

Calgary Police Service
Financial Statements
December 31, 2020

MANAGEMENT'S REPORT

May 25, 2021

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management, in accordance with Canadian public-sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

The Calgary Police Commission fulfills its responsibility for financial reporting through its Finance and Audit Committee. The Committee consists of Commission members who meet regularly to deal with financial and budget-related issues and to review financial control and reporting matters.

Deloitte LLP, Chartered Professional Accountants, have been appointed by the Calgary Police Commission to express an opinion on the Service's financial statements. Their report follows.

Mark Neufeld
Chief of Police

Blaine Hutchins
Executive Director

May 25, 2021
Calgary, Canada

INDEPENDENT AUDITOR'S REPORT

To the Members of the Calgary Police Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Calgary Police Service (the "Service"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Service 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.

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 PSAS, 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 Service'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 Service or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Service'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 Service's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Service to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

(To be signed Deloitte LLP)

Chartered Professional Accountants
May 25, 2021

Statement of Financial Position

As at December 31 (in thousands of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 43	\$ 13
Investments (Note 2)	1,047	992
Receivables		
Federal and Provincial governments	5,757	7,100
General	1,311	1,438
Due from The City of Calgary (Note 9 (a))	244,589	214,778
	<u>252,747</u>	<u>224,321</u>
FINANCIAL LIABILITIES		
Accounts payable	32,223	25,301
Deferred revenue (Note 4)	9,179	8,686
Capital deposits (Note 5)	39,187	29,993
Employee benefit obligations (Note 6)	127,083	121,339
	<u>207,672</u>	<u>185,319</u>
NET FINANCIAL ASSETS	<u>45,075</u>	<u>39,002</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	243,447	248,807
Inventories of materials and supplies	3,496	2,376
Prepaid assets	3,269	3,195
	<u>250,212</u>	<u>254,378</u>
ACCUMULATED SURPLUS (Note 7)	<u>295,287</u>	<u>293,380</u>

Commitments and Contingencies (Note 10)
See accompanying notes to the financial statements

Approved on behalf of the Calgary Police Commission

Chair

Vice-Chair

Statement of Operations and Accumulated Surplus

For the year ended December 31 (in thousands of dollars)

	Budget 2020 (Note 1I)	2020	2019
REVENUES			
Government grants	\$ 33,771	\$ 34,036	\$ 33,956
Sale of goods and services	19,601	15,839	18,273
Fines and penalties	45,736	44,587	57,204
Miscellaneous revenue	1,510	298	879
	<u>100,618</u>	<u>94,760</u>	<u>110,312</u>
EXPENSES			
Salary, wages and benefits	442,268	431,790	429,372
Contracted and general services	31,644	30,799	32,979
Materials, equipment and supplies	32,729	35,900	38,932
Utilities	4,975	4,026	4,629
Internal recoveries (Note 9(a))	(2,600)	(6,077)	(7,816)
Amortization	-	19,400	18,905
Interest charges	50	61	57
	<u>509,066</u>	<u>515,899</u>	<u>517,058</u>
DEFICIENCY OF EXPENSES OVER REVENUES BEFORE OTHER	<u>(408,448)</u>	<u>(421,139)</u>	<u>(406,746)</u>
OTHER			
Reserve contributions	(5,905)	-	-
Mill Rate support (Note 11)	414,353	414,353	394,253
Capital transfers	-	8,693	26,374
	<u>408,448</u>	<u>423,046</u>	<u>420,627</u>
EXCESS OF REVENUES OVER EXPENSES	<u>-</u>	<u>1,907</u>	<u>13,881</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>293,380</u>	<u>279,499</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>-</u>	<u>295,287</u>	<u>293,380</u>

See accompanying notes to the financial statements

Statement of Cash Flows

For the year ended December 31 (in thousands of dollars)

