Land Expropriations – as per Note 26 Contingencies in the Notes to Consolidated Financial Statements there are currently four applications for Determination of Compensation which have been submitted to the Land Compensation Board. While the amount or likelihood of compensation in these

cases is not known, a contingency amount has been provided in future draws on the Capital Project Reserve for these items.

Development Related Revenues – there has been a substantial drop in development contributions and land sale revenue. The future outlook for the economy is for oil prices to stabilize at a much lower rate than previous levels. The City will continue to monitor actual revenues to determine if further reductions in budgeted revenues may be required in the future.

Development Related Expenditures – as the city grows, the City front ends the cost for trunk services for water, wastewater, storm, and roads infrastructure. Due to lower development related revenues, it will be necessary to consider the amount of cost that can be front ended. The amount of work completed will have a significant impact on long term debt, including internal borrowing from non-development related reserves. The City has extended the borrowing term of offsite related borrowing bylaws to improve cash flows, will consider increases to rates, and will continue to monitor the sustainability of offsite reserves on an annual basis.

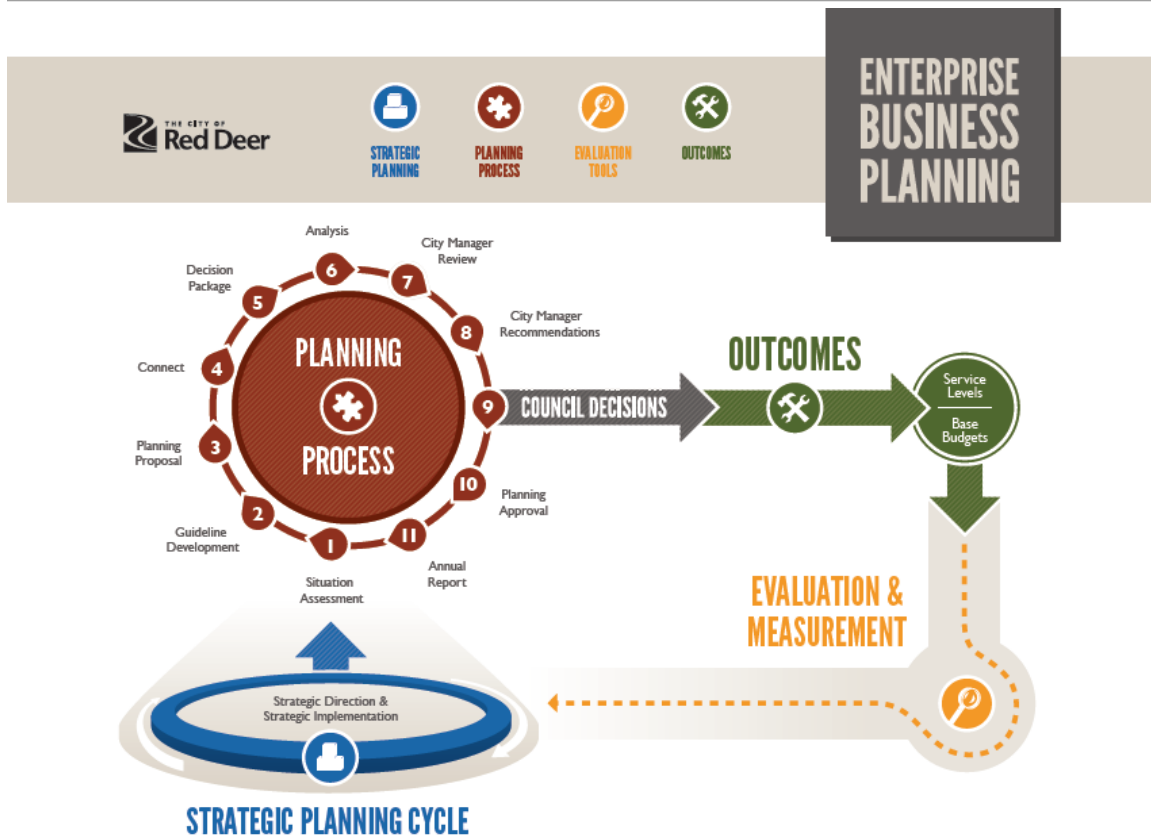
Asset Management – an asset management plan was completed for roads. As anticipated it showed a backlog of work to maintain, rehabilitate, and replace roads. The City has begun to address this issue over the last eight years as budgets related to road work have increased from \$2 million to over \$13 million. There is still a large volume of work to be done to tie asset management into financial reporting and complete additional asset management plans. The anticipated results of the work will be a shortfall in maintenance and capital budgets to maintain, rehabilitate, and replace capital assets.

Agreements – the City has many agreements with other organizations. Due to the economy there is an increased risk for insolvency in these other organizations which may have substantial impacts to City operations and finances.

Public Performance Reporting

6. ENTERPRISE BUSINESS PLANNING

The intent of the model is to increase the effectiveness, efficiency, integration to other processes, and relevance to decision making of the business planning and budget process. The model is shown below.



Step 11 of this model includes the Annual Report. The report is intended to be summary of our progress in a given year for Council and the community. The Communications and Strategic Planning department is the lead for this step of the model. This report is scheduled to be released shortly after this Annual Financial Report on May 1, 2018.

Work is continuing on the Outcomes and Evaluation & Measurement components of the model. Departments continue to develop and report performance measures to Council in their service plans and in quarterly reporting. The City also participated with 9 other Alberta municipalities in 2017 on the Alberta Municipal Benchmarking Initiative (AMBI) to build benchmarking measures in 10 functional areas. The City may not participate in all 10 areas.

Assessment of Tangible Capital Assets

Tangible capital assets information is included in Schedule 1 – Consolidated Schedule of Tangible Capital Assets, Note 13 Tangible Capital Assets and Note 14 Equity in Tangible Capital Assets of the Notes to Consolidated Financial Statements.

7. ASSET MANAGEMENT

Slow progress continues to be made by most departments on asset management initiatives.

Corporate progress included continuing work on an asset management plan for vertical assets in Recreation, Parks, and Culture. An internal review of service levels related to assets for the Transit, Public Works, and Electric Light and Power departments was completed.

8. FINANCIAL INDICATORS

Financial indicators can be used to measure a municipality's overall financial condition. The following indicators were selected to measure Sustainability, Flexibility, and Vulnerability.

	2017	2016	2015	2014	2013
Sustainability:					
Financial Assets to Liabilities	0.78	0.86	0.92	1.04	0.99
Total Expenses to Assessment	2.22%	2.19%	2.03%	2.12%	2.18%
Flexibility:					
Debt Charges to Revenues	9.07%	8.48%	8.27%	7.54%	6.90%
Vulnerability:					
Government Transfers to Total Revenue	4.38%	5.57%	3.70%	3.31%	3.07%

Sustainability indicators measure the degree to which The City can maintain its existing service and financial commitments without increasing debt or tax burden on its citizens. In 2016, land held not ready for sale was reclassified from Non-Financial Assets to Financial Assets; therefore the Financial Asset to Liabilities ratio has been recalculated for all of the years for consistency. The ratio remains below 1.0 in 2017. This is expected to continue as long term debt continues to be utilized to fund the Capital Budget and Capital Plan. Despite acquiring \$126.8 million of tangible capital assets in 2017, debt levels only increased by \$29.3 million. The City is at 53% of the Provincial approved debt limit for municipalities to date.

Total Expenses to Assessment compares the economic activity in The City using assessments to total expenses for the organization. The increase in City expenses should not outpace increases in assessments. The City's ratio has not

changed significantly over the last four years and currently sits close to 2013 levels. This ratio will rise in periods of economic slowdown as expenses are subject to inflation and assessments decline.

