



THE CITY OF
Red Deer

**2019 Annual Financial Report
For the Year Ended December 31, 2019**

**The Corporation of the City of Red Deer
Red Deer, Alberta, Canada
April 2020**

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INTRODUCTORY INFORMATION

MAYOR AND CITY COUNCIL

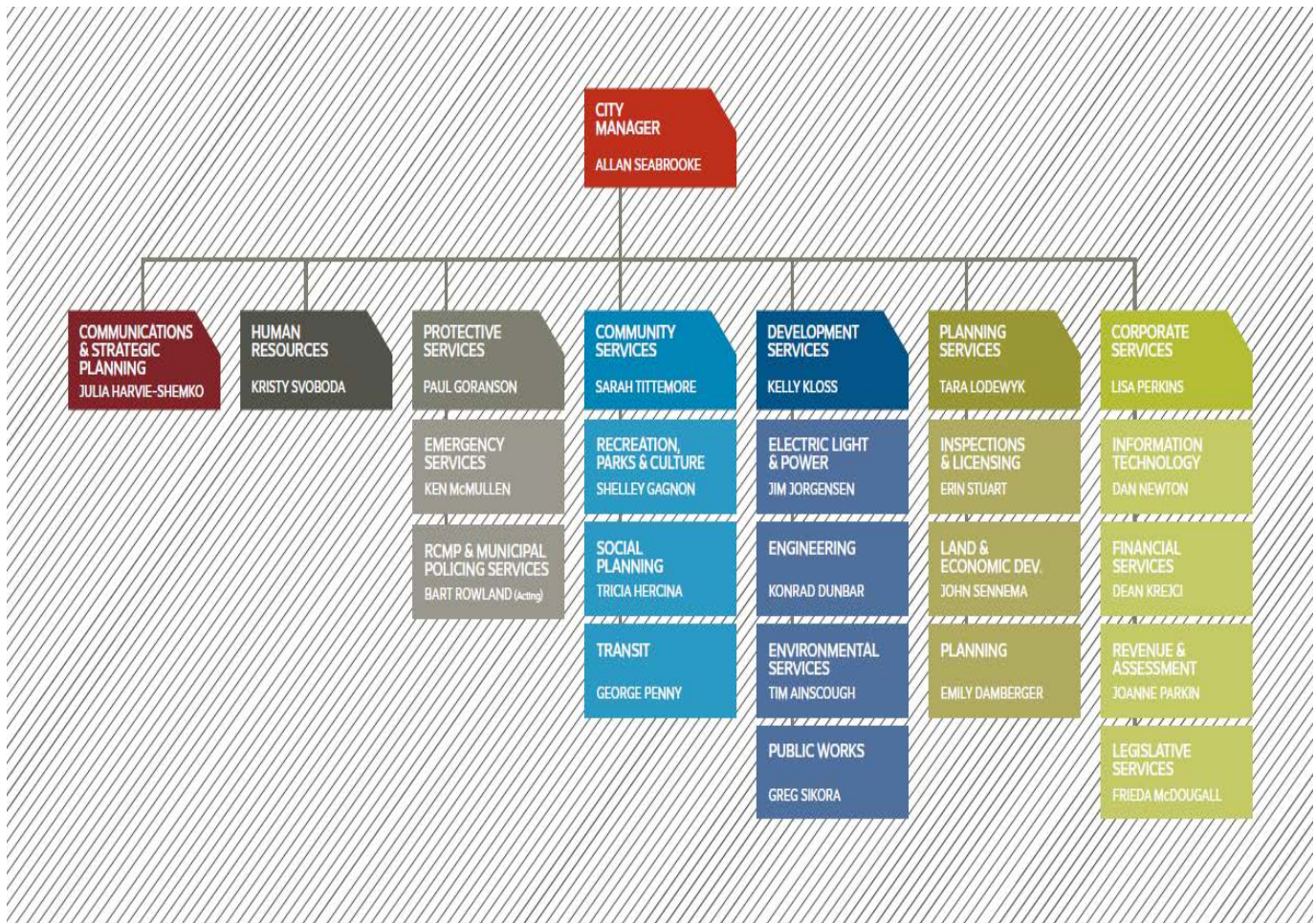


Left to Right: Councillor L. Lee, Councillor F. Wong, Councillor D. Wyntjes, Councillor M. Dawe, Mayor T. Veer, Councillor K. Johnston, Councillor V. Higham, Councillor T. Handley, Councillor S. Buchanan.

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

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

ORGANIZATIONAL CHART



REPORT FROM THE CHIEF FINANCIAL OFFICER

The City of Red Deer

Introduction

Mayor Tara Veer, Members of Council of The City of Red Deer, I am pleased to present the 2019 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 2019 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 the Strategic Plan objectives.

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

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

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

Strategic Plan

Council has adopted a strategic plan for 2019 – 2022 with 5 key goals that Council has identified as requiring significant change or shift:

Red Deer is:

- A safe community – Red Deer is a safe and secure community.
- A socially responsible community – Red Deer offers a welcoming community where everyone can enjoy a high quality of life.
- A chosen destination – we are a four-season destination where visitors and residents enjoy our parks, trails and distinctive amenities, all within our “city in a park”.
- An economic leader – we have a strong, dynamic economy, fostered by entrepreneurship and innovation.

The City of Red Deer provides:

- Citizen focused service – citizens are confident they receive value in the services provided by The City.

The Strategic Plan identifies the areas where The City of Red Deer wants to grow and move the organization forward by outlining what must change. Administration will now take this direction and determine how the organization will get there.

Updates on Strategic Plan achievements are included in the Annual Report.

Based on the 2015 – 2018 strategic direction, Administration continues to work on the 3 themes that Council identified:

- Dialogue – engaging our community and enhancing our relationships
- Community Amenities – planning great spaces and places for community living
- Financial Leadership – creating a sustainable financial foundation

Financial Statement Discussion & Analysis

1. HIGHLIGHTS

Net debt increased by \$6.5 million mainly due to an increase in accounts payable and accrued liabilities and an increase in deferred revenue, offset by an increase in accounts receivable and a decrease in investments. A small decrease in long term debt of \$0.5 million resulted in the debt limit usage dropping from 53% to

51% of the provincial debt limit. The overall amount of reserves decreased by \$0.7 million, bringing the balance to \$219 million. Expenses increased by \$18.3 million with operating revenues increasing by \$10.7 million. Revenues were \$2.1 million lower than budgeted, expenses \$1.4 million lower than budgeted, and capital revenues \$4.0 million lower than budgeted.

2. OPERATING RESULTS

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

Revenue

Operating revenues increased by \$10.7 million over 2018, which was made up of the following:

- Property tax revenue \$4.2 million – due to the addition of new properties in the community and Council initiated changes
- User fees and sale of goods and services \$3.8 million – mainly due to increase in utility user fee revenue of \$1.8 million and increase in electrical transmission recovery of \$1.3 million
- Operating government transfers \$1.1 million – additional provincial grants were recognized
- Investment earnings \$4.7 million – due to a drop in interest rates allowing more gains to be realized

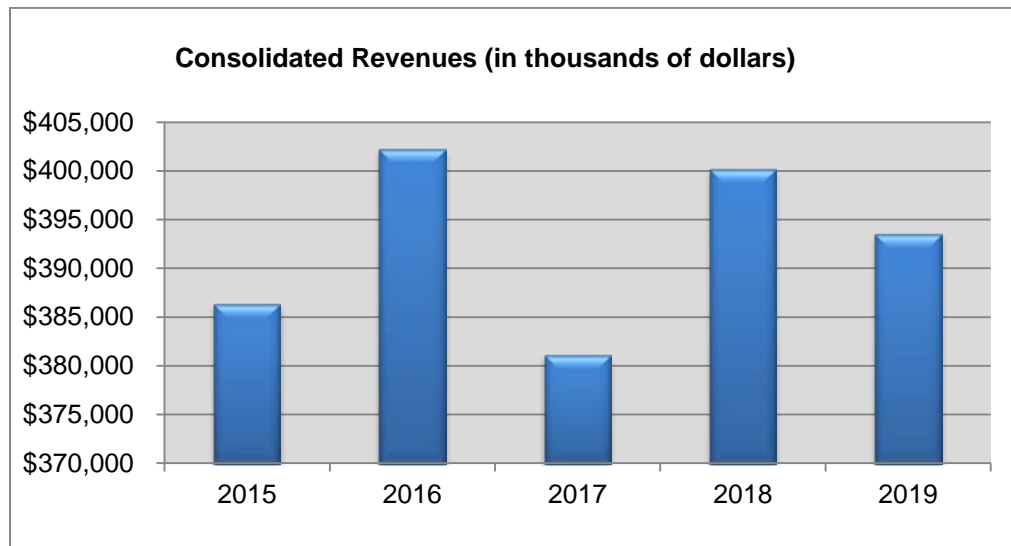
These increases were offset by a decrease in Other operating revenue of \$3.1 million due to gain on sale of tangible capital assets in 2018 that did not occur in 2019.

Capital revenues decreased by \$17.4 million over 2018, which was made up of the following.

- Capital government transfers \$6.7 million – due to reduced claims for bus purchases and other transit related projects
- Contributed tangible capital assets \$12.0 million – less development in the community and oversizing of wastewater pipes in 2018 which did not occur in 2019.
- Developer and customer contributions \$1.1 million – due to less development in the community

These increases were offset by an increase in Other capital revenue of \$2.4 million due to funding received from the Host Society for 2019 Canada Winter Games (Games) projects.

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



Expenses

2019 operating expenses increased by \$18.3 million over 2018 expenses.

On a functional basis, the following areas saw increases in expenses compared to 2018:

- Protective services and parking \$3.8 million – due to additional resources added to policing, increased wage expense in emergency operations, and general inflation
- Community services \$1.7 million – due to increase in housing grants paid and expenses related to the Games
- Recreation, parks, and culture \$7.6 million – due to the accrual of the operating grant to the Red Deer College for the contribution to the Gary W. Harris Canada Games Centre
- Water and wastewater \$2.3 million – due to general inflation
- Waste management \$1.3 million – due increase in solid waste collection contract cost
- Electric, light & power \$3.4 million – due to an increase in transmission charges

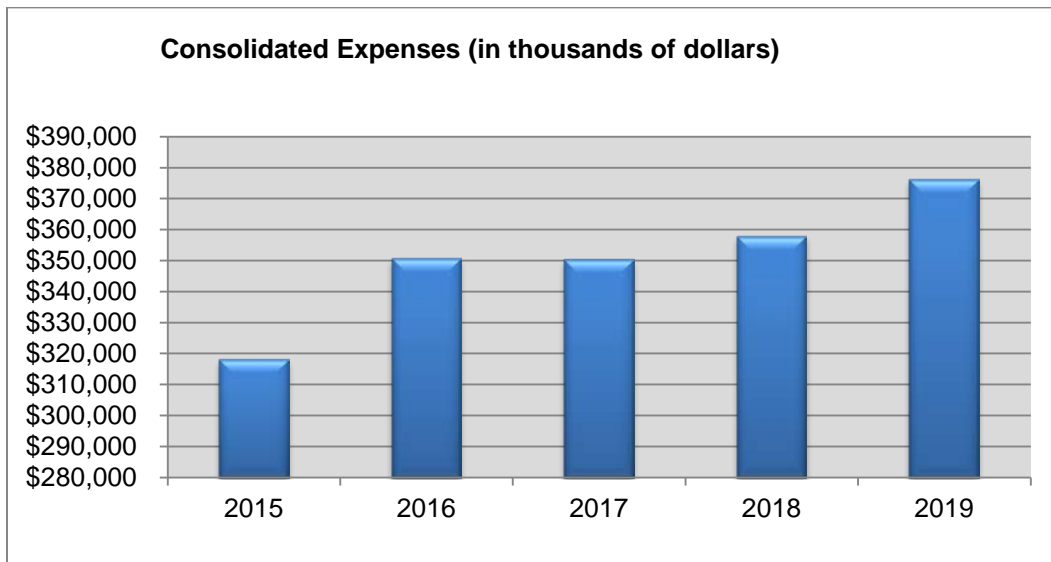
The following areas saw decreases in expenses compared to 2018:

