



## **2020 Annual Financial Report**

The Corporation of the City of Red Deer  
Red Deer, Alberta  
For the Year Ended December 31, 2020  
April 2021

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# **INTRODUCTORY INFORMATION**

## MAYOR AND CITY COUNCIL

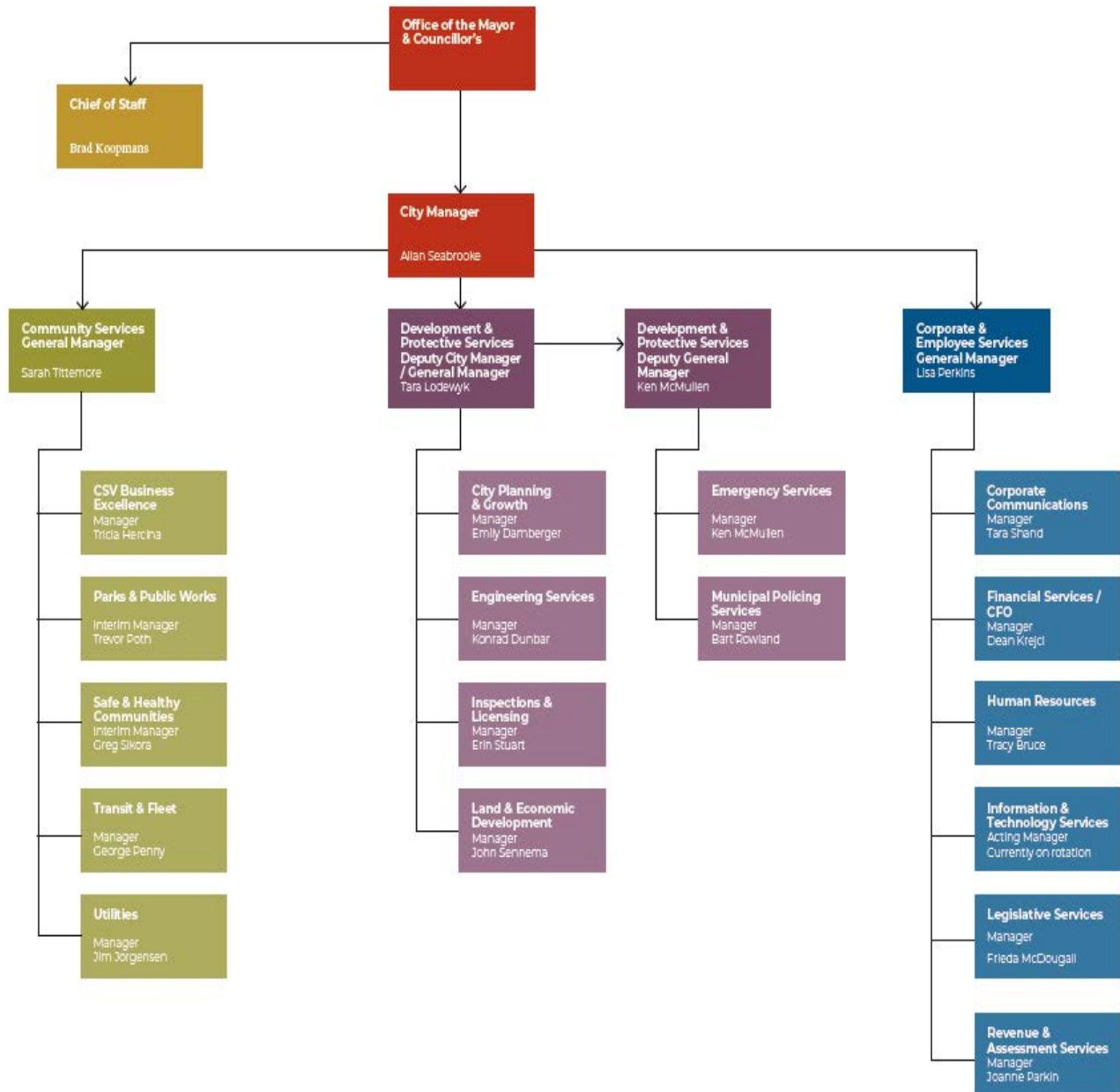


Left to Right: Councillor L. Lee, Councillor F. Wong, Councillor D. Wyntjes, Councillor M. Dawe, Mayor T. Veer, Councillor K. Johnston, Councillor V. Higham, Councillor T. Handley, Councillor S. Buchanan.

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

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

## ORGANIZATIONAL CHART



# **REPORT FROM THE CHIEF FINANCIAL OFFICER**

## **The City of Red Deer**

### **Introduction**

Mayor Tara Veer, Members of Council of The City of Red Deer, I am pleased to present the 2020 Annual Financial Report of The City of Red Deer. The attached report provides information to taxpayers and other members of the public about The City's 2020 financial performance. In addition, this report describes some of The City's major financial policies, provides an assessment of The City's general economic condition, and highlights the Strategic Plan objectives.

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

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

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

## Strategic Plan

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

Red Deer is:

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

The City of Red Deer provides:

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

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

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

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

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

## Financial Statement Discussion & Analysis

### 1. HIGHLIGHTS

Similar to all municipalities, the pandemic affected many of The City’s revenue streams. In response to the lower revenues, The City took several measures to reduce expenses including layoffs, temporary work interruptions, and organization restructuring. The expense reduction measures did offset the revenue reductions. The financial results were further improved when the other

orders of government provided support through the Municipal Operating Support Transfer (MOST). This grant provided additional coverage of the revenue losses experienced and resulted in a reduction of the anticipated deficit.

Net debt decreased by \$1.6 million mainly due to additional cash being available from the stronger than anticipated operating results. A small increase in long term debt of \$3.5 million combined with an increase in the debt limit, resulted in the debt limit usage remaining at 51%. The overall amount of reserves increased by \$7.8 million, bringing the balance to \$227 million. Expenses decreased by \$6.8 million with operating revenues increasing by \$3.8 million. Revenues were \$2.3 million lower than budgeted, expenses \$23.5 million lower than budgeted, and capital revenues \$0.3 million lower than budgeted.

## 2. OPERATING RESULTS

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

### Revenue

Operating revenues increased by \$3.8 million over 2019.

Significant increases in revenue occurred in the following:

- Operating government transfers \$13.3 million – this is mainly due to the Municipal Operating Support Transfer (MOST) grant of \$12 million, a one-time grant that was provided by the Government of Alberta and Government of Canada to offset reductions in operating revenues / increases in operating expenses due to the pandemic

The increase was offset by decreases in the following:

- User fees and sale of goods and services \$5.7 million – mainly due to increase in utility user fee revenue of \$3.2 million offset by a reduction in transit revenue of \$2.4 million, a reduction in facility user fees of \$2.1 million, a reduction in equipment & facility rental of \$1.7 million, and a reduction in other fees of \$1.5 million.
- Investment earnings \$1.0 million – due to delays in cash flows related to the 90 day deferral in collection of utility bills, change in due date for property taxes from June 30 to September 30, and overall reduction in revenues until MOST grant received as well as stable, low interest rates
- Fines and penalties \$2.7 million – due to deferrals in utility bill and property tax payments and suspension of parking fees and other fines and penalties.

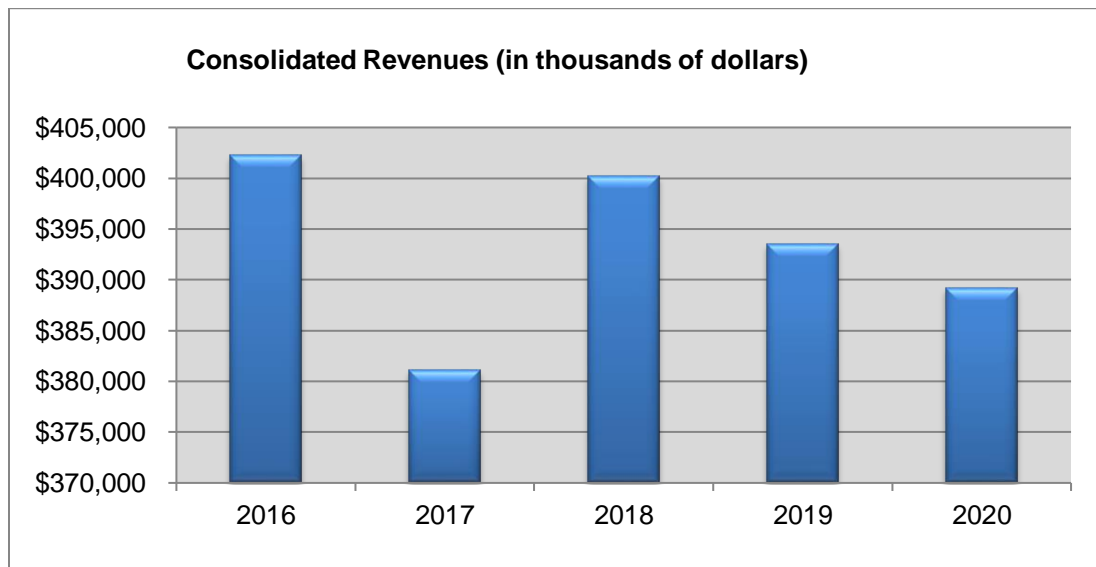


- Other operating revenue of \$1.2 million is due to a reduction in donations to The City and its consolidated agencies.

Capital revenues decreased by \$8.1 million over 2019, which was made up of the following:

- Capital government transfers \$1.6 million – due to reduced projects funded by Municipal Sustainability Initiative grant and reduced claims for bus purchases and other transit related projects offset by more projects funded by the Federal Gas Tax Fund grant.
- Contributed tangible capital assets \$3.3 million – mostly due to assets contributed after the 2019 Canada Winter Games completed in the prior year as well as less development in the community.
- Developer and customer contributions \$1.0 million – due to less development in the community.
- Other capital revenue \$2.2 million – due to funding received from the Host Society for 2019 Canada Winter Games projects included in 2019 results.

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



## Expenses

2020 operating expenses decreased by \$6.8 million over 2019 expenses.

On a functional basis, the following areas saw increases in expenses compared to 2019:

- General government services \$5.1 million – due to support provided to other organizations in response to the pandemic and payouts related to the voluntary retirement program offset by impact of temporary work interruptions.

The following areas saw decreases in expenses compared to 2019:

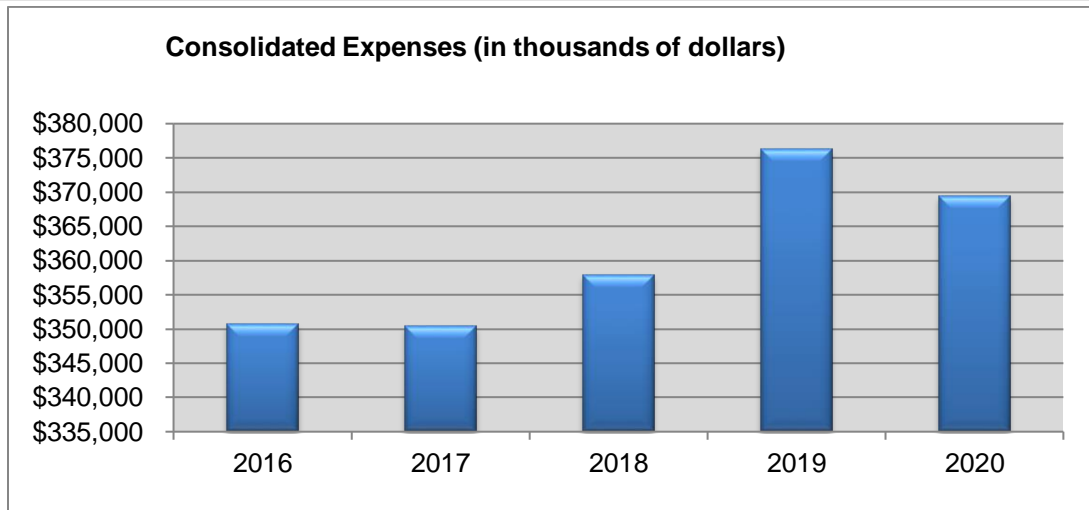
- Protective services and parking \$1.4 million – due to impact of temporary work interruptions to help offset reduced revenues and organization restructuring.
- Transportation and fleet \$5.9 million – due to reduction in transit service, impact of temporary work interruptions, and reduced level of operations overall.
- Recreation, parks, and culture \$2.5 million – due to the closure of recreation centres and impact of temporary work interruptions offset by payments to agencies that are no longer considered part of The City's reporting entity and therefore, are no longer eliminated on consolidation.
- Waste management \$2.9 million – due to reduction in operating hours at the waste management facility resulting in decrease in solid waste collection contract cost.