Flexibility indicators measure the degree to which The City uses debt instead of increased taxation to meet its capital commitments. In 2017 The City committed 9.07% of revenue to service debt. This amount has increased over the last four years as additional investments are made in infrastructure and budgeted revenue targets have not been met in several areas. The debt charges remain well within the debt servicing limit set for municipalities by the Province.

Vulnerability indicators measure the degree to which The City depends on other levels of government for operating funding. In 2017 this indicator decreased to 4.38% from 5.57% in 2016. This indicator reflects that a lower percentage of revenue came from other governments than in previous years. Much of this has to do with the one-time Airport grant received in 2016 which was paid out through grants to organizations the same year. Without the Airport grant included in the calculation, the 2016 indicator drops to 3.83%. The City has become more reliant on grant funding than in other years once the adjustment is made for one time grant funding. This is mainly due to increases in grants such as the 911 grant and the Outreach and Support Services Initiative (OSSI) grant.

Conclusion

The City continues to monitor the impacts to budget of various external factors. Ongoing advocacy with the Province will be necessary as all levels of government deal with budget pressures. The continued development of a financial sustainability framework is important to ensure we have the resiliency to absorb future impacts.

The City's financial position did deteriorate slightly as financial assets declined and financial liabilities increased. This was anticipated as Council continues to build additional tangible capital assets using debt financing in accordance with the Community Amenities charter. While the net debt position increased there was a substantial acquisition of tangible capital assets. The debt limit used increased and reserve balances decreased slightly.

Sustainability measures are comparable to 2013 levels. The flexibility measure is on an upward trend but debt limit used and debt servicing are well within Provincial limits. Council has also created a reserve to ensure that tax supported debt payments will be made. This reserve is sustainable over the next 10 years. The vulnerability measure is also on an upward trend due to new grant programs being introduced and increases in existing grant programs.

The City remains in sound financial shape. Continued monitoring of reserves and capital funding sources and adjustments to plans will be done to ensure sustainability and adapt to a changing environment.

Respectfully submitted,



Dean Krejci, CPA, CA
Chief Financial Officer
April 25, 2018

FINANCIAL INFORMATION

MANAGEMENT REPORT

The accompanying consolidated financial statements 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 auditors' opinion in accordance with Canadian generally accepted auditing standards.



Craig Curtis
City Manager



Dean Krejci
Chief Financial Officer



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Telephone (780) 429-7300
Fax (780) 429-7379

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, 2017, 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 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, 2017, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

April 30, 2018
Edmonton, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017 (in thousands of dollars)

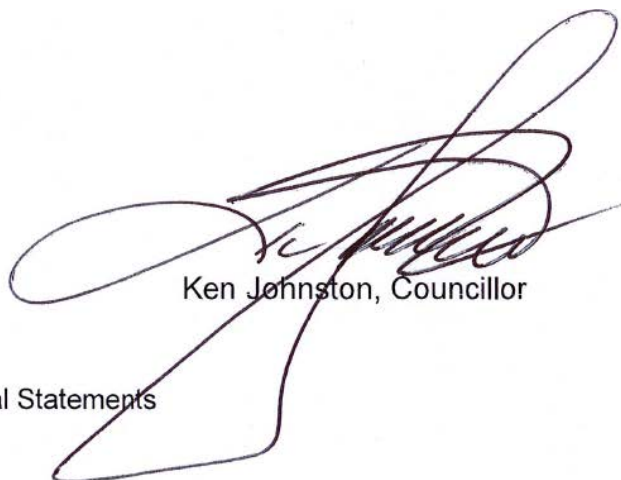
	2017	2016
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 18,623	\$ -
Accounts receivable (Note 3)	59,212	39,719
Land held for sale (Note 4)	50,190	48,711
Investments (Note 5)	169,842	214,412
Loans receivable (Note 6)	4,327	4,875
	302,194	307,717
Liabilities		
Bank indebtedness (Note 2)	-	5,945
Accounts payable and accrued liabilities (Note 7)	44,856	45,559
Deposits	2,670	3,001
Deferred revenue (Note 8)	43,597	40,825
Employee benefit obligations (Note 9)	14,724	14,124
Landfill closure and post-closure liability (Note 10)	4,973	4,293
Long-term debt (Note 11)	274,564	245,270
	385,384	359,017
Net Debt	(83,190)	(51,300)
Non-financial Assets		
Tangible capital assets (Schedule 1, Note 13)	2,022,765	1,956,469
Inventory held for consumption	9,809	9,980
Prepaid expenses	637	4,174
	2,033,211	1,970,623
Accumulated Surplus (Schedule 2, Note 15)	\$ 1,950,021	\$ 1,919,323

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

Approved on behalf of City Council:



Tara Veer, Mayor



Ken Johnston, Councillor

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2017 (in thousands of dollars)

	Budget (Note 30)	2017	2016
Revenues			
Net municipal taxes (Note 16)	\$ 126,686	\$ 126,701	\$ 124,346
User fees and sale of goods and services (Note 17)	184,138	168,674	161,388
Operating government transfers (Note 18)	14,240	15,110	19,198
Investment earnings	7,975	3,177	6,981
Fines and penalties	6,025	5,937	6,148
Franchise fees	8,571	9,225	7,848
Licenses and permits	3,523	3,249	3,558
Other operating revenue	2,918	5,255	5,935
	354,076	337,328	335,402
Expenses (Note 19)			
Legislative and administrative	40,436	36,641	37,545
Fire and ambulance	34,038	35,353	34,066
Parking	2,038	2,020	2,124
Police and other protective	39,974	39,306	38,231
Transportation	47,686	49,806	58,824
Transit	15,149	15,105	14,555
Fleet	16,570	13,456	12,327
Water	18,256	17,473	17,253
Wastewater	19,697	18,714	17,289
Solid waste collection	7,104	6,701	6,831
Solid waste disposal	5,542	5,561	5,353
Recycling	2,609	2,380	2,340
Social planning	5,667	5,589	5,272
Community services	9,932	9,787	8,300
Subdivisions, land, and development	2,934	2,277	2,534
Recreation, parks, and culture	49,721	50,896	51,924
Electric light and power	44,583	39,322	35,884
	361,936	350,387	350,652
Annual Deficit before Other	(7,860)	(13,059)	(15,250)
Other			
Capital government transfers (Note 18)	36,603	28,481	50,218
Contributed tangible capital assets (Note 13)	27,528	7,325	7,330
Developer and customer contributions	1,892	6,995	6,442
Other capital revenue	295	956	2,859
Annual Surplus	58,458	30,698	51,599
Accumulated Surplus, beginning of year	1,919,323	1,919,323	1,867,724
Accumulated Surplus, end of year	\$ 1,977,781	\$ 1,950,021	\$ 1,919,323

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended December 31, 2017 (in thousands of dollars)

	Budget (Note 30)	2017	2016
Annual Surplus	\$ 58,458	\$ 30,698	\$ 51,599
Acquisition of tangible capital assets	(178,526)	(126,850)	(128,293)
Contributed tangible capital assets	(27,528)	(7,325)	(7,330)
Proceeds on disposal of tangible capital assets	-	1,195	678
Amortization of tangible capital assets	62,687	66,686	63,758
Loss (gain) on disposal of tangible capital assets	-	(2)	1,185
	(143,367)	(66,296)	(70,002)
Net use (acquisition) of inventory held for consumption	-	171	(854)
Net use (acquisition) of prepaid expenses	-	3,537	(2,611)
	-	3,708	(3,465)
Increase in Net Debt	(84,909)	(31,890)	(21,868)
Net Debt, beginning of year	(51,300)	(51,300)	(29,432)
Net Debt, end of year	\$ (136,209)	\$ (83,190)	\$ (51,300)