- General government services \$1.5 million – mainly due to a depreciation adjustment in 2018 that did not occur in 2019

- Subdivisions, land and development \$1.0 million – due to decrease in cost of land sales

On an object basis, the following items saw increases in expenses:

- Salaries, wages, and benefits \$2.7 million – due to collective agreement settlements and increased wage expense in emergency operations
- Contracted services \$4.0 million – due mainly to increases in solid waste collection and electric meter reading contracts, as well as the new YMCA contract. Also due to increase in consulting fees in general government services
- Materials and supplies \$2.4 million – due to increase in transmission costs in Electric Light and Power
- Purchases from other governments \$1.7 million – due to increased RCMP resources purchased and inflation increases in the RCMP contract
- Grants to organizations \$6.3 million – due to accrual for contribution to the Red Deer College



3. FINANCIAL POSITION

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

The City's Financial Assets increased in 2019 by \$5.2 million over 2018. This was due to an increase in Accounts receivable of \$14.5 million as the Municipal Sustainability Initiative grant and Federal Gas Tax Fund grant were not received prior to year end. This is offset by a decrease in Investments due to less cash being available.

Liabilities increased by \$11.7 million over 2018. This was due to increases in Accounts payable and accrued liabilities of \$7.9 million and Deferred revenue of \$4.9 million. The increase in Accounts payable is mainly due to the accrual of the contribution to the Red Deer College for the Gary W. Harris Canada Games Centre. The increase in Deferred revenue is due to less Federal Gas Tax Fund being spent on capital projects for the year. This is offset by a decrease in deferred Municipal Sustainability Initiative grant due to more funds being spent on capital projects. There was a small decrease in the amount of long-term debt.

The City's Net Debt increased by \$6.5 million over 2018. Financial assets increased by a smaller amount than the increase in financial liabilities.

Non-financial assets increased by \$23.8 million. Tangible capital assets net book value increased by \$21.9 million due to the additional acquisition of assets for \$91.2 million and asset contributions of \$7.3 million offset by disposals and amortization. Inventory held for consumption increased by \$1.1 million.

Long-Term Debt

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

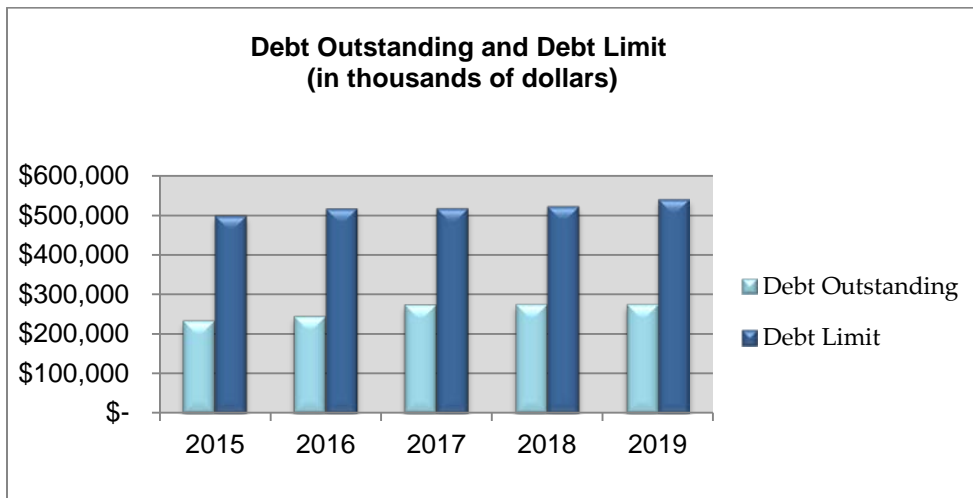
Debt is used to finance capital projects and capital leases. Self-supported debt is included in rate setting to ensure that repayments will be made. Where rate setting does not result in debt repayments being covered, internal borrowing from other reserves is used to ensure the debt repayments are made. The internal borrowing will be repaid from future surpluses within the individual self-supported operations. The Parking operation has internally borrowed \$0.85 million as of December 31, 2017. Payments are being made on an annual basis with the internal borrowing to be repaid in full by 2027. The annual principal repayment for 2019 was \$77,000, leaving an outstanding balance of \$0.69 million.

For offsite related debt, the ability to make repayments is dependent on the amount of land developed each year. There was a change in process implemented in 2019 based on a rate model review. It is inherent in the provision of offsite infrastructure that costs are front ended and the reserve balances will be in a deficit balance as a result. Internal borrowing is no longer used to keep the reserves in a positive balance. During 2019 all previous internal borrowings were returned to the reserves providing the borrowing. External debt continues to be used to preserve cash as there is insufficient cash flow to front end all of the required infrastructure.

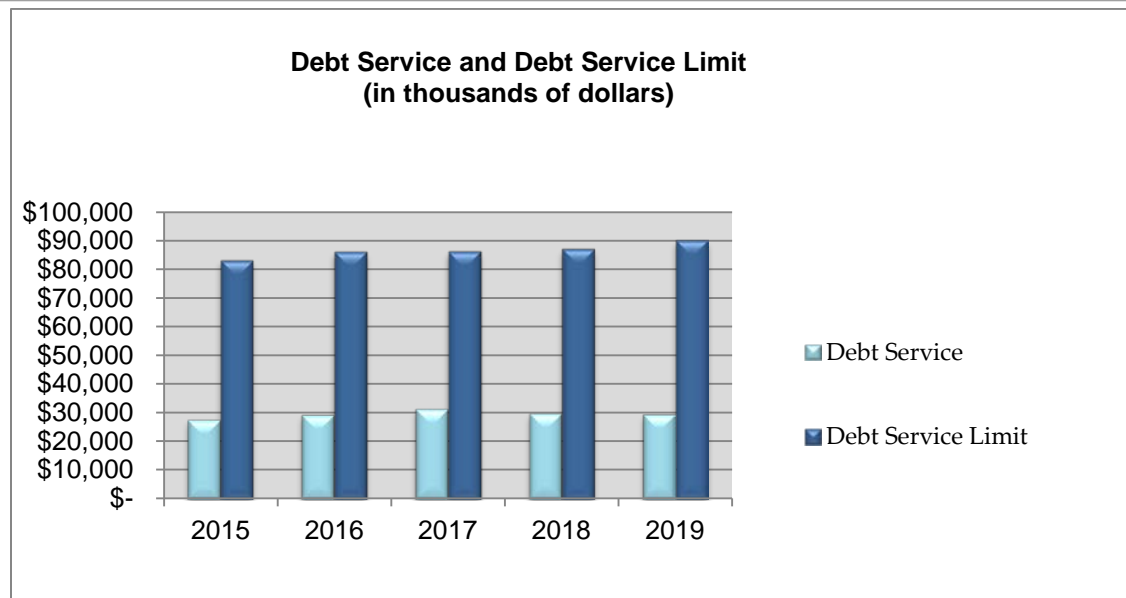
For tax-supported debt, a contribution to a reserve is made annually to ensure that repayments are made. The reserve is reviewed annually, with debt repayments and contributions forecast for the next 10 years, to ensure the reserve is sustainable. The reserve is forecast to be sustainable for the period 2020 – 2029.

The Municipal Government Act (MGA) limits the total debt that a municipality may have. Since July 2015 Council has had a policy that The City shall not exceed 75% of the debt limit. As of December 31, 2019 the actual debt balance of \$274.7 million represented 51% of the debt limit. This is reduced from 53% of the debt limit amount as of December 31, 2018 due to a small reduction in the outstanding balance of long-term debt due to delays in borrowing and an increase in the debt limit due to increased revenues. The debt is split approximately 55% tax supported and 45% self-supported.

Future borrowing is anticipated to complete projects previously approved plus projects funded by debt approved as part of the 2020 Capital Budget. The debt is projected to represent 62% of the debt limit as of December 31, 2020. Depending on future capital budget approvals, the 2021 – 2029 Capital Plan shows debt rising to the 75% limit by 2022 and remaining at that level through to 2029.



The MGA also limits the total debt servicing a municipality may have. Due to the current low interest rate environment, The City has not exceeded 40% of the debt servicing limit in the last 5 years. All debt has fixed interest rates so the City is not exposed to the risk of changes in interest rate on its existing debt. The actual debt servicing limit used in 2019 is 33%, down from 34% in 2018.



Reserves

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

Reserves decreased by \$0.7 million from 2018, resulting in an ending balance of \$219 million.

Overall, self-supported reserves increased by \$6.6 million from 2018.

Self-supported reserves had the following increases in 2019 as capital expenditures funded were less than contributions to the reserves:

- Capital Asset Replacement \$14.6 million
- Power Utility \$2.7 million
- Water Utility \$4.7 million
- Wastewater Utility \$3.4 million

Self-supported reserves had the following decreases in 2019 as capital expenditures funded were greater than contributions to the reserves:

- Land Development \$1.5 million
- Parking \$0.3 million
- Offsite \$14.4 million
- Solid Waste Management \$2.5 million

The Capital Asset Replacement reserve received additional funds from the return of \$4.5 million of internal borrowing previously provided to the Offsite reserves.

The Power Utility reserve received additional funds from the return of \$6 million of internal borrowing previously provided to the Offsite reserves.

Offsite reserves returned previously provided internal borrowing in the amount of \$10.5 million. Due to offsites having to front end the cost of infrastructure, the reserves will now show a negative balance. When combined with offsite related deferred revenue the Offsite Fund has a deficit balance of \$9.7 million.

Overall, tax supported reserves decreased by \$7.2 million from 2018.