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

- Grants to organizations \$4.1 million – due to support provided to other organizations in response to the pandemic and transactions with agencies no longer consolidated with The City, offset by no accrual in 2020 for contribution to the Red Deer College for Gary W. Harris Canada Games Centre
- Other expenses \$1.1 million – due to a decrease in net book value of tangible capital assets belonging to agencies that The City no longer consolidates with as of 2020.

On an object basis the following items saw decreases in expenses:

- Salaries, wages, and benefits \$4.3 million – due to impact of temporary work interruptions offset by payouts related to the voluntary retirement program.
- Contracted services \$3.1 million – due to contract decreases across The City (i.e. solid waste collection contracts and contract costs associated with recreation centres being closed) offset by additional contaminated site remediation accruals.
- Materials and supplies \$4.6 million – due to less spent on fuel and automotive parts, reduced cost of land sales, decreases in power transmission costs, and less capital projects expensed to operating compared to 2019.



### 3. FINANCIAL POSITION

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

The City's Financial Assets increased by \$35.0 million over 2019. This was due to an increase in cash and cash equivalents of \$11.3 million and an increase in investments of \$26.9 million. Additional sources of cash and investments came from deferred revenues, an increase in accounts payable and payments received against loans receivable. The increases were offset by the reduction in loans receivable of \$3.3 million due to payments received.

Liabilities increased by \$33.4 million over 2019. This was due to increases in accounts payable and accrued liabilities of \$6.9 million, deferred revenue of \$24.4 million and long term debt of \$3.5 million. The increase in accounts payable is due to increases in trade accounts payable and an increase in the liability related to contaminated sites. The increase in deferred revenue is due to less Municipal Sustainability Initiative grants being spent during the year than were received and a Water for Life grant received for upgrades to the Wastewater Treatment Plant. There was also a small decrease in employee benefit obligations of \$1.1 million.

The City's Net Debt decreased by \$1.6 million over 2019. Financial assets increased by a larger amount than the increase in financial liabilities.

Non-financial assets increased by \$18.1 million. Tangible capital assets net book value increased by \$17.2 million due to the acquisition of assets of \$91.0 million and asset contributions of \$4.0 million offset by disposals and amortization.

### **Long-Term Debt**

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

Debt is used to finance capital projects and capital leases. Self-supported debt is included in rate setting to ensure that repayments will be made. Where rate setting does not result in debt repayments being covered, internal borrowing from other reserves is used to ensure the debt repayments are made. The internal borrowing will be repaid from future surpluses within the individual self-supported operations.

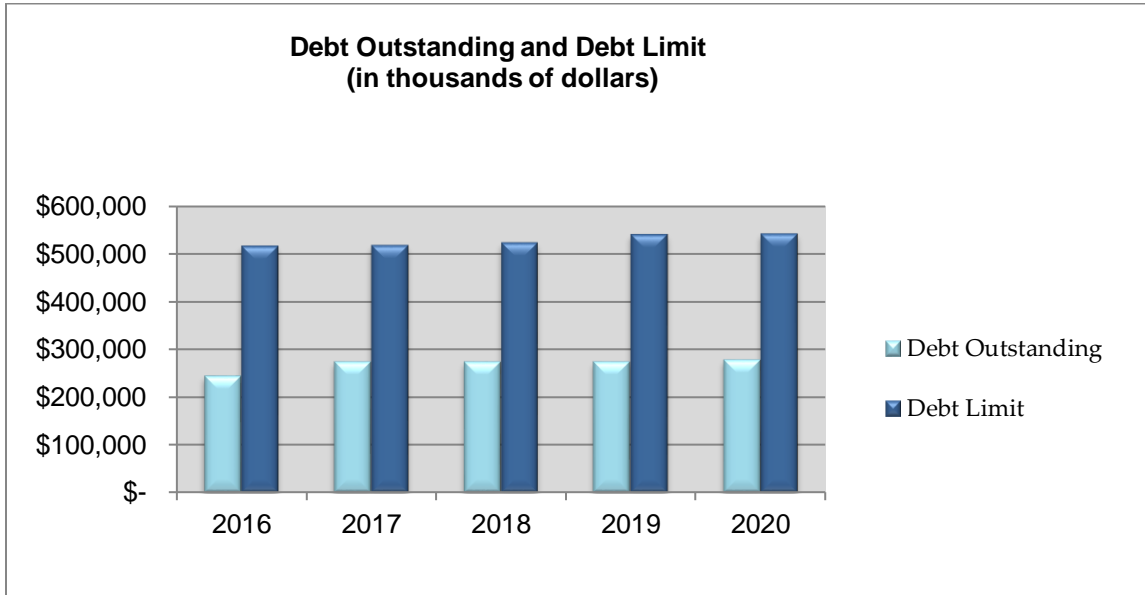
The Parking operation has internally borrowed \$0.85 million as of December 31, 2017. With the Council decision of February 16, 2021, Parking operations will now be a tax supported function. As a result this decision the Parking Reserve will be consolidated with the Operating Reserve – Tax Supported (OR-TS). As the original internal borrowing was made from OR-TS, the internal borrowing will be eliminated.

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

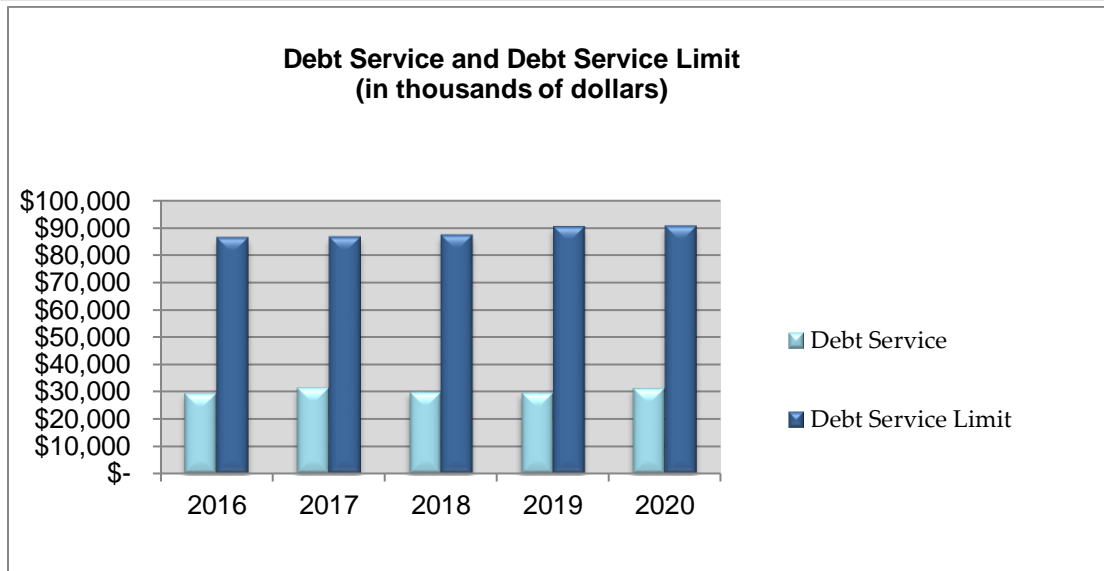
For tax-supported debt, a contribution to a reserve is made annually to ensure that repayments are made. The reserve is reviewed annually, with debt repayments and contributions forecast for the next 10 years, to ensure the reserve is sustainable. The reserve is forecast to be sustainable for the period 2021 – 2030 through transfers from the Capital Projects Reserve.

The Municipal Government Act (MGA) limits the total debt that a municipality may have. Since July 2015 Council has had a policy that The City shall not exceed 75% of the provincial debt limit. As of December 31, 2020 the actual debt balance of \$278.1 million represented 51% of the debt limit. The percentage is unchanged from the debt limit utilized as of December 31, 2019 due to an increase in the outstanding balance of long-term debt and an increase in the total debt limit due to increased revenues. The debt is split approximately 55% tax supported and 45% self-supported.

Future borrowing is anticipated to complete projects previously approved plus projects funded by debt approved as part of the 2021 - 2022 Capital Budgets. The debt is projected to represent 68% of the debt limit as of December 31, 2021 and 74% as of December 31, 2022. Depending on future capital budget approvals, the 2023 – 2030 Capital Plan shows debt rising to the 75% Council limit by 2023 and remaining at that level through to 2030.



The MGA also limits the total debt servicing a municipality may have. Due to the current low interest rate environment, The City has not exceeded 40% of the debt servicing limit in the last 5 years. All debt has fixed interest rates so The City is not exposed to the risk of changes in interest rate on its existing debt. The actual debt servicing limit used in 2020 is 34%, up from 33% in 2019.



## Reserves

Additional information is included in Schedule 2 – Consolidated Schedule of Change in Accumulated Surplus, Note 15 Accumulated Surplus in the Notes to the Consolidated Financial Statement, and the Statistical Information section.

Reserves increased by \$7.8 million from 2019, resulting in an ending balance of \$227 million.

Overall, self-supported reserves increased by \$6.2 million from 2019.

Self-supported reserves had the following increases in 2020 as capital expenditures funded were less than contributions to the reserves:

- Capital Asset Replacement      \$5.5 million
- Power Utility                      \$3.2 million
- Water Utility                        \$5.2 million
- Solid Waste Management        \$2.8 million

Self-supported reserves had the following decreases in 2020 as capital expenditures funded were greater than contributions to the reserves:

- Land Development                \$3.8 million
- Parking                                \$0.7 million
- Offsite                                 \$4.9 million
- Wastewater Utility                \$1.1 million

Due to offsites having to front end the cost of infrastructure, the reserves will now show a negative balance. When combined with offsite related deferred revenue the Offsite Fund has a deficit balance of \$11.3 million.

Council made a decision in February 2021 that Parking operations will become tax supported for 2021 and future years. Administration will ask that Council transfer the balance in the Parking reserve to the Operating – Tax Supported reserve in 2021.

Overall, tax supported reserves increased by \$1.6 million from 2019.

Tax supported reserves had the following increases in 2020 as contributions to the reserves exceeded funding transfers:

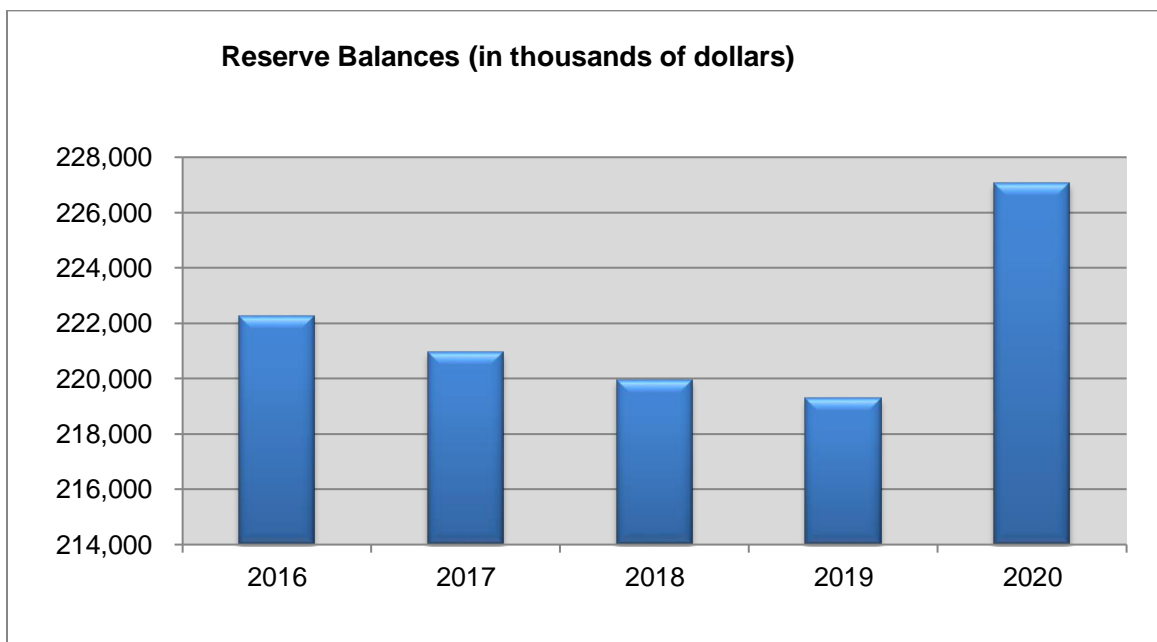
- Finance a Specific Purpose      \$0.1 million
- Municipal Parkland                \$0.6 million
- Operating – Tax Supported        \$7.5 million

Tax supported reserves had the following decreases in 2020 as funding transfers exceeded contributions to the reserves:

- Capital Projects – Tax Supported \$4.7 million
- Debt Repayment                    \$1.9 million

The Debt Repayment Reserve had a negative balance of \$0.5 million. Council has approved an additional transfer of funds from the Capital Projects Reserve to eliminate the deficit.

