



## **2013 Annual Financial Report**

The Corporation of the City of Red Deer  
Red Deer, Alberta  
For the Year Ended December 31, 2013  
April 2014



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## **INTRODUCTORY INFORMATION**

# CITY COUNCIL

MAYOR T. VEER

Councillor S. Buchanan

Councillor D. Wyntjes

Councillor L. Lee

Councillor P. Harris

Councillor L. Mulder

Councillor K. Johnston

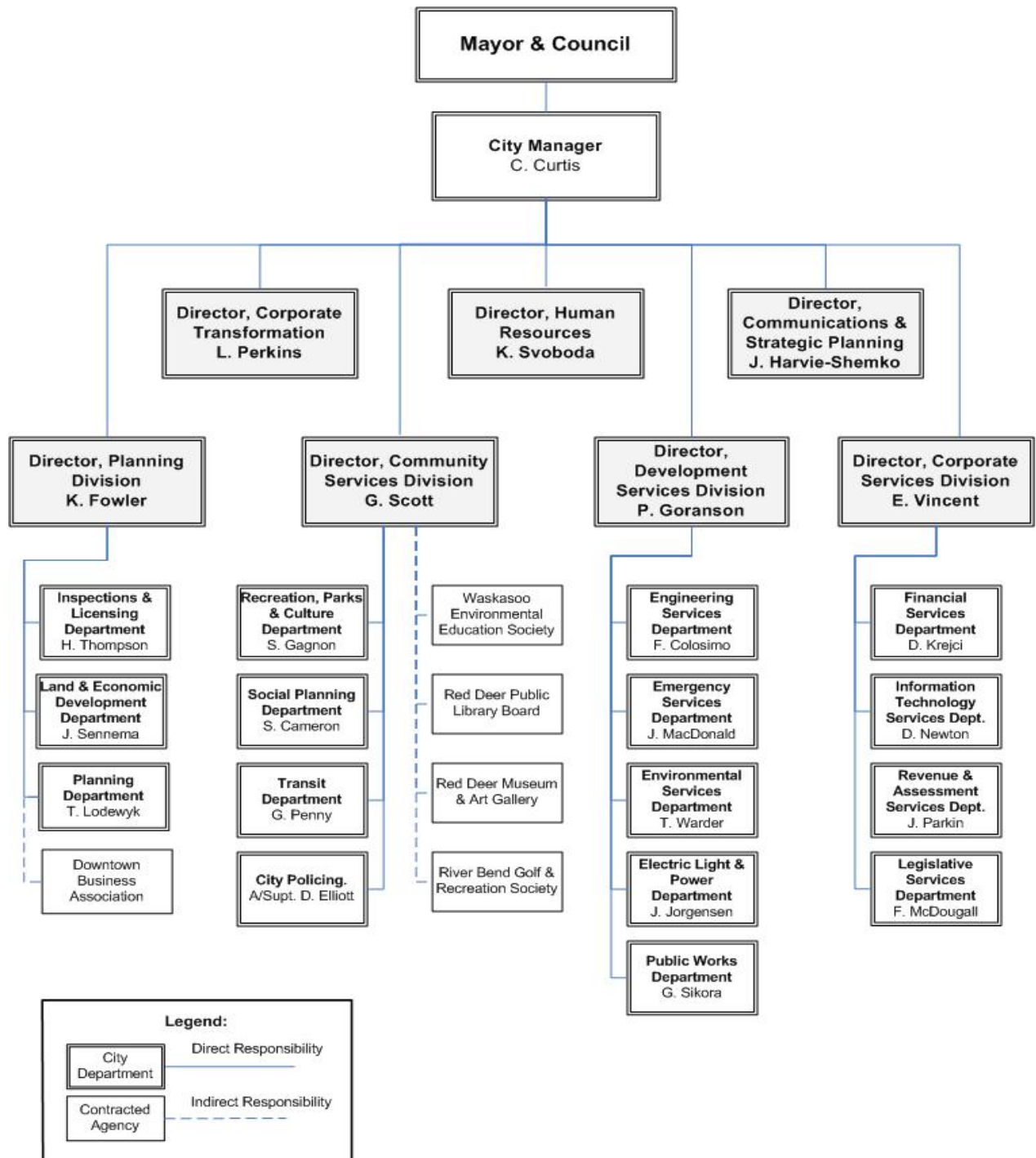
Councillor T. Handley

Councillor F. Wong

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 of the Councillors 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.

# THE CITY OF RED DEER ORGANIZATIONAL CHART



# CITY PROFILE

The City of Red Deer (The City) is a thriving, modern city of just over 97,000 people located between Calgary and Edmonton. The City provides its citizens with a wide range of services. Property taxes, user fees and grants fund these services.

**GENERAL OPERATIONS** - The City's general operations include:

**COMMUNITY SERVICES** - The Community Services Division coordinates the delivery of recreation, culture, parks, transit and social services in Red Deer through the Recreation, Parks & Culture, Transit, and Social Planning departments. Services include development and maintenance of The City's extensive parks and open space system, playground and rink maintenance, operation of The City's two cemeteries, operation of a wide variety of recreational and cultural activities and facilities and family and community support services. Transit offers fixed transit routes throughout the City, special transportation and some charter services. The Community Services Division is also responsible for policing, through a contract with the Royal Canadian Mounted Police (RCMP) and provides police services including general investigation, traffic, community policing and victim services. The City provides a building, furnishings, and a number of municipal employees to support the RCMP in providing these police services.

**PLANNING SERVICES** - The Planning Division includes the Land & Economic Development, Inspections & Licensing and Planning departments. Land & Economic Development includes land development and economic promotion. Inspections & Licensing includes development approvals, building inspections, parking services, licensing, animal control and enforcement. The Planning Department provides subdivision Land Use Bylaw updates and approvals as well as providing the opportunity for public input into planning activities.

**CORPORATE SERVICES** - The Corporate Services Division provides financial and information services to The City through the Information Technology, Financial Services, Revenue & Assessment and Legislative Services departments. Services include administering and coordinating policy and procedural work, City investments, budgets and reserves, The City's insurance program, risk management, long term borrowing, financial analysis and reporting, information systems operations and support, assessing and levying property and business taxes, records management and many other financial and administrative services. Legal services are provided internally and by contracted firms.

**DEVELOPMENT SERVICES** - The Development Services Division includes the Engineering, Public Works, Emergency Services, Electric Light & Power and Environmental Services departments. In addition to providing engineering services, roadway and bridge maintenance, sidewalk repair and meter maintenance, the division is also responsible for the operation of the water, wastewater, solid waste utilities and recycling program and the operation of The City's Equipment Pool and Electric Utility. Emergency Services provides a number of services including Fire Suppression, Emergency Medical Services and Fire Prevention.

**OTHER** - The City has a Human Resources department and a Communications & Strategic Planning department, which provide service to all departments.



## **SELF FUNDING OPERATIONS - The City operates a number of self funding operations.**

**WATER UTILITY** - The City obtains water from the Red Deer River and provides water treatment and distribution through a water treatment plant to a system of water reservoirs, booster stations and a water distribution system which distributes water to the residents of Red Deer and supplements the water system for the Gasoline Alley business area of Red Deer County as well as the North and South Red Deer Water Services Commissions. Services include water main maintenance, hydrant and valve inspection, hydrant and valve repair and water meter maintenance. The utility is funded through utility charges to customers.

**WASTEWATER UTILITY** - The City provides a wastewater collection and treatment system through a series of wastewater lines and mains and the operation of a wastewater treatment plant. The utility is funded through utility charges to customers.

**PARKING OPERATIONS** - The City provides parking in the downtown area through on-street metered parking, and metered and spattered off street parking lots in a number of locations. The City also provides 400 stalls of parking in the Sorenson Station parkade, which opened to the public in September 2010. The parking utility is administered by the Inspections & Licensing Department and is funded primarily through fines and parking revenues.

**SUBDIVISIONS** - The City's Subdivision Fund provides extension of major services to new areas of the city and recovers such costs through charges to developers connecting to these services. The City is also involved in the development and marketing of commercial, industrial and residential land in Red Deer. The Land & Economic Development Department is responsible for the coordination of The City's land development activities. Funding of the Subdivision Fund is primarily through the sale of commercial, industrial and residential land.

**EQUIPMENT POOL** - City equipment, such as trucks, emergency vehicles, sweepers, buses and graders are the responsibility of The City's equipment pool. Operating and maintenance costs are charged to the equipment pool, with such costs being recovered through user fees charged to departments and the public using the equipment. These user fees include a surcharge to help provide for the eventual replacement of the equipment. These funds are held in an equipment replacement reserve.

**SOLID WASTE UTILITY** - The City provides solid waste collection recycling and landfill operation within the solid waste utility. These services are largely carried out by contracts with the private sector. The City also has a household hazardous waste site at the landfill site that is available year round. The solid waste utility is funded through user fees.

**ELECTRIC UTILITY** - The City is an entitled electric distribution system which is subject to the obligations and entitlements set out in of the Electric Utilities Act of the Province of Alberta. The utility is not a retailer of electricity and only distributes electricity to the citizens of Red Deer through its distribution and transmission system comprised of substations, transformers and overhead and underground distribution lines. This utility is operated by the Electric Light & Power Department as a self supporting utility with funding provided through distribution service rates regulated by City Council and charged to customers.

# **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 2013 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 2013 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 certain accomplishments.

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 Generally Accepted Accounting Standards for Municipalities as established by the Canadian Public Sector Accounting Board 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. City Council 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 Harris, 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 our 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**

The City continued its strategic implementation in 2013:

- ◆ Council approved Strategic Charters in 2011. The 6 themes of the strategic direction support a healthy, vibrant and sustainable community. Work on all of the charters continued in 2013.

- ◆ Design
- ◆ Dialogue
- ◆ Economy
- ◆ Identity
- ◆ Movement
- ◆ Safety
- ◆ Council also approved 3 internal charters which are focused on the City as an organization. Work continued on these charters in 2013.
  - ◆ Effectiveness
    - ◆ Development of performance measures using the Ontario Municipal CAO's Benchmarking Initiative measures.
    - ◆ Work continued on the financial sustainability framework:
      - ◆ Reserves policy, debt policy and grants & loans policy were approved by Council.
      - ◆ Fees and charges review process being created.
    - ◆ Enterprise Business Applications project began – this project will upgrade / replace / implement key information systems such as financials, citizen relationship management, assessment, tax, utility billing, permitting, licensing, human resources, budgeting, planning and performance management.
  - ◆ Governance
    - ◆ Substantial completion of the Council policy bank, including ends statements, executive limitations, delegation and governance process policies.
  - ◆ People
    - ◆ Work continues on Respectful Workplace policy implementation and continued training initiatives.
    - ◆ A Diversity and Inclusion Strategy was developed to create awareness, embrace differences in becoming a more inclusive organization, and then determine The City's role in supporting a more welcoming and inclusive community. The City became a member of the Canadian Coalition of Municipalities Against Racism and Discrimination (CCMARD).
    - ◆ A re-defined HR Organizational Effectiveness Specialist role began development of a Leadership Framework.
- ◆ Council had previously approved a Strategic Plan for 2009 – 2011. Work continued on several Areas of Emphasis in 2013.
  - ◆ Greater Downtown Action Plan
    - ◆ The grand opening of the revitalized Little Gaetz streetscape was held in July.
    - ◆ Design work on Ross St / Taylor Dr intersection upgrade, Downtown sidewalk building program and complete street design for 53 Ave in Railyards was undertaken with construction anticipated to begin in 2014.
  - ◆ Environmental Master Plan
    - ◆ This plan was unanimously endorsed by Council April 2011.

