



2021 Annual Financial Report

The Corporation of the City of Red Deer
Red Deer, Alberta
For the Year Ended December 31, 2021
April 2022

TABLE OF CONTENTS

INTRODUCTORY INFORMATION

MAYOR AND CITY COUNCIL.....	4
ORGANIZATIONAL CHART.....	5
REPORT FROM THE CHIEF FINANCIAL OFFICER.....	6

FINANCIAL INFORMATION

MANAGEMENT REPORT.....	13
INDEPENDENT AUDITORS' REPORT.....	14
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	17
CONSOLIDATED STATEMENT OF OPERATIONS.....	18
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT.....	19
CONSOLIDATED STATEMENT OF CASH FLOWS.....	20
SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS.....	21
SCHEDULE 2 - CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED SURPLUS.....	22
SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE.....	23
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	25

STATISTICAL INFORMATION

STATISTICAL REVIEW FOR THE YEARS 2017 to 2021.....	59
--	----

INTRODUCTORY INFORMATION

MAYOR AND CITY COUNCIL

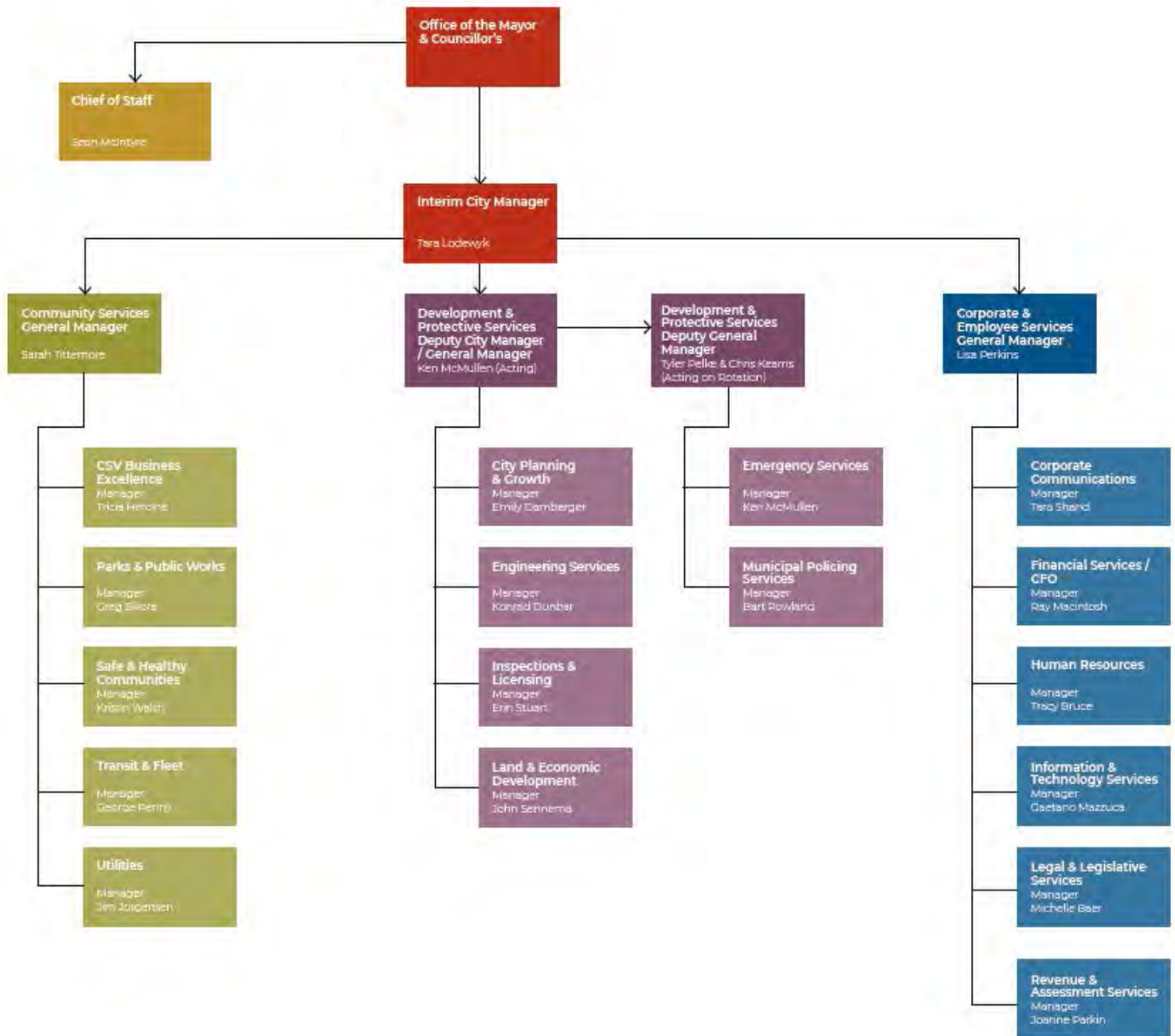


Left to Right: Councillor D. Wyntjes, Councillor C. Jefferies, Councillor M. Dawe, Councillor L. Lee, Mayor K. Johnston, Councillor K. Barnstable, Councillor V. Higham, Councillor B. Buruma, Councillor V. Doerksen.

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 Ken Johnston, Members of Council of The City of Red Deer, I am pleased to present the 2021 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 2021 financial performance. In addition, this report describes some of The City's major financial challenges and provides an assessment of The City's general economic condition.

Financial Statement Highlights & Analysis

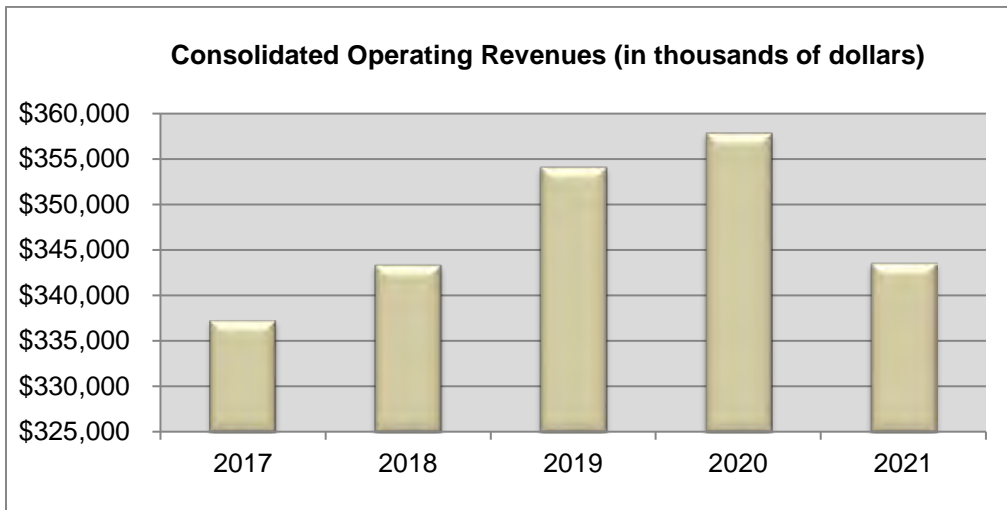
Operating Results

The COVID-19 pandemic continues to provide challenges for The City coming out of 2020. The financial impacts are apparent throughout this financial report and have affected both our capital and operating activities.

In the prior year, The City weathered the initial financial shock of the pandemic through a one-time operating grant from the provincial government. The Municipal Operating Support Transfer (MOST) supplemented revenues during that time. Much of these revenue reductions were expected to continue into 2021, but absent any operating grants. The major revenue streams that decreased in 2021 were:

- Utility user fees
- Transit revenue
- Land sales
- Operating government transfers

Facility user fees and rentals have not decreased but have not recovered to their pre-pandemic levels.