Additional information on reserves will be available when the 2020 reserve report is presented to Council.



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

Additional information on budget to actual variances will be available after the 2020 annual variance report is presented to Council.

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

**COVID-19 Pandemic** – The impact on the economy remains unknown at this point. There has been a reduction in various City revenue streams budgeted for 2021 but it is unknown how accurate the estimates are. A risk remains for various City revenue streams depending on the timeliness and strength of the economic recovery once pandemic restrictions are lifted and the length of the pandemic restrictions. Economic conditions could in turn create additional community requests for funding.

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

**Land Expropriations** – as per Note 26 Contingencies in the Notes to Consolidated Financial Statements there are currently seven applications for Determination of Compensation which have been submitted to the Land Compensation Board. While the amount or likelihood of compensation in these cases is unknown, a contingency amount has been provided in future draws on the Capital Projects – Tax Supported Reserve for these items. Future land expropriations may be necessary in relation to approved capital projects.

**Development Related Revenues** – there has been a substantial drop in development contributions and land sale revenue. The future outlook for the economy is uncertain so future development will likely remain at lower than average historical rates. The City will continue to monitor actual revenues to determine if further reductions in budgeted revenues may be required in the future.

**Development Related Expenditures** – The City front ends the cost for trunk services for water, wastewater, storm, and roads infrastructure. Due to lower development related revenues, it will be necessary to consider the amount of cost that can be front ended in the future. The amount of work completed will have a significant impact on long term debt. The City has extended the borrowing term of offsite related borrowing bylaws to improve cash flows in the short term



and will continue to monitor the sustainability of the Offsite Fund on an annual basis.

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

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

Debt – the forecast for debt shows that The City will be at the Council debt limit of 75% starting in 2023 and remaining at this level throughout the capital planning period of 2023 – 2030. This will impact the ability of The City to use debt as a financing tool throughout this period.

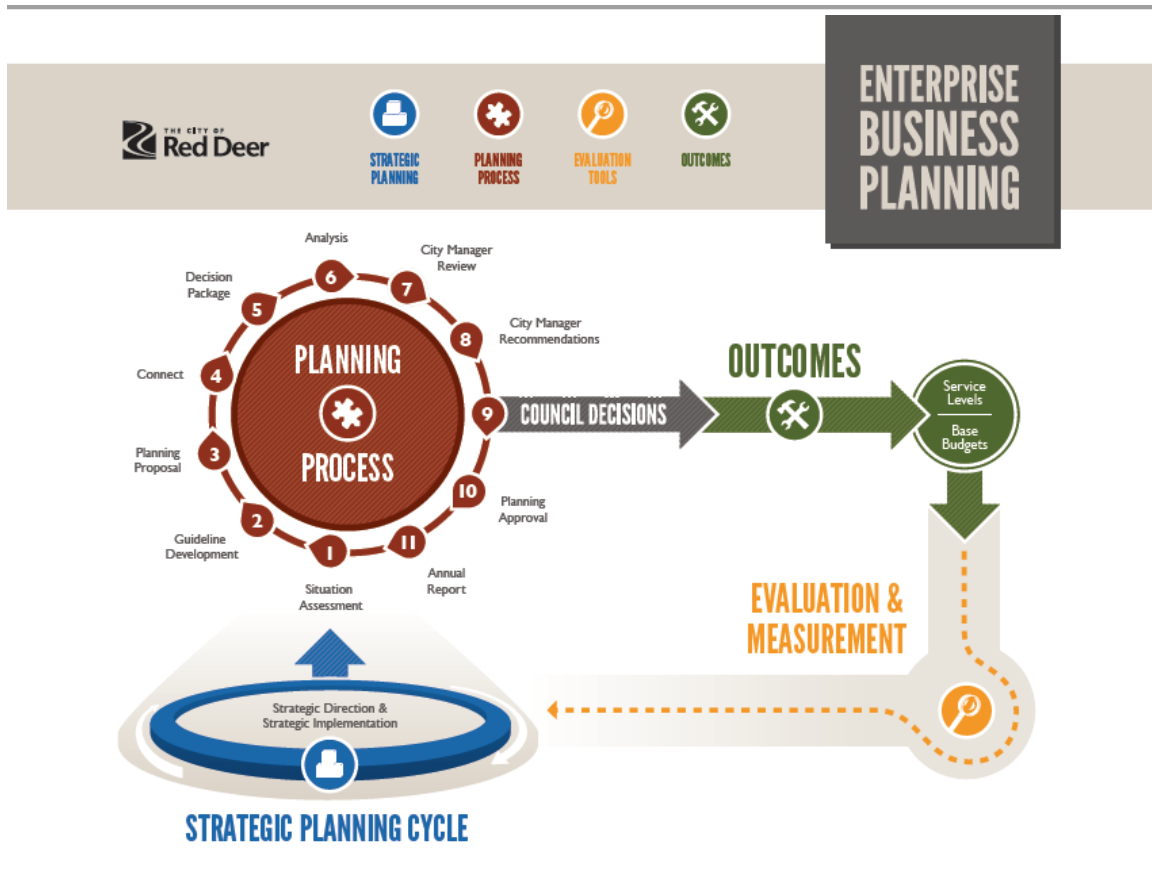
Property Taxes / Reserves – reserves may be considered to artificially lower taxation levels which causes issues in balancing future operating budgets. Revenues and expenses should be managed to achieve the desired taxation levels.

Financial Condition – in the short term as debt and revenue increases are limited due to economic conditions and Council budget guidelines, the financial condition of The City will deteriorate. This may require adjustments to the maintenance of assets and service levels.

## **Public Performance Reporting**

### **6. ENTERPRISE BUSINESS PLANNING**

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



Steps 1 – 10 of this model have been completed for 2020 in accordance with Council budget guidelines.

Work is continuing on the Outcomes and Evaluation & Measurement components of the model. The City has participated in the past with other Alberta municipalities in the Alberta Municipal Benchmarking Initiative (AMBI) to build benchmarking measures in 10 functional areas. The City is evaluating joining the Municipal Benchmarking Network Canada group.

## Assessment of Tangible Capital Assets

Tangible capital asset information is included in Schedule 1 – Consolidated Schedule of Tangible Capital Assets, Note 13 Tangible Capital Assets, and Note 14 Equity in Tangible Capital Assets of the Notes to Consolidated Financial Statements. Currently condition assessments are done by departments as part of daily operations. There is no collection of condition assessments in a corporate system so an overall corporate assessment of the condition of assets is not possible at this time.

## 7. ASSET MANAGEMENT

For 2020 there was very little progress made on asset management initiatives due to the pandemic response. Future work based on the recommendations from the refresh of the asset management framework in 2019 will be prioritized and completed as resources are available.

## 8. FINANCIAL INDICATORS

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

	2020	2019	2018	2017	2016	2015	2014
<b>Sustainability:</b>							
Financial Assets to Liabilities	0.81	0.79	0.80	0.78	0.86	0.92	1.04
Total Expense to Assessments	2.40%	2.41%	2.28%	2.22%	2.19%	2.03%	2.12%
<b>Flexibility:</b>							
Debt Charges to Revenues	8.56%	8.15%	8.53%	9.07%	8.48%	8.27%	7.54%
<b>Vulnerability:</b>							
Government Transfers to Total Revenue	7.20%	3.73%	3.40%	3.96%	4.77%	3.18%	2.72%

Sustainability indicators measure the degree to which The City can maintain its existing service and financial commitments without increasing debt or tax burden on its citizens.

The Financial Asset to Liabilities ratio remains below 1.0 in 2020. This is expected to continue as long term debt continues to be utilized to fund the Capital Budget and Capital Plan and debt levels are expected to increase over the next 3 years. Annual tax supported contributions are being built into the Operating Budget to ensure The City has the ability to repay tax supported debt. The rate model is utilized for utility operations to ensure utility related debt will be repaid. Despite acquiring \$91.0 million of tangible capital assets in 2020, debt levels only increase by \$3.5 million. The debt level resulted in The City remaining at 51% of the provincial approved debt limit for municipalities for 2020.

Total Expenses to Assessment compares the economic activity in The City using assessments to total expenses for the organization. The increase in City expenses should not outpace increases in assessments over time. The City's ratio has increased over the last 5 years. This ratio is expected to rise in periods of economic slowdown as expenses are subject to inflation and assessments decline or remain constant. Increasing expenses related to the annual contributions for debt payments, operating expenses related to the capital acquisitions and other initiatives, such as additional police resources, regional services, and operating grants will also contribute to expenses increasing faster than assessments.

Flexibility indicators measure the degree to which The City uses debt instead of increased taxation to meet its capital commitments. In 2020, The City committed 8.56% of revenue to service debt. This is a return to 2018 levels after a reduction in 2019. Debt servicing increased by \$1.2 million while revenues increased by \$3.8 million. This measure is expected to increase as long term debt continues to be utilized to fund the Capital Budget and Capital Plan and debt levels are expected to increase over the next 3 years. The debt charges remain well within the debt servicing limit set for municipalities by the Province.

Vulnerability indicators measure the degree to which The City depends on other levels of government for operating funding. This indicator increased to 7.20% for 2020. This is due to a combination of the decrease in capital revenues and a significant increase in operating government transfers. There was an overall decrease in capital revenues of \$8.1 million and an increase of \$13.3 million in operating government transfers. The increase in operating government transfers is primarily due to additional funding received from the other orders of government for the Municipal Operating Support Transfer grant. This was a one-time grant of \$12 million to offset revenue losses related to the pandemic. It is anticipated that the vulnerability measure will return to 2019 levels in future years.

## Conclusion

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

The City's financial position is slightly improved in 2020. This is due to a combination of the City's response to the pandemic to reduce expenses and the support received from other orders of government. Financial assets increased more than financial liabilities increased resulting in the ratio of financial assets to financial liabilities improving by a small amount. The total amount of debt remained relatively constant but the percentage of expenditures used for debt servicing increased from last year. The net debt position decreased mainly due to strong operating results providing additional cash and investments. The debt limit used and the overall amount of reserves increased.

All of the sustainability measures are reasonable considering a slower pace of economic growth and the continuing capital growth for The City. The flexibility measure increased but remains in line with the majority of prior years and debt limit used and debt servicing are well within provincial limits. Council has also created a reserve to ensure that tax supported debt payments will be made. This reserve is sustainable over the next 10 years. The vulnerability measure increased over 2019, which is expected as capital revenues decrease related to economic activity and due to the additional support received from other orders of government due to the pandemic. Adjustments to services can be made as required if grant levels change.

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

Respectfully submitted,



Dean Krejci, CPA, CA  
Chief Financial Officer  
April 19, 2021

## **FINANCIAL INFORMATION**

# MANAGEMENT REPORT

Management of The City of Red Deer is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and all other information within this financial report. Management believes that the consolidated financial statements present fairly The City's financial position as at December 31, 2020 and the results of its operations for the year then ended.

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

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

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

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



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Allan Seabrooke  
City Manager



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Dean Krejci  
Chief Financial Officer



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

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

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

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

### ***Other Information***

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the Annual Financial Report.





