



2016 Annual Financial Report

The Corporation of the City of Red Deer
Red Deer, Alberta
For the Year Ended December 31, 2016
April 2017

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 2016 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 2016 financial performance. In addition, this report describes some of The City's major financial policies, provides an assessment of The City's general economic condition and highlights significant accomplishments in meeting Strategic Plan objectives.

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

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

City Council has the ultimate responsibility for these consolidated financial statements and oversees management's responsibilities for financial reporting through an Audit Committee, which is composed of the Mayor and three councillors. The Audit Committee, chaired by Councillor Mulder, 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 2016:

Council approved the Strategic Plan Report 2015 – 2018 which contains 3 themes that Council has identified as requiring significant change or shift:

- Dialogue – engaging our community and enhancing our relationships
 - The next phase is Dialogue 2.0 which includes a government relations strategy, an advocacy strategy, and role clarification with arm's length agencies.
- Community Amenities – planning great spaces and places for community living
 - The public consultation has been completed and projects have been included in the 10 Year Capital Plan as approved by Council
 - The City has committed to building or upgrading several facilities as part of the Games bid totalling \$26 million. This includes a contribution to Red Deer College for the Gary W. Harris Canada Games Centre. The City is also working closely with the Games society and committed to \$2 million in value in kind towards Games operations.
- Financial Leadership – creating a sustainable financial foundation
 - A charter to manage this project was approved by Council. A financial leadership framework is in development.

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

- Design
- Economy
- Identity
- Movement
- Safety

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

- The City also has two internal charters which are focused on the City as an organization:
 - Effectiveness
 - Continued development of performance measures for the organization by participating in phase two of the Alberta Municipal Benchmarking Initiative measures.

- Work continued on the financial sustainability framework:
 - The organization is continuing to review its fees and charges in accordance with Council policy.
- Enterprise Business Applications project – this project will upgrade / replace / implement key information systems.
 - A permits and licensing system was implemented.
 - Procurement of a budget system was completed and is currently being implemented.
- People
 - Enhancements to support our Integrity Cornerstone Value (i.e. the I in RISE) included an ethical standards policy, a whistleblowing protection process, an anonymous 3rd party reporting system, and an informal recognition program called RISE Above.
 - To increase awareness of the diversity among our staff and the people we serve, nine internal training modules were developed and launched in 2016. Over 500 employees attended 'Introduction to Diversity'. Other learning opportunities included Hindu culture, the Blanket Exercise, and Creating a Mentally Healthy Workplace.
 - Supporting improved employee wellness and productivity, required contract renewals resulted in new provider implementation for The City's disability management process and employee and family counselling services.
- In addition to the priorities from the current strategic plan, there are several areas of emphasis from the Strategic Plan for 2009 – 2011 that continue to be acted upon:
 - Greater Downtown Action Plan
 - Downtown Red Deer Investment Attraction Plan approved by Council
 - Further development of Transportation Plan occurred
 - Riverlands Site
 - Remediation activities completed
 - Design, development and marketing activities commenced
 - Enterprise Asset Management
 - An internal service level review was completed with Transit, Public Works, and EL&P
 - Work on an asset management plan for significant vertical assets commenced for RP&C
 - 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.

Financial Statement Discussion & Analysis

1. HIGHLIGHTS

Net debt increased by \$21.9 million due to investments in tangible capital assets that required additional long term debt. While long term debt increase by \$11.4 million, there was also an increase in the debt limit which resulted in the debt limit used remaining constant at 47%. The overall amount of reserves increased by \$11.4 million, bringing the balance to \$222 million. Expenses increased 10% over 2015 levels, mainly due to increases in legislative and administrative, police, fire and ambulance, transportation, and recreation, parks and culture operations. Actual expenses were less than budgeted.

2. OPERATING RESULTS

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

Revenue

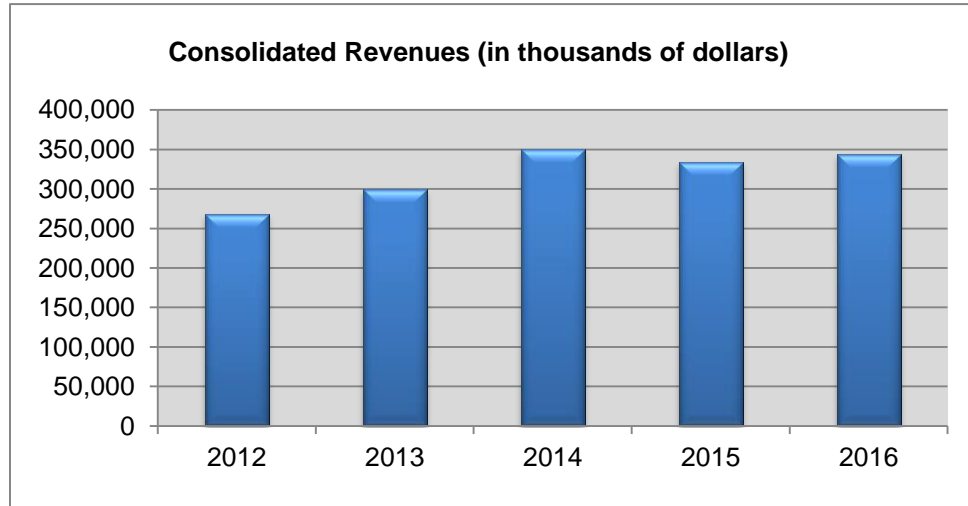
2016 operating revenues increased by \$11.8 million over 2015 revenues mainly due to increased grants from other orders of government of \$6.9 million and increased investment revenue of \$2.2 million. The majority of the increase in grants was due to a one time grant of \$6 million for the Red Deer Regional Airport.

Within user fees and sale of goods and services there were no significant differences from 2015 to 2016 revenues.

Capital revenues increased by \$4.1 million over 2015 revenues due to increased government transfers of \$6 million offset by decreased contributed assets from developers of \$2 million.

Government transfers increased due to additional capital work being completed which was funded by government grants. Contributed assets decreased as less subdivision assets were turned over to the City to manage.

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.



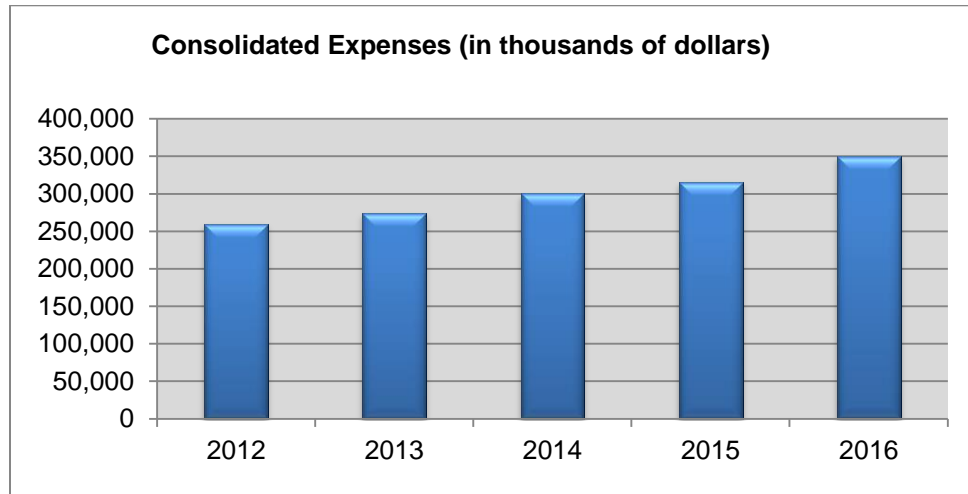
Expenses

2016 operating expenses increased by \$32.6 million over 2015 expenses.

On a functional basis, legislative and administrative expenses increased by \$3.4 million mostly due to increases in salaries and wages. Police and other protective expenses increased by \$5.3 million due to \$4.5 million for increases in the RCMP contract and \$0.7 million for having a full complement of officers. Fire and ambulance increased by \$2.2 million due to additional one-time costs of \$1.7 million to assist with the response to the Fort McMurray wild fire. Transportation expenses increased by \$8.1 million due to \$6 million for the Red Deer Airport grant and \$1.2 million for increased amortization due to additional tangible capital assets in use. Recreation, parks, and culture expenses increased by \$5 million due to \$3.8 million in grants related to the 2019 Canada Winter Games and \$1.3 million for loss on disposal of assets from the Red Deer Arena. The remainder of the increase in expenses is due to general increases among various other functions.

On an object basis, salaries, wages, and benefits increased by \$8.1 million due to collective agreement settlements and additional positions approved. Purchases from other governments increased by \$4.5 million due to an increase in the RCMP contract and having a full complement of officers. Grants to organizations increased by \$12.3 million due to the Red Deer Regional Airport grant of \$6 million, grants related to the Canada Winter Games of \$3.8 million, and increased flow through grants related to Family and Community Support Services for the remainder. Amortization expense increased by \$5.2 million due to additions of tangible capital assets particularly engineered structures (Roads,

Water Treatment Plant upgrades, and electrical system upgrades) and machinery and equipment.



3. FINANCIAL POSITION

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

The City's Financial Assets decreased in 2016 by \$20.1 million over 2015. This was due to an overall decrease in cash and investments as the cash provided by operations, financing activities, and reduction in investments was less than the cash required for investments in capital assets. This was offset by increases in land held for sale and loans receivable.

Liabilities increased by \$1.7 million over 2015. Bank indebtedness increased by \$5.9 million, accounts payable and accrued liabilities decreased by \$2 million, deferred revenue decreased by \$13.1 million, and long-term debt increased by \$11.4 million.

