

**Chief Financial Officer's Report to  
Audit Committee  
2022 April 21**

**ISC: UNRESTRICTED  
AC2022-0406  
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## **The City of Calgary 2021 Annual Financial Report**

### **RECOMMENDATION(S):**

That the Audit Committee:

1. Consider this report in conjunction with Report AC2022-0405 "2021 External Auditor's Year-End Report";
2. Recommends Council approval of The City of Calgary 2021 Annual Financial Report, and
3. Directs that this Report and Attachments be forwarded to the 2022 April 25 Special Meeting of Council.

### **RECOMMENDATION OF THE AUDIT COMMITTEE, 2022 APRIL 21:**

That Council approve The City of Calgary 2021 Annual Financial Report.

## **HIGHLIGHTS**

- Council approval of The City of Calgary 2021 Annual Financial 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 publicly May 1 of the year following the year for which the statements have been prepared.
- It is recommended that the report and attachments be forwarded to the 2022 April 25 Special Meeting of Council in order that the legislated timeline for financial statements to be available to the public be met.
- The City of Calgary 2021 Annual Financial Report includes the 2021 consolidated financial statements which have been audited, by Deloitte LLP, Chartered Professional Accountants and received an unmodified audit opinion. Once the Annual Financial Report has been approved by Council, it will be available electronically on [www.calgary.ca](http://www.calgary.ca).
- The 2021 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 AC2021-0405. 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 2021 Annual Financial Report ("Annual Financial Report") will be published in a one-book landscape format. The publication provides readers with financial and operational information for 2021, as well as Outlook information for 2022 and beyond.

### **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);

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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 2021 consolidated financial statements of The City of Calgary continue to reflect a strong and resilient 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 \$3,550 million. This is an increase of \$759 million from the net financial asset position of \$2,791 million at the end of 2020. This means The City has more financial assets than financial liabilities (including debt). This is primarily due to increases in cash and cash equivalents, investments, receivables, other assets and investment in ENMAX Corporation. Financial assets are partially offset by an increase in bank indebtedness, accounts payable, capital deposits and employee benefit obligations.
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 \$22,929 million as at December 31, 2021, comprised of \$3,550 million in net financial assets and \$19,379 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 \$1,111 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 \$517 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 \$1,650 million in operating activities and \$56 million in financing activities. Cash was spent through a combination of \$866 million in capital activities, and \$323 million in investing activities.

### **On the Consolidated Statement of Changes in Net Financial Assets:**

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Change in Net Financial Assets in the year: From December 31, 2020 to December 31, 2021, The City increased its net financial asset position by \$759 million, from \$2,791 million in 2020 to \$3,550 million in 2021. 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 2021 revenues over expenses, amortization of existing tangible capital assets and proceeds on sale of 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**

The Annual Financial Report demonstrates The City's accomplishments in 2021 in the areas:

- COVID-19 Pandemic Response;
- Supporting the recovery of Calgary's Downtown;
- Financial task force recommendations implementation;
- Economic Resilience Task Force recommendations implementation; and
- Preparing our city and infrastructure for a changing climate

#### **Service and Financial Implications**

#### **No anticipated financial impact**

#### ***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

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at the 2022 April 25 Special Meeting of Council, then The City would not be in compliance with this legislative requirement.

### **ATTACHMENT(S)**

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - The City of Calgary 2021 Annual Financial Report
3. Attachment 3 - 2021 Annual Financial Report Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve