

Calgary



Delivering value for citizens

The City of Calgary 2017 ANNUAL REPORT

The City of Calgary, Alberta, Canada | For the year ended December 31, 2017

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The City of Calgary, Alberta | ANNUAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2017
 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

85%

rate their quality of life as good

84%

agree we are on track to becoming a better city

82%

agree Calgary is a great place to make a life

85%

are proud to live in their neighbourhood

81%

perceive their neighbourhood as safe

CITY PROGRAMS AND SERVICES



94%

are satisfied with the quality of drinking water



94%

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



83%

are satisfied with land use planning



91%

are satisfied with The City's environmental performance



85%

are satisfied with roads and infrastructure



82%

are satisfied with Calgary Transit

AREAS CALGARIANS THINK THE CITY SHOULD INVEST IN

64%

Affordable housing for low-income families

59%

Traffic flow management

56%

Calgary Transit including bus and CTrain service

60%

Social services, for individuals such as seniors or youth

CALGARY AT A GLANCE

1,246,337

Population

800 km

City pathways

0.9%

Population growth

275

City-supported events

36.3

Median age

\$487,505

MLS average selling price

8.7%

Unemployment rate

4,199

Single family housing starts

848 km²

City area

\$4,574,171,245

Value of building permits issued

MESSAGE FROM THE MAYOR

At The City of Calgary, we work hard every day to make life better for Calgarians – 2017 was no different.

As our economy moves towards recovery, Calgary is emerging stronger and more resilient. Yes, we have faced our fair share of challenges over the last few years. But Calgarians continue to love our city. According to the 2017 Citizen Satisfaction Survey, 85 per cent of Calgarians rate their quality of life as good and 82 per cent agree Calgary is a great place to make a life. Our city was, once again, listed as one of the top five most liveable cities by The Economist Intelligence Unit.

My colleagues at The City of Calgary and your City Council are dedicated to ensuring Calgary remains one of the best cities in the world. We are proud to provide great value for the services we deliver. In 2017, 79 per cent of Calgarians told us they were satisfied with the overall level and quality of services provided by The City. That's good news, but we will always strive for better. We continue to work with Calgarians to make improvements and adapt to serve all Calgarians.

Over the course of the last year, we have made strategic investments in building the infrastructure that Calgary needs now and for the future. Through building this much-needed infrastructure, we are facilitating economic growth, stimulating job creation, preparing for growth and building a more resilient city.

Of course, 2017 was a municipal election year in our city—a great opportunity to connect with Calgarians about our common vision for the future of our city. Every member of your City Council met with thousands of Calgarians and brought what they learned back into City Hall. As we look to the future—especially as we work together on One Calgary, our 2019-2022 service plans and budgets—Calgarians will see those hopes and dreams reflected in how we operate as a municipal government.

We have a lot to be proud of in Calgary. This look back at the previous year lets us celebrate our successes while learning about how we can serve our citizens by building a better economy, stronger and safer communities, and an even smarter City Hall. We look forward to continuing to work alongside Calgarians 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 and want. In carrying out its many duties, City Council must respond to citizens' concerns, as well as anticipate emerging opportunities and plan for the community's long-term development and growth.

Accordingly, 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, each representing a ward, and the Mayor, representing the entire city. 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 brief new Members of Council on the responsibilities of their office, the Procedures Bylaw, and other information pertinent to their positions, including ethical guidelines which require them to excuse themselves from all discussions involving issues in which they have a financial interest. Throughout their term in office, Members of Council pursue ongoing training and education.

Council holds regular monthly meetings with the exception of August. One of these meetings is a regular Council meeting where the recommendations from the Standing Policy Committees (SPC) are approved and the results of any strategic planning sessions are shared. The other meeting

is a combined Council meeting and public hearing where planning matters are also discussed. Regular and open communication with Administration is central to setting and achieving The Corporation's mission, vision, goals, strategies and actions.

CITY OF CALGARY COMMITTEES

In 2017, Council set priorities, established policies and made decisions through the Standing Policy Committees, which include the SPC on Community and Protective Services, SPC on Planning and Urban Development, SPC on Transportation and Transit, and SPC on Utilities and Corporate Services, along with Council Strategic Sessions, 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 and make presentations at SPCs.

The decisions and directions that come out of committee meetings are forwarded to City Council for final approval. The Priorities and Finance Committee generally meets twice monthly. During 2017, the committee recommended appointments to various boards, commissions, committees

and other bodies when vacancies occurred throughout the year following Council's Organizational Meeting after the civic election. The committee maintained a process for regular review and reporting of Council's legislative governance practices and proposed legislative amendments related to governance. The Priorities and Finance Committee also provides annual written performance evaluations of the City Manager and ongoing monitoring as required by the Municipal Government Act. 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.

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 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

2017 was a year of recovery for The City of Calgary. Calgary's most recent economic downturn has had a significant impact on the community. As your municipal government, we responded by quickly shifting our focus from accommodating rapid growth to supporting the economy, keeping Calgarians working and reducing our costs. To do this we centred our attention on:

- Intentionally managing our costs and making our organization as efficient as possible
- Strategically managing our infrastructure projects and investments
- Ensuring we were providing services that are of value to Calgarians
- Continuing to change our culture to truly reflect a desire to make citizens' lives better every day

Although this downturn has been difficult, The City continues to be financially stable and fiscally responsible. We remain a young city (average age is 37), that is rich in diversity (28 per cent of Calgarians are visible minorities) and one of the most livable cities in the world (fifth most livable city as recognized by The Economist Intelligence Unit).

In 2017, The City of Calgary was recognized as one of Canada's best employers by Forbes Magazine (first place in Government Services and 13th overall), one of Alberta's top 70 employers and one of the greenest employers in Canada. None of this would have been possible without all the hard work done by City employees who continue to work every day to meet the needs of Calgary's over 1.2 million citizens.

I'm also pleased to report that, despite our economic challenges, almost 80 per cent of Calgarians continued to say they were satisfied with the overall level and quality of services and programs provided by The City as noted in 2017's annual Citizen Satisfaction Survey. Also reassuring is that City of Calgary employees continue to remain proud of the work we do and committed to continuing to work collaboratively to serve citizens and make Calgary a great place to make a living and a great place to make a life!

I encourage you to read the stories in this report to find out more about some of The City's successes in 2017.



Jeff Fielding
City Manager



CITY OF CALGARY ADMINISTRATION

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

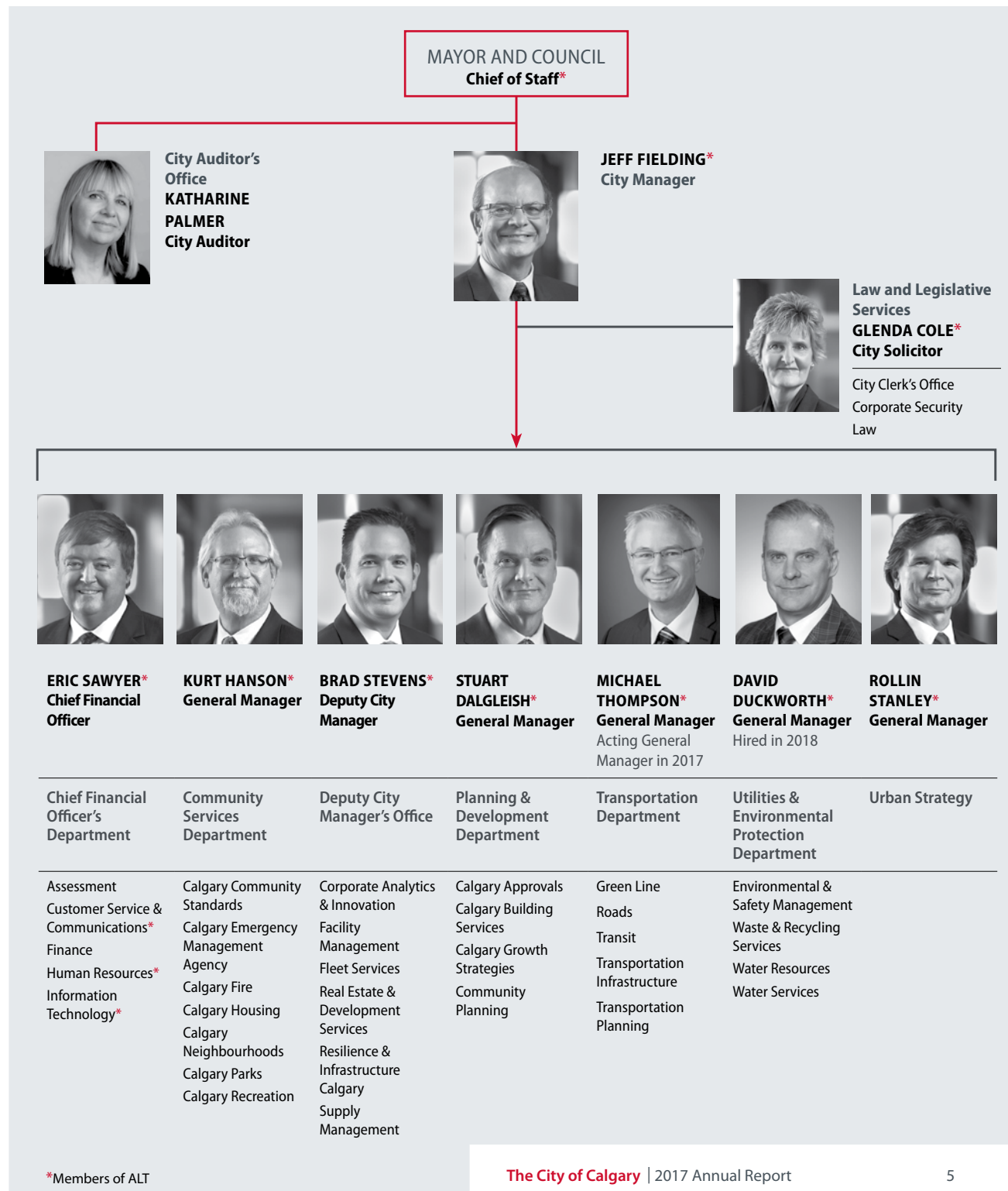
It is Administration's responsibility to provide, manage and sustain civic infrastructure, facilities and programs that support the quality of life that is so much a part of Calgary's appeal.

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. He 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.



*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 who demonstrate extensive financial expertise.

In 2017 the following major autonomous civic entities delivered presentations to the Audit Committee on their risk management, internal controls, financial reporting and governance structure:

- Attainable Homes Corporation Calgary
- Calgary Arts Development Authority
- Calgary Convention Centre 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 2017 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 its 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 2017 Annual Report.



Evan Woolley,
Ward 8 Councillor
Chair, Audit Committee



Infrastructure Calgary

Infrastructure Calgary is a corporate initiative that provides governance and oversight of The City of Calgary's Capital Infrastructure Investment Principles and Capital Investment Plan. The program is focused on intentional management of The City's capital investment across all departments with a goal of strengthening investment decision making to maximize value for Calgarians. This is done through enhancing capital planning and delivery processes, and increased reporting and analysis of investment activities.

Infrastructure Calgary also works with the private sector and public institutions to align and optimize capital investments – and to foster social, environmental and economic value in the Calgary community.

In 2016, IC was directed by Council to identify capacity for reinvestment to support The City's continued efforts to support capital investment. This capacity was identified from capital reserves, off-site levy funds, unallocated and relinquished capital funds and grant funding. As a result of this process IC recommended 25 programs/projects that Council received and approved in principle in March of 2017.

The reinvestment of capital has enabled The City to support needed infrastructure that provided short term economic stimulus, added resilience in the community, including flood protection, maintained and preserved The City's existing infrastructure and community assets through lifecycle funding, built a great community through legacy investments, and leveraged public and private investment. Project funding has enabled the selected projects to advance their work and in many cases, advance investment in communities.



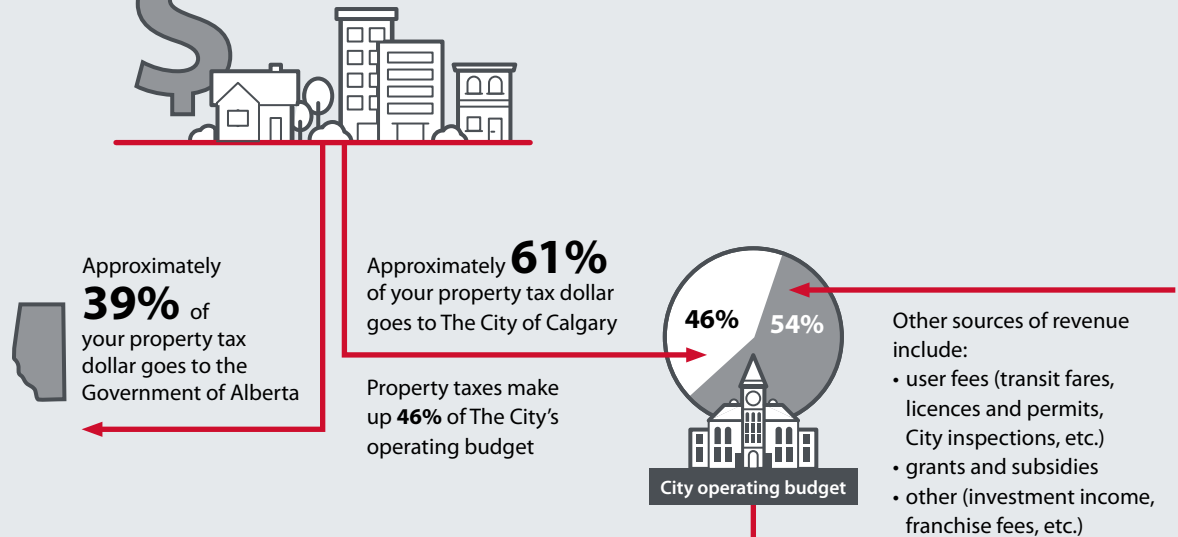
The Economy

In 2017, The City made significant progress reducing costs and becoming 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.

Since Council's approval of the 2015-2018 Budget in late 2014, The City achieved approximately \$523 million in savings and efficiencies. In 2017 alone, The City intentionally managed costs and spending, resulting in cost savings of \$112.1 million from initial budget projections.

Better communications with citizens has also been a priority to ensure a high level of public trust and confidence in municipal government.

Of your property tax dollar:



The City's portion of your property tax pays for services that you use every day.



On the road – construction and maintenance of pedestrian pathways and roads; streetlights and traffic control; street cleaning and snow clearing; and public transit.

In your community – police, fire and emergency services; youth programs; planning for the future of new and existing communities; recreation and arts programs, events and festivals; wellness initiatives; and bylaw services.

In your city – disaster response services; swimming pools, skating rinks, golf courses, dog parks and cemeteries; maintenance of public spaces; protection of historical resources.

In the environment – the collection of waste and recycling from our homes; climate change action; and the care and management of parks and green spaces.

Other essential services provide citizens access to information through 311; operate and maintain City-owned facilities; and ensure planning and resources are in place to build a great city.

Making Life Better Every Day

At The City, we collectively strive to make life better every day for Calgarians.

We contribute to people's well-being - their comfort, security and satisfaction with life in our city. We are accountable for the financial, social and environmental resources that have been entrusted to us.

To be successful, we require a corporate culture and inclusive public service environment where employees with diverse backgrounds, varied perspectives, skills, and experiences work together to provide exceptional municipal public service.

We continue to shift and improve our corporate culture in many ways:

- Supporting a safe and respectful work environment where all employees are afforded the same concern, trust, respect and caring attitude they are expected to share with every Calgary resident, business and visitor.
- Holding ourselves to a higher standard. As public servants, we must ensure that our actions and behaviours reflect the values of the organization we represent and the community we serve.
- Providing an open, respectful and safe environment where both employees and members of the public have multiple ways to contribute. That includes avenues to share concerns about actions or behaviours and know they will be taken seriously and addressed appropriately without fear of intimidation or retaliation.

Ensuring a high level of engagement and satisfaction among our citizens, customers and employees is paramount in achieving our future and making Calgary as a great place to live and work.

Our Vision

Calgary: a great place to make a living, a great place to make a life.



FINANCIAL INFORMATION

THE CITY OF CALGARY, ALBERTA



2017 Financial Statement Discussion and Analysis

INTRODUCTION

The City of Calgary (“The City”) 2017 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 financial statement discussion and analysis (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.

The FSD&A reports to stakeholders on how the financial resources entrusted to 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 budgeted and actual results. The FSD&A also identifies trends, risks and anticipated events that could have financial implications.

For 2017, The City was able to implement its business plans and budgets essentially as expected. The City enters 2018 as the fourth and final year of a four-year planning and budgeting cycle that reflects its 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 Risk Management and The Outlook sections of the FSD&A.

In 2017, as a result of continued usage and refinement of capital asset accounting and management systems, certain prior year asset balances were identified that required correction and the financial statements have been retrospectively adjusted. These tangible capital asset balances primarily consisted of land, land improvements, engineered structures, buildings, and machinery and equipment. As a result, approximately \$11.0 million in net adjustments was restated for 2016. The change represents less than 0.1 per cent of tangible capital assets.

In addition, The City identified an adjustment to their land inventory and miscellaneous revenue amounts due to an intercompany transaction that required correction. This correction has been reflected in these financial statements as a prior period adjustment to 2016 figures, resulting in an increase to land inventory, miscellaneous revenue and accumulated surplus of \$12.4 million.

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

Economic Environment

Economic growth in the Calgary Economic Region was estimated at 3.1 per cent in 2017, while Calgary’s population increased by 0.9 per cent.

| | 2017 | 2016 | Change |
|-------------------------------------|------------------|-----------|--------|
| Calgary | | | |
| Population (April census) | 1,246,337 | 1,235,171 | 0.9% |
| Employment ⁽¹⁾ | 754,850 | 734,800 | 2.7% |
| Building permit applications | 16,434 | 15,144 | 8.5% |
| Building permit value (\$ billions) | 4.6 | 4.7 | (2.1%) |
| Calgary Census Metro Area | | | |
| CPI inflation rate | 1.6% | 1.0% | 0.6% |
| Calgary Economic Region | | | |
| Unemployment rate | 8.7% | 9.1% | (0.4%) |

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

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

Population growth from April 2016 to April 2017 was 11,166 (0.9 per cent) compared to 4,256 (0.35 per cent) for the year ending April 2016. The annual rate of population growth is estimated at 1.3 per cent per year over the next ten years.

Population growth for the next 4 years is expected to be quite moderate with positive, but relatively low net migration. Continued effects of the recession of 2015/2016 will result in relatively high unemployment rates until 2020 and only after unemployment rates dip into the 5 percent range do we expect net migration to approach 10,000 persons per year.

FINANCIAL HIGHLIGHTS

Revenues and Expenses

The City had consolidated revenues of \$3.756 billion in 2017 before external transfers for infrastructure (grants and revenue sharing recognized from other governments plus funds and tangible capital assets from developers totaling \$1.055 billion) (2016 – \$3.766 billion, before external transfers of \$1.177 billion).

The City consolidated expenses were \$3.821 billion before net ENMAX Corporation (“ENMAX”) adjustments of \$0.101 billion (2016 – \$3.673 billion, before net ENMAX adjustments of (\$0.065) billion). Included in expenses is amortization in the amount of \$0.629 billion (2016 – \$0.596 billion) as the estimated annual cost of owning and using The City’s capital assets.

For 2017, net revenues including external contributions to infrastructure of funds and tangible capital assets totaled \$0.990 billion (2016 – \$1.270 billion).

Consolidated Financial Position

As at December 31 (in thousands of dollars)

| | 2017 | 2016 (Restated) |
|-------------------------------------|---------------------|--------------------|
| A. Financial Assets | \$ 7,055,340 | \$ 7,301,551 |
| B. Liabilities | 5,475,518 | 5,929,908 |
| C. Net Financial Assets (A minus B) | 1,579,822 | 1,371,643 |
| D. Non-Financial Assets | 16,980,420 | 16,097,912 |
| E. Accumulated Surplus (C plus D) | 18,560,242 | 17,469,555 |

The City’s net financial assets increased by \$208 million (2016 – \$127 million) primarily due to decreases in accounts payable and accrued liabilities, capital deposits, long term debt, bank indebtedness and deferred revenue as well as increases in our investment in ENMAX and land inventory. This is partially offset by a decrease in cash and cash equivalents, investments and increase in employee benefit obligations.