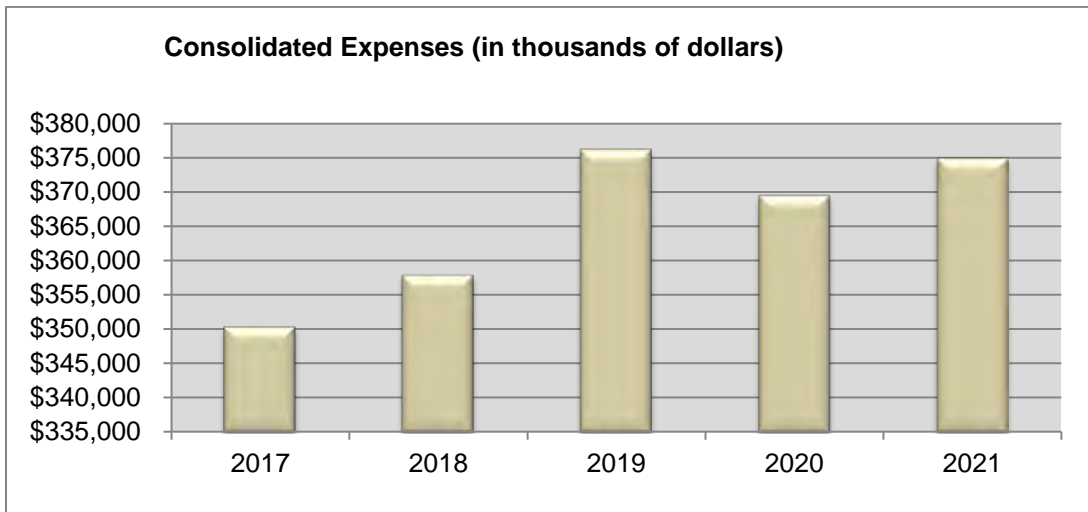
The overall decrease in operating revenues is \$14.3 million compared to last year, which is \$6.1 million less than what was budgeted.

Where there are negative changes in revenue caused by the pandemic, there are corresponding positive differences in related expenses compared to budget, such as in:

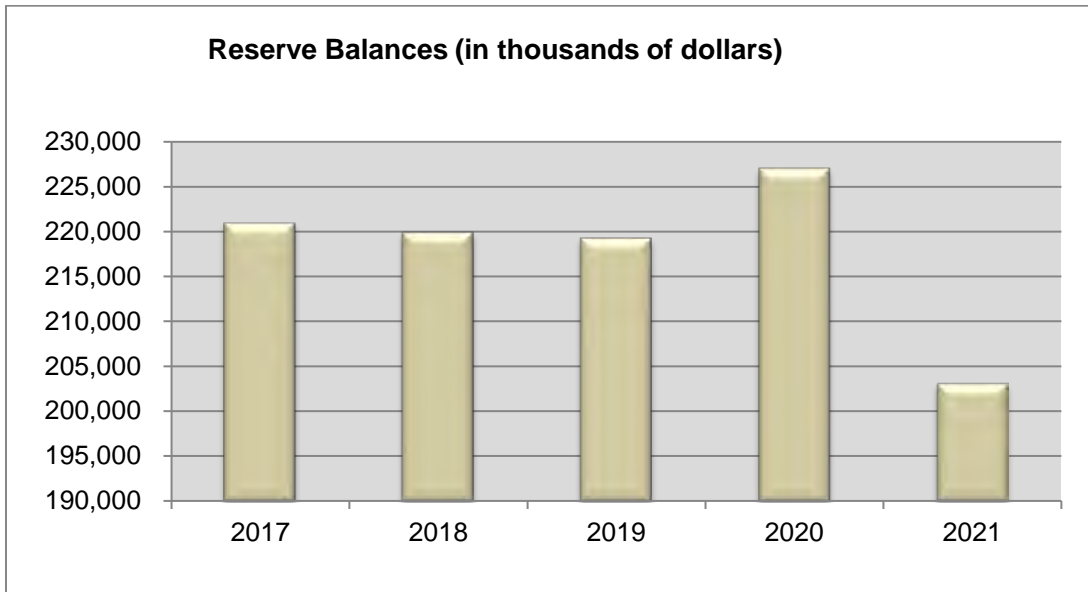
- Transportation and fleet
- Recreation, parks, and culture

These decreases primarily come from reductions in salaries and wages, contracted services, and materials and supplies expenses.

Total expenses did increase by \$5.4 million from 2020 due to increases in grants to organizations and policing contract, offset by lower salaries and wages. However, the overall increase in expenses was less than expected. The City budgeted for an operating deficit of \$38 million, but due to managing expenses relative to decreasing revenue streams, the result was a deficit of \$31 million.



The impact of this can be seen in The City’s reserve balances at the end of the year. Operating reserves decreased by approximately \$18.7 million, mostly for operations in tax supported functions. Self-supported reserves remained relatively comparable to prior year.

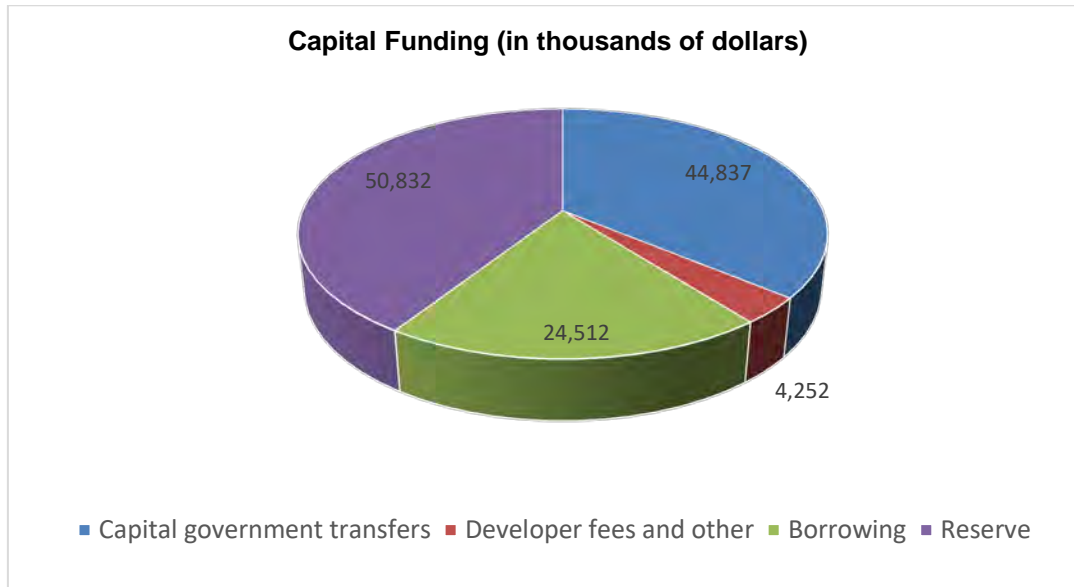


Capital results

Where The City suffered in its operating activities compared to 2020, it made up for in its capital activities. The federal and provincial governments enacted infrastructure stimulus grants (COVID-19 Resilience and Municipal Stimulus Program respectively) for shovel-ready projects starting in 2021. The City took swift advantage of these programs, resulting in an increase in capital government grants of \$21.0 million to help fund the increase in capital expenditures of \$25.5

million. Total capital funding received during the year exceeded total capital expenditures, resulting in a decrease of capital to be financed (capital deficit) of \$7.3 million.

Total capital expenditures of \$116.5 million were financed with 41% capital reserves, 36% government grants, 20% debenture borrowing, and the remaining 3% developer fees and other third-party funding sources.



Overall, capital activities had a positive impact on The City’s financials, resulting in an annual surplus of \$19.8 million, which is remarkably close to the annual surplus reported last year.