- ◆ The 2012 Report to the Community is available on the City's website at:  
<http://www.reddeer.ca/City+Government/City+Services+and+Departments/Environmental+Services/Environmental+Initiatives/Environmental+Master+Plan.htm>.
- ◆ Enterprise Asset Management
  - ◆ The work management component has shifted from project mode to program mode.
  - ◆ The analytics component has started to be implemented for Fleet and linear assets in roads, water and wastewater.
- ◆ River Valley and Tributaries Master Plan
  - ◆ The plan was adopted by Council July 2010 as a concept plan. Work continues on developing a prioritization plan and implementation strategy.
- ◆ Culture Vision
  - ◆ The development of an annual arts award to support the artistic community as a legacy project for the Lieutenant Governor of Alberta Distinguished Artist Awards. This is a project of the Red Deer Arts Council supported by the City of Red Deer Culture Section.
  - ◆ Public art program development through a new Ghost walking tour (June 2013), a downtown Public Art walking tour and facility specific public art brochures ( fall of 2013).
  - ◆ Red Deer hosted the Alberta Public Art Network (APAN) Summit in Red Deer in October 2013.
  - ◆ The **Best.Summer.Ever.** program was developed and continues as a joint venture between Culture Services and the Downtown Coordinator. This program includes the Summer Sundays at Bower Ponds concert Series as well as over 25 events held on the Ross Street Patio.

# Financial Statement Discussion & Analysis

## 1. HIGHLIGHTS

Net debt decreased by \$4.6 million due to an overall increase in financial assets, mostly in receivables, which was partially offset by an increase in long-term debt. Expenses increased 9.5% over 2012 levels, mainly due to increased amounts of amortization in the Wastewater Utility as a result of an accounting correction, construction of assets for the South Red Deer Regional Wastewater Commission, and payment for the Riverlands Powerline Relocation. Although long term debt rose by \$2.5 million, due to increases in the debt limit the percentage of the debt limit used dropped from 45.8% to 39.5%. The overall amount of reserves grew by \$27.1 million to \$221.8 million.

## 2. OPERATING RESULTS

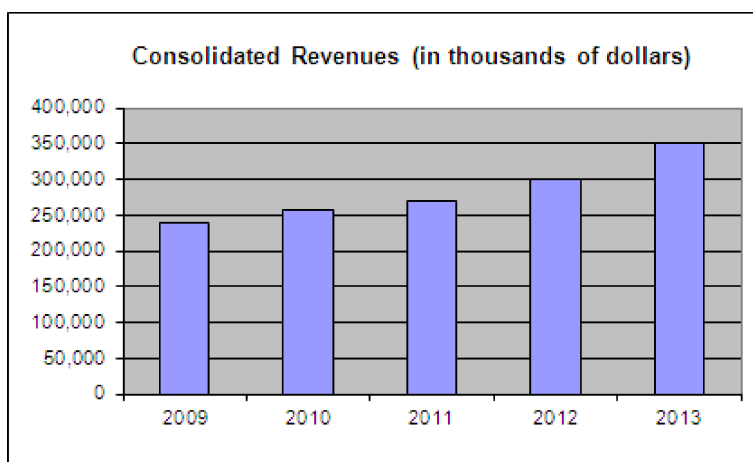
Operating results are on Statement 2 – Consolidated Statement of Operations and in Note 18 Expenses by Object in the Notes to the Consolidated Financial Statements.

### Revenue

2013 operating revenues increased 17.1% over 2012 revenues due to higher tax revenue of \$8.6 million, increased utility revenue of \$7.1 million, an increase in land sales of \$12.2 million and increased developer contributions of \$20.4 million.

Capital revenues decreased by 46.5% over 2012 revenues. This was due to decreased government transfers of \$46.4 million due to completing fewer jobs funded with capital grants. Contributed assets from developers increased by \$3.9 million.

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

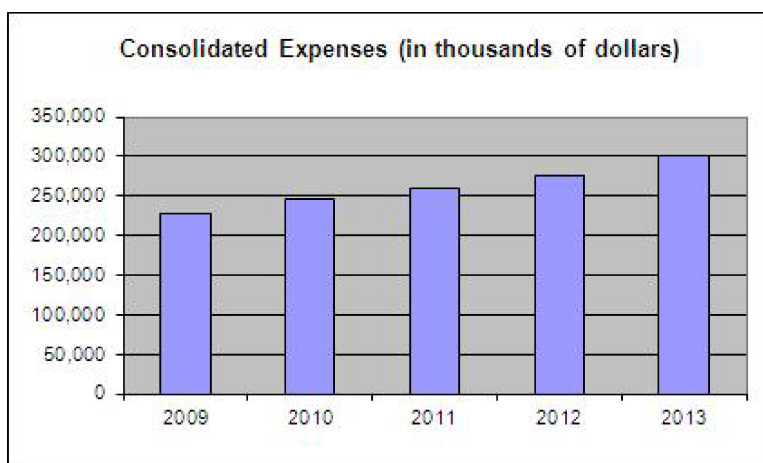


### Expenses

2013 operating expenses increased by 9.5% over 2012 expenses.

On a functional basis, transportation expenses increased by \$9 million due mainly to construction of assets for the South Red Deer Wastewater Commission as part of the North Highway Connector project. Waste water expenses increased by \$4.4 million due to increased amortization expense for 2013 as a result of a correction of an accounting error from 2012. Subdivisions expenses increased by \$4.7 million due to expenses incurred for powerline relocation in the Riverlands area.

On an object code basis salaries, wages and benefits increased by \$7.9 million with a general increase among all functional areas. Material and supplies increase by \$12 million due to higher expenses for power for resale in Electric Light & Power, the powerline relocation in Riverlands, and construction of infrastructure for the South Red Deer Wastewater Commission. Amortization expenses increased by \$8.3 million as a result of a correction of an accounting error. These increases were partially offset by a reduction in grants to organizations and agencies of \$6.3 million due to the one time grant provided to the Red Deer Curling Club in 2012.



### 3. FINANCIAL POSITION

Financial position is shown on Statement 1 – Consolidated Statement of Financial Position.

The City increased its Financial Assets in 2013 by \$10.6 million over 2012. This was due to increases in receivables of \$9.1 million and long term investments of \$3 million.

Liabilities increased by \$6.0 million over 2012. Deferred revenue increased by \$2.1 million and long-term debt increased by \$2.5 million.

The City's Net Financial Debt decreased by \$4.6 million over 2012. In the same period \$119.9 million of tangible capital assets were acquired.

The City increased its Non-Financial Assets in 2013 by \$94.2 million. Tangible capital assets net book value increased by \$84.9 million to \$1,703 million and land held not ready for sale increased by \$7.6 million.

#### Long Term Debt

Additional information is included in Note 10 Long Term Debt and Note 11 Debt Limit in the Notes to the 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. 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 2014 – 2023.

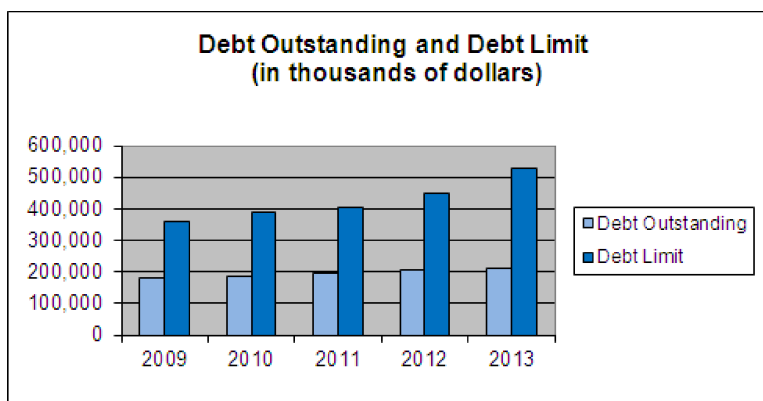
The Municipal Government Act (MGA) limits the total debt that a municipality may have. In September 2013, Council approved a policy that The City shall not exceed 90% of the debt limit. The City has not exceeded 50% of the debt limit in the last 5 years.

Based on 2013 budget, the debt balance at December 31, 2013 was estimated to be \$241 million. The estimate of debt limit used was 51%. The actual debt at December 31, 2013 is \$208.5 million due to decreased borrowing for capital projects that were not completed as scheduled. The actual debt limit used is 39.5%.

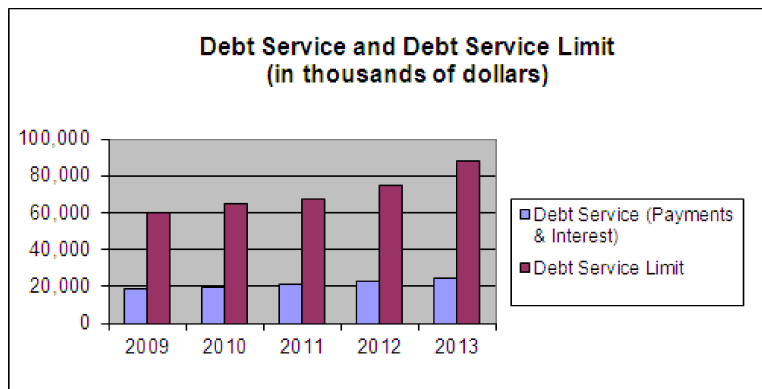
Based on the 2014 budget the debt balance at December 31, 2014 is estimated to be \$245.4 million. The main items where borrowing is planned are as follows:

- ◆ Transmission Station in Annexed Area (EL&P)      \$8.0 million
- ◆ North Highway Connector Phase 1B-1                      \$3.0 million
- ◆ Water Treatment Plant                                      \$14.5 million
- ◆ Waste Water Treatment Plant                              \$2.6 million
- ◆ Offsite Levies    \$9.1 million
- ◆ Land Development    \$9.5 million

The estimated debt limit used would be 46.6% at the end of 2014 if all debentures are issued.



The MGA also limits the total debt servicing a municipality may incur. Due to the current low interest rate environment, The City has not exceeded 35% 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 2013 is 27.3%



## Reserves

Additional information is included in Note 14 Accumulated Surplus in the Notes to the Consolidated Financial Statement and the Statistical Information section.

Reserves increased by \$27.1 million from 2012 to \$221.8 million.

Work continued on a review of reserves in 2013. Council approved a Reserves policy in September 2013. Council has also defined purposes for reserves and it is anticipated that there will be a reduction in the overall number of reserves. Administration plans to have Council review these changes in 2014.

The following self-supported reserves saw increases in 2013 as the related capital expenditures funded were less than contributions to the reserves:

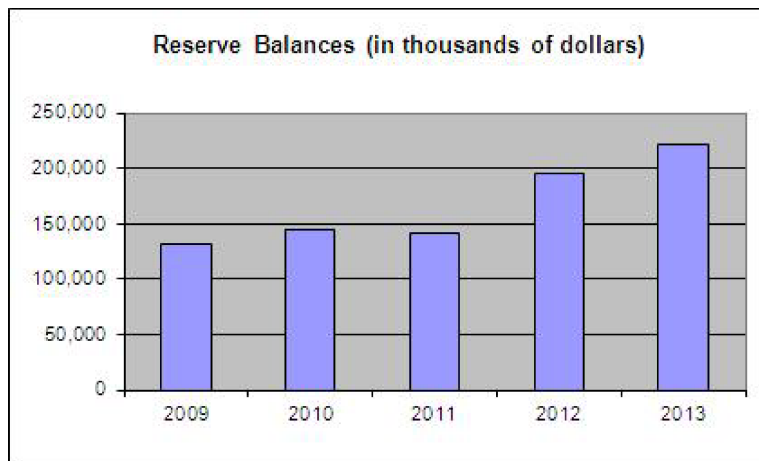
- ◆ Power Utility                      \$3.8 million
- ◆ Water Utility                        \$2.8 million
- ◆ Land Development                \$8.3 million

The Waste Water Utility reserve decreased by \$11.1 million as capital expenditures funded were greater than contributions to the reserve.

For tax supported reserves the tax rate stabilization reserve increased by \$6.5 million as the tax supported operating surplus exceeded draws on the reserve. The capital projects reserve increased by \$14.9 million mainly due to capital projects not being completed as per schedule.

Additional information on reserves will be available on the City web site once the 2013 reserve report is presented to Council.





#### **4. VARIANCES – BUDGET TO ACTUAL**

Additional information on budget to actual variances will be available on the City website once the annual variance report is presented to Council.

