

Financial statements of

# **Calgary Municipal Land Corporation**

December 31, 2013



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## **Independent Auditor's Report**

To the Shareholder of  
Calgary Municipal Land Corporation

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

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Municipal Land Corporation as at December 31, 2013, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Deloitte LLP*

Chartered Accountants  
April 30, 2014

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Financial Position**  
**As at December 31, 2013**

|   | <u><b>2013</b></u>              | <u><b>2012</b></u>       |
|---|---------------------------------|--------------------------|
|   | \$                              | \$                       |
| <b>FINANCIAL ASSETS</b>                                     |                                 |                          |
| Cash and cash equivalents (Note 4)                          | <b>11,162,795</b>               | -                        |
| Accounts receivable (Note 15)                               | <b>14,324,611</b>               | 7,315,081                |
| Term deposit (Note 5)                                       | <b>50,000</b>                   | 50,000                   |
| Mortgages receivable (Note 6)                               | <b>2,500,000</b>                | 10,994,520               |
| Infrastructure development assets (Note 9 & Note 18)        | <b>169,070,338</b>              | 145,281,289              |
| Land inventory (Note 10)                                    | <b>53,413,374</b>               | 57,268,012               |
|   | <u><b>250,521,118</b></u>       | <u>220,908,902</u>       |
| <b>FINANCIAL LIABILITIES</b>                                |                                 |                          |
| Bank indebtedness (Note 12)                                 | -                               | 527,713                  |
| Accounts payable and accrued liabilities (Note 7 & Note 15) | <b>8,930,829</b>                | 9,403,180                |
| Holdbacks payable   | <b>2,533,217</b>                | 1,972,750                |
| Interest payable (Note 15)                                  | <b>2,384,921</b>                | 2,513,601                |
| Developer deposits (Note 8)                                 | <b>3,885,000</b>                | 3,775,000                |
| Long term debt (Note 13)                                    | <b>181,187,336</b>              | 169,271,723              |
| Share capital (Note 14)                                     | <b>1</b>                        | 1                        |
|   | <u><b>198,921,304</b></u>       | <u>187,463,968</u>       |
| <b>NET FINANCIAL ASSETS</b>                                 | <u><b>51,599,814</b></u>        | <u>33,444,934</u>        |
| <b>NON-FINANCIAL ASSETS</b>                                 |                                 |                          |
| Tangible capital assets (Note 11)                           | <u><b>506,809</b></u>           | <u>995,580</u>           |
| <b>ACCUMULATED SURPLUS</b>                                  | <u><u><b>52,106,623</b></u></u> | <u><u>34,440,514</u></u> |

The accompanying notes are an integral part of these financial statements.

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Operations and Accumulated Surplus**  
**For the year ended December 31, 2013**

|  | <b><u>Budget 2013</u></b><br><b>(unaudited)</b><br><b>(Note 17)</b><br><b>\$</b> | <b><u>Actual 2013</u></b><br><b>\$</b> | <b><u>Actual 2012</u></b><br><b>\$</b> |
|--|--|--|--|
| <b>REVENUES</b>  |  |  |  |
| Community revitalization levy                          | 28,000,000   | 27,337,098                             | 22,396,413                             |
| Land sales   | 4,664,880  | 4,664,880                              | 20,267,020                             |
| Interest   | 80,000   | 122,975                                | 101,519                                |
| Rental   | 120,000  | 688,094                                | 699,992                                |
| Miscellaneous  | -  | 639,730                                | 30,587                                 |
| Insurance proceeds (Note 18)                           | -  | 4,305,937                              | -                                      |
|  | <u>32,864,880</u>  | <u>37,758,714</u>                      | <u>43,495,531</u>                      |
| <b>EXPENSES</b>  |  |  |  |
| Salaries and employee benefits                         | 2,000,000  | 1,967,012                              | 1,764,232                              |
| Cost of sales - land                                   | 3,165,000  | 3,164,406                              | 11,826,333                             |
| General administration                                 | 4,740,000  | 3,523,771                              | 2,021,978                              |
| Amortization expense (Note 11)                         | 600,000  | 559,116                                | 872,409                                |
| Interest - debentures                                  | 7,952,223  | 6,149,341                              | 5,861,330                              |
| Interest - start up loan                               | -  | -                                      | 320,360                                |
| Loan administration fees                               | 390,000  | 386,434                                | 377,640                                |
| Financing charges                                      | 38,000   | 36,588                                 | 35,957                                 |
|  | <u>18,885,223</u>  | <u>15,786,668</u>                      | <u>23,080,239</u>                      |
| <b>EXCESS OF REVENUES OVER EXPENSES - BEFORE OTHER</b> | <b>13,979,657</b>  | <b>21,972,046</b>                      | <b>20,415,292</b>                      |
| <b>OTHER</b>   |  |  |  |
| Loss due to flood (Note 18)                            | -  | (4,305,937)                            | -                                      |
| <b>EXCESS OF REVENUES OVER EXPENSES</b>                | <b>13,979,657</b>  | <b>17,666,109</b>                      | <b>20,415,292</b>                      |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>          | <b>34,440,514</b>  | <b>34,440,514</b>                      | <b>14,025,222</b>                      |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                | <b><u>48,420,171</u></b>   | <b><u>52,106,623</u></b>               | <b><u>34,440,514</u></b>               |

