

# **Calgary Police Service Financial Statements**

December 31, 2013

## MANAGEMENT'S REPORT

**May 27, 2014**

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 generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. They necessarily include some amounts that are based on the best estimates and judgements of management.

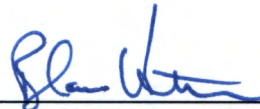
To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

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



Rick Hanson  
Chief of Police



Blaine Hutchins  
Finance Manager



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## Independent Auditor's Report

To the Members of the Calgary Police Commission

We have audited the accompanying financial statements of the Calgary Police Service, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and accumulated surplus, statement of cash flows and statement of changes in net financial assets (liabilities) for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Police Service as at December 31, 2013, and the results of its operations, cash flows and changes in net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is stylized, with the "D" being particularly large and the letters "L", "L", and "P" being more distinct.

Chartered Accountants  
May 27, 2014  
Calgary, Canada

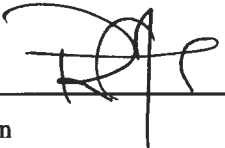
## Statement of Financial Position

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

	2013	2012
<b>FINANCIAL ASSETS</b>		
Cash	\$ 31	\$ 30
Investments (Note 2)	751	717
Receivables		
Federal and Provincial governments	5,802	5,546
General	2,927	1,170
Due from The City of Calgary (Note 10 (a))	180,107	162,037
	<u>189,618</u>	<u>169,500</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable (Note 10 (b))	26,527	21,428
Accrued interest on long-term debt (Note 7(d))	1,632	1,637
Deferred revenue (Note 4)	9,970	7,761
Capital deposits (Note 5)	18,251	15,863
Employee benefit obligations (Note 6)	100,729	92,005
Long-term debt (Note 7)	106,834	107,702
	<u>263,943</u>	<u>246,396</u>
<b>NET FINANCIAL LIABILITIES</b>	<u>(74,325)</u>	<u>(76,896)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 3)	220,809	218,949
Inventories of materials and supplies	2,397	1,947
Prepaid assets	683	616
	<u>223,889</u>	<u>221,512</u>
<b>ACCUMULATED SURPLUS (Note 8)</b>	<u>149,564</u>	<u>144,616</u>

Commitments and Contingencies (Note 11)  
See accompanying notes to the financial statements

Approved on behalf of the Calgary Police Commission

  
Chairman

  
Vice Chairman

## Statement of Operations and Accumulated Surplus

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

	Budget 2013 (unaudited)	2013	2012
<b>REVENUES</b>			
Government Grants	\$ 32,367	<b>32,731</b>	32,525
Sale of goods and services	17,811	<b>20,184</b>	17,919
Fines and penalties	42,943	<b>40,011</b>	45,330
Miscellaneous revenue	681	<b>178</b>	-
	<u>93,802</u>	<u><b>93,104</b></u>	<u>95,774</u>
<b>EXPENSES</b>			
Salary, wages and benefits (Note 13)	363,173	<b>363,032</b>	339,064
Contracted and general services	25,621	<b>26,190</b>	25,549
Materials, equipment and supplies	29,399	<b>32,817</b>	29,017
Utilities	5,313	<b>3,446</b>	3,581
Internal recoveries (Note 10a & Note 13)	(1,900)	<b>(6,905)</b>	(2,895)
Amortization	-	<b>16,571</b>	16,286
Interest charges	50	<b>51</b>	84
	<u>421,656</u>	<u><b>435,202</b></u>	<u>410,686</u>
<b>EXCESS OF EXPENSES OVER REVENUES BEFORE GOVERNMENT TRANSFERS</b>	<u>(327,854)</u>	<u><b>(342,098)</b></u>	<u>(314,912)</u>
<b>MILL RATE SUPPORT (Note 12)</b>	336,615	<b>336,635</b>	317,223
<b>TRANSFERS RELATED TO CAPITAL</b>	<u>8,761</u>	<u><b>10,411</b></u>	<u>6,181</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>17,522</u>	<u><b>4,948</b></u>	<u>8,492</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>144,616</u>	<u><b>144,616</b></u>	<u>136,124</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 162,138</u>	<u><b>149,564</b></u>	<u>144,616</u>

See accompanying notes to the financial statements.