#### **5. RISKS & UNCERTAINTIES**

Municipal Sustainability Initiative (MSI) Operating Grant – the Provincial Government will start to phase out this grant in 2014. The 2013 grant was \$1.27 million but the 2014 grant is \$0.7 million. The City will have to replace this funding over the 2014 – 2016 budgets as the grant is eliminated.

Annexation – the last annexation required \$3.3 million of reserve funding over the compensation period of 2009 – 14. Depending on other demands on the Tax Stabilization Reserve and the amount of reserve funding required, the timing and size of future annexations will have to be carefully planned.

2019 Canada Winter Games – if the City is successful with the bid, there would be a significant impact on future capital budgets to construct the required facilities. The impact is dependent on the form of the final bid submitted. This would impact tax-supported capital reserves and / or debt. There may also be an impact on the operating budget to support the debt servicing.

Land Expropriations – as per Note 25 Contingencies in the Notes to the Consolidated Financial Statements there are currently six 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.

Dispatch Revenues – the Province has announced that ambulance dispatch will be retained in Red Deer. The terms of the contract are being negotiated.

Ambulance Revenues – change orders from April 2011 through March 2013 were successfully negotiated with Alberta Health Services (AHS) as of February 2014. A contract extension for emergency medical services with AHS is anticipated in early 2014.

Development Related Revenues – while 2013 was a strong year for development related revenues such as permits, planning fees and development agreement fees, the overall economic recovery is still uneven. There is no guarantee that the City will realize the same amount of development related revenues in the future.

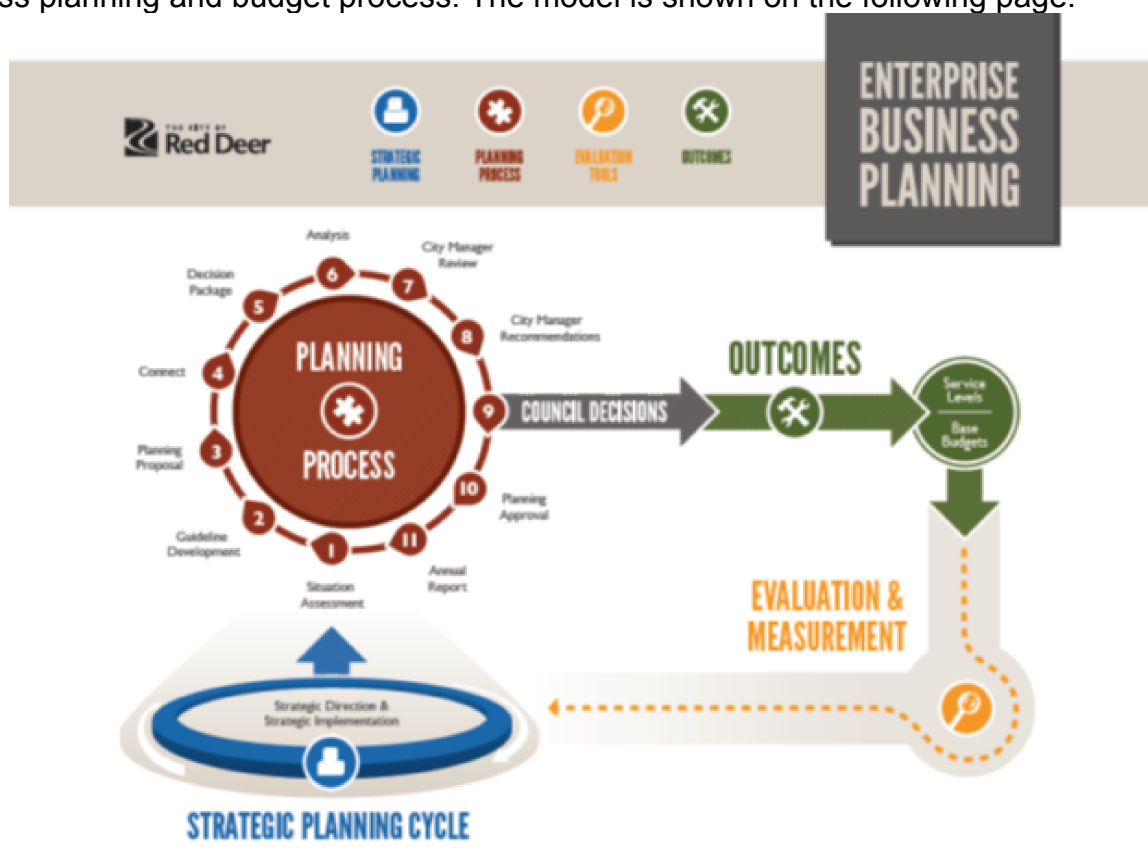
Development Related Expenditures – as the City grows, we are being asked to consider front ending trunk services for water, waste water, storm and roads infrastructure in multiple areas. Due to the large investment required a Growth Study is being undertaken in 2014 to determine how investments in this infrastructure should be made. This could have a significant impact on long term debt depending on the amount of borrowing contemplated.

Asset Management – there is still a large volume of work to be done to tie asset management into financial reporting. The anticipated results of the work will be to demonstrate the shortfall in maintenance and capital budgets to maintain, rehabilitate and replace capital assets.

## Public Performance Reporting

### 6. BUSINESS PLANNING

2013 was the first year that all 11 steps of the Planning Process portion of the Enterprise Business Planning model will be completed. 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 on the following page.



Step 11 of this model includes the Annual Report. The report is intended to be a summary of our progress in a given year for Council and the community. The Communications & Strategic Planning department is the lead for this step of the model. This report is scheduled to be released April 28, 2014.

Work is continuing on the Outcomes and Evaluation & Monitoring components of the model. Departments have started to develop and report performance measures to Council in their service plans and in quarterly reporting.

Council is updating the strategic plan in 2014.

## Assessment of Tangible Capital Assets

Tangible capital assets information is included in Schedule 1 – Tangible Capital Assets, Note 12 Tangible Capital Assets and Note 13 Equity in Tangible Capital Assets of the Notes to the Consolidated Financial Statements.

### 7. ASSET MANAGEMENT

Work continued on implementing the work management system. The two main areas are:

- ◆ Better integration of the data between the work management system and the financial reporting system, and
- ◆ Adding vertical assets to the work management system.

Work also continued on implementing an analytical tool for asset management. This tool uses information about assets such as cost, replacement cost, useful life, repairs and maintenance information, depreciation, condition assessments, service levels and risk assessments. The analytical system will produce asset reports which will help make decisions to repair, rehabilitate or replace assets.

### 8. ADDITIONAL INFORMATION

Category	Historical Cost (in '000s)	Replacement Cost (in '000s)	Average Age (in years)	Average Remaining Useful Life (in years)	Quantity	Unit of Measure
Wastewater – Pipes	59,460	620,379	31	44	475.6	Kilometres
Wastewater – Manholes	17,003	85,440	33	42	6,211	Units
Water – Pipes	104,723	727,842	28	47	581.9	Kilometres
Water – Hydrants	5,317	31,845	29	31	2,230	Units
Water – Valves	7,056	9,048	7	33	4,383	Units
Storm – Pipes	132,591	688,242	28	47	485.4	Kilometres
Vehicles	47,500	52,739	6	4	361	Units
Mobile Equipment	11,017	11,484	8	2	273	Units

As the analytical system is still being implemented, the information presented above has not been reconciled to the information presented in the financial statements and is subject to change.

## Indicators of Financial Condition

### 9. 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.

	2013	2012	2011	2010	2009
<b>Sustainability:</b>					
Financial Assets to Liabilities	0.90	0.88	0.80	0.84	0.89
Total Expenses to Assessment	2.18%	2.10%	2.04%	1.92%	1.80%
<b>Flexibility:</b>					
Debt Charges to Revenues	6.90%	7.08%	7.58%	7.26%	5.74%
<b>Vulnerability:</b>					
Government Transfers to Total Revenue	3.07%	3.17%	3.51%	5.05%	6.76%

Sustainability measures the degree to which The City can maintain its existing service and financial commitments without increasing debt or tax burden on its citizens. The Assets to Liabilities ratio is now above 2009 levels but still has a ratio of less than 1. This indicates that The City is using debt to finance capital activity. Despite acquiring \$119.9 million of tangible capital assets in 2013, debt levels only increased by \$2.5 million. The City has not exceeded 50% 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. Increases in assessments are a measure of economic activity, and as such, indicate a possible 'upper measure' of how quickly City services can grow without becoming unsustainable. The City's ratio has not changed significantly over the last 3 years.

Flexibility measures the degree to which The City uses debt instead of increased taxation to meet its capital commitments. In 2013 The City committed 7.0% of revenue to service debt. This amount has remained fairly constant over the last 4 years while remaining well within the debt servicing limit set for municipalities by the Province.

Vulnerability measures the degree to which The City depends on other levels of government for operating funding. In 2013 this indicator reduced to 3.07% from 6.8% in 2009. This indicator reflects that as provincial grants have declined, The City has generated other sources of revenue to become less reliant. The 2014 Provincial budget indicates that the operating component of the Municipal Sustainability Initiative (MSI) grant will be phased out over the next 3 years so this measure is expected to continue to decline.

## **Conclusion**

Alberta as a whole continues to see strong growth in the economy. This is expected to be true for Red Deer as well. As the Province continues to monitor its budget we have to continue to be ready for any future impacts to municipal funding. The continued development of a financial sustainability framework to ensure we have the resiliency to absorb future impacts is important.

The City's financial position remained very similar to the 2012 financial position. The net debt position decreased marginally and there was a substantial acquisition of tangible capital assets. In addition, the debt limit used decreased and reserve balances increased. We have improved our flexibility measure and reduced our vulnerability measure. Continued vigilance will be required to ensure we meet our RISE principle of Respect: we meet present needs without compromising the ability of future generations to meet their needs.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'DK', is positioned above the printed name and title.

Dean Krejci, CA  
Chief Financial Officer  
March 29, 2014

## **FINANCIAL INFORMATION**

# MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management of The City of Red Deer. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. 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 accountants, was appointed by a vote of City Council to audit the consolidated financial statements and provide an independent auditor's opinion in accordance with Canadian generally accepted auditing standards.

A handwritten signature in blue ink, appearing to read 'Craig Curtis', written over a horizontal line.

Craig Curtis  
City Manager

A handwritten signature in blue ink, appearing to read 'Dean Krejci', written over a horizontal line.

Dean Krejci  
Chief Financial Officer





KPMG LLP  
Chartered Accountants  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the City of Red Deer, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, changes in net financial debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Red Deer as at December 31, 2013, and its consolidated results of operations, its consolidated changes in net financial debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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*Other Matters*

The consolidated financial statements of the City of Red Deer for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on April 15, 2013.

