



# **CITY COUNCIL**

## **AGENDA**

Monday, April 27, 2020 – Council Chambers, City Hall

Call to Order:	1:30 PM
Recess:	5:00 PM to 6:00 PM
Public Hearing(s):	6:00 PM

### **I. IN CAMERA**

#### **I.1. Motion to In Camera**

I.1.a. Planning Matter - FOIP 24(1)(a) Advice from officials

I.1.b. State of Local Emergency - FOIP 24(1)(a) Advice from Officials

#### **I.2. Motion to Revert to Open**

### **2. MINUTES**

2.1. Confirmation of the Minutes of the April 14, 2020 Council Meeting.  
(Agenda Pages 1 – 5)

### **3. REPORTS**

3.1. 2020 Adopted Operating Budget  
(Agenda Pages 6 – 11)

3.2. MuniSERP Program  
(Agenda Pages 12 – 12)

3.3. 2019 Annual Financial Report  
(Agenda Pages 13 – 108)

- 3.4. State of Local Emergency (SoLE) for COVID-19 Pandemic  
(Agenda Pages 109 – 114)

**4. BYLAWS**

- 4.1. Business Improvement Area Tax Bylaw  
Bylaw 3196/A-2020  
(Agenda Pages 115 – 128)

- 4.1.a. Consideration of First Reading of the Bylaw

- 4.1.b. Consideration of Second Reading of the Bylaw

- 4.1.c. Motion for Permission to go to Third Reading of the Bylaw

- 4.1.d. Consideration of Third Reading of the Bylaw

**5. ADJOURNMENT**



## **UNAPPROVED MINUTES**

**of the Red Deer City Council Regular Meeting  
held on, Tuesday, April 14, 2020  
commenced at 1:30 P.M.**

**Present:** Mayor Tara Veer  
Councillor Buck Buchanan  
Councillor Michael Dawe  
Councillor Tanya Handley  
Councillor Vesna Higham  
Councillor Ken Johnston  
Councillor Lawrence Lee  
Councillor Frank Wong  
Councillor Dianne Wyntjes (arrived at 1:34 p.m.)

City Manager, Allan Seabrooke  
Director of Corporate Services, Lisa Perkins  
Director of Communications & Strategic Planning, Julia Harvie-Shemko  
Director of Community Services, Sarah Tittlemore  
Director of Protective Services, Paul Goranson  
City Clerk, Frieda McDougall, in person attendance  
Deputy City Clerk, Samantha Rodwell, in person attendance  
Chief Financial Officer, Dean Krejci  
Revenue & Assessment Manager, Joanne Parkin

With the exceptions as noted above, all participants attending the meeting electronically.



**I. MINUTES**

**I.1. Confirmation of the Minutes of the March 2, 2020 Council Meeting**

Moved by Councillor Michael Dawe, seconded by Councillor Lawrence Lee

Resolved that Council of The City of Red Deer hereby approves the Minutes of the March 2, 2020 Regular Council Meeting as transcribed.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

**I.2. Confirmation of the Minutes of the March 16, 2020 Council Meeting**

Moved by Councillor Dianne Wyntjes, seconded by Councillor Frank Wong

Resolved that Council of The City of Red Deer hereby approves the Minutes of the March 16, 2020 Regular Council Meeting as transcribed with the following amendment:  
- Page. 6 by adding "but Deputy Handley remained in the Chair" after "Mayor Tara Veer arrived at 1:38 p.m."

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

**I.3. Confirmation of the Minutes of the March 30, 2020 Council Meeting**

Moved by Councillor Buck Buchanan, seconded by Councillor Michael Dawe



Resolved that Council of The City of Red Deer hereby approves the Minutes of the March 30, 2020 Regular Council Meeting as transcribed.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Dianne Wyntjes

**OPPOSED:** Councillor Frank Wong

MOTION CARRIED

## 2. REPORTS

### 2.1. Tax Relief and Deferral Measures

Moved by Councillor Lawrence Lee, seconded by Councillor Dianne Wyntjes

Resolved that Council of The City of Red Deer having considered the report from Revenue & Assessment Services dated April 14, 2020 re: Tax Relief and Deferral Measures hereby agrees to postpone 2020 Property Tax from June 30, 2020 to September 30, 2020 and to defer late payment until October 1, 2020 and directs Administration to prepare the required bylaw amendments to enable Council's direction.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

Moved by Councillor Vesna Higham, seconded by Councillor Ken Johnston

Resolved that Council of The City of Red Deer having considered the report from Revenue & Assessment Services dated April 14, 2020 re: Tax Relief and Deferral Measures hereby agrees to postpone 2020 Business Improvement Area Tax from June



20, 2020 to September 30, 2020 and to defer late payment until October 1, 2020 and directs Administration to prepare the required bylaws amendments to enable Council's direction.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

Moved by Councillor Ken Johnston, seconded by Councillor Buck Buchanan

Resolved that Council of The City of Red Deer having considered the report from Revenue & Assessment Services dated April 14, 2020 re: Tax Relief and Deferral Measures hereby agrees to no supplementary property assessment or taxation in 2020 for property tax and directs Administration to prepare the required bylaw amendments to enable Council's direction.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

Moved by Councillor Tanya Handley, seconded by Councillor Vesna Higham

Resolved that Council of The City of Red Deer having considered the report from Revenue & Assessment Services dated April 14, 2020 re: Tax Relief and Deferral Measures hereby agrees to no supplementary property assessment or taxation in 2020 for Business Improvement Area tax and directs Administration to prepare the required bylaw amendments to enable Council's direction.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee,



Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

**3. ADJOURNMENT**

Moved by Councillor Ken Johnston, seconded by Councillor Buck Buchanan

Resolved that Council of The City of Red Deer hereby agrees to adjourn the Tuesday, April 14, 2020 Regular Council Meeting of Red Deer City Council at 3:59 p.m.

**IN FAVOUR:** Mayor Tara Veer, Councillor Buck Buchanan, Councillor Michael Dawe, Councillor Tanya Handley, Councillor Vesna Higham, Councillor Ken Johnston, Councillor Lawrence Lee, Councillor Frank Wong, Councillor Dianne Wyntjes

MOTION CARRIED

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MAYOR

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CITY CLERK



April 27, 2020

## 2020 Adopted Operating Budget

Prepared by: Dean Krejci, CFO  
Department: Financial Services

### Report Summary & Recommendation

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The Municipal Government requires that an Adopted Operating Budget be approved by Council. This is also a requirement in order to be able to proceed to approving a property tax bylaw. The adopted operating budget incorporates changes that have occurred since the interim operating budget was approved. This is the budget that will appear in the 2020 financial statements.

It is recommended that Council approve the 2020 Adopted Operating Budget.

### Proposed Resolution

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Resolved that Council of the City of Red Deer having considered the report from Financial Services dated April 27, 2020 re: 2020 Adopted Operating Budget hereby approves the 2020 Adopted Operating Budget.

### Background

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#### Prior Council/Committee Direction:

Council approved the 2020 Interim Operating Budget during the operating debate January 7 – 13, 2020.

#### Legislative Context:

The Municipal Government Act (MGA) section 242 states:

- (1) Each council must adopt an operating budget for each calendar year.
- (2) A council may adopt an interim operating budget for part of a calendar year.
- (3) An interim operating budget for a part of a calendar year ceases to have any effect when the operating budget for that calendar year is adopted.

The MGA section 247 states that “No municipality may pass a property tax bylaw or a business tax rate bylaw in respect of a year unless the operating and capital budget for that year have been adopted by council or established by the Minister under section 244.”



## Operational Impacts

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### Financial:

The Adopted Budget process is used to incorporate changes that occur after Interim Budget is approved and can include the following changes:

- Allocation of Personnel Provision to departments
- Council resolutions
- Reallocations requested by departments with no impact on taxation
- Adjustments to carryforward amounts due to year end processes
- Provincial budget changes

### Analysis

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A reconciliation between the 2020 interim operating budget and adopted operating budget per the financial statements is summarized as follows:

Item	Revenues	Expenses	Internal Transfers (excluding reserve transfers)	Net Transfer to/(from) Reserves
<b>2020 Interim Operating Budget</b>	<b>\$363,899,364</b>	<b>\$387,082,909</b>	<b>(\$51,678,223)</b>	<b>\$28,494,678</b>
Budget Changes:				
Carryforwards adjustment	6,000	(83,445)		89,445
Additional cost savings (Feb 3, 2020) <sup>1</sup>	205,495	329,033		(123,538)
2020 Downtown Business Association (DBA) Levy Change (Dec 9, 2019)	3,856	3,856		
Centrium Modernization timing change (March 2, 2020) <sup>2</sup>		2,000,000		(2,000,000)
Council approved Federal of Canadian Municipalities (FCM) representation		13,000		(13,000)
Personnel <sup>3</sup>	3,894	9,905	(1,940)	(4,071)



Housing grant budget re-allocation <sup>4</sup>	(484,395)	(484,395)		
Fleet budget re-allocation <sup>5</sup>			514,789	(514,789)
Subdivision budget re-classification <sup>6</sup>			(1,573,153)	1,573,153
Subtotal- Budget Changes	(265,150)	1,787,954	(1,060,304)	(992,800)
<b>2020 Adopted Operating Budget</b>	<b>\$363,634,214</b>	<b>\$388,870,863</b>	<b>(\$52,738,527)</b>	<b>\$27,501,878</b>

Additional explanations for the line items above are as follows:

1. In the 2020 Interim Operating Budget, the personnel provision was used as a place holder for the additional cost savings of \$400,000 approved by Council with additional details to be provided by Administration. On February 3, 2020 Council approved the additional savings to be achieved by an increase in police fine revenue of \$205,495, a decrease in transfer to capital project reserve of \$123,538, and a decrease in the personnel provision of \$70,967.
2. In the 2020 Capital Budget, Council approved a \$3 million grant funded from the Capital Projects Reserve over three years (2020-2022) for Centrium modernization. Council approved a change to the timing to have the \$3.0 million approved for 2020.
3. Changes include Personnel Information Updates (PIU) and update for union settlements and benefit rates.
4. This is to re-allocate budget for OSSI and HPS grants. As a result of the change, grant revenue decreased by \$494,395 and related expenses decreased by \$494,395.
5. This is to re-allocate budget for Increased Lifecycle Extension for Pickup Trucks approved at Interim Budget. As a result of the change, the amortization offset increased by \$514,789 and the transfer to fleet reserve decreased by \$514,789.
6. This is budget re-classification for subdivision to correctly reflect the year end closing adjustment for subdivision. With the change transfer from capital increased by \$1,573,153 and transfer from reserve reduced by \$1,573,153.

For the municipal portion of taxes, the tax revenue required is \$138,941,353 representing a tax increase of 0.96 percent.

Changes of Net Requirements for each department and division from Interim Budget to Adopted Budget are summarized in Appendix A

The adopted 2020 Operating Budget presented in a financial statements format is provided in Appendix B.



A reconciliation of Municipal Tax Revenue to be presented in Tax Rate Bylaw 3603/2020 and the Net Municipal Taxes as per reported in the financials is summarized as follows:

Municipal tax revenue as per Tax Rate Bylaw	138,941,353
Add:	
Supplementary tax	275,000
DBA levy	419,900
Minus:	
Own municipal taxes	(1,515,198)
Property tax adjustments	(500,000)
Reduction in Grant in Lieu of Taxes	(700,000)
Annexation credit	(4,000)
Net tax as per financial statement	\$ 136,917,055

It is recommended that Council approve the Adopted Budget as presented.



