

An aerial photograph of the City of Calgary, showing the downtown skyline with numerous skyscrapers, the Bow River winding through the city, and surrounding green spaces. The image is the background for the entire document.The logo for the City of Calgary, featuring the word "Calgary" in white on a red rectangular background, followed by the city's crest on a dark grey rectangular background.

Calgary

CITY OF CALGARY  
**RECEIVED**  
IN COUNCIL CHAMBER

APR 23 2019

ITEM 6.3 AC2019-0498  
CITY CLERK'S DEPARTMENT

# DELIVERING **VALUE** FOR CITIZENS

The City of Calgary 2018  
Annual Report **AC2019-0498**

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

### Overview

- I. Continued progress for “Delivering value for citizens”
- II. Continue to focus on effective governance, increased accountability, transparency and a well-run City
- III. Unmodified Financial Statement audit opinion

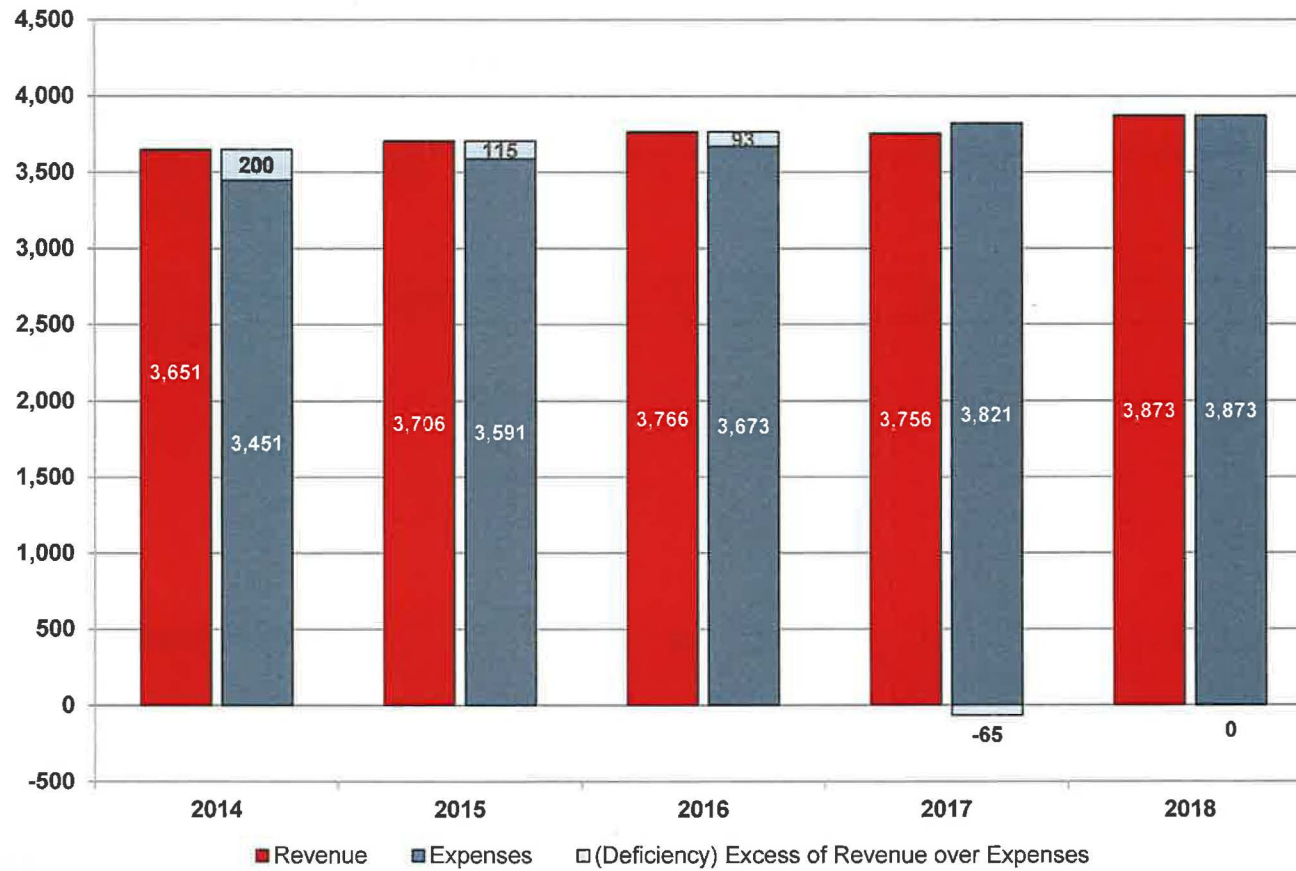
### Financial results

- I. Strong statement of financial position and liquidity – promoting a continued strong AA+ credit rating
- II. Prior period restatement due to timing of revenue and funding recognition