*KPMG LLP*

Chartered Accountants

April 28, 2014

Edmonton, Canada

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**STATEMENT 1 - CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2013 (in thousands of dollars)**

	2013	2012
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 14,936	\$ 14,649
Portfolio investments (Note 2)	99,137	100,260
Accounts receivable (Note 3)	42,627	33,523
Land held ready for sale (Note 4)	2,513	2,464
Long-term investments (Note 5)	138,854	135,859
Loans receivable (Note 6)	1,143	1,881
	<b>299,210</b>	<b>288,636</b>
<b>LIABILITIES</b>		
Accounts payable & accrued liabilities	39,108	39,241
Other liabilities	3,725	3,772
Deferred revenue (Note 7)	65,391	63,332
Employee benefit obligations (Note 8)	12,288	11,630
Landfill closure and post-closure liability (Note 9)	4,567	3,674
Long-term debt (Note 10)	208,501	205,964
	<b>333,580</b>	<b>327,613</b>
<b>NET DEBT</b>	<b>(34,370)</b>	<b>(38,977)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	1,702,737	1,617,843
Land held not ready for sale (Note 4)	29,448	21,842
Capital lease	11	73
Prepaid expenses	2,607	1,568
Inventory	8,222	7,503
	<b>1,743,025</b>	<b>1,648,829</b>
<b>ACCUMULATED SURPLUS (Note 14)</b>	<b>\$ 1,708,655</b>	<b>\$ 1,609,852</b>

Contractual obligations - Note 24  
Contingencies - Note 25  
Guarantee - Note 26  
Segmented information - Note 27

Approved on behalf of City Council

  
Tara Veer

Mayor:

  
Paul Harris  
Councillor:

**STATEMENT 2 - CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

	Budget (Note 28)	2013	2012
<b>REVENUES</b>			
Net municipal taxes (Note 15)	\$ 105,671	\$ 107,034	\$ 98,463
Operating government transfers (Note 16)	11,713	10,760	10,214
User fees and sale of goods and services (Note 17)	203,813	204,778	163,524
Investment income	4,491	6,484	8,004
Fines and penalties	6,701	5,972	6,513
Franchise fees	6,840	6,927	6,188
Licenses and permits	3,183	3,542	3,325
Other revenue	2,641	5,259	3,313
	<u>345,053</u>	<u>350,756</u>	<u>299,544</u>
<b>EXPENSES (Note 18)</b>			
Legislative and administrative	33,713	31,900	33,031
Police and other protective	31,871	30,972	28,015
Fire and ambulance	29,113	27,363	25,279
Transportation	44,114	46,134	37,156
Transit	12,883	12,445	12,119
Social planning	3,955	3,871	3,764
Community	7,805	7,424	6,231
Recreation, parks and culture	42,034	43,545	46,028
Parking	2,161	2,098	2,197
Fleet	12,906	11,356	11,113
Water	15,591	14,942	14,060
Waste water	14,673	16,173	11,732
Solid waste collection	6,224	6,218	6,047
Recycling	2,020	2,027	1,920
Solid waste disposal	4,224	5,089	4,255
Subdivisions	5,474	6,671	2,016
Electric light and power	31,695	32,634	29,785
	<u>300,456</u>	<u>300,862</u>	<u>274,748</u>
<b>ANNUAL SURPLUS BEFORE OTHER</b>	44,597	49,894	24,796
<b>OTHER</b>			
Capital government transfers (Note 16)	29,466	27,031	73,381
Contributed tangible capital assets	19,989	21,878	17,975
<b>ANNUAL SURPLUS</b>	94,052	98,803	116,152
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	1,609,852	1,609,852	1,493,700
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 1,703,904</u>	<u>\$ 1,708,655</u>	<u>\$ 1,609,852</u>

**STATEMENT 3 - CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

	Budget (Note 28)	2013	2012
<b>ANNUAL SURPLUS</b>	<b>\$ 94,052</b>	<b>\$ 98,803</b>	<b>\$ 116,152</b>
Change of:			
Acquisition of tangible capital assets	(117,155)	(119,892)	(122,931)
Contributed tangible capital assets	(19,989)	(21,878)	(17,975)
Proceeds on disposal of tangible capital assets	231	823	1,351
Amortization of tangible capital assets	48,475	54,706	46,344
Loss on disposal of tangible capital assets	231	1,347	146
	<u>(88,207)</u>	<u>(84,894)</u>	<u>(93,065)</u>
(Increase) decrease of inventory	-	(719)	1,122
Decrease of capital lease	-	62	84
(Increase) decrease of land held not ready for sale	-	(7,606)	1,294
Increase of prepaid expenses	-	(1,039)	(733)
	<u>-</u>	<u>(9,302)</u>	<u>1,767</u>
<b>DECREASE (INCREASE) IN NET DEBT</b>	<b>5,845</b>	<b>4,607</b>	<b>24,854</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>(38,977)</b>	<b>(38,977)</b>	<b>(63,831)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (33,132)</b>	<b>\$ (34,370)</b>	<b>\$ (38,977)</b>

**STATEMENT 4 - CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

	2013	2012
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Annual surplus	\$ 98,803	\$ 116,152
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	54,706	46,344
Loss on disposal of tangible capital assets	1,347	146
Tangible capital assets received as contributions	(21,878)	(17,975)
Non-cash charges to operations (net change):		
Increase in receivables	(9,104)	(5,160)
Increase in land held ready for sale	(49)	(193)
(Decrease) increase in land held not ready for sale	(7,606)	1,294
Decrease in loans receivable	738	125
Decrease (increase) in inventory	(719)	1,122
Increase in prepaid expenses	(1,039)	(733)
(Decrease) increase in accounts payable and accrued liabilities	(133)	4,491
Decrease in other liabilities	(47)	(31)
Increase in deferred revenue	2,059	1,193
Increase in employee benefit obligations	658	460
Increase in landfill closure and post-closure liability	893	562
Cash provided by operating transactions	118,629	147,797
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(119,892)	(122,931)
Proceeds on disposal of tangible capital assets	823	1,351
Cash applied to capital transactions	(119,069)	(121,580)
<b>INVESTING</b>		
Increase in long-term investments, net	(2,995)	(4,223)
Decrease (increase) in temporary investments, net	1,123	(34,276)
Cash applied to investing transactions	(1,872)	(38,499)
<b>FINANCING</b>		
Long-term debt issued	16,337	21,795
Long-term debt repaid	(13,800)	(12,589)
Change of capital lease	62	84
Cash provided by financing transactions	2,599	9,290
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	287	(2,992)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	14,649	17,641
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 14,936	\$ 14,649

# SCHEDULE 1 - TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)

	Land	Land Improvement	Buildings	Machinery and Equipment	Vehicles	Engineered Structures	Assets under construction	2013	2012
<b>Cost:</b>									
Balance, beginning of year	\$ 320,301	\$ 53,930	\$ 311,817	\$ 52,017	\$ 44,873	\$ 1,378,854	\$ 147,249	\$ 2,309,041	\$ 2,176,735
Assets under construction	-	-	-	-	-	-	10,014	10,014	42,157
Acquisition of tangible capital assets	6,077	12,515	6,051	5,159	4,067	97,887	-	131,756	98,749
Disposal of tangible capital assets	(735)	(131)	(4,281)	(1,125)	(2,495)	(1,974)	-	(10,741)	(8,600)
Balance, end of year	325,643	66,314	313,587	56,051	46,445	1,474,767	157,263	2,440,070	2,309,041
<b>Accumulated Amortization:</b>									
Balance, beginning of year	-	(25,670)	(75,877)	(28,486)	(19,272)	(541,893)	-	(691,198)	(651,957)
Annual amortization	-	(3,239)	(8,870)	(4,073)	(3,208)	(35,316)	-	(54,706)	(46,344)
Disposal of tangible capital assets	-	114	3,310	931	2,232	1,984	-	8,571	7,103
Balance, end of year	-	(28,795)	(81,437)	(31,628)	(20,248)	(575,225)	-	(737,333)	(691,198)
<b>Net book value of tangible capital assets</b>	<b>\$ 325,643</b>	<b>\$ 37,519</b>	<b>\$ 232,150</b>	<b>\$ 24,423</b>	<b>\$ 26,197</b>	<b>\$ 899,542</b>	<b>\$ 157,263</b>	<b>\$ 1,702,737</b>	<b>\$ 1,617,843</b>

See note 12.

## SCHEDULE 2 - CONSOLIDATED SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)

	Legislative and administrative	Protective services	Transportation	Water and wastewater	Waste management	Community services	Subdivisions	Recreation, parks and culture	Electric light and power	Total
<b>Revenues</b>										
Net municipal taxes	\$ 107,805	\$ -	\$ (181)	\$ 223	\$ -	\$ -	\$ (6)	\$ (26)	\$ (781)	\$ 107,034
User fees and sale of goods and services	608	12,413	24,124	55,146	16,210	776	31,084	10,385	54,032	204,778
Operating government transfers	1,401	1,920	399	-	-	6,106	-	934	-	10,760
Investment income	1,755	47	1,376	1,182	417	46	869	254	538	6,484
Fines and penalties	739	4,684	-	193	18	-	30	89	219	5,972
Franchise fees	6,827	-	-	-	-	-	-	100	-	6,927
Licenses and permits	81	3,414	23	-	-	24	-	-	-	3,542
Other revenue	812	410	837	120	360	148	189	2,381	2	5,259
	120,028	22,888	26,578	56,864	17,005	7,100	32,166	14,117	54,010	350,756
<b>Expenses</b>										
Salaries, wages and benefits	18,236	32,694	22,878	8,199	704	3,621	471	26,915	3,867	117,585
Contracted services	7,288	4,363	5,369	1,953	10,658	590	127	4,936	3,085	38,369
Purchase from other governments	-	18,223	-	-	-	-	-	-	-	18,223
Materials and supplies	1,073	1,690	12,838	4,993	65	297	6,073	5,240	22,093	54,362
Financial charges	3,175	574	1,436	2,706	(1)	14	-	131	925	8,960
Grants to organizations	424	-	185	-	-	5,967	-	407	-	6,983
Amortization expense	1,891	2,630	27,535	13,111	1,174	147	-	5,696	2,584	54,768
Other expenses	(187)	259	(306)	153	734	659	-	220	80	1,612
	31,900	60,433	69,935	31,115	13,334	11,295	6,671	43,545	32,634	300,862
<b>Annual surplus (deficit) before other</b>	88,128	(37,545)	(43,357)	25,749	3,671	(4,195)	25,495	(29,428)	21,376	49,894
<b>Other</b>										
Capital government transfers	758	475	22,931	1,212	-	-	-	1,655	-	27,031
Contributed tangible capital assets	-	-	19,676	1,957	-	188	-	57	-	21,878
<b>Annual surplus (deficit)</b>	<b>\$ 88,886</b>	<b>\$ (37,070)</b>	<b>\$ (750)</b>	<b>\$ 28,918</b>	<b>\$ 3,671</b>	<b>\$ (4,007)</b>	<b>\$ 25,495</b>	<b>\$ (27,716)</b>	<b>\$ 21,376</b>	<b>\$ 98,803</b>

See note 27.



**SCHEDULE 2 - CONSOLIDATED SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2012 (in thousands of dollars)**

	Legislative and administrative	Protective services	Transportation	Water and wastewater	Waste management	Community services	Subdivisions	Recreation, parks and culture	Electric light and power	Total
<b>Revenues</b>										
Net municipal taxes	\$ 99,364	\$ -	\$ (182)	\$ 63	\$ -	\$ -	\$ (5)	\$ (17)	\$ (760)	\$ 98,463
User fees and sale of goods and services	587	12,758	9,027	47,544	15,444	646	18,910	10,552	48,056	163,524
Operating government transfers	1,243	1,922	263	5	-	5,865	-	916	-	10,214
Investment income	1,865	90	1,874	1,453	889	67	934	345	487	8,004
Fines and penalties	847	5,124	-	83	22	-	68	102	267	6,513
Franchise fees	6,097	-	-	-	-	-	-	91	-	6,188
Licenses and permits	-	3,300	-	-	-	25	-	-	-	3,325
Other revenue	378	257	1,148	50	331	11	35	1,092	11	3,313
	110,381	23,451	12,130	49,198	16,686	6,614	19,942	13,081	48,061	299,544
<b>Expenses</b>										
Salaries, wages and benefits	17,184	30,568	21,083	7,751	691	3,393	466	24,716	3,821	109,673
Contracted services	8,908	4,146	3,796	1,295	10,156	359	94	4,353	3,093	36,200
Purchase from other governments	-	16,667	-	-	-	-	-	-	-	16,667
Materials and supplies	1,052	1,450	8,674	5,200	45	228	1,456	4,715	19,501	42,321
Financial charges	2,967	605	1,428	2,761	5	15	-	122	970	8,873
Grants to organizations	647	-	185	-	-	5,807	-	6,646	-	13,285
Amortization expense	1,809	1,788	25,985	8,447	614	109	-	5,303	2,373	46,428
Other expenses	464	267	(763)	338	711	84	-	173	27	1,301
	33,031	55,491	60,388	25,792	12,222	9,995	2,016	46,028	29,785	274,748
<b>Annual surplus (deficit) before other</b>	77,350	(32,040)	(48,258)	23,406	4,464	(3,381)	17,926	(32,947)	18,276	24,796
<b>Other</b>										
Capital government transfers	(758)	254	40,877	27,010	-	-	-	5,998	-	73,381
Contributed tangible capital assets	-	-	9,787	8,010	-	178	-	-	-	17,975
<b>Annual surplus (deficit)</b>	<b>\$ 76,592</b>	<b>\$ (31,786)</b>	<b>\$ 2,406</b>	<b>\$ 58,426</b>	<b>\$ 4,464</b>	<b>\$ (3,203)</b>	<b>\$ 17,926</b>	<b>\$ (26,949)</b>	<b>\$ 18,276</b>	<b>\$ 116,152</b>

1. See accompanying notes to consolidated financial statements.

2. Certain comparative figures have been restated to conform to the current year's presentation. Reclassification has been made in 2012 to reclassify user fees and sale of goods and services, capital government transfers, and other revenue by segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**1 SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements (the "financial statements") of The City of Red Deer ("The City") are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by The City are as follows:

**(a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity which comprises all the organizations and committees that are accountable to City Council for the administration of their financial affairs and resources and are owned or controlled by The City. They include the following:

**City Municipal and Utility Operations:**

- ◆ General municipal operations;
- ◆ Subdivision development;
- ◆ Water supply;
- ◆ Equipment pool;
- ◆ Wastewater treatment;
- ◆ Solid waste collection and disposal;
- ◆ Parking services; and
- ◆ Electric power distribution.