## Statement of Cash Flows

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

	2013	2012
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 4,948	\$ 8,492
Change in non-cash items		
Receivables	(2,013)	2,678
Prepaid assets	(67)	(181)
Due from The City of Calgary	(18,070)	(27,514)
Accounts payable	5,099	(5,109)
Accrued interest on long-term debt	(5)	(6)
Deferred revenue	2,209	569
Capital deposits	2,388	4,062
Employee benefit obligation	8,724	8,845
Inventories of materials and supplies	(450)	(39)
Amortization	16,571	16,286
Loss on disposal of tangible capital assets	436	392
	<u>19,770</u>	<u>8,475</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(19,177)	(8,432)
Proceeds on disposal of tangible capital assets	310	337
	<u>(18,867)</u>	<u>(8,095)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds on (purchase) disposal of investments	(34)	800
<b>FINANCING ACTIVITIES</b>		
Long-term debt debentures redeemed	(868)	(1,050)
Long-term debt capital lease principal redeemed		(135)
	<u>(868)</u>	<u>(1,185)</u>
<b>INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	<b>1</b>	<b>(5)</b>
Cash, beginning of year	<u>30</u>	<u>35</u>
<b>CASH, END OF YEAR</b>	<u>\$ 31</u>	<u>\$ 30</u>

See accompanying notes to the financial statements

## Statement of Changes in Net Financial Assets (Liabilities)

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

	2013	2012
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 4,948</b>	<b>\$ 8,492</b>
Amortization of tangible capital assets	16,571	16,286
Proceeds on disposal of tangible capital assets	310	337
Acquisition of supplies inventories	(1,613)	(1,231)
Use of supplies inventories	1,163	1,192
Prepaid assets	(67)	(181)
Loss on sale of tangible capital assets	436	392
Acquisition of tangible capital assets	(19,177)	(8,432)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>2,571</b>	<b>16,855</b>
<b>NET FINANCIAL LIABILITIES, BEGINNING OF YEAR</b>	<b>(76,896)</b>	<b>(93,751)</b>
<b>NET FINANCIAL LIABILITIES, END OF YEAR</b>	<b>(74,325)</b>	<b>(76,896)</b>

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 10 & 11.

### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CPS are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

#### 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 10 and 11. 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's 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.

**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 (Liabilities) 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 means 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	
Buildings	10 – 75
Vehicles	
Vehicles	2 - 15
Land improvements	5 - 40
Machinery and equipment	
Computer equipment	3 - 5
Furniture & equipment	5 - 25
Boats	3 - 25

**k) Long-Term Debt**

The City obtains financing in the form of debentures and loans for some of the CPS's tangible capital asset expenditures. These financial statements reflect that portion of available financing utilized by the CPS to acquire tangible capital assets.

**l) 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.

**m) Budget Figures**

The City of Calgary Council approved 2013 operating and capital budgets are reflected on the statements of operations and accumulated surplus and are unaudited. 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.

**n) Financial Instruments and Fair Values**

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.

Based on available market information, the carrying value of the CPS's financial instruments approximates their fair value due to their short period to maturity, except with respect to investments, as indicated in Note 2, and long-term debt, as indicated in Note 7(e).

**o) 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.

**p) 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.

**q) Write-downs**

When conditions indicate that a tangible capital assets 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 assets 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 in the statement of operations and accumulated surplus.

#### r) Adoption of New Accounting Standards

The following new accounting standards were issued by the Public Sector Accounting Board and are effective for fiscal years beginning on or after April 1, 2012. The CPS was required to adopt the new standards effective January 1, 2013:

PS 1201	: Financial Statement Presentation
PS 2601	: Foreign Currency Translation
PS 3410(Revised)	: Government Transfers
PS 3450	: Financial Instruments
PS 3510	: Tax Revenue

PS 1201 – Financial Statement Presentation requires the CPS to include a statement of remeasurement gains and losses as part of the financial statements. Such a statement has not been included as part of the December 31, 2013 year end financial statements as PS2601 and PS3450 do not apply to the CPS and as such there are no remeasurement gains or losses incurred.