The City's Net Debt increased by \$21.9 million over 2015. In the same period \$128.3 million of tangible capital assets were acquired.

The City increased its Non-Financial Assets in 2015 by \$73.5 million. Tangible capital assets net book value increased by \$70 million and prepaid expenses increased by \$2.6 million.

Long Term Debt

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

Debt is used to finance capital projects and capital leases. Self-supported debt is included in rate setting to ensure that repayments will be made. With offsite related debt, the ability to make repayments is dependent on the amount of land developed each year. In years where insufficient land is developed to make debt repayments internal borrowing from other reserves is used to ensure the debt payments are made. The borrowing will be repaid from future development revenues.

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 2017 – 2026.

The Municipal Government Act (MGA) limits the total debt that a municipality may have. In September 2013, Council approved a policy that The City shall not exceed 90% of the debt limit. In July 2015, Council amended the policy so that The City shall not exceed 75% of the debt limit. The City has not exceeded 50% of the debt limit in the last 5 years.

Based on 2016 budget, the debt balance at December 31, 2016 was estimated to be \$323.2 million. The estimate of debt limit used was 58%. The actual debt at December 31, 2016 is \$245.3 million due to delays in borrowing for capital projects. The actual debt limit used is 47%. This is due to the combination of debt limit increasing in 2016 as revenues have increased and the delay in borrowing for capital projects. The debt is split 44% tax supported and 56% self-supported.

Based on the 2017 budget the debt balance at December 31, 2017 is estimated to be \$346.1 million. Borrowing planned for previously approved projects include the following:

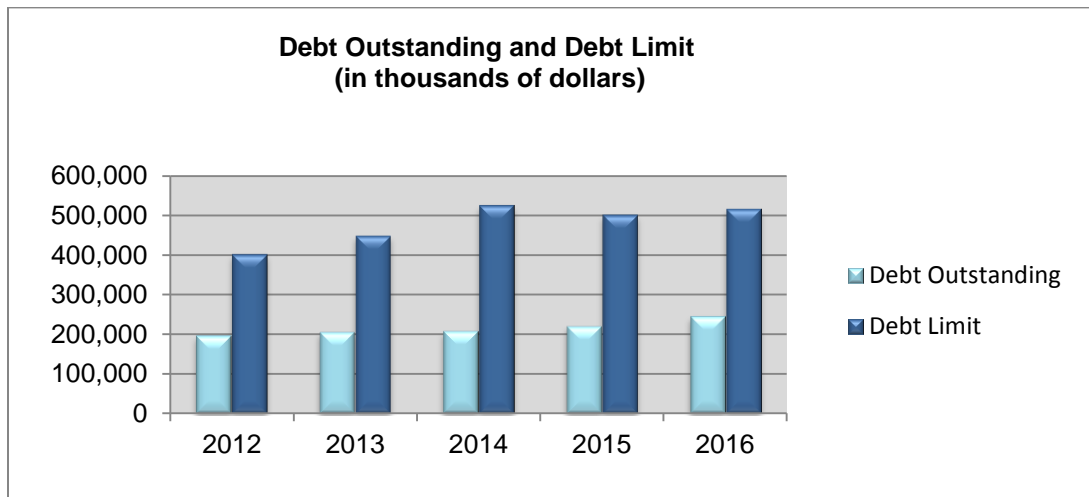
- North Highway Connector \$3.0 million
- Transit Initiatives \$1.2 million
- 67 St Corridor Improvements \$0.6 million
- RD Arena/ RCMP/ Regional Comm. Centre \$25.0 million
- Canada Winter Games \$2.3 million
- Snow Storage Site \$1.0 million
- Memorial Centre Preservation \$1.1 million

- Riverlands \$2.1 million
- Offsite Levy Projects \$16.2 million

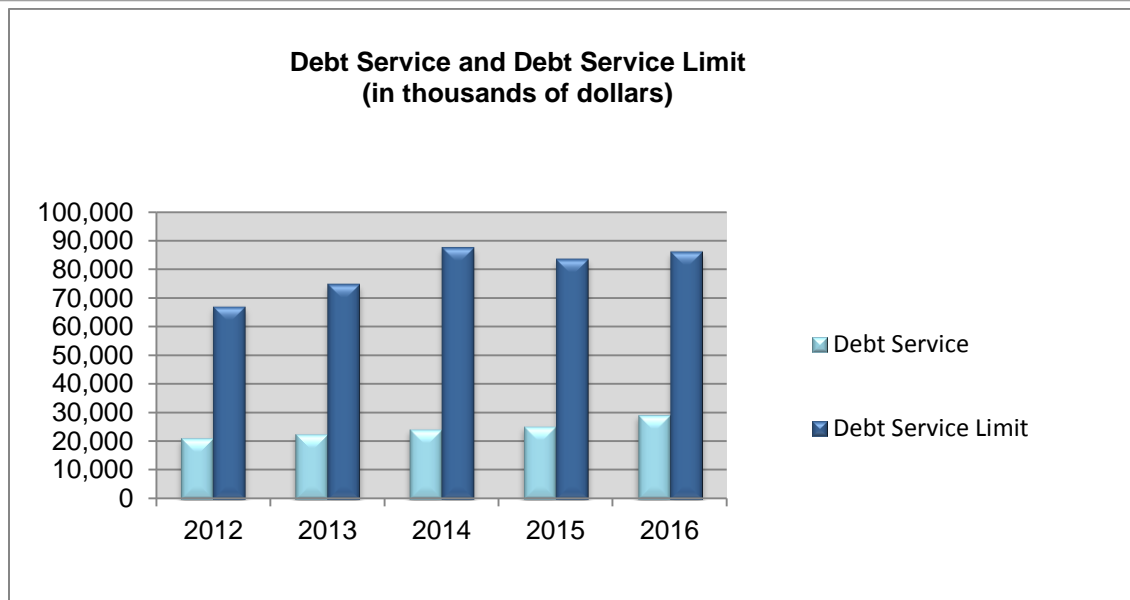
The main items where borrowing is planned are as follows:

- Taylor Drive Intersection Improvements \$2.9 million
- Central Park Servicing (Water) \$0.2 million
- Bower Ponds Node Enhancements \$0.1 million
- Offsite Levy Projects \$11.3 million

The estimated debt limit used would be 66%.



The MGA also limits the total debt servicing a municipality may have. Due to the current low interest rate environment, The City has not exceeded 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 2016 is 34%



Reserves

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

Reserves increased by \$11.4 million from 2015, resulting in an ending balance of \$222 million.

The following self-supported reserves increased in 2016 as capital expenditures funded were less than contributions to the reserves:

- Capital Asset Replacement \$5.0 million
- Land Development \$5.8 million
- Power Utility \$1.1 million
- Wastewater Utility \$5.9 million
- Solid Waste Utility \$0.8 million

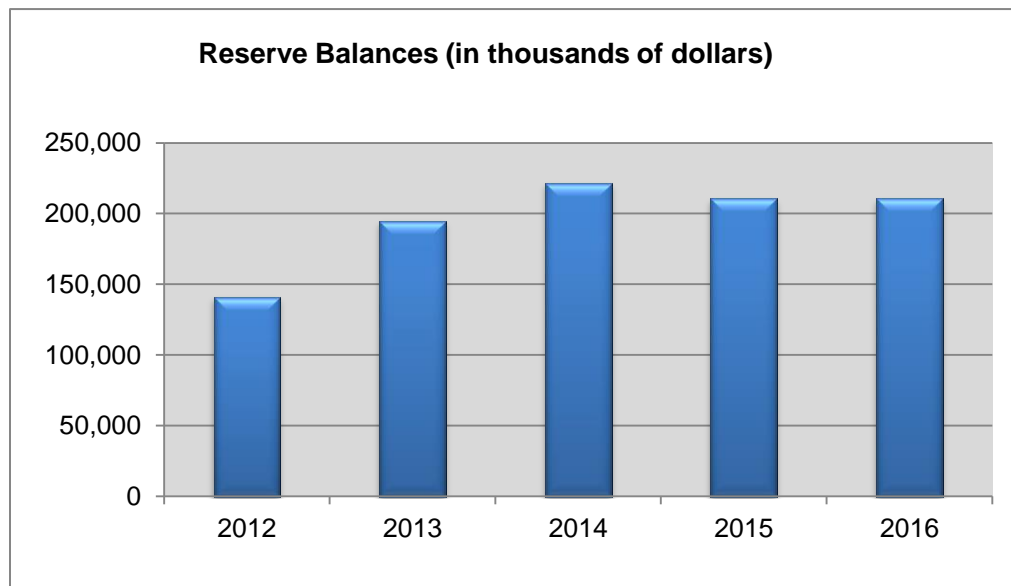
The following self-supported reserves decreased in 2016 as capital expenditures funded were greater than contributions to the reserves:

- Parking \$0.5 million
- Offsite \$10.0 million
- Water Utility \$4.5 million

It is anticipated that further reductions will occur in the Parking and Offsite Reserves in future years in excess of their current balances. Internal borrowing from other reserves will keep the balance in these reserves above zero.

For tax supported reserves, the capital projects reserve increased by \$9.5 million mainly due to borrowing for the contributions to the Red Deer College related to the Canada Winter Games. The debt repayment reserve decreased by \$2.2 million due to debt repayments being larger than the annual contribution to the reserve.

Additional information on reserves will be available on the City web site once the 2016 reserve report is presented to Council in May / June 2017.



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 in May / June 2017.