The accompanying notes are an integral part of these financial statements.

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Cash Flows**  
**For the year ended December 31, 2013**

|   | <u>2013</u>              | <u>2012</u>             |
|---|--------------------------|-------------------------|
|   | \$                       | \$                      |
| <b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:</b>               |                          |                         |
| <b>Operating</b>  |                          |                         |
| Excess of revenues over expenses before other                           | 21,972,046               | 20,415,292              |
| Deduct items not affecting cash:  |                          |                         |
| Amortization expense  | 559,116                  | 872,409                 |
| Write down of tangible capital assets                                   | -                        | 20,444                  |
| Loss due to flood (Note 18)   | (4,305,937)              | -                       |
| Change in non-cash working capital                                      |                          |                         |
| Accounts receivable   | (7,009,530)              | (2,673,747)             |
| Term deposit  | -                        | (50,000)                |
| Mortgage receivable   | 8,494,520                | (10,994,520)            |
| Infrastructure development assets                                       | (23,789,048)             | (21,230,104)            |
| Acquisition of land inventory   | 3,854,638                | 786,129                 |
| Accounts payable and accrued liabilities                                | (472,350)                | 1,721,685               |
| Holdbacks payable   | 560,467                  | (1,049,515)             |
| Interest payable  | (128,680)                | 109,515                 |
| Developer deposits  | 110,000                  | (575,000)               |
|   | <u>(154,759)</u>         | <u>(12,647,412)</u>     |
| <b>Capital</b>  |                          |                         |
| Acquisition of tangible capital assets                                  | (70,345)                 | (671,017)               |
|   | <u>(70,345)</u>          | <u>(671,017)</u>        |
| <b>Financing</b>  |                          |                         |
| Infrastructure debentures (Note 13)                                     | 7,000,000                | 20,000,000              |
| Start up loan repayment   | -                        | (10,000,000)            |
| Repayment of debenture principal (Note 13)                              | (2,608,897)              | (1,473,353)             |
| The City of Calgary mortgages (Note 13)                                 | (4,378,315)              | (3,938,775)             |
| New Central Library Advance (Note 13)                                   | 10,000,000               | -                       |
| New Central Library Loan (Note 13)                                      | 1,902,824                | -                       |
|   | <u>11,915,612</u>        | <u>4,587,872</u>        |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                 | <b>11,690,508</b>        | <b>(8,730,557)</b>      |
| <b>(BANK INDEBTEDNESS) CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> | <b><u>(527,713)</u></b>  | <b><u>8,202,844</u></b> |
| <b>CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS), END OF YEAR</b>       | <b><u>11,162,795</u></b> | <b><u>(527,713)</u></b> |

The accompanying notes are an integral part of these financial statements.