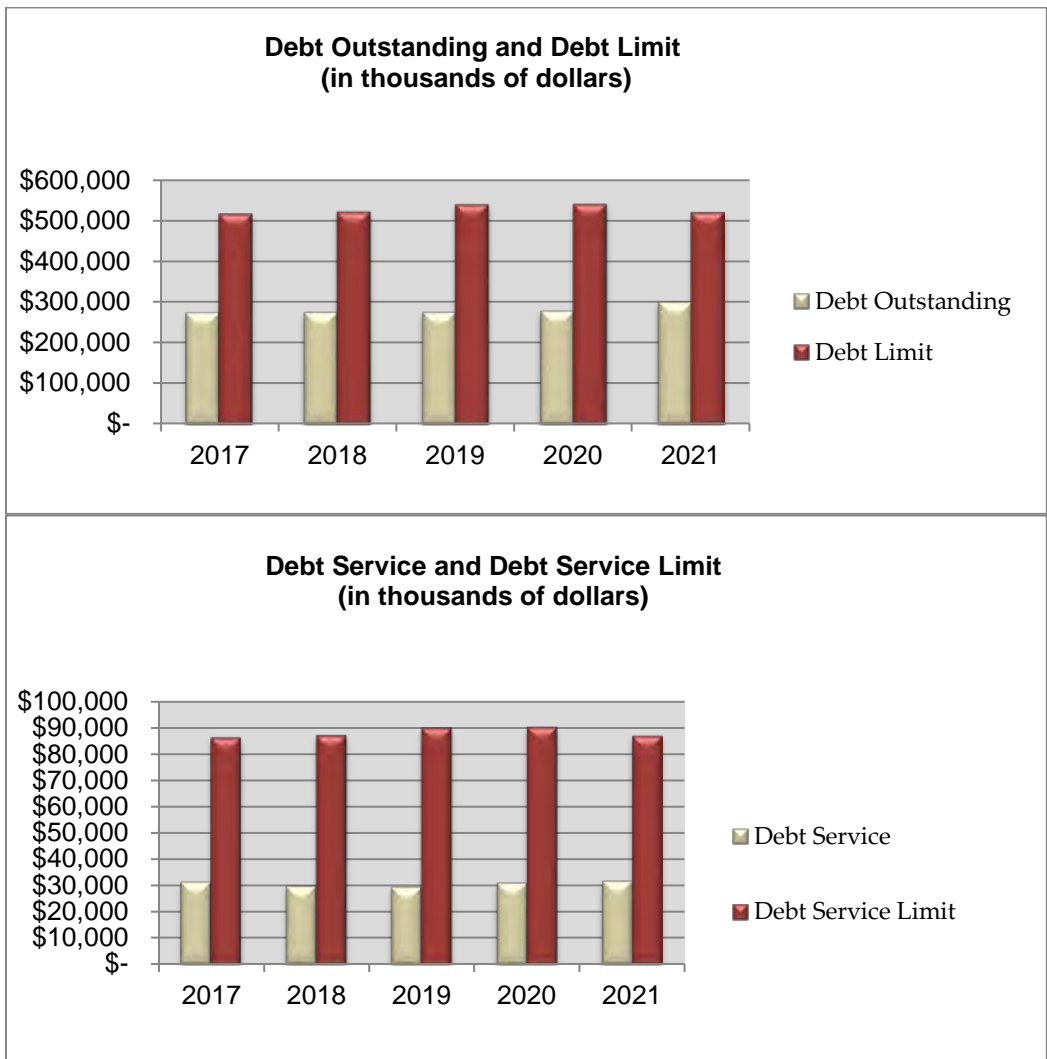
Financial Position

COVID-19 has had a material impact on The City’s financial position. The federal capital grant has been entirely accrued to government transfers receivable in the amount of \$19.4 million in addition to increases in The City’s usual grants that have not yet been received. The decision to use the new grants up first, resulted in The City spending less of its other capital grants, causing a \$26 million increase in the deferred revenue obligation.

The most material effect on The City’s financial position, however, stems from The City’s relationship with The Westerner Exposition Association (The Westerner). In September 2021, The City and The Westerner entered into an agreement where The City is to provide temporary financial oversight as well as provide financial assistance to The Westerner. That assistance came into the form of grants of \$5.5 million so far this year and a loan of \$19 million. Public Sector Accounting Standards require that a part of this loan be reported at its

present value based on the estimated repayments and The City’s borrowing rate at the time the loan was paid. The difference between the present value and the face value of \$2.2 million was recorded as a grant expense while the loan receivable from The Westerner is reported at \$16.8 million.

To fund this loan, The City borrowed from Loans to Local Authorities, making up most of the increase in long term debt of \$22.0 million. This increase in long term debt in addition to the decrease in annual revenue per the Municipal Government Act (which does not include capital government transfers or contributed assets), resulted in a decrease in The City’s debt limits. The percentage of the debt limit used in 2021 is 58% and debt servicing is 36%.



Because the increase in financial assets did not exceed the increase in liabilities, the net debt has increased by \$21.3 million from prior year.

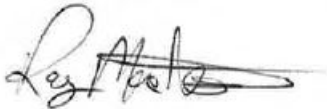
In Summary

As can be seen by our financial results, COVID-19 has moved its way throughout our statements from operating to capital to our financial position. The pandemic has severely affected one of our key partners, The Westerner, and The City answered the call to help. City Council took other actions to blunt the results due to COVID-19 by reducing tax increases to zero, holding the line on other fee increases, and working closely with those finding difficulty in payments and drawing from reserve to make ends meet.

We have weathered the storm. By and large, our capital reserves are still strong, our debt reasonable and our tax rates in line with comparable municipalities. The City is positioned well to take advantage of a bright future. We have capacity to borrow, a strong commercial sector, a growing economy, and announcements of large capital investment that fix Red Deer as the hub for Central Alberta.

I would like to thank Council for their leadership, staff for their dedication, and our community partners for their steadfastness.

Respectfully submitted,



Ray MacIntosh, MBA, CPA, CGA
Chief Financial Officer
April 25, 2022

FINANCIAL INFORMATION

MANAGEMENT REPORT

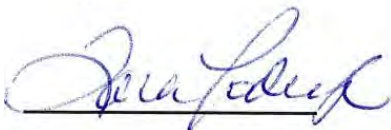
Management of The City of Red Deer is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and all other information within this financial report. Management believes that the consolidated financial statements present fairly The City's financial position as at December 31, 2021 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.

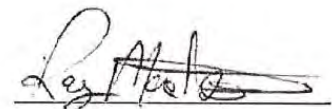
Management is responsible for maintaining an adequate system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are authorized and assets are properly accounted 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.



Tara Lodewyk
Interim City Manager



Ray MacIntosh
Chief Financial Officer



KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To His 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, 2021
- 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, 2021, 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 a document likely to be entitled the "2021 Annual Report".

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

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

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.

Chartered Professional Accountants

Edmonton, Canada

April 25, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021 (in thousands of dollars)

	2021	2020
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 39,867	\$ 13,393
Accounts receivable (Note 3)	93,324	62,608
Land held for sale (Note 4)	47,814	47,820
Investments (Note 5)	199,583	235,966
Loans receivable (Note 6)	17,300	628
	397,888	360,415
Liabilities		
Accounts payable and accrued liabilities (Note 7)	60,380	52,308
Deposits	3,576	2,916
Deferred revenue (Note 8)	119,506	93,171
Employee benefit obligations (Note 9)	14,873	14,049
Landfill closure and post-closure liability (Note 10)	6,537	5,637
Long-term debt (Note 11)	300,131	278,149
	505,003	446,230
Net Debt	(107,115)	(85,815)
Non-financial Assets		
Tangible capital assets (Schedule 1, Note 13)	2,143,123	2,101,948
Inventory held for consumption	10,566	9,907
Prepaid expenses	2,543	3,226
	2,156,232	2,115,081
Accumulated Surplus (Schedule 2, Note 15)	\$ 2,049,117	\$ 2,029,266

Contractual rights and obligations (Note 25)
 Contingencies (Note 26)
 Guarantees (Note 27)
 Segmented disclosure (Schedule 3, Note 28)
 Related party disclosure (Note 31)

Approved on behalf of City Council:



Ken Johnston, Mayor



Michael Dawe, Councillor

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2021 (in thousands of dollars)

	Budget (Note 30)	2021	2020
Revenues (Schedule 3)			
Net municipal taxes (Note 16)	\$ 136,565	\$ 135,531	\$ 135,697
User fees and sale of goods (Note 17)	173,005	163,860	168,426
Operating government transfers (Note 18)	16,881	21,471	28,016
Investment earnings	2,905	4,213	6,526
Fines and penalties	5,908	4,017	4,235
Natural gas distribution franchise	8,350	8,769	8,314
Licenses and permits	3,303	3,259	3,932
Other operating revenue	2,679	2,390	2,711
	349,596	343,510	357,857
Expenses (Schedule 3, Note 19)			
General government services	46,553	52,118	46,674
Protective services and parking	82,013	85,611	80,273
Transportation and fleet	83,267	75,197	74,989
Community services	15,480	17,217	15,661
Recreation, parks, and culture	55,529	49,704	55,437
Water and wastewater	42,686	38,291	38,238
Waste management	13,362	13,162	12,446
Subdivisions, land, and development	1,404	1,427	1,643
Electric light and power	47,612	42,197	44,122
	387,906	374,924	369,483
Annual Deficit before Other	(38,310)	(31,414)	(11,626)
Other (Schedule 3)			
Capital government transfers (Note 18)	36,086	44,837	23,875
Contributed tangible capital assets (Note 13)	6,629	2,176	4,020
Developer and customer contributions	4,259	4,233	3,039
Other capital revenue	242	19	400
Annual Surplus	8,906	19,851	19,708
Accumulated Surplus, beginning of year	2,029,266	2,029,266	2,009,558
Accumulated Surplus, end of year	\$ 2,038,172	\$ 2,049,117	\$ 2,029,266

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended December 31, 2021 (in thousands of dollars)