5. RISKS & UNCERTAINTIES

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

2019 Canada Winter Games – The City was successful in its bid to be the Host City of the 2019 Games. Council has approved \$26 million as part of the 2014 Capital Budget to construct the required facilities. This includes partnerships with other organizations. The City's ability to deliver on the facilities is dependent on these partners achieving their commitments. Council has also approved a

resolution to assume responsibility for any operating deficit associated with hosting the Games.

Land Expropriations – as per Note 26 Contingencies in the Notes to Consolidated Financial Statements there are currently four applications for Determination of Compensation which have been submitted to the Land Compensation Board. While the amount or likelihood of compensation in these cases is not known, a contingency amount has been provided in future draws on the Capital Project Reserve for these items.

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

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

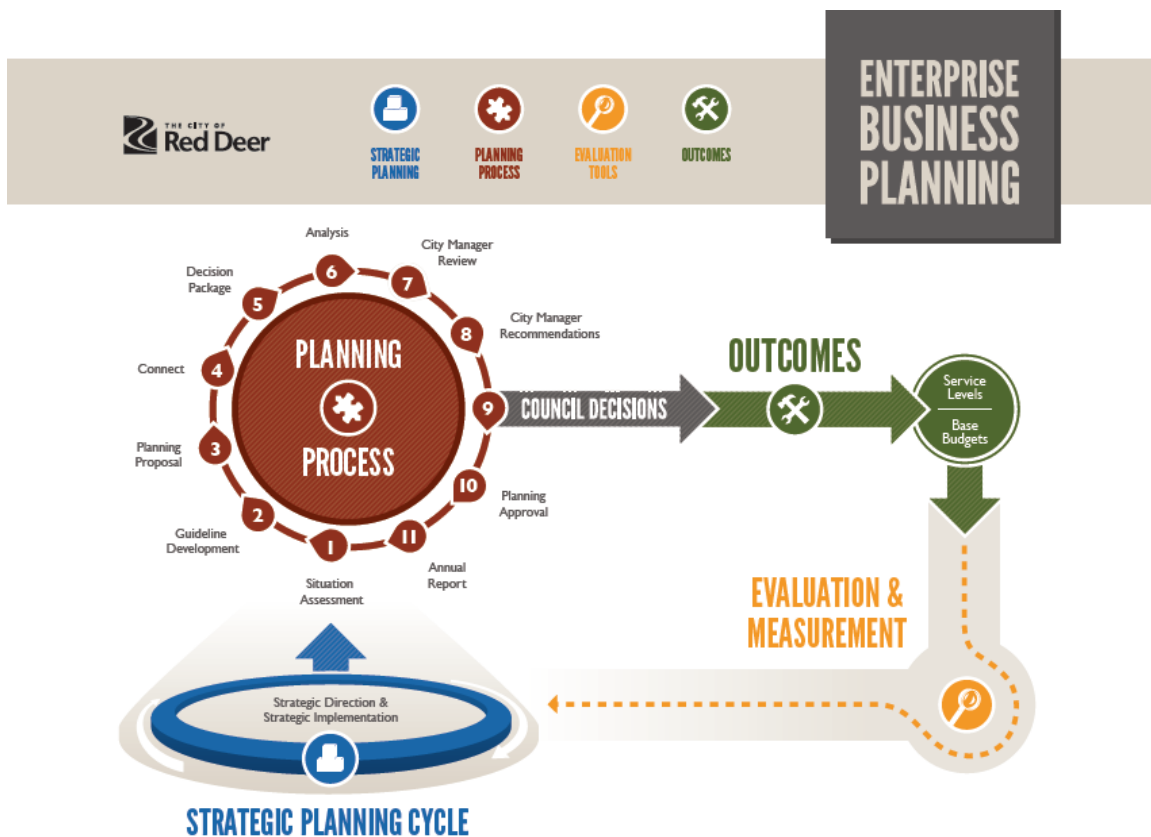
Asset Management – an asset management plan was completed for roads. As anticipated it showed a backlog of work to maintain, rehabilitate, and replace roads. The City has begun to address this issue over the last eight years as budgets related to road work have increased from \$2 million to over \$13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

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

Public Performance Reporting

6. ENTERPRISE BUSINESS PLANNING

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



Step 11 of this model includes the Annual Report. The report is intended to be a summary of our progress in a given year for Council and the community. The Communications and Strategic Planning department is the lead for this step of the model. This report is scheduled to be released in conjunction with this Annual Financial Report on May 1, 2017.

Work is continuing on the Outcomes and Evaluation & Measurement components of the model. Departments continue to develop and report performance measures to Council in their service plans and in quarterly reporting. The City is also participating with 9 other Alberta municipalities on the

Alberta Municipal Benchmarking Initiative (AMBI) to build benchmarking measures in 10 functional areas. The City may not participate in all 10 areas.

Assessment of Tangible Capital Assets

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

7. ASSET MANAGEMENT

Slow but steady improvement is being made by most departments on asset management initiatives.

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

8. FINANCIAL INDICATORS

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

	2016	2015	2014	2013	2012
Sustainability:					
Financial Assets to Liabilities	0.86	0.92	1.04	0.99	0.95
Total Expenses to Assessment	2.19%	2.03%	2.12%	2.18%	2.11%
Flexibility:					
Debt Charges to Revenues	8.48%	8.27%	7.54%	6.90%	7.08%
Vulnerability:					
Government Transfers to Total Revenue	5.57%	3.70%	3.31%	3.07%	3.41%

Sustainability indicators measure the degree to which The City can maintain its existing service and financial commitments without increasing debt or tax burden on its citizens. In 2016, land held not ready for sale was reclassified from Non-Financial Assets to Financial Assets; therefore the Financial Asset to Liabilities ratio has been recalculated for the last five years. The ratio has decreased below

0.90 in 2016. This is because long term debt has increased while funds held in investments decreased in order to finance capital activity. Despite acquiring \$128.3 million of tangible capital assets in 2016, debt levels only increased by \$11.4 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. The increase in City expenses should not outpace increases in assessments. The City's ratio has not changed significantly over the last four years and currently sits at 2013 levels. This ratio will rise in periods of economic slowdown as expenses are subject to inflation and assessments decline.

Flexibility indicators measure the degree to which The City uses debt instead of increased taxation to meet its capital commitments. In 2016 The City committed 8.48% of revenue to service debt. This amount has increased over the last four years as additional investments are made in infrastructure. The debt charges remain well within the debt servicing limit set for municipalities by the Province.

Vulnerability indicators measure the degree to which The City depends on other levels of government for operating funding. In 2016 this indicator increased to 5.57% from 3.70% in 2015. This indicator reflects that a higher percentage of revenue came from other governments than in previous years. Much of this has to do with the one-time Airport grant which has been paid out through grants to organizations during the year. Without the Airport grant included in the calculation, the indicator drops to 3.83%. The City has not become more reliant on grant funding than in other years.

Conclusion

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

The City's financial position did not change significantly from the 2015 financial position. While the net debt position increased there was a substantial acquisition of tangible capital assets. The debt limit used remained constant and reserve balances increased by 5%. Sustainability and vulnerability measures are all comparable to 2012 levels. The flexibility measure is on an upward trend but debt limit used and debt servicing are well within Provincial limits. The City remains in sound financial shape. Continued monitoring of reserves and capital funding sources and adjustments to plans will be done to ensure sustainability and adapt to a changing environment.

Respectfully submitted,



Dean Krejci, CA
Chief Financial Officer
April 21, 2017

FINANCIAL INFORMATION

MANAGEMENT REPORT

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

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

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



Craig Curtis
City Manager



Dean Ktejci
Chief Financial Officer



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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, 2016, the consolidated statements of operations, changes in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Red Deer as at December 31, 2016, and its consolidated results of operations, its consolidated changes in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants


April 18, 2017
Edmonton, Canada

Consolidated Statement of Financial Position
As at December 31, 2016 (in thousands of dollars)

	2016	2015
Financial Assets		
Cash and cash equivalents (Note 2)	\$ -	\$ 4,995
Accounts receivable (Note 3)	39,719	34,248
Land held for sale (Note 4)	48,711	43,037
Investments (Note 5)	214,412	244,672
Loans receivable (Note 6)	4,875	911
	307,717	327,863
Liabilities		
Bank indebtedness (Note 2)	5,945	-
Accounts payable and accrued liabilities (Note 7)	45,780	47,744
Deposits	3,001	3,532
Deferred revenue (Note 8)	40,604	53,680
Employee benefit obligations (Note 9)	14,124	13,911
Landfill closure and post-closure liability (Note 10)	4,293	4,551
Long-term debt (Note 11)	245,270	233,877
	359,017	357,295
Net Debt	(51,300)	(29,432)
Non-financial Assets		
Tangible capital assets (Schedule 1, Note 13)	1,956,469	1,886,467
Inventory held for consumption	9,980	9,126
Prepaid expenses	4,174	1,563
	1,970,623	1,897,156
Accumulated Surplus (Schedule 2, Note 15)	\$ 1,919,323	\$ 1,867,724

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

Approved on behalf of City Council:



Tara Veer, Mayor



Lynne Mulder, Councillor

Consolidated Statement of Operations

For the Year Ended December 31, 2016 (in thousands of dollars)