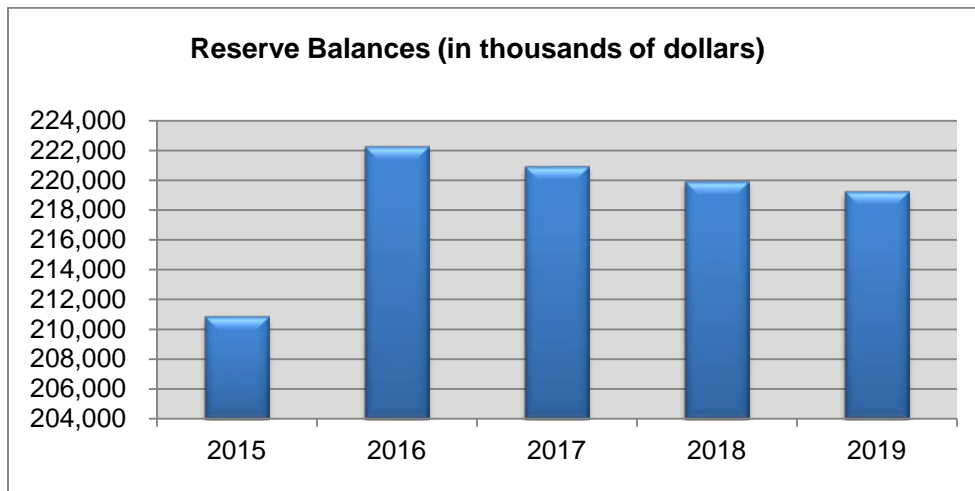
Tax supported reserves had the following increases in 2019 as contributions to the reserves exceeded funding transfers:

- Finance a Specific Purpose \$0.6 million
- Municipal Parkland \$0.3 million

Tax supported reserves had the following decreases in 2019 as funding transfers exceeded contributions to the reserves:

- Capital Projects – Tax Supported \$6.1 million
- Operating – Tax Supported \$0.4 million
- Debt Repayment \$1.7 million

Additional information on reserves will be available when the 2019 reserve report is presented to Council.



4. VARIANCES – BUDGET TO ACTUAL

Additional information on budget to actual variances will be available after the 2019 annual variance report is presented to Council.

5. RISKS & UNCERTAINTIES

COVID-19 Pandemic – The impact on the economy is unknown at this point. There is a risk on various City revenue streams depending on the timeliness and strength of the economic recovery once pandemic restrictions are lifted. Economic conditions could in turn create additional community requests for funding.

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.

Land Expropriations – as per Note 26 Contingencies in the Notes to Consolidated Financial Statements there are currently seven 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 Projects – Tax Supported 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 uncertain so future development will likely remain at lower than average historical rates. 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. The City has extended the borrowing term of offsite related borrowing bylaws to improve cash flows in the short term and will continue to monitor the sustainability of the Offsite Fund on an annual basis.

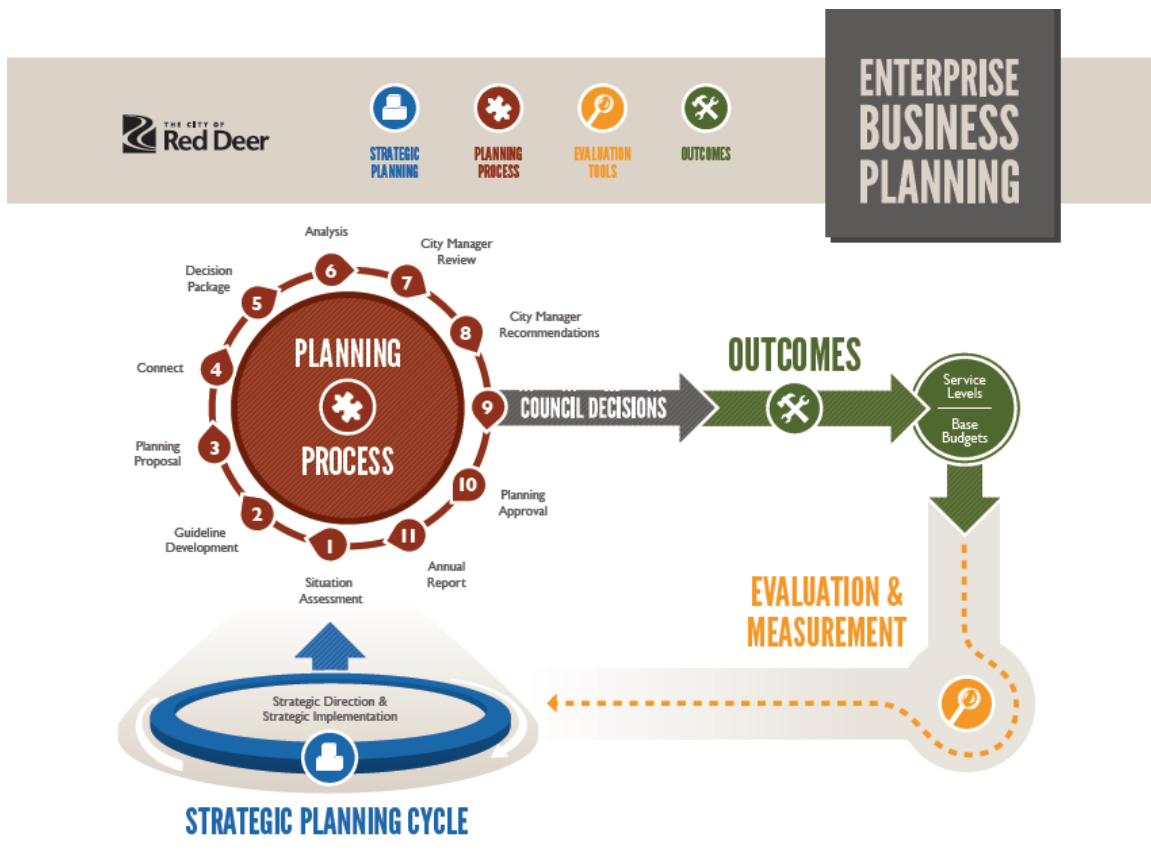
Asset Management – asset management plans completed to date have generally show a backlog of work to maintain, rehabilitate, and replace the assets. The City has begun to address this issue in some areas over the last eight years as budgets related to road work have increased. Not all areas responsible for assets have seen increases in maintenance and rehabilitation / replacement budgets. There is still a large volume of work to be done to tie asset management into financial reporting and budgeting and to 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 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 summarize 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 after this Annual Financial Report in May, 2020.

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 has participated in the past with other Alberta municipalities in the Alberta Municipal Benchmarking Initiative (AMBI) to build benchmarking measures in 10 functional areas. The City is evaluating joining the Municipal Benchmarking Network Canada group.

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. Currently condition assessments are done by departments as part of daily operations. There is no collection of condition assessments in a corporate system so an overall corporate assessment of the condition of assets is not possible at this time.

7. ASSET MANAGEMENT

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

For 2019 most of the corporate level work focused on refreshing the asset management framework. Work based on the recommendations from the refresh will be prioritized and completed as resources are available. Work was also done on an asset management plan for the parking assets.

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.

	2019	2018	2017	2016	2015	2014	2013
Sustainability:							
Financial Assets to Liabilities	0.79	0.80	0.78	0.86	0.92	1.04	0.99
Total Expense to Assessments	2.41%	2.28%	2.22%	2.19%	2.03%	2.12%	2.18%
Flexibility:							
Debt Charges to Revenues	8.15%	8.53%	9.07%	8.48%	8.27%	7.54%	6.90%
Vulnerability:							
Government Transfers to Total Revenue	3.73%	3.40%	3.96%	4.77%	3.18%	2.72%	2.69%

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.

The Financial Asset to Liabilities ratio remains below 1.0 in 2019. This is expected to continue as long term debt continues to be utilized to fund the Capital Budget and Capital Plan. Annual tax supported contributions are being built into the Operating Budget to ensure The City has the ability to repay tax supported debt. The rate model is utilized for utility operations to ensure utility related debt will be repaid. Despite acquiring \$91.2 million of tangible capital assets in 2019, debt levels decreased by \$0.5 million. The debt level resulted in The City being at 51% of the provincial approved debt limit for municipalities for 2019.

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 over time. The City's ratio has increased over the last 5 years. This ratio is expected to rise in periods of economic slowdown as expenses are subject to inflation and assessments decline or remain constant. Increasing expenses related to the annual contributions for debt payments, operating expenses related to the capital acquisitions and other initiatives, such as additional police resources, regional services, and operating grants will also contribute to expenses increasing faster than assessments.

Flexibility indicators measure the degree to which The City uses debt instead of increased taxation to meet its capital commitments. In 2019, The City committed 8.15% of revenue to service debt. This is the second year of decline after four years of increases. The overall debt remained constant while revenues increased resulting in the decline. 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 2019 this indicator increased to 3.73%. This is primarily due to the decrease in capital revenues relative to the increase in operating government transfers. The small increase of \$1.0 million in operating government transfers is from additional funding received from the Provincial Government for Outreach and Support Services Initiative (OSSI), Family and Community Support Services (FCSS), and the one time Municipal Cannabis Transition Program (MCTP). With many of these grants that are ongoing, The City could cease providing these services if the grants are reduced or eliminated.

Conclusion

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

The City's financial position held relatively steady in 2019. Both financial assets and financial liabilities increased resulting in the ratio of financial assets to financial liabilities changing very little. The total amount of debt remained relatively constant and the percentage of expenditures used for debt servicing declined from last year. The net debt position increased mainly due to increases in accounts payable due to accruing operating grant commitments. Both the debt limit used and the overall amount of reserves remained constant.

All of the sustainability measures are reasonable considering a slower pace of economic growth and the continuing capital growth for The City. The flexibility measure declined after several years of increases and debt limit used and debt servicing are well within provincial limits. Council has also created a reserve to ensure that tax supported debt payments will be made. This reserve is sustainable over the next 10 years. The vulnerability measure increased over 2018, which is expected as capital revenues decrease related to economic activity. Adjustments to services can be made as required if grant levels change.

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

Respectfully submitted,



Dean Krejci, CPA, CA
Chief Financial Officer
April 20, 2020

FINANCIAL INFORMATION

MANAGEMENT REPORT

Management of The City of Red Deer is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and all other information within this financial report. Management believes that the consolidated financial statements present fairly The City's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation and in accordance with Canadian public sector accounting standards. They include certain amounts based on estimates and judgments. Management determines such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

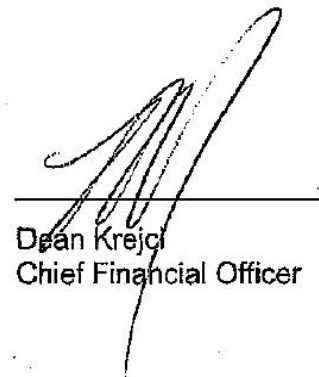
Management is responsible for maintaining an adequate system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are authorized and assets are properly accounted for and safeguarded. The system is monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The City Council reviews the consolidated financial statements principally through its Audit Committee. The external auditors have full access to the Audit Committee with and without the presence of management. The City Council has approved the consolidated financial statements.

KPMG LLP, an independent firm of chartered professional accountants, have been appointed by The City to audit the consolidated financial statements. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their engagement, and their opinion on The City's consolidated financial statements in accordance with Canadian generally accepted auditing standards.



Allan Seabrooke
City Manager



Dean Krejci
Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the City of Red Deer (the Entity), which comprise:

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

(Hereinafter referred to as the “financial statements”).

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

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

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



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Financial Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Financial Report as at the date of the auditors' report.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of the other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that extends to the right.

