



**2009**  
**ANNUAL FINANCIAL REPORT**

**The Corporation of The City of Red Deer**  
**Alberta, Canada**

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## **INTRODUCTORY INFORMATION**

# CITY COUNCIL, DIRECTORS AND DEPARTMENT HEADS

## MAYOR M. FLEWWELLING

**Councillor B. Buchanan**  
**Councillor T. Veer**  
**Councillor L. Watkinson-Zimmer**  
**Councillor F. Wong**

**Councillor L. Pimm**  
**Councillor G. Parks**  
**Councillor C. Jefferies**  
**Councillor L. Mulder**

## CITY MANAGER

**C. Curtis**

### **CORPORATE SERVICES DIRECTOR**

L. Poth

### **Financial Services Manager**

D. Krejci

### **Assessment & Taxation Services Manager**

J. Parkin

### **Information Technology Services Manager**

D. Newton

### **Legislative & Administrative Services Manager**

E. Vincent

### **COMMUNITY SERVICES DIRECTOR**

C. Jensen

### **Social Planning Manager**

S. Cameron

### **Recreation, Parks & Culture Manager**

G. Scott

### **Transit Manager**

K. Joll

### **Officer in Charge**

### **(R.C.M.P.) - City Detachment**

Supt. B. Simpson

### **DEVELOPMENT SERVICES DIRECTOR**

P. Goranson

### **Engineering Manager**

F. Colosimo

### **Public Works Manager**

G. Sikora

### **Fire Chief/Emergency Services Manager**

J. MacDonald

### **Electric Light & Power Manager**

L. Gan

### **Land & Economic Development Manager**

H. Thompson

### **Inspections & Licensing Manager**

P. Meyette

### **Environmental Services Manager**

T. Warder

### **Human Resources Manager**

M. Wray

### **Communications & Strategic Planning Manager**

J. Harvie-Shemko

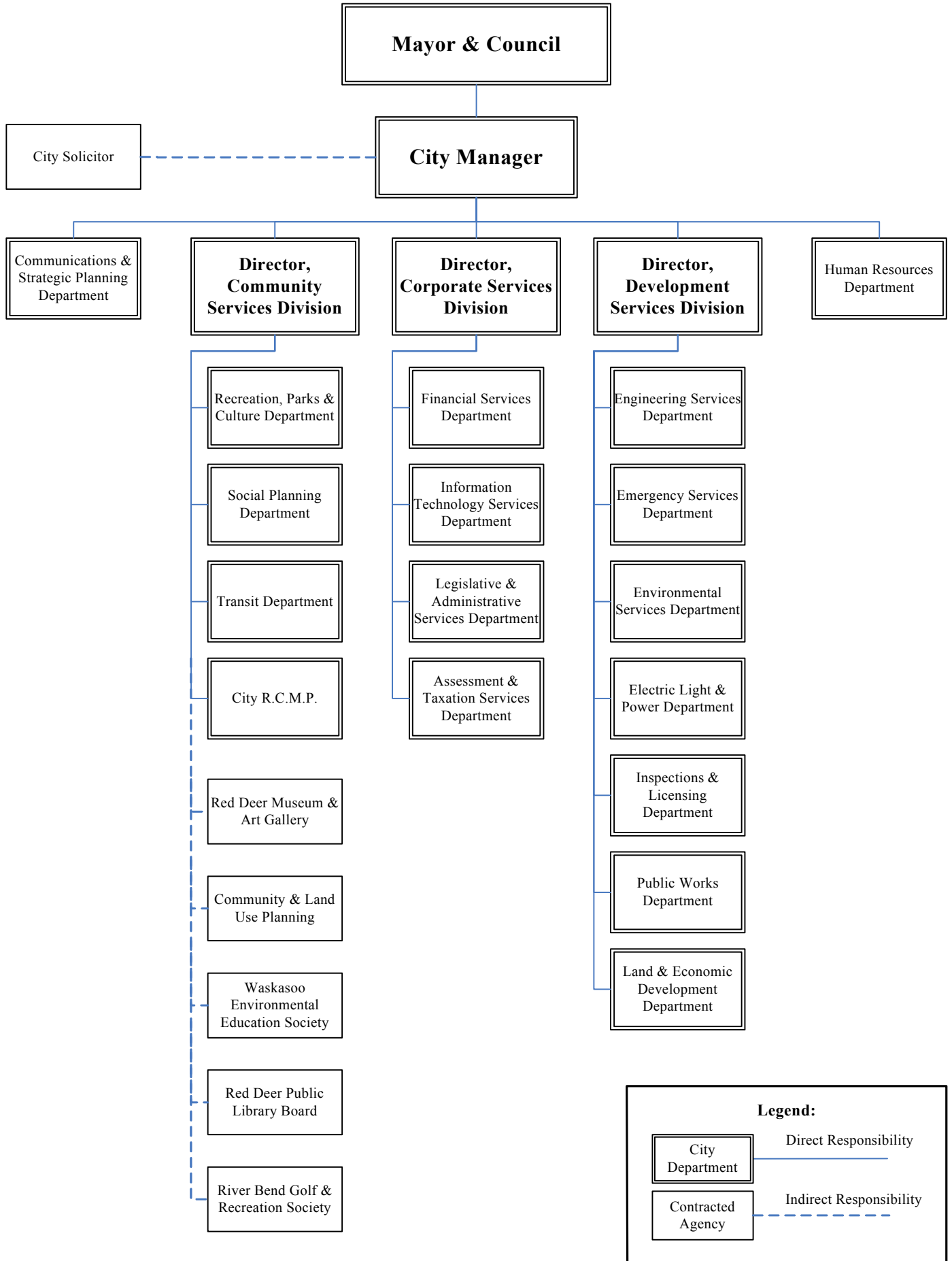
### **City Solicitor**

Chapman Riebeek

### **City Auditor**

Deloitte & Touche LLP

# THE CITY OF RED DEER ORGANIZATIONAL CHART



## CITY PROFILE

The City of Red Deer is a thriving, modern city of nearly 90,000 people located between Calgary and Edmonton. The City provides its citizens with a wide range of services. Property taxes, user fees and grants fund these services.

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

**COMMUNITY SERVICES** - The Community Services Division coordinates the delivery of recreation, culture, parks, transit and social services in Red Deer through the Recreation, Parks & Culture, Transit, and Social Planning departments. Services include development and maintenance of The City's extensive parks and open space system, playground and rink maintenance, operation of The City's two cemeteries, operation of a wide variety of recreational and cultural activities and facilities and family and community support services. Transit offers fixed transit routes throughout the City, special transportation and some charter services. The Community Services Division is also responsible for policing and planning as follows:

**POLICE SERVICES** - The RCMP, under contract to The City, provides police services including general investigation, traffic, community policing and victim services. The City provides a building, furnishings, and a number of municipal employees to support the RCMP in providing these police services.

**PLANNING SERVICES** - Planning Services are provided by Parkland Community Planning Services.

**CORPORATE SERVICES** - The Corporate Services Division provides financial and information services to The City through the Information Technology, Financial Services, Assessment & Taxation and Legislative and Administrative Services departments. Services include administering and coordinating City investments, Budgets and reserves, The City's insurance program, Risk Management, long term borrowing, financial analysis and reporting, information systems operations and support, assessing and levying property and business taxes, legislative services, records management and many other financial and administrative services.

**DEVELOPMENT SERVICES** - The Development Services Division includes the Engineering, Public Works, Land & Economic Development, Inspections & Licensing, Emergency Services, Electric Light & Power and Environmental Services departments. In addition to providing engineering services, roadway and bridge maintenance, sidewalk repair and meter maintenance, the division is also responsible for the operation of the water, wastewater, solid waste utilities and recycling program and the operation of The City's Equipment Pool and Electric Utility. Emergency Services provides a number of services including Fire Suppression, Emergency Medical Services and Fire Prevention. Land & Economic Development includes land development and economic promotion. Inspections & Licensing includes development approvals, building inspections, parking services, licensing, animal control and enforcement.

**OTHER** - The City also has a Human Resources department and a Communications & Strategic Planning department which both provide service to all departments. Legal services are provided to The City by a local law firm.

**SELF FUNDING UTILITIES** - The City operates a number of self funding utilities.

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

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

**PARKING UTILITY** - The City provides parking in the downtown area through on-street metered parking, and metered and spittered off street parking lots in a number of locations. The City began construction of a 400-stall parkade in the downtown area in 2009, which will be operational in 2010. The parking utility is administered by the Inspections & Licensing Department and is funded primarily through fines and parking revenues.

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

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

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

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

## **REPORT FROM THE DIRECTOR OF CORPORATE SERVICES**

I am pleased to submit the Annual Financial Statements for The City of Red Deer for the year ended December 31, 2009 in accordance with Section 276 of the Municipal Government Act of the Province of Alberta.

The preparation and presentation of the Financial Statements and related information in the Annual Financial Report is the responsibility of management of The City of Red Deer. The statements have been prepared in conformity with Canadian generally accepted accounting standards for municipalities as established by the Public Sector Accounting Board (PSAB) and are consistent with other information presented in the Annual Financial Report. The accounting firm of Deloitte & Touche LLP has been appointed as auditors, by City Council, and is responsible to report directly to Council with their audit results.

The Public Sector Accounting Board (PSAB) requires compliance with two new sections of the Public Sector Handbook for 2009. These are Section 3150 – Tangible Capital Assets and 1200 – Financial Statement Presentation. I am pleased to confirm that these statements are in compliance with both sections.

Section 3150 required changes to the way municipalities report their total asset stock, and as such, will allow us to better manage the infrastructure of the City. Section 1200 requires that the statements change to reflect Operating results and Capital activity separately so that the users of the financial statements can more clearly understand how The City has managed the resources entrusted to it. It is important to note that one of the requirements of the new sections is a restatement of the 2008 report to ensure that they are comparable to the new presentation.

### **Statement 1 – Consolidated Statement of Financial Position**

This statement reports The City's financial position in terms of assets, liabilities and accumulated surplus at the end of 2009. This statement contains a number of key figures:

#### **Cash and Cash Equivalents**

At the end of 2009, we held a total of \$255 million in total cash and cash equivalents and this is a very similar position to 2008. We increased our short- and long-term investments by \$22.4 million to optimize our investment returns in a low-return market.