The City’s accumulated surplus increased by \$1,091 million (6.2 per cent) in 2017, primarily from the net increase in tangible capital assets (purchased and donated) of \$888 million, a decrease in capital deposits of \$191 million, and a decrease in long-term debt of \$150 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 2017.

Cash Flow

The City’s cash and cash equivalents decreased by \$94 million to \$134 million while investments decreased by \$203 million to \$3,894 million. The decrease in cash and investments largely reflects an acceleration in the investment of capital through Infrastructure Calgary and the Capital Investment Plan. Investments were further reduced due to a decrease in corporate investments, which were held in cash for reinvestment given a change in investment policy, these decreases were partially offset by an increase in the federal grant investment balance to fund capital projects, as well as increases in global fixed income and equity investments.

Cash provided by operating activities

In 2017, cash provided by operating activities was \$1,093 million, compared to \$1,565 million in 2016. This decrease was primarily due to intentional management decisions to use capital deposits to build infrastructure, a reduction in accounts payable and accrued liabilities partially offset by an increase in employee benefit obligations, a decrease in developer contributions-in-kind related to capital, and lower equity in earnings of ENMAX.

Cash used in capital activities

Cash used in capital activities was \$(1,263) million, compared to \$(1,378) million in 2016, consistent with our goal to increase the quality and speed of capital investment in our city. It includes:

- Additions to capital assets of \$(1,344) million; and
- Proceeds from sale of tangible capital assets of \$81 million.

Cash provided by investing activities

Cash provided by investing activities was \$251 million, compared to \$69 million used in investing activities in 2016, and includes:

- Net sales of investments of \$203 million; and
- Dividends from ENMAX of \$48 million.

Cash used in financing activities

Cash used in financing activities was \$(174) million, compared to \$(132) million of cash used in 2016, and includes:

- Proceeds from long-term debt issued of \$290 million;
- Long-term debt repayments of (\$440) million; and
- Net decrease in bank indebtedness of (\$24) million.

FINANCIAL ANALYSIS REVIEW

Revenues – Budget to Actual Comparison

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

| | Budget 2017 | Actual 2017 | Favourable/ (Unfavourable) | Percent Change |
|---|--------------|--------------|-------------------------------|----------------|
| Net taxes available for municipal purposes | \$ 1,983,487 | \$ 1,955,429 | \$ (28,058) | (1%) |
| Sales of goods and services | 1,312,865 | 1,274,060 | (38,805) | (3%) |
| Government transfers and revenue sharing agreements | | | | |
| Federal | 2,191 | 4,693 | 2,502 | 114% |
| Provincial | 128,162 | 140,475 | 12,313 | 10% |
| Investment income | 58,301 | 104,520 | 46,219 | 79% |
| Fines and penalties | 87,713 | 92,040 | 4,327 | 5% |
| Licences, permits and fees | 95,431 | 124,356 | 28,925 | 30% |
| Miscellaneous revenue | 29,645 | 90,806 | 61,161 | 206% |
| (Loss)/equity in earnings of ENMAX | 85,400 | \$ (30,312) | (115,712) | (135%) |
| Total revenues (before external transfers for infrastructure) | \$ 3,783,195 | \$ 3,756,067 | \$ (27,128) | (1%) |
| Developer contributions | \$ 223,716 | \$ 138,557 | \$ (85,159) | (38%) |
| Government transfers related to capital | 785,652 | 711,186 | (74,466) | (9%) |
| Developer contributions-in-kind related to capital | – | 204,778 | 204,778 | 100% |
| Total external transfers for infrastructure | \$ 1,009,368 | \$ 1,054,521 | \$ 45,153 | 4% |

Total City revenues (before external transfers for infrastructure) were approximately 1 per cent lower than budgeted for 2017, 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 (Provincial) were approximately 10 per cent higher than budgeted primarily due to reimbursements for The City's work on flood recovery activities and wildfires in Northern Alberta. The City does not budget for these reimbursements. The City also received provincial grants for 9-1-1 cell phones to help fund operational and capital projects.

Investment income was approximately 79 per cent higher than budgeted due to higher principal balances invested, and a higher than budgeted blended yield which resulted in realized capital gains on The City's equity holdings.

Fines and penalties were approximately 5 per cent higher than budgeted mainly due to a greater number of parking tickets that were issued than was originally expected by the Calgary Parking Authority.

Licences, permits and fees were approximately 30 per cent higher than budgeted as a result of sustained development activities and increased excavation permit issuances, despite forecasted decreases in economic conditions.

Miscellaneous revenue was approximately 206 per cent higher than budgeted mainly due to proceeds from the sale of tangible capital assets.

(Loss)/equity in earnings of ENMAX was 135 per cent lower than budgeted due to increases in electricity and natural gas costs, as well as higher than anticipated hedging costs experienced by ENMAX.

Developer contributions were approximately 38 per cent below budget due to differences in the estimates of anticipated contributions used during the year, as well as lower than anticipated growth which was aligned with the economic downturn experienced by The City.

Government transfers related to capital were approximately 9 per cent lower than budgeted primarily due to decelerated use of government grants for capital infrastructure.

Developer contributions-in-kind related to capital were higher than budgeted as capital contributions of this nature are not budgeted.

Expenses – Budget to Actual Comparison

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

| | 2017 Budget (excluding Amortization) | 2017 Actual (excluding Amortization) | Favourable/ (Unfavourable) | Percent Change | 2017 Budget Amortization Expense | 2017 Actual Amortization Expense |
|-----------------------------------|--|--|-------------------------------|-------------------|--|--|
| Police | 492,655 | 490,192 | 2,463 | <1% | – | 18,761 |
| Fire | 305,272 | 307,592 | (2,320) | (1%) | – | 17,588 |
| Public transit | 451,172 | 433,644 | 17,528 | 4% | – | 121,036 |
| Roads, traffic and parking | 265,561 | 303,304 | (37,743) | (14%) | 8,869 | 158,435 |
| Water services and resources | 390,129 | 393,265 | (3,136) | (1%) | 79,042 | 120,922 |
| Waste and recycling services | 157,217 | 123,577 | 33,640 | 21% | – | 13,333 |
| Community and social development | 75,607 | 82,861 | (7,254) | (10%) | – | 104 |
| Social housing | 130,190 | 121,139 | 9,051 | 7% | 3,454 | 12,140 |
| Parks and recreation facilities | 246,134 | 262,379 | (16,245) | (7%) | – | 58,521 |
| Societies and related authorities | 72,738 | 80,988 | (8,250) | (11%) | – | 2,051 |
| Calgary Public Library Board | 57,357 | 57,266 | 91 | <1% | – | 6,905 |
| General government | 404,207 | 261,519 | 142,688 | 35% | 508 | 31,393 |
| Public works | 243,470 | 234,170 | 9,300 | 4% | 29,186 | 59,391 |
| Real estate services | 116,963 | 40,353 | 76,610 | 65% | – | 8,076 |
| | 3,408,672 | 3,192,249 | 216,423 | 6% | 121,059 | 628,656 |

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

Overall, the City has been able to achieve savings in 2017. The savings in expenses have 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 the use of workforce planning strategies to decrease salary and wages and lower than budgeted fuel costs experienced in 2017.

Roads, traffic and parking expenses were approximately 14 per cent higher than budgeted due to increased pavement and infrastructure rehabilitation activities to meet infrastructure lifecycle requirements and higher provision for contingencies than expected.

Waste and recycling services expenses were approximately 21 per cent lower than budgeted due to lower costs on salary and wages, lower recyclable processing fees as a result of less tonnage than expected in response to lower revenues, and lower fleet maintenance costs.

Community and social development expenses were approximately 10 per cent higher than budgeted due to an increase in initiatives that were considered temporary or emergent, such as The City's Community Associations – Practices, Process and Participation project and Calgary Local Immigration Partnership program, as well as the implementation of the sliding scale fare structure for the Low Income Transit Subsidy Program which is supported by the province.

Social housing expenses were lower than budgeted by approximately 7 per cent mainly due to expense reduction strategies that were implemented in alignment with 2017's strategic objectives.

Parks and recreation facilities expenses were approximately 7 per cent higher than budgeted primarily due to capital losses arising from the disposition of tangible capital assets and higher than budgeted repairs and maintenance costs which were incurred to address infrastructure lifecycle requirements.

Societies and related authorities expenses were approximately 11 per cent higher than budgeted primarily due to higher than budgeted capital transfers to related authorities.

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 35 per cent lower than budgeted primarily due to lower provisions for corporate contingencies than expected, lower employee benefit costs arising from changes in actuarial assumptions, and lower costs for utilities due to lower natural gas and electricity prices experienced in 2017.

Public works expenses were approximately 4 per cent lower than budgeted primarily due to cost-reduction initiatives, such as implementation of the workforce planning strategy 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 anticipated due to lower salary and wages costs arising from vacancies and lower than budgeted industrial land sale costs.

Revenues – Comparison to Prior Year

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

| | Actual 2017 | Actual 2016 (Restated) | Increase/ (Decrease) | Percent Change |
|---|--------------|---------------------------|-------------------------|----------------|
| Net taxes available for municipal purposes | \$ 1,955,429 | \$ 1,938,199 | \$ 17,230 | 1% |
| Sales of goods and services | 1,274,060 | 1,211,983 | 62,077 | 5% |
| Government transfers and revenue sharing agreements | | | | |
| Federal | 4,693 | 4,660 | 33 | 1% |
| Provincial | 140,475 | 128,157 | 12,318 | 10% |
| Investment income | 104,520 | 77,451 | 27,069 | 35% |
| Fines and penalties | 92,040 | 89,796 | 2,244 | 2% |
| Licences, permits and fees | 124,356 | 114,988 | 9,368 | 8% |
| Miscellaneous revenue | 90,806 | 56,794 | 34,012 | 60% |
| (Loss)/equity in earnings of ENMAX | (30,312) | 143,597 | (173,909) | (121%) |
| Total revenues (before external transfers for infrastructure) | \$ 3,756,067 | \$ 3,765,625 | \$ (9,558) | <1% |
| Developer contributions | \$ 138,557 | \$ 198,394 | \$ (59,837) | (30%) |
| Government transfers related to capital | 711,186 | 679,736 | 31,450 | 5% |
| Developer contributions-in-kind related to capital | 204,778 | 298,678 | (93,900) | (31%) |
| Total external transfers for infrastructure | \$ 1,054,521 | \$ 1,176,808 | \$ (122,287) | (10%) |

Sales of goods and services were approximately 5 per cent higher in 2017 primarily as a result of higher land sales and due to rate increases for water, wastewater and drainage, as well as higher water volumes used by customers given the increased temperatures and minimal precipitation that occurred during the summer. These increases were partially offset by decreases across The City which include lower landfill tipping fees from decreased tonnage received at waste management facilities, lower transit fare revenue given reduced ridership, lower parking revenue from a decline in monthly parking contracts and lower recreation revenues from programs, rentals, admission and pass sales.

Government transfers and revenue sharing agreements (Provincial) were approximately 10 per cent higher than prior year due to introduction of the provincial Low Income Transit Subsidy Program beginning in 2017 and the increase in provincial grants for the lifecycle maintenance of affordable housing.

Investment income was approximately 35 per cent higher primarily due to higher average bond and equity balances, higher bond returns and recognition of realized gains on the sale of investments.

Licences, permits and fees in 2017 were approximately 8 per cent higher than 2016 primarily due to increased excavation permit applications and residential and commercial development activities.

Miscellaneous revenue increased by 60 per cent over prior year due to unusually high gains on the sale of land.

(Loss)/equity in earnings of ENMAX was lower by approximately 121 per cent primarily due to fixed electricity contracts, higher supply costs, increased gas prices and hedging costs which led to increases in portfolio supply costs partially offset by increases in revenues from transmission, distribution, and contractual services.

Developer contributions were approximately 30 per cent lower in 2017 primarily due to a decline in capital development activities related to water and wastewater services, transportation infrastructure, interchange projects, bus purchases, fire stations and recreation centres.

Government transfers related to capital were approximately 5 per cent higher primarily due to an increase in the use of Federal Gas Tax Fund funding received partially offset by a decrease in the use of Municipal Sustainability Initiative (“MSI”) and Green Transit Incentive Programs (“GreenTRIP”) funding received.

Developer contributions-in-kind related to capital were approximately 31 per cent lower than 2016 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 2017 | Actual 2016 | Increase/ (Decrease) | Percent Change |
|-----------------------------------|---------------------|---------------------|-------------------------|----------------|
| Police | \$ 508,953 | \$ 494,546 | \$ 14,407 | 3% |
| Fire | 325,180 | 312,732 | 12,448 | 4% |
| Public transit | 554,680 | 546,375 | 8,305 | 2% |
| Roads, traffic and parking | 461,739 | 409,420 | 52,319 | 13% |
| Water services and resources | 514,187 | 525,185 | (10,998) | (2%) |
| Waste and recycling services | 136,910 | 131,726 | 5,184 | 4% |
| Community and social development | 82,965 | 76,180 | 6,785 | 9% |
| Social housing | 133,279 | 122,718 | 10,561 | 9% |
| Parks and recreation facilities | 320,900 | 303,334 | 17,566 | 6% |
| Societies and related authorities | 83,039 | 77,141 | 5,898 | 8% |
| Calgary Public Library | 64,171 | 63,182 | 989 | 2% |
| General government | 292,912 | 262,412 | 30,500 | 12% |
| Public works | 293,561 | 304,598 | (11,037) | (4%) |
| Real estate services | 48,429 | 43,001 | 5,428 | 13% |
| | \$ 3,820,905 | \$ 3,672,550 | \$ 148,355 | 4% |

Police expenses were approximately 3 per cent higher due to increased salaries and wages and the addition of new members.

Fire increase of approximately 4 per cent in expenses in 2017 includes costs associated with a salary settlement in 2017, new growth positions added and the replacement cost of self-containing breathing apparatuses for firefighters.

Public transit increase of approximately 2 per cent in expenses due to salary settlements offset by a decrease in salary and wages due to workforce management and increased snow and ice control and maintenance costs.

Roads, traffic and parking increased by 13 per cent over the prior year due to an increase in pavement degradation, traffic detours, signal construction and street cleaning and an increase in the cost to operate vehicles and materials used due to an increase in the number of snow days and average snowfall offset by lower interest costs.

Water services and resources were approximately 2 per cent lower due to decreased spending on the Bonnybrook Wastewater Treatment Plant D expansion and Nose Creek Trunk upgrades that were incurred in 2016, and a decrease in professional fees, composting and storm pond maintenance.

Waste and recycling services were approximately 4 per cent higher primarily due to costs incurred for the Green Cart program that were not incurred in 2016.

Community and social development expenses were approximately 9 per cent higher than prior year, given the introduction of the sliding scale fare structure for the Low Income Transit Subsidy Program in 2017, as well as increased expenses in Fair Entry and the Economic Resiliency Fund, programs that increased support to citizens and non-profit organizations as a result of the economic downturn.

Social housing expenses increased by approximately 9 per cent over the prior year due to Calgary Housing Company hiring more resources to execute strategic projects, an increase in utility costs compared to 2016 and an increase in depreciation and materials and supplies.

Parks and recreation facilities expenses were approximately 6 per cent higher than the prior year to address lifecycle requirement maintenance costs, increased wage settlement costs and overall salary and wage increases.

Societies and related authorities expenses from prior year increased by approximately 8 per cent primarily due to transfer payments made to entities operating in the Calgary art sector and an increase in depreciation resulting from the completion of the King Edward School renovation project.

General government was approximately 12 per cent higher due to many contributing factors such as increased costs due to the 2017 election, increased security and monitoring services, higher fringe benefits and salary and wages and corporate costs incurred for the truss structural issue at the Municipal Building.

Public Works was approximately 4 per cent lower due to costs incurred in prior year that were recorded in Recreation facilities for 2017 related to transfer payments to community associations and a decrease in building lifecycle costs.

Real estate services were approximately 13 per cent higher than the prior year primarily due to higher costs of sales for industrial land sold partially offset by a reduction in amortization expense and reduction in contract and general services.

Tangible Capital Assets

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

| | 2017 Net book value | 2016 Net book value (Restated) | Increase/ (Decrease) |
|--------------------------------|--------------------------------|--------------------------------------|-------------------------|
| Land | \$ 2,195,335 | \$ 2,163,392 | 31,943 |
| Land improvements | 537,247 | 701,450 | (164,203) |
| Engineered structures | 10,017,947 | 9,201,287 | 816,660 |
| Buildings | 1,794,835 | 1,568,408 | 226,427 |
| Machinery and equipment | 299,754 | 295,456 | 4,298 |
| Vehicles | 770,134 | 725,338 | 44,796 |
| | 15,615,252 | 14,655,331 | 959,921 |
| Work in progress | | | |
| Land | 60,900 | 16,390 | 44,510 |
| Construction | 1,214,954 | 1,331,574 | (116,620) |
| Tangible capital assets | \$ 16,891,106 | \$ 16,003,295 | 887,811 |

During 2017, The City spent \$1,857 million on capital projects (2016 – \$1,763 million), which included \$1,548 million for tax-supported projects (2016 – \$1,406 million). Spending on capital projects was primarily on roads and water infrastructure projects, the composting facility, 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 the year, there were no write-downs. Donated assets (related to water and wastewater distribution and collection systems, parks and roads) are capitalized and are recorded at their estimated fair value upon acquisition. Parks, roads, recreation and water assets contributed to The City totaled \$205 million (2016 – \$299 million).

SIGNIFICANT TRENDS

Revenues (before external transfers for infrastructure)

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

| | Actual 2017 | Actual 2016 (Restated) | Actual 2015 (Restated) | Actual 2014 (Restated) | Actual 2013 (Restated) |
|--|---------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Net taxes available for municipal purposes | \$ 1,955,429 | 1,938,199 | \$ 1,926,218 | \$ 1,801,262 | \$ 1,805,666 |
| Sales of goods and services | 1,274,060 | 1,211,983 | 1,285,280 | 1,214,406 | 1,116,298 |
| Government transfers | | | | | |
| Federal | 4,693 | 4,660 | 3,812 | 4,507 | 4,462 |
| Provincial | 140,475 | 128,157 | 128,431 | 150,584 | 108,906 |
| Investment income | 104,520 | 77,451 | 79,185 | 61,794 | 47,357 |
| Fines and penalties | 92,040 | 89,796 | 80,451 | 72,121 | 69,503 |
| Licences, permits and fees | 124,356 | 114,988 | 124,358 | 116,331 | 103,645 |
| Miscellaneous revenue | 90,806 | 56,794 | 68,235 | 44,082 | 95,292 |
| Equity in earnings of ENMAX | (30,312) | 143,597 | 9,725 | 184,069 | 352,483 |
| Equity in earnings of Co-Ownership | – | – | 618 | 1,992 | – |
| Total revenues (before external transfers for infrastructure) | \$ 3,756,067 | \$ 3,765,625 | \$ 3,706,313 | \$ 3,651,148 | \$ 3,703,612 |

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.

Sales of goods and services increased in 2017 compared to 2016. In 2017, The City experienced higher land sales in a favourable market compared to prior year which contributed to a \$62 million increase over 2016. In addition, water and wastewater rates and drainage rate were increased by 2.5 per cent and 7.4 per cent respectively, which combined with an increase in water usage over the summer and population growth, contributed to an increase of approximately \$32 million over 2016. However, reduced transit ridership, decreased tonnage received at waste management facilities, a decline in monthly parking contracts and use of recreation services partially offset the overall increase.

Government transfers (Provincial) in 2017 were higher than 2016 as a result of provincial grants received by Calgary Housing Company for capital and lifecycle maintenance of properties and due to the introduction of the provincial Low Income Transit Subsidy Program in 2017.