Edmonton, Canada

April 27, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 (in thousands of dollars)

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 2,071	\$ 2,870
Accounts receivable (Note 3)	62,377	47,854
Land held for sale (Note 4)	47,940	48,718
Investments (Note 5)	209,064	216,461
Loans receivable (Note 6)	3,946	4,310
	325,398	320,213
Liabilities		
Accounts payable and accrued liabilities (Note 7)	45,457	37,557
Deposits	2,977	3,192
Deferred revenue (Note 8)	68,821	63,931
Employee benefit obligations (Note 9)	15,169	15,880
Landfill closure and post-closure liability (Note 10)	5,670	5,288
Long-term debt (Note 11)	274,688	275,214
	412,782	401,062
Net Debt	(87,384)	(80,849)
Non-financial Assets		
Tangible capital assets (Schedule 1, Note 13)	2,084,776	2,062,830
Inventory held for consumption	9,395	8,302
Prepaid expenses	2,771	1,996
	2,096,942	2,073,128
Accumulated Surplus (Schedule 2, Note 15)	\$ 2,009,558	\$ 1,992,279

Contractual rights and obligations (Note 25)
 Contingencies (Note 26)
 Guarantees (Note 27)
 Segmented disclosure (Schedule 3, Note 28)
 Subsequent events (Note 33)

Approved on behalf of City Council:

 Tara Veer, Mayor



Tanya Handley, Councillor

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

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

	Budget (Note 30)	2019	2018
Revenues (Schedule 3)			
Net municipal taxes (Note 16)	\$ 135,182	\$ 135,166	\$ 130,975
User fees and sale of goods (Note 17)	181,672	174,098	170,279
Operating government transfers (Note 18)	13,556	14,667	13,615
Investment earnings	3,609	7,508	2,793
Fines and penalties	6,428	6,938	6,650
Franchise fees	8,592	8,744	8,418
Licenses and permits	3,821	3,112	3,624
Other operating revenue	3,317	3,837	6,977
	356,177	354,070	343,331
Expenses (Schedule 3, Note 19)			
General government services	45,821	41,556	43,109
Protective services and parking	81,036	81,689	77,884
Transportation and fleet	80,604	80,859	79,998
Community services	14,618	14,700	13,047
Recreation, parks, and culture	51,859	57,958	50,328
Water and wastewater	41,059	37,551	35,258
Waste management	15,889	15,341	14,064
Subdivisions, land, and development	2,275	2,196	3,198
Electric light and power	44,529	44,398	41,030
	377,690	376,248	357,916
Annual Deficit before Other	(21,513)	(22,178)	(14,585)
Other			
Capital government transfers (Note 18)	21,325	25,451	32,185
Contributed tangible capital assets (Note 13)	6,928	7,349	19,325
Developer and customer contributions	7,207	4,029	5,088
Other capital revenue	-	2,628	245
Annual Surplus	13,947	17,279	42,258
Accumulated Surplus, beginning of year	1,992,279	1,992,279	1,950,021
Accumulated Surplus, end of year	\$ 2,006,226	\$ 2,009,558	\$ 1,992,279

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

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

	Budget (Note 30)	2019	2018
Annual Surplus	\$ 13,947	\$ 17,279	\$ 42,258
Acquisition of tangible capital assets	(120,532)	(91,174)	(97,585)
Contributed tangible capital assets	(6,928)	(7,349)	(19,325)
Proceeds on disposal of tangible capital assets	-	822	4,293
Amortization of tangible capital assets	69,132	75,455	74,536
Loss (gain) on disposal of tangible capital assets	-	300	(1,984)
	(58,328)	(21,946)	(40,065)
Net use (purchase) of inventory held for consumption	-	(1,093)	1,507
Net acquisition of prepaid expenses	-	(775)	(1,359)
	-	(1,868)	148
Decrease (Increase) in Net Debt	(44,381)	(6,535)	2,341
Net Debt, beginning of year	(80,849)	(80,849)	(83,190)
Net Debt, end of year	\$ (125,230)	\$ (87,384)	\$ (80,849)

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019	2018
Net inflow (outflow) of cash related to the following activities:		
Operating Activities		
Annual surplus	\$ 17,279	\$ 42,258
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	75,455	74,536
Loss (gain) on disposal of tangible capital assets	300	(1,984)
Contributed tangible capital assets	(7,349)	(19,325)
Non-cash charges to operations:		
Accounts receivable	(14,523)	11,809
Land held for sale	778	1,472
Loans receivable	364	17
Accounts payable and accrued liabilities	7,900	(7,299)
Deposits	(215)	522
Deferred revenue	4,890	19,883
Employee benefit obligations	(711)	1,156
Landfill closure and post-closure liability	382	315
Inventory held for consumption	(1,093)	1,507
Prepaid expenses	(775)	(1,359)
	82,682	123,508
Capital Activities		
Acquisition of tangible capital assets	(91,174)	(97,585)
Proceeds on disposal of tangible capital assets	822	4,293
	(90,352)	(93,292)
Investing Activities		
Net sale (purchase) of investments	7,397	(46,619)
	7,397	(46,619)
Financing Activities		
Long-term debt issued	19,568	22,212
Long-term debt repaid	(20,094)	(21,562)
	(526)	650
Change in cash and cash equivalents during the year	(799)	(15,753)
Cash and cash equivalents, beginning of year	2,870	18,623
Cash and cash equivalents, end of year	\$ 2,071	\$ 2,870

See accompanying Notes to the Consolidated Financial Statements

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction		
								2019	2018
Cost:									
Balance, beginning of year	\$ 353,439	\$ 123,954	\$ 393,398	\$ 110,232	\$ 64,518	\$ 1,943,052	\$ 95,932	\$ 3,084,525	\$ 2,976,060
Acquisition and contributions of tangible capital assets	4,308	14,592	12,749	10,629	2,919	52,741	585	98,523	116,910
Disposal of tangible capital assets	-	(52)	(268)	(3,671)	(3,229)	(9)	-	(7,229)	(8,445)
Balance, end of year	357,747	138,494	405,879	117,190	64,208	1,995,784	96,517	3,175,819	3,084,525
Accumulated Amortization:									
Balance, beginning of year	-	(51,341)	(122,033)	(56,237)	(26,898)	(765,186)	-	(1,021,695)	(953,295)
Amortization of tangible capital assets	-	(5,698)	(11,308)	(8,482)	(4,699)	(45,268)	-	(75,455)	(74,536)
Accumulated amortization on disposals	-	52	99	3,289	2,658	9	-	6,107	6,136
Balance, end of year	-	(56,987)	(133,242)	(61,430)	(28,939)	(810,445)	-	(1,091,043)	(1,021,695)
Net book value of tangible capital assets	\$ 357,747	\$ 81,507	\$ 272,637	\$ 55,760	\$ 35,269	\$ 1,185,339	\$ 96,517	\$ 2,084,776	\$ 2,062,830
2018 Net Book Value of Tangible Capital Assets	\$ 353,439	\$ 72,613	\$ 271,365	\$ 53,995	\$ 37,620	\$ 1,177,866	\$ 95,932	\$ 2,062,830	

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

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

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

	Unrestricted deficit and capital to be financed	Reserves	Equity in Tangible Capital Assets	2019	2018
Balance, beginning of year	(40,598)	219,937	1,812,940	1,992,279	1,950,021
Annual Surplus	17,279	-	-	17,279	42,258
Unrestricted funds designated for future use	(80,877)	80,877	-	-	-
Restricted funds used for operations	46,037	(46,037)	-	-	-
Restricted funds used for tangible capital assets	-	(35,509)	35,509	-	-
Current year funds used for tangible capital assets	(55,665)	-	55,665	-	-
Contributed tangible capital assets	(7,349)	-	7,349	-	-
Disposal of tangible capital assets	1,122	-	(1,122)	-	-
Amortization of tangible capital assets	75,455	-	(75,455)	-	-
Long term debt related to tangible capital assets issued	19,568	-	(19,568)	-	-
Long term debt related to tangible capital assets repaid	(17,827)	-	17,827	-	-
Change in accumulated surplus	(2,257)	(669)	20,205	17,279	42,258
Balance, end of year	(42,855)	219,268	1,833,145	2,009,558	1,992,279

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

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

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

	General government services	Protective services and parking	Transportation and fleet	Community services	Recreation, parks, and culture	Water and wastewater	Waste management	Subdivisions, land, and development	Electric light and power	Total
Revenues										
Net municipal taxes	\$ 10,146	\$ 54,180	\$ 32,844	\$ 5,417	\$ 32,579	\$ -	\$ -	\$ -	\$ -	\$ 135,166
User fees and sale of goods	266	15,041	6,642	493	9,335	58,968	17,902	2,696	62,755	174,098
Operating government transfers	748	4,119	276	8,455	1,069	-	-	-	-	14,667
Investment earnings	2,445	66	1,505	102	367	971	629	538	885	7,508
Fines and penalties	1,206	5,032	-	-	103	353	80	14	150	6,938
Franchise fees	8,632	-	-	-	112	-	-	-	-	8,744
Licenses and permits	78	2,983	30	21	-	-	-	-	-	3,112
Other operating revenue	1,256	422	685	159	765	317	218	15	-	3,837
	24,777	81,843	41,982	14,647	44,330	60,609	18,829	3,263	63,790	354,070
Expenses										
Salaries, wages, and benefits	22,915	45,082	28,210	4,442	29,842	11,444	1,148	680	5,281	149,044
Contracted services	7,687	4,851	5,047	1,255	5,663	3,378	12,579	33	3,987	44,480
Materials and supplies	1,190	1,462	8,137	309	5,291	5,348	120	1,156	30,428	53,441
Purchases from other governments	-	26,370	-	-	-	-	-	-	-	26,370
Grants to organizations	743	-	786	8,448	6,537	-	-	-	-	16,514
Financial charges	6,059	431	874	2	150	1,753	3	327	661	10,260
Amortization of tangible capital assets	2,756	3,344	37,874	178	10,480	15,341	1,381	-	4,101	75,455
Other expenses	206	149	(69)	66	(5)	287	110	-	(60)	684
	41,556	81,689	80,859	14,700	57,958	37,551	15,341	2,196	44,398	376,248
Annual surplus (deficit) before other	(16,779)	154	(38,877)	(53)	(13,628)	23,058	3,488	1,067	19,392	(22,178)
Other										
Capital government transfers	94	-	24,498	-	522	16	-	-	321	25,451
Contributed tangible capital assets	-	-	2,022	-	4,346	981	-	-	-	7,349
Developer and customer contributions	-	-	882	-	157	1,081	-	23	1,886	4,029
Other capital revenue	-	-	27	-	2,600	1	-	-	-	2,628
Annual surplus (deficit)	\$ (16,685)	\$ 154	\$ (11,448)	\$ (53)	\$ (6,003)	\$ 25,137	\$ 3,488	\$ 1,090	\$ 21,599	\$ 17,279

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

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2018 (in thousands of dollars)