### Appendix A

#### 2020 Operating Budget (Summary of Net Revenue & Expenses by Department)

Description	2020 Interim Approved	Changes	2020 Adopted Approved
2019 Tax Levy	136,417,014		136,417,014
2020 Construction Growth	1,200,000		1,200,000
2020 Tax Increased Required	1,324,339		1,324,339
Other revenue & Transfers	22,975,307	441,866	23,417,173
<b>Net Requirements</b>	161,916,660	441,866	162,358,526
Office of the City Manager	693,796	(50,332)	643,464
Communications & Strategic Planning	2,175,309	23,728	2,199,037
Human Resources	3,269,534	26,526	3,296,060
<b>Total for Office of the City Manager</b>	<b>6,138,639</b>	<b>(78)</b>	<b>6,138,561</b>
Corporate Services Directorate	2,277,559	23,492	2,301,051
Financial Services	3,632,242	42,943	3,675,185
Information Technology Systems	8,602,628	40,358	8,642,986
Legislative Services	2,781,640	35,689	2,817,329
Revenue & Assessment Services	3,174,011	58,995	3,233,006
<b>Corporate Services Division Subtotal</b>	<b>20,468,080</b>	<b>201,477</b>	<b>20,669,557</b>
Development Services Directorate	630,483	6,168	636,651
Engineering Services	2,921,945	(47,778)	2,874,167
Electric, Light & Power	1,856,500	6,725	1,863,225
Environmental Services	1,890,846	(5,664)	1,885,182
Public Works	14,465,330	142,445	14,607,775
<b>Development Services Directorate Subtotal</b>	<b>21,765,104</b>	<b>101,896</b>	<b>21,867,000</b>
Community Services Directorate	5,362,714	9,940	5,372,654
Recreation, Parks & Culture	28,679,946	126,125	28,806,071
Social Planning	2,685,462	41,512	2,726,974
Transit	13,419,720	226,786	13,646,506
<b>Community Services Division Subtotal</b>	<b>50,147,842</b>	<b>404,363</b>	<b>50,552,205</b>
Planning Services Directorate	1,287,930	5,761	1,293,691
Inspections & Licensing	2,162,535	41,420	2,203,955
Land & Economic Services	3,128,409	9,716	3,138,125
Planning Services	1,095,657	27,742	1,123,399
<b>Planning Services Division Subtotal</b>	<b>7,674,531</b>	<b>84,639</b>	<b>7,759,170</b>
Protective Services Directorate	1,036,193	11,295	1,047,488
Emergency Services	23,367,929	(234,597)	23,133,332
Police	31,318,342	(127,129)	31,191,213
<b>Protective Services Division</b>	<b>55,722,464</b>	<b>(350,431)</b>	<b>55,372,033</b>
<b>Surplus (Deficit)</b>	-	-	-
<b>2020 Tax Increased Required (%)</b>	<b>0.97%</b>	<b>0.01%</b>	<b>0.96%</b>



<b>Appendix B</b>			
<b>2020 Adopted Operating Budget- City of Red Deer</b>			
	<b>City of Red Deer</b>	<b>Agencies</b>	<b>Consolidated</b>
<b>Revenues</b>	<b>Adopted</b>		
Net municipal taxes	\$ 136,917,055		136,917,055
Operating government transfers	12,014,765	1,133,666	13,148,431
User fees and sale of goods and services	184,392,229	2,695,274	187,087,503
Investment income	2,701,226	44,800	2,746,026
Fines and penalties	5,849,582	24,000	5,873,582
Franchise fees	8,381,242		8,381,242
License and permits	3,687,279		3,687,279
Other	2,762,799	234,389	2,997,188
	<b>356,706,177</b>	<b>4,132,129.00</b>	<b>360,838,306</b>
<b>Expenses</b>			
General government services	46,122,309		46,122,309
Protective services	78,575,202		78,575,202
Transportation	71,826,929		71,826,929
Community services	15,405,509	73,848	15,479,357
Recreation, parks and culture	52,181,881	4,678,432	56,860,313
Water and wastewater	41,976,818		41,976,818
Waste management	13,950,160		13,950,160
Subdivisions, land, and development	2,023,206		2,023,206
Electric light and power	46,704,066		46,704,066
Parking	1,877,560		1,877,560
Fleet	18,227,223		18,227,223
	<b>388,870,863</b>	<b>4,752,280.00</b>	<b>393,623,143</b>
Contributed assets	6,928,037		6,928,037
<b>Budgeted deficit (surplus)</b>	<b>(25,236,649)</b>	<b>(620,151)</b>	<b>(25,856,800)</b>

**DATE:** April 29, 2020  
**TO:** Dean Krejci, Chief Financial Officer  
**FROM:** Frieda McDougall, Legislative Services Manager  
**SUBJECT:** 2020 Adopted Operating Budget

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**Reference Report:**

Financial Services, dated April 27, 2020.

**Resolution:**

At the Monday, April 27, 2020 Regular Council Meeting, Council passed the following Resolution:

Resolved that Council of The City of Red Deer having considered the report from Financial Services dated April 27, 2020 re: 2020 Adopted Operating Budget hereby approves the 2020 Adopted Operating Budget

**Report back to Council:**

No.

**Comments/Further Action:**

None.

“Frieda McDougall”

Frieda McDougall  
Manager

c. Director of Corporate Services



April 27, 2020

## MuniSERP Program

Prepared by: Allan Seabrooke, City Manager

Department: City Manager

### Report Summary & Recommendation

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The City's overlap supplemental executive employee retirement program is known as MuniSERP.

In consultation with the City Manager, Council has approved changes to the program to wind down the program which administration has implemented. This report is for information only.

### Background

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In 2003, Council approved an overlap arrangement now called MuniSERP to provide our most senior management employees (salary wise) with retirement incomes reflective of total earnings as other employees receive. MuniSERP helped eliminate the effect of Income Tax Act's pension accrual maximums.

At the March 2, 2020 Council meeting the following resolution was passed. "Resolved that Council of the City of Red Deer having considered MuniSERP benefits hereby endorses the revised option 3 as presented In Camera and agrees that the contents of the report will remain confidential as protected under the Freedom of Information and Privacy Act, Section 24(1) a) Advice from officials."

Council's direction which administration has implemented, is that the MuniSERP program will continue with current participating incumbents only. The benefit will not be offered to any new employees. In addition; in the event any current participating incumbent is promoted to City Manager – that incumbents benefit will cease accruing service and MuniSERP will be calculated and paid out prior to promotion.

**DATE:** April 29, 2020  
**TO:** Allan Seabrooke, City Manager  
**FROM:** Frieda McDougall, Legislative Services Manager  
**SUBJECT:** MuniSERP Program

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**Reference Report:**  
City Manager, dated April 27, 2020.

**Resolution:**  
At the Monday, April 27, 2020 Regular Council Meeting, Council accepted this report as information:

**Report back to Council:**  
No.

**Comments/Further Action:**  
None.

“Frieda McDougall”

Frieda McDougall  
Manager

c. Director of Human Resources



April 27, 2020

## 2019 Annual Financial Report

Financial Services

### **Report Summary & Recommendation:**

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The 2019 annual financial statements are being presented to Council to:

1. Accept the 2019 financial statements and annual financial report for distribution to the public and other interested parties
2. Authorize the Mayor and one Councillor from the Audit Committee to sign the 2019 financial statements on behalf of Council
3. Authorize administration to forward the 2019 financial statements to Alberta Municipal Affairs, Alberta Capital Finance Authority, and Alberta Health Services by May 1, 2020 in accordance with the Municipal Government Act (MGA).

### **Proposed Resolution**

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Resolved that Council of The City of Red Deer having considered the report from Financial Services dated April 27, 2020 re: 2019 Annual Financial Statements hereby agrees to:

1. Accept the 2019 financial statements and annual financial report for distribution to the public and other interested parties
2. Authorize the Mayor and one Councillor from the Audit Committee to sign the 2019 financial statements on behalf of Council
3. Authorize administration to forward the 2018 financial statements to Alberta Municipal Affairs, Alberta Capital Finance Authority, and Alberta Health Services by May 1, 2020 in accordance with the Municipal Government Act (MGA).

## Report Details

### **Background:**

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Section 276(1) of the Municipal Government Act (MGA) requires that municipalities prepare annual financial statements in accordance with Canadian public sector accounting standards.

Section 276(3) requires that each municipality make its financial statements, or a summary of them, and the auditor's report on the financial statements, available to the public.

Section 281(1) requires that the auditor for the municipality report to Council on the annual financial statements and the annual financial return.

**Discussion:**

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Correspondence from the Audit Committee, recommending the acceptance of the 2019 financial statements and Annual Financial Report for distribution to the public and other interested parties will be provided at the Monday, April 27, 2020 Council meeting.

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## **FINANCIAL INFORMATION**

## MANAGEMENT REPORT

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

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

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

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

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

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Allan Seabrooke  
City Manager

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Dean Krejci  
Chief Financial Officer

## **INDEPENDENT AUDITORS' REPORT**





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

Approved on behalf of City Council:

Tara Veer, Mayor

Tanya Handley, Councillor

See accompanying Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF OPERATIONS

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

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

See accompanying Notes to the Consolidated Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
**For the Year Ended December 31, 2019 (in thousands of dollars)**

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

See accompanying Notes to the Consolidated Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

See accompanying Notes to the Consolidated Financial Statements

## SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

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

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

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

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

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

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

## SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

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

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

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

## SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

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

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

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

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

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

#### **1 SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

##### **Societies and Boards**

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

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

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

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

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

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

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

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

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

##### *ii. Government Transfers*

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

##### *iii. External Contributions*

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

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

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

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

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

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

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

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

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

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

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

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

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

##### *ii. Investments*

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

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

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

#### *iii. Loans Receivable*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **(k) Non-Financial Assets**

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

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

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

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

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

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

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

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

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

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

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

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

#### *iv. Leases*

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

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

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

### **(l) Reserves**

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

### **(m) Adoption of New Accounting Standards**

#### *i. Restructuring Transactions*

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

### **(n) Future Accounting Pronouncements**

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

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

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

#### *i. Financial Statement Presentation*

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

#### *ii. Financial Instruments*

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

#### *iii. Foreign Currency Translation*

PS2601, *Foreign Currency Translation* must be adopted in conjunction with PS3450. It requires that monetary assets and liabilities be denominated in a foreign currency and non-monetary items included in the fair value category that are denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2021.

#### *iv. Portfolio Investments*

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

#### *v. Asset Retirement Obligations*

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

#### *vi. Revenue*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 2 CASH AND CASH EQUIVALENTS

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

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

#### 3 ACCOUNTS RECEIVABLE

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 4 LAND HELD FOR SALE

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

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

#### 5 INVESTMENTS

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 6 LOANS RECEIVABLE

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

Principal to be received are as follows:

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

*(a) Central Alberta Theatre*

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

*(b) Red Deer Curling Centre*

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

*(c) Central Alberta Humane Society*

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

*(d) 2019 Canada Winter Games Host Society*

In 2016, The City advanced funds to the 2019 Canada Winter Games Host Society (Host Society) for capital projects related to the 2019 Canada Winter Games (Games). An amending agreement signed January 2020 extended the term from December 31, 2019 to April 1, 2020. The interest rate is 0.00% per annum. For more information related to the Games and the Host Society, see Note 29.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

##### (a) Liability for contaminated sites

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

Remediation activity for each contaminated site is as follows:

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

##### (b) Grants

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 8 DEFERRED REVENUE

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 9 EMPLOYEE BENEFIT OBLIGATIONS

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

##### *(a) Vacation, Overtime, and Earned Days Off*

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

##### *(b) Retiring Allowance*

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

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

##### *(c) Other Employee Benefits*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The estimated total landfill liability is based on the sum of discounted future cash flows for closure and post-closure activities for 40 years after closure using a discount rate of 2.51% (2018 - 2.84%) and annual inflation of 1.59% (2018 - 1.80%). The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively as a change in estimate when applicable.

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

The new waste management facility commenced operation in 2001 and consists of three phases of development. All three phases combined are estimated to provide capacity to 2055. Closure activities will be ongoing as the landfill reaches final design elevation. Closure and post-closure costs are based on an independent study conducted in 2012. Phase one of the landfill has an estimated capacity of 699,609 (2018 - 737,412) cubic metres remaining, which is projected to last until 2023 based on current growth and usage. It is estimated that post closure care will be required for a period of 40 years from closure. The present value of estimated future closure and post closure costs has been calculated and accrued.

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

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

	1972 Site	2001 Site Phase One	<b>2019</b>	2018
Total estimated closure and post-closure costs	1,902	4,711	<b>6,613</b>	6,203
Estimated capacity used	100 %	80 %	<b>80 %</b>	79 %
Liability recognized as of December 31, 2019	1,902	3,768	<b>5,670</b>	5,288
Estimated capacity remaining	-%	20 %	<b>20 %</b>	21 %
Remaining estimated costs to be recognized	\$ -	\$ 943	<b>\$ 943</b>	\$ 915

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 11 LONG-TERM DEBT

Long-term debt is comprised of:

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

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

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

Principal and interest payments are as follows:

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

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

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

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

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

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

#### **12 DEBT LIMIT**

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 13 TANGIBLE CAPITAL ASSETS

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

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

In 2019, \$13 (2018 - \$249) of works of art for display were acquired and then expensed as materials and supplies.

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

#### 14 EQUITY IN TANGIBLE CAPITAL ASSETS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 15 ACCUMULATED SURPLUS

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 16 NET MUNICIPAL TAXES

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

#### 17 USER FEES AND SALE OF GOODS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 18 GOVERNMENT TRANSFERS

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

Details on significant government transfers are as follows:

#### *Operating Transfers*

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

(b) Alberta Emergency Management Agency provides funding to The City under the 911 Grant Program, which must only be used in relation to 911 call answering services. In 2019, The City received \$1,650 (2018 - \$1,496) for the 911 Grant Program and recognized the entire amount in provincial operating transfers.

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

#### *Capital Transfers*

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

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

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

**19 EXPENSES BY OBJECT**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 20 SALARIES AND BENEFITS DISCLOSURE

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2018, LAPP reported an actuarial surplus of \$3.5 billion (2017 - \$4.8 billion). This amount is not specifically allocated to the participating government organizations. The 2019 actuarial balance was not available at the date these financial statements were released.

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

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

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

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

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

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

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

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

Muni SERP is a supplementary employee retirement plan defined by The City and administered by the Alberta Municipal Services Corporation (AMSC). The plan provides supplementary retirement benefits to a prescribed class of employees in excess of the limits of the Income Tax Act (Canada). The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. Muni SERP supplements APEX and LAPP and is a voluntary, non-contributory defined benefit employee retirement plan. The total current and past service liability to The City as at December 31, 2019 is estimated at \$1,205 (2018 - \$702). This liability is offset by earmarked asset investment fund held by AMSC in the amount of \$1,084 (2018 - \$1,217).

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 25 CONTRACTUAL RIGHTS AND OBLIGATIONS

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

*(a) Developer agreement rights*

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

*(b) Lease rights*

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

*(c) Construction obligations*

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

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

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

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

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

*(a) Solid Waste and Recyclables Collection Contracts*

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

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

*(b) RCMP Contract*

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost for 2019 is \$25,239 (2018 - \$25,637).

*(c) ENMAX Contract*

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

*(d) Lease Obligation*

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

*(e) Northside Community Centre Contract*

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

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

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

#### **26 CONTINGENCIES**

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

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

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

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

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

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

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

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

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

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

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

#### **27 GUARANTEES**

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

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

#### **28 SEGMENTED DISCLOSURE**

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

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

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

*(a) General Government Services*

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

*(b) Protective Services and Parking*

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

*(c) Transportation and Fleet*

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

*(d) Community Services*

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

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

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

*(e) Recreation, Parks, and Culture*

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

*(f) Water and Wastewater*

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

*(g) Waste Management*

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

*(h) Subdivisions, Land, and Development*

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

*(i) Electric Light and Power*

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

## **29 DISCLOSURE SUMMARY FOR THE 2019 CANADA WINTER GAMES**

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

The agreement is summarized as follows:

*(b) Contribution from the Host Society*

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

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

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

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

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

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

#### *(c) Contribution to the Games*

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

#### *(d) Loan to Host Society*

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

#### *(e) Value in Kind*

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

#### *(f) Games Plaza*

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

#### *(g) Guarantee*

In 2014, The City signed an Agreement to Undertake with the Canada Games Council, which The City has agreed to assume responsibility for the financial deficit, if any, associated with the operating and capital expenses incurred by the Host Society. In the amending agreement signed January 10, 2020, the Host Society agreed that there will be no future funding requests to The City.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 30 BUDGET

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

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

#### 31 COMPARATIVE INFORMATION

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

#### 32 APPROVAL OF FINANCIAL STATEMENTS

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

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

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

#### **33 SUBSEQUENT EVENTS**

##### *(a) COVID-19*

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

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

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

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

##### *(b) Westerner Park*

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

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

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

## **STATISTICAL INFORMATION**

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

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

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

**CAPITAL FUND ACTIVITIES - UNAUDITED****2015-2019 (in thousands of dollars)**

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

**CONSOLIDATED REVENUE BY SOURCE - UNAUDITED**  
**2015-2019 (in thousands of dollars)**

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

**CONSOLIDATED OPERATING EXPENSES BY FUNCTION - UNAUDITED****2015-2019 (in thousands of dollars)**

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

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

**CONSOLIDATED EXPENSES BY OBJECT - UNAUDITED**  
**2015-2019 (in thousands of dollars)**

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

**FINANCIAL POSITION AND ANNUAL SURPLUS - UNAUDITED****2015-2019 (in thousands of dollars)**

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

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

**CONSOLIDATED ACCUMULATED SURPLUS - UNAUDITED****2015-2019 (in thousands of dollars)**

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

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

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

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

**LONG-TERM DEBT ISSUED BY FUNCTION - UNAUDITED**

**2015-2019 (in thousands of dollars)**

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

**LONG-TERM DEBT - UNAUDITED**

**2015-2019 (in thousands of dollars)**

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



# City of Red Deer

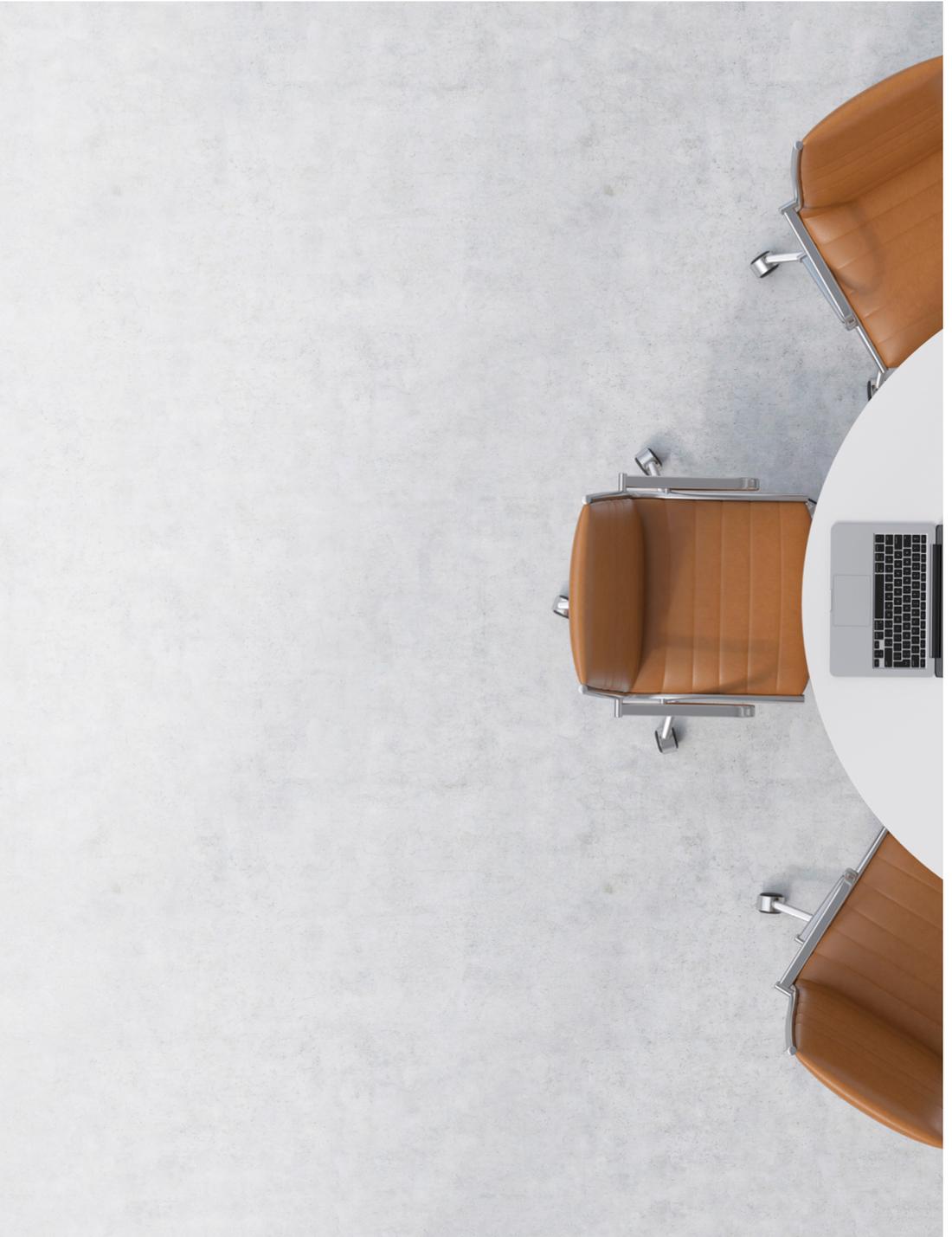
Audit Findings Report  
for the year ended December 31, 2019

*KPMG LLP*

Prepared for the Audit Committee meeting on  
April 22, 2020

[kpmg.ca/audit](http://kpmg.ca/audit)

**KPMG**



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# Executive summary

## Purpose of this report<sup>1</sup>

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in the review of the results of our audit of the consolidated financial statements of the City of Red Deer (the “City”) as at and for the year ended December 31, 2019. This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on November 26, 2019.

### Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

### Finalizing the Audit

As of April 22, 2020, we have completed the audit of the consolidated financial statements, with the exception of certain remaining procedures, which include:

- Receipt and analysis of certain agency auditor reporting packages;
- Receipt and analysis of legal letter responses;
- Completing our discussions with the Mayor and Council;
- Obtaining evidence of Council’s approval of the consolidated financial statements;
- Completing our subsequent events review;
- Obtaining a signed management representation letter; and
- Reviewing the annual report and any other publications containing the consolidated financial statements.

We will update the Audit Committee on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our

auditors’ report will be dated upon the completion of any remaining procedures (expected April 22, 2020).

### Areas of audit focus

We discussed with you at the start of the audit a number of areas of audit focus including:

- Risk from management override of controls;
- Recognition of revenue amounts subject to external restrictions;
- Completeness, existence and accuracy of property assessments and taxation;
- Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities; and
- Existence and accuracy of capital expenditures related to approved capital projects;
- Accuracy and valuation of contributed tangible capital assets;
- Completeness and accuracy of environmental obligations and other contingencies;
- Accuracy and valuation of investments; and
- Completeness and accuracy of salaries and benefits note disclosures.

These matters have been addressed in our audit.

<sup>1</sup> This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Executive summary (continued)

## Significant accounting policies and practices

There is one new accounting standard that has been adopted in the current year: *PS3430 Restructuring Transactions*. Note 1(m) to the financial statements describes the adoption of the new accounting standard for the year-ended December 31, 2019.

Note 1(n) to the financial statements describes future accounting standards which may impact the City's reporting in the future.

There were no other changes to significant accounting policies and practices to bring to your attention.

## Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

## Adjustments and differences

Materiality for fiscal 2019 was set at \$11,100,000. During our audit, we identified adjustments that were communicated to management and subsequently corrected in the consolidated financial statements. We identified certain differences which remain uncorrected and are not considered to be significant. These differences do not impact our audit report on the consolidated financial statements of the City.

## Audit response to COVID-19 Pandemic

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and dislocating impact. As such, enhanced subsequent events procedures were warranted.

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

We have identified other observations we believe may be of interest to the Audit Committee. None of these observations impact our audit report on the consolidated financial statements of the City.

## Additional reporting responsibilities

We have been engaged to report on the following for the year ended December 31, 2019:

- Municipal Financial Information Return (FIR) for the City;
- Local Authorities Pension Plan (LAPP) special reporting;
- APEX Supplementary Pension Plan special reporting; and
- Family and Community Support Services (FCSS) special reporting.

In addition, we have been engaged to report on the following for the year ended March 31, 2020:

- Reaching Homes (RH) special reporting; and
- Outreach and Support Services Initiative (OSSI) special reporting.

## Independence

We are independent with respect to the City, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

# Areas of audit focus and results

We highlight our significant findings in respect of significant financial reporting risks and other areas of audit focus as identified in our discussion with you in the Audit Plan.

Area of focus	Why are we focusing here?	Our response and significant findings
Risk of management override of controls	<p>This is a presumed risk.</p> <p>We have not identified any specific risks relating to this audit.</p>	<ul style="list-style-type: none"> <li>We evaluated the design and implementation of controls surrounding journal entries, and tested entries made at the end of the reporting period.</li> </ul> <p>No misstatements or other findings were identified as a result of performing the above procedures.</p>
Recognition of revenue amounts subject to external restrictions	<p>There is a risk of inappropriate revenue recognition of amounts received with external restrictions attached to them (government transfers and other amounts).</p>	<ul style="list-style-type: none"> <li>We reviewed the recognition of amounts subject to external restrictions to ensure they are recognized appropriately.</li> <li>We confirmed all significant government transfers, and examined related agreements.</li> <li>We inspected capital grant agreements and related expenditures and ensured the funds are appropriately recognized against specific capital projects</li> </ul> <p>No misstatements or other findings were identified as a result of performing the above procedures.</p>
Completeness, existence and accuracy of property assessments and taxation	<p>There is a risk that property assessments and approved tax rates are not applied appropriately.</p>	<ul style="list-style-type: none"> <li>We evaluated the application of assessments through the tax roll and taxation rates established by the City.</li> <li>We developed an expectation of property tax revenues and compared it to the actual amounts in the consolidated financial statements.</li> </ul> <p>No misstatements or other findings were identified as a result of performing the above procedures.</p>

# Areas of audit focus and results (continued)

Area of focus	Why are we focusing here?	Our response and significant findings
Completeness, existence and accuracy of operating costs and accounts payable and accrued liabilities	There is a risk that appropriate cut-off of accounts payable and accrued liabilities is not achieved.	<ul style="list-style-type: none"> <li>We used our understanding of the City's operations, our discussions with management and our review of Council minutes to evaluate the completeness of accruals as at December 31, 2019.</li> <li>We performed work over the City's budgeting process and obtained a detailed understanding of significant variances from the approved budget.</li> <li>Our year-end procedures included a search for unrecorded liabilities (primarily through a review of unprocessed transactions and payments subsequent to year-end) and a detailed analysis of key accruals.</li> </ul> <p>We identified one misstatement related to these procedures. Refer to the 'Adjustments and differences' section of this report.</p>
Existence and accuracy of capital expenditures related to planned capital projects	There is a risk that capital expenditures are not appropriately recorded in the financial statements and are not appropriately recorded related to approved capital projects.	<ul style="list-style-type: none"> <li>We reviewed a sample of capital expenditures and ensured they were applied against the appropriate capital projects.</li> <li>We performed a detailed analysis of projects that remain in assets under construction at year-end to validate the project remains in progress.</li> </ul> <p>We identified certain misstatements and observations related to these procedures. Refer to the 'Adjustments and differences' and '<i>Control and other observations</i>' sections of this report.</p>
Accuracy and valuation of contributed tangible capital assets	There is a risk that contributions of tangible capital assets are not appropriately captured in the consolidated financial statements.	<ul style="list-style-type: none"> <li>We obtained an understanding of the process by which departments capture tangible capital assets which are contributed from developers and other parties and assessed the consistency of the process applied across all departments.</li> <li>We reviewed the variance of actual contributed tangible capital assets to the budget, and noted no significant deviations.</li> </ul> <p>No misstatements or other findings were identified as a result of performing the above procedures.</p>

# Areas of audit focus and results (continued)

Area of focus	Why are we focusing here?	Our response and significant findings
Completeness and accuracy of environmental obligations and other contingencies	There is a risk that environmental obligations and other contingent liabilities are not appropriately identified and reasonably estimated.	<ul style="list-style-type: none"> <li>• We reviewed the estimate of environmental obligations, other contingencies and specifically, environmental liabilities.</li> <li>• We reviewed the City's update of land and other assets for the potential risk of contamination and determination of a resulting obligations, if any.</li> </ul> <p>We identified an observation related to these procedures. Refer to the '<i>Control and other observations</i>' section of this report.</p>
Accuracy and valuation of investments	There is a risk that investments are not appropriately valued; specifically, impairment of investments is not appropriately assessed and valuation adjustments are not recorded where appropriate.	<ul style="list-style-type: none"> <li>• We have tested the existence and accuracy of investment accounts through external confirmations, including the cost and market value of investments.</li> <li>• We noted that as at December 31, 2019, investments that were purchased at a premium or discount were not being recorded at amortized cost. Investment premiums and discounts are required to be amortized over the term of the respective investments, which is the City's policy and consistent with PSAS. Management has quantified the error and it remains uncorrected as at the 2019 year-end.</li> <li>• We noted several investments had a market value that was lower than their carrying value. Investments are required to be written down if there is an other-than-temporary decline in value. Management determined that a write-down was not required due to the intention that these investments will be held to maturity and the decline is expected to be temporary. We concur with management's assessment.</li> </ul> <p>We have identified certain uncorrected differences as a result of performing the procedures above. Refer to the '<i>Adjustments and differences</i>' section of this report.</p>
Completeness and accuracy of the salaries and benefits note disclosures	There is a risk that salaries and benefits note disclosures are not complete and accurately reported.	<ul style="list-style-type: none"> <li>• We reviewed a sample of employment contracts to ensure salaries and benefits are appropriately disclosed.</li> <li>• We performed an analytical procedure over salaries and benefits and reviewed the employee benefit obligation accruals.</li> </ul> <p>We identified one misstatement related to these procedures. Refer to the '<i>Adjustments and differences</i>' section of this report.</p>

# Critical accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

We have summarized our assessment of the subjective areas.

Asset / Liability (in 000's)	KPMG Comment
Landfill closure and post-closure liability \$5,670 (2018 - \$5,288)	The City obtains information from various consulting parties who specialize in landfill closure and post-closure issues when determining the amount of the obligation. There have been no significant changes in how the obligations are estimated year over year.
Valuation of inventory \$9,395 (2018 - \$8,302)	The City records an allowance for any obsolete inventory meeting the criteria necessary for a write down to be recorded. There have been no significant changes in how the allowance is determined.
Employee benefit obligations \$7,637 (2018 - \$7,366)	The City relies on an actuary to determine the future employee benefit obligation. The City provides the necessary data to the actuary to determine an appropriate future obligation for the City to record which have been agreed to note 9 to the financial statements. There have been no changes to the method used to estimate employee benefit obligations from the prior year.
Useful lives of tangible capital assets \$2,084,776 (2018 - \$2,062,830)	The City estimates the useful life of tangible capital assets and reviews the amortization policy on a regular basis. The City reviews tangible capital assets for impairment on an annual basis. There have been no changes to the manner in which the estimate is determined.
Accrued liabilities \$11,997 (2018 - \$12,255)	The City estimates accrued liabilities based on expenses and payables incurred throughout the year. There is no change in the way the City estimates accrued liabilities from the prior year.
Carrying value of investments \$209,064 (2018 - \$216,461)	The City reviews the ratings on the City's investments on an annual basis, and corresponds with the City's investment managers regularly in order to identify any impairment. There have been no changes to the method used from the prior year. A deviation from the City's policy of recording investments at amortized cost was noted. Please see the “Adjustments and differences” section of this report for the impact of this deviation.

# Critical accounting estimates (continued)

Asset / Liability	KPMG Comment
Liabilities for contaminated sites \$2,729 (2018 - \$2,771)	The City monitors various sites with environmental issues and obtains information from various consulting parties who specialize in determining the extent of the contamination and the extent and estimates for future remediation costs. There have been no significant changes in the current year. Please see the "Control and other observations" section of this report for our findings related to this estimate.
Allowance for doubtful accounts receivable and loans receivable \$174 (2018 - \$136)	The City estimates allowances for doubtful accounts receivable and loans receivable based on historical collections and examination of aged balances that are greater than 90 days past due. There have been no changes in the manner in which the estimate is determined
Fair value of contributed tangible capital assets \$7,349 (2018 - \$19,325)	The City typically relies on the value of the contributed asset as outlined on the Construction Completion Certificate which is signed by the developer. Contributed land is determined by an ascribed value as indicated on a signed land title certificate. There have been no changes in the manner the estimate is determined.

We consider management's process for identifying critical accounting estimates to be adequate.

# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the City's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

<p>Form, arrangement, and content of the financial statements</p>	<p>The consolidated financial statements have been prepared in accordance with the Canadian public sector accounting standards.</p> <p>As disclosed in Note 1(m) of the City's consolidated financial statements, a new Canadian public sector accounting standard came into effect for the City's year ending December 31, 2019, PS3430 – Restructuring Transactions. We reviewed the City's assessment regarding the new standard and concur with management's conclusion that the adoption of this accounting standard did not result in any changes to the measurement or disclosures in the consolidated financial statements.</p>
<p>Application of accounting pronouncements issued but not yet effective</p>	<p>As described in Note 1(n) of the City's consolidated financial statements, a number of new Canadian public sector accounting standards will be in effect beginning with the City's December 31, 2022 year end and beyond. These new standards include: PS1201 – Financial Statement Presentation; PS2601 – Foreign Currency Transactions; PS3041 – Portfolio Investment; PS3450 – Financial Instruments; PS3280 – Asset Retirement Obligations; and PS3400 – Revenue.</p> <p>Refer to Appendix 3 for guidance on preparing for these accounting standard changes.</p>

# Adjustments and differences

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management and the Audit Committee that all identified differences be corrected. We have already made this request of management.

The management representation letter provided includes all adjustments and differences identified as a result of the audit.

## Corrected adjustments

Below is a summary of our corrected adjustments:

As at December 31, 2019	Income effect Increase (Decrease)	Financial position Increase (Decrease)		
Description of adjustments greater than \$555,000 individually (in '000s)	Annual Surplus	Assets	Liabilities	Accumulated Surplus
<b>Materiality - \$11,100,000</b>				
To accrue the amount owing to Red Deer College as part of the contract related to the 2019 Winter Games.	\$ (5,000)	–	\$ 5,000	\$ (5,000)
<b>Total adjustments</b>	<b>\$ (5,000)</b>	<b>–</b>	<b>\$ 5,000</b>	<b>\$ (5,000)</b>

# Adjustments and differences (continued)

## Uncorrected differences

Based on both qualitative and quantitative considerations, management has represented to us that the differences —individually and in the aggregate—are, in their judgment, not material to the financial statements. We concur with management's representation that the differences are not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

As at December 31, 2019	Income effect Increase (Decrease)	Financial position Increase (Decrease)		
Description of differences greater than \$555,000 individually (in '000s)	Annual Surplus	Assets	Liabilities	Accumulated Surplus
<b>Materiality - \$11,100,000</b>				
To reflect the prior year impact of not recognizing investments at amortized cost.	\$ (2,380)	–	–	–
To recognize investments at amortized cost as at December 31, 2019.	914	914	–	914
To reflect the prior year impact of including terminated employees in employee benefit obligations and the related benefits expense.	(1,020)			
<b>Total differences</b>	<b>\$ (2,486)</b>	<b>\$ 914</b>	<b>–</b>	<b>\$ 914</b>

# Control and other observations

We have highlighted the matters below that we would like to bring to your attention:

Item	Observations and Recommendations (2017 and 2018)	2019 Update
<b>Agency reporting timelines</b>	<p><b>Observation:</b> During the 2018 audit, and as in prior years, we requested reporting packages from the auditors of the City's controlled agencies. These packages were requested to be received by March 15, allowing for enough time to incorporate the results into the audit of the consolidated financial statements of the City. This also allows the financial reporting team of the City to perform their consolidation process in a timely manner for us to perform our procedures over the consolidation process. However, as the Annual General Meetings (AGMs) for each agency were later than in prior years, we did not receive all of the requested information by the requested deadline. The City did not receive the information in a timely manner to perform the consolidation process they undertake to create the consolidated financial statements. The dates of the approval of the financial statements for each of the agencies related to the December 31, 2018 year-end were as follows:</p> <ul style="list-style-type: none"> <li>• Red Deer River Bend Golf &amp; Recreation Society – March 19, 2019</li> <li>• Red Deer Downtown Business Association – March 21, 2019</li> <li>• Red Deer Public Library – March 27, 2019</li> <li>• Waskasoo Environmental Education Society – March 28, 2019</li> <li>• Red Deer Museum and Art Gallery – April 17, 2019</li> </ul> <p><b>Recommendation:</b> We recommend that the City set timelines for the Agencies related to the approval of their respective financial statements to ensure that there is appropriate alignment with the timelines for the City's consolidated financial statement process and approvals.</p>	<p>In 2019, we noted that management requested agency packages at an earlier date. Due to circumstances outside of the City's control, we continued to note that certain agency reporting packages were still outstanding at the time of the Audit Report. The dates of the approval of the financial statements for each of the agencies related to the December 31, 2019 year-end are as follows:</p> <ul style="list-style-type: none"> <li>• Red Deer River Bend Golf &amp; Recreation Society – March 17, 2020</li> <li>• Red Deer Downtown Business Association – March 16, 2020</li> <li>• Red Deer Public Library – March 30, 2020</li> <li>• Waskasoo Environmental Education Society – not yet finalized</li> <li>• Red Deer Museum and Art Gallery – not yet finalized</li> </ul> <p>Our previous recommendation remains unchanged and we will follow-up on the implementation of this matter in 2020.</p>

# Control and other observations (continued)

Item	Observations and Recommendations (2017 and 2018)	2019 Update
<p><b>Tangible capital assets</b></p>	<p><b>Observation:</b> During the performance of the 2018 audit procedures, we tested a sample of 6 projects and identified 3 substantially completed projects that remained in Assets Under Construction (AUC) as at December 31, 2018 that met the criteria to be moved into the appropriate asset class and the commencement of depreciation. As this asset transfer had not occurred, depreciation expense for the year was understated.</p> <p>As part of our audit procedures over depreciation expense, we identified certain assets that had been inappropriately transferred out of AUC and accordingly, the annual depreciation expense was overstated. In addition, management identified two assets that had not commenced amortization when they were put into service in 2011 and 2013. As a result, management recorded depreciation expense through to 2018 within the 2018 year which overstated the depreciation expense for the year ended December 31, 2018.</p> <p>Additionally, we noted that there were several systems that contain information regarding tangible capital assets. As these systems do not directly interface to each other, it is possible for there to be discrepancies between systems. As certain systems are used for asset management purposes, it is important for the information within them be as accurate and complete as possible. Our previous recommendation therefore remains unchanged.</p> <p><b>Recommendation:</b> We recommended that management have clear lines of communication with the project managers and accountants to assess the completion of each project (or major asset) and ensure that management is aware when projects are nearing completion.</p>	<p>During the current year, we noted that the AUC listing was provided to departments in advance of the journal-entry cut-off date to ensure departments were assessing the status of projects as part of the year-end close process. This involved reviewing specific projects in AUC that were close to the budgeted project amount to determine if the project should be transferred to the appropriate asset class and depreciation should commence. Follow-ups were sent to departments that did not respond to the request.</p> <p>Despite this enhanced process in 2019, as part of our work over tangible capital assets, we tested a sample of 7 projects and identified 3 substantially completed projects that remained in AUC as at December 31, 2019 that met the criteria to be moved into the appropriate asset class and the commencement of depreciation. As this asset transfer had not occurred, depreciation expense for the year was understated.</p> <p>Upon further review of the City's TCA process flowchart, we noted that the task of following up at year-end to ensure TCA acquisition forms are received and assets are capitalized does not involve the project managers. This has led to a disconnect between operations and finance when making capitalization decisions.</p> <p>Our previous recommendation remains unchanged and we will follow-up on the implementation of this matter in 2020. We further recommend that management consider training sessions with management and project managers to ensure there is a consistent understanding of when an assets is considered "in use" and should be capitalized.</p>

# Control and other observations (continued)

Below is a summary of matters that we identified during the current year audit:

Item	Observations and Recommendations (2019)
<p><b>Budgeting process</b></p>	<p><b>Observation:</b> In prior years, we noted a number of areas where the City's approved budget differed significantly from actual results for several years but saw an improvement in 2018. However, during our 2019 audit, we noted the following:</p> <ul style="list-style-type: none"> <li>(a) The budget for acquisition of tangible capital assets was significantly greater than actual results, resulting in a variance of \$30M. As a result, the budgeted net debt at December 31, 2019 was \$125M as compared to prior year actual net debt of \$81M. Upon further investigation, it was noted that the capital cash flow budget, which leverages information in the approved capital budget to project spend over the current fiscal year, was not approved until March 2020. Due to this delay, the budgeted acquisition of tangible capital assets as presented on the financial statements includes capital projects which may span multiple years instead of the planned cash flow for the year, including carry forward amounts from prior years, for certain departments. We acknowledge that the City has controls in place to monitor the status of capital projects in progress and that these results are reported to Council on a regular basis, however, the current capital budget process is not fully integrated with the financial reporting requirements. This can lead to a distortion of the information presented in the annual financial statements.</li> <li>(b) Through our work performed over grant funding and the related spend, we also noted that capital budgets submitted by departments are all discounted by a blanket rate of 30% to account for the historical trend of the budget significantly exceeding actual results. However, when testing the funding related to specific projects, we noted that by discounting all projects by a blanket rate, there were variances that were directly attributable to the 30% discount. Therefore, the current process does not add value to the accuracy and usefulness of the City's budget.</li> </ul> <p><b>Recommendation:</b> We recommend that management assess its budgeting methodology to increase the usefulness of the City's budget and the relevance of the budget information presented in the annual financial statements.</p>
<p><b>Liabilities for contaminated sites</b></p>	<p><b>Observation:</b> During our review of the management representation letter matrix, we noted that there are certain contaminated sites where an environmental assessment has been completed and a potentially contaminated has been identified. However, as the cost of remediation has not yet been estimated, the balance has not been accrued in the consolidated financial statements. As some of these contaminations have been known for over one year, there is a risk that the City's environmental obligations are understated.</p> <p><b>Recommendation:</b> We recommend that for all contaminated sites where the City is directly responsible for remediation costs, management obtain a formal estimate of the costs to remediate. This will allow the City to quantify and accrue all environmental obligations and ensure that the consolidated financial statements and the related disclosures are complete and accurate.</p>

# Control and other observations (continued)

Below is a summary of matters that we identified during the current year audit:

Item	Observations and Recommendations (2019)
<p><b>Oversight of the agencies</b></p>	<p><b>Observation:</b> During our review of the group audit reporting packages provided to us by the component auditors of the various agencies of the City, we noted the following:</p> <ul style="list-style-type: none"> <li>• For one of the agencies, several control deficiencies were identified at the planning phase. It was noted that the City was not aware of these deficiencies as information is only requested at year-end. At year-end, an extensive management letter, noting several control deficiencies, was issued to this agency.</li> <li>• In addition, we noted that another reporting package received from an agency included a significant deficiency related to cash handling.</li> <li>• Upon receipt of our group audit reporting letter, another agency responded and stated that they do not agree with the City's treatment of them as a controlled entity. For the year ending December 31, 2019, it was agreed that the agency will be treated as controlled by the entity, and a decision will be made in fiscal 2020 on future reporting.</li> </ul> <p>While these agencies are not quantitatively material to the City, the City's affiliation with these organizations exposes the City to certain qualitative risks including brand and reputation. Without adequate oversight, it is challenging for the City to mitigate these risks.</p> <p><b>Recommendation:</b> We recommend that the City enhance their communications and reporting requirements with all agencies. Specifically, the City should request copies of all reporting prepared by the external auditors as it is received by amending the current agreements with the agencies. Responsibility for enforcing the oversight process on the City's behalf should reside with an individual who is sufficiently knowledgeable of the audit process in general. This will help ensure that there is effective oversight of the agencies operations. Should deficiencies be identified, agencies should be required to take appropriate corrective action.</p> <p>We further recommend that the City refreshes the current conclusions on which Agencies should be consolidated with the City based on the guidance under PSAS 1300.</p>

# Audit response to COVID-19 Pandemic

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. As such enhanced subsequent events procedures are warranted.

## Our audit approach

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Events that are indicative of conditions that arose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

### Audit response:

- Management worked with the audit team to customize language for a subsequent events note.
- An assessment for any financial indicators of financial implications should be undertaken and documented by management.
- A list of any financial implications and actions undertaken by the entity should be disclosed in the notes, examples may include:
  - Experienced temporary declines in the fair value of investments and investment income
  - Closure of facilities to the date of the auditors' report based on public health recommendations to slow the transmission
  - Temporary and or permanent termination of employees
  - Mandatory working from home requirements for those able to do so
  - Others, as appropriate
- A statement as to whether or not these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. Along with measurement of an estimated impact on the financial effect or indication if one is not practicable at this time.

Management has included a subsequent events note in its financial statements that appropriately describes and responds to the above matter.

## Resources for Management and Audit Committee members

Please visit our COVID-19 website for resources. This site is being updated daily based on information being released by Federal, Provincial and Municipal news releases. <https://home.kpmg/ca/en/home/insights/2020/03/the-business-implications-of-coronavirus.html>

# Appendices

**Appendix 1: Required Communications**

**Appendix 2: Audit Quality and Risk Management**

**Appendix 3: Preparing for PSAB Standard Changes**



# Appendix 1: Required Communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditors' report	Management representation letter
<p>The conclusion of our audit is set out in our draft auditors' report as attached.</p>	<p>In accordance with professional standards, a copy of the management representation letter is provided to management as attached.</p>
Audit quality	
<p>Audit Quality (AQ) is at the core of everything we do at KPMG. Appendix 2 provides more information on AQ.</p> <p>The following links are external audit quality reports for reference:</p> <ul style="list-style-type: none"> <li>• <a href="#">CPAB Audit Quality Insights Report (October 2019) (formerly the "Big Four Firm Public Report")</a></li> <li>• <a href="#">Auditing in the Crypto-Asset Sector: 2019 Inspections Insights (Nov 2019)</a></li> </ul>	

# Appendix 1a: Draft Auditors' Report

## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

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

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

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

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

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

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

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

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

### ***Other Information***

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

**DRAFT**

Edmonton, Canada

April 27, 2020

# Appendix 1b: Management Representation Letter

KPMG LLP  
Enbridge Centre  
2200, 10175 – 101 Street  
Edmonton, AB T5J 0H3

April 27, 2020

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the City of Red Deer (“the City”) as at and for the period ended December 31, 2019.

*General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

*Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated August 4, 2017, including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
    - the names of all related parties and information regarding all relationships and transactions with related parties;
    - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
  - c) providing you with unrestricted access to such relevant information.
  - d) providing you with complete responses to all enquiries made by you during the engagement.

- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the City, did not intervene in the work the internal auditors performed for you.

*Internal control over financial reporting:*

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

*Fraud & non-compliance with laws and regulations:*

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
    - management;
    - employees who have significant roles in internal control over financial reporting; or
    - otherswhere such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

*Related parties:*

- 5) We have disclosed to you the identity of the City's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

*Estimates:*

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

*Going concern:*

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

*Misstatements:*

- 11) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 12) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

*Non-SEC registrants or non-reporting issuers:*

- 13) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 14) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

*Other:*

- 15) The City has satisfactory title to all owned assets and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed in the financial statements or notes to the financial statements.

- 16) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except as those disclosed in the financial statements or notes to the financial statements.
- 17) All contractual obligations as at December 31, 2019 have been appropriately disclosed in the financial statements.
- 18) We have reviewed all assets under construction and there are no projects that are substantially complete that would require reclassification as at December 31, 2019.

Yours very truly,

---

Dean Krejci, Chief Financial Officer

---

Allan Seabrooke, City Manager

cc: Audit Committee

***Attachment I – Definitions****Materiality*

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

*Fraud & error*

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an Entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

## Attachment II – Summary of Audit Misstatements Schedules

### Corrected adjustments:

As at December 31, 2019	Income effect Increase (Decrease)	Financial position Increase (Decrease)		
Description of adjustments greater than \$555,000 individually (in '000s)	Annual Surplus	Assets	Liabilities	Accumulated Surplus
To accrue the amount owing to Red Deer College as part of the contract related to the 2019 Winter Games.	\$ (5,000)	–	\$ 5,000	\$ (5,000)
<b>Total adjustments</b>	<b>\$ (5,000)</b>	<b>–</b>	<b>\$ 5,000</b>	<b>\$ (5,000)</b>

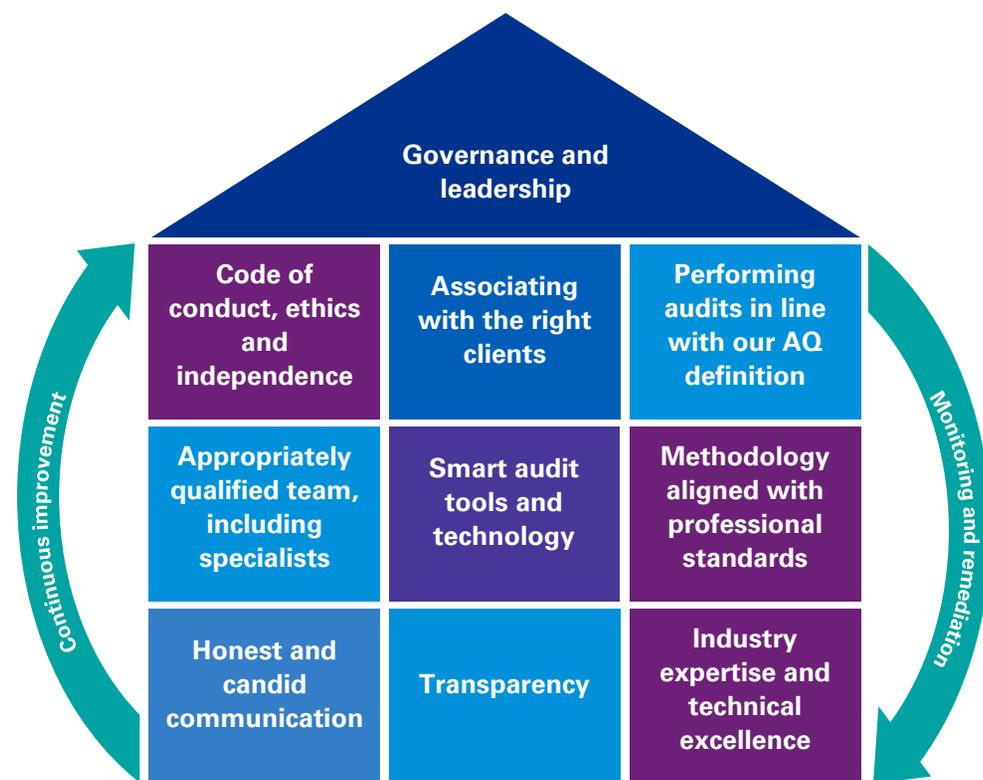
### Uncorrected differences:

As at December 31, 2019	Income effect Increase (Decrease)	Financial position Increase (Decrease)		
Description of differences greater than \$555,000 individually (in '000s)	Annual Surplus	Assets	Liabilities	Accumulated Surplus
To reflect the prior year impact of not recognizing investments at amortized cost.	\$ (2,380)	–	–	–
To recognize investments at amortized cost as at December 31, 2019.	914	914	–	914
To reflect the prior year impact of including terminated employees in employee benefit obligations and the related benefits expense.	(1,020)			
<b>Total differences</b>	<b>\$ (2,486)</b>	<b>\$ 914</b>	<b>–</b>	<b>\$ 914</b>

# Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the key elements of our quality control system.



Audit Quality Framework

## What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).

# Appendix 3: Preparing for PSAB Standard Changes



# Preparing for PSAB Standard Changes

Are you ready to implement PSAB's impactful series of new standards?

Public sector entities are preparing to implement three significant Public Sector Accounting standards through 2022. These standards will impact not only your accounting policies, but also how Finance engages key stakeholders.

## Asset Retirement Obligations

PS3280 addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities.

PS3280 will apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. Three transition options are available – retroactive, modified retroactive, prospective.

Asset retirement activities are defined to include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed
- decontamination created by the normal use of the tangible capital asset
- post-retirement activities such as monitoring
- constructing other tangible capital assets in order to perform postretirement activities

With the introduction of PS3280 PSAB has withdrawn existing Section PS3270, solid waste landfill closure and post-closure liability.

Some examples of asset retirement obligations which fall under scope of proposed PS3280 include:

- end of lease provisions (from a lessee perspective)
- removal of radiologically contaminated medical equipment
- wastewater or sewage treatment facilities
- firewater holding tanks
- closure and post-closure obligations associated with landfills
- septic beds
- fuel storage tank removal

Under PS3280, an asset retirement obligation should be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset
- the past transaction or event giving rise to the liability has occurred
- it is expected that future economic benefits will be given up
- a reasonable estimate of the amount can be made

Whether you are an education or health institution or a government entity (federal, provincial, municipal or Indigenous) this accounting standard will have implications for your organization if you report under the Public Sector Accounting Standards.

## Are You Ready?

1. *Has a project plan been developed for the implementation of this section?*
2. *Has Finance communicated with key stakeholders, including Council or Board on the impact of this section?*
3. *Does Finance communicate with representatives of the Public Works, Asset Management, Facilities Management or Legal functions through the financial reporting process?*
4. *Has a complete inventory been developed of all inactive or active assets or sites, to provide a baseline for scoping of potential retirement obligations?*
5. *If a complete inventory has been developed, does it reconcile back to information currently reported in the entity's financial statements for tangible capital assets or contaminated sites?*
6. *Does your entity have data on non-recorded assets or sites (ie: assets which were originally expensed on purchase, or recorded at no book value) which could have retirement obligations?*
7. *Does your entity have an active solid waste landfill site?*
8. *If yes, does your entity have an existing estimate of the full costs to retire and monitor the landfill site?*
9. *Is your entity aware of any of its buildings which have asbestos?*
10. *If so, does your entity have information to inform a cost estimate to remove/ treat the asbestos?*
11. *Is your entity aware of underground fuel storage tanks or boilers which must be removed at end of life?*
12. *If so, does your entity have information to inform a cost estimate to remove the tanks?*
13. *Is your entity aware of any lease arrangements where it will be required to incur costs to return the premises to pre-existing conditions at the end of the lease?*
14. *Has your entity determined if it has any sewage or wastewater treatment plants which have closure plans or environmental approvals which require full or partial retirement of the plant at the end of its life?*
15. *Is your entity aware of any other contractual or legal obligations to retire or otherwise dismantle or remove an asset at the end of its life?*

## Revenues

PS3400 outlines a framework describing two categories of revenue – transactions with performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions).

- This section will apply to fiscal years beginning on or after April 1, 2022, with earlier adoption permitted.
- This Section may be applied retroactively or prospectively.
- This section will not impact the present accounting for taxation revenues and government transfers.

Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time.

If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Public sector entities will need to review their revenue recognition policies for in-scope transaction types. Impacted areas may include:

- Development charges
- Permits
- Licences
- Advertising programs

## Are You Ready?

1. *Has the entity identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)?*
2. *If so, has the entity reviewed its accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met?*
3. *Has the entity quantified the impact of any change in accounting policy, or determined that there is no impact?*

## Financial Instruments

PS3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

- This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
- Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook applied this Section to fiscal years beginning on or after April 1, 2012.
- This section must be adopted with Section PS 2601, Foreign Currency Transaltion.
- Specific transition requirements are outlined in the section.

This section prescribes a fair value measurement framework for derivatives, and equity instruments that are quoted in an active market.

Where an entity manages risks, the investment strategy, or performance of a group of financial assets, financial liabilities or both on a fair value basis, they may also be meased at fair value.

Other financial instruments are measured at cost/ amortized cost.

Changes in the fair value of a financial instrument in the fair value category are recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the financial instrument is derecognized.

- Upon derecognition, the remeasurement gain or loss is realized in the Statement of Operations.

## Are You Ready?

1. *Does the entity hold any financial assets which are equity or derivative instruments?*
2. *Has the entity determined if it has any embedded derivatives that might arise from existing contractual arrangements?*
3. *Does the entity have other financial assets which it assesses performance of based on fair value, and for which it might elect a fair value measure?*
4. *If yes to any of the above three questions, does the entity have readily observable market data to inform a fair value measure?*
5. *Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section?*
6. *Does the entity enter into transactions involving foreign exchange?*
7. *Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency?*

## Enhance Finance Capacity with KPMG Learning

Meet the CPD requirements for your Finance team, and have on demand access to public sector accounting specialists. All your Finance capacity needs addressed at once. Flexible options. One low fixed price.

10 hours of in-depth CPD-eligible training tailored to your Finance team. Go beyond the standards to get the latest on technical interpretations, financial reporting and more. Collaborate with your peers across the public sector on best practices. In class sessions in certain locations, or available by video on demand.

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Practical tools and tips for new standard implementation.

Subscribe, or catch up on recent editions here:

<https://home.kpmg/ca/en/home/insights/2020/01/public-sector-accounting-minute-newsletters.html>

	Option 1	Option 2	Option 3	Option 4	Option 4
Package	Individual	CFO exclusive	Team – up to 10 team members	Comprehensive A – up to 10 team members	Comprehensive B – up to 10 team members
10 hours of in-depth CPD-eligible training *	X	X	X	X	X
1 Licence KPMG Learning online	X	X	X	X	X
10 Hours of on-call accounting advice		X		X	
25 Hours of on-call accounting advice					X
<b>Annual Fee</b>	<b>\$2,000</b>	<b>\$5,000</b>	<b>\$10,000</b>	<b>\$13,000</b>	<b>\$17,500</b>

\* Course availability subject to the enrollment of five or more customers  
 Course Delivery by classroom or video on demand dependent on geographic enrollment

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**DATE:** April 22, 2020  
**TO:** Red Deer City Council  
**FROM:** Audit Committee  
**SUBJECT:** Decision Letter from the April 22, 2020 Audit Committee Meeting re the 2019 Annual Financial Report

---

At the April 22, 2020 meeting of the Audit Committee, the following motion was introduced and passed:

Resolved that the Audit Committee, having considered the 2019 Annual Financial Report presented by Administration, hereby endorses the 2019 Annual Financial Report with the following amendments:

1. That the Statements reflect the name Bridges Community Living as it relates to the former Piper Creek Foundation;
2. That a note be added to the Statements identifying that The City assumed financial oversight of the Westerner in January 2020;
3. That a note be added in the Statements indicating that The City of Red Deer, by policy, does not provide employee bonuses;
4. That a clarifying comment be added identifying the role that is referred to by the title Designated Officer;

and further, the Audit Committee requests that Administration ensure that a supplementary report with respect to benefits be brought to open Council in conjunction with the 2019 Annual Financial Statements.

The foregoing is submitted to Council for consideration.

Sincerely,



Councillor Tanya Handley  
Chair, Audit Committee

c: Dean Krejci, Chief Financial Officer  
Michelle Andrew, Corporate Controller  
Katie Barron, Financial Analyst

**DATE:** April 29, 2020  
**TO:** Dean Krejci, Chief Financial Officer  
**FROM:** Frieda McDougall, Legislative Services Manager  
**SUBJECT:** 2019 Annual Financial Report

---

**Reference Report:**

Financial Services, dated April 27, 2020.

**Bylaw Reading:**

At the Monday, April 27, 2020 Regular Council Meeting, Council passed the following resolution:

Resolved that Council of The City of Red Deer having considered the report from Financial Services dated April 27, 2020 re: 2019 Annual Financial Statements hereby agrees to:

1. Accept the 2019 financial statements and annual financial report for distribution to the public and other interested parties
2. Authorize the Mayor and one Councillor from the Audit Committee to sign the 2019 financial statements on behalf of Council
3. Authorize administration to forward the 2019 financial statements to Alberta Municipal Affairs, Alberta Capital Finance Authority, and Alberta Health Services by May 1, 2020 in accordance with the Municipal Government Act (MGA).

**Report back to Council:**

No.

**Comments/Further Action:**

Administration will proceed as detailed in the resolution

“Frieda McDougall”

Frieda McDougall  
Manager

c. Director of Corporate Services



April 27, 2020

## State of Local Emergency (SoLE) for COVID-19 Pandemic

Prepared by: Allan Seabrooke, City Manager

### Report Summary & Recommendation

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On March 13<sup>th</sup>, 2020, The City of Red Deer activated an Emergency Operations Centre (EOC) to monitor and respond to the rapidly evolving COVID-19 situation in Alberta.

March 16<sup>th</sup>, 2020, as a result of the risk posed to community safety and operational continuity from COVID-19, the Emergency Advisory Committee (EAC) of Council declared a State of Local Emergency (SoLE), as outlined in the Emergency Management Bylaw. The provincial *Emergency Management Act* (herein referred to as “The Act”) requires that SoLE declarations be renewed every seven days.

As the situation continues to evolve and impact upon the lives and livelihoods of our community, our region, and our province, The City of Red Deer remains under a SoLE.

At present, there is no tangible timeline for when our community will be able to transition to “recovery,” and operational requirements continue to adjust to meet both the direction of the Chief Medical Officer of Health (CMoH) and local needs.

As the original hazard, a global pandemic, has not been mitigated to a point where community life can return to a pre-emergency state, administration continues to recommend that a SoLE remain in place.

### Proposed Resolution

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This is provided for Council’s information only. Following every emergency event, Administration reviews the effectiveness of all activities related to the event for potential changes. The debriefing on the COVID-19 pandemic will occur in due course and any potential changes to processes, bylaws etc., will be brought forward to Council for consideration.



## Background

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*The Act*, s. 21(1) indicates that, “a local authority may, at any time when it is satisfied that an emergency exists or may exist in its municipality...make a declaration of a state of local emergency relating to all or any part of the municipality.”