Investment income for 2013 was influenced by much lower interest rates than previous years, decreasing the amount of investment income earned. Investment income resumed a favourable trend in 2014 primarily due to better yields and increased investment balances over the years. This trend of increased principal balances continued through 2015 and resulted in higher investment income than previous years. Investment income in 2016 was slightly lower than 2015 primarily due to lower bond returns which offset the increase from higher portfolio balances. In 2017 investment income trended upwards due to larger average bond and equity balances, higher bond returns and recognition of realized gains on the sale of investments.

Licences, permits and fees reflect the building permit revenues driven by Calgary's growth, which was steady from 2013 to 2015 but decreased in 2016. Revenues increased as a result of increased activities and growth in development and building permit acquisitions, driven by rapid population growth during 2013 to 2015. Licences, permits and fees in 2016 were lower than 2015 primarily due to decreased residential and commercial development activities and lower building permit applications resulting from the economic downturn. In 2017, revenues rebounded to 2015 levels as a result of increased excavation permits and the completion of residential and commercial development activities.

Miscellaneous revenue decreased for 2016 from 2015 primarily due to less revenue received from insurance companies for costs related to the 2013 flood. The significant increase in miscellaneous revenue for 2017 is primarily due to land sale gains.

Equity in earnings of ENMAX comprises the net equity increase in The City's government business enterprise ENMAX. For 2013, ENMAX experienced higher revenues due to a one-time, non-recurring sale of ENMAX Envision Inc. (Envision) for a gain of \$175 million which resulted in a decline in 2014 revenues. Also, in 2014 a realized loss on derivative designated cash flow hedges contributed to the decrease in earnings. The equity in earnings of ENMAX decreased in 2015 as a result of lower electricity prices. 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. 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 and cost and capital spending management. In 2017, ENMAX experienced lower net earnings due to increasing portfolio supply costs in ENMAX power delivery.

Equity in earnings of Co-Ownership comprises of Attainable Homes Calgary Corporation's share of net income earned from the Co-Ownership that was entered into in 2013. The 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 2017 | Actual 2016 (Restated) | Actual 2015 (Restated) | Actual 2014 (Restated) | Actual 2013 (Restated) |
|--|---------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| FINANCIAL ASSETS | | | | | |
| Cash and cash equivalents | \$ 134,006 | \$ 227,884 | \$ 104,499 | \$ 81,085 | \$ 62,021 |
| Investments | 3,893,757 | 4,096,462 | 4,117,988 | 3,702,773 | 3,317,463 |
| Receivables | 327,725 | 328,499 | 267,216 | 248,099 | 312,617 |
| Land inventory | 276,418 | 248,008 | 206,477 | 235,108 | 229,765 |
| Other assets | 109,434 | 109,390 | 98,291 | 96,887 | 90,231 |
| Investment in ENMAX | 2,314,000 | 2,291,308 | 2,260,205 | 2,281,064 | 2,460,204 |
| Investment in Co-ownership | – | – | – | 1,539 | 3,438 |
| | 7,055,340 | 7,301,551 | 7,054,676 | 6,646,555 | 6,475,739 |
| LIABILITIES | | | | | |
| Bank indebtedness and short-term borrowing | 46,200 | 70,255 | 58,424 | 35,261 | 29,215 |
| Accounts payable and accrued liabilities | 860,453 | 945,890 | 731,184 | 728,516 | 749,870 |
| Deferred revenue | 92,926 | 111,502 | 89,108 | 86,738 | 69,771 |
| Capital deposits | 826,901 | 1,018,173 | 1,028,323 | 946,576 | 929,765 |
| Provision for landfill rehabilitation | 88,905 | 87,263 | 87,488 | 86,946 | 64,700 |
| Employee benefit obligations | 493,870 | 480,153 | 455,249 | 423,740 | 398,827 |
| Long-term debt | 3,066,263 | 3,216,672 | 3,360,602 | 3,626,177 | 3,661,382 |
| | 5,475,518 | 5,929,908 | 5,810,378 | 5,933,954 | 5,903,530 |
| NET FINANCIAL ASSETS | \$ 1,579,822 | \$ 1,371,643 | \$ 1,244,298 | \$ 712,601 | \$ 572,209 |

In 2013 and 2014, net financial assets increased by \$432 million and \$140 million respectively due to increases in liquid assets. The growth trend continued in 2015 with an increase of \$532 million compared to 2014. In 2016, net financial assets further increased by another \$127 million compared to 2015. This trend continued for 2017 with net financial assets increasing by \$208 million. Although there was an overall reduction in financial assets in 2017, there

was a further reduction in liabilities resulting in the net increase. Financial assets are offset primarily 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 must be spent on specific types of capital.

Long-Term Debt

As at December 31 (in thousands of dollars)

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------------|--------------|--------------|--------------|--------------|
| Opening Balance | \$ 3,216,672 | \$ 3,360,602 | \$ 3,626,177 | \$ 3,661,382 | \$ 3,420,540 |
| Increase (Decrease) | | | | | |
| Tax-supported | (43,667) | (39,837) | (38,424) | (41,985) | 209,329 |
| Self-sufficient tax-supported | (205,404) | (202,514) | (275,895) | (142,183) | 74,378 |
| Self-supported | 98,662 | 98,421 | 48,744 | 148,963 | (42,865) |
| Net (Decrease)/Increase during the year | (150,409) | (143,930) | (265,575) | (35,205) | 240,842 |
| Closing balance | 3,066,263 | 3,216,672 | 3,360,602 | 3,626,177 | 3,661,382 |
| ENMAX debt in The City's name | 1,078,522 | 1,145,184 | 1,211,055 | 1,088,771 | 915,510 |
| Total debt attributable to The City | \$ 4,144,785 | \$ 4,361,856 | \$ 4,571,657 | \$ 4,714,948 | \$ 4,576,892 |

In 2017, 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 smoothes the impact on annual property tax rates while providing appropriate infrastructure to meet citizens' needs.

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 2017, The City issued \$1 million in new tax-supported debt to finance growth-related projects, and repaid \$44.7 million in tax-supported debt, resulting in a net reduction in tax-supported debt of \$43.7 million to \$406.9 million as at December 31, 2017.

The ratio of debt servicing charges to tax-supported gross expenditure (net of recoveries) was 9.6 per cent (including MSI) and 1.9 per cent (excluding MSI) which is within The City's 10 per cent policy limitation.

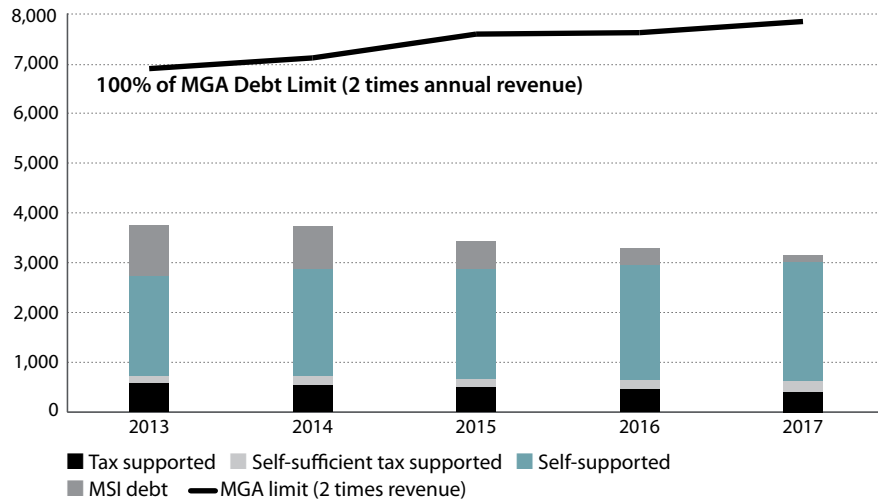
Self-sufficient tax-supported debt comprises debt for CMLC's programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes, but that are currently being funded by 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 Government's MSI. As at December 31, 2017, CMLC has \$208 million in outstanding debt. In 2009, Council approved a maximum debt of \$1,000 million 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 \$1,600 million. As at December 31, 2017, The City has total outstanding debt of \$140.5 million for these projects.

Also in 2017, \$259.5 million in new self-supported debt (primarily related to water services and resources) was obtained and \$160.8 million was repaid, resulting in a net increase in self supported debt of \$98.7 million to \$2,310.8 million (excluding \$1,078.5 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 2013 to 2017. It indicates that as at December 31, 2017 The City had used 40.1 per cent of its MGA debt limit.

**Chart A — The City Historic Debt Levels
MGA Debt Limits Trend 2013-2017**

(in millions of dollars)

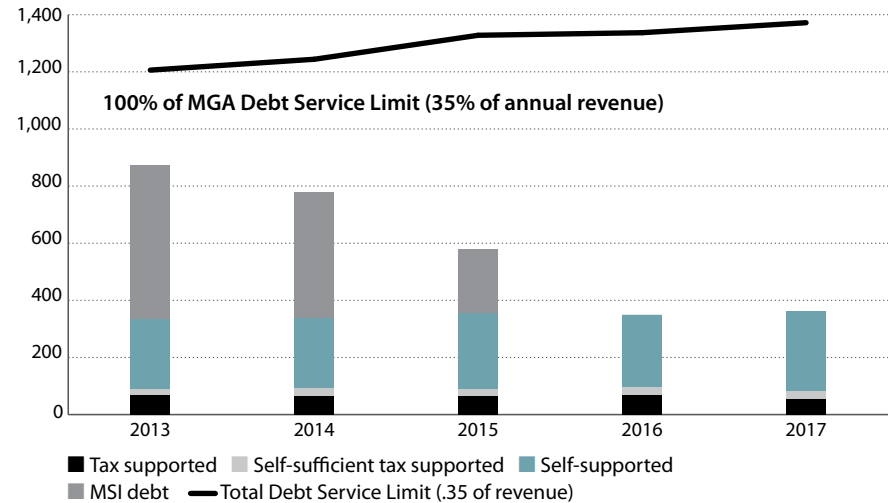


The MGA Debt Service Limit sets out the maximum amount of annual debt servicing (principal and interest) that The City can incur and is calculated at 35 per cent of revenue. For MSI bullet debt, the total principal and interest is recognized as debt servicing in the year the debt matures. Chart B reports The City's Debt Servicing Charges is at 26 per cent of the MGA debt service limit at the end of 2017.

**Chart B — Debt Service Limit vs. Debt Servicing Charges
(Principal and Interest)**

MGA Debt Service Limit Trend 2013-2017

(in millions of dollars)



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.

Reserves

As at December 31 (in thousands of dollars)

| 2017 | 2016 (Restated) | 2015 (Restated) | 2014 (Restated) | 2013 (Restated) |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,044,048 | \$ 1,975,809 | \$ 1,915,176 | \$ 1,626,276 | \$ 1,437,065 |

The reserve balances totaled \$2,044 million at the end of 2017 (2016 – \$1,976 million). The net increase was primarily the result of increases in the fiscal stability reserve, budget savings account, and reserves for utilities sustainment, partially offset by reductions in reserves for future capital projects, community investment, and lifecycle maintenance and upgrades reserves.

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 2017, City staff undertook a review of nine reserves totaling \$551 million, representing approximately one quarter of all reserve balances as at December 31, 2016. Findings and recommendations of the review were approved by Council in December 2017.

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 (2017 – \$493 million; 2016 – \$519 million) which is a contingency reserve for urgent situations with significant financial implications and is also used to fund one-time operating costs. Included in the amounts are commitments of \$7 million for 2018 Budget Adjustments related initiatives, \$21 million for Mid-Cycle Adjustments related initiatives, \$15 million for budgeted one-time expenditures, and \$108 million for flood and resiliency related projects. The second largest reserve is the reserve for future capital (2017 – \$308 million; 2016 – \$327 million) which funds capital projects.

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 the sharp fall in world oil prices as it is the head office location for Canada's energy sector. The local economy swings in response to volatile global energy prices. 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.

On March 22, 2018 the Alberta government released its 2018/2019 budget. The Province's financial situation is still challenging with significant deficits anticipated for the next few years. The Provincial carbon levy, which was introduced in 2017, further rose to \$30 per tonne in January 2018. This has increased The City's operating costs in terms of costs for diesel fuels. The economy's impact on provincial government revenues has resulted in deferral of a portion of capital grants to The City for infrastructure construction underway and planned for the near future. This year's Alberta budget also confirmed significant reduction on capital grants, especially the Municipal Sustainability Initiative. The City will be monitoring the economy and the Provincial fiscal situation, and taking action to mitigate any negative impacts.

Economic activity, population, and the tax assessment grew at a modestly higher rate in 2017 compared to 2016. Property tax revenue is not anticipated to be significantly impacted in 2018. Lower oil prices have resulted in reduced business investment and correspondingly, less employment in Calgary, particularly among higher paying occupations like engineering and construction. This, in turn, has resulted in slower population growth than Calgary has experienced only a few short years ago. Economic activity in Calgary is expected to improve modestly in 2018 though most of the improvement in employment will be from an increase in lower paying jobs.

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.

The City has fully met its current year cash contributions for employee benefit obligations at December 31, 2017. The City sponsored registered and non-registered defined benefit pension plans currently have a total unamortized net actuarial loss of \$6.6 million (2016 – \$21 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 deficit, where the actuarial value of accrued benefit obligations is greater than the net assets available for benefits. The total deficit at December 31, 2016 for LAPP is \$637 million and for SFPP is \$108 million. At December 31, 2016, The City employees represented approximately 8.5 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 2017, business units' contributed operating savings of \$34 million (2016 – \$24 million) from tax-supported programs to the Budget Savings Account Reserve. Capital savings of \$101 million (2016 – \$83 million) were contributed to the Budget Savings Account program and subsequently committed to additional capital investments through Infrastructure Calgary. The unallocated amount remaining in the capital Budget Savings Account program is \$9 million.

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, risks related to corporate land development and The City's role as a development approving agency are managed through policies and procedures. For example, there are policies in place addressing environmental concerns involved with the purchase, sale or redevelopment of contaminated land. The City also has an established environmental liability assessment program to identify, assess, and manage liability arising from corporately owned contaminated sites, along with measures to address contamination of City lands by others. Further, the Environmental Development Review policy exists 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.

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 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 any foreign currency requirements in excess of \$0.250 million Canadian. At December 31, 2017, The City had 17 (2016 – 25) U.S. foreign exchange fixed contracts and 1 (2016 – 2) Swiss Franc foreign exchange fixed contract in place. At December 31, 2017, The City had U.S. dollar foreign exchange fixed contract arrangements at exchange rates ranging from 1.27 to 1.36 Canadian dollars for U.S. dollar contracts. A similar arrangement is in place for the Swiss Franc contract with a rate of 1.52 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2017 is \$31 million (2016 – \$57 million) Canadian dollars. During the fiscal year ended December 31, 2017, the various arrangements for foreign merchandise purchases cost The City \$3 million less (2016 – \$7 million less) than if the arrangements had not been entered into.

The City had also purchased hedges for future purchases relating to the light rail transit system. At December 31, 2017, no additional hedge investments were held (2016 – \$5 million U.S. dollars). The City has remaining committed future foreign merchandise purchases of \$25 million U.S. dollars (2016 – \$41 million U.S. dollars). 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, 2017, the hedges allowed The City to reduce its foreign exchange exposure by \$4 million (2016 – \$7 million). 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, consisting of ENMAX senior management team members, oversees risk management and reports 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 2017, 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 2017 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.

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, changes in interest rates, global energy prices, availability of pipeline export capacity, growth rates in emerging economies, and the economic activity level in the United States. Modest improvement in energy prices along with improvement in the U.S. economy have buoyed the Calgary economy recently. However, when oil prices were quite 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 excess capacity in these sectors to be absorbed.

Economic activity in the local economy is estimated to have improved by 3.1 per cent in 2017 and is expected to improve by 2.0 per cent to 2.5 per cent per year over the next 4 years. Compared to other cities and Organisation for Economic Co-operation and Development countries that is reasonably good growth, however, the recent recession was fairly deep so that it will take several years of good growth before local employment levels return to longer term normal levels. The unemployment rate averaged 8.7 per cent in 2017 and is expected to slowly trail off to the long term normal range of 6 per cent during 2019-2022.

The rapid swings in Calgary's economic prospects, with two extreme economic business cycles over 2006-2017, have validated the flexibility built into The City's process for strategic and business planning. In 2014, Council approved the 2015-2018 Action Plan, The City's four year operating and capital budget. The City is now beginning work on its next business plan and budget for 2019-2022 entitled "One Calgary", and 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.

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 is effective January 1, 2018, and 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.

The City's rapid growth in the last decade has created a substantial challenge to provide for the maintenance of City assets. Work will continue to address the magnitude of required lifecycle maintenance for the organization's approximately \$60 billion (estimated replacement cost) in assets through continued asset management planning.

From 2014 through 2022, 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 well underway and will allow 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 is estimated at \$160 million and the project is 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.

The City entered into a Public Private Partnership (P3) agreement with Chinook Resources Management Group to design, build, operate, and maintain The City's new organics composting facility. Located at the Shepard Waste Management Facility, the composting facility will accept food and yard waste collected from single detached dwellings as well as dewatered biosolids from The City's wastewater treatment plants. Construction was completed on schedule and on budget in 2017 with processing of food and yard waste beginning in July. The composting facility is an integral part of The City's plan to achieve the target of 70 percent waste diversion in all sectors by 2025 and provide additional benefits of reducing greenhouse gas emissions, extending the life of existing landfill assets, and transforming waste into high quality compost.

Throughout 2017, The City continued to evaluate procurement and delivery model options for building the Green Line LRT. In the first quarter of 2018, Council approved the procurement stage for the Green Line LRT with a Design/Build/Finance ("DBF") delivery model. Funding discussions with the Federal and Provincial Government are ongoing with the intent to finalize agreements in 2018. Major construction of the Green Line LRT is currently scheduled to commence in 2020.

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.

Although the province has undertaken a widespread review of the MGA, the release of Bill 21 in May of 2016 revealed that this process would not include any significant changes to the way municipalities are funded in the province. Instead, ICS has continued to work with the Government of Alberta and the City of Edmonton through the City Charter process to develop a new fiscal framework for the two big cities that will "recognize and address the needs and challenges facing all parties," as per the Framework Agreement on Charters. The City Charters are anticipated to come into effect in 2018 while work on a new fiscal framework continues.

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, and supported the Mayor's participation in the Big City Mayors' Caucus, 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 addition to advocating for changes to The City's fiscal framework and funding opportunities, ICS has also worked with our partners across The City to ensure we are prepared and able to respond to changes to The City's fiscal framework. For instance, although the City Charter fiscal framework conversations continue, 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 Community Revitalization Levy is an 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 City currently has two P3's in progress and continues to evaluate major capital projects for P3 suitability. The City Composting Facility Project achieved substantial completion in June 2017 and is in operation. The Stoney Compressed Natural Gas Bus Storage and Transit Facility completed its financing agreements in September 2016 and is now under construction. The facility is scheduled for substantial completion of construction in January 2019.

Infrastructure Calgary is a corporate-wide initiative created to provide governance and oversight of the Council approved Capital Infrastructure Investment Strategy. Over the past year, Infrastructure Calgary oversaw two capital budget recasts which provided improved insight into the status of capital projects across The City and allowed Administration to better inform Council about The City's planned investment.

To support new investments that align with the Capital Investment Plan, business units contributed to the capital budget savings account during the recast process and Infrastructure Calgary conducted a review within the organization to identify funding capacity. In 2017, Infrastructure Calgary brought forward 25 recommendations for new, or currently unfunded investment projects that provide both short and long term benefits and deliver social, economic and environmental value to Calgarians.