	Budget (Note 30)	2021	2020
Annual Surplus	\$ 8,906	\$ 19,851	\$ 19,708
Acquisition of tangible capital assets	(97,845)	(116,515)	(90,994)
Contributed tangible capital assets	(6,629)	(2,176)	(4,020)
Proceeds on disposal of tangible capital assets	-	1,192	716
Amortization of tangible capital assets	79,264	76,322	75,600
Loss on disposal of tangible capital assets	-	2	1,526
	(25,210)	(41,175)	(17,172)
Net purchase of inventory held for consumption	-	(659)	(512)
Net (use) acquisition of prepaid expenses	-	683	(455)
	-	24	(967)
(Increase) Decrease in Net Debt	(16,304)	(21,300)	1,569
Net Debt, beginning of year	(85,815)	(85,815)	(87,384)
Net Debt, end of year	\$ (102,119)	\$ (107,115)	\$ (85,815)

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021 (in thousands of dollars)

	2021	2020
Net inflow (outflow) of cash related to the following activities:		
Operating Activities		
Annual surplus	\$ 19,851	\$ 19,708
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	76,322	75,600
Loss on disposal of tangible capital assets	2	1,526
Contributed tangible capital assets	(2,176)	(4,020)
Non-cash charges to operations:		
Accounts receivable	(30,716)	(231)
Land held for sale	6	120
Loans receivable	(16,672)	3,318
Accounts payable and accrued liabilities	8,072	6,851
Deposits	660	(61)
Deferred revenue	26,335	24,350
Employee benefit obligations	824	(1,120)
Landfill closure and post-closure liability	900	(33)
Inventory held for consumption	(659)	(512)
Prepaid expenses	683	(455)
	83,432	125,041
Capital Activities		
Acquisition of tangible capital assets	(116,515)	(90,994)
Proceeds on disposal of tangible capital assets	1,192	716
	(115,323)	(90,278)
Investing Activities		
Net sale (purchase) of investments	36,383	(26,902)
	36,383	(26,902)
Financing Activities		
Long-term debt issued	43,513	23,352
Long-term debt repaid	(21,531)	(19,891)
	21,982	3,461
Change in cash and cash equivalents during the year	26,474	11,322
Cash and cash equivalents, beginning of year	13,393	2,071
Cash and cash equivalents, end of year	\$ 39,867	\$ 13,393

See accompanying Notes to the Consolidated Financial Statements

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2021 (in thousands of dollars)

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction		
								2021	2020
Cost:									
Balance, beginning of year	\$ 361,275	\$ 147,400	\$ 413,709	\$ 124,078	\$ 66,357	\$ 2,046,192	\$ 104,538	\$ 3,263,549	\$ 3,175,819
Acquisition and contributions of tangible capital assets	10,649	3,287	4,504	6,083	5,205	81,029	7,934	118,691	95,014
Disposal of tangible capital assets	-	(30)	(993)	(1,624)	(3,295)	(595)	-	(6,537)	(7,284)
Balance, end of year	371,924	150,657	417,220	128,537	68,267	2,126,626	112,472	3,375,703	3,263,549
Accumulated Amortization:									
Balance, beginning of year	-	(61,819)	(143,960)	(67,970)	(31,496)	(856,356)	-	(1,161,601)	(1,091,043)
Amortization of tangible capital assets	-	(5,444)	(11,560)	(8,396)	(4,408)	(46,514)	-	(76,322)	(75,600)
Accumulated amortization on disposals	-	30	650	1,245	2,825	593	-	5,343	5,042
Balance, end of year	-	(67,233)	(154,870)	(75,121)	(33,079)	(902,277)	-	(1,232,580)	(1,161,601)
Net book value of tangible capital assets	\$ 371,924	\$ 83,424	\$ 262,350	\$ 53,416	\$ 35,188	\$ 1,224,349	\$ 112,472	\$ 2,143,123	\$ 2,101,948
2020 Net Book Value of Tangible Capital Assets	\$ 361,275	\$ 85,581	\$ 269,749	\$ 56,108	\$ 34,861	\$ 1,189,836	\$ 104,538	\$ 2,101,948	

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, 2021 (in thousands of dollars)

	Unrestricted surplus and capital to be financed	Reserves	Equity in Tangible Capital Assets	2021	2020
Balance, beginning of year	(42,322)	227,053	1,844,535	2,029,266	2,009,558
Annual Surplus	19,851	-	-	19,851	19,708
Unrestricted funds designated for future use	(80,927)	80,927	-	-	-
Restricted funds used for operations	54,041	(54,041)	-	-	-
Restricted funds used for tangible capital assets	-	(50,832)	50,832	-	-
Current year funds used for tangible capital assets	(65,683)	-	65,683	-	-
Contributed tangible capital assets	(2,176)	-	2,176	-	-
Disposal of tangible capital assets	1,194	-	(1,194)	-	-
Amortization of tangible capital assets	76,322	-	(76,322)	-	-
Long term debt related to tangible capital assets issued	24,512	-	(24,512)	-	-
Long term debt related to tangible capital assets repaid	(19,156)	-	19,156	-	-
Change in accumulated surplus	7,978	(23,946)	35,819	19,851	19,708
Balance, end of year	(34,344)	203,107	1,880,354	2,049,117	2,029,266

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

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2021 (in thousands of dollars)

	General government services	Protective services and parking	Transportation and fleet	Community services	Recreation, parks, and culture	Water and wastewater	Waste management	Subdivisions, land, and development	Electric light and power	Total
Revenues										
Net municipal taxes	\$ 19	\$ 57,132	\$ 33,988	\$ 6,430	\$ 37,962	\$ -	\$ -	\$ -	\$ -	\$ 135,531
User fees and sale of goods	317	12,617	3,616	581	6,545	62,463	17,715	228	59,778	163,860
Operating government transfers	4,693	3,907	273	11,378	1,220	-	-	-	-	21,471
Investment earnings	1,316	-	877	47	200	784	319	112	558	4,213
Fines and penalties	740	2,779	-	-	33	256	53	-	156	4,017
Natural gas distribution franchise	8,769	-	-	-	-	-	-	-	-	8,769
Licenses and permits	42	3,164	29	24	-	-	-	-	-	3,259
Other operating revenue	436	436	423	94	421	137	432	11	-	2,390
	16,332	80,035	39,206	18,554	46,381	63,640	18,519	351	60,492	343,510
Expenses										
Salaries, wages, and benefits	25,791	45,693	24,074	4,132	24,888	10,929	1,049	525	5,374	142,455
Contracted services	6,769	3,990	4,322	2,071	5,139	4,281	10,670	24	4,248	41,514
Materials and supplies	1,102	1,346	6,533	280	5,721	4,826	62	631	27,691	48,192
Purchases from other governments	-	31,320	-	-	-	-	-	-	-	31,320
Grants to organizations	8,541	-	2,484	10,639	2,655	-	-	-	-	24,319
Financial charges	6,341	93	614	-	111	1,878	12	246	551	9,846
Amortization of tangible capital assets	3,586	3,037	37,432	83	10,949	16,342	569	-	4,324	76,322
Other expenses	(12)	132	(262)	12	241	35	800	1	9	956
	52,118	85,611	75,197	17,217	49,704	38,291	13,162	1,427	42,197	374,924
Annual surplus (deficit) before other	(35,786)	(5,576)	(35,991)	1,337	(3,323)	25,349	5,357	(1,076)	18,295	(31,414)
Other										
Capital government transfers	1,119	5,859	28,731	-	8,695	451	-	-	(18)	44,837
Contributed tangible capital assets	-	-	1,893	-	74	209	-	-	-	2,176
Developer and customer contributions	9	-	2,747	-	124	624	-	-	729	4,233
Other capital revenue	-	-	19	-	-	-	-	-	-	19
Annual surplus (deficit)	\$ (34,658)	\$ 283	\$ (2,601)	\$ 1,337	\$ 5,570	\$ 26,633	\$ 5,357	\$ (1,076)	\$ 19,006	\$ 19,851

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

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 30, 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	Total
Revenues										
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
	31,252	79,798	40,458	17,699	40,877	63,291	18,239	2,263	63,980	357,857
Expenses										
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
	46,674	80,273	74,989	15,661	55,437	38,238	12,446	1,643	44,122	369,483
Annual surplus (deficit) before other	(15,422)	(475)	(34,531)	2,038	(14,560)	25,053	5,793	620	19,858	(11,626)
Other										
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
Annual surplus (deficit)	\$ (10,426)	\$ (374)	\$ (13,538)	\$ 2,038	\$ (12,263)	\$ 26,622	\$ 5,793	\$ 620	\$ 21,236	\$ 19,708

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (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, 2021 (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, 2021 (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;
- ◆ provisions for impairment of investments; and
- ◆ present value of loans receivable.