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

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

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

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

We have nothing to report in this regard.

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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



We also:

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

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

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

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

Chartered Professional Accountants

Edmonton, Canada  
April 26, 2021

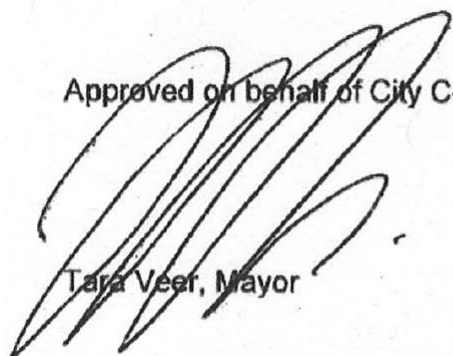
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020 (in thousands of dollars)

	2020	2019
<b>Financial Assets</b>		
Cash and cash equivalents (Note 2)	\$ 13,393	\$ 2,071
Accounts receivable (Note 3)	62,608	62,377
Land held for sale (Note 4)	47,820	47,940
Investments (Note 5)	235,966	209,064
Loans receivable (Note 6)	628	3,946
	360,415	325,398
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	52,308	45,457
Deposits	2,916	2,977
Deferred revenue (Note 8)	93,171	68,821
Employee benefit obligations (Note 9)	14,049	15,169
Landfill closure and post-closure liability (Note 10)	5,637	5,670
Long-term debt (Note 11)	278,149	274,688
	446,230	412,782
<b>Net Debt</b>	(85,815)	(87,384)
<b>Non-financial Assets</b>		
Tangible capital assets (Schedule 1, Note 13)	2,101,948	2,084,776
Inventory held for consumption	9,907	9,395
Prepaid expenses	3,226	2,771
	2,115,081	2,096,942
<b>Accumulated Surplus</b> (Schedule 2, Note 15)	\$ 2,029,266	\$ 2,009,558

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

Approved on behalf of City Council:



Tara Veer, Mayor



Ken Johnston, Councillor

See accompanying Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2020 (in thousands of dollars)

	Budget (Note 30)	2020	2019
<b>Revenues (Schedule 3)</b>			
Net municipal taxes (Note 16)	\$ 136,281	\$ 135,697	\$ 135,166
User fees and sale of goods (Note 17)	187,088	168,426	174,098
Operating government transfers (Note 18)	13,148	28,016	14,667
Investment earnings	2,746	6,526	7,508
Fines and penalties	5,874	4,235	6,938
Natural gas distribution franchise	8,267	8,314	8,632
Licenses and permits	3,687	3,932	3,112
Other operating revenue	3,111	2,711	3,949
	360,202	357,857	354,070
<b>Expenses (Schedule 3, Note 19)</b>			
General government services	45,486	46,674	41,556
Protective services and parking	80,453	80,273	81,689
Transportation and fleet	90,054	74,989	80,859
Community services	15,479	15,661	14,700
Recreation, parks, and culture	56,860	55,437	57,958
Water and wastewater	41,977	38,238	37,551
Waste management	13,950	12,446	15,341
Subdivisions, land, and development	2,023	1,643	2,196
Electric light and power	46,704	44,122	44,398
	392,986	369,483	376,248
<b>Annual Deficit before Other</b>	(32,784)	(11,626)	(22,178)
<b>Other</b>			
Capital government transfers (Note 18)	22,153	23,875	25,451
Contributed tangible capital assets (Note 13)	6,928	4,020	7,349
Developer and customer contributions	2,428	3,039	4,029
Other capital revenue	100	400	2,628
<b>Annual Surplus (Deficit)</b>	(1,175)	19,708	17,279
<b>Accumulated Surplus, beginning of year</b>	2,009,558	2,009,558	1,992,279
<b>Accumulated Surplus, end of year</b>	\$ 2,008,383	\$ 2,029,266	\$ 2,009,558

See accompanying Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended December 31, 2020 (in thousands of dollars)

	Budget (Note 30)	2020	2019
<b>Annual Surplus (Deficit)</b>	\$ (1,175)	\$ 19,708	\$ 17,279
Acquisition of tangible capital assets	(80,476)	(90,994)	(91,174)
Contributed tangible capital assets	(6,928)	(4,020)	(7,349)
Proceeds on disposal of tangible capital assets	-	716	822
Amortization of tangible capital assets	78,932	75,600	75,455
Loss on disposal of tangible capital assets	-	1,526	300
	(8,472)	(17,172)	(21,946)
Net purchase of inventory held for consumption	-	(512)	(1,093)
Net acquisition of prepaid expenses	-	(455)	(775)
	-	(967)	(1,868)
<b>Decrease (Increase) in Net Debt</b>	(9,647)	1,569	(6,535)
<b>Net Debt, beginning of year</b>	(87,384)	(87,384)	(80,849)
<b>Net Debt, end of year</b>	\$ (97,031)	\$ (85,815)	\$ (87,384)

See accompanying Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020 (in thousands of dollars)

	2020	2019
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating Activities</b>		
Annual surplus	\$ 19,708	\$ 17,279
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	75,600	75,455
Loss on disposal of tangible capital assets	1,526	300
Contributed tangible capital assets	(4,020)	(7,349)
Non-cash charges to operations:		
Accounts receivable	(231)	(14,523)
Land held for sale	120	778
Loans receivable	3,318	364
Accounts payable and accrued liabilities	6,851	7,900
Deposits	(61)	(215)
Deferred revenue	24,350	4,890
Employee benefit obligations	(1,120)	(711)
Landfill closure and post-closure liability	(33)	382
Inventory held for consumption	(512)	(1,093)
Prepaid expenses	(455)	(775)
	<b>125,041</b>	<b>82,682</b>
<b>Capital Activities</b>		
Acquisition of tangible capital assets	(90,994)	(91,174)
Proceeds on disposal of tangible capital assets	716	822
	<b>(90,278)</b>	<b>(90,352)</b>
<b>Investing Activities</b>		
Net sale (purchase) of investments	(26,902)	7,397
	<b>(26,902)</b>	<b>7,397</b>
<b>Financing Activities</b>		
Long-term debt issued	23,352	19,568
Long-term debt repaid	(19,891)	(20,094)
	<b>3,461</b>	<b>(526)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>11,322</b>	<b>(799)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,071</b>	<b>2,870</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 13,393</b>	<b>\$ 2,071</b>

See accompanying Notes to the Consolidated Financial Statements

## SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2020 (in thousands of dollars)

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction		
								2020	2019
<b>Cost:</b>									
Balance, beginning of year	\$ 357,747	\$ 138,494	\$ 405,879	\$ 117,190	\$ 64,208	\$ 1,995,784	\$ 96,517	\$ 3,175,819	\$ 3,084,525
Acquisition and contributions of tangible capital assets	3,528	9,924	10,079	8,900	4,154	50,408	8,021	95,014	98,523
Disposal of tangible capital assets	-	(1,018)	(2,249)	(2,012)	(2,005)	-	-	(7,284)	(7,229)
Balance, end of year	361,275	147,400	413,709	124,078	66,357	2,046,192	104,538	3,263,549	3,175,819
<b>Accumulated Amortization:</b>									
Balance, beginning of year	-	(56,987)	(133,242)	(61,430)	(28,939)	(810,445)	-	(1,091,043)	(1,021,695)
Amortization of tangible capital assets	-	(5,383)	(11,491)	(8,360)	(4,455)	(45,911)	-	(75,600)	(75,455)
Accumulated amortization on disposals	-	551	773	1,820	1,898	-	-	5,042	6,107
Balance, end of year	-	(61,819)	(143,960)	(67,970)	(31,496)	(856,356)	-	(1,161,601)	(1,091,043)
<b>Net book value of tangible capital assets</b>	<b>\$ 361,275</b>	<b>\$ 85,581</b>	<b>\$ 269,749</b>	<b>\$ 56,108</b>	<b>\$ 34,861</b>	<b>\$ 1,189,836</b>	<b>\$ 104,538</b>	<b>\$ 2,101,948</b>	<b>\$ 2,084,776</b>
2019 Net Book Value of Tangible Capital Assets	\$ 357,747	\$ 81,507	\$ 272,637	\$ 55,760	\$ 35,269	\$ 1,185,339	\$ 96,517	\$ 2,084,776	

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

## SCHEDULE 2 - CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS

For the Year Ended December 31, 2020 (in thousands of dollars)

	Unrestricted surplus and capital to be financed	Reserves	Equity in Tangible Capital Assets	2020	2019
<b>Balance, beginning of year</b>	<b>(42,855)</b>	<b>219,268</b>	<b>1,833,145</b>	<b>2,009,558</b>	1,992,279
Annual Surplus	19,708	-	-	<b>19,708</b>	17,279
Unrestricted funds designated for future use	(87,781)	87,781	-	-	-
Restricted funds used for operations	41,116	(41,116)	-	-	-
Restricted funds used for tangible capital assets	-	(38,880)	38,880	-	-
Current year funds used for tangible capital assets	(52,114)	-	52,114	-	-
Contributed tangible capital assets	(4,020)	-	4,020	-	-
Disposal of tangible capital assets	2,242	-	(2,242)	-	-
Amortization of tangible capital assets	75,600	-	(75,600)	-	-
Long term debt related to tangible capital assets issued	23,352	-	(23,352)	-	-
Long term debt related to tangible capital assets repaid	(17,570)	-	17,570	-	-
Change in accumulated surplus	533	7,785	11,390	<b>19,708</b>	17,279
<b>Balance, end of year</b>	<b>(42,322)</b>	<b>227,053</b>	<b>1,844,535</b>	<b>2,029,266</b>	2,009,558

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



## SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2020 (in thousands of dollars)

	General government services	Protective services and parking	Transportation and fleet	Community services	Recreation, parks, and culture	Water and wastewater	Waste management	Subdivisions, land, and development	Electric light and power	<b>Total</b>
<b>Revenues</b>										
Net municipal taxes	\$ 6,313	\$ 54,879	\$ 34,351	\$ 6,976	\$ 33,178	\$ -	\$ -	\$ -	\$ -	\$ 135,697
User fees and sale of goods	269	13,692	4,033	569	5,655	61,797	17,586	1,839	62,986	168,426
Operating government transfers	12,808	3,930	275	9,844	1,159	-	-	-	-	28,016
Investment earnings	2,035	39	1,318	77	285	1,054	375	413	930	6,526
Fines and penalties	781	3,098	-	-	-	240	52	-	64	4,235
Natural gas distribution franchise	8,314	-	-	-	-	-	-	-	-	8,314
Licenses and permits	70	3,807	29	26	-	-	-	-	-	3,932
Other operating revenue	662	353	452	207	600	200	226	11	-	2,711
	<b>31,252</b>	<b>79,798</b>	<b>40,458</b>	<b>17,699</b>	<b>40,877</b>	<b>63,291</b>	<b>18,239</b>	<b>2,263</b>	<b>63,980</b>	<b>357,857</b>
<b>Expenses</b>										
Salaries, wages, and benefits	26,840	44,783	25,103	4,342	24,351	11,431	1,014	654	6,226	144,744
Contracted services	6,482	3,947	4,139	1,460	7,054	3,646	11,057	21	3,540	41,346
Materials and supplies	1,271	1,386	5,682	219	4,444	5,580	(10)	680	29,603	48,855
Purchases from other governments	-	26,650	-	-	-	-	-	-	-	26,650
Grants to organizations	2,594	-	2,005	9,451	6,561	-	-	-	-	20,611
Financial charges	5,914	376	728	-	99	1,848	10	287	621	9,883
Amortization of tangible capital assets	3,230	2,982	37,742	189	10,948	15,732	646	-	4,131	75,600
Other expenses	343	149	(410)	-	1,980	1	(271)	1	1	1,794
	<b>46,674</b>	<b>80,273</b>	<b>74,989</b>	<b>15,661</b>	<b>55,437</b>	<b>38,238</b>	<b>12,446</b>	<b>1,643</b>	<b>44,122</b>	<b>369,483</b>
<b>Annual surplus (deficit) before other</b>	<b>(15,422)</b>	<b>(475)</b>	<b>(34,531)</b>	<b>2,038</b>	<b>(14,560)</b>	<b>25,053</b>	<b>5,793</b>	<b>620</b>	<b>19,858</b>	<b>(11,626)</b>
<b>Other</b>										
Capital government transfers	4,998	-	18,571	-	20	113	-	-	173	23,875
Contributed tangible capital assets	-	101	2,011	-	891	1,017	-	-	-	4,020
Developer and customer contributions	(2)	-	411	-	986	439	-	-	1,205	3,039
Other capital revenue	-	-	-	-	400	-	-	-	-	400
<b>Annual surplus (deficit)</b>	<b>\$ (10,426)</b>	<b>\$ (374)</b>	<b>\$ (13,538)</b>	<b>\$ 2,038</b>	<b>\$ (12,263)</b>	<b>\$ 26,622</b>	<b>\$ 5,793</b>	<b>\$ 620</b>	<b>\$ 21,236</b>	<b>\$ 19,708</b>