	Budget (Note 30)	2016	2015
Revenues			
Net municipal taxes (Note 16)	\$ 124,580	\$ 124,346	\$ 123,923
User fees and sale of goods and services (Note 17)	189,447	161,378	161,879
Operating government transfers (Note 18)	16,488	19,198	12,301
Investment earnings	7,262	6,981	4,817
Fines and penalties	5,516	6,148	5,928
Franchise fees	8,093	7,848	7,394
Licenses and permits	3,657	3,558	3,283
Other revenue	2,745	5,945	4,102
	357,788	335,402	323,627
Expenses (Note 19)			
Legislative and administrative	39,548	37,545	34,146
Police and other protective	37,643	38,231	32,894
Fire and ambulance	33,387	34,066	31,859
Parking	2,051	2,124	2,196
Transportation	54,239	58,824	50,767
Transit	14,335	14,555	13,883
Fleet	17,062	12,327	12,155
Water	17,103	17,253	15,781
Wastewater	17,170	17,289	15,929
Solid waste collection	7,201	6,831	6,703
Solid waste disposal	5,908	5,353	5,061
Recycling	2,588	2,340	2,227
Social planning	5,624	5,272	3,870
Community services	10,344	8,300	7,634
Subdivisions, land, and development	1,295	2,534	2,023
Recreation, parks, and culture	45,593	51,924	46,892
Electric light and power	43,764	35,884	34,048
	354,855	350,652	318,068
Annual Surplus (Deficit) before Other	2,933	(15,250)	5,559
Other			
Capital government transfers (Note 18)	74,720	50,218	44,179
Contributed tangible capital assets (Note 13)	23,603	7,330	9,389
Developer and customer contributions	3,651	6,442	8,777
Other	438	2,859	407
Annual Surplus	105,345	51,599	68,311
Accumulated Surplus, beginning of year	1,867,724	1,867,724	1,799,413
Accumulated Surplus, end of year	\$ 1,973,069	\$ 1,919,323	\$ 1,867,724

Consolidated Statement of Change in Net Debt
For the Year Ended December 31, 2016 (in thousands of dollars)

	Budget (Note 30)	2016	2015
Annual Surplus	\$ 105,345	\$ 51,599	\$ 68,311
Acquisition of tangible capital assets	(225,119)	(128,293)	(131,996)
Contributed tangible capital assets	(23,603)	(7,330)	(9,389)
Proceeds on disposal of tangible capital assets	-	678	676
Amortization of tangible capital assets	59,989	63,758	58,576
Loss on disposal of tangible capital assets	-	1,185	156
	(188,733)	(70,002)	(81,977)
Net acquisition of inventory held for consumption	-	(854)	(685)
Net use (acquisition) of prepaid expenses	-	(2,611)	520
	-	(3,465)	(165)
Increase in Net Debt	(83,388)	(21,868)	(13,831)
Net Debt, beginning of year	(29,432)	(29,432)	(15,601)
Net Debt, end of year	\$ (112,820)	\$ (51,300)	\$ (29,432)

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2016 (in thousands of dollars)

	2016	2015
Net Inflow (outflow) of cash related to the following activities:		
Operating		
Annual surplus	\$ 51,599	\$ 68,311
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	63,758	58,576
Loss on disposal of tangible capital assets	1,185	156
Contributed tangible capital assets	(7,330)	(9,389)
Non-cash charges to operations:		
Accounts receivable	(5,471)	484
Land held for sale	(5,674)	(2,980)
Loans receivable	(3,964)	373
Accounts payable and accrued liabilities	(1,964)	(3,134)
Deposits	(531)	(2,135)
Deferred revenue	(13,076)	(10,211)
Employee benefit obligations	213	875
Landfill closure and post-closure liability	(258)	70
Inventory held for consumption	(854)	(685)
Prepaid expense	(2,611)	520
Cash provided by operating transactions	75,022	100,831
Capital		
Acquisition of tangible capital assets	(128,293)	(131,996)
Proceeds on disposal of tangible capital assets	678	676
Cash applied to capital transactions	(127,615)	(131,320)
Investing		
Decrease in investments, net	30,260	20,868
Cash provided by investing transactions	30,260	20,868
Financing		
Long-term debt issued	30,025	30,290
Long-term debt repaid	(18,632)	(16,591)
Cash provided by financing transactions	11,393	13,699
Change in cash and cash equivalents during the year	(10,940)	4,078
Cash and cash equivalents, beginning of year	4,995	917
Cash and cash equivalents (bank indebtedness), end of year	\$ (5,945)	\$ 4,995

Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016 (in thousands of dollars)

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction	2016	2015
Cost:									
Balance, beginning of year	\$ 340,413	\$ 79,329	\$ 327,318	\$ 69,807	\$ 52,130	\$ 1,713,468	\$ 139,729	\$ 2,722,194	\$ 2,586,064
Acquisition of tangible capital assets	4,768	11,154	10,002	15,874	3,564	100,736	(10,475)	135,623	141,385
Disposal of tangible capital assets	-	-	(4,043)	(2,308)	(2,027)	(33)	-	(8,411)	(5,255)
Balance, end of year	345,181	90,483	333,277	83,373	53,667	1,814,171	129,254	2,849,406	2,722,194
Accumulated Amortization:									
Balance, beginning of year	-	(37,939)	(97,448)	(38,674)	(23,273)	(638,393)	-	(835,727)	(781,574)
Amortization of tangible capital assets	-	(4,482)	(9,188)	(5,585)	(3,984)	(40,519)	-	(63,758)	(58,576)
Accumulated amortization on disposals	-	-	2,788	1,889	1,855	16	-	6,548	4,423
Balance, end of year	-	(42,421)	(103,848)	(42,370)	(25,402)	(678,896)	-	(892,937)	(835,727)
Net book value of tangible capital assets	\$ 345,181	\$ 48,062	\$ 229,429	\$ 41,003	\$ 28,265	\$ 1,135,275	\$ 129,254	\$ 1,956,469	\$ 1,886,467
2015 Net Book Value of Tangible Capital Assets	\$ 340,413	\$ 41,390	\$ 229,870	\$ 31,133	\$ 28,857	\$ 1,075,075	\$ 139,729	\$ 1,886,467	

See Note 13

Schedule 2 - Consolidated Schedule of Change in Accumulated Surplus

For the Year Ended December 31, 2016 (in thousands of dollars)

	Unrestricted surplus (deficit) and capital to be financed	Reserves	Equity in Tangible Capital Assets	2016	2015
Balance, beginning of year	4,304	210,830	1,652,590	1,867,724	1,799,413
Annual Surplus	51,599	-	-	51,599	68,311
Unrestricted funds designated for future use	(69,010)	69,010	-	-	-
Restricted funds designated for operations	36,772	(36,772)	-	-	-
Restricted funds used for tangible capital assets	-	(20,808)	20,808	-	-
Current year funds used for tangible capital assets	(107,485)	-	107,485	-	-
Contributed tangible capital assets	(7,330)	-	7,330	-	-
Disposal of tangible capital assets	1,863	-	(1,863)	-	-
Amortization of tangible capital assets	63,758	-	(63,758)	-	-
Long term debt issued	30,025	-	(30,025)	-	-
Long term debt repaid	(18,632)	-	18,632	-	-
Change in accumulated surplus	(18,440)	11,430	58,609	51,599	68,311
Balance, end of year	(14,136)	222,260	1,711,199	1,919,323	1,867,724

See Note 15

Schedule 3 - Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2016 (in thousands of dollars)

	Legislative and administrative	Protective services	Transportation	Water and wastewater	Waste management	Community services	Subdivisions, land, and development	Recreation, parks, and culture	Electric light and power	Total
Revenues										
Net municipal taxes	\$ 124,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,346
User fees and sale of goods and services	409	14,302	6,036	52,999	17,405	419	7,682	9,725	52,401	161,378
Operating government transfers	753	3,452	6,000	-	-	7,986	-	1,007	-	19,198
Investment earnings	3,125	15	1,493	532	613	100	197	307	599	6,981
Fines and penalties	853	4,654	-	238	51	-	25	104	223	6,148
Franchise fees	7,797	-	-	-	-	-	-	51	-	7,848
Licenses and permits	33	3,473	28	-	-	24	-	-	-	3,558
Other revenue	1,871	419	786	1,561	386	106	21	790	5	5,945
	139,187	26,315	14,343	55,330	18,455	8,635	7,925	11,984	53,228	335,402
Expenses										
Salaries, wages, and benefits	22,086	41,572	27,413	10,274	1,001	4,514	446	29,131	4,656	141,093
Contracted services	7,666	5,107	4,640	2,591	11,830	841	204	5,701	3,418	41,998
Materials and supplies	1,046	1,472	11,902	4,741	112	266	1,713	3,847	23,685	48,784
Purchases from other governments	-	23,217	-	-	-	-	-	-	-	23,217
Grants to organizations	547	-	7,902	-	-	7,730	-	4,791	-	20,970
Financial charges	4,342	530	1,234	2,227	2	-	171	148	663	9,317
Amortization of tangible capital assets	1,611	2,286	33,019	14,487	1,840	221	-	7,048	3,246	63,758
Other expenses	247	237	(404)	222	(261)	-	-	1,258	216	1,515
	37,545	74,421	85,706	34,542	14,524	13,572	2,534	51,924	35,884	350,652
Annual surplus (deficit) before other	101,642	(48,106)	(71,363)	20,788	3,931	(4,937)	5,391	(39,940)	17,344	(15,250)
Other										
Capital government transfers	166	4,083	41,596	2,513	-	-	-	116	1,744	50,218
Contributed tangible capital assets	-	-	6,300	1,030	-	-	-	-	-	7,330
Developer and customer contributions	-	-	3,953	739	-	-	18	297	1,435	6,442
Other	-	-	28	1	-	-	35	2,795	-	2,859
Annual surplus (deficit)	\$ 101,808	\$ (44,023)	\$ (19,486)	\$ 25,071	\$ 3,931	\$ (4,937)	\$ 5,444	\$ (36,732)	\$ 20,523	\$ 51,599

See Note 28

Schedule 3 - Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2015 (in thousands of dollars)