(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 Consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

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.

iii. Loans Receivable

Loans receivable are initially recorded at the lower of the face value of the loan and its present value, with any difference being recorded as a grant to organization expense. Interest revenue is accrued on loans receivable as earned.

A valuation allowance is recognized when The City no longer has a reasonable expectation of collection. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

(h) Local Improvement Charges

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

(i) Liability for Contaminated Sites

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

(j) Landfill Closure and Post-Closure Liability

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

(k) Non-Financial Assets

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

i. Tangible Capital Assets

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

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

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

Amortization begins in the month the tangible capital asset is placed in service and ends in the month the tangible capital asset is disposed. Tangible capital assets under construction or development are reported as assets under construction with no amortization recorded until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to The City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. 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, 2021 (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.

(I) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

(m) Future Accounting Pronouncements

The following summarizes upcoming changes to PSAS put forward by the Public Sector Accounting Board ("PSAB").

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.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

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 defines purchased intangibles and provides further guidance on recognition and accounting treatment. This guideline is applicable for fiscal years beginning on or after April 1, 2023.

viii. Public Private Partnerships

PS3160, *Public Private Partnerships*, establishes standards on how to account for certain arrangements between public and private entities. The standard provides guidance on situations where a public entity acquires infrastructure assets using a private sector partner that designs, builds, or finances the infrastructure asset past the point where it is ready for use. This standard is applicable for fiscal years beginning on or after April 1, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (in thousands of dollars)

2 CASH AND CASH EQUIVALENTS

	2021	2020
Cash	\$ 39,577	\$ 13,097
Cash in investment accounts	290	296
	\$ 39,867	\$ 13,393

The City has access to an unsecured line of credit of up to \$30,000 (2020 - \$30,000) with an interest rate of prime minus 0.75%, resulting in an effective rate of 1.70% (2020 - 1.70%) to cover any bank overdraft arising from day to day cash transactions. As at December 31, 2021, there was no amount outstanding on the line of credit overdraft (2020 - \$Nil).

3 ACCOUNTS RECEIVABLE

	2021	2020
Property Taxes:		
Current taxes and grants in place of taxes	\$ 2,512	\$ 3,664
Arrears	642	1,122
Local improvement levies	3,051	3,256
Allowance for doubtful accounts	(188)	(80)
	6,017	7,962
Government transfers	57,926	27,222
Utilities	17,965	18,596
General	5,863	4,208
Interest on investments	1,477	1,202
Goods and Services Tax	1,295	1,254
Other receivables	2,972	2,375
Allowance for doubtful accounts	(191)	(211)
	87,307	54,646
	\$ 93,324	\$ 62,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

4 LAND HELD FOR SALE

	2021		2020	
Residential	\$	1,017	\$	1,814
Industrial and commercial		7,166		6,375
Land held ready for sale		8,183		8,189
Residential		25,623		25,623
Industrial and commercial		14,008		14,008
Land held not ready for sale	\$	39,631	\$	39,631
		47,814		47,820

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

	2021		2020	
	Cost	Market Value	Cost	Market Value
Short-term deposits	\$ 43,319	\$ 43,420	\$ 81,873	\$ 82,158
Federal government	18,633	18,748	20,192	21,420
Provincial government	36,207	36,626	34,074	36,327
Municipal government	3,959	3,996	4,323	4,636
Canadian banks	86,035	85,903	83,120	84,263
Corporate	10,481	10,472	10,940	11,364
Other	949	962	1,444	1,482
	\$ 199,583	\$ 200,127	\$ 235,966	\$ 241,650

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 0.76% to 1.35% (2020 - 0.27% to 2.62%) with maturities of generally one year or less.

The remaining investments are intended to be held long term. They have interest rates of 0.50% to 6.47% (2020 - 0.00% to 6.47%) and mature in periods from January 13, 2022 to February 15, 2060 (2020 - February 18, 2021 to February 15, 2060).

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, 2021 (in thousands of dollars)

6 LOANS RECEIVABLE

	2021	2020
Westerner Exposition Association	\$ 16,715	\$ -
Central Alberta Humane Society	585	625
Central Alberta Theatre	-	3
	\$ 17,300	\$ 628

Principal to be received are as follows:

2022	\$	185
2023		83
2024		91
2025		148
2026		222
Thereafter		16,571
	\$	17,300

(a) *Westerner Exposition Association*

In 2021, The City entered into a loan agreement with the Westerner Exposition Association ("The Westerner"). The term of the loan is 30 years ending September 29, 2051 and is receivable in two tranches:

- i. Tranche 1 is \$10,000 with payments calculated at 50% earnings before interest, taxes, depreciation, and amortization ("EBITDA") of the previous fiscal year with payments not exceeding \$500. Tranche 1 bears interest of 2.616% and is calculated using the simple interest method.
- ii. Tranche 2 is \$9,000 with payments calculated as a percentage of annual EBITDA, commencing at 0% of EBITDA up to \$1,000, 75% of EBITDA between \$1,000 and \$2,000, 90% of EBITDA between \$2,000 and \$3,000, and 100% of EBITDA over \$3,000. Tranche 2 bears no interest. The difference between the face value of the loan and its present value of \$6,715 has been recognized in the year as a grant to organizations and is to be amortized over the term of the loan. The unamortized grant as of December 31, 2021 is \$2,285.

For information on other transactions between The City and The Westerner, see Note 31.

(b) *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 3.600% per annum.

(c) *Central Alberta Theatre*

The City provided a loan to Central Alberta Theatre to assist in meeting the requirements of the Alberta Building Code. The term of the loan is 7 years ending March 15, 2021 with an interest rate of 2.960% per annum. This loan was received in full in March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (in thousands of dollars)

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021		2020
Trade	\$ 44,707	\$	35,889
Payroll and remittances	6,062		5,602
Liability for contaminated sites	4,916		5,289
Grants to organizations	3,040		4,030
Accrued interest	1,278		1,104
Goods and Services Tax	339		320
Other	38		74
	\$ 60,380	\$	52,308

(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:

	2020	Remediation costs expended	2021
Kinsmen Arena	\$ 2,277	\$ -	\$ 2,277
Parking Lots	1,156	-	1,156
Capstone (formerly Riverlands)	1,119	(58)	1,061
Fire training facility	443	(315)	128
Streets and right of ways	294	-	294
	\$ 5,289	\$ (373)	\$ 4,916

(b) Grants to organizations

In 2016, The City entered into an agreement with Red Deer Polytechnic (formerly 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, 2021, The City has \$3,000 (2020 - \$4,000) remaining to be repaid in equal annual instalments until October 1, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (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.

	2020	Amounts received including interest earned	Revenue recognized	2021
Deferred Government Transfers				
Municipal Sustainability Initiative	\$ 34,007	\$ 27,541	\$ 9,186	\$ 52,362
Canada Community Building Fund (formerly Federal Gas Tax Fund)	13,351	11,892	3,539	21,704
Water for Life	20,337	330	77	20,590
Municipal Stimulus Program	-	12,006	10,674	1,332
Outreach Support Services Initiative	768	5,390	5,195	963
Family and Community Support Services	283	3,626	3,086	823
Other government transfers	3,696	11,442	14,337	801
	\$ 72,442	\$ 72,227	\$ 46,094	\$ 98,575
Other Deferred Revenue				
Recreation amenity	2,466	40	124	2,382
Developer and customer contributions	14,252	4,476	4,109	14,619
Other	4,011	3,401	3,482	3,930
	20,729	7,917	7,715	20,931
Total Deferred Revenue	\$ 93,171	\$ 80,144	\$ 53,809	\$ 119,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (in thousands of dollars)

9 EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation, overtime, and earned days off	\$ 7,443	\$ 6,927
Retiring allowance	3,084	2,775
Other employment benefits	4,346	4,347
	\$ 14,873	\$ 14,049

(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 vacation 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, 2021 and extrapolated to December 31, 2023. 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 2.90% (2020 - 3.40%) and the expected salary escalations of 2.75% (2020 - 2.75%) are used to determine the accrued benefit obligation. The accrued benefit obligation is \$2,850 (2020 - \$2,902) using projected benefit method prorated on services. The net actuarial gain of \$234 (2020 - \$127 loss) 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, 2021 (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 2.16% (2020 - 2.55%) and annual inflation of 1.97% (2020 - 1.56%). 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 424,328 (2020 - 568,832) cubic metres remaining, which is projected to last until 2025 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	2021	2020
Total estimated closure and post-closure costs	1,908	5,259	7,167	6,362
Estimated capacity used	100 %	88 %	88 %	84 %
Liability recognized as of December 31	1,908	4,629	6,537	5,637
Estimated capacity remaining	-%	12 %	12 %	16 %
Remaining estimated costs to be recognized	\$ -	\$ 630	\$ 630	\$ 725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

11 LONG-TERM DEBT

Long-term debt is comprised of:

	2021	2020
Tax-supported debt	\$ 186,719	\$ 153,063
Self-supported debt:		
Utilities	75,737	74,842
Offsites	19,309	23,387
Land and other	18,366	26,857
	\$ 300,131	\$ 278,149

Current portion of long-term debt is \$21,784 (2020 - \$21,515)

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, offsite levies collected from developers, wastewater, waste management, and electric light and power.

