

Purpose:

- 1 To identify related parties of The City as defined by the Public Sector Accounting Board and determining when transactions between these related parties and The City are required for disclosure in the Annual Financial Report.

Policy Statement(s):

- 2 From The City's perspective, related parties are:
 - (1) Entities that are controlled by The City or The City shares control with other entities (e.g. Controlled agencies such as Red Deer Public Library and government partnerships such as Central Alberta Access Prosperity);
 - (2) Key management personnel and their close family members;
 - (3) Entities controlled by or under shared control of key management personnel and their close family members.
- 3 Related party transactions are to be disclosed in the Annual Financial Report when both of the following criteria is met:
 - (1) The transaction occurs at a value different from that which would have been arrived at if the parties were unrelated; and
 - (2) The transaction has a material financial effect.
- 4 If a related party transaction does not meet both of the above criteria, Financial Services may decide to disclose it if they believe it to be in the stakeholders' interest.
- 5 The following City employees are considered as a key management personnel (KMP):
 - (1) City Manager;
 - (2) General Managers;
 - (3) Chief Financial Officer (CFO);
 - (4) City Clerk; and
 - (5) City Assessor
- 6 Key management personnel are to declare the following to Financial Services on an annual basis:
 - (1) Close family members;
 - (2) Profit organization where KMP or close family member own over 10% voting shares, partnership interest, and/or act as general manager or officer;
 - (3) Not-for-profit organization where KMP or close family member sits on the board or committee;
 - (4) Other organizations where KMP or close family member has significant influence or control;
 - (5) Any non-monetary transactions between the identified organizations and The City during the year.

Definitions:

- 7 Close family member includes an individual's spouse or common law partner and those dependent on either the individual or the individual's spouse or common law partner. A non-dependent child or step child who is affiliated with The City is also considered a close family member for the purposes of this policy.
- 8 Control refers to the power to govern the financial and operating policies of another entity with expected benefits or the risk of loss to the controlling entity from the other's activities.
- 9 Key management personnel (KMP) include the City Manager, General Managers, Chief Financial Officer, and Designated Officers.
- 10 Material financial effect is a reported amount or disclosure that could potentially affect decisions of The City's financial information users. Whether something is of material financial effect is subject to professional judgement and need not solely be based on a dollar amount threshold.
- 11 Non-monetary transactions refer to transactions that do not involve the exchange of cash or promise to pay cash (e.g. barter sales, donations in-kind).
- 12 Related party exists when one party has the ability to exercise control or shared control over the other or when both parties are controlled by the same entity. Related parties are also key management personnel and their close family members.
- 13 Related party transactions is a transfer of an economic resource or obligations between related parties or the provision of services by one party to a related party. The parties must be related prior to when the transaction takes place.
- 14 Shared control occurs when more than one entity share in the decision making related to financial and operating activities of another entity based on terms of a contractual agreement.

References/Links:

- 1 CPA Canada Public Sector Accounting Handbook – PS 2200 – Related Party Disclosure
- 2 5328-CP Government Reporting Entity Procedure

Scope/Application:

- 1 This policy applies to all key management personnel.

Authority/Responsibility to Implement:

- 1 General Manager of Corporate Services
- 2 Chief Financial Officer

Inquiries/Contact Person:

- 1 Financial Analyst – Systems & Methods

Policy Monitoring and Evaluation:

- 1 Monitor one year after initial adoption and periodically thereafter or as Public Sector Accounting Board changes come up.

Document History:

Date:	Approved/Reviewed By:	Title:
Approved: March 1, 2019	“Craig Curtis”	City Manager
Revised: July 13, 2020	“Allan Seabrooke”	City Manager