



AGENDA

AUDIT COMMITTEE

April 23, 2019, 8:30 AM
IN THE COUNCIL CHAMBER
Members

Councillor E. Woolley, Chair
Councillor J. Gondek, Vice-Chair
Councillor G-C. Carra
Councillor J. Farkas
Citizen Representative L. Caltagirone
Citizen Representative M. Dalton
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
 - 4.1 Minutes of the 2019 March 22 Audit Committee Meeting
5. POSTPONED REPORTS
(including related/supplemental reports)
None
6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES
 - 6.1 Control Environment Assessment and Management Representations Update, AC2019-0529

Attachment 3 held confidential pursuant to section 25 (disclosure harmful to economic and other interests of a public body) of *FOIP*

Review by date: 2021 April 23
 - 6.2 2018 Annual Investment Report - AC2019-0503

- 6.3 The City of Calgary 2018 Annual Report - AC2019-0498
- 6.4 2018 External Auditor's Year-End Report - AC2019-0438
- 6.5 Planning Application Review and Approval Process Audit - AC2019-0466
- 6.6 City Auditor's Office 1st Quarter 2019 Report - AC2019-0469
- 6.7 Audit Committee Strategic Working Group (Verbal) - AC2019-0464
- 6.8 Civic Partner Audit Report - AC2019-0472
Attachments 2, 4 and 5 held confidential pursuant to sections 23 (local body confidences) of *FOIP*.

Review by date: 2024 April 23

7. ITEMS DIRECTLY TO COMMITTEE

7.1 REFERRED REPORTS

None

7.2 NOTICE(S) OF MOTION

None

8. URGENT BUSINESS

9. CONFIDENTIAL ITEMS

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 Audit Forum (Verbal) - AC2019-0439

9.1.2 External Auditor (Verbal) - AC2019-0440

9.1.3 City Auditor (Verbal) - AC2019-0441

9.1.4 External Auditor Annual Renewal (Verbal) - AC2019-0443

9.2 URGENT BUSINESS

10. ADJOURNMENT



**MINUTES
AUDIT COMMITTEE**

**March 22, 2019, 9:30 AM
IN THE COUNCIL CHAMBER**

PRESENT: Councillor E. Woolley, Chair
Councillor J. Gondek, Vice-Chair
Councillor J. Farkas
Citizen Representative L. Caltagirone
Citizen Representative M. Dalton
Citizen Representative M. Lambert

ALSO PRESENT: City Auditor K. Palmer
External Auditor T. Nakka
Acting Chief Financial Officer, C. Male
Executive Assistant C. Smillie
Acting City Clerk K. Martin
Legislative Assistant J. Dubetz

1. **CALL TO ORDER**

Councillor Woolley called the Meeting to order at 9:35 a.m.

2. **OPENING REMARKS**

No opening remarks were made at today's meeting.

3. **CONFIRMATION OF AGENDA**

Moved by Citizen Representative Lambert

That Item 6.4, Green Line Project Governance Audit, AC2019-0353 be brought forward and dealt with as the first item of business following Confirmation of Minutes.

MOTION CARRIED

Moved by Citizen Representative Lambert

That Item 6.2, Human Resources Challenges and Opportunities, AC2019-0308 be referred to Administration in order to permit additional consultation time, and return with a report and presentation to the 2019 June 27 Regular Meeting of the Audit Committee.

MOTION CARRIED

Moved by Councillor Farkas

That the Agenda for the 2019 March 22 Regular Meeting of the Audit Committee be confirmed, **as amended**.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2019 February 28

Moved by Citizen Representative Dalton

That the Minutes of the Regular Meeting of the Audit Committee, held on 2019 February 28, be confirmed.

MOTION CARRIED

5. POSTPONED REPORTS

None

6. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

6.1 Code of Conduct Annual Report, AC2019-0307

Copies of a presentation entitled "Code of Conduct Annual Report", dated 2019 March 22, were distributed with respect to Report AC2019-0307.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2019-0307, the following be approved:

That the Audit Committee:

1. Receives this report for information; and
2. Recommend that Council receive this report for information.

MOTION CARRIED

6.2 Human Resources Challenges and Opportunities, AC2019-0308

This item was referred to Administration during Confirmation of Agenda.

6.3 Calgary Community Standards - Livery Transport Services Audit, AC2019-0278

Moved by Councillor Gondek

That with respect to Report AC2019-0278, the following be approved:

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

MOTION CARRIED

6.4 Green Line Project Governance Audit, AC2019-0353

Moved by Citizen Representative Lambert

That the City Auditor's Recommendations contained in Report AC2019-0353 be amended by adding a Recommendation 3 as follows:

"3. That Administration return to Audit Committee by the end of Q3 2019 to provide an update on progress related to the recommendations contained within the 15 March 2019 City Auditor's Office Green Line Project Governance Audit. Update to include but not be limited to a comprehensive risk management plan."

MOTION CARRIED

Moved by Citizen Representative Dalton

That with respect to Report AC2019-0353, the following be approved:

1. That Audit Committee receive this report for information;
2. That Audit Committee recommend that Council receive this report for information; and
3. **That Administration return to Audit Committee by the end of Q3 2019 to provide an update on progress related to the recommendations contained within the 15 March 2019 City Auditor's Office Green Line Project Governance Audit. Update to include but not be limited to a comprehensive risk management plan.**

MOTION CARRIED

6.5 Audit Committee Bylaw 48M2012 Review, AC2019-0290

A revised Report and two attachments were distributed with respect to Report AC2019-0290.

Moved by Citizen Representative Lambert

That with respect to **Revised** Report AC2019-0290, the following be approved:

That the Audit Committee:

1. Directs that an Audit Committee Bylaw Review Working Group be established to review the Audit Committee Bylaw 48M2012 (Attachment 1), and report back to the Committee, at the 2019 September meeting, with proposed amendments;
2. **Assign the following Working Group Resource staff:**
 - a. **Executive Assistant to Audit Committee;**
 - b. **A representative of the Law Department; and**
 - c. **City Auditor;**
3. **Appoint Citizen Representative Caltagirone, Councillor Farkas and Councillor Woolley to the Audit Committee Bylaw Review Working Group; and**
4. Request members of the Audit Committee provide the Working Group with their comments with respect to Bylaw amendments for consideration.

MOTION CARRIED

6.6 Rescheduling of 2019 September and July Audit Committee Meetings (Verbal), AC2019-0375

Moved by Citizen Representative Dalton

That with respect to Report AC2019-0375, the following be approved:

That pursuant to Section 17 (2) of the Procedure Bylaw 35M2017, as amended, the Audit Committee approve the following revisions to scheduled 2019 meeting dates:

- 2019 September 03 meeting be rescheduled to Friday, 2019 September 06;
- 2019 July 19 meeting be rescheduled to Tuesday, 2019 July 23; and
- 2019 April 23 meeting start time be revised from 9:30 a.m. to 8:30 a.m.

MOTION CARRIED

7. ITEMS DIRECTLY TO COMMITTEE

7.1 REFERRED REPORTS

None

7.2 NOTICE(S) OF MOTION

None

8. URGENT BUSINESS

None

9. CONFIDENTIAL ITEMS

Moved by Councillor Condek

That, pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, the Audit Committee move into Closed Meeting at 11:20 a.m., in the Council Lounge, to discuss confidential matters with respect to the following items:

- 9.1.1 Audit Forum (Verbal) - AC2019-0314;
- 9.1.2 External Auditor (Verbal) - AC2019-0315;
- 9.1.3 City Auditor (Verbal) - AC2019-0316;
- 9.1.4 Progress Update on 2018 City of Calgary Annual Report - AC2019-0313.

MOTION CARRIED

The Audit Committee returned to a Public Meeting at 12:03 p.m. with Councillor Woolley in the Chair.

Moved by Citizen Representative Caltagirone

That the Committee rise and report.

MOTION CARRIED

9.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

9.1.1 Audit Forum (Verbal), AC2019-0314

People in attendance during the Closed Meeting discussions with respect to Report AC2019-0314:

Administration: Clerk: K. Martin; Observer: C. Smillie.

Moved by Citizen Representative Lambert

That with respect to Report AC2019-0314, the following be approved:

That the Audit Committee:

1. Receive Verbal Report AC2019-0314 for information; and
2. Direct that the Closed Meeting discussions remain confidential pursuant to Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

9.1.2 External Auditor (Verbal), AC2019-0315

People in attendance during the Closed Meeting discussions with respect to Report AC2019-0315:

Administration: Clerk: K. Martin; Observer: C. Smillie.

Non-Administration: Observer: K. Palmer.

Moved by Citizen Representative Caltagirone

That with respect to Report AC2019-0315, the following be approved:

That the Audit Committee:

1. Receive Verbal Report AC2019-0315 for information; and
2. Direct that the Closed Meeting discussions remain confidential pursuant to Section 24 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

9.1.3 City Auditor (Verbal), AC2019-0316

People in attendance during the Closed Meeting discussions with respect to Report AC2019-0316:

Administration: Clerk: K. Martin; Observer: C. Smillie.

Moved by Councillor Gondek

That with respect to Report AC2019-0316, the following be approved:

That the Audit Committee:

1. Receive Verbal Report AC2019-0316 for information; and
2. Direct that the Closed Meeting discussions remain confidential pursuant to Section 24 of the *Freedom of Information and Protection of Privacy Act*

MOTION CARRIED

9.1.4 Progress Update on 2018 City of Calgary Annual Report (Verbal), AC2019-0313

People in attendance during the Closed Meeting discussions with respect to Report AC2019-0313:

Administration: Clerk: K. Martin; Advice: G. Wiebe, C. Male; Observer: C. Smillie.

Non-Administration: Observer: K. Palmer, T. Nakka, H. Gill

Moved by Citizen Representative Dalton

That with respect to Report AC2019-0313, the following be approved:

That the Audit Committee

1. Receive Verbal Report AC2019-0313 for information; and
2. Direct that the Closed Meeting discussions remain confidential pursuant to Section 24 of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

9.2 URGENT BUSINESS

None

10. ADJOURNMENT

Moved by Citizen Representative Caltagirone

That this meeting adjourn at 12:06 p.m.

MOTION CARRIED

The following Items have been forwarded to the 2019 April 08 Combined Meeting of Council:

Consent

Code of Conduct Annual Report, AC2019-0307

Calgary Community Standards - Livery Transport Services Audit, AC2019-0278

Green Line Project Governance Audit, AC2019-0353

The next Regular Meeting of the Audit Committee is scheduled to be held on Tuesday, 2019 April 23 at 8:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

UNCONFIRMED

Chief Financial Officer's Report to
Audit Committee
2019 April 23

ISC: UNRESTRICTED
AC2019-0529

Control Environment Assessment and Management Representations Update

EXECUTIVE SUMMARY

This report provides the Audit Committee the annual update on the control environment, including matters with respect to financial reporting within The City.

ADMINISTRATION RECOMMENDATION:

That the Audit Committee:

1. Receives this report for information.
2. Directs that Attachment 3 and the closed session discussions remain confidential pursuant to Section 25(1)(b) and (c) of the *Freedom of Information and Protection of Privacy Act* to be reviewed by 2021, April 23.

PREVIOUS COUNCIL DIRECTION / POLICY

The Audit Committee's Terms of Reference (included in Bylaw 48M2012) states that the Committee is responsible for overseeing the integrity of The City's system of internal controls. The Committee is authorized to "review reports from Administration about The City's internal control systems, including technology, security and financial controls, and assess whether they are operating effectively."

The most recent annual Control Environment Assessment and Management Representations Update (AC2018-0368) was presented and received for information at the 2018 April 17 Audit Committee meeting.

On February 28, 2019, the City Auditor's Office presented an audit of the Control Environment Assessment and Management Representations process (AC2019-0214), including three recommendations. These recommendations were approved 2019, February 28. Administration has created action plans to implement these recommendations, and, following consultation with the members of the Audit Committee, will implement them over the course of 2019 and 2020.

BACKGROUND

Administration, through the Finance business unit, has provided an annual Control Environment Assessment and Management Representation Update since 2004. Since 2004, Administration has reported that the overall control environment over The City's financial reporting is effective. Administration is committed to continuous improvement.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The annual assessment of the control environment (Attachment 1) is based on the integrated internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission; the COSO Internal Control – Integrated Framework.

The COSO Internal Control - Integrated Framework is comprised of five inter-related components and 17 principles (See Attachment 2). The five components include: control environment, risk assessment, control activities, information and communication, and monitoring. These components can be described as:

Chief Financial Officer's Report to
Audit Committee
2019 April 23

ISC: UNRESTRICTED
AC2019-0529

Control Environment Assessment and Management Representations Update

"The *control environment* is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. ...

Risk assessment involves a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. ...

Control activities are the actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out. ...

Information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. *Communication* occurs both internally and externally and provides the organization with information needed to carry out day-to-day controls. ...

Monitoring Activities: Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control, including controls to effect the principles within each component, is present and functioning."

(Internal Control – Integrated Framework, COSO, 2013 May, pages 12-14).

For internal controls to be deemed effective, each of the five components of internal control and relevant principles must be present and functioning and the five components operating together in an integrated manner. (Internal Control – Integrated Framework, COSO, 2013 May, p.18).

Business unit Finance Managers and Directors self-assessed whether the internal controls they are accountable for are present and functioning; these assessments were used to determine the effectiveness of the overall system of internal controls over The City's financial reporting.

Based on this assessment outlined in Attachment 1, Administration's conclusion is that the comprehensive system of internal controls over The City's financial reporting is effective, while noting that there is a deficiency specific to revenue recognition related to capital financing.

This deficiency resulted in delayed recognition of revenues associated with capital deposits, which include government grants and developer contributions which are used to fund capital projects. While this had a material effect on The City's financial reporting which was detected and corrected prior to the release of the 2018 year-end financial statements, it was conservative in nature in that revenue was under-recognized. There was no effect on service delivery, capital project costs and timelines, or on The City's cash balances, fees, rates, or property taxes.

Certain opportunities for improvement were identified at the individual internal control level. These opportunities for improvement do not impact the overall effectiveness of the system of internal controls over financial reporting. Administration is committed to continuous improvement of internal control processes, and appropriate resources are being assigned as required. Attachment 3 contains the opportunities for improvement that need to be presented in a closed session.

A deficiency has been identified around internal control activities relating to financial reporting as a result of the discovery of timing differences relating to financing entries for capital expenditures. Refer to Attachment 4 for further information.

**Chief Financial Officer's Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0529**

Control Environment Assessment and Management Representations Update

The City Manager, Chief Financial Officer (CFO), General Managers (GMs), Directors and the City Treasurer sign the internal Management Representation Letters (MRLs) as part of the annual financial reporting process. The internal MRLs are management's declarations indicating that the financial statements are fairly presented in all material respects, and in accordance with Canadian Public Sector Accounting Standards. Administration's representations are also relied upon by the external auditor during the annual audit process.

The City Manager and CFO sign the external auditor MRL representing that to the best of their knowledge and belief, the financial statements are accurate and represent the financial position and activities of The City. They rely in part on the representations made within each business unit (i.e., the cascading representations). Individuals in the business units are responsible for those items that they should have reasonably been aware of, given their position and responsibilities.

Stakeholder Engagement, Research and Communication

The content and recommendations of this report were developed by obtaining information from self-assessments conducted on internal controls from various business units, represented by Directors, Finance Managers and other control and process experts; including updates on further actions committed to in the prior year's report. These control and process experts are responsible for managing, monitoring and updating the internal controls in their area.

Business unit Directors have approved the contributions made by their staff to this report. Upon request, detailed information on items included in Attachment 1 is available from the respective areas.

Strategic Alignment

Effective internal controls are embedded in the financial reporting processes within The City. These internal controls, along with the annual management representations, align with Council's priority of a well-run city.

Social, Environmental, Economic (External)

No implications have been identified with this report.

Financial Capacity

Current and Future Operating Budget:

There are no budget implications as a result of this report.

Current and Future Capital Budget:

No implications as a result of this report.

Risk Assessment

The City has maintained its high investment grade credit rating of AA+ from Standard & Poor's and R-1 (High) and AA (High) from DBRS Limited which is an important indicator that The City is well-managed and financially stable. The City's 2017 Annual Report received the Canadian Award for Financial Reporting from the Government Finance Officers Association (GFOA) in

Chief Financial Officer's Report to
Audit Committee
2019 April 23

ISC: UNRESTRICTED
AC2019-0529

Control Environment Assessment and Management Representations Update

recognition of excellence in government accounting and financial reporting. The City was also a winner of the 2017 GFOA Distinguished Budget Presentation Award. The City will apply for the 2018 awards, and will endeavour to ensure that all requirements are met.

The City's rating and reputation could be at risk if a significant breakdown in internal controls over financial reporting impacted The City's ability to achieve its financial reporting objectives.

The presence of an appropriate governance structure will allow management to provide reasonable (but not absolute) assurance of The City's ability to achieve its objectives. As such, The City's Control Environment Assessment and Management Representations Update provides greater confidence to the citizens of Calgary.

REASON(S) FOR RECOMMENDATION(S):

As a component of overall corporate governance practice, this annual Control Environment Assessment and Management Representations Update ensures that Audit Committee is informed on the processes to gather information regarding the effective functioning of financial controls and to report those areas where internal controls are effective and those areas where effective internal controls are evolving.

ATTACHMENT(S)

1. Attachment 1 – Control Environment Assessment
2. Attachment 2 – Components & Principles of Effective Internal Control
3. Attachment 3 – Opportunities for Improvement (Confidential)
4. Attachment 4 – Deficiency Identified

CONTROL ENVIRONMENT			
Principle 1: Demonstrates Commitment to Integrity and Ethical Values (Control Environment)		Contributors	Management's Assessment of Internal Control Principle
The organization demonstrates a commitment to integrity and ethical values.		<div>• City Manager's Office</div> <div>• Human Resources</div> <div>• Integrity & Ethics Office</div> <div>• City Auditors' Office</div> <div>• Supply Management</div> <div>• Environmental & Safety Management</div>	<div>Present and Functioning?</div> <div>YES</div>
<div>Points of Focus</div> <div><div>• Sets the Tone at the Top—The board of directors and management at all levels of the entity demonstrate through their directives, actions, and behaviour the importance of integrity and ethical values to support the functioning of the system of internal control.</div><div>• Establishes Standards of Conduct—The expectations of the board of directors and senior management concerning integrity and ethical values are defined in the entity's standards of conduct and understood at all levels of the organization and by outsourced service providers and business partners.</div><div>• Evaluates Adherence to Standards of Conduct—Processes are in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct.</div><div>• Addresses Deviations in a Timely Manner—Deviations of the entity's expected standards of conduct are identified and remedied in a timely and consistent manner.</div></div>			
Controls Applicable to Principle 1			
Identification No.	Internal Control Description	Further Actions Planned	
01-001 (also refer to 04-001) <i>City Culture</i>	<div>The City has a vision statement, common purpose and behaviours to clearly reflect the essential qualities that we look for, recognize and develop in staff and leaders. The 4Cs are the essential qualities of our organization: Character, Competence, Commitment, Collaboration. These have been endorsed by the Administrative Leadership Team (ALT), and discussed with the Corporate Management Team and have been reinforced with Council through the Council orientation process. A toolkit is available to leaders and supervisors to support the dialogue regarding corporate culture and the 4Cs.</div> <div>The Corporate Employee Survey includes questions on the 4Cs, culture, diversity, and inclusion. The City's ALT will review and monitor the actions resulting from findings of the 2018 Corporate Employee Survey.</div> <div>The City has a values-based Code of Conduct, which supports the desired corporate culture and guides service delivery in an effective and ethical manner. In 2018, training for the Code of Conduct was refreshed and made mandatory. All City employees were to complete the new Code of Conduct training by Dec. 31, 2018.</div>	<div>The City's ALT will review and monitor the actions resulting from findings of the 2018 Corporate Employee Survey.</div> <div>The City's ALT will ensure all City staff have completed Code of Conduct Training.</div>	
01-002 (also refer to 04-001) <i>Code of Conduct</i>	<div>The City's Code of Conduct (the "Code") contributes to appropriate behaviours and effective controls. The Code was refreshed in 2016. It is values driven and reflects our 4Cs and associated defined behaviours. The refreshed Code provides direction, tools, resources and principles to guide behaviour and decision making. The refreshed code was launched on the calgary.ca website in March 2017 as a full accessible micro-site. There is an accessible document that was created and distributed using a comprehensive enterprise-wide awareness campaign and was delivered in Q1 2017. Mandatory Code of Conduct training was developed (2017) and rolled out to the organization (2018). The training provides direction, tools, resources and principles to guide behaviour and decision-making; including, a decision making tree, and scenario-based examples to support employees and leaders understanding of the Code and its underlying policies. The training has been offered in two forms; eLearning, for employees with computer access and facilitated sessions for employees without computer access.</div> <div>The City Manager has Executive Sponsorship for the Code, with governance responsibilities delegated to the Chief Financial Officer and Chief Human Resources Officer. Updates on the Code of Conduct are presented annually to the Audit Committee.</div>	The Code of Conduct training will be completed in 2019 Q1. In 2019 Human Resources will develop a sustainment strategy for Code of Conduct education and awareness.	

01-003 <i>Council Integrity</i>	<p>Bylaw 26M2018, the Code of Conduct for Elected Officials Bylaw, was approved by City Council on May 28, 2018. This bylaw establishes the rules of conduct that a member of council must follow in the discharge of their office. This bylaw replaced, further formalized, and codified the Ethical Conduct Policy, CP2017-03. The bylaw's development was guided by the Alberta Provincial Regulation AR 200/2017, which establishes a set of matters that a code of conduct bylaw must address.</p> <p>The Code of Conduct for Elected Officials Bylaw addresses the requirements of elected officials when they are representing or communicating on behalf of The City, requirements for respecting the decision-making process and adherence to policies, procedures and bylaws, requirements for respectful interaction with other elected officials, staff, the public, and others, requirements for the management of confidential information, requirements around conflicts of interest and the improper use of influence or municipal assets, and requirements around what elected officials should and should not do during an election.</p> <p>Council appointed an Integrity Commissioner with a mandate of receiving, investigating, adjudicating and reporting on allegations of misconduct by Members of Council; and an Ethics Advisor with a mandate to provide legal and ethical advice to Members of Council and to assist the Integrity Commissioner in resolving issues when requested by him to do so.</p>	Following the departure of the incumbent Ethics Advisor effective January 31, 2019, The City has been in the process of recruiting a new Ethics Advisor.
01-004 <i>Citizen Member Code of Conduct</i>	City Council has a Code of Conduct for Citizen Members Appointed to Council Established Boards, Commissions and Committees. This Code of Conduct provides minimum standards of behaviour expected of all Citizen Members appointed to Council Established Boards, Commissions and Committees.	The City Clerk's Office will perform further review on this Code to include any new requirements arising from the update of the Municipal Government Act.
01-005 <i>Integrity Reporting Process</i>	The City implemented a Whistle-blower Program in 2007. The City Auditor and the City Manager are responsible for the development, implementation and maintenance of an effective Whistle-blower Program. Council Policy CC026 includes the requirement for the City Auditor to report, at least on an annual basis, information related to reports received and investigations conducted during the year through the Audit Committee.	
01-006 <i>Procurement Integrity</i>	<p>The City has a Sustainable Environmental & Ethical Procurement Policy (SEEPP), which includes a Supplier Code of Conduct. The policy represents a triple bottom line approach that requires Administration to consider the ethical, environmental, and economic aspects of purchasing goods or services. Environmental & Safety Management provides environmental expertise to support Supply implementing this policy.</p> <p>Supply Management continues to participate in the Municipal Collaboration for Sustainable Procurement (MCSP) network on the Steering Committee and through the membership to share best practices in municipal sustainable purchasing programs.</p>	The Corporation adheres to SEEPP through a variety of mechanisms including Supplier code of conduct, prequalification, evaluation criteria and RFX template language. This Council Policy is under review by Supply Management, with the support of Environmental & Safety Management. As part of this review, Supply Management completed a survey of Council and will now begin engagement on this policy with other relevant stakeholders. The review of SEEPP is expected to be complete in Q4 2019. In addition, Social Procurement will be incorporated into the SEEPP policy after the three-year Social Procurement pilot project is complete (exp. End of 2021).

Principle 2: Exercises Oversight Responsibility (Control Environment)		Contributors	Management's Assessment of Internal Control Principle	
The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.		<div>• City Clerk's Office</div> <div>• Executive Assistant to the Audit Committee</div> <div>• Chief Financial Officer</div> <div>• City Auditor's Office</div> <div>• Human Resources</div> <div>• Finance</div>	Present and Functioning?	YES
<div>Points of Focus</div> <div><div>• Establishes Oversight Responsibilities</div><div>—The board of directors identifies and accepts its oversight responsibilities in relation to established requirements and expectations.</div><div>• Applies Relevant Expertise</div><div>—The board of directors defines, maintains, and periodically evaluates the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions.</div><div>• Operates Independently</div><div>—The board of directors has sufficient members who are independent from management and objective in evaluations and decision making.</div><div>• Provides Oversight for the System of Internal Control</div><div>—The board of directors retains oversight responsibility for management's design, implementation, and conduct of internal control:<div><div>– Control Environment</div><div>—Establishing integrity and ethical values, oversight structures, authority and responsibility, expectations of competence, and accountability to the board.</div><div>– Risk Assessment</div><div>—Overseeing management's assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control.</div><div>– Control Activities</div><div>—Providing oversight to senior management in the development and performance of control activities.</div><div>– Information and Communication</div><div>—Analyzing and discussing information relating to the entity's achievement of objectives.</div><div>– Monitoring Activities</div><div>—Assessing and overseeing the nature and scope of monitoring activities and management's evaluation and remediation of deficiencies.</div></div></div></div>				
Controls Applicable to Principle 2				
Identification No.	Internal Control Description		Further Actions Planned	
02-001 <i>Council Independence</i>	In accordance with the Municipal Government Act, City Council functions as The City's body of directors. As a democratically elected body through the Local Authorities Election Act, it is independent from Administration.			
02-002 <i>Council Structure</i>	There are over 75 boards, commissions and committees in place to assist City Council in its governance role. Among these are the four Standing Policy Committees and the Priorities and Finance Committee. The Priorities and Finance Committee provides oversight over financial planning and reporting, corporate policy, governance, and other critical functions.			
02-003 <i>Audit Committee Bylaw</i>	<div>Bylaw 48M2012 assigns the Audit Committee an oversight role over The City's internal control processes. The Audit Committee receives reports from Administration regarding The City's internal control systems, policies and procedures. The Audit Committee is authorized to report and recommend to Council any actions or decisions regarding The City's internal control system that it deems appropriate.</div> <div>The Audit Committee is required to review the Audit Committee Bylaw at least once every three years to ensure the Bylaw reflects best practices in audit governance.</div>		A review of the Audit Committee Bylaw is part of the Work Plan for the Audit Committee in 2019.	
02-004 <i>Audit Committee Composition</i>	Audit Committee Bylaw 48M2012 provides Terms of Reference requiring that the three elector members be financially literate, and that at least one of them be a financial expert.			
02-005 <i>Audit Committee Reviews</i>	The Audit Committee has implemented periodic reporting on risk management, internal controls, internal audit, and code of conduct. The Audit Committee receives and reviews The City's annual financial statements and external auditor's reports and recommends for Council approval.			
02-006 <i>Audit Committee Self-Review</i>	The Audit Committee conducts an annual self-assessment reflecting industry best practices. An annual evaluation of the performance of The City's internal and external auditors is also conducted.			

02-007 CAO <i>Independence</i>	The City Auditor's Office is fully independent of Administration and reports directly to the Audit Committee. It is responsible for auditing areas of The City's operations as identified in the Audit Plan approved by Audit Committee. Reports from these audits (including Administration's response to recommendations) are presented to Audit Committee and released to the public through the Audit Committee agenda.	
02-008 CAO <i>Reporting</i>	On a quarterly basis, the Audit Committee receives a report from the City Auditor's Office reflecting the status of audit, advisory, and investigation activities performed over the interim period by the Office. These reports also provide an update on the status of Administration action on audit recommendations contained in previous audit reports.	
02-009 <i>Pension Governance Committee Responsibility</i>	Civic employees and elected officials qualify to belong to one or more multiemployer pension plans and defined-benefit pension plans provided by The City or in which The City participates. The Pension Governance Committee (PGC) reports annually to the Priorities and Finance Committee (PFC) through the City Manager on pension governance activities at The City, including information on the funded status of the registered defined benefit pension plans provided by The City and, if required, any plans to address unfunded pension liabilities. The PGC's Terms of Reference delineates the roles, responsibilities and limitations of the PGC. The PGC's Code of Conduct, which is reviewed and attested to annually by PGC members, establishes the ethical values to which PGC members adhere. PGC members review and attest to an annual self-assessment.	The current self-assessment document is scheduled to be updated in 2019 in relation to the Canadian Association of Pension Supervisory Authorities (CAPSA) best practices guidelines released in December, 2016. There is no legislated requirement to comply with the CAPSA document; it is a guideline only.

Principle 3: Establishes Structure, Authority, and Responsibility (Control Environment)		Contributors	Management's Assessment of Internal Control Principle	
Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.		<div>• City Manager's Office</div> <div>• Chief Financial Officer</div> <div>• Finance</div> <div>• Human Resources</div> <div>• Information Technology</div>	Present and Functioning?	YES
<div>Points of Focus</div> <div><div>• Considers All Structures of the Entity—Management and the board of directors consider the multiple structures used (including operating units, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives.</div><div>• Establishes Reporting Lines—Management designs and evaluates lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity.</div><div>• Defines, Assigns, and Limits Authorities and Responsibilities—Management and the board of directors delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization:<div><div>– Board of Directors — Retains authority over significant decisions and reviews management’s assignments and limitations of authorities and responsibilities</div><div>– Senior Management—Establishes directives, guidance, and control to enable management and other personnel to understand and carry out their internal control responsibilities</div><div>– Management—Guides and facilitates the execution of senior management directives within the entity and its subunits</div><div>– Personnel—Understands the entity’s standard of conduct, assessed risks to objectives, and the related control activities at their respective levels of the entity, the expected information and communication flow, and monitoring activities relevant to their achievement of the objectives</div><div>– Outsourced Service Providers—Adheres to management’s definition of the scope of authority and responsibility for all non-employees engaged</div></div></div></div>				
Controls Applicable to Principle 3				
Identification No.	Internal Control Description		Further Actions Planned	
03-001 <i>Annual Report Representations</i>	<div>The City Manager and Chief Financial Officer (CFO) provide representations in the annual report with regards to how their responsibilities are discharged. As part of this process, they rely on the cascading representations made within each business unit by General Managers, Directors, Finance Managers and Finance Leads.</div> <div>Senior managers across the organization are responsible for managing, monitoring and updating the risks and internal controls in their areas. They acknowledge this responsibility as it pertains to risks and internal controls impacting the BU's Financial Reporting when signing the annual Management Representation Letters.</div>			
03-002 <i>Management Representation Letters</i>	<div>A Management Representation Letter (MRL) overview, example, and tips document is provided to all those individuals required to sign MRLs to ensure they fully understand their responsibilities and accountabilities when providing their representations. This information is posted on the Financial Reporting intranet site. This ensures that all involved parties are making informed representations about the contents of the financial statements and are accountable for their accuracy.</div> <div>Corporate Financial Reporting has updated the MRL for items such as new accounting standards and representations around fraud, consistent with the external auditor's representation letter.</div>			
03-003 <i>Delegation of Authority</i>	<div>The City of Calgary operates under a defined delegated authority structure.</div> <div>The Municipal Government Act (MGA) outlines Councillors' duties, the Mayor's duties, and the duties of the City Manager. It also provides for the delegation of some of these duties. Some duties are delegated by way of bylaw, while others are delegated by Administration.</div>			
03-004 <i>Administrative Leadership Team</i>	<div>The City Manager's Office (CMO) will continue with its expanded Administrative Leadership Team (ALT) which includes the Chief Human Resources Officer, the Director of Customer Service & Communications and the Chief Information Technology Officer, and the Chief of Staff (CMO) to ensure additional participation in ALT deliberations about opportunities available to and risks facing the corporation.</div>		<div>The ALT has increased its attention to both governance and strategy with the Corporation and Council. The CMO is continuing to implement a series of changes to the ALT Weekly Meeting format with the intention of allowing more time on meeting agendas for strategic discussions on items of city-wide and corporate impact.</div>	
03-005 <i>Dept ID Structure</i>	<div>The City's organizational structure is defined and promotes accountability throughout the Corporation. Within Administration, the responsibility to manage people and budget, known as Dept ID Ownership, is delegated through a standard process.</div>		<div>To better serve our citizens, communities and customers, The City has moved from department-based plans and budgets to service-based plans and budgets for the 2019-22 business cycle. The City's Service Plans & Budgets were approved by Council in Q4 2018. As The City implements the Council-approved service-based plans and budgets, the responsibilities of Dept ID owners will not change.</div>	
03-006 <i>PeopleSoft Controls</i>	<div>The Enterprise Suite Program (PeopleSoft), which includes clear identification of DeptID and Process Owners, has further clarified authority and accountability. The Human Capital Management (HCM) System is the application within the PeopleSoft Suite that relates most directly to The City's assignment of responsibilities and authorities..</div> <div>Automated workflows and approvals are inherent within the design of the PeopleSoft HCM and Financials and Supply Chain Management (FSCM) systems.</div>			

Principle 4: Demonstrates Commitment to Competence (Control Environment)		Contributors	Management's Assessment of Internal Control Principle	
The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.		• City Manager's Office • Human Resources	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">Establishes Policies and Practices—Policies and practices reflect expectations of competence necessary to support the achievement of objectives.Evaluates Competence and Addresses Shortcomings—The board of directors and management evaluate competence across the organization and in outsourced service providers in relation to established policies and practices, and act as necessary to address shortcomings.Attracts, Develops, and Retains Individuals—The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives.Plans and Prepares for Succession—Senior management and the board of directors develop contingency plans for assignments of responsibility important for internal control.				
Controls Applicable to Principle 4				
Identification No.	Internal Control Description	Further Actions Planned		
04-001 (also refer to 01-001 and 01-002) <i>City Culture</i>	Refer to 01-001 and 01-002 in regards to the 4 Cs; the essential behaviours of our organization.			
04-002 <i>Recruitment Standards</i>	The City's Employment Policy, HR-031, sets forth The City's recruitment standards. It provides rules and processes to ensure that The City's recruitment, selection, appointment and promotion processes are of a high quality, focusing on the three principles of merit, objectivity and consistency to secure highly qualified staff.	Human Resources continues to use innovative and diverse recruiting channels to attract key talent, and continue to develop recruitment and onboarding strategies to build a strong, diverse and inclusive workforce. Metrics, customer input, and other marketing tools are used to analyze how best to reach job seekers and share The City's brand. A review of the Employment Policy is underway, with a new policy expected to be approved in 2019.		
04-003 <i>Compensation Policies</i>	The City's Compensation Policy, HR-TR-004 ("Compensation"), sets forth The City's compensation policies, including policies for evaluating positions to determine the necessary classification and compensating them accordingly. For management-exempt positions, the Compensation policy is supplemented by the Exempt Staff Policy.	A review of the Compensation Policy is underway, with expected amendments in 2020.		
04-004 <i>Corporate Workforce Strategies</i>	The City has instituted a Corporate Workforce Strategy to mitigate risks related to the attraction and retention of staff. The Corporate Workforce Strategy (CWS) includes plans and projects for Recruiting and Outreach, Diversity and Inclusion, Workforce Planning (including succession management) and Leadership Development, Performance Management, Career Development and Mentorship.	<p>The City will continue to promote from within as well as attract new staff to ensure that resource needs continue to be met. As well, The City will maintain its commitment to relevant professional development and certification of staff.</p> <p>The Corporate Workforce Strategy lays out action plans to address short, medium and long-term staff attraction and retention challenges that will continue to be implemented through the 2015-2018 Action Plan. These strategies will continue into the next business cycle with the implementation of a new Talent Management System (TMS) to start in 2019 which includes a Learning Management System, Succession Planning and Individual performance Development modules. The sustainment of the corporate wide TMS will be supported through the CWS program.</p> <p>The City will continue to lead inclusion initiatives to engage a diverse workforce that positions the organization</p> <p>The City will continue to lead inclusion initiatives to engage a diverse workforce that positions the organization as an employer of choice. To address Leadership Development, The City will be applying additional performance coaching techniques to improve supervisory-employee interactions and performance management, and continue to provide development opportunities for employees, supervisors and senior leaders.</p>		
04-005 (also refer to 14-004) <i>Learning & Development</i>	<p>Corporate Learning & Development (CL&D) programs educate leaders and employees about their responsibilities and how these are to be discharged in various areas. Currently there are four programs: Manager Leadership Development Program, Supervisory Leadership Development Program, City Specific Development Series and Individual Contributor Development Series.</p> <p>These programs deliver learning opportunities for all groups of employees to develop the skills required for municipal excellence. All new Dept ID Owners receive information on the HCM and FSCM system and how to access training.</p>	<p>Corporate Learning & Development launched The Emerging Leader Program and Leader Onboarding Program. Both programs provide resources to support new leaders understand their new role including their management responsibilities. A new learning and development framework has been approved, which will inform new employee and leadership development programs for the next business cycle. CL&D will be designing and developing new leadership programs for managers and supervisors which will be piloted in Q3 2019 with plans to implement these new programs into the next business cycle. New employee development programs are scheduled to be piloted in 2020.</p>		

04-006 <i>Mentorship</i>	The City has a number of mentoring opportunities through the Supervisory Leadership Development, Student Mentoring, Emerging Leader, and the Individual Contributor Development Programs and has developed an online toolkit for business unit support.	Mentorship activities will be embedded into the new leadership development programs to enhance the learning experience through social learning opportunities. CL&D will not be providing the student mentorship program moving forward into the new business cycle.
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Principle 5: Enforces Accountability (Control Environment)		Contributors	Management's Assessment of Internal Control Principle	
The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.		• Finance • Corporate Initiatives • Human Resources	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">Enforces Accountability through Structures, Authorities, and Responsibilities—Management and the board of directors establish the mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the organization and implement corrective action as necessary.Establishes Performance Measures, Incentives, and Rewards—Management and the board of directors establish performance measures, incentives, and other rewards appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives.Evaluates Performance Measures, Incentives, and Rewards for Ongoing Relevance—Management and the board of directors align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.Considers Excessive Pressures—Management and the board of directors evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities, develop performance measures, and evaluate performance.Evaluates Performance and Rewards or Disciplines Individuals—Management and the board of directors evaluate performance of internal control responsibilities, including adherence to standards of conduct and expected levels of competence and provide rewards or exercise disciplinary action as appropriate.				
Controls Applicable to Principle 5				
Identification No.	Internal Control Description	Further Actions Planned		
05-001 <i>Planning Cycle</i>	The multi-year business plan and budget process identifies the accountabilities for achieving The City's strategies and plans. In November 2018, Council approved the One Calgary 2019-2022 Service Plans and Budgets in accordance with the multi-year approach. This approach requires services to develop plans and budgets that reflect current internal and external trends affecting The City while linking to long-term strategies and plans.	The City is beginning its next budgeting cycle, titled One Calgary which will take effect for 2019-2022. Adjustments to the 2020, 2021 and 2022 service plans and budgets will be presented to Council in November 2019. This will be followed by a more comprehensive mid-cycle adjustment for the last 2 years of the cycle in November 2020 with a check-in with Council and the Public and then a final adjustment in 2021 for the last year of the cycle.		
05-002 <i>Accountability Reports</i>	The City's business plans and budget accountability reports establish and provide updates on approved performance measures and targets for City services. These performance measures are linked to Council's priorities set forth in the Action Plan. Status reports are presented to Council via Priorities and Finance Committee twice per year.	A new format for accountability reports was developed in Q1 2019 and the first accountability report for the 2019-2022 cycle will go forward in September 2019. This will be followed by the 2019 year-end report in March of 2020.		
05-003 <i>Exempt Staff Performance Evaluation</i>	For management exempt staff, performance is planned for, encouraged, developed, measured and rewarded through the Exempt Performance Development Process (EPDP). The EPDP requires setting objectives aligned with, and cascading down from, Council priorities and business plans and determines key performance measures around these objectives. Individual performance in support of these objectives are reviewed and evaluated at year end to make a Pay for Performance decision. Performance development tools and resources were revised in 2017 and are available to business leaders.	The implementation of a corporate wide talent management system in 2019, which includes an individual performance development module, will assist with integrating the employee lifecycle and promote continuous and active employee development and growth. The new system will also encourage consistent business processes and through creation of a single repository of Performance data, we will be better able to develop, analyze and understand our talent pool.		
05-004 <i>Union Staff Performance Evaluation</i>	The City's unionized staff are covered by ten collective agreements. While overall pay and benefit rates are determined through collective bargaining, it remains The City's right to exercise the regular and customary functions of management and to direct The City's workforce. This includes the ability to conduct performance reviews on an annual basis, and implement progressive discipline as part of any performance management activities that may be required. The City ensures compliance with the collective agreements and other legislative requirements and addresses challenges to collective agreements and discipline through the grievance and arbitration process. Human Resources is dedicated to reviewing and ensuring compliance with collective agreements, other legislative requirements, and the performance management process and aligning it to the Integrated Performance System.	Human Resources will continue to work with management and the unions to support and enforce the performance management process and address challenges to collective agreements, and discipline through the grievance and arbitration process.		

RISK ASSESSMENT			
Principle 6: Specifies Suitable Objectives (Risk Assessment)		Contributors	Management's Assessment of Internal Control Principle
The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.		<div>• Finance</div> <div>• Corporate Initiatives</div> <div>• Deputy City Manager's Office</div>	<div>Present and Functioning?</div> <div>YES</div>
<div>Points of Focus</div> <div>Operations Objectives</div> <div><div>• Reflects Management's Choices—Operations objectives reflect management's choices about structure, industry considerations, and performance of the entity.</div><div>• Considers Tolerances for Risk—Management considers the acceptable levels of variation relative to the achievement of operations objectives.</div><div>• Includes Operations and Financial Performance Goals—The organization reflects the desired level of operations and financial performance for the entity within operations objectives.</div><div>• Forms a Basis for Committing of Resources—Management uses operations objectives as a basis for allocating resources needed to attain desired operations and financial performance.</div></div> <div>External Financial Reporting Objectives</div> <div><div>• Complies with Applicable Accounting Standards—Financial reporting objectives are consistent with accounting principles suitable and available for that entity. The accounting principles selected are appropriate in the circumstances.</div><div>• Considers Materiality—Management considers materiality in financial statement presentation.</div><div>• Reflects Entity Activities—External reporting reflects the underlying transactions and events to show qualitative characteristics and assertions.</div></div> <div>External Non-Financial Reporting Objectives</div> <div><div>• Complies with Externally Established Standards and Frameworks—Management establishes objectives consistent with laws and regulations, or standards and frameworks of recognized external organizations.</div><div>• Considers the Required Level of Precision—Management reflects the required level of precision and accuracy suitable for user needs and as based on criteria established by third parties in non-financial reporting.</div><div>• Reflects Entity Activities—External reporting reflects the underlying transactions and events within a range of acceptable limits.</div></div> <div>Internal Reporting Objectives</div> <div><div>• Reflects Management's Choices—Internal reporting provides management with accurate and complete information regarding management's choices and information needed in managing the entity.</div><div>• Considers the Required Level of Precision—Management reflects the required level of precision and accuracy suitable for user needs in non-financial reporting objectives and materiality within financial reporting objectives.</div><div>• Reflects Entity Activities—Internal reporting reflects the underlying transactions and events within a range of acceptable limits.</div></div> <div>Compliance Objectives</div> <div><div>• Reflects External Laws and Regulations—Laws and regulations establish minimum standards of conduct which the entity integrates into compliance objectives.</div><div>• Considers Tolerances for Risk—Management considers the acceptable levels of variation relative to the achievement of compliance objectives.</div></div>			
Controls Applicable to Principle 6			
Identification No.	Internal Control Description	Further Actions Planned	
06-001 Objective Setting	The City has a structured objective setting process that flows from Citizen priorities (approved by Council) to service plans and budgets. Citizen priorities guide the development and implementation of service plans, and are reflected in the One Calgary 2019-2022 Service Plans and Budgets.	<div>Administration will continue to provide Accountability reports to Council (via PFC) twice per year, except where directed otherwise by Council.</div> <div>Annual adjustments to the service plans and budgets will also be conducted, including a mid-cycle adjustments process. Adjustments to meet the needs of Council, citizens, and management related to changes in the external environment can be made during the annual process.</div>	
06-002 Internal Innovation Support	Civic Innovation YYC works to catalyze the organization to adapt to the changing needs of our citizens. In training the organization on tools in human centered design and design thinking, the program has developed capacity for change in the organization. Linking the work of this team to One Calgary, they are supporting adaptation within service lines, challenging the ways the city has traditionally done business and working collaboratively with our partners including post secondary, industry and citizens through the service lines and programming.	The City's Civic Innovation YYC has shifted to support One Calgary and Skills and Learning related to innovation skill sets and tools which allow staff to find efficiencies and provide opportunities to test the effectiveness of their services.	

06-003 <i>Zero-Based Reviews</i>	Council has approved a program of service reviews (Zero-Based Reviews (ZBRs)) to: increase the value Calgarians get from their tax dollars by improving the efficiency, effectiveness and sustainability of services; and build the organization's capacity for continuous service improvement. As of December 31, 2018, ten ZBRs have been completed covering approximately 75% of The City's gross operating expenditures.	ZBRs are currently underway in Law, Supply, and the Shared Challenges of Internal Services. These ZBR's will be presented to Council in future report cycles as they are completed in 2019 and 2020 in conjunction with continued reporting on progress from the previous ten ZBR's.
06-004 <i>Long Range Planning</i>	The City has a 10-year Long-Range Financial Plan, including projections of operating and capital revenues and expenditures, and financial goals and strategies that will move the organization towards financial sustainability in the long-term.	The Long-Range Financial Plan (LRFP) will be maintained and revised. Finance is exploring changes to the administration of the LRFP to enhance responsiveness to business needs and anticipates that enhancements will be made over the course of the next business cycle.
06-005 <i>Capital Investment Controls</i>	Infrastructure Calgary provides governance and oversight over The City's Capital Infrastructure Investment Strategy and Capital Investment Plan. The focus of the program is coordination and alignment of The City's capital investment to help strengthen decision making and optimize investment. Infrastructure Calgary reports on the value of The City's capital investment, addresses risk and helps ensure there are sufficient resources to deliver projects on time, on budget and within scope.	<p>The Corporate Governance Review is planned to be completed by the end of Q3 2019, and includes a review of the corporate governance model for capital groups across the organization.</p> <p>Infrastructure Calgary will continue to support capital investment stakeholders through timely, accessible, transparent access to investment information at a corporate portfolio level through monthly reporting, One Calgary accountability reporting on capital, and will conduct a capital investment reporting review and recommendations to streamline/avoid duplication in reporting efforts.</p>
06-006 <i>Municipal Government Act Financial Information Reporting</i>	<p>The City of Calgary ("The City") is a municipality in the Province of Alberta incorporated in 1884 as a town and in 1894 as a city and operates under provisions of the Municipal Government Act. Each municipality must prepare a financial information return respecting the financial affairs of the municipality for the immediately preceding calendar year.</p> <p>The consolidated financial statements of The City are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS").</p>	The 2018 Annual Report will be presented to Audit Committee in April 2019.

Principle 7: Identifies and Analyzes Risk (Risk Assessment)		Contributors	Management's Assessment of Internal Control Principle	
The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.		<ul style="list-style-type: none">• City Manager's Office• Chief Financial Officer• Corporate Initiatives<ul style="list-style-type: none">• Law• Environmental & Safety Management• Deputy City Manager's Office	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">• Includes Entity, Subsidiary, Division, Operating Unit, and Functional Levels—The organization identifies and assesses risks at the entity, subsidiary, division, operating unit, and functional levels relevant to the achievement of objectives.• Analyzes Internal and External Factors—Risk identification considers both internal and external factors and their impact on the achievement of objectives.• Involves Appropriate Levels of Management—The organization puts into place effective risk assessment mechanisms that involve appropriate levels of management.• Estimates Significance of Risks Identified—Identified risks are analyzed through a process that includes estimating the potential significance of the risk.• Determines How to Respond to Risks—Risk assessment includes considering how the risk should be managed and whether to accept, avoid, reduce, or share the risk.				
Controls Applicable to Principle 7				
Identification No.	Internal Control Description	Further Actions Planned		
07-001 <i>Integrated Risk Management Policy</i>	<p>Council's Integrated Risk Management Policy (CC011) reflects the importance of risk tolerance in managing risk. City Administration has developed risk appetite statements for the Principal Corporate Risks. These statements will serve as guidelines to direct the organization in its assessment and management of risks.</p> <p>The City Manager is responsible for overseeing activities within Administration related to Council's Integrated Risk Management (IRM) policy. This ensures that there is a systematic approach to risk identification and mitigation across the organization. Two reports are provided to the Audit Committee annually - one in January that focuses on The City's Principle Corporate Risks and one in July that focuses on the IRM Model and Framework.</p> <p>The Executive Leadership service line is responsible for the 16 Principal Corporate Risks with members of the Administrative Leadership Team as risk owners. The City Manager will continue to present the Annual Principal Corporate Risk Report to the Audit Committee. Executive Leadership will continue to develop The City's Risk Management program by developing risk appetite and tolerance statements for the Principal Corporate Risks.</p>			
07-002 <i>Integrated Risk Management Education Support</i>	<p>The IRM framework, guidelines, process, tools and resources are available to employees on the IRM website. In addition, specific guidelines for report writers of Council and Committee reports are available to support the required risk disclosure within reports along with the recommended risk treatment.</p> <p>An Integrated Risk Management (IRM) City Specific Program Learning for Municipal Excellence (LFME) course is available to all employees to take to enhance their knowledge and understanding of The City's approach to effective risk management.</p> <p>IRM offers "Delivered to your Doorstep" seminars to help business units with the identification of risk as well as one-on-one meetings with business units who require additional assistance.</p>	Materials, guidelines, tools and resources are being updated to reflect continuous improvement to the Integrated Risk Management (IRM) Program and in support of risk management practices. The IRM City-Specific course is being updated to be available on-line for more timely access to training and information for all employees.		

07-003 <i>Risk Registers</i>	<p>Risk management was embedded into the 2015-2018 Action Plan with risks to the business plans identified.</p> <p>The Administrative Leadership Team (ALT) requires that an updated risk register be maintained by each department which is reviewed twice per year. Each department has developed a risk profile identifying their objectives and the risks to achieving those objectives.</p> <p>Updated Departmental Risk Registers were submitted for review and consolidation by the IRM Team. Selected risk information was reviewed by ALT and formed the primary information basis for populating the Principal Corporate Risk Register and the City Manager's Annual Principal Corporate Risk Report to Council.</p> <p>ALT holds twice-yearly discussions on risk. Similarly, department management teams hold twice-yearly discussions on risk, at a minimum.</p>	
07-004 <i>Corporate Issues Management</i>	<p>The Corporate Issues Management Program is housed in Law. The Manager of that Program works with senior leaders to identify issues, risks and risk prevention and mitigation strategies that are drawn to the attention of ALT weekly by the City Solicitor and General Counsel.</p>	
07-005 <i>Risk Reporting - By Department</i>	<p>The IRM model and framework have been designed using current CSA/ISO Standards and continue to reflect best practice.</p> <p>As part of the policy, all presentations to Council or Committees must include disclosure of significant risks, with alternatives and the recommended course of action presented, if applicable.</p> <p>Information Technology (IT) presents an annual Information Technology Risk Management Report to the Audit Committee. Risk management and controls for the use of information technology are the responsibility of all levels in the organization. Jointly, IT, Corporate Security and departments manage security information risks through setting and monitoring corporate policies and procedures.</p> <p>The City Solicitor and General Counsel provides an annual legal services, risk management and claims and corporate security report to the Audit Committee and Council.</p> <p>Environmental & Safety Management (ESM) communicates corporate environmental and safety risks to Corporate Initiatives twice per year through the IRM process. ESM also provides a semi-annual Corporate Environmental, Health & Safety (EHS) Report to the Administrative Leadership Team (ALT) and Utilities & Corporate Services (UCS) Committee.</p>	
07-006 <i>Climate Change Risk Management</i>	<p>Environmental & Safety Management (ESM) provides safety and environmental oversight and manages and mitigates safety and environmental risk through policies, practices, guidance, governance, systems (SDMS) and expertise.</p> <p>In February 2017, Environmental & Safety Management outlined a formal, five step-approach climate change program. The program includes providing information and risks to Council and the ALT to enable informed decision-making, leadership, and governance; the development of capacity to ensure analyses, evaluations and recommendations at The City to consider the risks and opportunities of climate change; alignment of climate actions within The City and the broader community through a climate resilience plan; integration with City budgets and plans, intergovernmental projects and organizations; and public outreach and education. ESM continues to use this approach to develop strategies and actions for climate resilience and to ensure that The City mitigates and adapts to the risk of climate change.</p>	<p>Scheduled for 2019 the Certificate of Recognition (COR) Audit will be completed across the corporation. This occurs every three years. In addition we will continue supporting the corporation related to safety initiatives, including work related to SDMS and ISO14000.</p> <p>The City has committed to implement 132 actions related to the climate change program over the 2019-2022 period as part of One Calgary.</p>
07-007 <i>Infrastructure Condition Risk Management</i>	<p>The Asset Management Policy (GN-001) requires the corporation to report infrastructure condition/service risk and recommend asset investment to Council to achieve acceptable levels of risk. This Asset Management policy is also a link to the corporation's Tangible Capital Asset financial policy.</p> <p>An Infrastructure Status Report is prepared on a 4 year cycle in alignment with business planning and budgeting processes.</p>	<p>The 2017 Infrastructure Status Report was presented to Council in Q1 2018. Admin working with Infrastructure Calgary to develop 2019-22 Workplan including format and timing of future reports.</p>

Principle 8: Assesses Fraud Risk (Risk Assessment)		Contributors	Management's Assessment of Internal Control Principle	
The organization considers the potential for fraud in assessing risks to the achievement of objectives.		<div>• Chief Financial Officer</div> <div>• City Auditor's Office</div> <div>• Finance</div> <div>• Supply Management</div> <div>• Corporate Security</div>	Present and Functioning?	YES
Points of Focus <div><div>• Considers Various Types of Fraud</div>—The assessment of fraud considers fraudulent reporting, possible loss of assets, and corruption resulting from the various ways that fraud and misconduct can occur.</div> <div><div>• Assesses Incentive and Pressures</div>—The assessment of fraud risk considers incentives and pressures.</div> <div><div>• Assesses Opportunities</div>—The assessment of fraud risk considers opportunities for unauthorized acquisition, use, or disposal of assets, altering of the entity's reporting records, or committing other inappropriate acts.</div> <div><div>• Assesses Attitudes and Rationalizations</div>—The assessment of fraud risk considers how management and other personnel might engage in or justify inappropriate actions.</div>				
Controls Applicable to Principle 8				
Identification No.	Internal control description		Further Actions Planned	
08-001 <i>Risk Ownership</i>	All employees are responsible for managing risks within their respective areas and the Integrated Risk Management (IRM) Framework contains several risk categories. Under IRM, fraud risk is included as part of the financial risks to funds and budgets and, as such, is included in IRM evaluations.			
08-002 <i>City Auditor's Office - Audit Function</i>	The City Auditor's Office performs audits, as identified in the Audit Plan approved by Audit Committee, in conformance with IIA International Professional Practices Framework. One of the standards includes (2120.A2), "the internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk". An External Assessment to independently validate that conformance is maintained, as prescribed by the IIA, is conducted at least every five years. The last External Assessment was completed in 2017, with confirmation of conformance.			
08-003 <i>Whistle-blower Program Reporting</i>	Council Policy CC026 includes the requirement for the City Auditor to report, at least on an annual basis, information related to reports received and investigations conducted during the year to Council through Audit Committee.			
08-004 <i>Fiscal Year-end Fraud Reporting</i>	As part of the year-end audit process, there are two formal activities for identification of fraud risk utilizing documentation and set inquiries. The first is an enquiry made by the external auditor to senior management with the response confidentially returned to the external auditor. The second is through the Management Representation Letter process where the Chief Security Officer coordinates actual, alleged or suspected fraud instances which are reviewed by business unit management and are presented to the Chief Financial Officer and City Manager. According to the latest assessment, the risk of material misstatement due to fraud is considered low.			
08-005 <i>Supply Management Fraud Controls</i>	<div>Supply Management takes a proactive and collaborative approach to working with business units to determine a compliant approach for their procurement needs. Supply Management exercises an escalation process when potential concerns are raised. A Procurement Irregularity Process is in place to recognize and escalate procurement activities of concern.</div> <div>On the inventory management function, Supply Management has implemented a systematic process for cycle counting all corporate inventory items at least once a year.</div>		Supply Management is actively working on the development of a new Procurement Policy, which includes the procurement irregularity process as well as a comprehensive roles and responsibilities section.	
08-006 <i>Corporate Credit Card</i>	The City has a Corporate Credit Card control process that combines clear accountabilities and authorization protocols, system-side restrictions and a risk-based audit process to ensure that the risk of fraudulent use of the Corporate Credit Card is minimized.		<div>Accounts Payable has introduced a new online corporate credit card management tool and is exploring additional functionality and reporting capability within the tool to further enhance the operation of the Corporate Credit Card program. Risk mitigation will be a primary consideration in any potential changes to functionality.</div> <div>The corporate credit card process was audited in 2017. Accounts Payable has completed most recommendations and is in the process of responding to the remainder, with anticipated completion of outstanding recommendations by 2019 April 30.</div>	

08-007 <i>Corporate Security Systems</i>	<p>Corporate Security has both internal Physical Security Sections and a Security Operation Sections dedicated to running physical security programs and enterprise security systems for The City.</p> <p>Corporate Security has implemented mandatory physical security standards which are integrated into all physical infrastructure projects. Threat Risk Assessments and security audits are conducted regularly on critical infrastructure.</p> <p>Corporate Security has implemented enterprise security systems including access control, security cameras and control of keys. These systems are monitored 24/7 from a dedicated Integrated Security Control Centre.</p>	Please refer to Attachment 3.
08-008 <i>Fraud Detection</i>	Corporate Security has identified categories of fraud and, to the extent it is resourced to do so, performs some proactive fraud queries. Data is normalized and analyzed for instances and indicators of fraud, theft and malfeasance before being referred for investigation.	Please refer to Attachment 3.
08-009 <i>Incidents and Investigations</i>	<p>Corporate Security has an internal Investigations Section, which operates autonomously and independently of other business units, dedicated to investigating allegations of fraud, theft and malfeasance. Reports are sent to Directors of business units for action.</p> <p>Reports of incidents including allegations of fraud are made directly to Corporate Security or referred by The City's Whistleblower Line. Where investigations reveal gaps in internal controls and business processes, these are identified in the reports as recommendations.</p> <p>Corporate Security uses an incident management system to track the number of incidents, losses and recoveries. Corporate Security conducts trend analysis on incidents and investigations to direct future security operations to prevent fraud, theft and malfeasance.</p>	Please refer to Attachment 3.
08-010 <i>Criminal Checks and Vendor Due Diligence</i>	<p>Corporate Security conducts police criminal checks on potential employees in the pre-hiring stage for positions identified by the business units and Human Resources.</p> <p>Comprehensive vendor due diligence investigations are carried out by Corporate Security when directed by Supply or other business units.</p> <p>Corporate Security conducts police criminal checks (or receives confirmation from third party vendors) on individual contractors.</p>	<p>Corporate Security is exploring a formalized Employee / Contractor Security Clearance and Due Diligence Program by Q3 2019 for employees and contractors and by Q4 2019 for vendors.</p> <p>Please also refer to Attachment 3.</p>

Principle 9: Identifies and Analyzes Significant Change (Risk Assessment)		Contributors	Management's Assessment of Internal Control Principle	
The organization identifies and assesses changes that could significantly impact the system of internal control.		<div>• Deputy City Manager's Office</div> <div>• Finance</div> <div>• Corporate Initiatives</div> <div>• Law</div>	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">Assesses Changes in the External Environment—The risk identification process considers changes to the regulatory, economic, and physical environment in which the entity operates.Assesses Changes in the Business Model—The organization considers the potential impacts of new business lines, dramatically altered compositions of existing business lines, acquired or divested business operations on the system of internal control, rapid growth, changing reliance on foreign geographies, and new technologies.Assesses Changes in Leadership—The organization considers changes in management and respective attitudes and philosophies on the system of internal control.				
Controls Applicable to Principle 9				
Identification No.	Internal Control Description	Further Actions Planned		
09-001 <i>Annual Budget Adjustments</i>	As part of the four-year business plan and budget cycle, The City has an annual adjustments process intended to respond to shifts in the internal and external environment requiring changes to multi-year business plans, budgets, and performance measures.	The next adjustment will take place in 2019, for the 2020 year budget and is anticipated to be more in-depth than a typical adjustment in the first year of a cycle, in response to Council's direction during budget deliberations.		
09-002 <i>External Financial Reporting Standards</i>	Corporate Financial Reporting stays abreast of future accounting standard changes by reviewing and researching external resources to identify potential changes to accounting standards. Financial Reporting determines any process and accounting changes required to ensure The City will be compliant.	The City's financial statements will continue to incorporate any new and amended accounting standards as they become effective.		
09-003 <i>Economic Forecasting</i>	As a part of the Chief Financial Officer's Department, Corporate Economics and Regulatory Affairs section assists The City of Calgary in the decision making process by providing services in the area of economic forecasting, research, analysis and information on economic indicators. Through analysis of economic trends and generation of forecast estimates, the section identifies potential barriers or developments that could become challenges, for Calgarians or the Corporation, and then alerts Council and Administration.			
09-004 <i>Regulatory Representation</i>	<p>The Corporate Economics and Regulatory Affairs (CERA) section represents the interests of The City before regulatory agencies such as the Alberta Utilities Commission (AUC) and the Canadian Radio-television and Telecommunications Commission (CRTC). The Gas, Power & Telecommunications (GPT) Committee provides oversight of the activities of the CERA section.</p> <p>Law provides legal advice to the CERA section and GPT committee on an as-requested basis, including about regulatory issues involving or before the CRTC. CERA also consults with external counsel on regulatory issues at the Alberta Utilities Commission. CERA works with other stakeholders in development of Provincial Regulatory Policies.</p>			
09-005 <i>Legal Issues and Claims</i>	Law is responsible for providing legal, claims and risk management and issues management services to the Mayor and Council, City Manager and General Managers and business units throughout the corporation. Law seeks early involvement in client initiatives in order to be able to assist in the on time, on budget achievement of clients' objectives while ensuring that risk for the corporation is identified and appropriately managed.	All Sections and Divisions within Law are participating in Law's Zero-Based Review. Law will be responsive to potential recommendations that may emerge over the course of the ZBR.		
09-006 <i>Integrated Risk Management Review</i>	As part of the risk assessment process from The City's Integrated Risk Management (IRM) framework, management is asked to review changes to the external and internal environment regularly (twice a year).			