Principal and interest payments are as follows:

	Principal	Interest	Total
2022	\$ 21,784	\$ 9,918	\$ 31,702
2023	21,695	9,191	30,886
2024	19,710	8,468	28,178
2025	16,983	7,836	24,819
2026	15,480	7,269	22,749
Thereafter	204,479	60,015	264,494
	\$ 300,131	\$ 102,697	\$ 402,828

Long-term debt consists of debentures payable to the Province of Alberta, Loans to Local Authorities.

Debentures mature in annual amounts to 2051 (2020 - 2050). Interest rates on these debentures range from 1.27% to 5.38% (2020 - 1.27% to 5.38%) per annum. The average annual interest rate is 3.42% (2020 - 3.42%). Debenture debt is issued on the credit and security of The City at large.

During the year, a total of \$43,513 (2020 - \$23,352) was added through new debenture borrowings to fund both capital and operating projects. Interest expenses on long-term debt amounted to \$9,588 (2020 - \$9,658). Cash payments for interest and principal were \$9,414 (2020 - \$9,627) and \$21,531 (2020 - 19,891) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (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:

	2021	2020
Total debt limit	\$ 521,643	\$ 541,944
Total debt	300,131	278,149
Percentage used	58 %	51 %
Total debt service limit	86,941	90,324
Total debt service	31,702	30,923
Percentage used	36 %	34 %

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

Pursuant to section 6(1) of the Regulation, The City has elected to include revenue, total debt and debt service costs for controlled 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, 2021 (in thousands of dollars)

13 TANGIBLE CAPITAL ASSETS

	2021	2020
Net book value		
Land	\$ 371,924	\$ 361,275
Land improvements	83,424	85,581
Buildings	262,350	269,749
Machinery, equipment, and furnishings	53,416	56,108
Vehicles	35,188	34,861
Engineered structures		
Roadway system	407,739	407,661
Water system	225,134	216,064
Wastewater system	255,229	242,476
Storm system	229,066	223,188
Electrical system	106,042	99,227
Fibre optics system	1,139	1,220
	2,030,651	1,997,410
Assets under construction	112,472	104,538
	\$ 2,143,123	\$ 2,101,948

In 2021, \$2,176 (2020 - \$4,020) in land improvements, buildings, and engineered structures were contributed to The City.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

14 EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 1)	\$ 3,375,703	\$ 3,263,549
Accumulated amortization (Schedule 1)	(1,232,580)	(1,161,601)
Long-term debt related to tangible capital assets	(262,769)	(257,413)
Equity in tangible capital assets (Schedule 2)	\$ 1,880,354	\$ 1,844,535

15 ACCUMULATED SURPLUS

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

	2021	2020
Unrestricted surplus in controlled agencies	\$ 2,003	\$ 1,303
Capital to be financed	(36,347)	(43,625)
Reserves		
Finance a specific purpose	2,707	2,593
Capital projects - tax supported	17,838	22,413
Municipal parkland	7,286	7,819
Operating - tax supported	27,730	40,915
Debt repayment	(812)	(501)
Capital asset replacement	45,080	40,293
Land development	53,649	57,666
Parking	-	715
Offsite	(30,345)	(25,584)
Power	30,830	29,999
Water	10,927	13,730
Wastewater	19,544	20,356
Solid waste management	18,673	16,639
Total reserves (Schedule 2)	203,107	227,053
Equity in tangible capital assets (Note 14)	1,880,354	1,844,535
Accumulated surplus (Schedule 2)	\$ 2,049,117	\$ 2,029,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (in thousands of dollars)

16 NET MUNICIPAL TAXES

	Budget (Note 30)	2021	2020
Taxation			
Real property taxes	\$ 178,110	\$ 177,141	\$ 177,176
Grants in place of taxes	910	910	549
Linear and other property taxes	3,062	3,062	3,397
	182,082	181,113	181,122
Requisitions			
Public schools	39,047	39,112	39,007
Catholic schools	5,782	5,782	5,621
Bridges Community Living	676	676	785
Designated industrial property	12	12	12
	45,517	45,582	45,425
	\$ 136,565	\$ 135,531	\$ 135,697

17 USER FEES AND SALE OF GOODS

	Budget (Note 30)	2021	2020
Utility user fees	\$ 140,207	\$ 134,442	\$ 136,958
Ambulance and dispatch revenue	10,945	11,196	12,320
Electrical transmission recovery	5,275	5,275	5,275
Transit revenue	3,453	3,441	3,840
Facility user fees	3,797	3,293	2,935
Equipment and facility rental	3,647	2,582	2,466
Land sales	2,878	150	1,764
Other	2,803	3,481	2,868
	\$ 173,005	\$ 163,860	\$ 168,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (in thousands of dollars)

18 GOVERNMENT TRANSFERS

	Budget (Note 30)	2021	2020
Operating			
Provincial:			
Outreach Support Services Initiative	\$ 3,837	\$ 5,195	\$ 5,226
Family and Community Support Services	3,108	3,085	3,212
911 Grant Program	1,582	1,691	1,705
Municipal Policing Assistance Grant	1,616	1,616	1,616
Municipal Sustainability Initiative	584	968	960
Municipal Operating Support Transfer (Note 29)	-	-	11,964
Other provincial grants	4,790	5,547	1,383
	15,517	18,102	26,066
Federal:			
Reaching Home	815	2,671	1,104
Other federal grants	14	21	489
	829	2,692	1,593
Local:			
Other local grants	535	677	357
	535	677	357
Total Operating	16,881	21,471	28,016
Capital			
Provincial:			
Municipal Stimulus Program	8,066	10,674	-
Municipal Sustainability Initiative	5,907	8,218	16,264
GreenTRIP	1,329	2,474	371
Water for Life	-	77	113
Other provincial grants	16	25	527
	15,318	21,468	17,275
Federal:			
COVID-19 Resilience Grant (Note 29)	16,100	19,446	-
Canada Community Building Fund	4,668	3,539	6,478
Public Transit Infrastructure Fund	-	276	122
Other federal grants	-	108	-
	20,768	23,369	6,600
Total Capital	36,086	44,837	23,875
	\$ 52,967	\$ 66,308	51,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021 (in thousands of dollars)

19 EXPENSES BY OBJECT

	Budget (Note 30)	2021	2020
Salaries, wages, and benefits	\$ 152,112	\$ 142,455	\$ 144,744
Contracted services	50,221	41,514	41,346
Materials and supplies	54,998	48,192	48,855
Purchases from other governments	26,977	31,320	26,650
Grants to organizations	13,876	24,319	20,611
Financial charges	9,795	9,846	9,883
Amortization of tangible capital assets	79,264	76,322	75,600
Other expenses	663	956	1,794
	\$ 387,906	\$ 374,924	\$ 369,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (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	2021	2020
	(a)	(b), (c)		
Mayor:				
K. Johnston	\$ 22	\$ 4	\$ 26	\$ -
T. Veer	104	26	130	152
	126	30	156	152
Councillors:				
K. Barnstable	12	3	15	-
S. Buchanan	55	17	72	84
B. Buruma	12	4	16	-
M. Dawe	67	17	84	80
V. Doerksen	12	3	15	-
T. Handley	55	17	72	84
V. Higham	67	19	86	82
J. Jeffries	12	3	15	-
K. Johnston	55	16	71	82
L. Lee	71	20	91	88
F. Wong	55	4	59	79
D. Wyntjes	68	20	88	85
	541	143	684	664
City Manager:				
A. Seabrooke	155	40	195	305
T. Lodewyk	138	35	173	-
Designated Officer:				
City Assessor	148	47	195	201
	\$ 1,108	\$ 295	\$ 1,403	\$ 1,322

(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, 2021 (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 2021 were \$11,330 (2020 - \$12,114). Total contributions by the employees of The City to LAPP in 2021 were \$10,270 (2020 - \$11,012).