The CPS has determined that PS2601 – Financial Currency Translation, PS 3450 – Financial Instruments and PS 3510- Tax Revenue do not apply to the CPS and as such these standards did not have any impact on the December 31, 2013 year end financial statements.

PS 3410(Revised): Government Transfers did not have an impact on the December 31, 2013 year end financial statements as the CPS was recording government funding in accordance with the requirements of this section.

## 2. INVESTMENTS

All the investments managed by The City, on behalf of the CPS, are held in fixed income securities. The total investments include investments with a cost of \$751 (2012 - \$717) and a market value of \$845 (2012 - \$829).

The average yield on the cost of these investments during the year was 2.052% (2012 – 2.19%) per annum.

## 3. TANGIBLE CAPITAL ASSETS

2013				2012			
	Cost	Accumulated Amortization	Net book value		Cost	Accumulated Amortization	Net book value
Land	\$ 48,388	-	48,388	\$ 48,388	-	48,388	
Land Improvements	5,152	1,160	3,992	5,152	869	4,283	
Buildings	131,460	23,724	107,736	131,460	18,625	112,835	
Machinery and equipment	75,207	45,418	29,789	70,567	37,497	33,070	
Vehicles	28,424	15,306	13,118	26,102	14,949	11,153	
	288,631	85,608	203,023	281,669	71,940	209,729	
Work in Progress	17,786	-	17,786	9,220	-	9,220	
Tangible Capital Assets	\$ 306,417	85,608	220,809	\$ 290,889	71,940	218,949	

#### 4. DEFERRED REVENUE

	2013	2012
Balance, beginning of year	\$ 7,761	\$ 7,192
Addition to deferred revenues	9,656	7,150
Recognized revenues	(7,447)	(6,581)
Balance, end of year	<u>\$ 9,970</u>	<u>\$ 7,761</u>

Deferred revenues are comprised of the following:

	2013	2012
Advance sales of goods and services	\$ -	\$ 36
Government transfers	9,370	7,110
Private contributions	600	615
	<u>\$ 9,970</u>	<u>\$ 7,761</u>

#### 5. CAPITAL DEPOSITS

Capital deposits represent funds received for the Alberta Municipal Infrastructure Program ("AMIP"), 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.

	2013	2012
Balance, beginning of year	\$ 15,863	\$ 11,801
Deposits AMIP & MSI	1,974	1,888
Withdrawals AMIP, MSI & Provincial Grant	(1,974)	(1,889)
New Community Assessment/Provincial Grants	2,388	4,063
Balance, end of year	<u>\$ 18,251</u>	<u>\$ 15,863</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, 2013. 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:

	2013 Funded	2012 Funded
a) The Calgary Police Supplementary Pension Plan ("PSPP") – Registered Defined Benefit Pension Plans	\$ 2,685	\$ 1,844
b) City of Calgary Overcap Pension Plan ("OCP") for the Police Chief and Deputies – Non-registered Defined Benefit Pension Plans	2,298	1,938
c) Other retirement benefits	46,536	42,454
d) Vacation and overtime (undiscounted)	49,210	45,769
	<u>\$ 100,729</u>	<u>\$ 92,005</u>

In February 2014, the Government of Alberta announced intended changes to the LAPP, with plans to introduce legislation in the spring 2014 legislative session. Any financial impact to the City's registered and non-registered pension plans and other retirement benefit plans resulting from these or other changes to the LAPP will be reflected in future valuations of these plans.

### ***Actuarial Accounting Methodology***

Annual actuarial accounting valuations for the registered and non-registered defined-benefit pension plans and other retirement benefits are performed using the projected benefit method prorated on years of service to determine the accrued benefit obligation and the expense to be recognized in the financial statements. The measurement of the accrued benefit obligation and expense for actuarial accounting valuations is obtained by extrapolating the actuarial liabilities calculated as of the most recent actuarial valuation dates as stated for each benefit.

The significant actuarial assumptions used for the actuarial accounting 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, 2013	Dec 31, 2012
Year end obligation discount rate (%)	3.5	3.25
Inflation rate (%)	2.5	2.5
Long term rate of return on plan assets (%)	6.25	6.5
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 GAAP and 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, 2013.