09-007 <i>External Policy and Legislation</i>	<p>Intergovernmental & Corporate Strategy's (ICS) is a legislative tracking function that identifies significant changes to policy and legislation that will have impacts on The City and attempts to mitigate risk by coordinating corporate responses to consultations with other orders of government.</p>	<p>City Charter powers retroactively came into force on January 1, 2018. New charter powers were posted on November 29, 2018. ICS will continue to work with the corporation to ensure readiness and awareness of new legislation and policy direction from other orders of government.</p> <p>Corporate Project and Asset Management (CPAM) will work in conjunction with ICS in Q1 & Q2 2019 to identify any impacts of new legislative requirements on The City's MGA section 534 reporting process, which requires municipalities to contact adjacent land-owners upon the completion of projects.</p>
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CONTROL ACTIVITIES			
Principle 10: Selects and Develops Control Activities (Control Activities)		Contributors	Management's Assessment of Internal Control Principle
The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.		<div>• Chief Financial Officer</div> <div>• Finance</div> <div>• Supply Management</div>	<div>Present and Functioning?</div> <div>YES</div>
<div>Points of Focus</div> <div><div>• Integrates with Risk Assessment—Control activities help ensure that risk responses that address and mitigate risks are carried out.</div><div>• Considers Entity-Specific Factors—Management considers how the environment, complexity, nature, and scope of its operations, as well as the specific characteristics of its organization, affect the selection and development of control activities.</div><div>• Determines Relevant Business Processes—Management determines which relevant business processes require control activities.</div><div>• Evaluates a Mix of Control Activity Types—Control activities include a range and variety of controls and may include a balance of approaches to mitigate risks, considering both manual and automated controls, and preventive and detective controls.</div><div>• Considers at What Level Activities Are Applied—Management considers control activities at various levels in the entity.</div><div>• Addresses Segregation of Duties—Management segregates incompatible duties, and where such segregation is not practical management selects and develops alternative control activities.</div></div>			
Controls Applicable to Principle 10			
Identification No.	Internal Control Description	Further Actions Planned	
10-001 <i>Financial Reporting Controls</i>	<div>Finance oversees the control activities that maintain the reliability and integrity of the financial reporting process.</div> <div>As part of the process to create financial statements, both internally for the twice-yearly periodics process and with more detail as part of the internal and external year-end process, Corporate Financial Reporting provides each business unit with a checklist of minimum procedural standards, including continuity schedules and special analysis for large balances, sensitive items and variances. These checklists and their supporting documentation are reviewed within the business unit and within Corporate Financial Reporting.</div> <div>Financial Reporting has a risk register that documents their risk assessment by financial statements account balances and processes. This risk register provides an overview of the controls including controls in the year-end checklist.</div>	Starting in fiscal year 2019, to improve completeness and ensure appropriate funding is applied to capital projects within each fiscal year, a new annual capital financing summary report will be completed by each department. This report will be reviewed by the applicable Finance Manager's and City Treasurer.	
10-002 <i>Integrated Risk Management Controls</i>	As part of The City's Integrated Risk Management (IRM) framework, management is directed to identify risks, analyze and evaluate the risks, and put into place control activities needed to carry out risk responses, activities, and reporting.	As part of continuous improvement, an updated risk matrix (from a 3x3 matrix to a 5x5) will be implemented; this will improve granularity of data and assist in prioritizing risks.	
10-003 <i>PeopleSoft Finance & Supply Chain Management Controls</i>	The PeopleSoft Finance and Supply Chain Management Module (FSCM) includes controls, such as: Journal Approvals, Procurement Work Flow Approvals, eBill Payment Module, General Ledger Allocations functionality, Accounts Payable workflow, Project Costing Module, and Accounts Payable Voucher Spreadsheet Upload functionality.		
10-004 <i>Investment and Cash Management Controls</i>	<div>The City's third-party custodian and Treasury Management system supports investment and cash management controls and enhanced analytical and reporting capabilities. Administrators in these systems are able to segregate duties to users and to set limits and authorization levels. In addition, Treasury uses dual authorizations and security tokens.</div> <div>The Investment Advisory Committee provides investment and risk management oversight to ensure compliance with the Investment Policy (CFO07) and legislation.</div>	<div>A new treasury management system is in the process of being implemented. The current system and new system will be run concurrently until the transition is completed. Full implementation is targeted to be complete by the end of Q2 2019.</div> <div>The 2018 Annual Investment Report will be presented to the Audit Committee in April 2019.</div>	

10-005 <i>Reserves Reporting</i>	<p>The City allocates funds to reserves to meet specific future operating and capital expenditure requirements and to provide for emergencies. Reserve balances are accurately recorded in accordance with Canadian Public Sector Accounting Standards on The City's financial statements.</p> <p>Reserves are reviewed on a triennial basis. The main purpose of the review is to ensure that:</p> <ul style="list-style-type: none"> • Reserve activity meets all authorizing document requirements; • Reserve activity is in accordance with reserve policies and procedures; • The reserve's purpose, conditions and/or restrictions are still relevant; and • The reserve is still required in its current form. <p>The 2018 Triennial Reserves Review Report was presented to the Priorities and Finance Committee (PFC) in November 2018.</p>	
10-006 <i>TCA Process and Controls</i>	<p>The City's tangible capital assets (TCA) are reported in accordance with section 3150 of the Public Sector Accounting Standards.</p> <p>In 2017, TCA program established a centralized TCA Reporting Team to sustain current and past TCA initiatives and to prepare information for TCA reporting purposes with consultation from business units and Strategic Finance.</p> <p>Finance is responsible for signing-off on the recording of TCA as part of control 10-001.</p>	<p>Administration is committed to continuous improvement of TCA. Starting from 2014, the TCA project team developed and implemented several policy and process improvements impacting the reporting of Machinery & Equipment (2015), Buildings (2016), Engineered Structures (2016), Land (2017), Land Improvements (2017) and Vehicles (2018).</p> <p>Further progress to deliver simplified, compliant, and consistent policies and processes will occur in 2019, such as:</p> <ul style="list-style-type: none"> • Refinement of internal processes to allow for proactive identification of TCA; • Land reconciliation between PSAM and LinDA • Increased functionality of the PeopleSoft Costing Module and PSAM used to track and report on assets. • Development of training materials and process documentation. <p>The TCA reporting team continues to review and improve its business processes.</p>
10-007 <i>Payment Card Industry Standards</i>	<p>As a merchant that accepts credit card payments from the public for the purchase of specified goods and services, The City adheres to the worldwide Payment (credit) Card Industry Data Security Standards (PCI-DSS). These standards are intended to ensure The City is applying industry best practices to ensure that our customers' credit card information obtained during routine transactions remains secure at all times. All City staff who handle credit cards from the public receive training and have acknowledged that they have read and understood the PCI policy. Annual reviews are done with business units to ensure proper procedures are followed.</p>	<p>Secure Credit Card handling eLearning will continue to be made available to all employees.</p> <p>PCI compliance internal audits will be undertaken with business units that handle credit card processing and information.</p> <p>An audit is undertaken each year by a third party external PCI auditor retained by The City. The City passed its 2018 audit and received compliance certification in November 2018. Continued updating of hardware, software and business and technical documentation will maintain compliance.</p>
10-008 <i>Corporate Credit Card</i>	<p>The Corporate Credit Card is an efficient and effective method of making low dollar purchases. All cardholders take mandatory training to ensure that they understand their responsibilities as well as the applicable policies and procedures.</p> <p>The implementation of new online card management tools has created additional opportunities for communication and training. Finance continuously communicates to cardholders, including messaging regarding the responsibilities of those approving expense on behalf of The City.</p>	<p>The Corporate Credit Card Policy, supporting procedures, processes and training will continue to be updated as required.</p>
10-009 <i>Tax Compliance</i>	<p>The Corporate Tax section of Finance is responsible for overall compliance and interpretation in the area of taxation and provides internal consulting for interpretations, rulings, audits and appeals.</p> <p>Finance is responsible for remitting benefits payroll source deductions for all City employees as well as some related authorities and for the internal controls within this function.</p>	<p>The Canada Revenue Agency completed an audit of The City's GST remittances in 2018.</p>
10-010 <i>P3 Project Analysis</i>	<p>The procurement and management of P3s at The City is governed by seven guiding principles and the Public-Private Partnerships (P3) Council Policy (CFO-011).</p> <p>The Council Policy (CFO-011) provides a framework for a consistent approach for the identification of potential P3 opportunities, evaluation of P3 opportunities; decision-making and procurement processes related to P3s. The Administration Policy (FA-052) guides the internal roles and processes for evaluating and procuring P3 projects in a manner consistent with the Council Policy.</p>	<p>The P3 Council Policy (CFO-011) and the Administration Policy (FA-052) are currently under review and will be updated in 2019.</p>
10-011 <i>Accounts Payable Processes</i>	<p>The Corporate Accounts Payable section is responsible for making payments on behalf of The City of Calgary. The Accounts Payable Transactions and Payments Policy (FA-010) defines the business rules for authorizing accounts payable transactions and invoices, making payments, and retaining accounts payable source documents.</p>	<p>The Accounts Payable Transactions and Payments Policy (FA-010) will be reviewed in 2019.</p>

Principle 11: Selects and Develops General Controls over Technology (Control Activities)		Contributors	Management's Assessment of Internal Control Principle	
The organization selects and develops general control activities over technology to support the achievement of objectives.		• Information Technology • Corporate Security	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">Determines Dependency between the Use of Technology in Business Processes and Technology General Controls—Management understands and determines the dependency and linkage between business processes, automated control activities, and technology general controls.Establishes Relevant Technology Infrastructure Control Activities—Management selects and develops control activities over the technology infrastructure, which are designed and implemented to help ensure the completeness, accuracy, and availability of technology processing.Establishes Relevant Security Management Process Control Activities—Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats.Establishes Relevant Technology Acquisition, Development, and Maintenance Process Control Activities—Management selects and develops control activities over the acquisition, development, and maintenance of technology and its infrastructure to achieve management's objectives.				
Controls Applicable to Principle 11				
Identification No.	Internal Control Description	Further Actions Planned		
11-001 <i>IT Organizational Structure</i>	<p>The City has a formal information technology governance model in place. The Chief Information Technology Officer works with the Administrative Leadership Team (ALT) and the Corporate Technology Committee (CTC) to set and implement corporate information technology strategies and standards, and provide annual ALT reporting on technology governance.</p> <p>The CTC is responsible for approving the City Corporate Technology Plan and Enterprise Platform, in line with corporate business technology strategies. The CTC also advises on corporate issues related to business technology direction. The Corporate Technology Plan and Enterprise Platform architecture have been established to guide in technology planning.</p> <p>The IT Account Manager (ITAM) role is responsible for interfacing between IT and the business to understand business needs. IT has documented key business cycles at The City. Information Technology Service Management (ITSM), utilizing the Information Technology Infrastructure Library (ITIL) framework, has been used to identify, document, and implement technology service management with assigned process managers and process owners. IT relies on several documented methodologies for project management and system development.</p> <p>IT has a formalized change management process, with a daily review of planned changes by the Change Advisory Board and weekly review of planned changes by the IT Management Team. Critical environments have been configured with logging functionality and logs are reviewed regularly.</p>	Continue to work with City departments to establish departmental portfolios of technology investment and prioritize business technology initiatives based on One Calgary and strategic direction.		
11-002 <i>IT Business Continuity & Resiliency Planning</i>	<p>IT has documented its business continuity plans, which include a discussion of dependencies between business processes and technology resources as well as a list of infrastructure components and applications required to support essential services, developed with Calgary Emergency Management Agency (CEMA) and City business units. As part of the Service Resiliency project, 95% of business essential applications are now in the resiliency environment, enabling the applications to re-start at a second site if the primary site experiences a facility failure.</p> <p>IT has documented policies, procedures and practices for data and file back-up and recovery, crisis management, and service resiliency. Dashboards have been created to monitor system availability for most infrastructure systems.</p> <p>IT plans, designs, implements, and maintains resiliency in key parts of The City's technology infrastructure to reduce single points of failure.</p> <p>As part of continuous improvement, IT continues to mature its practices, processes, infrastructure, and policies to ensure long-term growth, availability management, and sustainment of City technology infrastructure to meet current and future needs.</p>	<p>IT will be implementing a Proactive Application Monitoring tool for a subset of applications in 2019. The proof of concept will be complete and a yes/no decision is expected at the end of Q1 2019. The target for implementation is the end of Q2 2019.</p> <p>The IT Management Team will be reviewing the IT business continuity plan in Q2 2019.</p>		
11-003 <i>Acceptable Use Policy</i>	The Acceptable Use of City Technology Resources Policy outlines an employee's responsibility for using City technology resources. The policy is a foundational policy of The City's Code of Conduct.			

11-004 <i>Technology Development and Maintenance</i>	<p>Acquisition of business systems follows The City's approved governance for technology investment processes and practices. Intake for new acquisitions come from: business cases initiated for business units by IT Account Managers; IT Service Desk requests (Remedy); IT Vendor Management; and Supply (when staff direct purchase a system or infrastructure item). All technology procurement follows standard Supply Management Administration Procurement policies.</p> <p>When selecting technology solutions, hardware or software, IT leverages research and analysis work undertaken by in-house subject-matter-experts' industry knowledge; vendor product roadmaps; industry partners; architectural and technical roadmaps; and, technology research firms.</p> <p>Projects in Information Technology are managed according to the IT Project Management Methodology maintained by the IT Project Management Office (PMO) and the Software Solutions Methodology maintained by Client Solutions.</p> <p>The IT PMO conducts Project Health Checks on all projects that are managed by IT resources. The results of these reviews are reported to the project managers and their direct supervisors. Larger Level 3 projects are also subject to the additional rigour of Corporate Project Management Framework (CPMF) Project Management Quality Assurance assessments.</p> <p>Maintenance & Sustainment of systems is prioritized with the business and managed by IT's Application Portfolio Management (APM) practices.</p> <p>IT has an inventory for software and an asset management program for hardware, based on industry best practices and enterprise asset management.</p>	<p>The next version of The City's service / asset management tool will help improve asset inventory capabilities. The estimated timeline for this initiative is Q3 2019.</p> <p>IT will be revising the Technology Procurement process by the end of Q3 2019.</p>
11-005 <i>Information Security</i>	<p>IT and Corporate Security have introduced an Information Management and Information Security Policy. The Policy and its associated user and technical standards are overseen by the Information Management and Security Governance Committee and delegated responsibilities to the Chief Information Technology Officer and Chief Security Officer.</p> <p>Corporate Security has implemented an Information Security program including Compliance & Architecture, Security Operations and Incident Response Sections.</p> <p>Information Security is identified as a stakeholder for all projects reviewed through the Corporate Technology Committee and the IT Project Board. Information Security and Information Management Standards mandate specific security architecture, logging and monitoring be built into all new and existing information technology.</p>	<p>IT and Corporate Security will continue reviewing the IT project intake process as part of their Zero-Based Reviews. This review will extend throughout 2019.</p> <p>Corporate Security has implemented an Incident Response program, and has established its IT Security Operations Centre. The Compliance and Advisory Services team within the Cyber Security department conducts risk assessments of new and ongoing IT projects, including reviews of architecture and compliance to applicable legislative and regulatory compliance (i.e. FOIP and PCI).</p> <p>These processes will continue to develop and change based on threat vectors that could potentially impact The City of Calgary's IT ecosystem.</p> <p>Please refer to Attachment 3.</p>
11-006 <i>Network Security</i>	<p>Corporate Security has implemented network and firewall compliance tools and testing across the IT Enterprise, with an established process to remediate identified non-compliance. These are measured against industry and best practice standards.</p> <p>Corporate Security conducts regular vulnerability scans, with an established process to patch identified vulnerabilities. A corporate cyber security threat risk assessment is conducted annually by a third party auditor. Further threat risk assessments are conducted for critical applications and segmented networks.</p> <p>Corporate Security has implemented a Security and Event Monitoring and analytics solution across the IT Enterprise. This includes third party monitoring 24/7, and internal incident and event triage and response.</p> <p>Corporate Security has implemented a suite of enterprise cyber response systems and procedures that align with IT's Crisis Management Plan. An enterprise forensic suite has been implemented.</p>	<p>Corporate Security continues to assess the risks facing its IT ecosystem. As part of the ongoing reviews of our current controls, Corporate Security's Cyber Security team is working with Information Technology to identify areas where our existing security tools can continually assess compliance. As Corporate Security implements new technologies, the capability to conduct ongoing/iterative risk assessments can be realized. This activity is planned for Q4 2019.</p> <p>Corporate Security has implemented a Security Information and Event Monitoring (SIEM) platform, and is in the process of upgrading the solution to the latest release, and expanding its functionality to include end point protection. The upgrade is scheduled for Q4 2019, and the expansion to endpoints across the IT ecosystem will continue past 2019.</p> <p>Corporate Security has developed an Incident Response process, and is now expanding the Incident Response procedures to incorporate Access, Privacy and Policy as well as Information Technology. The goal of this expanded process is to create one holistic approach to Incident Management. The target for this activity is Q4 2019, and will align with industry best practices (Incident Command System, or ICS).</p> <p>Please refer to Attachment 3.</p>
11-007 <i>Employee Access Rights</i>	<p>Access rights for new hires and deprovisioning of existing employees is managed by Identity Management practices and policies. Access rights are managed using Active Directory, which works in concert with the PeopleSoft Human Capital Management System for internal access rights, such as with DeptID Owners.</p> <p>Corporate Security and IT have a password standard which requires passwords to be changed on a periodic basis and specifies minimum password length and characters.</p>	<p>Corporate Security continues to work with Information Technology to identify issues facing the Active Directory structure, as well as the provisioning of access rights to information resources. This activity is predicated on the ability of IT to provide resources to review the Active Directory schema, and incorporate access requirements to cloud based infrastructure. This activity is ongoing, and will require Q4 2019 or beyond to address the requirements.</p> <p>Please refer to Attachment 3.</p>

Principle 12: Deploys through Policies and Procedures (Control Activities)		Contributors	Management's Assessment of Internal Control Principle	
The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.		<ul style="list-style-type: none">• City Manager's Office<ul style="list-style-type: none">• Finance• Supply Management<ul style="list-style-type: none">• City Clerk's Office• Deputy City Manager's Office	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">• Establishes Policies and Procedures to Support Deployment of Management's Directives—Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.• Establishes Responsibility and Accountability for Executing Policies and Procedures—Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the business unit or function in which the relevant risks reside.• Performs in a Timely Manner—Responsible personnel perform control activities in a timely manner as defined by the policies and procedures.• Takes Corrective Action—Responsible personnel investigate and act on matters identified as a result of executing control activities.• Performs Using Competent Personnel—Competent personnel with sufficient authority perform control activities with diligence and continuing focus.• Reassesses Policies and Procedures—Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary.				
Controls Applicable to Principle 12				
Identification No.	Internal Control Description	Further Actions Planned		
12-001 <i>Administration Policies</i>	<p>The City's administration policies are one method of embedding controls within business processes and communicating them to employees. The City currently has 96 administration policies, many of which are supported by formalized procedures. Each policy is owned by a Department/Business Unit that are responsible for implementing and monitoring their policy.</p> <p>Policies continue to be updated and created to support the control environment and guide staff actions. Administrative policies are centralized in the Administration Policy Library, allowing easy access to those policies.</p>	As The City has moved to service-based plans and budgets, the Corporate Governance service line will be responsible for the corporate oversight of administrative policies moving forward under the purview of the Deputy City Manager; the CMO will work with the Corporate Governance service line to coordinate the effort to update all Administration policies across the Corporation and to monitor the Administration Policy Library to find opportunities of policy alignment and efficiencies to ensure that policies are meeting the needs of various audiences in an easy to understand format.		
12-002 <i>Procurement Policies</i>	The Supply Management procurement policies reflect The City's applicable trade agreements. Supply Management utilizes standard operating procedures and has implemented standard templates for procurement.	Supply is engaged in the process of reviewing and amalgamating its suite of procurement policies as part of a three-year policy review process. As part of this review, Supply has assessed changes to external standards for the Canadian Free Trade Agreement (CFTA) and Canada-European Union Comprehensive Economic Trade Agreement (CETA) and will implement any necessary policy changes. In addition, key processes will also be captured or reviewed and will be rolled out to the organization.		
12-003 <i>Council Policies</i>	Council adopts Council policies to promote governance and ensure consistent and transparent provision and operation of services, programs and facilities that are either necessary or desirable for The City of Calgary. The City has a suite of Council policies that are individually stewarded by Departments/Business Units. The administration and management of the policy program is the responsibility of the City Clerk's Office. Council policies undergo a formal review every four years to determine relevance and alignment with Council's objectives, priorities and resolutions.	Policy owners will be delivering on the Council policy work timeline established as a result of the 2016 Formal Council Policy Review. The City Clerk's Office will continue to deliver Council Policy Sessions for policy owners through 2019 to educate them about the Council Policy Framework and facilitate the review process.		
12-004 <i>Project Management</i>	<p>The Corporate Project Management Framework (CPMF) program is a city-wide initiative to monitor and improve project management practices through the establishment of project management standards, guidance and enablers (ex. training, software, etc.). The CPMF is aligned to the Project Management Policy for Capital Projects (GN-036) and supports the planning/delivery/reporting of capital projects that are subject to that Policy as well as Municipal Government Act legislation.</p> <p>The City maintains a Naming, Sponsorship & Naming Rights Policy, which assigns stewardship and facilitation roles to the Deputy City Manager's Office to ensure consistency in standards and practices and provide a fair, transparent process.</p>			

INFORMATION AND COMMUNICATION				
Principle 13: Uses Relevant Information (Information and Communication)		Contributors	Management's Assessment of Internal Control Principle	
		• Finance • City Clerk's Office • Information Technology	Present and Functioning?	YES
The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.				
Points of Focus				
• Identifies Information Requirements—A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.				
• Captures Internal and External Sources of Data—Information systems capture internal and external sources of data.				
• Processes Relevant Data into Information—Information systems process and transform relevant data into information.				
• Maintains Quality throughout Processing—Information systems produce information that is timely, current, accurate, complete, accessible, protected, and verifiable and retained. Information is reviewed to assess its relevance in supporting the internal control components.				
• Considers Costs and Benefits—The nature, quantity, and precision of information communicated are commensurate with and support the achievement of objectives.				
Controls Applicable to Principle 13				
Identification No.	Internal Control Description			Further Actions Planned
13-001 Financial Reporting	The City has a structured and regular method of reporting financial information that provides Council, through the Audit Committee, Priorities and Finance Committee, Pension Governance Committee, and other committees, and Management with the appropriate level of information on a timely basis. This information is linked to the objectives and therefore is used to assess organizational performance.			Corporate Budget Office will ensure that the new budget reports prepared by Finance that Council and Management receive are tailored to reconcile between the existing organizational structure and Service based budgeting reporting.
13-002 Enterprise Resource Planning Software Functionality	The City utilizes the PeopleSoft Enterprise Resource Planning (ERP) software suite, a system that centralizes financial management, supply chain management, and human capital management at The City. PeopleSoft maintains information quality through built-in controls such as: Journal Approvals, Procurement Work Flow Approvals, eBill Payment Module, General Ledger Allocations functionality, Accounts Payable workflow, Project Costing Module, and Accounts Payable Voucher Spreadsheet Upload functionality.			The implementation of the Hyperion Planning and Budgeting system is underway, with completion of the capital and operating budgeting modules anticipated by Q2 2019. The system will support planning and budgeting processes to be used to maintain reporting throughout the 2019-2022 four year budget.
13-003 Records Management	The City's Records Management Bylaw 53M99 mandates that the objective of the Records Management Program is to ensure The City is able to provide, protect and preserve its records in order to meet operational, legal, fiscal and archival requirements. In addition, The City maintains a number of information and records management policies, which serve to protect the quality and security of information produced and utilized by The City.			
13-004 Information Management	The Information Management & Security Policy (IM-IT-003), alongside the Council Transparency and Accountability Policy (CC039), establishes City information as a key, corporately-owned asset, to be governed and managed accordingly throughout its lifecycle in a manner that enables open, accountable, and participatory government. An Information Management and Security Governance Committee has oversight responsibilities for all programs concerned with governance of corporately-owned information assets, including information management, intellectual property management and external data access management.			IT, City Clerks, and Corporate Security are continuously working together to improve processes for information management and records management. Additional strategic discussions are planned for 2019. The City's Content Server will be upgraded to improve supportability and security. The project is underway and is expected to be completed in Q3 2019. The City Clerk's Office is working on developing processes for the disposition for both physical and electronic records, which are expected to be ready in Q3 2019 alongside the Content Server upgrade.

Principle 14: Communicates Internally (Information and Communication)		Contributors	Management's Assessment of Internal Control Principle	
The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.		<ul style="list-style-type: none">• Customer Services & Communications• City Manager's Office• City Auditor's Office• Human Resources• Finance	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">• Communicates Internal Control Information—A process is in place to communicate required information to enable all personnel to understand and carry out their internal control responsibilities.• Communicates with the Board of Directors—Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the entity's objectives.• Provides Separate Communication Lines—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.• Selects Relevant Method of Communication—The method of communication considers the timing, audience, and nature of the information.				
Controls Applicable to Principle 14				
Identification No.	Internal Control Description	Further Actions Planned		
14-001 <i>City Intranet</i>	<p>The City's intranet is used effectively to communicate control information. The "myCity" website, which receives approximately 13,000 visits on an average working day, provides an easily accessible location for City staff to review corporate policies, procedures, internal updates and other pertinent information.</p> <p>Business units have also updated their profiles and have frequently asked questions addressed on their web pages. Weekly electronic newsletters, such as Take Five, provide timely reminders on key issues.</p> <p>A myCity 2.0 project was launched in Q3 2018, which provides access to the City intranet for all employees, including mobile and field staff. It also has the potential to serve targeted content to employees based on their unique context, such as their business unit.</p>	Customer Service & Communications will continue, throughout 2019, to investigate the functionality of the platform that myCity runs onto serve online information and tools targeted to employees based on their unique context, such as their business unit.		
14-002 <i>myCity and Calgary.ca</i>	The Administration Policy Library on the myCity intranet site is a central repository for all current City administration policies. This allows City staff to access this information in a convenient format from anywhere in The City that computer access is available, as well as through the Citrix system. The general public can access the Administration Policy Library through www.calgary.ca. Both myCity and calgary.ca have undergone user experience improvements enabling easier access to such information.			
14-003 (also refer to 15-002) <i>Whistle-Blower Program</i>	<p>The City has a Whistle-blower Policy and a corresponding Whistle-Blower Program, where employees and citizens can report waste and/or wrongdoing confidentially and can choose to report anonymously if desired.</p> <p>Information on the program can be found on The City's website.</p>			
14-004 (also refer to 04-005) <i>Learning and Development</i>	<p>Corporate Learning & Development programs educate leaders and employees about their responsibilities and how these are to be discharged in various areas. Currently there are four programs: Manager Leadership Development Program, Supervisory Leadership Development Program, City Specific Development Series and Individual Contributor Development Series.</p> <p>These programs deliver learning opportunities for all groups of employees to develop the skills required for municipal excellence. All new Dept ID Owners receive information on the HCM and FSCM system and how to access training.</p>	The Emerging Leader Program was successfully piloted in 2018 and launched corporate-wide with ongoing cohorts in Q3 of 2018 and into the next business cycle. Corporate Learning & Development launched The Emerging Leader Program and Leader Onboarding Program. Both programs provide resources to support new leaders understand their new role including their management responsibilities. A new learning and development framework has been approved which will inform new employee and leadership development programs for the next business cycle. CL&D will be designing and developing new leadership programs for managers and supervisors which will be piloted in Q3 2019 with plans to implement these new programs into the next business cycle. New employee development programs are scheduled to be piloted in 2020.		
14-005 <i>Employee Orientation</i>	The City of Calgary Orientation (COCO) program was launched in November 2009 for new employees. COCO is available online or in a classroom setting and is presented in six themes: Who We Are; What We Do; How We Work; What We Give; What You Give; and Finding Your Way. The modules offer a comprehensive view of The City to new employees including the key elements that govern our actions including the Code of Conduct. The City Manager provides an introduction at the workshop and meets all participants.	COCO continues to be updated and provided to staff new to The City at regular intervals.		

Principle 15: Communicates Externally (Information and Communication)		Contributors	Management's Assessment of Internal Control Principle	
The organization communicates with external parties regarding matters affecting the functioning of internal control.		<ul style="list-style-type: none">• Customer Services & Communications<ul style="list-style-type: none">• Office of the Councillors• City Auditor's Office• City Clerk's Office• Deputy City Manager's Office	Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none">• Communicates to External Parties—Processes are in place to communicate relevant and timely information to external parties including shareholders, partners, owners, regulators, customers, and financial analysts and other external parties.• Enables Inbound Communications—Open communication channels allow input from customers, consumers, suppliers, external auditors, regulators, financial analysts, and others, providing management and the board of directors with relevant information.• Communicates with the Board of Directors—Relevant information resulting from assessments conducted by external parties is communicated to the board of directors.• Provides Separate Communication Lines—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective.• Selects Relevant Method of Communication—The method of communication considers the timing, audience, and nature of the communication and legal, regulatory, and fiduciary requirements and expectations.				
Controls Applicable to Principle 15				
Identification No.	Internal Control Description	Further Actions Planned		
15-001 <i>Public Council Meetings</i>	<p>Council engages the public through public hearings and deliberations. The new One Calgary budget was presented to Council in November 2018. These Council sessions were open to the public. Citizens and public agencies had the opportunity to make presentations at this meeting. The Council Engage Policy (CS009) provides an engagement framework and tools to enable the organization to gather the input of citizens and other external stakeholders, summarize that information, and present that information through <i>What We Heard reports</i> made available upon the completion of projects.</p> <p>Meetings of Council and its Committees are open to public attendance except where the FOIP Act specifically allows for closed meeting discussions. All public proceedings of Council and Standing Policy Committees, as well as Audit and Priorities and Finance, are streamed online.</p>	<p>In 2019, Customer Service & Communications will begin work to update the Council Engage Policy which could have impacts on specific requirements for engagement.</p> <p>The City Clerk's Office is exploring expanding the online archived contents of Committee meetings to include a larger number of legislative meeting videos.</p>		
15-002 (also refer to 14-003) <i>Whistle-Blower Program</i>	Refer to 14-003 in regards to the Whistle-blower Program's functionality for citizens. Whistle-blower investigations resulting in recommendations and/or corrective action are summarized and posted to the City Auditor's Office public website.			
15-003 <i>Communication with Members of Council</i>	<p>As a democratically governed organization, citizens can contact members of City Council. Each Councillor has an individual website, and maintains accessibility to the public through community liaisons. In addition, individual Councillors' offices regularly keep in touch with their constituents via social media, community-based newsletters and other forms of communications.</p> <p>The Ethics Advisor is an additional resource the Councillors can use in order to ensure that communications and activities are aligned Council policies or related regulations, such as in the Local Authorities Act, Municipal Government Act and the City's Procedural Bylaw.</p> <p>The Integrity and Ethics Office (the "Ethics Office") maintains a public website on calgary.ca, which provides Calgarians with an overview of what the Ethics Office is responsible for; explanation of the roles and responsibilities of the Integrity Commissioner and Ethics Advisor; biographies for both appointees; and information on how complaints can be filed, to name a few. The Ethics Office provided its Annual Report to Council during the Regular Meeting on June 25, 2018 for Council's information.</p> <p>Should there be a complaint regarding a Councillor, the Integrity Commissioner Complaint Policy can be utilized. Information regarding reporting procedures is available to the public through The City website.</p>	Customer Service & Communications (CSC) launched new websites for the Mayor and Ward Offices in 2018. Throughout 2019, CSC will monitor and improve these based on user needs and feedback. The sites allow for better communication and engagement with citizens, are easier for Mayor/Ward offices to maintain, and can be integrated in the new Calgary.ca platform (scheduled for 2020).		
15-004 <i>3-1-1 Call Centre</i>	The City's 3-1-1 Call Centre operates as a single point of contact between citizens and The City, allowing for the efficient intake of information to highlight potential service issues. In 2017, citizens used their ability to contact The City anytime, anywhere to make over one million calls and submit over 100,000 electronic self-service requests.	In 2019 Customer Service & Communications (CSC) will upgrade the 311 software, deploy more services on the 311 Calgary App, deploy a new online appointment booking system for city services, partner with the City Clerk's Office to support the Civic Census, offer a new credit card handling process over the phone, and optimize 311 reporting. Throughout 2018, CSC has deployed enhanced modules for speech analytics, and expect 92 categories to be validated by the end of 2019. A quality assurance program to measure and improve the overall customer experience should be in place by Q4 2019. The call-back option to minimize wait-times and improve service targets originally expected to be delivered in 2018 is planned for a 2019 delivery.		

15-005 <i>Calgary.ca External Website</i>	The City's external website, calgary.ca, is the primary communications tool for connecting with the public. As the vast majority of Calgary's general population has internet access to the internet, The City's internet presence allows citizens to quickly and efficiently retrieve data on matters of municipal importance. The calgary.ca website received over 24 million visits and nearly 90 million page views in 2018.	Customer Service & Communications is currently working on a Calgary.ca 3.0 program to migrate the current external website to a new Content Management System (CMS) platform prior to the expiration of our software license in 2020. Considerations include meeting the expectations of citizens, aligning with service-based delivery and our internal client needs, and using the additional functionality available to improve the user's ability to find information and complete tasks online.
15-006 <i>Freedom of Information and Protection of Privacy</i>	The Freedom of Information and Protection of Privacy (FOIP) Program ensures the provisions of the FOIP Act are adhered to, and promotes proactive disclosure of information. The public may request information from The City through a FOIP request.	Effective 2019, the City Clerk's Office will provide semi-annual proactive disclosure of FOIP statistical information on calgary.ca.
15-007 <i>Government Consultation</i>	Intergovernmental & Corporate Strategy (ICS) coordinates the participation in consultations with other orders of government for legislative and policy changes.	

MONITORING ACTIVITIES			
Principle 16: Conducts Ongoing and/or Separate Evaluations (Monitoring Activities)		Contributors	Management's Assessment of Internal Control Principle
The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.		<div>• Finance</div> <div>• Corporate Initiatives</div> <div>• City Auditor's Office</div> <div>• Supply Management</div>	<div>Present and Functioning?</div> <div>YES</div>
<div>Points of Focus</div> <div><div>• Considers a Mix of Ongoing and Separate Evaluations—Management includes a balance of ongoing and separate evaluations.</div><div>• Considers Rate of Change—Management considers the rate of change in business and business processes when selecting and developing ongoing and separate evaluations.</div><div>• Establishes Baseline Understanding—The design and current state of an internal control system are used to establish a baseline for ongoing and separate evaluations.</div><div>• Uses Knowledgeable Personnel—Evaluators performing ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.</div><div>• Integrates with Business Processes—Ongoing evaluations are built into the business processes and adjust to changing conditions.</div><div>• Adjusts Scope and Frequency—Management varies the scope and frequency of separate evaluations depending on risk.</div><div>• Objectively Evaluates—Separate evaluations are performed periodically to provide objective feedback.</div></div>			
Controls Applicable to Principle 16			
Identification No.	Internal Control Description	Further Actions Planned	
16-001 <i>General Finance Oversight</i>	Finance oversees the control activities that maintain the reliability and integrity of the financial reporting process.		
16-002 <i>Control Environment Report</i>	The annual Control Environment Assessment Report assists in establishing a baseline understanding of The City's internal control system as a whole as assessed by management, and is provided to the Audit Committee.	The City Auditor's Office produced three recommendations for the improvement of the Control Environment Assessment Report. These recommendations were approved on February 28, 2019. Administration has created action plans to implement these recommendations, and, following consultation with the members of the Audit Committee, will implement them over the course of 2019 and 2020.	
16-003 <i>Regular Financial Reviews</i>	The City benefits from reviews of various financial information at all levels of the Corporation. Monthly reviews by management of financial results to budget numbers help ensure that The City remains on track with its established financial objectives. Mid-year and year-end accountability reports and budget revision reports to Council have been implemented as part of the Multi-year Business Plan and Budget process. Further, reviews of system generated exception reports in many business units also ensure regular monitoring of financial information.	Monthly EIR reviews are ongoing. Mid-year and year-end accountability reports (with the exception of the 2018 year-end) in addition to capital and operating budget revision reports will be prepared for Council approval. Management will continually monitor risks and the effectiveness of the related internal controls and take appropriate action where necessary.	
16-004 <i>Supply Management Reviews</i>	Supply Management has established a Performance Quality Management Team (PQM) that runs monthly and quarterly reports and performs quality reviews of procurement files. An annual schedule of reporting and file reviews is developed and the program is sustained as part of business management systems within Supply Management. Supply Management continues to be a part of several audit focuses for procurement (both internal and external audit).		
16-005 <i>City Auditor's Office</i>	The City Auditor's Office, which is fully independent of Administration and reports directly to the Audit Committee, conducts risk-based audits of areas of The City's operations as identified in the Audit Plan approved by the Audit Committee.	Management will continue to receive and respond to reports from the City Auditor's office and to track and implement all appropriate recommendations.	
16-006 <i>External Audits</i>	The annual external audit provides additional feedback on the Corporation's system of internal controls through a Management Letter.	The annual external audit will continue to provide feedback on the effectiveness of The City's internal controls over financial reporting through the Management Letter process.	
16-007 <i>Third Party Audits</i>	The City of Calgary undergoes independent external audits and reviews around certain of its processes and controls. One of the most in-depth of these is the annual Payment Card Industry (PCI) audit of data security practices for credit card payments.		
16-008 <i>Periodic Financial Reporting Cycles</i>	The City benefits from reviews of various financial information at all levels of the Corporation. Periodic and year-end reviews by management of financial results help ensure that The City remains compliant with Public Sector Accounting Standards and is on track with its financial objectives. Annually, there are three reporting periods, periodic reporting (May 31 and September 30) and year end reporting (December 31). Financial information from business units and related authorities (year-end only) is submitted to Corporate Financial Reporting for review and consolidation ensuring regular monitoring of financial information. The Annual Report is prepared from year-end reporting results and is presented to Audit Committee and Council for approval. Management will continually monitor risks and the effectiveness of related internal controls and implement appropriate actions where necessary.		

Principle 17: Evaluates and Communicates Deficiencies (Monitoring Activities)		Contributors	Management's Assessment of Internal Control Principle	
The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.		<div><div>• City Manager's Office</div><div>• City Auditor's Office</div><div>• Finance</div></div>	Present and Functioning?	YES
Points of Focus <div><div>Assesses Results</div>—Management and the board of directors, as appropriate, assess results of ongoing and separate evaluations.</div> <div><div>Communicates Deficiencies</div>—Deficiencies are communicated to parties responsible for taking corrective action and to senior management and the board of directors, as appropriate.</div> <div><div>Monitors Corrective Actions</div>—Management tracks whether deficiencies are remediated on a timely basis.</div>				
Controls Applicable to Principle 17				
Identification No.	Internal Control Description	Further Actions Planned		
17-001 <i>City Auditor's Office Findings</i>	Management is required to provide responses to the internal audit recommendations made by the City Auditor's Office and to provide timely delivery on agreed upon corrective action plans. The City Auditor's Office provides ongoing tracking and follow-up to validate implementation and reports results quarterly to the Audit Committee.	Management will continue to track and address the recommendations of all internal audits.		
17-002 <i>Management Letter Points</i>	The annual Management Letter provided by The City's external auditor is reviewed by Corporate Financial Reporting, which works in conjunction with City Administration to address and remediate identified issues and to implement any recommendations.	Management will continue to track and address the recommendations of all Management Letter points.		
17-003 <i>Whistle-Blower Program</i>	A key component of the Whistle-blower Program is, where possible and appropriate, to determine underlying causes of procedural failure or control weakness leading to a concern being reported. Recommendations are raised to the attention of Management with a view that, if implemented, these corrective actions would mitigate opportunity for similar activities to reoccur.			

Components & Principles of Effective Internal Control
(COSO Internal Control – Integrated Framework)

AC2019-0529
ATTACHMENT 2

FIVE COMPONENTS OF INTERNAL CONTROL	17 PRINCIPLES OF EFFECTIVE INTERNAL CONTROL
Control Environment	<ol style="list-style-type: none"> 1. The organization demonstrates a commitment to integrity and ethical values. 2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	<ol style="list-style-type: none"> 6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives. 9. The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities	<ol style="list-style-type: none"> 10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. 11. The organization selects and develops general control activities over technology to support the achievement of objectives. 12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
Information & Communication	<ol style="list-style-type: none"> 13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. 15. The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities	<ol style="list-style-type: none"> 16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Principle 10: Selects and Develops Control Activities				
The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.				
Controls Applicable to Principle 10				
Applicable Identification	High-Level Control Description	New or Recurring	Description of Opportunities for Improvement or Deficiencies	Further Actions Planned
10-001	Finance oversees the control activities that maintain the reliability and integrity of the financial reporting process.	New	<p>Deficiency: The City has an annual process in place, led by the Corporate Budget Office (CBO), referred to as Budget Finalization for which business units are required to apply funding sources to capital expenditures incurred during the year provided that the revenue recognition criteria have been satisfied. While the process of identifying these funding deficits was performed and communicated by Business Unit Finance to CBO, the implications to the fiscal year reporting cycle was not recognized and timely investigation was not performed as part of the 2016 or 2017 Budget Finalization processes. This was identified during the 2018 year through follow-up on the 2017 Budget Finalization process where a significant funding deficit related to West LRT was identified and was determined funding had not been fully applied in the appropriate calendar year. Once identified, a further scope of review was performed at which time it was determined this control was not performing effectively as intended in the departments of Transportation, Community Services and Utilities and Environmental Protection.</p> <p>Once identified, a systematic review process based on a detailed financing worksheet was performed for deficit amounts reported as of December 31, 2016, 2017 and 2018. The deficits for each program were analyzed using the financing worksheet to determine if financing from grant funding, debt financing or reserve funding should be applied. All corrections were made to the 2018 General Ledger and material restatements to the 2017 and 2016 reported amounts were determined and recorded.</p>	<p>The Corporate Budget Office and Corporate Financial Reporting have committed to provide additional training to finance staff in 2019 to prevent this issue from occurring again in the future.</p> <p>Starting in fiscal year 2019, to improve completeness and ensure appropriate funding is applied to capital projects within each fiscal year, a new annual capital financing summary report will be completed by each department as part of the year end general ledger close process. This report will be reviewed by the applicable Finance Managers and City Treasurer. Any differences will be reconciled, and the general ledger will be adjusted as necessary.</p> <p>Finance has committed to changes and process improvements that will collectively address the risks of future timing differences.</p>

**Chief Financial Officer's Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0503**

2018 Annual Investment Report

EXECUTIVE SUMMARY

The 2018 Annual Investment Report outlined in Attachment 1 provides an overview of investment activity, asset balances, and portfolio returns for City investments during the year. It also reports on compliance with investment policy and regulatory requirements, and risk management practices.

ADMINISTRATION RECOMMENDATION:

That the Audit Committee recommends that Council receive the 2018 Annual Investment Report for information at the 2019 April 29 combined Council meeting.

PREVIOUS COUNCIL DIRECTION / POLICY

Pursuant to The City of Calgary Investment Governance Policy (CFO001), Administration reports to Council annually, through the Audit Committee, regarding the investments of The City during the year.

BACKGROUND

City funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, global and Canadian equity investments, and direct infrastructure equity investments, to meet the investment objectives of City funds. This includes return and liquidity requirements as well, to match funds with longer-term time horizons.

The Annual Investment Report is an integral component of The City's investment governance structure and risk oversight to ensure investments are optimally managed. This report provides a summary of 2018 investment activity, asset mix, asset class and investment manager performance, as well as compliance information for Audit Committee.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2018, The City of Calgary's total portfolio (including internally and externally managed portfolios), returned 1.5 per cent after fees on a market value basis. The 2018 net portfolio return fell short of the benchmark return of 1.6 per cent, and the 2018 the annual inflation rate for Canada of 2.0 per cent. On a four-year annualized basis, the total portfolio return of 2.0 per cent exceeded the benchmark return of 1.8 per cent.

City investments are managed by a combination of investment managers; internally by the Treasury division within Finance business unit and externally by several specialty managers retained to manage bond and equity portfolio mandates.

Stakeholder Engagement, Research and Communication

The Investment Advisory Committee ("IAC") provides oversight of City investments and monitors compliance with all applicable policies and regulations. The 2018 Annual Investment Report on investment holdings and performance was reviewed and approved by the IAC at its meeting on 2019 April 4.

**Chief Financial Officer's Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0503**

2018 Annual Investment Report

Strategic Alignment

The management of The City's investment portfolios follows industry best practice and aligns with prudent stewardship of financial resources and sustainability of The City.

Social, Environmental, Economic (External)

Social

Prudent and responsible investment of The City's investments provides necessary financial resources and generates sustainable investment income in support of City operations and objectives.

Environmental

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

Economic (External)

Financial and economic market conditions impact both investment income earned, as well as the market valuation of The City's investment portfolios.

Financial Capacity

Current and Future Operating Budget:

Total investment income earned in 2018 was \$113.6 million compared to budget of \$73.6 million. There are no specific financial implications associated with this report.

Current and Future Capital Budget:

There are no specific financial implications associated with this report.

Risk Assessment

The City of Calgary mitigates risk within its investment portfolios through a sound governance structure, adherence to government regulations, and The City's Investment Policy. Investment managers retained by The City, manage risk by investing in quality investments and ensuring sufficient diversification among holdings in their portfolios. The IAC oversees investment strategy and regularly reviews the investment activity, compliance and risk mitigation practices of both internal and external managers to meet City's investment objectives

REASON(S) FOR RECOMMENDATION(S):

As part of a sound governance practice, the Annual Investment Report provides the Audit Committee and Council with the reporting of The City's investment activity, asset class holdings, and performance during 2018 to meet investment objectives.

**Chief Financial Officer's Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0503**

2018 Annual Investment Report

ATTACHMENT(S)

Attachment 1 - 2018 Annual Investment Report

2018 Annual Investment Report

Description:

The City takes a prudent investment management approach to achieve its investment objectives. The City provides value to residents by acting as an engaged and responsible institutional investor to ensure risk-adjusted performance of its investment portfolio is sustainable.

The City's investments consist of internally and externally managed portfolios. Internal portfolios are managed to provide shorter-term liquidity for City funds and as a result, are invested primarily in money market securities, term deposits and short-term bonds. Funds that are suitable for longer-term investment horizons are allocated to the externally managed portfolios and invested in a diversified portfolio of bonds, equities, and alternative investments.

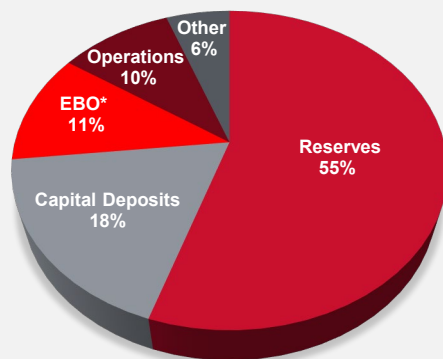
The City manages investment risk through a sound governance framework and a comprehensive Investment Policy (CFO007). The Investment Policy incorporates the requirements of the Alberta Municipal Government Act and establishes best practice guidelines and controls for the management of The City's investment portfolios. This includes defining investment objectives, diversification requirements, eligible asset classes and investment vehicles, and risk-based constraints. The Investment Advisory Committee (IAC) is an essential part of The City's governance. Their oversight ensures that investments are effectively managed in accordance with legislation and Council approved policies, and that there is consistency with industry best practice.

Customers:

Direct: Council, Audit Committee, Business Units
Indirect: Residents

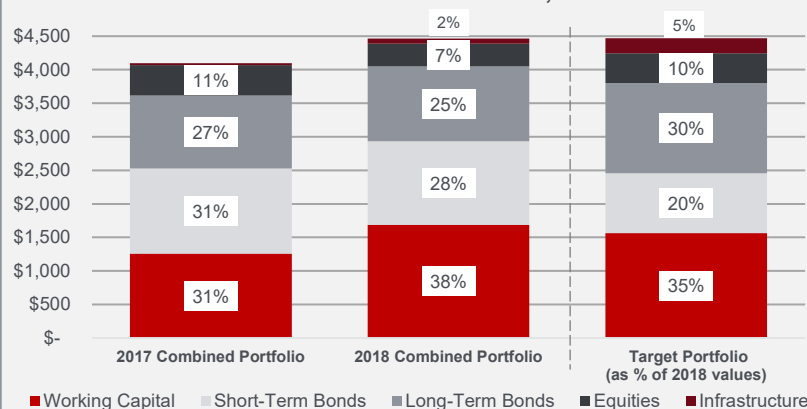
Key Partners: Investment Advisory Committee (IAC), External Investment Managers Addenda Capital (Addenda), Blackrock, BNP Paribas (BNP), Brookfield Investment Management (Brookfield), Connor Clark & Lunn Investment Management (CC&L), Crestline Investors (Crestline), EQT, Fidelity Investments Canada (Fidelity), Manulife Asset Management (MAM), Northleaf Capital Partners (Northleaf), Phillips Hager & North Investment Management (PH&N), PIMCO, Sunlife, and TD Asset Management (TDAM)

2018 Sources of Investments

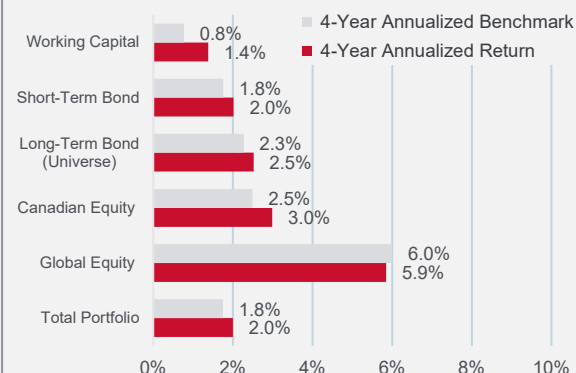


* Employee Benefit Obligations

Asset Mix as at December 31, 2018



Asset Class Returns vs Benchmark
(4-Year Annualized as at December 31, 2018)



Story Behind the Numbers:

As of December 31, 2018 the market value of total assets under management at The City was \$4.3 billion, up slightly from \$4.1 billion in 2017. In 2018 the City of Calgary's portfolio (including internally and externally managed portfolios), generated a total return of 1.5 per cent net of manager fees on a market value basis, slightly below the portfolio's benchmark return of 1.6 per cent. The total portfolio generated \$114 million (\$ 74 million in 2017) of investment income.

The City's internally managed Working Capital portfolio posted an average return of 1.9 per cent. With interest rate increases through the year, Canadian Long-Term and Short-Term bonds met each of their respective benchmarks in 2018 with Canadian Long-Term bonds returning 1.4 per cent and Short-Term bonds returning 2.8 per cent.

The City's Global Equity and Canadian Equity portfolios generated a loss in 2018 with negative returns of 5.1 per cent and 7.7 per cent. The City engages defensive equity portfolio strategies intended to outperform in weak equity markets by providing downside protection during market correction. Both Global and Canadian Equity asset classes outperformed their respective benchmarks which showed losses in 2018 of 7.8 per cent and 8.9 per cent.

What We Plan to Do:

In accordance with the Investment Policy, forward looking strategic direction is driven primarily by the following investment objectives:

- **Preservation of Capital:** Primary objective for total investment portfolio.
- **Risk Mitigation:** Diversification (asset class and security holdings by sectors, geography and style), policy constraints and limits.
- **Investment Returns:** Maximize returns relative to risk, liquidity and investment time horizon considerations.

Strategic direction is assessed on a continual basis to optimize risk-adjusted return through strategic asset. The 2016 amendment to the Investment Policy provided additional opportunity to achieve increased investment income, while increasing diversification of the portfolio through the ongoing evaluation of new asset classes. Implementation of the updated asset mix is ongoing as new mandates are funded methodically with periodic funding of committed capital.

We continue to evaluate asset mix against a long-term target intended to optimally allocate investments based on market factors, risk reduction, desired level of diversification, and time horizon of funds.

Calgary



2018 Annual Investment Report

Chief Financial Officer's Department



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Capital Market Review

For the global economy, 2018 proved to be an interesting year characterized by market volatility. After two years of steady growth in asset prices, investor outlook declined as financial markets around the globe experienced a climate of political and trade uncertainty, crude oil pricing instability, and the slowdown of earnings growth.

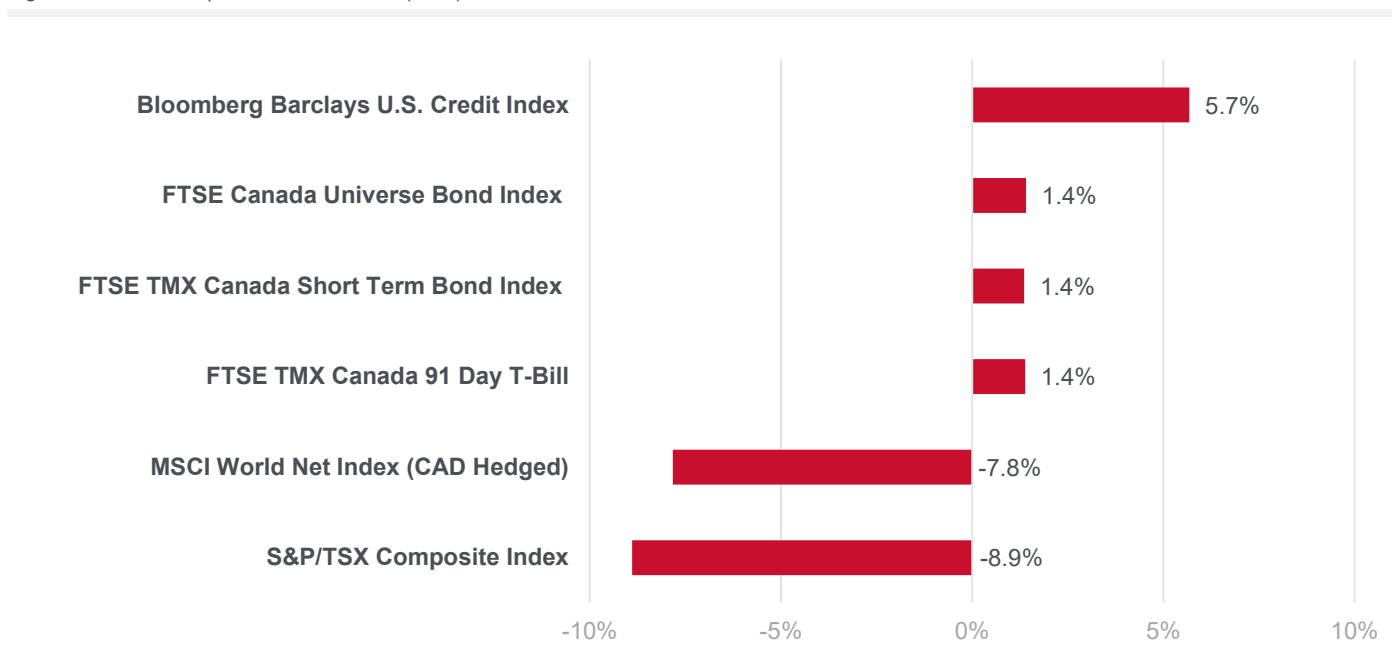
Equity markets trended downward as global stock prices declined on an annual basis for the first time since 2015. The impacts of rising interest rates and concerns surrounding the global trade environment led to a fourth quarter sell-off, stopping one of the longest-running bull markets in history.

As showcased in Figure 1.0, equities significantly underperformed fixed income assets, with the S&P/TSX at a loss of nine per cent and the MSCI World Net Index losing eight per cent. Equity market performance in the fourth quarter of 2018 marked a seven-year low, erasing gains seen in the first nine months of 2018. Similarly, crude oil prices fell once again in late 2018, driven down by rising oil inventories as growth in global supply continued to outpace demand. This saw West Texas Intermediate (WTI) prices reach a low of \$42.57 in December before finally closing at \$45.24 at the end of the year.

Through 2018, The Bank of Canada continued to increase borrowing costs, raising the benchmark overnight interest rate three times. Over the course of the year, The Bank of Canada raised rates a total of 75 basis points, closing at a ten-year high with a benchmark overnight interest rate of 1.75 per cent. Pressure on household spending created through raising interest rates shifted focus to business investment as a source of economic growth.

Similarly, The US Federal Reserve raised its target range for the federal funds rate four times through 2018, closing the year with a final increase by a quarter point to 2.50 per cent at the year end.

Figure 1.0 – 2018 Capital Market Returns (CAD)



Investment Objectives

The City of Calgary's investment objectives are outlined in the *Investment Policy (CFO007)*. The City has three core investment objectives that drive all strategic investment decisions:

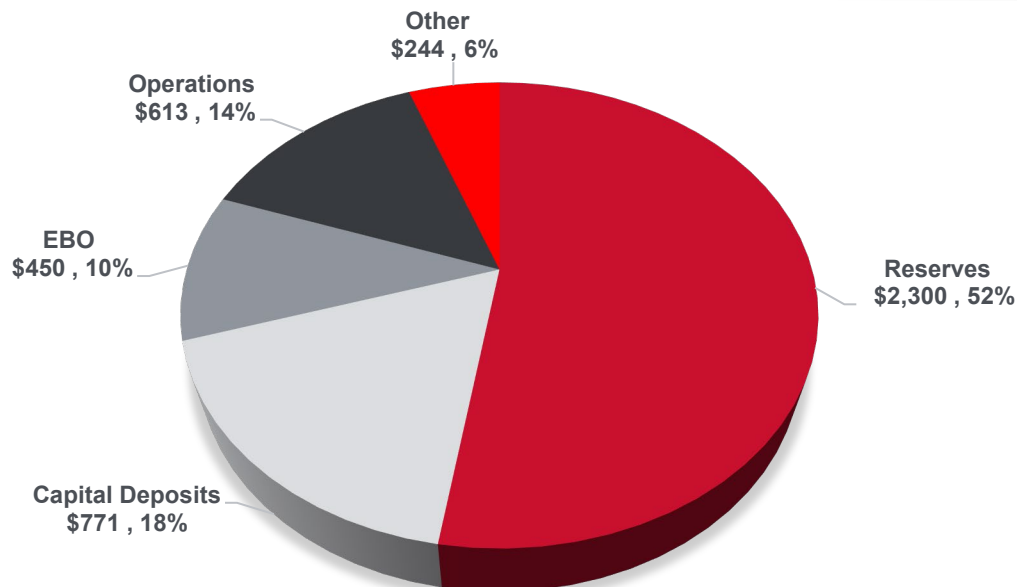
1. **Preservation of Capital**
 - a. Primary objective for total investment portfolio
2. **Risk Mitigation**
 - a. Diversification of asset class and security holdings by sectors, geography, and style.
 - b. Policy constraints and limits
3. **Investment Returns**
 - a. Maximization of returns, relative to risk
 - b. Key considerations related to liquidity and investment time horizon requirements

Sources of Investments

The City of Calgary invests funds that stem from the following sources:

- **Reserves:** operating, capital and sustainment
- **Capital Deposits:** off-site levies and government grants
- **Funded Employee Benefit Obligations (EBO)**
- **General Operations**
- **Other:** trusts and affiliated entities

Figure 2.0 – 2018 Sources of Investments (\$ millions)



The above funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, global and Canadian equities, and infrastructure investments. The allocation of source funds is executed in accordance with the investment objectives of The City.

Investment Governance

The City's *Investment Governance Policy (CFO001)* articulates the governance framework for the management of City investments. It sets out the accountability, reporting, and disclosure requirements for all investment activity. The Governance Policy establishes the roles and responsibilities of Council, the Investment Advisory Committee (IAC), Administration, and investment managers regarding management of portfolio investments.

The IAC oversees The City's investment program to ensure that investments are effectively managed in accordance with legislation, Council-approved policies, and industry best practices. In 2016, The City completed a comprehensive investment strategy review which resulted in a new *Investment Policy*, approved by City Council in July 2016. The review entailed a major examination of City funds and obligations including operating and capital requirements, capital deposits, and working capital, in order to fully understand characteristics including risk tolerance, time horizon, and liquidity requirements of these funds. The new policy provides an opportunity to diversify and gain exposure to additional asset classes and portfolio investments including global bonds, direct infrastructure, and active foreign currency management. This change in policy has the potential to increase sector and global diversification of assets to mitigate investment risks and increase risk-adjusted returns.

Environmental, Social, and Governance (ESG) Considerations

ESG refers to three keys factors in the investment process that can impact the financial value and sustainability of an investment. These factors are environmental, social, and corporate governance.

Factoring good governance and sustainable business practices into the investment process is becoming common practice in the institutional investment industry. Studies of stock returns indicate a positive correlation between stock price performance and a company's rating on an ESG index. More recent studies show that as ESG factor screens become more prevalent in the industry, companies with poor governance do not attract wide scale investment and returns may suffer as a result.

Good governance takes many forms. It includes following local environmental regulations, labour and safety standards, as well as sound corporate board and executive management structures. An important component of ESG and sustainable investing is engagement with company management. Institutional investors can exercise influence over companies by engaging in dialogue with them and taking an active role in proxy voting. Shareholders can use their influence and voting authority to modify a company's ESG practices to enhance long-term value.

When The City of Calgary is selecting or reviewing an external investment manager, one important consideration is how these managers evaluate companies for good governance. Most City mandates include fundamental analysis where The City's managers meet directly with external investment managers to gain a thorough understanding of their structure and business practices. By partnering with like-minded investment managers, The City can ensure its corporate values are reflected in its investment holdings.

Risk Management and Compliance

The City manages investment risk through a sound governance framework and a comprehensive *Investment Policy (CFO007)*. The *Investment Policy* defines investment objectives, appropriate diversification requirements, eligible asset classes and security instruments, investment strategies, and quality and quantity constraints.

The City's primary risk management tool is effective governance of funds with strategic implementation and diversification at both the security and portfolio level. Investment managers apply rigorous investment analysis and practices to select securities and construct portfolios that are diversified among security types, maturity dates, issuers, industry sectors, and geographically by country and regions. Additionally, The City constructs a total portfolio of diverse strategies, asset classes, and investment manager styles. A prudently diversified portfolio should reduce the overall impact if performance from any one security, asset class, or investment manager underperforms.

When investing in the capital markets some risk is inevitable. This includes liquidity, market, credit, and interest rate risk from inflation and rising interest rates. The key is to identify and understand the risks being accepted. The City monitors advanced risk metrics at both the manager and total portfolio level to ensure that the level of risk taken is in line with The City's risk tolerance and that The City is meeting its investment objectives.

The City's investments are held electronically at a securities custodian. One control the custodian provides is independent, third-party settling and reporting of all trades which protects The City's investable assets. As well, the custodian provides independent verification of all accounting information and security holdings. The City also receives third-party performance measurement and reporting. Return performance reported by The City's investment managers is verified and compared against both market benchmarks and peers which allows The City to effectively evaluate manager performance.

Compliance statements from investment managers are received quarterly. Compliance statements are verified and maintained by Treasury. During the year, all investments were in compliance with the Municipal Government Act and The City of Calgary Investment Policy.

Expense Management

The City strives to keep investment management costs low, as lower costs equate to higher investment income. As part of the governance framework, cost effectiveness is assessed through annual participation in surveys conducted by CEM Benchmarking and Municipal Benchmarking Network (MBN) Canada. Participation in cost benchmarking services provide The City with a global comparison of investment management costs against the average comparably-sized fund on an asset class equivalent basis.

In 2017¹, external investment manager costs were 24.6 basis points (bps), 0.9 bps lower than the benchmark cost of 25.5 bps.

¹ CEM Benchmarking data for 2018 will become available in Q3 of 2019.

Summary of Investments

As at December 31, 2018 the market value of The City's total investment portfolio was \$4.3 billion, up slightly from \$4.1 billion in 2017.

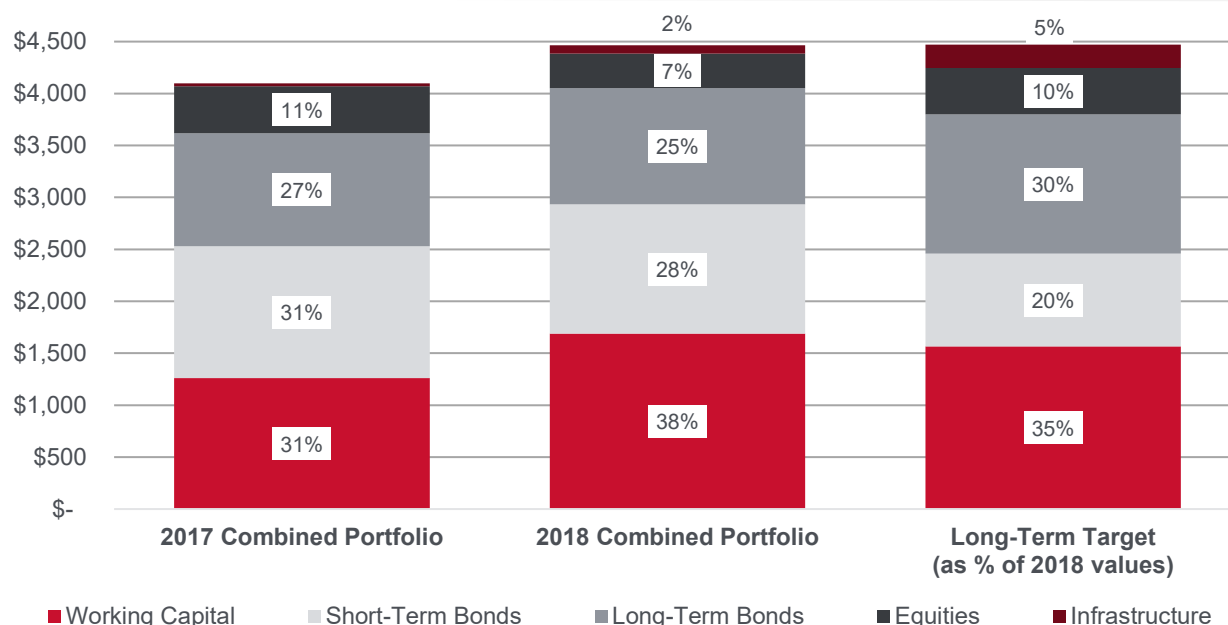
Figure 3.0 – Market Value of Assets Under Management as at December 31, 2018 (\$ millions)

	2018	2017
Internal Management	1,611	1,306
Working Capital	1,611	1,260
Short-Term Bonds	-	46
External Management	2,712	2,790
Short-Term Bonds	1,113	1,223
Long-Term Bonds	1,198	1,088
Equities	312	452
Infrastructure	87	27
FX Overlay	2	-
Total Assets Under Management	4,323	4,096

The City's investment structure consists of internally and externally managed portfolios. Internal portfolios are managed to provide shorter-term liquidity for City funds, and as such, are invested primarily in money market securities, term deposits and shorter-term bonds.

Funds that are suitable for longer-term investment horizons are allocated to the externally managed Short-term Bond, Long-term Bond, Equity, and Infrastructure portfolios.

Figure 4.0 – Asset Mix as at December 31, 2018 (\$ millions)



Note: All performance measures included in this report are after fees

Investment Policy Constraints

Investment policy constraints ensure that risk levels do not exceed a pre-determined risk tolerance.

Council Approved Investment Policy ¹			
Constraint	Approved Maximum (% of total portfolio)	Current Allocation	Compliance Check
Equities	10%	7.2%	YES
Infrastructure	5%	2.0%	YES
Fixed Income - Mortgages and mortgage-backed securities	20%	14.3%	YES
Fixed Income - Global foreign denominated issuers	20%	10.7%	YES

¹ Required constraints per Approved Council Policy CFO007 (Investment Policy) and CFO001 (Investment Governance Policy)

Internal Investment Policy ²			
Constraint	Policy Mix Range	Current Allocation	Long-Term Target
Working Capital	30 - 50%	37.5%	35%
Short-Term Bonds	0 - 30%	26.6%	20%
Long-Term Bonds	25 - 40%	25.6%	30%
Equities	5 - 10%	8.1%	10%
Private Infrastructure	0 - 5%	2.0%	5%

² Recommended constraints per Investment Advisory Committee reviewed Internal Policy (Implementation and Rebalancing Policy)

Investment Performance

In 2018, The City of Calgary's total portfolio (including internally and externally managed portfolios), returned 1.5 per cent after fees on a market value basis. The 2018 net portfolio return fell short of the benchmark return of 1.6 per cent, and the 2018 the annual inflation rate for Canada of 2.0 per cent.

Figure 5.1 – 2018 Annualized Returns

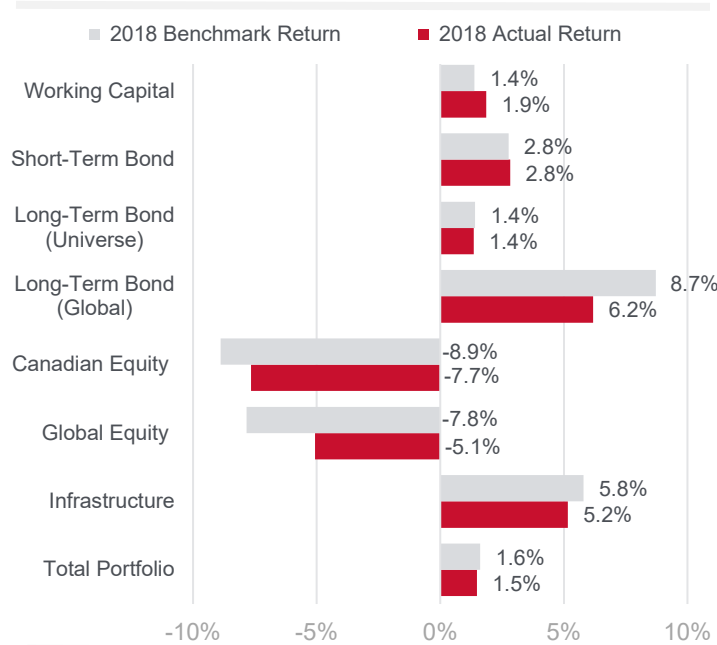
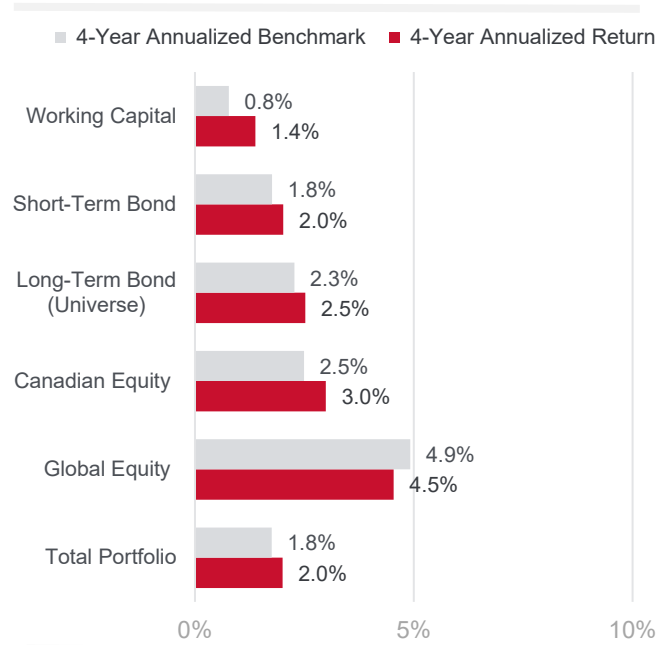


Figure 5.2 – 4-Year Annualized Returns



Note: 4-year data was not available for Global Long-Term bonds and Infrastructure asset classes as mandates within the classification have inception dates in 2018.

Performance Measurement Benchmarks

The investment performance of all funds is reported to the Investment Advisory Committee on a quarterly basis and presented annually to The City's Audit Committee. Investment benchmarks are used for comparison purposes to assess the actual performance of The City's investment managers versus their respective performance benchmarks. Investment managers are expected to generate higher returns than the benchmark measure over a business cycle.

The City uses the below indices as points of reference by which the investment performance of each fund is evaluated:

Working Capital: FTSE TMX Canada 91-Day Government of Canada Treasury Bills

Short-Term Bonds: FTSE TMX Canada Short-Term Bond Index (PH&N, CC&L, Addenda)
ICE BofAML US Treasury Bills 0-3 Months Index (Blackrock)

Long-Term Bonds: Bloomberg Barclays US Credit Index (PIMCO)
Bloomberg Barclays Capital Multiverse Index Unhedged (\$ CAD) (MAM)
FTSE TMX Canada Bond Universe Index (Blackrock PH&N, CCL, Sunlife)
S&P/LSTA Leveraged Loan Index (LLI) + 200 bps (Crestline)
S&P European Leveraged Loan Index + 200 bps (EQT)

Equity: S&P/TSX Composite Index (Canadian Equity)
MSCI World (hedged to CAD) (Global Equity)

Infrastructure: CPI + 450 bps (Northleaf)
Dow Jones Brookfield Global Infrastructure Total Return Index (CAD) (Brookfield)

Investment Income

In 2018, The City of Calgary's total portfolio generated \$113.6 million of investment income.

Investment Income (\$ '000s) as at December 31, 2018	Budget	Actual
Allocations to Self-Supporting Business Units and Capital Deposits	22,029	35,768
Transfers to Reserves from Operations	18,955	25,885
Expenditures (net of receivables)	2,403	6,395
General Investment Income	30,200	45,567
Corporate Total Investment Income	73,587	113,615

Working Capital

The Working Capital portfolio is invested in a combination of corporate and bank paper, term deposits, and short-term government and corporate bonds. The majority of investments in the Working Capital portfolio mature in less than two years.