**Societies and Boards:**

- ◆ Red Deer Public Library;
- ◆ Red Deer Downtown Business Association;
- ◆ Waskasoo Environmental Education Society;
- ◆ Red Deer Museum + Art Gallery; 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, 2013 (in thousands of dollars)**

### **(b) Basis of Accounting**

The financial statements are prepared using the accrual method of accounting for revenues and expenses. 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.

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

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA), and tax rates are established annually by City Council. Taxation revenues are recorded at the time the tax billings are issued, except for Local Improvement Taxes which are recognized as revenue in the year when Local Improvement bylaw is approved and the capital project is complete. 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.

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.

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

Contributions specified for capital purposes are recorded as contributed tangible capital assets when a certificate of construction completion for the capital asset has been submitted to The City.

### **(c) Use of Estimates**

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**(d) Cash and Cash Equivalents**

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

The City has access to an unsecured line of credit of up to \$25,000 to cover any bank overdrafts arising from bridge financing required for capital projects. No amounts were outstanding on the line of credit overdraft at December 31, 2013.

**(e) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on 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.

**(f) Land Inventory**

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. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function. Land held for sale is classified as a financial asset when the land is in a condition to be sold, is marketed for sale and it is reasonably anticipated the land will be sold within one year.

**(g) Loans Receivable**

Loans receivable are recorded at the principal amount of loans outstanding less an allowance for loan impairment. Loans are classified as impaired when in management's opinion there is no reasonable assurance of the timely collection of the full amount of principal and interest.

The allowance for loan 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-off must be approved by City Council.

**(h) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**(i) 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.

**(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 excess of revenues over expenses, provides the consolidated Changes in Net Debt for the year.

**i. Tangible Capital Assets**

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

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

<b>ASSET TYPE</b>	<b>Years</b>
Land improvements	7-50
Buildings	10-50
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
Machinery, equipment and furnishings	4-40
Vehicles	8-18

Annual amortization is charged in the year of acquisition and in the year of disposal. 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, 2013 (in thousands of dollars)

### ii. Contributions of Tangible Capital Assets

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

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

## (I) FUTURE ACCOUNTING STANDARDS

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board (PSAB). In 2014, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in *Financial Statement Presentation* (PS1201), *Financial Instruments* (PS3450), *Foreign Currency Translation* (PS2601) and *Portfolio Investments* (PS3041) must be implemented at the same time.

### i. 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 fiscal years beginning on or after April 1, 2016.

### ii. Financial Instruments

PS3450, *Financial Instruments*, applicable for fiscal years beginning on or after April 1, 2016, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As The City is not investing in derivatives and equity instruments based on its investment policy, this new standard has little impact on current systems.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

iii. Foreign Currency Translation

PSAB issued PS2601, *Foreign Currency Translation*, replacing the current PS2600, applicable for fiscal years beginning on or after April 1, 2016. This standard requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, 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.

iv. Portfolio Investments

Section PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to *Financial Instruments*, PS3450. Upon adoption of PS3450 and PS3041, *Temporary Investments* PS3030 will no longer apply.

v. Liability for Contaminated Sites

PS3260, *Liability for Contaminated Sites* comes into effect for fiscal years beginning on or after April 1, 2014. PS3260 establishes standards on remediation, recognition and measurement and provides requirements for financial statement presentation and disclosure. The City is preparing to implement this standard in 2014 for two sites with suspected contamination. At December 31, 2013, the nature and amount of any liabilities are unknown.

**(m) ADOPTION OF NEW ACCOUNTING STANDARDS**

i. Government Transfers

Government Transfers section, PS3410, comes into effect for fiscal years beginning on or after April 1, 2012. This section pertains to government transfers received by the City as well as contributions made by the City to individuals, organizations or other governments and may be applied retroactively or prospectively. PS3410 clarifies the transferring government and recipient government recognition criteria, stipulations and authorization and the impact of these conditions on the accounting treatment. Further, this section provides requirements for financial statement presentation and disclosure. In 2012, The City early adopted this standard on a prospective basis.

ii. Tax Revenue

Public sector accounting standard PS3510, *Tax Revenue* discusses the different types of taxes and clarifies standards on the timing, recognition, measurement and reporting of tax revenue in government financial statements. This section applies for fiscal years beginning on or after April 1, 2012. In 2010, The City elected to early adopt this standard on a prospective basis.

**2 PORTFOLIO INVESTMENTS**

	2013	2012
Portfolio investments	\$ 99,137	\$ 100,260

Portfolio investments are short-term deposits with maturities of one year or less. Portfolio investments have effective rates of 0.9% to 1.90% (2012 - 0.30% to 1.87%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**3 ACCOUNTS RECEIVABLE**

	<b>2013</b>	<b>2012</b>
General accounts receivable	\$ 10,973	\$ 6,812
Utility receivable	15,827	15,037
Taxes receivable	3,157	3,258
Other government receivables	6,527	6,518
Interest on investments	1,250	1,071
Other receivable	5,159	1,466
	<b>42,893</b>	<b>34,162</b>
Allowance for doubtful accounts	(266)	(639)
	<b>\$ 42,627</b>	<b>\$ 33,523</b>

**4 LAND INVENTORY**

	<b>2013</b>	<b>2012</b>
Residential	\$ 8,731	\$ 8,341
Industrial and commercial	20,717	13,501
Land held not ready for sale	<b>29,448</b>	<b>21,842</b>
Residential	<b>2,000</b>	<b>631</b>
Industrial and commercial	513	1,833
Land held for sale	<b>\$ 2,513</b>	<b>\$ 2,464</b>

**5 LONG-TERM INVESTMENTS**

	<b>2013</b>		<b>2012</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Federal government	\$ 6,981	\$ 6,831	\$ 7,400	\$ 7,517
Provincial government	73,564	72,483	84,571	87,445
Municipal government	880	891	831	918
Canadian banks	47,824	47,531	34,334	35,103
Corporate	5,560	5,738	4,010	4,301
Other	4,045	5,609	4,713	5,323
	<b>\$ 138,854</b>	<b>\$ 139,083</b>	<b>\$ 135,859</b>	<b>\$ 140,607</b>

Long-term investments have effective interest rates of 0.00% to 11.00% (2012 - 2.76% to 9.56%) and mature in periods from January 14, 2014 to December 1, 2044 (2012 - February 5, 2013 to December 13, 2042). The 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, 2013 (in thousands of dollars)**

In July 2007, The City purchased a non-bank sponsored asset-backed commercial paper investment at a cost of \$4,929 with a maturity value of \$5,000 from Aurora Trust. On January 12, 2009, the Ontario Superior Court of Justice issued the Plan Implementation Order with respect to the Companies' Creditors Arrangement Act restructuring of the third-party asset-backed commercial paper market. This resulted in The City receiving replacement paper through Master Asset Vehicle 2 (MAVII).

The replacement notes received are as follows:

Class A-1	\$	1,518
Class A-2		2,766
Class B		502
Class C		148
	\$	<u>4,934</u>

The Dominion Bond Rating Service (DBRS) has upgraded the MAVII Class A-1 to a rating of "A" and confirmed MAVII Class A-2 with a rating of "BBB". The Class B and C notes have not been rated by DBRS. All notes have an expected maturity date of January 22, 2017, but a legal maturity date of July 15, 2056.

In 2013, interest was received in the amount of \$34 (2012 - \$25). The estimated carrying value as at December 31, 2013 was \$4,400 based on two independently determined values. No further write-down is required for 2013. The result net carrying value of \$2,969 is included in the long term investments balance of \$138,854.

**6 LOANS RECEIVABLE**

	2013	2012
Red Deer Gymnastics Club	\$ 185	\$ 223
Central Alberta Theatre	31	31
Red Deer County	-	679
Red Deer and District SPCA	958	979
	<u>1,174</u>	<u>1,912</u>
Allowance for doubtful loans	(31)	(31)
	<u>\$ 1,143</u>	<u>\$ 1,881</u>

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

2014	\$ 61
2015	64
2016	67
2017	70
2018	50
Thereafter	831
	<u>\$ 1,143</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

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

The City provided a loan to Central Alberta Theatre to pay for servicing and fire suppression apparatus to meet the requirements of the Alberta Building Code. The original term of the loan was four years and with an interest rate of 5.33% per annum. In 2013, the Society filed a Notice of Proposal to Creditors, which was accepted by the creditors. This notice did not include the loan payable to The City. In early 2014, City Council approved an amended loan bylaw that extended the loan term to 7 years and reduced the interest rate to 2.963%.

The City provided a loan to Red Deer County in lieu of offsite levies for supply of potable water. The term of the loan is 20 years and bears interest at a rate of 5.713% per annum. The loan was paid out in full as of December 31, 2013.

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 5.058% per annum.

**7 DEFERRED REVENUE**

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted or subject to stipulations from the funds. Certain deferred revenues related to government transfers are further described in Note 16.

	<b>2013</b>	<b>2012</b>
Basic Municipal Transportation Grant	\$ 10,797	\$ 7,706
Alberta Municipal Infrastructure Program	295	373
Federal Gas Tax Fund	2,544	4,756
Municipal Sustainability Initiative Grant	26,930	20,986
Recreation amenity	5,017	4,145
Alberta Building Canada Fund	-	1,684
Land sales	58	1,579
Developer and customer contributions	12,129	15,437
Other	7,621	6,666
	<b>\$ 65,391</b>	<b>\$ 63,332</b>

**8 EMPLOYMENT BENEFIT OBLIGATIONS**

	<b>2013</b>	<b>2012</b>
Vacation, overtime and earned days off	\$ 6,370	\$ 5,902
Retiring allowance	2,207	2,160
Other employment benefits	3,711	3,568
	<b>\$ 12,288</b>	<b>\$ 11,630</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

i. Vacation, Overtime and Earned Days Off

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

ii. Retiring Allowance

The City provides a retiring allowance to employees consisting of one day of pay for each year of employment with The City as long as the employee has 15 years of service with The City and they retire into the Local Authorities Pension Plan. The retiring allowance is not currently funded. An actuarial valuation for the retiring allowance was completed by an independent actuary as at December 31, 2012. 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 \$2,445 (2012 - \$2,427) using projected benefit method prorated on services. The net actuarial loss of \$238 (2012 - \$267) is amortized on a straight line basis over 13 years starting with the year following its determination.

iii. Other Employee Benefits

Employees accumulate sick day entitlements up to maximums set in the various union agreements. Employees are also eligible for sick plan benefits for short-term disability. The liability is recorded on an accrual basis based on the most recent five-year average usage of sick time and sick plan benefits.