	2020	2019
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 1,907	\$ 13,881
Items not affecting cash		
Amortization	19,400	18,905
Loss on disposal of tangible capital assets	658	288
Change in non-cash items		
Receivables	1,470	319
Prepaid assets	(74)	37
Due from The City of Calgary	(29,811)	4,393
Accounts payable	6,922	(911)
Deferred revenue	493	384
Capital deposits	9,194	(2,497)
Employee benefit obligation	5,744	1,219
Inventories of materials and supplies	(1,120)	326
	<u>14,783</u>	<u>36,344</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(14,878)	(36,668)
Proceeds on disposal of tangible capital assets	180	341
	<u>(14,698)</u>	<u>(36,327)</u>
INVESTING ACTIVITIES		
Purchase of investments	<u>(55)</u>	<u>(53)</u>
INCREASE (DECREASE) IN CASH FOR THE YEAR	30	(36)
Cash, beginning of year	<u>13</u>	<u>49</u>
CASH, END OF YEAR	<u>43</u>	<u>13</u>

See accompanying notes to the financial statements

Statement of Changes in Net Financial Assets

For the year ended December 31 (in thousands of dollars)

	Budget 2020 (Note 1)	2020	2019
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ 1,907	\$ 13,881
Amortization of tangible capital assets	-	19,400	18,905
Proceeds on disposal of tangible capital assets	-	180	341
Acquisition of supplies inventories	-	(251)	522
Use of supplies inventories	-	(869)	(196)
Prepaid assets	-	(74)	37
Loss on sale of tangible capital assets	-	658	288
Acquisition of tangible capital assets	(35,726)	(14,878)	(36,668)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(35,726)	6,073	(2,890)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	39,002	41,892
NET FINANCIAL ASSETS, END OF YEAR	-	45,075	39,002

See accompanying notes to the financial statements

Notes to Financial Statements

The Calgary Police Service (“CPS”), which operates under the provisions of the Police Act of the Province of Alberta, is a business unit of The City of Calgary (“The City”) and is not a separate legal entity. The Police Act provides for public accountability of the CPS through the Calgary Police Commission. The Calgary Police Commission reports directly to Calgary City Council for budget matters relating to the CPS. CPS expenditures are primarily funded by mill rate support from The City. The City retains legal ownership and title to all land and property used by the CPS. The City also provides various corporate and administrative services, including the recognition and funding of liabilities relating to environmental and legal matters relating to the CPS, as discussed in Notes 9 and 10.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CPS are prepared by management in accordance with Canadian public-sector accounting standards (“PSAS”).

a) Basis of Presentation

The financial statements of the CPS include and reflect all of the assets, liabilities, revenue and expenses except as indicated below and in Note 10, notwithstanding that The City retains legal title to all land and property of the CPS. Corporate and administrative services, including the recognition and funding of liabilities relating to environmental and legal matters, provided by The City at no cost, have not been fair valued and recorded in these financial statements, as discussed in Notes 9 and 10. These financial statements do not reflect all tangible capital assets owned by The City and used by the CPS.

b) Basis of Accounting

- i) Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized in the period the goods and services are acquired and a liability is incurred, or transfers are due.
- ii) Government transfers and grants are recognized in the financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

c) Investments

Investments are managed for the CPS by The City, consistent with other City of Calgary business units.

Included in investments are temporary investments in money market instruments and portfolio investments such as fixed income bonds. Investments are recorded at the lower of original cost net of amortized discounts and premiums and market value on a portfolio basis.

d) Deferred Revenue

Deferred revenue represents amounts received from third parties for a specified operating purpose. These amounts are recognized as revenue in the period when the related expenditures are incurred.

e) Capital Deposits

Capital deposits represent amounts received from third parties for specified capital projects. Deposits must be expended on projects for which they are designated and are recognized as revenue in the capital fund as expenditures are made.

f) Inventories of Materials and Supplies

Inventories are valued at the lower of cost, calculated on a weighted average basis, and replacement cost.

g) Employee Benefit Obligations

Pension Benefits

- i) Contributions to multi-employer plans are expensed when the contributions are due.
- ii) The cost of City-sponsored, registered defined benefit pension plans, non-registered defined benefit pension plans, and post-employment benefits are recognized when earned by the members. These costs are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected salary and benefit escalation, retirement ages of employees and plan investment performance. Plan obligations are discounted using The City's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future.
- iii) CPS records the actuarially determined excess of the accrued benefit obligation over the market value of the plan assets for The City sponsored, registered defined benefit pension plans. For jointly sponsored plans, CPS records its proportionate share of that excess. For non-registered, defined benefit plans and other retirement benefit obligations, CPS records the estimated proportionate share of the actuarially determined accrued benefit obligation only. The City holds assets within its cash and investments to address these obligations. No obligations are recorded for multi-employer defined benefit pension plans administered by external parties as CPS' share of those obligations is not readily determinable.
- iv) Adjustments arising from experience gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees. Adjustments arising from prior service costs related to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs.