## Revenues, Expenses, and Surpluses Before Capital Transfers

(\$ millions)





## Revenues for the Year Ended December 31

(\$ millions)

	2018	2017	Increase/ (Decrease)	Percent Change
		(Restated)		
Net taxes available for municipal purposes	\$ 2,068	\$ 1,955	\$ 113	6%
Sale of goods and services	1,279	1,274	5	<1%
Government transfers	162	145	17	12%
Investment income	101	105	(4)	(3%)
Fines and Penalties	96	92	4	4%
Licences, permits and fees	117	124	(7)	(6%)
Miscellaneous revenue	45	91	(46)	(50%)
(Loss)/equity in earnings of ENMAX	5	(30)	35	117%
Total revenues (before external transfers for infrastructure)	\$ 3,873	\$ 3,756	117	3%
Developer contributions	219	133	86	65%
Government transfers related to capital	564	753	(189)	(25%)
Developer contributions-in-kind related to capital	255	205	50	24%
Total external transfer for infrastructure	\$ 1,038	\$ 1,091	(53)	(5%)
Total revenues	\$ 4,911	\$ 4,847	64	1%

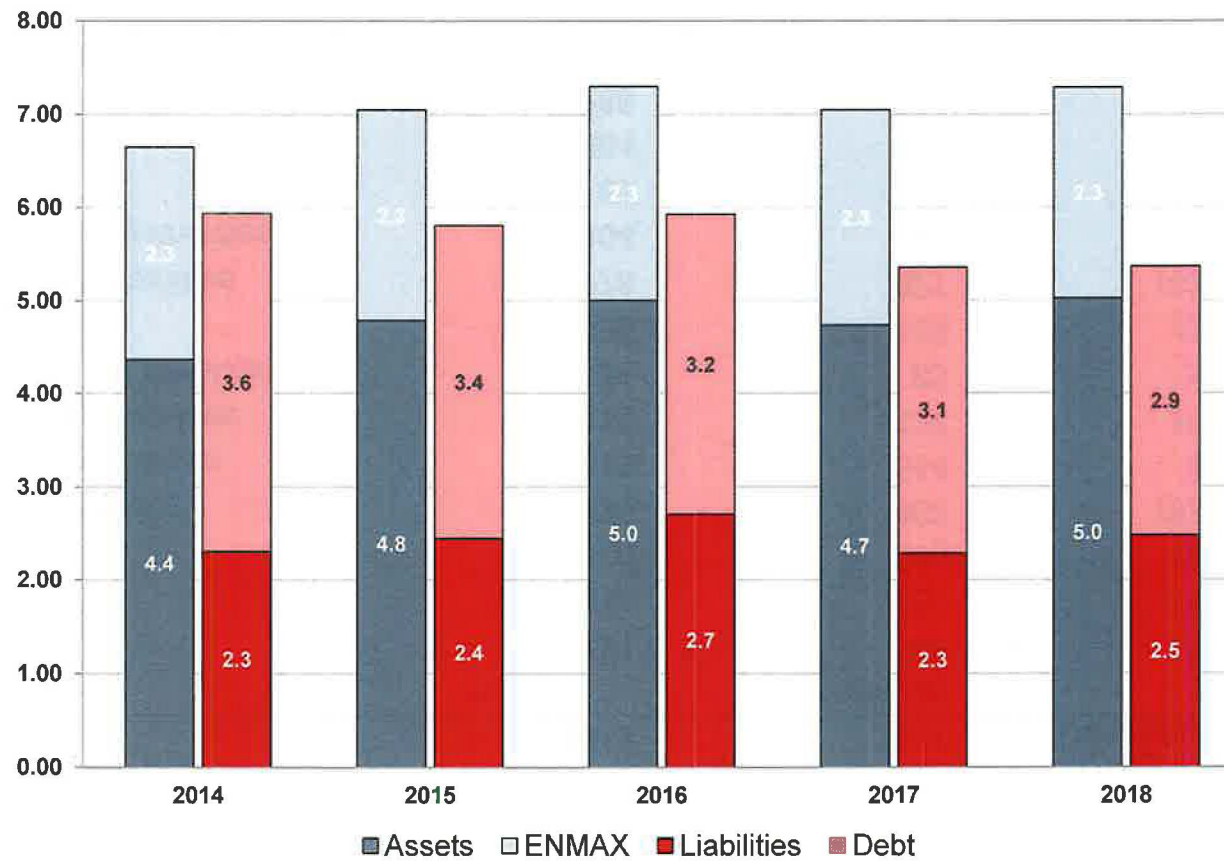


## Expenses for the Year Ended December 31

(\$ millions)

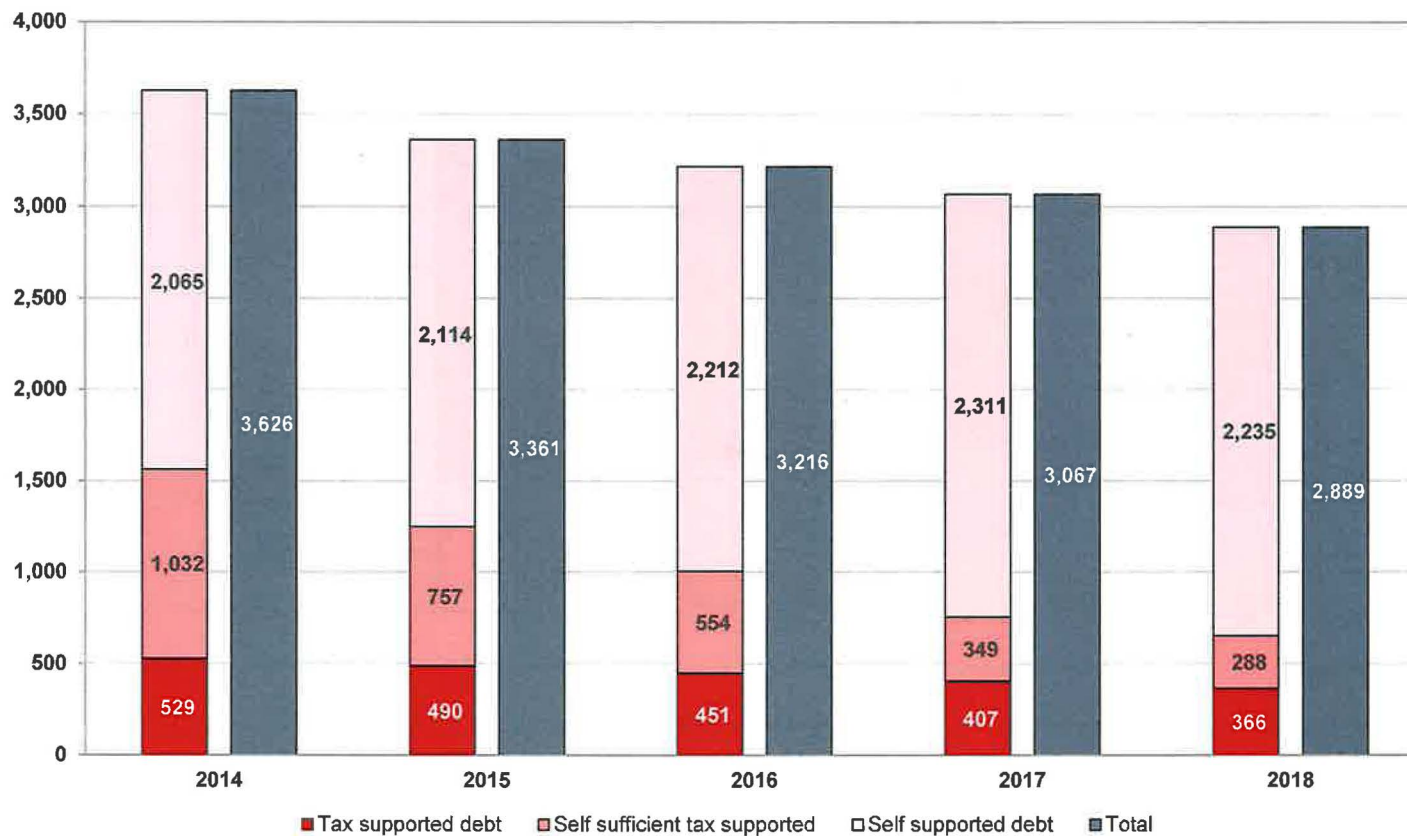
	2018	2017	Increase/ (Decrease)	Percent Change
		(Restated)		
Police	\$ 521	\$ 509	\$ 12	2%
Fire	311	325	(14)	(4%)
Public transit	568	555	13	2%
Roads, traffic and parking	425	462	(37)	(8%)
Water services & resources	518	514	4	1%
Waste and recycling services	152	137	15	11%
Community and social development	86	83	3	3%
Public housing	130	133	(3)	(3%)
Parks and recreation facilities	278	321	(43)	(13%)
Societies and related authorities	104	83	21	25%
Calgary Public Library	67	64	3	5%
General government	384	293	91	31%
Public works	288	294	(6)	(2%)
Real estate services	41	48	(7)	(15%)
Total	\$ 3,873	\$ 3,821	\$ 52	1%