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017 (in thousands of dollars)

	2017	2016
Net Inflow (outflow) of cash related to the following activities:		
Operating Activities		
Annual surplus	\$ 30,698	\$ 51,599
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	66,686	63,758
Loss (gain) on disposal of tangible capital assets	(2)	1,185
Contributed tangible capital assets	(7,325)	(7,330)
Non-cash charges to operations:		
Accounts receivable	(19,493)	(5,471)
Land held for sale	(1,479)	(5,674)
Loans receivable	548	(3,964)
Accounts payable and accrued liabilities	(703)	(1,964)
Deposits	(331)	(531)
Deferred revenue	2,772	(13,076)
Employee benefit obligations	600	213
Landfill closure and post-closure liability	680	(258)
Inventory held for consumption	171	(854)
Prepaid expense	3,537	(2,611)
	76,359	75,022
Capital Activities		
Acquisition of tangible capital assets	(126,850)	(128,293)
Proceeds on disposal of tangible capital assets	1,195	678
	(125,655)	(127,615)
Investing Activities		
Net sales of investments	44,570	30,260
	44,570	30,260
Financing Activities		
Long-term debt issued	49,741	30,025
Long-term debt repaid	(20,447)	(18,632)
	29,294	11,393
Change in cash and cash equivalents during the year	24,568	(10,940)
Cash and cash equivalents (bank indebtedness), beginning of year	(5,945)	4,995
Cash and cash equivalents (bank indebtedness), end of year	\$ 18,623	\$ (5,945)

See accompanying Notes to the Consolidated Financial Statements

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2017 (in thousands of dollars)

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction		
								2017	2016
Cost:									
Balance, beginning of year	\$ 345,181	\$ 90,483	\$ 333,277	\$ 83,373	\$ 53,667	\$ 1,814,171	\$ 129,254	\$ 2,849,406	\$ 2,722,194
Acquisition and contributions of tangible capital assets	7,349	16,579	39,964	10,637	2,492	62,966	(5,812)	134,175	135,623
Disposal of tangible capital assets	(104)	-	(10)	(1,577)	(5,790)	(40)	-	(7,521)	(8,411)
Balance, end of year	352,426	107,062	373,231	92,433	50,369	1,877,097	123,442	2,976,060	2,849,406
Accumulated Amortization:									
Balance, beginning of year	-	(42,421)	(103,848)	(42,370)	(25,402)	(678,896)	-	(892,937)	(835,727)
Amortization of tangible capital assets	-	(4,180)	(9,691)	(6,417)	(3,931)	(42,467)	-	(66,686)	(63,758)
Accumulated amortization on disposals	-	-	1	1,308	4,978	41	-	6,328	6,548
Balance, end of year	-	(46,601)	(113,538)	(47,479)	(24,355)	(721,322)	-	(953,295)	(892,937)
Net book value of tangible capital assets	\$ 352,426	\$ 60,461	\$ 259,693	\$ 44,954	\$ 26,014	\$ 1,155,775	\$ 123,442	\$ 2,022,765	\$ 1,956,469
2016 Net Book Value of Tangible Capital Assets	\$ 345,181	\$ 48,062	\$ 229,429	\$ 41,003	\$ 28,265	\$ 1,135,275	\$ 129,254	\$ 1,956,469	

See accompanying Notes to the Consolidated Financial Statements (Note 13)

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2017 (in thousands of dollars)

	Unrestricted deficit and capital to be financed	Reserves	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	(26,722)	222,260	1,723,785	1,919,323	1,867,724
Annual Surplus	30,698	-	-	30,698	51,599
Unrestricted funds designated for future use	(58,467)	58,467	-	-	-
Restricted funds designated for operations	29,148	(29,148)	-	-	-
Restricted funds used for tangible capital assets	-	(30,636)	30,636	-	-
Current year funds used for tangible capital assets	(96,214)	-	96,214	-	-
Contributed tangible capital assets	(7,325)	-	7,325	-	-
Disposal of tangible capital assets	1,193	-	(1,193)	-	-
Amortization of tangible capital assets	66,686	-	(66,686)	-	-
Long term debt issued	44,171	-	(44,171)	-	-
Long term debt repaid	(19,213)	-	19,213	-	-
Change in accumulated surplus	(9,323)	(1,317)	41,338	30,698	51,599
Balance, end of year	(36,045)	220,943	1,765,123	1,950,021	1,919,323

See accompanying Notes to the Consolidated Financial Statements (Note 15)

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2017 (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
Revenues										
Net municipal taxes	\$ 126,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,701
User fees and sale of goods and services	365	14,557	5,943	54,655	17,738	465	8,035	9,469	57,447	168,674
Operating government transfers	973	3,472	273	-	-	9,310	-	1,082	-	15,110
Investment earnings	1,497	-	659	134	252	55	105	160	315	3,177
Fines and penalties	1,014	4,270	-	262	58	-	44	93	196	5,937
Franchise fees	9,153	-	-	-	-	-	-	72	-	9,225
Licenses and permits	79	3,118	25	-	-	27	-	-	-	3,249
Other operating revenue	1,665	416	1,337	433	479	96	16	810	3	5,255
	141,447	25,833	8,237	55,484	18,527	9,953	8,200	11,686	57,961	337,328
Expenses										
Salaries, wages, and benefits	21,205	43,346	28,095	10,671	1,022	4,636	501	29,207	5,331	144,014
Contracted services	7,287	4,598	5,384	3,628	11,703	878	(59)	5,335	3,626	42,380
Materials and supplies	1,120	1,765	8,755	5,109	71	333	1,574	4,758	26,009	49,494
Purchases from other governments	-	23,534	-	-	-	-	-	-	-	23,534
Grants to organizations	483	-	410	-	-	9,209	-	4,163	-	14,265
Financial charges	4,839	491	1,125	2,037	3	-	261	149	603	9,508
Amortization of tangible capital assets	2,062	2,765	34,679	14,567	1,196	221	-	7,429	3,767	66,686
Other expenses	(355)	180	(81)	175	647	99	-	(145)	(14)	506
	36,641	76,679	78,367	36,187	14,642	15,376	2,277	50,896	39,322	350,387
Annual surplus (deficit) before other	104,806	(50,846)	(70,130)	19,297	3,885	(5,423)	5,923	(39,210)	18,639	(13,059)
Other										
Capital government transfers	50	-	26,251	186	-	-	-	592	1,402	28,481
Contributed tangible capital assets	-	-	2,949	976	-	-	-	3,400	-	7,325
Developer and customer contributions	-	-	4,986	592	-	-	-	421	996	6,995
Other capital revenue	-	-	58	2	-	-	1	895	-	956
Annual surplus (deficit)	\$ 104,856	\$ (50,846)	\$ (35,886)	\$ 21,053	\$ 3,885	\$ (5,423)	\$ 5,924	\$ (33,902)	\$ 21,037	\$ 30,698

See accompanying Notes to the Consolidated Financial Statements (Note 28)