**9 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

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

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 3.55% (2012 - 3.30%) and annual inflation of 2.32% (2012 - 1.54%). 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 3 phases of development. In total, all 3 Phases 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 I of the landfill has an estimated capacity of 1,404,023 cubic metres remaining, which is projected to last until 2024 based on current growth and usage. It is estimated that post closure care will be required for a period of 40 years from closure. The present value of estimated future closure and post closure costs has been calculated and accrued.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

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:

	Old Site	New Site Phase 1	2013	2012
Total estimated closure and post-closure costs if fully utilized	2,141	3,918	<b>6,059</b>	5,289
Liability utilized as of December 31, 2013	2,222	2,345	<b>4,567</b>	3,674
Remaining estimated costs	<u>\$ (81)</u>	<u>\$ 1,573</u>	<u><b>\$ 1,492</b></u>	<u>\$ 1,615</u>

**10 LONG-TERM DEBT**

Long-term debt is comprised of :

	2013	2012
Tax-supported debt	<b>\$ 69,331</b>	\$ 55,397
Self-supported debt	<b>139,170</b>	150,567
	<u><b>\$ 208,501</b></u>	<u>\$ 205,964</u>

Self-supported debt represents the amount funded through self-supported municipal operations including fleet, subdivision, parking, offsite levies collected from developers, wastewater, waste management, and electric light and power. Tax-supported debt represents the amount funded by municipal taxes. \$55,989 of long-term debt for offsite levies has been reclassified from tax-supported debt to self-supported debt in 2012.

Principal and interest repayments are as follows:

	Principal	Interest	Total
2014	\$ 15,497	\$ 8,703	\$ 24,200
2015	14,514	8,115	22,629
2016	14,959	7,612	22,571
2017	15,258	6,952	22,210
2018	14,521	6,295	20,816
Thereafter	133,752	47,922	181,674
	<u>\$ 208,501</u>	<u>\$ 85,599</u>	<u>\$ 294,100</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

Long-term debt consists of debentures payable to Alberta Capital Finance Authority (ACFA) and a loan payable to Canada Mortgage and Housing Corporation (CMHC) for the construction of public housing units.

Debentures mature in annual amounts to 2042 (2012 – 2040). Interest rates on these debentures range from 2.17% to 5.38% (2012 - 2.17% to 5.38%) per annum. The average annual interest rate is 4.01% (2012 - 4.27%). Debenture debt is issued on the credit and security of The City at large.

The loan payable to CMHC was issued January 1, 1972, for a term of 50 years at an interest rate of 8.25% with an annual repayment of interest and principal of \$27. The remaining principal balance was \$165 as at December 31, 2013 (2012- \$177).

Interest expenses on long-term debt amounted to \$8,725 (2012 - \$8,624). Total cash payments for interest were \$8,690 (2012 - \$8,597).

## **11 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.

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 Museum + Art Gallery, and River Bend Golf Course.

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

	<b>2013</b>	<b>2012</b>
Total debt limit	<b>\$ 526,134</b>	\$ 449,316
Long-term debt	<b>208,501</b>	205,964
Debt limit available	<b>\$ 317,633</b>	<b>\$ 243,352</b>
Service on debt limit	<b>87,689</b>	74,886
Service on existing debt	<b>24,200</b>	21,242
Service on debt limit available	<b>\$ 63,489</b>	<b>\$ 53,644</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**12 TANGIBLE CAPITAL ASSETS**

	<b>2013</b>	<b>2012</b>
Net book value		
Land	<b>325,643</b>	320,301
Land improvement	<b>37,519</b>	28,260
Building	<b>232,150</b>	235,940
Engineering structures		
Roadway system	<b>342,975</b>	307,919
Water system	<b>173,301</b>	170,843
Wastewater system	<b>156,160</b>	144,735
Storm system	<b>183,266</b>	173,153
Electrical system	<b>42,558</b>	38,963
Fiber optics system	<b>1,282</b>	1,348
	<b>899,542</b>	836,961
Machinery and equipment	<b>24,423</b>	23,531
Vehicles	<b>26,197</b>	25,601
Assets under construction	<b>157,263</b>	147,249
	<b>\$ 1,702,737</b>	<b>\$ 1,617,843</b>

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

\$21,878 in land, land improvement, and engineered structures were contributed to The City in 2013 (2012 - \$17,975) and were recorded at their fair value at the time received. Total write-down of tangible capital asset for 2013 was \$835 (2012 - nil) including the buildings at the old civic yards and an antique pumper truck since those assets are no longer in use. The land parcels at the old civic yards were reclassified from tangible capital assets to land held not ready for sale. The total reclassified amount was \$624.

**13 EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2013</b>	<b>2012</b>
Tangible capital assets (Schedule 1)	<b>\$ 2,440,070</b>	\$ 2,309,041
Accumulated amortization (Schedule 1)	<b>(737,333)</b>	(691,198)
Long-term debt (Note 10)	<b>(208,501)</b>	(205,964)
	<b>\$ 1,494,236</b>	<b>\$ 1,411,879</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**14 ACCUMULATED SURPLUS**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<b>2013</b>	<b>2012</b>
Unrestricted deficits	<b>(403)</b>	(649)
Advances for construction (Capital to be financed)	<b>(7,005)</b>	3,897
Reserves		
Perpetual care	<b>1,392</b>	1,297
Future expenditures	<b>2,292</b>	2,683
Parking	<b>1,080</b>	1,444
Landfill reserve	<b>11,190</b>	10,406
Power utility	<b>17,567</b>	13,773
Water utility	<b>17,569</b>	14,811
Waste water utility	<b>9,544</b>	20,621
Solid waste utility	<b>1,895</b>	1,644
Tax rate stabilization	<b>14,625</b>	8,143
Equipment replacement	<b>25,377</b>	25,018
Debt repayment	<b>11,685</b>	10,646
Capital project	<b>48,453</b>	33,567
Public	<b>4,825</b>	4,666
Land development	<b>54,334</b>	46,006
	<b>221,828</b>	194,725
Equity in tangible capital assets (Note 13)	<b>1,494,236</b>	1,411,879
	<b>\$ 1,708,656</b>	<b>\$ 1,609,852</b>

Capital to be funded at year-end relates to wastewater plant upgrades where long-term debt borrowing is expected to fund the project.

**15 NET MUNICIPAL TAXES**

	<b>Budget (Note 28)</b>	<b>2013</b>	<b>2012</b>
Taxes:			
Property taxes	\$ 141,793	<b>\$ 142,735</b>	\$ 133,264
Revenue in lieu of taxes	2,231	<b>2,231</b>	2,187
Local improvement levies	155	<b>769</b>	155
Other	1,370	<b>1,370</b>	1,342
	<b>145,549</b>	<b>147,105</b>	136,948
Less tax on behalf of:			
Public schools	34,945	<b>35,138</b>	33,665
Catholic schools	4,663	<b>4,663</b>	4,634
Piper Creek Foundation	270	<b>270</b>	186
	<b>39,878</b>	<b>40,071</b>	38,485
	<b>\$ 105,671</b>	<b>\$ 107,034</b>	<b>\$ 98,463</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**16 GOVERNMENT TRANSFERS**

	Budget (Note 28)	2013	2012
Operating transfers			
Provincial	\$ 10,599	\$ 9,831	\$ 9,441
Federal	422	514	497
Other	692	415	276
	<u>11,713</u>	<u>10,760</u>	<u>10,214</u>
Capital transfers			
Provincial	19,501	18,816	60,168
Federal	9,665	8,215	13,213
Other	300	-	-
	<u>29,466</u>	<u>27,031</u>	<u>73,381</u>
	<u>\$ 41,179</u>	<u>\$ 37,791</u>	<u>\$ 83,595</u>

In 2013, the City received a grant of \$2,371 (2012 – \$2,371) from the Province for Family and Community Support Services funding. \$2,352 (2012 - \$2,343) was recognized as operating government transfers in 2012, and \$47 (2012 - \$28) has been reported as deferred revenue.

In 2009, the Province of Alberta introduced the Outreach and Support Services Initiative (OSSI) grant. The grant is to assist chronic and episodically homeless individuals find and maintain housing. \$2,990 was received in 2013 (2012 – \$2,990). \$2,978 (2012 – \$2,792) has been recognized as operating government transfers and \$1,601 (2012 - \$1,567), including interest of \$26 (2012 - \$4) has been reported as deferred revenue.

The Homelessness Partnering Strategy grant through the Government of Canada runs from April 1, 2011 to March 31, 2014. The revenue is recognized quarterly on a claim basis submitted to the Federal Government. In 2013 the amount claimed was \$514 (2012 - \$497).

Alberta Solicitor General and Public Security provides annual funding for supporting municipalities with the costs of policing services. The City received \$1,470 in 2013 (2012 - \$1,470), and the full amount was recognized as operating government transfers in 2013.

In 2008, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. In 2013, major projects funded by this grant include: Taylor Drive and Ross Street Intersection Improvements and Skateboard Park Construction. The City received \$18,089 in 2013 (2012 – \$18,349) and recognized \$11,406 (2012 - \$18,288) as capital government transfers and \$1,194 (2012 – \$1,194) as operating government transfers. \$26,930 (2012 - \$20,986) including interest of \$455 (2012 - \$371) has been deferred to future years.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

Alberta Ministry of Transportation provides annual funding to support municipalities in developing and maintaining their capital transportation infrastructure requirements, promote economic growth and improve the quality and transportation safety of community life. This program provides annual allocation-based funding for capital construction and rehabilitation of local transportation infrastructure including roads, bridges, and public transit. This consolidated program is transitioning and evolving from several transportation programs including: the City Transportation Fund (CTF), Basic Capital Grant (BCG), Provincial Highway Maintenance Grant (PHM), Streets Improvement Program and Streets Improvement Program for Hamlets (SIP), and Rural Transportation Grant (RTG). In 2013, \$5,776 (2012 - \$5,776) was received, \$2,421 (2012 - \$9,314) has been recognized in capital government transfers, \$263 (2012 - \$263) has been recognized as operating government transfers, and \$10,797 (2012 - \$7,706) has been deferred to future years. Major projects funded by the program in 2013 include: 32nd Street Improvements and transit road and sidewalk improvements.

The Federal Gas Tax Fund (FGTF) grant program commenced in 2005 as the New Deal for Cities and Communities to assist municipalities in addressing their sustainable municipal capital infrastructure needs. The program is supported through the allocation to Alberta Municipalities of a portion of the federal gasoline tax. \$5,010 was received in 2013 (2012 - \$5,010). \$7,221 (2012 - \$6,616) has been recognized as capital government transfers, and \$2,544 (2012 - \$4,756) has been deferred to future years. Major projects funded by the program in 2013 include 2013 Crown Paving Project, 2013 Storm Infrastructure, bridge work and Transit buses purchased. All funds under this program must be spent by December 31, 2014.

Alberta Municipal Infrastructure Program (AMIP) was introduced in 2005 to address municipal infrastructure backlogs. The primary purpose of AMIP is to support basic core infrastructure such as roads, water and sewer lines, sidewalks, drainage, public transit and emergency service facilities. In 2013, \$78 (2012 - \$651) has been recognized as capital government transfers. \$295 (2012 - \$373) has been reported as deferred revenue. No additional funds are anticipated under AMIP.

In 2011, the Minister of Transport, Infrastructure and Communities, introduced Building Canada Fund to improve the lives of Canadians and support projects that meet environmental, economic and quality of life objectives. Federal, Provincial, and Municipal governments each shared the eligible expenditures. The basis of funding is determined by the amount paid out for expenditures claimed. \$1,538 (2012 - \$13,194) has been recognized as capital government transfers. \$3,085 was received in 2013 (2012 - \$4,000), and \$3,536 has been reported as a receivable (2012 - \$5,098). Projects funded through this program are Red Deer Wastewater Project as part of the North Highway Connector Project and Traffic Signal Control System Upgrades.