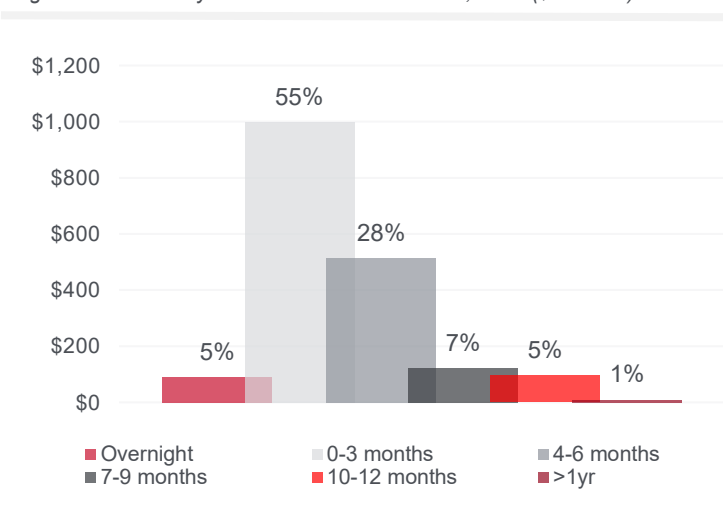
Manager: The City of Calgary, Finance (Treasury)

Mandate: To generate investment income while preserving capital and providing liquidity for the cash flow requirements of all City funds.

Cash Flow Management Strategy

Forecasting of short- and long-term cash flow is a critical input in the investment management process. In order to meet The City's investment objectives, the cash flow forecast is utilized for liquidity management purposes and investment decision making. The cash management strategy is largely influenced by interest rate environments. Treasury continuously assesses the benefit of holding overnight balances with the bank against returns available through short-term investment vehicles, while also taking into account liquidity requirements. By maintaining high overnight cash balances, The City can take advantage of favorable interest rates offered by our bank. With overnight cash balances between \$25 million and \$150 million, The City is able to access the top tier overnight interest rate, while also maintaining certainty of cash availability.

Figure 6.1 – Maturity Ladder as at December 31, 2018 (\$ millions)



Working Capital Portfolio Returns

The internally managed portfolio returned an average yield of 1.9 per cent in 2018, outperforming the benchmark of 0.5 per cent, and showing slight improvement over the 1.4 per cent return in 2017 (Figure 6.2).

The excess return achieved by the internal portfolio is largely attributed to intentional selection of a longer term to maturity, credit exposure, and the illiquidity premium received on the term deposits held.

Figure 6.2 – 2018 Annualized Portfolio Return vs Benchmark

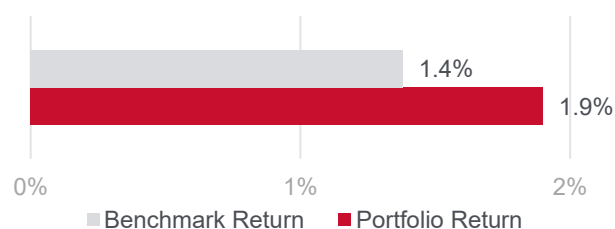


Figure 6.3 – Portfolio Asset Type as at December 31, 2018

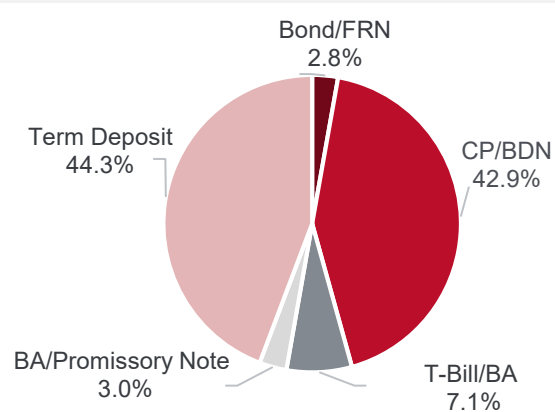
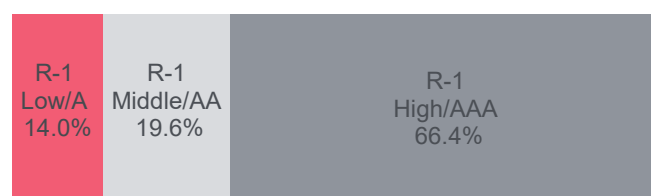


Figure 6.4 – Credit Quality of Assets in Portfolio as at December 31, 2018



Fixed Income

Canadian Long-Term (Universe) and Short-Term bonds met each of their respective benchmarks in 2018 with Canadian Long-Term bonds returning 1.4 per cent and Short-Term bonds returning 2.8 per cent. The new Global Long-Term bonds mandate returned 6.2 per cent compared to the benchmark of 8.7 per cent (Figure 7.1). Rising interest rates and concerns about the global economy have negatively impacted the bond market. The downward pressure on yields is evident as 10-year Canadian bond yields fell from 2.2 per cent to 1.9 per cent at the end of the year.

Short-Term Bond Portfolio

Managers: (AUM \$millions)

Addenda Capital (\$104.3)
Blackrock (\$44.7)
Connor Clark & Lunn (\$369.2)
Phillips, Hager & North (\$584.3)
Sunlife (\$10.0)

Mandate: Investment in a diversified portfolio of short-term fixed income securities with an average term to maturity of three to five years. This portfolio includes commercial mortgage mandates.

Long-Term Bond Portfolio

Managers: (AUM \$millions)

BlackRock (\$247.6)
Connor Clark & Lunn (\$207.9)
Crestline (\$18.7)
EQT (\$12.5)
Manulife (\$132.2)
Phillips, Hager & North (\$219.9)
PIMCO (\$343.6)
Sunlife (\$15.3)

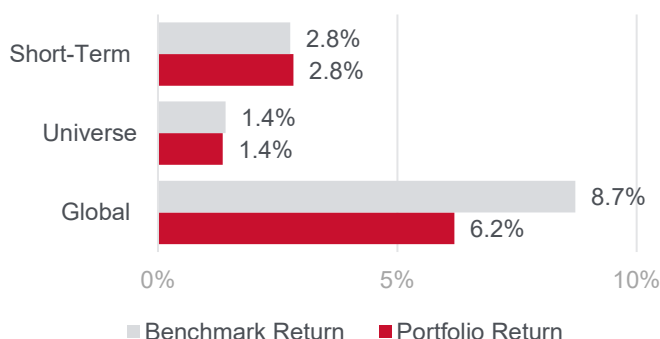
Mandate: Investment in a diversified portfolio of fixed income securities with an average term to maturity of seven to ten years. This portfolio includes private credit mandates.

Private Credit Portfolio average credit rating¹:

Crestline: Ba/B
EQT: B/B-
Sunlife: A

¹ Estimated average portfolio credit rating

Figure 7.1 – 2018 Annualized Portfolio Return vs Benchmark



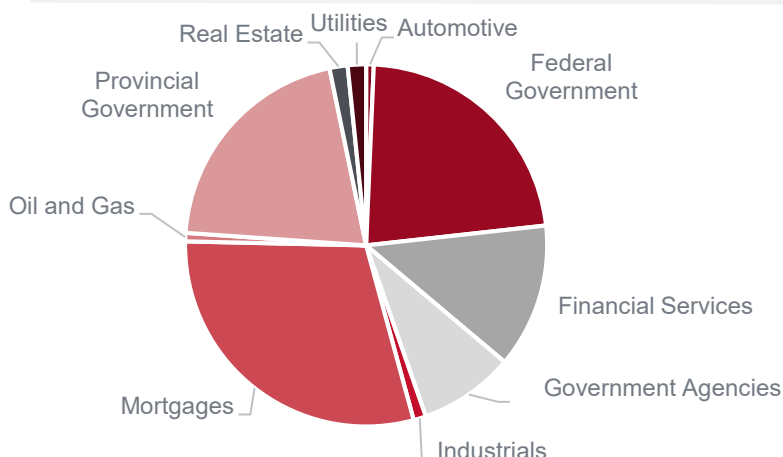
Geographic Exposure – Top Five (\$millions)

1. Canada	\$ 1,871.5
2. United States	\$ 465.8
3. Europe	\$ 7.0
4. United Kingdom	\$ 4.6
5. Argentina	\$ 1.3

Name Exposure – Top Five (\$millions)

1. Government of Canada	\$ 257.8
2. Province of Ontario	\$ 141.6
3. Canada Housing Trust No. 1	\$ 107.4
4. US Treasury Note	\$ 72.4
5. Bank of Montreal	\$ 59.4

Figure 7.2 – Industry Exposure of Top 20 Fixed Income Names by Market Value



Note: All figures reflect values as at December 31, 2018 unless otherwise specified

Equity

The City's Global Equity portfolio generated returns of -5.1 per cent in 2018, and the Canadian Equity portfolio returned -7.7 per cent. Both Global and Canadian Equity asset classes outperformed their respective benchmarks of -7.8 per cent and -8.9 per cent in 2018 (Figure 8.1). This relative outperformance against benchmark is expected in poor performing equity markets as The City's asset managers are defensively positioned. A defensive equity portfolio strategy focuses primarily on minimizing loss of principal in bear markets. This conservative investment philosophy is expected to provide moderate returns in strong markets while protecting against significant loss during market downturns.

Canadian Equity Portfolio

Managers: (AUM \$millions)

Fidelity Investments Canada (\$96.7)

Mandate: Investment in a diversified portfolio of large capitalized Canadian equities to achieve long-term capital appreciation and inflation protection.

Global Equity Portfolio

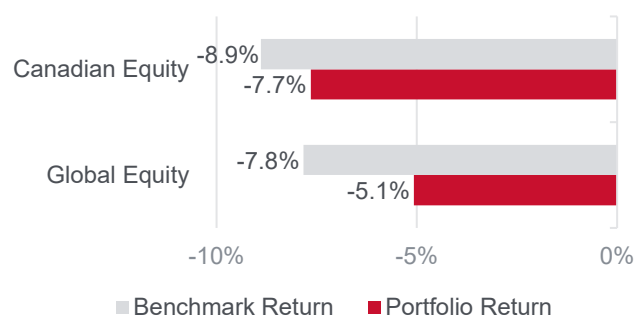
Managers: (AUM \$millions)

Fidelity Investments Canada (\$99.5)

TD Asset Management (\$115.8)

Mandate: Investment in a diversified portfolio of large capitalized international equities located in developed markets to achieve long-term capital appreciation and inflation protection.

Figure 8.1 – 2018 Annualized Portfolio Return vs Benchmark



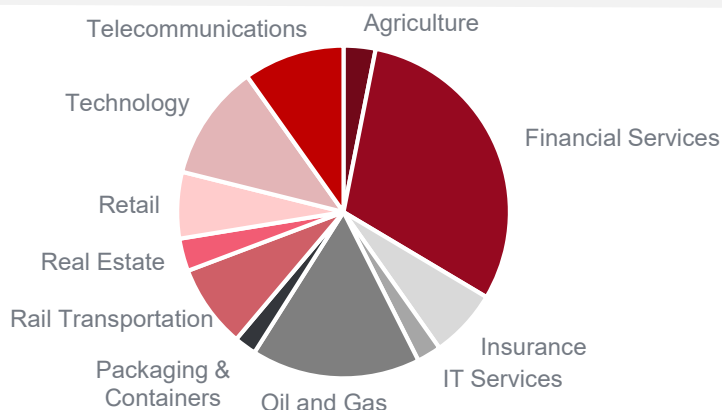
Geographic Exposure – Top Five (\$millions)

1. United States	\$ 118.3
2. Canada	\$ 96.3
3. Japan	\$ 26.9
4. United Kingdom	\$ 18.2
5. Australia	\$ 7.1

Name Exposure – Top Five (\$millions)

1. Toronto Dominion Bank	\$ 8.8
2. Royal Bank of Canada	\$ 8.5
3. Suncor Energy	\$ 4.7
4. Brookfield Asset Mgmt	\$ 4.4
5. Canadian National Railway	\$ 4.8

Figure 8.2 – Industry Exposure of Top 20 Equity Names by Market Value



Note: All figures reflect values as at December 31, 2018 unless otherwise specified

Infrastructure

As of December 31, 2018, Northleaf has called over one quarter of The City's \$125 million committed capital and generated positive returns on the fund's initial investments. Brookfield posted a negative return for the year, in part, due to losses on currency hedges but managed to outperform its global listed equity benchmark.

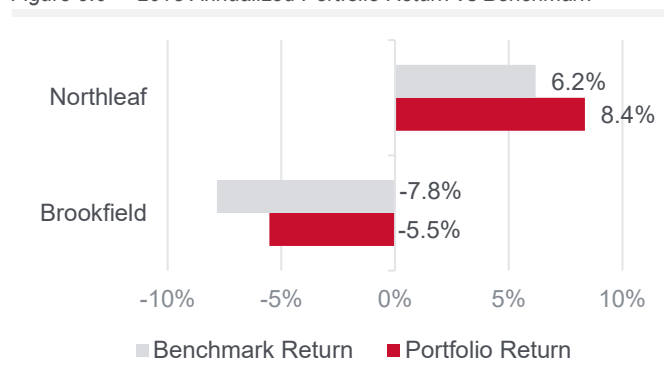
Managers: (AUM \$millions)

Brookfield Investment Management (\$50.7)

Northleaf Capital Partners (\$36.6)

Mandate: Investment in core infrastructure assets to provide inflation protection and diversification in risk-seeking assets.

Figure 9.0 – 2018 Annualized Portfolio Return vs Benchmark



Currency Overlay

BNP Paribas Asset Management (BNPP AM) was engaged in February 2018 to manage a foreign currency overlay strategy on behalf of The City. The notional value to which BNPP AM manages the portfolio is based on the foreign currency exposures of The City's underlying portfolio, excluding all non-CAD exposures less than one per cent. BNPP AM reviews net foreign currency exposures for The City's portfolio on a monthly basis and at their discretion, implements a hedge between 0 to 100 per cent for each underlying currency exposure.

Manager: BNP Paribas Asset Management

Mandate: To reduce the occurrence of negative returns due to foreign currency exposure in externally managed accounts.

Benchmark: Zero Benchmark (passive)

Currency	% Average Hedge Ratio
USD	41.4
GBP	0.0
EUR	0.0
JPY	17.9

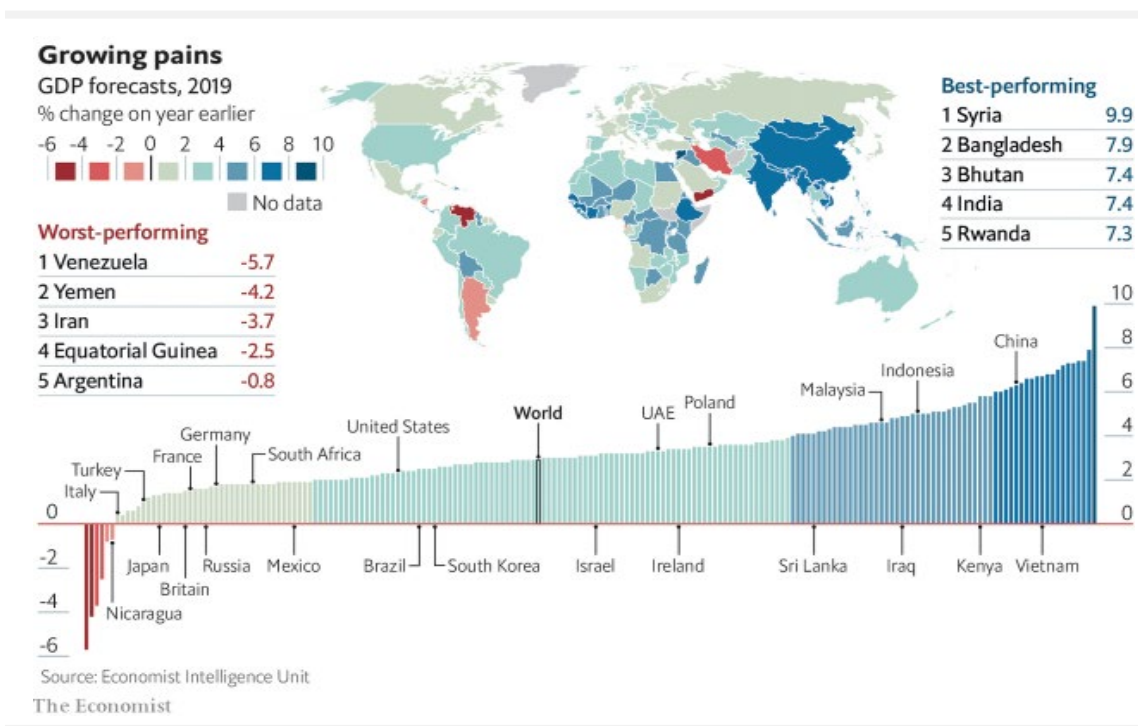
Portfolio Currency Exposures (CAD \$ millions)				
As Of Date	31-Dec-18		30-Sep-18	
Currency	Market Value	% Exposure	Market Value	% Exposure
CAD	0.0	0.0	9.3	1.9
USD	489.7	92.6	465.6	95.7
GBP	0.0	0.0	0.0	0.0
EUR	22.3	4.2	0.0	0.0
JPY	16.8	3.2	11.5	2.4
Total Notional Value	528.8	100.0	486.4	100.0

	Q4 2018 Return (%)	Return Since Inception - Feb-18 (%)
Portfolio	-1.0	-1.9
Benchmark	0.0	0.0
Excess Return	-1.0	-1.9

2019 Capital Market Outlook

The global economy is forecasted by Capital Economics to grow at a rate of 3.0 per cent in 2019 after expanding by 3.6 per cent in 2018. This rate is lower than the International Monetary Fund's forecast of 3.5 per cent but is more conservative given the headwinds to growth. Figure 10.0 depicts the forecasted national growth rates and indicates that growth should be strong in South Asia, with only five countries seeing a contraction in GDP. Trade growth is expected to continue to slow and investment growth in advanced economies is expected to decline from 3.5 per cent in 2018 down to 1.5 per cent in 2020. Debt levels are currently higher than they were prior to the global financial crisis and deleveraging should hurt growth. Inflation is expected to be under control in most of the world's economies and this should reduce the pressure on central banks to raise rates. The US Federal Reserve is expected to hike rates only once in 2019. The Bank of Canada is not expected to change rates. Both the European Central Bank and the Bank of Japan are expected to maintain their negative overnight interest rates.

Figure 10.0 – 2019 World Economic Growth Projections



The Canadian economy is forecasted to expand by approximately 1.7 per cent in 2019 following a better than expected 1.8 per cent in 2018. Export volumes are expected to decline despite a weakening Canadian dollar. The energy sector will likely continue to struggle with oil prices remaining in the \$50-\$60 range and may be negatively impacted by a lack of foreign and domestic investment. Canadian households are among the most indebted in the world and this combined with a weaker housing market may reduce overall consumer spending. If the United States-Mexico-Canada Agreement (USMCA) is not ratified in 2019 there could be a significantly negative effect on business and consumer confidence. Despite the somewhat slower economic growth than 2018, consensus forecasts show Canadian equities are expected to provide total returns of approximately 15 per cent for the year, though with higher volatility. For Canadian Universe

bonds, consensus forecasts show returns of approximately 2.7 per cent as corporate spreads continue to widen and Canadian credit underperforms global credit.

The United States economy is expected to grow by 2.2 per cent as it reaches the longest expansion in its history. Housing and business investment growth should continue to slow but consumption growth should remain strong. Equity returns are expected to be in the high single-digits while bonds remain moderately expensive. The Eurozone is forecasted to post growth of only 1.0 per cent due to declining consumer confidence, a weakening of exports and a lower rate of growth in business investment. Japan is expected to post growth of less than 1.0 per cent, in part due to a planned increase in the sales tax. Emerging market growth is expected to slow from 4.5 per cent in 2018 to 4 per cent in 2019, largely due to a slowdown in China. China should see slower credit growth as it grapples with a debt level that is more than double that of other emerging markets. India's growth should remain solid with a boost from pre-election spending. Emerging Asia is expected to slow as a result of China's slowdown combined with increased interest rates as their central banks tighten. Lastly, growth in Latin America and Africa is expected to accelerate.

The global economic expansion is expected to continue in 2019 though at a slower rate as the end of the cycle approaches. Equity and fixed income returns should be positive in much of the world. Inflation is expected to be kept under control and widespread recession is not forecast to occur before 2020.

Investment Advisory Committee Members

The Investment Advisory Committee provides advice and risk oversight on The City's investments including the investment structure, implementation strategies, monitoring of performance, and compliance.

Internal Members *(as at December 31, 2018)*

- Carla Male (Chair), CPA, CA - Acting Chief Financial Officer
- Brad Stevens, J.D., MBA, ICD.D - Deputy City Manager
- David Duckworth, P.Eng, MBA - General Manager UEP
- Thao Nguyen, CPA, CA - Acting City Treasurer and Director of Finance

External Members *(as at December 31, 2018)*

- Vern Malcolm, MBA, CFA - *BDC*, Director of Growth and Transition Capital
- Dr. Michael Robinson, MBA, Ph.D., CFA, ICD.D - *Haskayne School of Business*, Associate Professor of Entrepreneurial Finance
- Ian Bourne, F.ICD - Corporate Director

Definitions/Glossary

Term	Description
Benchmark	A standard against which the performance of an investment manager can be measured. Generally, broad market stock and bond indexes are used for this purpose.
Diversification	<p>A risk-management technique that mixes a wide variety of investments within a portfolio. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns and result in lower price volatility than any individual investment found within the portfolio.</p> <p>Diversification strives to smooth unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Therefore, the benefits of diversification will hold only if the securities in the portfolio are not perfectly correlated.</p>
Infrastructure Investments	Investments in Canadian or global businesses that focus on a variety of public sponsored and private quality core infrastructure assets such as toll roads, airports, utilities, renewable energy, communications, and transportation and healthcare facilities.
Investment Managers	Those firms or individuals appointed by the Chief Financial Officer for the investment of each Fund's assets. Includes both internal and external managers.
Market Value	The price at which a security is trading in the open market.
Portfolio	Collection of assets held by an investor.
Rate of Return	The gain or loss of an investment over a specified period, expressed as a percentage increase over the initial investment cost. Gains on investments are considered to be any income received from the security, plus realized and unrealized capital gains.
Risk-Adjusted Return	A standardized measure of investment return based on an adjustment for the level of risk involved in producing that return.

Reference Documents

Document Name	Approved By	Updated/Approved
<i>Investment Governance Policy CFO001</i>	Council	July 2016
<i>Investment Policy CFO007</i>	Council	July 2016
<i>IAC Terms of Reference</i> (Investment Governance Policy Appendix)	Council	July 2016
<i>Implementation and Rebalancing Policy</i>	Investment Advisory Committee	June 2018

The City of Calgary 2018 Annual Report

EXECUTIVE SUMMARY

The City of Calgary 2018 Annual Report includes the 2018 financial statements which have been audited, by Deloitte LLP, Chartered Professional Accountants and received an unmodified audit opinion.

ADMINISTRATION RECOMMENDATION:

That the Audit Committee:

1. Consider this report in conjunction with Report AC2019-0438 "2018 External Auditor's Year-End Report";
2. Recommends Council approval of The City of Calgary 2018 Annual Report, and
3. Forward to Council as a matter of urgent business to the 2019 April 29 Regular Meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

The Audit Committee's Terms of Reference (included in Bylaw 48M2012) as approved by Audit Committee and Council, state that the Audit Committee, with respect to The City's Financial Disclosure and Accounting Practices:

- a) Oversee the integrity of and review the Annual Financial Statements and recommends their approval to Council;
- b) Review and discuss The City's compliance with financial reporting procedures with Administration, the City Auditor and External Auditor;
- c) Engage Administration, the City Auditor, and the External Auditor in candid discussions regarding issues that may alter judgement or affect the quality of the reporting process and search for insight into the results;
- d) Review and discuss areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes; and
- e) Maintain open lines of communication with the External Auditor, the City Auditor and Administration.

BACKGROUND

Section 276(3) of the Municipal Government Act provides:

"Each municipality must make its financial statements, or a summary of them, and the auditor's report of the financial statements available to the public in the manner the Council considers appropriate by May 1 of the year following the year for which the financial statements have been prepared."

Further to this, Section 276(1)(a) specifies that the financial statements be prepared in accordance with "Canadian generally accepted accounting principles for municipal governments, which are the standards approved by the Public Sector Accounting Board

The City of Calgary 2018 Annual Report

included in the CPA Canada Public Sector Accounting Handbook published by the Chartered Professional Accountants of Canada, as amended from time to time”.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City of Calgary 2018 Annual Report (“Annual Report”) will be published in a one-book landscape format. The publication provides readers with financial and operational information for 2018, as well as Outlook information.

Upon Council's approval of the Annual Report, a Report to Citizens will be placed in the Calgary Herald summarizing the Statement of Financial Position, Statement of Operations, other financial highlights, as well as details for where the public can obtain complete copies of the Annual Report. The Annual Report will also be available electronically on www.calgary.ca.

Prior Period Adjustments:

In 2018, Administration identified adjustments to capital deposits, developer contributions, government transfers related to capital and reserves that required correction due to the timing of revenue and funding recognition. This correction has been reflected in these financial statements as a prior period adjustment to 2017 figures:

- Capital deposits on the statement of financial position previously reported in the 2017 financial statements as \$827 million has been restated to \$713 million;
- The 2017 statement of operations has decreased developer contributions by \$5 million; and increased government transfers related to capital by \$41 million;
- Accumulated surplus, beginning of year on the statement of operations increased by \$78 million; and
- Reserves previously reported in the 2017 financial statements as \$2,044 million have been restated to \$2,033 million, resulting in a decrease of \$11 million to reserves and an increase of \$11 million to the capital fund.

These restated amounts had no effect on The City's cash balances, property tax revenues or any other balances influencing property tax assessments.

Summary of Financial Results:

The Public Sector Accounting Standards (PSAS) reporting model prescribes five indicators of performance:

1. Net Financial Assets (Debt);
2. Accumulated Surplus (Deficit);
3. Annual Surplus (Deficit);
4. Cash Flow in the Year; and
5. Change in Net Financial Assets (Debt) in the Year.

Together, these indicators help the reader understand how well The City has managed its finances in the year and where The City stands in terms of resources held and debts owed at the end of the year.

The City of Calgary 2018 Annual Report

The 2018 consolidated financial statements of The City of Calgary continue to reflect a strong and healthy financial picture of a municipality investing in infrastructure.

Each of the five indicators of financial health is described in detail, below:

On the Consolidated Statement of Financial Position:

1. Net Financial Assets: calculated as total financial assets less financial liabilities. The focus on financial assets as separate from non-financial assets is critical, as financial assets can be used to discharge liabilities or provide services, while non-financial assets are normally only used to provide services in the future. The City has a net financial assets position of \$1,919 million. This is an increase of \$225 million from the net financial asset position of \$1,694 million at the end of 2017. This means The City has more financial assets than financial liabilities (including debt). This is primarily due to increases in cash, investments and receivables. Financial assets are partially offset by an increase in liabilities which are governed by agreements with the parties involved, including funds owed for goods and services already received (accounts payable and accrued liabilities), and capital deposits that are restricted to specific types of capital.
2. Accumulated Surplus: This indicator represents The City's total net economic resources, both financial and non-financial and it is the sum of net financial performance since inception. The City has an accumulated surplus of \$19,695 million as at December 31, 2018, comprised of \$1,919 million in net financial assets and \$17,776 million in non-financial assets. This surplus means that there are net resources (both financial and physical) that can be used to provide future services. This total accumulated surplus also indicates that, over time, The City has raised enough funds to cover annual operations and contributions to capital programs and that borrowing has been for capital purposes only. A further breakdown of the elements of the accumulated surplus is provided in Note 17 of the consolidated financial statements.

On the Consolidated Statement of Operations and Accumulated Surplus:

3. Annual Surplus: The City has an annual surplus position of \$1,022 million, meaning enough funds were raised in the year to afford the total cost of providing services and a contribution to investment in new capital assets in the year.

On the Consolidated Statement of Cash Flows:

4. Cash flow in the year: The increase in cash and cash equivalents in the year represents that, from a cash perspective, The City raised enough cash to afford the required cash outflows in the year. Cash was raised through \$1,602 million in operating activities. Cash was spent through a combination of \$1,235 million in capital activities, \$105 million in investing activities, and \$150 million in financing activities.

On the Consolidated Statement of Changes in Net Financial Assets:

5. Change in Net Financial Assets in the year: From December 31, 2017 to December 31, 2018, The City increased its net financial asset position by \$225 million, from \$1,694 million in 2017 to \$1,919 million in 2018. The change in the year is a measure of whether the revenues raised were sufficient to cover the spending in the year, including any capital spending to acquire new assets. The increase in the year was primarily a result of the excess of 2018 revenues over expenses and amortization of existing tangible capital assets, less the acquisition and contributions of new capital assets in the year.

The City of Calgary 2018 Annual Report

Stakeholder Engagement, Research and Communication

Upon Council's approval of the Annual Report, a Report to Citizens will be placed in the Calgary Herald summarizing the Statement of Financial Position, Statement of Operations and other financial highlights as well as advising the public where complete copies of the Annual Report can be obtained. The Annual Report will also be available electronically on The City's home page at www.calgary.ca.

Strategic Alignment

The 2018 External Auditor's Year End Audit Report is required for the Audit Committee to fulfill its audit governance responsibilities, with respect to confirming the integrity of The City's Annual Financial Statements and recommending its approval to Council. The External Auditor's Year-End Audit Report will be brought forward to Council as report AC2019-0438. Financial Reporting compliance with provincial legislation is essential to ensure public confidence and fulfill the public's need for transparency and accountability.

Social, Environmental, Economic (External)

The Annual Report identifies key messages and accomplishments by The City in 2018 in the area of "Better serving citizens, communities, and customers".

Financial Capacity

Current and Future Operating Budget:

The Annual Report highlights current operating results for 2018, however, there are no specific financial implications as a result of this report.

Current and Future Capital Budget:

The Annual Report highlights current capital results for 2018, however, there are no specific financial implications as a result of this report.

Risk Assessment

Each municipality must make its financial statements, or a summary of them, and the auditor's report of the financial statements available to the public by May 1 of the year following the year for which the financial statements have been prepared. If Council does not approve this report at the 2019 April 29 Regular Meeting of Council, then The City would not be in compliance with this legislative requirement.

REASON(S) FOR RECOMMENDATION(S):

Council approval of The City of Calgary 2018 Annual Report is required to comply with Section 276(3) of the Municipal Government Act:

"Each municipality must make its financial statements, or a summary of them, and the auditor's report of the financial statements available to the public in the manner the Council considers appropriate by May 1 of the year following the year for which the financial statements have been prepared."

ATTACHMENT

The City of Calgary 2018 Annual Report

An aerial photograph of the City of Calgary, Alberta, Canada. The image shows a dense urban core with numerous high-rise buildings, interspersed with green spaces and parks. The Bow River flows through the city, with several bridges crossing it. The city extends into the distance, with a mix of residential and commercial areas. The sky is clear and blue.

Calgary



AC2019-0498
ATTACHMENT

DELIVERING VALUE FOR CITIZENS

The City of Calgary 2018 Annual Report

The City of Calgary, Alberta, Canada | For the year ended December 31, 2018

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The City of Calgary, Alberta | ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018
Produced by the Chief Financial Officer's
Department of The City of Calgary, in cooperation
with all civic departments, offices and agencies.

CITIZEN SATISFACTION

The annual citizen satisfaction survey provides opinions to what The City is doing well and what needs improvement. This year, 2,500 Calgarians, 18 and older, provided their thoughts.

QUALITY OF LIFE IN CALGARY

86%

rate their quality of life
as good

84%

agree we are on track to
becoming a better city

83%

agree Calgary is a great
place to make a life

86%

are proud to live in their
neighbourhood

82%

perceive their
neighbourhood as safe

CITY PROGRAMS AND SERVICES



95%

are satisfied with
the quality of
drinking water



88%

are satisfied with
residential garbage
collection service



95%

are satisfied with
Calgary's parks,
playgrounds and
open spaces



82%

are satisfied
with roads and
infrastructure.



84%

are satisfied
with land use
planning



81%

are satisfied with
Calgary Transit

AREAS CALGARIANS THINK THE CITY SHOULD INVEST IN

64%

Road maintenance including
pothole repairs

64%

Snow removal

61%

Calgary Transit including
bus and CTrain service

61%

Affordable housing for
low-income families

CALGARY AT A GLANCE

1,267,344

Population

917 km

City pathways

1.7%

Population growth

257

City-supported events

36.9

Median age

\$477,963

MLS average selling price

7.6%

Unemployment
rate

2,750

Single family housing starts

848 km²

City area

\$4,402,052,612

Value of building
permits issued

MESSAGE FROM THE MAYOR

Here in Calgary, we are so lucky to live and work in this beautiful city. We have a lot to be proud of over the last year.

In 2018, The Economist called us the best city to live in within North America, and the fourth best in the entire world.

We opened the doors to a number of facilities including our beautiful new Central Library, Shane Homes YMCA at Rocky Ridge, Tuscany Fire Station No. 42, and Calgary Composting Facility to name a few. We also did some important work on West Eau Claire Park, where we're building a lively, vibrant destination while protecting the city from flooding at the same time.

We made it easier for homeowners across the city to apply for secondary suites so that tenants can feel assured that their legal suite is safe. And we've worked with non-profits to build more than 165 units of affordable housing across the city, aiming to the goal that everyone has a safe and decent place to live.

We launched MAX — the biggest investment in bus rapid transit in the city's history, connecting people across the city. And we're moving forward on the Green Line. Stage 1 will help you get all the way from Shepard to Crescent Heights.

From Green Line to Green Cart, we celebrated the first anniversary of our composting program in 2018. Already we've diverted more than 111 million kilograms of waste. That's half our household garbage.

As we look to our future we also think of our past. In a spirit of reconciliation and healing, we joined with our Treaty 7, Metis, Inuit and urban indigenous neighbours to celebrate

the renaming of the Reconciliation Bridge. We developed the Climate Resilience Strategy to help us cope with extreme weather events and climate change. We're reducing greenhouse gas emissions and finding ways to improve energy efficiency.

We're working hard to grow Calgary's economy. Within The City, we've identified more than \$600 million in savings in our budget to help keep your taxes low and help your government be more effective. And we've managed to invest more than \$5 billion into the local economy. We've made it easier for small businesses to start and to grow. In 2018, we became the only municipality in Canada where you can do all of your permits and licensing fully online. And Council has invested \$100 million in the Opportunity Calgary Investment Fund (OCIF) designed to stimulate growth by attracting new business to Calgary and helping Calgary businesses expand. In 2018, we also started using Calgary as a living lab for innovation. For example, we've opened up city land for the testing of drones and autonomous vehicles.

Looking back, we've accomplished so much in 2018. We've got a bold vision and a strong strategy for the future and together, we'll continue to make life better every day.



Naheed Nenshi
Mayor



CORPORATE GOVERNANCE AND ACCOUNTABILITY

The role of City Council is to govern The City of Calgary, Calgary's municipal corporation, to ensure it provides the civic services Calgarians need. In carrying out its many duties, City Council must anticipate emerging opportunities and plan for the community's long-term development and growth, along with addressing concerns.



In addition to sitting as a Council in Council meetings, City Council members participate in a variety of boards, commissions and committees. Their involvement provides a critical link between Calgary's communities, agencies and the workings of the municipal government.

City Council is comprised of 14 Councillors and the Mayor. In Council meetings, each member has one vote. They are elected by and accountable to the people of Calgary. The Mayor and Councillors hold office for four-year terms. After every civic election, the City Clerk and City Solicitor provide an orientation for all Members of Council on their roles, responsibilities and duties under The Municipal Government Act and The City of Calgary Procedure Bylaw. This orientation includes how meetings are governed, ethical guidelines, and how recommendations flow from Administration, to Council Committees, and then to Council for a decision. Throughout their term in office, Members of Council pursue ongoing training and education. Council holds regular monthly meetings with the exception of August.

Regular and open communication with Administration is central to setting and achieving Calgary's municipal corporation's mission, vision, goals, strategies and actions.

For more information about City Council, the various boards, commissions and committees, and any of the Administration and Council policies referenced here, visit calgary.ca

CITY OF CALGARY COMMITTEES

In 2018, Council set priorities, established policies and made recommendations through Standing Policy Committees (SPCs), and Standing Specialized Committees (SSCs). The SPCs are as follows: SPC on Community and Protective Services; SPC on Planning and Urban Development; SPC on Transportation and Transit; and SPC on Utilities and Corporate Services. The SSCs are: the Priorities and Finance Committee, the Intergovernmental Affairs Committee, the Gas, Power and Telecommunications Committee and the Audit Committee. The public is welcome to attend committee meetings and may have an opportunity to speak to specific items.

During 2018, Council recommended appointments to various boards, commissions, committees and other bodies when vacancies occurred throughout the year following Council's Organizational Meeting in October 2017. The Audit Committee oversees the activities of the City Auditor's Office, the external auditor, and The City's internal controls and management information systems. This ensures Administration's accountability to Council and adherence to the Integrated Risk Management Policy.

CITY COUNCIL



Ward 1 Councillor
Ward Sutherland
calgary.ca/ward1



Ward 2 Councillor
Joe Magliocca
calgary.ca/ward2



Ward 3 Councillor
Jyoti Gondek
calgary.ca/ward3



Ward 4 Councillor
Sean Chu
calgary.ca/ward4



Ward 5 Councillor
George Chahal
calgary.ca/ward5



Ward 6 Councillor
Jeff Davison
calgary.ca/ward6



Ward 7 Councillor
Druh Farrell
calgary.ca/ward7



Ward 8 Councillor
Evan Woolley
calgary.ca/ward8



Ward 9 Councillor
Gian-Carlo Carra
calgary.ca/ward9



Ward 10 Councillor
Ray Jones
calgary.ca/ward10



Ward 11 Councillor
Jeremy Farkas
calgary.ca/ward11



Ward 12 Councillor
Shane Keating
calgary.ca/ward12



Ward 13 Councillor
Diane Colley-Urquhart
calgary.ca/ward13



Ward 14 Councillor
Peter Demong
calgary.ca/ward14



MESSAGE FROM THE CITY MANAGER

At The City of Calgary we work hard to make Calgarians' lives better every day by delivering the services that Calgarians want and need.

Throughout 2018 we continued to take action to support economic recovery, keep Calgarians working and reduce the cost of local government. We continued to focus our attention on:

- Implementing strategies and initiatives to promote economic growth and build a more resilient city.
- Strategically managing our investments in infrastructure to provide job opportunities for Calgarians while taking advantage of lower construction costs.
- Intentionally managing our costs and making our organization as efficient as possible.
- Ensuring The City of Calgary continues to be financially stable and fiscally responsible in delivering value for citizens.
- Better serving citizens, communities and customers through anticipating and responding to economic, social and technological change.

Survey results continue to assist us in managing our services and identifying opportunities for improvement. In 2018, the Economist Intelligence Unit ranked Calgary as the fourth most livable city in the world. Calgarians' overall satisfaction with the level and quality of City services and programs continues to remain strong. Our 2018 Citizen Satisfaction Survey indicates that 86% of Calgarians rate their quality of life as good and 84% agree we are on track to becoming a better city.

I am very proud to work every day with City colleagues who consistently demonstrate their commitment to public service and take pride in delivering quality services to Calgarians. For the third year in a row, The City of Calgary has been recognized by Forbes as one of Canada's Best Employers. Results from our 2018 Corporate Employee Survey have remained stable with this year's score indicating an increase in the Employee Satisfaction Index. These are great achievements that I believe result from the inclusive and collaborative work environment and diverse career opportunities The City offers.

I encourage you to read our report to find out more about The City's successes in 2018.



Glenda Cole, Q.C.
City Manager



CITY OF CALGARY ADMINISTRATION

Calgary's municipal government is responsible for supporting, encouraging and strengthening our community's dynamic development.

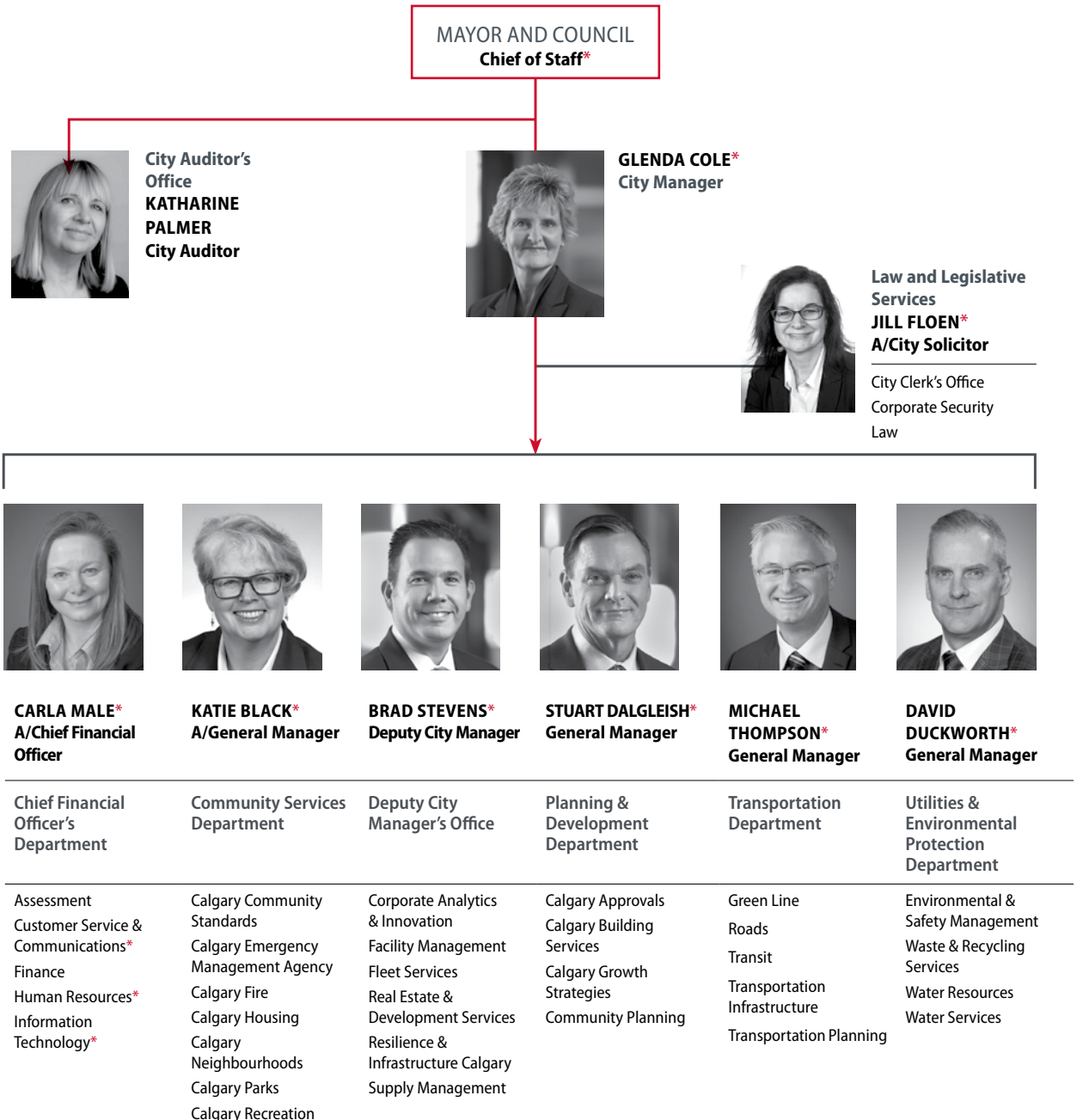
It is Administration's responsibility to provide, manage and sustain civic infrastructure, facilities and programs that support the quality of life that is so much a part of Calgary's appeal.

THE ROLE OF THE CITY MANAGER

The City Manager leads the Administrative Leadership Team (ALT) and works closely with Council. The City Manager implements the decisions of Council, provides advice and manages City Administration. She is responsible and accountable for ensuring all City work, projects, operations and services comply with Council's policies, priorities and direction.

ADMINISTRATIVE LEADERSHIP TEAM

The ALT oversees all City operations and strategic management by leading, managing and co-ordinating The City's programs, projects and initiatives. The ALT also plays a major role in developing and implementing public policy as well as balancing the priorities and best interests of the community with The City's corporate goals and available resources.



As of March 2019
*Members of ALT

AUDIT COMMITTEE

The Audit Committee plays an integral role in financial and governance matters at The City of Calgary and oversees risk management, internal controls and the integrity of The City's annual financial statements.

The diverse role of the Audit Committee at the City of Calgary reflects a wider trend in North America of Audit Committees participating in more than just financial governance matters, playing an increasingly important role in oversight, risk management, and corporate governance.

The Audit Committee is comprised of seven independent members who were appointed by City Council, with the Mayor serving as an ex-officio member. The membership includes four City Councillors and three volunteer citizen members, whom demonstrate extensive financial expertise.

In 2018 the following major autonomous civic entities delivered presentations to the Audit Committee on their risk management, internal controls, financial reporting, governance structure and 2018 key initiatives and strategy:

- Attainable Homes Corporation Calgary
- Calgary Arts Development Authority
- Calgary Convention Center Authority
- Calgary Economic Development
- Calgary Housing Company
- Calgary Municipal Land Corporation
- Calgary Parking Authority
- Calgary Police Commission
- Calgary Public Library
- ENMAX

Deloitte, LLP are the independent external auditors fulfilling The City's legislated audit requirements and providing assurance over The City's annual financial statements and reporting processes. Deloitte, LLP carried out the audit of The City of Calgary's 2018 financial accounts in accordance with Canadian Generally Accepted Auditing Standards, and had full and unrestricted access to the Audit Committee to discuss the audit and related findings.

The City Auditor's Office is the independent internal auditor for the City of Calgary, operating autonomously from City Administration and reporting directly to Council through Audit Committee. The City Auditor's authority, mandated in the City Auditor's Bylaw and Charter, provides the City Auditor with unrestricted access to all municipal personnel, records, property, policies, procedures, processes and systems necessary to conduct audits. The risk-based activities of the City Auditor's Office are approved annually by Audit Committee through a rolling two-year audit plan. The results of formal audits by the City Auditor's Office, as well as follow-up on audit recommendations, are presented to Audit Committee and Council for discussion, and made public through The City's website: www.calgary.ca/auditor.

An equally important role of the City Auditor's Office is the oversight of the Whistle-blower Program. This program ensures reports received from City employees or members of the public regarding waste or wrongdoing are subject to an appropriate investigation and resolution. The City Auditor provides to Council through the Audit Committee, at least on an annual basis, information related to reports received and investigations conducted during the year.

The Audit Committee is comprised of the right professionals working together with the Chief Financial Officer, the City Auditor and the External Auditor, to successfully fulfill their mandate. I am proud of the

important work performed by the Audit Committee in support of City Council's priority of "A well-run city".

On behalf of the Audit Committee, it is my pleasure to recommend to City Council approval of The City's Annual Financial Statements as audited and presented in this 2018 Annual Report.



Evan Woolley,
Ward 8 Councillor
Chair, Audit Committee



Better serving citizens, communities and customers

At The City, we're working together to make citizens' lives better, every day. We're focusing on what's important to you, improving how we do business and ensuring we plan for our future to build a strong, resilient Calgary.

In 2018, we completed our four-year service plans and budget which provide clarity on the value of City services you receive for your tax dollars. The 2019-2022 Plans and Budgets describe how we'll be addressing ongoing challenges, providing essential services and delivering on Council's vision for Calgary.

From solar power to secondary suites to sledge hockey, these are some of the ways we improved life for Calgarians:

- Completed Shepard Solar Park, the City's first ground-mounted solar project which produces enough electricity to power over 185 average Calgary homes, while generating over 800 tonnes of greenhouse gas emissions reductions a year.
- Approved the Integrated Civic Facility Planning Program which ensures City sites are built with multiple purposes to better serve the community.
- Updated the Calgary Pathway and Bikeway Implementation Plan to seamlessly connect Calgarians to the places they want to go.
- Provided clean drinking water with solar power at the Bears paw Water Treatment Plant.
- Approved the sale of City land to non-profit affordable housing providers.
- Approved amendments to the Land Use Bylaw allowing secondary suites as discretionary use within more areas.
- Improved accessibility at facilities to reduce barriers for Calgarians including:
 - Assistive Listening Device (ALDs) Hearing Loops which help people in noisy environments.
 - Sledge hockey features for the two arenas at Village Square Leisure Centre, including translucent boards in the player's box so sledge hockey players can see the game.
 - Rest facility accessibility upgrades at Southland Leisure Centre and Calgary Soccer Centre.



Working hard to grow Calgary's economy

The City of Calgary is taking action to support Calgary's economy, keep Calgarians working and reduce the cost of local government. Under Council direction, Administration has achieved significant savings through the intentional management of The City's financial position. Between 2015 and 2018, we identified \$607 million in operating savings and efficiencies to reduce costs and increase the effectiveness of local government.

In 2018, The City continued to help Calgary's economy bounce back from the recent downturn with business strategies, digital improvements and investment funding.

- Developed an Economic Resiliency Strategy that engages with local businesses, other levels of government and City partners to create a diverse and strong economy.
- Made it easier for small businesses to start and to grow by becoming the first and only municipality in Canada to allow small business customers begin and manage their business completely online via myBusiness.
- Provided \$100 million through the Opportunity Calgary Investment Fund to stimulate growth by attracting new business to Calgary and helping Calgary businesses expand.
- Created a Goods Movement Strategy which recommends actions and investments to support the economic development of Calgary in the short and long term.
- Used Calgary as a living lab for innovation by opening up City land for testing drones and autonomous vehicles.



Investing in Infrastructure

Investing in Calgary's infrastructure is a key driver that supports Council's priority of creating A Prosperous City. Between 2015 and 2018, The City invested over \$5 billion in the local economy. Expenditures that encourage business development and diversification, bring people together, improve our environment, help us keep safe and enable Calgarians to keep on the move.

In 2018, we achieved milestones on these projects:

- Opened the spectacular new Central Library.
- Celebrated the on-time and on-budget opening of the City-owned Shane Homes YMCA at Rocky Ridge.
- Joined over 2000 community members to celebrate the grand opening of Tuscany Fire Station 42.
- Marked the first anniversary of the Green Cart composting program which kept 111 million kilograms of food and yard waste out of landfills.
- Worked with non-profit organizations to build over 165 units of affordable housing across the city.
- Moved forward on the Green Line LRT project with the announcement of \$1.53 billion in Federal funding for phase one.
- Invested \$340 million between 2015 and 2018 in the Bus Rapid Transit Program.
- Launched MAX — the new BRT service that provides more convenience, more comfort and more connections across our city.



FINANCIAL INFORMATION

THE CITY OF CALGARY, ALBERTA



2018 Financial Statement Discussion and Analysis

INTRODUCTION

The financial statement discussion and analysis (FSD&A) reports to stakeholders on how the financial resources entrusted to The City of Calgary (The City) are being managed to provide municipal infrastructure and services. It explains the significant differences in the financial statements between the reported year and the previous year as well as between approved budget and actual results. The FSD&A also identifies trends, risks and anticipated events that could have financial implications.

The 2018 year is the last year in the four-year business plan and budget cycle (2015 – 2018), and The City was able to effectively implement its business plans and budgets as approved by Council. These results have been demonstrated in the 2018 year by reducing expenses by \$239 million relative to budget and generating \$367 million of cash flows from operating activities net of capital asset spending.

The City has been in an economic downturn for the last four years, and during this challenging time The City made significant and intentional progress to reduce costs and become more efficient. The focus was on finding ways to deliver high quality services at a lower cost, evaluating what services are truly needed by citizens and how to deliver these services more efficiently. Over past four years, the City achieved savings relative to budget through cost reductions and efficiencies. These savings were achieved while The City continued to deliver services within its means and provide support such as tax relief, fee relief, offsetting revenue shortfalls to avoid tax increases, and community support.

The following table reflects the actual expenditures (excluding depreciation) compared to budget (excluding depreciation) for the 2015 – 2018 business plan and budget cycle.

Expenses – Budget to Actual Comparison

As at December 31 (in thousands of dollars)	Budget (excluding Depreciation)	Actual (excluding Depreciation)	Increase/ (Decrease)
2015	\$ 3,150,927	\$ 3,010,681	\$ 140,246
2016	3,313,369	3,076,444	236,925
2017	3,408,672	3,192,249	216,423
2018	3,433,340	3,194,106	239,234
	\$ 13,306,308	\$ 12,473,480	\$ 832,828

In November 2018, Council approved the Service Plans and Budgets (2019 – 2022), also known as One Calgary. The One Calgary Service Plans and Budgets reflects The City's long-term goals, and it continues to monitor its financial performance carefully so that it can address local effects resulting from the recent economic downturn. These issues are discussed further on in The Outlook section of the FSD&A.

The City's 2018 Annual Financial Report contains the audited consolidated financial statements prepared in accordance with principles and standards established by Canadian Public Sector Accounting Standards (PSAS) of Chartered Professional Accountants (CPA) Canada, as required by the *Alberta Municipal Government Act*.

The financial statements consist of:

- Consolidated statement of financial position (summary of financial assets and liabilities, net financial assets, non-financial assets and accumulated surplus) at year end,
- Consolidated statement of operations and accumulated surplus (summary of the annual surplus for the year, consisting of revenues reflecting what operating and capital funds were raised in the year and expenses reflecting how funds were used during the year, including the annual costs for owning and using capital assets (amortization), plus the change in the net value of the government business enterprise),
- Consolidated statement of cash flows (summary of how The City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets), and
- Consolidated statement of changes in net financial assets (a reconciliation between the net revenues earned in the year to the change in net financial assets). This statement shows the annual surplus, with a reversal of the non-cash accruals for amortization and sale of assets, less donated assets and the spending to acquire new capital assets in the year. The change in net financial assets is an indicator of whether revenues raised in the year were sufficient to cover the spending in the year.

The City Administration is responsible for preparing the following FSD&A and the audited consolidated financial statements. The FSD&A and the consolidated financial statements should be read in conjunction with the financial and statistical schedules.

In 2018, The City identified adjustments to capital deposits and reserves that required correction due to the timing of revenue and funding recognition. This correction has been reflected in these financial statements as a prior period adjustment to the 2017 figures, resulting in a decrease to capital deposits, and an increase to other revenue and accumulated surplus of \$114.2 million. These restated amounts had no effect on The City's cash balances, property tax revenues or any other balances influencing property tax assessments.

Economic Environment

Economic growth in the Calgary Economic Region was estimated at 2.9 per cent in 2018, while Calgary's population increased by 1.7 per cent.

	2018	2017	Change
Calgary			
Population (April census)	1,267,344	1,246,337	1.7%
Employment ⁽¹⁾	763,260	756,240	0.9%
Building permit applications	16,298	16,412	(0.7%)
Building permit value (\$ billions)	4.4	4.6	(4.3%)
Calgary Census Metro Area			
CPI inflation rate	2.4%	1.6%	0.8%
Calgary Economic Region			
Unemployment rate	7.6%	8.6%	(1.0%)

Sources: see schedule of demographic and other information on page 89 except:

(1) Estimated by The City of Calgary – Corporate Economics based on Statistics Canada Labour Force Survey.

Population growth from April 2017 to April 2018 was 21,007 (1.7 per cent) compared to 11,166 (0.9 per cent) for the year ending April 2017. The annual rate of population growth is estimated at 1.9 per cent per year over the next ten years.

Population growth for the next four years is expected to be faster for the city of Calgary than the national and provincial average. This relatively higher pace of growth is because the city of Calgary is expected to remain a more attractive destination relative to other jurisdictions due to affordability and quality of life. Net migration will be the primary driver of population growth, accounting for 61 per cent of the total increase.

FINANCIAL HIGHLIGHTS

Revenues and Expenses

The City had consolidated revenues of \$3.873 billion in 2018 before external transfers for infrastructure. External transfers for infrastructure includes grants and revenue sharing recognized from other governments plus funds and tangible capital assets from developers totaling \$1.038 billion (2017 – \$3.756 billion, before external transfers of \$1.026 billion).

The City consolidated expenses were \$3.873 billion before net ENMAX Corporation (“ENMAX”) adjustments of \$0.016 billion (2017 – \$3.820 billion, before net ENMAX adjustments of (\$0.101) billion). Included in expenses is amortization in the amount of \$0.678 billion (2017 – \$0.629 billion) as the estimated annual cost of owning and using The City’s capital assets.

For 2018, net revenues including external contributions to infrastructure of funds and tangible capital assets totaled \$1.038 billion (2017 – \$1.026 billion).

Consolidated Financial Position

As at December 31 (in thousands of dollars)

	2018	2017 (Restated)
A. Financial Assets	\$ 7,289,242	\$ 7,055,340
B. Liabilities	\$ 5,370,638	\$ 5,361,302
C. Net Financial Assets (A minus B)	\$ 1,918,604	\$ 1,694,038
D. Non-Financial Assets	\$ 17,776,479	\$ 16,980,420
E. Accumulated Surplus (C plus D)	\$ 19,695,083	\$ 18,674,458

The City’s net financial assets increased by \$225 million (2017 – \$322 million) mainly due to increases in cash, investments and receivables. Financial assets are partially offset by liabilities which are governed by agreements with the parties involved, including funds owed for goods and services already received (accounts payable and accrued liabilities), and capital deposits that are restricted to specific types of capital.

The City’s accumulated surplus increased by \$1,021 million (5.5 per cent) in 2018, primarily from the net increase in tangible capital assets (purchased and donated) of \$807 million and a decrease in long-term debt of \$177 million.

The City’s long-term debt ratings were affirmed at AA+ by Standard and Poor’s and AA (high) by Dominion Bond Rating Service (DBRS) in 2018.

Cash Flow

The City’s cash and cash equivalents increased by \$112 million to \$246 million and investments increased by \$145 million to \$4,039 million. The increase in cash and cash equivalents is primarily due to an increase in short term investments.

Cash provided by operating activities

In 2018, cash provided by operating activities was \$1,601 million, compared to \$1,093 million in 2017. This increase was primarily due to an overall increase in the federal government grants inflow that occurred in 2018 and an increase in accounts payable and accrued liabilities.

Cash used in capital activities

Cash used in capital activities was \$(1,235) million, compared to \$1,263 million in 2017, and it includes:

- Additions to capital assets of \$(1,271) million; and
- Proceeds from sale of tangible capital assets of \$36 million.

Cash provided by investing activities

Cash used by investing activities was \$(105) million, compared to \$251 million provided in investing activities in 2017, and includes:

- Net purchase of investments of \$(145) million; and
- Dividends from ENMAX of \$40 million.

Cash used in financing activities

Cash used in financing activities was \$(150) million, compared to \$(174) million of cash used in 2017, and includes:

- Proceeds from long-term debt issued of \$153 million;
- Long-term debt repayments of \$(331) million; and
- Net increase in bank indebtedness of \$27 million.

FINANCIAL ANALYSIS REVIEW

Revenues – Budget to Actual Comparison

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

	Budget 2018	Actual 2018	Favourable/ (Unfavourable)	Percent Change
Net taxes available for municipal purposes	\$ 2,090,244	\$ 2,068,070	\$ (22,174)	(1%)
Sales of goods and services	1,346,620	1,278,099	(68,521)	(5%)
Government transfers and revenue sharing agreements				
Federal	797	1,736	939	118%
Provincial	147,420	160,387	12,967	9%
Investment income	65,588	101,236	35,648	53%
Fines and penalties	91,194	95,747	4,553	5%
Licences, permits and fees	104,087	117,254	13,167	13%
Miscellaneous revenue	24,074	44,951	20,877	87%
Equity in earnings of ENMAX	132,000	5,094	(126,906)	(96%)
Total revenues (before external transfers for infrastructure)	\$ 4,002,024	3,872,574	(129,450)	(3%)
Developer contributions	\$ 269,128	218,988	(50,140)	(19%)
Government transfers related to capital	1,125,922	564,652	(561,270)	(50%)
Developer contributions-in-kind related to capital	–	254,799	254,799	100%
Total external transfers for infrastructure	\$ 1,395,050	1,038,439	(356,611)	(26%)

Total City revenues (before external transfers for infrastructure) were approximately 3 per cent lower than budgeted for 2018, mainly as a result of lower than anticipated net municipal taxes, sales of goods and services, and lower equity in earnings of ENMAX partially offset by higher than budgeted investment income, licences, permits and fees, provincial government transfers, and miscellaneous revenue.

Government transfers and revenue sharing agreements were approximately 9 per cent higher than budgeted due to Provincial transfers for programs that are not budgeted and include funding for the Low Income Transit Subsidy program, the Seniors Home Maintenance Program, provincial transfers for the Disaster Recovery program and funding from the Alberta Emergency Management Agency for flood preparation. The variance in the Federal transfers was primarily for the funding for the Calgary Local Immigration Partnership.

Investment income was approximately 53 per cent higher than budgeted due to higher principal balances invested and a higher than budgeted blended yield which resulted from realized capital gains on The City's equity holdings upon disposition and receipt of annual dividend payments.

Fines and penalties were approximately 5 per cent higher than budgeted mainly due to increased court fines for traffic violations and an increase in transit fare penalties.

Licences, permits and fees were approximately 13 per cent higher than budgeted as a result of sustained development activities despite the economic conditions. A freeze in permits and license fees have contributed to mitigate the potential impact on applicants from the economic downturn.

Miscellaneous revenue was approximately 87 per cent higher than budgeted mainly due to proceeds from the sale of tangible capital assets, revenues accrued for costs incurred on behalf of Calgary 2026 Bid Corporation and a higher than budgeted insurance settlements from third parties.

Equity in earnings of ENMAX was 96 per cent lower than budgeted due to an increase in current and deferred income tax expenses recorded in the year relative to the budget.

Developer contributions were approximately 19 per cent below budget due to differences in the estimates of anticipated contributions used during the year.

Government transfers related to capital were approximately 50 per cent lower than budgeted primarily due to unanticipated changes in timing of the use of government grants. These funds will be drawn upon as capital projects progress.

Developer contributions-in-kind related to capital were higher than budgeted as capital acquisitions of this nature are not budgeted due to the timing of completion of developer donated assets which is highly volatile from year to year.

Expenses – Budget to Actual Comparison

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

	2018 Budget (excluding Amortization)	2018 Actual (excluding Amortization)	Favourable/ (Unfavourable)	Percent Change	2018 Budget Amortization Expense	2018 Actual Amortization Expense
Police	\$ 509,915	\$ 502,510	\$ 7,405	1%	\$ –	\$ 18,714
Fire	297,736	297,058	678	0%	–	13,765
Public transit	451,982	433,687	18,295	4%	–	133,968
Roads, traffic and parking	280,132	258,812	21,320	8%	9,102	166,311
Water services and resources	406,130	391,494	14,636	4%	84,601	126,328
Waste and recycling services	153,891	136,191	17,700	12%	–	15,396
Community and social development	77,758	85,694	(7,936)	(10%)	–	93
Public housing	154,037	117,685	36,352	24%	3,414	12,146
Parks and recreation facilities	219,617	215,931	3,686	2%	–	61,981
Societies and related authorities	83,108	89,163	(6,055)	(7%)	383	14,494
Calgary Public Library Board	59,839	60,543	(704)	(1%)	6,900	6,847
General government	411,817	354,944	56,873	14%	–	29,900
Public works	244,133	221,647	22,486	9%	29,697	65,947
Real estate services	83,245	28,747	54,498	65%	–	12,648
	\$ 3,433,340	\$ 3,194,106	\$ 239,234	7%	\$ 134,097	\$ 678,538

The four year budget cycle 2019-2022 has incorporated amortization charges for information purposes only, similar to the budget cycle 2015-2018. The City has yet to integrate these standards for budget preparation.

In 2018, The City continues to find efficiencies and savings in expenditures which allowed The City to keep taxes and fees as low as possible while still responding to the priorities and needs of citizens.

The following variance explanations exclude the impact of amortization expense.

Public transit expenses were approximately 4 per cent lower than budgeted primarily due to decreased costs for salaries and wages arising from the use of workforce planning strategies.

Roads, traffic and parking expenses were approximately 8 per cent lower than budgeted due to lower activity for street repairs and sidewalk maintenance. This is partially offset by an increase in winter operations, paving and street-lighting programs.

Water services and resources expenses were approximately 4 per cent lower than budgeted due to lower costs for salary and wages and lower consulting fees due to increased cost control efforts. In addition there were lower than estimated biosolids tonnage costs.

Waste and recycling services expenses were approximately 12 per cent lower than budgeted due to lower costs on salary and wages, lower composting facility related costs as a result of less tonnage than expected and lower fleet lease, operation and maintenance costs.

Community and social development expenses were approximately 10 per cent higher than budgeted primarily due to the Low Income Transit program related costs which are not budgeted and higher transfers to agencies for delivery of various programs.

Public housing expenses were approximately 24 per cent lower than budgeted mainly due to reduced cost of sales recognized for lower housing sales due to less favourable market conditions and lower disbursements from the one-time Housing Incentive Program budget.

Societies and related authorities expenses were approximately 7 per cent higher than budgeted primarily due to the permanent impairment loss incurred on the Calgary Film Centre.

General government expenses include the costs of Council, City Manager, Finance, Supply, Mayor, City Auditor, City Clerk's, Law, Assessment, Customer Service & Communications, Human Resources, Information Technology and Corporate Revenues and Costs. Expenses were approximately 14 per cent lower than budgeted primarily due to lower provisions for corporate contingencies than expected, lower salary and wage costs arising from changes in actuarial and budget assumptions for employee benefit obligations, and lower contingency costs for utilities due to lower natural gas and electricity prices experienced in 2018 compared to rate assumptions in the initial Action Plan.

Public works expenses were approximately 9 per cent lower than budgeted primarily due to cost-reduction initiatives, such as salaries and wages reductions arising from the use of workforce planning strategies and reduction of spending for materials and equipment, which were implemented in response to the economic downturn.

Real estate services expenses were approximately 65 per cent lower than budgeted primarily due to lower than anticipated costs for salaries and wages arising from the use of workforce planning strategies and lower than anticipated land sales which decreased associated cost of sales.

Revenues – Comparison to Prior Year

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

	Actual 2018	Actual 2017 (Restated)	Increase/ (Decrease)	Percent Change
Net taxes available for municipal purposes	\$ 2,068,070	\$ 1,955,429	\$ 112,641	6%
Sales of goods and services	1,278,099	1,274,060	4,039	0%
Government transfers and revenue sharing agreements				
Federal	1,736	4,693	(2,957)	(63%)
Provincial	160,387	140,475	19,912	14%
Investment income	101,236	104,520	(3,284)	(3%)
Fines and penalties	95,747	92,040	3,707	4%
Licences, permits and fees	117,254	124,356	(7,102)	(6%)
Miscellaneous revenue	44,951	90,806	(45,855)	(50%)
Equity in earnings of ENMAX	5,094	(30,312)	35,406	117%
Total revenues (before external transfers for infrastructure)	\$ 3,872,574	\$ 3,756,067	\$ 116,507	3%
Developer contributions	\$ 218,988	133,103	\$ 85,885	65%
Government transfers related to capital	564,652	752,525	(187,873)	(25%)
Developer contributions-in-kind related to capital	254,799	204,778	50,021	24%
Total external transfers for infrastructure	\$ 1,038,439	\$ 1,090,406	\$ (51,967)	(5%)

Net taxes available for municipal purposes increased by 6 per cent as a result of a tax rate increase of 0.2 per cent for residential and 1.0 per cent for non-residential and higher revenues in-lieu of taxes from ENMAX due to the higher weighted average price of electricity.

Government transfers and revenue sharing agreements (Provincial) were approximately 14 per cent higher than prior year due to provincial grants for the public housing portfolio related capital and lifecycle maintenance requirements, increase in public housing funding and funding from the Alberta Emergency Management Agency for flood preparation.

Investment income was 3 per cent lower primarily due to a decrease in the value of the bond portfolio due to an increase in interest rates and lower realized capital gains from the equity portfolio.

Licences, permits and fees in 2018 were approximately 6 per cent lower than 2017 primarily due to a decrease in permit applications and development activities and a freeze in permit and licence fees.

Miscellaneous revenue decreased by 50 per cent over prior year due to higher sales activity in 2017 compared to 2018. Land sales activity varies from year to year.

Equity in earnings of ENMAX was higher by approximately 117 per cent on account of the increase in electricity margins, increase in natural gas margins, increase in transmission and distribution margins, and a decrease in finance charges. These favourable impacts are partially off-set by the increased current and deferred income tax expense.

Developer contributions were approximately 65 per cent higher in 2018 primarily due to an increase in capital development activities related to water and wastewater services and transportation infrastructure projects.

Government transfers related to capital were approximately 25 per cent lower primarily due to a decrease in the use of Municipal Sustainability Initiative ("MSI") and Green Transit Incentive Programs ("GreenTRIP") funding.