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

Date of actuarial accounting valuation	Dec 31, 2013	Dec 31, 2012
Year end obligation discount rate (%)	3.5	3.25
Inflation rate (%)	2.5	2.5
Long term rate of return on plan assets (%)	6.25	6.5
Expected average remaining service life (EARSLS)	0.0	10.0

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

	2013	2012
Fair value of plan assets - beginning of year	\$ -	\$ -
Employer contributions	249	283
Less benefits paid	(249)	(283)
Fair value of plan assets - end of year	\$ -	\$ -
Accrued benefit obligation – beginning of year	\$ 2,672	\$ 2,675
Interest cost	83	89
Less benefits paid	(249)	(283)
Actuarial loss	179	191
Accrued benefit obligation - end of year	\$ 2,685	\$ 2,672
Funded status – plan deficit	\$ 2,685	\$ 2,672
Unamortized net actuarial loss	(828)	(828)
Accrued benefit liability	\$ 1,857	\$ 1,844
Interest costs	\$ 83	\$ 89
Amortization of actuarial losses	1,007	129
Total expense	\$ 1,090	\$ 218

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 SPP, 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 OCP for the Police Chief and Deputies are as follows:

	Dec 31, 2013	Dec 31, 2012
Date of actuarial accounting valuation	Dec 31, 2013	Dec 31, 2012
Year end obligation discount rate (%)	3.5	3.25
Inflation rate (%)	2.5	2.5
Long term rate of return on plan assets (%)	6.25	6.5
Rate of compensation increase	3.5	3.5
Expected average remaining service life (EARSL)	5.9	6.5

The results of, and significant assumptions utilized, in the December 31, 2013 actuarial accounting valuations for the OCPP of the Police Chief and Deputies is as follows:

	2013	2012
Accrued benefit obligation – beginning of year	\$ 2,902	\$ 3,013
Current service cost	74	79
Interest cost	96	107
Less benefits paid	(60)	(59)
Actuarial loss (gain)	657	(238)
Accrued benefit obligation - end of year	\$ 3,669	\$ 2,902
Funded status – plan deficit	\$ 3,669	\$ 2,902
Unamortized net actuarial (loss)	(1,371)	(964)
Accrued benefit liability (1)	\$ 2,298	\$ 1,938
Current service costs	\$ 74	\$ 79
Interest costs	96	107
Amortization of actuarial losses	249	351
Total expense	\$ 419	\$ 537

Assets in the amount of \$2,298 (2012 - \$1,938) 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 OCPP 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 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 salary continuation plan for employees that are disabled or survivors of employees killed in the line of duty.

The most recent full actuarial valuation for other retirement benefits were (will be) performed as stated below.

	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Post Retirement Benefits	December 31, 2013	December 31, 2014
Retiring Allowance	December 31, 2013	December 31, 2014
Supplementary Compensation	December 31, 2013	December 31, 2014

The results of, and significant assumptions utilized, in the December 31, 2013 actuarial accounting valuations for other retirement benefits included:

	2013	2012
Accrued benefit obligation – beginning of year	\$ 48,764	\$ 48,843
Adjustment	(552)	(373)
Current service cost	2,654	2,787
Interest cost	1,617	1,757
Less benefits paid	(2,241)	(2,112)
Actuarial (gain)	(4,532)	(2138)
Accrued benefit obligation - end of year	\$ 45,710	\$ 48,764
Funded status – plan deficit	\$ 45,710	\$ 48,764
Plan assets (1)	(395)	(277)
Unamortized net actuarial loss	1,221	(6,033)
Accrued benefit liability (2)	\$ 46,536	\$ 42,454
Current period benefit cost	\$ 2,655	\$ 2,787
Cost of Plan amendments	(17)	-
Interest on accrued benefit obligations	1,617	\$ 1,757
Amortization of actuarial loss	2,776	1,211
Total expense	\$ 7,031	\$ 5,755

	2013	2012
Rate of compensation increase % (excluding merit & promotion)(3)	3.50%	3.50%
Annual increase in extended health care costs	6.25%	6.25%
Annual increase in dental costs	4.00%	4.00%
EARSL(4)	11.2 yr	11.2 yr