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 2016, The City conducted a more comprehensive mid-cycle budget adjustment in advance of the 2017 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, to dedicate funding of \$0.208 billion for the Calgary Police Service for 55 new members, additional human resources, and for the purchase of new body-worn cameras. One-time funding of \$0.007 billion from the Fiscal Stability Reserve was approved to fund the low income transit pass for Calgarians in need and to fund Community Services for safe communities, youth and low income programs and crime prevention for 2018 and restoring recommended reductions for Civic Partners, excluding the Calgary Public Library. In addition, Council had also set aside \$0.045 billion in one-time funding from the Fiscal Stability Reserve through a transfer from intentional savings in 2017 Corporate Programs to provide tax relief to businesses in 2018 and \$1.7 billion for capital investment in Calgary Infrastructure was approved for 2018. The 2017 tax room of \$0.0237 billion was 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 was also approved. Approval of the 2018 adjustments allowed for the closure of a \$0.146 billion operating budget gap 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 is especially important in the current economic climate where resources are limited but the demand for City services is not. By the end of 2017, the ZBR Program has completed eight reviews, identified \$57.3 (low estimate) to \$68.2 million (high estimate) in annual financial gains and realized \$27.3 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 23, 2018



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to
The City of Calgary
Alberta

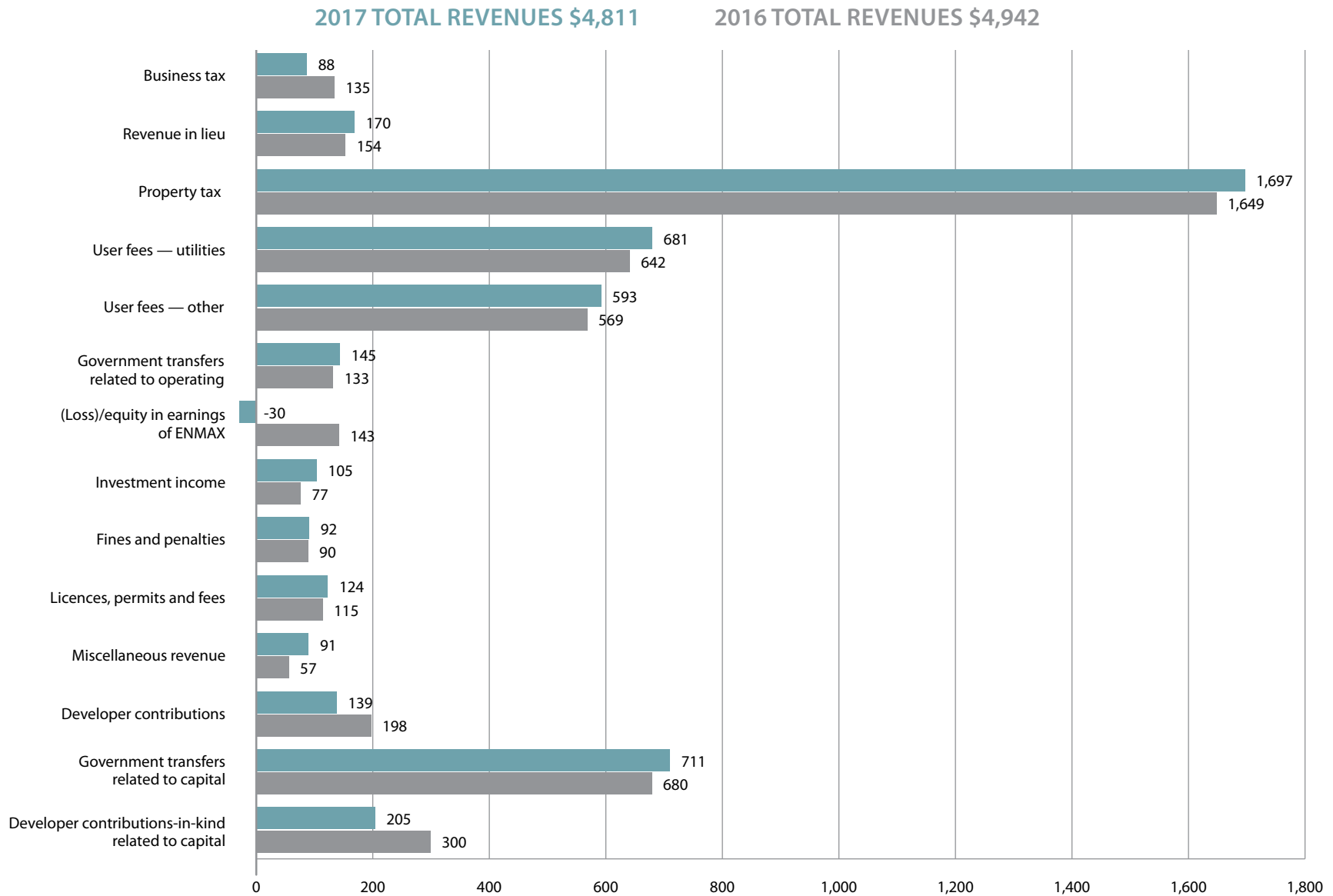
For its Annual
Financial Report
for the Year Ended

December 31, 2016

Christopher P. Morrell
Executive Director/CEO

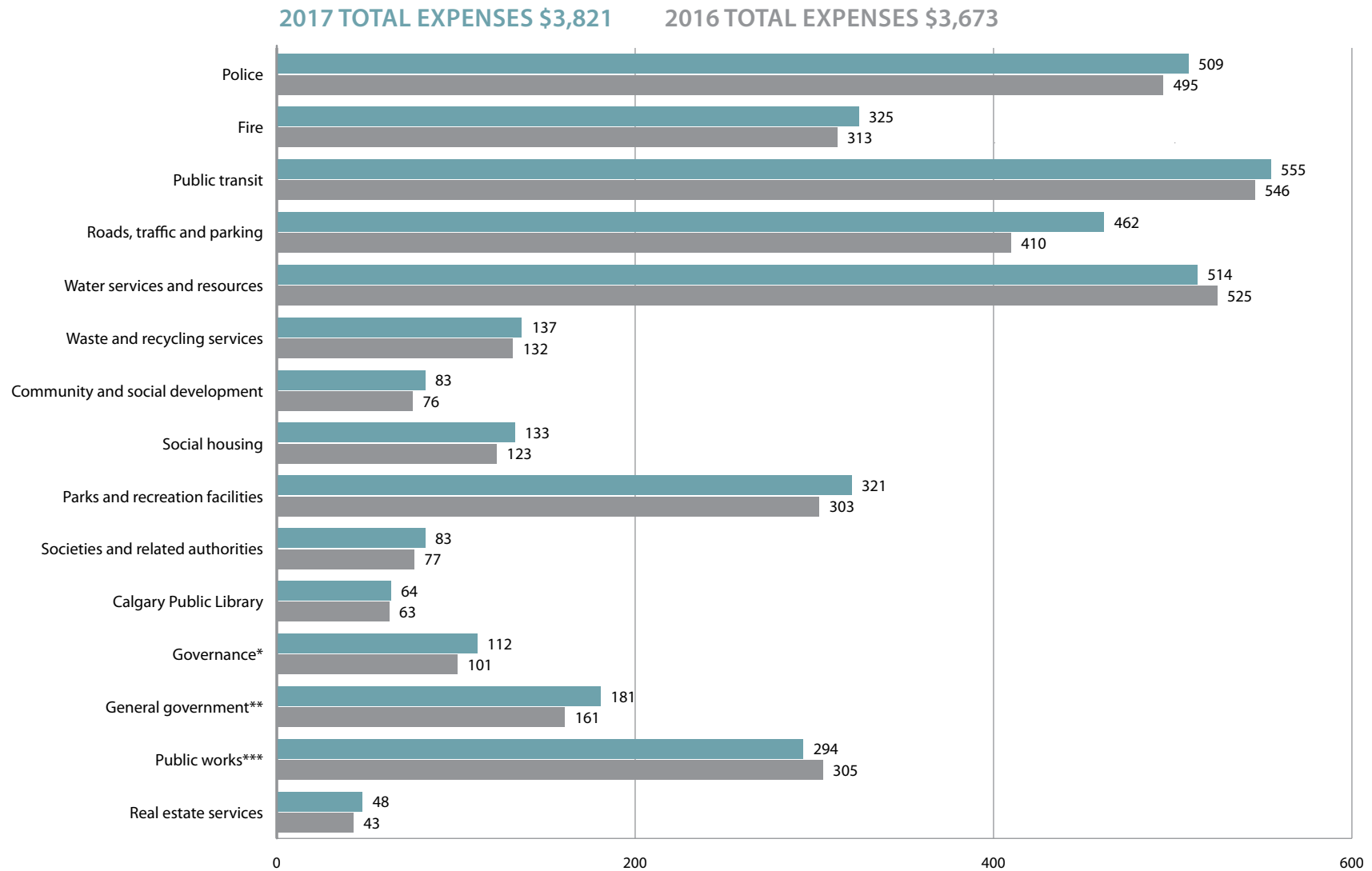
Financial Synopsis 2017 Sources of Revenue

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



Financial Synopsis 2017 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.

** 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 2017, 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.



Jeff Fielding, City Manager



Eric Sawyer, Chief Financial Officer

Calgary, Canada
April 23, 2018

Responsibility for Financial Reporting

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The City of Calgary, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets for the year then ended, and accompanying notes to the consolidated financial statements.

City Administration's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

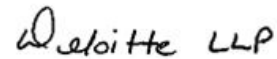
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 principles used and the reasonableness of accounting estimates made by City Administration, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of The City of Calgary as at December 31, 2017 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.



Chartered Professional Accountants

Calgary, Alberta
April 23, 2018

Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)

| | 2017 | 2016 (Restated Note 30) |
|---|----------------------|-------------------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 134,006 | \$ 227,884 |
| Investments (Note 3) | 3,893,757 | 4,096,462 |
| Receivables (Notes 4 and 7 iii)) | 327,725 | 328,499 |
| Land inventory (Note 5) | 276,418 | 248,008 |
| Other assets (Note 6) | 109,434 | 109,390 |
| Investment in ENMAX Corporation (Note 7) | 2,314,000 | 2,291,308 |
| | 7,055,340 | 7,301,551 |
| FINANCIAL LIABILITIES | | |
| Bank indebtedness (Note 8) | 46,200 | 70,255 |
| Accounts payable and accrued liabilities (Notes 7 iii) and 9) | 860,453 | 945,890 |
| Deferred revenue (Note 10) | 92,926 | 111,502 |
| Capital deposits (Note 11) | 826,901 | 1,018,173 |
| Provision for landfill rehabilitation (Note 12) | 88,905 | 87,263 |
| Employee benefit obligations (Note 13) | 493,870 | 480,153 |
| Long-term debt (Note 14) | 3,066,263 | 3,216,672 |
| | 5,475,518 | 5,929,908 |
| NET FINANCIAL ASSETS | 1,579,822 | 1,371,643 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Notes 15, 30 and 31) | 16,891,106 | 16,003,295 |
| Inventory | 53,942 | 57,821 |
| Prepaid assets | 35,372 | 36,796 |
| | 16,980,420 | 16,097,912 |
| ACCUMULATED SURPLUS (Note 17) | \$ 18,560,242 | \$ 17,469,555 |

Commitments, contingent liabilities and guarantees (Notes 25 and 26)

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 2017 (Note 16) | Actual 2017 | Actual 2016 (Restated Note 30) |
|---|--------------------------|----------------------|--------------------------------------|
| REVENUES | | | |
| Net taxes available for municipal purposes (Note 20) | \$ 1,983,487 | \$ 1,955,429 | \$ 1,938,199 |
| Sales of goods and services | 1,312,865 | 1,274,060 | 1,211,983 |
| Government transfers and revenue sharing agreements (Note 23) | | | |
| Federal | 2,191 | 4,693 | 4,660 |
| Provincial | 128,162 | 140,475 | 128,157 |
| Investment income | 58,301 | 104,520 | 77,451 |
| Fines and penalties | 87,713 | 92,040 | 89,796 |
| Licences, permits and fees | 95,431 | 124,356 | 114,988 |
| Miscellaneous revenue (Note 32) | 29,645 | 90,806 | 56,794 |
| (Loss)/equity in earnings of ENMAX Corporation (Note 7) | 85,400 | (30,312) | 143,597 |
| | 3,783,195 | 3,756,067 | 3,765,625 |
| EXPENSES | | | |
| Police | 492,655 | 508,953 | 494,546 |
| Fire | 305,272 | 325,180 | 312,732 |
| Public transit | 451,172 | 554,680 | 546,375 |
| Roads, traffic and parking | 274,430 | 461,739 | 409,420 |
| Water services & resources | 469,171 | 514,187 | 525,185 |
| Waste and recycling services | 157,217 | 136,910 | 131,726 |
| Community and social development | 75,607 | 82,965 | 76,180 |
| Social housing | 133,644 | 133,279 | 122,718 |
| Parks and recreation facilities | 246,134 | 320,900 | 303,334 |
| Societies and related authorities (Note 33) | 72,738 | 83,039 | 77,141 |
| Calgary Public Library Board (Note 33) | 57,357 | 64,171 | 63,182 |
| General government | 404,715 | 292,912 | 262,412 |
| Public works | 272,656 | 293,561 | 304,598 |
| Real estate services | 116,963 | 48,429 | 43,001 |
| | 3,529,731 | 3,820,905 | 3,672,550 |
| (DEFICIENCY)/EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER | 253,464 | (64,838) | 93,075 |
| OTHER | | | |
| Developer contributions | 223,716 | 138,557 | 198,394 |
| Government transfers related to capital (Note 23) | 785,652 | 711,186 | 679,736 |
| Developer contributions-in-kind related to capital | - | 204,778 | 298,678 |
| NET REVENUES | 1,262,832 | 989,683 | 1,269,883 |
| ENMAX Corporation – other comprehensive gain/(loss) adjustment (Note 7) | - | 101,004 | (65,494) |
| ANNUAL SURPLUS | 1,262,832 | 1,090,687 | 1,204,389 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | 17,469,555 | 17,469,555 | 16,265,166 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ 18,732,387 | \$ 18,560,242 | \$ 17,469,555 |

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

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

| | 2017 | 2016 |
|---|--------------------|-----------------------|
| | | (Restated Note 30) |
| NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS: | | |
| OPERATING ACTIVITIES | | |
| Annual Surplus | \$ 1,090,687 | \$ 1,204,389 |
| Deduct items not affecting cash: | | |
| Equity in earnings of ENMAX Corporation (Note 7) | 30,312 | (143,597) |
| ENMAX Corporation– other comprehensive gain/(loss) (Note 7) | (101,004) | 65,494 |
| Amortization of tangible capital assets | 628,646 | 596,106 |
| Net Loss on disposal of tangible capital assets | (48,452) | 7,343 |
| Developer contributions-in-kind related to capital | (204,778) | (298,678) |
| Change in non-cash items: | | |
| Receivables | 774 | (61,283) |
| Land inventory | (28,410) | (41,531) |
| Other assets | (44) | (11,099) |
| Inventory | 3,879 | 2,554 |
| Prepaid assets | 1,424 | (6,394) |
| Accounts payable and accrued liabilities | (85,437) | 214,706 |
| Deferred revenue | (18,576) | 22,394 |
| Capital deposits | (191,272) | (10,150) |
| Provision for landfill rehabilitation | 1,642 | (225) |
| Employee benefit obligations | 13,717 | 24,904 |
| | 1,093,108 | 1,564,933 |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (1,344,160) | (1,416,262) |
| Proceeds on sale of tangible capital assets | 80,933 | 38,287 |
| | (1,263,227) | (1,377,975) |
| INVESTING ACTIVITIES | | |
| Dividends from ENMAX Corporation | 48,000 | 47,000 |
| Net sales of investments | 202,705 | 21,526 |
| | 250,705 | 68,526 |
| FINANCING ACTIVITIES | | |
| Proceeds from long-term debt issued | 290,027 | 307,601 |
| Long-term debt repaid | (440,436) | (451,531) |
| Net (decrease)/increase in bank indebtedness | (24,055) | 11,831 |
| | (174,464) | (132,099) |
| DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS | (93,878) | 123,385 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 227,884 | 104,499 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 134,006 | \$ 227,884 |

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 2017 | Actual 2017 | Actual 2016 |
|--|---------------------|---------------------|-----------------------|
| | (Note 16) | | (Restated Note 30) |
| ANNUAL SURPLUS | \$ 1,262,832 | \$ 1,090,687 | \$ 1,204,389 |
| Amortization of tangible capital assets | 121,059 | 628,646 | 596,106 |
| Proceeds on sale of tangible capital assets | – | 80,933 | 38,287 |
| Acquisition of supplies inventories | 350 | 170,104 | 175,937 |
| Use of supplies inventories | – | (166,225) | (173,383) |
| Acquisition of prepaid assets | – | 262,604 | 267,540 |
| Use of prepaid assets | – | (261,180) | (273,934) |
| Tangible capital assets received as contributions | – | (204,778) | (298,678) |
| Net (gain)/loss on disposal of tangible capital assets | – | (48,452) | 7,343 |
| Acquisition of tangible capital assets | (593,085) | (1,344,160) | (1,416,262) |
| INCREASE IN NET FINANCIAL ASSETS | 791,156 | 208,179 | 127,345 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 1,371,643 | 1,371,643 | 1,244,298 |
| NET FINANCIAL ASSETS, END OF YEAR | \$ 2,162,799 | \$ 1,579,822 | \$ 1,371,643 |

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2017 (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 include all organizations that are controlled by The City, except for The City's government business enterprise, ENMAX Corporation ("ENMAX").

Related Authorities

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

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

Inter-departmental and inter-entity transactions and balances between The City and the related authorities 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.

Civic Partners

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:

Aerospace Museum Association of Calgary
Alberta Health Services
Calgary Bid Exploration Committee
Calgary Board of Education
Calgary Centre for the Performing Arts
Calgary Convention & Visitors Bureau (operating as Tourism Calgary)
Calgary Exhibition and Stampede Limited
Calgary Roman Catholic Separate School District No.1
Calgary Science Centre & Creative Kids Museum Society
Calgary Technologies Inc.
Fort Calgary Presentation Society
Heritage Park Society
Parks Foundation Calgary
Repsol Sports Centre (formerly Lindsay Park Sports Society)
Saddledome Foundation
Silvera for Seniors (formerly Metropolitan Calgary Foundation)
St. Mary's University College
The Calgary Zoological Society
Vibrant Communities Calgary

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

Obligations related to plan deficiencies of the multi-employer pension plans are not recorded by The City as The City's share is not determinable. 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 29, Funds Held in Trust.

b) Basis of Accounting

- i) 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.
- ii) 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, 2017.
- iii) 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.
- iv) 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.
- v) Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.
- vi) 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 other than 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. These amounts are 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 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 and 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 PSAS 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, 2017. 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 not recorded as tangible capital assets.

Tangible capital assets are written down when there is permanent and measureable 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 2017 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.

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, as well as to manage foreign exchange on anticipated future expenses in foreign currencies. Gains (losses) on foreign currency translation are included as revenues (losses). The City's policy is not to utilize derivative financial instruments for trading or speculative purposes.

In addition to formal derivative financial instruments, The City also purchases hedges for significant future purchases when deemed beneficial, in order to mitigate foreign exchange risk associated with transacting with vendors in United States Dollars ("USD"), Euros ("EUR"), and Swiss Francs ("CHF"). Settled hedge results 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 14e).

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

Standards effective for fiscal years beginning on or after April 1, 2017

i) Assets

Assets (“PSAS 3210”) provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed.

ii) Contingent Assets

Contingent Assets (“PSAS 3320”) defines and establishes disclosure on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

iii) Contractual Rights

Contractual Rights (“PSAS 3380”) defines and establishes disclosure standards on contractual rights. Disclosure of the nature, extent, and timing of any contractual rights is required.

iv) Related Party Transactions

Related Party Transactions (“PSAS 2200”) defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

v) Inter-entity Transactions

Inter-entity Transactions (“PSAS 3420”) specifically addresses the reporting of transactions between entities controlled by the government’s reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether or not the transaction is given accounting recognition.

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

vi) Restructuring Transactions

Restructuring Transactions (“PSAS 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, 2019

vii) Financial Statement Presentation

Financial Statement Presentation ("PSAS 1201") was amended to conform to Financial Instruments ("PSAS 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 ("PSAS 3041") has removed the distinction between temporary and portfolio investments. This section was amended to conform to Financial Instruments ("PSAS 3450"), and now includes pooled investments in its scope. Upon adoption of PSAS 3450 and PSAS 3041, Temporary Investments ("PSAS 3030") will no longer apply.

ix) Foreign Currency Translation

Foreign Currency Translation ("PSAS 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 ("PSAS 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.