Developer contributions-in-kind related to capital were approximately 24 per cent higher than 2017 due to the timing of completion of developer donated assets which is highly volatile from year to year.

Expenses – Comparison to Prior Year

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

	Actual 2018	Actual 2017 (Restated)	Increase/ (Decrease)	Percent Change
Police	\$ 521,224	\$ 508,953	\$ 12,271	2%
Fire	310,823	325,180	(14,357)	(4%)
Public transit	567,655	554,680	12,975	2%
Roads, traffic and parking	425,123	461,739	(36,616)	(8%)
Water services and resources	517,822	514,187	3,635	1%
Waste and recycling services	151,587	136,910	14,677	11%
Community and social development	85,787	82,965	2,822	3%
Public housing	129,831	133,279	(3,448)	(3%)
Parks and recreation facilities	277,912	320,900	(42,988)	(13%)
Societies and related authorities	103,657	83,039	20,618	25%
Calgary Public Library	67,390	64,171	3,219	5%
General government	384,844	292,912	91,932	31%
Public works	287,594	293,561	(5,967)	(2%)
Real estate services	41,395	48,429	(7,034)	(15%)
	\$ 3,872,644	\$ 3,820,905	\$ 51,739	1%

Police expenses were approximately 2 per cent higher due to increased expenses for electronic equipment, software and vehicle operations and maintenance.

Fire expenses decreased approximately 4 per cent due to fire stations and other facilities operations and maintenance costs transferred to the Facility Management business unit as part of the new centralized Corporate Consolidated Operations and Maintenance (“CCOM”) Program model.

Public Transit expenses increased approximately 2 per cent due to increased snow and ice control, increased demand for Calgary Transit Access services and associated vehicle operations and maintenance costs.

Roads, traffic and parking expenses decreased by 8 per cent over the prior year due to recoveries of expenditures, lower salaries and wages arising from the use of workforce planning strategies, and lower contractual costs to third parties.

Waste and recycling services expenses were approximately 11 per cent higher due to a full year of green cart program and composting facility operations, longer landfill operation hours, higher recyclable material processing costs and higher interest costs. These increases were partially offset by the lower frequency of black cart program pick-ups.

Community and social development expenses were approximately 3 per cent higher due to a full cycle of the Low Income Transit Subsidy Program spending compared to a partial year in 2017 and increased transfer payments related to programs to external agencies for various community and social programs.

Public housing expenses decreased by approximately 3 per cent over the prior year due to lower housing sales. This decrease for housing sales activity was partly compensated by the increase in costs on the Provincially funded public housing portfolio, expenditures on new information technology systems and renovation works on the City and Province owned public housing properties.

Parks and recreation facilities expenses were approximately 13 per cent lower than the prior year due to lower salaries and wages costs arising from the use of workforce planning strategies, one-time tree maintenance costs in 2017 for the 2017 snow storm and reduced facility costs for transition of facilities to the Facility Management business unit as part of the CCOM program.

Societies and related authorities expenses from prior year increased by approximately 25 per cent primarily due to the permanent impairment loss incurred on the Calgary Film Centre and increased repairs and maintenance costs compared to prior year.

Calgary Public Library expenses from prior year increased by 5 per cent mainly due to increases in programming and marketing costs for the new Central Library that officially opened in November 2018.

General Government expenses were approximately 31 per cent higher due to increase in provisions for corporate contingencies.

Public Works expenses were approximately 2 per cent lower due to lower salaries and wages costs arising from the use of workforce planning strategies. This decrease is partially off-set by increase in facility operation and maintenance related costs resulting from centralization as part of the CCOM Program.

Real estate services expenses were approximately 15 per cent lower than prior year primarily due to lower than anticipated costs for salaries and wages arising from the use of workforce planning strategies and lower than anticipated land sales which decreased associated cost of sales.

Tangible Capital Assets

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

	2018 Net book value	2017 Net book value	Increase/ (Decrease)
Land	\$ 2,368,999	\$ 2,195,335	173,664
Land improvements	560,723	538,695	22,028
Engineered structures	10,375,530	10,017,949	357,581
Buildings	1,984,281	1,793,416	190,865
Machinery and equipment	270,528	299,721	(29,193)
Vehicles	815,786	770,136	45,650
	16,375,847	15,615,252	760,595
Work in progress			
Land	13,673	60,900	(47,227)
Construction	1,309,059	1,214,954	94,105
Tangible capital assets	\$ 17,698,579	\$ 16,891,106	807,473

During 2018, The City spent \$1,694 million on capital projects (2017 – \$1,853 million), which included \$1,345 million for tax-supported projects (2017 – \$1,544 million). Spending on capital projects was primarily on roads and water infrastructure projects, parks, recreation facilities and the Green Line LRT project.

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less estimated salvage value of the tangible capital assets is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 2 to 100 years.

During 2018, amortization expense was \$679 million (2017 – \$629 million) and write-downs of \$9.4 million (2017 – \$nil) related to land improvements, buildings, machinery and equipment and vehicles was recorded. In total there was \$255 million (2017 – 205 million) of donated and contributed assets which mainly were for waters, park, roads, and recreation. Disposals with a netbook value of \$88 million were made in 2018 which consists of mainly land, engineered structures, buildings, machinery and equipment, and vehicles.

SIGNIFICANT TRENDS

Revenues (before external transfers for infrastructure)

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

	Actual 2018	Actual 2017 (Restated)	Actual 2016 (Restated)	Actual 2015 (Restated)	Actual 2014 (Restated)
Net taxes available for municipal purposes	\$ 2,068,070	\$ 1,955,429	\$ 1,938,199	\$ 1,926,218	\$ 1,801,262
Sales of goods and services	1,278,099	1,274,060	1,211,983	1,285,280	1,214,406
Government transfers					
Federal	1,736	4,693	4,660	3,812	4,507
Provincial	160,387	140,475	128,157	128,431	150,584
Investment income	101,236	104,520	77,451	79,185	61,794
Fines and penalties	95,747	92,040	89,796	80,451	72,121
Licences, permits and fees	117,254	124,356	114,988	124,358	116,331
Miscellaneous revenue	44,951	90,806	56,794	68,235	44,082
Equity in earnings of ENMAX	5,094	(30,312)	143,597	9,725	184,069
Equity in earnings of Co-Ownership	–	–	–	618	1,992
Total revenues (before external transfers for infrastructure)	\$ 3,872,574	\$ 3,756,067	\$ 3,765,625	\$ 3,706,313	\$ 3,651,148

The five year trend for revenues largely reflects rate and growth-related increases for the prior four years.

Net taxes available for municipal purposes generally increases with growth and tax rate increases; however, it includes local access fees that are charged in lieu of taxes to some utilities for using The City right-of-way based on the cost of the service and commodity being provided. Fluctuations in commodity prices affect this revenue stream.

Sales of goods and services in 2018 were consistent with 2017 sales revenues. The slight increase is primarily due to \$22 million in revenues generated through the green cart program in 2018 as it was the first full year of operations, and additional \$14 million in revenue recognized due to services performed for the Province of Alberta. Wastewater, water and drainage services saw rates increases in 2018 and a higher customer base contributed an additional \$6 million in revenue compared to the prior year. This was partially offset by reduced sales of \$16.7 million in attainable homes units and \$20.7 million in lower land sales due to weaker market conditions in 2018. This is consistent with trends in prior years, where the variations in rates for wastewater, water, drainage services, along with changing transit rates and ridership trends contribute towards this revenue stream, usually countered by trends in property and land sales, depending upon the current economic conditions.

Government transfers (Provincial) in 2018 was higher than 2017 primarily due to additional grants received by the Calgary Housing Company for capital and lifecycle maintenance of properties, provincial funding for public housing, and for The City's use of provincial funding for the Low Income Transit Subsidy Program. The increase in 2017 from 2016 was mainly due to additional grants received by the Calgary Housing Company. The decreasing trend from 2014 to 2016 was due to gradual reductions in Disaster Recovery Program, Municipal Staffing capacity grants, and flood preparedness grants to the City.

Investment income for 2018 was influenced by an increase in interest rates, offset by a decrease in bond portfolio value and lower equity margins resulting in an overall reduction in the investment income. The fluctuations in interest rates and variations in the investment balances are the main contributors to changes in this revenue stream.

Licences, permits and fees reflect the building permit revenues which experiences variability between years. In 2018, revenues were 6 per cent lower than the prior year due to a decrease in permit applications and development activities relative to the prior year and a freeze in permit and licence fees. 2015 and 2017 represent higher revenue years as a result of increased excavation permits and completion of residential and commercial development activities.

Miscellaneous revenue decreased in 2018 due to lower land sales activity. 2015 revenues were higher than 2016 primarily due to revenue received from insurance companies for costs related to the 2013 flood.

Equity in earnings of ENMAX comprises the net equity increase in The City's government business enterprise ENMAX. In 2018, there was an increase in electricity, natural gas, transmission and distribution margins. However, the gains from market improvements were reduced by an increase in the current year and deferred income tax expense. In 2017, ENMAX experienced lower net earnings due to increased portfolio supply costs in ENMAX power delivery. In 2016, ENMAX experienced higher net earnings due to continued growth in ENMAX power delivery resulting from steady growth in rate base and customer sites, and its integrated strategy on hedging cost and capital spending management. In addition, ENMAX identified an adjustment in their deferred income tax calculation that resulted in a decrease of \$39 million to the 2015 income tax recovery. The equity in earnings of ENMAX decreased in 2015 as a result of lower electricity prices. For 2014, ENMAX experienced high revenues on account of electricity rates and growth, which were off-set by a realized loss on derivative designated cash flow hedges contributing to a decrease in earnings.

Equity in earnings of Co-Ownership comprises of Attainable Homes Calgary Corporation's share of net income earned from the Co-Ownership entered into in 2013. This project was completed in the year ended December 31, 2015 and was dissolved on January 9, 2017.

LIQUIDITY AND DEBT

Financial Position – Net Financial Assets

As at December 31 (in thousands of dollars)

	Actual 2018	Actual 2017 (Restated)	Actual 2016 (Restated)	Actual 2015 (Restated)	Actual 2014 (Restated)
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 246,116	\$ 134,006	\$ 227,884	\$ 104,499	\$ 81,085
Investments	4,038,562	3,893,757	4,096,462	4,117,988	3,702,773
Receivables	357,296	327,725	328,499	267,216	248,099
Land inventory	279,532	276,418	248,008	206,477	235,108
Other assets	106,386	109,434	109,390	98,291	96,887
Investment in ENMAX	2,261,350	2,314,000	2,291,308	2,260,205	2,281,064
Investment in Co-ownership	–	–	–	–	1,539
	7,289,242	7,055,340	7,301,551	7,054,676	6,646,555
LIABILITIES					
Bank indebtedness and short-term borrowing	73,640	46,200	70,255	58,424	35,261
Accounts payable and accrued liabilities	947,274	860,453	945,890	731,184	728,516
Deferred revenue	96,249	92,926	111,502	89,108	86,738
Capital deposits	771,294	712,685	1,018,173	1,028,323	946,576
Provision for landfill rehabilitation	93,709	88,905	87,263	87,488	86,946
Employee benefit obligations	499,641	493,870	480,153	455,249	423,740
Long-term debt	2,888,831	3,066,263	3,216,672	3,360,602	3,626,177
	5,370,638	5,361,302	5,929,908	5,810,378	5,933,954
NET FINANCIAL ASSETS	\$ 1,918,604	\$ 1,694,038	\$ 1,371,643	\$ 1,244,298	\$ 712,601

There was an increase of \$225 million in net financial assets in 2018 relative to 2017 with increases in cash, investments and receivables balances driving the change. The increases are partially offset by liabilities which are governed by agreements with the parties involved, including funds owed for goods and services already received (accounts payable and accrued liabilities), and capital deposits that are restricted to specific capital projects. A trend of decreasing long-term debt levels combined with increasing cash and investments have been the primary factors of the net financial asset growth trend through the 2014 to 2018 years. The

downward trend in debt levels from 2014-18 is due to higher principal repayments compared to borrowings for tax-supported and self-sufficient tax-supported (especially MSI) debt and the decrease in these debt categories is greater than increases in self-supported debt. Borrowing requirements for MSI related debt have reduced significantly since the province combined MSI funding with the Provincial Fuel Tax and this funding has been sufficient to cover the expenditures. The timing of major capital projects also influences the utilization of capital deposits and accounts payable balances for specific years.

Long-Term Debt

As at December 31 (in thousands of dollars)

	2018	2017	2016	2015	2014
Opening Balance	\$ 3,066,263	\$ 3,216,672	\$ 3,360,602	\$ 3,626,177	\$ 3,661,382
Increase (Decrease)					
Tax-supported	(41,385)	(43,667)	(39,837)	(38,424)	(41,985)
Self-sufficient tax-supported	(60,196)	(205,404)	(202,514)	(275,895)	(142,183)
Self-supported	(75,851)	98,662	98,421	48,744	148,963
Net (Decrease)/Increase during the year	(177,432)	(150,409)	(143,930)	(265,575)	(35,205)
Closing balance	2,888,831	3,066,263	3,216,672	3,360,602	3,626,177
ENMAX debt in The City's name	1,185,380	1,078,522	1,145,184	1,211,055	1,088,771
Total debt attributable to The City	\$ 4,074,211	\$ 4,144,785	\$ 4,361,856	\$ 4,571,657	\$ 4,714,948

In 2018, DBRS reaffirmed the long-term debt rating of The City at AA (high), and The City's commercial paper rating at R-1 (high), with stable trends. In affirming the rating, DBRS stated that "the ratings are supported by a low DBRS-adjusted tax-supported debt burden, a high level of liquidity and reserves, stability in key revenue sources and disciplined fiscal management amid a still-challenging economic climate in Alberta". In addition, Standard & Poor's affirmed The City's long-term debt rating at AA+ and commercial paper rating of A-1+ reflecting healthy operating cash flows, robust liquidity and strong financial management.

The City utilizes debt to finance certain capital projects on the premise that the cost of these projects should be borne by the taxpayers and utility users who will benefit from the projects. Debt financing allows The City to appropriately manage the timing of cash flows.

The City has three categories of debt, including:

- Tax-supported – debt issued for capital expenditures that is funded in whole or in part from tax revenues;
- Self-sufficient tax-supported – debt for non-utility operations or programs that are self-funded by revenues or cash flows from a dedicated funding source; and
- Self-supported – debt mainly for utility services which is not funded by tax revenues but by rates charged directly to users and cash flows generated from operations.

Council's capital financing policy allows for increasing the tax-supported debt outstanding as long as annual debt servicing charges do not exceed 10 per cent of the tax-supported gross expenditure (net of recoveries). The policy would allow The City to provide some additional growth-related capital infrastructure if desired.

In 2018, The City's issued no new tax-supported debt to finance growth-related projects, and repaid \$41.4 million in tax-supported debt, resulting in a net reduction in tax-supported debt of \$41.4 million to \$365.5 million as at December 31, 2018.

The ratio of debt servicing charges to tax-supported gross expenditure (net of recoveries) was 4.8 per cent (including self-sufficient tax-supported) and 1.8 per cent (excluding self-sufficient tax-supported) which is within The City's 10 per cent policy limitation.

Self-sufficient tax-supported debt comprises debt for CMLC's programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. These costs are currently being partially funded by revenues resulting from their own operations. As at December 31, 2018, CMLC has \$217.8 million in outstanding debt. Self-sufficient tax-supported debt also includes short-term debt that will be funded from future grant receipts from the Alberta Government's MSI. In 2009, Council approved a maximum debt of \$1 billion to provide bridge financing for MSI-funded projects. Additional bridge financing for MSI-funded projects was approved in 2011, bringing the total capacity to approximately \$1.6 billion. As at December 31, 2018, The City has total outstanding debt of \$70.5 million for these projects. Although no new borrowing is identified, there remains the possibility of new MSI debt issue depending on provincial funding and capital cash flow demands.

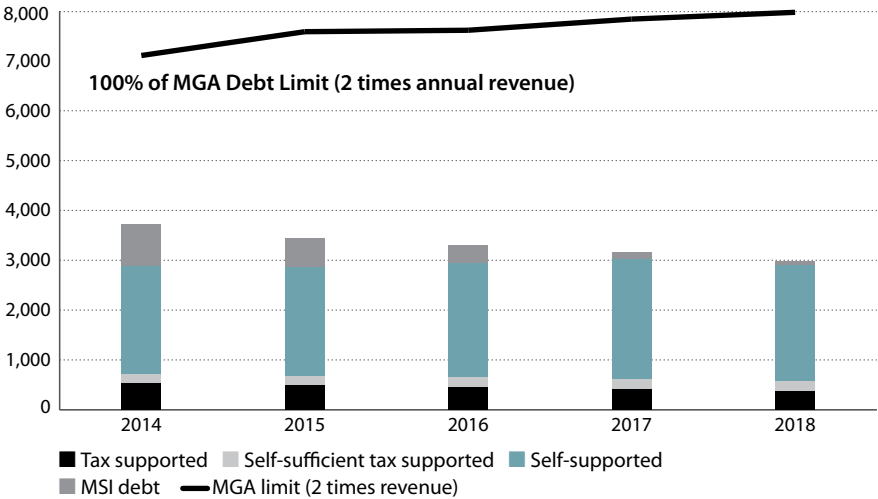
Also in 2018, \$127.5 million in new self-supported debt (primarily related to water services and resources) was obtained and \$203.4 million was repaid, resulting in a net reduction in self supported debt of \$75.9 million to \$2,235 million (excluding \$1,185 million in debt attributable to ENMAX).

The *Municipal Government Act* (MGA) requires The City to comply with two separate debt related limits which are expressed as a percentage of revenue. The MGA Debt Limit stipulates the maximum amount of debt principal that The City can have outstanding, including loan guarantees, and is calculated at two times revenue. Chart A below reports The City's total historical outstanding debt from 2014 to 2018. It indicates that as at December 31, 2018 The City had used 37.32 per cent of its MGA debt limit.

Administration continues to monitor and report on an internal maximum level of 80 per cent, as well as the mandated 100 per cent maximums of the MGA limits, ensuring that The City has a sufficient cushion of debt capacity room available to provide financial flexibility. In 2011, the Provincial government enacted a regulation that exempted The City's MSI related debt issued after December 31, 2011 from the debt service limit calculation. As a result, debt servicing for MSI bridge financing originated in 2012 or beyond is not included in the figures above.

Chart A — The City Historic Debt Levels
MGA Debt Limits Trend 2014-2018

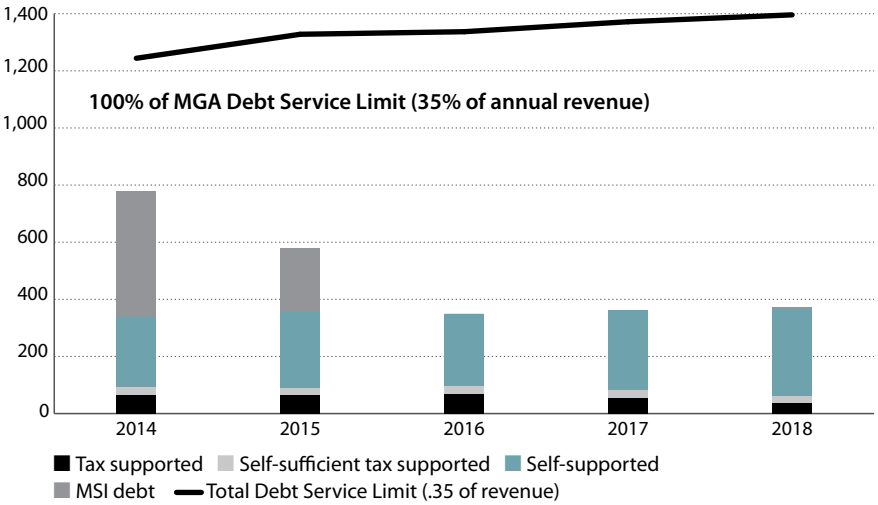
(in millions of dollars)



The MGA Debt Service Limit sets out the maximum amount of annual debt servicing (principal and interest) that The City can incur and is calculated at 35 per cent of revenue. For MSI bullet debt, the total principal and interest is recognized as debt servicing in the year the debt matures. Chart B reports The City's Debt Servicing Charges is at 25.77 per cent of the MGA debt service limit at the end of 2018.

Chart B — MGA Debt Service Limit Trend 2014-2018

(in millions of dollars)



Reserves

As at December 31 (in thousands of dollars)

	2018	2017 (Restated)	2016 (Restated)	2015 (Restated)	2014 (Restated)
	\$ 2,299,998	\$ 2,032,652	\$ 1,975,809	\$ 1,915,176	\$ 1,626,276

The reserve balances totaled \$2,300 million at the end of 2018 (2017 – \$2,033 million). The net increase was primarily the result of increases in the Fiscal Stability Reserve, Reserves for Utilities Sustainment, and the Lifecycle Maintenance and Upgrade Reserves; partially offset by reductions in the Building Services Sustainment Reserve and the Budget Savings Account Reserve.

The City allocates funds to reserves to meet specific future operating and capital expenditure requirements and to provide for emergencies. In 2010, Council approved an updated Financial Reserve Policy that establishes guidelines and criteria for the proper creation and administration of reserve funds. This policy includes a triennial review process requiring that each reserve be reviewed at least once every three years. This review includes ensuring that reserves are being administered as approved by Council and in accordance with The City's policies and procedures, that reserve purpose and requirements are still relevant, and whether reserves are still required or can be closed. During 2018, City staff undertook a review of eighteen reserves totaling \$965 million, representing almost half of all reserve balances as at December 31, 2017. Findings and recommendations of the review were approved by Council in November 2018.

Maintaining financial reserves is good management, allowing funds to be collected as available and spent judiciously as needed to ensure service levels to citizens are maintained. The City classifies reserves into three categories to be used for three distinct purposes:

- Operating reserves are used to fund operating expenses for one-time projects/pilot programs; to stabilize operating budgets for unanticipated fluctuations in revenue or expenses; to comply with a contractual agreement; or for contingency funds for operational emergencies.
- Capital reserves are used to fund capital expenses.
- Sustainment reserves are used to fund both operating and capital expenses for activities that are treated as self-sustaining. Surpluses from these activities are retained in these reserves to offset any future deficits.

The largest reserve is the Fiscal Stability Reserve (2018 – \$618 million; 2017 – \$493 million) which is a contingency reserve for urgent situations with significant financial implications and is also used to fund one-time operating costs as approved by Council. Included in the amounts are commitments of \$7 million for 2018 Budget Adjustments related initiatives, major commitments within the reserve include \$25 million for Community Action on Mental Health and Addiction, \$2 million for Genesis Centre Outdoor Artificial Turf Community Field, \$10 million for budgeted one-time expenditures, and \$102 million for flood and resiliency related projects. The second largest reserve is the Reserve for Future Capital (2018 – \$306 million; 2017 – \$305 million) which funds capital projects in accordance with Council approved terms and conditions defined for this reserve.

RISK MANAGEMENT

The City is committed to an integrated approach to risk management, where it is viewed as a key component of sound business practice and due diligence. The City Manager is responsible for ensuring compliance with Council's Integrated Risk Management (IRM) Policy and promoting a proactive, corporate-wide and systematic approach to managing risks that could affect The City's objectives. As an example, risk management has been embedded into multi-year business planning and reporting to enhance the level of accountability, transparency and comparability of operations. Through the IRM framework, risks are identified at all levels across the organization. Some specific risks and mitigation approaches are presented below.

Economic Monitoring

The City was materially impacted by volatile energy prices as it is the head office location for most of the businesses in Canada's oil and gas industry. The local economy remains tightly linked to the energy sector, despite diversification of its economic base in recent years. In keeping with Council's IRM policy, The City continues to monitor economic conditions and The City's financial status so that Council is promptly informed of any changes requiring adjustment to business plans and budgets.

The fiscal situation for the Government of Alberta is still challenging with significant deficits anticipated for the next few years. The resource revenue for the province has been negatively impacted by lower crude oil prices, and the discounted price for Western Canadian Select (WCS) relative to West Texas Intermediate (WTI) because of the transportation bottleneck. Continued deficits will lead to future increases in the net debt-to-GDP ratio unless there are major spending cuts or significant increases in non-resource revenue. There is a risk that grant funding to The City of Calgary will be negatively affected. The City continues to monitor the economy and the Provincial fiscal situation and will take action to mitigate any negative impacts.

Economic activity continued to improve in 2018, owing to the positive impact of gradually increasing oil prices and continued economic expansion. The city's unemployment rate remains elevated, as the economy is yet to recover all goods-producing sector jobs lost during the 2015-16 recession. The local real estate market has been impacted by the fall in oil prices that started in 2014 and led to a 2015-16 recession, with the downtown office market experiencing the sharpest decline in value. From 2016 to 2018, there was a redistribution of non-residential property taxes away from the downtown office market to other non-residential property owners. Council approved one-time funding of \$45 million for 2017 and \$41 million for 2018 for the Municipal Non-Residential Phased Tax Program (PTP) to mitigate impacts of this shift.

Normal Operational Risk

In the usual course of business, The City is exposed to various risks that are mitigated through operational and financial controls under the umbrella of corporate integrated risk management. These risks include the normal operational risks associated with each of The City's businesses as well as social, legal and regulatory issues and changes to the economy that could impact City operations, human resource availability and cost, and investment risk related to volatile financial markets.

All activities undertaken by The City are covered under the Civic Insurance Program. This program is composed of purchased insurance coverage as well as a self-funded component for any losses below the deductible level of a purchased policy. Certain types of risks will be fully self-funded, as the costs to insure these risks are either prohibitive or unnecessary.

A \$7 million reserve is set aside and is utilized to offset any large claim against The City either in excess of a purchased policy limit or for a loss that is not covered by an insurance policy. This reserve was not used in 2018.

The City has fully met its current year cash contributions for employee benefit obligations at December 31, 2018. The City sponsored registered and non-registered defined benefit pension plans currently have a total unamortized net actuarial loss of \$14.9 million (2017 – \$6.6 million). The City has put in place a plan of action to set aside funding for these losses. The action plans are reviewed and adjusted annually. In addition, there are certain employee benefit obligations that inherently relate to The City with respect to 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 Alberta Pension Services ("APS"). Both plans currently have a plan surplus, where the actuarial value of the assets are greater than the accrued benefit obligations. The total surplus at December 31, 2017 for LAPP was \$4,836 million and for SFPP \$71 million. At December 31, 2017, The City employees represented approximately 8.8 per cent of the employees in LAPP and 49 per cent of the employees in SFPP. The City, in conjunction with other participating employers (such as Alberta Health Services, other Alberta municipalities, universities, colleges and school boards), and its employees, share in funding the future plan deficits through contribution rates. The contributions by each participating employer are not segregated in a separate account or restricted to provide benefits only to employees of The City, but rather are used to provide benefits to employees of all participating employers. The City includes a provision for expected LAPP and SFPP contributions in its multiple-year budget plans.

The City is continuing to improve efficiency and effectiveness through a variety of approaches. In 2015, a Budget Savings Account program (PFC2016-0181) was set up to encourage business units to seek annual savings, innovation and efficiencies, within their operating and capital budgets. Funding for the Budget Savings Account is generated by favourable budget variances identified by business units through the management of their operating and capital budgets. During 2018, business units' contributed operating savings of \$38 million (2017 – \$34 million) from tax-supported programs to the Budget Savings Account Reserve. Capital savings of \$2 million (2017 – \$101 million) were contributed to the Budget Savings Account program and subsequently committed to additional capital investments through Infrastructure Calgary.

Environmental Risk

Environmental risk at The City is considered and managed in three ways. First, risks to the environment from City operations are primarily managed through the employment of environmental management professionals to assist business units in achieving and maintaining compliance with environmental laws and regulations. In addition, some business units have implemented Environmental Management Systems (EMS) based on the ISO 14001 international standard. Currently, nine business units are registered, providing a sound model to effectively deal with environmental impacts associated with The City's activities. Environmental concerns related to corporate capital works projects are managed through the ECO (Environmental Construction Operations) Plan program.

Second, site contamination risks to The City in its roles as a land owner and as a development authority are managed through the implementation of policies and procedures. The environmental liability assessment program was established to identify, assess, and manage risk and liability arising from corporately owned contaminated sites. The Sales, Acquisitions, and Leases Environmental Policy is in place to address contamination concerns involved with the land transactions by The City. The Environmental Development Review policy has been developed to determine the suitability of a site for its intended use with respect to environmental conditions and to ensure that environmental conditions are considered in the planning approval process for the redevelopment of contaminated sites.

Third, there are risks to The City related to environmental conditions such as climate change and air quality which are dealt with through programs designed to mitigate their occurrence and impacts. Regional air quality concerns are managed through the efforts of the Calgary Region Airshed Zone (CRAZ) of which The City is a founding member. Programs addressing greenhouse gas emission reduction are also being developed and implemented for both The City and the community at large. Infrastructure concerns related to climate change adaptation are also being addressed.

Commodity Price and Foreign Exchange Risk

To stabilize operating budgets in the face of energy price volatility, The City purchases a diesel fuel forward when deemed beneficial and has a long-term fixed-rate contract for electricity. The City has a natural hedge against natural gas price increases because franchise fee revenue increases when the price of natural gas rises.

The City hedges foreign currency for the purposes of providing risk mitigation through cost certainty on foreign currency denominated spending. All purchases denominated in a foreign currency are assessed under documented hedging criteria to identify if action will be taken to manage foreign exchange risk.

At December 31, 2018, The City had 4 (2017 – 17) U.S. dollar foreign exchange fixed contracts in place. Delivery dates for these contracts range from January 2019 to April 2019. Total committed future foreign exchange purchases are \$5,005 USD (2017 – \$23,389). Total committed future foreign merchandise purchases are \$48,513 USD (2017 – \$75,836 USD), and €83 (2017 – €393).

Under the terms of the contract arrangements, The City has fixed its exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with Canadian Schedule 1 banks at rates ranging from 1.29 to 1.35 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2018 was \$6,660 (2017 – \$31,194) Canadian dollars. During the fiscal year ended December 31, 2018, the various arrangements for foreign merchandise cost The City \$5,866 less (2017 – \$2,512) than if the arrangements had not been entered into.

In 2018, The City has hired an external manager to execute an active portfolio hedging strategy designed to efficiently reduce currency risk. The manager may purchase Canadian dollars against foreign currencies held in the City of Calgary's portfolio. At December 31, 2018, this portfolio held 1 Japanese Yen (JPY) per USD foreign exchange forward contract, and 7 CAD per USD foreign exchange forward contracts. These contracts were obtained from Chartered Banks and settled on January 18, 2019. The rate on the JPY per USD contract was 111.92. The rates on the CAD per USD contracts range from 1.29 to 1.35. As at December 31, 2018 these contracts had a market value of \$146.23 million USD.

In addition to U.S. foreign exchange fixed contracts, The City has also previously purchased hedges for future purchases relating to the light rail transit system. Under the terms of the purchase order agreement, The City has fixed exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with the supplier at rates ranging from 1.03 to 1.07. During the fiscal year ended December 31, 2018, the various arrangements for foreign merchandise cost The City \$1,383 less (2017 – \$3,825) than if the arrangements had not been entered into. At December 31, 2018, The City had remaining commitments of \$19,556 USD (2017 – \$25,372 USD) that are anticipated to be settled by 2019. The City continues to monitor economic conditions and impacts on The City's financial status and adjusts strategies accordingly.

ENMAX (The City's Wholly-Owned Subsidiary)

The City Electric System was a department of The City until 1998 when its assets, responsibilities and liabilities were transferred to ENMAX, a wholly-owned subsidiary of The City. The new structure was deemed necessary to respond to deregulation of the electricity industry in Alberta.

Deregulation resulted in the introduction of commodity price and volume risk, wholesale and retail competition, and political and regulatory risks to ENMAX's business. Additional risks identified by ENMAX and presented in detail in its annual financial report include operational, development, environmental, legal, human resources, financial resources/liquidity, credit/default, reporting/disclosure, technological, tax, reputation, corporate structure and strategic risks. ENMAX has an integrated approach to risk management across all ENMAX companies and has implemented an Enterprise Risk Management (ERM) framework. The Risk Management Committee and the Commodity Risk Management Committee, consisting of ENMAX senior management team members, oversee risk management and report risk exposures to the Board of Directors.

ENMAX Power Corporation, ENMAX's electricity distribution and transmission subsidiary, has been regulated by the Alberta Utilities Commission since January 1, 2008 and prior to that by the Alberta Energy and Utilities Board starting in 2004.

ENMAX is a private Alberta corporation owned by The City. In 2018, The City, as ENMAX's shareholder, reviewed and confirmed the company's strategic direction and annual operating plans. Approvals for ENMAX's annual budget and major capital projects in excess of \$75 million are sought from the shareholder, and ENMAX provides The City with annual dividends.

ENMAX's 2018 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Summary financial information for ENMAX, which includes the discussion of the entity's transition to IFRS, is included in Note 7 to the consolidated financial statements.

On March 25, 2019, ENMAX Corporation announced that it had entered into a definitive agreement to acquire a regulated electric transmission and distribution utility, Emera Maine. On closing, the value will be approximately \$1.8 billion.

The closing of this transaction is expected to occur in Q4 2019 and is subject to certain regulatory and government approvals in the U.S., including approval by the Maine Public Utilities Commission and the Federal Energy Regulatory Commission. On the close of this transaction, Emera Maine will become a wholly owned subsidiary of ENMAX Corporation.

THE OUTLOOK

Calgary Economy and Management of Growth

Calgary's economic prospects are closely connected to shifts in external economic events. These external pressures include:

- shifts in expenditures by other orders of government,
- global energy prices,
- availability of pipeline and rail export capacity for crude oil,
- changes in interest rates,
- the level of economic activity in the United States, and
- and growth rates in emerging economies.

Modest improvement in energy prices has lifted and sustained the Calgary economy recently, along with an expanding world economy, as well as increased business spending and steady consumer demand. When oil prices were relatively high, business investment decisions in Calgary resulted in overbuilding, particularly in downtown office space and apartment/condos. At the current pace of economic growth, it will take several years for the excess inventory to be absorbed.

The economy grew by 2.9 per cent in 2018, and is expected to improve by 1.9 per cent to 2.5 per cent per year over the next four years. Compared to other cities in Canada and elsewhere in the Organization for Economic Co-operation and Development countries, that is above average growth. However, the effects of the deep 2015-16 recession kept the average unemployment rate at 7.6 per cent in 2018 and is expected to slowly trail off to the long term normal range of 6 per cent by 2023.

Between 2006 and 2018 Calgary has experienced two economic business cycles that highlight the volatile nature of the economic environment. The implication is the need to build flexibility into The City's process for strategic and business planning. In 2018, Council approved the 2019-2022 One Calgary Service Plans and Budgets. For 2019, 1.4% of the tax rate increase was dedicated to actively developing community growth and 0.75% to new community growth. For 2020-2022, 0.4% was dedicated to new community growth. The City's new four year operating and capital budgets assume the need for flexibility. The City will continue to maintain its flexibility to respond to economic, social, environmental and political changes through the mid-cycle budget review and annual budget adjustment process.

Based on Council's direction, and from what has been heard from thousands of Calgarians over the past few years, the One Calgary Service Plans and Budgets provide a 2019-2022 roadmap for the City, and to ensure a focus on what matters most to Calgarians while continuing to make life better every day.

The One Calgary 2019-2022 Service Plans and Budgets describe how The City will address ongoing challenges, implement Council's Directives for the next four years, and progress towards achieving the long-term vision for our city.

The City has been a major contributor to regional planning efforts for over a decade and was a founding member of the voluntary Calgary Regional Partnership. The regional context in Calgary's region is heading for significant change in the future, as it moves from voluntary to mandatory. The Modernized *Municipal Government Act* was passed by the legislature requiring that The City be a mandatory member to the new Calgary Metropolitan Region Board. The Calgary Metropolitan Region Board came into force January 1, 2018. The board is responsible for preparing a new metropolitan scaled plan and regional servicing plan. This change represents a formalized shift towards legislated regional planning and regional coordination of municipal service delivery.

From 2014 through 2026, The City is investing in a number of infrastructure improvements at the Bonnybrook Wastewater Treatment Plant to address the City's growing demand. The Bonnybrook Wastewater Treatment Plant is the largest of Calgary's three wastewater treatment plants, with a capacity to serve an equivalent population of 946,000 people. The investments include capacity and process equipment upgrades, as well as a major plant expansion. The construction of the capacity and process equipment upgrades are complete and have allowed The City to more efficiently utilize existing Bonnybrook Wastewater Treatment Plant infrastructure and will provide an incremental capacity increase of 95,000 people to accommodate growth in the short term. The total cost of these upgrades was \$160 million and the project was scheduled for completion by the end of 2018. The major plant expansion (Plant D) will increase the capacity by a further 325,000 people by 2022, bringing the total capacity at Bonnybrook to 1.37 million equivalent population. It will include the addition of new primary, secondary and tertiary treatment infrastructure as well as a new, enhanced sludge treatment facility. The expansion project will also include upgrades and life-cycle replacements of existing processes, ancillary facilities and systems, as well as a flood resiliency component. Detailed design of the plant expansion is almost complete and initial phases of construction have already begun. The cost estimate for the plant expansion project is approximately \$714 million.

In 2018 the Green Line project team confirmed the previous Council approval of the Design/Build/Finance delivery model decision. The funding agreement with the Federal and Provincial Government was signed in the first quarter of 2019 and represents joint capital investments of approximately \$4.9 billion between all three levels of government. Following the confirmation of funding, the Green Line project team released the Request for Qualifications for the low floor Light Rail Vehicles (LRV). The short-listing of proponents for the LRV contract to proceed to Request for Proposal will be in Q2 of 2019. Major construction of the Green Line LRT is currently scheduled to commence in 2020 with completion expected in 2026.

To facilitate strategic and efficient growth in new communities, developers and The City continue to work together to resolve matters related to infrastructure needs, timing and financial impact of proposed developments. A shared goal is to realize new communities that are financially sustainable, address market demand, and help achieve the goals of the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP). This work is part of continuing efforts to improve The City's strategic growth decision processes. Future work through the Industry/City Work Plan will expand beyond new communities to address strategic growth in established areas and industrial areas.

Intergovernmental & Corporate Strategy

In the current environment, The City must not only identify local methods of spurring growth in the local economy, but also identify how to support those efforts with funding from, and collaboration with, other orders of government. As the lead on intergovernmental government relations, Intergovernmental & Corporate Strategy (ICS) has and will continue to be critical in allowing The City to respond to the needs of a changing economic environment. On the one hand, ICS works collaboratively with City departments and business units to identify issues and opportunities to advocate for positive change to other orders of government. On the other hand, ICS helps The City ensure a state of readiness in response to these changes from other orders of government, providing clarity and understanding of this evolving legislative framework and supporting the development of actionable opportunities to reach our full corporate potential. This is true generally, but also specifically with regard to the way The City is financed.

Besides own-source revenues (e.g. property tax), the most significant sources of funding for The City are grants and contributions from the provincial government. While more generous than in the past, the current arrangements continue to present problems of insufficiency as well as unpredictability. Some provincial grants, for instance, have failed to grow with inflation (e.g. Municipal Police Grant) while others have been the subject of unilateral provincial discretion to either reduce or defer municipal funding (e.g. the Municipal Sustainability Initiative). The unpredictability of provincial funding, in particular, compromises The City's ability to plan for and carry-out the large scale infrastructure investments and deliver the services necessary for a city of its size.

In response, and in close consultation with Council, ICS worked with the province throughout 2018 toward a new fiscal framework, culminating with the City Charter Fiscal Framework Act. This piece of legislation enshrines a revenue sharing plan to replace the existing system of capital grants, as well as a long-term transit funding plan. Both will provide The City with greater fiscal stability and predictability, while providing important flexibility in the use of capital funding from the province. While an important legislative victory for The City, there remains important work to be done. This new fiscal framework regulation is in place, but the accompanying funding agreement is outstanding. ICS will continue to work with internal stakeholders to develop and carry out a strategy to ensure that these funding arrangements retain the promised benefits of the new framework. There is also the danger that the election of a new government could compromise the future of this new arrangement. Although written into law, making it more difficult to repeal than previous arrangements, there is still the possibility of repeal. If there is a threat to the associated legislation, ICS will engage in sustained advocacy to protect these important changes.

On the national scale, although constitutional division of powers generally prevents the federal government from providing funding directly to municipalities, the current Government of Canada has signaled a desire to re-engage municipal governments as key partners in its agenda. A key component of this agenda includes major investments in infrastructure. Budget 2016 announced \$14.4 billion in new infrastructure funding for Canada's communities. Delivery of this funding to municipalities has required the Government of Canada to negotiate and adopt a bilateral agreement with the Government of Alberta, however, this funding can suffer from the same issues of adequacy and sustainability described above. It is not always clear what percentage of federal funding The City is entitled to, or when (or if), that funding can be expected to flow. ICS has therefore continued to work with our partners in the Federation of Canadian Municipalities (FCM), and supported the Mayor's participation in the Big City Mayors' Caucus (BCMC), to ensure that current federal funding, as well as the \$81.2 billion of new infrastructure funding announced in the 2017 Fall Economic Statement, reaches its intended recipients in The City and municipalities everywhere. ICS has also urged the provincial government to provide the big cities with a voice in the negotiation of federal-provincial agreements through the City Charters, the Framework Agreement for which commits the province to include the cities in these discussions or seek their feedback in a timely fashion.

In the context of a federal election year, ICS is also working with partners in other big cities, in FCM and in the BCMC to advance a federal election strategy that includes calling on all parties to commit to a long-term transit funding plan to continue after the expiry of the current arrangements in 2026. Achieving something on the federal level similar to what The City was able to obtain with the province would be of considerable value.

In addition to advocating for changes to The City's fiscal framework and funding opportunities, ICS has also worked with partners across The City to ensure ICS is prepared and able to respond to changes to the rules governing The City's ability to raise and spend revenues. Both the MGA review and The City Charter agreements to date include important changes to the way The City conducts property assessments. ICS works closely with both Finance and Assessment to ensure The City is ready to respond to these changes. ICS also works with senior administration and other business units to ensure awareness of new funding opportunities announced by other orders of government.

Civic and Community Initiatives

The City looks for opportunities to partner with industry to deliver infrastructure and services where there is a mutual benefit to the municipality, citizens, and industry. Currently, The City has two public-private partnerships (P3s) in progress and continues to evaluate major capital projects for P3 suitability. In addition to The City's Composting Facility Project, the Stoney Compressed Natural Gas Bus Storage and Transit Facility completed its financing agreements in September 2016 and substantial completion occurred on January 31, 2019 at which time commenced the 30-year maintenance period began. Bus operations commenced at the facility in March 2019.

The Community Revitalization Levy is another example of an innovative, own-source approach to obtaining funding that has been approved for a major downtown infrastructure redevelopment project called The Rivers District Community Revitalization Plan. The plan was initiated as a self-sufficient tax-supported program in 2007 under the then newly formed CMLC, a controlled corporation of The City that is accountable for

development and sale of land transferred from The City. The New Central Library that opened in November 2018 is one of the projects that was realized in part through the work of CMLC and the Rivers District Community Revitalization Levy.

The City and its partners are continuing to support economic recovery and growth to help reduce the impact of the most recent economic downturn on citizens and businesses to ensure Calgary's ongoing success into the future. As part of these efforts, Council created the \$100 million Opportunity Calgary Investment Fund (OCIF).

The OCIF is intended to support projects that will stimulate growth in targeted sectors of Calgary's economy. It is for existing local businesses that are expanding their operations and for attracting business and investment to Calgary.

Partner projects are assessed alongside City projects through a single, cross-corporate system to facilitate corporate oversight and reporting. Capital requests have been aligned to services and evaluated against new corporate capital prioritization criteria. Approval to contribute funding towards an expansion of Vivo Centre for Healthier Generations is an example of this. The City relies on partnerships such as that with Vivo or YMCA Calgary at three new City-built recreation centres to ensure quality public recreation opportunities while minimizing tax-supported operating costs. The City is also focused on the future realization of major capital projects in partnership with community, industry, and other orders of government as partners.

The One Calgary 2019-2022 planning and budgeting process resulted in approvals by Council of investments in various community strategies and initiatives including; investment in Civic Partners to provide a cost-effective approach to delivery of economic development and tourism services, maintaining current service levels of Fair Entry, implementing shared priority areas from the updated Enough for All Strategy to support poverty reduction, delivering preventive social services through non-profit partners to increase protective factors and decrease risk factors among vulnerable populations and leverage provincial and federal funding to design and build new City affordable homes.

As part of One Calgary approved actions The City will be implementing strategies to improve the success and reliability of 9-1-1, delivery on crime prevention, education and intervention programs by Calgary Police Services, developing additional community hubs by leveraging existing partnerships and increasing investment in the heritage grant program and support heritage preservation.

Council and City Administration Actions

Action Plan 2015 -2018 represents The City's four year spending plan for meeting Council's priorities. It includes total operating expenditures of \$15 billion over the four years (\$3.5 billion in 2015, rising to \$4.1 billion by 2018), and \$7 billion in capital investment. This is based on delivering services to an additional 100,000 people over the four year period. The City revises the Action Plan to reflect changing conditions through the annual budget adjustment process. In 2017, The City conducted the annual adjustment process in advance of the 2018 budget year, in accordance with the Multi-Year Business Planning and Budgeting Policy. Council's decision was to reduce the approved 2018 tax rate increase from 4.7 per cent to 0.9 per cent, with the following investments:

- \$20.8 million for the Calgary Police Service for 55 new members, additional human resources, and new body-worn cameras.

- One-time funding of \$7 million from the Fiscal Stability Reserve to fund the low-income transit pass for Calgarians in need; Community Services for safe communities, youth and low-income programs and crime prevention; and restoring recommended reductions for Civic Partners, excluding the Calgary Public Library.
- \$45 million in one-time funding set aside from the Fiscal Stability Reserve through a transfer from intentional savings in 2017 Corporate Programs to provide tax relief to businesses in 2018. This resulted in Council approving \$41 million for the 2018 Municipal Non-Residential Phased Tax Program (PTP).
- \$1.7 billion for capital investment in Calgary Infrastructure.
- \$23.7 million from the 2017 tax room dedicated to fund the Green Line financing costs for 27 years ending in 2044.
- Reduction to previously approved 2018 basic sanitary tipping fees from \$119 to \$113 per tonne and Planning & Development fees to reduce the burden on Calgary businesses.

Approval of the 2018 adjustments allowed for the closure of a \$146 million operating budget gap; caused by a reduction to the previously approved tax rate, the impact of one-time solutions used in 2017 and lower dividend and franchise fee revenues, through a combination of cost savings and service reductions based on the least harm approach to help reduce the impact on citizens.

The "Zero-Based Review" (ZBR) program complements The City's other continuous improvement activities by adding a periodic, more thorough review of whether the right services are being provided in the right way. This work continues to be important in an economic climate where resources are limited but the demand for City services is not. By the end of 2018, the ZBR Program has completed ten reviews, identified \$60.4 (low estimate) to \$71.5 million (high estimate) in annual financial gains and realized \$43.6 million of those identified gains.

City Council continues to provide policy guidance and to support the longer-term planning perspective afforded by the multi-year approach to business plans and budgets. Administration will use these as a framework to provide recommendations on how best to supply required infrastructure and services for Calgarians within available funding. The recent economic downturn has reinforced the need to respond to our cyclical economy and to monitor the economy and The City's financial status to ensure continuing adaptation to economic uncertainties. In meeting its mandate for public service, The City will continue to make effective and efficient use of experienced and new City staff, whose combined knowledge and skill will provide maximum value from the financial resources provided by citizens.

Calgary, Canada

April 17, 2019



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

The City of Calgary

Alberta

For its Annual

Financial Report

for the Year Ended

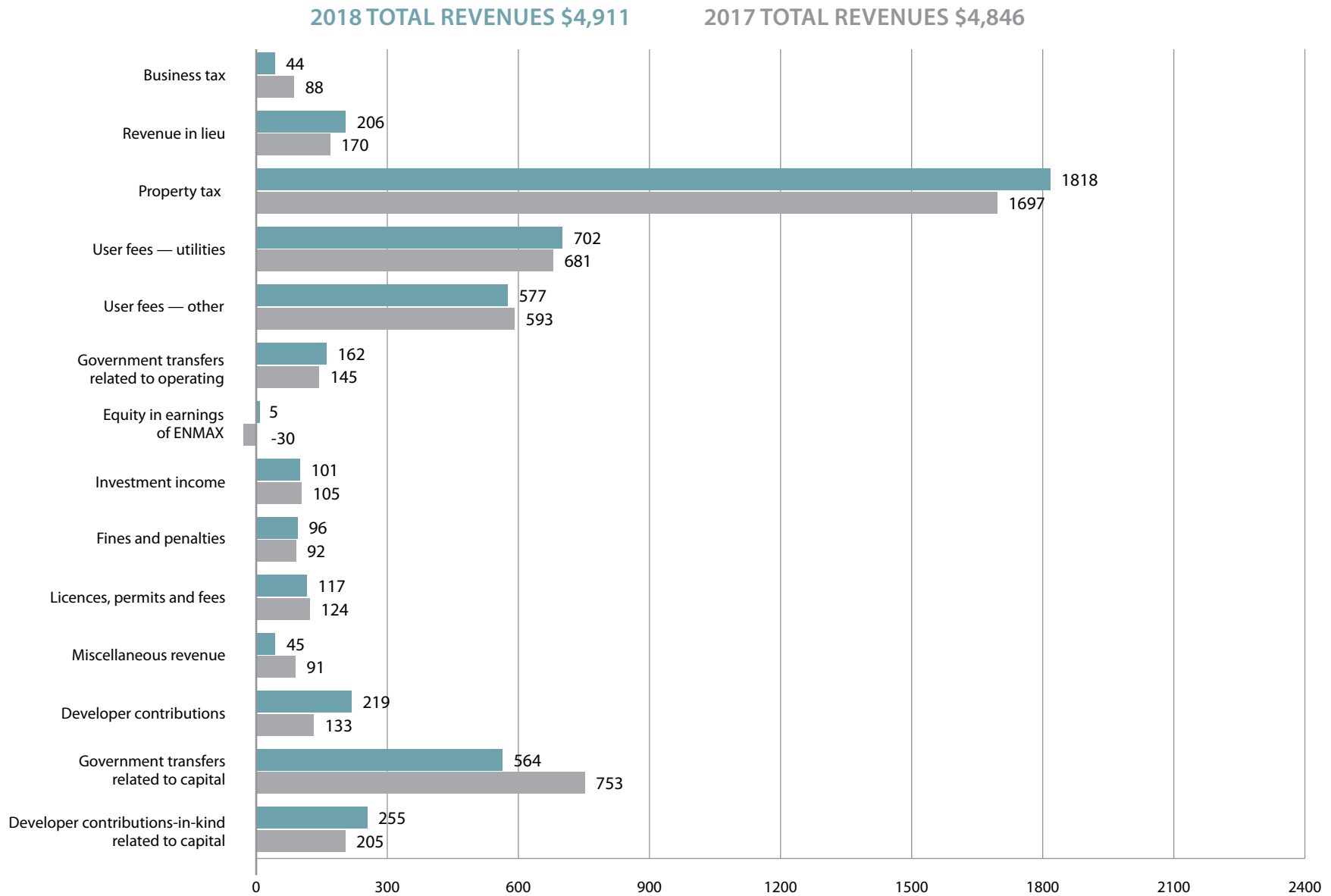
December 31, 2017

Christopher P. Morill

Executive Director/CEO

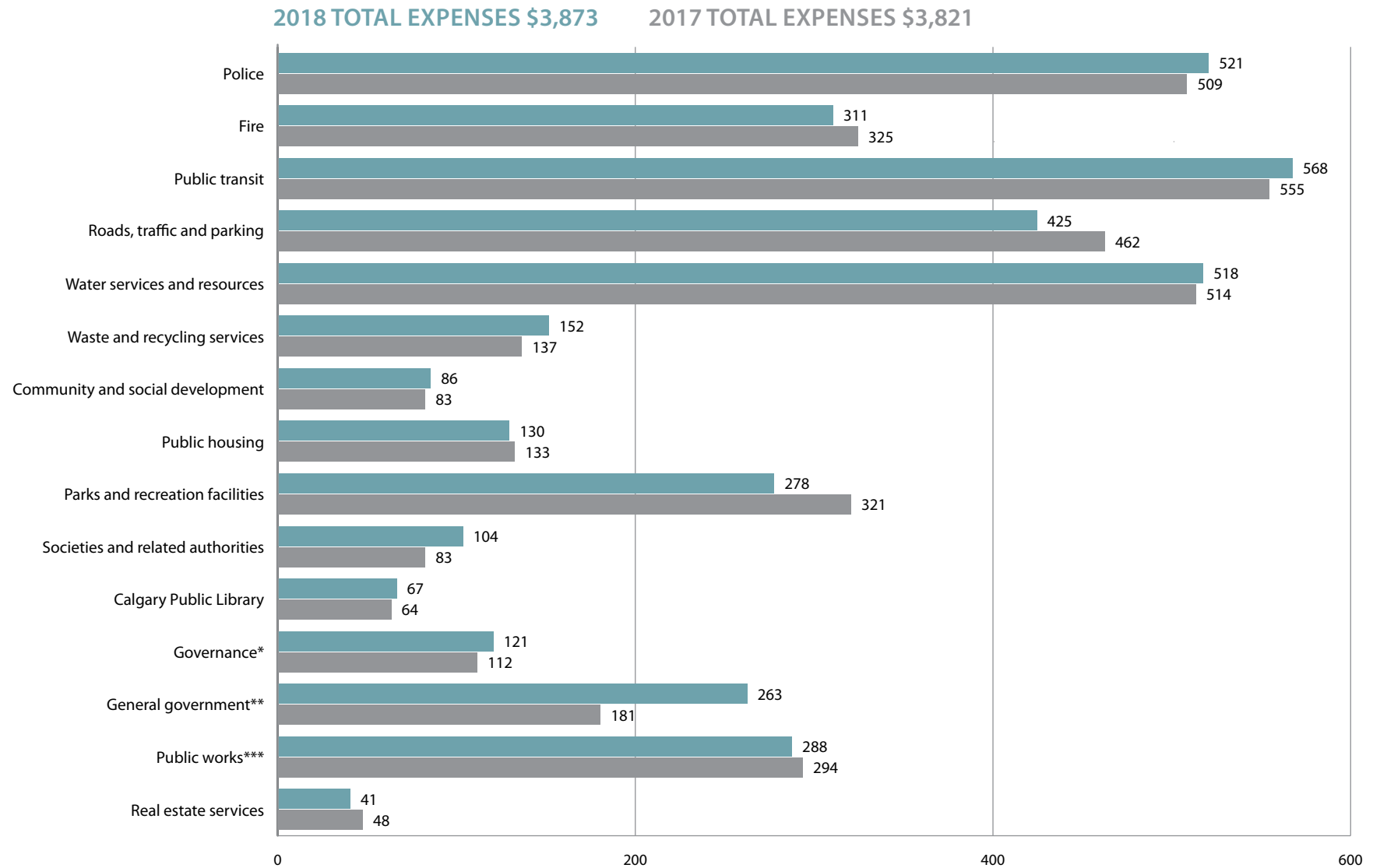
Financial Synopsis 2018 Sources of Revenue

For the Year Ended December 31 (in millions of dollars)



Financial Synopsis 2018 Expenses

For the Year Ended December 31 (in millions of dollars)



* Includes offices of the Mayor, Councillors, City Manager, Finance, Supply, City Auditor, City Clerk and Law and Legislative Services.

** Includes Assessment, Customer Service & Communications, Human Resources, Information Technology and Corporate Revenue & Costs.

*** Includes Calgary Community Standards, Calgary Growth Strategies, Community Planning, Environmental & Safety Management, Urban Strategy, Calgary Approvals Coordination, Corporate Analytics & Innovation, Calgary Building Services, Facility Management and Fleet Services.

CONSOLIDATED FINANCIAL STATEMENTS

THE CITY OF CALGARY, ALBERTA



Responsibility for Financial Reporting

MANAGEMENT'S REPORT

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

The consolidated 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 judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

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 the consolidated financial statements.

The City Auditor's Office reports directly to Council, through the Audit Committee, on an ongoing basis, carrying out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

In 2018, City Council fulfilled its responsibility for financial reporting through the Priorities and Finance Committee and its Audit Committee. The Priorities and Finance Committee, which consists of the Mayor, the Chairs of each of the four Standing Policy Committees, the Chair of the Audit Committee and a Councillor at large, meets regularly to deal with, among other issues, financial planning and reporting matters. The Audit Committee consists of four Councillors and three citizen representatives, who meet regularly with both the independent external auditor and the City Auditor to review financial control and reporting matters.

Deloitte LLP, Chartered Professional Accountants, has been appointed by City Council to express an audit opinion on The City's consolidated financial statements. The report follows.

Glenda Cole, Q.C., City Manager

Carla Male, Chief Financial Officer (Acting)

Calgary, Canada
April 29, 2019

Responsibility for Financial Reporting

INDEPENDENT AUDITOR'S REPORT

To His Worship Mayor Naheed Nenshi and Members of City Council, The City of Calgary Opinion

We have audited the consolidated financial statements of The City of Calgary ("The "City"), which comprise consolidated the statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets 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 City as at December 31, 2018, and the results of its operations, cashflows and changes in net financial assets 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 City 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. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Financial Statement Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do 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, or otherwise appears to be materially misstated.

We obtained the Financial Statement Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Emphasis of Matter

We draw attention to note 33 to the financial statements which explains that certain comparative information presented for the December 31, 2017 year end has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of City Administration and Those Charged with Governance for the Consolidated Financial Statements

City Administration is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as City Administration 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, City Administration is responsible for assessing The City'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 City Administration either intends to liquidate The City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by City Administration.
- Conclude on the appropriateness of City Administration'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 City'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 City 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.

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
April 29, 2019

Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		(Restated Note 33)
Cash and cash equivalents (Note 2)	\$ 246,116	\$ 134,006
Investments (Note 3)	4,038,562	3,893,757
Receivables (Notes 4 and 7 iii)	357,296	327,725
Land inventory (Note 5)	279,532	276,418
Other assets (Note 6)	106,386	109,434
Investment in ENMAX Corporation (Note 7)	2,261,350	2,314,000
	7,289,242	7,055,340
FINANCIAL LIABILITIES		
Bank indebtedness (Note 8)	73,640	46,200
Accounts payable and accrued liabilities (Notes 7 iii) and 9)	947,274	860,453
Deferred revenue (Note 10)	96,249	92,926
Capital deposits (Note 11 and 33)	771,294	712,685
Provision for landfill rehabilitation (Note 12)	93,709	88,905
Employee benefit obligations (Note 13)	499,641	493,870
Long-term debt (Note 14)	2,888,831	3,066,263
	5,370,638	5,361,302
NET FINANCIAL ASSETS	1,918,604	1,694,038
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 15, 34 and 36)	17,698,579	16,891,106
Inventory	55,435	53,942
Prepaid assets	22,465	35,372
	17,776,479	16,980,420
ACCUMULATED SURPLUS (Note 17 and 33)	\$ 19,695,083	\$ 18,674,458

Commitments, contingent liabilities and guarantees (Notes 28 and 29)

See accompanying notes to the consolidated financial statements

Approved on behalf of City Council:

Mayor Naheed Nenshi

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2018 (Note 16)	Actual 2018	Actual 2017 (Restated Note 33)
REVENUES			
Net taxes available for municipal purposes (Note 20)	\$ 2,090,244	\$ 2,068,070	\$ 1,955,429
Sales of goods and services	1,346,620	1,278,099	1,274,060
Government transfers and revenue sharing agreements (Note 23)			
Federal	797	1,736	4,693
Provincial	147,420	160,387	140,475
Investment income	65,588	101,236	104,520
Fines and penalties	91,194	95,747	92,040
Licences, permits and fees	104,087	117,254	124,356
Miscellaneous revenue (Note 35)	24,074	44,951	90,806
Equity (loss) in earnings of ENMAX Corporation (Note 7)	132,000	5,094	(30,312)
	4,002,024	3,872,574	3,756,067
EXPENSES			
Police	509,915	521,224	508,953
Fire	297,736	310,823	325,180
Public transit	451,982	567,655	554,680
Roads, traffic and parking	289,234	425,123	461,739
Water services & resources	490,731	517,822	514,187
Waste and recycling services	153,891	151,587	136,910
Community and social development	77,758	85,787	82,965
Public housing	157,451	129,831	133,279
Parks and recreation facilities	219,617	277,912	320,900
Societies and related authorities	83,491	103,657	83,039
Calgary Public Library Board	66,739	67,390	64,171
General government	411,817	384,844	292,912
Public works	273,830	287,594	293,561
Real estate services	83,245	41,395	48,429
	3,567,437	3,872,644	3,820,905
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	434,587	(70)	(64,838)
OTHER			
Developer contributions (Note 33)	269,128	218,988	133,103
Government transfers related to capital (Note 23 and 33)	1,125,922	564,652	752,525
Developer contributions-in-kind related to capital	–	254,799	204,778
NET REVENUES	1,829,637	1,038,369	1,025,568
ENMAX Corporation – other comprehensive (loss) gain adjustment (Note 7)	–	(16,351)	101,004
ANNUAL SURPLUS	1,829,637	1,022,018	1,126,572
ACCUMULATED SURPLUS, BEGINNING OF YEAR	18,673,065	18,674,458	17,547,886
Impact of Adoption of IFRS 9 by ENMAX Corporation (Note 7)	–	(1,393)	–
ACCUMULATED SURPLUS, END OF YEAR	\$ 20,502,702	\$ 19,695,083	\$ 18,674,458

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

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

	2018	2017
		(Restated Note 33)
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:		
OPERATING ACTIVITIES		
Annual Surplus	\$ 1,022,018	\$ 1,126,572
Deduct items not affecting cash:		
Equity in earnings of ENMAX Corporation (Note 7)	(5,094)	30,312
ENMAX Corporation– other comprehensive (gain) loss (Note 7)	16,351	(101,004)
Amortization of tangible capital assets	678,537	628,646
Net loss (gain) on disposal of tangible capital	3,608	(48,452)
Developer contributions-in-kind related to capital	(254,799)	(204,778)
Change in non-cash items:		
Receivables	(29,571)	774
Land inventory	(3,114)	(28,410)
Other assets	3,048	(44)
Inventory	(1,493)	3,879
Prepaid assets	12,907	1,424
Accounts payable and accrued liabilities	86,821	(85,437)
Deferred revenue	3,323	(18,576)
Capital deposits (Note 33)	58,609	(227,157)
Provision for landfill rehabilitation	4,804	1,642
Employee benefit obligations	5,771	13,717
	1,601,726	1,093,108
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,270,669)	(1,344,160)
Proceeds on sale of tangible capital assets	35,850	80,933
	(1,234,819)	(1,263,227)
INVESTING ACTIVITIES		
Dividends from ENMAX Corporation	40,000	48,000
Net (purchases) sales of investments	(144,805)	202,705
	(104,805)	250,705
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	153,475	290,027
Long-term debt repaid	(330,907)	(440,436)
Net increase (decrease) in bank indebtedness	27,440	(24,055)
	(149,992)	(174,464)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,110	(93,878)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	134,006	227,884
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 246,116	\$ 134,006

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Financial Assets

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

	Budget 2018 (Note 16)	Actual 2018	Actual 2017 (Restated Note 33)
ANNUAL SURPLUS	\$ 1,829,637	\$ 1,022,018	\$ 1,126,572
Amortization of tangible capital assets	134,097	678,537	628,646
Proceeds on sale of tangible capital assets	350	35,850	80,933
Tangible capital assets received as contributions	–	(254,799)	(204,778)
Net loss (gain) on disposal of tangible capital assets	–	3,608	(48,452)
Acquisition of tangible capital assets	(997,267)	(1,270,669)	(1,344,160)
Acquisition of supplies inventories	–	183,690	170,104
Use of supplies inventories	–	(185,183)	(166,225)
Acquisition of prepaid assets	–	262,686	262,604
Use of prepaid assets	–	(249,779)	(261,180)
INCREASE IN NET FINANCIAL ASSETS	966,817	225,959	244,064
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,692,645	1,694,038	1,449,974
Impact of Adoption of IFRS 9 by ENMAX Corporation (Note 7)	–	(1,393)	–
NET FINANCIAL ASSETS, END OF YEAR	\$ 2,659,462	\$ 1,918,604	\$ 1,694,038

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2018 (in thousands of dollars)

The City of Calgary ("The City") is a municipality in the Province of Alberta incorporated in 1884 as a town and in 1894 as a city and operates under provisions of the *Municipal Government Act*.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The City are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS").

a) Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund and reserves fund of The City.

The consolidated financial statements fully consolidate all organizations that are controlled by The City, except for The City's government business enterprise, ENMAX Corporation ("ENMAX") which is accounted for on a modified equity basis. The City's inter-departmental transactions and balances have been eliminated.

Government Business Enterprise

ENMAX, a wholly owned subsidiary of The City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 7). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of The City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the consolidated statement of operations and accumulated surplus as an adjustment to accumulated surplus.

Related Authorities

The eight related authorities (Note 21) included in the consolidated financial statements are:

Calgary Parking Authority
Calgary Public Library Board
Calhome Properties Ltd. (operating as Calgary Housing Company)
Calgary Municipal Land Corporation
Attainable Homes Calgary Corporation
The Calgary Convention Centre Authority
(operating as Calgary TELUS Convention Centre)
Calgary Economic Development Ltd.
Calgary Arts Development Authority Ltd.

The City and related authorities inter-entity transactions and balances have been eliminated.

The City has fiscal relationships with many organizations for which control lies outside of Calgary City Council. These consolidated financial statements include operating and capital requisitions for certain educational, cultural, social and other external organizations, but do not include the financial results of these organizations. Separate financial information may be sought directly from such organizations and registered pension plans, which include the following:

City Partners

Alberta Health Services
Burns Memorial Fund
Calgary 2026
Calgary Bid Exploration Committee
Calgary Board of Education
Calgary Exhibition and Stampede Limited
Calgary Roman Catholic Separate School District No.1
Conseil Scolaire FrancoSud
Saddledome Foundation
St. Mary's University College

Civic Partners

Aero Space Museum of Association Calgary
Calgary Centre for Performing Arts
Calgary Heritage Authority
Calgary Science Centre Society
Calgary Sport Council Society
Calgary Technologies Inc.
Calgary Zoological Society
Cardel South (South Fish Creek Recreation Association)
Fort Calgary Preservation Society
Genesis (NE Centre of Community Society)
Heritage Park Society
Lindsay Park Sports Society
Opportunity Calgary Investment Fund
Parks Foundation, Calgary
Silvera for Seniors
Tourism Calgary – Calgary Convention & Visitors Bureau
Vibrant Communities Calgary
Vivo (Nose Creek Sports and Recreation Association)
Westside Regional Recreation Centre
YMCA

Registered Pension Plans

Civic employees and elected officials participate in one or more registered defined-benefit pension plans and/or multi-employer pension plans provided by The City.

City-sponsored registered pension plans

The City records its share of the obligations net of plan assets which are held in trust by external parties. These plans include:

- Calgary Firefighters' Supplementary Pension Plan;
- Calgary Police Supplementary Pension Plan;
- Pension Plan for Elected Officials of The City of Calgary; and
- The City of Calgary Supplementary Pension Plan.

Multi-employer registered pension plans

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. These plans include:

- Local Authorities Pension Plan; and
- Special Forces Pension Plan.

Further details about these pension plans are available in Notes 1k) and 13.

Funds Held in Trust

Funds held in trust and their related operations administered by The City for the benefit of external parties are not included in the consolidated financial statements, but are reported separately in Note 32, Funds Held in Trust.

b) Basis of Accounting

- Revenues are accounted for in the period in which the transactions or events giving rise to the revenue occur, providing the revenues are reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.
- Taxation revenues are recorded at the time tax billings are issued. Taxation billings are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on taxation revenue appeals outstanding as of December 31, 2018.
- Local improvements are recognized as revenue, and established as a receivable, for the property owners' share of the improvements in the period that the project expenses are incurred.
- Government transfers and grants are recognized in the consolidated 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 and stipulations have been met and reasonable estimates of the amounts can be made. Where transfers are received but eligibility criteria or stipulations are not met, government transfers are recognized in Capital Deposits (Capital Grants) or Deferred Revenue (Operating Grants) until eligibility criteria or stipulations are met.

- Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.
- Authorized transfers from The City are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, treasury bills and Guaranteed Investment Certificates ("GICs") with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

d) Investments

Included in investments are internally managed portfolios consisting of investments in money market instruments and short term bonds. The City also has externally managed investment portfolios consisting of short and long term investments including money market securities, bonds, mortgages, equities and fixed-income securities. Investments are recorded at the lower of original cost net of amortized discounts and premiums and market value on a portfolio basis. When there has been a loss in value that is not determined to be a temporary decline, the respective investment is written down to recognize the loss.

e) Land Inventory

Land inventory is carried at the lower of cost and net realizable value. Cost includes amounts for land development expenses. Land inventory is held for sale in the normal course of business.

f) Bank Indebtedness

Bank indebtedness consists of cheques outstanding in excess of deposits with commercial banks and short term borrowing.

g) Deferred Revenue

Deferred revenue represents amounts received from third parties for a specified operating purpose. These amounts include deferred government transfers, which are externally restricted until it is used for the purpose intended. Also included in deferred revenue are private contributions, advance sales of goods and services and amounts received for licenses, permits, and application fees, which are recognized as revenue in the period when the related expenses are incurred to reflect the completion of The City's performance obligations.

h) 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 when expenditures are made.

i) **Provision for Landfill Rehabilitation**

The *Environmental Enhancement and Protection Act* (Alberta) sets out the regulatory requirements to properly close and maintain all landfill sites. Under environmental law, there is a requirement for closure and post-closure care of landfill sites. This requirement is being provided for over the estimated remaining life of the landfill sites based on usage, and is funded through tipping fees. The annual provision is reported as an operating fund expense in Waste & Recycling Services, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

j) **Provision for Contaminated Sites**

The *Environmental Enhancement and Protection Act* (Alberta) sets out the regulatory requirements in regards to contaminant releases. Under this Act, there is a requirement for the persons responsible to address a contaminant release that is causing or has caused an adverse effect. A provision in PS 3260 is provided for non-productive sites where contamination exists that exceeds an environmental standard, The City is legally responsible or has accepted responsibility for the contamination, future economic benefits are expected to be given up and a reasonable estimate for the provision can be made. Non-productive sites include any site where the contamination is a result of past on-site activities not related to the current use of the site.

The provision reflects The City's best estimate of the amount required to remediate sites to a condition that is suitable for the sites' intended use, as of the financial statement date. The provision is determined on a site-by-site basis, and is adjusted to reflect the passage of time, new obligations, and changes to management's intent and actual remediation costs incurred.

The provision for future remediation is an estimate of the minimum costs known for sites where an assessment has been conducted and where there is available information that is sufficient to estimate costs. Where sites require ongoing monitoring or maintenance as part of the remediation plan, the present value of all estimated future costs are discounted using The City's weighted average cost of capital. The provision is included in accounts payable and accrued liabilities.

k) **Employee Benefit Obligations**

The City has fully met its current year cash contribution requirements for employee benefit obligations at December 31, 2018. Long term unamortized actuarial losses will be funded in future periods.

- i) Contributions to multi-employer plans are expensed when the contributions are due.
- ii) The cost of City-sponsored registered and non-registered defined-benefit pension plans and post-retirement benefits are recognized when earned by plan members. These costs are actuarially determined using the projected benefit method prorated on service, applying 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 based on estimated rates for debt with maturities similar to expected future benefit payments.

- iii) The City records the actuarially determined net fund benefit asset or liability for City-sponsored, registered defined-benefit pension plans. For jointly sponsored plans, The City records its proportionate share of that asset or liability. For non-registered defined-benefit plans and other retirement benefit obligations, The City records the actuarially determined accrued benefit liability; assets are held within The City's cash and investments accounts to fund these obligations. No obligations are recorded for multi-employer defined-benefit pension plans administered by external parties as The City's share of those obligations is not readily determinable.
- iv) Adjustments arising from actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service period of the active employee group. Adjustments arising from: actuarial gains and losses for plans closed to new entrants, prior service costs related to plan amendments, and changes in the valuation allowance, are fully recognized in the year they arise.

l) **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 consolidated Change in Net Financial Assets for the year.

m) **Accumulated Surplus/Deficit**

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

n) **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. Donated and contributed assets are capitalized and recorded at their estimated fair value at the time they are transferred to The City. At that same time, the corresponding revenue is recognized. Interest charges are not capitalized.

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

Works of art for display are unrecognized as tangible capital assets (Note 25).

Tangible capital assets are written down when there is permanent and measurable impairment in value and the tangible capital asset still exists.

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
Leasehold improvements	5
Vehicles	
Light rail transit	25
Transit buses and fire trucks	5 – 20
Vehicles	2 – 15
Land improvements	15 – 25
Engineered structures	
Waterworks and wastewater distribution and collection systems and treatment plants	15 – 65
Transit network	15 – 50
Road network	5 – 100
Communication networks and landfills	20 – 50
Machinery and equipment	
Computer equipment	5 – 7
Furniture and equipment	5 – 20
Boats and other mobile machinery	5 – 20
Other equipment and machinery	5 – 20

o) Inventories

Inventories comprising materials and supplies are carried at the lower of cost and replacement cost.

p) Land Held for Municipal Purposes

Land held for municipal purposes are comprised of land held for future civic use and is carried at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for civic use. Land held for municipal purposes is included in tangible capital assets for financial statement purposes.

q) Equity in Non-Financial Assets

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

r) Budget Figures

The 2018 budget is reflected on the consolidated statement of operations and accumulated surplus. The budget consists of the Council-approved amounts for the operating fund and the capital fund, modified for capital revenue adjustments, assets capitalized on the statement of financial position, and depreciation expense for tax-supported assets. The budgets established for the capital fund are on a project-oriented basis, the costs of which may be carried out over one or more years. The capital budget figures are modified based on the percentage of completion of these projects.

s) Environmental Provisions

The City has a formal environmental assessment and reclamation program in place to ensure that it complies with environmental legislation. The City provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured. The provision is included in accounts payable and accrued liabilities.

t) Financial Instruments and Fair Values

The City is 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 manage the impact of fluctuating interest rates and foreign currency on its investment income, and to manage foreign exchange on anticipated future expenses in foreign currencies. Gains (losses) on these financial instruments are included as revenues (losses). The City's policy is not to utilize derivative financial instruments for trading or speculative purposes.

As of December 31, 2018 The City held derivatives to mitigate foreign exchange risk associated with exposures in United States Dollars ("USD") and Japanese Yen ("Yen"). The settlements of financial instruments are recorded through The City's cash and investments.

Based on available market information, the carrying value of The City's derivative financial instruments and hedges approximates their fair value due to their short period to maturity, except with respect to investments as indicated in Note 3 and long-term debt, as indicated in Note 14(e).

u) Loan Guarantees

Periodically The City provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in The City's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of The City until The City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, The City's resulting liability would be recorded in the consolidated financial statements.

v) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Where estimation uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accrued liabilities, employee benefit obligations, provision for tax appeals, provision for landfill rehabilitation, contaminated sites and environmental assessments and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

w) Loans Receivable

Loans receivable are recorded at cost less allowance for doubtful accounts. Allowance for doubtful accounts is recognized when collection is in doubt, and are stated at the lower of cost and net recoverable value. No interest is charged on owed amounts.

x) Public-Private Partnerships

A public-private partnership ("P3s") is a contractual agreement between a public authority and a private entity for the provision of infrastructure and/or services.

The City's P3s are assessed based on the substance of the underlying agreement. In the event The City is seen to control the acquired and/or constructed asset(s), P3 costs will be accounted as follows:

- Costs incurred during construction or acquisition are recognized in the work-in-progress and liability balances based on the estimated percentage complete.
- Construction costs, as well as the combined total of future payments, are recognized as a tangible capital asset and amortized over the estimated useful life once the asset is in-service.
- Sources of funds used to finance the tangible capital asset and future payments will be classified based on the nature of the funds, such as debt, grants, and/or reserves.

If The City does not control the asset(s) arising from P3s, then all costs associated with the transaction will be expensed in the period in which the costs are incurred.

y) Future Accounting Pronouncements

In 2018, the City adopted the following five accounting standards to comply with Public Sector Accounting Standards (PSAS). These standards apply to all public sector entities for years beginning on or after April 1, 2017.

The City has adopted these standards prospectively. Adoption of these standards require all public sector entities to assess information using definitions, criteria and exceptions provided in the standards and apply professional judgement to comply with the disclosure requirements of each standard.

i) Assets

Assets ("PS 3210") provides guidance for applying the definition of assets and establishes general disclosure standards for unrecognized assets.

This standard requires The City to assess major categories of unrecognized assets and either record them in the financial statements or disclose if a reasonable estimate cannot be made. This impact of the adoption of this standard is included in Note 25

ii) Contractual Rights

Contractual Rights ("PS 3380") are rights to economic resources arising from a binding contract or agreement between two or more parties that will result in both an asset and revenue in the future. This standard requires The City to assess the nature, extent and timing of contractual rights for disclosure and includes:

- Contractual rights to revenue that is abnormal in relation to the financial position or usual operations of the City; and
- Contractual rights that will govern the level of a certain type of revenue for a considerable period into the future.

The impact of the adoption of this standard is included in Note 26.

iii) Contingent Assets

Contingent Assets ("PS 3320") arise from existing conditions or situations involving uncertainty. Resolution of the uncertainty confirms the existence or non-existence of an asset. This standard requires The City to assess the likelihood of a contingent asset and disclose when the occurrence of the confirming future event that will resolve uncertainty is likely. The disclosure of a contingent asset includes:

- Knowledge of the existence of a contingent asset.
- Nature of contingent asset to describe the circumstances giving rise to uncertainty and information about the anticipated resolution of the uncertainty.
- Extent of a contingent asset that covers the reasonable estimated value.

The impact of the adoption of this standard is included in Note 27.

iv) 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. Inter-entity transactions are classified by the following types:

- For inter-entity transactions that are undertaken similar to arm's length transaction or allocating cost and recovery transactions, these are recognised at exchange amount by both parties.
- For inter-entity transactions that involve transfer or exchange of assets and/or liabilities for no or nominal consideration, both parties record the transaction at the carrying amount.
- Any difference between the exchange amount and carrying amount for asset or liability transfers are recorded as a gain or loss in the statement of operations.
- Cost allocations and recoveries to/from commonly controlled entities are recorded on a gross basis in the statement of operations.

The City does not recognize any amount in the financial statements in respect to shared services received for which no costs are allocated. This standard requires The City to assess inter-entity transactions for disclosure in accordance with Related Party Disclosures ("PS 2200") when there are inter-entity transfers of assets and liabilities, material transactions recorded that are not at the exchange amount and unallocated costs whether or not the transaction is given accounting recognitions. The adoption of this standard had no impact on the financial statements.

v) Related Party Disclosure

Related Party Disclosures ("PS 2200") defines a related party and identifies disclosures for related parties and related party transactions. Parties are considered related when one party has the ability to exercise control or shared control over the other. A related party could be an individual or an entity and includes key management personnel. Key management personnel include members of council, general managers level personnel and their close family members including their spouse and any dependents.

This standard requires The City to assess related party transactions that have occurred at a value different from that which would have been arrived at if the parties were unrelated. Only those transactions that have or could have a material financial effect on the financial statements are disclosed.

As of December 31, 2018, there are no material transactions for disclosure.

z) Future Accounting Pronouncements

Standards effective for fiscal years beginning on or after April 1, 2018

vi) 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.

Standards effective for fiscal years beginning on or after April 1, 2021

vii) Financial Statement Presentation

Financial Statement Presentation ("PS 1201") was amended to conform to Financial Instruments ("PS 3450"), and 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.

viii) Portfolio Investments

Portfolio Investments ("PS 3041") has removed the distinction between temporary and portfolio investments. This section was amended to conform to Financial Instruments ("PS 3450"), and now includes pooled investments in its scope. Upon adoption of PS 3450 and PS 3041, Temporary Investments ("PS 3030") will no longer apply.

ix) Foreign Currency Translation

Foreign Currency Translation ("PS 2601") requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Unrealized gains and losses are to be presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item.

x) Financial Instruments

Financial Instruments ("PS 3450") establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. 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.

xi) Asset Retirement Obligations

Asset Retirement Obligation ("PS 3280") establishes standards on when to reorganise, and how to account for and report a liability for asset retirement obligations associated with the tangible capital assets controlled by a public sector entity. This standard covers the entity's legal obligations established by agreement, contract or legislation including obligations created by a promissory estoppel for tangible assets controlled by a public sector entity that are in productive and that are no longer in productive use. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The City continues to assess the impacts of the above standards. While the timing of standards adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation ("PS 1201"), Financial Instruments ("PS 3450"), Foreign Currency Translation ("PS 2601") and Portfolio Investments ("PS 3041") must be implemented at the same time.

Standards effective for fiscal years beginning on or after April 1, 2022

xii) Revenue

Revenue ("PS 3400") establishes standards on how to account for and report on revenue. This standard covers the identification, recognition, measurement, and disclosure for revenues arising from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

2. CASH AND CASH EQUIVALENTS

	2018	2017
Cash on deposit	\$ 138,079	\$ 133,606
Treasury bills and GICs with original maturities of 90 days or less	108,037	400
	\$ 246,116	\$ 134,006

Treasury bills and GICs interest rates are approximately 1.3% in 2018 and 0.7% in 2017.

3. INVESTMENTS

All the investments managed by The City are held in fixed income securities and equity investments. Investments with a cost of \$2,471 (2017 – \$2,407) are managed by the Parks Foundation Calgary⁽¹⁾, and include equity investments of \$1,542 (2017 – \$1,510). The cost and market value of all investments as at December 31 are as follows:

	2018 Cost	2018 Market value	2017 Cost	2017 Market value
Government of Canada	\$ 358,864	\$ 369,707	\$ 448,941	\$ 445,545
Other Government	195,357	195,829	427,985	421,092
Corporate	2,700,491	2,733,093	2,107,337	2,095,590
Global fixed income investments	401,372	358,748	501,720	496,850
Equity investments	382,478	401,215	407,774	480,860
	\$4,038,562	\$4,058,592	\$ 3,893,757	\$ 3,939,937

The average yield earned from investments during the year ended December 31, 2018, was 2.7% (2017 – 3.2%). Maturity dates on the investments range from 2019 to 2078. Investments include \$1,513,913 (2017 – \$1,208,230) in an internally managed portfolio composed of short-term money market instruments and bonds.

A portion of City investments are committed for certain purposes including reserves, capital deposits and employee benefit obligations.

(1) Parks Foundation Calgary is an endowment fund which uses investment income to fund the administrative costs of the Parks Foundation which reduces the annual contribution from The City to its operating budget.

4. RECEIVABLES

	2018	2017
Taxes	\$ 48,715	\$ 49,417
Federal and Provincial governments	52,715	36,898
General	255,866	241,410
	\$ 357,296	\$ 327,725

5. LAND INVENTORY

Land inventory includes acquisition costs of the land and the improvements to prepare the land for sale or servicing. Related development costs incurred to provide infrastructure are recorded as capital assets.

	2018	2017
Developed land	\$ 90,681	\$ 84,342
Under development	103,276	107,106
Long-term inventory	85,575	84,970
	\$ 279,532	\$ 276,418

6. OTHER ASSETS

	2018	2017
Long-term debt recoverable	\$ 19,839	\$ 25,453
Long-term receivables	65,251	67,060
Other receivables	15,871	10,897
Loans receivable	5,425	6,024
	\$ 106,386	\$ 109,434

Long-term receivables consist primarily of local improvement levies recognized as revenue on the basis of full or partial completion of the related projects, a receivable from St. Mary's University (see Note 14 a) i)) and vendor take-back ("VTB") mortgages granted to Attainable Homes Calgary Corporation ("AHCC").

Loans receivable consist of interest-free loans offered by AHCC to citizens when they purchase their housing units, and are secured by The City's encumbrance on the title of each property. The interest portion of the loans are recognized as an expense. In 2018, an allowance for doubtful accounts of \$3,454 (2017 – \$2,948) related to the loans receivable was recognized. These loans are forgiven once the home owner sells or refinances their housing unit and a shared participation amount is repaid.

7. INVESTMENT IN ENMAX

- i) ENMAX is a wholly-owned subsidiary of The City and was formed to carry on the electric utility transmission and distribution operations previously provided by the Calgary Electric System, a former department of The City. ENMAX operates in two segments; ENMAX Power, a regulated, wholly-owned subsidiary established to carry out all electricity distribution and transmission service functions, and ENMAX Energy, an unregulated, wholly-owned subsidiary established to carry out all energy supply and retail functions.

ENMAX Power Corporation, ENMAX's electricity distribution and transmission subsidiary, has been regulated by the Alberta Utilities Commission ("AUC") since January 1, 2008. This includes rate regulation approval responsibilities for ENMAX Power's electricity transmission and distribution rates charged to customers within ENMAX's service area.

ENMAX and its subsidiaries operating in the province of Alberta are municipally owned and are generally not subject to federal and provincial income taxes. In 2001, the Government of Alberta introduced a payment-in-lieu-of-taxes (PILOT) regulation in conjunction with the deregulation of the Alberta utilities industry. This regulation required municipally owned retailers and municipally owned power purchase arrangement holders to remit PILOT payments to the Balancing Pool of Alberta. ENMAX's subsidiaries that do not meet the criteria for municipal exemption are taxable under the Income Tax Act (ITA) and the Alberta Corporate Tax Act (ACTA). All references to income tax recognize the combined obligations under PILOT, the ITA, and the ACTA.

Debentures reported by ENMAX as long-term debt in the amount of \$1,185,380 (2017 – \$1,078,522) have been issued in the name of The City (Note 14(a)).

- ii) The financial statements of ENMAX are prepared in accordance with International Financial Reporting Standards ("IFRS"). New accounting standards effective for 2018 include IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". Both standards have been applied with retroactive application without restatement of prior periods.

IFRS 9 has introduced a single expected credit loss model for all financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI). ENMAX was required to revise its impairment methodology under IFRS 9 over accounts receivables, and this has been reported as a change to Equity in ENMAX Corporation of \$1,393.

IFRS 15 provides a framework that replaces existing revenue recognition guidance. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. This has impacted 2017 total revenue and operating expenses that offset each other, resulting in no change to opening 2018 accumulated surplus.

The following table provides condensed supplementary financial information reported separately by ENMAX.

	2018	2017
Financial Position		
Current assets	\$ 958,898	\$ 1,006,507
Deferred income taxes	52,227	81,312
Capital and intangible assets	4,431,692	4,331,571
Other assets	57,000	75,521
Total assets	5,499,817	5,494,911
Regulatory deferral account debit balances	81,965	76,193
Total assets and regulatory deferral account debit balances	5,581,782	5,571,104
Current liabilities (including current portion of long-term debt; 2018 – \$71,327; 2017 – \$367,342)	791,626	1,121,182
Deferred income tax liabilities	57,312	74,610
Other long-term liabilities	745,885	717,983
Asset retirement obligations	106,021	120,468
Long-term debt	1,614,636	1,213,468
Total liabilities	3,315,480	3,247,711
Regulatory deferral account credit balances	4,952	9,393
Total liabilities and regulatory deferral account credit balances	3,320,432	3,257,104
ENMAX net assets	2,261,350	2,314,000
Accumulated other comprehensive income (loss)	(4,625)	11,726
Retained earnings	2,265,975	2,302,274
Investment in ENMAX Corporation	\$ 2,261,350	\$ 2,314,000

	2018	2017
Results of Operations		
Revenues	\$ 2,378,659	\$ 2,996,972
Operating expenses	2,181,809	3,066,056
Interest charges (net)	68,493	70,401
Net earnings (loss) before income tax	128,357	(139,485)
Income tax (expense) recovery	(133,503)	64,473
Net earnings (loss) before net movements in regulatory deferral account balances	(5,146)	(75,012)
Net movement in regulatory deferral account balances	10,240	44,700
Net earnings (loss) before dividends paid	5,094	(30,312)
Dividends paid	(40,000)	(48,000)
Net (loss) after dividends paid	(34,906)	(78,312)
Other comprehensive income (loss)	(16,351)	101,004
Net assets, beginning of year	2,314,000	2,291,308
Impact of adoption of IFRS 9	(1,393)	–
Equity in ENMAX Corporation	\$ 2,261,350	\$ 2,314,000

iii) The following summarizes The City's related-party transactions with ENMAX:

	2018	2017
Received by The City		
Dividends	\$ 40,000	\$ 48,000
Local access fee	136,078	95,690
Sales of services	24,493	21,935
Purchased by The City		
Power and other services	\$ 145,999	\$ 144,773

The City's accounts payable and accrued liabilities and deferred revenue include \$19,851 (2017 – \$20,297) for amounts owed to ENMAX at December 31, 2018. The City's receivables include \$17,306 (2017 – \$9,610) for amounts owing to The City by ENMAX at December 31, 2018. Corresponding related-party differences between the payables and receivables for The City and ENMAX result primarily from timing differences related to recognizing the receipt of payments. Sale of services and purchase of power and other services are transacted at fair market value, which is the amount agreed upon by the parties.

8. BANK INDEBTEDNESS

An unsecured short-term bank line of credit with a commercial bank is available to The City up to an amount of \$60,000. As at December 31, 2018, The City had a total of \$62,783 (2017 – \$40,459) of bank indebtedness comprised of cheques issued in excess of deposits. As at December 31, 2018 and 2017, The City has not issued any promissory notes.

The City has the approved authority to issue up to \$200,000 of short-term borrowing, through a combination of a bank line of credit and the issue of commercial paper. As at December 31, 2018, The City had \$10,857 (2017 – \$5,741) of short-term borrowings, which consisted of demand loans held by Attainable Homes Calgary Corporation, and Calgary Arts Development Authority Ltd.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade	\$ 903,164	\$ 801,973
Federal and Provincial governments	25,409	38,657
Accrued interest	18,701	19,823
	\$ 947,274	\$ 860,543

10. DEFERRED REVENUE

Advance sales of goods and services are revenues received from operations in advance of the services being provided. Licenses, permits and application fees include amounts received for building permits, business and animal licenses that are recognized as revenue over the term of the underlying agreements. Government grants are externally restricted amounts that are recognized in revenue when the conditions of use are satisfied. Other contributions relate primarily to private sponsorships and donations received for which the related expenditures have not yet been incurred. These funds are recognized as revenue in the period they are used for the purpose specified.

Deferred revenue is comprised of the following:

	December 31, 2017	Inflows	Revenue Recognized	December 31, 2018
Advance sales of goods and services	\$ 27,165	\$ 73,106	\$ (70,506)	\$ 29,765
Licences, permits and application fees	43,430	29,238	(30,118)	42,550
Government grants	15,445	50,531	(51,237)	14,739
Other contributions	6,886	4,929	(2,620)	9,195
	\$ 92,926	\$ 157,804	\$ (154,481)	\$ 96,249

11. CAPITAL DEPOSITS

Capital deposits are received for various capital projects from land developers, pursuant to development agreements or the *Municipal Government Act*, and from other governments, through grants and provincial tax revenue sharing agreements. Certain deposits are allocated investment income, and some may become refundable with interest should they not be fully utilized for the designated capital projects. Year-end balances are summarized below:

	2018	2017 (Restated Note 33)
Developers contributions	\$ 142,157	\$ 143,935
Offsite levies	286,849	375,243
Other private contributions	10,246	12,955
Provincial government grants	268,979	126,986
Federal government grants	63,063	53,566
	\$ 771,294	\$ 712,685

12. PROVISION FOR LANDFILL REHABILITATION

Under environmental law, there is a requirement for closure and post-closure care of landfill sites. Closure and post-closure care includes final covering and landscaping of a landfill, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

In 2018, The City re-assessed and updated the model supporting the provision of the landfill liability. The model was revised to ensure alignment with Alberta Environment and Parks' (AEP) requirements and to reflect the current economic conditions. The model was adjusted to better reflect the onsite management of cleanfill, increased environmental sampling frequency as per AEP protocols, addition of new closure and post-closure activities, and including new activities resulting from improvements in best practices and technology.

As at December 31, 2018, management estimates that the total liability for operating and closed landfill sites is \$157,573 (2017 – \$151,411). This is the sum of the discounted future cash flows for closure and post-closure activities for 25 years following the closure of operating sites, and the estimated requirements at currently closed sites. The duration of post-closure care is dependent on the overall activities that are required at each landfill site – a discount rate of 3.2% (2017 – 3.3%) was used for the active landfills and 3.1% (2017 – 3.2%) for the closed landfills.

The calculation of the reported liability of \$93,709 (2017 – \$88,905) is based on the cumulative capacity used at December 31, 2018 compared to the total estimated landfill capacity at that same date. The change in calculation resulted in \$4,087 (2017 – \$5,933) of unfunded liability being recognized in 2018. The unfunded liability will be funded through future contributions from the Waste & Recycling Sustainment Reserve. At December 31, 2018, the balance of the Waste & Recycling Sustainment Reserve is \$63,083 (2017 – \$64,802).

The estimated remaining capacity of the landfill sites is 47.6 (2017 – 47.0) million cubic metres, which is 49% (2017 – 48%) of the sites' total capacity. In 2018, The City determined that the landfills' expected remaining life is 44 years (2017 – 33 years), which was based on factors including current disposal practices, the residential Green Cart program and projected population growth rates.

13. EMPLOYEE BENEFIT OBLIGATIONS

The City participates in multi-employer pension plans and sponsors defined-benefit pension plans and post-retirement benefit plans for eligible civic employees and elected officials. The employee benefit obligations related to The City-sponsored plans represent liabilities earned but not taken by the plan members as at December 31, 2018.

The City has fully met its current year cash contribution requirements for employee benefit obligations as at December 31, 2018. Employee benefit obligation recognized on The City's statement of financial position in respect to employee benefits is as follows:

	2018 *Funded	2017 *Funded
a) Registered defined-benefit pension plans	\$ 52,446	\$ 53,235
b) Non-registered defined-benefit pension plans	40,297	37,379
c) Post-retirement benefits	186,652	183,235
d) Vacation and overtime (undiscounted)	220,246	220,021
	\$ 449,641	\$ 493,870

- The concept of funding refers to amounts recorded as an expense in the consolidated financial statements with associated funding held for this purpose within The City's investments.

In addition to the funded obligations referred to above, The City has long-term unamortized net actuarial (gains)/losses that are amortized over the expected average remaining service life of the related active employee groups as follows:

	2018	2017
Registered defined-benefit pension plans	\$ (3,422)	\$ (11,200)
Non-registered defined-benefit pension plans	18,372	17,848
Post-retirement benefits	(51,464)	(46,356)
	\$ (36,514)	\$ (39,708)

Obligations related to multi-employer pension plans, Local Authorities Pension Plan ("LAPP") and Special Forces Pension Plan ("SFPP"), are not recorded by The City as The City's share is not determinable. Contributions to LAPP and SFPP for current and past service are recorded as expenses in the year in which they become due, see Note 13(e) i) and ii).

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 reflect The City's best estimates as follows:

	December 31, 2018	December 31, 2017
Date of accounting valuation	2018	2017
Year-end obligation discount rate (%)	3.25	3.25
Inflation rate (%)	2.00	2.00
Expected rate of return on plan assets (%)	6.00	6.00

a) Registered defined-benefit pension plans

Certain defined-benefit pension plans are registered for Canada Revenue Agency ("CRA") purposes. These plans provide benefits up to limits prescribed by the *Income Tax Act* (Canada). The assets of these plans are held in trust and The City records its share of the obligations net of plan assets.

The following table sets out the results of, and significant assumptions utilized, in the most recent valuations for accounting purposes of The City sponsored registered pension plans:

	2018	2017
Fair value of plan assets – beginning of year	\$ 144,598	\$ 129,107
Contributions – employer	8,532	8,845
Contributions – member	150	149
Expected interest on plan assets	8,718	7,811
Less benefits paid	(7,293)	(6,854)
Actuarial (loss)/gain	(9,043)	5,540
Fair value of plan assets – end of year	\$ 145,662	\$ 144,598
Accrued benefit obligation – beginning of year	\$ 186,633	\$ 184,743
Current period benefit cost	8,487	9,245
Interest on accrued benefit obligation	6,223	6,193
Less benefits paid	(7,293)	(6,854)
Actuarial gain/(loss)	636	(6,694)
Accrued benefit obligation – end of year	\$ 194,686	\$ 186,633
Funded status – plan deficit	\$ 49,024	\$ 42,035
Unamortized net actuarial gain	3,422	11,200
Accrued benefit liability	\$ 52,446	\$ 53,235
Current period benefit cost	\$ 8,487	\$ 9,245
Amortization of actuarial losses	1,901	2,887
Less member contributions	(150)	(149)
Benefit expense	\$ 10,238	\$ 11,983
Interest on accrued benefit obligation	6,223	6,193
Less expected interest on plan assets	(8,718)	(7,811)
Benefit interest	(2,495)	(1,618)
Total expense	\$ 7,743	\$ 10,365

Unamortized net actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the active employee groups, except for The Calgary Police Supplementary Pension Plan ("PSPP") which is deemed a closed plan, and commence in the period following the determination of the gain or loss. The EARSL for each plan is:

	2018	2017
Calgary Firefighters' Supplementary Pension Plan ("FSPP")	15.9	15.9
The City of Calgary Supplementary Pension Plan ("SPP")	8.0	8.1
Pension Plan for Elected Officials of The City of Calgary ("EOPP")	9.9	7.8
Calgary Police Supplementary Pension Plan ("PSPP")	Not applicable	Not applicable

In accordance with regulations, actuarial valuations for funding purposes are performed at least triennially for the registered plans, except for the Calgary Police Supplementary Pension Plan (refer to Note 13 e) ii)), to determine The City's required contributions to the plan trusts. The most recent actuarial valuations for the purposes of developing funding requirements were (will be) prepared as of the following dates:

Pension Plan	Latest Valuation Date	Next Valuation Date
FSPP	December 31, 2015	December 31, 2018
SPP	December 31, 2016	December 31, 2019
EOPP	December 31, 2015	December 31, 2018
PSPP	Not applicable	Not applicable

i) Calgary Firefighters' Supplementary Pension Plan

The FSPP was established on June 3, 1975. The plan is jointly administered by The City and The International Association of Firefighters ("IAFF") Local 255. The plan is supplemental to the LAPP (Note 13 e) i)) and provides an annual retirement benefit of 1.4% of pensionable earnings up to the year's maximum pensionable earnings ("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). The City and the IAFF Local 255 have agreed to share the cost of future service and future additional unfunded liabilities 55% by The City and 45% by the plan members. The consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability.

At December 31, 2018, The City's portion of plan assets, held in trust, is invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2015 as follows:

	2018 Employer	2018 Members	2017 Employer	2017 Members
Current service contributions	\$ 5,103	\$ 4,227	\$ 5,471	\$ 4,122
Contribution rates (% of pensionable salaries)	3.22%	2.63%	3.22%	2.63%

ii) The City of Calgary Supplementary Pension Plan

The SPP commenced on February 1, 2000 and is sponsored and administered by The City. The plan is supplemental to the LAPP (Note 13 e) i)) and provides an annual retirement benefit of 2% of earnings, up to maximum pension limits of the *Income Tax Act* (Canada) for years of service since the later of February 1, 2000 and the date of eligibility for membership in the plan, as well as enhanced death benefits. The cost of future service and future additional unfunded liabilities are shared 55% by The City and 45% by the plan members. The consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability.

At December 31, 2018, The City's portion of plan assets, held in trust, is invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2016 as follows:

	2018 Employer	2018 Members	2017 Employer	2017 Members
Current service contributions	\$ 2,954	\$ 2,378	\$ 2,881	\$ 2,429
Contribution rates (% of pensionable salaries)	2.92%	2.35%	2.92%	2.35%

iii) Pension Plan for Elected Officials of The City of Calgary

The EOPP commenced on October 1, 1989 and provides pension benefits of 2% of taxable salary, up to a maximum pension limit of the *Income Tax Act* (Canada) per year of service to The City elected officials who choose to participate.

At December 31, 2018, plan assets, held in trust, are invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2015 as follows:

	2018 Employer	2018 Members	2017 Employer	2017 Members
Current service contributions	\$ 310	\$ 149	\$ 308	\$ 149
Contribution rates (% of pensionable salaries)	18.64%	9.00%	18.64%	9.00%

iv) Calgary Police Supplementary Pension Plan

The PSPP commenced on January 1, 1975 and provides supplemental pension benefits to those police officers who retired prior to September 1, 1979. The PSPP is deemed a closed plan as police officers who have retired after September 1, 1979 are covered under the SFPP Plan (Note 13 e) 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 in accordance with PSAS Handbook Section 3250 ("PS 3250") Retirement Benefits.

Sufficient funds are held within The City's investments to cover the liabilities as determined by the actuarial valuation for accounting purposes as at December 31, 2018.

b) Non-registered defined-benefit pension plans

Certain plans are non-registered for CRA purposes and provide benefits in excess of the limits of the *Income Tax Act* (Canada) supplemental to the registered plans. As such, there is no legislated requirement to pre-fund these plans through external trusts, and current income tax rules would impose additional costs on any external pre-funding arrangement.

Actuarial valuations for accounting purposes were (will be) performed as follows:

Pension Plan	Latest Valuation Date	Next Valuation Date
The City of Calgary Overcap Pension Plan ("OCP")	December 31, 2018	December 31, 2019
The City of Calgary Police Chief & Deputy Overcap Pension Plan ("PCDOP")	December 31, 2018	December 31, 2019
The City of Calgary Fire Chief and Deputies Overcap Pension Plan ("FCDOP")	December 31, 2018	December 31, 2019
Supplementary Pension Plan for Elected Officials of The City of Calgary ("EOSP")	December 31, 2018	December 31, 2019
Executive Pension Plan ("EPP")	December 31, 2018	December 31, 2019
Contractual obligations	December 31, 2018	December 31, 2019

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2018 valuations for accounting purposes for the non-registered pension plans:

	2018	2017
Accrued benefit obligation – beginning of year	\$ 55,227	\$ 52,167
Current period benefit cost	1,253	1,211
Interest on accrued benefit obligation	1,780	1,682
Less benefits paid	(3,394)	(3,253)
Actuarial loss	3,803	3,420
Accrued benefit obligation – end of year	\$ 58,669	\$ 55,227
Funded status – plan deficit	\$ 58,669	\$ 55,227
Unamortized net actuarial (loss)	(18,372)	(17,848)
Accrued benefit liability ⁽¹⁾	\$ 40,297	\$ 37,379
Current period benefit cost	\$ 1,253	\$ 1,211
Amortization of actuarial (losses)	3,279	2,714
Interest on accrued benefit obligation	1,780	1,682
Total expense	\$ 6,312	\$ 5,607

(1) To satisfy the obligations under these plans, assets in the amount of \$40,297 (2017 – \$37,379) are held within The City's investments.

Unamortized net actuarial gains and losses of the OCPP and EOSP are amortized over the EARSL of the active employee groups and commence in the period following the determination of the gain or loss. Net actuarial gains and losses for plans closed to new entrants are fully amortized in the year in which they arise. The EARSL for each plan is:

	2018	2017
OCPP	7.9	8.2
PCDOPP	7.2	7.7
FCDOPP	Not applicable	Not applicable
EOSP	14.8	15.8
EPP (closed plan)	Not applicable	Not applicable
Contractual obligations (closed plan)	Not applicable	Not applicable

The following information details the structure and benefits of each of The City's non-registered defined-benefit pension plans:

i) The City of Calgary Overcap Pension Plan

The OCPP 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, and the Fire Chief and deputies.

The OCPP for management employees provides a coordinated benefit with the LAPP (Note 13 e) i), and the SPP (Note 13 a) ii)), 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 OCPP for the Police Chief and Deputies and the OCPP for the Fire Chief and Deputies provide supplementary pension benefits in excess of the maximum pension benefits provided under the SFPP (Note 13 e) ii)) and the FSPP (Note 13 a) i)) respectively. The OCPP for the Fire Chief and Deputies is deemed a closed plan as new entrants are not eligible to participate. The Plan will continue to provide benefits to existing retirees and to grandfathered members.

ii) Supplementary Pension Plan for Elected Officials of The City of Calgary

The EOSP commenced on October 1, 1999. This plan is sponsored and administered by The City and provides a coordinated benefit with the EOPP to provide an annual retirement benefit of 2% of all pensionable earnings for the years of service recognized under the EOPP (Note 13 a) iii)).

iii) Executive Pension Plan

The EPP was designed to provide pension arrangements for key members of senior management pursuant to individual employment contracts with The City prior to the inception of the OCPP and SPP. The EPP is deemed a closed plan as it provides no benefits to active employees; however, benefits will continue to existing retirees.

iv) Contractual Obligations

The City has entered into individual compensation arrangements with key members of management that provide defined benefits upon retirement. These contractual obligations were grandfathered to members and have been deemed as closed as no benefits are provided to new employees; however, benefits will continue to retirees. These arrangements are sponsored and administered by The City.

c) Post-retirement benefits

i) Pensioners and Widows/Widowers Benefits ("PWB")

The City and the Calgary Parking Authority ("CPA") sponsor optional post-retirement benefits for extended health, dental and life insurance benefits for qualifying retirees and their surviving spouses, from the date of retirement to age 65. 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 (this benefit is not available to CPA retirees). The sponsors and retirees share equally in the cost of benefits. The consolidated City financial statements show the sponsors' portions only of the expense and the accrued benefit liability.

ii) Retirement Allowance

The City and CPA sponsor a non-contributory retirement allowance of up to 7 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense and an accrued benefit liability.

iii) Supplemental Compensation

The City sponsors a supplementary compensation plan for employees who were disabled, or survivors of employees who were killed, in the line of duty. The plan is deemed closed as employees are not actively accruing benefits.

Actuarial valuations for accounting purposes were (will be) performed as follows:

	Latest Valuation Date: The City and CPA	Next Valuation Date: The City and CPA
PWB	December 31, 2018	December 31, 2019
Retirement Allowance	December 31, 2018	December 31, 2019
Supplemental Compensation	December 31, 2018	December 31, 2019

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2018 valuations for accounting purposes for post-retirement benefits:

	2018	2017
Accrued benefit obligation – beginning of year	\$ 138,785	\$ 154,749
Entitled current benefit obligations ⁽¹⁾	–	568
Current period benefit cost	9,507	9,821
Interest on accrued benefit obligation	4,678	5,232
Less benefits paid	(8,567)	(8,201)
Actuarial gain	(7,274)	(23,384)
Accrued benefit obligation – end of year	\$ 137,129	\$ 138,785
Funded status – plan deficit	\$ 137,129	\$ 138,785
Plan assets ⁽²⁾	(1,941)	(1,906)
Unamortized net actuarial gain	51,464	46,356
Accrued benefit liability ⁽³⁾	\$ 186,652	\$ 183,235
Current period benefit cost	\$ 9,507	\$ 9,821
Amortization of actuarial (gain)	(2,202)	(524)
Interest on accrued benefit obligation	4,678	5,232
Total expense	\$ 11,983	\$ 14,529
Annual increase in extended health costs ⁽⁵⁾	7.33%	7.55%
Annual increase in dental costs ⁽⁵⁾	4.00%	4.00%
EARSL ^{(4) (5)}	12.6yr	12.3 yr

(1) Entitled current benefit obligation reflects CPA's opening obligation beginning in 2017, the year of inception.

(2) Plan assets in the amount of \$1,941 (2017 – \$1,906) to satisfy future life claims are equal to fair market value.

(3) Assets in the amount of \$184,710 (2017 – \$183,235) to satisfy the obligations under these plans are held within The City's investment portfolio.

(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.

(5) Significant assumptions used by CPA are as follows:

- Rate of compensation average increase, excluding merit and promotion: 0.00%
- Annual increase in extended health costs: 5.00%
- Annual increase in dental costs: 4.00%
- EARSL: 11.8 yrs

d) Vacation and overtime

The vacation and overtime liability comprises the vacation and overtime that employees are allowed to defer to future years as defined in administrative policies and/or contractual agreements. Assets in the amount of \$220,246 (2017 – \$220,021) are held within The City's investments portfolio and working capital to satisfy the obligations under these programs.

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 sponsored by the Alberta Minister of Finance 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, 2017, the LAPP and SFPP were in surplus positions.

The new legislation, Bill 27: *The Joint Governance of Public Sector Pension Plans Act* (passed December 5, 2018) will transition the Local Authorities Pension Plan, the Public Service Pension Plan and the Special Forces Pension Plan to a joint governance structure effective for March 1, 2019. Bill 27 does not make any changes to pension benefits or how LAPP and SFPP are funded.

i) Local Authorities Pension Plan

The LAPP plan provides an annual retirement benefit of 1.4% of earnings up to the YMPE and 2% of earnings over YMPE. Under the Alberta Public Sector Pension Plans Act, The City and members of the LAPP plan made the following contributions:

	2018 Employer	2018 Members	2017 Employer	2017 Members
Current service contributions	\$ 145,789	\$ 134,272	\$ 157,173	\$ 146,198
Contribution Rates (% of pensionable salaries)	10.39% up to YMPE and 14.84% over YMPE	9.39% up to YMPE and 13.84% over YMPE	11.39% up to YMPE and 15.84% over YMPE	10.39% up to YMPE and 14.84% over YMPE

The LAPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2017 of \$4,835,515 (2016 – deficit of \$637,357). More recent information was not available at the time of preparing these financial statements. The LAPP Board made the decision to reduce LAPP contribution rates in 2018 by 1% for members and employers. The City's 2018 contribution rates were changed accordingly.

LAPP consists of 159,270 active members. The City's active plan membership represents approximately 8.8% of the total LAPP active membership as at December 31, 2017.

ii) Special Forces Pension Plan

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 made the following contributions:

	2018 Employer	2018 Members	2017 Employer	2017 Members
Current service contributions	\$ 34,638	\$ 31,946	\$ 34,416	\$ 31,870
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, 2017 of \$71,143 (2016 – deficit of \$108,525). More recent information was not available at the time of preparing these financial statements. The City's 2018 contribution rates did not change as a result of this surplus.

SFPP consists of 4,467 active members. The City active plan membership represents approximately 48.8% of the total SFPP active membership as at December 31, 2017.

14. LONG-TERM DEBT

a) Debt payable by and issued in the name of The City includes the following amounts:

	2018 Tax Supported	2018 Self Sufficient Tax Supported	2018 Self Supported	2018 Total	2017 Tax Supported	2017 Self Sufficient Tax Supported	2017 Self Supported	2017 Total
i) Debentures	\$ 365,491	\$ 288,343	\$ 3,392,861	\$ 4,046,695	\$ 406,876	\$ 348,539	\$ 3,336,705	\$ 4,092,120
ii) Mortgages and other debt	–	–	27,516	27,516	–	–	52,665	52,665
	365,491	288,343	3,420,377	4,074,211	406,876	348,539	3,389,370	4,144,785
Less								
iv) Debt attributable to ENMAX	–	–	(1,185,380)	(1,185,380)	–	–	(1,078,522)	(1,078,522)
	\$ 365,491	\$ 288,343	\$ 2,234,997	\$ 2,888,831	\$ 406,876	\$ 348,539	\$ 2,310,848	\$ 3,066,263

i) Debentures, which are predominantly held by the Alberta Capital Finance Authority ("ACFA"), mature in annual amounts to the year 2043.

Tax-supported debt is repaid using tax revenues and is the long-term debt used in tax-supported areas.

Self-sufficient tax-supported debt comprises debt for programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes, but that are currently being funded by revenues resulting from their own operations. Self-sufficient tax-supported debt also includes short-term debt that will be funded from future grant receipts from the Alberta Governments Municipal Sustainability Initiative ("MSI").

Self-supported debt, which is primarily related to Water Services & Resources, includes debentures in the amount of \$64,075 (2017 – \$67,888) which has been issued to fund local improvements and are collectable from property owners for work authorized by them and performed by The City. Principal and interest on local improvement debentures are recovered from property owners through annual local improvement levies over the term of the debenture to a maximum of 25 years

Included in the self-supported debt is the debenture issued in 2010 by The City on behalf of the Repsol Sport Centre ("RSP"), formerly the Lindsay Park Sports Society, pursuant to City Bylaw authorization in the amount of \$519 (2017 – \$851), as well as the debenture issued in 2014 by The City on behalf of the St. Mary's University College ("SMUC") in the amount of \$4,105 (2017 – \$4,303). In accordance with Credit Agreements between RSP, SMUC, and The City, The City shall service the debenture through the disbursement of principal and interest payments. The City is liable for the outstanding debenture debt to the debenture debt holder. The RSP and SMUC are required to reimburse The City for all principal and interest payments with respect to the debenture on the same day as The City disburses the payments to the debt holder. As at December 31, 2018, RSP and SMUC are in compliance.

- ii) Mortgages and other debt, which are predominantly held by Canada Mortgage and Housing Corporation, mature in annual amounts to the year 2030. Capital assets with a cost of \$77,419 (2017 – \$87,573) are pledged as collateral against the mortgages.
- iii) Debenture debt attributable to ENMAX was initially issued by The City on behalf of the Calgary Electric System ("CE") pursuant to City Bylaw authorizations prior to January 1, 1998. Pursuant to the Master Agreement between ENMAX and The City, a liability equivalent to the debentures attributable to ENMAX was included in the assumed liabilities upon transfer of substantially all of the assets and liabilities of CE from The City to ENMAX at January 1, 1998. The City continues to borrow on behalf of ENMAX in accordance with a Debt Management Service Level Agreement between The City and ENMAX. The City shall service the existing debentures, which included debt issuance of \$177,448 in 2018 (2017 – \$nil), through the disbursement of principal and interest payments. The City is liable for the outstanding ENMAX debenture debt to the debenture debt holders. ENMAX is required to reimburse The City for all principal and interest payments with respect to the debentures on the same day as The City disburses the payments to the debt holders. In addition, ENMAX is required to pay to The City a loan guarantee and administration fee of 0.25% on the average monthly outstanding debenture balance held by The City on behalf of ENMAX.
- iv) More detail on the self-supported and tax-supported debt payable can be found in the continuity of long-term debt within the unaudited Financial and Statistical Schedules in the annual report.

b) Long-term debt is repayable as follows:

	Tax Supported	Self Sufficient Tax Supported	Self Supported	Less: Debt attributable to ENMAX	Total
2019	\$ 38,172	\$ 94,522	\$ 251,895	\$ (70,985)	\$ 313,604
2020	35,223	26,139	241,771	(65,801)	237,332
2021	32,871	26,998	218,402	(59,150)	219,121
2022	33,310	27,366	202,928	(54,269)	209,335
2023	29,974	26,933	183,670	(54,620)	185,957
Thereafter	195,941	86,385	2,321,711	(880,555)	1,723,482
	\$ 365,491	\$ 288,343	\$ 3,420,377	\$ (1,185,380)	\$ 2,888,831

c) Debenture interest is payable, before provincial subsidy, at rates ranging from 1.09% to 8.25% (2017 – 1.09% to 10.13%) per annum. Debenture debt held at year end has an average rate of interest of 3.64% (2017 – 3.68%) before provincial subsidy and 3.63% (2017 – 3.67%) after provincial subsidy.

	Tax Supported	Self Sufficient Tax Supported	Self Supported	Average Interest
Gross (before interest subsidy)	% 3.76	% 3.00	% 3.68	% 3.64
Net (after interest subsidy)	% 3.76	% 3.00	% 3.67	% 3.63

The mortgages of Calgary Housing Company in the amount of \$10,056 (2017 – \$12,601) are payable with interest ranging from 0.94% to 6.45% (2017 – 0.94% to 4.52%) before interest rate subsidy. The effective interest rates after the subsidy for the fixed-subsidy projects is 2% (2017 – 2%).

d) Interest charges are as follows:

	2018 Tax Supported	2018 Self Sufficient Tax Supported	2018 Self Supported	2018 Total	2017 Tax Supported	2017 Self Sufficient Tax Supported	2017 Self Supported	2017 Total
Debenture interest	\$ 14,520	\$ 9,549	\$ 83,176	\$ 107,245	\$ 16,356	\$ 11,952	\$ 83,273	\$ 111,581
Other interest and charges	2,949	–	804	3,753	2,875	–	1,018	3,893
	\$ 17,469	\$ 9,549	\$ 83,980	\$ 110,998	\$ 19,231	\$ 11,952	\$ 84,291	\$ 115,474

- e) The estimated fair value of The City's long-term debt is \$2,916,393 (2017 – \$3,186,146). Calculation of the estimated fair value of the debt is based on lending rates obtainable at December 31, 2018 for debentures with comparable maturities from The City's primary lender, the ACFA.
- f) Section 271 of the *Municipal Government Act* ("MGA") requires disclosure of debt, debt limits and the debt service limits, which include both interest and principal payments. The debt limit is calculated at 2 times revenue (as defined in the Debt Limit Regulation 255/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are conservative guidelines used by Municipal Affairs to identify municipalities which could be at financial risk if further debt is incurred. The calculation, taken alone, does not represent the financial stability of the municipality as the financial statements must be interpreted as a whole.

Note: Ministerial Order No L:124/11 set out an exception to the calculation of the debt service limit as originally disclosed in section 271 of the MGA, stating the calculation shall not take into account borrowing that is related to Municipal Affairs Grants Regulation (Municipal Sustainability Initiative Debt) that does not require the repayment of any principal before

December 31, 2018. At December 31, 2018, debt principal of \$70,500 (2017 – \$70,000) and debt interest of \$309 (2017 – \$1,987) was excluded from the pro-rata calculation of the debt service limit.

	2018	2017 (Restated)
Total debt limit (2 times revenue)	\$ 7,974,791	\$ 7,921,642
Total debt (short- and long-term)	2,976,209	3,149,958
Percentage of debt to debt limit	37.32%	39.76%
Total debt service limit (35% of revenue)	\$ 1,395,588	\$ 1,386,287
Total debt service	359,705	362,341
Percentage of debt service to service limit	25.77%	26.14%

The City's related authorities are subject to certain financial and non-financial covenants over their credit facilities. As at December 31, 2018, one related authority was not in compliance with certain borrower covenants, and as such their facilities are due on demand. The lender has not provided a waiver of repayment as of December 31, 2018, therefore this may cast significant doubt about the related authority's ability to continue as a going concern.

15. TANGIBLE CAPITAL ASSETS

Cost	January 1, 2018 Opening Balance	Disposal Adjustment ⁽¹⁾	Adjusted January 1, 2018 Opening Balance	Additions	Permanent Write-Down ⁽²⁾	Disposals	December 31, 2018 Closing Balance
Land	\$ 2,195,335	\$ –	\$ 2,195,335	\$ 176,651	\$ –	\$ (2,987)	\$ 2,368,999
Land improvements	1,126,210	–	1,126,210	66,170	(445)	(1,335)	1,190,600
Engineered structures	15,072,018	–	15,072,018	731,433	–	(33,497)	15,769,954
Buildings	2,726,990	–	2,726,990	301,358	(7,409)	(9,016)	3,011,923
Machinery and equipment	952,957	(51,373)	901,584	53,599	(10,967)	(72,228)	871,988
Vehicles	1,455,194	–	1,455,194	149,967	(27)	(57,379)	1,547,755
	\$ 23,528,704	\$ (51,373)	\$ 23,477,331	\$ 1,479,178	\$ (18,848)	\$ (176,442)	\$ 24,761,219
Work in progress							
Land	60,900	–	60,900	(17,417)	–	(29,810)	13,673
Construction	1,214,954	–	1,214,954	112,694	–	(18,589)	1,309,059
	\$ 24,804,558	\$ (51,373)	\$ 24,753,185	\$ 1,574,455	\$ (18,848)	\$ (224,841)	\$ 26,083,951

Accumulated Amortization	January 1, 2018 Opening Balance	Disposal Adjustment ⁽¹⁾	Adjusted January 1, 2018 Opening Balance	Additions	Permanent Write-Down ⁽²⁾	Disposals	December 31, 2018 Closing Balance
Land improvements	\$ 587,515	\$ –	\$ 587,515	\$ 43,917	\$ (50)	\$ (1,505)	\$ 629,877
Engineered structures	5,054,069	–	5,054,069	357,325	–	(16,970)	5,394,424
Buildings	933,574	–	933,574	98,855	(511)	(4,276)	1,027,642
Machinery and equipment	653,236	(51,373)	601,863	75,555	(8,881)	(67,077)	601,460
Vehicles	685,058	–	685,058	93,495	(15)	(46,569)	731,969
	\$ 7,913,452	\$ (51,373)	\$ 7,862,079	\$ 669,147	\$ (9,457)	\$ (136,397)	\$ 8,385,372
Net book value	\$ 16,891,106	\$ –	\$ 16,891,106	\$ 905,308	\$ (9,391)	\$ (88,444)	\$ 17,698,579

(1) Fully depreciated machinery and equipment no longer in use was disposed, there is no impact to the net book value of tangible capital assets as a result of this disposal.

(2) During 2018, certain assets were written down as there was permanent and measurable impairment in value and the tangible capital asset still exists. The net impact of the impairments was expensed in the statement of operations through amortization expense. The total amortization expense for 2018 was \$678,538 which includes \$669,147 from accumulated depreciation additions and the net effect of the permanent write-down of \$9,391.

In 2018, \$254,799 (2017 – \$204,778) in engineered structures, land improvements and land were contributed to The City. These contributions were represented at their fair value at the time received. Assets recognized at nominal value by The City in 2018 and 2017 consist of certain machinery and equipment, land and land improvements. There was a permanent write down of \$9,391 (2017 – \$nil) relating to impairment of land improvements, buildings, machinery and equipment and vehicles.

The City entered into a public-private partnership (“P3”) agreement with Chinook Resources Management General Partnership (“CRMG”) on June 25, 2015 to design, build, operate, and maintain The City’s new organics composting facility. The new facility is funded through capital debt and Federal Gas Tax Fund (“FGTF”). The new facility was substantially completed on June 29, 2017. CRMG started operating the new facility in 2017 and will operate until June 2027.

Cultural and historical properties and treasures are held by The City in various locations. Due to the subjective nature of the assets, they are unrecognized in the values shown on the consolidated financial statements (Note 25).

In accordance with policy, no interest was capitalized by The City in 2018 (2017 – \$nil).

16. 2018 BUDGET

Budget data presented in these consolidated financial statements are based upon the 2018 operating and capital budgets as approved by Council. Council approved budgets are prepared on a modified cash basis which differs from budget amounts reported on the

consolidated statement of operations and changes in net financial assets which are prepared in accordance with PSAS. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Actual amounts have been used to approximate budget amounts for certain reconciling items that were not included in the Council budget.

	Revenues	Expenses	Other Revenues
Budget as approved by Council			
Operating	\$ 3,896,789	\$ 3,941,315	\$ 44,528
Capital	–	1,713,651	1,713,651
Add			
Related authorities	274,144	260,135	64,599
Equity in earnings of ENMAX	85,000	–	–
Transfers between capital and operating	–	–	259,016
	\$ 4,255,933	\$ 5,915,101	\$ 2,081,794
Less			
Intercompany eliminations	(78,423)	(107,904)	(29,481)
Contributions from Utilities	(63,139)	(42,716)	–
Contributions from reserves and operations	(106,152)	(622,862)	–
Contributions between reserves	(9,870)	–	–
Debt principal repayments	–	(67,581)	–
Mid-cycle budget adjustments	4,580	388,383	383,804
Tangible capital asset adjustments	–	(1,779,320)	–
Debt issued	–	–	(295,540)
Transfers from reserves	–	–	(745,527)
2018 Property Tax Bylaw adjustment	(905)	(905)	–
Amortization	–	(114,759)	–
BUDGET FOR FINANCIAL STATEMENT PURPOSES	\$ 4,002,024	\$ 3,567,437	\$ 1,395,050

17. ACCUMULATED SURPLUS

Accumulated Surplus consists of restricted and unrestricted amounts and equity in non-financial assets as follows:

	2018	2017
		(Restated)
Operating fund	\$ 38,751	\$ 80,955
Capital fund	146,082	270,854
Local improvements to be funded in future years	60,715	62,618
Obligation to be funded in future years ⁽¹⁾	(4,087)	(5,933)
Reserves (Note 19)	2,299,998	2,032,652
Equity in ENMAX (Note 7)	2,261,350	2,314,000
Equity in non-financial assets (Note 18)	14,892,274	13,919,312
	\$ 19,695,083	\$ 18,674,458

(1) Obligation to be funded in future years consists of unfunded liabilities of \$4,087 (2017 – \$5,933) for the landfill rehabilitation provision (Note 12).

18. EQUITY IN NON FINANCIAL ASSETS

	2018	2017
Tangible capital assets (Note 15)	\$ 26,083,951	\$ 24,804,558
Accumulated amortization (Note 15)	(8,385,372)	(7,913,452)
Long-term debt (Note 14)	(2,888,831)	(3,066,263)
Long-term debt – non capital	4,626	5,155
Inventory	55,435	53,942
Prepaid expenses	22,465	35,372
	\$ 14,892,274	\$ 13,919,312

19. RESERVES

Reserves are established and managed in accordance with the reserve's purpose and any or all conditions and/or restriction placed on the reserve by Council. Reserve funds are transferred either to operating or capital funds for use.

Individual reserves with significant balances include:

	2018	2017
		(Restated Note 33)
Fiscal stability	\$ 617,531	\$ 492,766
Reserve for future capital	305,675	305,420
Budget savings account	135,198	157,334
Debt servicing	52,570	52,570
Legacy parks	7,025	8,155
Corporate housing reserve	31,622	30,383
Real estate services	77,971	65,831
Community investment	43,704	39,079
Opportunity Calgary Investment fund (formerly economic development investment fund)	101,047	55,000
Calgary building services sustainment	77,908	86,752
Reserve for tax loss provision	37,398	37,398
Lifecycle maintenance and upgrade	248,660	171,056
Calgary Housing Company	27,653	27,349
Subtotal	\$ 1,763,962	\$ 1,529,093

Other reserve balances:

	2018	2017
Utilities sustainment	\$ 175,255	\$ 141,661
Social programs	8,387	9,084
Police services	44,868	44,209
Waste and recycling sustainment	63,083	64,802
ENMAX dividend stabilization	13,000	20,000
Other operating	98,831	104,448
Other capital expenditures	132,612	119,355
Subtotal	\$ 536,036	\$ 503,559
Total	\$ 2,299,998	\$ 2,032,652

20. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	2018	2017
Property taxes	\$ 2,564,601	\$ 2,438,392
Community Revitalization Levy	39,582	37,740
Business taxes	43,978	88,105
Revenue in lieu of taxes	206,488	169,606
Local improvement levies and special taxes	6,273	11,852
	\$ 2,860,922	\$ 2,745,695
Less: Provincial property taxes (see below)		
Current year levy	(780,499)	(785,126)
Prior year levy	(12,353)	(5,140)
Net taxes available for municipal use	\$ 2,068,070	\$ 1,955,429

The City is required to collect provincial property taxes under Section 353 of the *Municipal Government Act*. The amount of these provincial property taxes is determined solely by the Government of Alberta. Provincial property taxes are recorded at the amounts levied. If property taxes are reduced due to an assessment reduction, The City is required by legislation to fund the repayment of both the municipal and provincial taxes with applicable interest.

An amount of provincial property taxes receivable of \$1,209 (2017 – \$12,353) has been recorded at December 31, 2018 within accounts receivable that will be funded through an increase in the subsequent year's provincial property tax rate.

21. RELATED AUTHORITIES

The assets and liabilities and the operations of the following related authorities are included in The City's consolidated financial statements.

The Calgary Convention Centre Authority (the "Authority") is incorporated under the laws of the Province of Alberta and operates the Calgary TELUS Convention Centre ("CTCC") pursuant to an operating agreement between the Authority and The City. The land, building, furniture and equipment are owned by The City, who also contributes a grant towards the operating costs of CTCC. In accordance with an amendment to the operating agreement, the Authority retains operating surpluses and is responsible to fund net operating deficits.

Attainable Homes Calgary Corporation is a controlled corporation of The City and was incorporated on November 27, 2009 under the *Alberta Business Corporations Act*. The purpose of AHCC is the implementation and administration of attainable housing in The City.

The Calgary Parking Authority operates and manages parking facilities owned by The City and is also responsible for parking enforcement and the management of the Municipal Vehicle Impound Lot.

The Calgary Public Library Board is constituted under the *Libraries Act* of the Province of Alberta. It operates a system of 20 branches and the central library in Calgary.

Calhome Properties Ltd. (operating as Calgary Housing Company) owns, develops and operates low and moderate-rent housing projects on a not-for-profit basis under agreements with the Province of Alberta and Canada Mortgage and Housing Corporation, which provide subsidies for certain projects.

Calgary Municipal Land Corporation ("CMLC") is a controlled corporation of The City pursuant to Section 73 of the *Municipal Government Act*, and the Control of Corporations Regulation. CMLC began operations in 2007, with The City as the sole shareholder of CMLC. CMLC is accountable for the development and sale of land transferred from The City and the implementation of public infrastructure improvements in The Rivers, a former industrial and residential area located in downtown Calgary.

Calgary Economic Development Ltd. ("CED") is a controlled corporation of The City and was incorporated in July 1999 under the *Alberta Business Corporations Act*. The mandate of CED is to lead The City's economic development efforts in promoting The City's competitive advantages and pro-business climate. Successful economic development results in business growth and industry development, increased investment and trade activities.

Calgary Arts Development Authority Ltd. ("CADA") is a controlled corporation of The City and was incorporated under the *Alberta Business Corporations Act* on March 18, 2005. The mandate of CADA is to promote and direct investment in the arts to increase the sector's public and artistic impact on behalf of the citizens of The City.

	2018 Calgary TELUS Convention Centre	2018 Attainable Homes Calgary Corporation	2018 Calgary Parking Authority	2018 Calgary Public Library Board	2018 Calgary Housing Company
Financial Position					
Physical assets	\$ 2,819	\$ 2	\$ 125,094	\$ 52,199	\$ 95,747
Financial assets	6,706	28,491	13,521	7,536	52,164
	9,525	28,493	138,615	59,735	147,911
Long-term debt	–	–	1,323	–	10,056
Financial liabilities	7,531	15,662	17,770	6,372	51,113
	7,531	15,662	19,093	6,372	61,169
Net assets	\$ 1,994	\$ 12,831	\$ 119,522	\$ 53,363	\$ 86,742
Results of Operations					
Revenue					
Community Revitalization Levy	\$ –	\$ –	\$ –	\$ –	\$ –
Sales of goods & services	21,038	13,009	60,652	–	48,189
Government transfers, agreements & subsidies	–	27	–	7,106	56,196
Developer contributions	–	10	8,208	–	–
Investment income	–	8	4,595	210	717
Fines & penalties	–	–	19,324	1,035	–
Licenses, permits and fees	–	–	1,423	–	–
Miscellaneous revenue	–	28	2,163	3,567	1,889
Gain (loss) on sale of tangible capital assets	–	–	103	(3,150)	–
Internal transfers & contributions	1,941	–	252	57,362	(1,465)
Total revenue	22,979	13,082	96,720	66,130	105,526
Expenses					
Salaries, wages, and benefits	\$ 7,240	\$ 951	\$ 20,547	\$ 38,897	\$ 18,610
Contracted and general services	2,769	2,383	15,952	17,097	48,338
Materials, equipment and supplies	11,887	12,480	5,686	4,278	1,435
Interest charges	–	269	1,298	–	370
Transfers	–	–	–	–	18,564
Utilities	928	29	1,553	1,019	11,757
Amortization	454	4	8,272	6,847	2,967
Debt principal repayments	–	–	486	–	2,544
Total expenses	23,278	16,116	53,794	68,138	104,585
Income (loss) before appropriations	(299)	(3,034)	42,926	(2,008)	941
Internal transfers	299	3,034	(22,121)	2,008	(941)
To City operating fund ⁽¹⁾	–	–	(20,805)	–	–
Change in fund balance	\$ –	\$ –	\$ –	\$ –	\$ –

(1) Distribution to The City for certain net surpluses from Calgary Parking Authority operations.

	2018 Calgary Municipal Land Corporation	2018 Calgary Economic Development Ltd.	2018 Calgary Arts Development Authority Ltd.	2018 Total
	\$ 188,310	\$ -	\$ 28,340	\$ 492,511
	114,323	3,601	1,145	227,487
	302,633	3,601	29,485	719,998
	217,843	-	2,600	231,822
	38,456	2,664	950	140,518
	256,299	2,664	3,550	372,340
	\$ 46,334	\$ 937	\$ 25,935	\$ 347,658
	\$ 35,736	\$ -	\$ -	\$ 35,736
	-	-	743	143,631
	-	2,033	584	65,946
	-	-	209	8,427
	38	681	44	6,293
	-	-	-	20,359
	-	-	-	1,423
	2,465	2,699	466	13,277
	-	(6,718)	-	(9,765)
	-	8,522	6,514	73,126
	38,239	7,217	8,560	358,453
	\$ 2,783	\$ 6,179	\$ 1,155	\$ 96,362
	6,628	7,075	6,121	106,363
	14,849	99	452	51,166
	7,539	235	118	9,829
	-	-	-	18,564
	70	168	85	15,609
	15,534	7,621	1,017	42,716
	-	-	-	3,030
	47,403	21,377	8,948	343,639
	(9,164)	(14,160)	(388)	14,814
	9,164	14,160	388	5,991
	-	-	-	(20,805)
	\$ -	\$ -	\$ -	\$ -

	2017 Calgary TELUS Convention Centre	2017 Attainable Homes Calgary Corporation	2017 Calgary Parking Authority	2017 Calgary Public Library Board	2017 Calgary Housing Company
Financial Position					
Physical assets	\$ 1,873	\$ 5	\$ 126,635	\$ 53,380	\$ 98,584
Financial assets	6,445	23,284	5,268	7,224	38,383
	8,318	23,289	131,903	60,604	136,967
Long-term debt	–	–	1,810	–	12,601
Financial liabilities	6,026	7,425	28,933	5,243	41,109
	6,026	7,425	30,743	5,243	53,710
Net assets	\$ 2,292	\$ 15,864	\$ 101,160	\$ 55,361	\$ 83,257
Results of Operations					
Revenue					
Community Revitalization Levy	\$ –	\$ –	\$ –	\$ –	\$ –
Sales of goods & services	19,146	29,805	59,300	–	47,951
Government transfers, agreements & subsidies	–	–	–	7,090	40,005
Developer contributions	–	–	–	–	–
Investment income	–	36	4,292	109	456
Fines & penalties	–	–	18,372	1,106	–
Licenses, permits and fees	–	–	1,331	–	–
Miscellaneous revenue	–	18	977	3,555	1,772
Gain (loss) on sale of tangible capital assets	(2)	–	61	–	(317)
Internal transfers & contributions	1,878	–	519	52,421	(909)
Total revenue	21,022	29,859	84,852	64,281	88,958
Expenses					
Salaries, wages, and benefits	\$ 6,882	\$ 917	\$ 21,817	\$ 38,020	\$ 19,621
Contracted and general services	1,913	3,257	17,574	14,400	30,379
Materials, equipment and supplies	11,917	27,586	7,096	4,074	1,444
Interest charges	–	140	1,289	–	454
Transfers	–	–	–	–	18,970
Utilities	804	23	1,827	811	12,069
Amortization	258	4	7,049	6,905	2,978
Debt principal repayments	–	–	463	–	3,875
Total expenses	21,774	31,927	57,115	64,210	89,790
Income (loss) before appropriations	(752)	(2,068)	27,737	71	(832)
Internal transfers	752	2,068	(8,757)	(71)	832
To City operating fund ⁽¹⁾	–	–	(18,980)	–	–
Change in fund balance	\$ –	\$ –	\$ –	\$ –	\$ –

(1) Distribution to The City for certain net surpluses from Calgary Parking Authority operations.