#### **Liabilities**

Liabilities increased by \$11.6 million in 2009, most notably due to the issuance of debt during the year of \$68 million and repayment of \$7.0 million. Accounts payable and deferred revenue were reduced by \$22.4 million and \$28.6 respectively.

#### **Net Debt Position**

We concluded 2009 in a 'Net Debt' position of \$8.9 million. Our long-term debt is generally repayable over 20 years or more which will enable us in meeting our debt obligations.



### **Non-Financial Assets**

The City's non-financial assets include all items that we employ to provide services to our citizens, including roads, parks, plants and inventories. The amount of assets is very close to \$1.8 billion on an amortized basis and reflects a net increase over 2008 of \$127.6 million.

### **Accumulated Surplus**

This amount reflects the total amount of all funds (operating, capital and reserve), and equity in tangible capital assets and represents the total investment over the life of the municipality and reveals an increase of \$116.2 million.

### **Statement 2 – Consolidated Statement of Operations**

This statement reports the surplus or deficit of The City's operations over the 2009 fiscal year.

**Revenues** for the year increased over 2008 by \$21.6 million, but were less than the original budget for the year by \$13.7 million, largely due to fewer land sales than anticipated.

**Expenses** for the year were \$35.0 million higher than budget. Budgets for 2009 did not include a provision for amortization expense for capital assets, which was \$49.2 million. Expenses in 2008, which were restated to include capital assets amortization, amounted to \$189.6 million, which represents an increase in total expenses of \$48.4 million.

**Other** items for 2009 included \$59.4 million of contributed assets and \$55.6 million in transfers from other levels of government for grants; these are recognized on the statements as revenue items.

### **Statement 3 – Consolidated Statement of Net Debt**

This is a new statement for 2009. This statement reconciles the excess of revenues over expenses and the net financial assets (debt) figures and it explains the changes in non-financial assets.

For 2009, \$118.5 million of tangible capital assets were directly acquired by The City. Direct acquisitions in 2008 were \$189.5 million. This does not include contributed assets, which are generally assets constructed by developers in new subdivisions, which are then assigned to The City to maintain. These assets were valued at \$59.4 million at the time of the contribution. In 2008, contributed assets amounted to \$29.6 million.

At the end of 2009, The City had experienced a decrease in net financial assets of \$10.9 million. The restated 2008 decrease was \$66.4 million. This indicates that both 2008 and 2009 were years of asset acquisition; \$177.9 million and \$219.1 million respectively.

## Statement 4 – Consolidated Statement of Cash Flows

This statement explains the source and uses of cash in the organization and also reconciles any non-cash items. Each broad type of activity has a section.

In 2009, operating activities provided \$59.4 million, a decline from \$132.9 million in 2008. Cash was applied to capital activities by direct acquisition of capital assets in 2009 in the amount of \$118.4 million, down from \$189.3 million in 2008. Additional short- and long-term investments were made in 2009 of \$22.4 million, and in 2008, investments were liquidated and provided \$25.9 million. Cash was provided by financing activities in the amount of \$61.0 million in 2009 and \$54.0 million in 2008, due to the issuance of debentures for asset acquisitions.

Cash position at the end of 2009 was \$22.4 million and \$42.7 million at the end of 2008.

### Fund Balances

Fund balances for the last 3 fiscal years are presented below.

Fund Balances	<u>Actual 2009</u>	<u>Actual 2008</u>	<u>Actual 2007</u>
Operating Fund	\$ 792,801	\$ 659,379	\$ 512,659
Capital Fund	44,155,219	949,604	11,372,321
Reserve Fund	131,487,969	125,164,711	127,613,389
Total Fund Balances	<u>\$ 176,435,989</u>	<u>\$ 126,773,694</u>	<u>\$ 139,498,369</u>

### Risk Management Statement

2009 was a year of tremendous change. The year saw the continued volatility in the regional, national and global economies. The continued uncertainty in the global markets did not provide the expected continued economic growth in the local economy or returns on our investment portfolio. While the provincial government continued to support Alberta municipalities with ongoing grant funding for infrastructure, the levels of funding are by no means guaranteed.

The economy has provided opportunities as well. The debenture financing that was issued in 2009 of \$61.0 million is subject to a lower rate than we have experienced in the past. A slower economy has meant that municipal projects begun in 2009, like the downtown parkade, have a lower total cost due to the softer construction market.

## Conclusion

Internally, 2009 saw Council approve a Strategic Plan for 2009 to 2011. This has been an exciting development as Council also emphasized specific strategies for Administration to focus on in the plan period. For the Director of Corporate Services, a number of these Strategies are in the forefront as management completes its work on this Annual Report. These include:

Sustainability 4.1: Implement the Enterprise Asset Management Program.

This program starts with the changes in asset accounting as reflected in these financial statements. The Public Sector Accounting Board issued, and we have complied with PS3150 in these statements. In 2009, we began the implementation of a Work Management system to better record asset maintenance information. When fully implemented in 2011, we will be better able to sustainably manage our municipal infrastructure.

Sustainability 4.2: Take a longer range view to financial sustainability.

This strategy cuts across all the work we do. Every program or project must be funded in some manner, either through the use of additional taxation, grants or the issuance of debt. Like any organization, these sources of funds are finite and must be managed appropriately and with a long-term focus.

For 2009, we continued to work toward financial sustainability by increasing the capital and reserve fund balances by \$43.2 million and \$6.9 million respectively.

We are also committed to responsibly managing our debt levels. We are aware that there will always be a need for ongoing investment in our community. Taking a sustainable approach to these requirements means that we will carefully consider the long term effects of the decisions we make today.

In conclusion, we are always cognizant of our obligation to the community in the context of financial stewardship and we are committed to maintaining financial sustainability for current and future citizens of The City of Red Deer.

Respectfully submitted,



Lorraine Poth, CMA  
Director of Corporate Services

## **FINANCIAL INFORMATION**

## MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in this annual report are the responsibility of management of The City of Red Deer. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants. The preparation of the consolidated financial statements includes best estimates and judgments of management. Financial information contained throughout this annual report is consistent with these financial statements.

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

Deloitte & Touche LLP, an independent firm of chartered accountants, was appointed by a vote of City Council to examine the consolidated financial statements and provide an independent audit opinion in accordance with Canadian generally accepted auditing standards.



Craig Curtis  
City Manager



Lorraine Poth  
Director of Corporate Services

## Auditors' Report

### To the Members of Council:

We have audited the consolidated statement of financial position of the City of Red Deer as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Red Deer as at December 31, 2009 and the results of its operations, changes in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
Edmonton, Alberta

April 16, 2010

# **CONSOLIDATED FINANCIAL STATEMENTS**

**STATEMENT 1 - CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u> (Restated)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 22,408,922	\$ 42,734,414
Temporary investments- Note 2.	65,872,537	54,775,386
Receivables- Note 3. & Note 24.	26,202,682	28,273,038
Land held for resale- Note 4.	22,830,876	23,140,652
Long-term investments- Note 5.	112,793,501	101,461,415
Loans receivable- Note 6.	2,409,190	1,351,483
Investment in River Bend Golf Course- Note 7.	<u>2,724,603</u>	<u>2,732,936</u>
	<u>255,242,311</u>	<u>254,469,324</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	29,000,973	51,465,261
Deposits liabilities	2,601,199	2,758,771
Deferred revenue- Note 8.	40,698,771	69,287,069
Employee benefit obligations- Note 9.	9,150,889	7,300,689
Provision for Landfill closure and post-closure costs- Note 10.	2,182,890	2,200,166
Long-term debt- Note 11.	<u>180,535,955</u>	<u>119,476,500</u>
	<u>264,170,677</u>	<u>252,488,456</u>
<b>NET FINANCIAL (DEBT) ASSETS</b>	<u>(8,928,366)</u>	<u>1,980,868</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets- Schedule 1	1,792,378,708	1,664,739,897
Prepaid expenses	794,068	871,022
Inventories	<u>5,214,417</u>	<u>5,633,722</u>
	<u>1,798,387,193</u>	<u>1,671,244,641</u>
<b>ACCUMULATED SURPLUS- Note 15.</b>	<u>\$ 1,789,458,827</u>	<u>\$ 1,673,225,509</u>

**Commitments - See Note 21.**

**Contingencies - See Note 22.**

**Guarantee - See Note 23.**

Approved on behalf of City Council

Mayor



Councillor





**STATEMENT 2 - CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget (Unaudited)	2009	2008 (Restated)
<b>REVENUES</b>			
Net municipal taxes- Schedule 2	\$ 83,510,726	\$ 83,727,212	\$ 76,136,839
Government transfers- Schedule 3	16,442,357	16,152,269	16,773,153
User fees and sales of goods and services - Schedule 4	133,545,130	116,591,339	100,737,344
Investment income- Note 5.	3,579,096	6,391,048	8,395,910
Fines and penalties	5,231,653	5,035,452	5,536,037
Franchise fees	4,783,725	5,576,775	4,240,895
Licenses and permits	3,171,640	2,303,665	2,988,709
Other revenue	2,625,175	3,671,944	2,631,248
Investment (loss) income from River Bend Golf Course- Note 7.	-	(242,936)	227,471
	<u>252,889,502</u>	<u>239,206,768</u>	<u>217,667,606</u>
<b>EXPENSES- Schedule 5</b>			
Legislative and administrative	26,529,858	27,061,956	24,560,243
Police and other protective	24,584,080	24,014,914	21,198,839
Fire and ambulance	22,965,045	21,639,310	17,462,812
Transportation	20,421,137	47,517,621	29,828,187
Public transit	9,699,210	9,788,110	8,118,576
Social planning	3,840,610	3,890,819	3,447,953
Community	7,450,890	6,852,270	5,472,090
Recreation parks and culture	28,919,082	31,939,647	28,442,528
Parking	907,916	1,148,074	877,039
Equipment pool	7,261,958	8,825,240	7,165,116
Water	10,037,493	13,214,640	9,413,733
Wastewater	9,216,981	11,811,108	7,978,845
Solid waste collection	5,303,579	5,783,351	4,693,735
Recycling	1,899,619	1,745,884	1,513,254
Solid waste disposal	3,145,603	1,939,054	2,149,450
Subdivisions	1,755,599	632,152	440,856
Electric light and power	19,100,339	20,202,627	16,896,738
	<u>203,038,999</u>	<u>238,006,777</u>	<u>189,659,994</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER</b>	<u>49,850,503</u>	<u>1,199,991</u>	<u>28,007,612</u>
<b>OTHER</b>			
Contributed assets	-	59,421,443	29,570,969
Government transfers for capital- Schedule 3	56,191,000	55,611,884	48,199,433
<b>EXCESS OF REVENUE OVER EXPENSES ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>106,041,503</u>	<u>116,233,318</u>	<u>105,778,014</u>
		<u>1,673,225,509</u>	<u>1,567,447,495</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>		<u>\$1,789,458,827</u>	<u>\$1,673,225,509</u>