As at December 31, 2020, LAPP reported an actuarial surplus of \$4.96 billion (2019 - \$7.91 billion). This amount is not specifically allocated to the participating government organizations. The 2021 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 (2020 - 2.61%, 3.85%) of individual pensionable earnings up to \$162 (2020 - \$155).

Total current service contributions by The City to APEX were \$525 (2020 - \$552). Total current service contributions by the employees of The City were \$356 (2020 - \$374).

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, 2021 (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, 2021 is estimated at \$800 (2020 - \$272). This liability is offset by earmarked asset investment fund held by AMSC in the amount of \$1,234 (2020 - \$1,319).

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 4.20% (2020 - 4.45%), expected salary escalations of 2.75% (2020 - 2.75%) per year, and inflation rate of 2.00% (2020 - 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.

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, 2021 (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 2021 that will result in future contributed assets total \$1,051 (2020 - \$2,416).

(b) Lease rights

The City has agreements to lease land to The Westerner 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	
	2021	2020
Recreation facility improvements	29,544	563
Wastewater system and treatment plant upgrades	6,357	6,000
General and administrative projects	\$ 3,689	\$ 1,320
Roadway rehabilitation and street improvements	3,174	5,121
Water system and treatment plant upgrades	2,777	11,012
Fleet purchases	1,782	6,761
Power station and infrastructure upgrades	1,506	2,620
Storm sewer and drainage improvements	1,176	737
Fire training and 911 system upgrades	421	-
Subdivision development	-	899
RCMP building improvements	-	485
Public transit improvements	-	296
Other minor projects	214	129
	\$ 50,640	\$ 35,943

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

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

(a) Fee for service contracts

The City entered into agreements with various municipalities in Central Alberta to provide emergency dispatch services. The expiry dates range from December 31, 2022 to December 31, 2026 (2020 - December 31, 2021 to January 14, 2026). The total dispatch revenue The City will receive from these contracts is \$2,993 (2020 - \$2,229).

(b) 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	
		2021	2020
Green cart collection	March 31, 2023	2,439	2,483
Blue cart collection	April 30, 2024	2,035	1,997
Black cart collection	April 30, 2024	1,754	1,730
Commercial garbage collection	December 31, 2025	1,973	2,007
Waste Management Facility	December 31, 2027	2,183	2,425
		10,384	10,642

(c) RCMP Contract

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost for 2021 is \$30,163 (2020 - \$26,946).

(d) ENMAX Contract

In 2021, The City entered into a two year agreement with ENMAX Power Corporation to provide meter data management services to The City until December 31, 2023. The estimated remaining cost of the contract is \$5,736 (2020 - \$2,746).

(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 \$1,603 (2020 - \$2,404) 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 until March 31, 2023. The total obligation for The City to these organizations amounts to \$3,161 (2020 - \$6,098).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

26 CONTINGENCIES

(a) Environmental Contingencies

The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. There are contaminated sites that The City has identified that may result in remediation obligations. A liability has not been recorded for these sites because either, at this time, the likelihood of The City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both. These sites include:

- Queens Business Park
- NE Section 26 Eastbend Village
- 46 Street and 49 Avenue
- Area around the Water and Wastewater Treatment Plants
- Former CP Rail Line

There are other contaminated sites identified in The City where remediation costs can be estimated and have been recorded in the financial statements, but uncertainty around the full extent of the contamination still exists. These sites include:

- Ross and Taylor Drive - \$294
- Kinsmen Arena - \$2,277

(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 2021, 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.

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. The letters of credit are to guarantee work completion and quality of City waterway projects. The letters have not been utilized to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

(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. During 2021, The City has continued to experience challenges related to the pandemic, of which include:

- declaring a state of local emergency in September 2021 and ending February 2022;
- opting into the Restrictions Exemption Program for recreation facilities;
- reinstating work from home requirements for employees who were able to do so;
- approving a masking bylaw inside all City properties and transit;
- instituting a vaccination policy for all employees; and
- implementing a modified events approach to limit large gatherings.

To further assist in mitigating the impact of COVID-19 on The City's operations, the Province of Alberta provided capital project funding through the Municipal Stimulus Program until December 31, 2022. As of December 31, 2021, The City received \$12,006 from this program, of which \$10,674 has been expended in 2021 and \$1,332 has been deferred into the following year.

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 for eligible capital projects ready to start in 2021 and ending March 31, 2023. As of December 31, 2021, The City has reported \$19,446 of this funding in government transfers receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

30 BUDGET

The reported budget information is derived from the adopted operating budget approved by Council on March 15, 2021 and the capital cash flow budget approved by Council on March 28, 2022. 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 these financial statements.

	Operating	Capital	Total
Reported budget surplus (deficit)	\$ (38,310)	\$ 47,216	\$ 8,906
Contributed tangible capital assets	6,629	(6,629)	-
Net amendments	(6,415)	-	(6,415)
Final budget surplus (deficit) before funding transfers	(38,096)	40,587	2,491
Add (less) funding transfers:			
Net transfers between capital and operating	1,229	645	1,874
Net reserve transfers	(17,555)	44,948	27,393
Internal recoveries from capital	3,223	-	3,223
Tangible capital asset transfers	72,480	-	72,480
Long term debt issued	-	11,665	11,665
Long term debt repaid	(21,281)	-	(21,281)
Final budget surplus	\$ -	\$ 97,845	\$ 97,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021 (in thousands of dollars)

31 RELATED PARTY DISCLOSURE

In 2020, The Westerner and The City announced that financial challenges at The Westerner resulted in a request for support whereby The City assumed temporary financial oversight of the organization. A relationship framework was signed September 29, 2021 for a term of five years. One City Councillor has been appointed to The Westerner's board and the City Manager attends meetings in an advisory capacity. All transactions between the related parties are recorded at their exchange amount.

a) Grants to organizations

The City paid grants to The Westerner in the amount of \$5,550 (2020 - \$5,550) to support its operations.

b) Loans Receivable

In 2021, The City loaned The Westerner \$19,000 in order to relinquish the organization's long term debt with CIBC. For more information on the loan, see Note 6.

c) Lease

The City has a lease agreement with The Westerner for the land on which The Westerner operates and expires May 1, 2059. Both parties pay a nominal amount to each other. For information about The City's contractual rights associated with this lease agreement, see Note 25.

32 APPROVAL OF FINANCIAL STATEMENTS

City Council has approved these financial statements on April 25, 2022.

STATISTICAL INFORMATION

GENERAL MUNICIPAL DATA - UNAUDITED
(2017-2021) (in thousands of dollars)

	2021	2020	2019	2018	2017
Population (not in thousands)	101,002	101,002	101,002	99,832	99,832
Assessed valuation	\$ 15,146,225	\$ 15,395,034	\$ 15,603,264	\$ 15,724,614	\$ 15,756,231
Per capita assessed valuation	\$ 150	\$ 152	\$ 154	\$ 158	\$ 158
Mill rates (commercial)					
Municipal	14.6734	14.0635	13.9121	13.7448	13.4570
Education Foundation	4.0507	3.7592	3.8668	3.8047	3.7298
Bridges Community Living	0.0451	0.0515	0.0373	0.0321	0.0256
	18.7692	17.8742	17.8162	17.5816	17.2124
Taxes paid by the largest single taxpayer	\$ 3,368	\$ 3,572	\$ 3,364	\$ 3,275	\$ 3,177
Percent of taxes	1.84 %	1.94 %	1.84 %	1.84 %	1.83 %
Property taxes					
Current levy	\$ 183,348	\$ 183,735	\$ 182,619	\$ 178,423	\$ 174,065
Current collected	\$ 181,638	\$ 181,121	\$ 180,054	\$ 176,315	\$ 172,017
Percent of current levy	99 %	99 %	99 %	99 %	99 %
Gross tax collections	\$ 184,114	\$ 182,322	\$ 182,442	\$ 178,491	\$ 170,924
Taxes outstanding	\$ 2,179	\$ 3,578	\$ 3,352	\$ 2,676	\$ 2,335

As there was no municipal census conducted in 2021 or 2020, population results from 2019 are used. For similar reasons, 2017-2018 population figures are taken from 2016 census results.