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2016 (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
Revenues										
Net municipal taxes	\$ 124,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,346
User fees and sale of goods and services	409	14,302	6,036	52,999	17,405	429	7,682	9,725	52,401	161,388
Operating government transfers	753	3,452	6,000	-	-	7,986	-	1,007	-	19,198
Investment earnings	3,125	15	1,493	532	613	100	197	307	599	6,981
Fines and penalties	853	4,654	-	238	51	-	25	104	223	6,148
Franchise fees	7,797	-	-	-	-	-	-	51	-	7,848
Licenses and permits	33	3,473	28	-	-	24	-	-	-	3,558
Other operating revenue	1,871	419	786	1,561	386	96	21	790	5	5,935
	139,187	26,315	14,343	55,330	18,455	8,635	7,925	11,984	53,228	335,402
Expenses										
Salaries, wages, and benefits	22,086	41,572	27,413	10,274	1,001	4,514	446	29,131	4,656	141,093
Contracted services	7,666	5,107	4,640	2,591	11,830	841	204	5,701	3,418	41,998
Materials and supplies	1,046	1,472	11,902	4,741	112	266	1,713	3,847	23,685	48,784
Purchases from other governments	-	23,217	-	-	-	-	-	-	-	23,217
Grants to organizations	547	-	7,902	-	-	7,730	-	4,791	-	20,970
Financial charges	4,342	530	1,234	2,227	2	-	171	148	663	9,317
Amortization of tangible capital assets	1,611	2,286	33,019	14,487	1,840	221	-	7,048	3,246	63,758
Other expenses	247	237	(404)	222	(261)	-	-	1,258	216	1,515
	37,545	74,421	85,706	34,542	14,524	13,572	2,534	51,924	35,884	350,652
Annual surplus (deficit) before other	101,642	(48,106)	(71,363)	20,788	3,931	(4,937)	5,391	(39,940)	17,344	(15,250)
Other										
Capital government transfers	166	4,083	41,596	2,513	-	-	-	116	1,744	50,218
Contributed tangible capital assets	-	-	6,300	1,030	-	-	-	-	-	7,330
Developer and customer contributions	-	-	3,953	739	-	-	18	297	1,435	6,442
Other capital revenue	-	-	28	1	-	-	35	2,795	-	2,859
Annual surplus (deficit)	\$ 101,808	\$ (44,023)	\$ (19,486)	\$ 25,071	\$ 3,931	\$ (4,937)	\$ 5,444	\$ (36,732)	\$ 20,523	\$ 51,599

See accompanying Notes to the Consolidated Financial Statements (Note 28)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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, changes in reserve balances, and change in financial position of the reporting entity. This entity is comprised of the municipal operations as well as all the organizations and committees that are controlled and therefore, accountable to City Council for the administration of their financial affairs and resources. 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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. 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. External 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 from external developers is deferred in the appropriate offsite deferred revenue account and recognized as revenue as The City constructs the related offsite basins.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

(c) Use of Estimates

The preparation of the financial statements 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:

- ◆ landfill closure and post-closure liability;
- ◆ valuation of inventory;
- ◆ employee benefit obligations;
- ◆ useful life of tangible capital assets;
- ◆ accrued liabilities;
- ◆ liabilities for potential environmental obligations;
- ◆ allowance for doubtful accounts receivable and loans receivable; and
- ◆ fair value of contributed tangible capital assets.

(d) Financial Instruments

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 bank indebtedness, 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.

i. Cash and cash equivalents

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

ii. Investments

Investment income is recognized as revenue in the period earned. When required by an external funder, investment income earned on deferred revenue is allocated to the deferred revenue balance. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

iii. Loans Receivable

An allowance for impairment is recorded against loans receivable. 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 for Sale

Land held 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.

(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.

(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. Local improvement charges are recognized as revenue in the year in which the improvements have been completed and the local improvement bylaw is approved by City Council.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

(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.

(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 Change 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:

ASSET TYPE	Years
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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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, roads, and landscaping are recorded at their fair value at the date of receipt and also recorded as revenue 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 assets 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. Inventory Held for Consumption

Inventories held for consumption are recorded at lower of weighted average cost and replacement cost.

vi. Reserves

Certain amounts, as approved by City Council, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from reserves are adjustments to the respective fund when approved.

(I) Future Accounting Pronouncements

The following summarizes upcoming changes to 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.

i. 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. This standard is applicable for fiscal years beginning on or after April 1, 2017.

ii. Related Party Disclosures

PS2200, *Related Party Disclosures* requires the disclosure of the effect of financially material transactions between related parties, which include entities under common or shared control, key management personnel, and their affiliations as well as close family members. This standard is applicable for fiscal years beginning on or after April 1, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

iii. 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.

iv. 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. 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.

v. 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.

vi. 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. 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. This standard is applicable for fiscal years beginning on or after April 1, 2019.

vii. 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.

viii. Portfolio Investments

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments 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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

2 CASH AND CASH EQUIVALENTS

	2017	2016
Cash	\$ 18,539	\$ 3,897
Cash in investment accounts	84	54
Bank indebtedness	-	(9,896)
	\$ 18,623	\$ (5,945)

The City has access to an unsecured line of credit of up to \$25,000 with an interest rate of prime minus 0.75%, resulting in an effective rate of 2.45% (2016 - 1.95%) to cover any bank overdraft arising from day to day cash transactions. As at December 31, 2017, there was no amount outstanding on the line of credit overdraft (2016 - \$9,896).

3 ACCOUNTS RECEIVABLE

	2017	2016
Property Taxes:		
Current taxes and grants in place of taxes	\$ 2,401	\$ 2,123
Arrears	503	499
Local improvement levies	3,902	4,812
	6,806	7,434
General	5,807	5,042
Utilities	11,560	15,627
Government transfers	32,295	9,454
Interest on investments	552	1,036
Other receivables	2,332	1,285
Allowance for doubtful accounts	(140)	(159)
	52,406	32,285
	\$ 59,212	\$ 39,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

4 LAND HELD FOR SALE

	2017		2016	
Residential	\$	1,050	\$	1,388
Industrial and commercial		4,399		4,381
Land held ready for sale		5,449		5,769
Residential		27,855		27,855
Industrial and commercial		16,886		15,087
Land held not ready for sale	\$	44,741	\$	42,942
		50,190		48,711

Land held ready for sale is land in a condition to be sold, marketed for sale, and reasonably anticipated to be sold within one year. Land held not ready for sale is land held for future development and is not reasonably anticipated to be sold within one year.

5 INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
Short-term investments	\$ 24,272	\$ 24,328	\$ 4,696	\$ 4,697
Federal government	12,653	12,507	14,858	14,638
Provincial government	77,553	77,021	110,307	108,467
Municipal government	3,067	3,147	2,705	2,754
Canadian banks	39,182	39,311	68,852	68,320
Corporate	12,057	11,939	12,184	12,157
Other	1,058	1,048	810	804
	\$ 169,842	\$ 169,301	\$ 214,412	\$ 211,837

Short-term investments are reasonably liquid investments held in various financial institutions, notably Canadian Treasury Bills and Guaranteed Income Certificates. These investments have interest rates of 0.00% to 1.65% (2016 - 0.00% to 0.45%) with maturities of one year or less.

The remaining investments have interest rates of 1.00% to 10.25% (2016 - 1.40% to 11.00%) and mature in periods from April 2, 2018 to June 30, 2108 (2016 - January 11, 2017 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 THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

6 LOANS RECEIVABLE

	2017	2016
Red Deer Gymnastics Club	\$ 22	\$ 65
Central Alberta Theatre	17	17
Red Deer and District SPCA	736	771
2019 Canada Winter Games Host Society	3,552	4,039
	4,327	4,892
Allowance for doubtful loans	-	(17)
	\$ 4,327	\$ 4,875

Principal amounts due are as follows:

2018	\$ 63
2019	3,593
2020	43
2021	43
2022	41
Thereafter	544
	\$ 4,327

(a) 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 to 3.75%.

(b) 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 2014, City Council approved an amended loan bylaw that extended the loan term to 7 years and reduced the interest rate to 2.96%. In 2017, the allowance for doubtful loans was reduced to nil (2016 - \$17) as The City has deemed the balance to be collectable.

(c) 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.