- (1) Plan Assets in the amount of \$ 395 (2012 - \$277) to satisfy future life claims are equal to fair market value.
- (2) Assets in the amount of \$46,536 (2012 - \$42,454) to satisfy the obligations under these plans are held within The City's investments.
- (3) Annual increases for police are: 2014: 3.9%; 2015: 3.0%; thereafter 3.50% 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 comprises 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 \$49,210 (2012 - \$45,769) 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 Local Authorities Pension Plan ("LAPP"). Police officers are members of the Special Forces Pension Plan ("SFPP"). Both plans are



multi-employer, defined benefit pension plans and are sponsored by the Alberta Minister of Finance and administered by the 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 using the method for defined contribution plans. The amount of expense recorded in the consolidated financial statements is equal to The City's or CPS' contributions to the plan as determined by the APS for the year and no obligation is recorded in The City's financial statements. However, given that these multi-employer plans are in deficit positions, as inherent unrecorded liability amount is attributable indirectly to plan participants. Plan deficiencies will need to be resolved by increased future employee and employer contributions, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements. In addition, the Government of Alberta announced intended plan benefit changes to the LAPP. The changes, if legislated, will affect benefits earned from January 1, 2016 onwards. The intent of the changes is to ensure the sustainability of the LAPP. There are no changes proposed to the SFPP at this time.

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:

	2013		2012	
	Employer	Members	Employer	Members
Current service contributions	\$6,534	\$5,899	\$5,972	\$5,433
Contribution Rates (% of pensionable salaries)	10.43% of YMPE and 14.47% over YMPE	9.43% of YMPE and 13.47% over YMPE	9.91% of YMPE and 13.74% over YMPE	8.91% of YMPE and 12.74% over YMPE

The LAPP reported a deficiency for the overall plan as at December 31, 2012 of \$4.977 billion (2011- \$4.639 billion). More recent information was not available at the time of preparing these financial statements. The City's 2013 contribution rates increased 5.2% (2012 – 4.4%) as a result of this deficit.

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 CPS and members of the SFPP plan made the following contributions:

	2013		2012	
	Employer	Members	Employer	Members
Current service contributions	\$28,733	\$26,386	\$27,662	\$25,516
Contributions Rates (% of pensionable salaries)	14.55%	13.45%	14.55%	13.45%

The SFPP reported a deficiency for the overall plan as at December 31, 2012 of \$499 million (2011- \$574 million) comprised of \$269 million for pre-1992 and \$230 million relating to post-1991. More recent information was not available at the time of preparing these financial statements. The City's 2013 contribution rates did not change as a result of this deficit.

## 7. LONG-TERM DEBT

- a) Debt payable by and issued in the name of The City, on behalf of the CPS, includes the following amounts:

	2013			2012		
	Tax Supported	Self- Supported	Total	Tax Supported	Self- Supported	Total
(i) Debentures	\$ 334	\$ -	\$ 334	\$ 1,202	\$ -	\$ 1,202
(ii) MSI Debt	\$ 106,500	\$ -	\$ 106,500	\$ 106,500	\$ -	\$ 106,500
	<u>\$ 106,834</u>	<u>\$ -</u>	<u>\$ 106,834</u>	<u>\$ 107,702</u>	<u>\$ -</u>	<u>\$ 107,702</u>

- (i) Debentures, which are held by the Alberta Capital Finance Authority, mature in annual amounts to the year 2014.
- (ii) Purchase of Westwinds facility was funded by Municipal Sustainability Infrastructure (MSI) debt. This is bridge financing until funds are received from the province, including outstanding interest payments. Funds will be received at the end of 2014.

- b) Long-term debt is repayable as follows:

	Tax Supported	Capital Leases	MSI Debt	Total
2014	334	-	106,500	106,834
	<u>\$ 334</u>	<u>-</u>	<u>106,500</u>	<u>106,834</u>

- c) Debenture interest is payable, before Provincial subsidy, at rates ranging from 3.855% to 12.00% per annum. Debenture debt held at year end has an average rate of interest of 3.09% (2012 – 3.093%) per annum. The debt will be fully paid in March 2014.
- d) Interest payable:

	2013		2012	
	Tax Supported	Self Supported	Tax Supported	Self Supported
Debenture interest	\$ 2	\$ -	\$ 7	-
MSI Interest payable	1,630	-	1,630	-
	<u>\$ 1,632</u>	<u>\$ -</u>	<u>\$ 1,637</u>	<u>-</u>

- e) The estimated fair value of the CPS's long-term debt is \$94,657 (2012 - \$99,592). Calculation of the estimated fair value of the debt is based on current lending rates obtainable for debentures with comparable maturities from The City's primary lender, the Alberta Capital Finance Authority.