**CALGARY MUNICIPAL LAND CORPORATION**  
**Statement of Changes in Net Financial Assets**  
**For the year ended December 31, 2013**

|  | <b><u>Budget 2013</u></b><br><b>(unaudited)</b><br><b>(Note 17)</b><br>\$ | <b><u>Actual 2013</u></b><br>\$ | <b><u>Actual 2012</u></b><br>\$ |
|--|---|---------------------------------|---------------------------------|
| <b>EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER</b> | <b>13,979,657</b>   | <b>21,972,046</b>               | 20,415,292                      |
| Amortization of tangible capital assets              | <b>600,000</b>  | <b>559,116</b>                  | 872,409                         |
| Write down of tangible capital assets                | -   | -                               | 20,444                          |
| Loss due to flood (Note 18)                          | -   | <b>(4,305,937)</b>              | -                               |
| Acquisition of tangible capital assets               | <b>(80,000)</b>   | <b>(70,345)</b>                 | (671,017)                       |
| <b>INCREASE IN NET FINANCIAL ASSETS</b>              | <b><u>14,499,657</u></b>  | <b><u>18,154,880</u></b>        | <u>20,637,128</u>               |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>       | <b>33,444,934</b>   | <b>33,444,934</b>               | 12,807,806                      |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>             | <b><u><u>47,944,591</u></u></b>   | <b><u><u>51,599,814</u></u></b> | <u><u>33,444,934</u></u>        |

# CALGARY MUNICIPAL LAND CORPORATION

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## Notes to Financial Statements For the year ended December 31, 2013

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### 1. DESCRIPTION OF BUSINESS

Calgary Municipal Land Corporation ("CMLC" or the "Corporation"), a wholly owned subsidiary of The City of Calgary ("The City"), was incorporated on February 22, 2007. On July 5, 2007, pursuant to the Alberta Municipal Government Act and the Control of Corporation Regulation (AR 284/2003), the Provincial Minister of Municipal Affairs approved, via Ministerial Order L: 162/07, The City of Calgary as the sole shareholder pursuant to Section 250(2) (e) of the Municipal Government Act. CMLC, as a wholly owned subsidiary of The City, is not subject to income tax.

The Corporation was formed to implement public infrastructure improvements that will be the catalyst for private and public sector real estate development in The Rivers District.

### 2. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

The Corporation has determined that PS 2601 – Financial Currency Translation, PS 3450 – Financial Instruments and PS 3510 – Tax Revenue do not apply to the Corporation and as such these standards did not have any impact on the December 31, 2013 yearend financial statements.

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

PS1201 – Financial Statement Presentation requires the Corporation to include a statement of remeasurement gains and losses as part of the financial statements. Such a statement has not been included as part of the December 31, 2013 yearend financial statements as PS2601 and PS3450 do not apply to the Corporation and as such there are no remeasurement gains or losses incurred.

# CALGARY MUNICIPAL LAND CORPORATION

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## Notes to Financial Statements For the year ended December 31, 2013

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of presentation*

The financial statements are prepared in accordance with Public Sector Accounting Standards ("PSAS") for local government organizations as established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

#### *Basis of accounting*

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of balances on deposit and investments in money market instruments with maturities within 90 days from the date of acquisition and are recorded at cost.

#### *Land inventory*

Land inventory is carried at the lower of cost and net realizable value. The net realizable value is the market value of land less any selling costs. CMLC capitalizes all costs associated with land held for resale, including property taxes and maintenance charges.

#### *Infrastructure development assets*

Infrastructure development assets are projects currently under construction that will result in an asset being constructed which will be turned over to The City at the final acceptance certificate phase of construction. Infrastructure development assets are recorded at cost. CMLC capitalizes direct construction and development costs to the projects under development, which will be recovered from The City through the Community Revitalization Levy ("CRL") collected by The City on behalf of CMLC. These assets are not being amortized by CMLC.

**CALGARY MUNICIPAL LAND CORPORATION****Notes to Financial Statements****For the year ended December 31, 2013**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)***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, represents the Change in Net Financial Assets for the year.

*Accumulated surplus/deficit*

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

*Tangible capital assets*

Tangible capital assets are stated at cost less accumulated amortization. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. The amortization rates are as follows:

|                                |                                     |
|--------------------------------|-------------------------------------|
| Office furniture and equipment | straight-line method over 5 years   |
| Computer hardware              | straight-line method over 5 years   |
| Computer software              | straight-line method over 5 years   |
| Start up costs                 | straight-line method over 5 years   |
| Sales Centre                   | straight-line method over 3.5 years |

Amortization commences in the first full month of ownership.

Tangible capital assets are recorded at cost and are tested for impairment whenever a change in events or circumstances indicates that the carrying value may not be recoverable. Any resulting impairment loss is recognized in the period it is determined.