(d) In 2016, The City advanced funds to the 2019 Canada Winter Games Host Society (Host Society) for capital projects related to the 2019 Canada Winter Games (Games). The entire advance will be repaid by the end of 2019 with an interest rate of 0.00% per annum. For more information related to the Games and the Host Society, see Note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017		2016
Trade	\$ 35,917	\$	38,022
Payroll and remittances	3,953		2,904
Goods and Services Tax	603		414
Liability for contaminated sites	2,922		3,177
Accrued interest	954		935
Other	507		107
	\$ 44,856	\$	45,559

The City owns properties that have undergone initial Environmental Site Assessments. Where the site assessments identified environmental contamination, liabilities for future environmental remediation were established. In 2017, remediation costs of \$255 (2016 - \$625) have been spent on the Riverlands development project, reducing the liability for contaminated sites to \$2,922 as at December 31, 2017 (2016 - \$3,177).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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.

	2016	Restricted contributions received including interest earned	Revenue recognized	2017
Deferred Government Transfers				
Basic Municipal Transportation Grant	\$ 1,024	\$ 13	\$ 39	\$ 998
Municipal Sustainability Initiative - Capital	12,141	23,057	20,539	14,659
Federal Gas Tax Fund	3,547	5,440	2,908	6,079
Family and Community Support Services	307	3,113	3,191	229
Outreach Support Services Initiative	3,632	3,935	5,010	2,557
Other government	246	617	520	343
	20,897	36,175	32,207	24,865
Other Deferred Revenue				
Recreation amenity	3,508	23	757	2,774
Developer and customer contributions	12,936	5,336	6,688	11,584
Other	3,484	5,486	4,596	4,374
	19,928	10,845	12,041	18,732
	\$ 40,825	\$ 47,020	\$ 44,248	\$ 43,597

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 \$701 (2016 - \$1,383) from the Municipal Sustainability Initiative's operating component. The entire amount was recognized in operating government transfers for 2017 (2016 - \$712).

(b) The Homelessness Partnering Strategy (HPS) is a program offered by the Government of Canada to address local homelessness issues. It is run from April 1, 2017 to March 31, 2020. The revenue is recognized quarterly on a claim basis submitted to the Federal Government. In 2017, the amount claimed was \$887 (2016 - \$445) and has been recognized as operating government transfer revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

(c) In 2017, the Green Transit Incentives Program (GreenTRIP) has paired with Public Transit Infrastructure Fund (PTIF) and is administered by Alberta Transportation to support municipalities in providing sustainable public transit alternatives. The City has recognized \$4,468 as capital government transfers for 2017 and has accrued \$2,932 (2016 - \$7,707) to be received.

(d) Alberta Solicitor General and Public Security provides annual funding for supporting municipalities with the costs of policing services. The City received \$1,597 in 2017 (2016 - \$1,613), and the full amount was recognized as operating government transfers in 2017.

(e) Alberta Emergency Management Agency provides funding to The City under the 911 Grant Program, which must only be used in relation to 911 call answering services. In 2017, The City received \$1,425 (2016 - \$1,383) for the 911 Grant Program and recognized the entire amount in operating government transfers for 2017.

9 EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation, overtime, and earned days off	\$ 7,577	\$ 7,184
Retiring allowance	2,439	2,213
Other employment benefits	4,708	4,727
	\$ 14,724	\$ 14,124

(a) *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.

(b) *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 and extrapolated to December 31, 2017. Key actuarial assumptions used in the valuation were based on a number of assumptions about future events, which reflect management's best estimates.

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 \$2,609 (2016 - \$2,415) using projected benefit method prorated on services. The net actuarial loss of \$170 (2016 - \$202) is amortized on a straight line basis over 13 years starting with the year following its determination.

(c) *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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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 2.94% (2016 - 3.49%) and annual inflation of 1.59% (2016 - 1.48%). 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 778,624 (2016 - 927,922) cubic metres remaining, which is projected to last until 2022 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	2017	2016
Total estimated closure and post-closure costs	1,902	3,983	5,885	5,258
Estimated capacity used	100 %	77 %	77 %	72 %
Liability recognized as of December 31, 2017	1,902	3,071	4,973	4,293
Estimated capacity remaining	-%	23 %	23 %	28 %
Remaining estimated costs to be recognized	\$ -	\$ 912	\$ 912	\$ 965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

11 LONG-TERM DEBT

Long-term debt is comprised of :

	2017	2016
Tax-supported debt	\$ 137,945	\$ 107,041
Self-supported debt:		
Offsites	39,697	38,679
Utilities	61,063	66,905
Land and other	35,859	32,645
	\$ 274,564	\$ 245,270

Current portion of long-term debt amounts to \$21,547 (2016 - \$20,194).

Tax-supported debt represents the amount funded by municipal taxes. 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.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$ 21,547	\$ 9,762	\$ 31,309
2019	19,340	9,046	28,386
2020	18,377	8,406	26,783
2021	19,001	7,782	26,783
2022	18,044	7,144	25,188
Thereafter	178,255	57,311	235,566
	\$ 274,564	\$ 99,451	\$ 374,015

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

Debentures mature in annual amounts to 2047 (2016 – 2046). Interest rates on these debentures range from 1.84% to 5.38% (2016 - 1.84% to 5.38%) per annum. The average annual interest rate is 3.55% (2016 - 3.68%). Debenture debt is issued on the credit and security of The City at large.

During the year, a total of \$49,741 (2016- \$30,025) was added through new debenture borrowings to fund capital projects. Interest expenses on long-term debt amounted to \$9,212 (2016 - \$9,022). Cash payments for interest and principal were \$9,197 (2016 - \$8,898) and \$20,447 (2016 - 18,632) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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:

	2017	2016
Total debt limit	\$ 517,919	\$ 517,055
Total debt	274,564	245,270
Percentage used	53 %	47 %
Total debt service limit	86,320	86,176
Total debt service	31,309	29,223
Service on debt limit available	36 %	34 %

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

13 TANGIBLE CAPITAL ASSETS

	2017	2016
Net book value		
Land	\$ 352,426	\$ 345,181
Land improvements	60,461	48,062
Buildings	259,693	229,429
Machinery, equipment, and furnishings	44,954	41,003
Vehicles	26,014	28,265
Engineered structures		
Roadway system	412,537	405,635
Water system	206,898	203,721
Wastewater system	233,573	236,550
Storm system	211,705	209,246
Electrical system	90,033	79,032
Fibre optics system	1,029	1,091
	1,899,323	1,827,215
Assets under construction	123,442	129,254
	\$ 2,022,765	\$ 1,956,469

In 2017, \$7,325 (2016 - \$7,330) in land and engineered structures were contributed to The City and were recorded at their fair value at the time received.

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

14 EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital assets (Schedule 1)	\$ 2,976,060	\$ 2,849,406
Accumulated amortization (Schedule 1)	(953,295)	(892,937)
Long-term debt related to tangible capital assets	(257,642)	(232,684)
Equity in tangible capital assets (Schedule 2)	\$ 1,765,123	\$ 1,723,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (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.