**STATEMENT 3 - CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budget</u> (Unaudited)	<u>2009</u>	<u>2008</u> (Restated)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ <u>106,041,503</u>	\$ <u>116,233,318</u>	\$ <u>105,778,014</u>
Acquisition of tangible capital assets	(146,575,000)	<b>(118,515,178)</b>	(189,477,016)
Contributed tangible capital assets	-	<b>(59,421,443)</b>	(29,570,969)
Proceeds on disposal of tangible capital assets	-	<b>106,376</b>	209,602
Amortization of tangible capital assets	-	<b>49,203,051</b>	46,010,247
Loss on sale of tangible capital assets	-	<b>988,383</b>	<u>282,383</u>
	<u>(146,575,000)</u>	<u><b>(127,638,811)</b></u>	<u>(172,545,753)</u>
Net change of inventories	-	<b>419,305</b>	(441,727)
Net change of prepaid assets	-	<b>76,954</b>	<u>765,364</u>
	<u>-</u>	<u><b>496,259</b></u>	<u>323,637</u>
<b>(DECREASE) INCREASE IN NET FINANCIAL ASSETS</b>	(40,533,497)	<b>(10,909,234)</b>	(66,444,102)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>1,980,868</u>	<u><b>1,980,868</b></u>	<u>68,424,970</u>
<b>NET FINANCIAL (DEBT) ASSETS, END OF YEAR</b>	\$ <u>(38,552,629)</u>	\$ <u><b>(8,928,366)</b></u>	\$ <u>1,980,868</u>

**STATEMENT 4 - CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>2009</u>	<u>2008</u> (Restated)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 116,233,318	\$ 105,778,014
Amortization of tangible capital assets	49,203,051	46,010,247
Loss (gain) on disposal of tangible capital assets	988,383	282,383
Tangible capital assets received as contributions	(59,421,443)	(29,570,969)
Decrease (increase) in receivables	2,070,356	(3,243,946)
Decrease (increase) in land held for resale	309,776	(10,447,450)
Decrease (increase) in loans receivable	(1,057,707)	68,124
Decrease (increase) in inventory for consumption	419,305	(441,727)
Decrease (increase) in prepaid expenses	76,954	765,364
Increase (decrease) in accounts payable and accrued liabilities	(22,464,291)	18,426,537
Increase (decrease) in deposit liabilities	(157,572)	632,522
Increase (decrease) in deferred revenue	(28,588,298)	4,203,509
Increase (decrease) in employee benefit obligations	1,850,200	754,231
Increase (decrease) in provision for land fill closure/post-closure	(17,276)	(279,215)
Cash provided by operating transactions	<u>59,444,756</u>	<u>132,937,624</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(118,515,178)	(189,477,016)
Proceeds on disposal of tangible capital assets	<u>106,376</u>	<u>209,602</u>
Cash applied to capital transactions	<u>(118,408,802)</u>	<u>(189,267,414)</u>
<b>INVESTING</b>		
Decrease (increase) in long-term investments	(11,332,086)	(1,490,272)
Decrease (increase) in temporary investments	(11,097,151)	26,910,965
Decrease (increase) in investment in River Bend Golf Course	<u>8,333</u>	<u>198,724</u>
Cash provided by (applied to) investing transactions	<u>(22,420,904)</u>	<u>25,619,417</u>
<b>FINANCING</b>		
Short-term borrowing repayment	-	(27,048,000)
Long-term debt issued	67,971,869	84,268,700
Long-term debt repaid	<u>(6,912,411)</u>	<u>(3,186,185)</u>
Cash provided by (applied to) financing transactions	<u>61,059,458</u>	<u>54,034,515</u>
CHANGE IN CASH DURING THE YEAR	(20,325,492)	23,324,142
CASH, BEGINNING OF YEAR	<u>42,734,414</u>	<u>19,410,272</u>
CASH, END OF YEAR	<u>\$ 22,408,922</u>	<u>\$ 42,734,414</u>

**SCHEDULE 1 - TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Land	Land Improvement	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Work-in-progress	2009	2008 (Restated)
<b>Cost:</b>									
Balance, beginning of year	\$ <u>289,036,381</u>	\$ <u>32,520,359</u>	\$ <u>115,017,588</u>	\$ <u>40,336,795</u>	\$ <u>35,262,101</u>	\$ <u>1,549,508,476</u>	\$ <u>255,835,027</u>	\$ <u>2,317,516,727</u>	\$ <u>2,099,834,805</u>
Work-in-progress	-	-	-	-	-	-	(43,203,792)	(43,203,792)	83,803,194
Acquisition of tangible capital assets	48,562,605	2,599,139	115,615,268	5,299,282	3,948,182	45,115,937	-	221,140,413	135,244,791
Disposal of tangible capital assets	-	(15,000)	(308,305)	(567,721)	(2,585,994)	(3,453,317)	-	(6,930,337)	(1,366,063)
Balance, end of year	<u>337,598,986</u>	<u>35,104,498</u>	<u>230,324,551</u>	<u>45,068,356</u>	<u>36,624,289</u>	<u>1,591,171,096</u>	<u>212,631,235</u>	<u>2,488,523,011</u>	<u>2,317,516,727</u>
<b>Accumulated Amortization:</b>									
Balance, beginning of year	-	(14,368,089)	(47,273,994)	(20,533,890)	(15,639,323)	(554,961,534)	-	(652,776,830)	(607,640,661)
Annual amortization	-	(1,180,071)	(5,290,389)	(3,092,416)	(2,823,107)	(36,817,068)	-	(49,203,051)	(46,010,247)
Accumulated amortization on disposals	<u>-</u>	<u>15,000</u>	<u>307,971</u>	<u>500,279</u>	<u>2,314,659</u>	<u>2,697,669</u>	<u>-</u>	<u>5,835,578</u>	<u>874,078</u>
Balance, end of year	<u>-</u>	<u>(15,533,160)</u>	<u>(52,256,412)</u>	<u>(23,126,027)</u>	<u>(16,147,771)</u>	<u>(589,080,933)</u>	<u>-</u>	<u>(696,144,303)</u>	<u>(652,776,830)</u>
<b>Net book value of tangible capital assets</b>	\$ <u>337,598,986</u>	\$ <u>19,571,338</u>	\$ <u>178,068,139</u>	\$ <u>21,942,329</u>	\$ <u>20,476,518</u>	\$ <u>1,002,090,163</u>	\$ <u>212,631,235</u>	\$ <u>1,792,378,708</u>	\$ <u>1,664,739,897</u>

Work in progress represents costs of assets under construction and are not yet in service. Capital assets included in work in progress is not amortized until the asset is put into use and the costs are transferred to the respective asset category.

**SCHEDULE 2 - PROPERTY AND OTHER TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget (Unaudited)	<u>2009</u>	<u>2008</u>
<b>TAXATION</b>			
Real property taxes	\$ 112,298,390	\$ <b>112,674,870</b>	\$ 102,599,100
Grants in lieu of taxes	2,043,052	<b>2,043,052</b>	2,182,556
Local improvement levies	182,900	<b>182,985</b>	185,599
Power, pipelines, cable TV and other taxes	<u>1,194,480</u>	<u><b>1,194,480</b></u>	<u>2,262,008</u>
	<u>115,718,822</u>	<u><b>116,095,387</b></u>	<u>107,229,263</u>
<b>LESS: REQUISITIONS- Note 1.f</b>			
Public schools	28,434,655	<b>28,594,733</b>	27,269,979
Catholic schools	<u>3,773,441</u>	<u><b>3,773,442</b></u>	<u>3,822,445</u>
	<u>32,208,096</u>	<u><b>32,368,175</b></u>	<u>31,092,424</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 83,510,726</u>	<u>\$ <b>83,727,212</b></u>	<u>\$ 76,136,839</u>

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**SCHEDULE 3 - CONSOLIDATED GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget (Unaudited)	<u>2009</u>	<u>2008</u>
<b>OPERATING TRANSFERS</b>			
Provincial	\$ 15,558,579	\$ <b>15,180,262</b>	\$ 15,842,268
Federal	459,200	<b>549,860</b>	456,378
Other	<u>424,578</u>	<u><b>422,147</b></u>	<u>474,507</u>
	16,442,357	<b>16,152,269</b>	16,773,153
<b>CAPITAL TRANSFERS</b>			
Provincial	51,282,000	<b>49,606,571</b>	43,576,830
Federal	4,909,000	<b>6,005,313</b>	4,454,881
Other	-	-	167,722
	<u>56,191,000</u>	<u><b>55,611,884</b></u>	<u>48,199,433</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 72,633,357</u>	<u>\$ <b>71,764,153</b></u>	<u>\$ 64,972,586</u>

**SCHEDULE 4 - CONSOLIDATED USER FEES AND SALE OF GOODS & SERVICES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget <u>(Unaudited)</u>	<u>2009</u>	2008 <u>(Restated)</u>
<b>USER FEES AND SALE OF GOODS AND SERVICES</b>			
Utility user fees	\$ 78,864,138	\$ <b>77,259,131</b>	\$ 63,871,600
Land sales	33,442,245	<b>7,136,800</b>	10,210,500
Transit revenue	4,198,005	<b>4,009,736</b>	3,815,200
Ambulance and dispatch revenue	6,856,909	<b>6,960,563</b>	3,906,676
Facility user fees	3,351,342	<b>3,773,989</b>	3,822,223
Equipment and facility rental	2,677,105	<b>3,071,429</b>	2,578,114
Electrical transmission recovery	2,125,000	<b>1,804,220</b>	1,676,220
Other	3,522,386	<b>3,509,899</b>	2,996,935
Developer contributions	<u>(1,492,000)</u>	<u><b>9,065,572</b></u>	<u>7,859,876</u>
<b>TOTAL USER FEES AND SALE OF GOODS AND SERVICES</b>	<u>\$ 133,545,130</u>	<u>\$ <b>116,591,339</b></u>	<u>\$ 100,737,344</u>