	Legislative and administrative	Protective services	Transportation	Water and wastewater	Waste management	Community services	Subdivisions, land, and development	Recreation, parks, and culture	Electric light and power	Total
Revenues										
Net municipal taxes	\$ 123,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,923
User fees and sale of goods and services	219	14,462	6,691	53,292	17,913	532	6,226	10,435	52,109	161,879
Operating government transfers	1,319	3,417	271	-	-	6,276	-	1,014	4	12,301
Investment earnings	1,758	29	1,175	361	446	79	211	234	524	4,817
Fines and penalties	718	4,446	-	191	19	-	148	169	237	5,928
Franchise fees	7,323	-	-	-	-	-	-	71	-	7,394
Licenses and permits	4	3,248	6	-	-	25	-	-	-	3,283
Other revenue	1,102	367	946	23	273	90	19	1,280	2	4,102
	136,366	25,969	9,089	53,867	18,651	7,002	6,604	13,203	52,876	323,627
Expenses										
Salaries, wages, and benefits	19,756	38,280	26,014	9,730	978	4,163	483	28,813	4,810	133,027
Contracted services	7,304	5,215	5,517	2,034	11,701	547	66	5,342	3,358	41,084
Materials and supplies	1,083	1,681	12,047	4,961	53	264	1,466	4,164	22,277	47,996
Purchases from other governments	-	18,754	-	-	-	-	-	-	-	18,754
Grants to organizations	237	-	443	-	-	6,366	-	1,641	-	8,687
Financial charges	3,884	518	1,496	2,361	3	11	8	138	711	9,130
Amortization of tangible capital assets	1,713	2,261	31,312	12,415	1,116	153	-	6,820	2,786	58,576
Other expenses	169	240	(24)	209	140	-	-	(26)	106	814
	34,146	66,949	76,805	31,710	13,991	11,504	2,023	46,892	34,048	318,068
Annual surplus (deficit) before other	102,220	(40,980)	(67,716)	22,157	4,660	(4,502)	4,581	(33,689)	18,828	5,559
Other										
Capital government transfers	-	1,726	40,057	1,501	-	-	-	727	168	44,179
Contributed tangible capital assets	-	-	6,344	2,950	-	-	-	95	-	9,389
Developer and customer contributions	-	-	4,230	1,752	-	-	(13)	881	1,927	8,777
Other	-	3	76	116	-	-	206	6	-	407
Annual surplus (deficit)	\$ 102,220	\$ (39,251)	\$ (17,009)	\$ 28,476	\$ 4,660	\$ (4,502)	\$ 4,774	\$ (31,980)	\$ 20,923	\$ 68,311

See Note 28

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

City Municipal and Utility Operations

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

Societies and Boards

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

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

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

(b) Basis of Accounting

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

i. Net Municipal Taxes

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

ii. Government Transfers

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

iii. Contributions

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

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

(c) Use of Estimates

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

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

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

(d) Financial Instruments

Financial assets measured at amortized cost consist of cash and cash equivalents, accounts receivable, investments, and loans receivable.

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

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

i. Cash and cash equivalents

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

ii. Investments

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

iii. Loans Receivable

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

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

(e) Land Held for Sale

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

(f) Requisition Over-levy and Under-levy

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

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

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

(g) Employee Benefit Obligations

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

(h) Local Improvement Charges

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

(i) Liability for Contaminated Sites

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

(j) Landfill Closure and Post-Closure Liability

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

(k) Non-Financial Assets

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

i. Tangible Capital Assets

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

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

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

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

ii. Contributed Tangible Capital Assets

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

iii. Cultural and Historical Tangible Capital Assets

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

iv. Leases

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

v. Inventory Held for Consumption

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

(I) Future Accounting Pronouncements

In 2016, The City has early adopted PSAS policy sections PS 3210, *Assets*, and PS3320, *Contingent Assets*. There was no impact on The City's annual surplus (deficit) or restatement of accumulated surplus resulting from the adoption of these standards.

The following summarizes upcoming changes to PSAS put forward by the Public Sector Accounting Board ("PSAB"). In the coming years, The City will assess the impact and prepare for the adoption of these standards. While the timing of adopting each new standard can vary, certain standards must be adopted concurrently. The requirements in PS2601, *Financial Statement Presentation*; PS3450, *Financial Instruments*; PS2601, *Foreign Currency Translation*; and PS 3041, *Portfolio Investments* must be implemented at the same time.

i. Contractual Rights

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

ii. Related Party Disclosures

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

iii. Inter-Entity Transactions

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

iv. Restructuring Transactions

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

v. Financial Statement Presentation

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

vi. Financial Instruments

PS3450, *Financial Instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost, amortized cost or fair value at the election of the government. 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. This standard is applicable for fiscal years beginning on or after April 1, 2019.

vii. Foreign Currency Translation

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

viii. Portfolio Investments

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

2 CASH AND CASH EQUIVALENTS

	2016		2015	
Cash	\$	3,897	\$	3,924
Cash in investment accounts		54		1,082
Bank indebtedness		(9,896)		(11)
	\$	(5,945)	\$	4,995

The City has access to an unsecured line of credit of up to \$25,000 with an interest rate of 1.95% (2015 - 2.45%) to cover any bank overdraft arising from day to day cash transactions. As at December 31, 2016, \$9,896 (2015 - \$11) was outstanding on the line of credit overdraft.

3 ACCOUNTS RECEIVABLE

	2016		2015	
General accounts receivable	\$	5,042	\$	7,741
Utility receivable		15,627		14,810
Taxes receivable		7,434		7,910
Government receivables		9,454		2,261
Interest on investments		1,036		636
Other receivables		1,285		1,101
		39,878		34,459
Allowance for doubtful accounts		(159)		(211)
	\$	39,719	\$	34,248

Included in taxes receivable, \$499 (2015 - \$495) is property taxes in arrears.

4 LAND HELD FOR SALE

	2016		2015	
Residential	\$	1,388	\$	1,091
Industrial and commercial		4,381		5,107
Land held ready for sale		5,769		6,198
Residential		26,403		20,300
Industrial and commercial		16,539		16,539
Land held not ready for sale	\$	42,942	\$	36,839
		48,711		43,037

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

5 INVESTMENTS

	2016		2015	
	Cost	Market Value	Cost	Market Value
Short-term investments	\$ 4,696	\$ 4,697	\$ 41,909	\$ 41,706
Federal government	14,858	14,638	16,648	16,816
Provincial government	110,307	108,467	104,719	107,478
Municipal government	2,705	2,754	2,241	2,324
Canadian banks	68,852	68,320	64,824	62,490
Corporate	12,184	12,157	13,617	13,754
Other	810	804	714	715
	\$ 214,412	\$ 211,837	\$ 244,672	\$ 245,283

Short-term investments are reasonably liquid investments held in various financial institutions, notably Canadian Treasury Bills. These investments have stated rates of 0.00% to 0.45% (2015 - 0.00% to 1.45%) with maturities of one year or less.

The remaining investments have stated interest rates of 1.00% to 11.00% (2015 - 1.40% to 11.00%) and mature in periods from January 11, 2017 to June 30, 2108 (2015 - January 11, 2017 to June 30, 2108).

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

6 LOANS RECEIVABLE

	2016	2015
Red Deer Gymnastics Club	\$ 65	\$ 107
Central Alberta Theatre	17	31
Red Deer and District SPCA	771	804
2019 Canada Winter Games Host Society	4,039	-
	4,892	942
Allowance for doubtful loans	(17)	(31)
	\$ 4,875	\$ 911

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

2017	\$ 79
2018	58
2019	4,076
2020	38
2021	40
Thereafter	584
	\$ 4,875

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

(b) The City provided a loan to Central Alberta Theatre to pay for servicing and fire suppression apparatus to meet the requirements of the Alberta Building Code. The original term of the loan was four years and with an interest rate of 5.33% per annum. In 2013, the Society filed a Notice of Proposal to Creditors, which was accepted by the creditors. This notice did not include the loan payable to The City. In early 2014, City Council approved an amended loan bylaw that extended the loan term to 7 years and reduced the interest rate to 2.96%. An allowance was established for \$17 (2015 - \$31).

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

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade	\$ 38,022	\$ 37,035
Payroll and remittances	2,904	5,479
Goods and Services Tax	414	311
Liability for contaminated sites	3,177	3,802
Accrued interest	935	805
Other	328	312
	\$ 45,780	\$ 47,744

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 2016, remediation costs of \$625 (2015 - \$81) have been spent on the Riverlands development project, reducing the liability for contaminated sites to \$3,177 as at December 31, 2016 (2015 - \$3,802).

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

8 DEFERRED REVENUE

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

	2015	Restricted contributions received including interest earned	Revenue recognized	2016
Deferred Government Transfers				
Basic Municipal Transportation Grant	\$ 2,583	\$ 34	\$ 1,593	\$ 1,024
Municipal Sustainability Initiative - Capital	20,579	23,623	32,061	12,141
Federal Gas Tax Fund	4,247	5,495	6,195	3,547
Family and Community Support Services	224	3,108	3,025	307
Outreach Support Services Initiative	4,393	3,583	4,344	3,632
Other government	192	270	216	246
	32,218	36,113	47,434	20,897
Other Deferred Revenue				
Recreation amenity	3,848	66	406	3,508
Developer and customer contributions	14,328	4,829	6,442	12,715
Other	3,286	6,258	6,060	3,484
	21,462	11,153	12,908	19,707
	\$ 53,680	\$ 47,266	\$ 60,342	\$ 40,604

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

(a) During the year The City received \$1,383 (2015 - \$271) from the Municipal Sustainability Initiative's operating component. Of the amount received, \$712 was recognized in operating government transfers for 2016 and \$671 had already been accrued in 2015.