## Financial Assets and Liabilities (\$ billions)



## Long-term Debt Balances as at December 31

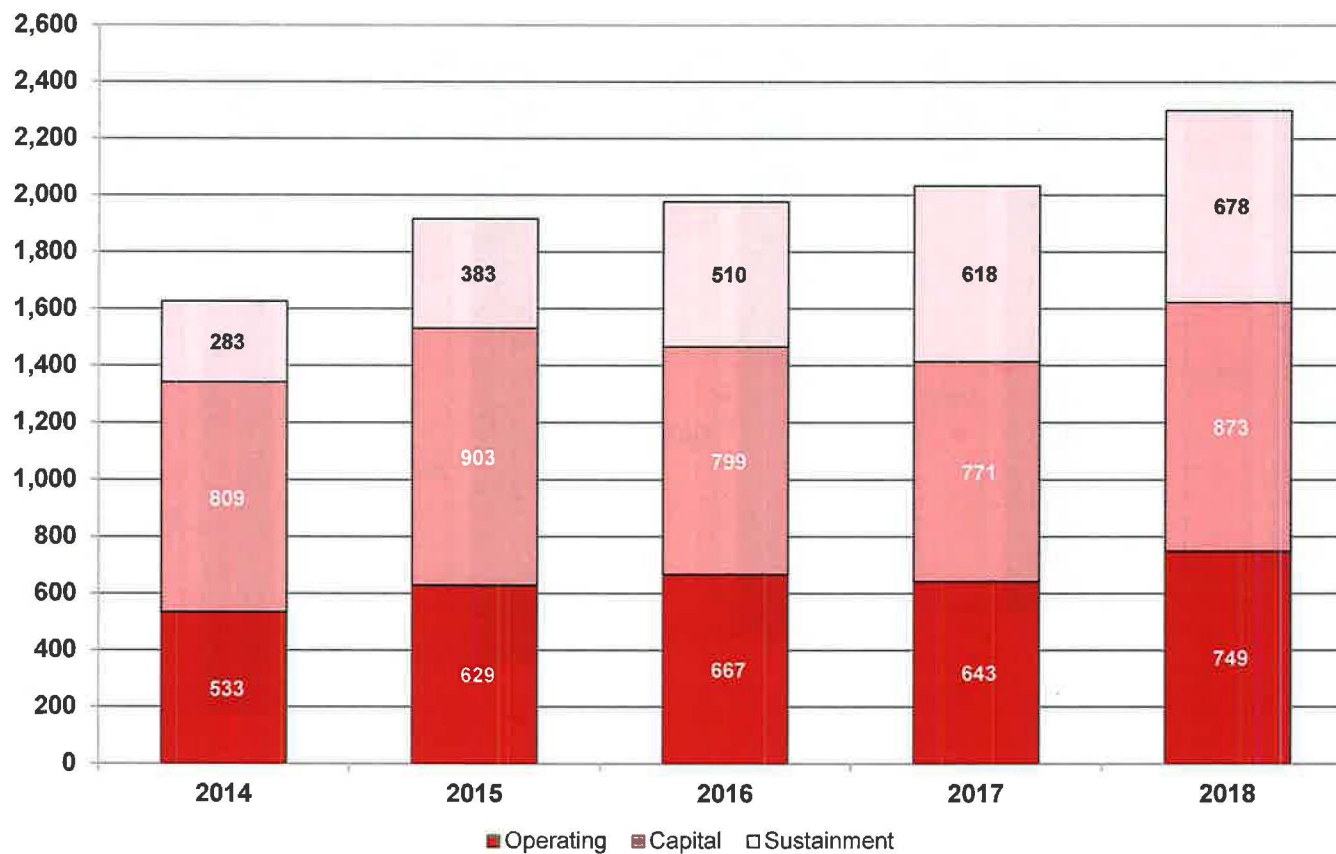
(\$ millions)