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 ("PSAS 1201"), Financial Instruments ("PSAS 3450"), Foreign Currency Translation ("PSAS 2601") and Portfolio Investments ("PSAS 3041") must be implemented at the same time. Related Party Disclosures ("PSAS 2200") and Inter-Entity Transactions ("PSAS 3420") also require concurrent adoption.

2. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Cash on deposit | \$ 133,606 | \$ 227,635 |
| Treasury bills and GICs with original maturities of 90 days or less | 400 | 249 |
| | \$ 134,006 | \$ 227,884 |

Treasury bills and GIC's interest rates are approximately 0.7% in 2017 and 0.5% in 2016.

3. INVESTMENTS

All the investments managed by The City are held in fixed income securities and equity investments. Investments with a cost of \$2,407 (2016 – \$2,376) are managed by the Parks Foundation Calgary⁽¹⁾, and include equity investments of \$1,510 (2016 – \$1,504). The cost and market value of all investments as at December 31 are as follows:

| | 2017 Cost | 2017 Market value | 2016 Cost | 2016 Market value |
|---------------------------------|--------------------|----------------------|---------------------|----------------------|
| Government of Canada | \$ 448,941 | \$ 445,545 | \$ 390,136 | \$ 387,989 |
| Other Government | 427,985 | 421,092 | 522,641 | 517,358 |
| Corporate | 2,107,337 | 2,095,590 | 2,743,537 | 2,743,949 |
| Global fixed income investments | 501,720 | 496,850 | 97,726 | 97,725 |
| Equity investments | 407,774 | 480,860 | 342,422 | 406,573 |
| | \$3,893,757 | \$3,939,937 | \$ 4,096,462 | \$ 4,153,594 |

The average yield earned from investments during the year ended December 31, 2017, was 3.2% (2016 – 2.3%). Maturity dates on the investments range from 2018 to 2077. Investments include \$1,208,230 (2016 – \$1,875,776) in an internally managed portfolio composed of short-term money market instruments and bonds.

A portion of City investments are held 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 and eliminate the annual contribution from The City to its operating budget.

4. RECEIVABLES

| | 2017 | 2016 |
|------------------------------------|-------------------|-------------------|
| Taxes | \$ 49,417 | \$ 36,734 |
| Federal and Provincial governments | 36,898 | 28,159 |
| General | 241,410 | 263,606 |
| | \$ 327,725 | \$ 328,499 |

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 under their respective function.

| | 2017 | 2016 |
|---------------------|-------------------|------------------------------------|
| Developed land | \$ 84,342 | (Restated Note 30) \$ 68,178 |
| Under development | 107,106 | 94,860 |
| Long-term inventory | 84,970 | 84,970 |
| | \$ 276,418 | \$ 248,008 |

6. OTHER ASSETS

| | 2017 | 2016 |
|----------------------------|-------------------|-------------------|
| Long-term debt recoverable | \$ 25,453 | \$ 13,542 |
| Long-term receivables | 67,060 | 77,877 |
| Other receivables | 10,897 | 10,445 |
| Loan receivables | 6,024 | 7,526 |
| | \$ 109,434 | \$ 109,390 |

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 loan receivable from St. Mary's University (see Note 14 a) i) and vendor take-back ("VTB") mortgages granted to Attainable Homes Calgary Corporation ("AHCC").

Loan receivables 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. In 2017, an allowance for doubtful accounts of \$2,948 (2016 – \$862) related to the loans receivables was recognized. These loans are forgiven once the citizen sells or refinances their house and a shared participation amount is repaid.

7. INVESTMENT IN ENMAX AND CO-OWNERSHIP

- i) ENMAX is a wholly-owned subsidiary of The City and was formed to carry on the electric utility transmission and distribution operations previously carried on 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, was regulated by the Alberta Energy and Utilities Board starting from 2004 to 2007 and then by the Alberta Utilities Commission ("AUC") since January 1, 2008. Upon deregulation which was made effective on January 1, 2001, The City approved only those electrical rates determined for the regulated activities of electricity transmission and distribution. The City transferred rate regulation approval responsibilities to the AUC in January 2008, thereby allowing the regulator to approve 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 in the amount of \$1,078,522 (2016 – \$1,145,184) and reported by ENMAX in long-term debt have been issued in the name of The City (Note 14a).

- ii) ENMAX reports under the International Financial Reporting Standards ("IFRS").

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

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Financial Position | | |
| Current assets | \$ 1,006,507 | \$ 934,415 |
| Deferred income taxes | 81,312 | 72,013 |
| Capital and intangible assets | 4,331,571 | 4,231,277 |
| Other assets | 75,521 | 88,018 |
| Total assets | 5,494,911 | 5,325,723 |
| Regulatory deferral account debit balances | 76,193 | 39,815 |
| Total assets and regulatory deferral account debit balances | 5,571,104 | 5,365,538 |
| Current liabilities (including current portion of long-term debt; 2017 – \$367,342; 2016 – \$66,972) | 1,121,182 | 600,867 |
| Deferred income tax liabilities | 74,610 | 98,025 |
| Other long-term liabilities | 717,983 | 652,097 |
| Asset retirement obligations | 120,468 | 125,279 |
| Long-term debt | 1,213,468 | 1,580,227 |
| Total liabilities | 3,247,711 | 3,056,495 |
| Regulatory deferral account credit balances | 9,393 | 17,735 |
| Total liabilities and regulatory deferral account credit balances | 3,257,104 | 3,074,230 |
| ENMAX net assets | 2,314,000 | 2,291,308 |
| Accumulated other comprehensive income (loss) | 11,726 | (89,278) |
| Retained earnings | 2,302,274 | 2,380,586 |
| Investment in ENMAX | \$ 2,314,000 | \$ 2,291,308 |

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Results of Operations | | |
| Revenues | \$ 2,996,972 | \$ 2,801,008 |
| Operating expenses | 3,066,056 | 2,577,102 |
| Interest charges (net) | 70,401 | 74,942 |
| Net (loss)/earnings before income tax | (139,485) | 148,964 |
| Income tax recovery/(expense) | 64,473 | (6,467) |
| Net (loss)/earnings before net movements in regulatory deferral account balances | (75,012) | 142,497 |
| Net movement in regulatory deferral account balances | 44,700 | 1,100 |
| Net (loss)/earnings before dividends paid | (30,312) | 143,597 |
| Dividends paid | (48,000) | (47,000) |
| Net (loss)/earnings after dividends paid | (78,312) | 96,597 |
| Other comprehensive income/(loss) | 101,004 | (65,494) |
| Net assets, beginning of year | 2,291,308 | 2,260,205 |
| Equity in ENMAX | \$ 2,314,000 | \$ 2,291,308 |

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

| | 2017 | 2016 |
|------------------------------|------------|------------|
| Received by The City | | |
| Dividends | \$ 48,000 | \$ 47,000 |
| Local access fee | 95,690 | 88,410 |
| Sales of services | 21,935 | 20,548 |
| Purchased by The City | | |
| Power and other services | \$ 144,773 | \$ 133,847 |

The City's accounts payable and accrued liabilities include \$20,297 (2016 – \$27,233) for amounts owed to ENMAX at December 31, 2017. The City's receivables include \$9,610 (2016 – \$10,775) for amounts owing to The City by ENMAX at December 31, 2017. 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, 2017, The City had a total of \$40,459 (2016 – \$64,154) of bank indebtedness comprised of cheques issued in excess of deposits. As at December 31, 2017 and 2016, 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, 2017, The City had \$5,741 (2016 – \$6,101) of short-term borrowings, which consisted of demand loans held by Attainable Homes Calgary Corporation, Calgary Arts Development Authority Ltd., and Calgary Economic Development Ltd.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2017 | 2016 |
|------------------------------------|-------------------|-------------------|
| Trade | \$ 801,973 | \$ 885,438 |
| Federal and Provincial governments | 38,657 | 39,202 |
| Accrued interest | 19,823 | 21,250 |
| | \$ 860,543 | \$ 945,890 |

10. DEFERRED REVENUE

Advance sales of goods and services are revenues received from operations in advance of the services being provided. Licences, 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, 2016 | Inflows | Revenue Recognized | December 31, 2017 |
|--|----------------------|-------------------|-----------------------|----------------------|
| Advance sales of goods and services | \$ 39,774 | \$ 115,565 | \$ (128,174) | \$ 27,165 |
| Licences, permits and application fees | 51,659 | 27,938 | (36,167) | 43,430 |
| Government grants | 14,576 | 63,913 | (63,044) | 15,445 |
| Other contributions | 5,493 | 4,292 | (2,899) | 6,886 |
| | \$ 111,502 | \$ 211,708 | \$ (230,284) | \$ 92,926 |

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:

| | 2017 | 2016 |
|------------------------------|-------------------|---------------------|
| Developers contributions | \$ 153,875 | \$ 149,152 |
| Off-site levies | 375,243 | 400,096 |
| Other private contributions | 18,158 | 19,081 |
| Provincial government grants | 226,028 | 372,108 |
| Federal government grants | 53,597 | 77,736 |
| | \$ 826,901 | \$ 1,018,173 |

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 2016, The City elected to perform a triennial review of the model supporting the provision of the landfill liability. The model was revised to ensure alignment with Environment and Sustainable Resource Development's requirements and to reflect the current economic condition. The model will be re-assessed and updated in 2018.

As at December 31, 2017, management estimates that the total liability for operating and closed landfill sites is \$151,411 (2016 – \$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 3.3% (2016 – 3.3%) was used for the active landfills and 3.2% (2016 – 3.2%) for the closed landfills.

The calculation of the reported liability of \$88,905 (2016 – \$87,263) is based on the cumulative capacity used at December 31, 2017 compared to the total estimated landfill capacity at that same date. The change in calculation resulted in \$5,933 (2016 – \$6,755) of unfunded liability being recognized in 2017. The unfunded liability will be funded through future contributions from the waste and recycling sustainment reserve. At December 31, 2017, the balance of the waste and recycling sustainment reserve is \$64,802 (2016 – \$48,019).

The estimated remaining capacity of the landfill sites is 47.0 (2016 – 49.0) million cubic metres, which is 48% (2016 – 50%) of the sites' total capacity. In 2017, The City determined that the landfills' expected remaining life would be kept at 33 years (2016 – 33 years), which was based on factors including current disposal practices 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, 2017.

The City has fully met its current year cash contribution requirements for employee benefit obligations as at December 31, 2017.

| | 2017 *Funded | 2016 *Funded |
|---|-------------------|-------------------|
| a) Registered defined-benefit pension plans | \$ 53,235 | \$ 51,714 |
| b) Non-registered defined-benefit pension plans | 37,379 | 35,024 |
| c) Post-retirement benefits | 183,235 | 176,341 |
| d) Vacation and overtime (undiscounted) | 220,021 | 217,074 |
| | \$ 493,870 | \$ 480,153 |

* The concept of funding refers to amounts recorded as an expense to be recognized in the consolidated financial statements.

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:

| | 2017 | 2016 |
|--|--------------------|-------------------|
| Registered defined-benefit pension plans | \$ (11,200) | \$ 3,922 |
| Non-registered defined-benefit pension plans | 17,848 | 17,143 |
| Post-retirement benefits | (46,356) | (23,531) |
| | \$ (39,708) | \$ (2,466) |

Obligations related to plan deficiencies of the 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 13e) 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 are based on management's best estimates as follows:

| Date of accounting valuation | December 31, 2017 | December 31, 2016 |
|--|----------------------|----------------------|
| 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 |
| Rate of compensation average increase (excluding merit and promotion) | 1.50 | 2.00 |

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:

| | 2017 | 2016 |
|--|------------|------------|
| Fair value of plan assets – beginning of year | \$ 129,107 | \$ 120,451 |
| Contributions – employer | 8,845 | 7,817 |
| Contributions – member | 149 | 151 |
| Expected interest on plan assets | 7,811 | 7,256 |
| Less benefits paid | (6,854) | (7,013) |
| Actuarial gain | 5,540 | 445 |
| Fair value of plan assets – end of year | \$ 144,598 | \$ 129,107 |
| Accrued benefit obligation – beginning of year | \$ 184,743 | \$ 188,977 |
| Current period benefit cost | 9,245 | 9,679 |
| Interest on accrued benefit obligation | 6,193 | 6,342 |
| Less benefits paid | (6,854) | (7,013) |
| Actuarial (gain) | (6,694) | (13,242) |
| Accrued benefit obligation – end of year | \$ 186,633 | \$ 184,743 |
| Funded status – plan deficit | \$ 42,035 | \$ 55,636 |
| Unamortized net actuarial gain (loss) | 11,200 | (3,922) |
| Accrued benefit liability | \$ 53,235 | \$ 51,714 |
| Current period benefit cost | \$ 9,245 | \$ 9,679 |
| Amortization of actuarial losses | 2,887 | 4,145 |
| Less member contributions | (149) | (151) |
| Benefit expense | \$ 11,983 | \$ 13,673 |
| Interest on accrued benefit obligation | 6,193 | 6,342 |
| Less expected interest on plan assets | (7,811) | (7,256) |
| Benefit interest (expense) | (1,618) | (914) |
| Total expense | \$ 10,365 | \$ 12,759 |

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:

| | 2017 | 2016 |
|--|----------------|----------------|
| Calgary Firefighters’ Supplementary Pension Plan (“FSPP”) | 15.9 | 16.4 |
| The City of Calgary Supplementary Pension Plan (“SPP”) | 8.1 | 7.9 |
| Pension Plan for Elected Officials of The City of Calgary (“EOPP”) | 7.8 | 8.1 |
| 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 (funding basis) were (will be) prepared as of the following dates:

| Pension Plan | Latest Full Valuation Date | Next Full Valuation Date |
|--------------|----------------------------|--------------------------|
| FSPP | December 31, 2015 | December 31, 2018 |
| SPP | December 31, 2016 | December 31, 2019 |
| EOPP | December 31, 2015 | December 31, 2018 |

The following information details the structure, benefits and required contributions of each of The City's registered defined-benefit pension plans.

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, 2017, 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:

| | 2017 Employer | 2017 Members | 2016 Employer | 2016 Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions | \$ 5,471 | \$ 4,122 | \$ 4,569 | \$ 4,230 |
| 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, 2017, 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:

| | 2017 Employer | 2017 Members | 2016 Employer | 2016 Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions | \$ 2,881 | \$ 2,429 | \$ 2,736 | \$ 2,369 |
| Contribution rates (% of pensionable salaries) | 2.92% | 2.35% | 2.83% | 2.44% |

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, 2017, 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:

| | 2017 Employer | 2017 Members | 2016 Employer | 2016 Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions | \$ 308 | \$ 149 | \$ 314 | \$ 151 |
| 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 ("PSAS 3250") *Retirement Benefits*.

Sufficient funds are held with The City's investments to cover the liabilities as determined by the actuarial accounting valuation as at December 31, 2017.

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.

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

| Pension Plan | Latest Full Valuation Date | Next Full Valuation Date |
|--|----------------------------|--------------------------|
| Overcap Pension Plan ("OCPP") for management employees | December 31, 2017 | December 31, 2018 |
| OCPP for the Police Chief and Deputies | December 31, 2017 | December 31, 2018 |
| OCPP for the Fire Chief and Deputies | December 31, 2017 | December 31, 2018 |
| Supplementary Pension Plan for Elected Officials ("EOSP") | December 31, 2017 | December 31, 2018 |
| Executive Pension Plan ("EPP") | December 31, 2017 | December 31, 2018 |
| Contractual obligations | December 31, 2017 | December 31, 2018 |

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2017 valuations for accounting purposes for the non-registered pension plans:

| | 2017 | 2016 |
|--|-----------|-----------|
| Accrued benefit obligation – beginning of year | \$ 52,167 | \$ 54,192 |
| Current period benefit cost | 1,211 | 1,698 |
| Interest on accrued benefit obligation | 1,682 | 1,756 |
| Less benefits paid | (3,253) | (3,717) |
| Actuarial (gain) loss | 3,420 | (1,762) |
| Accrued benefit obligation – end of year | \$ 55,227 | \$ 52,167 |
| Funded status – plan deficit | \$ 55,227 | \$ 52,167 |
| Unamortized net actuarial (loss) | (17,848) | (17,143) |
| Accrued benefit liability ⁽¹⁾ | \$ 37,379 | \$ 35,024 |
| Current period benefit cost | \$ 1,211 | \$ 1,698 |
| Amortization of actuarial losses | 2,714 | 3,169 |
| Interest on accrued benefit obligation | 1,682 | 1,756 |
| Total expense | \$ 5,607 | \$ 6,623 |

(1) To satisfy the obligations under these plans, assets in the amount of \$37,379 (2016 – \$35,024) 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:

| | 2017 | 2016 |
|--|----------------|----------------|
| OCPP for management employees | 8.2 | 10.5 |
| OCPP Police Chief & Deputies | 7.7 | 6.4 |
| OCPP Fire Chief & Deputies (closed plan) | Not applicable | Not applicable |
| EOSP | 15.8 | 16.8 |
| 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) 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

The consolidated City financial statements also include the Calgary Parking Authority's ("CPA") sponsored post-retirement benefits plan, which consists of Pensioners and Widows/Widowers Benefits and Retirement Allowances. This CPA plan was introduced effective January 1, 2017.

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

The City sponsors post-retirement benefits for extended health, dental and life insurance benefits for qualifying retirees and their surviving spouses from the date of retirement to the age of 65, when coverage under the Alberta Seniors Benefit Program begins. After 10 years or age 65, the life insurance policy then 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 City and retirees share equally in the cost of benefits. The consolidated City financial statements show The City's portion only for the expense and the accrued benefit liability.

ii) Retirement Allowance

The City sponsors 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 also 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.

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

| | Latest Full Valuation Date: The City and CPA | Next Full Valuation Date: The City | Next Full Valuation Date: CPA |
|---------------------------|---|---------------------------------------|----------------------------------|
| PWB | December 31, 2017 | December 31, 2018 | December 31, 2020 |
| Retirement Allowance | December 31, 2017 | December 31, 2018 | December 31, 2020 |
| Supplemental Compensation | December 31, 2017 | December 31, 2018 | Not applicable |

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2017 valuations for accounting purposes for post-retirement benefits:

| | 2017 | 2016 |
|---|------------|------------|
| Accrued benefit obligation – beginning of year | \$ 154,749 | \$ 153,021 |
| Entitled current benefit obligations ⁽¹⁾ | 568 | – |
| Current period benefit cost | 9,821 | 9,832 |
| Interest on accrued benefit obligation | 5,232 | 5,181 |
| Less benefits paid | (8,201) | (6,864) |
| Actuarial gain | (23,384) | (6,421) |
| Accrued benefit obligation – end of year | \$ 138,785 | \$ 154,749 |
| Funded status – plan deficit | \$ 138,785 | \$ 154,749 |
| Plan assets ⁽²⁾ | (1,906) | (1,939) |
| Unamortized net actuarial gain | 46,356 | 23,531 |
| Accrued benefit liability ⁽³⁾ | \$ 183,235 | \$ 176,341 |
| Current period benefit cost | \$ 9,821 | \$ 9,832 |
| Amortization of actuarial (gain)/loss | (524) | 313 |
| Interest on accrued benefit obligation | 5,232 | 5,181 |
| Total expense | \$ 14,529 | \$ 15,326 |
| Rate of compensation average increase, excluding merit and promotion ⁽⁵⁾ | 1.50% | 2.00% |
| Annual increase in extended health costs ⁽⁵⁾ | 7.55% | 7.80% |
| Annual increase in dental costs ⁽⁵⁾ | 4.00% | 4.00% |
| EARSL ^{(4) (5)} | 12.3 yr | 12.2 yr |

(1) Entitled current benefit obligation reflects CPA's obligation beginning in 2017.

(2) Plan assets in the amount of \$1,906 (2016 – \$1,939) to satisfy future life claims are equal to fair market value.

(3) Assets in the amount of \$183,235 (2016 – \$176,341) to satisfy the obligations under these plans are held within The City's investment portfolio. In 2017, the accrued benefit liability for The City-sponsored plans has been calculated using a revised actuarial assumption which is based on employees' estimated retirement date in comparison to prior years which used the date on which employees were fully eligible for retirement. This revised assumption resulted in an unrealized actuarial gain of \$12,094 which will be amortized over EARSL.