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

## SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

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

	General government services	Protective services and parking	Transportation and fleet	Community services	Recreation, parks, and culture	Water and wastewater	Waste management	Subdivisions, land, and development	Electric light and power	<b>Total</b>
<b>Revenues</b>										
Net municipal taxes	\$ 10,146	\$ 54,180	\$ 32,844	\$ 5,417	\$ 32,579	\$ -	\$ -	\$ -	\$ -	\$ 135,166
User fees and sale of goods	266	15,041	6,642	493	9,335	58,968	17,902	2,696	62,755	174,098
Operating government transfers	748	4,119	276	8,455	1,069	-	-	-	-	14,667
Investment earnings	2,445	66	1,505	102	367	971	629	538	885	7,508
Fines and penalties	1,206	5,032	-	-	103	353	80	14	150	6,938
Natural gas distribution franchise	8,632	-	-	-	-	-	-	-	-	8,632
Licenses and permits	78	2,983	30	21	-	-	-	-	-	3,112
Other operating revenue	1,256	422	685	159	877	317	218	15	-	3,949
	<b>24,777</b>	<b>81,843</b>	<b>41,982</b>	<b>14,647</b>	<b>44,330</b>	<b>60,609</b>	<b>18,829</b>	<b>3,263</b>	<b>63,790</b>	<b>354,070</b>
<b>Expenses</b>										
Salaries, wages, and benefits	22,915	45,082	28,210	4,442	29,842	11,444	1,148	680	5,281	149,044
Contracted services	7,687	4,851	5,047	1,255	5,663	3,378	12,579	33	3,987	44,480
Materials and supplies	1,190	1,462	8,137	309	5,291	5,348	120	1,156	30,428	53,441
Purchases from other governments	-	26,370	-	-	-	-	-	-	-	26,370
Grants to organizations	743	-	786	8,448	6,537	-	-	-	-	16,514
Financial charges	6,059	431	874	2	150	1,753	3	327	661	10,260
Amortization of tangible capital assets	2,756	3,344	37,874	178	10,480	15,341	1,381	-	4,101	75,455
Other expenses	206	149	(69)	66	(5)	287	110	-	(60)	684
	<b>41,556</b>	<b>81,689</b>	<b>80,859</b>	<b>14,700</b>	<b>57,958</b>	<b>37,551</b>	<b>15,341</b>	<b>2,196</b>	<b>44,398</b>	<b>376,248</b>
<b>Annual surplus (deficit) before other</b>	<b>(16,779)</b>	<b>154</b>	<b>(38,877)</b>	<b>(53)</b>	<b>(13,628)</b>	<b>23,058</b>	<b>3,488</b>	<b>1,067</b>	<b>19,392</b>	<b>(22,178)</b>
<b>Other</b>										
Capital government transfers	94	-	24,498	-	522	16	-	-	321	25,451
Contributed tangible capital assets	-	-	2,022	-	4,346	981	-	-	-	7,349
Developer and customer contributions	-	-	882	-	157	1,081	-	23	1,886	4,029
Other capital revenue	-	-	27	-	2,600	1	-	-	-	2,628
<b>Annual surplus (deficit)</b>	<b>\$ (16,685)</b>	<b>\$ 154</b>	<b>\$ (11,448)</b>	<b>\$ (53)</b>	<b>\$ (6,003)</b>	<b>\$ 25,137</b>	<b>\$ 3,488</b>	<b>\$ 1,090</b>	<b>\$ 21,599</b>	<b>\$ 17,279</b>

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

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## **For the Year Ended December 31, 2020 (in thousands of dollars)**

### **1 SIGNIFICANT ACCOUNTING POLICIES**

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

#### **(a) Reporting Entity**

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

#### **City Municipal and Utility Operations**

- ◆ General government services;
- ◆ Protective services and parking;
- ◆ Transportation and fleet;
- ◆ Community services;
- ◆ Recreation, parks, and culture;
- ◆ Water and wastewater;
- ◆ Waste management;
- ◆ Subdivisions, land, and development; and
- ◆ Electric light and power.

#### **Societies and Boards**

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

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

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

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

##### *i. Net Municipal Taxes*

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

##### *ii. Government Transfers*

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with The City's actions and communications as to the use of the transfer, have not been met. These transfers are recognized as revenue as the terms are met and, when applicable, The City complies with its communicated use of the transfer. Government transfers without terms for the use of the transfer are recorded as revenue when The City is eligible to receive the funds.

##### *iii. External Contributions*

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

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

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

Financial statement areas requiring the use of management estimates include:

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

#### **(d) Financial Instruments**

Financial assets are measured at amortized cost and consist of cash and cash equivalents, accounts receivable, investments, and loans receivable. Financial assets are tested annually for impairment. Impairment losses are recorded in the statement of operations. Any write-downs resulting from impairment are not reversed for subsequent increases in value.

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

##### *i. Cash and cash equivalents*

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

##### *ii. Investments*

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### *iii. Loans Receivable*

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

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

#### **(e) Land Held for Sale**

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

#### **(f) Requisition Over-levy and Under-levy**

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

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

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

#### **(g) Employee Benefit Obligations**

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

#### **(h) Local Improvement Charges**

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

#### **(i) Liability for Contaminated Sites**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### (j) Landfill Closure and Post-Closure Liability

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

#### (k) Non-Financial Assets

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

##### *i. Tangible Capital Assets*

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

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

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### *ii. Contributed Tangible Capital Assets*

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

#### *iii. Cultural and Historical Tangible Capital Assets*

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

#### *iv. Leases*

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

#### *v. Inventory Held for Consumption*

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

### **(l) Reserves**

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

### **(m) Future Accounting Pronouncements**

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

#### *i. Financial Statement Presentation*

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for the fiscal years beginning on or after April 1, 2022.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### *ii. Financial Instruments*

PS3450, *Financial Instruments*, establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost, amortized cost, or fair value at the election of the government. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

#### *iii. Foreign Currency Translation*

PS2601, *Foreign Currency Translation* must be adopted in conjunction with PS3450. It requires that monetary assets and liabilities be denominated in a foreign currency and non-monetary items included in the fair value category that are denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2022.

#### *iv. Portfolio Investments*

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments and was amended to conform to *Financial Instruments*, PS3450. Once PS3450 and PS3041 are adopted, *Temporary Investments* PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2022.

#### *v. Asset Retirement Obligations*

PS3280, *Asset Retirement Obligations* defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for asset retirement, and provides the related financial statement presentation and disclosure requirements. This new standard will effectively replace PS3270, *Solid Waste Landfill Closure and Post-closure Liability*. This standard is applicable for fiscal years beginning on or after April 1, 2022.

#### *vi. Revenue*

PS3400, *Revenue* establishes standards on how to account for and report on revenue, specifically in regards to revenue arising from transactions with performance obligations (exchange transactions) and those without performance obligations (non-exchange transactions). This standard is applicable for fiscal years beginning on or after April 1, 2023.

#### *vii. Financial Statement Concepts*

PS1000, *Financial Statement Concepts*, will be amended to allow for recognition of purchased intangible assets. It makes reference to the new Public Sector Guideline 8, which will define purchased intangibles and provide further guidance on recognition and accounting treatment. This guideline is applicable for fiscal years beginning on or after April 1, 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 2 CASH AND CASH EQUIVALENTS

	2020	2019
Cash	\$ 13,097	\$ 1,832
Cash in investment accounts	296	239
	<b>\$ 13,393</b>	<b>\$ 2,071</b>

The City has access to an unsecured line of credit of up to \$30,000 (2019 - \$30,000) with an interest rate of prime minus 0.75%, resulting in an effective rate of 1.70% (2019 - 3.20%) to cover any bank overdraft arising from day to day cash transactions. As at December 31, 2020, there was no amount outstanding on the line of credit overdraft (2019 - \$Nil).

#### 3 ACCOUNTS RECEIVABLE

	2020	2019
Property Taxes:		
Current taxes and grants in place of taxes	\$ 3,664	\$ 3,495
Arrears	1,122	721
Local improvement levies	3,256	3,478
Allowance for doubtful accounts	(80)	-
	<b>7,962</b>	<b>7,694</b>
General	4,208	4,706
Utilities	18,596	18,540
Goods and Services Tax	1,254	1,062
Government transfers	27,222	26,439
Interest on investments	1,202	1,418
Other receivables	2,375	2,692
Allowance for doubtful accounts	(211)	(174)
	<b>54,646</b>	<b>54,683</b>
	<b>\$ 62,608</b>	<b>\$ 62,377</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 4 LAND HELD FOR SALE

	2020		2019	
Residential	\$	1,814	\$	1,812
Industrial and commercial		6,375		6,497
Land held ready for sale		8,189		8,309
Residential		25,623		25,623
Industrial and commercial		14,008		14,008
Land held not ready for sale	\$	39,631	\$	39,631
		47,820		47,940

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

#### 5 INVESTMENTS

	2020		2019	
	Cost	Market Value	Cost	Market Value
Short-term investments	\$ 81,873	\$ 82,158	\$ 42,422	\$ 42,836
Federal government	20,192	21,420	19,325	19,426
Provincial government	34,074	36,327	37,752	38,068
Municipal government	4,323	4,636	3,971	4,063
Canadian banks	83,120	84,263	90,165	90,901
Corporate	10,940	11,364	13,654	13,621
Other	1,444	1,482	1,775	1,767
	\$ 235,966	\$ 241,650	\$ 209,064	\$ 210,682

Short-term investments are reasonably liquid investments held in various financial institutions, notably Canadian Treasury Bills and Guaranteed Income Certificates. These investments have interest rates of 0.27% to 2.62% (2019 - 0.00% to 2.90%) with maturities of generally one year or less.

The remaining investments are intended to be held long term. They have interest rates of 0.00% to 6.47% (2019 - 0.50% to 6.47%) and mature in periods from February 18, 2021 to February 15, 2060 (2019 - January 23, 2020 to April 12, 2054).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 6 LOANS RECEIVABLE

	2020	2019
Central Alberta Theatre	\$ 3	\$ 8
Red Deer Curling Centre	-	23
Central Alberta Humane Society	625	663
2019 Canada Winter Games Host Society	-	3,252
	<b>\$ 628</b>	<b>\$ 3,946</b>

Principal to be received are as follows:

2021	\$ 43
2022	41
2023	43
2024	45
2025	46
Thereafter	410
	<b>\$ 628</b>

#### (a) Central Alberta Theatre

The City provided a loan to Central Alberta Theatre to pay for servicing and fire suppression apparatus to meet the requirements of the Alberta Building Code. The term of the loan is 7 years ending March 15, 2021 with an interest rate of 2.96% per annum.