(b) The Homelessness Partnering Strategy (HPS) is a program offered by the Government of Canada to address local homelessness issues. It is run from April 1, 2014 to March 31, 2017. The revenue is recognized quarterly on a claim basis submitted to the Federal Government. In 2016 the amount claimed was \$445 (2015 - \$467) and has been recognized as operating government transfer revenue.

(c) In 2016, the Green Transit Incentives Program (GreenTRIP) has paired with Public Transit Infrastructure Fund (PTIF) and is administered by Alberta Transportation. The purpose is to support municipalities in providing sustainable public transit alternatives. The City has been approved to receive funding in 2017 and an amount of \$7,707 (2015 - \$620) has been accrued as capital government transfers in 2016 for eligible expenditures.

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

(d) Alberta Solicitor General and Public Security provides annual funding for supporting municipalities with the costs of policing services. The City received \$1,613 in 2016 (2015 - \$1,577), and the full amount was recognized as operating government transfers in 2016.

(e) Alberta Emergency Management Agency provides funding to The City under the 911 Grant Program, which must only be used in relation to 911 call answering services. In 2016, The City received \$1,383 (2015 - \$1,376) for the 911 Grant Program and recognized the entire amount in operating government transfers for 2016.

(f) The Alberta Municipal Water/Wastewater Partnership (AMWWP) provides grant funding through the Water for Life program to support municipalities' water/wastewater treatment and construction of related infrastructure. In 2016, The City received \$2,442 and recognized the entire amount as capital government transfers.

9 EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
Vacation, overtime, and earned days off	\$ 7,184	\$ 7,024
Retiring allowance	2,213	2,404
Other employment benefits	4,727	4,483
	\$ 14,124	\$ 13,911

(a) Vacation, Overtime, and Earned Days Off

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

(b) Retiring Allowance

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

The expected discount rate of 3.00% and the expected salary escalations of 2.75% are used to determine the accrued benefit obligation. The accrued benefit obligation is \$2,415 (2015 - \$2,638) using projected benefit method prorated on services. The net actuarial loss of \$202 (2015 - \$234) is amortized on a straight line basis over 13 years starting with the year following its determination.

(c) Other Employee Benefits

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

10 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

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

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 3.49% (2015 - 3.21%) and annual inflation of 1.48% (2015 - 1.74%). The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively as a change in estimate when applicable.

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

The new waste management facility commenced operation in 2001 and consists of three phases of development. All three phases combined are estimated to provide capacity to 2050. Closure activities will be ongoing as the landfill reaches final design elevation. Closure and post-closure costs are based on an independent study conducted in 2012. Phase one of the landfill has an estimated capacity of 927,922 (2015 - 1,060,270) cubic metres remaining, which is projected to last until 2022 based on current growth and usage. It is estimated that post closure care will be required for a period of 40 years from closure. The present value of estimated future closure and post closure costs has been calculated and accrued.

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

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

	1972 Site	2001 Site Phase One	2016	2015
Total estimated closure and post-closure costs	1,794	3,464	5,258	5,682
Estimated capacity used	100 %	72 %	72 %	69 %
Liability recognized as of December 31, 2016	1,794	2,499	4,293	4,551
Estimated capacity remaining	-%	28 %	28 %	31 %
Remaining estimated costs to be recognized	\$ -	\$ 965	\$ 965	\$ 1,131

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

11 LONG-TERM DEBT

Long-term debt is comprised of :

	2016		2015	
Tax-supported debt	\$	107,041	\$	84,043
Self-supported debt		138,229		149,834
	\$	245,270	\$	233,877

Current portion of long-term debt amounts to \$20,194 (2015 - \$18,636).

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

Principal and interest repayments are as follows:

	Principal		Interest		Total	
2017	\$	20,194	\$	9,029	\$	29,223
2018		19,664		8,317		27,981
2019		17,405		7,654		25,059
2020		16,389		7,067		23,456
2021		16,958		6,498		23,456
Thereafter		154,660		48,972		203,632
	\$	245,270	\$	87,537	\$	332,807

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

Debentures mature in annual amounts to 2046 (2015 – 2045). Interest rates on these debentures range from 1.84% to 5.38% (2015 - 1.84% to 5.38%) per annum. The average annual interest rate is 3.68% (2015 - 3.82%). Debenture debt is issued on the credit and security of The City at large.

During the year, a total of \$30,025 (2015- \$30,290) was added through new debenture borrowings to fund capital projects. Interest expenses on long-term debt amounted to \$9,022 (2015 - \$8,875). Cash payments for interest and principal were \$8,898 (2015 - \$8,870) and \$18,632 (2015 - 16,591) respectively.

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

12 DEBT LIMIT

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

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

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

	2016	2015
Total debt limit	\$ 517,055	\$ 499,217
Total debt	245,270	233,877
Percentage used	47 %	47 %
Total debt service limit	86,176	83,203
Total debt service	29,223	27,536
Service on debt limit available	34 %	33 %

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

13 TANGIBLE CAPITAL ASSETS

	2016	2015
Net book value		
Land	\$ 345,181	\$ 340,413
Land improvements	48,062	41,390
Buildings	229,429	229,870
Machinery, equipment, and furnishings	41,003	31,133
Vehicles	28,265	28,857
Engineered structures		
Roadway system	405,635	376,619
Water system	203,721	198,880
Wastewater system	236,550	239,478
Storm system	209,246	202,599
Electrical system	79,032	56,344
Fibre optics system	1,091	1,155
	1,827,215	1,746,738
Assets under construction	129,254	139,729
	\$ 1,956,469	\$ 1,886,467

In 2016, \$7,330 (2015 - \$9,389) in land and engineered structures were contributed to The City and were recorded at their fair value at the time received. There was a write-down in machinery and equipment of \$26 in 2016 (2015 - Nil).

In 2016, \$7 (2015 - \$12) of works of art for display were acquired and then expensed as materials and supplies.

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

14 EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (Schedule 1)	\$ 2,849,406	\$ 2,722,194
Accumulated amortization (Schedule 1)	(892,937)	(835,727)
Long-term debt (Note 11)	(245,270)	(233,877)
Equity in tangible capital assets (Schedule 2)	\$ 1,711,199	\$ 1,652,590

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

15 ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted deficits in controlled agencies	\$ (86)	\$ (122)
Advances for construction (Capital to be financed)	(14,050)	4,426
Reserves		
Finance a specific purpose	2,388	2,287
Capital projects - tax supported	41,060	31,589
Municipal parkland	6,710	6,464
Operating - tax supported	33,454	33,294
Debt repayment	2,471	4,718
Capital asset replacement	36,317	31,356
Land development	54,447	48,593
Parking	158	663
Offsite	(2,068)	7,947
Power	17,997	16,885
Water	3,383	7,858
Wastewater	8,949	3,001
Solid waste management	16,994	16,175
Total reserves (Schedule 2)	222,260	210,830
Equity in tangible capital assets (Note 14)	1,711,199	1,652,590
Accumulated surplus (Schedule 2)	\$ 1,919,323	\$ 1,867,724

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

16 NET MUNICIPAL TAXES

	Budget (Note 30)	2016	2015
Taxation			
Real property taxes	\$ 164,963	\$ 165,250	\$ 158,327
Grants in lieu of taxes	1,475	1,475	1,746
Local improvement levies		4	5,073
Linear property taxes	1,919	1,919	989
	168,357	168,648	166,135
Requisitions			
Public schools	38,422	38,514	36,979
Catholic schools	5,355	5,355	5,066
Piper Creek Foundation		433	167
	43,777	44,302	42,212
	\$ 124,580	\$ 124,346	\$ 123,923

17 USER FEES AND SALE OF GOODS AND SERVICES

	Budget (Note 30)	2016	2015
Utility user fees	\$ 132,743	\$ 118,286	\$ 119,038
Land sales	20,594	7,646	6,186
Transit revenue	6,074	5,768	6,105
Ambulance and dispatch revenue	11,625	12,075	12,418
Facility user fees	6,511	5,662	6,046
Equipment and facility rental	3,868	3,776	4,264
Electrical transmission recovery	3,953	3,891	3,453
Other	4,079	4,274	4,369
	\$ 189,447	\$ 161,378	\$ 161,879

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

18 GOVERNMENT TRANSFERS

	Budget (Note 30)	2016	2015
Operating transfers			
Provincial	\$ 15,781	\$ 18,360	\$ 11,492
Federal	454	445	467
Other local	253	393	342
	16,488	19,198	12,301
Capital transfers			
Provincial	61,118	44,023	39,483
Federal	13,602	6,195	4,396
Other local	-	-	300
	74,720	50,218	44,179
	\$ 91,208	\$ 69,416	\$ 56,480

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

19 EXPENSES BY OBJECT

	Budget (Note 30)	2016	2015
Salaries, wages, and benefits	\$ 142,592	\$ 141,093	\$ 133,027
Contracted services	45,176	41,998	41,084
Materials and supplies	54,313	48,784	47,996
Purchases from other governments	21,978	23,217	18,754
Grants to organizations	19,250	20,970	8,687
Financial charges	11,044	9,317	9,130
Amortization of tangible capital assets	59,989	63,758	58,576
Other expenses	513	1,515	814
	\$ 354,855	\$ 350,652	\$ 318,068

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

20 SALARIES AND BENEFITS DISCLOSURE

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

	Salaries (a)	Benefits (b), (c)	2016	2015
Mayor:				
T. Veer	\$ 104	\$ 18	\$ 122	\$ 121
Councillors:				
S. Buchanan	57	11	68	63
T. Handley	57	11	68	68
P. Harris	57	7	64	54
K. Johnston	57	11	68	68
L. Lee	57	11	68	68
L. Mulder	57	8	65	65
F. Wong	57	6	63	64
D. Wyntjes	57	11	68	68
	456	76	532	518
City Manager	257	41	298	286
Designated Officer	126	31	157	157
	\$ 943	\$ 166	\$ 1,109	\$ 1,082

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

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

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

21 LOCAL AUTHORITIES PENSION PLAN

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

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

Total current service contributions by The City to LAPP in 2016 were \$12,780 (2015 - \$12,023). Total contributions by the employees of The City to LAPP in 2016 were \$11,787 (2015 - \$11,090).