## Reserves as at December 31

(\$ millions)







## 2018 Prior Period Adjustments

### Revenue Restatement due to timing of Revenue and Funding Recognition

#### Statement of Operations Impact

- Developer Contributions: Decrease of \$5.5 million
- Government Transfers related to capital: Increase of \$41.3 million
- Opening Accumulated Surplus: Increase of \$78.3 million

#### Balance Sheet Impact

- Capital Deposits: Decrease of \$114.2 million
- Capital Fund: Increase of \$125.6 million
- Reserves: Decrease of \$11.4 million

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

## New Accounting Standards

Following accounting standards were successfully adopted during 2018:

- **PS 3210 – Assets**
  - Major Categories Identified: Art Collections, Antiques Airplanes, Crown Lands, Heritage Artifacts.
  - Complete impact is disclosed in Financial Statement Note 25.
- **PS 3320 – Contingent Assets**
  - Various Claims and Lawsuits brought by the City.
  - Complete impact is disclosed in Financial Statement Note 27.
- **PS 3380 – Contractual Rights**
  - Contracts entered for various service, long term lease and rental contracts.
  - Impact is disclosed in Financial Statement Note 26.
- **PS 3420 – Inter-entity Transactions**
  - Reporting of transactions between entities controlled by the government's reporting entity.
  - The adoption of this standard had no impact on the financial statements.
- **PS 2200 – Related Party Transactions**
  - Where one party has the ability to exercise control or shared control over the other.
  - As at Dec 31, 2018, there are no material transactions for disclosure.



## Administration Recommendations

That the Audit Committee:

- I. Consider this report in conjunction with Report AC2019-0498 "2018 External Auditor's Year-end Report";
- II. Recommends Council approval of the 2018 City of Calgary Annual Report as a matter of urgent business on April 29, 2019



**Calgary**



**Supplementary Information Follows**



## Consolidated Statement of Cash Flows as at December 31, 2018

(\$ Thousands)

### Consolidated Statement of Cash Flows

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

	2018	2017
		(Restated Note 33)
<b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:</b>		
<b>OPERATING ACTIVITIES</b>		
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
	<b>1,601,726</b>	<b>1,093,108</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(1,270,669)	(1,344,160)
Proceeds on sale of tangible capital assets	35,850	80,933
	<b>(1,234,819)</b>	<b>(1,263,227)</b>
<b>INVESTING ACTIVITIES</b>		
Dividends from ENMAX Corporation	40,000	48,000
Net (purchases) sales of investments	(144,805)	202,705
	<b>(104,805)</b>	<b>250,705</b>
<b>FINANCING ACTIVITIES</b>		
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)
	<b>(149,992)</b>	<b>(174,464)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>112,110</b>	<b>(93,878)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>134,006</b>	<b>227,884</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 246,116</b>	<b>\$ 134,006</b>





## Consolidated Statement of Changes in Net Financial Assets as at December 31, 2018

(\$ Thousands)

### 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)
<b>ANNUAL SURPLUS</b>	<b>\$ 1,829,637</b>	<b>\$ 1,022,018</b>	<b>\$ 1,126,572</b>
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)
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<b>966,817</b>	<b>225,959</b>	<b>244,064</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>1,692,645</b>	<b>1,694,038</b>	<b>1,449,974</b>
Impact of Adoption of IFRS 9 by ENMAX Corporation (Note 7)	–	(1,393)	–
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 2,659,462</b>	<b>\$ 1,918,604</b>	<b>\$ 1,694,038</b>