	2017	2016
Unrestricted surplus (deficit) in controlled agencies	\$ 170	\$ (86)
Capital to be financed	(36,215)	(26,636)
Reserves		
Finance a specific purpose	1,783	2,388
Capital projects - tax supported	40,743	41,060
Municipal parkland	6,984	6,710
Operating - tax supported	31,757	33,454
Debt repayment	3,816	2,471
Capital asset replacement	27,209	36,317
Land development	65,430	54,447
Parking	372	158
Offsite	(10,012)	(2,068)
Power	19,878	17,997
Water	3,373	3,383
Wastewater	12,191	8,949
Solid waste management	17,419	16,994
Total reserves (Schedule 2)	220,943	222,260
Equity in tangible capital assets (Note 14)	1,765,123	1,723,785
Accumulated surplus (Schedule 2)	\$ 1,950,021	\$ 1,919,323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

16 NET MUNICIPAL TAXES

	Budget (Note 30)	2017	2016
Taxation			
Real property taxes	\$ 169,102	\$ 169,616	\$ 165,250
Grants in place of taxes	1,504	1,504	1,475
Local improvement levies	(768)	(768)	4
Linear and other property taxes	1,681	1,681	1,919
	171,519	172,033	168,648
Requisitions			
Public schools	39,348	39,421	38,514
Catholic schools	5,485	5,511	5,355
Piper Creek Foundation	-	400	433
	44,833	45,332	44,302
	\$ 126,686	\$ 126,701	\$ 124,346

17 USER FEES AND SALE OF GOODS AND SERVICES

	Budget (Note 30)	2017	2016
Utility user fees	\$ 133,898	\$ 125,249	\$ 118,286
Land sales	14,394	7,975	7,646
Transit revenue	5,719	5,751	5,768
Ambulance and dispatch revenue	11,944	12,260	12,075
Facility user fees	6,249	5,294	5,662
Equipment and facility rental	3,908	3,651	3,786
Electrical transmission recovery	4,301	4,320	3,891
Other	3,725	4,174	4,274
	\$ 184,138	\$ 168,674	\$ 161,388

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

18 GOVERNMENT TRANSFERS

	Budget (Note 30)	2017	2016
Operating transfers			
Provincial	\$ 13,479	\$ 13,540	\$ 18,360
Federal	430	887	445
Other local	331	683	393
	14,240	15,110	19,198
Capital transfers			
Provincial	29,305	25,051	44,023
Federal	4,698	3,408	6,195
Other local	2,600	22	-
	36,603	28,481	50,218
	\$ 50,843	\$ 43,591	\$ 69,416

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

19 EXPENSES BY OBJECT

	Budget (Note 30)	2017	2016
Salaries, wages, and benefits	\$ 147,891	\$ 144,014	\$ 141,093
Contracted services	46,016	42,380	41,998
Materials and supplies	56,839	49,494	48,784
Purchases from other governments	23,602	23,534	23,217
Grants to organizations	14,000	14,265	20,970
Financial charges	10,276	9,508	9,317
Amortization of tangible capital assets	62,687	66,686	63,758
Other expenses	625	506	1,515
	\$ 361,936	\$ 350,387	\$ 350,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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)	2017	2016
Mayor:				
T. Veer	\$ 105	\$ 18	\$ 123	\$ 122
Councillors:				
S. Buchanan	58	12	70	68
M. Dawe	9	1	10	-
T. Handley	58	12	70	68
P. Harris	49	6	55	64
V. Higham	9	1	10	-
K. Johnston	58	12	70	68
L. Lee	59	12	71	68
L. Mulder	49	12	61	65
F. Wong	58	8	66	63
D. Wyntjes	58	12	70	68
	465	88	553	532
City Manager	263	44	307	298
Designated Officer	130	32	162	157
	\$ 963	\$ 182	\$ 1,145	\$ 1,109

(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 Councillors include accidental death and dismemberment, group life, health care, dental coverage, registered savings plan, Internet and phone allowances, transit, and pension plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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 2017 were \$13,176 (2016 - \$12,780). Total contributions by the employees of The City to LAPP in 2017 were \$12,157 (2016 - \$11,787).

As at December 31, 2016, LAPP reported an actuarial deficit of \$637 million (2015 - \$923 million). This amount is not specifically allocated to the participating government organizations. The 2017 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 2.84% and 3.78% respectively (2016 - 2.50%, 3.00%) of individual pensionable earnings up to \$146 (2016 - \$145).

Total current service contributions by The City to APEX were \$551 (2016 - \$416). Total current service contributions by the employees of The City were \$414 (2016 - \$347).

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (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, 2017 is estimated at \$1,245 (2016 - \$1,113).

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 4.75% (2016 - 5.00%), expected salary escalations of 3.50% (2016 - 4.00%) per year, and inflation rate of 2.25% (2016 - 2.50%).

24 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loans receivable, bank indebtedness, 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 instruments.

The City is subject to credit risk with respect to taxes and grants in place of tax receivables, loans receivable, 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 fulfil 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

25 CONTRACTUAL OBLIGATIONS

As at December 31, 2017, The City had the following capital contractual obligations:

Construction Contracts	Commitment Amount
CNG fuelling station	\$ 6,257
Street improvements	5,784
Central Elementary School	4,541
Infrastructure projects	4,481
Water and Wastewater treatment plant upgrades	4,411
Transit system upgrades	2,649
North highway connector	2,633
Subdivision developments	2,614
Roadway rehabilitation	1,533
Parks and facility improvements	1,462
Commercial developments	1,419
Fleet purchases	1,064
2019 Canada Winter Games projects	987
Power substation upgrades	907
Fire station relocation	839
RCMP second floor development	330
Other minor projects	866
	\$ 42,777

The following are The City's significant operating contractual obligations:

(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 for the year and will end in the spring of 2019 to make way for the new green, blue, and black cart programs. The green cart contract will commence April 1, 2018 and expires March 31, 2023 with an option to renew for another two years. The estimated annual contract costs total \$9,546 (2016 - \$8,372). The Waste Management Facility operations contract is an annual contract with an estimated cost of \$2,074 (2016 - \$2,055) and an expiry date of December 31, 2020.

(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 2017 is \$24,776 (2016 - \$24,057).

(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 December 31, 2019. The estimated remaining cost of the contract is \$7,206 (2016 - \$2,471).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2017 (in thousands of dollars)

(d) Red Deer College

During 2017, The City entered into a contract with Red Deer College to provide \$11,500 over nine years toward the construction of sporting facilities related to the Games. As at December 31, 2017, The City has paid \$4,500 (2016 - \$2,500) of this contractual obligation.

The payment schedule is as follows:

2018	\$	1,000
2019		1,000
2020		1,000
2021		1,000
2022		1,000
Thereafter		2,000
	\$	7,000

The Host Society will provide The City with \$5,000 for their portion of the contract amount by 2019. For more information related to the Games and the Host Society, see Note 29.

(e) Traffic Enforcement Program

The City entered into a four year agreement with Xerox Business Services Canada Inc. to provide services as they relate to the Automated Traffic Enforcement Program until April 9, 2021. The estimated remaining cost of the contract is \$2,419.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

26 CONTINGENCIES

(a) Environmental Contingencies

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. More delineation is required by The City's geotechnical consultant. The extent of the remediation requirements is still unknown.

iii. The Queen's Business Park - NE and SE, the current fire training grounds, the NE corner of 46 Street and 49 Avenue, and the Bellevue reservoir all have contamination issues. The extent of the remediation requirements is still 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. One site underwent further testing in 2017 resulting in no recommendation for remediation, only monitoring. The City communicated the results back to the residents in proximity to the site. Plans to test the remaining sites have been made for 2018. At this time, the extent of remediation requirements related to these sites is unknown, and therefore, no liability has been accrued.

v. The City has identified potential contamination issues between north of Alexander Way and west of Taylor Drive during grading work in the late fall of 2017. This area is not yet delineated so it is not known how far the contamination extends. Excavation and removal of the contamination is planned in 2018.

vi. The City has had significant, ongoing transactions and agreements with an oil company that has gone into receivership filing for protection under the Companies' Arrangement Act in 2015. Several abandoned wells and battery sites have potential contamination issues. The City may face detriment should the Receiver fail to continue with their commitments and representations made to The City. The extent of remediation costs as well as the potential impact on The City's financial position is still unknown as at the date of these consolidated financial statements.