*Revenue recognition*

Sales revenues are recognized upon title of the property passing to the purchaser and receipt of at least 15% of the total proceeds, and collection is reasonably assured.

Community Revitalization Levy "CRL", interest and rental revenues are recognized when persuasive evidence of an arrangement exists, the amounts are earned and measurable, and collection is reasonably assured.

**CALGARY MUNICIPAL LAND CORPORATION****Notes to Financial Statements****For the year ended December 31, 2013**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Use of estimate*

The preparation of financial statements, in conformity with PSAS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the net realizable value of land inventory, estimated useful life and potential impairment of tangible capital assets and accrued liabilities.

Actual results could differ from these estimates. These estimates and assumptions are reviewed quarterly and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

**4. CASH AND CASH EQUIVALENTS**

|                  | 2013              | 2012     |
|------------------|-------------------|----------|
|                  | \$                | \$       |
| Cash             | 2,475,063         | -        |
| Cash equivalents | 8,687,732         | -        |
|                  | <u>11,162,795</u> | <u>-</u> |

**5. TERM DEPOSIT**

|              | 2013          | 2012          |
|--------------|---------------|---------------|
|              | \$            | \$            |
| Term deposit | <u>50,000</u> | <u>50,000</u> |

The term deposit of \$50,000 with Bank of Montreal is stated at cost, it bears an interest rate of 1.25% over a 12 month period. The deposit is required as a security deposit for Calgary Municipal Land Corporation's corporate credit card.

**CALGARY MUNICIPAL LAND CORPORATION****5****Notes to Financial Statements**  
**For the year ended December 31, 2013****6. MORTGAGE RECEIVABLE**

|                     | <b>2013</b>      | 2012       |
|---------------------|------------------|------------|
|                     | <b>\$</b>        | \$         |
| Mortgage receivable | <b>2,500,000</b> | 10,994,520 |

The mortgage receivable represents the mortgage balance of \$2,500,000 (2012 - \$10,994,520) with National Music Centre and bears no interest, \$500,000 is receivable on June 15, 2014 and the balance of \$2,000,000 is receivable on the maturity date, September 30, 2015.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                      | <b>2013</b>      | 2012      |
|----------------------|------------------|-----------|
|                      | <b>\$</b>        | \$        |
| Accounts payable     | <b>4,941,857</b> | 6,175,061 |
| Vacation pay accrual | <b>30,625</b>    | 24,725    |
| Accrued liabilities  | <b>3,958,347</b> | 3,203,394 |
|                      | <b>8,930,829</b> | 9,403,180 |

**8. DEVELOPER DEPOSITS**

|                    | <b>2013</b>      | 2012      |
|--------------------|------------------|-----------|
|                    | <b>\$</b>        | \$        |
| Developer deposits | <b>3,885,000</b> | 3,775,000 |

The total deposits on hand at December 31, 2013 of \$3,885,000 (2012 - \$3,775,000) are in relation to land purchases and sales agreements that will close subsequent to 2013. An amount of \$35,000 was received for the Simmons Building development deposit and the remaining \$100,000 was paid in January 2013 by F.S. Calgary LP as continuing collateral security of its obligations of purchasing land – “Parcel Q”.

**CALGARY MUNICIPAL LAND CORPORATION****6****Notes to Financial Statements**  
**For the year ended December 31, 2013****9. INFRASTRUCTURE DEVELOPMENT ASSETS**

|                                  | <b>2013</b>         | 2012         |
|----------------------------------|---------------------|--------------|
|                                  | <b>\$</b>           | \$           |
| East Village Infrastructure      | <b>83,354,259</b>   | 74,198,563   |
| Public Library                   | <b>2,035,806</b>    | 72,604       |
| Riverwalk                        | <b>24,583,882</b>   | 24,351,449   |
| 4 <sup>th</sup> Street Underpass | <b>54,641,318</b>   | 54,372,194   |
| The City of Calgary recovery     | <b>(28,000,000)</b> | (28,000,000) |
| St. Patrick's Bridge and Island  | <b>25,792,385</b>   | 15,742,340   |
| Environmental                    | <b>6,662,688</b>    | 4,544,139    |
|                                  | <b>169,070,338</b>  | 145,281,289  |

In 2010 and 2011, CMLC recovered a total of \$28,000,000 from The City for work done on the 4th Street Underpass as per a cost sharing agreement with The City.

**10. LAND INVENTORY**

|                        | <b>2013</b>        | 2012        |
|------------------------|--------------------|-------------|
|                        | <b>\$</b>          | \$          |
| Opening balance        | <b>57,268,012</b>  | 58,054,141  |
| Additions              | <b>3,429,342</b>   | 8,657,928   |
| Dispositions/Transfers | <b>(7,283,980)</b> | (9,444,057) |
|                        | <b>53,413,374</b>  | 57,268,012  |

The total dispositions and transfers of \$7,283,980 (2012 - \$9,444,057) includes \$3,158,956 for land dispositions in the "Parcel P" land sale in January 2013 and the balance of \$4,125,025 was transferred to the City of Calgary for the New Central Library site land.

**CALGARY MUNICIPAL LAND CORPORATION****Notes to Financial Statements  
For the year ended December 31, 2013****11. TANGIBLE CAPITAL ASSETS**

|                         | <b>2013</b>      |                     |                 |
|-------------------------|------------------|---------------------|-----------------|
|                         | <b>Cost</b>      | <b>Accumulated</b>  | <b>Net Book</b> |
|                         | <b>\$</b>        | <b>Amortization</b> | <b>Value</b>    |
|                         | <b>\$</b>        | <b>\$</b>           | <b>\$</b>       |
| Furniture and equipment | <b>241,907</b>   | <b>158,762</b>      | <b>83,145</b>   |
| Computer hardware       | <b>108,111</b>   | <b>30,605</b>       | <b>77,506</b>   |
| Computer software       | <b>67,364</b>    | <b>48,383</b>       | <b>18,981</b>   |
| Sales Centre            | <b>1,335,418</b> | <b>1,008,241</b>    | <b>327,177</b>  |
| Startup costs           | <b>1,531,443</b> | <b>1,531,443</b>    | <b>-</b>        |
|                         | <b>3,284,243</b> | <b>2,777,434</b>    | <b>506,809</b>  |

The Sales Centre was completed and opened in March 2012. Amortization commenced in April 2012 using straight-line method over 3.5 years (2012 - 2 years).

During the third quarter of 2013, the operation of the Sales Centre has been extended from the previously agreed upon date of March 10, 2014 to September 10, 2015; CMLC determined that it was necessary to decelerate the amortization for the Sales Centre increasing the life from 2 to 3.5 years. This change in accounting estimate results in decreased Sales Centre amortization expense amounting to approximately \$15,580 each month from September 2013 through September 2015. This change in estimate has been applied prospectively in accordance with the guidance within PSAS.

|                         | <b>2012</b> |                     |                 |
|-------------------------|-------------|---------------------|-----------------|
|                         | <b>Cost</b> | <b>Accumulated</b>  | <b>Net Book</b> |
|                         | <b>\$</b>   | <b>Amortization</b> | <b>Value</b>    |
|                         | <b>\$</b>   | <b>\$</b>           | <b>\$</b>       |
| Furniture and equipment | 215,502     | 132,170             | 83,332          |
| Computer hardware       | 67,789      | 14,403              | 53,386          |
| Computer software       | 63,746      | 39,521              | 24,225          |
| Sales Centre            | 1,335,418   | 500,781             | 834,637         |
| Startup costs           | 1,531,443   | 1,531,443           | -               |
|                         | 3,213,898   | 2,218,318           | 995,580         |

# CALGARY MUNICIPAL LAND CORPORATION

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## Notes to Financial Statements For the year ended December 31, 2013

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### 12. OPERATING FACILITY

The Corporation has arranged an operating facility in a maximum amount of \$5,000,000, which bears interest, payable monthly, at Hongkong and Shanghai Banking Corporation's prime interest rate plus 0.50% per annum. This facility is secured by a general security agreement. As at December 31, 2013, the operating facility was not in use by the Corporation (2012 - \$527,713 drawn).

### 13. LONG TERM DEBT

|                             | 2013               | 2012               |
|-----------------------------|--------------------|--------------------|
|                             | \$                 | \$                 |
| Debentures                  | 154,917,751        | 150,526,648        |
| Mortgages                   | 14,366,761         | 18,745,075         |
| New Central Library Advance | 10,000,000         | -                  |
| New Central Library Loan    | 1,902,824          | -                  |
|                             | <b>181,187,336</b> | <b>169,271,723</b> |

During 2013, the Corporation issued \$7 million (2012 - \$20 million) in debentures from The City of Calgary through arrangements with Alberta Capital Finance Authority.