## 8. ACCUMULATED SURPLUS

	2013	2012
Equity in Non-Financial Assets	\$ 116,372	\$ 113,194
Capital Fund	(1,892)	(1,465)
Reserves (Note 9)	35,084	32,887
	<u>\$ 149,564</u>	<u>\$ 144,616</u>

## 9. RESERVES

Reserves consist of operating and capital reserves as follows:

	2013	2012
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Capital pay-as-you-go	\$ 2,430	\$ 2,500
Capital financing (Treasury interfund)	17	60
Red Light Camera	7,115	5,412
Flow Thru Reserve	-	187
Vehicle capital financing	18,065	17,105
Helicopter operating maintenance	2,706	2,905
Automated Fingerprint Identification System	751	718
Court Fine Operating	4,000	4000
	<u>\$ 35,084</u>	<u>\$ 32,887</u>

## 10. RELATED PARTY TRANSACTIONS

- a) The CPS conducts transactions with The City in the normal course of business. Expenditures aggregate \$84,535 (2012 - \$79,347), and recoveries include \$3,234 (2012 - \$2,895) of transactions with The City. The CPS also receives Mill Rate Support from The City of \$336,635 (2012 - \$317,223) (Note 12) and has an amount due from The City of \$180,107 (2012 - \$162,037).
- b) The CPS conducts transactions with ENMAX Corporation ("ENMAX"), a wholly owned subsidiary of The City, in the normal course of business. Expenditures include \$2,719 (2012 - \$2,931), and recoveries include \$Nil (2012 - \$Nil) of transactions with ENMAX. Accounts payable include \$413 (2012 - \$412) payable to ENMAX.
- d) 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.

## 11. COMMITMENTS AND CONTINGENCIES

- a) The Calgary Police Service has the following office space lease commitments for the years 2014 to 2017.

Year	2014	2015	2016	2017
Lease	\$2,451	\$1,081	\$465	\$1,002

- b) Capital commitments of \$11,633 (2012 - \$4,217) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2013, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year's capital budget of \$79,482 (2012 - \$69,427) and will be funded from reserves and debt.
- 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.

## 12. MILL RATE SUPPORT FROM THE CITY OF CALGARY

	2013	2012
Approved Net Operating Budget Allocation	\$ 336,615	\$ 317,170
Other Allocations budgeted by The City:		
Debtenture debt paid by The City	-	-
Interest	20	53
Total Mill Rate Support from The City of Calgary	<u>\$ 336,635</u>	<u>\$ 317,223</u>

## 13. SIGNIFICANT EVENT

In June of 2013, the City of Calgary experienced a flood event. The basement and sub-basement of the Administration building, as well as some vehicles sustained damage. Certain TCA that were damaged were fully written off during the year. CPS also incurred additional salary, wages and benefits expenses as a result of overtime worked by CPS employees. The CPS has repaired and replaced significant portions of the basement and sub-basement of the Administration building during 2013, with further repairs and replacements to occur into the foreseeable future. Costs are capitalized to TCA or expensed as repairs and maintenance in accordance with the CPS' capitalization policy. Eligible costs are expected to be funded by recoveries from The City of Calgary.

The CPS incurred flood related expenses of \$5,687 during 2013, which include the capital additions for the Administration building and purchase of new vehicles, repairs and maintenance costs and the salary, wages, and benefits expenses. The internal recoveries on the statement of operations and accumulated surplus include an amount of \$3,671 relating to proceeds received during the year to fund the additional salary wages and benefits expenses.

The transfers related to capital on the statement of operations and accumulated surplus include an amount of \$2,015 relating to flood financing received during the year to fund the capital expenditure for the Administration building.

## 14. COMPARATIVE FIGURES

Certain comparative figures in these financial statements have been reclassified to conform to the financial statement presentation adopted in the current year.