#### (b) Red Deer Curling Centre

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

#### (c) Central Alberta Humane Society

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

#### (d) 2019 Canada Winter Games Host Society

In 2016, The City advanced funds to the 2019 Canada Winter Games Host Society for capital projects related to the 2019 Canada Winter Games. The interest rate is 0.00% per annum. On April 1, 2020, this loan was received in full.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2020		2019
Trade	\$ 35,889	\$	31,383
Payroll and remittances	5,602		4,844
Goods and Services Tax	320		378
Liability for contaminated sites	5,289		2,729
Accrued interest	1,104		1,074
Government transfers	4,030		5,000
Other	74		49
	<b>\$ 52,308</b>	\$	<b>45,457</b>

*(a) Liability for contaminated sites*

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

Remediation activity for each contaminated site is as follows:

	2019	Remediation costs expended	Remediation accrued (reversed)	2020
Riverlands development	\$ 1,119	\$ -	\$ -	\$ 1,119
Parking Lots	1,610	(4)	(450)	1,156
Fire training facility	-	-	443	443
Streets and right of ways	-	-	294	294
Kinsmen Arena	-	-	2,277	2,277
	<b>\$ 2,729</b>	<b>\$ (4)</b>	<b>\$ 2,564</b>	<b>\$ 5,289</b>

*(b) Government transfers*

In 2016, The City entered into an agreement with Red Deer College to provide \$11,500 over nine years toward the construction of sporting facilities related to the 2019 Canada Winter Games. As at December 31, 2020, The City has \$4,000 (2019 - \$5,000) remaining to be repaid in equal annual instalments until October 1, 2024.

The River Bend Golf Course received \$40 from the Canada Emergency Business Account for pandemic relief with an interest rate of 0.00% per annum. The forgivable portion of \$10 is recorded as operating government transfers and the remaining \$30 is payable on demand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**8 DEFERRED REVENUE**

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted or subject to stipulations from the funders.

	2019	Amounts received including interest earned	Revenue recognized (Note 18)	2020
<b>Deferred Government Transfers</b>				
Municipal Sustainability Initiative-Capital	28,957	21,314	16,264	<b>34,007</b>
Water for Life	450	20,000	113	<b>20,337</b>
Federal Gas Tax	13,980	5,849	6,478	<b>13,351</b>
Other government transfers	3,858	29,925	29,036	<b>4,747</b>
	<b>\$ 47,245</b>	<b>\$ 77,088</b>	<b>\$ 51,891</b>	<b>\$ 72,442</b>
<b>Other Deferred Revenue</b>				
Recreation amenity	2,802	111	447	<b>2,466</b>
Developer and customer contributions	13,862	2,982	2,592	<b>14,252</b>
Other	4,912	4,594	5,495	<b>4,011</b>
	<b>21,576</b>	<b>7,687</b>	<b>8,534</b>	<b>20,729</b>
<b>Total Deferred Revenue</b>	<b>\$ 68,821</b>	<b>\$ 84,775</b>	<b>\$ 60,425</b>	<b>\$ 93,171</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**9 EMPLOYEE BENEFIT OBLIGATIONS**

	2020	2019
Vacation, overtime, and earned days off	\$ 6,927	\$ 7,532
Retiring allowance	2,775	2,529
Other employment benefits	4,347	5,108
	\$ 14,049	\$ 15,169

*(a) Vacation, overtime, and earned days off*

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

*(b) Retiring allowance*

For employees who are eligible under the Local Authorities Pension Plan and have a minimum of 15 years of service, The City provides a retiring allowance. This allowance provides eligible employees with one day of pay for each year of employment with The City. The retiring allowance is not currently funded. An actuarial valuation was completed by an independent actuary as at December 31, 2018 and extrapolated to December 31, 2020. Key actuarial assumptions used in the valuation were based on a number of assumptions about future events, which reflect management's best estimates.

The expected discount rate of 3.40% (2019 - 3.40%) and the expected salary escalations of 2.75% (2019 - 2.75%) are used to determine the accrued benefit obligation. The accrued benefit obligation is \$2,902 (2019 - \$2,694) using projected benefit method prorated on services. The net actuarial loss of \$127 (2019 - \$165) is amortized on a straight line basis over 13 years starting with the year following its determination.

*(c) Other employee benefits*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 10 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The estimated total landfill liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 2.55% (2019 - 2.51%) and annual inflation of 1.56% (2019 - 1.59%). The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively as a change in estimate when applicable.

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

The new waste management facility commenced operation in 2001 and consists of three phases of development. All three phases combined are estimated to provide capacity to 2055. Closure activities will be ongoing as the landfill reaches final design elevation. Closure and post-closure costs are based on an independent study conducted in 2012. Phase one of the landfill has an estimated capacity of 568,832 (2019 - 699,609) cubic metres remaining, which is projected to last until 2023 based on current growth and usage. It is estimated that post closure care will be required for a period of 40 years from closure. The present value of estimated future closure and post closure costs has been calculated and accrued.

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

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

	1972 Site	2001 Site Phase One	2020	2019
Total estimated closure and post-closure costs	1,830	4,532	<b>6,362</b>	6,613
Estimated capacity used	100 %	84 %	<b>84 %</b>	80 %
Liability recognized as of December 31, 2020	1,830	3,807	<b>5,637</b>	5,670
Estimated capacity remaining	-%	16 %	<b>16 %</b>	20 %
Remaining estimated costs to be recognized	\$ -	\$ 725	<b>\$ 725</b>	\$ 943



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 11 LONG-TERM DEBT

Long-term debt is comprised of:

	2020	2019
Tax-supported debt	\$ 153,063	\$ 151,298
Self-supported debt:		
Offsites	23,387	28,213
Utilities	74,842	65,225
Land and other	26,857	29,952
	<b>\$ 278,149</b>	<b>\$ 274,688</b>

Current portion of long-term debt is \$21,515 (2019 - \$19,776)

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

Principal and interest payments are as follows:

	Principal		Interest		Total
2021	\$ 21,515	\$ 9,408	\$ 30,923		
2022	20,620	8,708	29,328		
2023	20,498	8,014	28,512		
2024	18,479	7,325	25,804		
2025	15,718	6,727	22,445		
Thereafter	181,319	53,105	234,424		
	<b>\$ 278,149</b>	<b>\$ 93,287</b>	<b>\$ 371,436</b>		

Long-term debt consists of debentures payable to the Province of Alberta, previously through Alberta Capital Finance Authority.

Debentures mature in annual amounts to 2050 (2019 - 2049). Interest rates on these debentures range from 1.27% to 5.38% (2019 - 1.84% to 5.38%) per annum. The average annual interest rate is 3.42% (2019 - 3.50%). Debenture debt is issued on the credit and security of The City at large.

During the year, a total of \$23,352 (2019 - \$19,568) was added through new debenture borrowings to fund capital projects. Interest expenses on long-term debt amounted to \$9,658 (2019 - \$9,956). Cash payments for interest and principal were \$9,627 (2019 - \$9,873) and \$19,891 (2019 - 20,094) respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 12 DEBT LIMIT

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

	2020	2019
Total debt limit	\$ 541,944	\$ 541,091
Total debt	278,149	274,688
Percentage used	51 %	51 %
Total debt service limit	90,324	90,182
Total debt service	30,923	29,724
Percentage used	34 %	33 %

The debt limit is calculated at 1.5 times revenue of The City as defined in Alberta Regulation 255/00 and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of The City. Rather, the financial statements must be interpreted as a whole.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**13 TANGIBLE CAPITAL ASSETS**

	2020	2019
<b>Net book value</b>		
Land	\$ 361,275	\$ 357,747
Land improvements	85,581	81,507
Buildings	269,749	272,637
Machinery, equipment, and furnishings	56,108	55,760
Vehicles	34,861	35,269
Engineered structures		
Roadway system	407,661	412,705
Water system	216,064	214,381
Wastewater system	242,476	240,371
Storm system	223,188	219,979
Electrical system	99,227	96,608
Fibre optics system	1,220	1,295
	<b>1,997,410</b>	1,988,259
Assets under construction	<b>104,538</b>	96,517
	<b>\$ 2,101,948</b>	\$ 2,084,776

In 2020, \$4,020 (2019 - \$7,349) in land improvements, buildings, and engineered structures were contributed to The City.

In 2020, no works of art for display have been acquired (2019 - \$13).

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**14 EQUITY IN TANGIBLE CAPITAL ASSETS**

	2020	2019
Tangible capital assets (Schedule 1)	\$ 3,263,549	\$ 3,175,819
Accumulated amortization (Schedule 1)	(1,161,601)	(1,091,043)
Long-term debt related to tangible capital assets	(257,413)	(251,631)
<b>Equity in tangible capital assets (Schedule 2)</b>	<b>\$ 1,844,535</b>	<b>\$ 1,833,145</b>

**15 ACCUMULATED SURPLUS**

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

	2020	2019
Unrestricted surplus in controlled agencies	\$ 1,303	\$ 1,177
Capital to be financed	(43,625)	(44,032)
Reserves		
Finance a specific purpose	2,593	2,477
Capital projects - tax supported	22,413	27,068
Municipal parkland	7,819	7,184
Operating - tax supported	40,915	33,479
Debt repayment	(501)	1,446
Capital asset replacement	40,293	34,843
Land development	57,666	61,474
Parking	715	1,376
Offsite	(25,584)	(20,686)
Power	29,999	26,834
Water	13,730	8,539
Wastewater	20,356	21,424
Solid waste management	16,639	13,810
<b>Total reserves (Schedule 2)</b>	<b>227,053</b>	<b>219,268</b>
<b>Equity in tangible capital assets (Note 14)</b>	<b>1,844,535</b>	<b>1,833,145</b>
<b>Accumulated surplus (Schedule 2)</b>	<b>\$ 2,029,266</b>	<b>\$ 2,009,558</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**16 NET MUNICIPAL TAXES**

	Budget (Note 30)	2020	2019
<b>Taxation</b>			
Real property taxes	\$ 178,835	\$ 177,176	\$ 175,979
Grants in place of taxes	890	549	1,698
Linear and other property taxes	3,397	3,397	3,366
	183,122	181,122	181,043
<b>Requisitions</b>			
Public schools	40,577	39,007	39,640
Catholic schools	5,677	5,621	5,650
Bridges Community Living	575	785	575
Designated industrial property	12	12	12
	46,841	45,425	45,877
	\$ 136,281	\$ 135,697	\$ 135,166

**17 USER FEES AND SALE OF GOODS**

	Budget (Note 30)	2020	2019
Utility user fees	\$ 143,194	\$ 136,958	\$ 133,743
Land sales	5,774	1,764	2,511
Transit revenue	6,222	3,840	6,267
Ambulance and dispatch revenue	12,168	12,320	12,479
Facility user fees	6,265	2,935	4,993
Equipment and facility rental	4,196	2,466	4,122
Electrical transmission recovery	5,275	5,275	5,638
Other	3,994	2,868	4,345
	\$ 187,088	\$ 168,426	\$ 174,098

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**18 GOVERNMENT TRANSFERS**

	Budget (Note 30)	2020	2019
<b>Operating</b>			
Provincial:			
Municipal Sustainability Initiative	\$ 587	\$ 960	\$ 915
Family and Community Support Services	3,245	3,212	3,196
Outreach Support Services Initiative	3,254	5,226	4,265
911 Grant Program	1,582	1,705	1,650
Municipal Policing Assistance Grant	1,616	1,616	1,607
Municipal Operating Support Transfer (Note 29)	-	11,964	-
Other provincial grants	1,657	1,383	1,872
	11,941	26,066	13,505
Federal:			
Reaching Home	793	1,104	717
Other federal grants	4	489	15
	797	1,593	732
Local:			
Other local grants	410	357	430
	410	357	430
<b>Total Operating</b>	<b>13,148</b>	<b>28,016</b>	<b>14,667</b>
<b>Capital</b>			
Provincial:			
Municipal Sustainability Initiative	12,468	16,264	19,160
GreenTRIP	1,517	371	2,981
Water for Life	-	113	-
Other provincial grants	-	527	23
	13,985	17,275	22,164
Federal:			
Federal Gas Tax Fund	7,693	6,478	3,221
Public Transit Infrastructure Fund	475	122	66
	8,168	6,600	3,287
<b>Total Capital</b>	<b>22,153</b>	<b>23,875</b>	<b>25,451</b>
	\$ 35,301	\$ 51,891	40,118

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020 (in thousands of dollars)**

**19 EXPENSES BY OBJECT**

	Budget (Note 30)	2020	2019
Salaries, wages, and benefits	\$ 156,753	\$ 144,744	\$ 149,044
Contracted services	50,195	41,346	44,480
Materials and supplies	54,877	48,855	53,441
Purchases from other governments	25,270	26,650	26,370
Grants to organizations	15,988	20,611	16,514
Financial charges	10,360	9,883	10,260
Amortization of tangible capital assets	78,932	75,600	75,455
Other expenses	611	1,794	684
	\$ 392,986	\$ 369,483	\$ 376,248

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 20 SALARIES AND BENEFITS DISCLOSURE

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

	Salaries	Benefits	2020	2019
	(a)	(b), (c)		
<b>Mayor:</b>				
T. Veer	\$ 130	\$ 22	\$ 152	\$ 146
<b>Councillors:</b>				
S. Buchanan	69	15	84	80
M. Dawe	69	11	80	78
T. Handley	69	15	84	80
V. Higham	69	13	82	78
K. Johnston	69	13	82	79
L. Lee	73	15	88	88
F. Wong	69	10	79	75
D. Wyntjes	70	15	85	81
	557	107	664	639
<b>City Manager:</b>				
A. Seabrooke	243	62	305	177
C. Curtis	-	-	-	326
<b>Designated Officer:</b>				
City Assessor	153	48	201	181
	\$ 1,083	\$ 239	\$ 1,322	\$ 1,469

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

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

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



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### **21 LOCAL AUTHORITIES PENSION PLAN**

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

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

Total current service contributions by The City to LAPP in 2020 were \$12,114 (2019 - \$11,790). Total contributions by the employees of The City to LAPP in 2020 were \$11,012 (2019 - \$10,709).

