

**Chief Financial Officer's Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0485
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The City of Calgary 2020 Annual Report

RECOMMENDATION(S):

That the Audit Committee:

1. Consider this report in conjunction with Report AC2021-0560 "2020 External Auditor's Year-End Report";
2. Recommends Council approval of The City of Calgary 2020 Annual Report, and
3. Forward to Council as a matter of urgent business to the 2021 April 26 Strategic Meeting of Council.

HIGHLIGHTS

- Council approval of The City of Calgary 2020 Annual Report is required to comply with Section 276(3) of the Municipal Government Act which states that each Municipality must make its financial statements available publically May 1 of the year following the year for which the statements have been prepared.
- It is recommended that the report be forwarded as an item of urgent business to the 2021 April 26 Strategic Meeting of Council in order that the legislated timeline for financial statements to be available to the public be met.
- The City of Calgary 2020 Annual Report includes the 2020 consolidated financial statements which have been audited, by Deloitte LLP, Chartered Professional Accountants and received an unmodified audit opinion. Once the Annual Report has been approved by Council, a Report to Citizens will be placed in the Calgary Herald summarizing the financial information, 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.
- The 2020 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 AC2021-0560. Financial Reporting compliance with provincial legislation is essential to ensure public confidence and fulfill the public's need for transparency and accountability.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City of Calgary 2020 Annual Report ("Annual Report") will be published in a one-book landscape format. The publication provides readers with financial and operational information for 2020, as well as Outlook information for 2021 and beyond.

The City of Calgary 2020 Annual Report

Summary of Financial Results:

The Public Sector Accounting Standards 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 2020 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 \$2,790 million. This is an increase of \$333 million from the net financial asset position of \$2,457 million at the end of 2019. This means The City has more financial assets than financial liabilities (including debt). This is primarily due to increases in cash, investments, land inventory, other assets and investment in ENMAX Corporation. Financial assets are partially offset by an increase in bank indebtedness, deferred revenue, capital deposits, employee benefit obligations and provision for landfill rehabilitation.
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 \$21,817 million as at December 31, 2020, comprised of \$2,790 million in net financial assets and \$19,027 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.

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On the Consolidated Statement of Operations and Accumulated Surplus:

3. Annual Surplus: The City has an annual surplus position of \$792 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 of \$369 million 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 \$1,356 million in operating activities and \$134 million in financing activities. Cash was spent through a combination of \$982 million in capital activities, and \$139 million in investing activities.

On the Consolidated Statement of Changes in Net Financial Assets:

5. Change in Net Financial Assets in the year: From December 31, 2019 to December 31, 2020, The City increased its net financial asset position by \$333 million, from \$2,457 million in 2019 to \$2,790 million in 2020. 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 2020 revenues over expenses and amortization of existing tangible capital assets, less the acquisition and contributions of new capital assets in the year.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

IMPLICATIONS

Social, Environmental, Economic (External)

The Annual Report demonstrates The City's accomplishments in 2020 in the areas:

- COVID-19 pandemic response;
- Managing our budget;
- Supporting businesses and the community; and
- Advancing strategic investments

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Service and Financial Implications

Current and Future Operating Budget:

There are no anticipated financial implications as a result of implementing these recommendations.

Current and Future Capital Budget:

There are no anticipated financial implications as a result of implementing these recommendations.

RISK

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 2021 April 26 Strategic Meeting of Council, then The City would not be in compliance with this legislative requirement.

ATTACHMENT(S)

1. Previous Council Direction and Background
2. The City of Calgary 2020 Annual Report

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	CFOD	Approve