Post-Employment Benefits

- i) In addition to pension benefits, the CPS has various post-employment benefits and termination benefits obligations earned by employees and expected to be provided to them when they are no longer providing active service.
- ii) The City has recorded its total estimated obligations with respect to its post-employment benefits and termination benefits, a portion of which was recorded as an obligation to be funded from future years' revenues, as indicated in Note 6. Amounts attributable to the CPS have been recorded similarly.

Obligations to be funded in future years

The City has recorded its total estimated employee benefit obligations, a portion of which is recorded as an obligation to be funded from future years' revenues, as indicated in Note 6. Future obligations will be addressed through a portion of the CPS budget.

Employee benefit obligations include liabilities for pensions, other retirement benefits, vacation and overtime.

- i) For the defined benefit multi-employer plans, The City's contributions are expensed when they are due and payable. Thus, no obligations are recorded as the actuary for these plans does not attribute portions of the obligation to individual employers.
- ii) For City-sponsored registered defined-benefit pension plans, non-registered defined-benefit pension plans, other retirement benefits, vacation and overtime the costs are recognized when earned by plan members.

h) Non-Financial Assets

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

i) Accumulated Surplus

Accumulated surplus represents the CPS' net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that CPS has net resources (financial and physical) that can be used to provide future services. An accumulated deficit would mean that liabilities are greater than assets.

j) Tangible Capital Assets

Tangible capital assets, including assets held under capital leases, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Interest charges are not capitalized.

Work in progress represents assets which are not available for use and therefore are not subject to amortization.

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

	YEARS
Buildings	10 - 75
Vehicles	2 - 15
Land improvements	5 - 40
Machinery and equipment	
Computer equipment	3 - 5
Boats	3 - 25
Furniture & equipment	5 - 25

k) Equity in Non-Financial Assets

Equity in non-financial assets represents the investment in non-financial assets, excluding prepaid assets, after deducting the portion of these assets that have been financed by long-term debt.

l) Budget Figures

The City of Calgary Council approved 2020 operating and capital budgets are reflected on the Statement of Operations and Accumulated Surplus and on the Statement of Changes in Net Financial Assets. The budgets established for the capital fund are on a project-oriented basis, the costs of which may be incurred over one or more years and therefore may not be comparable with the current year's actual amounts.

m) Financial Instruments, Related Risks and Fair Values

CPS' financial instruments consist of cash, investments, receivables, due from The City and accounts payable. The carrying value of these financial instruments approximates their fair value due to their short period to maturity, except with respect to investments, as indicated in Note 2.

Credit Risk

CPS' credit risk is attributable to its receivables and due from The City and is considered low as these balances are due from the Federal and Provincial governments and The City.

Liquidity Risk

Liquidity risk is the risk that CPS will be unable to meet its contractual cash outflow obligations as they come due. CPS mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining availability of cash through cash on hand to meet its liquidity requirements.

The City and the CPS are exposed to the risk that arises from fluctuations in interest rates and exchange rates and the degree of volatility of these rates.

The City utilizes derivative financial instruments in order to reduce the impact of fluctuating interest rates on its short-term investments and fluctuating foreign currency exchange rates on anticipated future expenditures in foreign currencies. The City's policy is not to utilize derivative financial instruments for trading or speculative purposes. The City does not hold any derivatives related to CPS investments.

n) Environmental Provisions

The City has a formal environmental assessment and reclamation program in place to ensure it complies with environmental legislation. The City, on behalf of the CPS, provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured.

o) Use of Estimates

The preparation of financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Where estimation uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accounts receivable collections, accrued liabilities, contingencies and employee benefit obligations are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

There are various uncertainties that have arisen from the COVID-19 pandemic. While CPS continues to monitor the impact of the pandemic on operations, including impact on its employees, customers, vendors and community, it is difficult to accurately predict the impact the pandemic will have on future results of its operations and financial position, as this is outside the control of CPS. The scope, duration, and magnitude of the direct and indirect effects of COVID-19 continue to evolve and in ways that are difficult or impossible to anticipate. This may cause uncertainties to accounting estimates. Due to these uncertainties, accounting estimates may change, as CPS' assessment of the impacts of the COVID-19 pandemic continues to evolve.

p) Write-downs

When conditions indicate that a tangible capital asset no longer contributes to a government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset will be reduced to reflect the decline in the asset's value. The write-downs of tangible capital assets would be accounted for as expenses on the Statement of Operations and Accumulated Surplus.

q) Inter-entity Transactions

Inter-entity Transactions ("PS 3420") specifically addresses the reporting of transactions between entities controlled by the government's reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition. CPS does not recognize those transactions related to unallocated costs in the financial statements. Refer to Note 9 c) for further discussion of inter-entity transactions.

r) Restructuring Transactions

Restructuring Transactions ("PS 3430") establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. There were no transactions impacting the financial statements.

s) Future Accounting Standards

Standard effective for year ends beginning on or after April 1, 2022:

i) Asset Retirement Obligations

Asset Retirement Obligations ("PS 3280") provides guidance relating to obligations to retire tangible capital assets of a public-sector entity that are predictable and unavoidable.

Standard effective for year ends beginning on or after April 1, 2023:

ii) Revenue

Revenue ("PS 3400") provides guidance relating to the recognition of revenue that distinguishes between revenue arising from transactions that include performance obligations and from transactions that do not have performance obligations.

The Service is currently assessing the impact of future accounting standards on the financial statements.

2. INVESTMENTS

All the investments managed by The City, on behalf of the CPS, are held in fixed income securities. The total investments holdings have a value of \$1,047 (2019 - \$992) and a market value of \$1,084 (2019 - \$1,026).

The average yield on the cost of these investments during the year was 3.583% (2019 – 3.487%) per annum.

3. TANGIBLE CAPITAL ASSETS

2020

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	Net book value
Land	\$ 52,710	5	-	52,715	-	52,715
Land Improvements	6,655	-	-	6,655	3,551	3,104
Buildings	182,914	36,917	(11,197)	208,634	69,329	139,305
Machinery and equipment	70,404	30,792	(21,205)	79,991	56,989	23,002
Vehicles	42,434	4,354	(3,236)	43,552	23,182	20,370
	<u>355,117</u>	<u>72,068</u>	<u>(35,638)</u>	<u>391,547</u>	<u>153,051</u>	<u>238,496</u>
Work in Progress	33,501	2,578	(31,128)	4,951	-	4,951
Tangible Capital Assets	<u>\$ 388,618</u>	<u>74,646</u>	<u>(66,766)</u>	<u>396,498</u>	<u>153,051</u>	<u>243,447</u>

2019

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	Net book value
Land	\$ 52,710	-	-	52,710	-	52,710
Land Improvements	6,655	-	-	6,655	3,165	3,490
Buildings	171,717	11,197	-	182,914	61,956	120,958
Machinery and equipment	71,400	3,321	(4,317)	70,404	53,189	17,215
Vehicles	39,234	5,345	(2,145)	42,434	21,501	20,933
	<u>341,716</u>	<u>19,863</u>	<u>(6,462)</u>	<u>355,117</u>	<u>139,811</u>	<u>215,306</u>
Work in Progress	16,688	24,432	(7,619)	33,501	-	33,501
Tangible Capital Assets	<u>\$ 358,404</u>	<u>44,295</u>	<u>(14,081)</u>	<u>388,618</u>	<u>139,811</u>	<u>248,807</u>

4. DEFERRED REVENUE

	2020	2019
Balance, beginning of year	\$ 8,686	\$ 8,302
Addition to deferred revenues	33,731	17,822
Revenue recognized	(33,238)	(17,438)
Balance, end of year	<u>\$ 9,179</u>	<u>\$ 8,686</u>

Deferred revenue is comprised of the following:

	2020	2019
Government transfers	\$ 8,701	\$ 8,351
Private contributions	446	278
Advanced Sales of Goods & Services	32	57
	<u>\$ 9,179</u>	<u>\$ 8,686</u>

5. CAPITAL DEPOSITS

Capital deposits represent funds received for the Municipal Sustainability Initiative (“MSI”) and for amounts received under the New Community Assessment program at The City. Deposits must be expended on projects for which they may be designated and are recognized as revenue when expenditures are made.

	2020	2019
Balance, beginning of year	\$ 29,993	\$ 32,490
Deposit - New Community Assessment	9,738	959
Deposit - MSI Provincial Grant	-	12,206
Withdrawal - New Community Assessment	(544)	(3,456)
Withdrawal - MSI Provincial Grant	-	(12,206)
Balance, end of year	<u>\$ 39,187</u>	<u>\$ 29,993</u>

6. EMPLOYEE BENEFIT OBLIGATIONS

CPS employees and elected officials qualify to belong to one or more multi-employer pension plans, defined-benefit pension plans, and other retirement benefit plans provided by The City. Employee benefit obligations are liabilities of the CPS, as part of The City, to its employees and retirees for benefits earned but not taken as of December 31.

The City has fully met its current year cash contribution obligations for employee benefit obligations at December 31, 2020. The City and its employees have an obligation to fund the unamortized net actuarial losses for its post-retirement benefits, registered and non-registered defined-benefit pension plans and for its share of the multi-employer plans. The losses are expected to be funded through future increases in contributions and future changes in actuarial assumptions. The concept of funding refers to amounts recorded in the CPS financial statements as described below:

	2020 Funded	2019 Funded
a) The Calgary Police Supplementary Pension Plan (“PSPP”) – Registered Defined Benefit Pension Plans	\$ 1,562	\$ 1,553
b) City of Calgary Overcap Pension Plan (“OCPP”) for the Police Chief and Deputies – Non-registered Defined Benefit Pension Plans	715	2,435
c) Other retirement benefits	60,531	58,319
d) Vacation and overtime (undiscounted)	64,275	59,032
Total	\$ 127,083	\$ 121,339

Accounting Methodology

Annual valuations for accounting purposes are completed for The City sponsored registered and non-registered defined-benefit pension plans and post-retirement benefits using the actuarial projected benefit method prorated on service to determine the accrued benefit obligation and the expense to be recognized in the consolidated financial statements.

The significant actuarial assumptions used for the valuations of the registered defined-benefit plans (Note 6a), non-registered defined-benefit pension plans (Note 6b) and other retirement benefits (Note 6c) are as follows:

Date of actuarial accounting valuation	Dec. 31, 2020	Dec. 31, 2019
Year-end obligation discount rate (%)	2.50	2.85
Inflation rate (%)	2.00	2.00
Long term rate of return on plan assets (%)	6.00	6.00
Rate of compensation increase	(included within each section)	

a) The Calgary Police Supplementary Pension Plan (“PSPP”)

The PSPP commenced on January 1, 1975 and provides supplemental pension benefits to those police officers who retired prior to September 1, 1979. Police officers who have retired after September 1, 1979 are covered under the Special Forces Pension Plan (Note 6e ii)).

The PSPP is not subject to provincial minimum funding legislation. Pursuant to the agreement made in 1985, The City will continue to pay benefits out of its investments. In 2007, the fund was exhausted and benefits to pensioners for the year and future years are now being paid from The City's investments. Since 2003, the liabilities associated with these continued benefits have been accounted for under the appropriate PSAS guidelines.

Sufficient funds are held with The City's investments to cover the liabilities as determined by the actuarial valuation as at December 31, 2020.

The significant actuarial assumptions used for the actuarial accounting valuations of the PSPP are as follows:

Date of actuarial accounting valuation	Dec. 31, 2020	Dec. 31, 2019
Year-end obligation discount rate (%)	2.50	2.85
Inflation rate (%)	2.00	2.00
Long term rate of return on plan assets (%)	6.00	6.00
Expected average remaining service life ("EARSL")	0.0	0.0

The results of, and significant assumptions utilized, in the most recent actuarial accounting valuations for registered plans include:

	2020	2019
Fair value of plan assets - beginning of year	\$ -	\$ -
Employer contributions	166	161
Less benefits paid	(166)	(161)
Fair value of plan assets - end of year	\$ -	\$ -
Accrued benefit obligation – beginning of year	\$ 1,553	\$ 1,632
Interest cost	42	50
Less benefits paid	(166)	(161)
Actuarial loss	133	32
Accrued benefit obligation - end of year	\$ 1,562	\$ 1,553
Funded status – plan deficit	\$ 1,562	\$ 1,553
Unamortized net actuarial loss	-	-
Accrued benefit liability	\$ 1,562	\$ 1,553
Interest costs	\$ 42	\$ 50
Amortization of actuarial losses	133	32
Total expense	\$ 175	\$ 82

Actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the PSPP and commence in the period following the determination of the gain or loss.

b) City of Calgary Overcap Pension Plan ("OCP") for the Chief and Deputies

The OCP commenced on February 1, 2000. The plan is sponsored and administered by The City and provides supplementary pension benefits for management employees, the Police Chief and Deputies.

The OCP for management employees provides a coordinated benefit with the LAPP (Note 6e i)), and the SFPP, to provide an annual retirement benefit of 2% of all pensionable earnings for the years of service since the later of January 1, 1992 and the date of hire with The City.

The significant actuarial assumptions used for the actuarial accounting valuations of The City of Calgary Police Chief and Deputies Overcap Pension Plan (“PCDOPP”) are as follows:

Date of actuarial accounting valuation	Dec. 31, 2020	Dec. 31, 2019
Year-end obligation discount rate (%)	2.50	2.85
Inflation rate (%)	2.00	2.00
Long term rate of return on plan assets (%)	N/A	N/A
Rate of compensation increase	1.50	1.50
Expected average remaining service life (“EARSL”)	6.8	6.4

The results of, and significant assumptions utilized, in the December 31, 2020 actuarial accounting valuations for the PCDOPP of the Police Chief and Deputies is as follows:

	2020	2019
Accrued benefit obligation – beginning of year	\$ 5,919	\$ 7,029
Current service cost	51	163
Interest cost	135	184
Less benefits paid	(2,472)	(3,033)
Actuarial loss	425	1,576
Accrued benefit obligation - end of year	<u>\$ 4,058</u>	<u>\$ 5,919</u>
Funded status – plan deficit	\$ 4,058	\$ 5,919
Unamortized net actuarial (loss)	(3,343)	(3,484)
Accrued benefit liability	<u>\$ 715</u>	<u>\$ 2,435</u>
Current service costs	\$ 51	\$ 163
Interest costs	135	184
Amortization of actuarial losses	566	338
Total expense	<u>\$ 752</u>	<u>\$ 685</u>

Assets in the amount of \$715 (2019 - \$2,435) to satisfy the obligations under these plans are held within The City’s investments.

Actuarial gains and losses are amortized over the expected average remaining service life (EARSL) of the PCDOPP for Police Chief and Deputies and commence in the period following the determination of the gain or loss.

c) Other retirement benefits

The City sponsors post retirement benefits for extended health, dental and life insurance benefits to qualifying retirees and their surviving spouses from the date of retirement to the age of 65, when coverage under the Alberta Seniors Plan begins. After 10 years or age 65, the life insurance policy reduces to a paid-up death benefit based on the number of years of contributory service prior to retirement. The City and the retirees share equally in the cost of benefits. Due to the joint nature of the plan and the cost sharing arrangement, the consolidated financial statements of The City reflect The City’s portion only of both the expense and the accrued benefit liability. The City sponsors a non-contributory retiring allowance of up to 7 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense as the employees provide service. The City also sponsors a supplementary compensation plan for employees that are disabled, or survivors of employees killed in the line of duty. The supplementary compensation plan is deemed a closed plan where employees are not actively accruing benefits.

Full actuarial valuations for other retirement benefits were (and will be) performed as stated below.

	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Post-Retirement Benefits	December 31, 2020	December 31, 2021
Retiring Allowance	December 31, 2020	December 31, 2021
Supplementary Compensation	December 31, 2020	December 31, 2021

The results of, and significant assumptions utilized, in the December 31, 2020 actuarial accounting valuations for other retirement benefits included:

	2020	2019
Accrued benefit obligation – beginning of year	\$ 45,530	\$ 41,270
Adjustment	1,173	2,998
Current service cost	2,978	2,844
Interest cost	1,382	1,489
Less benefits paid	(2,377)	(2,610)
Curtailment (gain)	-	(2,959)
Actuarial (gain) loss	(1,333)	2,498
Accrued benefit obligation - end of year	<u>\$ 47,353</u>	<u>\$ 45,530</u>
Funded status – plan deficit	\$ 47,353	\$ 45,530
Plan assets (1)	(744)	(698)
Unamortized net actuarial loss	13,922	13,487
Accrued benefit liability (2)	<u>\$ 60,531</u>	<u>\$ 58,319</u>
Current period benefit cost	\$ 2,978	\$ 2,844
Curtailment (gain)	-	(2,959)
Interest on accrued benefit obligations	1,382	\$ 1,489
Amortization of actuarial loss	(1,262)	(812)
Total expense	<u>\$ 3,098</u>	<u>\$ 562</u>

	2020	2019
Rate of compensation increase % (excluding merit & promotion) (3)	2.00%	1.00%
Annual increase in extended health care costs	7.33%	7.33%
Annual increase in dental costs	4.00%	4.00%
EARSL (4)	12.3 yr	12.4 yr

- (1) Plan Assets in the amount of \$744 (2019 - \$698) to satisfy future life claims are equal to fair market value.
- (2) Assets in the amount of \$60,531 (2019 - \$58,319) to satisfy the obligations under these plans are held within The City's investments.
- (3) Annual increases for police are: 2021: 2.00%; 2022 and thereafter: 2.00% per annum.
- (4) Actuarial gains and losses are amortized over the EARSL of the related employee group commencing in the period following the determination of the gain or loss.

d) Vacation and overtime

The vacation and overtime liability comprise the vacation and overtime that employees are deferring to future years. Employees who have deferred vacation or overtime can, under specific circumstances as outlined in administrative policies and/or contractual agreements, be paid out in cash or otherwise entitled within the next budgetary year. Assets in the amount of \$64,275 (2019 - \$59,032) to satisfy the obligations under these programs are held within The City's investments.

e) Multi-employer pension plans

Civic employees, with the exception of police officers, are members of the LAPP. Police officers are members of the SFPP. Both plans are multi-employer, defined-benefit pension plans jointly sponsored by employees and employers through the LAPP Corporation and administered by Alberta Pension Services ("APS").

Due to the multi-employer nature of these plans, information is not available to determine the portion of the plans' obligations and assets attributable to each employer. Therefore, The City appropriately accounts for both plans following the standards for defined contribution plans. The amount of expense recorded in the consolidated financial statements is equal to The City's current service contributions to the plan as determined by APS for the year and no obligation is recorded in The City's financial statements. As at December 31, 2019, both the LAPP and SFPP were in surplus positions.

i) Local Authorities Pension Plan ("LAPP")

The LAPP plan provides an annual retirement benefit of 1.4% of earnings up to the year's maximum pensionable earnings ("YMPE") and 2% of earnings over YMPE. Under the Alberta Public Sector Pension Plans Act, the CPS and members of the LAPP plan made the following contributions:

	2020		2019	
	Employer	Members	Employer	Members
Current service contributions	\$7,433	\$6,710	\$7,405	\$6,955
Contribution Rates (% of pensionable salaries)	9.39% of YMPE and 13.84% over YMPE	8.39% of YMPE and 12.84% over YMPE	9.39% of YMPE and 13.84% over YMPE	8.39% of YMPE and 12.84% over YMPE

The LAPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2019 of \$7.9 billion. More recent information for the 2020 year was not available at the time of preparing these financial statements. LAPP consists of over 167,162 active members. The City's plan membership is approximately 8.0% of which the CPS portion is approximately 0.42%. The LAPP Board did not change contribution rates in 2020 for members and employers. The City's 2020 contribution rates remained unchanged.

ii) Special Forces Pension Plan ("SFPP")

The SFPP provides an annual retirement benefit of 1.4% of pensionable earnings up to YMPE, 2% of pensionable earnings over YMPE, a bridge benefit of 0.6% of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the Income Tax Act (Canada). Under the Alberta *Public Sector Pension Plans Act*, The City and members of the SFPP plan made the following contributions:

	2020		2019	
	Employer	Members	Employer	Members
Current service contributions	\$36,729	\$33,736	\$35,342	\$33,785
Contribution Rates (% of pensionable salaries)	14.55%	13.45%	14.55%	13.45%

The SFPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2019 of \$185 million. More recent information for the 2020 year was not available at the time of preparing these financial statements. SFPP consists of 4,570 active members. The City's plan membership, which consists of primarily CPS members, is approximately 49%. The City's 2020 contribution rates did not change as a result of this surplus.

7. ACCUMULATED SURPLUS

	2020	2019
Equity in Non-Financial Assets	\$ 246,943	\$ 251,183
Capital Fund	(3,014)	(1,893)
Reserves (Note 8)	51,358	44,090
	<u>\$ 295,287</u>	<u>\$ 293,380</u>

8. RESERVES

Reserves consist of operating and capital reserves as follows:

	2020	2019
Vehicle capital financing	\$ 30,975	\$ 22,139
Red Light Camera	9,540	12,193
Court Fine Operating	4,000	4,000
Helicopter operating maintenance	3,294	2,236
Capital (Pay-As-You-Go)	2,500	2,500
Automated Fingerprint Identification System	1,047	992
Capital financing (Treasury interfund)	1	29
Lifecycle Maintenance Reserve	1	1
	<u>\$ 51,358</u>	<u>\$ 44,090</u>

9. RELATED PARTY TRANSACTIONS

- a) The CPS conducts transactions with The City in the normal course of business. Expenditures aggregate \$99,430 (2019 - \$102,271), and recoveries include \$6,077 (2019 - \$7,816) of transactions with The City. The CPS also receives Mill Rate Support from The City of \$414,353 (2019 - \$394,253) (Note 11) and has an amount due from The City of \$244,589 (2019 - \$214,778).
- b) The CPS conducts transactions with ENMAX Corporation (“ENMAX”), a wholly owned subsidiary of The City, in the normal course of business. Expenditures include \$3,229 (2019 - \$3,715), and recoveries include \$76 (2019 - \$Nil) of transactions with ENMAX. Of these amounts, \$76 (2019 - \$Nil) are included in general receivables and \$209 (2019 - \$376) are included in accounts payable.
- c) The City, consistent with its treatment of other business units, provides services to the CPS at no cost. These services include the provision of certain premises, payroll and some human resource functions, treasury functions, including investing, borrowing, banking, and cashiers, and finance functions such as accounts payable disbursements and accounts receivable administration. In addition to these services, the CPS utilizes The City’s enterprise systems (PeopleSoft), along with available support, to complete day to day work. These PeopleSoft systems include supply management, accounts payable, accounts receivable, finance, budgets, and human resources. CPS has elected not to record these transactions related to unallocated costs in the financial statements.

10. COMMITMENTS AND CONTINGENCIES

- a) The Calgary Police Service has the following office space lease commitments for the years 2021 to 2044.

2021	481
2022	436
2023	294
2024	80
2025 and thereafter	835
	\$ 2,126

- b) Capital commitments of \$1,302 (2019 - \$8,144) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2020, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year’s capital budget of \$35,726 (2019 - \$60,275) and will be funded from reserves.
- c) In the ordinary course of business, various claims and lawsuits are brought against the CPS. The City, on behalf of the CPS, has recorded a provision for these claims and lawsuits. The costs associated with defending the lawsuits and any settlements arising from the claims and lawsuits are borne by The City and accordingly, no provision has been recorded in these financial statements with respect to the claims and lawsuits.
- d) The City, on behalf of the CPS, has recorded a provision for environmental liabilities. The costs associated with any environmental liabilities are borne by The City and accordingly, no provision has been recorded in these financial statements with respect to environmental liabilities.
- e) CPS provides funding of certain operating costs to the Calgary Police Youth Foundation, which commenced June 2014. Operating costs include but are not limited to administrative expenses and the salary for the Executive Director. The operating costs paid are determined annually based on budgeted figures.

- f) CPS provides funding of certain operating costs to YouthLink Calgary – The Calgary Police Service Interpretive Centre, which commenced March 2015. Operating costs include, but are not limited to administrative expenses, salaries, wages, fringe benefits, and the salary for the Executive Director. The operating costs paid are determined annually based on budgeted figures.

11. MILL RATE SUPPORT FROM THE CITY OF CALGARY

	<u>2020</u>	<u>2019</u>
Approved Net Operating Budget Allocation	\$ 414,353	\$ 394,253
Total Mill Rate Support from The City of Calgary	<u>\$ 414,353</u>	<u>\$ 394,253</u>