**CALGARY MUNICIPAL LAND CORPORATION****Notes to Financial Statements****For the year ended December 31, 2013****13. LONG TERM DEBT (Continued)**

Debenture details are:

| Debenture No. | Interest Rate | Maturity Date | December 31, 2013  | December 31, 2012  |
|---------------|---------------|---------------|--------------------|--------------------|
| 20080001      | 4.660%        | 17/03/2028    | 15,000,000         | 15,000,000         |
| 20080009      | 4.791%        | 16/06/2028    | 14,000,000         | 14,000,000         |
| 20080016      | 4.736%        | 15/09/2028    | 11,000,000         | 11,000,000         |
| 20090005      | 5.222%        | 16/03/2029    | 8,000,000          | 8,000,000          |
| 20090012      | 5.125%        | 15/06/2029    | 10,000,000         | 10,000,000         |
| 20090019      | 4.880%        | 15/09/2029    | 8,000,000          | 8,000,000          |
| 20100003      | 4.390%        | 15/03/2025    | 5,000,000          | 5,000,000          |
| 20100004      | 4.362%        | 15/06/2025    | 15,000,000         | 15,000,000         |
| 20100015      | 3.947%        | 15/09/2025    | 13,000,000         | 13,000,000         |
| 20100016      | 2.425%        | 15/09/2015    | 5,000,000          | 5,000,000          |
| 20110006      | 3.560%        | 15/06/2026    | 12,533,734         | 13,279,833         |
| 20110010      | 3.013%        | 15/09/2026    | 8,911,200          | 9,463,740          |
| 20110012      | 1.915%        | 15/09/2016    | 4,000,000          | 4,000,000          |
| 20120001      | 2.023%        | 15/03/2017    | 2,000,000          | 2,000,000          |
| 20120002      | 2.769%        | 15/03/2027    | 7,340,173          | 7,783,075          |
| 20120008      | 2.599%        | 17/09/2027    | 9,447,023          | 10,000,000         |
| 20130003      | 2.229%        | 15/03/2023    | 6,685,621          | -                  |
|               |               |               | <b>154,917,751</b> | <b>150,526,648</b> |

Mortgages of \$14,366,761 held by The City of Calgary relate to developable land parcels transferred to CMLC by The City. The mortgages are due on the earlier of December 31, 2019 or when CMLC closes a sale of the related land to a third party. The mortgages are secured by land and are non-interest bearing.

\$10,000,000 of The City's contribution to the New Central Library project budget was received in July 2013 as an advance by The City to CMLC to fund working capital for the Library Project. The City has also funded \$1,902,824 to the New Central Library project in 2013. The City's total funding commitment to the New Central Library is \$175,000,000.

# CALGARY MUNICIPAL LAND CORPORATION

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## Notes to Financial Statements For the year ended December 31, 2013

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### 13 LONG TERM DEBT (Continued)

Long term debt is repayable as follows:

|            |                    |
|------------|--------------------|
| 2014       | 3,401,138          |
| 2015       | 8,105,552          |
| 2016       | 7,195,639          |
| 2017       | 8,288,414          |
| Thereafter | 154,196,593        |
|            | <u>181,187,336</u> |

### 14. SHARE CAPITAL

Authorized:

Common shares – unlimited

CMLC has one common share issued and outstanding for \$1.

### 15. TRANSACTIONS WITH THE CITY AND CITY ENTITIES

Total purchases from The City and City entities:

|                     | <u>2013</u>      | <u>2012</u>      |
|---------------------|------------------|------------------|
|                     | <u>\$</u>        | <u>\$</u>        |
| ENMAX               | 211,218          | 580,175          |
| The City of Calgary | <u>1,199,440</u> | <u>1,469,861</u> |
|                     | <u>1,410,658</u> | <u>2,050,036</u> |

Purchases from ENMAX are for infrastructure and energy related goods and services. Purchases from The City are for infrastructure upgrade work, application fees and property taxes. In 2013, interest paid to The City was \$6,148,607 (2012 - \$6,181,691)

These transactions were completed at market value between The City and City entities. ENMAX is a wholly-owned subsidiary of The City.