	General government services	Protective services and parking	Transportation and fleet	Community services	Recreation, parks, and culture	Water and wastewater	Waste management	Subdivisions, land, and development	Electric light and power	Total
Revenues										
Net municipal taxes	\$ 8,220	\$ 54,395	\$ 32,423	\$ 5,717	\$ 30,220	\$ -	\$ -	\$ -	\$ -	\$ 130,975
User fees and sale of goods	299	14,595	6,077	471	9,305	57,832	18,024	2,952	60,724	170,279
Operating government transfers	720	3,562	549	7,732	1,052	-	-	-	-	13,615
Investment earnings	1,422	8	365	43	153	172	191	226	213	2,793
Fines and penalties	1,053	4,883	-	-	124	350	64	-	176	6,650
Franchise fees	8,343	-	-	-	75	-	-	-	-	8,418
Licenses and permits	100	3,474	28	22	-	-	-	-	-	3,624
Other operating revenue	364	2,471	(110)	1,344	1,950	159	394	393	12	6,977
	20,521	83,388	39,332	15,329	42,879	58,513	18,673	3,571	61,125	343,331
Expenses										
Salaries, wages, and benefits	23,229	43,801	28,465	4,075	29,241	10,604	1,149	645	5,171	146,380
Contracted services	7,568	4,422	5,153	703	4,642	3,034	11,259	33	3,673	40,487
Materials and supplies	1,197	1,398	7,849	324	5,540	4,722	176	2,154	27,681	51,041
Purchases from other governments	-	24,661	-	-	-	-	-	-	-	24,661
Grants to organizations	68	-	369	7,742	2,037	-	-	-	-	10,216
Financial charges	5,610	463	1,027	-	121	1,884	3	366	597	10,071
Amortization of tangible capital assets	5,298	2,984	37,078	206	8,711	15,014	1,241	-	4,004	74,536
Other expenses	139	155	57	(3)	36	-	236	-	(96)	524
	43,109	77,884	79,998	13,047	50,328	35,258	14,064	3,198	41,030	357,916
Annual surplus (deficit) before other	(22,588)	5,504	(40,666)	2,282	(7,449)	23,255	4,609	373	20,095	(14,585)
Other										
Capital government transfers	107	-	27,861	-	1,510	1,000	-	-	1,707	32,185
Contributed tangible capital assets	-	-	5,636	-	4,605	9,084	-	-	-	19,325
Developer and customer contributions	-	-	1,297	-	330	1,287	-	22	2,152	5,088
Other capital revenue	-	-	36	-	189	20	-	-	-	245
Annual surplus (deficit)	\$ (22,481)	\$ 5,504	\$ (5,836)	\$ 2,282	\$ (815)	\$ 34,646	\$ 4,609	\$ 395	\$ 23,954	\$ 42,258

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019 (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 financial statements reflect the assets, liabilities, revenues and expenses, changes in reserve balances, and change in financial position of the reporting entity. This entity is comprised of the municipal operations as well as all the organizations and committees that are controlled and therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

City Municipal and Utility Operations

- ◆ General government services;
- ◆ Protective services and parking;
- ◆ Transportation and fleet;
- ◆ Community services;
- ◆ Recreation, parks, and culture;
- ◆ Water and wastewater;
- ◆ Waste management;
- ◆ Subdivisions, land, and development; 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-entity transactions and balances are eliminated on consolidation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019 (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 the capital project is 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, have not been met. These transfers are recognized as revenue as the terms are met and, when applicable, The City complies with its communicated use of the transfer. Government transfers without terms for the use of the transfer are recorded as revenue when The City is eligible to receive the funds.

iii. External Contributions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019 (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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates and assumptions.

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

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

(d) Financial Instruments

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

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

i. Cash and cash equivalents

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

ii. Investments

Investment income is recognized as revenue in the period earned. When required by an external funder, investment income earned on deferred revenue is allocated to the deferred revenue balance. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

iii. 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. The allowance for impairment is recorded against loans receivable. Changes in the allowance are recognized in the statement of operations in the period the change occurred. 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 doubtful accounts and estimated losses that exist in the portfolio. Loan write-offs must be approved by City Council.

(e) Land Held for Sale

Land held for sale is recorded at the lower of cost or net realizable value. Cost includes the acquisition costs of the land and the improvements required to prepare the land for servicing such as clearing, stripping, and leveling.

(f) Requisition Over-levy and Under-levy

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

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

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

(g) Employee Benefit Obligations

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

(h) Local Improvement Charges

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

(i) Liability for Contaminated Sites

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(j) Landfill Closure and Post-Closure Liability

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

(k) Non-Financial Assets

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

i. Tangible Capital Assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

ii. Contributed Tangible Capital Assets

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems, roads, and landscaping are recorded at their fair value at the date of completion and recorded as revenue on the Consolidated Statement of Operations. If an estimate of fair value cannot be made, the contributed tangible capital assets are recorded at a nominal value.

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.

(l) Reserves

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

(m) Adoption of New Accounting Standards

i. Restructuring Transactions

Effective January 1, 2019, The City adopted PS3430, *Restructuring Transactions*. This new section provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related programs or operating responsibilities. As no restructuring transactions have occurred in 2019, the adoption of this standard did not result in any changes to measurement or disclosures in the financial statements.

(n) Future Accounting Pronouncements

The following summarizes upcoming changes to PSAS put forward by the Public Sector Accounting Board ("PSAB"). In the coming years, The City will assess the impact and prepare for the adoption of these standards. PSAB requires that PS1201, *Financial Statement Presentation*; PS3450, *Financial Instruments*; PS2601, *Foreign Currency Translation*; and PS3041, *Portfolio Investments*, be adopted at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

i. Financial Statement Presentation

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for the fiscal years beginning on or after April 1, 2021.

ii. Financial Instruments

PS3450, *Financial Instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost, amortized cost, or fair value at the election of the government. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2021.

iii. 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, 2021.

iv. Portfolio Investments

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments and was amended to conform to *Financial Instruments*, PS3450. Once PS3450 and PS3041 are adopted, *Temporary Investments* PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2021.

v. Asset Retirement Obligations

PS3280, *Asset Retirement Obligations* defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for asset retirement, and provides the related financial statement presentation and disclosure requirements. This new standard will effectively replace PS3270, *Solid Waste Landfill Closure and Post-closure Liability*. This standard is applicable for fiscal years beginning on or after April 1, 2021.

vi. Revenue

PS3400, *Revenue* establishes standards on how to account for and report on revenue, specifically in regards to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2022.

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

2 CASH AND CASH EQUIVALENTS

	2019	2018
Cash	\$ 1,832	\$ 2,870
Cash in investment accounts	239	-
	\$ 2,071	\$ 2,870

The City has access to an unsecured line of credit of up to \$30,000 (2018 - \$30,000) with an interest rate of prime minus 0.75%, resulting in an effective rate of 3.20% (2018 - 3.20%) to cover any bank overdraft arising from day to day cash transactions. As at December 31, 2019, there was no amount outstanding on the line of credit overdraft (2018 - \$Nil).

3 ACCOUNTS RECEIVABLE

	2019	2018
Property Taxes:		
Current taxes and grants in place of taxes	\$ 3,495	\$ 2,855
Arrears	721	523
Local improvement levies	3,478	3,694
	7,694	7,072
General	4,706	5,209
Utilities	18,540	17,789
Government transfers	27,501	14,683
Interest on investments	1,418	780
Other receivables	2,692	2,457
Allowance for doubtful accounts	(174)	(136)
	54,683	40,782
	\$ 62,377	\$ 47,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 LAND HELD FOR SALE

	2019		2018	
Residential	\$	1,812	\$	1,412
Industrial and commercial		6,497		4,017
Land held ready for sale		8,309		5,429
Residential		25,623		26,403
Industrial and commercial		14,008		16,886
Land held not ready for sale	\$	39,631	\$	43,289
		47,940		48,718

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

5 INVESTMENTS

	2019		2018	
	Cost	Market Value	Cost	Market Value
Short-term investments	\$ 42,422	\$ 42,836	\$ 69,181	\$ 69,452
Federal government	19,325	19,426	13,961	13,883
Provincial government	37,752	38,068	78,455	78,387
Municipal government	3,971	4,063	3,311	3,259
Canadian banks	90,165	90,901	40,000	38,869
Corporate	13,654	13,621	10,460	10,163
Other	1,775	1,767	1,093	1,085
	\$ 209,064	\$ 210,682	\$ 216,461	\$ 215,098

Short-term investments are reasonably liquid investments held in various financial institutions, notably Canadian Treasury Bills and Guaranteed Income Certificates. These investments have interest rates of 0.00% to 2.90% (2018 - 0.00% to 2.81%) with maturities of generally one year or less.

The remaining investments are intended to be held long term. They have interest rates of 0.50% to 6.47% (2018 - 0.50% to 6.47%) and mature in periods from January 23, 2020 to April 12, 2054 (2018 - January 14, 2019 to April 12, 2054).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

6 LOANS RECEIVABLE

	2019	2018
Central Alberta Theatre	\$ 8	\$ 12
Red Deer Curling Centre	23	45
Central Alberta Humane Society	663	701
2019 Canada Winter Games Host Society	3,252	3,552
	\$ 3,946	\$ 4,310

Principal to be received are as follows:

2020	\$ 3,318
2021	43
2022	41
2023	43
2024	44
Thereafter	457
	\$ 3,946

(a) Central Alberta Theatre

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 term of the loan is 7 years ending March 15, 2021 with an interest rate of 2.96% per annum.

(b) Red Deer Curling Centre

The City Council approved a loan to Red Deer Curling Centre to help make their facility exterior consistent with the adjacent Servus Arena. The original loan issued in 2018 was \$68, representing 50% of the Centre's share of installation costs. The loan terms are 3 equal payments of \$23 due October 1 of 2018, 2019, and 2020 and bearing an interest rate of 0.00% per annum.

(c) Central Alberta Humane Society

The City provided a loan to Central Alberta Humane Society (formerly The Red Deer & District SPCA) for the construction of a new facility. The term of the loan is 25 years ending October 1, 2036 and bears interest at a rate of 3.60% per annum. The interest rate is to be reviewed every three years on the anniversary date of the original agreement.

(d) 2019 Canada Winter Games Host Society

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). An amending agreement signed January 2020 extended the term from December 31, 2019 to April 1, 2020. The interest rate is 0.00% per annum. For more information related to the Games and the Host Society, see Note 29.

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

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019		2018
Trade	\$ 31,383	\$	29,753
Payroll and remittances	4,844		3,603
Goods and Services Tax	378		350
Liability for contaminated sites	2,729		2,771
Accrued interest	1,074		991
Grants	5,000		-
Other	49		89
	\$ 45,457	\$	37,557

(a) Liability for contaminated sites

The City owns properties that have undergone initial environmental site assessments. Where the assessments identified environmental contamination, liabilities for future environmental remediation were established.

Remediation activity for each contaminated site is as follows:

	2018	Remediation Costs	2019
Riverlands Development	\$ 1,126	\$ 7	\$ 1,119
P2 Parking Lot	450	-	450
P10 Parking Lot	1,195	35	1,160
Liability for contaminated sites	\$ 2,771	\$ 42	\$ 2,729

(b) Grants

In 2016, The City entered into an agreement with Red Deer College to provide \$11,500 over nine years toward the construction of sporting facilities related to the Games of which are now complete. As at December 31, 2019, The City has accrued the remaining payments totaling \$5,000 to be paid in equal annual instalments until October 1, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019 (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.