(b) 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. The City made a partial settlement to one of the property owners during the year. At this time The City cannot determine the amount or the likelihood of the remaining compensation in these cases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

27 GUARANTEES

The City has issued an irrevocable standby letter of credit for \$5,500 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 two irrevocable standby letters of credit for \$584 and \$884 to the Receiver General of Canada on behalf of Fisheries and Oceans Canada. The letter of credit is for two separate projects in waterways in The City to guarantee work completion and quality. The letters have not been utilized to date.

For guarantees related to the Games and the Host Society, see Note 29.

28 SEGMENTED DISCLOSURE

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. For additional information, see Schedule 3 - Consolidated Schedule of Segmented Disclosure.

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 fleet, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

(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.

(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.

29 DISCLOSURE SUMMARY FOR THE 2019 CANADA WINTER GAMES

The City was selected by the Canada Winter Games Council as Host City for the 2019 Canada Winter Games (Games). This commitment includes capital and operating components from 2014 through to 2019. The Host Society was formed in 2015 to manage and deliver the Games. The City has entered into an agreement with the Host Society, signed March 2017 and amended March 2018, that outlines the roles and responsibilities of the two parties and the transactions between them.

The agreement is summarized as follows:

(a) Contribution from the Host Society

The Host Society has committed to contribute \$9,552 to The City to fund various capital projects related to the Games. The funding will be allocated as follows:

Capital Project	Allocation Amount
Red Deer College (Note 25)	\$ 5,000
Great Chief Park	3,000
Canyon Ski Resort (reduced from \$1,613)	558
River Bend Golf Course	426
Other	568
	9,552

The City has received \$3,000 (2016 - \$2,760) to date from the Host Society for Great Chief Park. The funding related to the other projects will be received on or before April 1, 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

(b) Contribution to the Games

The City has committed to contribute \$5,923 toward various capital projects related to the Games on the Host Society's behalf. As a result of the amended agreement, \$1,055 has been expended as capital grants to organizations for work on the Canyon Ski Resort project. As at December 31, 2017, \$3,552 (2016 - \$4,607) remains on this commitment.

(c) Loan to Host Society

In 2016, The City advanced \$5,355 to the Host Society in which a loan receivable was established. As at December 31, 2017, the ending balance of this loan was \$3,552 (2016 - \$4,039) and will be received in full in 2019. See Note 6.

(d) Value in Kind

The City has agreed to provide value in kind up to \$2,000 for the Games through its operations. In 2017, \$114 (2016 - \$54) worth of administrative support services was provided to the Host Society. As at December 31, 2017, \$1,832 (2016 - \$1,946) remains on this commitment.

(e) Games Plaza

The City has contributed \$1,000 to the Host Society toward the construction of a permanent Games Plaza in 2016. The plaza will become property of The City upon the dissolution of the Host Society after the Games have ended.

(f) Guarantee

In 2014, The City signed an Agreement to Undertake with the Canada Games Council, which The City has agreed to assume responsibility for the financial deficit, if any, associated with the operating and capital expenses incurred by the Host Society. It is management's assessment that the risk of significant loss to The City is low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017 (in thousands of dollars)

30 BUDGET

The reported budget information has been derived from the capital cash flow budget and the operating budget approved by Council on February 20, 2018 and April 18, 2017 respectively. These budgets do not include subsequent amendments by Council, internal fund transfers, debt issuance and repayment, and other internal recoveries. The table below reconciles the final budget to the reported budget presented in the consolidated financial statements.

	Operating	Capital	Total
Reported budget surplus (deficit)	\$ (7,860)	\$ 66,318	\$ 58,458
Contributed tangible capital assets	27,528	(27,528)	-
Net amendments	(3,911)	-	(3,911)
Final budget surplus before funding transfers	15,757	38,790	54,547
Add (less) funding transfers:			
Net transfers between capital and operating	(23,244)	306	(22,938)
Net reserve transfers	(10,434)	84,306	73,872
Internal recoveries from capital	3,555	-	3,555
Tangible capital asset transfers	35,046	-	35,046
Long term debt principal repayment	(20,680)	-	(20,680)
Long term debt issued	-	55,124	55,124
Final budget surplus	\$ -	\$ 178,526	\$ 178,526

31 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 annual surplus.

32 APPROVAL OF FINANCIAL STATEMENTS

City Council has approved these financial statements on April 30, 2018.

STATISTICAL INFORMATION

GENERAL MUNICIPAL DATA - UNAUDITED

(2013-2017) (in thousands of dollars)

	2017	2016	2015	2014	2013
Population	99,832	99,832	100,807	98,585	97,109
Assessed valuation	\$ 15,756,231	\$ 15,987,628	\$ 15,666,694	\$ 14,882,334	\$ 13,827,046
Per capita assessed valuation	\$ 158	\$ 160	\$ 155	\$ 151	\$ 142
Mill rates (commercial)					
Municipal	13.4570	13.1457	12.6665	12.2177	12.2313
Education Foundation	3.7298	3.6836	3.6200	3.5416	3.7565
Piper Creek Foundation	0.0256	0.0273	0.0107	0.0079	0.0195
	17.2124	16.8566	16.2972	15.7672	16.0073
Taxes paid by the largest single taxpayer	\$ 3,177	\$ 3,146	\$ 3,059	\$ 2,942	\$ 2,885
Percent of taxes	1.83 %	1.86 %	1.89 %	1.93 %	1.97 %
Property taxes					
Current levy	\$ 174,065	\$ 169,570	\$ 162,199	\$ 152,819	\$ 146,208
Current collected	\$ 172,017	\$ 167,917	\$ 160,628	\$ 152,661	\$ 146,082
Percent of current levy	99 %	99 %	99 %	100 %	100 %
Gross tax collections	\$ 173,924	\$ 170,524	\$ 161,702	\$ 153,780	\$ 147,799
Taxes outstanding	\$ 2,335	\$ 1,954	\$ 2,255	\$ 2,198	\$ 2,311

No municipal census was conducted in 2017. The 2016 census results are being used for 2017 statistical information.

CONSOLIDATED REVENUE BY SOURCE - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Operating Revenue:					
Net municipal taxes	\$ 126,701	\$ 124,346	\$ 123,923	\$ 112,537	\$ 107,035
User fees and sale of goods and services	166,219	159,105	159,321	170,246	172,904
Operating government transfers	14,059	18,191	11,323	10,258	9,829
Investment earnings	3,148	6,957	4,790	5,105	6,218
Fines and penalties	5,844	6,045	5,759	5,762	5,882
Franchise fees	9,225	7,848	7,394	7,441	6,927
Licenses and permits	3,249	3,558	3,283	3,690	3,542
Other operating revenue	3,614	4,793	2,790	3,595	1,666
Contributed tangible capital assets	7,325	7,330	9,389	34,284	21,878
Total Operating Revenue	339,384	338,173	327,972	352,918	335,881
Capital Revenue	37,570	60,118	53,847	49,307	58,257
Agency Revenue	4,131	3,960	4,560	4,767	5,527
Consolidated Revenue	\$ 381,085	\$ 402,251	\$ 386,379	\$ 406,992	\$ 399,665