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**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budget <u>(Unaudited)</u>	<u>2009</u>	2008 <u>(Restated)</u>
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 97,010,866	\$ <b>91,566,537</b>	\$ 66,699,242
Contracted services	42,168,408	<b>36,560,257</b>	27,791,616
Purchases from other governments	14,851,830	<b>14,326,231</b>	13,401,222
Purchases of materials and supplies	32,622,300	<b>29,624,785</b>	23,904,366
Grants to organizations and agencies	8,886,895	<b>8,150,790</b>	6,986,836
Financial charges	7,097,544	<b>7,040,983</b>	2,431,602
Amortization of tangible capital assets	-	<b>49,203,051</b>	46,010,247
Other expenses	<u>401,156</u>	<u><b>1,534,143</b></u>	<u>2,434,863</u>
<b>TOTAL EXPENSES BY OBJECT</b>	<u>\$ 203,038,999</u>	<u>\$ <b>238,006,777</b></u>	<u>\$ 189,659,994</u>

**SCHEDULE 6 - CONSOLIDATED SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Government	Protective Services	Transportation	Community Services
<b>REVENUES</b>				
Net municipal taxes	\$ 84,595,511	\$ -	\$ (208,139)	\$ -
User fees and sales of goods and services	341,299	8,025,089	9,508,423	604,427
Government transfers	252,759	12,299,289	26,002,184	7,515,038
Investment income	2,061,041	32,584	1,079,405	118,913
Fines and penalties	625,699	3,314,025	855,506	-
Franchise fees	5,489,986	-	-	-
License and permits	7,083	2,260,452	16,600	19,530
Other revenue	633,736	192,620	901,336	128,667
Revenue from contributed assets	-	-	10,600,753	-
Investment income from River Bend Golf Course	(7,430)	-	-	-
	<u>93,999,684</u>	<u>26,124,059</u>	<u>48,756,068</u>	<u>8,386,575</u>
<b>EXPENSES</b>				
Salaries, wages and benefits	16,443,837	26,066,933	18,322,016	2,018,065
Contracted services	6,111,473	2,821,201	8,505,031	1,156,537
Purchases from other governments	-	14,326,231	-	-
Purchases of materials and supplies	1,177,331	1,432,733	6,772,862	171,806
Grants to organizations and agencies	314,803	-	185,000	7,320,991
Financial charges	808,370	-	2,170,728	17,512
Amortization expenses	1,634,056	822,025	30,958,594	58,178
Other expenses	572,086	185,101	364,814	-
	<u>27,061,956</u>	<u>45,654,224</u>	<u>67,279,045</u>	<u>10,743,089</u>
<b>SURPLUS (DEFICIT)</b>	<b><u>\$ 66,937,728</u></b>	<b><u>\$ (19,530,165)</u></b>	<b><u>\$ (18,522,977)</u></b>	<b><u>\$ (2,356,514)</u></b>

Recreation, Parks and Culture	Water and Wastewater	Waste Management	Subdivision	Electric Light and Power	Total
\$ (22,481)	\$ 62,845	\$ -	\$ (939)	\$ (699,585)	\$ 83,727,212
6,824,328	34,263,102	15,382,858	10,474,244	31,167,569	116,591,339
21,844,583	3,850,300	-	-	-	71,764,153
268,674	855,234	333,981	1,397,563	243,653	6,391,048
-	58,380	16,221	42,307	123,314	5,035,452
86,789	-	-	-	-	5,576,775
-	-	-	-	-	2,303,665
1,301,074	117,660	209,129	179,144	8,578	3,671,944
-	5,220,121	-	43,600,569	-	59,421,443
<u>(235,506)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,936)</u>
<u>30,067,461</u>	<u>44,427,642</u>	<u>15,942,189</u>	<u>55,692,888</u>	<u>30,843,529</u>	<u>354,240,095</u>
18,811,432	6,490,445	239,260	372,991	2,801,558	91,566,537
4,314,465	1,782,947	9,055,778	73,893	2,738,932	36,560,257
-	-	-	-	-	14,326,231
3,882,644	5,293,347	(37,268)	180,159	10,751,171	29,624,785
329,996	-	-	-	-	8,150,790
551,522	2,636,885	2,169	5,069	848,728	7,040,983
4,049,999	8,822,090	240,820	-	2,617,289	49,203,051
<u>(411)</u>	<u>34</u>	<u>(32,470)</u>	<u>40</u>	<u>444,949</u>	<u>1,534,143</u>
<u>31,939,647</u>	<u>25,025,748</u>	<u>9,468,289</u>	<u>632,152</u>	<u>20,202,627</u>	<u>238,006,777</u>
<u>\$ (1,872,186)</u>	<u>\$ 19,401,894</u>	<u>\$ 6,473,900</u>	<u>\$ 55,060,736</u>	<u>\$ 10,640,902</u>	<u>\$ 116,233,318</u>



**SCHEDULE 6 - CONSOLIDATED SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2008 (Restated)**

	General Government	Protective Services	Transportation	Community Services
<b>REVENUES</b>				
Net municipal taxes	\$ 77,120,191	\$ -	\$ (246,608)	\$ -
User fees and sales of goods and services	389,559	4,310,597	6,717,800	353,873
Government transfers	2,587,986	13,459,787	36,745,356	8,427,192
Investment income	615,225	612,528	2,803,358	82,490
Fines and penalties	535,863	3,635,130	913,031	-
Franchise fees	4,143,625	-	-	-
License and permits	12,250	2,936,419	19,500	20,540
Other revenue	302,954	244,126	527,301	56,662
Revenue from contributed assets	-	-	15,366,415	-
Investment income from River Bend Golf Course	-	-	-	-
	<u>85,707,653</u>	<u>25,198,587</u>	<u>62,846,153</u>	<u>8,940,757</u>
<b>EXPENSES</b>				
Salaries, wages and benefits	12,905,691	20,998,523	8,130,524	1,818,775
Contracted services	5,867,860	2,477,911	3,046,505	1,150,435
Purchases from other governments	-	13,401,222	-	-
Purchases of materials and supplies	1,262,065	1,182,206	4,272,084	91,057
Grants to organizations and agencies	350,725	-	185,000	5,824,546
Financial charges	82,092	-	345,237	19,658
Amortization expenses	1,921,369	435,935	29,752,958	5,622
Other expenses	2,170,441	165,854	256,610	9,950
	<u>24,560,243</u>	<u>38,661,651</u>	<u>45,988,918</u>	<u>8,920,043</u>
<b>SURPLUS (DEFICIT)</b>	<b><u>\$ 61,147,410</u></b>	<b><u>\$ (13,463,064)</u></b>	<b><u>\$ 16,857,235</u></b>	<b><u>\$ 20,714</u></b>

Recreation, Parks and Culture	Water and Wastewater	Waste Management	Subdivision	Electric Light and Power	Total
\$ (22,942)	\$ 62,845	\$ -	\$ (2,229)	\$ (774,418)	\$ 76,136,839
6,653,095	29,765,295	11,167,021	13,668,499	27,711,605	100,737,344
3,507,265	245,000	-	-	-	64,972,586
403,177	537,335	236,253	2,835,780	269,764	8,395,910
-	36,312	9,328	191,729	214,644	5,536,037
97,270	-	-	-	-	4,240,895
-	-	-	-	-	2,988,709
1,051,123	223,073	213,081	7,375	5,553	2,631,248
-	13,897,924	-	306,629	-	29,570,969
<u>227,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,471</u>
<u>11,916,459</u>	<u>44,767,784</u>	<u>11,625,683</u>	<u>17,007,783</u>	<u>27,427,148</u>	<u>295,438,008</u>
16,635,420	3,424,657	432,450	350,411	2,002,791	66,699,242
4,191,238	778,897	8,082,666	48,516	2,147,588	27,791,616
-	-	-	-	-	13,401,222
2,960,654	3,137,711	17,658	9,207	10,971,724	23,904,366
626,565	-	-	-	-	6,986,836
363,274	1,565,416	5,054	32,723	18,148	2,431,602
3,609,733	8,479,913	228,176	-	1,576,541	46,010,247
<u>55,644</u>	<u>5,984</u>	<u>(409,565)</u>	<u>(1)</u>	<u>179,946</u>	<u>2,434,863</u>
<u>28,442,528</u>	<u>17,392,578</u>	<u>8,356,439</u>	<u>440,856</u>	<u>16,896,738</u>	<u>189,659,994</u>
<u>\$ (16,526,069)</u>	<u>\$ 27,375,206</u>	<u>\$ 3,269,244</u>	<u>\$ 16,566,927</u>	<u>\$ 10,530,410</u>	<u>\$ 105,778,014</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements ("the financial statements") of The City of Red Deer ("The City") are the representations of management prepared in accordance with Canadian Generally Accepted Accounting Principles for Local Governments established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). Significant aspects of the accounting policies of The City are as follows:

**1.a Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in net financial assets (debt) and in financial position of the reporting entity which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Council and are owned or controlled by the Municipality. The entities included are as follows:

**City Municipal and Utility Operations:**

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

**Societies and Boards:**

Red Deer Public Library  
Red Deer Downtown Business Association  
Waskasoo Environmental Education Society  
Red Deer Museum and Art Gallery

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

River Bend Golf & Recreation Society (Red Deer) ("River Bend Golf Course") is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises. Under this method, the business enterprise's accounting principles are not adjusted to conform to those of The City and inter-organizational transactions are not eliminated.

**1.b Basis of Accounting**

Revenues are accounted for in the period in which the transactions or events occurred that give rise to the revenues. The exception is parking fine revenue which is recorded on a cash basis. Funds from external parties and earnings restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenue and tax receivables when a written decision is received from the authorized Board.

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or the result of a direct financial return. Government transfers to The City are recognized in the financial statements as revenues in the period which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Prior to that time, any amounts received, along with restricted interest is recorded as deferred revenue.

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

Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

**1.c Use of Estimates**

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and assumptions.