	2018	Restricted contributions received including interest earned	Revenue recognized	2019
Deferred Government Transfers				
Basic Municipal Transportation Grant	\$ 65	\$ -	\$ 65	\$ -
Municipal Sustainability Initiative	32,919	16,048	20,010	28,957
Federal Gas Tax Fund	5,751	11,451	3,222	13,980
GreenTRIP	2,015	2,048	2,000	2,063
Water for Life Grant	450	-	-	450
Family and Community Support Services	216	3,108	3,195	129
Outreach Support Services Initiative	2,711	2,583	4,280	1,014
Reaching Home	-	795	717	78
Other government	350	5,790	5,566	574
	44,477	41,823	39,055	47,245
Other Deferred Revenue				
Recreation amenity	2,722	153	73	2,802
Developer and customer contributions	13,277	4,541	3,956	13,862
Other	3,455	6,075	4,618	4,912
	19,454	10,769	8,647	21,576
	\$ 63,931	\$ 52,592	\$ 47,702	\$ 68,821

The Municipal Sustainability Initiative (MSI) is made up of capital and operating components. The capital component, in conjunction with Federal Gas Tax Fund, are restricted to eligible capital projects as approved by the Province of Alberta and scheduled for completion in future years. MSI's operating component makes up \$640 (2018 - \$650) of the amount received in 2019.

For more information on government transfers received during the year, see Note 18.

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

9 EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Vacation, overtime, and earned days off	\$ 7,532	\$ 8,514
Retiring allowance	2,529	2,609
Other employment benefits	5,108	4,757
	\$ 15,169	\$ 15,880

(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, 2018 and extrapolated to December 31, 2020. Key actuarial assumptions used in the valuation were based on a number of assumptions about future events, which reflect management's best estimates.

The expected discount rate of 3.40% (2018 - 3.40%) and the expected salary escalations of 2.75% (2018 - 2.75%) are used to determine the accrued benefit obligation. The accrued benefit obligation is \$2,694 (2018 - \$2,811) using projected benefit method prorated on services. The net actuarial loss of \$165 (2018 - \$202) is amortized on a straight line basis over 13 years starting with the year following its determination.

(c) Other Employee Benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The estimated total landfill liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 2.51% (2018 - 2.84%) and annual inflation of 1.59% (2018 - 1.80%). 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 2055. 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 699,609 (2018 - 737,412) cubic metres remaining, which is projected to last until 2023 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	2019	2018
Total estimated closure and post-closure costs	1,902	4,711	6,613	6,203
Estimated capacity used	100 %	80 %	80 %	79 %
Liability recognized as of December 31, 2019	1,902	3,768	5,670	5,288
Estimated capacity remaining	-%	20 %	20 %	21 %
Remaining estimated costs to be recognized	\$ -	\$ 943	\$ 943	\$ 915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

11 LONG-TERM DEBT

Long-term debt is comprised of:

	2019	2018
Tax-supported debt	\$ 151,298	\$ 145,479
Self-supported debt:		
Offsites	28,213	34,142
Utilities	65,225	62,641
Land and other	29,952	32,952
	\$ 274,688	\$ 275,214

Current portion of long-term debt amounts to \$19,776 (2018 - \$19,960).

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

Principal and interest payments are as follows:

	Principal	Interest	Total
2020	\$ 19,776	\$ 9,620	\$ 29,396
2021	20,440	8,955	29,395
2022	19,525	8,275	27,800
2023	19,383	7,601	26,984
2024	17,345	6,932	24,277
Thereafter	178,219	55,999	234,218
	\$ 274,688	\$ 97,382	\$ 372,070

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

Debentures mature in annual amounts to 2049 (2018 – 2048). Interest rates on these debentures range from 1.84% to 5.38% (2018 - 1.84% to 5.38%) per annum. The average annual interest rate is 3.50% (2018 - 3.54%). Debenture debt is issued on the credit and security of The City at large.

During the year, a total of \$19,568 (2018- \$22,212) was added through new debenture borrowings to fund capital projects. Interest expenses on long-term debt amounted to \$9,956 (2018 - \$9,824). Cash payments for interest and principal were \$9,873 (2018 - \$9,786) and \$20,094 (2018 - 21,562) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

12 DEBT LIMIT

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:

	2019	2018
Total debt limit	\$ 541,091	\$ 522,996
Total debt	274,688	275,214
Percentage used	51 %	53 %
Total debt service limit	90,182	87,166
Total debt service	29,396	29,724
Percentage used	33 %	34 %

The debt limit is calculated at 1.5 times revenue of The City as defined in Alberta Regulation 255/00 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 Course.

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

13 TANGIBLE CAPITAL ASSETS

	2019	2018
Net book value		
Land	\$ 357,747	\$ 353,439
Land improvements	81,507	72,613
Buildings	272,637	271,365
Machinery, equipment, and furnishings	55,760	53,995
Vehicles	35,269	37,620
Engineered structures		
Roadway system	412,705	414,906
Water system	214,381	208,882
Wastewater system	240,371	242,148
Storm system	219,979	215,667
Electrical system	96,608	94,902
Fibre optics system	1,295	1,361
	1,988,259	1,966,898
Assets under construction	96,517	95,932
	\$ 2,084,776	\$ 2,062,830

In 2019, \$7,349 (2018 - \$19,325) in land, building, and engineered structures were contributed to The City.

In 2019, \$13 (2018 - \$249) 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

	2019	2018
Tangible capital assets (Schedule 1)	\$ 3,175,819	\$ 3,084,525
Accumulated amortization (Schedule 1)	(1,091,043)	(1,021,695)
Long-term debt related to tangible capital assets	(251,631)	(249,890)
Equity in tangible capital assets (Schedule 2)	\$ 1,833,145	\$ 1,812,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2019 (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.

	2019	2018
Unrestricted surplus in controlled agencies	\$ 1,177	\$ 148
Capital to be financed	(44,032)	(40,746)
Reserves		
Finance a specific purpose	2,477	1,854
Capital projects - tax supported	27,068	33,133
Municipal parkland	7,184	6,922
Operating - tax supported	33,479	33,838
Debt repayment	1,446	3,155
Capital asset replacement	34,843	20,234
Land development	61,474	63,009
Parking	1,376	1,637
Offsite	(20,686)	(6,257)
Power	26,834	24,148
Water	8,539	3,873
Wastewater	21,424	18,042
Solid waste management	13,810	16,349
Total reserves (Schedule 2)	219,268	219,937
Equity in tangible capital assets (Note 14)	1,833,145	1,812,940
Accumulated surplus (Schedule 2)	\$ 2,009,558	\$ 1,992,279

In November 2019, City Council approved the return of internal borrowing of \$6,000 to the power reserve and \$4,500 to the capital asset replacement reserve from the offsite reserve. The motion also permitted the offsite reserve to maintain a negative balance on an ongoing basis to better illustrate the extent of offsite development front-ended by The City.

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

16 NET MUNICIPAL TAXES

	Budget (Note 30)	2019	2018
Taxation			
Real property taxes	\$ 176,953	\$ 175,979	\$ 172,068
Grants in place of taxes	1,698	1,698	1,561
Linear and other property taxes	3,366	3,366	3,286
	182,017	181,043	176,915
Requisitions			
Public schools	40,578	39,640	39,763
Catholic schools	5,677	5,650	5,672
Bridges Community Living	575	575	500
Designated industrial property	5	12	5
	46,835	45,877	45,940
	\$ 135,182	\$ 135,166	\$ 130,975

17 USER FEES AND SALE OF GOODS

	Budget (Note 30)	2019	2018
Utility user fees	\$ 142,067	\$ 133,743	\$ 131,927
Land sales	4,126	2,511	2,871
Transit revenue	6,367	6,267	5,829
Ambulance and dispatch revenue	12,162	12,479	12,184
Facility user fees	6,213	4,993	5,133
Equipment and facility rental	4,023	4,122	4,026
Electrical transmission recovery	2,600	5,638	4,320
Other	4,114	4,345	3,989
	\$ 181,672	\$ 174,098	\$ 170,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

18 GOVERNMENT TRANSFERS

	Budget (Note 30)	2019	2018
Operating transfers			
Provincial	\$ 12,497	\$ 13,505	\$ 12,509
Federal	698	732	729
Other local	361	430	377
	13,556	14,667	13,615
Capital transfers			
Provincial	15,299	22,164	21,349
Federal	6,026	3,287	10,607
Other local	-	-	229
	21,325	25,451	32,185
	\$ 34,881	\$ 40,118	\$ 45,800

Details on significant government transfers are as follows:

Operating Transfers

(a) Alberta Solicitor General and Public Security provides annual funding for supporting municipalities with the costs of policing services. The City received \$1,607 in 2019 (2018 - \$1,607), and the full amount was recognized as provincial operating transfers.

(b) 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 2019, The City received \$1,650 (2018 - \$1,496) for the 911 Grant Program and recognized the entire amount in provincial operating transfers.

(c) The Homelessness Partnering Strategy (HPS) ended as at March 31, 2019 and has been replaced by Reaching Home. The new agreement spans from April 1, 2019 to March 31, 2024 with a maximum contribution to The City of \$2,807 made in semi annual payments over five years. The final amount received from HPS in 2019 is \$162 (2018 - \$729) and recognized as federal operating transfers. The total amount received from the new agreement in 2019 was \$633, of which \$555 was recognized as federal operating transfers and \$78 was deferred to the following year.

Capital Transfers

(d) In 2016, the Green Transit Incentives Program (GreenTRIP) has paired with Public Transit Infrastructure Fund (PTIF) to support municipalities in providing sustainable public transit alternatives. For GreenTRIP, The City recognized \$2,981 (2018 - \$6,365) as provincial capital transfers for 2019 and accrued \$981 (2018 - \$5,933) of that amount. For PTIF, The City recognized \$66 (2018 - \$3,986) in federal capital transfers for 2019 and no accrued receivable (2018 - \$2,023).

For government transfers deferred to future years, see Note 8.

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

19 EXPENSES BY OBJECT

	Budget (Note 30)	2019	2018
Salaries, wages, and benefits	\$ 155,200	\$ 149,044	\$ 146,380
Contracted services	51,669	44,480	40,487
Materials and supplies	53,456	53,441	51,041
Purchases from other governments	25,862	26,370	24,661
Grants to organizations	11,936	16,514	10,216
Financial charges	9,914	10,260	10,071
Amortization of tangible capital assets	69,132	75,455	74,536
Other expenses	521	684	524
	\$ 377,690	\$ 376,248	\$ 357,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019 (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)	2019	2018
Mayor:				
T. Veer	\$ 125	\$ 21	\$ 146	\$ 125
Councillors:				
S. Buchanan	66	14	80	71
M. Dawe	67	11	78	70
T. Handley	66	14	80	71
V. Higham	66	12	78	67
K. Johnston	66	13	79	71
L. Lee	74	14	88	77
F. Wong	66	9	75	67
D. Wyntjes	67	14	81	71
	538	101	639	565
City Manager:				
A. Seabrooke	140	37	177	-
C. Curtis	48	278	326	445
Designated Officer:				
City Assessor	138	43	181	149
	\$ 989	\$ 480	\$ 1,469	\$ 1,284

(a) Salary includes regular base pay, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration. The City does not pay bonuses to employees.

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

(c) Benefits for City Councillors include accidental death and dismemberment, group life, health care, dental coverage, registered savings plan, internet and phone allowances, transit, and Canada Pension Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019 (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 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 13.84% for the excess. Employees of The City are required to make current service contributions of 8.39% to the YMPE and 12.84% thereafter.

Total current service contributions by The City to LAPP in 2019 were \$11,790 (2018 - \$12,592). Total contributions by the employees of The City to LAPP in 2019 were \$10,709 (2018 - \$12,157).

As at December 31, 2018, LAPP reported an actuarial surplus of \$3.5 billion (2017 - \$4.8 billion). This amount is not specifically allocated to the participating government organizations. The 2019 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, provides supplementary pension benefits to a prescribed class of employees. The plan supplements the LAPP.