Alberta Municipal Water/Wastewater Partnership provides funding for construction of high-priority water supply and treatment and wastewater treatment and disposal facilities. This grant is being utilized for The City to contract A4 Sanitary Trunk Project being constructed with the South Red Deer Regional Wastewater Commission. \$3,025 (2012 - \$317) has been recognized in capital government transfers. \$1,336 has been reported as a receivable for 2013, and \$1,684 was reported as deferred revenue in 2012.

For government transfer amounts deferred to future years, see also Note 7.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

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

	Budget (Note 28)	2013	2012
Utility user fees	108,744	<b>110,139</b>	103,044
Land sales	42,452	<b>30,913</b>	18,709
Transit revenue	4,984	<b>5,282</b>	5,182
Ambulance and dispatch revenue	9,656	<b>10,491</b>	11,001
Facility user fees	5,712	<b>5,721</b>	5,446
Equipment and facility rental	3,533	<b>3,819</b>	4,077
Electrical transmission recovery	3,393	<b>4,267</b>	2,273
Developer contributions	21,114	<b>29,341</b>	8,941
Other	4,225	<b>4,805</b>	4,851
	<u>\$ 203,813</u>	<u><b>\$ 204,778</b></u>	<u>\$ 163,524</u>

**18 EXPENSES BY OBJECT**

	Budget (Note 28)	2013	2012
Salaries, wages and benefits	122,733	<b>117,585</b>	109,673
Contracted services	39,614	<b>38,369</b>	36,200
Materials and supplies	52,045	<b>54,362</b>	42,321
Purchase from other governments	19,387	<b>18,223</b>	16,667
Grants to organizations	8,456	<b>6,983</b>	13,285
Financial charges	9,595	<b>8,960</b>	8,873
Amortization expense	48,475	<b>54,768</b>	46,428
Other expenses	151	<b>1,612</b>	1,301
	<u>\$ 300,456</u>	<u><b>\$ 300,862</b></u>	<u>\$ 274,748</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**19 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.

	2013			2012	
	No. of persons	Salary	Benefits and Allowances	Total	No. of persons    Total
	(a)	(b), (c)			
<b>Mayor:</b>	<b>2</b>				<b>1</b>
M. Flewwelling		\$ 77	\$ 4	\$ 81	\$ 100
T. Veer		17	2	19	-
		<u>94</u>	<u>6</u>	<u>100</u>	<u>100</u>
<b>Councillors:</b>	<b>11</b>				<b>8</b>
S. Buchanan		54	7	61	58
P. Harris		56	4	60	60
C. Jefferies		45	5	50	58
L. Mulder		54	4	58	56
C. Stephan		45	6	51	58
T. Veer		44	5	49	57
F. Wong		53	6	59	56
D. Wyntjes		55	5	60	61
T. Handley		9	2	11	
K. Johnston		9	1	10	
L. Lee		9	2	11	
		<u>433</u>	<u>47</u>	<u>480</u>	<u>464</u>
<b>City Manager</b>	<b>1</b>	<b>233</b>	<b>39</b>	<b>272</b>	<b>1</b> <b>386</b>
<b>Designated Officers - (d)</b>	<b>1</b>	<b>116</b>	<b>27</b>	<b>143</b>	<b>7</b> <b>1,002</b>
		<u>\$ 876</u>	<u>\$ 119</u>	<u>\$ 995</u>	<u>\$1,952</u>

(a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. Included in the City Manager's salary for 2013 was \$0 (2012 - \$129) for pension compensation.

(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 disbursement, group life, health care, dental coverage, registered savings plan, Internet and phone allowances, transit and pension plans.

(d) The number of Designated Officers was reduced to one during the year to reflect the new City Organizational Bylaw 3505/2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**20 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 Plan serves about 224,000 employees and 428 employers in Alberta. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The City is required to make current service contributions to LAPP of 10.43% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 14.47% thereafter. Employees of The City are required to make current service contributions of 9.43% to the YMPE and 13.47% thereafter.

Total current service contributions by The City to LAPP in 2013 were \$9,332 (2012 - \$8,517). Total contributions by the employees of The City to LAPP in 2013 were \$8,535 (2012 - \$7,750).

At December 31, 2012, LAPP disclosed an actuarial deficit of \$4.98 billion (2011 - \$4.64 billion). This amount is not specifically allocated to the participating government organizations. The 2013 actuarial balance was not available at the date these financial statements were released.

**21 APEX SUPPLEMENTARY PENSION PLAN**

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

Contributions are made by the prescribed class of employees and The City. Employees and The City are required to make current service contributions to APEX of 2.50% and 3.00% respectively of individual pensionable earnings up to \$135 (2012 - \$132).

Total current service contributions by The City to APEX were \$361 (2012 - \$342). Total current service contributions by the employees of The City were \$301 (2012 - \$285).

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, 2013 (in thousands of dollars)**

**22 MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN**

Muni SERP, formerly APEX PLUS, 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, 2013, are estimated at \$758 (2012 - \$642).

A projected accrued benefit cost with prorating on service method is used to determine the accrued benefit obligation. Key actuarial assumptions used in the valuation were based on actuarial estimates. Those assumptions involve forecasts of expected future inflation rates, discount rates, wage and salary increases, maximum pension limit under the Income Tax Act and employee turnover and mortality. Key assumptions are as follows: expected discount rate of 5.00% (2012- 5.00%), expected salary escalations of 4.00% (2012 - 4.00%) per year and inflation rate of 2.50% (2012 - 2.50%).

**23 FINANCIAL INSTRUMENTS**

The City's financial instruments consist of cash and cash equivalents, portfolio investments, receivables, loans receivable, long-term investments, accounts payable and accrued liabilities, 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 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, 2013 (in thousands of dollars)**

**24 CONTRACTUAL OBLIGATIONS**

As at December 31, 2013, The City has the following contractual obligations:

Construction Contracts:	Commitment Amount
North Highway Connector	\$ 7,997
Subdivision development	6,391
Water and Wastewater Treatment Plants	34,974
Street improvements	21,282
Frostboil	1,481
Fleet purchases	4,271
	<u>\$ 76,396</u>

Solid Waste Collection and Recyclables Collection Contracts - these contracts are based on a percentage of the utility billing until October 31, 2015. The estimated annual contract costs are \$6,081. The Waste Management Facility Operations contract is an annual contract with a value of \$1,717.

RCMP Contract – The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost is \$20,986.

ENMAX Contract – a two year agreement with ENMAX Power Corporation to provide Meter Data Management Services to The City until 2015. The estimated cost for each year is \$3,680.

Recreation Amenity Funds – \$5,017 has been collected which will be spent for recreation related capital projects. There is no fixed timeline for making these expenditures.

Offsite Levies – \$9,344 has been collected and will be spent for roads, water and sanitary sewer related capital projects. There is no fixed timeline for making these expenditures.

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

**25 CONTINGENCIES**

**Insurance Agreement**

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

### **Environmental Issues**

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 2012, based on a new assessment report, the liability amount was increased to \$1,378.

### **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. As a result, six property owners have filed claims for which the compensation they are entitled to, if any, is being determined by the Alberta Land Compensation Board. At this time The City cannot determine the amount or likelihood of the compensation in these cases.

## **26 GUARANTEE**

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

The City has issued two irrevocable standby letters of credit of \$15 and \$204 as requested by its supplier, Altalink LP, in the event of payment default for transmission substation project. The letter of credit has not been utilized to date.

## **27 SEGMENTED INFORMATION**

The City is a diversified municipal government that provides a wide range of services to its citizens, including fire, ambulance, public transit, water, waste management and electric light and power. For management reporting purposes, The City's operations and activities are organized and reported by functions and services provided. Certain functions that have been disclosed in the segmented information (Schedule 2), along with the services provided, are as follows:

### **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.

### **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 protection, fire and ambulance, emergency and disaster prevention and recovery and bylaw enforcement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**Transportation**

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

**Water and Wastewater**

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

**Waste Management**

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

**Community Services**

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

**Recreation, Parks and Culture**

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

**Subdivisions**

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

**Electric Light and Power**

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

For 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 the Consolidated Schedule of Segmented Disclosure - Schedule 2.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**28 BUDGET**

The reported budget information has been derived from the capital budget that was approved by Council on November 6, 2012 and the operating budget that was approved on January 11, 2013. The budgets were subsequently amended by Council or within budget policy. This note reconciles the approved budget to the reported budget information presented in these consolidated financial statements.

	Approved Budget	Amendments	Reclass between capital and operating	Reported Budget
<b>REVENUES</b>				
Net municipal taxes	\$ 105,656	\$ 15	\$-	\$ 105,671
Operating government transfers	11,589	124	-	11,713
User fees and sale of goods and services	203,783	30	-	203,813
Investment income	3,813	678	-	4,491
Fines and penalties	6,701	-	-	6,701
Franchise fees	6,831	9	-	6,840
Licenses and permits	3,183	-	-	3,183
Other revenue	2,783	(142)	-	2,641
	<b>344,339</b>	<b>714</b>	<b>-</b>	<b>345,053</b>
<b>EXPENSES</b>				
Legislative and administrative	37,337	(3,557)	(67)	33,713
Police and other protective	31,941	124	(194)	31,871
Fire and ambulance	25,837	3,282	(6)	29,113
Transportation	39,505	52	4,557	44,114
Transit	12,919	(30)	(6)	12,883
Social planning	3,938	19	(2)	3,955
Community	7,658	147	-	7,805
Recreation, parks and culture	41,727	317	(10)	42,034
Parking	2,162	(1)	-	2,161
Fleet	12,919	4	(17)	12,906
Water	15,597	(6)	-	15,591
Waste water	14,686	(13)	-	14,673
Solid waste collection	6,228	(4)	-	6,224
Recycling	2,024	(4)	-	2,020
Solid waste disposal	3,974	-	250	4,224
Subdivisions	1,006	-	4,468	5,474
Electric light and power	31,772	(2)	(75)	31,695
	<b>291,230</b>	<b>328</b>	<b>8,898</b>	<b>300,456</b>
<b>ANNUAL SURPLUS BEFORE OTHER OTHER</b>	<b>53,109</b>	<b>386</b>	<b>(8,898)</b>	<b>44,597</b>
Capital government transfers	29,466	-	-	29,466
Contributed tangible capital assets	19,989	-	-	19,989
<b>ANNUAL SURPLUS</b>	<b>\$ 102,564</b>	<b>\$ 386</b>	<b>\$ (8,898)</b>	<b>\$ 94,052</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013 (in thousands of dollars)**

**29 APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements on April 28, 2014.

## **STATISTICAL INFORMATION**

**General Municipal Data Unaudited  
(2009-2013) (in thousands of dollars)**

	2013	2012	2011	2010	2009
Population	97,109	91,877	91,877	90,084	89,891
Assessed valuation	\$ 13,827,046	\$ 13,032,279	\$ 12,818,060	\$ 12,799,553	\$ 12,629,017
Per capita assessed valuation	\$ 142	\$ 142	\$ 140	\$ 142	\$ 140
Mill rates (commercial)					
Municipal	12.2313	12.3765	12.5997	12.3938	12.2695
Education foundation	3.7565	3.4849	3.4244	3.3220	3.4743
Piper Creek Foundation	0.0195	0.0143	0.0146	0.0185	0.0000
	<u>16.0073</u>	<u>15.8757</u>	<u>16.0387</u>	<u>15.7343</u>	<u>15.7438</u>
Taxes paid by the largest single taxpayer	\$ 2,885	\$ 2,833	\$ 2,847	\$ 2,590	\$ 2,200
Percent of taxes	1.97 %	2.05 %	2.20 %	2.10 %	1.88 %
Property taxes					
Current levy	\$ 146,208	\$ 138,154	\$ 129,491	\$ 123,458	\$ 116,914
Current collected	\$ 146,082	\$ 136,152	\$ 127,403	\$ 121,519	\$ 115,417
Percent of current levy	100 %	99 %	98 %	98 %	99 %
Gross tax collections	\$ 147,799	\$ 139,033	\$ 130,532	\$ 121,519	\$ 116,208
Taxes outstanding	\$ 2,311	\$ 2,962	\$ 2,919	\$ 3,629	\$ 2,232

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

**Consolidated Revenue by Source Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Operating Revenue					
Net municipal taxes	\$ 107,035	\$ 98,463	\$ 92,423	\$ 86,808	\$ 83,727
User fees and sale of goods and services	172,904	151,984	121,751	119,015	110,044
Operating government transfers	9,829	9,349	8,967	12,198	15,308
Investment income	6,218	7,694	5,788	6,375	5,703
Licenses and permits	3,542	3,324	2,647	2,350	2,304
Fines and penalties	5,882	6,411	5,235	5,371	5,035
Franchise fees	6,927	6,188	6,300	6,392	5,577
Other revenue	1,666	815	4,665	1,740	1,977
Contributed tangible capital assets	21,878	17,975	10,133	16,382	59,421
Total operating Revenue	335,881	302,203	257,909	256,631	289,096
Capital Revenue	58,257	84,435	51,598	30,836	64,012
Agencies Revenue	5,527	4,262	4,309	8,083	1,131
Consolidated Revenue	\$ 399,665	\$ 390,900	\$ 313,816	\$ 295,550	\$ 354,239

1. Figures for 2009 have been restated for the correction of certain tangible capital assets and land inventory adjustments identified in 2010; years prior to 2009 have not been restated for this adjustment.
2. In 2010, the accounting for River Bend Golf Course was changed from Government Business Enterprise using the modified equity method to Government Non-profit Organization applying consolidation. Figures prior to 2010 have not been restated.
3. Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012; years prior to 2011 have not been restated for this adjustment
4. Certain comparative figures have been restated to conform to the current year's presentation. Reclassification has been made in 2012 and prior years to reclassify user fees and sale of goods and services, capital government transfers, and other revenue.