	2017 Calgary Municipal Land Corporation	2017 Calgary Economic Development Ltd.	2017 Calgary Arts Development Authority Ltd.	2017 Total
	\$ 392,216	\$ 27,021	\$ 27,856	\$ 727,570
	135,801	4,200	4,405	225,010
	528,017	31,221	32,261	952,580
	208,039	11,949	2,000	236,399
	213,311	4,176	3,935	310,158
	421,350	16,125	5,935	546,557
	\$ 106,667	\$ 15,096	\$ 26,326	\$ 406,023
	\$ 34,251	\$ –	\$ –	\$ 34,251
	–	–	486	156,688
	–	2,579	450	50,124
	–	–	303	303
	25	51	19	4,988
	–	–	–	19,478
	–	–	–	1,331
	4,841	2,815	1,020	14,998
	28	–	–	(230)
	1,519	8,078	10,783	74,289
	40,664	13,523	13,061	356,220
	\$ 2,706	\$ 5,283	\$ 1,078	\$ 96,324
	10,033	7,596	9,128	94,280
	1,929	118	413	54,577
	7,004	326	22	9,235
	–	–	–	18,970
	68	138	78	15,818
	7,026	789	1,004	26,013
	–	–	–	4,338
	28,766	14,250	11,723	319,555
	11,898	(727)	1,338	36,665
	(11,898)	727	(1,338)	(17,685)
	–	–	–	(18,980)
	\$ –	\$ –	\$ –	\$ –

22. EXPENSES BY OBJECT

	2018	2017
Salaries, wages and benefits	\$ 1,972,396	\$ 2,012,895
Contracted and general services	523,715	469,470
Materials, equipment and supplies	356,138	369,692
Interest charges (Note 14)	110,998	115,474
Transfer payments	122,426	123,837
Utilities	89,605	92,000
Amortization	678,537	628,646
Loss on disposal of tangible capital assets	18,829	8,891
	\$ 3,872,644	\$ 3,820,905

23. GOVERNMENT TRANSFERS

	2018	2017
Operating		(Restated Note 33)
Province of Alberta	\$ 160,387	\$ 140,475
Government of Canada	1,736	4,693
	162,123	145,168
Capital		
Province of Alberta	443,363	637,478
Government of Canada	121,289	115,047
	564,652	752,525
	\$ 726,775	\$ 897,693

In accordance with PSAS, government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the eligibility criteria and stipulation requirements of the agreements are met.

24. SEGMENTED INFORMATION

The Consolidated Schedule of Financial Activities by Segment has been prepared in accordance with PSAS Handbook Section 2700 ("PS 2700") Segment Disclosures. With the change in reporting model effective January 1, 2009, the segments selected are to enable users to better understand the government reporting entity and the major revenue and expense activities of The City. For each reported segment, revenues and expenses represent amounts directly attributable to each segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget process as well as the quarterly reporting of budget status during the year. Segments include:

- Tax Supported Operating programs** includes the items of revenue, recoveries and expenses pertaining to the ongoing operations of those programs that are funded, in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. This includes all operating programs with the exception of Water Resources and Water Services.
- Self Supported Operating programs** includes the items of revenue, recoveries and expenses pertaining to the ongoing operations of programs not funded by tax revenues but solely by revenues or recoveries resulting from their own operations. These programs are Water Resources and Water Services, the units that manage our water resources and supplies quality drinking water, and provides treatment/disposal of wastewater for The City.
- Tax Supported Capital programs** includes the expenses and sources of financing for acquisition of land and construction of buildings, bridges and other major permanent improvements to be used in programs that are funded, in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. This includes all programs with the exception of Water Resources and Water Services.

- d) **Self Supported Capital programs** includes the expenses and sources of financing for acquisition of land and construction of buildings, bridges, and other major permanent improvements to be used by programs that are not funded by tax revenues but solely by revenues or recoveries resulting from their own operations. These programs are Water Resources and Water Services, the units that manage our water resources and supplies quality drinking water, and provides treatment/disposal of wastewater for The City.
- e) **Subsidiary Entities** include the Calgary Public Library Board, Calgary Parking Authority, Calgary Housing Company, Attainable Homes Calgary Corporation, Calgary TELUS Convention Centre, Calgary Municipal Land Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd. These related authorities are consolidated within these financial statements. For more information regarding these related authorities, refer to Note 21.
- f) **ENMAX** is included as a government business enterprise and is accounted for on a modified equity basis. For more information regarding ENMAX, refer to Note 7.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the consolidated financial statements (Note 1).

Schedule of Financial Activities by Segment

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

	Tax Supported Operating	Self Supported Operating	Tax Supported Capital	Self Supported Capital	Total The City of Calgary
REVENUES					
Property tax	\$ 2,092,965	\$ –	\$ –	\$ –	\$ 2,092,965
Business tax	45,108	–	–	–	45,108
Sales of goods & services	460,141	701,701	87	13,942	1,175,871
Government transfers, grants & subsidies					
Federal	1,197	–	120,663	61	121,921
Provincial	97,479	1,046	533,042	9,351	640,918
Developer contributions	618	57,104	167,174	809	225,705
Donated assets	–	–	–	–	–
Investment income	89,710	5,233	–	–	94,943
Fines & penalties	73,630	1,758	–	–	75,388
Licences, permits and fees	113,984	1,848	–	–	115,832
Miscellaneous revenue	47,935	708	–	–	48,643
Proceeds on sale of TCA (Misc revenue)	1,090	–	–	–	1,090
Gain/(loss) on sale of TCA (Misc revenue)	6,589	–	–	–	6,589
Dividends from ENMAX Corporation	40,000	–	–	–	40,000
Equity in earnings from ENMAX	–	–	–	–	–
Debt	–	–	57,488	95,416	152,904
Contribution from reserves	146,452	71,980	295,134	209,191	722,757
Internal transfers & contribution	22,029	–	–	–	22,029
Total Revenues	3,238,927	841,378	1,173,588	328,770	5,582,663
EXPENSES					
Salaries, wages and benefits	1,795,229	136,924	19,522	6,047	1,957,722
Contracted and general services	605,873	76,958	850,441	279,786	1,813,058
Materials, equipment and supplies	350,713	44,170	472,110	26,591	893,584
Utilities	69,092	28,780	8,771	468	107,111
Transfers	193,313	60,826	38,978	615	293,732
Internal recoveries	(534,220)	(27,853)	(93,950)	(788)	(656,811)
Interest charges	35,808	71,322	1,987	339	109,456
Amortization	32,017	82,371	–	–	114,388
Loss on Sale	–	–	–	–	–
Debt principal repayments	148,604	8,781	–	–	157,385
Contribution from operations to reserves	584,302	316,227	–	–	900,529
Contribution (to) from operations to capital	(37,839)	156	47,749	35,684	45,750
Internal transfers & contribution	(42,716)	42,716	–	–	–
Total Expenses	3,200,176	841,378	1,345,608	348,742	5,735,904
Annual Surplus	\$ 38,751	–	(172,020)	(19,972)	(153,241)

	Related Authorities	ENMAX Corporation	Consolidation Adjustments	Total Consolidated 2018
\$	35,736	\$ –	\$ (104,609)	\$ 2,024,092
	–	–	(1,130)	43,978
	143,631	–	(41,403)	1,278,099
	1,233	–	(129)	123,025
	64,713	–	(101,881)	603,750
	8,427	–	(15,144)	218,988
	–	–	254,799	254,799
	6,293	–	–	101,236
	20,359	–	–	95,747
	1,423	–	(1)	117,254
	13,277	–	(32,190)	29,730
	12,682	–	15,339	29,111
	(22,447)	–	1,968	(13,890)
	–	–	–	40,000
	–	(51,257)	–	(51,257)
	–	–	(152,904)	–
	–	–	(722,757)	–
	73,126	–	(95,155)	–
	358,453	(51,257)	(995,197)	4,894,662
	96,362	–	(81,688)	1,972,396
	106,363	–	(1,395,706)	523,715
	51,166	–	(588,612)	356,138
	15,609	–	(33,115)	89,605
	18,564	–	(189,870)	122,426
	–	–	656,811	–
	9,829	–	(8,287)	110,998
	42,716	–	521,433	678,537
	–	–	18,829	18,829
	3,030	–	(160,415)	–
	–	–	(900,529)	–
	–	–	(45,750)	–
	20,805	–	(20,805)	–
	364,444	–	(2,227,704)	3,872,644
	(5,991)	(51,257)	1,232,507	1,022,018

Schedule of Financial Activities by Segment

For the Year Ended December 31, 2017 (in thousands of dollars) (Restated Note 33)

	Tax Supported Operating	Self Supported Operating	Tax Supported Capital	Self Supported Capital	Total The City of Calgary
REVENUES					
Property tax	\$ 1,938,192	\$ –	\$ –	\$ –	\$ 1,938,192
Business tax	89,558	–	–	–	89,558
Sales of goods & services	524,939	695,603	–	1,489	1,222,031
Government transfers, grants & subsidies					
Federal	2,298	2	114,952	–	116,978
Provincial	95,380	23	630,275	7,124	732,802
Developer contributions	682	63,243	68,728	209	132,862
Donated assets	–	–	–	–	–
Investment income	94,371	5,161	–	–	99,532
Fines & penalties	70,337	2,226	–	–	72,563
Licences, permits and fees	121,361	1,680	–	–	123,041
Miscellaneous revenue	44,732	974	–	–	45,706
Proceeds on sale of tangible capital assets (Misc revenue)	888	–	–	–	888
Gain/(loss) on sale of tangible capital assets (Misc revenue)	6,204	–	–	–	6,204
Dividends from ENMAX	48,000	–	–	–	48,000
Equity in earnings from ENMAX	–	–	–	–	–
Debt	–	–	187,735	100,294	288,029
Contribution from reserves	172,939	66,352	451,608	211,211	902,110
Internal transfers & contributions	17,849	–	–	–	17,849
Total Revenues	3,227,730	835,264	1,453,024	320,327	5,836,345
EXPENSES					
Salaries, wages and benefits	1,836,608	141,765	21,907	7,906	2,008,186
Contracted and general services	516,251	69,506	1,010,790	252,204	1,848,751
Materials, equipment and supplies	319,348	40,443	370,769	26,370	756,930
Utilities	67,689	27,134	16,079	70	110,972
Transfers	183,627	61,146	44,832	–	289,605
Internal recoveries	(527,662)	(28,340)	(132,131)	(751)	(688,884)
Interest charges	35,110	73,282	5,257	375	114,024
Amortization	32,031	80,314	–	–	112,345
Loss on Sale	–	–	–	–	–
Debt principal repayments	289,806	8,355	–	–	298,161
Contribution from operations to reserves	644,288	318,874	–	–	963,162
Contribution (to)/from operations to/(from) capital	(207,605)	69	206,060	22,916	21,440
Internal transfers & contributions	(42,716)	42,716	–	–	–
Total Expenses	3,146,775	835,264	1,543,563	309,090	5,834,692
Annual Surplus	\$ 80,955	\$ –	\$ (90,539)	\$ 11,237	\$ 1,653

Related Authorities		ENMAX	Consolidation Adjustments	Total Consolidated 2017	
\$	34,251	\$	–	\$	1,867,324
	–		–		88,105
	156,688		–		1,274,060
	2,843		–		119,740
	47,281		–		777,953
	303		–		133,103
	–		–		204,778
	4,988		–		104,520
	19,478		–		92,040
	1,331		–		124,356
	14,998		–		33,463
	176		–		74,729
	(406)		–		(17,386)
	–		–		48,000
	–	22,692		–	22,692
	–		–		(288,029)
	–		–		(902,110)
	74,289		–		(92,138)
	356,220	22,692		(1,267,780)	4,947,477
	96,324		–		2,012,895
	94,280		–		469,470
	54,577		–		369,692
	15,818		–		92,000
	18,970		–		123,837
	–		–		688,884
	9,235		–		(7,785)
	26,013		–		490,288
	–		–		8,891
	4,338		–		(302,499)
	–		–		(963,162)
	–		–		(21,440)
	–		–		–
	319,555		–	(2,333,342)	3,820,905
\$	36,665	\$	22,692	\$	1,101,444
				\$	1,126,572

25. UNRECOGNIZED ASSETS

The City of Calgary has the following major categories of unrecognized assets:

- a) Art Collections – The City has acquired various art collections for the benefit of citizens funded by capital infrastructure projects, donated by local artists, and heritage art. As at December 31, 2018, the insured value of the various art collections is \$25,180.
- b) Antique Airplanes – The City has ownership of antique airplanes, which are displayed in the Hangar Flight Museum of Calgary formerly known as the Aerospace Museum of Calgary. As at December 31, 2018, the insured value of the antique airplanes is \$6,923.
- c) Crown Land – The City has assets that reside/intersect on certain crown lands. The City is unable to determine a reasonable value for the Crown lands.
- d) Heritage Artifacts – The City has a variety of heritage artifacts that are items of cultural significance. The City is unable to determine a reasonable value for the heritage artifacts.

26. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City's contractual rights arise because of contracts entered into for various service, long term lease, and rental contracts. Contractual rights arise from the normal course of business and are not reflected in the consolidated financial statements until revenues or assets are received. The following table summarizes the contractual rights of The City for future assets:

	Service Contracts	Long term lease and rental agreements	Total
2019	16,324	11,904	28,228
2020	9,056	6,979	16,035
2021	8,602	4,867	13,469
2022	4,059	3,746	7,805
2023	1,989	2,255	4,244
Thereafter	3,321	5,690	9,011
	<u>43,351</u>	<u>35,441</u>	<u>78,792</u>

27. CONTINGENT ASSETS

In the ordinary course of business, various claims and lawsuits are brought by The City. It is the opinion of management that the settlement of these actions may result in The City's favour and any favourable settlement amounts will be available for The City's use. Contingent assets are not recorded in the consolidated financial statements as they do not meet the definition of an asset.

28. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Capital commitments of \$1,062,931 (2017 – \$1,239,392 (restated)) are not reflected in the consolidated financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2018, on major projects and estimated obligations under other various agreements. These capital commitments were included in The City's capital budget and will be funded from capital deposits, reserves and debt in future years.
- b) Commitments of \$51,376 (2017 – \$29,775) related to reserves, and operating leases for office premises and facilities are not reflected in the consolidated financial statements. Annual commitments will be funded from the operating fund in the respective future years and are as follows:

2019	\$ 14,187
2020	11,567
2021	6,785
2022	4,446
2023	2,234
Thereafter	<u>12,157</u>
	<u>\$ 51,376</u>

- c) In the ordinary course of business, various loss claims, expropriation claims and lawsuits are brought against The City. It is the opinion of management that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. Where the resulting loss of various claims and lawsuits brought against The City cannot be reasonably estimated, amounts have not been recorded, and the City's administration believes that there will be no material adverse effect on the financial position of the City.
- d) Where estimated environmental management costs are reasonably determinable, The City has recorded a total provision in the amount of \$2,744 (2017 – \$2,719) for environmental liabilities based on management's estimate of these costs. Such estimates are subject to adjustment based on changes in laws and regulations and as additional information become available.

- e) As at December 31, 2018, there were various assessment appeals pending with respect to properties. The outcome of those appeals would be settled from an already established provision. The City makes an annual provision for property taxes that might be impacted by appeals including specific provision where the results of an appeal are reasonably determinable and general provision for those where the outcome is presently indeterminable.
- f) Alberta Revenue, Tax and Revenue Administration ("Alberta Finance") is responsible for assessing the income tax returns filed under the payment in lieu of taxes ("PILOT") regulation to the *Electric Utilities Act* which became effective January 1, 2001. ENMAX regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and to make certain judgments.
- g) The City has entered into a 20-year contract for power supply from ENMAX Energy from 2007 to 2026. Under the terms of the agreement, ENMAX Energy is to supply The City with 100% of the electricity from renewable sources. Annual electricity prices are based on a portfolio of energy sources developed for The City by ENMAX Energy.
- h) The City has entered into a 20-year agreement with District Energy, a wholly owned subsidiary of ENMAX, for thermal energy supply commencing July 1, 2010. The annual price of the energy supplied will be a blended rate which includes a fixed charge component. As at December 31, 2018, the estimated future obligation for this fixed charge is \$6,057 (2017 – \$6,508).
- i) The City entered into a public-private partnership ("P3") agreement with Chinook Resources Management General Partnership ("CRMG") on June 25, 2015 to design, build, operate, and maintain The City's new organics composting facility for both the Green Cart program and dewatered biosolids from wastewater treatment. The new facility was substantially complete on June 29, 2017. The Operations, Maintenance and Rehabilitation (OMR) of the facility began in July 2017 and will continue through June 2027. This OMR phase of the "P3" agreement is funded by the Green Cart program fee and a recovery from wastewater for costs related to biosolids processing.
- j) The City entered into a P3 agreement with Plenary Infrastructure Calgary LP ("Plenary") on September 13, 2016 to design, build, finance, and maintain The City's Stoney compressed natural gas bus storage and transit facility. The new facility will be funded through capital debt, reserves, and the P3 Canada Fund. The City anticipates receiving up to \$45,318 from the P3 Canada Fund towards the cost of the project. The facility is expected to be substantially complete in January 2019 and will be maintained by Plenary until January 2049. As at December 31, 2018, The City incurred \$142,765 (2017 – \$68,386) of costs, which were captured in the work-in-progress balance for tangible capital assets. The expected commitments related to the new facility is \$341,780 (2017 – \$341,780 (restated)).
- k) The City is responsible for the remediation of contaminated sites that are no longer in productive use where The City is directly responsible or has accepted responsibility for remediation. A provision for future clean-up costs and monitoring has been accrued based on environmental assessments. As at December 31, 2018, the provision was \$471 (2017 – \$579) and is classified in trade payables. This provision is based on \$541 (2017 – \$624) in expenditures expected to be incurred over the next 25 years discounted at 3.1% (2017 – 3.2%) based on The City's weighted average cost of capital.

The liability for contaminated sites includes sites associated with former industrial operations. The nature of contamination includes polycyclic aromatic hydrocarbons, heavy metals and road salts. The sources of the contamination include, but are not limited to, activities related to historical operations and non-sanctioned activities on City land. Sites often have multiple sources of contamination.

From time to time, there may be uncertainty as to whether The City has a legal responsibility or accepts responsibility for a contaminated site or whether economic benefits will be foregone for a contaminated site. It is not expected that the impact of any such sites would have a material impact on the financial statements. When The City is able to determine that all inclusion criteria have been met, The City will accrue a liability for these future remediation costs.

29. GUARANTEES

In the normal course of business, The City enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires The City to make payments to the guaranteed party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variables that are related to an asset, liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or, (c) failure of a third party to pay its indebtedness when due. Significant guarantees The City has provided to third parties include the following:

a) Third party debt agreements

No amounts have been accrued in the consolidated financial statements of The City with respect to the following agreements.

- i) The City has guaranteed certain indebtedness of the Calgary Exhibition and Stampede Limited ("CES"). This third party debt agreement requires The City to make immediate payment of certain outstanding borrowings on behalf of CES in the event CES cannot fulfill its obligations to a Canadian chartered bank. The terms of these guarantees are equal to the amortization periods of the related credit facilities, which mature between 2024 and 2036. The interest rates on the credit facilities held by CES range from 2.30% to 6.23% (2017 – 1.45% to 6.23%). As at December 31, 2018, CES has drawn a total of \$66,687 (2017 – \$71,740) on the total maximum available facility of \$80,087 (2017 – \$85,140). The City, as an unconditional guarantor, holds as security a fixed debenture in the amount of \$100,227 (2017 – \$100,227) charging certain lands owned by the CES.
- ii) The City has guaranteed certain indebtedness of The Calgary Zoological Society (the "Zoo"). This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of the Zoo in the event the Zoo cannot fulfill its obligations to a Canadian chartered bank. The term of the guarantee is valid until 2024, and the related debt will mature in 2019, subject to a renewal for a further five years at that time. In the event the Zoo does not extend the loan beyond 2019, the City's guarantee will automatically expire. The interest rate on the credit facility is 4.94% (2017 – 4.94%). As at December 31, 2018, the outstanding balance of the facility was \$2,471 (2017 – \$2,815) on the total maximum available facility of \$2,471 (2017 – \$2,815). As collateral to this guarantee, The City could terminate its Lease and Operating Agreement with the Zoo and take possession and control of all Zoo facilities, including any and all personal property owned by the Zoo at that time.

- iii) The City has guaranteed certain indebtedness of AHCC. This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of AHCC in the event AHCC cannot fulfill its obligations on a revolving credit facility to a Canadian financial institution. The term of the guarantee is valid until 2021, and the related credit facility will mature in 2019, subject to a renewal for a further period of one year. In the event the credit facility is not extended beyond 2019, The City's guarantee will automatically expire. The interest on the credit facility is Prime minus 0.75% per annum (2017 – Prime minus 0.75%). As at December 31, 2018, the outstanding balance of the facility was \$7,879 (2017 – \$3,399) on the total maximum available facility of \$10,000 (2017 – \$10,000). The City, as an unconditional guarantor, holds as security a fixed and floating debenture in the amount of \$10,000 (2017 – \$10,000).

b) Other indemnification agreements

In the normal course of business, The City may provide indemnification to counterparties that would require The City to compensate them for costs incurred as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a result of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents The City from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, The City has not made any payments under such indemnifications and any potential future claims would be claimed against the Civic Insurance Program, which comprises a combination of purchased insurance and a self-funded component.

30. EXECUTIVE SALARIES AND BENEFITS

Disclosure of executive salaries and benefits, as required by provincial regulations, is as follows:

	2018 Salaries	2018 Benefits	2018 Total	2017 Salaries	2017 Benefits	2017 Total
Mayor	\$ 200	\$ 42	\$ 242	\$ 211	\$ 39	\$ 250
Councillors ^{(1) (2)}	1,580	521	2,101	1,590	515	2,105
City Manager	342	50	392	340	52	392
Designated Officers ⁽³⁾	1,133	220	1,353	1,200	245	1,445

Executive salaries and benefits obligations have been fully funded by The City.

Notes:

1. The Councillors who served throughout 2018 in Wards 1 through 14 each received a salary of \$113 (2017 – \$113) and benefits ranging between \$27 and \$38 (2017 – \$32 and \$38). Transitional allowances were paid to Councillors who left office after the 2017 election as disclosed in Note 30 (2).
2. Elected officials receive a transition allowance of two weeks pay for each year in office, up to a maximum of twenty six years, when they leave office. These allowances may be taken over several years and are not included in the salary and benefits amounts reported above. Transitional allowances paid in 2018 to the former Councillors who left office in 2017 are Ward 3 – \$44, Ward 10 – \$52 and Ward 11 – \$22 (2017 Ward 6 – \$31 and Ward 11 – \$22). No further transitional allowances are owing.
3. The City's five designated officers are the City Assessor, City Clerk, City Solicitor, City Treasurer and City Auditor. In 2018, there was \$nil (2017 – \$21) in holiday pay, vacation pay out of the ordinary course of business and severance payouts for these five designated officers.

31. FINANCIAL INSTRUMENTS

At December 31, 2018, The City had 4 (2017 – 17) U.S. dollar foreign exchange fixed contracts in place. Delivery dates for these contracts range from January 2019 to April 2019. Total committed future foreign exchange purchases are \$5,005 USD (2017 – \$23,389). Total committed future foreign merchandise purchases are \$48,513 USD (2017 – \$75,836 USD), and €83 (2017 – €393).

Under the terms of the contract arrangements, The City has fixed its exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with Canadian Schedule 1 banks at rates ranging from 1.29 to 1.35 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2018 was \$6,660 (2017 – \$31,194) Canadian dollars. During the fiscal year ended December 31, 2018, the various arrangements for foreign merchandise cost The City \$5,866 less (2017 – \$2,512 less) than if the arrangements had not been entered into.

The City has hired an external manager to execute an active portfolio hedging strategy designed to efficiently reduce currency risk. The manager may purchase Canadian dollars against foreign currencies held in the City of Calgary's portfolio.

At December 31, 2018, this portfolio held 1 Japanese Yen (JPY) per USD foreign exchange forward contract, and 7 CAD per USD foreign exchange forward contracts. These contracts were obtained from Chartered Banks and settled on January 18, 2019. The rate on the JPY per USD contract was 111.92. The rates on the CAD per USD contracts range from 1.29 to 1.35. As at December 31, 2018 these contracts had a market value of \$146.23 million USD.

In addition to U.S. foreign exchange fixed contracts, The City has also previously purchased hedges for future purchases relating to the light rail transit system. Under the terms of the purchase order agreement, The City has fixed exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with the supplier at rates ranging from 1.03 to 1.07. During the fiscal year ended December 31, 2018, the various arrangements for foreign merchandise cost The City \$1,383 less (2017 – \$3,825 less) than if the arrangements had not been entered into. At December 31, 2018, The City had remaining commitments of \$19,556 USD (2017 – \$25,372 USD) that are anticipated to be settled by 2019. The City continues to monitor economic conditions and impacts on The City's financial status and adjusts strategies accordingly.

32. FUNDS HELD IN TRUST

The City administers the following trusts on behalf of third parties. As related trust assets are not owned by The City, the trusts have been excluded from the consolidated financial statements. The following table provides a summary of the transactions within these trusts during the year:

	December 31, 2017	Receipts	Investment Income	Disbursements	December 31, 2018
Joint Use Reserve Fund	\$ 83,637	\$ 1,574	\$ 1,636	\$ (16,430)	\$ 70,417
Oversize roads	15,339	5,394	164	(19,057)	1,840
Oversize parks	14,465	1,224	203	(2,030)	13,862
Oversize utilities	10,699	1,939	151	(4,595)	8,194
Developers' cash bonds	4,704	–	63	(250)	4,517
Southland natural park sport field	1,889	–	21	(825)	1,085
Off-site levies	464	–	7	–	471
Candidate Campaign Surplus Fund	–	201	–	–	201
Other miscellaneous trusts	709	18	10	(96)	641
	\$ 131,906	\$ 10,350	\$ 2,255	\$ (43,283)	\$ 101,228

The Joint Use Reserve Fund consists of monies received from land developers in lieu of the 10% reserve land requirement as set forth in Part 17 of the *Municipal Government Act*. Use of the Joint Use Reserve Fund is restricted to unanimously approved land acquisitions for future school, parks and recreation facilities.

The oversize roads, parks, and utilities fund consist of amounts provided by developers of new subdivisions in accordance with oversize rates set out in the Master Development Agreement (MDA). A MDA is a legal contract for all residential, industrial and commercial developments. The contract sets out the terms and conditions under which development of the lands are to take place within the city including the responsibility to construct public facilities and associated financial obligations.

The developers' cash bonds are monies held to secure performance by a developer under the terms of the MDA.

The Southland natural park sport field funds are held for the purpose of maintaining the sports field in Southland Natural Park.

Off-site levies consist of monies received from developers pursuant to a special clause in the MDA prior to the year 2000. The levies are to be used for recreational facilities in designated communities.

The Candidate Campaign Surplus Funds are administered by The City on behalf of Candidate elections, the funds held in trust shall remit the funds and interest to the candidate for use the next general election.

Other miscellaneous trusts are composed of multiple funds with minimal balances that are held for external organizations.

33. PRIOR PERIOD ADJUSTMENTS

In 2018, The City identified adjustments to capital deposits, developer contributions, government transfers related to capital and reserves that required correction due to the timing of revenue and funding recognition. This correction has been reflected in these financial statements as a prior period adjustment to 2017 figures. The capital deposits previously reported in the 2017 financial statements as \$826,901 has been restated to \$712,685 on the statement of financial position, resulting in a decrease of \$5,454 to developer contributions, an increase of \$41,339 to government transfers related to capital and an increase of \$78,331 to accumulated surplus, beginning of year on the statement of operations. The reserves previously reported in the 2017 financial statements as \$2,044,048 has been restated to \$2,032,652, resulting in a decrease of \$11,396 to reserves and an increase of \$11,396 to capital fund.

These restated amounts had no effect on The City's cash balances, property tax revenues or any other balances influencing property tax assessments.

The impact of these changes was to:

Increase closing accumulated surplus by \$114,216 as follows:

	December 31, 2017	Adjustments	December 31, 2017
	(Previously Reported)		(Restated)
Net financial assets	\$ 1,579,822	\$ 114,216	\$ 1,694,038
Non-financial assets	16,980,420	–	16,980,420
Accumulated Surplus	\$ 18,560,242	\$ 114,216	\$ 18,674,458

Increase annual surplus by \$35,885 and increase opening accumulated surplus by \$78,331 as follows:

	December 31, 2017	Adjustments	December 31, 2017
	(Previously Reported)		(Restated)
Revenues	\$ 3,756,067	\$ –	\$ 3,756,067
Expenses	3,820,905	–	3,820,905
Developer Contributions	138,557	(5,454)	133,103
Government Transfers related to Capital (Note 23)	711,186	41,339	752,525
Developer Contributions-in-kind related to capital	204,778	–	204,778
Other comprehensive gain – ENMAX Corporation	101,004	–	101,004
Annual Surplus	\$ 1,090,687	\$ 35,885	\$ 1,126,572
Opening accumulated surplus	17,469,555	78,331	17,547,886
Ending accumulated surplus	\$ 18,560,242	\$ 114,216	\$ 18,674,458

34. CHANGE IN ACCOUNTING POLICY

The City has changed its estimate on the useful life of vehicles so that assets better reflect actual usage patterns. The change in estimate is being applied prospectively to the current and future periods.

35. 2013 FLOOD EVENT

Overview

On June 20, 2013, The City experienced a major flood event and a State of Local Emergency ("SOLE") was declared within The City. The flood caused significant damage to The City's tangible capital assets. While The City has completed a portion of the work to restore conditions to pre-flood state, it is expected that remediation and mitigation efforts will continue into 2019 and beyond.

The City holds various insurance policies with multiple insurance providers which have been used to fund a portion of the remediation and recovery efforts.

The City has applied to the Province of Alberta for flood relief and mitigation funding through the following programs:

- Disaster Recovery Program (“DRP”) to provide financial assistance for uninsurable property damage, loss and other expenses incurred as the result of the flood;
- Flood Recovery Erosion Control (“FREC”) program addresses immediate repairs of erosion damage caused by the flood and long term community mitigation projects;
- Municipal Staffing Capacity Grant (“MSCG”) program to fund consultants and newly hired staff to perform operating flood recovery work; and
- Flood Readiness Grant program to secure operating grants to enable communities impacted by the flood to increase community resiliency and enhance operational capability to mitigate and respond to future flood risks.

Impact on Financial Results

Costs incurred as a result of remediation or mitigation efforts are capitalized or expensed in accordance with accounting policies in Note 1. Only costs that represent a betterment, enhancement or a new asset are capitalized, with all other repairs and maintenance are expensed. All operating expenditures are recognized in the current year consolidated statement of operations and accumulated surplus in the various business units that incurred those costs.

The City has incurred \$nil in insurance related capital expenditures in 2018 and 2017. The City completed the insurance related capital expenditures in 2016.

With respect to the Provincial flood funding, the following grants were received, and expenses were recognized in the consolidated statement of operations and accumulated surplus:

- The City received \$nil DRIP grant in 2018 and 2017. The City has incurred \$4,468 (2017 – \$7,294) in DRP related capital expenditures, of which approved expenditures are funded by the DRP advance and interest earned \$305 (2017 – \$615), and remainder being funded internally until further DRP claims are processed and finalized.
- The City has also incurred \$1,085 (2017 – \$1,241) of emergency operating and recovery costs and recovered \$3,648 (2017 – \$82) from DRP in 2018 with the remaining balance expected to be recovered in future years.
- FREC provided \$nil funding in 2018 and 2017. In 2018, \$3,401 (2017 – \$3,212) was spent from the advances received in prior years. Cash advances that are not spent at the end of the year including interest earned \$298 (2017 – \$429) in the amount of \$9,478 (2017 – \$12,581) are recorded as capital deposits.

The City is required to earn interest income, through its investment strategy, on the unspent balance of the Provincial grants received for FREC, MSCG and Flood Readiness. The unspent balance is required to be repaid by June 30, 2019.

Due to significant uncertainty in measurement, as well as significant uncertainty of collectability, The City has not recognized accounts receivable or revenue for Provincial proceeds that it expects to receive in the future related to remediation or mitigation costs. These amounts will be recorded as revenue in the fiscal year received.

Tangible capital assets that were significantly impacted by the flood include a variety of asset types through a variety of business units. The majority of asset classes affected include buildings, various engineered structures (e.g. roads, bridges, pathways, transit lines, etc.), machinery and equipment and vehicles. The majority of these assets have been replaced or repaired with the remainder of these costs to be incurred in 2019 and beyond. The City has completed review assessments of the conditions of assets affected by the flood and has determined that no permanent impairment is present as at December 31, 2018.

Measurement Uncertainty

The impact of the flood was subject to a high degree of estimation and judgement, particularly as it relates to the estimation of future expenditures and impairment of assets. The City has used the best information at the time in all measurements and estimations related to the flood and those estimates may not materialize and the final results and adjustments to these estimates will be reflected in future financial statements.

The City has estimated the total cost of capital expenditures related to the flood to be approximately \$306,395 (excluding resiliency), which includes repairs, replacements and mitigation strategies, of which \$10,681 (2017 – \$21,039) has been incurred in 2018 for a total incurred spend of \$284,917 (2017 – \$274,236).

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation. Reclassifications have been made in 2017 to reclassify certain balances between tangible capital asset categories in Note 15. The impact of these changes was to increase the cost base of land improvements by \$1,567 and decrease the cost base of buildings by \$1,567 and an increase the accumulated depreciation of land improvements by \$149 and a decrease to the accumulated depreciation of buildings by \$149. There was no impact to asset useful lives or the tangible capital asset amount reported on the statement of financial position as a result of this reclassification.

37. SUBSEQUENT EVENTS

On March 25, 2019, ENMAX Corporation announced that it had entered into a definitive agreement to acquire a regulated electric transmission and distribution utility, Emera Maine. On closing, the value will be approximately \$1,800,000.

The closing of this transaction is expected to occur in Q4 2019 and is subject to certain regulatory and government approvals in the U.S., including approval by the Maine Public Utilities Commission and the Federal Energy Regulatory Commission. On the close of this transaction, Emera Maine will become a wholly owned subsidiary of ENMAX Corporation.

FINANCIAL AND STATISTICAL SCHEDULES

THE CITY OF CALGARY, ALBERTA



Revenue by Source Unaudited (see Notes) 2014 to 2018

(in thousands of dollars)

	2018 Operating	2018 Capital	Total	2 017 Operating (Restated) ⁽⁴⁾	2017 Capital (Restated) ⁽⁴⁾	Total (Restated) ⁽⁴⁾
Property taxes	\$ 2,564,601	\$ –	\$ 2,564,601	\$ 2,438,392	\$ –	\$ 2,438,392
Community Revitalization Levy	39,582	–	39,582	37,740	–	37,740
Business taxes	43,978	–	43,978	88,105	–	88,105
Revenue in lieu of taxes	206,488	–	206,488	169,606	–	169,606
Local improvement levies and special taxes	6,273	–	6,273	11,852	–	11,852
	2,860,922	–	2,860,922	2,745,695	–	2,745,695
Less: Provincial property taxes	(792,852)	–	(792,852)	(790,266)	–	(790,266)
Net taxes available for municipal purposes	2,068,070	–	2,068,070	1,955,429	–	1,955,429
Sales of goods and services						
Water and sewer	701,580	–	701,580	681,048	–	681,048
Public transit	177,204	–	177,204	173,804	–	173,804
Real estate	51,890	–	51,890	89,725	–	89,725
Recreation and culture	67,690	–	67,690	68,774	–	68,774
Parking	57,916	–	57,916	58,340	–	58,340
Public housing	49,525	–	49,525	46,679	–	46,679
Protective services	34,588	–	34,588	36,279	–	36,279
Waste disposal	105,873	–	105,873	85,888	–	85,888
Other	31,833	–	31,833	33,523	–	33,523
	1,278,099	–	1,278,099	1,274,060	–	1,274,060
Government transfers and revenue sharing agreements						
Federal						
Debenture interest rebates	203	–	203	203	–	203
Revenue and cost sharing agreements and grants agreements	1,533	121,290	122,823	4,490	115,047	119,537
Provincial						
Debenture interest rebates	12	–	12	34	–	34
Grants, entitlements, revenue and cost sharing agreements	160,375	443,362	603,737	140,441	637,478	777,919
	162,123	564,652	726,775	145,168	752,525	897,693
Other revenue						
Dividends from ENMAX	40,000	–	40,000	48,000	–	48,000
Other equity/(loss) earnings in ENMAX	(34,906)	–	(34,906)	(78,312)	–	(78,312)
Other equity earnings in Co-Ownership	–	–	–	–	–	–
Developer contributions	–	218,988	218,988	–	133,103	133,103
Donated assets	–	254,799	254,799	–	204,778	204,778
Investment income	101,236	–	101,236	104,520	–	104,520
Fines and penalties	95,747	–	95,747	92,040	–	92,040
Licences, permits and fees	117,254	–	117,254	124,356	–	124,356
Miscellaneous revenue	44,951	–	44,951	90,806	–	90,806
	364,282	473,787	838,069	381,410	337,881	719,291
Total revenue	\$ 3,872,574	\$ 1,038,439	\$ 4,911,013	\$ 3,756,067	\$ 1,090,406	\$ 4,846,473

2016 Operating (Restated) ⁽³⁾	2016 Capital (Restated) ⁽³⁾	2016 Total (Restated) ⁽³⁾	2015 Operating (Restated) ⁽²⁾	2015 Capital (Restated) ⁽²⁾	2015 Total (Restated) ⁽²⁾	2014 Operating (Restated) ⁽¹⁾	2014 Capital (Restated) ⁽¹⁾	2014 Total (Restated) ⁽¹⁾
\$ 2,393,642	\$ –	\$ 2,393,642	\$ 2,219,421	\$ –	\$ 2,219,421	\$ 2,006,756	\$ –	\$ 2,006,756
41,031	–	41,031	38,785	–	38,785	32,745	–	32,745
134,601	–	134,601	196,184	–	196,184	201,114	–	201,114
154,293	–	154,293	184,722	–	184,722	224,186	–	224,186
6,294	–	6,294	6,926	–	6,926	5,624	–	5,624
2,729,861	–	2,729,861	2,646,038	–	2,646,038	2,470,425	–	2,470,425
(791,662)	–	(791,662)	(719,820)	–	(719,820)	(669,163)	–	(669,163)
1,938,199	–	1,938,199	1,926,218	–	1,926,218	1,801,262	–	1,801,262
642,499	–	642,499	607,673	–	607,673	528,913	–	528,913
176,170	–	176,170	195,228	–	195,228	191,171	–	191,171
54,129	–	54,129	95,489	–	95,489	122,826	–	122,826
70,774	–	70,774	73,503	–	73,503	72,280	–	72,280
60,353	–	60,353	63,596	–	63,596	62,677	–	62,677
50,482	–	50,482	49,241	–	49,241	49,978	–	49,978
40,727	–	40,727	40,906	–	40,906	43,752	–	43,752
86,113	–	86,113	93,068	–	93,068	99,535	–	99,535
30,736	–	30,736	66,576	–	66,576	43,274	–	43,274
1,211,983	–	1,211,983	1,285,280	–	1,285,280	1,214,406	–	1,214,406
199	–	199	129	–	129	147	–	147
4,461	60,783	65,244	3,683	64,447	68,130	4,360	48,919	53,279
40	–	40	41	–	41	33	–	33
128,117	618,953	747,070	128,390	635,257	763,647	150,551	553,301	703,852
132,817	679,736	812,553	132,243	699,704	831,947	155,091	602,220	757,311
47,000	–	47,000	56,000	–	56,000	60,000	–	60,000
96,597	–	96,597	(46,275)	–	(46,275)	124,069	–	124,069
–	–	–	618	–	618	1,992	–	1,992
–	198,394	198,394	–	107,456	107,456	–	89,637	89,637
–	298,678	298,678	–	197,021	197,021	–	229,982	229,982
77,451	–	77,451	79,185	–	79,185	61,794	–	61,794
89,796	–	89,796	80,451	–	80,451	72,121	–	72,121
114,988	–	114,988	124,358	–	124,358	116,331	–	116,331
56,794	–	56,794	68,235	–	68,235	44,082	–	44,082
482,626	497,072	979,698	362,572	304,477	667,049	480,389	319,619	800,008
\$ 3,765,625	\$ 1,176,808	\$ 4,942,433	\$ 3,706,313	\$ 1,004,181	\$ 4,710,494	\$ 3,651,148	\$ 921,839	\$ 4,572,987

Expenses By Function unaudited (see Notes) 2014 to 2018

(In thousands of dollars)

	2018	2017	2016 ⁽³⁾ (Restated)	2015 ⁽²⁾ (Restated)	2014 ⁽¹⁾ (Restated)
Protective Services					
Police	\$ 521,224	\$ 508,953	\$ 494,546	\$ 473,727	\$ 451,128
Fire	310,823	325,180	312,732	289,593	279,986
	832,047	834,133	807,278	763,320	731,114
Transportation					
Public transit	567,655	554,680	546,375	542,416	513,595
Roads, traffic and parking	425,123	461,739	409,420	407,105	433,667
	992,778	1,016,419	955,795	949,521	947,262
Environmental protection					
Water services & resources	517,822	514,187	525,185	476,634	438,648
Waste and recycling	151,587	136,910	131,726	128,182	136,683
	669,409	651,097	656,911	604,816	575,331
Social development					
Community and social development	85,787	82,965	76,180	66,063	67,567
Public housing	129,831	133,279	122,718	159,323	127,250
	215,618	216,244	198,898	225,386	194,817
Recreation and culture					
Parks and recreation facilities	277,912	320,900	303,334	264,150	266,664
Societies and related authorities	103,657	83,039	77,141	81,239	86,290
Calgary Public Library Board	67,390	64,171	63,182	54,527	52,898
	448,959	468,110	443,657	399,916	405,852
Other expenditure					
General government	384,844	292,912	262,412	300,654	278,582
Public works	287,594	293,561	304,598	272,039	214,329
Real estate services	41,395	48,429	43,001	75,139	103,595
	713,833	634,902	610,011	647,832	596,506
Total expenses	\$ 3,872,644	\$ 3,820,905	\$ 3,672,550	\$ 3,590,791	\$ 3,450,882

Notes: (1) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, as well as for the correction of certain tangible capital asset, miscellaneous revenue, transfer payment and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.

(2) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments

(3) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

Other Financial and Statistical Schedules

FINANCIAL POSITION AND NET REVENUES UNAUDITED

2014 to 2018 (in thousands of dollars)

	2018	2017 ⁽⁴⁾	2016 ⁽³⁾	2015 ⁽²⁾	2014 ⁽¹⁾
		(Restated)	(Restated)	(Restated)	(Restated)
Financial assets	\$ 7,289,242	\$ 7,055,340	\$ 7,301,551	\$ 7,054,676	\$ 6,646,555
Financial liabilities	5,370,638	5,361,302	5,929,908	5,810,378	5,933,954
Net financial assets	1,918,604	1,694,038	1,371,643	1,244,298	712,601
Non-financial assets	17,776,479	16,980,420	16,097,912	15,052,646	14,372,340
Accumulated surplus	19,695,083	18,674,458	17,469,555	16,296,944	15,084,941
Annual surplus	\$ 1,022,018	\$ 1,126,572	\$ 1,204,389	\$ 1,145,119	\$ 1,080,347

- Notes: (1) Figures for 2014 have been restated for the correction of certain tangible capital asset adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.
(2) Figures for 2015 have been restated for the correction of certain tangible capital asset adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.
(3) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.
(4) Figures for 2017 have been restated for the correction of capital deposits, developer contributions, government transfers related to capital, and reserves. Years prior to 2017 have not been restated for these adjustments.

ACQUISITION OF TANGIBLE CAPITAL ASSETS

2014 to 2018 (in thousands of dollars)

	2018	2017	2016 ⁽³⁾	2015 ⁽²⁾	2014 ⁽¹⁾
			(Restated)	(Restated)	(Restated)
Capital additions	\$ 1,270,669	\$ 1,344,160	\$ 1,416,262	\$ 1,051,262	\$ 1,015,878

- Notes: (1) Figures for 2014 have been restated for the correction of certain tangible capital asset adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.
(2) Figures for 2015 have been restated for the correction of certain tangible capital asset adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.
(3) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED ACCUMULATED SURPLUS UNAUDITED

2014 to 2018 (in thousands of dollars)

	2018	2017 ⁽⁶⁾	2016 ⁽⁴⁾	2015 ⁽²⁾	2014 ⁽¹⁾
		(Restated)	(Restated)	(Restated)	(Restated)
Operating fund	\$ 38,751	\$ 80,955	\$ 37,731	\$ 59,026	\$ 27,490
Capital fund	146,082	270,854	217,226	303,958	315,037
Reserves	2,299,998	2,032,652	1,975,809	1,915,176	1,626,276
Obligation to be funded in future years ⁽⁵⁾	(4,087)	(5,933)	(6,755)	(10,211)	(9,190)
Equity in ENMAX	2,261,350	2,314,000	2,291,308	2,260,205	2,281,064
Equity in Co-Ownership	–	–	–	–	1,539
Local improvements to be funded in future years ⁽³⁾	60,715	62,618	67,329	70,583	72,921
Equity in non-financial assets	14,892,274	13,919,312	12,886,907	11,698,207	10,769,804
	\$ 19,695,083	\$ 18,674,458	\$ 17,469,555	\$ 16,296,944	\$ 15,084,941

- Notes: (1) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, ENMAX's IFRS transition adjustments, as well as for the correction of certain tangible capital asset and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.
- (2) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.
- (3) In 2013, The City adopted PS 3510 prospectively, which resulted in a change in the timing of revenue recognition of certain tax revenues. See Note 1 of the audited consolidated financial statements.
- (4) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.
- (5) Obligation to be funded in future years consists of unfunded liabilities of \$ (2017 – \$5,933) and \$nil (2017 – \$nil) for the landfill rehabilitation provision and liability for contaminated sites, respectively.
- (6) Figures for 2017 have been restated for the correction of capital deposits, developer contributions, government transfers related to capital, and reserves. Years prior to 2017 have not been restated for these adjustments.

EXPENSES BY OBJECT UNAUDITED

2014 to 2018 (in thousands of dollars)

	2018	2017	2016 ⁽³⁾	2015 ⁽²⁾	2014 ⁽¹⁾
			(Restated)	(Restated)	(Restated)
Salaries, wages and benefits	\$ 1,972,396	\$ 2,012,895	\$ 1,976,054	\$ 1,860,128	\$ 1,752,478
Contracted and general services	523,715	469,470	466,613	456,424	432,488
Materials, equipment and supplies	356,138	369,692	293,747	343,164	341,902
Interest charges					
Tax supported	27,018	31,183	36,632	46,368	57,071
Self supported	83,980	84,291	87,451	84,650	82,440
Transfer payments	122,426	123,837	118,297	114,834	136,218
Utilities	89,605	92,000	81,338	79,283	86,985
Amortization	678,537	628,646	596,106	580,110	547,552
Loss on disposal of tangible capital assets	18,829	8,891	16,312	25,830	13,748
Total expenses	\$ 3,872,644	\$ 3,820,905	\$ 3,672,550	\$ 3,590,791	\$ 3,450,882

- Notes: (1) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, as well as for the correction of certain tangible capital asset, miscellaneous revenue, transfer payment and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.
- (2) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.
- (3) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED INVESTMENTS UNAUDITED

2014 to 2018 (in thousands of dollars)

	2018	2017	2016	2015	2014 ⁽¹⁾ (Restated)
Cost:					
Government of Canada	\$ 358,864	\$ 448,941	\$ 390,136	\$ 360,775	\$ 312,443
Other Government	195,357	427,985	522,641	540,840	500,394
Corporate	2,700,491	2,107,337	2,743,537	2,889,837	2,680,473
Global fixed income investments	401,372	501,720	97,726	–	–
Equity investments	382,478	407,774	342,422	326,536	209,463
	\$ 4,038,562	\$ 3,893,757	\$ 4,096,462	\$ 4,117,988	\$ 3,702,773
Market Value:					
Government of Canada	\$ 369,707	\$ 445,545	\$ 387,989	\$ 362,277	\$ 313,604
Other government	195,829	421,092	517,358	542,556	508,199
Corporate	2,733,093	2,095,590	2,743,949	2,893,485	2,689,034
Global fixed income investments	358,748	496,850	97,725	–	–
Equity investments	401,215	480,860	406,573	360,635	263,798
	\$ 4,058,592	\$ 3,939,937	\$ 4,153,594	\$ 4,158,953	\$ 3,774,635

Notes: (1) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes.

Other Financial and Statistical Schedules

CONSOLIDATED RESERVES UNAUDITED

2014 to 2018 (in thousands of dollars)

	2018	2017 ⁽⁴⁾	2016 ⁽²⁾	2015 ⁽²⁾	2014 ⁽¹⁾
		(Restated)	(Restated)	(Restated)	(Restated)
Significant Reserves					
Fiscal stability	\$ 617,531	\$ 492,766	\$ 518,830	\$ 488,785	\$ 415,881
Reserve for future capital	305,675	305,420	327,014	354,190	318,286
Budget savings account	135,198	157,334	130,103	60,905	–
Debt servicing	52,570	52,570	52,570	52,570	52,570
Legacy parks	7,025	8,155	10,558	18,450	23,033
Corporate housing reserve ⁽³⁾	31,622	30,383	29,559	38,205	35,750
Real estate services (combined operating & capital)	77,971	65,831	59,005	63,432	90,913
Community investment	43,704	39,079	102,204	152,379	168,302
Economic Development Investment	101,047	55,000	–	–	–
Calgary building services sustainment	77,908	86,752	99,114	93,707	74,063
Reserve for tax loss provision	37,398	37,398	37,398	37,398	37,398
Lifecycle maintenance and upgrade	248,660	171,056	116,123	149,391	97,251
Calgary Housing Company ⁽³⁾	27,653	27,349	27,448	27,426	22,589
	\$ 1,763,962	\$ 1,529,093	\$ 1,509,926	\$ 1,536,838	\$ 1,336,036
Other reserve balances will be utilized in future years for the following types of expenses:					
Utilities sustainment ^{(1) (3)}	\$ 175,255	\$ 141,661	\$ 135,131	\$ 83,257	\$ 49,153
Social programs	8,387	9,084	10,197	10,310	8,316
Police services	44,868	44,209	44,254	38,349	34,978
Waste & recycling sustainment ⁽²⁾	63,083	64,802	48,019	48,809	41,968
ENMAX dividend stabilization	13,000	20,000	20,000	20,000	16,450
Other operating	98,831	104,448	99,520	81,841	59,076
Other capital expenditures	132,612	119,355	108,762	95,772	80,299
	536,036	503,559	465,883	378,338	290,240
	\$ 2,299,998	\$ 2,032,652	\$ 1,975,809	\$ 1,915,176	\$ 1,626,276

Notes: (1) In 2014, other capital expenditures reserves were restated for the inclusion of CADA and CED as related entities for consolidation purposes. Years prior to 2014 have not been restated for these adjustments.

(2) In 2015, Corporate housing reserves, Calgary Housing Company reserve, and Utilities sustainment reserves were restated for adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

(3) In 2016, Lifecycle maintenance and upgrade reserves and other operating reserves were reclassified to conform to the current year's presentation. Years prior to 2016 have not been restated for these adjustments.

(4) In 2017, corrections were made to reserves related to capital. Years prior to 2017 have not been restated for these adjustments.

Taxation and Assessments unaudited 2014 to 2018

(in thousands of dollars unless otherwise stated)

		2018	2017	2016	2015 ⁽²⁾ (Restated)	2014 ⁽¹⁾ (Restated)
TAX RATES						
Residential						
Municipal and Library	Mills	3.901	3.963	3.709	3.541	3.747
Provincial property	Mills	2.456	2.538	2.465	2.214	2.356
Municipal and Library	Mills	15.323	13.882	12.155	10.737	10.694
Provincial property	Mills	4.103	3.863	3.780	3.458	3.417
ASSESSED VALUES						
Residential		\$214,765,997	\$ 206,172,452	\$ 210,448,506	\$ 210,408,125	\$ 183,058,116
Percentage of total (%)		76.7	75.6	75.3	74.9	74.1
Commercial, industrial and farm		\$ 65,306,173	\$ 66,440,662	\$ 68,985,390	\$ 70,507,335	\$ 64,107,914
Percentage of total (%)		23.3	24.4	24.7	25.1	25.9
Total assessment		\$280,072,170	\$ 272,613,114	\$ 279,433,896	\$ 280,915,460	\$ 247,166,030
TAX LEVIES						
Municipal property taxes						
Residential		\$ 842,238	\$ 813,769	\$ 788,084	\$ 745,974	\$ 699,844
Non-residential		936,707	841,003	820,245	762,066	646,637
Community Revitalization Levy		39,582	37,740	41,031	38,785	32,745
Business taxes		43,978	88,105	134,601	196,184	201,114
Revenue in lieu of taxes		199,292	162,960	147,944	176,283	215,298
Local improvement levies and special levies		6,273	11,852	6,294	6,926	5,624
		\$ 2,068,070	\$ 1,955,429	\$ 1,938,199	\$ 1,926,218	\$ 1,801,262
Provincial property taxes						
Residential		\$ 527,066	\$ 532,887	\$ 520,571	\$ 463,175	\$ 436,150
Non-residential		258,590	250,733	264,742	248,206	224,125
Revenue in lieu of taxes		7,196	6,646	6,349	8,439	8,888
		792,852	790,266	791,662	719,820	669,163
Total taxes levied		\$ 2,860,922	\$ 2,745,695	\$ 2,729,861	\$ 2,646,038	\$ 2,470,425
Percentage of Total Levies						
Property tax						
Residential property		47.86%	49.05%	47.94%	45.70%	45.98%
Non-residential property		41.78%	39.76%	39.75%	38.18%	32.91%
Local improvement levies		0.22%	0.43%	0.23%	0.26%	0.23%
Community Revitalization Levy		1.38%	1.37%	1.50%	1.47%	1.33%
Business tax		1.54%	3.21%	4.93%	7.41%	8.14%
Revenue in lieu of taxes		7.22%	6.18%	5.65%	6.98%	9.07%

Notes: (1) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes. Years prior to 2014 have not been restated for these adjustments.

(2) Figures for 2015 have been restated for the correction of tax revenue accounting related adjustments identified in 2016.

Taxation and Assessments unaudited 2014 to 2018

(in thousands of dollars unless otherwise stated)

	2018	2017	2016	2015	2014
PROPERTY TAX – Continuity					
Taxes receivable, January 1	\$ 49,557	\$ 37,234	\$ 38,179	\$ 31,708	\$ 40,556
Current levies					
Property taxes	2,625,419	2,540,761	2,475,556	2,259,232	2,092,111
Business taxes	47,940	95,610	141,619	188,238	203,675
Non-tax items for collection	1,061	1,079	931	1,066	1,253
Penalties	11,696	10,631	9,863	8,873	8,631
Cancellation of tax arrears	(1,684)	(2,574)	(1,599)	(19,044)	(597)
Write-off of taxes	(1,370)	(468)	(1,157)	(1,416)	(3,266)
Total to be collected	2,732,619	2,682,273	2,663,392	2,468,657	2,342,363
Collections during the year					
Current levies	(2,642,847)	(2,604,624)	(2,597,569)	(2,399,612)	(2,278,604)
Arrears	(40,957)	(28,092)	(28,589)	(30,866)	(32,051)
Subtotal	48,815	49,557	37,234	38,179	31,708
Allowance for doubtful accounts	(100)	(140)	(500)	(1,000)	(500)
Taxes receivable, December 31	\$ 48,715	\$ 49,417	\$ 36,734	\$ 37,179	\$ 31,208
Percentage of current taxes collected (%)	96.71%	97.11%	97.53%	97.20%	97.28%
Taxes outstanding as a percentage of the current year levy (%)	1.83%	1.88%	1.42%	1.56%	1.38%
Other Major Tax Levies:					
Revenue in lieu of taxes					
Municipal consent and access fee	\$ 136,078	\$ 95,690	\$ 88,410	\$ 113,629	\$ 131,168
Franchise fees	57,460	61,779	54,089	57,045	77,042
Governments					
Provincial	9,126	8,291	8,655	8,459	9,649
Federal	3,013	3,045	2,615	2,150	2,081
	\$ 205,677	\$ 168,805	\$ 153,769	\$ 181,283	\$ 219,940

Continuity of Long-Term Debt unaudited 2014 to 2018

(in thousands of dollars unless otherwise stated)

	2018	2017	2016	2015	2014
Opening Balance	\$ 3,066,263	\$ 3,216,672	\$ 3,360,602	\$ 3,626,177	\$ 3,661,382
New issues or additions during the year					
Tax supported					
Debentures	–	1,044	5,097	7,262	4,509
Capital leases	–	–	20,000	–	–
	–	1,044	25,097	7,262	4,509
Self supported					
Debentures	123,713	254,978	223,779	193,686	288,211
Local improvement debentures	3,638	4,548	5,930	4,023	7,195
Capital leases	–	–	(1,174)	–	–
Mortgages and other debt	153	2,959	25,969	12,470	3,590
	127,504	262,485	254,504	210,179	298,996
Self sufficient tax supported					
Debentures	26,000	26,500	28,000	5,000	101,500
	26,000	26,500	28,000	5,000	101,500
Debt repaid during the year					
Tax supported					
Debentures	(41,385)	(44,711)	(44,934)	(45,686)	(46,494)
Capital leases	–	–	(20,000)	–	–
	(41,385)	(44,711)	(64,934)	(45,686)	(46,494)
Self supported					
Debentures	(170,603)	(153,898)	(141,881)	(149,351)	(122,489)
Local improvement debentures	(7,451)	(6,938)	(7,669)	(6,281)	(5,695)
Capital leases	–	–	(364)	(865)	(914)
Mortgages and other debt	(25,301)	(2,987)	(6,169)	(4,938)	(20,935)
	(203,355)	(163,823)	(156,083)	(161,435)	(150,033)
Self sufficient tax supported					
Debentures	(86,196)	(231,904)	(230,514)	(280,895)	(243,683)
	(86,196)	(231,904)	(230,514)	(280,895)	(243,683)
Increase (Decrease)					
Tax supported	(41,385)	(43,667)	(39,837)	(38,424)	(41,985)
Self supported	(75,851)	98,662	98,421	48,744	148,963
Self sufficient tax supported	(60,196)	(205,404)	(202,514)	(275,895)	(142,183)
Net Increase during the year	(177,432)	(150,409)	(143,930)	(265,575)	(35,205)
Closing balance	\$ 2,888,831	\$ 3,066,263	\$ 3,216,672	\$ 3,360,602	\$ 3,626,177
Debt servicing as a per cent of operating expenditures (net of recoveries), tax supported	1.8	1.9	2.2	2.3	2.4
Percentage of legal debt limit as per Municipal Government Act [see Note 14 f)]	37.3	39.8	43.2	45.3	52.4

Continuity of Long-Term Debt unaudited 2014 to 2018

(in thousands of dollars unless otherwise stated)

	2018	2017	2016	2015	2014
Tax Supported					
Facility management	\$ 34,089	\$ 39,713	\$ 45,139	\$ 50,373	\$ 48,820
Fire	1,522	1,903	2,319	2,486	2,912
General government	—	—	—	—	—
Parks and recreation	240,942	255,498	268,575	282,239	295,487
Police	—	—	—	—	—
Public housing	3,440	3,829	4,200	4,552	4,887
Roads	66,427	82,229	97,882	109,670	128,350
Societies & related authorities	10,269	11,335	12,363	13,378	13,247
Waste & recycling services	3,190	3,527	3,848	4,154	4,446
Public transit	5,612	8,842	16,217	23,528	30,655
	365,491	406,876	450,543	490,380	528,804
Tax supported, % of total	12.6	13.3	14.0	14.6	14.6
Per capita, tax supported	\$ 288	\$ 326	\$ 365	\$ 398	\$ 442
Self Supported					
Calgary Arts Development Authority	\$ 2,600	\$ 2,000	\$ —	\$ —	\$ —
Calgary Economic Development Ltd.	—	11,949	12,313	—	—
Calgary Parking Authority	1,324	1,810	2,273	3,123	4,333
Calhome Properties Ltd.	10,056	12,601	16,476	15,206	20,647
Lindsay Park Sports Society	519	851	1,171	1,480	1,778
St. Mary's University College	4,105	4,303	4,496	4,683	4,864
Water services & resources	1,873,995	1,905,947	1,917,288	1,846,166	1,789,574
Facility management	7	8	9	10	520
Fleet services	141,438	153,573	127,866	113,896	101,947
Parks and recreation	729	1,748	2,911	4,164	5,451
Public housing	6,471	7,493	8,686	9,799	10,838
Real estate services	9,580	9,580	9,580	9,580	26,580
Roads	63,457	67,184	69,491	71,152	73,335
Societies & related authorities	611	696	777	855	1,173
Waste & recycling services	120,105	131,105	38,849	33,651	23,981
	2,234,997	2,310,848	2,212,186	2,113,765	2,065,021
Self supported, % of total	77.4	75.3	68.8	62.9	56.9
Per capita, self supported	\$ 1,764	\$ 1,843	\$ 1,791	\$ 1,717	\$ 1,728
Self Sufficient Tax supported					
CMLC	\$ 217,843	\$ 208,039	\$ 193,443	\$ 175,957	\$ 181,852
MSI	70,500	140,500	360,500	580,500	850,500
	288,343	348,539	553,943	756,457	1,032,352
Self suff tax supp, % of total	10.0	11.4	17.2	22.5	28.5
Per capita, self suff tax supported	\$ 228	\$ 280	\$ 448	\$ 615	\$ 864
Total City debt	2,888,831	3,066,263	3,216,672	3,360,602	3,626,177
ENMAX debt	1,185,380	1,078,522	1,145,184	1,211,055	1,088,771
Total debt attributable to The City	\$ 4,074,211	\$ 4,144,785	\$ 4,361,856	\$ 4,571,657	\$ 4,714,948

Demographic and Other Information unaudited 2014 to 2018

	2018	2017	2016	2015	2014
Population, per April civic census	1,267,344	1,246,337	1,235,171	1,230,915	1,195,194
Change due to natural increase	9,419	10,192	10,783	10,812	10,491
Change due to net migration	11,588	974	(6,527)	24,909	28,017
Dwelling Units, per April civic census					
Total number of units	515,391	506,392	499,222	492,623	478,223
Number of vacancies	19,408	25,553	20,843	12,526	9,315
Owner occupancy rate (%)	68.2	68.8	69.8	69.2	68.7
Housing Activity					
Annual applications for residential units					
Total residential	10,233	8,122	11,064	12,355	15,027
Change (%)	26.0	(26.6)	(10.4)	(17.8)	1.3
Single family	2,750	4,199	2,630	2,714	5,584
Change (%)	(34.5)	59.7	(3.1)	(51.4)	(6.0)
MLS average selling price (\$) ⁽ⁱ⁾	477,963	487,505	479,452	469,399	483,160
New housing price inflation (%) ⁽ⁱⁱ⁾	(0.4)	0.0	(0.9)	1.1	7.2
Building Permits, applied for					
Number of applications	16,298	16,434	15,144	16,667	19,549
Change (%)	(0.9)	8.5	(9.1)	(14.7)	9.1
Value, in thousands of dollars	\$ 4,402,053	\$ 4,574,171	\$ 4,651,963	\$ 6,285,485	\$ 6,510,000
Change (%)	(3.8)	(1.6)	(26.0)	(3.4)	8.0
Inflation, CPI annual increases ⁽ⁱⁱ⁾					
Calgary	2.40%	1.60%	1.00%	1.20%	3.00%
Alberta	2.40%	1.60%	1.10%	1.10%	2.60%
Canada	2.30%	1.60%	1.40%	1.10%	2.00%
Unemployment Rate ⁽ⁱⁱ⁾					
Calgary	7.60%	8.60%	9.10%	6.20%	5.00%
Alberta	6.70%	7.80%	8.10%	6.00%	4.70%
Canada	5.90%	6.30%	7.00%	6.90%	6.90%

External Sources

(i) Calgary Real Estate Board

(ii) Statistics Canada

Demographic and Other Information unaudited 2014 to 2018

	2018	2017	2016	2015 ⁽⁴⁾ (Restated)	2014 ⁽³⁾ (Restated)
Revenue sources – City general⁽¹⁾	\$ 2,731,717	\$ 2,612,149	\$ 2,860,289	\$ 2,890,388	\$ 2,816,520
Taxes and revenue in lieu of taxes	64.86%	63.09%	67.76%	66.64%	63.96%
General	28.19%	29.67%	25.07%	26.13%	27.65%
Utilities and related authorities contributions	1.92%	2.00%	2.32%	2.35%	2.45%
Government transfers	3.57%	3.40%	3.21%	2.94%	3.81%
Dividends from ENMAX	1.46%	1.84%	1.64%	1.94%	2.13%
Interest charges – City general					
As a % of operating expenses					
Before subsidy	3.69%	3.86%	3.97%	4.18%	4.25%
After subsidy	3.69%	3.86%	3.97%	4.18%	4.25%
Interest charges – consolidated					
Before subsidy (000s)	\$ 111,337	\$ 115,847	\$ 110,899	\$ 113,629	\$ 112,537
Share of operating expenses (%)	3.5	3.6	3.9	4.0	4.2
After subsidy (000s)	\$ 111,122	\$ 115,610	\$ 110,660	\$ 113,459	\$ 112,537
Share of operating expenses (%) (net of subsidy)	3.5	3.6	3.9	4.0	4.2
Debt service limit (principal + interest)					
Total debt service limit	\$ 1,395,588	\$ 1,386,287	\$ 1,337,148	\$ 1,331,199	\$ 1,244,153
Total debt service	\$ 359,705	\$ 362,341	\$ 348,569	\$ 554,584	\$ 779,683
Percentage used (%)	25.8	26.1	26.1	41.7	62.7
Debt limit⁽²⁾					
Total debt limit (000s)	\$ 7,974,791	\$ 7,921,642	\$ 7,640,844	\$ 7,606,852	\$ 7,109,448
Total debt (000s)	\$ 2,976,209	\$ 3,149,658	\$ 3,303,092	\$ 3,447,143	\$ 3,728,462
Percentage used (%)	37.3	39.8	43.2	45.3	52.4
Municipal full-time equivalents – (excluding ENMAX)					
Total full-time equivalents	17,068	16,960	16,643	16,303	15,972
Full-time equivalents per 1,000 population	13.5	13.6	13.5	13.2	13.4
Area, square kilometres	848	848	848	848	848
Km of roads (lane km)	21,216	20,472	20,288	19,956	19,488
Km of roads (centreline km)	8,092	8,009	7,945	7,815	7,312
Transit passenger trips, annual (000s)	105,328	101,929	102,499	109,974	110,274
Km of wastewater mains	4,811	4,756	4,695	4,678	4,490
Km of water mains	5,262	5,165	5,060	5,012	4,982
Km of storm drainage mains	5,319	5,242	5,157	5,091	4,175

Notes: (1) Figures (000s) are before consolidating eliminations.

(2) Calculations as prescribed by The Province of Alberta, regulations 255/2000 and 165/2011, and does not include debt attributable to ENMAX.

(3) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, ENMAX's IFRS transition adjustments, as well as for the correction of miscellaneous revenue adjustments identified in 2015.

(4) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016.

**Audit Resource Management Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0438
Page 1 of 3**

2018 EXTERNAL AUDITOR'S YEAR-END REPORT

EXECUTIVE SUMMARY

This is the External Auditor, Deloitte LLP's annual year-end report to Audit Committee on the 2018 independent external audit of the consolidated financial statements of The City of Calgary.

RECOMMENDATIONS:

That the Audit Committee:

1. Conduct a Closed Meeting discussion with the External Auditor and keep the discussion confidential pursuant to Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2024 April 23;
2. Receive this Report and Attachment for information and consider them in conjunction with Report AC2019-0498, The City of Calgary 2018 Annual Report;
3. Direct that this Report and Attachment be forwarded to the 2019 April 29 Combined Meeting of Council as an item of Urgent Business;
4. Recommend that Council receives Report AC2019-0438, 2018 External Auditor's Year-End Report, and the Attachment, for information; and

PREVIOUS COUNCIL DIRECTION / POLICY

The Audit Committee approved Report AC2018-0913, External Auditor 2018 Audit Service Plan and Fees Report at their 2018 July 25 Meeting, which was received for information by Council at their 2018 September 10 Combined Meeting.

At their 2019 February 28 Meeting, the Audit Committee approved Report AC2019-0273, External Auditor 2018 Service Plan Update. This report approved an extension of the scope of work and fees which related to prior period adjustments and the consolidation of related authorities.

The Audit Committee Bylaw 48M2012, states that Audit Committee:

“pre-approves all audit and non-audit services performed by the External Auditor. However, the Audit Committee Chair can pre-approve additional audit or non-audit services, performed by the External Auditor, up to \$25,000 total annually. Any approvals by the Chair will be reported to the Audit Committee as part of the Audit Committee Quarterly Status Report;”

Schedule “B”, Section 1(a)

“in conjunction with Administration’s presentation of the annual financial statements, receive and review the External Auditor’s annual audit report. This report is to be forwarded to Council for information.”