Significant financial statement areas requiring the use of estimates include:

- i. costs and revenues associated with electrical services acquired and provided by The City;
- ii. landfill closure and post-closure liability;
- iii. allowance for obsolete inventory;
- iv. employee benefits obligations;
- v. environmental contingencies;
- vi. capital assets useful life;
- vii. accrued liabilities;
- viii. allowance for doubtful accounts receivable; and
- ix. fair value of contributed assets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

1.d Investments

Investments are initially recorded at cost. Investment premiums or discounts are amortized on the net present value basis 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.

1.e Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes the acquisition costs of the land and the improvements required to prepare the land for servicing such as clearing, stripping and leveling. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as capital assets under their respective function.

City-developed lots remain in inventory until fully paid by purchasers.

1.f Requisition Over-levy and Under-levy

Over and under levies arise from the difference between the levy made to cover each requisition and the actual amount requisitioned. If the levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue reduced. If the levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Tax rates are adjusted in the subsequent year for any over or under levies of the prior year.

1.g Local Improvement Charges

Construction costs associated with local improvement projects are recovered through annual special assessments 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. These amounts are recorded as revenue in the year they are paid.

1.h 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 activities include final cover and vegetation costs and completing facilities for drainage, leachate monitoring, water quality monitoring and monitoring and recovery of gas. Post closure activities include leachate treatment and monitoring, regular inspection and maintenance of the final cover, annual groundwater and surface water monitoring and biogas monitoring.

The closure and post-closure costs are recognized as an accrued liability over the estimated remaining life of the landfill site. The liability is recognized using the net present value of the total estimated closure and post-closure costs and is prorated for the percentage of utilized capacity of each site. The City has calculated the net present value of the estimated closure and post-closure costs using a discount rate of 5.00% and assuming annual inflation of 2.84 %.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**1.i Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

**i. Tangible Capital Assets**

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

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

<b>ASSET TYPE</b>	<b>YEARS</b>
Land improvements	7 - 50
Buildings	10 - 50
Engineered structures	
Water system	7 - 75
Wastewater system	7 - 75
Roadway system	7 - 90
Storm system	45 - 75
Electric light	20 - 40
Fibre optic system	30
Machinery and equipment	4 - 30
Vehicles	8 - 20

**ii. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems and roads are recorded at fair value at the date of receipt and are also recorded as revenue in the Statement of Operations.

**iii. 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.

**iv. Inventories**

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

**v. Cultural and Historical Tangible Capital Assets**

Works of art for display, archived municipal records and municipal historical artifacts are not included as capital assets, but are disclosed. Acquisitions of cultural and historical assets are expensed in the current period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**2. TEMPORARY INVESTMENTS**

	<u>2009</u>	<u>2008</u>
Temporary investments- Note 5.	\$ 65,872,537	\$ 54,775,386

Temporary investments are short-term deposits with original maturities of one year or less. Temporary investments have effective rates of 0.40% to 6.70% (2008- 0.82% to 4.00%).

**3. ACCOUNTS RECEIVABLE**

	<u>2009</u>	<u>2008</u> (Restated)
General accounts receivable	\$ 5,260,975	\$ 7,724,872
Utilities	9,081,529	8,786,796
Taxes and grants in lieu of taxes	2,489,658	1,861,610
Other governments	3,681,400	5,975,953
Interest on investments	725,955	1,362,961
Other	<u>5,208,127</u>	<u>2,832,772</u>
	26,447,644	28,544,964
Allowance for Doubtful Accounts	<u>(244,962)</u>	<u>(271,926)</u>
	<u>\$ 26,202,682</u>	<u>\$ 28,273,038</u>

Included in taxes and grants in lieu of taxes are \$NIL (2008 - \$328,660) taxes in arrears.

**4. LAND HELD FOR RESALE**

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market Value (Unaudited)</u>	<u>Cost</u>	<u>Market Value (Unaudited)</u>
Undeveloped land				
Residential	\$ 7,701,243	\$ 10,718,200	\$ 7,759,725	\$ 31,988,200
Industrial and commercial	<u>14,210,167</u>	<u>34,630,591</u>	<u>14,210,166</u>	<u>17,760,000</u>
	<u>21,911,410</u>	<u>45,348,791</u>	<u>21,969,891</u>	<u>49,748,200</u>
Developed Land				
Residential	473,592	19,731,800	953,278	26,751,800
Industrial and commercial	<u>445,874</u>	<u>-</u>	<u>217,483</u>	<u>998,228</u>
	<u>919,466</u>	<u>19,731,800</u>	<u>1,170,761</u>	<u>27,750,028</u>
	<u>\$ 22,830,876</u>	<u>\$ 65,080,591</u>	<u>\$ 23,140,652</u>	<u>\$ 77,498,228</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**5. LONG TERM INVESTMENTS**

	2009		2008	
	Cost	Market Value (Unaudited)	Cost	Market Value (Unaudited)
Federal government	\$ 8,307,194	\$ 8,347,905	\$ 12,691,410	\$ 13,187,047
Provincial government	65,485,412	65,369,634	43,301,166	44,776,139
Municipal government	369,000	374,108	279,022	276,759
Canadian banks	91,654,555	92,879,210	87,800,484	86,891,764
Corporate	7,887,022	7,909,920	6,031,112	5,665,482
Other	<u>4,962,855</u>	<u>4,961,956</u>	<u>6,133,607</u>	<u>2,086,954</u>
	178,666,038	179,842,733	156,236,801	152,884,145
LESS:				
Temporary investments	<u>65,872,537</u>	<u>65,944,970</u>	<u>54,775,386</u>	<u>54,777,443</u>
	<u>\$ 112,793,501</u>	<u>\$ 113,897,763</u>	<u>\$ 101,461,415</u>	<u>\$ 98,106,702</u>

The investments consist of bonds and notes payable. Long-term investments have effective interest rates of 0.30% to 11.00% (2008 - 0.30 % to 11.00 %) and mature in periods from January 25, 2010 to June 1, 2043.

In July 2007, The City purchased a non-bank sponsored asset-backed commercial paper investment at a cost of \$4,929,050 with a maturity value of \$5,000,000 from Aurora Trust. On January 12, 2009, the Ontario Superior Court of Justice issued the Plan Implementation Order with respect to the Companies' Creditors Arrangement Act restructuring of the third-party asset-backed commercial paper market. This resulted in The City receiving replacement paper through Master Asset Vehicle 2 (MAV 2).

The replacement notes received are as follows:

Class A-1	\$ 1,517,604
Class A-2	2,766,598
Class B	502,215
Class C	<u>148,033</u>
	<u>\$ 4,934,450</u>

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



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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There is currently little activity for third-party asset-backed commercial paper. The estimated carrying value has been based on an average of no expected cash flows on all classes of replacement paper until 2017, and no expected cash flows on Class A-1 & A-2 paper until 2017, and no cash flows on Class B & C paper. This resulted in a write-down of \$1,960,000 in 2008. The resulting net carrying value of \$2,969,050 is included in the long-term investments balance of \$ 112,793,501 above calculated as follows:

Original Cost	\$ 4,929,050
Valuation Allowance	<u>1,960,000</u>
	<u>\$ 2,969,050</u>

The performance of the assets underlying the MAV 2 notes results in a lack of measurement certainty in management's estimate of the carrying value of this investment. Since the timing and amount of the cash flows relating to this investment may vary from management's estimate, it is possible that further adjustments to the carrying value may be required in future years.

The valuation allowance has been included as a reduction in investment earnings in the Consolidated Statement of Financial Activities and Change in Fund Balances.

**6. LOANS RECEIVABLE**

	<u>2009</u>	<u>2008</u>
Red Deer Gymnastics Club	\$ 323,571	\$ 351,962
Central Alberta Theatre	170,675	182,125
Red Deer County	784,944	817,396
Red Deer College	330,000	-
Red Deer and District SPCA	<u>800,000</u>	<u>-</u>
	<u>\$ 2,409,190</u>	<u>\$ 1,351,483</u>

Principal amounts due are as follows:

2010	\$ 86,382
2011	431,960
2012	107,951
2013	114,295
2014	121,014
Thereafter	<u>1,547,588</u>
	<u>\$ 2,409,190</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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The City has undertaken a partnership agreement with Red Deer Gymnastics Club for space in the Collicutt Centre. The amount of the capital contribution plus interest at 6.00% is recoverable from the Red Deer Gymnastics Club.

The City provided a loan to the Central Alberta Theatre for the expansion of the Memorial Centre. The loan bears interest at a rate of 6.50%.

The City provided a loan to Red Deer County in lieu of offsite levies for supply of potable water, bearing interest at 5.713 % and repayable in monthly installments of \$6,526.

The City provided a loan to The Red Deer & District SPCA for the construction of a new facility. The term of the loan is 25 years and bears interest at a rate of 5.058%.

The City provided a loan to Red Deer College for access improvements constructed on 32 Street. The term of the loan is 3 years and bears no interest.

**7. INVESTMENT IN RIVER BEND GOLF COURSE**

River Bend Golf Course, a government business enterprise, is a non-profit organization incorporated under the Societies Act of the Province of Alberta for the purpose of managing and operating a high standard publicly accessible golf course, cross country ski course, biathlon course and other recreational activities. The City provided a loan to River Bend Golf Course for the expansion of their clubhouse, bearing interest at 5.3% and is repayable in annual installments of \$140,000 principal and interest. The investment in River Bend Golf Course of \$2,724,603 consists of equity in River Bend Golf Course of \$1,180,084 and clubhouse loan receivable of \$1,544,519.

The following table provides condensed supplementary financial information reported separately by River Bend Golf Course.