CAPITAL FUND ACTIVITIES - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Capital expenditure by segment:					
Legislative and administrative	\$ 3,873	\$ 4,046	\$ 4,102	\$ 2,420	\$ 2,174
Protective services	5,339	13,704	1,814	1,036	1,041
Transportation	46,618	63,943	51,235	46,772	40,598
Water and wastewater	14,681	15,649	30,897	39,474	49,080
Waste management	1,095	1,632	2,576	164	1,279
Community services	-	(4)	289	162	42
Subdivisions, land, and development	6,374	2,741	13,045	13,722	6,952
Recreation, parks, and culture	36,330	16,065	6,334	6,855	7,178
Electric light and power	10,688	9,430	19,427	11,537	9,516
Total Capital Spending	\$ 124,998	\$ 127,206	\$ 129,719	\$ 122,142	\$ 117,860
Financing Sources Applied:					
Developer contributions	6,995	6,442	8,777	10,015	29,341
Government transfers	28,481	50,218	44,179	38,120	27,032
Other capital revenue	2,094	3,458	891	1,172	1,884
Debt issued	45,405	26,229	21,500	27,247	16,337
From (to) operating	1,808	(2,222)	(635)	7,678	13,757
From (to) reserves	30,636	20,809	50,680	44,879	18,607
Increase (decrease) in fund balance	(9,579)	(22,272)	(4,327)	6,969	(10,902)
Capital fund balance, beginning of year	(26,636)	(4,364)	(37)	(7,006)	3,896
Capital fund balance, end of year	\$ (36,215)	\$ (26,636)	\$ (4,364)	\$ (37)	\$ (7,006)

In 2017, comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED OPERATING EXPENSES BY FUNCTION - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Operating Expenses:					
Legislative and administrative	\$ 36,641	\$ 37,545	\$ 34,146	\$ 33,260	\$ 31,899
Fire and ambulance	35,353	34,066	31,859	30,822	27,364
Parking	2,020	2,124	2,196	2,619	2,098
Police and other protective	39,306	38,231	32,894	32,355	30,972
Transportation	49,806	58,824	50,767	46,915	46,134
Transit	15,105	14,555	13,883	13,199	12,445
Fleet	13,456	12,327	12,155	13,627	11,356
Water	17,473	17,253	15,781	15,752	14,942
Wastewater	18,714	17,289	15,929	14,227	16,173
Solid waste collection	6,701	6,831	6,703	6,442	6,218
Solid waste disposal	5,561	5,353	5,061	3,914	5,089
Recycling	2,380	2,340	2,227	2,054	2,027
Social planning	5,589	5,272	3,870	3,920	3,871
Community services	9,787	8,300	7,634	7,481	7,424
Subdivisions, land, and development	2,277	2,534	2,023	11,640	6,671
Recreation, parks, and culture	50,896	51,924	46,892	45,074	43,545
Electric light and power	39,322	35,884	34,048	32,933	32,634
Total operating expenses	\$ 350,387	\$ 350,652	\$ 318,068	\$ 316,234	\$ 300,862

CONSOLIDATED EXPENSES BY OBJECT - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Operating Expenses:					
Salaries, wages, and benefits	\$ 144,014	\$ 141,093	\$ 133,027	\$ 127,294	\$ 117,585
Contracted services	42,380	41,998	41,084	44,533	38,369
Materials and supplies	49,494	48,784	47,996	52,135	54,363
Purchases from other governments	23,534	23,217	18,754	18,869	18,223
Grants to organizations	14,265	20,970	8,687	8,955	6,983
Financial charges	9,508	9,317	9,130	9,037	8,959
Amortization of tangible capital assets	66,686	63,758	58,576	53,809	54,768
Other expenses	506	1,515	814	1,602	1,612
Total operating expenses	\$ 350,387	\$ 350,652	\$ 318,068	\$ 316,234	\$ 300,862

FINANCIAL POSITION AND ANNUAL SURPLUS - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Financial assets	\$ 302,194	\$ 307,717	\$ 327,863	\$ 342,530	\$ 328,659
Liabilities	385,384	359,017	357,295	358,131	333,579
Net debt	(83,190)	(51,300)	(29,432)	(15,601)	(4,920)
Non-financial assets	2,033,211	1,970,623	1,897,156	1,815,014	1,713,575
Accumulated surplus	1,950,021	1,919,323	1,867,724	1,799,413	1,708,655
Annual surplus	\$ 30,698	\$ 51,599	\$ 68,311	\$ 90,758	\$ 98,803

Land held not ready for sale has been reclassified from non-financial assets to financial assets in 2016. Comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED ACCUMULATED SURPLUS - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Unrestricted deficits in controlled agencies	170	(86)	8,668	(135)	(403)
Advances for construction (Capital to be financed)	\$ (36,215)	\$ (26,636)	\$ (4,364)	\$ (37)	\$ (7,006)
Reserves	220,943	222,260	210,830	215,273	221,828
Equity in tangible capital assets	1,765,123	1,723,785	1,652,590	1,584,312	1,494,236
Total	\$ 1,950,021	\$ 1,919,323	\$ 1,867,724	\$ 1,799,413	\$ 1,708,655

In 2017, comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED RESERVES - UNAUDITED
2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Finance a specific purpose	\$ 1,783	\$ 2,388	\$ 2,287	\$ 2,211	\$ 2,125
Capital projects - tax supported	40,743	41,060	31,589	25,033	28,809
Municipal parkland	6,984	6,710	6,464	5,450	4,825
Operating - tax supported	31,757	33,454	33,294	24,441	16,142
Debt repayment	3,816	2,471	4,718	12,642	11,685
Tax-supported reserves	85,083	86,083	78,352	69,777	63,586
Capital asset replacement	27,209	36,317	31,356	27,499	25,743
Land development	65,430	54,447	48,593	50,363	54,334
Parking	372	158	663	1,369	1,080
Offsite	(10,012)	(2,068)	7,947	12,659	19,319
Self-supported reserves	82,999	88,854	88,559	91,890	100,476
Power	19,878	17,997	16,885	21,534	17,567
Water	3,373	3,383	7,858	9,385	17,569
Wastewater	12,191	8,949	3,001	6,169	9,544
Solid waste management	17,419	16,994	16,175	16,518	13,086
Utility-supported reserves	52,861	47,323	43,919	53,606	57,766
Total reserves	\$ 220,943	\$ 222,260	\$ 210,830	\$ 215,273	\$ 221,828

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

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Protective services	\$ 1,082	\$ 15,030	\$ -	\$ -	-
Transportation	8,042	9,500	3,000	4,968	6,723
Water and wastewater	1,565	-	3,800	14,579	8,286
Subdivisions, land, and development	5,570	4,600	11,990	-	-
Recreation, parks, and culture	33,482	895	11,500	-	1,328
Electric light and power	-	-	-	8,000	-
Total	\$ 49,741	\$ 30,025	\$ 30,290	\$ 27,547	\$ 16,337

In 2016, comparative information has been reclassified to conform to the current year's presentation.

LONG-TERM DEBT - UNAUDITED

2013-2017 (in thousands of dollars)

	2017	2016	2015	2014	2013
Tax-supported debt	\$ 137,945	\$ 107,041	\$ 84,043	\$ 67,434	\$ 69,331
Self-supported debt	136,619	138,229	149,834	152,744	139,170
Total long-term debt	274,564	245,270	233,877	220,178	208,501
Population	99,832	99,832	100,807	98,585	97,109
Long-term debt per capita	2,750	2,457	2,320	2,233	2,147
Debt limit per regulation	517,919	517,055	499,217	501,882	526,134
Debt limit unused	243,355	271,785	265,340	281,704	317,633
Percentage of debt limit used	53 %	47 %	47 %	44 %	40 %
Service on debt limit	86,320	86,176	83,203	83,647	87,689
Service on existing debt	31,309	29,223	27,536	25,233	24,200
Service on debt limit unused	55,011	56,953	55,667	58,414	63,489
Percentage of service on debt limit used	36 %	34 %	33 %	30 %	28 %
Percentage of expenses	9 %	8 %	9 %	8 %	8 %