(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 yr

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 \$220,021 (2016 – \$217,074) 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 using the method 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. However, given that these multi-employer plans are in deficit positions, an inherent unrecorded liability amount is attributable indirectly to plan participants. Plan deficiencies will need to be resolved by continuing increased future employee and employer contributions, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements.

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:

| | 2017 Employer | 2017 Members | 2016 Employer | 2016 Members |
|---|---|---|---|---|
| Current service contributions | \$ 157,173 | \$ 146,198 | \$ 154,124 | \$ 141,883 |
| Contribution Rates (% of pensionable salaries) | 11.39% up to YMPE and 15.84% over YMPE | 10.39% up to YMPE and 14.84% 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 deficiency (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2016 of \$637,357 (2015 – \$923,416). More recent information was not available at the time of preparing these financial statements. The City's 2017 contribution rates did not change as a result of this deficit.

LAPP consists of 157,763 active members. The City's active plan membership represents approximately 8.5% of the total LAPP active membership as at December 31, 2016.

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:

| | 2017 Employer | 2017 Members | 2016 Employer | 2016 Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions | \$ 34,416 | \$ 31,870 | \$ 33,063 | \$ 30,601 |
| Contribution Rates (% of pensionable salaries) | 14.55% | 13.45% | 14.55% | 13.45% |

The SFPP reported a deficiency (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2016 of \$108,525 (2015 – \$161,642). More recent information was not available at the time of preparing these financial statements. The City's 2017 contribution rates did not change as a result of this deficit.

SFPP consists of 4,425 active members. The City active plan membership represents approximately 49.1% of the total SFPP active membership as at December 31, 2016.

14. LONG-TERM DEBT

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

| | 2017 Tax Supported | 2017 Self Sufficient Tax Supported | 2017 Self Supported | 2017 Total | 2016 Tax Supported | 2016 Self Sufficient Tax Supported | 2016 Self Supported | 2016 Total |
|--------------------------------|-----------------------|--|------------------------|--------------|-----------------------|--|------------------------|--------------|
| i) Debentures | \$ 406,876 | \$ 348,539 | \$ 3,336,705 | \$ 4,092,120 | \$ 450,543 | \$ 553,943 | \$ 3,304,677 | \$ 4,309,163 |
| ii) Mortgages and other debt | – | – | 52,665 | 52,665 | – | – | 52,693 | 52,693 |
| | 406,876 | 348,539 | 3,389,370 | 4,144,785 | 450,543 | 553,943 | 3,357,370 | 4,361,856 |
| Less | | | | | | | | |
| iv) Debt attributable to ENMAX | – | – | 1,078,522 | 1,078,522 | – | – | 1,145,184 | 1,145,184 |
| | \$ 406,876 | \$ 348,539 | \$ 2,310,848 | \$ 3,066,263 | \$ 450,543 | \$ 553,943 | \$ 2,212,186 | \$ 3,216,672 |

- i) Debentures, which are predominantly held by the Alberta Capital Finance Authority, mature in annual amounts to the year 2042.

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 \$67,888 (2016 – \$70,278) 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 \$851 (2016 – \$1,171), 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 \$4,303 (2016 – \$4,496). 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, 2017, 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 \$87,573 (2016 – \$93,187) are pledged as collateral against the mortgages.
- iii) Capital leases are comprised of vehicle leases. In 2011, Fleet Services entered into a lease for 15 vehicles for \$5,475 at an interest rate of 1.52%. On September 1, 2014, Fleet Services renewed the lease term for another 2 years at an interest rate of 1.43%. In May 2016, Fleet Services terminated the lease agreement and returned the vehicles to the vendor. The 2017 principal payments totaled \$nil (2016 – \$364) with interest of \$nil (2016 – \$8). No further write downs were required in 2017 (2016 – \$1,174) and no new capital leases were entered into in 2017.
- iv) 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. 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.
- v) 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 |
|------------|---------------|----------------------------------|----------------|--|--------------|
| 2018 | \$ 41,385 | \$ 84,955 | \$ 252,412 | \$ 67,016 | \$ 311,736 |
| 2019 | 38,171 | 91,538 | 233,711 | 63,680 | 299,740 |
| 2020 | 35,224 | 23,073 | 223,163 | 58,283 | 223,177 |
| 2021 | 32,871 | 23,848 | 203,056 | 51,411 | 208,364 |
| 2022 | 33,310 | 24,130 | 183,018 | 46,302 | 194,156 |
| Thereafter | 225,915 | 100,995 | 2,294,010 | 791,830 | 1,829,090 |
| | \$ 406,876 | \$ 348,539 | \$ 3,389,370 | \$ 1,078,522 | \$ 3,066,263 |

c) Debenture interest is payable, before provincial subsidy, at rates ranging from 1.09% to 10.13% (2016 – 1.09% to 10.13%) per annum. Debenture debt held at year end has an average rate of interest of 3.68% (2016 – 3.69%) before provincial subsidy and 3.67% (2016 – 3.68%) after provincial subsidy.

| | Tax Supported | Self Sufficient Tax Supported | Self Supported | Average Interest |
|---------------------------------|---------------|----------------------------------|----------------|---------------------|
| Gross (before interest subsidy) | % 4.49 | % 2.65 | % 3.73 | % 3.68 |
| Net (after interest subsidy) | 4.49 | 2.65 | 3.72 | 3.67 |

The mortgages of Calgary Housing Company in the amount of \$12,601 (2016 - \$16,476) are payable with interest ranging from 0.94% to 4.52% (2016 – 0.94% to 6.45%) before interest rate subsidy. The effective interest rates after the subsidy for the fixed-subsidy projects is 2% (2016 – 2%).

d) Interest charges are as follows:

| | 2017 Tax Supported | 2017 Self Sufficient Tax Supported | 2017 Self Supported | 2017 Total | 2016 Tax Supported | 2016 Self Sufficient Tax Supported | 2016 Self Supported | 2016 Total |
|----------------------------|-----------------------|--|------------------------|------------|-----------------------|--|------------------------|------------|
| Debenture interest | \$ 16,356 | \$ 11,952 | \$ 83,273 | \$ 111,581 | \$ 18,241 | \$ 16,150 | \$ 82,720 | \$ 117,111 |
| Other interest and charges | 2,875 | – | 1,018 | 3,893 | 2,241 | – | 4,731 | 6,972 |
| | \$ 19,231 | \$ 11,952 | \$ 84,291 | \$ 115,474 | \$ 20,482 | \$ 16,150 | \$ 87,451 | \$ 124,083 |

- e) The estimated fair value of The City's long-term debt is \$3,186,146 (2016 – \$3,320,533). Calculation of the estimated fair value of the debt is based on lending rates obtainable at December 31, 2017 for debentures with comparable maturities from The City's primary lender, the Alberta Capital Finance Authority.
- 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, 2017. At December 31, 2017, debt principal of \$70,000 (2016 – \$220,000) and debt interest of \$1,987 (2016 – \$4,946) was excluded from the pro-rata calculation of the debt service limit.

| | 2017 | 2016 |
|---|---------------------|-----------------------|
| | | (Restated Note 30) |
| Total debt limit (2 times revenue) | \$ 7,849,872 | \$ 7,640,844 |
| Total debt (short- and long-term) | 3,149,958 | 3,303,092 |
| Percentage of debt to debt limit | 40.13% | 43.23% |
| | | |
| Total debt service limit (35% of revenue) | \$ 1,373,728 | \$ 1,337,148 |
| Total debt service | 362,341 | 348,569 |
| Percentage of debt service to service limit | 26.38% | 26.07% |

The City's related authorities are subject to certain financial and non-financial covenants over their long-term debt. As at December 31, 2017, one related authority was not in compliance with certain borrower covenants, for which the lender has provided a waiver stating that as at December 31, 2017 there is no intention to demand repayment.

15. TANGIBLE CAPITAL ASSETS

| Cost | January 1, 2017 | Additions | Transfers ⁽¹⁾ | Disposals | December 31, 2017 |
|-------------------------|--------------------|--------------|--------------------------|--------------|-------------------|
| | Opening Balance | | | | Closing Balance |
| | (Restated Note 30) | | | | |
| Land | \$ 2,163,392 | \$ 84,245 | \$ (203) | \$ (52,099) | \$ 2,195,335 |
| Land improvements | 1,360,796 | 67,869 | (300,117) | (3,904) | 1,124,644 |
| Engineered structures | 13,859,529 | 987,597 | 249,913 | (25,021) | 15,072,018 |
| Buildings | 2,420,595 | 301,703 | 19,604 | (13,345) | 2,728,557 |
| Machinery and equipment | 876,775 | 60,514 | 51,036 | (35,368) | 952,957 |
| Vehicles | 1,358,330 | 134,223 | – | (37,360) | 1,455,193 |
| Work in progress | \$ 22,039,417 | \$ 1,636,151 | \$ 20,233 | \$ (167,097) | \$ 23,528,704 |
| Land | 16,390 | 44,510 | – | – | 60,900 |
| Construction | 1,331,574 | (93,785) | (20,233) | (2,602) | 1,214,954 |
| | \$ 23,387,381 | \$ 1,586,876 | \$ – | \$ (169,699) | \$ 24,804,558 |

| Accumulated Amortization | January 1, 2017 | Additions | Transfers (1) | Disposals | December 31, 2017 |
|--------------------------|--------------------|------------|---------------|-------------|-------------------|
| | Opening Balance | | | | Closing Balance |
| | (Restated Note 30) | | | | |
| Land improvements | \$ 659,346 | \$ 41,131 | \$ (111,072) | \$ (2,008) | \$ 587,397 |
| Engineered structures | 4,658,242 | 335,016 | 83,534 | (22,721) | 5,054,071 |
| Buildings | 852,187 | 90,728 | – | (9,193) | 933,722 |
| Machinery and equipment | 581,319 | 78,969 | 27,538 | (34,623) | 653,203 |
| Vehicles | 632,992 | 82,802 | – | (30,735) | 685,059 |
| | \$ 7,384,086 | \$ 628,646 | \$ – | \$ (99,280) | \$ 7,913,452 |
| Net book value | \$ 16,003,295 | \$ 958,230 | \$ – | \$ (70,419) | \$ 16,891,106 |

(1) Transfers occurred between tangible capital asset categories.

In 2017, \$204,778 (2016 – \$299,826) 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 2017 and 2016 consist of certain machinery and equipment, land and land improvements. There was a permanent writedown of \$nil (2016 – \$nil) relating to impairment.

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. The City capitalized \$134,191 for the new facility as a tangible capital asset.

Cultural and historical properties and treasures are held by The City in various locations. Due to the subjective nature of the assets, they are not included in the values shown on the consolidated financial statements.

In accordance with policy, no interest was capitalized by The City in 2017 (2016 – \$nil).

16. 2017 BUDGET

Budget data presented in these consolidated financial statements are based upon the 2017 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 | \$ 3,933,535 | \$ 3,968,591 | \$ 35,056 |
| Capital | – | 2,286,787 | 2,286,787 |
| Add | | | |
| Related authorities | 250,400 | 282,009 | 92,559 |
| Equity in earnings of ENMAX | 38,400 | – | – |
| Transfers between capital and operating | – | – | 125,067 |
| | \$ 4,222,335 | \$ 6,537,387 | \$ 2,539,469 |
| Less | | | |
| Intercompany eliminations | 81,146 | 132,043 | 50,897 |
| Contributions from Utilities | 61,247 | 42,716 | – |
| Contributions from reserves and operations | 172,814 | 597,367 | – |
| Contributions between reserves | 25,270 | – | – |
| Debt principal repayments | – | 68,586 | – |
| Mid-cycle budget adjustments | 80,145 | 289,642 | 209,497 |
| Tangible capital asset adjustments | – | 1,737,725 | – |
| Debt issued | – | – | 675,559 |
| Transfers from reserves | – | – | 594,148 |
| 2017 Property Tax Bylaw adjustment | 2,480 | 2,480 | – |
| Operating budget carried forward from 2017 to 2018 | 16,038 | 16,038 | – |
| Amortization | – | 121,059 | – |
| BUDGET FOR FINANCIAL STATEMENT PURPOSES | \$ 3,783,195 | \$ 3,529,731 | \$ 1,009,368 |

17. ACCUMULATED SURPLUS

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

| | 2017 | 2016 (Restated Note 30) |
|--|----------------------|-------------------------------|
| Operating fund | \$ 80,955 | \$ 37,731 |
| Capital fund | 145,242 | 217,226 |
| Local improvements to be funded in future years | 62,618 | 67,329 |
| Obligation to be funded in future years ⁽¹⁾ | (5,933) | (6,755) |
| Reserves (Note 19) | 2,044,048 | 1,975,809 |
| Equity in ENMAX (Note 7) | 2,314,000 | 2,291,308 |
| Equity in non-financial assets (Note 18) | 13,919,312 | 12,886,907 |
| | \$ 18,560,242 | \$ 17,469,555 |

(1) Obligation to be funded in future years consists of unfunded liabilities of \$5,933 (2016 – \$6,755) for the landfill rehabilitation provision (Note 12).

18. EQUITY IN NON FINANCIAL ASSETS

| | 2017 | 2016 (Restated Note 30) |
|------------------------------------|----------------------|-------------------------------|
| Tangible capital assets (Note 15) | \$24,804,558 | \$ 23,387,381 |
| Accumulated amortization (Note 15) | (7,913,452) | (7,384,086) |
| Long-term debt (Note 14) | (3,066,263) | (3,216,672) |
| Long-term debt – non capital | 5,155 | 5,667 |
| Inventory | 53,942 | 57,821 |
| Prepaid expenses | 35,372 | 36,796 |
| | \$ 13,919,312 | \$ 12,886,907 |

19. RESERVES

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

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Fiscal stability | \$ 492,766 | \$ 518,830 |
| Reserve for future capital | 308,440 | 327,014 |
| Budget savings account | 157,334 | 130,103 |
| Debt servicing | 52,570 | 52,570 |
| Legacy parks | 7,195 | 10,558 |
| Corporate housing reserve | 30,383 | 29,559 |
| Real estate services | 65,831 | 59,005 |
| Community investment | 39,407 | 102,204 |
| Economic development investment | 55,000 | – |
| Calgary building services sustainment | 86,752 | 99,114 |
| Reserve for tax loss provision | 37,398 | 37,398 |
| Lifecycle maintenance and upgrade (Note 33) | 174,747 | 116,123 |
| Calgary Housing Company | 27,349 | 27,448 |
| Subtotal | \$ 1,535,172 | \$ 1,509,926 |

Other reserve balances will be utilized in future years for the following types of expenses:

| | 2017 | 2016 |
|---------------------------------|---------------------|---------------------|
| Utilities sustainment | \$ 142,392 | \$ 135,131 |
| Social programs | 9,084 | 10,197 |
| Police services (capital) | 40,209 | 40,254 |
| Police services (operating) | 4,000 | 4,000 |
| Waste and recycling sustainment | 64,802 | 48,019 |
| ENMAX dividend stabilization | 20,000 | 20,000 |
| Other operating (Note 33) | 104,448 | 99,520 |
| Other capital expenditures | 123,941 | 108,762 |
| Subtotal | \$ 508,876 | \$ 465,883 |
| Total | \$ 2,044,048 | \$ 1,975,809 |

20. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

| | 2017 | 2016 |
|---|---------------------|--------------|
| Property taxes | \$ 2,438,392 | \$ 2,393,642 |
| Community Revitalization Levy | 37,740 | 41,031 |
| Business taxes | 88,105 | 134,601 |
| Revenue in lieu of taxes | 169,606 | 154,293 |
| Local improvement levies and special taxes | 11,852 | 6,294 |
| | \$ 2,745,695 | \$ 2,729,861 |
| Less: Provincial property taxes (see below) | | |
| Current year levy | (785,126) | (784,791) |
| Prior year levy | (5,140) | (6,871) |
| Net taxes available for municipal use | \$ 1,955,429 | \$ 1,938,199 |

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 \$12,353 (2016 – \$5,140) has been recorded at December 31, 2017 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, which 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 17 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.

| | 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) |
| | \$ - | \$ - | \$ - | \$ - |

| | 2016 Calgary TELUS Convention Centre | 2016 Attainable Homes Calgary Corporation | 2016 Calgary Parking Authority (Restated Note 30) | 2016 Calgary Public Library Board | 2016 Calgary Housing Company |
|--|--|---|--|---|------------------------------------|
| Financial Position | | | | | |
| Physical assets | \$ 1,707 | \$ 9 | \$ 124,550 | \$ 53,416 | \$ 101,521 |
| Financial assets | 9,298 | 27,874 | 6,637 | 5,949 | 32,004 |
| | 11,005 | 27,883 | 131,187 | 59,365 | 133,525 |
| Long-term debt | - | - | 2,273 | - | 16,476 |
| Financial liabilities | 7,962 | 9,951 | 24,538 | 4,068 | 36,845 |
| | 7,962 | 9,951 | 26,811 | 4,068 | 53,321 |
| Net assets | \$ 3,043 | \$ 17,932 | \$ 104,376 | \$ 55,297 | \$ 80,204 |
| Results of Operations | | | | | |
| Revenue | | | | | |
| Community Revitalization Levy | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sales of goods & services | 18,291 | 29,561 | 63,342 | - | 48,039 |
| Government transfers, agreements & subsidies | - | - | - | 7,137 | 38,582 |
| Developer contributions | - | - | - | - | - |
| Donated assets | - | - | 226 | - | - |
| Investment income | - | 31 | 3,057 | 81 | 317 |
| Fines & penalties | - | - | 16,180 | 1,162 | - |
| Licenses, permits and fees | - | - | 1,222 | - | - |
| Miscellaneous revenue | - | 12 | 2,493 | 2,421 | 2,070 |
| Gain (loss) on sale of tangible capital assets | - | - | (425) | (17) | (40) |
| Internal transfers & contributions | 1,817 | - | 115 | 44,461 | (2,053) |
| Total revenue | 20,108 | 29,604 | 86,210 | 55,245 | 86,915 |
| Expenses | | | | | |
| Salaries, wages, and benefits | \$ 7,178 | \$ 846 | \$ 19,511 | \$ 36,742 | \$ 17,108 |
| Contracted and general services | 2,092 | 1,818 | 18,246 | 14,626 | 28,894 |
| Materials, equipment and supplies | 9,909 | 25,242 | 7,827 | 4,148 | 1,432 |
| Interest charges | - | 79 | 1,363 | - | 520 |
| Transfers | - | - | - | - | 18,513 |
| Utilities | 750 | 19 | 1,536 | 725 | 10,859 |
| Amortization | 235 | 10 | 7,417 | 6,923 | 3,095 |
| Debt principal repayments | - | - | 850 | - | 4,514 |
| Total expenses | 20,164 | 28,014 | 56,750 | 63,164 | 84,935 |
| Income (loss) before appropriations | (56) | 1,590 | 29,460 | (7,919) | 1,980 |
| Internal transfers | 56 | (1,590) | (10,336) | 7,919 | (1,980) |
| To City operating fund ⁽¹⁾ | - | - | (19,124) | - | - |
| Change in fund balance | \$ - | \$ - | \$ - | \$ - | \$ - |