**CALGARY MUNICIPAL LAND CORPORATION****11****Notes to Financial Statements****For the year ended December 31, 2013****15. TRANSACTIONS WITH THE CITY AND CITY ENTITIES (Continued)**

Accounts payable and accrued liabilities with The City and City entities:

|                 | <b>2013</b>      | 2012      |
|-----------------|------------------|-----------|
|                 | <b>\$</b>        | \$        |
| ENMAX           | <b>2,443,704</b> | 2,170,975 |
| City of Calgary | <b>2,590,746</b> | 2,800,287 |
|                 | <b>5,034,450</b> | 4,971,262 |

Amounts payable to ENMAX are for infrastructure and energy related goods and services. Amounts payable to The City include interest of \$2,376,576 (2012 - \$ 2,513,601), loan management fees \$194,169 (2012 - \$193,431), infrastructure upgrade work, application fees and property taxes. These transactions were completed at exchange amount between The City and City entities.

Revenue from The City and City entities:

|   | <b>2013</b>      | 2012    |
|---|------------------|---------|
|   | <b>\$</b>        | \$      |
| Calgary Parking Authority                       | <b>678,469</b>   | 609,459 |
| City of Calgary – New Calgary Library Admin Fee | <b>576,471</b>   | -       |
|   | <b>1,254,940</b> | 609,459 |

Receivables from The City and City entities:

|                           | <b>2013</b>      | 2012      |
|---------------------------|------------------|-----------|
|                           | <b>\$</b>        | \$        |
| City of Calgary           | <b>8,478,763</b> | 6,037,059 |
| Calgary Parking Authority | <b>475,180</b>   | 481,615   |
| ENMAX                     | <b>37,638</b>    | 34,489    |
|                           | <b>8,991,581</b> | 6,553,163 |

Receivables from The City are related to the Q4 2013 CRL payment and the New Central Library funds.

# CALGARY MUNICIPAL LAND CORPORATION

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## Notes to Financial Statements For the year ended December 31, 2013

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### 15. TRANSACTIONS WITH THE CITY AND CITY ENTITIES (Continued)

In the normal course of operations, letters of credit are issued to The City to facilitate the issuance of development permits necessary to undertake infrastructure work. The Corporation issued letters of credit amounting to \$1,364,500 which are secured under a general security agreement with Hongkong and Shanghai Banking Corporation as at December 31, 2013 (2012 - \$1,364,500).

### 16. FINANCIAL INSTRUMENTS

#### *Credit risk*

The Corporation's credit risk is primarily attributable to its accounts receivables. The Corporation's credit risk is limited as 63% (2012 - 90%) of the Corporation's accounts receivable balance at December 31, 2013 is due from the City of Calgary and Enmax, with the remaining balance comprised of Goods and Services Tax receivable, insurance proceeds and chargebacks.

#### *Fair value*

The fair values of cash and cash equivalents, accounts receivable, term deposit, mortgages receivable, accounts payable and accrued liabilities, holdbacks payable and interest payable approximate their carrying values due to their short-term maturity. The City of Calgary mortgages also approximate fair value as they are non-interest bearing. The estimated fair value of the debentures is \$169,790,343 (2012 - \$163,406,980). The estimated fair value is based on current lending rates with similar maturities obtainable from Alberta Capital Finance Authority.

### 17. 2013 BUDGET - UNAUDITED

The budget amounts presented throughout these financial statements are based on the Operating and Capital Budgets approved by the Board of Directors of CMLC and The City of Calgary Council.

# **CALGARY MUNICIPAL LAND CORPORATION**

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## **Notes to Financial Statements For the year ended December 31, 2013**

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### **18. 2013 FLOOD INFORMATION**

On June 20, 2013, Calgary experienced a major flood that caused damage to the St. Patrick's Bridge. The bridge was under construction by Graham Infrastructure which holds course of construction insurance as per the project agreement. Under the agreement Graham Infrastructure is liable for any costs incurred due to natural disasters. The total damages to the St Patrick's Bridge were estimated at \$10,000,000. As at December 31, 2013, Graham Infrastructure had restored \$5,694,063 worth of damages to the St.

Patrick's bridge. The remaining \$4,305,937 receivable has been accounted for as accounts receivable for the work to be completed in the first quarter of 2014.