A SoLE gives local authorities additional powers under legislation to address the response and recovery needs of the community as a whole. *The Act*, s. 19(1), indicates that, under a SoLE, the local authority has the ability to do all acts and take all necessary proceedings related to the emergency, including the following (this is not an inclusive list of all powers):

- Put into operation an emergency plan or program;
- Acquire or utilize any real or personal property considered necessary to prevent, combat or alleviate the effects of an emergency or disaster;
- Authorize or require any qualified person to render aid of a type the person is qualified to provide;
- Control or prohibit travel to or within the community
- Provide for the restoration of essential facilities and the distribution of essential supplies and provide, maintain and co-ordinate emergency medical, welfare and other essential services in any part of (the jurisdiction);
- Fix prices for food, clothing, fuel, equipment, medical supplies, or other essential supplies and the use of any property, services, resources or equipment within any part of (the jurisdiction) for the duration of the state of emergency;
- Authorize the conscription of persons needed to meet an emergency.

While *The Act* does permit these extraordinary powers under a SoLE, all actions taken must be justifiable, reasonable, documented, appropriately compensated, and related to the hazard outlined in the SoLE declaration (in this case, a pandemic). The powers are afforded to communities to ensure they can remain responsive and reflexive to evolving needs of the community during an emergency and cannot be misused for other purposes.

The definition of “Emergency” under *The Act*, s. 1(f), reads as follows:

- “Emergency” means an event that requires prompt co-ordination of action or special regulation of persons or property to protect the safety, health or welfare of people or to limit damage to property or the environment

While this pandemic situation is different than many other types of emergencies, in that it is less acute and occurring over an extended period of time, it still falls within the definition outlined in *The Act* in the following ways:



- Response to COVID-19 requires prompt co-ordination of action by the local authority, involving decision making and service level adjustments, often on a daily basis, to align with provincial orders and recommendations;
- This response unquestionably requires “special regulation” of persons in that a wide-range of programs, services, and amenities that residents are accustomed to and rely upon are now either not operating or operating in a restricted manner;
- Every decision being made throughout this COVID-19 response relates to the ability of The City of Red Deer to “protect the safety, health or welfare of people.”

The ongoing situation with COVID-19 across our province requires The City of Red Deer to respond and adapt on a daily basis. The flexibility and nimbleness required stems, in large part, from the SoLE.

**Prior Council/Committee Direction:**

A SoLE was originally declared on March 16<sup>th</sup>, 2020, at 09:35.

The SoLE was renewed multiple times between March 16<sup>th</sup> and April 20<sup>th</sup>.

On April 20<sup>th</sup>, a new SoLE was declared at 17:00 and remains in effect until April 27<sup>th</sup>, at which point it will need to be renewed.

**Legislative Context:**

The legislative direction related to SoLEs from the provincial *Emergency Management Act*.

## Operational Impacts

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**Legal & Regulatory Compliance:**

Legal Services was consulted on this matter and provided the following opinion:

- A SoLE remain in effect for The City of Red Deer to allow the EOC and the Director of Emergency Management (DEM) to continue to efficiently and effectively meet the evolving needs of the community during this extended pandemic situation.

**Risks:**

There are risks associated with removing the SoLE (either by cancelling it or allowing it to lapse after seven days). These risks include:

- Decreased responsiveness to community needs;
- Restriction of the ability for the EOC to operate effectively moving through continued response, into longer-term recovery;
- Decreased public confidence in The City’s COVID-19 response, prematurely signaling an “all-clear” message prior to any provincial direction to change or adjust course.



- Increased risk to the public from COVID-19 if we are unable to maintain measures that were implemented, or that may still need to be implemented, in the name of community health, safety, and wellness.

## Analysis

Under a SoLE, roles and responsibilities for City Council, the Emergency Advisory Committee (EAC), the Director of Emergency Management (DEM), and the Emergency Operations Centre (EOC) are different, in some ways, than during regular operations (non-emergency).

	Council	EAC	DEM	EOC
Declaring SoLE		X		
Liaising With the Public – Political Lens	X			
Liaising With the Public – Administrative Lens			X	X
Continued City Governance – Not Emergency Related	X			
Ensuring Emergency Operations Occur in Accordance with MEMP			X	
Undertaking Objectives Related to the Emergency				X
Approval of Emergency Spending		X		
Approving Emergency-Related Deviations from/Changes to Policy/Procedure or Service Level			X	
Ongoing Evaluation of the SoLE, Making Recommendations to EAC on Renewal/Cancelation			X	
Renewing/Canceling the SoLE		X		
Pass bylaws (if needed) authorizing additional borrowings/levies/appropriations/expenses needed for emergency operations.	X			
Liaise with other orders of government on advocacy matters.	X (Political)		X (Administrative)	

While the case numbers in this community remain low and appear to be stabilizing, requirements from the province related to social distancing and restrictions on gatherings and the operation of businesses and services remain in place. This is having a drastic impact on the way this community looks, feels, and operates. The City is currently serving as a voice to and for our residents as we collectively navigate this extended emergency situation.



The efforts made by The City of Red Deer to date have, without question, had a tangible, life-saving impact. Without aggressive social distancing measures, it is probable that many more people would have fallen ill and even perished from this hazard. As viruses have a multiplying effect in communities, when left unmitigated, the impact could have been exponentially worse if not for the measures implemented early on. Based on the information we have from the CMOH at this time, it is reasonable to believe that removing any of the current restrictions implemented locally would likely result in a spike in cases in our area, straining municipal and provincial services, especially health care.

The decision to renew the SoLE over an extended period allows this community to continue to ensure the ongoing well-being of people in Red Deer and across the region. This is a commonly held belief among municipal colleagues, with 68 other local authorities and First Nations currently under SoLEs. The Cities of Calgary, Edmonton, Lethbridge, Grande Prairie, Airdrie, and Leduc, as well as Strathcona County and the Regional Municipality of Wood Buffalo all have current SoLEs in place, as examples.

The City of Red Deer will only exercise powers under the SoLE when required. So far, in responding to COVID-19, extraordinary powers have been used to remove barriers for procurement in terms of both Personal Protective Equipment (PPE) as well as space for the expanded shelter at Cannery Row. In cases where local companies were attempting to inflate pricing on response-related items, including, PPE, The City was able to use powers related to price fixing to encourage fairness. By implementing the Municipal Emergency Management Plan (MEMP), The City was able to make efficient decisions related to the closure of facilities and amenities.

In meetings with regional elected officials and leaders, The City of Red Deer encouraged other communities and counties to declare SoLEs to strengthen the regional response and ensure adherence with provincial direction related to COVID-19. To move away from this direction has the potential to negatively impact our relationships with our regional partners.

The emergency has not ended. Life has not returned to “normal” and community recovery has, for the most part, yet to begin. To remove a SoLE at this time would strongly signal to our community that things have changed and that they are safe to return to their “pre-pandemic” way of life, pressuring businesses and The City to relax restrictions implemented for their safety BEFORE the province has changed their direction. This has the potential to create widespread confusion and increase the risk in this community, and across the region, posed by COVID-19. The time to relax our response is not now. We need to stay the course.



**Next Steps:**

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The preceding outlines why the Emergency Management Director continues to recommend that the Emergency Advisory Committee (EAC) keep the SoLE in place for the duration of this prolonged event.

**DATE:** April 29, 2020  
**TO:** Allan Seabrooke, City Manager  
**FROM:** Frieda McDougall, Legislative Services Manager  
**SUBJECT:** State of Local Emergency (SoLE) for COVID-19 Pandemic

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**Reference Report:**

City Manager, dated April 27, 2020.

**Resolution:**

At the Monday, April 27, 2020 Regular Council Meeting, Council accepted this report as information:

**Report back to Council:**

No.

**Comments/Further Action:**

None.

“Frieda McDougall”

Frieda McDougall  
Manager

c. Director of Emergency Operations



April 27, 2020

## The Business Improvement Area Business Tax Bylaw

### 3196/A-2020

Department: Revenue and Assessment Services

Prepared by: Roxane Preedin, Controller – Property Taxation

#### **Report Summary & Recommendation:**

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The Business Improvement Area (BIA) Business Tax Bylaw sets the BIA tax rates required to fund the 2020 Downtown Business Association (DBA) Council approved budget. Legislatively, BIA tax rates must be set by Council no later than May 1<sup>st</sup>. Administration will then prepare and send the BIA tax notices and collect the approved funding.

#### **Recommendation:**

It is recommended that Council approve the 2020 bylaw amendment representative of Council's approval of the 2020 Downtown Business Association budget on December 9, 2019 and Tax Relief and Deferral Measures approved in principle on April 14, 2020.

#### **Proposed Resolution:**

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That Bylaw 3196/A-2020 be read a first time.

That Bylaw 3196/A-2020 be read a second time.

Resolved that with the unanimous consent of Council members present, Bylaw 3196/A-2020 be read a third time.

That Bylaw 3196/A-2020 be read a third time.

#### **Background:**

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##### **Principles of Taxation:**

- Fairness and equity
- Predictability and stability
- Competitiveness
- Sustainability of revenues raised and
- Simplicity, transparency and efficiency of the tax system



Section 11 requires the Downtown Business Association (DBA) board to submit a budget for each calendar year to Council for approval.

Section 14 requires the municipality to transfer to the board the amount identified in the Council approved budget as revenue to be received from the municipality.

Section 20 Council must pass a Business Improvement Area (BIA) tax bylaw if there is BIA within the municipality authorizing the imposition of a tax on all taxable businesses operating within the BIA.

Section 21 Council must pass a BIA tax rate bylaw. The BIA tax rate must be sufficient to raise the amount that the board is to receive from the municipality in respect of the BIA tax as set out in the board's approved budget.

### **Council Direction**

In 1983 Council adopted Bylaw 2827/83 establishing Red Deer Downtown Business Association (DBA) Zone.

January 9, 2017 Council resolved to calculate and collect from the BIA an over or under collection of BIA taxes for 2018 and beyond.

December 9, 2019 Council approved the 2020 DBA budget tax levy and transfer of funds to the DBA board in the amount of \$419,900.

April 14, 2020 Council approved COVID Tax Relief Measure of not doing supplemental assessments or taxation for 2020.

April 14, 2020 Council approved COVID Tax Relief Measure to defer collection of BIA taxes and adjust 2020 payment deadline to September 30, 2020, moving July 1 penalty on current and arrears to October 1, and removing the September 1 penalty on current balances.

### **Downtown Business Association (DBA) Direction**

October 3, 2019 DBA Board advised the City of the board's approval to increase the 2020 minimum tax levy by \$5 from \$187.25 to \$192.25. The minimum tax has not been increased since 2018.

### **Discussion & Analysis:**

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Council must approve a tax and tax rate bylaw annually by May 1 for any BIA's approved within the municipality. The bylaw sets out the conditions of how the BIA is assessed and taxed and sets the annual tax rate sufficient to raise the amount the Board is to receive as approved by Council. For 2020, the approved DBA 2020 tax revenue budget is \$419,900. In accordance with legislation, the municipality is required to transfer the approved tax revenue to the DBA Board. The City has a standing agreement



with the DBA Board to distribute the funds on a quarterly basis. For 2020 two quarterly transfers have already been received by the DBA with a third installment scheduled for July 1, 2020.

There are four drivers that can impact the BIA Tax Rate:

<b>Drivers</b>	<b>2020</b>
1) Council approved DBA Budgeted Revenue from Tax	\$419,900.00
2) Over/Under Collection of BIA Tax	\$7,086.33
3) Taxable Assessed Value	\$23,604,700.00
4) Minimum BIA Tax Levy set by the DBA Board	\$192.25

The total taxation revenue to be generated for the DBA from the taxation of business operating with the BIA for 2020 is \$426,986.33.

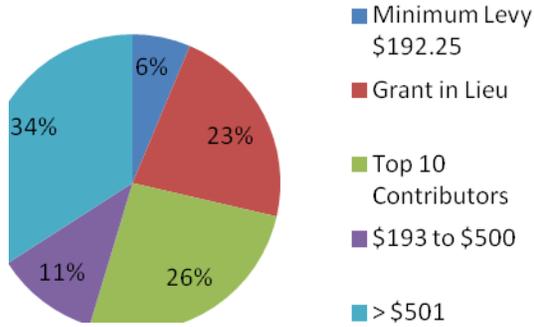
The calculation of the business improvement area tax is relatively straight forward in comparison to property tax rates. There is only one tax rate and one assessment class to distribute the taxes. The minimum tax of \$192.25 was recommended to Council by the DBA Board and the minimum tax will apply to 140 businesses in the amount of \$26,915. The net remaining tax revenue will imposed by calculating the tax rate.