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

| | 2016 Calgary Municipal Land Corporation | 2016 Calgary Economic Development Ltd. | 2016 Calgary Arts Development Authority Ltd. | 2016 Total |
|--|---|--|---|---------------|
| | \$ 324,188 | \$ 27,795 | \$ 22,258 | \$ 655,444 |
| | 121,397 | 6,035 | 5,851 | 215,045 |
| | 445,585 | 33,830 | 28,109 | 870,489 |
| | 193,443 | 12,312 | - | 224,504 |
| | 155,879 | 5,694 | 3,124 | 248,061 |
| | 349,322 | 18,006 | 3,124 | 472,565 |
| | \$ 96,263 | \$ 15,824 | \$ 24,985 | \$ 397,924 |
| | \$ 38,423 | \$ - | \$ - | \$ 38,423 |
| | 251 | - | - | 159,484 |
| | - | 773 | 1,904 | 48,396 |
| | - | - | 2,697 | 2,697 |
| | - | - | - | 226 |
| | 46 | 19 | 77 | 3,628 |
| | - | - | - | 17,342 |
| | - | - | - | 1,222 |
| | 662 | 2,396 | 752 | 10,806 |
| | (54) | (9) | 4,500 | 3,955 |
| | 321 | 7,286 | 6,933 | 58,880 |
| | 39,649 | 10,465 | 16,863 | 345,059 |
| | \$ 2,680 | \$ 4,779 | \$ 929 | \$ 89,773 |
| | 14,793 | 4,556 | 6,994 | 92,019 |
| | 1,511 | 852 | 37 | 50,958 |
| | 6,623 | 213 | 69 | 8,867 |
| | - | - | - | 18,513 |
| | 42 | 115 | 19 | 14,065 |
| | 7,119 | 471 | - | 25,270 |
| | - | 119 | - | 5,483 |
| | 32,768 | 11,105 | 8,048 | 304,948 |
| | 6,881 | (640) | 8,815 | 40,111 |
| | (6,881) | 640 | (8,815) | (20,987) |
| | - | - | - | (19,124) |
| | \$ - | \$ - | \$ - | \$ - |

22. EXPENSES BY OBJECT

| | 2017 | 2016 |
|---|---------------------|-----------------------|
| | | (Restated Note 30) |
| Salaries, wages and benefits | \$ 2,012,895 | \$ 1,976,054 |
| Contracted and general services | 469,470 | 466,613 |
| Materials, equipment and supplies | 369,692 | 293,747 |
| Interest charges (Note 14) | 115,474 | 124,083 |
| Transfer payments | 123,837 | 118,297 |
| Utilities | 92,000 | 81,338 |
| Amortization | 628,646 | 596,106 |
| Loss on disposal of tangible capital assets | 8,891 | 16,312 |
| | \$ 3,820,905 | \$ 3,672,550 |

23. GOVERNMENT TRANSFERS

| | 2017 | 2016 |
|----------------------|-------------------|-------------------|
| Operating | | |
| Province of Alberta | \$ 140,475 | \$ 128,157 |
| Government of Canada | 4,693 | 4,660 |
| | 145,168 | 132,817 |
| Capital | | |
| Province of Alberta | 595,592 | 618,953 |
| Government of Canada | 115,594 | 60,783 |
| | 711,186 | 679,736 |
| | \$ 856,354 | \$ 812,553 |

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 ("PSAS 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:

- a) **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.
- b) **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.
- c) **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) **Related Authorities** include the Calgary Public Library Board, Calgary Parking Authority, Calgary Housing Company, AHCC, CTCC, CMLC, CED and CADA. 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, 2017 (in thousands of dollars)

| | Tax Supported Operating | Self Supported Operating | Tax Supported Capital | Self Supported Capital | Total The City of Calgary |
|---|----------------------------|-----------------------------|--------------------------|---------------------------|------------------------------|
| REVENUES | \$ 1,938,192 | \$ – | \$ – | \$ – | \$ 1,938,192 |
| Property tax | 89,558 | – | – | – | 89,558 |
| Business tax | 524,939 | 695,603 | – | 1,489 | 1,222,031 |
| Sales of goods & services | | | | | |
| Government transfers, grants & subsidies | 2,298 | 2 | 115,225 | – | 117,525 |
| Federal | 95,380 | 23 | 588,389 | 7,124 | 690,916 |
| Provincial | 682 | 63,243 | 74,182 | 209 | 138,316 |
| Developer contributions | – | – | – | – | – |
| Donated assets | 94,371 | 5,161 | – | – | 99,532 |
| Investment income | 70,337 | 2,226 | – | – | 72,563 |
| Fines & penalties | 121,361 | 1,680 | – | – | 123,041 |
| Licences, permits and fees | 44,732 | 974 | – | – | 45,706 |
| Miscellaneous revenue | 888 | – | – | – | 888 |
| Proceeds on sale of tangible capital assets (Misc revenue) | 6,204 | – | – | – | 6,204 |
| Gain/(loss) on sale of tangible capital assets (Misc revenue) | 48,000 | – | – | – | 48,000 |
| Dividends from ENMAX | – | – | – | – | – |
| 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 | 1,417,139 | 320,327 | 5,800,460 |
| 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/(Deficit) | \$ 80,955 | \$ – | \$ (126,424) | \$ 11,237 | \$ (34,232) |

| | Related Authorities | ENMAX | Consolidation Adjustments | Total Consolidated 2017 |
|----|------------------------|------------------|------------------------------|-------------------------------|
| \$ | 34,251 | \$ - | \$ (105,119) | \$ 1,867,324 |
| | - | - | (1,453) | 88,105 |
| | 156,688 | - | (104,659) | 1,274,060 |
| | 2,843 | - | (81) | 120,287 |
| | 47,281 | - | (2,130) | 736,067 |
| | 303 | - | (62) | 138,557 |
| | - | - | 204,778 | 204,778 |
| | 4,988 | - | - | 104,520 |
| | 19,478 | - | (1) | 92,040 |
| | 1,331 | - | (16) | 124,356 |
| | 14,998 | - | (27,241) | 33,463 |
| | 176 | - | 73,665 | 74,729 |
| | (406) | - | (23,184) | (17,386) |
| | - | - | - | 48,000 |
| | - | 22,692 | - | 22,692 |
| | - | - | (288,029) | - |
| | - | - | (902,110) | - |
| | - | - | - | - |
| | 74,289 | - | (92,138) | - |
| | 356,220 | 22,692 | (1,267,780) | 4,911,592 |
| | 96,324 | - | (91,615) | 2,012,895 |
| | 94,280 | - | (1,473,561) | 469,470 |
| | 54,577 | - | (441,815) | 369,692 |
| | 15,818 | - | (34,790) | 92,000 |
| | 18,970 | - | (184,738) | 123,837 |
| | - | - | 688,884 | - |
| | 9,235 | - | (7,785) | 115,474 |
| | 26,013 | - | 490,288 | 628,646 |
| | - | - | 8,891 | 8,891 |
| | 4,338 | - | (302,499) | - |
| | - | - | (963,162) | - |
| | - | - | (21,440) | - |
| | - | - | - | - |
| | 319,555 | - | (2,333,342) | 3,820,905 |
| \$ | 36,665 | \$ 22,692 | \$ 1,065,562 | \$ 1,090,687 |

Schedule of Financial Activities by Segment

For the Year Ended December 31, 2016 (in thousands of dollars) (Restated Note 30)

| | Tax Supported Operating | Self Supported Operating | Tax Supported Capital | Self Supported Capital | Total The City of Calgary |
|---|----------------------------|-----------------------------|--------------------------|---------------------------|------------------------------|
| REVENUES | | | | | |
| Property tax | \$ 1,871,453 | \$ – | \$ – | \$ – | \$ 1,871,453 |
| Business tax | 134,601 | – | – | – | 134,601 |
| Sales of goods & services | 456,454 | 662,670 | 14 | 1,662 | 1,120,800 |
| Government transfers, grants & subsidies | | | | | |
| Federal | 3,044 | 12 | 58,978 | – | 62,034 |
| Provincial | 88,727 | 160 | 608,878 | 4,573 | 702,338 |
| Developer contributions | 457 | 79,902 | 114,409 | 545 | 195,313 |
| Donated assets | – | – | – | – | – |
| Investment income | 70,970 | 2,853 | – | – | 73,823 |
| Fines & penalties | 70,324 | 2,130 | – | – | 72,454 |
| Licences, permits and fees | 111,611 | 2,163 | – | – | 113,774 |
| Miscellaneous revenue | 46,704 | 990 | – | – | 47,694 |
| Proceeds on sale of tangible capital assets (Misc revenue) | 1,311 | – | – | – | 1,311 |
| Gain/(Loss) on sale of tangible capital assets (Misc revenue) | 5,682 | – | – | – | 5,682 |
| Dividends from ENMAX | 47,000 | – | – | – | 47,000 |
| Equity in earnings from ENMAX | – | – | – | – | – |
| Debt | – | – | 83,203 | 178,182 | 261,385 |
| Contribution from reserves | 120,721 | 37,164 | 496,323 | 151,429 | 805,637 |
| Internal transfers & contributions | 18,654 | – | – | – | 18,654 |
| Total Revenues | 3,047,713 | 788,044 | 1,361,805 | 336,391 | 5,533,953 |
| EXPENSES | | | | | |
| Salaries, wages and benefits | 1,803,833 | 144,323 | 28,800 | 9,597 | 1,986,553 |
| Contracted and general services | 451,388 | 77,549 | 875,512 | 286,912 | 1,691,361 |
| Materials, equipment and supplies | 315,179 | 44,258 | 325,090 | 38,424 | 722,951 |
| Utilities | 63,016 | 24,415 | 489 | 165 | 88,085 |
| Transfers | 183,143 | 58,366 | 24,135 | – | 265,644 |
| Internal recoveries | (488,157) | (25,718) | (98,257) | 1,447 | (610,685) |
| Interest charges | 35,822 | 73,554 | 13,109 | 412 | 122,897 |
| Amortization | 31,559 | 74,736 | – | – | 106,295 |
| Loss on sale | – | – | 1,760 | – | 1,760 |
| Debt principal repayments | 288,995 | 7,915 | 1,691 | – | 298,601 |
| Contribution from operations to reserves | 581,282 | 265,407 | – | – | 846,689 |
| Contribution (to)/from operations to/(from) capital | (213,362) | 523 | 233,954 | 19,272 | 40,387 |
| Internal transfers & contributions | (42,716) | 42,716 | – | – | – |
| Total Expenses | 3,009,982 | 788,044 | 1,406,283 | 356,229 | 5,560,538 |
| Annual Surplus /(Deficit) | \$ 37,731 | \$ – | \$ (44,478) | \$ (19,838) | \$ (26,585) |

| | Related Authorities | ENMAX | Consolidation Adjustments | Total Consolidated 2016 |
|----|------------------------|------------------|------------------------------|-------------------------------|
| \$ | 38,423 | \$ - | \$ (106,278) | \$ 1,803,598 |
| | - | - | - | 134,601 |
| | 159,484 | - | (68,301) | 1,211,983 |
| | 3,487 | - | (78) | 65,443 |
| | 44,909 | - | (137) | 747,110 |
| | 2,697 | - | 384 | 198,394 |
| | 226 | - | 298,452 | 298,678 |
| | 3,628 | - | - | 77,451 |
| | 17,342 | - | - | 89,796 |
| | 1,222 | - | (8) | 114,988 |
| | 10,806 | - | (10,675) | 47,825 |
| | 6,501 | - | 24,792 | 32,604 |
| | (2,546) | - | (26,771) | (23,635) |
| | - | - | - | 47,000 |
| | - | 31,103 | - | 31,103 |
| | - | - | (261,385) | - |
| | - | - | (805,637) | - |
| | 58,880 | - | (77,534) | - |
| | 345,059 | 31,103 | (1,033,176) | 4,876,939 |
| | 89,773 | - | (100,272) | 1,976,054 |
| | 92,019 | - | (1,316,767) | 466,613 |
| | 50,958 | - | (480,162) | 293,747 |
| | 14,065 | - | (20,812) | 81,338 |
| | 18,513 | - | (165,860) | 118,297 |
| | - | - | 610,685 | - |
| | 8,867 | - | (7,681) | 124,083 |
| | 25,270 | - | 464,541 | 596,106 |
| | - | - | 14,552 | 16,312 |
| | 5,483 | - | (304,084) | - |
| | - | - | (846,689) | - |
| | - | - | (40,387) | - |
| | - | - | - | - |
| | 304,948 | - | (2,192,936) | 3,672,550 |
| \$ | 40,111 | \$ 31,103 | \$ 1,159,760 | \$ 1,204,389 |

25. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Capital commitments of \$1,301,891 (2016 – \$1,111,103) are not reflected in the consolidated financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2017, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year's capital budget of \$2,118,965 (2016 – \$1,729,436) and will be funded from reserves and debt in future years.
- b) Commitments related to operating leases of \$29,775 (2016 – \$34,010) 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:

| | | |
|------------|----|---------------|
| 2018 | \$ | 6,022 |
| 2019 | | 5,574 |
| 2020 | | 4,256 |
| 2021 | | 2,889 |
| 2022 | | 2,046 |
| Thereafter | | 8,988 |
| | \$ | <u>29,775</u> |

- c) In the ordinary course of business, various 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. Certain claims are covered by The City's liability insurance as such only the deductible for insurance purposes is 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. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by The City pursuant to expropriation settlement is charged to the year of settlement.

- d) Where estimated environmental management costs are reasonably determinable, The City has recorded a total provision in the amount of \$ 2,719 (2016 – \$3,090) 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, 2017, there were various assessment appeals pending with respect to properties. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City makes an annual provision against property taxes receivable for the impact of 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 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. The estimated future obligation for this fixed charge is \$6,508 as at December 31, 2017 (2016 – \$6,951).
- i) The City has entered into an agreement with CMLC for the New Central Library ("NCL"), The City has committed a total of \$175,000 and CMLC has committed an additional \$70,000 for a total capital cost of \$245,000. As at December 31, 2017, total remaining capital commitments are \$40,822 (2016 – \$93,741).

- 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 federal government transfers. The City anticipates to receive up to \$46,900 from the federal government 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, 2017, The City incurred \$68,386 (2016 – \$11,172) of costs, which were captured in the work-in-progress balance for tangible capital assets (Note 15). The expected commitment related to the new facility is \$226,165 (2016 – \$226,165).
- 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, 2017, the provision is \$579 (2016 – \$734) and is classified in trade payables. This provision is based on \$624 (2016 – \$784) in expenditures expected to be incurred over the next 25 years discounted at 3.2% (2016 – 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.

26. 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 1.45% to 6.23% (2016 – 1.21% to 6.23%). As at December 31, 2017, CES has drawn a total of \$71,740 (2016 – \$71,092) on the total maximum available facility of \$85,140 (2016 – \$89,492). The City, as an unconditional guarantor, holds as security a fixed debenture in the amount of \$100,227 (2016 – \$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% (2016 – 4.94%). As at December 31, 2017, the outstanding balance of the facility was \$2,815 (2016 – \$3,144) on the total maximum available facility of \$2,815 (2016 – \$3,144). 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 (2016 – Prime minus 0.75%). As at December 31, 2017, the outstanding balance of the facility was \$3,399 (2016 – \$6,083) on the total maximum available facility of \$10,000 (2016 – \$10,000). The City, as an unconditional guarantor, holds as security a fixed and floating debenture in the amount of \$10,000 (2016 – \$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.

27. EXECUTIVE SALARIES AND BENEFITS

Disclosure of executive salaries and benefits, as required by provincial regulations, is as follows:

| | 2017 Salaries | 2017 Benefits | 2017 Total | 2016 Salaries | 2016 Benefits | 2016 Total |
|------------------------------------|---------------|---------------|------------|---------------|---------------|------------|
| Mayor | \$ 211 | \$ 39 | \$ 250 | \$ 217 | \$ 41 | \$ 258 |
| Councillors ^{(1) (2)} | 1,590 | 515 | 2,105 | 1,622 | 503 | 2,125 |
| City Manager | 340 | 52 | 392 | 340 | 52 | 392 |
| Designated Officers ⁽³⁾ | 1,200 | 245 | 1,445 | 1,258 | 204 | 1,462 |

Executive salaries and benefits obligations have been fully funded by The City.

Notes:

- The Councillors who served throughout 2017 in Wards 1, 2, 4, 7, 8, 9, 10, 12, 13, and 14 each received a salary of \$113 (2016 – \$116) and benefits ranging between \$32 and \$38 (2016 – \$16 and \$38). In the Wards in which Councillors left office Wards 3, 6, 10 and 11, received a salary of \$94 (2016 – \$116) and benefits ranging between \$14 and \$32 (2016 – \$16 and \$38). The new Councillors in Wards 3, 5, 6, and 11 received a salary of \$20 and benefits ranging between \$3 and \$7. Transitional allowances in 2017 were paid to Councillors who left office after the 2017 election as disclosed in Note 27 (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 to the former Councillors who left office in 2017 are Ward 10 – \$26 and Ward 11 – \$22 (2016 Ward 1 – \$39 and Ward 2 \$17). Transitional allowances to be paid in 2018 and beyond are: Ward 3 – \$44, Ward 6 – \$31, Ward 10 – \$26, and Ward 11 – \$22.
- The City's five designated officers are the City Assessor, City Clerk, City Solicitor, City Treasurer and City Auditor. In 2017, there was \$21 (2016 – \$89) in statutory holiday pay, vacation pay out of the ordinary course of business and severance payouts for these five designated officers.

28. FINANCIAL INSTRUMENTS

At December 31, 2017, The City had 17 (2016 – 25) U.S. foreign exchange fixed contracts in place. Maturity dates for these contracts range from January 2018 to December 2019. Total committed future foreign merchandise purchases are \$75,836 USD (2016 – \$105,750 USD).

The City also had 1 (2016 – 2) Swiss Franc foreign exchange fixed contract in place as at December 31, 2017 with a maturity date of July 2018. Total committed future foreign merchandise purchases are €393 (2016 – € 918) and 80 CHF (2016 – 160 CHF).

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 1.27 to 1.36 Canadian dollars. A similar arrangement is in place for the Swiss Franc contract with a rate of 1.52 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2017 is \$31,194 (2016 – \$56,565) Canadian dollars. During the fiscal year ended December 31, 2017, the various arrangements for foreign merchandise cost The City \$2,512 less (2016 – \$7,471 less) than if the arrangements had not been entered into.

The City uses hedges to mitigate foreign exchange risk for its purchases of the light rail transit system. Under the terms of the agreement, The City has fixed its U.S. dollar exchange rates, which range from 1.03 to 1.07. During the fiscal year ended December 31, 2017, the hedges allowed The City to reduce its foreign exchange exposure by \$3,825 (2016 – \$7,366). As at December 31, 2017, The City has \$25,372 USD (2016 – \$40,553 USD) of committed purchases that have not yet been settled under the agreement. No additional hedge investments (2016 – \$5,317 USD) were held as at December 31, 2017 for this agreement. The City expects to settle its remaining purchase commitments by 2019.

29. 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, 2016 | Receipts | Investment Income | Disbursements | December 31, 2017 |
|------------------------------------|----------------------|-----------|----------------------|---------------|----------------------|
| Joint use reserve fund | \$ 82,300 | \$ 673 | \$ 1,640 | \$ (976) | \$ 83,637 |
| Oversize roads | 6,846 | 15,356 | 78 | (6,941) | 15,339 |
| Oversize parks | 23,083 | 2,485 | 108 | (11,211) | 14,465 |
| Oversize utilities | 9,474 | 2,298 | 79 | (1,152) | 10,699 |
| Developers' cash bonds | 4,950 | 719 | 32 | (997) | 4,704 |
| Southland natural park sport field | 1,875 | – | 14 | – | 1,889 |
| Off-site levies | 460 | – | 4 | – | 464 |
| Other miscellaneous trusts | 866 | 1,115 | 5 | (1,277) | 709 |
| | \$ 129,854 | \$ 22,646 | \$ 1,960 | \$ (22,554) | \$ 131,906 |

The Joint use reserve fund ("JURF") 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 JURF 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 2000. The levies are to be used for recreational facilities in designated communities.

Other miscellaneous trusts are composed of multiple funds with minimal balances that are held for external organizations.

30. PRIOR PERIOD ADJUSTMENTS

- a) In 2009, The City adopted the provisions of Section 3150 Tangible Capital Assets of the PSAS Handbook and recorded The City's tangible capital assets, net of related amortization, as non-financial assets. In 2017, as a result of continued usage and refinement of capital asset accounting and management systems, certain asset balances were identified that required correction and the financial statements have been retroactively adjusted. The tangible capital assets previously reported in the 2016 financial statements as \$16,014,276 has been restated to \$16,003,295, resulting in a decrease of \$10,981. The change represents less than 0.1 per cent of tangible capital assets.
- b) In 2017, The City identified adjustments to land inventory and miscellaneous revenue for an intercompany transaction that required correction. This correction has been reflected in these financial statements as a prior period adjustment to 2016 figures. The land inventory previously reported in the 2016 financial statements as \$235,642 has been restated to \$248,008, resulting in an increase of \$12,366 to miscellaneous revenue.