Schedule “B”, Section 1(e)

Corrie Smillie, Executive Assistant to the Audit Committee

**Audit Resource Management Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0438
Page 2 of 3**

2018 EXTERNAL AUDITOR'S YEAR-END REPORT

BACKGROUND

In accordance with the approved External Auditor's 2018 Audit Service Plan, Deloitte LLP has completed their independent audit of the financial statements of The City of Calgary for the year ended 2018 December 31.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This is an independent audit of the consolidated financial statements of The City of Calgary for the year ended 2018 December 31. The attachment summarizes the scope of the audit, the findings to date and reviews certain other matters of interest to the Audit Committee. Deloitte continues to work with Administration to complete outstanding matters summarized in the attachment.

This Report should be forwarded as an Item of Urgent Business to Council at their 2019 April 29 Regular Meeting. This enables The City to meet the requirements of Section 276(3) of the *Municipal Government Act*, with respect to the deadline of May 1st for making the financial statements and auditor's report of the financial statements available to the public.

Stakeholder Engagement, Research and Communication

The External Auditor, Deloitte LLP, conducted an independent audit of the City of Calgary's consolidated financial statements.

Strategic Alignment

This report supports Council's priority of a well-run City.

Social, Environmental, Economic (External)

Not applicable.

Financial Capacity

Current and Future Operating Budget:

There is a line item in the Audit Committee budget for the service fees for the External Auditor.

Current and Future Capital Budget:

There are no capital budget implications for this Report.

Risk Assessment

Should Council not receive the 2018 External Auditor's Year-End Report at their 2019 April 29 Combined Meeting there is a risk of missing the May 1st deadline established by Section 276(3) of the *Municipal Government Act* to provide the financial statements to the public.

REASON FOR RECOMMENDATION:

The 2018 External Auditor's Year-End Report is to be received and reviewed by Audit Committee, in conjunction with Administration's presentation of the annual financial statements

**Audit Resource Management Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0438
Page 3 of 3**

2018 EXTERNAL AUDITOR'S YEAR-END REPORT

(The City of Calgary 2018 Annual Report, AC2019-0498).

This Report and Attachment is to be forwarded as Urgent Business to the 2019 April 29 Regular Meeting of Council for information.

ATTACHMENT

Deloitte, The City of Calgary, Report to the Audit Committee on the 2018 audit



The City of Calgary

Report to the Audit Committee on the 2018 audit

April 23, 2019

April 15, 2019

To the Audit Committee of The City of Calgary

Report on audited annual financial statements

Dear Audit Committee members:

We are pleased to submit this report on the status of our audit of The City of Calgary ("The City") for the 2018 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you. We are continuing to work with Administration to complete the outstanding matters summarized on page 2 of this report.

As agreed in our master services agreement dated July 25, 2018, we have performed an audit of the financial statements of The City of Calgary as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 29, 2019.

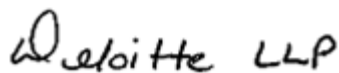
Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on July 25, 2018 except for the changes to our audit plan described on pages 6 and 15 of this report.

This report is intended solely for the information and use of the Audit Committee, Administration and others within The City and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you in improving your current practices.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,



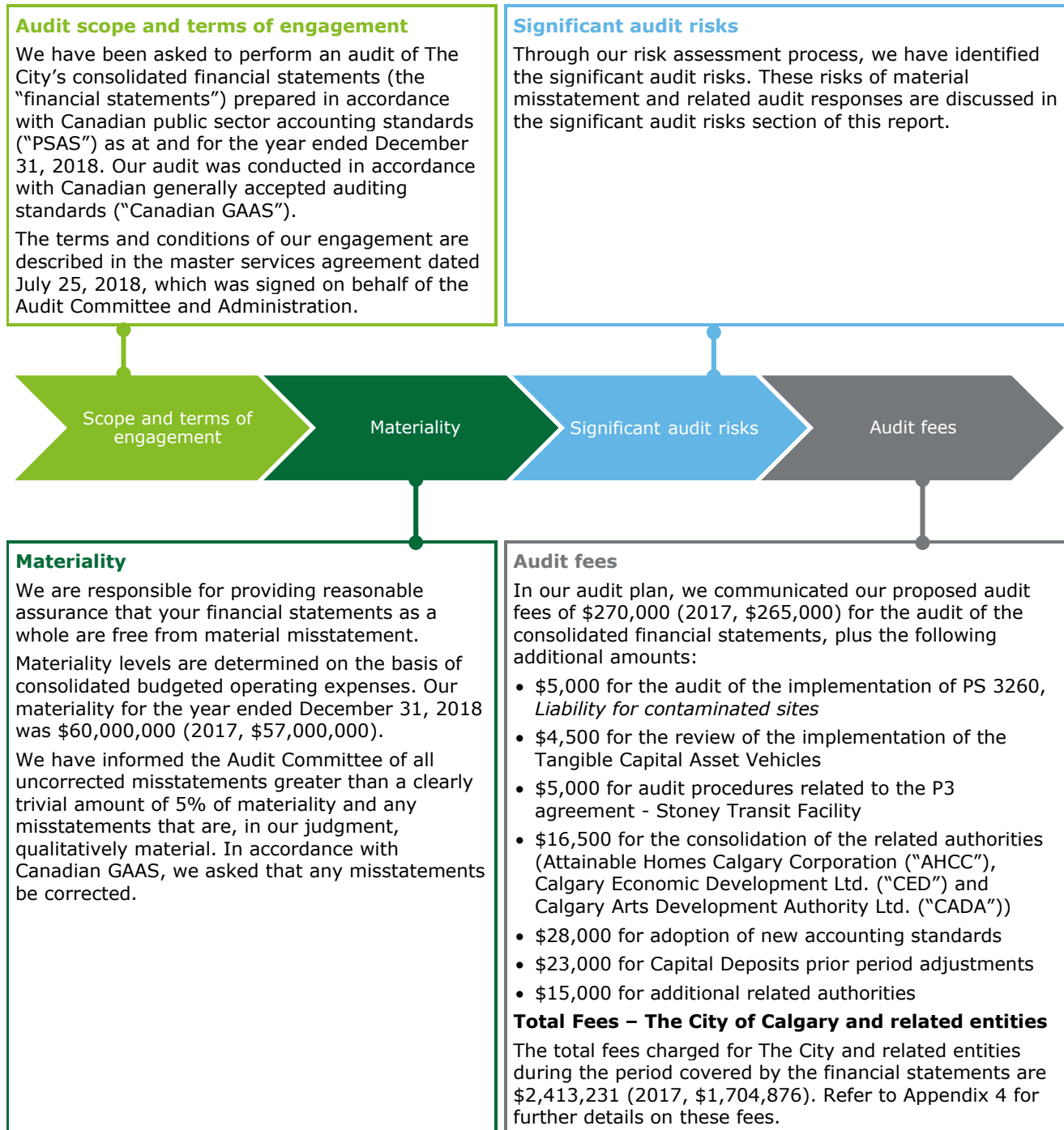
Chartered Professional Accountants

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Our audit explained

This report summarizes the main findings arising from our audit to date.



Status and outstanding matters

We expect to be in a position to render our audit opinion dated April 29, 2019 on the financial statements of The City following approval of the financial statements by the Audit Committee and City Council and the completion of the following outstanding procedures:

- Completion of review and tie-in of final version of financial statements, including updated versions of related authority financial statements
- Completion of our subsequent events review to April 29, 2019
- Receipt of signed Administration representation letter
- Internal and external legal update to April 23, 2019
- Review of the final version of the financial statements and financial statement discussion and analysis for changes, if any
- Approval of the financial statements by City Council at the recommendation of the Audit Committee
- Finalization of quality assurance review

Uncorrected misstatements

In accordance with Canadian GAAS, we request that all misstatements be corrected. A summary of uncorrected misstatements as of the date of this report have been included in Appendix 5.



Going concern

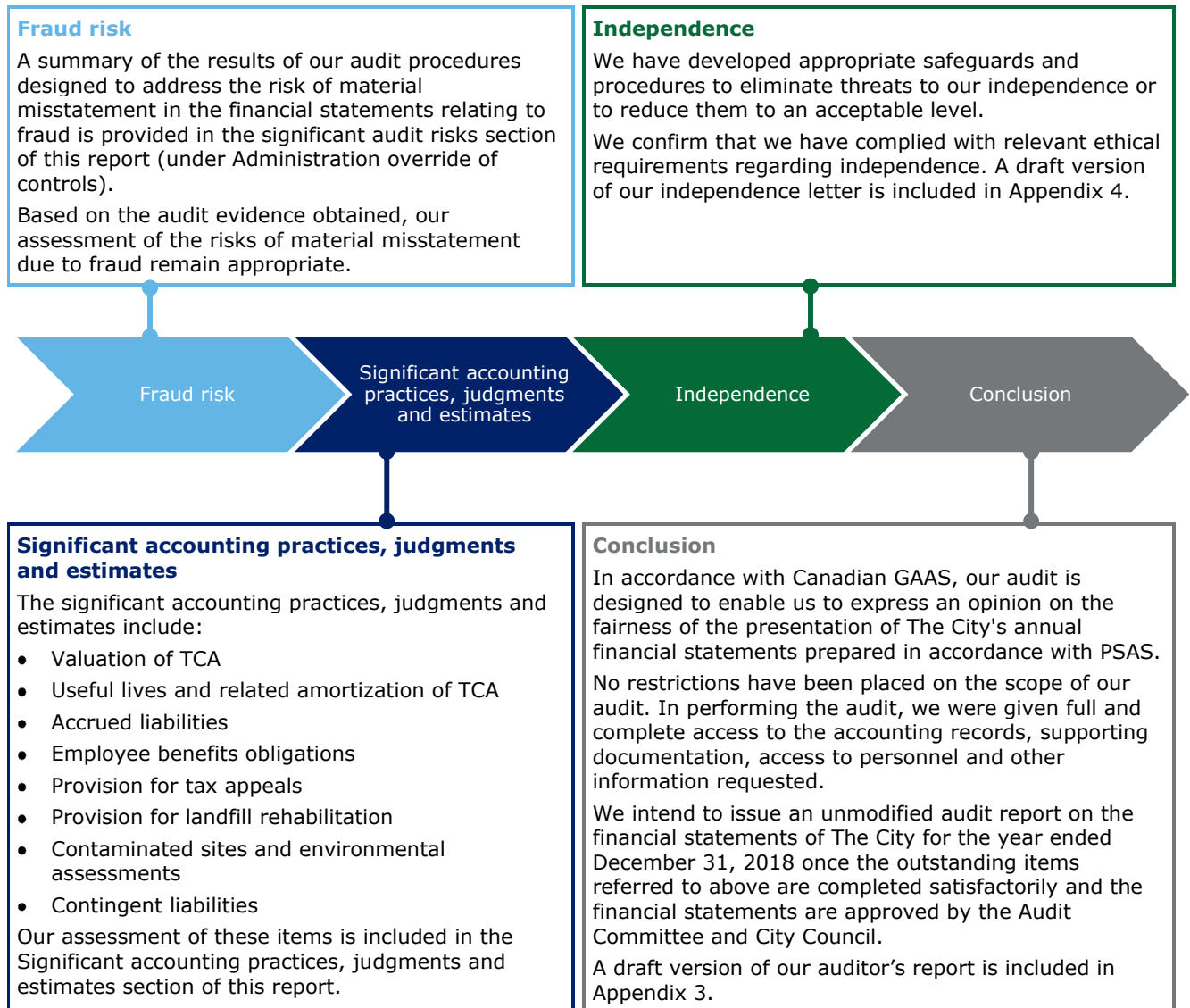
Administration has completed its assessment of the ability of The City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon The City's ability to continue as a going concern. We agree with Administration's assessment.

Business Insights

During the course of our audit, we examined the accounting and internal controls employed by The City. We have identified certain matters that we consider to be of interest to the Audit Committee. We will provide our formal letter of recommendations at the June 27, 2019 Audit Committee meeting.

Uncorrected disclosure misstatements

There are no disclosure misstatements identified.



Significant audit risks

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below. These are consistent with significant audit risks presented in our Audit Plan except for the addition of Capital Deposits – Revenue Recognition as a significant audit risk.

Tangible Capital Assets

Audit risk

Completeness and valuation of Tangible Capital Assets ("TCA").

Our audit response

- We audited The City's TCA additions, disposals and amortization along with related disclosures. Our testing included, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the definition of capital are included and are appropriately valued.
- We tested a sample of items recorded as repairs and maintenance to ensure these amounts were appropriately expensed.
- We reviewed Administration's assessment of impairment indicators of TCA and performed audit procedures on any amounts written down in the year.
- We tested TCA work in progress ("WIP") additions to ensure these WIP additions were appropriately accounted for as WIP.
- We also tested the aging of TCA projects to ensure appropriate accounting treatment of those projects in the year-end financial statements.
- Given the unique nature of the TCA (roads, infrastructure, recreation centres) held by The City, there is a risk for misclassification of the respective TCA. As a result, we performed increased substantive testing of the financial statement disclosures.

Audit results

The centralized TCA reporting team and costing system were fully operational during 2018. The TCA costing system has removed the manual element to TCA accounting and reporting. Administration identified an immaterial prior period TCA misstatement of \$4.4M (see appendix 5 for details).

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Administration override of controls

Audit risk

Under Canadian Auditing Standards, it is the responsibility of Administration, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process.

Administration override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk.

This represents a fraud risk for the 2018 audit.

Our audit response

- We engaged in periodic fraud discussions with certain members of senior Administration and others, including The City Auditor, City Manager and the Audit Committee.
- We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates.
- We evaluated the business rationale for any significant unusual transactions.
- We evaluated The City's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process.
- We tested journal entries that exhibited characteristics of possible Administration override of controls identified.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

New Accounting Standards

Risk identified

The following accounting standards are required to be adopted for the year ending December 31, 2018:

- Section PS 2200, *Related Party Disclosures*
- Section PS 3210, *Assets*
- Section PS 3320, *Contingent Assets*
- Section PS 3380, *Contractual Rights*
- Section PS 3420, *Inter-entity Transactions*

There is a risk that the application of these standards is not consistent or compliant with the guidance provided within the standards.

Our audit response

- We reviewed The City's methodology and process for application and adoption of each standard, which included a review of position papers prepared by Administration.
- We audited a sample of the accounting transactions recorded under these standards.
- We also reviewed the disclosure in the year-end financial statements to ensure compliance with the applicable accounting standards.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements relating to the adoption of the new accounting standards.

Capital Deposits – Revenue Recognition

Risk identified

Revenue relating to government funding and private contributions is not recognized in the correct period, as expenditures are incurred.

Revenue recognition of capital deposits was increased to a significant risk as a result of the restatement of prior periods (misstatements identified by Administration), which is a change from the audit plan presented on July 25, 2018.

Our audit response

- We applied audit procedures to revenue recognition of capital deposits. Our testing included, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the revenue recognition criteria under PSAS are recognized as revenue.
- We obtained capital deposit contracts to ensure that the revenue recorded aligns with the stipulations in the contract.
- We extended our audit procedures to add additional completeness testing by reviewing budget deficits in Q1 2019 to determine if grant funding had been applied in the appropriate period.
- We held meetings with impacted business unit personnel to understand the cause of the prior period adjustment.
- We tested the restated balance at a significant risk level.

Audit results

Administration restated the prior periods. Following the correction of prior period misstatements, we obtained sufficient audit evidence to conclude that there were no material misstatements. Please refer to "Adjustments to prior period" for additional information.

Areas of focus

Public Private Partnership ("P3") Agreements

Audit risk

During fiscal 2015 and 2016, The City signed the following P3 agreements:

Stoney Transit Facility effective September 13, 2016 and the Composting Facility Project effective June 25, 2015.

P3 agreements can include a number of complex underlying accounting treatments, which require an in-depth, detailed analysis to ensure all accounting and financial reporting matters impacting the consolidated financial statements, are taken into consideration. As there is currently no specific accounting standard under PSAS which provides accounting and financial reporting guidance, an entity is required to complete its own analysis specific to the agreement entered into in conjunction with existing accounting standards.

As the Composting Facility Project was completed in fiscal 2017, The City commenced accounting for this facility in the 2017 year-end financial statements as TCA.

The Stoney Transit Facility is expected to be completed in 2019.

Due to the highly complex nature of P3 agreements and the related accounting implications there is a risk the accounting for these transactions is not complete or accurate. There is also a risk that the financial statement presentation and disclosure is not complete.

Our audit response

- We applied audit procedures on the accounting transactions for the P3 agreements to ensure that these transactions had been accurately and completely recorded in the year-end financial statements in accordance with Administration's proposed accounting treatment and applicable accounting standards.
- We reviewed the disclosure in the year-end financial statements to ensure this was in compliance with applicable accounting standards.

Audit results

Administration enhanced disclosures relating to operating commitments for the Stoney Transit Facility as reflected in the 2018 financial statements.

We obtained sufficient audit evidence to conclude that there were no material misstatements.

PS 3260, Liability for contaminated sites

Audit risk

Completeness and accuracy of the liability for contaminated sites.

Our audit response

- We reviewed The City's methodology for application of this standard on City owned land and property.
- We audited the assumptions and the calculation of the liability associated with the potential remediation costs.
- We also reviewed The City's assessment of all sites identified as having a high risk of contamination.
- We reviewed financial statement disclosure to ensure consistency with accounting guidance.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

PS 3270, Solid waste landfill closure and post-closure liability

Risk identified

Valuation of environmental liabilities and asset retirement obligations, relating to the accrual of post closure landfill liabilities.

Our audit response

- We reviewed The City's estimates of post-closure landfill liabilities.
- We reviewed City Council minutes and legal confirmations, held discussions with Administration and relied on our knowledge of business to ensure completeness of the liability.
- We reviewed Administration's estimates and assumptions for reasonability and performed tests of details on the transactions during the year.
- We required representations signed by Administration confirming that all environmental liabilities and clean-up costs are complete and appropriately disclosed.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Funding contracts

Audit risk

Disclosure and completeness of liabilities and commitments under funding contracts provided by The City.

Our audit response

- We reviewed Administration's assessment of liabilities and commitments required to be recorded or disclosed under agreements entered into during the year.
- We tested a sample of funding contracts entered into during the year to assess Administration's treatment and appropriate recording of these transactions.
- We also assessed the completeness of the balances via review of City Council minutes and performed a search for unrecorded liabilities as well as a review of prior year estimates.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Related parties (authorities / subsidiaries / civic partners)

Audit risk

Completeness and disclosure of the accounting for organizations included in the government reporting entity (related authorities or subsidiaries).

Our audit response

- We reviewed The City's accounting policies and any changes therein related to its related parties.
- We verified that the related parties had been accounted for and disclosed in accordance with The City's accounting policies and PSAS and performed separate audits of significant related parties.
- We audited all material balances relating to the related parties.
- We applied audit procedures to the four new entities identified by Administration I 2018 as possibly meeting the criteria for consolidation under PSAS guidance. We concur with Administration's conclusion that one of these entities met the criteria for consolidation.
- We also applied audit procedures to the new related party accounting standard that was required to be adopted for fiscal 2018.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Litigation accruals and contingencies

Audit risk

Completeness and accuracy of claims and litigation matters of The City and its related authorities.

Our audit response

- We enquired with The City's legal department and City Solicitor to determine the status of outstanding legal matters.
- We reviewed legal correspondence from The City Solicitor and external legal counsel (if applicable) and discussed the status of outstanding legal matters with Administration and others, as necessary.
- We then worked with Administration to assess the appropriateness of any contingent liabilities and financial statement disclosures.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Government grants and transfers

Audit risk

Accounting and disclosure of government grants and transfers.

Our audit response

- We tested a sample of funding agreements to determine if the contract required financial statement disclosure.
- We tested a sample of federal and provincial transfer payments received during the year to fund specific projects.
- We reviewed the related funding agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period, including deferred revenue.
- We reviewed deferred revenue for compliance with the applicable PSAS guidance.
- We tested expenditures and ensured that the corresponding revenue has been recognized.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Tax revenue

Audit risk

Completeness and accuracy of the accounting for tax revenue.

Our audit response

- We performed reasonability tests on tax revenue balances.
- We reviewed and tested the tax revenue business cycle process controls.
- We completed data analytical testing on the property tax revenues for the year ended December 31, 2018.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Reserves

Audit risk

Completeness and accuracy of the recording and presentation of reserves.

Our audit response

- We tested expenditures charged to each reserve and vouched a sample of expenditures to invoices to verify that the transaction was within the terms and conditions approved by City Council.
- We also reviewed the completeness and accuracy of the financial statement disclosures relating to reserves.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Long-term debt, pension liability, contractual and other long term obligations

Audit risk

Disclosure and completeness of long-term debt, pension liability, contractual and other long-term obligations.

Our audit response

- We reviewed the completeness and accuracy of the financial statement disclosures relating to The City's long-term debt, pension liability, and contractual and other long term obligations.
- We ensured that these disclosures were in accordance with PSAS guidance.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Non-standard transactions

Audit risk

Completeness and accuracy of non-standard transactions
Non-standard transactions are inherently riskier as there is no precedence for which to account for these items. Examples of non-standard transactions may include but are not limited to; consolidation entries, transactions with related authorities, transfer of lands to/from the Province, transfer of corporate properties between business units and the purchase and sale of properties.

Our audit response

- We will reviewed non-standards that have occurred during the year to ensure that these transactions had been accurately and completely recorded in the year-end financial statements.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Implementation of new TCA policies and procedures

Audit risk

There is a risk that the adoption of new TCA policies and procedures are not implemented in a consistent manner across all business units. The City implemented new policies and procedures for the Vehicles asset class during the current year.

Our audit response

- We reviewed the policies and procedures implemented to test that they had been designed and implemented effectively and in accordance with PSAS.

Audit results

We obtained sufficient audit evidence to conclude that there were no material misstatements.

Significant accounting practices, judgments and estimates

Accounting estimates are an integral part of the financial statements prepared by Administration and are based on Administration's current judgments. These judgments are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2018, Administration advised us that there were no significant changes in accounting estimates or in judgments relating to such estimates, with the exception of changes as described in Note 34 of the financial statements. The change in estimate relates to change in the useful lives of the Vehicle asset category applicable to all business units. We have applied audit procedures to this change in estimate and concur with Administration's accounting of these matters, as the change in estimate is in accordance with PSAS guidance.

In our judgment, the significant accounting practices and policies selected and applied by Administration are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of The City. In our judgment, the significant accounting estimates made by Administration are, in all material respects, free of possible Administration bias. The disclosure in the financial statements around estimation uncertainty is in accordance with PSAS and is appropriate to the particular circumstances of The City.

Internal control matters

As part of our financial statement audit, we are required to consider many components of internal controls, which assist us in determining the risks of material misstatement and the identification of internal controls that will be relevant for our audit. Not all controls are relevant to every audit. For example, some internal controls may exist to address operational risks. For those controls deemed relevant to our audit, we evaluated the design of these controls and determined whether they were implemented. The procedures undertaken during this process allow us to consider whether or not our audit strategy will further rely on the operating effectiveness of those identified internal controls. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively throughout the period of reliance. The determination of whether or not we will test the operating effectiveness of controls is determined on an engagement by engagement basis. In our audit of The City's financial statements, we planned to and were able to rely on internal controls in the following areas, for which we tested the design, implementation and operating effectiveness:

- Property and Business Tax Revenues and Receivables
- Accounts Payable
- Fund 20 Federal and Provincial Grant Revenue

For all others areas, we tested only the design and implementation of controls. Canadian GAAS require us to report to the Audit Committee any significant deficiencies that have come to our attention. We did not note any significant deficiencies during the course of our audit in the areas listed above, significant deficiencies in internal controls and processes relating to the accounting of capital deposits was identified in the current year by Administration as a result of the prior period adjustments. Please refer to "Adjustment to prior period".

Our audit was not designed to provide a high degree of assurance that significant deficiencies, if any, would be detected.

Adjustments to prior period

The City receives funding from both the government and private contributions for the construction of capital projects. Capital projects can also be funded by The City's own reserves or debt. Government and private contribution funding initially received by The City is recorded as a capital deposit (deferred revenue). As the capital projects are multi-year projects, accounting standards require revenue to be recognized as expenditures are incurred. The City's annual process includes business units collaboratively working with the Corporate Budget Office ("CBO") and Business Unit Finance to review the status of capital project expenditures and analyse funding available, assess if revenue recognition criteria are met and determine the appropriate accounting of the capital deposits in the financial statements.

During fiscal 2018, Administration undertook a review of the balances in the capital deposit account along with the funding that was available for the capital projects. Based on this review, it was noted that some of the business units had not appropriately recognized revenue in the correct period for fiscals 2016 and 2017 for multi-year capital projects. The revenue was recognized in the following fiscal year. This resulted in cut-off errors between the various years, for example, the business units incurred expenses in 2016 in relation to capital expenses but recognized the revenue in fiscal 2017 or 2018, even though the funding was available in 2016. We understand that these misstatements resulted from an untimely review of capital project expenditures at the business unit level.

This resulted in an understatement of revenue (Government transfers related to capital and developer contributions) of \$35.9M, overstatement of the capital deposits of \$114.2M and understatement of 2017 opening accumulated surplus (capital fund and reserves) of \$78.3M.

Note 33 to the financial statements includes details on the prior period adjustments. As a result of the additional work completed by Administration on the above misstatements, Administration has determined that restating prior year's results was appropriate. Administration has concluded that the consolidated financial statements are not materially misstated as at and for the years ended December 31, 2018 and 2017, as restated, in the context of the consolidated financial statements taken as a whole.

We applied additional audit procedures, on a test basis, to the accounting misstatements identified by Administration to test the restatement of 2017 and 2016 balances. Based on our testing and understanding of the cause of the misstatements, we have concluded that there are significant deficiencies in the design, implementation and operating effectiveness of certain internal controls related to the accounting of capital deposits and related funding.

We have held discussions with Administration and the impacted business units during the year end audit and understand that Administration has developed and implemented certain controls to prevent/detect future misstatements.

We will provide Administration and the Audit Committee with formal written recommendations at the June 27, 2019 Audit Committee meeting.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Audit Committee as part of the audit plan.

	Comment				
Changes to the audit plan	The audit was conducted in accordance with the audit plan presented to the Audit Committee on July 28, 2018, with the exception of adding capital deposits revenue recognition as an area of significant risk and applying additional procedures on the four new related authorities to determine if consolidation was required. The details of these has been discussed earlier in this report.				
Use of the work of specialists and experts	As planned, Deloitte and external specialists and experts assisted in the audit to the extent we considered necessary: <table> <tr> <td>IT specialists:</td><td>Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems</td></tr> <tr> <td>Actuarial experts:</td><td>AON Hewitt assisted in the assessment of the valuation of The City's pension liability</td></tr> </table>	IT specialists:	Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems	Actuarial experts:	AON Hewitt assisted in the assessment of the valuation of The City's pension liability
IT specialists:	Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems				
Actuarial experts:	AON Hewitt assisted in the assessment of the valuation of The City's pension liability				
Significant difficulties encountered in performing the audit	During the course of our audit, we did not encounter any significant difficulties in dealing with Administration related to the performance of the audit.				
Concerns regarding Administration competence and integrity	We do not have any concerns regarding Administration's competency and integrity.				
Related party transactions	We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments made by Administration concerning measurement or disclosure.				
Disagreements with Administration	We did not have any disagreements with Administration.				
Consultation with other accountants	Administration has informed us that The City has not consulted with other accountants about auditing or accounting matters.				
Legal and regulatory compliance	Administration is responsible for ensuring that The City's operations are conducted in accordance with the laws and regulations applicable to The City in the jurisdictions in which it operates. The responsibility for preventing and detecting non-compliance rests with Administration. The auditor is not and cannot be held responsible for preventing non-compliance with laws and regulations as we perform limited procedures and enquiries regarding compliance with laws and regulations. Our limited procedures did not identify any areas of material non-compliance with laws and regulations by The City. Further discussion to be held during in-camera session.				
Post-statement of financial position events	At the date of finalizing this report, Administration has advised us of one subsequent event which is disclosed in Note 37 to the financial statements. We will update our subsequent events to April 29, 2019 prior to the issuance of our auditor's report.				

Comment	
Group Audit	<p>The audit of The City is considered to be a group audit and therefore, we are also required to determine the scope of work required for each related authority. We are auditors of all related authorities and issue an audit opinion on the standalone financial statements of each entity, with the exception of Attainable Homes Calgary Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd.</p> <p>No restrictions have been placed on the scope of our audits of the related authorities. In performing the audits, we were given full and complete access to the accounting records, supporting documentation and other information requested.</p> <p>For the three entities not audited by Deloitte LLP, we apply audit procedures based on The City's consolidated materiality.</p>

Appendix 1 – Audit Committee terms of reference

As the external auditors of The City, we have the privilege of assisting in the fulfillment of your responsibility to follow the Terms of Reference for The City of Calgary's Audit Committee contained in the Audit Committee Bylaw 48M2012, as amended. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we have issued that assist in this process.

Bylaw 48M2012	Description	Related Deloitte Involvement
Schedule B, 1(b)	Pre-approves all audit and non-audit services performed by the External Auditor.	All audit and non-audit services are presented to the Audit Committee for pre-approval prior to the commencement of such work. Fee information included in the 2018 Audit Service Plan presented by Deloitte on July 25, 2018. The Independence letter included as Appendix 4 of the Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting summarizes the fees of all services performed.
Schedule B, 1(c)	Requires the External Auditor, as an expert in accounting and financial reporting, to express independent judgment about the appropriateness and acceptability of The City's financial statements, in accordance with professional standards.	Communicated in the Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.
Schedule B, 1(d)	Prior to the commencement of the annual external financial audit, review the financial audit plan with the External Auditor.	2018 Audit service plan presented by Deloitte on July 25, 2018.
Schedule B, 1(e)	In conjunction with Administration's presentation of the annual financial statements, receive and review the External Auditor's annual audit report. This report is to be forwarded to Council for information.	Report of the Independent Auditor on the Consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.
Schedule B, 1(f)	Receives and reviews the External Auditor's Management Letter(s), together with any Administrative responses, and forward, either in full or in summary, to Council for information.	Management recommendations letter to be presented by Deloitte at the June 27, 2019 meeting.
Schedule B, 1(g)	Must meet with the External Auditor, in the absence of Administration, at least quarterly.	In-camera sessions held with Deloitte at Audit Committee meetings throughout 2018 and 2019.
Schedule C, 1(g)	Ensures that the combined work of the City Auditor and the External Auditor provides an appropriate level of audit coverage and is effectively coordinated.	Audit work completed will be discussed in the year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.

Bylaw 48M2012	Description	Related Deloitte Involvement
2(a)	Oversees the integrity of, and reviews the Annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the consolidated Financial Statements and year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting.
2(b)	Reviews and discusses the City's compliance with financial reporting procedures with Administration, the City Auditor, and the External Auditor.	Report of the Independent Auditor on the consolidated Financial Statements and year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting. Letter of recommendations to be presented by Deloitte at the June 27, 2019 meeting.
2(c)	Engages Administration, the City Auditor, and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
2(d)	Reviews and discusses areas where changes in accounting standards could have a material impact on financial results, and may request a detailed analysis, prepared by Administration in consultation with the External Auditor, of the implications of those changes.	Appendix 8 of 2018 Audit Service Plan presented by Deloitte on July 25, 2018.
2(e)	Maintains open lines of communication with the External Auditor, City Auditor, and Administration.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
6(b)(i)	Review reports from Administration and from the City Auditor as to the adequacy and effectiveness of corporate policies such as legal matters, regulations, ethical principles, code of conduct and conflict of interest.	Year-end Audit report to be presented by Deloitte to the Audit Committee at the April 23, 2019 meeting includes our notification of whether any violations of this nature have come to our attention.

Appendix 2 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master services agreement
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	Audit plan communicated on July 25, 2018
3. Significant transactions outside of the normal course of business, including related party transactions	Nothing to report.
Year End Communication	
4. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.
5. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting practices, judgments and estimates.
6. Alternative treatments for accounting policies and practices that have been discussed with Administration during the current audit period	Significant accounting practices, judgments and estimates.
7. Matters related to going concern	We concluded that there was no substantial doubt about The City's ability to continue as a going concern.
8. Administration judgments and accounting estimates	Significant Accounting practices, judgments and estimates.
9. Significant difficulties, if any, encountered during the audit	No significant difficulties to report.
10. Material written communications between Administration and us, including Administration representation letters	Administration representation letter.
11. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
12. Modifications to our opinion(s)	We will issue an unmodified opinion following the satisfactory completion of outstanding matters discussed earlier in this report.
13. Our views of significant accounting or auditing matters for which Administration consulted with other accountants and about which we have concerns	Consultation with other accountants.

Required communication	Refer to this report or document described below
14. Illegal or possibly illegal acts that come to our attention	We are not aware of any illegal acts.
15. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	Letter of recommendations to be presented at the June 27, 2019 Audit Committee meeting.
16. Uncorrected misstatements and disclosure items	Refer to appendix 5 for uncorrected misstatements.
	There were no disclosure items to report.

Appendix 3 – Draft version of our auditor's report

Independent Auditor's Report

To His Worship Mayor Naheed Nenshi and Members of City Council, The City of Calgary

Opinion

We have audited the consolidated financial statements of The City of Calgary ("The "City"), which comprise consolidated the statement of financial position as at December 31, 2018, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets 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 City as at December 31, 2018, and the results of its operations, cash flows and changes in net financial assets 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 City 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. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Financial Statement Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do 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, or otherwise appears to be materially misstated.

We obtained the Financial Statement Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Emphasis of Matter

We draw attention to Note 33 to the financial statements which explains that certain comparative information presented for the December 31, 2017 year end has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of City Administration and Those Charged with Governance for the Consolidated Financial Statements

City Administration is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as City Administration 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, City Administration is responsible for assessing The City'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 City Administration either intends to liquidate The City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by City Administration.
- Conclude on the appropriateness of City Administration'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 City'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 City 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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.

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
April 29, 2019

Appendix 4 – Draft independence and fees

April 29, 2019

The Audit Committee and City Council
The City of Calgary

Dear Audit Committee and City Council members:

We have been engaged to audit the consolidated financial statements of The City of Calgary ("The City") for the year ended December 31, 2018.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between The City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 23, 2018, the date of our last letter.

We are not aware of any relationships between the Deloitte Entities and The City and its affiliates, or persons in financial reporting oversight roles at The City and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 24, 2018 to April 29, 2019.

As summarized in the attached exhibit, the total fees charged to The City during the period covered by the financial statements were as follows:

Audit services	\$1,526,416 (2017, \$1,354,309)
Audit related services	\$184,182 (2017, \$273,417)
Non-audit related services	\$122,633 (2017, \$NIL)
Other services	\$580,000 (2017, \$77,150)

We hereby confirm that we are independent with respect to The City in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta as of April 29, 2019.

This letter is intended solely for the information and use of the Audit Committee, City Council of The City of Calgary, Administration and others within The City and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Total fees charged to The City of Calgary For the years ended December 31, 2018 and 2017

	2018*	2017*
	\$	\$
AUDIT SERVICES		
<u>The City of Calgary</u>		
The City of Calgary	395,900**	390,015***
Calhome Properties Ltd.	98,868	81,855
Calgary Police Service	61,632	51,788
Calgary TELUS Convention Centre	51,360	41,623
Calgary Parking Authority	102,720	90,415
Calgary Municipal Land Corporation	76,719	53,928
Calgary Public Library	51,039	41,516
Municipal Employees Benefits Association of Calgary	29,425	28,730
Family & Community Support Services	21,293	20,758
Core Benefit Plan (audit is conducted every four years)	-	16,125
Elected Officials Pension Plan	7,811	7,597
Supplementary Pension Plan	14,873	14,552
Funds Held in Trust	1,926	1,862
	913,566	840,764
<u>ENMAX Corporation</u>		
ENMAX Corporation audit	531,250	432,055
ENMAX Corporation quarterly reviews	81,600	81,490
	612,850	513,545
Total Audit Services	1,526,416	1,354,309
AUDIT RELATED SERVICES		
<u>The City of Calgary</u>		
City of Calgary Municipal Information Return	4,922	4,815
Calhome Properties Ltd. special government reports	19,260	18,725
Calgary TELUS Convention Centre Authority LAPP audit	-	8,817
Calgary Parking Authority PSAS conversion	-	19,260
	24,182	51,617

ENMAX Corporation

ENMAX Corporation Pension Plan audit	17,000	17,550
Audit of the divisional carve out financial statements of ENMAX Transmission and Distribution	113,500	116,750
Comfort letter for private debt replacement	29,500	-
Testing of remediation of SAP general information technology control findings from the year ended December 31, 2016	-	12,500
Testing of taxation matters	-	5,000
IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with clients	-	70,000
	160,000	221,800
Total Audit Related Services	184,182	273,417

NON - AUDIT RELATED SERVICES

Enmax Corporation

Bersen by Deloitte 2018 subscription	51,828	-
Workday segregation of duties	55,805	-
COSO review	15,000	-
	122,633	-
Total Non – Audit Related Services	122,633	-

OTHER SERVICES

The City of Calgary

One Window consulting services	580,000	-
Intranet migration consulting services	-	50,400
Green Line Review	-	26,750
	580,000	77,150
Total Other Services	580,000	77,150
Total Fees For All Services	2,413,231	1,704,876

* Includes 7% administration fee; excludes GST. Enmax's reported fees exclude 7% administration fee and GST.

** Fee includes \$270,000 for the base audit and newspaper insert, plus the following:

\$5,000 - audit of PS 3260 Liability for Contaminated Sites

\$4,500 - review of implementation of Tangible Capital Assets Vehicles

\$5,000 - review of the agreements and accounting implications of P3 agreement – Stoney Transit Facility

\$16,500 - consolidation of CED, CADA and AHCC

\$28,000 - adoption of new accounting standards

\$23,000 - Capital deposits prior period adjustments

\$18,000 - additional related authorities' assessment

*** Fee includes \$265,000 for the base audit and newspaper insert, plus the following:

\$5,000 - audit of PS 3260 Liability for Contaminated Sites

\$17,500 - audit of new processes and policies relating to Tangible Capital Assets

\$5,000 - review of the agreements and accounting implications of P3 agreement – Stoney Transit Facility

\$7,500 - review of the agreements and accounting implications of P3 agreement – Composting Facility Project

\$16,500 - consolidation of CED, CADA and AHCC

\$18,000 - Testing of the implementation and internal controls relating to the TCA Costing Module

\$30,000 - TCA prior period adjustments

Appendix 5 – Draft Administration representation letter

[The City of Calgary letterhead]

April 29, 2019

Deloitte LLP
700, 850 – 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Consolidated financial statements of The City of Calgary for the year ended December 31, 2018

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of The City of Calgary (“The City” or “we” or “us”) for the year ended December 31, 2018, including the comparative financial statements for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the “Financial Statements”) for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, cash flows and changes in net financial assets of The City in accordance with Public Sector Accounting Standards (“PSAS”).

We 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:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the master services agreement between The City and Deloitte dated July 25, 2018 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of The City as at December 31, 2018 and December 31, 2017, and the results of its operations, cash flows and changes in net financial assets for the years then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, Administration makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The City has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of The City. No events have occurred subsequent to December 31, 2018 that require adjustment to the estimates and disclosures included in the Financial Statements.

Administration has changed the method of determining the estimated amounts for the following:

- a. Tangible Capital Asset ("TCA") Vehicles: Administration has revised the estimated useful lives and profiles of this TCA category. This change in estimate has been applied prospectively as described in Note 34 to the Financial Statements.
3. The City has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Administration has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.
4. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected and City Council approval is obtained. The Financial Statements have been internally reviewed and approved in accordance with our year end close process to finalize financial statements.
5. We have completed our review of events after December 31, 2018 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current and comparative prior period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.

12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Administration;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting The City.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For the purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to The City having any substantive employment conversations with a former or current Deloitte engagement team member, The City has held discussions with Deloitte and obtained approval from the Audit Committee.
18. We have ensured that all non-audit services provided to The City have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to The City in accordance with applicable laws, regulations and rules that apply to The City, including the Audit Committee approval requirements.
19. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Other matters

20. The City has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
21. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
22. We have disclosed to you, and The City has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt. One Related Authority was not in compliance with certain borrowing covenants, and as such, all their facilities are due on demand and reported as current liabilities as disclosed in Note 14.

23. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.
24. We have provided to you final versions of the following other information for your review:
- a. Financial Statement Discussion and Analysis

Selection of accounting policies and recording of transactions

25. The accounting policies selected and the application of those policies are appropriate.
26. The City's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2017, except as discussed in paragraph 2.

Administration's responsibilities

27. All transactions and events have been carried out in accordance with law, regulation or other authority.

Employee future obligations

28. We agree with the work of Administration's experts in evaluating the Employee Benefit Obligation and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.
29. Employee future benefit costs, assets, and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances. Actuarial gains and the related expenses are amortized in a systematic and rational manner over the expected average remaining service life of the related employee group.
30. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
31. We have correctly accounted for the multi-employer defined benefit plans (Local Authorities Pension Plan and Special Forces Pension Plan) in which The City is a participating member. As information is not available to determine the City's share of the plans' obligations and assets of these defined benefit plans, they are appropriately reported utilizing the defined contribution method of accounting.

Plans or intentions affecting carrying value/classification of assets and liabilities

32. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.
33. We have performed assessments on our known contaminated sites, including those described in Paragraph 34. Based on our PS 3260, *Liability for Contaminated Sites* ("PS 3260") evaluation, we have identified three sites as contaminated sites. We have recorded a liability because the contamination of the site exceeds the environmental standard. The City is responsible or has accepted responsibility for the remediation and we believe it is expected that remediation will be required. We believe that the estimate of the liability is reasonable and is our best estimate of the amount required to remediate the sites.

34. We have identified several other sites that exceed the environmental standard for which The City is not responsible for remediation or it is unclear if the remediation is the responsibility of The City. One of the sites relates to the known contamination of the West Village site. We do not accept responsibility for the remediation of these sites (or, it is unclear who has responsibility for the remediation of these sites) and as such we have not recorded a liability with respect to remediation.

Furthermore, The City of Calgary has signed a release agreement effective November 15, 1997 (the "Effective Date") between Her Majesty the Queen in Right of the Province of Alberta and The City of Calgary, which indicates the following in paragraph 2.01 of this agreement:

"The Province acknowledges and agrees that the Contamination existing as of the Effective Date was not caused or contributed to by the City. The Province agrees that from and after the Effective Date it shall not initiate any Recovery Action against the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands, or those for whom they are in law responsible for, save and except with respect to any act or omission whether inadvertent, willful, or negligent by the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands or those for whom they are in law responsible for, which in the opinion of the Province has an adverse effect on the Contamination. Subject to any such act or omission whether inadvertent, willful or negligent, the Province releases and forever discharges the City from all Recovery Actions."

35. Administration's risk assessment process for the identification of potential contaminated sites identified a number of higher potential risk sites. In respect to PS 3260, of these sites, 142 higher risk sites have been identified. The City confirms that the liability recorded in the Financial Statements is adequate and not materially misstated.
36. Administration's policy for the treatment and application of the liability of contaminated sites was finalized as at December 31, 2016, and there were no changes to the policy for the year ended December 31, 2018.

Environmental liabilities/contingencies

37. We have considered the effect of environmental matters on The City and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

Solid waste landfill closure and post-closure liability

38. We have disclosed to you all solid waste landfill sites that we own and operate. We have recorded a liability, which represents our best estimate of the future costs required for closure and post-closure care related to these sites, including changes made in 2018 to the model and assumptions.

Work of Administration's experts

39. We agree with the work of Administration's experts in evaluating the environmental liability, liability for contaminated sites and the solid waste landfill closure and post-closure liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Revenue from exchange transactions

40. We have fully disclosed to you all sales terms, including all rights of return or price adjustments.

41. All documentation related to sales transactions is contained in files which are used for accounting purposes. We also confirm that:
- a. We have disclosed to you any “side agreements” with any companies that are inconsistent with the applicable sales agreement, the customer’s purchase order, sales invoice, or any other documentation contained in the files which are used for accounting purposes. For the purposes of this letter, a “side agreement” is any agreement, understanding, promise, or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of The City (or any subsidiary, director, employee, or agent of The City) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of The City delivered to or generated by The City Corporate Finance or Supply Departments. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of The City that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance, or exchange rights would be a side agreement.
 - b. We have disclosed to you any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the files which are used for accounting purposes.

Tax revenues

42. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with CPA Canada Public Sector Accounting Handbook Section PS 1000, *Financial Statement Concepts*, when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3510, *Tax Revenue*, and have not been grossed up for any amount of tax concessions.

Various matters

43. We have reviewed and approved the year-end adjusting entries, including all related supporting schedules and the financial statements, and acknowledge our responsibility for their accuracy. While discharging our responsibility we may have requested your assistance or input in certain areas such as:
- a. Recording of transactions for which we have determined or approved the appropriate account classification; and
 - b. Preparing financial statements.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.

44. We have not entered into transactions with members of Council, senior officials, members of their immediate families or enterprises in which such parties have significant interest, which would require disclosures in the Financial Statements.
45. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or potential deficiencies in, financial reporting requirements.
46. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Losses arising from sale and purchase commitments;
 - b. Agreements to buy back assets previously sold;
 - c. Provisions for future removal and site restoration costs;
 - d. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;

- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
- f. All impaired loans receivable; and
- g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Investments

- 47. The City does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset-backed commercial paper).
- 48. All investments have been appropriately classified as either temporary investments or portfolio investments.
- 49. The City has used the appropriate valuation allowances to reflect the temporary investments at their net recoverable amount or other appropriate value.
- 50. The City believes that it has properly identified all derivative financial instruments and hedging relationships, if any.
- 51. Investments made during the year and held at the balance sheet date have been made in accordance with Section 250 of the Municipal Government Act.
- 52. All City of Calgary government organizations have been appropriately classified as government component, government business organizations, government business-type enterprises, government not-for-profit organizations and other government organizations and have been appropriately recorded based on this classification.
- 53. Administration has performed an assessment of other organizations (Civic Partners and City Partners) with which The City has fiscal relationships and has determined that these organizations are not required to be consolidated with The City.
- 54. With regard to The City's investment in ENMAX Corporation, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the financial statements as described in Note 37.
- 55. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as investments, we believe that:
 - a. The completeness and adequacy of the disclosures related to fair value are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2018 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
 - c. They appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of The City when relevant to the use of fair value measurements or disclosures.

Deficiencies in internal control

- 56. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in The City's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, The City's internal control over financial reporting.

Communicating a threshold amount

- 57. We understand that the threshold used for accumulating misstatements identified during the year was \$3,000,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Segment Disclosures

58. With regard to segment disclosures, we believe the activities grouped as segments, as disclosed, are appropriate to meet the objectives of PS 2700, *Segment Disclosures*.
59. In identifying segments, we have considered the definition of a segment and other factors, including:
- a. The objectives of disclosing financial information by segment;
 - b. The expectations of members of the community and their elected or appointed representatives regarding the key activities and accountabilities of the government;
 - c. The qualitative characteristics of financial reporting as set out in Section PS 1000 and Section PS 1700 - *General Objectives of Financial Statements; Local Governments*;
 - d. The homogenous nature of the activities, service delivery or recipients of the services;
 - e. Whether the activities relate to the achievement of common outcomes or services as reflected in government performance reports and plans;
 - f. Whether discrete financial information is reported or available; and
 - g. The nature of the relationship between the government and The City (within the reporting entity).

Government transfers

60. We have disclosed to you all correspondence relating to government transfers that The City has had with the funding body.
61. We have assessed the eligibility criteria and determined that The City is an eligible recipient for the government transfers received.
62. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.
63. All government transfers that have been recorded as capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.
64. All authorized transfers that have been expensed have been transferred to recipients whom have met the eligibility criteria.

Tangible Capital Assets

65. TCA have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.
66. Contributed TCA have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed TCA have been appropriately disclosed.
67. We have assessed the useful lives of TCA and have determined all TCA contribute to The City's ability to provide goods and services and therefore do not require a write-down. If applicable, we have identified that there are various TCA, which no longer contribute to The City's ability to provide goods and services or have future economic benefits that are below the net book value of the tangible capital asset, and have therefore written down this asset to its residual amount and expensed the charge in the statement of operations.

Capital Deposits, Reserves, Transfers Related to Capital, Accumulated Surplus - Prior period adjustments

68. As discussed in Note 33 of the Financial Statements, during the course of year-end procedures, we identified certain balances relating to Capital Deposits, Reserves, Transfers Related to Capital and Accumulated Surplus that were incorrectly recorded in prior years. We have performed procedures to

assess the impact of these misstatements and have accurately recorded the adjustments in the restated comparative balances for the year ended December 31, 2017. We also confirm that these adjustments are complete.

Tangible Capital Assets - Change in Accounting Policy

69. As discussed in Note 34 of the Financial Statements, The City has changed its estimate on the useful life of vehicles so that assets better reflect actual usage patterns. The change in estimate is being applied prospectively to the current and future periods. The change in estimate has been properly reflected in the Financial Statements in accordance with PS 2120.28, *Accounting changes, Measurement uncertainty*.

Impact of the 2013 flood

70. We have assessed the impact of the 2013 flood on the financial assets of The City and the impairment of TCA as a result of the flood. We have determined that no permanent impairment of TCA exists as a result of the 2013 flood and the year-end financial statements appropriately reflect TCA values. We believe that the completeness and estimates utilized in the determination of the impairment of TCA have been adequately disclosed in the December 31, 2018 year-end financial statements.

Notes, loans and receivables

71. The City is responsible for determining the appropriate carrying amount of loans and accounts receivable, as well as estimates used to determine such amounts. Administration believes that the carrying amounts recorded and disclosed are appropriate.
72. We have identified to you all forgivable loans and have appropriately reflected these amounts including any required allowances in the financial statements. These loans are secured by The City's encumbrance on the title of the related property.

Accumulated Surplus

73. Reserves and surplus accounts are correctly recorded and all transactions comply with the purposes approved according to relevant legislation and City Council authorizations.
74. In accordance with established policy, for all self-supported business units, any levies received in the year are recorded as revenue in the Statement of Operations and are transferred to the Utility Sustainment Reserve at the end of the year. These funds are utilized from the reserve in the future years to pay for debt servicing costs specific to the levy projects.

Revenues and deferred revenues

75. Revenues and deferred revenues are recorded accurately. Specifically:
 - a. Revenues are not overstated and deferred revenues are not understated. These inaccuracies result if financial statements record externally restricted transfers/contributions as revenue before the transferor's/contributor's stipulations are met; and
 - b. Revenues are not understated and deferred revenues are not overstated. These inaccuracies result if financial statements record externally restricted transfers/contributions as deferred revenue, not as revenue, after the transferor's/contributor's stipulations are met.

P3 agreements

76. The City has entered into a P3 agreement, signed on September 13, 2016, to design, build, finance and maintain a compressed natural gas bus storage and transit facility. As at December 31, 2018 year-end, \$142.7M has been recorded as work in progress (TCA) and accounts payable. As at December 31, 2018, The City asserts that the asset and payable relating to this agreement are not materially misstated and the financial statement impact of this P3 are complete.

Related entities

77. The City has completed a review of all related entities and confirms that all entities that should be consolidated into The City's Financial Statements for the year ended December 31, 2018 have been included.

Capital deposits

78. All capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements. Specifically in certain circumstances, The City may receive funds from developers which are not necessarily allocated for a specific project but can be utilized by The City on broader basis for development, but if not spent, are refundable to the developer. Those funds are properly recorded as capital deposits until such time as they are spent, or refunded.

Subsequent events - related authorities

79. We have completed our review of events after December 31, 2018 and up to the date of this letter in relation to Attainable Homes Calgary Corporation, Calgary Economic Development and Calgary Arts and Development Authority. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

Capital deposits

80. The funding sources for all current year expenditures have been analyzed to ensure that they have been accurately applied depending on the restrictions of the specific sources. All financing surpluses/deficits and funding shortfalls have been investigated to ensure they are allowable or have been appropriately replenished with available funding sources and financing has been applied.

Adoption of new accounting standards

81. The City has adopted CPA Canada Public Sector Accounting Handbook Section 3210 *Assets* ("Section PS 3210"), PS 3320 *Contingent Assets* ("PS 3320"), PS 3380 *Contractual Rights* ("PS 3380"), PS 2200 *Related Party Disclosures* ("PS 2200") and PS 3420 *Inter-Entity Transactions* ("PS 3420"), as of January 1, 2018 as discussed in Note 1 – *Significant Accounting Policies*.

Contingent assets

82. The City has identified all contingent assets in accordance with PS 3320 and, when the occurrence of the confirming future event is considered likely, appropriately disclosed these items in the financial statements, as disclosed in Note 27 of the financial statements.

Contractual rights

83. The City has identified and disclosed all contractual rights, as discussed in Note 26 of the financial statements, that will result in both an asset and revenue in the future, once the terms of the contract or agreement are met, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3380, *Contractual Rights*.

Inter-entity transactions

84. The City has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with PS 3420.

85. The City has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in Section PS 3420.14-.22.

86. The City has disclosed all inter-entity transactions in the notes to the Financial Statements whether or not such transactions are recognized in the financial statements, in accordance with PS 2200.

Assets

87. The City has recognized all assets, which do not fall within the scope of other standards, only when the requirements in Section PS 3210 have been met. For those assets which do not meet the recognition criteria in Section PS 3210, the City has appropriately disclosed details of such unrecognized assets in accordance with Section PS 3210 in Note 25.

Attainable Homes Calgary Corporation (“AHCC”)

88. Administration is working with AHCC to assess its ability to continue as a going concern. Note 14 discloses non-compliance with certain borrower covenants, and as such, all credit facilities totalling \$10.4M are due on demand. Inclusive of all recorded obligations, AHCC has net financial assets of \$13.2M and a preliminary review indicates that an immaterial amount may be at risk in order to return to short-term sustainable operations. AHCC is not material to the City from a financial or operational perspective. The City is a participant with AHCC in initial discussions with the lender regarding their near and medium-term liquidity issues. AHCC’s ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain funding to meet current and future obligations. Specific plans for further action are in development, and the Financial Statement disclosures take into account all available information about the future, which is at least, but is not limited to, twelve months from the statement of financial position date.

Yours truly,

The City of Calgary

Glenda Cole, City Manager

Carla Male, Acting Chief Financial Officer

Thao Nguyen, Acting City Treasurer

Greg Wiebe, Finance Manager Corporate Financial Reporting

Appendix A The City of Calgary

Summary of uncorrected financial statement misstatements Year ended December 31, 2018

Summary of uncorrected misstatements – December 31, 2018 year-end as identified by Administration

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Various unrecorded liabilities in relation to general accounts payable, legal and benefits obligations along with unrecorded assets	1,211	(9,066)	-	7,855
Certain 2017 TCA balances were corrected in 2018. This results in an uncorrected error for both fiscals 2017 and 2018, however, ending 2018 balance is correct.	4,363	-	(4,363)	-
Total	5,574	(9,066)	(4,363)	7,855

Summary of uncorrected misstatements – December 31, 2017 year-end as identified by Administration

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Certain 2017 TCA balances were corrected in 2018. This results in an uncorrected error for both fiscals 2017 and 2018, however, ending 2018 balance is correct.	(4,363)	-	4,363	-

Summary of corrected misstatements – December 31, 2017 year-end as identified by Administration

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus (opening) DR (CR)	Income DR (CR)
Total restatement of 2017 balances	-	114,216	(78,331)	(35,885)

Certain matters of Appendix A to be presented in-camera

Appendix B

The City of Calgary

Summary of disclosure items passed
Year ended December 31, 2018

None identified.

Appendix 6 – Related authorities

For the purposes of the consolidated audit, we have completed our audit procedures on the following related authorities or other significant assurance engagements:

Entity	Reporting Entity Relationship	Entity Audit Committee Meeting Date
Calgary Parking Authority*	Calgary Parking Authority Audit Committee	March 26, 2019
Calgary TELUS Convention* Centre	CALGARY TELUS Convention Centre Audit and Finance Committee	April 24, 2019
Calhome Properties Ltd.*	Calhome Properties Ltd. Audit and Risk Management Committee	March 13, 2019
Calgary Municipal Land Corporation*	Calgary Municipal Land Corporation Audit Committee	April 18, 2019
Calgary Public Library*	Calgary Public Library Audit and Finance Committee	March 19, 2019
Calgary Police Service (business unit of The City. An audit opinion on the carve out of the financial statements is issued)	Calgary Police Commission and Finance and Audit Committee	May 15, 2019**
ENMAX Corporation*	ENMAX Audit Committee	March 13, 2019
Elected Officials Pension Plan	Pension Governance Committee	June 6, 2019
Supplementary Pension Plan	Pension Governance Committee	June 6, 2019
Municipal Employees Benefits Association of Calgary	Municipal Employees Benefits Association of Calgary - Finance and Investment Committee	May 15, 2019
Attainable Homes Calgary Corporation Calgary Calgary Economic Development Ltd. Calgary Arts Development Authority	The overall financial results for each of these entities are not significant in relation to The City's consolidated financial statements and therefore, only specified procedures on material account balances were applied for the 2018 audit	Not applicable

*Audit opinion issued on the standalone financial statements. Entity is consolidated with The City.

**Audit fieldwork has been completed prior to issuance of The City's consolidated financial statements.

Related Authority	Materiality	Areas of audit risk and audit results
Calgary Parking Authority	Materiality levels were determined on the basis of total revenues. Final materiality for the year ended December 31, 2018 was \$2,500,000 (2017, \$2,500,000).	<p>The following areas of significant audit risk were noted relating to Calgary Parking Authority:</p> <ul style="list-style-type: none"> • Revenue recognition – ParkPlus and Parking Control Revenue • Valuation of long term investments – relating to the Parking Structure Replacement Reserve and Cash-in-Lieu Deposits • Management override of controls • Adoption of new PSAS accounting standards <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated April 12, 2019.</p>
Calgary TELUS Convention Centre	Materiality levels were determined on the basis of a percentage of revenue. Final materiality for the year ended December 31, 2018 was \$800,000 (2017, \$700,000).	<p>The following area of significant audit risk was noted relating to the Calgary TELUS Convention Centre:</p> <ul style="list-style-type: none"> • Management override of controls • Adoption of new PSAS accounting standards <p>Audit fieldwork has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
Calhome Properties Ltd.	Materiality levels were determined on the basis of total actual operating expenditures. Final materiality for the year ended December 31, 2018 was \$3,000,000 (2017, \$2,550,000).	<p>The following areas of significant audit risk were noted relating to Calhome:</p> <ul style="list-style-type: none"> • Revenue recognition • Management override of controls • New accounting standards <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 21, 2019.</p>
Calgary Municipal Land Corporation	Materiality levels were determined on the basis of total assets. Final materiality for the year ended December 31, 2018 was \$9,400,000 (2017, \$16,500,000).	<p>The following area of significant audit risk were noted relating to the Calgary Municipal Land Corporation:</p> <ul style="list-style-type: none"> • Management override of controls • Completeness of work in progress related to new Central Library assets and accounting of transfer of the asset to the City • Adoption of new PSAS accounting standards <p>Audit fieldwork has been completed and financial statements have been approved by the Board of Directors. We expect to issue an unmodified opinion dated April 18, 2019.</p>
Calgary Public Library	Materiality levels were determined on the basis of total revenues. Final materiality for the year ended December 31, 2018 was \$2,000,000 (2017, \$1,700,000).	<p>The following area of significant audit risk was noted relating to the Calgary Public Library:</p> <ul style="list-style-type: none"> • Management override of controls • Adoption of new PSAS accounting standards <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 27, 2019.</p>

Calgary Police Service	Materiality levels were determined on the basis of a percentage of actual operating expenses. Final materiality for the year ended December 31, 2018 was \$7,600,000 (2017, \$7,400,000).	<p>The following areas of significant audit risk were noted relating to the Calgary Police Service:</p> <ul style="list-style-type: none"> • Revenue recognition • Management override of controls • Adoption of new PSAS accounting standards <p>Audit fieldwork has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
ENMAX Corporation	Materiality levels were determined on the basis of consolidated normalized earnings before interest, income tax, depreciation and amortization. Final materiality for the year ended December 31, 2018 was \$21,000,000 (2017, \$19,000,000).	<p>The following areas of significant audit risk were noted relating to ENMAX Corporation:</p> <ul style="list-style-type: none"> • Revenue recognition - residential, commercial and industrial power and natural gas sales • Management override of controls • Impairment of natural gas generating assets • Derivative instruments and related hedging activities • Provision for tax uncertainties associated with the Payments in Lieu of Taxes ("PILOT") <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 14, 2019.</p>

Planning Application Review and Approval Process Audit

EXECUTIVE SUMMARY

The City Auditor's Office issued the Planning Application Review and Approval Process Audit Report to Administration on April 16, 2019. The audit focused on assessment of risk mitigation controls within the planning application review and approval process that support achievement of quality, fair and timely decisions. Overall, controls related to established application review and approval processes were operating as designed, although opportunities to improve consistency and intentionality of decision making and risk management were recommended. We reviewed new processes recently implemented and identified further design enhancements required to achieve the intended operational objectives. Planning and Development (PD) management agreed to six of the seven recommendations with commitment to implement action plans no later than December 31, 2019. Our recommendation to revise development permit timelines for minor complexity applications was not accepted based on DP's evaluation of resource/risk prioritization. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2017/2018 Annual Audit Plan was approved on November 10, 2016. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2017/2018 Annual Audit Plan.

The Planning and Development (PD) department manages the creation and redevelopment of safe and sustainable communities that are aligned to Council priorities and strategic direction provided in The City of Calgary's Municipal Development Plan and the Calgary Transportation Plan. PD is responsible for policy development and growth management that support development realization, which includes review and approval of planning applications. The Calgary Approvals Coordination (Calgary Approvals) and Community Planning business units within PD, alongside a cross-departmental team of specialists and generalists, collectively provide planning application review and approval services with the objective of providing customers with a quality and fair decision in a timely manner.

To support this objective, PD recently implemented new processes to enhance the efficiency and effectiveness of application review and approval processes and communication with applicants. These include assignment of Customized Timelines (CTL) to adjust the approval timeframe based on the complexity of the application and the applicant's unique timeline

Planning Application Review and Approval Process Audit

requirements; a streamlined Initial Team Review (ITR) process that includes acknowledgements to applicants for complete and incomplete applications; and implementation of an applicant survey tool to collect feedback regarding the application review and approval process.

The objective of the audit was to provide assurance that Calgary Approvals and Community Planning have effective risk mitigation controls within the planning application review and approval process to support achievement of quality, fair, and timely decisions.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Overall, controls related to established application review and approval processes were operating as designed to support delivery of quality and fair decisions in a timely manner. Performance monitoring of the planning application review and approval process is coordinated by The Development Facilitation Oversight Committee (The Committee) whose responsibilities include review and follow-up on monthly service metrics, performance trending and forecasting. Although these activities occur, consistency and intentionality of decision making, and risk management can be improved through definition and establishment of risk tolerance and level of acceptable risk in The Committee's Terms of Reference. We recommended additional refinements to service metrics, and applicant complaint tracking and escalation.

We determined the new processes recently implemented had a positive effect on process timelines and transparency, and encouraged PD to continue the design maturity through implementation of the following enhancements:

- Retention of applicant engagement and agreement evidence, the rationale for the CTL, and review and update POSSE system access and user authority to assign CTL on a periodic basis.
- POSSE Workflow that ensures ITR acknowledgements are generated and distributed to development permit applicants to support fairness and compliance with the Municipal Government Act.
- Process to analyze and respond to applicant survey feedback, including incorporating lessons learned, to mitigate the risk of unfair treatment and reduced customer satisfaction.

Stakeholder Engagement, Research and Communication

This audit was conducted with Calgary Approvals and Community Planning business units acting as the principal audit contacts within Administration.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

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**Financial Capacity
Current and Future Operating Budget**
N/A

Current and Future Capital Budget
N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. This audit was undertaken as part of the approved City Auditor's Office 2017/2018 Annual Audit Plan since effective review and approval services are critical to development realization, which supports retention and attraction of private investment in The City.

REASON FOR RECOMMENDATIONS

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information".

ATTACHMENT

Planning Application Review and Approval Process Audit- AC2019-0466 ATT



Calgary

City Auditor's Office

Planning Application Review and Approval Process Audit

April 16, 2019

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The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Executive Summary

The Planning and Development (PD) department manages the creation and redevelopment of safe and sustainable communities that are aligned to Council priorities and strategic direction provided in The City of Calgary's (The City's) Municipal Development Plan and the Calgary Transportation Plan. PD is responsible for policy development and growth management that support development realization, which includes review and approval of planning applications. The Calgary Approvals Coordination (Calgary Approvals) and Community Planning business units within PD, alongside a cross-departmental team of specialists and generalists, collectively provide planning application review and approval services with the objective of providing customers with a quality and fair decision in a timely manner.

To support this objective, PD recently implemented new processes to enhance the efficiency and effectiveness of application review and approval processes and communication with applicants. These include assignment of Customized Timelines (CTL) to adjust the approval timeframe based on the complexity of the application and the applicant's unique timeline requirements; a streamlined Initial Team Review (ITR) process that includes acknowledgements to applicants for complete and incomplete applications; and implementation of an applicant survey tool to collect feedback regarding the application review and approval process.

We conducted this audit since effective review and approval services are critical to development realization, which supports retention and attraction of private investment in The City. The objective of the audit was to provide assurance that Calgary Approvals and Community Planning have effective risk mitigation controls in their review and approval process to support achievement of quality, fair and timely decisions.

Overall, controls related to established application review and approval processes were operating as designed to support delivery of quality and fair decisions in a timely manner. We recommended refinements to improve performance monitoring processes and feedback mechanisms. We reviewed new processes recently implemented and identified further design enhancements required to achieve the intended operational objectives. In total we raised seven recommendations to support a fair and timely process.

Performance monitoring is coordinated by The Development Facilitation Oversight Committee (The Committee) whose responsibilities include review and follow-up on monthly service metrics, performance trending and forecasting. Although these activities occur, consistency and intentionality of decision making, and risk management can be improved through definition and establishment of risk tolerance and level of acceptable risk in The Committee's Terms of Reference. We recommended additional refinements to service metrics, and applicant complaint tracking and escalation.

We determined the new processes recently implemented had a positive effect on process timelines and transparency, and encouraged PD to continue the design maturity through implementation of the following enhancements:

- To ensure appropriate use of the CTL process and equitable treatment for applicants, Calgary Approvals should retain evidence of applicant engagement and agreement, and the rationale for the CTL, and review and update POSSE system access and user authority to assign CTL on a periodic basis.

- Implementation of a POSSE Workflow that ensures ITR acknowledgements are generated and distributed to development permit applicants to support fairness and compliance with the Municipal Government Act¹.
- Development and implementation of a process to analyze and respond to applicant survey feedback, including incorporating lessons learned, to mitigate the risk of unfair treatment and reduced customer satisfaction.

PD management agreed to the majority (6 of 7) of recommendations raised and have committed to implementation of action plans no later than December 31, 2019. Our recommendation to revise development permit timelines for minor complexity applications was not accepted based on evaluation of resource/risk prioritization. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up process.

¹ The Municipal Government Act requires that the Development Authority determine whether a development permit application is complete or incomplete and issue an acknowledgement to the applicant within 20 calendar days of application receipt.

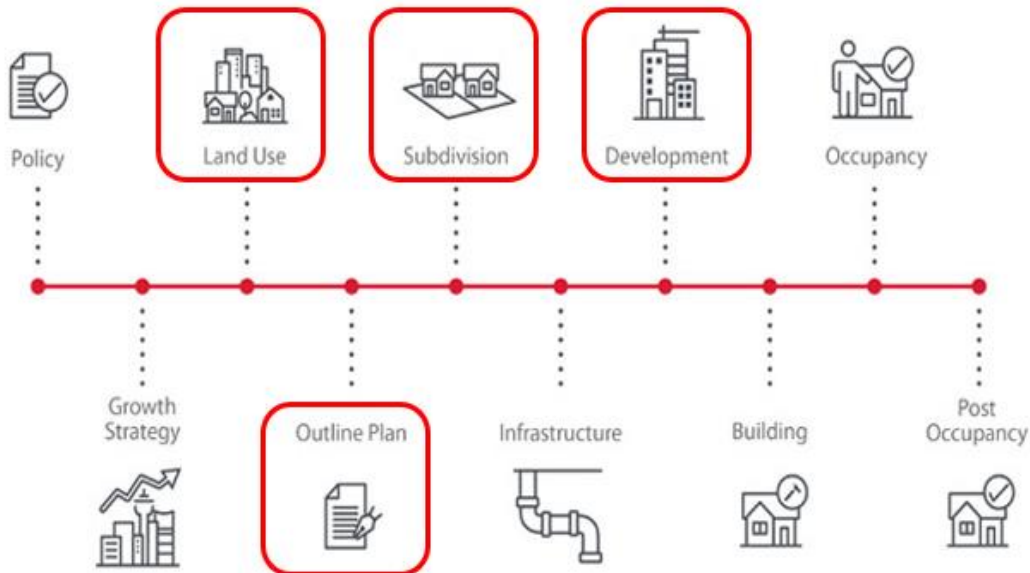
1.0 Background

The Planning & Development (PD) department realizes The City of Calgary's (The City's) vision for a great city by managing the creation and redevelopment of safe and sustainable communities. PD's mandate is to develop land use policies and services to advance land use and development, population growth management, and regional planning. The Municipal Development Plan (MDP) and the Calgary Transportation Plan (CTP) provide strategic direction for all urban planning decisions to achieve the long-term vision of sustainable growth and to realize Council's priorities.