	<b>Tax Levy</b>	<b>Taxable Assessed Value</b>	<b>Tax Rate</b>
BIA Tax Minimum Levy	\$ 26,915	\$ 800,900	
BIA Tax	\$ 400,071	\$ 22,803,800	0.0175440
<b>TOTAL TAX LEVY</b>	<b>\$ 426,986</b>	<b>\$ 23,604,700</b>	

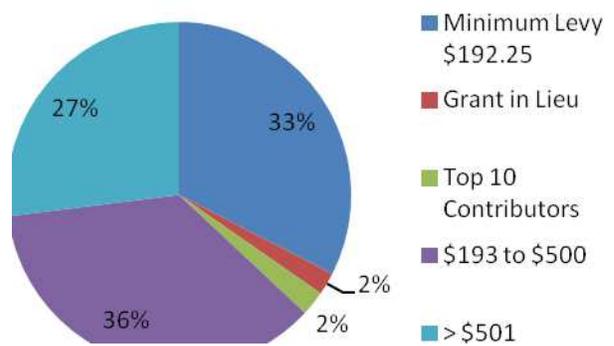
<b>Impact to the Average Tax Payer</b>	<b>2019</b>	<b>2020</b>	<b>BIA Tax Increase</b>
BIA Tax Minimum Levy	\$ 187.25	\$ 192.25	3%
BIA Tax (Based on the median assessed value of 16,950)*	\$ 290.44	\$ 297.37	2%



**BIA Tax Distribution \$**



**BIA Tax Distribution # of Rolls**



**Tax Deferral and Relief Measures:**

For 2020 the bylaw has been amended to incorporate Council’s direction on April 14, 2020 to provide deferral and relief measures:

1. Supplementary assessment and taxation will not be done for 2020. These elements have been removed from the bylaw.
2. Penalties will not be charged until October 1 to extend the date of payment without penalty until September 30. Penalties have been amended to defer the July 1<sup>st</sup> penalty to October 1<sup>st</sup> and cancel the September 1<sup>st</sup> penalty on current year taxes for the 2020 taxation year to enable the extension of the payment deadline to September 30, 2020.

**BYLAW NO. 3196/A-2020**

Being a Bylaw to amend Bylaw 3196/1998 for the purpose of providing a business assessment for properties within the City of Red Deer’s Business Improvement Area.

Bylaw 3196/1998 is amended as follows:

1. Section 5 is deleted and replaced with the following:
  5. For the purpose of meeting the 2020 annual approved expenditures of the Downtown Business Improvement Area (Bylaw 2827/83):
    - a) A business improvement area tax rate of 0.0175440 is hereby imposed on all business tax assessments for the year 2020; and
    - b) A minimum tax levy on any business tax assessment for the year 2020 shall be \$192.25 whichever is the greater sum.

2. Section 10 is deleted in its entirety.
3. Section 11 is deleted in its entirety.
4. Section 15 is deleted and replaced with the following:

A penalty shall be levied on the amount of any current year business taxes which remain outstanding on the following dates:

<i>Tax</i>	<i>October 1</i>	<i>7%</i>
	<b><u>Total</u></b>	<b><u>7%</u></b>

Penalties imposed on the current calendar year will not be compounded during that year.

5. Section 16 is deleted and replaced with the following:

A penalty shall be levied on the amount of any business taxes and accumulated penalties that remain unpaid after December 31<sup>st</sup> of the year in which they were imposed on the following dates:

<i>Tax Arrears</i>	<i>January 1</i>	<i>7%</i>
	<i>October 1</i>	<i>7%</i>
	<b><u>Total</u></b>	<b><u>14%</u></b>

6. This bylaw shall come into force on the date it is passed and upon being signed.

READ A FIRST TIME IN OPEN COUNCIL this                      day of                      2020

READ A SECOND TIME IN OPEN COUNCIL this                      day of                      2020

READ A THIRD TIME IN OPEN COUNCIL this                      day of                      2020

AND SIGNED BY THE MAYOR AND CITY CLERK this                      day of                      2020

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
CITY CLERK

**BYLAW NO. 3196/1998**

Being a bylaw to provide for a business assessment for properties within the City of Red Deer's Business Improvement Area;

NOW THEREFORE THE MUNICIPAL COUNCIL OF THE CITY OF RED DEER, IN THE PROVINCE OF ALBERTA, DULY ASSEMBLED, ENACTS AS FOLLOWS:

**Short Title**

- 1 This bylaw may be cited as "The Business Improvement Area Business Tax Bylaw".

**Definitions**

- 2 In this bylaw, unless the context otherwise requires:
  - (a) "Assessor" means the Assessor of The City of Red Deer.
  - (b) "Business" means
    - (i) a commercial, merchandising or industrial activity or undertaking,
    - (ii) profession, trade, occupation, calling or employment, or
    - (iii) an activity providing goods or services, however organized or formed, including a co-operative or association of persons.

- (c) "Business Assessment" means the assessment of a business located within the Business Improvement Area, for business tax purposes.
- (d) "Business Day" means a day on which The City of Red Deer is open for business.
- (e) "Business Tax" means the tax levied pursuant to this bylaw on any person carrying on a business within the City of Red Deer's Business Improvement Area, including Supplementary Business Tax and penalties.
- (f) "City" means The City of Red Deer.
- (g) "Floor Space" means the superficial area of every floor in the premises in which business is carried on and includes the superficial area of any land not forming the site of a building but occupied or used for the purpose of or incidental to the exercise or carrying on of a business.
- (h) "Person" includes a corporation or partnership.
- (i) "Premises" means the store, office warehouse, factory, building, enclosure, yard or any space occupied or used by a person for the purpose of a business.

**Assessment Roll**

- 3 The Assessor shall prepare a business tax assessment roll showing the business tax assessment for each business operating within the Business Improvement Area.

**Calculation of Business Assessment**

- 4 The business assessment shall be a sum equal to 100% of the net annual rental value of the premises occupied by the business.

**Business Improvement Area Tax**

- 5 ~~For the purpose of meeting the 2019 annual approved expenditures of the Downtown Business Improvement Area (Bylaw 2827/83):~~
- ~~a) A business improvement area tax rate of 0.0192345 is hereby imposed on all business tax assessments for the year 2019; and~~
  - ~~b) A minimum tax levy on any business tax assessment for the year 2019 shall be \$187.25 whichever is the greater sum.~~
- 5 For the purpose of meeting the 2020 annual approved expenditures of the Downtown Business Improvement Area (Bylaw 2827/83):
- a) A business improvement area tax rate of 0.0175440 is hereby imposed on all business tax assessments for the year 2020; and
  - b) A minimum tax levy on any business tax assessment for the year 2020 shall be \$192.25 whichever is the greater sum.

**Obligation to Pay Business Tax**

- 6 Every Person operating a Business within the boundaries of the Business Improvement Area shall pay the full amount of the Business Tax to the City on or before the due date stated on the Business Improvement Area Tax notice.
- 7 A person who takes over the operation of a business shall be liable to pay the business tax imposed in respect of that business from the date the person took over operation of the business and for the remainder of the year.
- 8 Where, in the opinion of the Assessor, it is not practical to levy a Business Tax or Supplementary Business Tax on individual tenants or sub-tenants as a result of the short term of their tenancies, then the Business Tax or Supplementary Business Tax shall be levied on the owner or tenant or sub-tenant, as the Assessor deems appropriate.
- 9 A person who ceases to carry on business shall notify the City in writing within 90 days to be eligible for proration of tax.

**~~Supplementary Business Tax~~**

- ~~10 The Assessor may prepare a Supplementary Business Tax Assessment Roll at any time or times during the year, for the purpose of assessing businesses.~~
- ~~11 A Supplementary Business Tax shall be levied at the same rate as the Business Tax rate for that year:~~
- ~~(a) on each person who operates a business for a temporary period and whose~~

~~name is not entered on the business tax roll;~~

~~(b) on each person who moves into new premises or opens new premises or branches of an existing business, although the person's name is entered on the business tax roll;~~

~~(c) on each person who begins operating a business and whose name is not entered on the business tax roll;~~

~~(d) on each person who increases the storage capacity or floor space of the premises occupied for the purposes of a business after the business tax roll has been prepared.~~

### **Proration of Taxes**

10 Notwithstanding anything contained herein, a person who is liable to pay Business Tax or Supplementary Business Tax shall be liable to pay the greater of the minimum tax or the prorated amount of tax based on the number days in the year in which the person operated the business.

11 Notwithstanding anything contained herein, a person who operates a business for a period of time not exceeding 30 days in total during the course of a year shall not be liable to pay either Business Tax or Supplementary Business Tax.

### **Penalties for Late Payment of Taxes**

14 For the purpose of this bylaw, any payment of business tax forwarded by mail shall be deemed to be paid on the same date as the postmark on the envelope in which the said payment is mailed.

15

~~A penalty shall be levied on the amount of any current year business taxes which remain outstanding on the following dates:~~

<del><i>Tax</i></del>	<del><i>July 1</i> _____ <i>7%</i></del>
	<del><u><i>September 1</i> _____ <i>7%</i></u></del>
	<del><u><b><i>Total</i></b> _____ <b><i>14%</i></b></u></del>

~~Penalties imposed in the current calendar year will not be compounded during that year.~~

~~A penalty shall be levied on the amount of any current year business taxes which remain outstanding on the following dates:~~

<del><i>Tax</i></del>	<del><i>October 1</i> _____ <i>7%</i></del>
	<del><u><b><i>Total</i></b> _____ <b><i>7%</i></b></u></del>

~~Penalties imposed in the current calendar year will not be compounded during that year.~~

16

~~A penalty shall be levied on the amount of any business taxes and accumulated penalties that remain unpaid after December 31<sup>st</sup> of the year in which they were imposed on the following dates:~~

<i>Tax Arrears</i>	<i>January 1</i> _____ <i>7%</i>
	<i>July 1</i> _____ <i>7%</i>
	<b><i>Total</i></b> _____ <b><i>14%</i></b>

A penalty shall be levied on the amount of any business taxes and accumulated penalties that remain unpaid after December 31<sup>st</sup> of the year in which they were imposed on the following dates:

<i>Tax Arrears</i>	<i>January 1</i> _____ <i>7%</i>
	<i>October 1</i> _____ <i>7%</i>
	<b><i>Total</i></b> _____ <b><i>14%</i></b>

- 17            A refund of overpayment or a rebate of business tax shall be made only on written application from the taxable business to the City. No refund of overpayment or rebate of business tax shall be made without verification of the business moving out of the Business Improvement Area or after January 31 of the year following the year the tax is levied.

**Consequential Provisions**

- 18            Bylaw No. 3128/95 and all amendments thereto are hereby repealed.
- 19            The provisions of the General Penalty Bylaw shall not apply to Business Tax, Supplementary Business Tax and penalties.

8

Bylaw No. 3196/98

READ A FIRST TIME IN OPEN COUNCIL this            day of

READ A SECOND TIME IN OPEN COUNCIL this        day of

READ A THIRD TIME IN OPEN COUNCIL this        day of

AND SIGNED BY THE MAYOR AND CITY CLERK this    day of

\_\_\_\_\_  
DEPUTY MAYOR

\_\_\_\_\_  
CITY CLERK

**DATE:** April 29, 2020  
**TO:** Roxane Preedin, Controller – Property Taxation  
**FROM:** Frieda McDougall, Legislative Services Manager  
**SUBJECT:** 2020 Business Improvement Area Business Tax and Tax Rate Bylaw  
3650/2020

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**Reference Report:**

Revenue & Assessment Services, dated April 27, 2020.

**Resolution:**

At the Monday, April 27, 2020 Regular Council Meeting, Council passed the following Resolution:

Resolved that Council of The City of Red Deer hereby agrees to table Bylaw 3650/2020, the 2020 Business Improvement Area Tax and Tax Rate Bylaw for up to two weeks to allow the Downtown Business Association (DBA) to convene to review their budget for reductions and for administration to bring back a subsequent report in this regard.

**Report back to Council:**

Yes.

**Comments/Further Action:**

Administration will bring back a subsequent report in two weeks.

“Frieda McDougall”

Frieda McDougall  
Manager

- c. Director of Corporate Services  
Chief Financial Officer  
Revenue & Assessment Manager  
Corporate Meeting Administrator