As at December 31, 2019, LAPP reported an actuarial surplus of \$7.9 billion (2018 - \$3.5 billion). This amount is not specifically allocated to the participating government organizations. The 2020 actuarial balance was not available at the date these financial statements were released.

#### **22 APEX SUPPLEMENTARY PENSION PLAN**

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

Employees and The City are required to make current service contributions to APEX of 2.61% and 3.85% respectively (2019 - 2.84%, 3.78%) of individual pensionable earnings up to \$155 (2019 - \$151).

Total current service contributions by The City to APEX were \$552 (2019 - \$540). Total current service contributions by the employees of The City were \$374 (2019 - \$406).

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### **23 MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN**

Muni SERP is a supplementary employee retirement plan defined by The City and administered by the Alberta Municipal Services Corporation ("AMSC"). The plan provides supplementary retirement benefits to a prescribed class of employees in excess of the limits of the Income Tax Act (Canada). The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. Muni SERP supplements APEX and LAPP and is a voluntary, non-contributory defined benefit employee retirement plan. The total current and past service liability to The City as at December 31, 2020 is estimated at \$272 (2019 - \$1,205). This liability is offset by earmarked asset investment fund held by AMSC in the amount of \$1,319 (2019 - \$1,084).

A projected accrued benefit cost with prorating on service method is used to determine the accrued benefit obligation. Key actuarial assumptions used in the valuation were based on actuarial estimates. Those assumptions involve forecasts of expected future inflation rates, discount rates, wage and salary increases, maximum pension limit under the Income Tax Act, and employee turnover and mortality. Key assumptions are as follows: expected discount rate of 4.45% (2019 - 4.60%), expected salary escalations of 2.75% (2019 - 2.75%) per year, and inflation rate of 2.25% (2019 - 2.25%).

#### **24 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS**

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

#### 25 CONTRACTUAL RIGHTS AND OBLIGATIONS

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

*(a) Developer agreement rights*

The City entered into various developer agreements where engineered structures will be contributed to The City as at the date of their completion. Developer agreements in effect in 2020 that will result in future contributed assets total \$2,416 (2019 - \$4,666).

*(b) Lease rights*

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

*(c) Construction obligations*

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

Construction Contracts	Committed Amount	
	2020	2019
General and administrative projects	\$ 1,320	\$ 721
Fleet purchases	6,761	3,533
Roadway rehabilitation and street improvements	5,121	8,382
Public transit improvements	296	314
Storm sewer and drainage improvements	737	574
Water system and treatment plant upgrades	11,012	21,332
Wastewater system and treatment plant upgrades	6,000	5,699
Subdivision development	899	1,394
Recreation facility improvements	563	2,346
Power station and infrastructure upgrades	2,620	1,042
RCMP building improvements	485	-
Other minor projects	129	110
	\$ 35,943	\$ 45,447

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

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

*(a) Solid Waste and Recyclables Collection Contracts*

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

Contract Name	Expiry Date	Estimated Annual Cost	
		2020	2019
Waste Management Facility	December 31, 2027	2,425	2,435
Green cart collection	March 31, 2023	2,483	2,601
Blue cart collection	April 30, 2024	1,997	1,978
Black cart collection	April 30, 2024	1,730	1,783
Commercial garbage collection	December 31, 2025	2,007	2,239
		10,642	11,036

*(b) RCMP Contract*

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost for 2020 is \$26,946 (2019 - \$25,239).

*(c) ENMAX Contract*

In 2019, The City entered into a two year agreement with ENMAX Power Corporation to provide meter data management services to The City until December 31, 2021. The estimated remaining cost of the contract is \$2,746 (2019 - \$5,473).

*(d) Lease Obligation*

In 2013, The City entered into a ten year lease agreement with Gold Bar Investments Ltd. for three floors in the Professional Building in downtown Red Deer. The estimated remaining cost of the contract is \$1,353 (2019 - \$1,997). The lease will expire December 31, 2022.

*(e) Northside Community Centre Contract*

In 2019, The City entered into an agreement with the YMCA to occupy, manage, and maintain the Northside Community Centre until June 30, 2024. The total remaining contract cost is \$2,404 (2019 - \$3,205) to be made in quarterly instalments.

*(f) Outreach Support Services Contracts*

In 2020, The City entered into contracts with various community organizations to provide grant funding through Outreach Support Services Initiative. The total obligation for The City to these organizations amounts to \$6,098.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### **26 CONTINGENCIES**

##### *(a) Environmental Contingencies*

*i.* Subsurface contamination has been found as part of the Ross Street and Taylor Drive project. Though more delineation is required, initial reports state that in-site remediation will be possible. Estimated remediation costs of \$294 have been recorded in the financial statements as of 2020, but the full extent of the contamination is still unknown at this time.

*ii.* Environmental site assessments on the Queen's Business Park and Dojahn quarter discovered ground contamination, including abandoned wells. The City is working with Alberta Energy Regular ("AER") to designate them as orphan wells to allow The City to apply for provincial funding under the Orphan Well Program ("OWP"). The Dojahn quarter is over a decade away from development which at that time, The City intends to apply for funding under the OWP. The City is still waiting for a final response from AER regarding Queen's Business Park. Therefore, no liability has been recorded in these financial statements for these sites.

*iii.* The current fire training grounds and the corner of 46 Street and 49 Avenue have contamination issues. The extent of the remediation requirements for these sites is still unknown, however an estimate for the fire training facilities of \$443 has been recorded to the financial statements as of 2020 as future development of this site is forthcoming. No such estimate can be made for 46 Street and 49 Avenue at this time. Further delineation for these properties are required to determine the full extent of the contamination.

*iv.* A brine leak at the Kinsmen Arena has resulted in contamination issues requiring remediation. The full extent of the remediation costs are not fully known at this time, but an estimated liability of \$2,277 was recorded in the financial statements as of 2020, which is expected to be expended over 7 years.

##### *(b) Land Expropriation Compensation*

In 2009, The City acquired land under the Expropriation Act from several property owners in connection with various road development projects. Seven property owners have since filed with the Alberta Land Compensation Board for compensation to which they believe they are entitled. At this time, The City cannot determine the amount or the likelihood of the remaining compensation in these cases, therefore, no liability has been accrued in these financial statements.

##### *(c) Active Lawsuits*

During 2020, there were various legal claims pending against The City, arising in the ordinary course of its operations. The City defends all claims made against it, but the outcome of these cases is presently indeterminable. At this time, The City cannot estimate the financial impact of these cases and therefore, no liability has been accrued in these financial statements.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### **27 GUARANTEES**

The City has issued an irrevocable standby letter of credit for \$5,800 as required by its supplier, The Alberta Electric System Operator, in the event of payment default for electrical distribution charges. The letter of credit has not been utilized to date.

The City has issued four irrevocable standby letters of credit to the Receiver General of Canada on behalf of Fisheries and Oceans Canada in the amounts of \$584, \$525, \$74, and \$364 (2019 - \$884). The letters of credit are to guarantee work completion and quality of City waterway projects. The letters have not been utilized to date.

#### **28 SEGMENTED DISCLOSURE**

The City is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, The City's operations and activities are organized and reported by functions and services provided. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Investment earnings are allocated to each segment based on an average of fund balances. Net tax revenue is allocated to each tax-supported segment based on the budgeted expenditures in those segments.

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

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

*(a) General Government Services*

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

*(b) Protective Services and Parking*

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

*(c) Transportation and Fleet*

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

*(d) Community Services*

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2020 (in thousands of dollars)**

#### *(e) Recreation, Parks, and Culture*

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

#### *(f) Water and Wastewater*

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

#### *(g) Waste Management*

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

#### *(h) Subdivisions, Land, and Development*

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

#### *(i) Electric Light and Power*

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

## **29 IMPACT OF COVID-19**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has had a significant financial, market, and social dislocating impact. As a result, The City declared a state of local emergency effective March 16, 2020. A number of closures, cancellations, and service reductions have occurred during the year in line with the guidelines put forward by Alberta Health Services ("AHS"), which negatively impacted reporting segments across the organization.

In relation to the pandemic, The City did the following:

- Activated The City of Red Deer Emergency Operations Centre
- Closed all recreation facilities and related amenities and events through to June 30, 2020 with temporary work interruptions for affected employees
- Closed offices and partially closed City Hall to the public while staff were required to work from home for those able to do so
- Reduced transit services and waived parking fees
- Offered users to defer utility payments for 90 days without penalty
- Moved the property tax payment deadline to September 30, 2020
- Implemented the Voluntary Retirement Program for eligible employees
- Amended the adopted operating budget for the expected reduction in property tax revenue while applying further cost savings to 2021/2022 multi-year budget.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### For the Year Ended December 31, 2020 (in thousands of dollars)

To help mitigate the impact of COVID-19 on The City's operations, the Province of Alberta provided a Municipal Operating Support Transfer in the amount of \$11,964. The City is also eligible to receive capital funding through the COVID-19 Resilience Grant administered through Investing in Canada Infrastructure Program ("ICIP"). Up to \$38,540 can be applied to eligible capital projects ready to start in 2021.

As this situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the future financial effect on The City is not determinable at this time. The City continues to closely monitor the COVID-19 developments and follow the issued guidelines of AHS to ensure a quick and effective response to this evolving situation.

### 30 BUDGET

The reported budget information is derived from the adopted operating budget approved by Council on April 27, 2020 and the capital cash flow budget approved by Council on February 1, 2021. These reported budgets do not include subsequent amendments by Council, internal fund transfers, debt issuance and repayment, and other internal recoveries. The table below reconciles The City's final budget to the reported budget presented in the financial statements.

	Operating		Capital		Total
<b>Reported budget surplus (deficit)</b>	\$	(32,784)	\$	31,609	\$ (1,175)
Contributed tangible capital assets		6,928		(6,928)	-
Net amendments		(3,113)		-	(3,113)
<b>Final budget surplus (deficit) before funding transfers</b>		(28,969)		24,681	(4,288)
Add (less) funding transfers:					
Net transfers between capital and operating		(571)		787	216
Net reserve transfers		(25,545)		35,485	9,940
Internal recoveries from capital		3,347		-	3,347
Tangible capital asset transfers		72,004		-	72,004
Long term debt issued		-		19,523	19,523
Long term debt repaid		(20,266)		-	(20,266)
<b>Final budget surplus</b>	\$	-	\$	80,476	\$ 80,476

### 31 COMPARATIVE INFORMATION

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

### 32 APPROVAL OF FINANCIAL STATEMENTS

City Council has approved these financial statements on April 26, 2021.