<b>Financial Position</b>	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash	\$ 75,694	\$ 98,448
Accounts receivable	12,114	87,468
Inventory	170,851	169,976
Prepaid expenses	6,579	11,379
Capital assets	<u>6,716,912</u>	<u>6,806,452</u>
	<u>\$ 6,982,150</u>	<u>\$ 7,173,723</u>
<b>Liabilities</b>		
Accounts payable	138,191	307,976
Deferred revenue	154,845	157,060
Long-term debt	1,544,519	1,544,519
Deferred capital contributions	3,937,822	31,175
Unamortized capital allocations	<u>26,689</u>	<u>3,944,576</u>
	<u>5,802,066</u>	<u>5,985,306</u>
Net assets	<u>\$ 1,180,084</u>	<u>\$ 1,188,417</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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	<u>2009</u>	<u>2008</u>
<b>Results of Operations</b>		
Revenues	\$ 2,548,204	\$ 2,735,767
Operating expenses	<u>2,791,140</u>	<u>2,508,296</u>
(Shortfall) excess of revenues over expenses	(242,936)	227,471
Licence fee recovery (fee)	234,603	(236,021)
Net assets, beginning of year	<u>1,188,417</u>	<u>1,196,967</u>
Net assets, end of year	<u>\$ 1,180,084</u>	<u>\$ 1,188,417</u>

The following summarizes the City's related party transactions and balances with River Bend Golf Course:

	<u>2009</u>	<u>2008</u>
<b>Related party transactions</b>		
Return on equity	\$ (234,603)	\$ 236,021
Capital payments by The City	-	26,193
<b>Related party balances</b>		
Return on equity receivable	-	235,159
Clubhouse loan receivable	1,544,519	1,544,519
Operating advance to River Bend	100,000	-
Due to River Bend payable	-	(64,332)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the two parties.

**8. DEFERRED REVENUE**

Deferred Revenue consists of funds received that relate to future periods, as follows:

	<u>2009</u>	<u>2008</u>
Basic capital grant	\$ 11,521,460	\$ 15,505,145
Municipal Sustainability Initiative grant	4,163,952	12,325,996
Alberta Municipal Infrastructure Program	3,471,748	7,329,834
New Deal for Cities, Communities, and Public Transit	1,639,953	5,400,228
Recreation amenity	4,716,284	4,912,694
Land sales	674,459	1,039,249
Major Community Facilities Program	123,750	3,643,382
Developer and customer contributions	8,550,518	10,217,778
Other	<u>5,836,647</u>	<u>8,912,763</u>
	<u>\$ 40,698,771</u>	<u>\$ 69,287,069</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**9. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2009</u>	<u>2008</u>
Vacation, overtime and earned days off	\$ 4,786,164	\$ 4,352,443
Retiring allowance	1,596,847	1,520,805
Employment Benefits	<u>2,767,878</u>	<u>1,427,441</u>
	<u>\$ 9,150,889</u>	<u>\$ 7,300,689</u>

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.

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 Gooden & Kerr Actuarial Consultants Ltd as at December 31, 2009. 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 4.75% (2008 - 4.75%) and the expected salary escalations of 4.50% (2008 - 4.50 %) are used to determine the accrued benefit obligation. The accrued benefit obligation is \$2,037,999 (2008 - \$1,520,805) using projected benefit method prorated on services. The accrued benefit liability is \$1,596,847 (2008 - \$1,520,805), and the net actuarial loss is \$441,150 at the end of 2009. The net actuarial loss is amortized on a straight line basis over 13 years beginning in 2010.

Employment Benefits

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**10. LANDFILL CLOSURE AND POST CLOSURE LIABILITY**

The 1972 landfill site reached its full capacity and was permanently closed in 2002. Post closure costs for the site include regular inspection of the cover layer, annual landfill gas monitoring and annual groundwater and surface water monitoring. The site will see an above ground improvement with the situating of a dog park on the north half of the landfill. All structures and vegetation are being designed to not breach the landfill cap. This work is scheduled for 2009/2010. In accordance with the Landfill Approval, groundwater and landfill gas assessment and mitigation plans have been prepared and submitted to Alberta Environment. Once these plans have been approved, they will be implemented. As well, a post closure care plan has been prepared and submitted for Alberta Environment approval. Again, once approval has been received the plan will be implemented. It is estimated that post closure care will be required for a period of 40 years from closure.

The new waste management facility commenced operation in 2001 and is expected to provide capacity to 2041. Closure activities will be on going as the landfill reaches final design elevation. Post closure activities will involve leachate treatment and cover maintenance. The monitoring and analysis costs remain consistent throughout the life of the waste management facility regardless of the number of active versus inactive cells as the same number of wells are monitored. Closure and post-closure costs are based on an independent study conducted in 2004. Phase I of the landfill has capacity of 2,094,429 cubic metres remaining (as of the June 2009 volume study) which is projected to last until 2020 based on current growth and usage. Construction of Cell 4 occurred in 2008. As part of the design of Cell 4, the elevation of the liner was lowered by one metre for Cells 4, 5 and 6, increasing the total capacity of Phase I. Included in Cell 4 construction was the application of the final cap to portions of Cells 1, 2 and 3. As per the Landfill Approval, landfill gas, groundwater, surface water assessment and mitigation plans were completed and sent to Alberta Environment for approval in 2008. Upon acceptance of the plans, the recommendations will be put in place. It is estimated that post closure care will be required for a period of 40 years from closure.

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

	Old Site	New Site Phase 1	<b>2009</b>	2008
Estimated closure costs	\$ -	\$ 766,544	<b>\$ 766,544</b>	\$ 786,701
Estimated post-closure costs	<u>1,443,238</u>	<u>1,230,205</u>	<b><u>2,673,443</u></b>	<u>2,624,201</u>
Estimated total liability	<u>1,443,238</u>	<u>1,996,749</u>	<b><u>3,439,987</u></b>	<u>3,410,902</u>
Liability accrued to December 31, 2009	<u>1,443,238</u>	<u>739,652</u>	<b><u>2,182,890</u></b>	<u>2,200,166</u>
Remaining liability to be recognized	<u>\$ -</u>	<u>\$ 1,257,097</u>	<b><u>\$ 1,257,097</u></b>	<u>\$ 1,210,736</u>
Estimated capacity used			<b>37 %</b>	42 %

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**11. LONG TERM DEBT**

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

Debentures are payable in annual amounts to the year 2039 (2008 – 2038). Interest rates on these debentures range from 2.284 % to 8.25 % (2008 – 4.012 % to 10.75 %).

The loan payable to CMHC was issued January 1, 1972, for a term of 50 years at an interest rate of 8.25%, with an annual repayment of interest and principal of \$26,925.

The current portion of long-term debt amounts to \$10,001,695 (2008 - \$6,311,554).

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,001,695	\$ 8,229,175	\$ 18,230,870
2011	10,411,989	7,829,736	18,241,725
2012	10,515,540	7,412,617	17,928,157
2013	10,633,302	6,977,012	17,610,314
2014	10,888,877	6,519,670	17,408,547
Thereafter	<u>128,084,552</u>	<u>60,403,278</u>	<u>188,487,830</u>
	<u>\$ 180,535,955</u>	<u>\$ 97,371,488</u>	<u>\$ 277,907,443</u>

Long-term debt is comprised of :

	<u>2009</u>	<u>2008</u>
Self-supported debt	\$ 90,408,296	\$ 61,257,646
Tax-supported debt	<u>90,127,659</u>	<u>58,218,854</u>
	<u>\$ 180,535,955</u>	<u>\$ 119,476,500</u>

Interest expense on long-term debt, including interest accrued, amounted to \$6,815,297 (2008 - \$4,140,092 ).

Total cash payments for interest were \$6,610,992 (2008 - \$3,993,045).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**12. DEBT LIMIT**

Section 276(2) of the Municipal Government Act and Alberta Regulation 255 defines debt limits, and debt service limit. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

The City's position with respect to the debt and debt service limit is as follows:

	<u>2009</u>	<u>2008</u> (Restated)
Total Debt Limit	\$ <u>358,810,152</u>	\$ <u>327,873,074</u>
Long-term debt	<u>180,535,955</u>	<u>119,476,500</u>
Debt limit available	\$ <u>178,274,197</u>	\$ <u>208,396,574</u>
Service on debt limit	\$ 59,801,692	\$ 54,645,512
Service on debt	<u>18,230,870</u>	<u>11,920,705</u>
Service on debt limit available	\$ <u>41,570,822</u>	\$ <u>42,724,807</u>

**13. TANGIBLE CAPITAL ASSETS**

	<u>2009</u>	<u>2008</u> (Restated)
<b>Net Book Value</b>		
Land	337,598,986	289,036,381
Land improvement	19,571,338	18,152,270
Buildings	178,068,139	67,743,594
Engineered structures		
Roadway system	396,062,470	405,756,101
Water system	203,791,872	194,292,971
Wastewater system	158,561,073	157,737,559
Storm system	210,793,938	204,899,767
Electrical system	31,424,751	30,721,546
Fiber optics system	<u>1,456,059</u>	<u>1,138,997</u>
	<u>1,002,090,163</u>	<u>994,546,941</u>
Machinery, equipment and furnishings	21,942,329	19,802,905
Vehicles	20,476,518	19,622,779
Work-in-progress	<u>212,631,235</u>	<u>255,835,027</u>
	\$ <u>1,792,378,708</u>	\$ <u>1,664,739,897</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**14. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<u>2009</u>	<u>2008</u> (Restated)
Tangible capital assets (Schedule 1)	\$ 2,488,523,011	\$ 2,317,516,727
Accumulated amortization (Schedule 1)	(696,144,303)	(652,776,830)
Long-term debt (Note 11)	<u>(180,535,955)</u>	<u>(119,476,500)</u>
	<u>\$ 1,611,842,753</u>	<u>\$ 1,545,263,397</u>