CAPITAL FUND ACTIVITIES - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Capital expenditure by segment:					
General government services	\$ 3,075	\$ 8,687	\$ 3,238	\$ 3,077	\$ 3,873
Protective services and parking	10,413	1,779	998	2,167	5,339
Transportation and fleet	45,141	29,472	38,503	37,285	46,618
Community services	-	126	37	131	-
Recreation, parks, and culture	14,013	6,390	8,716	20,708	36,330
Water and wastewater	32,997	34,475	23,629	16,820	14,681
Waste management	249	289	3,580	3,373	1,095
Subdivisions, land, and development	484	2,057	1,143	3,390	6,374
Electric light and power	8,211	6,424	10,437	9,390	10,688
Total Capital Spending	\$ 114,583	\$ 89,699	\$ 90,281	\$ 96,341	\$ 124,998
Financing Sources Applied:					
Capital government transfers	44,837	23,875	25,451	32,185	28,481
Developer and customer contributions	4,233	3,039	4,029	5,088	6,995
Other capital revenue	542	919	3,388	848	2,094
Debt issued	26,888	25,672	21,835	24,427	45,852
From (to) operating	(5,471)	(2,279)	(3,217)	(2,262)	1,808
From (to) reserves	50,832	38,880	35,509	42,142	30,636
Total Funding	121,861	90,106	86,995	102,428	115,866
Increase (decrease) in fund balance	7,278	407	(3,286)	6,087	(9,132)
Capital fund balance, beginning of year	(43,625)	(44,032)	(40,746)	(46,833)	(37,701)
Capital fund balance, end of year	\$ (36,347)	\$ (43,625)	\$ (44,032)	\$ (40,746)	\$ (46,833)

CONSOLIDATED REVENUE BY SOURCE - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Operating Revenue:					
Net municipal taxes	\$ 135,531	\$ 135,697	\$ 135,166	\$ 130,975	\$ 126,701
User fees and sale of goods	163,860	168,426	174,098	170,279	168,674
Operating government transfers	21,471	28,016	14,667	13,615	15,110
Investment earnings	4,213	6,526	7,508	2,793	3,177
Fines and penalties	4,017	4,235	6,938	6,650	5,937
Natural gas distribution franchise	8,769	8,314	8,632	8,343	9,153
Licenses and permits	3,259	3,932	3,112	3,624	3,249
Other operating revenue	2,390	2,711	3,949	7,052	5,327
Total Operating Revenue	343,510	357,857	354,070	343,331	337,328
Capital Revenue:					
Capital government transfers	44,837	23,875	25,451	32,185	28,481
Contributed tangible capital assets	2,176	4,020	7,349	19,325	7,325
Other capital contributions	4,252	3,439	6,657	5,333	7,951
Consolidated Revenue	\$ 394,775	\$ 389,191	\$ 393,527	\$ 400,174	\$ 381,085

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

CONSOLIDATED OPERATING EXPENSES BY FUNCTION - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Operating Expenses:					
General government services	\$ 52,118	\$ 46,674	\$ 41,556	\$ 43,109	\$ 36,641
Protective services and parking	85,611	80,273	81,689	77,884	76,679
Transportation and fleet	75,197	74,989	80,859	79,998	78,367
Community services	17,217	15,661	14,700	13,047	15,376
Recreation, parks, and culture	49,704	55,437	57,958	50,328	50,896
Water and wastewater	38,291	38,238	37,551	35,258	36,187
Waste management	13,162	12,446	15,341	14,064	14,642
Subdivisions, land, and development	1,427	1,643	2,196	3,198	2,277
Electric light and power	42,197	44,122	44,398	41,030	39,322
Total operating expenses	\$ 374,924	\$ 369,483	\$ 376,248	\$ 357,916	\$ 350,387

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

CONSOLIDATED EXPENSES BY OBJECT - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Operating Expenses:					
Salaries, wages, and benefits	\$ 142,455	\$ 144,744	\$ 149,044	\$ 146,380	\$ 144,014
Contracted services	41,514	41,346	44,480	40,487	42,380
Materials and supplies	48,192	48,855	53,441	51,041	49,494
Purchases from other governments	31,320	26,650	26,370	24,661	23,534
Grants to organizations	24,319	20,611	16,514	10,216	14,265
Financial charges	9,846	9,883	10,260	10,071	9,508
Amortization of tangible capital assets	76,322	75,600	75,455	74,536	66,686
Other expenses	956	1,794	684	524	506
Total operating expenses	\$ 374,924	\$ 369,483	\$ 376,248	\$ 357,916	\$ 350,387

FINANCIAL POSITION AND ANNUAL SURPLUS - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Financial assets	\$ 397,888	\$ 360,415	\$ 325,398	\$ 320,213	\$ 302,645
Liabilities	505,003	446,230	412,782	401,062	385,835
Net debt	(107,115)	(85,815)	(87,384)	(80,849)	(83,190)
Non-financial assets	2,156,232	2,115,081	2,096,942	2,073,128	2,033,211
Accumulated surplus	2,049,117	2,029,266	2,009,558	1,992,279	1,950,021
Annual surplus	\$ 19,851	\$ 19,708	\$ 17,279	\$ 42,258	\$ 30,698

CONSOLIDATED ACCUMULATED SURPLUS - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Unrestricted surpluses in controlled agencies	2,003	1,303	1,177	148	170
Capital to be financed	\$ (36,347)	\$ (43,625)	\$ (44,032)	\$ (40,746)	\$ (46,833)
Reserves	203,107	227,053	219,268	219,937	220,943
Equity in tangible capital assets	1,880,354	1,844,535	1,833,145	1,812,940	1,775,741
Total	\$ 2,049,117	\$ 2,029,266	\$ 2,009,558	\$ 1,992,279	\$ 1,950,021

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
2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Finance a specific purpose	\$ 2,707	\$ 2,593	\$ 2,477	\$ 1,854	\$ 1,783
Capital projects - tax supported	17,838	22,413	27,068	33,133	40,743
Municipal parkland	7,286	7,819	7,184	6,922	6,984
Operating - tax supported	27,730	40,915	33,479	33,838	31,757
Debt repayment	(812)	(501)	1,446	3,155	3,816
Tax-supported reserves	54,749	73,239	71,654	78,902	85,083
Capital asset replacement	45,080	40,293	34,843	20,234	27,209
Land development	53,649	57,666	61,474	63,009	65,430
Parking	-	715	1,376	1,637	372
Offsite	(30,345)	(25,584)	(20,686)	(6,257)	(10,012)
Self-supported reserves	68,384	73,090	77,007	78,623	82,999
Power	30,830	29,999	26,834	24,148	19,878
Water	10,927	13,730	8,539	3,873	3,373
Wastewater	19,544	20,356	21,424	18,042	12,191
Solid waste management	18,673	16,639	13,810	16,349	17,419
Utility-supported reserves	79,974	80,724	70,607	62,412	52,861
Total reserves	\$ 203,107	\$ 227,053	\$ 219,268	\$ 219,937	\$ 220,943

LONG-TERM DEBT ISSUED BY FUNCTION - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
General government services	\$ 19,000	\$ 662	\$ -	\$ -	-
Protective services and parking	1,368	-	-	-	1,082
Transportation and fleet	3,316	4,442	3,975	1,500	8,042
Recreation, parks, and culture	11,379	2,249	7,193	10,235	33,482
Water and wastewater	8,450	16,000	7,400	4,971	1,565
Subdivisions, land, and development	-	-	-	-	5,570
Electric light and power	-	-	1,000	5,506	-
Total	\$ 43,513	\$ 23,353	\$ 19,568	\$ 22,212	\$ 49,741

LONG-TERM DEBT - UNAUDITED

2017-2021 (in thousands of dollars)

	2021	2020	2019	2018	2017
Tax-supported debt	\$ 186,719	\$ 153,063	\$ 151,298	\$ 145,479	\$ 137,945
Self-supported debt	113,412	125,086	123,390	129,735	136,619
Total long-term debt	300,131	278,149	274,688	275,214	274,564
Population	101,002	101,002	101,002	99,832	99,832
Long-term debt per capita	2,972	2,754	2,720	2,757	2,750
Debt limit per regulation	521,643	541,944	522,996	517,919	517,055
Debt limit unused	221,512	263,795	248,308	242,705	242,491
Percentage of debt limit used	58 %	51 %	53 %	53 %	53 %
Service on debt limit	86,941	90,324	87,166	86,320	86,176
Service on existing debt	31,702	29,396	29,724	31,309	29,223
Service on debt limit unused	55,239	60,928	57,442	55,011	56,953
Percentage of service on debt limit used	36 %	33 %	34 %	36 %	34 %
Percentage of expenses	8 %	8 %	8 %	9 %	8 %