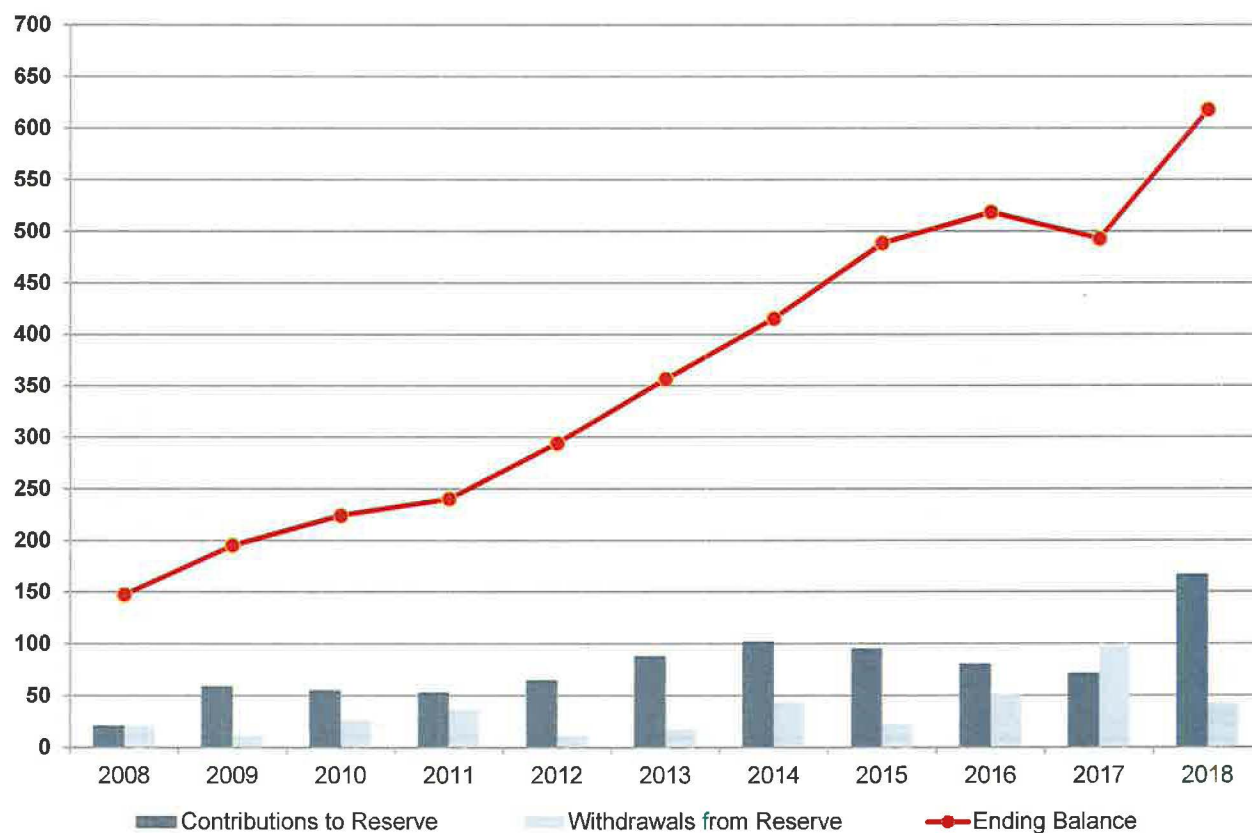
## Capital Deposits as at December 31

(\$ Thousands)

	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
	<b>\$ 771,294</b>	<b>\$ 712,685</b>



## Fiscal Stability Reserve (\$ Millions)





# Upcoming Accounting Standards

Upcoming Accounting Standards	Restructuring Transactions (PS3420)	FS Presentation (PS 1201) FX Translation (PS 2601) Portfolio Investments (PS 3401) Financial Instruments (PS 3450) Asset Retirement Obligation (PS 3280)			Revenue (PS 3400)	
Expected Impact on Organization	LOW	HIGH			MODERATE	
	2018 (Nov)	2019	2020	2021	2022	2023
	Training, Communication and Implementation					
Work Plan	Resourcing requests made as part of One Calgary	Roll out an initial assessment of Restructuring Transactions (PS 3430)  Introduction of 6 upcoming standards to Finance Family  Project Planning for Financial Instruments and Asset Retirement Obligation	Project teams meet and design implementation plans.  Stakeholder engagement.  Additional training sessions and updates for Finance Family	Project teams meet and design implementation plans.  Stakeholder engagement.  Project Planning for FS Presentation, FX Translation and Portfolio Investments	Additional training sessions and updates for Finance Family  Roll-out and Review Implementation of all Standards  Project Planning for Revenue standard	Additional training sessions and updates for Finance Family  Roll-out and Review Implementation of Revenue Standard