## **STATISTICAL INFORMATION**

**GENERAL MUNICIPAL DATA - UNAUDITED**  
**(2016-2020) (in thousands of dollars)**

	<b>2020</b>	2019	2018	2017	2016
Population (not in thousands)	<b>101,002</b>	101,002	99,832	99,832	99,832
Assessed valuation	<b>\$ 15,395,034</b>	\$ 15,603,264	\$ 15,724,614	\$ 15,756,231	\$ 15,987,628
Per capita assessed valuation	<b>\$ 152</b>	\$ 154	\$ 158	\$ 158	\$ 160
Mill rates (commercial)					
Municipal	<b>14.0635</b>	13.9121	13.7448	13.4570	13.1457
Education Foundation	<b>3.7592</b>	3.8668	3.8047	3.7298	3.6836
Bridges Community Living	<b>0.0515</b>	0.0373	0.0321	0.0256	0.0273
	<b>17.8742</b>	17.8162	17.5816	17.2124	16.8566
Taxes paid by the largest single taxpayer	<b>\$ 3,572</b>	\$ 3,364	\$ 3,275	\$ 3,177	\$ 3,146
Percent of taxes	<b>1.94 %</b>	1.84 %	1.84 %	1.83 %	1.86 %
Property taxes					
Current levy	<b>\$ 183,735</b>	\$ 182,619	\$ 178,423	\$ 174,065	\$ 169,570
Current collected	<b>\$ 181,121</b>	\$ 180,054	\$ 176,315	\$ 172,017	\$ 167,917
Percent of current levy	<b>99 %</b>	99 %	99 %	99 %	99 %
Gross tax collections	<b>\$ 182,322</b>	\$ 182,442	\$ 178,491	\$ 173,924	\$ 170,524
Taxes outstanding	<b>\$ 3,578</b>	\$ 3,352	\$ 2,676	\$ 2,335	\$ 1,954

As there was no municipal census conducted in 2020, population results from 2019 are used. For similar reasons, 2017-2018 population figures are taken from 2016 census results.

**CAPITAL FUND ACTIVITIES - UNAUDITED**

**2016-2020 (in thousands of dollars)**

	2020	2019	2018	2017	2016
Capital expenditure by segment:					
General government services	\$ 8,687	\$ 3,238	\$ 3,077	\$ 3,873	\$ 4,046
Protective services and parking	1,779	998	2,167	5,339	13,704
Transportation and fleet	29,472	38,503	37,285	46,618	63,943
Water and wastewater	34,475	23,629	16,820	14,681	15,649
Waste management	289	3,580	3,373	1,095	1,632
Community services	126	37	131	-	(4)
Subdivisions, land, and development	2,057	1,143	3,390	6,374	2,741
Recreation, parks, and culture	6,390	8,716	20,708	36,330	16,065
Electric light and power	6,424	10,437	9,390	10,688	9,430
<b>Total Capital Spending</b>	<b>\$ 89,699</b>	<b>\$ 90,281</b>	<b>\$ 96,341</b>	<b>\$ 124,998</b>	<b>\$ 127,206</b>
Financing Sources Applied:					
Capital government transfers	23,875	25,451	32,185	28,481	50,218
Developer and customer contributions	3,039	4,029	5,088	6,995	6,442
Other capital revenue	919	3,388	848	2,094	3,458
Debt issued	25,672	21,835	24,427	45,852	26,664
From (to) operating	(2,279)	(3,217)	(2,262)	1,808	(2,222)
From (to) reserves	38,880	35,509	42,142	30,636	20,809
<b>Total Funding</b>	<b>90,106</b>	<b>86,995</b>	<b>102,428</b>	<b>115,866</b>	<b>105,369</b>
Increase (decrease) in fund balance	407	(3,286)	6,087	(9,132)	(21,837)
Capital fund balance, beginning of year	(44,032)	(40,746)	(46,833)	(37,701)	(15,864)
<b>Capital fund balance, end of year</b>	<b>\$ (43,625)</b>	<b>\$ (44,032)</b>	<b>\$ (40,746)</b>	<b>\$ (46,833)</b>	<b>\$ (37,701)</b>

## CONSOLIDATED REVENUE BY SOURCE - UNAUDITED

2016-2020 (in thousands of dollars)

	2020	2019	2018	2017	2016
Operating Revenue:					
Net municipal taxes	\$ 135,697	\$ 135,166	\$ 130,975	\$ 126,701	\$ 124,346
User fees and sale of goods	168,426	174,098	170,279	168,674	161,388
Operating government transfers	28,016	14,667	13,615	15,110	19,198
Investment earnings	6,526	7,508	2,793	3,177	6,981
Fines and penalties	4,235	6,938	6,650	5,937	6,148
Natural gas distribution franchise	8,314	8,632	8,343	9,153	7,797
Licenses and permits	3,932	3,112	3,624	3,249	3,558
Other operating revenue	2,711	3,949	7,052	5,327	5,986
<b>Total Operating Revenue</b>	<b>357,857</b>	<b>354,070</b>	<b>343,331</b>	<b>337,328</b>	<b>335,402</b>
Capital Revenue:					
Capital government transfers	23,875	25,451	32,185	28,481	50,218
Contributed tangible capital assets	4,020	7,349	19,325	7,325	7,330
Other capital contributions	3,439	6,657	5,333	7,951	9,301
<b>Consolidated Revenue</b>	<b>\$ 389,191</b>	<b>\$ 393,527</b>	<b>\$ 400,174</b>	<b>\$ 381,085</b>	<b>\$ 402,251</b>

In 2020, comparative information has been reclassified to conform to the current year's presentation.

## CONSOLIDATED OPERATING EXPENSES BY FUNCTION - UNAUDITED

2016-2020 (in thousands of dollars)

	2020	2019	2018	2017	2016
Operating Expenses:					
General government services	\$ 46,674	\$ 41,556	\$ 43,109	\$ 36,641	\$ 37,545
Protective services and parking	80,273	81,689	77,884	76,679	74,421
Transportation and fleet	74,989	80,859	79,998	78,367	85,706
Community services	15,661	14,700	13,047	15,376	13,572
Recreation, parks, and culture	55,437	57,958	50,328	50,896	51,924
Water and wastewater	38,238	37,551	35,258	36,187	34,542
Waste management	12,446	15,341	14,064	14,642	14,524
Subdivisions, land, and development	1,643	2,196	3,198	2,277	2,534
Electric light and power	44,122	44,398	41,030	39,322	35,884
Total operating expenses	\$ 369,483	\$ 376,248	\$ 357,916	\$ 350,387	\$ 350,652

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

**CONSOLIDATED EXPENSES BY OBJECT - UNAUDITED**

**2016-2020 (in thousands of dollars)**

	2020		2019		2018		2017		2016
Operating Expenses:									
Salaries, wages, and benefits	\$ 144,744	\$	149,044	\$	146,380	\$	144,014	\$	141,093
Contracted services	41,346		44,480		40,487		42,380		41,998
Materials and supplies	48,855		53,441		51,041		49,494		48,784
Purchases from other governments	26,650		26,370		24,661		23,534		23,217
Grants to organizations	20,611		16,514		10,216		14,265		20,970
Financial charges	9,883		10,260		10,071		9,508		9,317
Amortization of tangible capital assets	75,600		75,455		74,536		66,686		63,758
Other expenses	1,794		684		524		506		1,515
<b>Total operating expenses</b>	<b>\$ 369,483</b>	\$	<b>376,248</b>	\$	<b>357,916</b>	\$	<b>350,387</b>	\$	<b>350,652</b>

**FINANCIAL POSITION AND ANNUAL SURPLUS - UNAUDITED**

**2016-2020 (in thousands of dollars)**

	2020	2019	2018	2017	2016
Financial assets	\$ 360,415	\$ 325,398	\$ 320,213	\$ 302,645	\$ 308,168
Liabilities	446,230	412,782	401,062	385,835	359,468
Net debt	(85,815)	(87,384)	(80,849)	(83,190)	(51,300)
Non-financial assets	2,115,081	2,096,942	2,073,128	2,033,211	1,970,623
Accumulated surplus	2,029,266	2,009,558	1,992,279	1,950,021	1,919,323
Annual surplus	\$ 19,708	\$ 17,279	\$ 42,258	\$ 30,698	\$ 51,599

**CONSOLIDATED ACCUMULATED SURPLUS - UNAUDITED**

**2016-2020 (in thousands of dollars)**

	2020	2019	2018	2017	2016
Unrestricted surpluses in controlled agencies	1,303	1,177	148	170	10,979
Capital to be financed	\$ (43,625)	\$ (44,032)	\$ (40,746)	\$ (46,833)	\$ (37,701)
Reserves	227,053	219,268	219,937	220,943	222,260
Equity in tangible capital assets	1,844,535	1,833,145	1,812,940	1,775,741	1,723,785
Total	\$ 2,029,266	\$ 2,009,558	\$ 1,992,279	\$ 1,950,021	\$ 1,919,323

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

**CONSOLIDATED RESERVES - UNAUDITED**  
**2016-2020 (in thousands of dollars)**

	2020	2019	2018	2017	2016
Finance a specific purpose	\$ 2,593	\$ 2,477	\$ 1,854	\$ 1,783	\$ 2,388
Capital projects - tax supported	22,413	27,068	33,133	40,743	41,060
Municipal parkland	7,819	7,184	6,922	6,984	6,710
Operating - tax supported	40,915	33,479	33,838	31,757	33,454
Debt repayment	(501)	1,446	3,155	3,816	2,471
<b>Tax-supported reserves</b>	<b>73,239</b>	<b>71,654</b>	<b>78,902</b>	<b>85,083</b>	<b>86,083</b>
Capital asset replacement	40,293	34,843	20,234	27,209	36,317
Land development	57,666	61,474	63,009	65,430	54,447
Parking	715	1,376	1,637	372	158
Offsite	(25,584)	(20,686)	(6,257)	(10,012)	(2,068)
<b>Self-supported reserves</b>	<b>73,090</b>	<b>77,007</b>	<b>78,623</b>	<b>82,999</b>	<b>88,854</b>
Power	29,999	26,834	24,148	19,878	17,997
Water	13,730	8,539	3,873	3,373	3,383
Wastewater	20,356	21,424	18,042	12,191	8,949
Solid waste management	16,639	13,810	16,349	17,419	16,994
<b>Utility-supported reserves</b>	<b>80,724</b>	<b>70,607</b>	<b>62,412</b>	<b>52,861</b>	<b>47,323</b>
<b>Total reserves</b>	<b>\$ 227,053</b>	<b>\$ 219,268</b>	<b>\$ 219,937</b>	<b>\$ 220,943</b>	<b>\$ 222,260</b>



## LONG-TERM DEBT ISSUED BY FUNCTION - UNAUDITED

2016-2020 (in thousands of dollars)

	2020	2019	2018	2017	2016
General government services	\$ 662	\$ -	\$ -	\$ -	-
Protective services and parking	-	-	-	1,082	15,030
Transportation and fleet	4,441	3,975	1,500	8,042	9,500
Recreation, parks, and culture	2,249	7,193	10,235	33,482	895
Water and wastewater	16,000	7,400	4,971	1,565	-
Subdivisions, land, and development	-	-	-	5,570	4,600
Electric light and power	-	1,000	5,506	-	-
<b>Total</b>	<b>\$ 23,352</b>	<b>\$ 19,568</b>	<b>\$ 22,212</b>	<b>\$ 49,741</b>	<b>\$ 30,025</b>

## LONG-TERM DEBT - UNAUDITED

2016-2020 (in thousands of dollars)

	2020	2019	2018	2017	2016
Tax-supported debt	\$ 153,063	\$ 151,298	\$ 145,479	\$ 137,945	\$ 107,041
Self-supported debt	125,086	123,390	129,735	136,619	138,228
<b>Total long-term debt</b>	<b>278,149</b>	<b>274,688</b>	<b>275,214</b>	<b>274,564</b>	<b>245,269</b>
Population	101,002	101,002	99,832	99,832	99,832
Long-term debt per capita	2,754	2,720	2,757	2,750	2,457
Debt limit per regulation	541,944	541,091	522,996	517,919	517,055
Debt limit unused	263,795	266,403	247,782	243,355	271,786
Percentage of debt limit used	51 %	51 %	53 %	53 %	47 %
Service on debt limit	90,324	90,182	87,166	86,320	86,176
Service on existing debt	30,923	29,396	29,724	31,309	29,223
Service on debt limit unused	59,401	60,786	57,442	55,011	56,953
Percentage of service on debt limit used	34 %	33 %	34 %	36 %	34 %
Percentage of expenses	8 %	8 %	8 %	9 %	8 %