Policy development and growth management set the stage for the approvals continuum (Diagram 1), which is the land development process from end to end from policy and strategy development, to planning application and building permit review and approval, through to occupancy and post occupancy. A key objective across this approval continuum is to review planning applications to provide customers with a quality decision in a timely manner, which supports development realization and the ability to retain and attract private investment. In early 2017, PD started a Continuous Process Improvement Project² (CPI Project) to address concerns across the approval continuum.

The audit focused on application review and approval processes within the approval continuum highlighted with red borders in Diagram 1 below.

Diagram 1:



² The CPI Project's objectives are to address concerns across the approval process to ensure that the approval process is simplified and efficient. The CPI Project had several ongoing projects in 2017 focused on the approval process including an Initial Team Review project to revise acknowledgements of complete applications and to provide applicants with more information.

The following two business units within PD work collaboratively to provide development application review and approval services:

- **Calgary Approvals Coordination (Calgary Approvals)**
Oversees the approval process and delivery of land development, from land use re-designation to occupancy, by supporting and coordinating staff from across The City to facilitate high quality and timely approval decisions. Calgary Approvals is the process owner for the Corporate Planning Application Group (CPAG), which conducts multi-disciplinary reviews of complex planning applications³.
- **Community Planning**
Leads local area policy development, application review and approval to achieve the corporate goals outlined in the MDP and CTP. Planning applications include Land Use Amendments, Outline Plans, Subdivision Plans, and Development Permits (DPs). As a key member of CPAG, Community Planning coordinates input from three core CPAG partners, the Transportation department, the Parks business unit, and the Development Engineering division, within the Water Resources business unit.

³ Applications that generally require circulation to external agencies and community associations, input from CPAG, and public notification (Stream 4).

2.0 Audit Objectives, Scope and Approach

2.1 Audit Objective

The objective of the audit was to provide assurance that Calgary Approvals and Community Planning have effective controls and risk mitigation processes to deliver applicants quality, fair, and timely decisions that support development realization.

The objective was achieved by assessing the design and effectiveness of processes/controls in place to mitigate the risks identified in Appendix A.

2.2 Audit Scope

The scope of this audit examined complex planning application (Land Use Amendments, Outline Plans, Subdivisions by Tentative Plan, and DPs) review and decision activity completed or in progress from November 1, 2017 to October 31, 2018 and analysis of performance trends from January 1, 2017 to October 31, 2018.

The circulation process included in Step 3 of the review and approval process was not included in testing since the focus of our audit was on direct interaction with applicants.

2.3 Audit Approach

Our audit included the following:

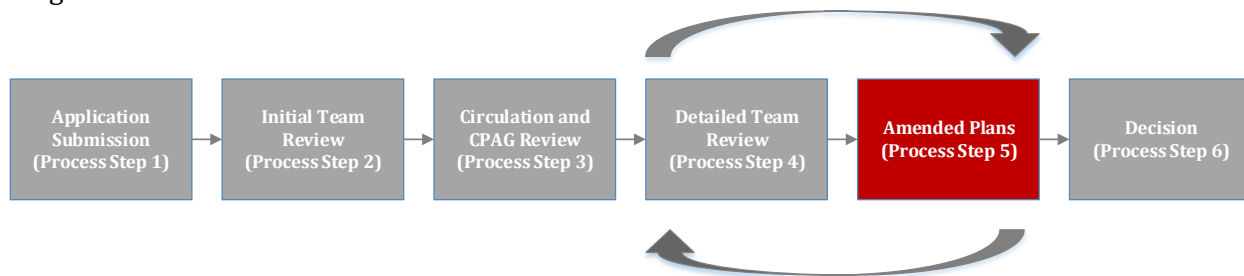
- Interviews with Calgary Approvals and Community Planning management and staff (these four groups now referenced as Staff);
- Review and analysis of development application files and data;
- Review of relevant documentation; and
- Survey and/or interviews with Council members to capture feedback they may have received from applicants.

3.0 Results

We obtained application data from PD's database for the audit period November 1, 2017 to October 31, 2018 to select sample applications for testing. We obtained data for the period January 1, 2017 to October 31, 2018 to perform data analysis. The data was validated, within acceptable tolerance ranges (less than 2%) by comparing the volume of planning applications to POSSE records. We continued to validate PD data details to POSSE throughout testing and did not observe any major discrepancies. We also conducted a Councillor survey to gain a better understanding of applicant concerns received through the Councillor's Offices. However, due to the limited responses received, we could only conclude that Councillor's Offices receive complaints from time to time from land development applicants.

Complex planning application review and approval basically follows the same process steps for all application types as noted in Diagram 2 below.

Diagram 2:



We assessed effectiveness of the controls related to the application review and approval process (Steps 1-6 in Diagram 2), and related performance monitoring and feedback mechanisms. Overall, we determined controls within established review and approval processes are effective to support the service's business objective of delivering quality, fair and timely decisions. Performance monitoring controls require enhancement to support intentional decision making by the Development Facilitation Oversight Committee (The Committee), effective communication of performance targets to staff and applicants for Minor DP applications, and timely resolution of applicant complaints (Recommendations 1, 6 and 7).

We reviewed three new processes implemented in the last two years to enhance collaboration and communication with customers, and review process timeliness and quality:

- Streamlined Initial Team Review (ITR) process;
- Customized timelines for applications that require more time or need to be completed on an accelerated timeline; and
- Customer survey tool.

We determined controls related to these processes require enhancement and raised four recommendations (Recommendations 2, 3, 4 and 5) to improve process design and achieve the intended objective of the new processes.

3.1 Application Complexity and Priority-Process Step 1

We reviewed processes to assign application complexity and designate priority applications and determined they are designed effectively.

Stream 4 Complexity

Complex planning applications are assigned to Stream 4 and a complexity of "Minor", "Medium" or "Major" to support PD staff resourcing. The Complexity Matrix (Matrix) provides a framework to classify Stream 4 applications. Although there is formal guidance for complexity assignment, PD staff interviewed indicated that Approval Coordinators and their teams assign complexity based on professional judgment, industry knowledge and previous experience. During the audit Closing Meeting with Community Planning and Calgary Approvals management, we shared an opportunity to communicate the Matrix to Staff to support consistent complexity assignment.

Stream 4 Priority Designation

CPAG may designate an application as Priority if one or both of the following criteria are present:

1. Safety of Citizens – where there is an immediate need for a development to address an issue of safety; and/or
2. Public Benefit – where the application proposes a new hospital, school, library, recreational use or project to achieve a greater good for the citizens of Calgary that The City should support.

Priority designation ensures the application is being processed with the full support of PD's management and staff and is being completed in an expedient manner. PD's expectation is that Staff adjust workloads to make the file a priority above all other files and work. We tested all eight Priority applications in our audit period and confirmed designation was consistent with the outlined criteria.

3.2 Application Review - Process Steps 2-6

CPAG is responsible for the review of Stream 4 planning applications. We reviewed DP application⁴ data for the audit period and confirmed the following:

- The stages tracked in POSSE include the main stages of the process with a start and end date (application created, submission complete, ITR, Detailed Team Review (DTR), amended plans and decisions);
- Levels of complexity are tracked separately (Major, Medium, Minor), and the two levels of Stream 4 files (4a and 4b);
- Customized timelines are tracked;
- Time not working on files is tracked (on hold⁵);
- Applicant time is tracked; and
- Delays transitioning from one stage to another are tracked.

We reviewed DP data for the audit period and identified 101 applications that reached a decision in 30 days or less. The data was analyzed further for indications of potential

⁴ We performed detailed analysis on DP applications since they represented the majority of applications in the audit period under review.

⁵ Files are on hold when Staff are waiting for a response from applicants.

preferential treatment. We observed a mixture of applicant and file managers and did not note a concentration of any applicant or any file manager to suggest preferential treatment. The results of our application review, which included testing of a sample of applications, supports assurance that applicants were treated fairly and equitably.

Initial Team Review (Step 2)

CPAG conducts an ITR of Stream 4 applications to determine application completeness. Staff are expected to provide ITR acknowledgment to applicants including application status, file manager and CPAG contact information, expected date of the next milestone, major issues identified, and requirements that must be met where an application is incomplete.

A streamlined ITR process was implemented for Stream 4 Land Use and Outline Plan applications in July 2017, and DP applications in August 2017, to enhance communication with applicants.

We tested a sample of Land Use Amendments and Outline Plan applications and determined that the ITR document was provided for all sample applications by using an automatic ITR POSSE Workflow. We also reviewed a sample of DP applications and related POSSE information to determine whether acknowledgments (ITR Proceed for complete and ITR Hold for incomplete applications) were provided to applicants. Our testing indicated the ITR Hold was generated and provided to applicants for applications which were deemed incomplete after the ITR meeting.

However, based on testing, the ITR Proceed was not issued for complete DP applications since the POSSE Workflow was not aligned with operational expectations. To ensure acknowledgements are issued for complete applications and compliance with Municipal Government Act (MGA) requirements, we recommended that Calgary Approvals establish a POSSE Workflow and reinforce the requirement for formal acknowledgement with staff (Recommendation 4).

CPAG Review, Detailed Team Review, Amended Plans, Decision (Steps 3-6)

Once an application is accepted as complete, CPAG members review the application and provide their comments and conditions in the DTR template. The draft DTR document is reviewed by CPAG members in a DTR meeting. All CPAG members involved in the review must agree that the DTR document is complete and conditions are consistent before it can be distributed to the applicant. A CPAG Escalation Model is in place to provide guidance on the process to escalate concerns that cannot be resolved by CPAG. Although the CPAG Escalation Model is designed effectively, we did not test the operational effectiveness.

Testing of Steps 3-6 of the process focused on the DTR documents as these provide key information to applicants. Consistent communication supports fairness and quality. We tested a sample of DPs, and Land Use Amendments and Outline Plan applications and related POSSE information. We determined that the DTR documents were generated with appropriate information such as Prior to Calgary Planning Commission/Prior to Decision conditions and provided to applicants in alignment with the POSSE Workflow.

We also reviewed a sample of DTR documents and determined that the CPAG generalist and specialists involved in the review provided a response that was incorporated in the DTR.

Where conditions were identified, applicants responded (i.e. amended plans) before a decision recommendation was made by CPAG. Based on testing, controls that support decision quality were operating effectively.

Customized Timelines

In 2017, PD created the CTL Protocol to recognize that some complex Stream 4 applications may take longer to reach a decision than the standard 120-day timeline. Applications that require more time to complete parts of the application process may be assigned a CTL. The intent of the CTL is to provide optimal customer service to applicants who are experiencing challenges with meeting time commitments in the application process.

Based on testing of a sample of five Stream 4 DP applications with a CTL and a review of users authorized to create a CTL we noted that enhancements are required to the new CTL process to ensure that CTL are used appropriately. We recommended that the CTL Protocol be updated to require evidence of communication with the applicant and agreement to the CTL, along with the rationale for the CTL (Recommendation 2). We also recommended that management review and update POSSE system access and user authorities on a regular basis and restrict access to PD staff with the responsibility to create and adjust CTL. (Recommendation 3).

3.3 Performance Monitoring

We examined the effectiveness of performance monitoring at three levels: performance targets, tracking and monitoring, and The Committee. Monthly metric reports of planning applications data are prepared by the Approvals Coordinator and circulated to management and The Committee for review. We reviewed the October 2018 monthly metric report by recalculating several key metrics for DP applications. The data from the POSSE database supported the key metrics reported in the October 2018 report and the results of our recalculations and review.

Performance Targets

Current application performance targets (Table 1) were determined based on historical trends, actual experience, resource analysis and discussion with industry participants.

Table 1:

Application Type	Number of Applications Received in 2018	Target Timeline in Calendar Days
Land Use Amendments	248	180
Outline Plans	31	180
Subdivision by Tentative Plan	311	60
Development Permits-Stream 4	734	120

We compiled and analyzed monthly metric report data, from January 1, 2017 to October 31, 2018, to identify trends that could be an indication that targets are not reasonable. For trends

identified, we followed up with management to ensure trends were being monitored and escalated. We noted 20% of CPAG specialists⁶ did not meet target timelines 80% of the time. Management indicated that the trend was discussed at CPAG meetings and at The Committee meetings and was being monitored. We also reviewed DP applications received in the audit period and compiled performance results in Table 2.

Table 2:

Development Permit Applications	Decisions in 120 Days or Less	Decisions in 30 Days or Less (All)	Decisions in 30 Days or Less (Minor)
488	407 (83%)	101 (21%)	81 (80%)

Currently all DPs have a target completion of 120 days and complexity is not considered in determining targets. We noted the majority of applications completed in 30 days or less were classified as Minor. Since complexity classification supports resource allocation, we recommended that management review performance targets for Minor complexity applications to ensure that timelines provided to applicants are meaningful and set appropriate expectations. Timelines should also support effective Staff resourcing (Recommendation 7).

Tracking and Monitoring Application Status

Planning application performance against established targets is tracked and monitored on a regular basis. Staff indicated tracking and monitoring of application status and performance against established targets is done through weekly reports (i.e. Key DP Milestones; Land Use and Outline Plan to Do List) and the CPAG Milestones Dashboard. Community Planning Coordinators review weekly reports and follow-up with Staff informally. Any persistent trend/concern regarding application review timeliness is discussed in CPAG Coordinator weekly meetings.

We tested six weekly DP reports and six weekly Land Use and Outline Plan to Do Lists and confirmed that reports were generated throughout the audit period, and applications were tracked and monitored.

Development Facilitation Oversight Committee

The Committee provides coordination and oversight of PD development work and processes, including review and follow-up on monthly service metrics, performance trending and forecasting. The Committee's Terms of Reference broadly outline The Committee's role with respect to monitoring performance, escalation and follow-up.

We reviewed The Committee's Meeting Minutes for the audit period under review and validated issues discussed, assignment of responsibility for resolution, and outstanding issues tracked were in accordance with the Terms of Reference. In addition, we reviewed action matrices and confirmed The Committee tracked and monitored performance.

⁶ Within the four areas that participate in CPAG application reviews, there are 44 specialists that may be assigned a role in an application review.

Our review of Meeting Minutes confirmed The Committee monitored the specialist performance trend noted above, and The Committee determined no action was required. The Committee's Terms of Reference can be enhanced by including a definition of risk tolerance and level of acceptable risk to guide action and/or escalation required when performance concerns are identified, which will support intentional decision making and effective risk management (Recommendation 1).

3.4 Feedback Mechanisms

Survey Feedback

Calgary Approvals developed and launched a survey tool in March 2018 to collect applicant feedback once a Stream 4 application has reached a decision. The informal survey objectives were to collect applicant feedback regarding various milestones of the approval process, and to assess the effectiveness of the CPI Project.

Our review of a sample of completed surveys confirmed that the survey tool was designed effectively to achieve the informal survey objectives. We observed that applicants provided responses and additional comments regarding overall applicant service, application review timeliness and CPAG performance. However, we were unable to test operating effectiveness of the survey process since PD has not implemented a formal process to address specific concerns collected through the survey and survey results are not formally analyzed to identify lessons learned and/or process improvements. Formally defining survey objectives and developing and implementing a formal process to analyze and respond to survey feedback (Recommendation 5) supports customer satisfaction and continued participation in future surveys and ensures process improvements are identified.

Applicant Complaints

In addition to reaching out to file managers, applicants can communicate application concerns to CPAG members, Calgary Approvals staff and management, PD Directors, and the General Manager's Office. We were not able to assess timeliness of complaint resolution, since there is no formal process to track, monitor, escalate and resolve complaints and no process to review and analyze complaints received to identify lessons learned or process improvement opportunities. To ensure timely resolution and consistent treatment of complaints we recommended the development of an applicant complaint process (Recommendation 6).

We would like to thank staff from Calgary Approvals and Community Planning for their assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 Risk Tolerance to Guide Decision Making

The Committee Terms of Reference broadly outline The Committee's role with respect to monitoring performance, escalation and follow-up. However, there is no definition of risk tolerance that guides decision making. A clear definition of acceptable level of risk with respect to action and/or escalation required when performance concerns are identified, ensures that The Committee demonstrates intentional decision making and reduces the risk that concerns are not addressed appropriately.

We compiled and reviewed 22 months of monthly metric report data, from January 2017 to October 2018, and noted 20% of CPAG specialists did not meet target milestones 80% of the time. We reviewed The Committee Meeting Minutes to confirm that this concern was identified and discussed. The June 13, 2018 Minutes included documentation of a concern with late responses from specialists and acknowledged "Multi-disciplinary targets often suffer from CPAG specialists not meeting their timeline targets".

Staff advised that no specific action was being taken regarding this concern since there was no significant impact on the achievement of overall targets. The Committee is aware of the performance variance and it is monitored, however, definition of the risk level acceptable to the Committee would assist in demonstrating intentional decision making and effective risk management.

Recommendation 1

The Managing Director Calgary Approvals ensure The Committee:

- Define The Committee's risk tolerance and level of acceptable risk to guide action and/or escalation required when performance concerns are identified; and
- Update the Terms of Reference accordingly.

Management Response

Agreed.

Action Plan	Responsibility
<p>There is an informal and undefined hierarchy of performance metrics and associated risk tolerance. We will clarify that hierarchy in the terms of reference for the Development Approvals Service Committee (formerly named the Development Oversight Committee).</p> <p>The Committee concerns itself first and foremost with key result areas that impact our customers (e.g. application approval timelines) and our commitments to Council. The example cited in the audit around specialist review timeline is a contributing milestone and is used to identify root causes of performance issues for the key result areas. If the key result area is performing well, as it was in the example, effort on correcting dependent milestones is likely better spent elsewhere.</p> <p>In addition to the above, the Planning and Development department adheres to the integrated risk management approach. Timeline delays are currently on the corporate risk registry as a risk that is actively managed.</p>	<p><u>Lead</u>: Managing Director, Calgary Approvals</p> <p><u>Support</u>: Development Approvals Service Committee</p> <p><u>Commitment Date</u>: June 29, 2019</p>

4.2 Documentation of Applicant Agreement for Customized Timelines

CTL can be created and extended, without documentation of justification or applicant agreement. Applicant agreement and the rationale for the use of a CTL should be documented to ensure the CTL has been utilized appropriately. Documenting the agreement and rationale for CTL allows for review and follow-up on applications to ensure that applicants receive equitable treatment.

The CTL Standard Protocol for Stream 4 applications indicates CTL should not be used when the applicant has not been engaged or has not agreed to the updated timeline, or to adjust review time commitments to bring an application out of overdue status. To request a Customized Timeline for an application, the file manager must contact the Approvals Coordinator with the file number, rationale, and CTL template.

We reviewed a sample of five Stream 4 DP applications completed with CTL. Three of five applications did not have supporting documentation to confirm the applicant agreed to the CTL. The documentation was either not attached to the application file or could not be located when requested. One of the three DPs was given a second CTL after the first CTL deadline passed. We could not determine if the applicant agreed to a deadline extension, or if the second CTL was created to prevent the application from being overdue.

CTL discussions with the applicant are informal and are usually conducted via email. Documentation of the request and applicant agreement to a CTL is in employees' emails, which are not attached to the application record in POSSE. Furthermore, if an employee leaves The City, the Approval Coordinators cannot access the email record of the request or communication between the applicant and the departed employee. We also noted that the comments fields in the POSSE records are not consistently used to document file activity, decision rationale or details of communication with the applicant.

The CTL approval process is treated informally, and the documentation of applicant agreement is not required which could result in inappropriate use. In addition, documenting applicant agreement supports application cancellation where the applicant doesn't respond within agreed timelines.

Recommendation 2

The Managing Director Calgary Approvals, update the CTL Standard Protocol for the Stream 4 application process to require evidence of applicant agreement and the rationale for the CTL.

Management Response

Agreed.

Action Plan	Responsibility
Maintaining the integrity of the customized timelines is critical to ensuring that our metrics are accurate and that there is no perception of impropriety from our customers.	<u>Lead:</u> Managing Director, Calgary Approvals
Approvals Coordinators will now ensure that the supporting documentation, including customer agreement, has been placed in the POSSE document repository when entering new CTL. In instances where the CTL is being updated the Approvals Coordinator will ensure there is a reason inserted at the time of change and that the supporting documentation is included. Communication to file managers will reinforce this requirement.	<u>Support:</u> Community Planning <u>Commitment Date:</u> Now complete. March 5, 2019

4.3 User Authority to Assign Customized Timelines

Calgary Approvals is not regularly monitoring POSSE user authority to assign a CTL to an application to ensure access aligns with PD staff roles and responsibilities. Only PD staff with the authority to assign a CTL should have POSSE access to ensure CTL are assigned appropriately. Fair treatment for all applicants, could be impacted if POSSE users, other than Approvals Coordinators, have the authority to create and adjust CTL.

As noted above, the CTL Standard Protocol for Stream 4 applications requires applicant agreement or request to utilize a CTL. Once agreement is obtained, the file manager must

contact the Approvals Coordinator to request a CTL. The Approval Coordinator assigns a CTL to the application in POSSE. The authority to create and adjust CTL in POSSE should reside with the Approvals Coordinators. Once a CTL is set, the performance metrics are based on the custom timeline.

We observed 17 POSSE users have system authorization to create CTL. Six have the role of Approvals Coordinator and one Applications Service Manager. The remaining ten users have various roles, including different areas within PD and departments, such as Water Resources. Discussion with Calgary Approvals management confirmed two of those ten employees are former Approval Coordinators and had left the role in the latter half of 2018. Management agreed only Approval Coordinators should have system authorization. During the audit we noted that Calgary Approvals proposed that Technical Planning staff reviewing Stream 3 applications would also use CTL. A review and update of POSSE user access and authority should include all areas that will be using CTL.

Recommendation 3

The Managing Director Calgary Approvals, review and update POSSE system access and user authority to assign CTL annually or on a frequency based on organizational need.

Management Response

Agreed.

Action Plan	Responsibility
<p>Strict control on customized timelines will eliminate the possibility of a staff member manipulating their own performance stats and help ensure that confidence in our published performance statistics is maintained.</p> <p>The POSSE user list for CTL was reviewed and updated to restrict the access to Approval Coordinators within Calgary Approvals Coordination and two supervisory staff members in the Technical Planning team within Calgary Building Services. This list will be updated as staff change roles to ensure the permission are restricted to the Approval Coordinators.</p> <p>The role of maintaining the access list has been assigned to admin. staff within Calgary Approvals Coordination.</p>	<p><u>Lead</u>: Managing Director, Calgary Approvals</p> <p><u>Support</u>: POSSE Support</p> <p><u>Commitment Date</u>: Now complete. March 7, 2019</p>

4.4 Communication to Applicants for Complete Applications

Although an ITR of DP applications is conducted to determine whether the applications are complete, file managers are not issuing acknowledgments to applicants for complete applications. File managers should send a formal acknowledgment to applicants to provide consistent and timely communication early in the approvals process. Formal acknowledgement supports fairness and compliance with the MGA, which requires the issuance of an acknowledgment within 20 calendar days after the receipt of a DP application.

In August 2017, PD introduced, a simplified ITR process for Stream 4 DPs to streamline and expedite communication with applicants. A custom ITR document can be generated within POSSE and emailed to the applicant by the file manager, replacing the need for manual correspondence. The ITR document contains important information about an application such as contact information and next expected milestone. PD's expectation was that the file manager completes the POSSE ITR Proceed template for complete applications and the ITR Hold template for incomplete applications.

We reviewed Robo (PD's knowledge base of staff policies, procedures, and documents) guidance regarding generation of the ITR documents. Robo guidance outlines that after ITR meetings, applicants receive an ITR document that outlines information specific to their application. The acknowledgement for complete applications (ITR Proceed) communicates that the application is complete and will proceed to a further detailed review. For incomplete applications the ITR document (ITR Hold) includes information on what is required to complete the application. The purpose of the ITR documents is to provide applicants with consistent and timely communication early in the approvals process. File managers fill out the POSSE template and then email it to the applicant.

We selected a sample of 37 DP applications (Major, Medium, Minor and Priority classification) within our audit period (application creation date from November 1, 2017 to October 31, 2018). We reviewed POSSE information to determine whether the ITR letters were provided to the applicant. Twenty-two applications were deemed complete after the Corporate Planning Applications Group's (CPAG's) ITR meeting, however the ITR Proceed was only available for one application in POSSE. The remaining 15 applications were deemed incomplete after the ITR meeting. We observed the ITR Hold was generated and provided to 13 applicants (out of 15) via email and the ITR Sent Workflow completed.

We reviewed the POSSE ITR Workflow and noted there were two main outcomes:

- Completed - ITR Document required, with the job type - Give Applicant ITR Form; and
- Completed - NO ITR Document is required, with the job type - Review application.

Our testing and interviews indicated that if an application is considered incomplete after the ITR meeting, file managers select the outcome Completed - ITR Document is required and fill out the ITR Hold template in POSSE and then email it to the applicant. A POSSE process also reminds file managers to complete the ITR Hold template.

However, if an application is considered complete after the ITR meeting, the file manager selects the outcome Completed - NO ITR Document is required. Since the POSSE process does not require the file manager to send the ITR Proceed to the applicant, file managers may not generate the ITR Proceed and may provide verbal or email status updates to applicants.

Based on testing, the POSSE process outcome for complete applications is not aligned with PD's expectations and Robo guidelines to create the ITR Proceed document for complete applications.

MGA sections 683.1(1) and 683.1(5) state that a development authority must determine whether the application is complete or incomplete 20 days after the receipt of a DP application, and the development authority must issue to the applicant an acknowledgment in the form and manner provided for in the City of Calgary's Land Use Bylaw 1P2007 (Land Use Bylaw). The Land Use Bylaw does not provide any specific details regarding the form of communication with applicants during the application review process.

Robo Application Completeness guidance outlines that when PD receives a DP application, PD must let the applicant know within 20 calendar days after the submission, whether the application is complete through the ITR Proceed or incomplete through the ITR Hold document.

Recommendation 4

The Managing Director of Calgary Approvals ensure that acknowledgements are issued for complete applications by:

- Establishing a POSSE Workflow that ensures ITR Proceed documents are generated and distributed to applicants; and
- Reinforcing the requirement for formal acknowledgement.

Management Response

Agreed.

Action Plan	Responsibility
<p>During completion of a system upgrade in 2018 to better inform our customers of the status of their applications and to align with the Municipal Government Act requirements a process was missed on the Development Permit job type. That missed process was included on other jobs such as the Land Use job type.</p> <p>Work to correct this deficiency commenced in January 2019. We are building the process to align the Development Permit 'Initial Team Review (ITR) process with the Land Use ITR process. This alignment will ensure we are meeting our regulatory requirements by using our workflow tool to "force" the ITR process for all applicable job types.</p>	<p><u>Lead:</u> Managing Director, Calgary Approvals</p> <p><u>Support:</u> Community Planning, Business Services - Calgary Building Services</p> <p><u>Commitment Date:</u> June 28, 2019</p>

4.5 Survey Feedback Follow-up and Analysis

Although Calgary Approvals developed and launched a survey tool in March 2018, to collect applicant feedback once an application has reached a decision, there is currently no formal follow-up with applicants or formal analysis of survey results. There should be a formal process to follow-up on complaints/comments received to ensure that concerns are resolved. In addition, survey results should be analyzed to identify process improvements. Lack of a formal process presents the risk of a decline in applicant satisfaction and lack of participation in future surveys where there is no follow-up on concerns identified. Further, there is a risk that process improvements that could contribute to fairness, timeliness and quality are not identified.

Staff indicated that the objectives of the survey are to get feedback from applicants about their experience at various stages of the approval process, and to measure the success of the CPI Project. However, the objectives are not formally defined.

Recommendation 5

The Managing Director Calgary Approvals:

- Formally define survey objectives; and
- Develop and implement a process to analyze and respond to survey feedback, including incorporating lessons learned.

Management Response

Agreed.

Action Plan	Responsibility
<p>The original customer survey for multi-disciplinary applications was launched with a limited analytics package attached to it. The results from the survey are reviewed manually, however the process is not robust and there is a need for improvement.</p> <p>a) Significantly improved analytics are currently being built through the first tranche of data analytics tools delivered by the Service Insights & Data Management Strategy project.</p> <p>b) Additionally, this more refined data will feed into the Customer Insights Framework to assign responsibility for acting on the feedback and inform business decisions. Through those integrated projects we will also ensure that clear objectives of the customer survey are defined.</p>	<p><u>Lead:</u> Managing Director, Calgary Approvals</p> <p><u>Support:</u> Business Services, Calgary Building Services</p> <p><u>Commitment Date:</u></p> <p>a) Improved Data Analytics - June 28, 2019</p> <p>b) Customer Insights Framework- December 31, 2019</p>

4.6 Applicant Complaint Process

We could not assess whether applicant complaints were resolved in a timely manner since there are many intakes and no formal process to track and monitor complaints. Applicant complaints should be tracked and monitored to ensure timely resolution and incorporation of feedback on organizational performance into potential process improvements. A formal complaint process supports consistent treatment of complaints and increased applicant satisfaction and reduces the risk of duplication of effort where multiple areas within PD are working on the same complaint.

We noted through PD's staff interviews and a review of information in ITR and DTR documents that applicants are expected to reach out to their file managers with concerns related to their application. File managers are responsible to follow-up, escalate and resolve complaints. A CPAG directory is available on The City's website, which provides applicants direct access to contact information for City staff, including CPAG core staff and management, to ask questions or voice concerns. Complaints received through these intakes are not formally tracked and monitored.

PD staff advised that applicants may also reach out to PD Directors and the General Manager's Office with concerns. Although, PD staff assign complaints received to the responsible area within PD, complaints are not tracked and monitored to ensure they are resolved.

Applicants can also utilize The City's 311 Service to share concerns. Out of the two business units (Calgary Approvals and Community Planning) in our audit scope, Community Planning receives service requests through 311. Although Community Planning 311 requests are tracked and monitored for timely resolution, testing of 311 service requests and PD staff interviews indicated that applicants are not using 311 to share concerns regarding planning applications.

PD staff indicated that currently PD does not have a formal complaint process to track and monitor, escalate and resolve complaints received through the intakes noted above. In addition, there is no process to review complaints to identify process improvements. Calgary Approvals is developing a complaint intake and tracking system (SharePoint based), to track complaints received, however this initiative is in the initial stage.

Recommendation 6

The Managing Director Calgary Approvals, develop an applicant complaint process that includes:

- Complaint intake, tracking and monitoring, escalation and resolution;
- Analysis to identify process improvements; and
- Defined staff roles and responsibilities.

Management Response

Agreed.

Action Plan	Responsibility
<p>Although we do address customer complaints as a matter of course, we have initiated work to holistically track and address our customer concerns, in whatever way they come to us. We are currently developing a Customer Insights Framework that will take in and process inputs from various data sources including customer surveys, inquiries, complaints, and application issues. These insights will then be fed back into various areas of the business and may result in recommendations for policy changes, process improvement, staff training, external communication/education etc.</p> <p>Specifically related to customer complaints, a system is actively being developed to track complaints across the land development continuum and ensure nothing 'falls between the cracks'.</p> <p>Exploratory work on this system is being led by Calgary Building Services and would tie into the Customer Insight Framework identified under the action plan to Recommendation 5 above. This system will allow us to better track customer inquiries, ensure that issues are addressed and that lessons learned are used to influence policy, procedural changes, and staff training.</p>	<p><u>Lead:</u> Managing Director, Calgary Approvals</p> <p><u>Support:</u> Business Services - Calgary Building Services</p> <p><u>Commitment Date:</u> Complaint Tracking System - September 30, 2019</p>

4.7 Development Permit Completion Targets

Of Stream 4 DP applications in the audit period under review, 80% completed in 30 days or less were assigned a Minor complexity. Application target timelines should be reasonable and based on analysis of historical trends. Measuring performance against a meaningful target timeline supports effective resource planning and effective communication of expectations to Staff and applicants.

Currently, all DP applications have a target completion of 120 days. As noted in Section 3.1, application complexity (Minor, Medium, Major) supports staff resourcing and is not considered in determining completion targets.

We analyzed DP data and observed most applications that reached a decision in 30 days or less related to Minor applications (80%). Calgary Approvals should review past performance for Minor complexity applications and revise targets as required to ensure that timelines communicated to applicants set clear expectations and to enhance the effectiveness of resource allocation.

Recommendation 7

The Managing Director Calgary Approvals, review performance against completion targets and revise targets as required to align with actual time to complete applications.

Management Response

Disagreed.

We do not feel that it is a significant issue requiring a change to our business practice, and no action has been taken at this time. We have concerns about further complicating the performance expectations for our staff by increasing the segregation of files.

It should be noted that despite having a standard performance target, our staff are completing these minor complexity files in a significantly reduced timeline as one would expect. We feel there is little urgency to address this.

City Auditor's Response

Although we support management's current assessment of priority with respect to risk exposure, we recommend reconsideration as the process matures, demand increases, and/or resource requirements become further constrained.

Appendix A

Risk Title	Risk Rating	Risk Description	Sub Risks	Control Ref	Identified Controls/Mitigating Processes	Risk Deemed Significant and Included in Test Plan (Y/N)
1. Loss of private investment.	Inherent-H	PD's inability to facilitate/enable development may result in business investment, along with the talent pool, moving to other jurisdictions (i.e. ease of doing business).	1-Delays in planning review and approval costing customers time.	1	Stream 4 CPAG review and circulation process-CPAG reviews complex planning applications through the co-ordination of input from three core departments including Transportation, Development Engineering, and Parks. The process includes defined stages for each application type with timelines (ITR, DTR). CPAG Generalist/Specialist review timelines and CPAG performance for various phases of application review and approval are tracked. In addition timelines for the client to respond are defined and tracked.	Y
				2	Workflows in POSSE- The Workflows include the stages for each application type and track the start and finish dates.	Y
				3	New ITR template provides customers with additional information around status of application, and what issues are outstanding.	Y
				4	Revised ITR process to communicate and educate on complete application standards during application submission.	Y
					DTR communication to customers.	
				5	CPAG Manager weekly meeting and CPAG Coordinator bi-weekly meeting, weekly reports to CPAG Managers and Coordinators.	Y
				6	Development monthly metrics reports to PD's management, and Weekly Reports to Community Planning and Calgary Approvals management and supervisors.	Y
				7	The Committee provides coordination and oversight of development work and processes including Outline Plan approvals, Land Use Amendment approvals, Subdivision application approvals and Development Permit approvals.	Y
			2-Failure to treat customers fairly and equitably resulting in decline of customer loyalty and satisfaction.	1	Stream 4 CPAG review and circulation process-A file manager is assigned to each complex planning application and coordinates the CPAG review through three core departments including Transportation, Development Engineering, and Parks. The process includes defined stages for each application type with timelines (ITR, DTR). CPAG Generalist/Specialist review timelines, and CPAG performance for various phases of application review and approval are tracked. In addition timelines for the client to respond are defined and tracked.	Y
				8	A survey tool/questionnaire to gather feedback from customers after the completion of an application.	Y
				9	Customer complaints are assigned to file managers.	Y
				10	CPAG Escalation process is followed to address any conflicts or inconsistencies among CPAG members' opinions regarding application approval.	Y
			3-Failure to promote/comply with MDP, CTP and Council priorities resulting in poor quality decisions.	1	Stream 4 CPAG review and circulation process-CPAG reviews complex planning applications through the co-ordination of input from three core departments including Transportation, Development Engineering, and Parks. The process includes defined stages for each application type with timelines (ITR, DTR). CPAG Generalist/Specialist review timelines and CPAG performance for various phases of application review and approval are tracked. In addition timelines for the client to respond are defined and tracked.	Y
				4	Revised ITR process to communicate and educate on complete application standards during application submission. DTR Communication to customers.	Y
				9	Customer complaints are assigned to file managers.	Y
				10	CPAG Escalation process is followed to address any conflicts or inconsistencies among CPAG members' opinions regarding application approval.	Y
				11	CPAG Operating Protocols.	Y

**City Auditor's Office Report to
Audit Committee
2019 April 23**

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AC2019-0469
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City Auditor's Office 1st Quarter 2019 Report

EXECUTIVE SUMMARY

This report presents a summary of the activity of the City Auditor's Office during the period January 1, 2019 to March 31, 2019.

RECOMMENDATIONS:

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended). Schedule C of Bylaw 48M2012 (as amended) states that Audit Committee "reviews and forwards to Council for information, the City Auditor's Office quarterly and annual status reports".

Under the City Auditor's Office Charter (AC2016 0247 Attachment 2), the City Auditor presents quarterly reports to Audit Committee summarizing the status of deliverables against the approved Audit Plan. The City Auditor's Office 2019-2020 Audit Plan was approved on September 18, 2018.

BACKGROUND

Quarterly reports are intended to support Audit Committee's oversight of the City Auditor's Office. To support this oversight, our quarterly reports are divided into three sections:

- A summary of key information on Office activity during the past quarter;
- A narrative briefing Audit Committee on a key initiative/responsibility; and
- A summary of our current status against the approved Audit Plan.

During 1st Quarter 2019, the City Auditor's Office:

- Finalized four audits, completed the planning stage on three audits, completed the fieldwork on three audits, and initiated one further audit.
- Reviewed 29 recommendations and closed 21 recommendations (19 implemented as originally planned, 1 closed through alternative mitigation, and 1 closed where Administration accepted the residual risk). Eight recommendations required additional time and are in-progress.
- Received 26 new whistle-blower reports, and closed 7 investigations.
- Continued to provide input to Infrastructure Calgary, and the Corporate Project Management Framework Steering Committee on an advisory basis.

Early in first quarter of each year, the City Auditor's Office refines and finalizes the Key Performance Indicators (KPIs) that will be utilized to monitor performance and report to Audit Committee. Further information on this process is included in the narrative briefing in this quarterly report.

**City Auditor's Office Report to
Audit Committee
2019 April 23**

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City Auditor's Office 1st Quarter 2019 Report

INVESTIGATION: ALTERNATIVES AND ANALYSIS

N/A

Stakeholder Engagement, Research and Communication

N/A

Strategic Alignment

The City Auditor's Office quarterly reports provide Audit Committee and Council with information to support their oversight responsibility of the City Auditor's Office. The activities of the City Auditor's Office assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

N/A

Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's Office, including the Whistle-blower Program, serve to promote accountability, mitigate risk, and support an effective governance structure.

REASON FOR RECOMMENDATIONS:

To comply with Bylaw 48M2012 (as amended) which states: Audit Committee reviews the City Auditor's Office quarterly and annual status reports and forwards these to Council for information.

ATTACHMENT

City Auditor's Office 1st Quarter 2019 Report - AC2019-0469 ATT



Calgary

City Auditor's Office

1st Quarter 2019 Report January 1, 2019 – March 31, 2019

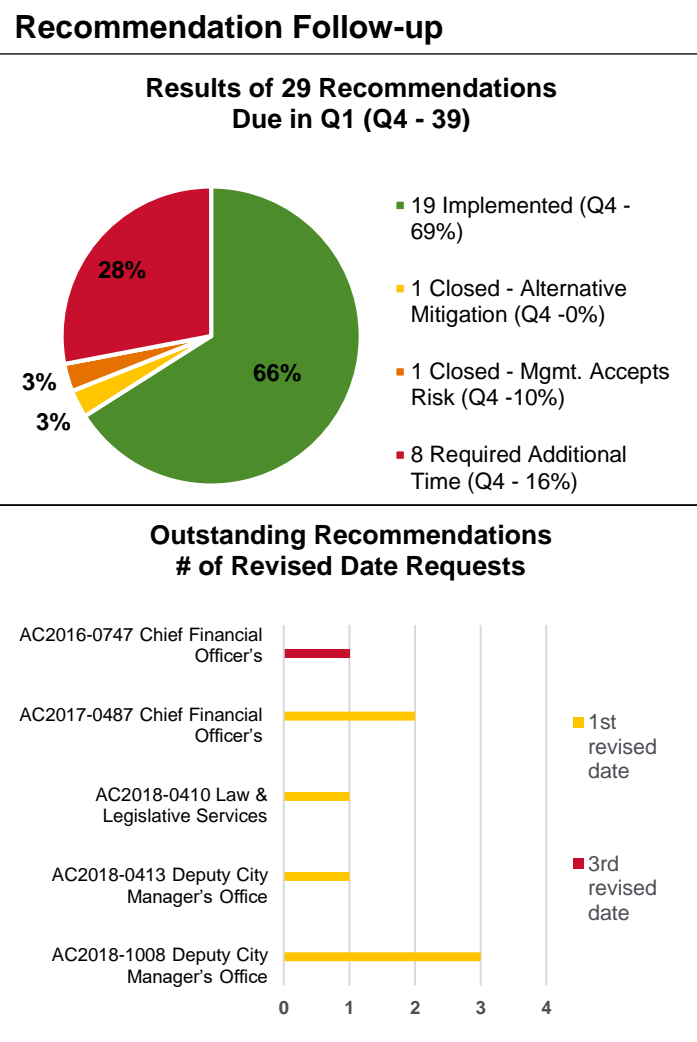
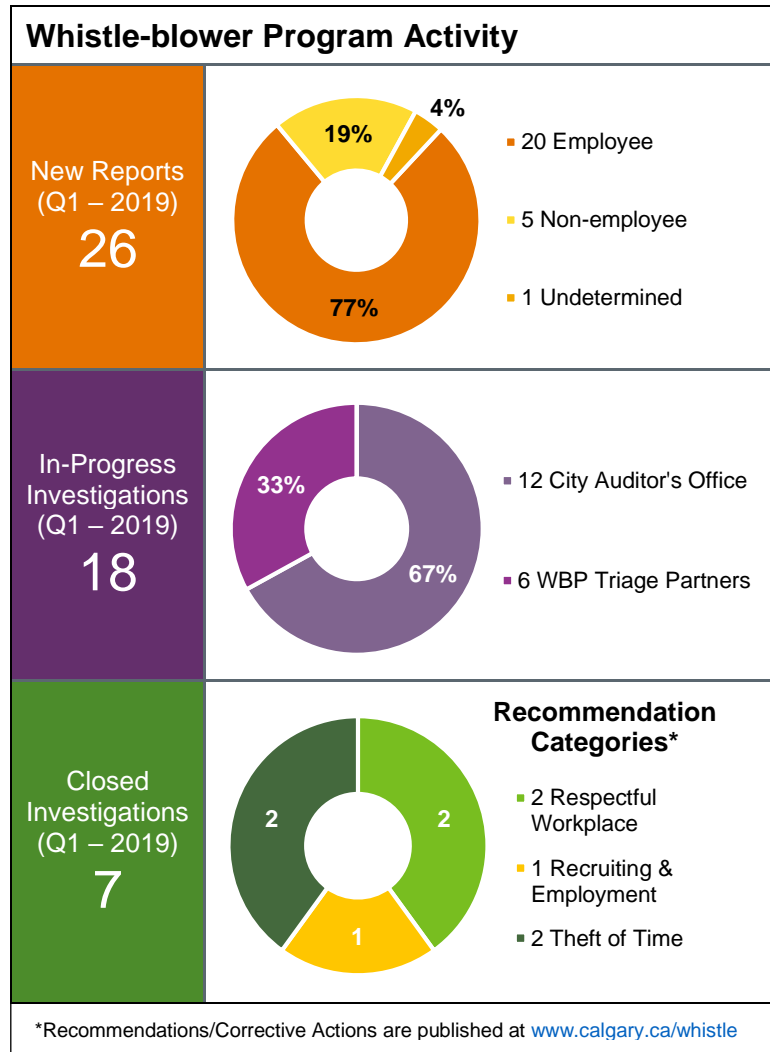
April 23, 2019

**Katharine Palmer
City Auditor**

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1. Status Update

Key Performance Indicators					Budget				
Measure Area	Performance Indicator	Target	YE 2018	Q1 2019		2019 Annual Budget	Q1 Cumulative Budget	Actual to Date	Variance
Efficiency	On Track to Annual Plan	Q1-30% 2018-100%	94%	32%	Salary	2,769	634	620	(14)
Effectiveness	Timely Implementation of Audit Rec.	65%	42%	62%	Contracts	105	49	49	0
Quality	Client Satisfaction	85% 2018- 75%	99%	91%	Training	62	15	9	(6)
Staff	Training Plan Achieved	90%	98%	100%	Other	129	28	19	(9)
					Total	3,065	726	697	(29)



2. Initiative Briefing: Key Performance Indicators

The City Auditor's Office (CAO) utilizes key performance indicators (KPIs) to support delivery of assurance, advisory and investigative services in an efficient and effective manner. Reporting quarterly on KPIs demonstrates our accountability to Audit Committee and Council, by monitoring our progress against annual targets and identifying opportunities for continuous improvement.

The CAO's customized suite of KPIs is designed to measure, through selected indicators, efficiency, effectiveness and quality of delivered services, as well as staff experience and knowledge. This suite was developed employing best practices, and reflects a "balanced scorecard", which is a range of measures that capture performance related to multiple drivers of success. The calculation of each KPI uses a defined methodology to ensure objective reporting from quarter to quarter. The methodology behind two of these KPIs, which focus specifically on efficiency and effectiveness, is further described below.

On Track to Annual Plan KPI

The CAO provides a two-year Annual Audit Plan to Audit Committee for approval. The two-year plan supports coverage of high risk activities across Administration's Business Units over an appropriate coverage period. Annual completion below 95 percent could jeopardize the assurance provided to Audit Committee. This KPI tracks the percentage of the annual audit plan completed, based on an established schedule, which will increase during the year as individual audit projects progress.

The KPI is highlighted in green reflecting completion of more than 30 percent of the annual audit plan, as per the plan schedule. The CAO is currently on track to complete the plan by year-end. Since our year end completion for 2018, at 94 percent of plan, did not meet the target of 100 percent of the annual schedule, we identified opportunities to support improvements in our audit plan deliverables for 2019.

Timely Implementation of Audit Recommendations KPI

The CAO tracks whether Administration's action plans to address recommendations are implemented on a timely basis. This is a measure of the value provided by the CAO to hold Administration accountable to mitigate risk and support a Well-Run City through continuous improvement.

The Timely Implementation of Audit Recommendation KPI reflects completion of 62 percent of action plans by the initial commitment date provided in the audit report presented to Audit Committee. Since recommendation implementation is the responsibility of management not the CAO, a notional target of 65 percent was established as a benchmark. This KPI is generated based upon the first time the CAO follows up with Administration regarding the status of an audit recommendation. In cases where Administration do not meet their initial commitment date, after the first time follow up, a revised date will be requested from management and the CAO will continue to follow up until action is completed.

2018/2019 Annual Audit Plan – Status as at March 31, 2019

2018/2019 Annual Audit Plan				
#	Title	Description	Report Target	Status
2018 Carry Forward				
1	Calgary Parking Authority	An operational audit of Calgary Parking Authority's asset management processes for the parkade portfolio that they own and operate.	Q1, 2019	Reported January 2019
2	Community Planning/Calgary Approvals	An operational audit to assess the effectiveness of processes to improve permit timelines.	Q1, 2019	Reporting
3	Calgary Community Standards – Livery Transport Services	An operational audit assessing the effectiveness of internal controls that support public and driver safety.	Q1, 2019	Reported March 2019
4	Annual Control Environment Assessment	An operational audit assessing the design effectiveness of the Annual Control Environment Assessment and assessing the operating effectiveness of control activities which support COSO Principle 3: Establishes Structure, Authority and Responsibility.	Q1, 2019	Reported February 2019
5	Emergency Management	An operational audit of emergency preparedness and related business continuity plans.	Q2, 2019	Reporting
2019 Audits				
1	Green Line – Governance	An operational audit of Green Line Project organization/governance framework. Citizen Priority – A City that Moves	Q2, 2019	Reported March 2019

2018/2019 Annual Audit Plan				
#	Title	Description	Report Target	Status
2	Off-site Levy Administration	An operational/IT audit of the effectiveness of City processes (including calculation practices) and system controls that support capital cost recovery and use of collected levies governed by the 2016 Off-site Levy Bylaw. Citizen Priority – A Well-Run City	Q3, 2019	Fieldwork
3	Warehouse/Inventory Systems	An operational audit of warehouse and inventory systems supporting significant City assets. Citizen Priority – A Well-Run City	Q3, 2019	Fieldwork
4	Pensions Compliance	A compliance audit as required by Alberta Pension Services providing independent triennial assurance over three City pension plans (LAPP, LAPP Fire, and SFPP).	Q2, 2019	Fieldwork
5	Waste and Recycling Services – Cart Contamination Prevention	An operational audit of the effectiveness of contamination prevention activities supporting the Waste and Recycling Services cart programs. Citizen Priority – A Healthy and Green City	Q3, 2019	Planning
6	Budget Management	An operational audit of processes and reporting tools available to DeptID owners to support effective management of their operating budget. Citizen Priority – A Well-Run City	Q4, 2019	Not started
7	Corporate Issue Management Program	An operational audit on the maturity of The City's Corporate Issue Management Program. Citizen Priority – A Well-Run City	Q4, 2019	Not started

2018/2019 Annual Audit Plan				
#	Title	Description	Report Target	Status
8	Calgary Fire - Inspections	An operational audit of processes and reporting tools available to DeptID owners to support effective management of their operating budget.	Q1, 2020	Not started
9	Roads – Pothole Remediation	An operational audit of the efficiency and effectiveness of pothole remediation. Citizen Priority – A City that Moves	Q1, 2020	Not started
10	Elections Follow-up	A follow-up audit to review action plans implemented in response to the 2017 Municipal Election Review (AC2018-0852). Citizen Priority – A Well-Run City	Q2, 2020	Not started

**Community Services Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0472**

Civic Partner Audit Report

EXECUTIVE SUMMARY

Significant resources are invested in and managed by The City's Civic Partners, including operating and capital funding, land, buildings, and artifacts. The City's relationships with these partners are structured to steward public investment appropriately by balancing interdependence, mutual accountability, and autonomy; and by encouraging best practices for risk management and governance.

The Civic Partner Audit Report is one aspect of a broader accountability framework. The annual financial review of Civic Partners evaluates The City's exposure to risk related to Civic Partners and rates these organizations as low risk, elevated risk, or high risk; assesses the overall financial health of Civic Partner organizations; and provides an opportunity to work with partners as needed to improve their financial health.

Based on 2018 audited financials, the majority of Civic Partners were rated as low risk. Administration is working with the remaining partners that were rated as elevated risk to develop and implement tailored mitigation strategies. No Civic Partners were rated as high risk.

To provide a full snapshot of Civic Partners' organizational health, highlights of partners' governance and risk management practices are also included in the report, and detailed self-reported information from partners is included as an attachment.

ADMINISTRATION RECOMMENDATION:

That Audit Committee recommends that Council:

1. Receive this report for information; and
2. Direct that Attachments 2, 4 and 5 remain confidential under Sections 23(1) (b), 24(1)(b), and 16(1) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as six years from this date.

PREVIOUS COUNCIL DIRECTION / POLICY

2018 May 28 Council adopted Audit Committee Recommendations contained in AC2018-0409 as follows 1.Receive this report for information; and 2.Direct that this report and Attachments 2, 4 and 5 remain confidential under Sections 23(1) (b), 24(1)(b), and 16(1) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date.

2017 January 29 Council adopted Audit Committee Recommendations contained in AC2017-1149. Attachment 6 of the report informed Council that five organizations would be moving to the Civic Partner Audit report starting with the 2017 financial year: The Calgary Young Men's Christian Association, North East Centre of Community Society (Genesis Centre), Nose Creek Sports and Recreation Association (Vivo), South Fish Creek Recreation Association (Cardel South), and Westside Regional Recreation Centre.

2017 May 8 Council adopted Audit Committee Recommendations contained in AC2017-0367, receiving the report for information; and directing that the report and all attachments remain

**Community Services Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0472**

Civic Partner Audit Report

confidential pursuant to Sections 23(1)(b), 24(1)(b), and 16(1) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as six years from this date.

Civic Partner Audit Reports were also adopted in 2016 (AC2016-0527), 2015 (AC2015-0572), 2014 (AC2014-0503), and 2013 (AC2013-0524).

2012 July 19, Audit Committee approved that recommendations contained in AC2012-0493 Status of Third Party Organizations Operating Not-for-Profit Facilities on Land Owned by The City of Calgary be approved after amendment, as follows: Receive the report for information; Direct that Attachments 2 and 3 remain confidential under Sections 23(1)(b), 24(1)(a), 24 (1)(g) and 25 (b)(c)(ii) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as six years from this date; and direct Administration to continue to report to the Audit Committee on the status of community associations and social-recreation organizations, while preparing a separate annual report to the Audit Committee on all Civic Partners (including those on City-owned land and otherwise), commencing in the third quarter of 2013 annually.

2006 January 19, Audit Committee approved that recommendations in AC2006-02 Status of Community Associations and Social-Recreation Organizations on City of Calgary-Owned Land, be approved as follows: Direct Administration to expand the report to include all third party organizations with facilities on City-Owned land that Community Services & Protective Services liaises with, and include financial exposure as it relates to an evaluation of liabilities exceeding assets available to satisfy these liabilities.

BACKGROUND

For over 20 years, Administration has conducted annual financial reviews of community associations and social recreation organizations on City-owned land. In 2006, Civic Partners that operated on City-owned land were included in the review. In 2012, Council directed Administration to create a separate audit report for Civic Partners. The first Civic Partner Audit Report was presented to Audit Committee in 2013.

The annual financial review of Civic Partners serves a number of purposes:

- evaluates The City's exposure to risk related to Civic Partners;
- assesses the overall financial health of Civic Partner organizations; and
- provides an opportunity to work with partners as needed to improve their financial health.

Financial review process

The financial review process follows established criteria and ratios that look at operating cash on hand, working capital/cash expenses, deficit level, and reserves, among other items. The same financial review tool is also used to review Community Associations and Social Recreation Groups with a Lease or License of Occupation.

Based on the criteria, organizations are assigned a rating of low risk, elevated risk, or high risk (definitions are included in Attachment 1). Administration works with partners that receive an elevated risk or high risk rating to develop and implement mitigation strategies to improve their financial health and reduce The City's exposure to risk.

**Community Services Report to
Audit Committee
2019 April 23**

**ISC: UNRESTRICTED
AC2019-0472**

Civic Partner Audit Report

Due to the timing of the Civic Partner Audit Report, Administration has accepted draft audited financials for the review process. When available, approved audited financial statements will be provided by partners and any changes to risk ratings will be identified, and mitigation discussed if needed. Any significant changes that affect ratings will be reported to Council.

Administration also reviews financial statements for subsidiaries of related entities as Public Sector Accounting Standards require that their financial results are consolidated into The City's financial statements. cSPACE Projects, a subsidiary of Calgary Arts Development Authority, is included in this report. With the transfer of the Calgary Film Centre Ltd. (CFCL) asset to The City on 25 June 2018 (UCS2018-0791), CFCL, while being a subsidiary of Calgary Economic Development Ltd. is reported separately this year and has self-reported on their governance and risk management practices.

Attachment 3 identifies The City's investment of operating and capital funding from 2016 to 2018 and budgeted funding for 2019, including the percentage of total revenues represented by The City's operating funding.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2018, non-profit organizations across Alberta, including The City's Civic Partners, continued to adjust to the challenging economic conditions that have become the new operating environment. Civic Partners continued to adjust their operations to remain sustainable, for example seeking efficiencies and managing costs.

Based on 2018 audited financials, the majority of Civic Partners are financially stable with nineteen rated as low risk and eight rated as elevated risk. Ratings for all organizations reviewed are included in Attachment 2 (confidential).

Mitigating risk

Civic Partner organizations are arms-length and separate entities from The City. In addition to their accountability to The City, they are accountable to their boards of directors, patrons and customers, partners, members, and funders. When a Civic Partner is rated as elevated or high risk during the financial review process, Administration works with them to identify mitigation strategies that can be implemented to improve the organization's financial health and reduce The City's exposure to risk. Attachment 4 provides a summary of risk mitigation strategies for the organizations rated as elevated risk in this report.

Overall organizational health

It is the responsibility of each Civic Partner organization's board of directors to oversee and strategically guide operations. Strong governance practices can help ensure an organization is sustainable and manages risk appropriately. For this reason, Administration requests Civic Partners to share information about governance and risk management practices as part of the audit process.

Detailed self-reported information about risk management, governance structure, strategic planning, board evaluation and education, nominations processes, succession planning, term

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limits, board diversity practices, and member or shareholder engagement is included in Attachment 5 (confidential).

Risk management

Civic Partner organizations have a range of risk management practices in place to effectively manage their unique operating and strategic risks. Each organization engages their board in this work, and is working to create a culture of risk management.

Top risks

While top strategic risks vary depending on the nature of partner operations, the most common reported for 2018 included:

- Financial risks including challenges securing diverse funding sources in the current economic environment, the impact of the economic conditions on earned revenues, and increased competition;
- Infrastructure Management risks related to maintaining aging City-owned infrastructure;
- Reputation risks including staying relevant to key audiences, customers, and clients in a rapidly changing and competitive environment; and dissemination of inaccurate information about operations or role;
- Operating and Process risk including disruptions, identification of major projects, and protection of clients; and
- Talent Management including recruitment and retention of skilled employees, and impact of loss of senior management.

Governance practices

Detailed, self-reported information about governance practices provided by Civic Partners is included in Attachment 5 (confidential). The following are highlights of Civic Partner governance practices:

- All boards carry out an board evaluations annually or every two years;
- Boards engage in strategic planning and ongoing education activities to stay informed about operations and trends;
- Almost all boards have code of conduct, whistleblower, and conflict of interest policies in place;
- Almost all boards have term limits of six to nine years;
- By the end of 2019, all Civic Partners will have a board nominations processes guided by a skills and experience matrix to identify gaps; and
- Organizational compensation strategies are managed through annual reviews and benchmarking against non-profit and sector specific compensation survey data.

Across the non-profit sector, there is evolving understanding and changing practices to recognize and integrate diversity into governance structures. All Civic Partners report examples of how they are integrating diversity practices into their governance, operations and core values, but only a few have a formal policy in place. Diversity includes both identity diversity (i.e gender, race,

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ethnicity, age, sexual orientation) and cognitive diversity (i.e. skills, perspectives, thoughts, worldview). Practices in the broader non-profit sector continue to evolve and Administration will continue to encourage Civic Partners to identify how they can refine their approaches to diversity.

Stakeholder Engagement, Research and Communication

Administration worked collaboratively with Civic Partners on this report and partners self-reported their governance and risk management practices (Attachment 5). As part of the review process, Administration communicates with each organization to inform them of their organization's rating, and discuss issues and potential mitigation as required.

Strategic Alignment

The recommendations in this report align with the 2019-2022 One Calgary Citizen Priorities and The City's Integrated Risk Management Framework. Civic Partners align and extend a number of key City of Calgary and Council approved strategies including *Calgary in the New Economy*: An economic strategy for Calgary; a *Cultural Plan for Calgary*, *Centre City Plan*, *Sport for Life Policy*, *Social Wellbeing Policy*, *Enough for All* poverty reduction strategy, *Living a Creative Life*, *Calgary Heritage Strategy*, *Corporate Affordable Housing Strategy*, among others.

Social, Environmental, Economic (External)

Social

Civic Partners lead and support implementation of Calgary's economic strategy, *Calgary in the New Economy*, *Enough for All 2.0* poverty reduction strategy, and provide valuable recreation, sport and cultural opportunities for Calgarians in alignment with The City's *Sport for Life Policy*, and a *Cultural Plan for Calgary*. They foster healthy physical and social environments and enrich the social fabric of Calgary.

Environmental

Through the Civic Partner Asset Management Program and organizational programs, Civic Partners continue to review and adjust their operational practices to reduce consumption of resources and their ecological footprint. They promote environmental stewardship and community sustainability strategies including public education and awareness related to public spaces and natural resources.

Economic

Guided by *Calgary in the New Economy*, the Council-approved economic strategy that is stewarded by Calgary Economic Development, a number of Civic Partners contribute to economic development in Calgary through related strategies and activities including the *Enough for All* poverty reduction strategy, *Destination Strategy*, *Living a Creative Life*, and convention centre services. The City's allocation of operating and capital funding to Civic Partner operations are strategic investments that create a diverse range of facilities and programs for Calgarians and visitors to enjoy. The City's investment in Civic Partner operations are multiplied and leveraged by Civic Partners through resources and funding.

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Financial Capacity

Current and Future Operating Budget:

There are no implications at this time as a result of this report.

Current and Future Capital Budget:

There are no implications at this time as a result of this report.

Risk Assessment

Risks are associated with any circumstance in which a third party organization operating a City-owned facility defaults or ceases operations. In these cases, responsibility for the building's capital costs to ensure building safety for a new tenant or the public may fall on The City. Dependant on the circumstances, the operating costs of the facility may also be The City's responsibility. In addition, Calgarians would be negatively impacted through a loss or decrease in programs and/or services. Administration works closely with its Civic Partners to develop and implement strategies to mitigate these risks.

REASON(S) FOR RECOMMENDATION(S):

The City invests significant operating and capital funding in Civic Partners, and they manage and operate valuable City-owned community assets. The review of audited financial statements helps identify The City's potential financial exposure and risks, enhances accountability, and provides an opportunity to understand the current state of Civic Partners operations. Information about organizations' governance and risk management practices helps identify if they have the necessary structures and processes in place to be sustainable and effective.

ATTACHMENT(S)

1. Attachment 1 – Definition of Rating Terms
2. Attachment 2 – Civic Partner 2017 Audit Ratings (Confidential)
3. Attachment 3 – Civic Partner Grant Funding 2015-2018
4. Attachment 4 – Civic Partner Risk Mitigation Strategies (Confidential)
5. Attachment 5 – Civic Partner Governance and Risk Management Practices (Confidential)

Definitions of Rating Terms

In reviewing financial statements and the financial practices of Civic Partner organizations, Community Services and Finance have taken the following into consideration.

Low risk: The organization is in a good overall financial position with sufficient working capital and healthy equity. The organization is showing no more than one unfavourable financial factor that is not considered to challenge the long term sustainability of the organization.

Elevated risk: The organization is in a position to meet its short term financial obligations; however, there is more than one risk indicator which creates concern in terms of the organization's long-term sustainability. The risk indicators may include:

- Low cash reserves: if revenues were interrupted, the cash in place is not sufficient to sustain beyond 30 days of regular operations;
- Current operational practices may not be sustainable: a large operating deficit or cumulative deficits threaten to eliminate the organization's reserves; or
- Insufficient reporting: an organization has submitted financial statements that missed critical financial information and have received a rating of "insufficient" for three consecutive years.

High risk: There are indicators that the organization may be unable to meet its short term financial obligations, either immediately, or in the near future. If financial health further deteriorates, there is a risk that the organization may be forced to cease all or a portion of its operations. The risk indicators may include:

- Financial Issues: absence of acceptable financial policies and procedures, inadequate financial reporting, low level of liquidity, insufficient unrestricted reserves, consecutive yearly deficits and problems with cash flow and/or budgeting;
- Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place; or
- Risk management issues: inadequate risk management and internal controls procedures in place and/or non-compliance with City agreement.

Other:
Insufficient: Statements are missing critical financial information, e.g. Balance Sheet, Statement of Revenues and Expenditures; or comparative data or information is presented in a way that does not allow for analysis or rating.

Not Rated: Statements have been received and a rating will be assigned once analysis is complete.

Not Received: Statements have not been submitted by the organization.

Not Required: The terms of the legal contract with the organization do not include the submission of financial statements.

Auditors: Statements are currently being audited by the group or an independent organization.

Civic Partner Operating Grant Funding 2016-2019					
Organization Name	2016 Actual	2017 Actual	2018 Actual	2019 Grant Budget	* % of Partner Operating Revenue
Aerospace Museum Association of Calgary <i>(The Hangar Flight Museum)</i>	232,708	241,384	250,358	475,000	29%
Calgary Arts Development Authority Ltd. <i>Community Economic Resiliency Fund</i>	5,900,000 <i>1,000,000</i>	6,150,000 <i>3,000,000</i>	6,400,000 <i>-</i>	12,450,000 <i>-</i>	93%
Calgary Centre for Performing Arts (Arts Commons)	2,419,174	2,490,722	2,564,738	2,565,000	21%
Calgary Convention Centre Authority** <i>(Calgary TELUS Convention Centre)</i>	1,637,137	1,951,000	2,381,309	1,761,000	10%
Calgary Economic Development Ltd. <i>One time funding</i>	5,412,156 <i>3,500,000</i>	5,584,179 <i>2,300,000</i>	5,808,765 <i>1,200,000</i>	8,147,000 <i>2,000,000</i>	58%
Calgary Heritage Authority	-	-	175,000	200,000	86%
Calgary Public Library Board	44,388,883	47,233,447	51,874,814	54,250,000	81%
Calgary Science Centre Society (TELUS Spark)	2,056,577	2,133,247	2,212,562	2,213,000	15%
Calgary Sport Council Society (Sport Calgary)	429,815	445,718	462,210	462,000	75%
Calgary Technologies Inc.***	770,982	799,725	829,459	829,000	9%
Calgary Zoological Society	7,711,939	7,999,110	8,296,184	8,296,000	13%
Fort Calgary Preservation Society	1,067,035	1,106,443	1,222,210	1,147,000	36%
Heritage Park Society	2,894,265	3,002,165	3,113,787	3,614,000	14%
Lindsay Park Sports Society (Repsol Sport Centre)	1,300,149	1,348,620	1,398,762	1,399,000	12%
Opportunity Calgary Investment Fund Ltd	-	-	811,000	-	100%
Parks Foundation, Calgary	200,000	200,000	-	200,000	N/A
Silvera for Seniors	1,365,000	1,365,000	1,365,000	5,867,000	5%
Tourism Calgary Convention and Visitors Bureau <i>Special Events Fund</i>	2,613,443	2,710,875	2,961,665	2,812,000 <i>466,000</i>	27%
VCC Initiatives Ltd. (Vibrant Communities Calgary)	500,000	500,000	500,000	500,000	47%
TOTAL	85,399,263	90,561,635	93,827,824	109,653,000	

*Per cent of a partner's total operating revenue funded by The City (based on 2018 financial statements)

**Excludes debt funded on behalf of partners

***CTI's year end is 2018 March 31 and financials were not available for this report

Amounts identified in italics are one time funding allocations

Civic Partner Capital Grant Funding 2016-2019				
Organization Name	2016 Actual	2017 Actual	2018 Actual	2019 Grant Budget
Aero Space Museum of Calgary (The Hangar Flight Museum)	72,392	2,500	-	339,000
Calgary Mosquito Aircraft Preservation Society	24,938	64,441	32,831	189,000
Calgary Public Library Board	5,236,828	4,868,896	4,160,747	2,315,151
New Central Library	66,150,731	61,824,756	-	-
Sage Hill Library	3,000,000	-	-	-
Calgary Convention Centre Authority (Calgary TELUS Convention Centre)	808,192	1,738,464	953,795	3,750,000
Calgary Science Centre Society (TELUS Spark)	-	283,705	-	219,000
Calgary Zoological Society	2,251,000	1,147,519	1,475,352	1,078,000
Calgary Zoological Society - Pandas and Lemurs	1,946,157	8,424,053	-	149,374
Calgary Centre for Performing Arts (Arts Commons)	887,937	2,104,832	7,069,480	1,376,250
Fort Calgary Preservation Society	208,000	380,749	330,042	206,550
Heritage Park Society	1,932,479	1,714,659	2,091,572	2,297,250
Lindsay Park Sports Society (Repsol Sport Centre)	500,000	697,347	596,915	500,300
Parks Foundation, Calgary	-	1,500,000	250,000	-
Silvera for Seniors	-	-	-	2,716,425
Vecova	-	-	-	175,000
TOTAL	83,018,654	84,751,921	16,960,734	15,311,300