As at December 31, 2015, LAPP disclosed an actuarial deficit of \$923 million (2014 - \$2.45 billion). This amount is not specifically allocated to the participating government organizations. The 2016 actuarial balance was not available at the date these financial statements were released.

22 APEX SUPPLEMENTARY PENSION PLAN

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

Contributions are made by the prescribed class of employees and The City. Employees and The City are required to make current service contributions to APEX of 2.50% and 3.00% respectively of individual pensionable earnings up to \$145 (2015 - \$141).

Total current service contributions by The City to APEX were \$416 (2015 - \$408). Total current service contributions by the employees of The City were \$347 (2015 - \$340).

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

23 MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN

Muni SERP is a supplementary employee retirement plan (SERP) defined by The City and administered by the Alberta Municipal Services Corporation (AMSC). The plan commenced on January 1, 2003, and provides supplementary retirement benefits to a prescribed class of employees in excess of the limits of the Income Tax Act (Canada). The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. Muni SERP supplements APEX and LAPP and is a voluntary, non-contributory defined benefit employee retirement plan. The total current and past service liability to The City as at December 31, 2016 is estimated at \$1,113 (2015 - \$1,086).

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% (2015 - 5.00%), expected salary escalations of 4.00% (2015 - 4.00%) per year, and inflation rate of 2.50% (2015 - 2.50%).

24 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loans receivable, bank indebtedness, accounts payable and accrued liabilities, deposits, and long term debt. It is management's opinion that The City is not exposed to significant interest or currency risks arising from these financial instruments.

The City is subject to credit risk with respect to taxes and grants in place of tax receivables 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 Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

25 CONTRACTUAL OBLIGATIONS

As at December 31, 2016, The City had the following major capital contractual obligations:

Construction Contracts	Commitment Amount
Red Deer Arena	\$ 15,411
Street Improvements	13,366
Canada Winter Games - Great Chief Park	10,131
Water & Wastewater treatment plant upgrades	5,150
Fire station relocation	3,846
North highway connector	3,177
Subdivision developments	3,128
Power substation upgrades	2,439
Roadway rehabilitation	2,112
Greater Downtown revitalization	1,383
Fleet purchases	1,287
Commercial developments	1,053
CNG fuelling station	994
City infrastructure projects	608
	\$ 64,085

(a) Solid Waste and Recyclables Collection Contracts

The City's solid waste and recyclables collection contracts are based on a percentage of the utility billing until October 31, 2016 and expire as at October 31, 2017. The estimated annual contract costs are \$8,372 (2015 - \$8,312) and are made under the assumption that the contracts will be renewed and extend to the full year. The Waste Management Facility Operations contract is an annual contract with an estimated cost of \$2,055 (2015 - \$1,963) with an end date of December 31, 2017.

(b) RCMP Contract

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost for 2016 is \$24,057 (2015 - \$20,000).

(c) ENMAX Contract

The City entered into a two year agreement with ENMAX Power Corporation to provide Meter Data Management Services to The City until 2017. The estimated remaining cost of the contract is \$2,471 (2015 - \$3,800).

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

(d) Red Deer College

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

The payment schedule is as follows:

2017	\$	2,000
2018		1,000
2019		1,000
2020		1,000
2021		1,000
Thereafter		3,000
	\$	9,000

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

(e) Subdivision Maintenance

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

26 CONTINGENCIES

(a) *Insurance Agreement*

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

A portion of prior year payments, in excess of the cost of purchasing liability insurance, has been accumulated in a self-insurance fund administered by ALARIE. An expert report and Addendum was prepared and filed in an effort to equitably distribute the remaining funds to the Court of Queen's Bench of Alberta. According to the report, The City is eligible to receive a share of the total remaining equity to be distributed. As of the date of these financial statements, the final hearing for the settlement decision has yet to occur.

(b) *Environmental Issues*

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

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

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

iv. Phases 1 and 2 environmental site assessments have been completed on all eight pre-1972 landfill sites within City limits. They were all found to have environmental issues. Risk management plans have been completed and additional monitoring will be required. Residents in proximity to the sites have been notified of the testing. Estimates for future remediation costs are not yet complete.

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

(c) *Land Expropriation Compensation*

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

27 GUARANTEES

The City has issued an irrevocable standby letter of credit for \$4,200 as required by its supplier, The Alberta Electric System Operator, in the event of payment default for electrical distribution charges. The letter of credit has not been utilized to date.

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

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

28 SEGMENTED DISCLOSURE

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information, see Schedule 3 - Consolidated Schedule of Segmented Disclosure.

Certain functions that have been disclosed in the segmented information, along with the services provided, are as follows:

(a) Legislative and Administrative

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

(b) Protective Services

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

(c) Transportation

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

(d) Water and Wastewater

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

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016 (in thousands of dollars)

(e) Waste Management

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

(f) Community Services

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

(g) Subdivisions, Land, and Development

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

(h) Recreation, Parks, and Culture

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

(i) Electric Light and Power

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

29 DISCLOSURE SUMMARY FOR THE 2019 CANADA WINTER GAMES

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

The agreement is summarized as follows:

(a) Contribution to the Host Society

The City has agreed to contribute \$5,923 toward various capital projects related to the Games. In 2016, a portion of these funds were advanced directly to the Host Society as opposed to spending them on capital projects on their behalf. A loan receivable from the Host Society was recorded. See Note 6.

(b) Value in Kind

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

(c) Contribution from the Host Society

The Host Society has agreed to contribute \$10,607 to The City to fund various capital projects related to the Games. The funding will be allocated as follows:

Capital Project	Allocation Amount
Red Deer College (Note 25)	\$ 5,000
Great Chief Park	3,000
Canyon Ski Resort	1,613
River Bend Golf Course	426
Other	568
	10,607

The City has received \$2,760 from the Host Society for Great Chief Park in 2016 and will receive the remaining \$240 on or before April 1, 2018. The funding related to the other projects will be received on or before April 1, 2019, a portion of which will be applied against the loan receivable.

(d) Games Plaza

The City has contributed \$1,000 to the Host Society toward the construction of a permanent Games plaza in 2016. A separate agreement will be negotiated by The City and the Host Society for this project.

(e) Guarantee

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

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

30 BUDGET

The reported budget information has been derived from the capital budget that was approved by Council on June 20, 2016 and the operating budget that was approved on April 20, 2016. The budgets were subsequently amended by Council. This note reconciles the final budget to the reported budget information presented in the consolidated financial statements.

	Approved Budget	Amendments	Final Budget
Revenues			
Net municipal taxes	\$ 124,580	-\$	124,580
User fees and sale of goods and services	189,447	-	189,447
Operating government transfers	16,488	2	16,490
Investment earnings	7,262	-	7,262
Fines and penalties	5,516	-	5,516
Franchise fees	8,093	-	8,093
Licenses and permits	3,657	-	3,657
Other revenue	2,745	-	2,745
	357,788	2	357,790
Expenses			
Legislative and administrative	39,548	51	39,599
Police and other protective	37,643	(191)	37,452
Fire and ambulance	33,387	(117)	33,270
Parking	2,051	-	2,051
Transportation	54,239	5,038	59,277
Transit	14,335	345	14,680
Fleet	17,062	-	17,062
Water	17,103	(9)	17,094
Wastewater	17,170	(11)	17,159
Solid waste collection	7,201	-	7,201
Solid waste disposal	5,908	-	5,908
Recycling	2,588	-	2,588
Social planning	5,624	(2)	5,622
Community services	10,344	12	10,356
Subdivisions, land, and development	1,295	950	2,245
Recreation, parks, and culture	45,593	5,016	50,609
Electric light and power	43,764	(156)	43,608
	354,855	10,926	365,781
Annual Surplus (Deficit) before Other	2,933	(10,924)	(7,991)
Other			
Capital government transfers	74,720	-	74,720
Contributed tangible capital assets	23,603	-	23,603
Developer and customer contributions	3,651	-	3,651
Other	438	-	438
Annual Surplus	\$ 105,345	(10,924)\$	94,421

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016 (in thousands of dollars)

31 COMPARATIVE INFORMATION

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

32 APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements on April 18, 2017.

STATISTICAL INFORMATION

**General Municipal Data - Unaudited
(2012-2016) (in thousands of dollars)**

	2016	2015	2014	2013	2012
Population	99,832	100,807	98,585	97,109	91,877
Assessed valuation	\$ 15,987,628	\$ 15,666,694	\$ 14,882,334	\$ 13,827,046	\$ 13,032,279
Per capita assessed valuation	\$ 160	\$ 155	\$ 151	\$ 142	\$ 142
Mill rates (commercial)					
Municipal	13.1457	12.6665	12.2177	12.2313	12.3765
Education foundation	3.6836	3.6200	3.5416	3.7565	3.4849
Piper Creek Foundation	0.0273	0.0107	0.0079	0.0195	0.0143
	16.8566	16.2972	15.7672	16.0073	15.8757
Taxes paid by the largest single taxpayer	\$ 3,146	\$ 3,059	\$ 2,942	\$ 2,885	\$ 2,833
Percent of taxes	1.86 %	1.89 %	1.93 %	1.97 %	2.05 %
Property taxes					
Current levy	\$ 169,570	\$ 162,199	\$ 152,819	\$ 146,208	\$ 138,154
Current collected	\$ 167,917	\$ 160,628	\$ 152,661	\$ 146,082	\$ 136,152
Percent of current levy	99 %	99 %	100 %	100 %	99 %
Gross tax collections	\$ 170,524	\$ 161,702	\$ 153,780	\$ 147,799	\$ 139,033
Taxes outstanding	\$ 1,954	\$ 2,255	\$ 2,198	\$ 2,311	\$ 2,962