**15. ACCUMULATED SURPLUS**

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

	<u>2009</u>	<u>2008</u> (Restated)
Unrestricted surplus	\$ 44,948,021	\$ 1,608,984
Restricted surplus		
Perpetual care	1,090,505	1,026,585
Future expenditures	3,830,439	4,274,587
Parking	1,287,006	2,282,866
Landfill reserve	8,095,349	4,203,106
Power utility	4,076,373	2,385,911
Water utility	7,558,871	5,959,628
Wastewater utility	11,948,007	7,585,418
Solid waste utility	676,389	723,150
Tax rate stabilization	9,156,268	11,603,459
Equipment replacement	11,392,304	8,868,572
Capital projects	27,961,133	32,632,528
Land development	43,907,164	43,083,858
Public	<u>508,161</u>	<u>535,043</u>
	131,487,969	125,164,711
Equity in River Bend Golf Course	1,180,084	1,188,417
Equity in tangible capital assets	<u>1,611,842,753</u>	<u>1,545,263,397</u>
<b>Accumulated surplus</b>	<u>\$ 1,789,458,827</u>	<u>\$ 1,673,225,509</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**16. SALARIES AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	2009			2008		
	No. of Persons	Salary (a)	Benefits and Allowances (b)	Total	No. of Persons	Total
<b>Mayor:</b>	1				1	
M. Flewwelling		\$ <u>82,797</u>	\$ <u>12,439</u>	\$ <u>95,236</u>		\$ <u>87,436</u>
<b>Councillors:</b>	8				8	
S. Buchanan		48,741	6,210	<b>54,951</b>		42,354
C. Jefferies		45,853	6,115	<b>51,968</b>		39,452
L. Mulder		46,488	4,901	<b>51,389</b>		38,238
G. Parks		49,068	4,663	<b>53,731</b>		40,754
L. Pimm		44,632	4,666	<b>49,298</b>		40,178
T. Veer		46,000	3,650	<b>49,650</b>		37,728
L. Watkinson-Zimmer		46,747	6,145	<b>52,892</b>		40,840
F. Wong		48,244	4,959	<b>53,203</b>		40,469
		<u>375,773</u>	<u>41,309</u>	<b>417,082</b>		<u>320,013</u>
<b>City Manager</b>	1	<u>197,615</u>	<u>31,951</u>	<b>229,566</b>	1	<u>202,636</u>
Designated Officers	5	<u>553,481</u>	<u>93,955</u>	<b>647,436</b>	5	<u>678,654</u>
		\$ <u>1,209,666</u>	\$ <u>179,654</u>	\$ <u>1,389,320</u>		\$ <u>1,288,739</u>

- (a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long and short-term disability plans, professional memberships, tuition and car allowance. Benefits and allowances also include supplementary employee retirement plan payments and moving and relocation allowances.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**17. LOCAL AUTHORITIES PENSION PLAN**

Employees of The City participate in the Local Authorities Pension Plan (LAPP), which is one of the plans governed by the Alberta Public Sector Pension Plans Act. The Plan covers approximately 189,000 employees of approximately 411 participating employers. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The City is required to make current service contributions to the Plan of 8.46% of pensionable payroll up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.66% on pensionable earnings above this amount.

Employees of The City are required to make current service contributions of 7.46% of pensionable salary up to the year's maximum pensionable earnings under the Canada Pension Plan and 10.66% on pensionable salary above this amount

Total contributions by The City to the Local Authorities Pension Plan in 2009 were \$ 6,287,033 (2008 - \$4,683,144). Total contributions by the employees of The City to the Local Authorities Pension Plan in 2009 were \$ 5,623,825 (2008 - \$4,135,770).

At December 31, 2008, the Plan disclosed an actuarial deficiency of \$ 4.4 billion. This amount is not specifically allocated to The City and the potential liability is not reduced. The actuarial deficiency for December 31, 2009, is not known as of the date of release of these financial statements.

**18. APEX SUPPLEMENTARY PENSION PLAN**

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003, and provides supplementary pension benefits to a prescribed class of employees (approximately 100 beneficiaries). The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and The City. Employees and The City are required to make current service contributions to APEX of 2.50% and 3.00% respectively of individual pensionable earnings up to \$122,222 (2008 - \$116,667).

Total current service contributions by The City to APEX were \$295,287 (2008 - \$260,917). Total current service contributions by the employees of The City were \$246,070 (2008 - \$217,427).

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 ages of employees. The costs of post-retirement benefits are fully funded.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**19. MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN**

Muni SERP, formerly APEX PLUS, is a supplementary employee retirement plan (SERP) defined by The City and administered by the Alberta Municipal Services Corporation (AMSC). The plan commenced on January 1, 2003, and provides supplementary retirement benefits to specified employees whose retirement income would be affected by the Income Tax Act cap on pension contributions. 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 expense to The City is \$24,882 (2008 - \$52,205).

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 6.50% , expected salary escalations of 4.50% per year, and inflation rate of 2.50%.

**20. FINANCIAL INSTRUMENTS**

The City's financial instruments consist of cash and temporary investments, accounts receivable, long-term investments, loans receivable, short-term borrowing, accounts payable, accrued liabilities and long-term debt. It is management's opinion that The City is not exposed to significant interest or currency risk arising from these financial instruments, unless otherwise noted. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.

The City is subject to credit risk with respect to general accounts receivable, electrical distribution, other utility receivables and other receivables. Credit risk arises from the possibility that individuals and other entities that The City provides services to may experience financial difficulty and be unable to fulfil their obligations.

Credit risk is minimized as receivables are due from a large and diverse number of individuals and other entities. To mitigate the credit risk on general and other receivables, The City performs credit valuations and consistently reviews its outstanding receivables. To the extent that collection of receivables is doubtful, the financial statements take into account an allowance for doubtful accounts.

The City relies on third party power retailers to collect and remit the distribution tariff charged to City residents and businesses to access the electric distribution system of The City. To reduce the risk of default of funds collected for The City, management requires all retailers to post prudential requirements. These prudential requirements can be letters of credit, a guarantee from a suitable guarantor or a cash deposit. The amount of credit is to be equal to the value of the services provided or 75 days of the estimated value of services which ever is less. These credit requirements are monitored to ensure adequate coverage of the risk exposure.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Included in The City’s utility bylaw are provisions to mitigate the credit risk relating to other utility receivables. If property owners have not fulfilled their obligations for outstanding utility charges, The City may add the outstanding charges to the property tax roll. The Municipal Government Act provides municipalities with a process to recover outstanding property taxes through the seizure and subsequent sale of properties with unpaid property taxes in arrears for more than one year. For other utility customers, The City collects a deposit to mitigate the credit risk. Utility receivables are reviewed regularly and to the extent that collection of receivables is doubtful, the financial statements take into account an allowance for doubtful accounts.

**21. COMMITMENTS**

The City has the following commitments:

<b>Construction Contracts:</b>	<b>Commitment Amount:</b>
Roadway and Subdivision Development Projects (Various)	9,684,000
G.H. Dawe Centre Revitalization	6,838,000
R. C. M. P. Downtown Building	9,316,000
Water Treatment Plant Upgrade	11,036,000
North Highway Connector Project	5,769,000
Downtown Parkade	9,438,000
<b>Total commitment amount</b>	<b>\$ 52,081,000</b>

Solid Waste Collection and Recyclables Collection Contract – this contract is based on a percentage of the utility billing until October 31, 2010. The estimated annual contract cost is \$6,999,000.

RCMP Contract – The City pays 90% of the operating costs for the RCMP through to March 31, 2012. The estimated annual contract cost is \$15,448,000.

Recreation Amenity Funds – \$4,716,000 has been collected which will be spent for recreation related capital projects. There is no fixed timeline for making these expenditures.

Offsite Levies – \$7,150,000 has been collected and will be spent for water and sanitary sewer related capital projects. There is no fixed timeline for making these expenditures.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**22. CONTINGENCIES**

Insurance Agreement

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

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

Environmental Issues

The City of Red Deer owns properties that have undergone an initial Environmental Site Assessment. The Site Assessment identified environmental contamination. However, additional testing is needed to determine what needs to be done to remediate the site. The extent of the clean-up will be dependent on the future use of the properties. Based on initial reports a liability in the amount of \$350,000 has been recorded in the statements, and an additional \$500,000 was approved in the capital budget for future expenditures. Additional costs may be identified as further testing is done, but these costs cannot be determined at this time.

Land Expropriation Compensation

In 2009, The City acquired land from seven property owners in connection with the Gaze Avenue and 32 Street intersection and the North Highway Connector projects. In three cases The City had to expropriate, and in the other four cases, The City acquired the lands by way of Section 30 Agreements with the landowners.

In all seven cases, the landowners have the right to seek compensation determined under the Expropriation Act. Two Applications for Determination of Compensation have been submitted to the Land Compensation Board. At this time The City can not determine the amount or likelihood of the compensation in these cases.

River Bend Golf & Recreation Society

In 2009, The River Bend Golf & Recreation Society was in default on the loan held by The City and was not able to remit their licensing fees. The City has agreed to forgive the licensing fees and has suspended the repayment of the loan for 2009. The City is committed to working with the Society to resolve these issues. A financial and operating plan has been prepared that has been accepted by The City. This situation will be monitored to determine what further actions may be required in the event the Society continues to be unable to repay its obligations to The City.

**23. GUARANTEE**

The City has issued an irrevocable standby letter of credit for \$1,350,000 as required by its supplier, The Alberta Electric System Operator (AESO), in the event of payment default for electrical distribution charges. The letter of credit has not been utilized to date.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**24. PRIOR PERIOD ADJUSTMENTS**

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook, which requires governments to record and amortize their tangible capital assets on their financial statements. Revenue from contributed assets and government grants and transfers relating to capital acquisitions has been included in income. Estimates are used for fair market value of contributed assets and replacement costs when The City does not have historical cost records. In addition, included in the financial statements is a retroactive restatement for utility user fees that have been adjusted to agree with the billing cycle cut-off.

These adjustments are as follows:

**Adjustments to 2008 opening accumulated surplus:**

As previously reported	\$ 898,778,619
Adjustment to net book value of tangible capital asset	<u>668,668,876</u>
<b>As (Restated)</b>	<b><u>1,567,447,495</u></b>

**Adjustments to 2008 excess (shortfall) of revenue over expenses:**

As previously reported	(65,351,747)
Loss on asset disposal	(491,987)
Amortization expenses	(46,010,247)
Tangible capital assets recorded but previously expensed	189,477,021
Adjustment of utility user fee prior year accrual	(1,415,994)
Revenue from contributed tangible capital assets	<u>29,570,968</u>
<b>As (Restated)</b>	<b><u>\$ 105,778,014</u></b>

**Adjustments to 2008 tangible capital assets:**

As previously reported	\$ 978,473,231
Adjustments to historical cost of tangible capital assets	1,198,382,774
Adjustments to amortization recorded	<u>(512,116,108)</u>
<b>As (Restated)</b>	<b><u>\$ 1,664,739,897</u></b>

**Adjustments to 2008 account receivables:**

As previously reported	\$ 29,689,032
Adjustment of general accounts receivable	<u>(1,415,994)</u>
<b>As (Restated)</b>	<b><u>\$ 28,273,038</u></b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**25. SEGMENTED INFORMATION**

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

General Government

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

Protective Services

This category of functions is used to report activities that provide for the public safety of the inhabitants of the Municipality, including police protection, fire and ambulance, emergency and disaster prevention and recovery and bylaw enforcement.