**Capital Fund Activities Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Capital expenditure by segment					
Legislative and administrative	\$ 2,174	\$ (759)	\$ 1,462	\$ 2,484	\$ 12,303
Protective services	1,041	1,734	4,103	18,250	17,811
Transportation	40,598	60,769	56,773	18,320	46,974
Water and wastewater	49,080	35,618	23,337	20,114	19,769
Waste management	1,279	3,927	84	440	981
Community services	42	80	1,161	894	1,396
Subdivisions	6,952	8,590	7,044	1,792	(11,214)
Recreation, parks and culture	7,178	5,238	3,362	15,463	22,831
Electric light and power	9,516	6,656	4,975	4,966	5,119
Total Capital Spending	<u>\$ 117,860</u>	<u>\$ 121,853</u>	<u>\$ 102,301</u>	<u>\$ 82,723</u>	<u>\$ 115,970</u>
Financing Sources Applied:					
Developer contribution	29,341	8,941	13,726	7,878	6,918
Government transfers	27,032	73,381	35,184	21,310	55,604
Other Revenue	1,884	2,113	2,688	1,648	1,490
Debt issued	16,337	21,795	22,975	14,313	67,972
From/to operating	13,757	4,224	23,487	22,265	21,523
From/to reserves	18,608	(10,167)	2,184	(3,697)	8,038
Increase (Decrease) in Fund Balance	<u>(10,901)</u>	<u>(21,566)</u>	<u>(2,057)</u>	<u>(19,006)</u>	<u>45,575</u>
Capital fund balance, beginning of the year	<u>3,896</u>	<u>25,462</u>	<u>27,519</u>	<u>46,525</u>	<u>950</u>
Capital fund balance, end of year	<u>\$ (7,005)</u>	<u>\$ 3,896</u>	<u>\$ 25,462</u>	<u>\$ 27,519</u>	<u>\$ 46,525</u>

1. Figures for 2009 have been restated for the correction of certain tangible capital assets and land inventory adjustments identified in 2010; years prior to 2009 have not been restated for this adjustment.

2. In 2010, the accounting for River Bend Golf Course was changed from Government Business Enterprise using the modified equity method to Government Non-profit Organization applying consolidation. Figures prior to 2010 have not been restated.

3. Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012; years prior to 2011 have not been restated for this adjustment.

4. Certain comparative figures have been restated to conform to the current year's presentation. Reclassifications have been made in 2012 and prior years to reclassify user capital expenditures by segment.

**Consolidated Operating Expenses by Function Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Operating Expenses					
Legislative and administrative	\$ 31,899	\$ 33,031	\$ 29,764	\$ 28,912	\$ 27,053
Police and other protective	30,972	28,015	27,363	25,717	24,014
Fire and ambulance	27,364	25,279	26,019	23,701	21,637
Transportation	46,134	37,156	38,822	33,008	33,936
Transit	12,445	12,119	11,712	11,640	9,785
Social planning	3,871	3,764	3,922	3,838	3,891
Community	7,424	6,231	5,634	8,627	6,853
Recreation, parks and culture	43,545	46,028	39,985	37,647	32,453
Parking	2,098	2,197	2,038	1,635	1,148
Fleet	11,356	11,113	10,473	9,901	8,830
Water	14,942	14,060	14,113	12,340	12,939
Waste water	16,173	11,732	11,954	14,543	10,412
Solid waste collection	6,218	6,047	5,943	5,910	5,784
Recycling	2,027	1,920	1,885	1,810	1,746
Solid waste disposal	5,089	4,255	3,560	3,778	1,990
Subdivisions	6,671	2,016	1,062	1,290	4,905
Electric light and power	32,634	29,785	27,658	21,617	20,237
Total operating expenses	\$ 300,862	\$ 274,748	\$ 261,907	\$ 245,914	\$ 227,613

1. Figures for 2009 have been restated for the correction of certain tangible capital assets and land inventory adjustments identified in 2010; years prior to 2009 have not been restated for this adjustment.
2. In 2010, the accounting for River Bend Golf Course was changed from Government Business Enterprise using the modified equity method to Government Non-profit Organization applying consolidation. Figures prior to 2010 have not been restated.
3. Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012; years prior to 2011 have not been restated for this adjustment

**Consolidated Operating Expenses by Object Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Operating Expenses					
Salaries, wages and benefits	\$ 117,585	\$ 109,673	\$ 107,701	\$ 99,847	\$ 91,452
Contracted services	38,369	36,200	34,540	34,620	31,935
Materials and supplies	54,363	42,321	41,504	31,689	33,884
Purchase from other governments	18,223	16,667	16,041	15,499	14,326
Grants to organizations	6,983	13,285	7,137	10,794	9,259
Financial charges	8,959	8,873	9,433	8,985	7,041
Amortization expense	54,768	46,428	45,201	41,746	38,274
Other expenses	1,612	1,301	349	2,734	1,442
Total operating expenses	<u>\$ 300,862</u>	<u>\$ 274,748</u>	<u>\$ 261,906</u>	<u>\$ 245,914</u>	<u>\$ 227,613</u>

1. Figures for 2009 have been restated for the correction of certain tangible capital assets and land inventory adjustments identified in 2010; years prior to 2009 have not been restated for this adjustment.
2. In 2010, the accounting for River Bend Golf Course was changed from Government Business Enterprise using the modified equity method to Government Non-profit Organization applying consolidation. Figures prior to 2010 have not been restated.
3. Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012; years prior to 2011 have not been restated for this adjustment



**Financial Position and Net Revenues Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Financial assets	\$ 299,210	\$ 288,636	\$ 247,901	\$ 235,637	\$ 234,217
Liabilities	333,580	327,613	311,732	279,530	264,171
Net financial debt	(34,370)	(38,977)	(63,831)	(43,893)	(29,954)
Non-financial assets	1,743,025	1,648,829	1,557,531	1,531,415	1,467,840
Accumulated surplus - ending	1,708,655	1,609,852	1,493,700	1,487,522	1,437,886
Annual surplus	\$ 98,803	\$ 116,152	\$ 51,909	\$ 49,636	\$ 126,626

**Consolidated Accumulated Surplus Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Capital fund (deficiency)	\$ (7,005)	\$ 3,896	\$ 25,462	\$ 27,519	\$ 46,525
Reserves	221,827	194,725	141,067	145,227	131,489
Equity in tangible capital assets	1,494,236	1,411,879	1,328,020	1,315,751	1,257,907
Equity in controlled agencies	(403)	(648)	(849)	(975)	1,965
Total	<u>\$ 1,708,655</u>	<u>\$ 1,609,852</u>	<u>\$ 1,493,700</u>	<u>\$ 1,487,522</u>	<u>\$ 1,437,886</u>

1. Figures for 2009 have been restated for the correction of certain tangible capital assets and land inventory adjustments identified in 2010; years prior to 2009 have not been restated for this adjustment.

2. In 2010, the accounting for River Bend Golf Course was changed from Government Business Enterprise using the modified equity method to Government Non-profit Organization applying consolidation. Figures prior to 2010 have not been restated.

3. Figures for 2011 have been restated for the correction of tangible capital assets for landfill sites identified in 2012; years prior to 2011 have not been restated for this adjustment

**Consolidated Reserves Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
Future expenditures	\$ 2,292	\$ 2,683	\$ 2,366	\$ 2,300	\$ 2,517
Perpetual care	1,392	1,297	1,214	1,152	1,091
Power utility	17,567	13,773	5,011	4,845	5,389
Parking	1,080	1,444	1,743	1,941	1,287
Water utility	17,569	14,811	9,584	8,981	7,559
Waste water utility	9,544	20,621	12,111	15,594	11,948
Solid waste utility	1,895	1,644	1,367	934	676
Landfill reserve	11,190	10,406	11,737	9,753	8,095
Tax rate stabilization	14,625	8,143	5,196	8,264	9,156
Debt repayment	11,685	10,646	5,451	3,990	
Equipment replacement	25,377	25,018	20,644	12,622	11,392
Capital project	48,453	33,567	24,762	26,639	27,961
Land development	54,334	46,006	38,781	46,500	43,907
Public	4,825	4,666	1,100	1,712	511
Total reserves	<u>\$ 221,828</u>	<u>\$ 194,725</u>	<u>\$ 141,067</u>	<u>\$ 145,227</u>	<u>\$ 131,489</u>

**Long-term Debt Issued by Function Unaudited  
2009-2013 (in thousands of dollars)**

	2013	2012	2011	2010	2009
General	\$ -	\$ -	\$ -	\$ 8,319	\$ 29,199
Transportation	6,723	14,375	6,825	-	9,001
Water	-	6,370	6,050	2,994	992
Waste Water	8,286	1,050	4,400	-	11,450
Parking	-	-	5,700	-	9,234
Police	-	-	-	3,000	5,000
Recreation, parks and culture	1,328	-	-	-	2,990
Subdivisions	-	-	-	-	106
Total	<u>\$ 16,337</u>	<u>\$ 21,795</u>	<u>\$ 22,975</u>	<u>\$ 14,313</u>	<u>\$ 67,972</u>

**Long-term Debt Unaudited  
2009-20123(in thousands of dollars)**

	2013	2012	2011	2010	2009
Tax-supported debt	\$ 69,331	\$ 55,397	\$ 57,321	\$ 59,497	\$ 53,772
Self-supported debt	139,170	150,567	139,437	125,217	126,764
<b>Total long-term debt</b>	<b>208,501</b>	<b>205,964</b>	<b>196,758</b>	<b>184,714</b>	<b>180,536</b>
Population	97,109	91,877	91,877	90,084	89,891
Long-term debt per capita	2,147	2,242	2,142	2,050	2,008
Debt limit per regulation	526,134	449,316	402,749	386,787	358,821
Debt limit unused	317,633	243,352	205,991	202,073	178,285
Percentage of debt limit used	40 %	46 %	49 %	48 %	50 %
Service on debt limit	87,689	74,886	67,125	64,465	59,804
Service on existing debt	24,200	22,559	21,242	19,275	18,231
Service on debt limit unused	63,489	52,327	45,883	45,190	41,573
Percentage of service on debt limit used	28 %	30 %	32 %	30 %	30 %
Percentage of expenses	8 %	8 %	8 %	8 %	8 %

Certain comparative figures have been restated to conform to the current year's presentation. Debt borrowed for offsite levies has been reclassified from tax-supported debt to self-supported debt for prior years.