**Consolidated Revenue by Source - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Operating Revenue:					
Net municipal taxes	\$ 124,346	\$ 123,923	\$ 112,537	\$ 107,035	\$ 98,463
User fees and sale of goods and services	159,105	159,321	170,246	172,904	151,913
Operating government transfers	18,191	11,323	10,258	9,829	9,349
Investment income	6,957	4,790	5,105	6,218	7,694
Fines and penalties	6,045	5,759	5,762	5,882	6,411
Franchise fees	7,848	7,394	7,441	6,927	6,188
Licenses and permits	3,558	3,283	3,690	3,542	3,324
Other revenue	4,793	2,790	3,595	1,666	886
Contributed tangible capital assets	7,330	9,389	34,284	21,878	17,975
Total Operating Revenue	338,173	327,972	352,918	335,881	302,203
Capital Revenue	60,118	53,847	49,307	58,257	84,435
Agencies Revenue	3,960	4,560	4,767	5,527	4,262
Consolidated Revenue	\$ 402,251	\$ 386,379	\$ 406,992	\$ 399,665	\$ 390,900

**Capital Fund Activities - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Capital expenditure by segment:					
Legislative and administrative	\$ 4,046	\$ 4,102	\$ 2,420	\$ 2,174	\$ (759)
Protective services	13,704	1,814	1,036	1,041	1,734
Transportation	63,943	51,235	46,772	40,598	60,769
Water and wastewater	15,649	30,897	39,474	49,080	35,617
Waste management	1,632	2,576	164	1,279	3,927
Community services	(4)	289	162	42	80
Subdivisions, land, and development	2,741	13,045	13,722	6,952	8,590
Recreation, parks, and culture	16,065	6,334	6,855	7,178	5,238
Electric light and power	9,430	19,427	11,537	9,516	6,656
Total Capital Spending	\$ 127,206	\$ 129,719	\$ 122,142	\$ 117,860	\$ 121,852
Financing Sources Applied:					
Developer contributions	6,442	8,777	10,015	29,341	8,941
Government transfers	50,218	44,179	38,120	27,032	73,381
Other revenue	3,458	891	1,172	1,884	2,113
Debt issued	30,025	30,290	27,247	16,337	21,795
From (to) operating	(2,222)	(635)	7,678	13,757	4,223
From (to) reserves	20,809	50,680	44,879	18,607	(10,167)
Increase (decrease) in fund balance	(18,476)	4,463	6,969	(10,902)	(21,566)
Capital fund balance, beginning of the year	4,426	(37)	(7,006)	3,896	25,462
Capital fund balance, end of year	\$ (14,050)	\$ 4,426	\$ (37)	\$ (7,006)	\$ 3,896

**Consolidated Operating Expenses by Function - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Operating Expenses:					
Legislative and administrative	\$ 37,545	\$ 34,146	\$ 33,260	\$ 31,899	\$ 33,031
Police and other protective	38,231	32,894	32,355	30,972	28,015
Fire and ambulance	34,066	31,859	30,822	27,364	25,279
Parking	2,124	2,196	2,619	2,098	2,197
Transportation	58,824	50,767	46,915	46,134	37,156
Transit	14,555	13,883	13,199	12,445	12,119
Fleet	12,327	12,155	13,627	11,356	11,113
Water	17,253	15,781	15,752	14,942	14,060
Wastewater	17,289	15,929	14,227	16,173	11,732
Solid waste collection	6,831	6,703	6,442	6,218	6,047
Solid waste disposal	5,353	5,061	3,914	5,089	4,255
Recycling	2,340	2,227	2,054	2,027	1,920
Social planning	5,272	3,870	3,920	3,871	3,764
Community services	8,300	7,634	7,481	7,424	6,231
Subdivisions, land, and development	2,534	2,023	11,640	6,671	2,016
Recreation, parks, and culture	51,924	46,892	45,074	43,545	46,028
Electric light and power	35,884	34,048	32,933	32,634	29,785
Total operating expenses	\$ 350,652	\$ 318,068	\$ 316,234	\$ 300,862	\$ 274,748

**Consolidated Operating Expenses by Object - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Operating Expenses:					
Salaries, wages, and benefits	\$ 141,093	\$ 133,027	\$ 127,294	\$ 117,585	\$ 109,673
Contracted services	41,998	41,084	44,533	38,369	36,200
Materials and supplies	48,784	47,996	52,135	54,363	42,321
Purchases from other governments	23,217	18,754	18,869	18,223	16,667
Grants to organizations	20,970	8,687	8,955	6,983	13,285
Financial charges	9,317	9,130	9,037	8,959	8,873
Amortization of tangible capital assets	63,758	58,576	53,809	54,768	46,428
Other expenses	1,515	814	1,602	1,612	1,301
Total operating expenses	\$ 350,652	\$ 318,068	\$ 316,234	\$ 300,862	\$ 274,748

**Financial Position and Net Revenues - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Financial assets	\$ 307,717	\$ 327,863	\$ 342,530	\$ 328,659 ¹	\$ 310,477
Liabilities	359,017	357,295	358,131	333,579	327,613
Net debt	(51,300)	(29,432)	(15,601)	(4,920)	(17,136)
Non-financial assets	1,970,623	1,897,156	1,815,014	1,713,575	1,626,988
Accumulated surplus	1,919,323	1,867,724	1,799,413	1,708,655	1,609,852
Annual surplus	\$ 51,599	\$ 68,311	\$ 90,758	\$ 98,803	\$ 116,152

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

**Consolidated Accumulated Surplus - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Advances for construction (Capital to be financed)	\$ (14,050)	\$ 4,426	\$ (37)	\$ (7,006)	\$ 3,896
Reserves	222,260	210,830	215,273	221,828	194,725
Equity in tangible capital assets	1,711,199	1,652,590	1,584,312	1,494,236	1,411,879
Unrestricted deficits in controlled agencies	(86)	(122)	(135)	(403)	(648)
Total	\$ 1,919,323	\$ 1,867,724	\$ 1,799,413	\$ 1,708,655	\$ 1,609,852

**Consolidated Reserves - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Finance a specific purpose	\$ 2,388	\$ 2,287	\$ 2,211	\$ 2,125	2,002
Capital projects - tax supported	41,060	31,589	25,033	28,809	27,479
Municipal parkland	6,710	6,464	5,450	4,825	4,666
Operating - tax supported	33,454	33,294	24,441	16,142	9,769
Debt repayment	2,471	4,718	12,642	11,685	10,646
Tax-supported reserves	86,083	78,352	69,777	63,586	54,562
Power	17,997	16,885	21,534	17,567	13,773
Water	3,383	7,858	9,385	17,569	14,811
Wastewater	8,949	3,001	6,169	9,544	20,621
Solid waste management	16,994	16,175	16,518	13,086	12,050
Utility-supported reserves	47,323	43,919	53,606	57,766	61,255
Capital asset replacement	36,317	31,356	27,499	25,743	25,214
Land development	54,447	48,593	50,363	54,334	46,006
Parking	158	663	1,369	1,080	1,444
Offsite	(2,068)	7,947	12,659	19,319	6,244
Self-supported reserves	88,854	88,559	91,890	100,476	78,908
Total reserves	\$ 222,260	\$ 210,830	\$ 215,273	\$ 221,828	194,725

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

**Long-term Debt Issued by Function - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Protective services	\$ 15,030	\$ -	\$ -	\$ -	-
Transportation	9,500	3,000	4,968	6,723	14,375
Water and wastewater	-	3,800	14,579	8,286	7,420
Subdivisions, land, and development	4,600	11,990	-	-	-
Recreation, parks, and culture	895	11,500	-	1,328	-
Electric light and power	-	-	8,000	-	-
Total	\$ 30,025	\$ 30,290	\$ 27,547	\$ 16,337	21,795

Comparative information has been reclassified to conform to the current year's presentation.

**Long-term Debt - Unaudited
2012-2016 (in thousands of dollars)**

	2016	2015	2014	2013	2012
Tax-supported debt	\$ 107,041	\$ 84,043	\$ 67,434	\$ 69,331	\$ 55,397
Self-supported debt	138,229	149,834	152,744	139,170	150,567
Total long-term debt	245,270	233,877	220,178	208,501	205,964
Population	99,832	100,807	98,585	97,109	91,877
Long-term debt per capita	2,457	2,320	2,233	2,147	2,242
Debt limit per regulation	517,055	499,217	501,882	526,134	449,316
Debt limit unused	271,785	265,340	281,704	317,633	243,352
Percentage of debt limit used	47 %	47 %	44 %	40 %	46 %
Service on debt limit	86,176	83,203	83,647	87,689	74,886
Service on existing debt	29,223	27,536	25,233	24,200	22,559
Service on debt limit unused	56,953	55,667	58,414	63,489	52,327
Percentage of service on debt limit used	34 %	33 %	30 %	28 %	30 %
Percentage of expenses	8 %	9 %	8 %	8 %	8 %