Transportation Services

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

Water and Wastewater

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

Waste Management

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

Community Services

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

Subdivision

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

Recreation, Parks and Culture

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

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Investment earnings are allocated to each segment based on an average of fund balances. Internal charges and recoveries among segments are recorded at exchange amounts.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure - Schedule 6 .

**26. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the 2009 financial statement presentation.

**27. Budget**

The 2009 Budget information is presented for information purposes only and has not been audited. The 2009 Budget was approved by City Council on January 31, 2010.

The City does not adopt an annual budget in a format that is consistent with its financial statements. The differences and reconciliations between the budgeted information and the actual results of financial activity reported in the Consolidated Statement of Operations are summarized as follows:

Actual excess of revenue over expenses reported on Consolidated Statement of Operations	\$ <u>116,233,318</u>
Unbudgeted amortization expenses	49,203,051
Unbudgeted revenue from contributed assets	(59,421,443)
Unbudgeted loss on assets disposal	988,383
Public art expenses budgeted under capital	<u>192,296</u>
Adjusted actual excess of revenue over expenses	\$ 107,195,605
Budgeted excess of revenue over expenses reported on Consolidated Statement of Operations	\$ 106,041,503

**28. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.



## **SUPPLEMENTARY FINANCIAL STATEMENTS**

**SCHEDULE A - OPERATING FUND ACTIVITIES AND FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009 (Unaudited)**

	Budget (Unaudited)	2009	2008 (Restated)
<b>REVENUES</b>			
Net municipal taxes	\$ 83,510,726	\$ <b>83,727,212</b>	\$ 76,136,839
User fees and sales of goods and services	135,037,130	<b>107,525,767</b>	92,877,468
Government transfers	16,442,357	<b>16,152,269</b>	16,773,153
Investment income	3,579,096	<b>5,711,414</b>	5,588,499
Fines and penalties	5,231,653	<b>5,035,452</b>	5,536,037
Franchise fees	4,783,725	<b>5,576,775</b>	4,240,895
Licenses and permits	3,171,640	<b>2,303,665</b>	2,988,709
Other revenues	2,113,941	<b>2,273,706</b>	2,561,479
	<u>253,870,268</u>	<u><b>228,306,260</b></u>	<u>206,703,079</u>
<b>EXPENSES</b>			
Legislative and administrative	26,529,858	<b>25,351,176</b>	23,519,476
Police and other protective	24,584,080	<b>23,632,010</b>	21,198,839
Fire and ambulance	22,965,045	<b>21,200,189</b>	17,226,675
Transportation	20,421,137	<b>20,344,924</b>	14,929,572
Public transit	9,699,210	<b>9,149,568</b>	8,092,341
Social planning	3,840,610	<b>3,832,641</b>	3,447,953
Community	7,450,890	<b>6,852,270</b>	5,466,468
Recreation, parks and culture	28,919,082	<b>27,889,648</b>	26,240,629
Parking	907,916	<b>1,101,523</b>	877,039
Equipment pool	7,261,958	<b>5,275,349</b>	5,691,044
Water	10,037,493	<b>8,255,294</b>	6,862,679
Wastewater	9,216,981	<b>7,948,330</b>	5,936,513
Solid waste collection	5,303,579	<b>5,778,544</b>	4,693,735
Solid waste disposal	1,899,619	<b>1,707,884</b>	2,025,852
Recycling	3,145,603	<b>1,741,041</b>	1,513,254
Subdivisions	1,755,599	<b>632,152</b>	440,856
Electric light and power	19,100,339	<b>17,122,799</b>	16,042,760
	<u>203,038,999</u>	<u><b>187,815,342</b></u>	<u>164,205,685</u>
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	<u>50,831,269</u>	<u><b>40,490,918</b></u>	<u>42,497,394</u>
<b>NET INTERFUND TRANSFERS</b>			
Debt repayment	4,742,733	<b>6,912,411</b>	3,186,185
Net transfer to (from) capital	58,564,706	<b>19,363,215</b>	43,396,040
Net transfer to (from) reserve fund	(143,964,139)	<b>14,081,868</b>	(4,231,551)
	<u>(80,656,700)</u>	<u><b>40,357,494</b></u>	<u>42,350,674</u>
<b>CHANGE IN OPERATING FUND BALANCE</b>	<u>\$ 131,487,969</u>	<u><b>133,424</b></u>	<u>146,720</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<b>659,379</b>	512,659
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ <b>792,803</b></u>	<u>\$ 659,379</u>

**SCHEDULE B - CAPITAL FUND ACTIVITIES AND FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009 (Unaudited)**

	Unaudited Budget	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>			
Government transfers	\$ 56,191,000	\$ <b>55,611,884</b>	\$ 48,199,433
Investment income	-	<b>679,634</b>	2,807,412
Developer contributions	(1,492,000)	<b>9,065,572</b>	7,859,876
Other revenues	<u>711,234</u>	<b><u>1,225,843</u></b>	<u>279,371</u>
	55,410,234	<b>66,582,933</b>	59,146,092
<b>CAPITAL EXPENDITURES</b>			
Transportation	35,174,000	<b>36,242,958</b>	34,870,038
Recreation, parks and culture	9,134,000	<b>22,830,597</b>	7,100,507
Water and wastewater	33,275,000	<b>13,243,510</b>	19,838,944
Waste management	1,185,000	<b>1,314,818</b>	2,938,745
Subdivision land and servicing	47,843,000	<b>11,519,217</b>	38,362,792
Electric light and power	5,603,000	<b>2,078,188</b>	3,509,165
New civic yards and other	<u>14,361,000</u>	<b><u>31,509,207</u></b>	<u>62,018,506</u>
	<u>146,575,000</u>	<b><u>118,738,495</u></b>	<u>168,638,697</u>
<b>EXCESS EXPENDITURES OVER REVENUES</b>	<u>(91,164,766)</u>	<b><u>(52,155,562)</u></b>	<u>(109,492,605)</u>
<b>CAPITAL FINANCING AND INTERFUND TRANSFERS:</b>			
Transfer from operations	58,564,706	<b>19,363,215</b>	43,396,040
Transfer from (to) reserves	8,637,060	<b>8,026,093</b>	(1,546,852)
Capital debt issued	<u>23,963,000</u>	<b><u>67,971,869</u></b>	<u>57,220,700</u>
	<u>91,164,766</u>	<b><u>95,361,177</u></b>	<u>99,069,888</u>
<b>CHANGE IN FUND BALANCE</b>	\$ <u>-</u>	<b><u>43,205,615</u></b>	<u>(10,422,717)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>949,604</u>	<u>11,372,321</u>
<b>FUND BALANCE, END OF YEAR (Note 15)</b>		<b>\$ <u>44,155,219</u></b>	<b>\$ <u>949,604</u></b>

# **STATISTICAL INFORMATION**

**TAX AND OTHER STATISTICS  
(2005-2009)  
Unaudited**

	<u>2009</u>	<u>2008</u>
Population	89,891	87,816
Assessed valuation	\$ 12,629,017,010	\$ 12,309,375,010
Per capita assessed valuation	\$ 140,493	\$ 140,172
Mill rates (commercial)		
Municipal	12.2695	12.6335
Education foundation	3.4743	4.1580
Other	0.0000	0.0000
	<u>15.7438</u>	<u>16.7915</u>
Taxes paid by the largest single taxpayer	\$ 2,199,777	\$ 2,000,648
Percent of taxes	1.88 %	1.85 %
Property taxes		
Current levy	\$ 116,913,608	\$ 108,334,512
Current collected	\$ 115,416,794	\$ 107,001,969
Percent of current levy	99 %	99 %
Gross tax collections	\$ 116,207,890	\$ 108,020,223
Taxes outstanding	\$ 2,231,810	\$ 1,661,203
Reserve balance	\$ 131,487,969	\$ 125,164,711
Long-term debt		
Tax supported long-term debt	\$ 90,127,659	\$ 58,218,854
Self supported long-term debt	90,408,296	61,257,646
	<u>\$ 180,535,955</u>	<u>\$ 119,476,500</u>
Legal debt limit	\$ 358,810,152	\$ 327,873,074
Tax supported debt as % of assessment	0.7 %	0.5 %
Gross tax supported debt per capita	\$ 1,003	\$ 663
Total gross debt per capita	\$ 2,008	\$ 1,361
Debt service costs (Gross)		
Tax supported long-term debt	\$ 6,684,394	\$ 1,570,325
Self supported long-term debt	7,043,315	3,411,911
	<u>\$ 13,727,709</u>	<u>\$ 4,982,236</u>
Operating debt costs % of operating expenses	6.00 %	3.04 %

2007	2006	2005
85,705	82,971	79,082
\$ 9,462,744,700	\$ 6,865,112,320	\$ 6,046,101,860
110,411	82,741	76,454
13.0486	12.8435	12.5909
4.8000	5.4600	6.2387
0.0000	0.5100	0.3427
<u>17.8486</u>	<u>18.8135</u>	<u>19.1723</u>
\$ 1,609,160	\$ 1,240,825	\$ 1,138,731
1.67 %	1.45 %	1.48 %
\$ 96,289,340	\$ 85,405,411	\$ 76,697,245
\$ 95,336,712	\$ 84,709,321	\$ 75,481,468
99.0 %	99.2 %	98.4 %
\$ 99,390,221	\$ 85,715,629	\$ 76,405,031
\$ 1,346,914	\$ 1,396,933	\$ 1,215,777
\$ 127,613,389	\$ 99,379,227	\$ 80,061,869
\$ 35,130,697	\$ 1,668,730	\$ 3,095,624
<u>30,311,288</u>	<u>17,461,939</u>	<u>13,602,295</u>
<u>\$ 65,441,985</u>	<u>\$ 19,130,669</u>	<u>\$ 16,697,919</u>
\$ 310,023,215	\$ 281,468,912	\$ 249,710,756
0.4 %	0.0 %	0.1 %
\$ 410	\$ 20	\$ 39
\$ 764	\$ 231	\$ 211
\$ 1,204,032	\$ 1,713,372	\$ 1,716,051
<u>2,453,864</u>	<u>2,966,448</u>	<u>1,983,032</u>
<u>\$ 3,657,896</u>	<u>\$ 4,679,820</u>	<u>\$ 3,699,083</u>
2.61 %	3.67 %	4.03 %