Employees and The City are required to make current service contributions to APEX of 2.84% and 3.78% respectively (2018 - 2.84%, 3.78%) of individual pensionable earnings up to \$151 (2018 - \$147).

Total current service contributions by The City to APEX were \$540 (2018 - \$543). Total current service contributions by the employees of The City were \$406 (2018 - \$408).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

23 MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN

Muni SERP is a supplementary employee retirement plan defined by The City and administered by the Alberta Municipal Services Corporation (AMSC). The plan 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, 2019 is estimated at \$1,205 (2018 - \$702). This liability is offset by earmarked asset investment fund held by AMSC in the amount of \$1,084 (2018 - \$1,217).

A projected accrued benefit cost with prorating on service method is used to determine the accrued benefit obligation. Key actuarial assumptions used in the valuation were based on actuarial estimates. Those assumptions involve forecasts of expected future inflation rates, discount rates, wage and salary increases, maximum pension limit under the Income Tax Act, and employee turnover and mortality. Key assumptions are as follows: expected discount rate of 4.60% (2018 - 4.75%), expected salary escalations of 2.75% (2018 - 3.50%) per year, and inflation rate of 2.25% (2018 - 2.25%).

24 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

25 CONTRACTUAL RIGHTS AND OBLIGATIONS

The following are The City's significant capital rights and obligations:

(a) Developer agreement rights

The City entered into various developer agreements where engineered structures will be contributed to The City as at the date of their completion. Developer agreements in effect in 2019 that will result in future contributed assets total \$4,666 (2018 - \$1,101).

(b) Lease rights

The City has agreements to lease land to the Westerner Exposition Association with an expiry date of May 1, 2059 and to the Alberta Sports Hall of Fame Museum Society with an expiry date of November 9, 2042. At the time of expiry or lease termination, all buildings and other improvements on these properties will be contributed to The City. The estimated fair values of the tangible capital assets at those future dates is unknown at this time.

(c) Construction obligations

The City has commitments with various developers and contractors for capital projects. The following table is a summary of capital contractual obligations related to those projects:

Construction Contracts	Obligation	
	2019	2018
General and administrative projects	\$ 721	\$ 1,316
Fleet purchases	3,533	2,427
Roadway rehabilitation and street improvements	8,382	10,232
Public transit improvements	314	2,870
Storm sewer and drainage improvements	574	1,796
Water system and treatment plant upgrades	21,332	2,059
Wastewater system and treatment plant upgrades	5,699	4,267
Subdivision development	1,394	3,076
Recreation facility improvements	2,346	4,339
Power station and infrastructure upgrades	1,042	2,703
Other minor projects	110	234
	\$ 45,447	\$ 35,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(a) Solid Waste and Recyclables Collection Contracts

The City's solid waste and recyclables collection contracts are based on a percentage of the utility billing for the year. See the chart below for all significant contracts related to solid waste collection and recycling:

Contract Name	Expiry Date	Estimated Annual Cost	
		2019	2018
Waste Management Facility	December 31, 2020	2,435	2,107
Green cart collection	March 31, 2023	2,601	2,594
Blue cart collection	April 30, 2024	2,899	-
Black cart collection	April 30, 2024	862	-
Commercial garbage collection	December 31, 2020	2,239	3,300
Blue box collection	May 3, 2019	-	1,360
		11,036	9,361

(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 2019 is \$25,239 (2018 - \$25,637).

(c) ENMAX Contract

In 2019, The City entered into a two year agreement with ENMAX Power Corporation to provide Meter Data Management Services to The City until December 31, 2021. The estimated remaining cost of the contract is \$5,473 (2018 - \$3,093).

(d) Lease Obligation

In 2013, The City entered into a ten year lease agreement with Gold Bar Investments Ltd. for three floors in the Professional Building in downtown Red Deer. The estimated remaining cost of the contract is \$1,997 (2018 - \$2,687). The lease will expire December 31, 2022.

(e) Northside Community Centre Contract

In 2019, The City entered into an agreement with the YMCA to occupy, manage, and maintain the Northside Community Centre until June 30, 2024. The total remaining contract cost is \$2,404 to be made in quarterly instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

26 CONTINGENCIES

(a) Environmental Contingencies

i. A pre-existing, non-PCB hydrocarbon plume was discovered beneath Substation 12 as a result of an initial incident in 2009 that was remediated. A plan has been submitted to Alberta Environment to allow The City to continue to monitor the contamination. No official response has been received as at the date of these financial statements, therefore, no estimation for the cost of monitoring can be made at this time.

ii. Subsurface contamination has been found as part of the Ross Street and Taylor Drive project. More delineation is required by The City's geotechnical consultant. Initial reports state that in-site remediation will be possible. The extent of the remediation requirements is still unknown, therefore, no estimation for the cost of remediation can be made at this time.

iii. Environmental site assessments on the Queen's Business Park, discovered ground contamination, including an abandoned well. The City began the process to designate it as an orphan well to allow The City to apply for provincial funding under the Orphan Well Program. At this time, no estimation for the cost of remediation can be made.

iv. The current fire training grounds, the NE High School site, and the NE corner of 46 Street and 49 Avenue all have contamination issues. The extent of the remediation requirements for these sites is still unknown, therefore, no estimation for the cost of remediation can be made at this time.

(b) Land Expropriation Compensation

In 2009, The City acquired land under the Expropriation Act from several property owners in connection with various road development projects. Seven 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 remaining compensation in these cases, therefore, no liability has been accrued in these financial statements.

(c) Active Lawsuits

During 2019, there were various legal claims pending against The City, arising in the ordinary course of its operations. The City defends all claims made against it, but the outcome of these cases is presently indeterminable. At this time, The City cannot estimate the financial impact of these cases and therefore, no liability has been accrued in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

27 GUARANTEES

The City has issued an irrevocable standby letter of credit for \$5,800 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 four (2018 - two) irrevocable standby letters of credit for \$584, \$525, \$74, and \$884 to the Receiver General of Canada on behalf of Fisheries and Oceans Canada. The letters of credit are to guarantee work completion and quality of City waterway projects. The letters have not been utilized to date.

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. Net tax revenue is allocated to each tax-supported segment based on the budgeted expenditures in those segments.

The accounting policies used in these segments are consistent with those followed in the preparation of the 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) General Government Services

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 and Parking

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 authority.

(c) Transportation and Fleet

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

(d) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(e) Recreation, Parks, and Culture

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

(f) 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.

(g) 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.

(h) 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.

(i) Electric Light and Power

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

29 DISCLOSURE SUMMARY FOR THE 2019 CANADA WINTER GAMES

The City was selected by the Canada Winter Games Council as Host City for the 2019 Canada Winter Games (Games). This commitment includes capital and operating components from 2014 through to 2019. The Host Society was formed in 2015 to manage and deliver the Games. The City has entered into an agreement with the Host Society, signed March 2017 and amended March 2018, December 2018, and January 2020 that outlines the roles and responsibilities of the two parties and the transactions between them.

The agreement is summarized as follows:

(b) Contribution from the Host Society

The Host Society has committed to contribute \$9,252 to The City to fund various capital projects related to the Games. The funding is allocated as follows:

Capital Project	Allocation Amount
Red Deer College	\$ 5,000
Great Chief Park	3,000
Canyon Ski Resort	558
River Bend Golf Course	426
Other (amended from \$568)	268
	9,252

As at December 31, 2019, The City received \$5,600 (2018 - \$3,000) from the Host Society. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

remaining \$3,652 was received on April 1, 2020.

(c) Contribution to the Games

The City has committed to a contribution of \$5,923 toward various capital projects related to the Games on the Host Society's behalf. As at December 31, 2019, this commitment has been fulfilled.

(d) Loan to Host Society

In 2016, The City advanced \$5,355 to the Host Society in which a loan receivable was established. In 2020, the term of the agreement and therefore the loan was extended. As at December 31, 2019, the ending balance of this loan is \$3,252 (2018 - \$3,552) and was paid in full on April 1, 2020. See Note 6.

(e) Value in Kind

The City has agreed to provide value in kind up to \$2,000 for the Games through its operations. In 2019, \$1,375 (2018 - \$157) worth of administrative support services was provided to the Host Society during the Games and the remaining \$300 (2018 - \$1,675 remaining) reduced the Host Society's contractual obligation to The City. The reduction was applied to the loan receivable. As at December 31, 2019, the value in kind commitment has been fulfilled.

(f) Games Plaza

In 2016, The City contributed \$1,000 to the Host Society toward the construction of a permanent Games Plaza. The plaza was contributed to The City after the Games and recognized as a contributed asset in 2019.

(g) 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. In the amending agreement signed January 10, 2020, the Host Society agreed that there will be no future funding requests to The City.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

30 BUDGET

The reported budget information is derived from the adopted operating budget approved by Council on March 12, 2019 and the capital cash flow budget approved by Council on March 16, 2020. These budgets do not include subsequent amendments by Council, internal fund transfers, debt issuance and repayment, and other internal recoveries. The table below reconciles The City's final budget to the reported budget presented in the financial statements.

	Operating	Capital	Total
Reported budget surplus (deficit)	\$ (21,513)	\$ 35,460	\$ 13,947
Contributed tangible capital assets	6,928	(6,928)	-
Net amendments	(7,243)	-	(7,243)
Final budget surplus (deficit) before funding transfers	(21,828)	28,532	6,704
Add (less) funding transfers:			
Net transfers between capital and operating	2,536	414	2,950
Net reserve transfers	(26,331)	68,883	42,552
Internal recoveries from capital	3,202	-	3,202
Tangible capital asset transfers	62,203	-	62,203
Long term debt repaid	(19,782)	-	(19,782)
Long term debt issued	-	22,703	22,703
Final budget surplus	\$ -	\$ 120,532	\$ 120,532

31 COMPARATIVE INFORMATION

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

32 APPROVAL OF FINANCIAL STATEMENTS

City Council has approved these financial statements on April 27, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

33 SUBSEQUENT EVENTS

(a) COVID-19

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market, and social dislocating impact. As a result, The City declared a state of local emergency effective March 16, 2020. A number of closures, cancellations, and service reductions have since occurred, which will negatively impact each reporting segment across the organization.

The City has experienced the following indicators of financial implications in relation to the pandemic:

- Activation of The City of Red Deer Emergency Operations Centre
- Closure of all recreation facilities and related amenities and events through to June 30, 2020
- Closure of offices and partial closure of City Hall to the public while staff are required to work from home for those able to do so
- Reduction in transit services and waiving of parking fees
- Deferral of utility payments for ninety days without penalty
- Deferral of property tax payment deadline to September 30, 2020
- Community organizations requiring additional funding to maintain operations

The City's response to COVID-19 presents uncertainty over future cash flows, may cause significant changes to assets or liabilities, and may have a significant impact on future operations. Due to the unprecedented nature of this event, it is not feasible to estimate the full financial effect on The City at this time.

(b) Westerner Park

Subsequent to December 31, 2019, Westerner Park and The City announced on January 28, 2020 that financial challenges at Westerner Park resulted in a request for support whereby The City assumed temporary financial oversight of Westerner Park to ensure the short, medium, and long term success of the organization.

The financial oversight will include working with Westerner Park to re-establish viable and sustainable business practices to stabilize the financial situation at Westerner Park. It was announced that The Board of Directors would continue to provide overall direction to Westerner Park, with support and oversight from The City as it relates to financial decision making and approval of Westerner Park's annual budget. The stabilization of operations will include an in-depth, joint forensic audit with The City to fully assess the current financial situation.

The financial situation at Westerner Park has been further impacted by the COVID-19 outbreak, resulting in closure of onsite facilities and severe impact to operational revenues, which may have a significant impact on future operations of Westerner Park. Due to the uncertainties associated with the operations of Westerner Park, it is not feasible to estimate the full financial effect on The City at this time. This is an evolving situation, and the financial impact may affect The City's financial statements in the subsequent year.

STATISTICAL INFORMATION

GENERAL MUNICIPAL DATA - UNAUDITED
(2015-2019) (in thousands of dollars)

	2019	2018	2017	2016	2015
Population	101,002	99,832	99,832	99,832	100,807
Assessed valuation	\$ 15,603,264	\$ 15,724,614	\$ 15,756,231	\$ 15,987,628	\$ 15,666,694
Per capita assessed valuation	\$ 154	\$ 158	\$ 158	\$ 160	\$ 155
Mill rates (commercial)					
Municipal	13.9121	13.7448	13.4570	13.1457	12.6665
Education Foundation	3.8668	3.8047	3.7298	3.6836	3.6200
Bridges Community Living	0.0373	0.0321	0.0256	0.0273	0.0107
	17.8162	17.5816	17.2124	16.8566	16.2972
Taxes paid by the largest single taxpayer	\$ 3,364	\$ 3,275	\$ 3,177	\$ 3,146	\$ 3,059
Percent of taxes	1.84 %	1.84 %	1.83 %	1.86 %	1.89 %
Property taxes					
Current levy	\$ 182,619	\$ 178,423	\$ 174,065	\$ 169,570	\$ 162,199
Current collected	\$ 180,054	\$ 176,315	\$ 172,017	\$ 167,917	\$ 160,628
Percent of current levy	99 %	99 %	99 %	99 %	99 %
Gross tax collections	\$ 182,442	\$ 178,491	\$ 173,924	\$ 170,524	\$ 161,702
Taxes outstanding	\$ 3,352	\$ 2,676	\$ 2,335	\$ 1,954	\$ 2,255

As there was no municipal census conducted from 2017-2018, census results from 2016 are used for those years.

CAPITAL FUND ACTIVITIES - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Capital expenditure by segment:					
General government services	\$ 3,238	\$ 3,077	\$ 3,873	\$ 4,046	\$ 4,102
Protective services and parking	998	2,167	5,339	13,704	1,814
Transportation and fleet	38,503	37,285	46,618	63,943	51,235
Water and wastewater	23,629	16,820	14,681	15,649	30,897
Waste management	3,580	3,373	1,095	1,632	2,576
Community services	37	131	-	(4)	289
Subdivisions, land, and development	1,143	3,390	6,374	2,741	13,045
Recreation, parks, and culture	8,716	20,708	36,330	16,065	6,334
Electric light and power	10,437	9,390	10,688	9,430	19,427
Total Capital Spending	\$ 90,281	\$ 96,341	\$ 124,998	\$ 127,206	\$ 129,719
Financing Sources Applied:					
Capital government transfers	25,451	32,185	28,481	50,218	44,179
Developer and customer contributions	4,029	5,088	6,995	6,442	8,777
Other capital revenue	3,388	848	2,094	3,458	891
Debt issued	21,835	24,427	45,852	26,664	10,000
From (to) operating	(3,217)	(2,262)	1,808	(2,222)	(635)
From (to) reserves	35,509	42,142	30,636	20,809	50,680
Total Funding	86,995	102,428	115,866	105,369	113,892
Increase (decrease) in fund balance	(3,286)	6,087	(9,132)	(21,837)	(15,827)
Capital fund balance, beginning of year	(40,746)	(46,833)	(37,701)	(15,864)	(37)
Capital fund balance, end of year	\$ (44,032)	\$ (40,746)	\$ (46,833)	\$ (37,701)	\$ (15,864)

CONSOLIDATED REVENUE BY SOURCE - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Operating Revenue:					
Net municipal taxes	\$ 135,166	\$ 130,975	\$ 126,701	\$ 124,346	\$ 123,923
User fees and sale of goods	174,098	170,279	168,674	161,388	161,889
Operating government transfers	14,667	13,615	15,110	19,198	12,301
Investment earnings	7,508	2,793	3,177	6,981	4,893
Fines and penalties	6,938	6,650	5,937	6,148	5,928
Franchise fees	8,744	8,418	9,225	7,848	7,394
Licenses and permits	3,112	3,624	3,249	3,558	3,283
Other operating revenue	3,837	6,977	5,255	5,935	4,092
Total Operating Revenue	354,070	343,331	337,328	335,402	323,703
Capital Revenue:					
Capital government transfers	25,451	32,185	28,481	50,218	44,179
Contributed tangible capital assets	7,349	19,325	7,325	7,330	9,389
Other capital contributions	6,657	5,333	7,951	9,301	9,108
Consolidated Revenue	\$ 393,527	\$ 400,174	\$ 381,085	\$ 402,251	\$ 386,379

CONSOLIDATED OPERATING EXPENSES BY FUNCTION - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Operating Expenses:					
General government services	\$ 41,556	\$ 43,109	\$ 36,641	\$ 37,545	\$ 34,146
Protective services and parking	81,689	77,884	76,679	74,421	66,949
Transportation and fleet	80,859	79,998	78,367	85,706	76,805
Community services	14,700	13,047	15,376	13,572	11,504
Recreation, parks, and culture	57,958	50,328	50,896	51,924	46,892
Water and wastewater	37,551	35,258	36,187	34,542	31,710
Waste management	15,341	14,064	14,642	14,524	13,991
Subdivisions, land, and development	2,196	3,198	2,277	2,534	2,023
Electric light and power	44,398	41,030	39,322	35,884	34,048
Total operating expenses	\$ 376,248	\$ 357,916	\$ 350,387	\$ 350,652	\$ 318,068

In 2019 and 2018, comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED EXPENSES BY OBJECT - UNAUDITED

2015-2019 (in thousands of dollars)

	2019		2018		2017		2016		2015
Operating Expenses:									
Salaries, wages, and benefits	\$ 149,044	\$	146,380	\$	144,014	\$	141,093	\$	133,027
Contracted services	44,480		40,487		42,380		41,998		41,084
Materials and supplies	53,441		51,041		49,494		48,784		47,996
Purchases from other governments	26,370		24,661		23,534		23,217		18,754
Grants to organizations	16,514		10,216		14,265		20,970		8,687
Financial charges	10,260		10,071		9,508		9,317		9,130
Amortization of tangible capital assets	75,455		74,536		66,686		63,758		58,576
Other expenses	684		524		506		1,515		814
Total operating expenses	\$ 376,248	\$	357,916	\$	350,387	\$	350,652	\$	318,068

FINANCIAL POSITION AND ANNUAL SURPLUS - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Financial assets	\$ 325,398	\$ 320,213	\$ 302,645	\$ 308,168	\$ 328,313
Liabilities	412,782	401,062	385,835	359,468	357,745
Net debt	(87,384)	(80,849)	(83,190)	(51,300)	(29,432)
Non-financial assets	2,096,942	2,073,128	2,033,211	1,970,623	1,897,156
Accumulated surplus	2,009,558	1,992,279	1,950,021	1,919,323	1,867,724
Annual surplus	\$ 17,279	\$ 42,258	\$ 30,698	\$ 51,599	\$ 68,311

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

CONSOLIDATED ACCUMULATED SURPLUS - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Unrestricted deficits in controlled agencies	1,177	148	170	10,979	20,168
Capital to be financed	\$ (44,032)	\$ (40,746)	\$ (46,833)	\$ (37,701)	\$ (15,864)
Reserves	219,268	219,937	220,943	222,260	210,830
Equity in tangible capital assets	1,833,145	1,812,940	1,775,741	1,723,785	1,652,590
Total	\$ 2,009,558	\$ 1,992,279	\$ 1,950,021	\$ 1,919,323	\$ 1,867,724

In 2018 and 2017, long term debt not used to purchase tangible capital assets has been reclassified from equity in tangible capital assets to capital to be financed. Comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED RESERVES - UNAUDITED
2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Finance a specific purpose	\$ 2,477	\$ 1,854	\$ 1,783	\$ 2,388	\$ 2,287
Capital projects - tax supported	27,068	33,133	40,743	41,060	31,589
Municipal parkland	7,184	6,922	6,984	6,710	6,464
Operating - tax supported	33,479	33,838	31,757	33,454	33,294
Debt repayment	1,446	3,155	3,816	2,471	4,718
Tax-supported reserves	71,654	78,902	85,083	86,083	78,352
Capital asset replacement	34,843	20,234	27,209	36,317	31,356
Land development	61,474	63,009	65,430	54,447	48,593
Parking	1,376	1,637	372	158	663
Offsite	(20,686)	(6,257)	(10,012)	(2,068)	7,947
Self-supported reserves	77,007	78,623	82,999	88,854	88,559
Power	26,834	24,148	19,878	17,997	16,885
Water	8,539	3,873	3,373	3,383	7,858
Wastewater	21,424	18,042	12,191	8,949	3,001
Solid waste management	13,810	16,349	17,419	16,994	16,175
Utility-supported reserves	70,607	62,412	52,861	47,323	43,919
Total reserves	\$ 219,268	\$ 219,937	\$ 220,943	\$ 222,260	\$ 210,830

LONG-TERM DEBT ISSUED BY FUNCTION - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Protective services and parking	\$ -	\$ -	\$ 1,082	\$ 15,030	\$ -
Transportation and fleet	3,975	1,500	8,042	9,500	3,000
Recreation, parks, and culture	7,193	10,235	33,482	895	11,500
Water and wastewater	7,400	4,971	1,565	-	3,800
Subdivisions, land, and development	-	-	5,570	4,600	11,990
Electric light and power	1,000	5,506	-	-	-
Total	\$ 19,568	\$ 22,212	\$ 49,741	\$ 30,025	\$ 30,290

LONG-TERM DEBT - UNAUDITED

2015-2019 (in thousands of dollars)

	2019	2018	2017	2016	2015
Tax-supported debt	\$ 151,298	\$ 145,479	\$ 137,945	\$ 107,041	\$ 84,043
Self-supported debt	123,390	129,735	136,619	138,228	149,835
Total long-term debt	274,688	275,214	274,564	245,269	233,878
Population	101,002	99,832	99,832	99,832	100,807
Long-term debt per capita	2,720	2,757	2,750	2,457	2,320
Debt limit per regulation	541,091	522,996	517,919	517,055	499,217
Debt limit unused	266,403	247,782	243,355	271,786	265,339
Percentage of debt limit used	51 %	53 %	53 %	47 %	47 %
Service on debt limit	90,182	87,166	86,320	86,176	83,203
Service on existing debt	29,396	29,724	31,309	29,223	27,536
Service on debt limit unused	60,786	57,442	55,011	56,953	55,667
Percentage of service on debt limit used	33 %	34 %	36 %	34 %	33 %
Percentage of expenses	8 %	8 %	9 %	8 %	9 %