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

The impact of this change was to:
Decrease opening accumulated surplus by \$31,778 and increase closing accumulated surplus by \$1,385 as follows:

| | December 31, 2016 | Adjustments | December 31, 2016 |
|----------------------------|--------------------------|-----------------|----------------------|
| | (Previously Reported) | | (Restated) |
| Net financial assets | \$ 1,359,277 | \$ 12,366 | \$ 1,371,643 |
| Tangible capital assets | 16,014,276 | (10,981) | 16,003,295 |
| Other non-financial assets | 94,617 | - | 94,617 |
| Accumulated Surplus | \$ 17,468,170 | \$ 1,385 | 17,469,555 |

Increase annual surplus by \$33,163 as follows:

| | December 31, 2016 | Adjustments | December 31, 2016 |
|---|--------------------------|------------------|----------------------|
| | (Previously Reported) | | (Restated) |
| Revenues | \$ 3,753,259 | \$ 12,366 | \$ 3,765,625 |
| Expenses | 3,694,495 | (21,945) | 3,672,550 |
| Other | 1,177,956 | (1,148) | 1,176,808 |
| Other comprehensive (loss) – ENMAX Corporation | (65,494) | - | (65,494) |
| Annual Surplus | \$ 1,171,226 | \$ 33,163 | \$ 1,204,389 |

31. CHANGE IN ACCOUNTING POLICY

The City has changed its estimate on the useful life of land improvements so that assets better reflect actual usage patterns. The change in estimate is being applied prospectively to the current and future periods.

32. 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 asset balances. 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 2018 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 to deal with erosion damage from the flood and address immediate repairs 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 new asset are capitalized, with repairs and maintenance being 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 2017 and incurred \$1,442 in 2016. The remainder being funded internally until further DRP claims are processed and finalized.

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 from the DRP \$nil (2016 – \$40,000) during 2017. The City has incurred \$7,294 (2016 – \$12,659) in DRP related capital expenditures, the total of which has been funded by the DRP advance and interest earned \$615 (2016 – \$617), with the remainder being funded internally until further DRP claims are processed and finalized.
- The City has also incurred \$1,241 (2016 – \$2,097) of emergency operating and recovery costs and recovered \$82 (2016 – \$5,604) from DRP in 2017 with the remaining balance expected to be recovered in future years.
- FREC provided \$nil (2016 – \$nil) and \$3,212 (2016 – \$8,913) was spent in 2017. Cash advances that are not spent at the end of the year including interest earned \$429 (2016 – \$490) in the amount of \$12,581 (2016 – \$15,365) 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 2018 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, 2017.

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 \$309,286 (excluding resiliency), which includes repairs, replacements and mitigation strategies, of which \$274,236 (2016 – \$253,197) has been incurred.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Reclassifications have been made in 2016 to reclassify certain balances between reserves and between expenses by function on the consolidated statement of operations. The impact of these changes, excluding the impact of prior period adjustments (Note 30) was to increase lifecycle maintenance and upgrade reserve by \$429 and decrease other operating reserves by \$429 and increase Calgary Public Library Board by \$5,781 and decrease societies and related authorities by \$5,781.

FINANCIAL AND STATISTICAL SCHEDULES

THE CITY OF CALGARY, ALBERTA



Revenue by Source Unaudited (see Notes) 2013 to 2017

(in thousands of dollars)

| | 2017 Operating | 2017 Capital | Total | 2016 Operating (Restated) ⁽⁴⁾ | 2016 Capital (Restated) ⁽⁴⁾ | 2016 Total (Restated) ⁽⁴⁾ |
|--|---------------------|---------------------|---------------------|---|---|---|
| Property taxes | \$ 2,438,392 | \$ - | \$ 2,438,392 | \$ 2,393,642 | \$ - | \$ 2,393,642 |
| Community Revitalization Levy | 37,740 | - | 37,740 | 41,031 | - | 41,031 |
| Business taxes | 88,105 | - | 88,105 | 134,601 | - | 134,601 |
| Revenue in lieu of taxes | 169,606 | - | 169,606 | 154,293 | - | 154,293 |
| Local improvement levies and special taxes | 11,852 | - | 11,852 | 6,294 | - | 6,294 |
| | 2,745,695 | - | 2,745,695 | 2,729,861 | - | 2,729,861 |
| Less: Provincial property taxes | (790,266) | - | (790,266) | (791,662) | - | (791,662) |
| Net taxes available for municipal purposes | 1,955,429 | - | 1,955,429 | 1,938,199 | - | 1,938,199 |
| Sales of goods and services | | | | | | |
| Water and sewer | 681,048 | - | 681,048 | 642,499 | - | 642,499 |
| Public transit | 173,804 | - | 173,804 | 176,170 | - | 176,170 |
| Real estate | 89,725 | - | 89,725 | 54,129 | - | 54,129 |
| Recreation and culture | 68,774 | - | 68,774 | 70,774 | - | 70,774 |
| Parking | 58,340 | - | 58,340 | 60,353 | - | 60,353 |
| Social housing | 46,679 | - | 46,679 | 50,482 | - | 50,482 |
| Protective services | 36,279 | - | 36,279 | 40,727 | - | 40,727 |
| Waste disposal | 85,888 | - | 85,888 | 86,113 | - | 86,113 |
| Other | 33,523 | - | 33,523 | 30,736 | - | 30,736 |
| | 1,274,060 | - | 1,274,060 | 1,211,983 | - | 1,211,983 |
| Government transfers and revenue sharing agreements | | | | | | |
| Federal | | | | | | |
| Debenture interest rebates | 203 | - | 203 | 199 | - | 199 |
| Revenue and cost sharing agreements and grants agreements | 4,490 | 115,594 | 120,084 | 4,461 | 60,783 | 65,244 |
| Provincial | | | | | | |
| Debenture interest rebates | 34 | - | 34 | 40 | - | 40 |
| Grants, entitlements, revenue and cost sharing agreements | 140,441 | 595,592 | 736,033 | 128,117 | 618,953 | 747,070 |
| | 145,168 | 711,186 | 856,354 | 132,817 | 679,736 | 812,553 |
| Other revenue | | | | | | |
| Dividends from ENMAX | 48,000 | - | 48,000 | 47,000 | - | 47,000 |
| Other equity (loss)/earnings in ENMAX | (78,312) | - | (78,312) | 96,597 | - | 96,597 |
| Other equity earnings in Co-Ownership | - | - | - | - | - | - |
| Developer contributions | - | 138,557 | 138,557 | - | 198,394 | 198,394 |
| Donated assets | - | 204,778 | 204,778 | - | 298,678 | 298,678 |
| Investment income | 104,520 | - | 104,520 | 77,451 | - | 77,451 |
| Fines and penalties | 92,040 | - | 92,040 | 89,796 | - | 89,796 |
| Licences, permits and fees | 124,356 | - | 124,356 | 114,988 | - | 114,988 |
| Miscellaneous revenue | 90,806 | - | 90,806 | 56,794 | - | 56,794 |
| | 381,410 | 343,335 | 724,745 | 482,626 | 497,072 | 979,698 |
| Total revenue | \$ 3,756,067 | \$ 1,054,521 | \$ 4,810,588 | \$ 3,765,625 | \$ 1,176,808 | \$ 4,942,433 |

| | 2015 Operating | 2015 Capital | 2015 Total | 2014 Operating | 2014 Capital | 2014 Total | 2013 Operating | 2013 Capital | 2013 Total |
|----|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | (Restated) ⁽³⁾ | (Restated) ⁽³⁾ | (Restated) ⁽³⁾ | (Restated) ⁽²⁾ | (Restated) ⁽²⁾ | (Restated) ⁽²⁾ | (Restated) ⁽¹⁾ | (Restated) ⁽¹⁾ | (Restated) ⁽¹⁾ |
| \$ | 2,219,421 | \$ - | \$ 2,219,421 | \$ 2,006,756 | \$ - | \$ 2,006,756 | \$ 1,906,540 | \$ - | \$ 1,906,540 |
| | 38,785 | - | 38,785 | 32,745 | - | 32,745 | 27,336 | - | 27,336 |
| | 196,184 | - | 196,184 | 201,114 | - | 201,114 | 225,390 | - | 225,390 |
| | 184,722 | - | 184,722 | 224,186 | - | 224,186 | 202,517 | - | 202,517 |
| | 6,926 | - | 6,926 | 5,624 | - | 5,624 | 80,021 | - | 80,021 |
| | 2,646,038 | - | 2,646,038 | 2,470,425 | - | 2,470,425 | 2,441,804 | - | 2,441,804 |
| | (719,820) | - | (719,820) | (669,163) | - | (669,163) | (636,138) | - | (636,138) |
| | 1,926,218 | - | 1,926,218 | 1,801,262 | - | 1,801,262 | 1,805,666 | - | 1,805,666 |
| | 607,673 | - | 607,673 | 528,913 | - | 528,913 | 481,613 | - | 481,613 |
| | 195,228 | - | 195,228 | 191,171 | - | 191,171 | 186,493 | - | 186,493 |
| | 95,489 | - | 95,489 | 122,826 | - | 122,826 | 88,417 | - | 88,417 |
| | 73,503 | - | 73,503 | 72,280 | - | 72,280 | 67,745 | - | 67,745 |
| | 63,596 | - | 63,596 | 62,677 | - | 62,677 | 59,941 | - | 59,941 |
| | 49,241 | - | 49,241 | 49,978 | - | 49,978 | 47,469 | - | 47,469 |
| | 40,906 | - | 40,906 | 43,752 | - | 43,752 | 45,790 | - | 45,790 |
| | 93,068 | - | 93,068 | 99,535 | - | 99,535 | 91,525 | - | 91,525 |
| | 66,576 | - | 66,576 | 43,274 | - | 43,274 | 47,305 | - | 47,305 |
| | 1,285,280 | - | 1,285,280 | 1,214,406 | - | 1,214,406 | 1,116,298 | - | 1,116,298 |
| | 129 | - | 129 | 147 | - | 147 | 151 | - | 151 |
| | 3,683 | 64,447 | 68,130 | 4,360 | 48,919 | 53,279 | 4,311 | 88,971 | 93,282 |
| | 41 | - | 41 | 33 | - | 33 | 48 | - | 48 |
| | 128,390 | 635,257 | 763,647 | 150,551 | 553,301 | 703,852 | 108,858 | 294,007 | 402,865 |
| | 132,243 | 699,704 | 831,947 | 155,091 | 602,220 | 757,311 | 113,368 | 382,978 | 496,346 |
| | 56,000 | - | 56,000 | 60,000 | - | 60,000 | 67,500 | - | 67,500 |
| | (46,275) | - | (46,275) | 124,069 | - | 124,069 | 284,983 | - | 284,983 |
| | 618 | - | 618 | 1,992 | - | 1,992 | - | - | - |
| | - | 107,456 | 107,456 | - | 89,637 | 89,637 | - | 95,783 | 95,783 |
| | - | 197,021 | 197,021 | - | 229,982 | 229,982 | - | 249,829 | 249,829 |
| | 79,185 | - | 79,185 | 61,794 | - | 61,794 | 47,357 | - | 47,357 |
| | 80,451 | - | 80,451 | 72,121 | - | 72,121 | 69,503 | - | 69,503 |
| | 124,358 | - | 124,358 | 116,331 | - | 116,331 | 103,645 | - | 103,645 |
| | 68,235 | - | 68,235 | 44,082 | - | 44,082 | 95,292 | - | 95,292 |
| | 362,572 | 304,477 | 667,049 | 480,389 | 319,619 | 800,008 | 668,280 | 345,612 | 1,013,892 |
| \$ | 3,706,313 | \$ 1,004,181 | \$ 4,710,494 | \$ 3,651,148 | \$ 921,839 | \$ 4,572,987 | \$ 3,703,612 | \$ 728,590 | \$ 4,432,202 |

Expenses By Function unaudited (see Notes) 2013 to 2017

(In thousands of dollars)

| | 2017 | 2016 ⁽⁴⁾ (Restated) | 2015 ⁽³⁾ (Restated) | 2014 ⁽²⁾ (Restated) | 2013 ⁽¹⁾ (Restated) |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Protective Services | | | | | |
| Police | \$ 508,953 | \$ 494,546 | \$ 473,727 | \$ 451,128 | \$ 440,213 |
| Fire | 325,180 | 312,732 | 289,593 | 279,986 | 263,501 |
| | 834,133 | 807,278 | 763,320 | 731,114 | 703,714 |
| Transportation | | | | | |
| Public transit | 554,680 | 546,375 | 542,416 | 513,595 | 494,625 |
| Roads, traffic and parking | 461,739 | 409,420 | 407,105 | 433,667 | 397,462 |
| | 1,016,419 | 955,795 | 949,521 | 947,262 | 892,087 |
| Environmental protection | | | | | |
| Water services & resources | 514,187 | 525,185 | 476,634 | 438,648 | 404,800 |
| Waste and recycling | 136,910 | 131,726 | 128,182 | 136,683 | 125,236 |
| | 651,097 | 656,911 | 604,816 | 575,331 | 530,036 |
| Social development | | | | | |
| Community and social development | 82,965 | 76,180 | 66,063 | 67,567 | 63,132 |
| Social housing | 133,279 | 122,718 | 159,323 | 127,250 | 129,001 |
| | 216,244 | 198,898 | 225,386 | 194,817 | 192,133 |
| Recreation and culture | | | | | |
| Parks and recreation facilities | 320,900 | 303,334 | 264,150 | 266,664 | 264,550 |
| Societies and related authorities | 83,039 | 77,141 | 81,239 | 86,290 | 108,453 |
| Calgary Public Library Board | 64,171 | 63,182 | 54,527 | 52,898 | 47,011 |
| | 468,110 | 443,657 | 399,916 | 405,852 | 420,014 |
| Other expenditure | | | | | |
| General government | 292,912 | 262,412 | 300,654 | 278,582 | 350,073 |
| Public works | 293,561 | 304,598 | 272,039 | 214,329 | 193,486 |
| Real estate services | 48,429 | 43,001 | 75,139 | 103,595 | 82,476 |
| | 634,902 | 610,011 | 647,832 | 596,506 | 626,035 |
| Total expenses | \$ 3,820,905 | \$ 3,672,550 | \$ 3,590,751 | \$ 3,450,882 | \$ 3,364,019 |

Notes: (1) Figures for 2013 have been restated for the correction of certain tangible capital asset and tax revenue adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.

(2) 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.

(3) 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.

(4) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue 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

2013 to 2017 (in thousands of dollars)

| | 2017 | 2016 ⁽⁴⁾ | 2015 ⁽³⁾ | 2014 ⁽²⁾ | 2013 ⁽¹⁾ |
|-----------------------|--------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Financial assets | \$ 7,055,340 | (Restated) \$ 7,301,551 | (Restated) \$ 7,054,676 | (Restated) \$ 6,646,555 | (Restated) \$ 6,475,739 |
| Financial liabilities | 5,475,518 | 5,929,908 | 5,810,378 | 5,933,954 | 5,903,530 |
| Net financial assets | 1,579,822 | 1,371,643 | 1,244,298 | 712,601 | 572,209 |
| Non-financial assets | 16,980,420 | 16,097,912 | 15,052,646 | 14,372,340 | 13,432,385 |
| Accumulated surplus | 18,560,242 | 17,469,555 | 16,296,944 | 15,084,941 | 14,004,594 |
| Annual surplus | \$ 1,090,687 | \$ 1,204,389 | \$ 1,145,119 | \$ 1,080,347 | \$ 821,438 |

- Notes: (1) Figures for 2013 have been restated for the correction of certain tangible capital asset, land inventory, and tax revenue accounting related adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.
- (2) 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.
- (3) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, and capital deposit adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.
- (4) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

ACQUISITION OF TANGIBLE CAPITAL ASSETS

2013 to 2017 (in thousands of dollars)

| | 2017 | 2016 ⁽⁴⁾ | 2015 ⁽³⁾ | 2014 ⁽²⁾ | 2013 ⁽¹⁾ |
|-------------------|--------------|----------------------------|----------------------------|----------------------------|--------------------------|
| Capital additions | \$ 1,344,162 | (Restated) \$ 1,416,262 | (Restated) \$ 1,051,262 | (Restated) \$ 1,015,878 | (Restated) \$ 860,344 |

- Notes: (1) Figures for 2013 have been restated for the correction of certain tangible capital asset adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.
- (2) 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.
- (3) 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.
- (4) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED ACCUMULATED SURPLUS UNAUDITED

2013 to 2017 (in thousands of dollars)

| | 2017 | 2016 ⁽⁶⁾ | 2015 ⁽⁴⁾ | 2014 ⁽²⁾ | 2013 ⁽¹⁾ |
|--|----------------------|-------------------------|-------------------------|-------------------------|------------------------|
| Operating fund | \$ 80,955 | (Restated) \$ 37,731 | (Restated) \$ 59,026 | (Restated) \$ 27,490 | (Restated) \$ 8,159 |
| Capital fund | 145,242 | 217,226 | 303,958 | 315,037 | 234,939 |
| Reserves | 2,044,048 | 1,975,809 | 1,915,176 | 1,626,276 | 1,437,065 |
| Obligation to be funded in future years ⁽⁵⁾ | (5,933) | (6,755) | (10,211) | (9,190) | – |
| Equity in ENMAX | 2,314,000 | 2,291,308 | 2,260,205 | 2,281,064 | 2,460,204 |
| Equity in Co-Ownership | – | – | – | 1,539 | 3,438 |
| Local improvements to be funded in future years ⁽³⁾ | 62,618 | 67,329 | 70,583 | 72,921 | 70,719 |
| Equity in non-financial assets | 13,919,312 | 12,886,907 | 11,698,207 | 10,769,804 | 9,790,070 |
| | \$ 18,560,242 | \$ 17,469,555 | \$ 16,296,944 | \$ 15,084,941 | \$ 14,004,594 |

- Notes: (1) Figures for 2013 have been restated for the correction of certain tangible capital asset and tax revenue accounting adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.
- (2) 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.
- (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 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.
- (5) Obligation to be funded in future years consists of unfunded liabilities of \$6,755 (2015 – \$8,178) and \$nil (2015 – \$2,033) for the landfill rehabilitation provision and liability for contaminated sites, respectively.
- (6) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

EXPENSES BY OBJECT UNAUDITED

2013 to 2017 (in thousands of dollars)

| | 2017 | 2016 ⁽⁴⁾ | 2015 ⁽³⁾ | 2014 ⁽²⁾ | 2013 ⁽¹⁾ |
|---|---------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Salaries, wages and benefits | \$ 2,012,895 | (Restated) \$ 1,976,054 | (Restated) \$ 1,860,128 | (Restated) \$ 1,752,478 | (Restated) \$ 1,693,095 |
| Contracted and general services | 469,470 | 466,613 | 456,424 | 432,488 | 501,829 |
| Materials, equipment and supplies | 369,692 | 293,747 | 343,164 | 341,902 | 336,045 |
| Interest charges | | | | | |
| Tax supported | 31,183 | 36,632 | 46,368 | 57,071 | 52,931 |
| Self supported | 84,291 | 87,451 | 84,650 | 82,440 | 85,229 |
| Transfer payments | 123,837 | 118,297 | 114,834 | 136,218 | 162,546 |
| Utilities | 92,000 | 81,338 | 79,283 | 86,985 | 75,003 |
| Amortization | 628,646 | 596,106 | 580,110 | 547,552 | 437,028 |
| Loss on disposal of tangible capital assets | 8,891 | 16,312 | 25,830 | 13,748 | 20,313 |
| Total expenses | \$ 3,820,905 | \$ 3,672,550 | \$ 3,590,791 | \$ 3,450,882 | \$ 3,364,019 |

- Notes: (1) Figures for 2013 have been restated for the correction of certain tangible capital asset related adjustments identified in 2014. Years prior to 2013 have not been restated for this adjustment.
- (2) 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.
- (3) 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.
- (4) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED INVESTMENTS UNAUDITED

2013 to 2017 (in thousands of dollars)

| | 2017 | 2016 | 2015 | 2014 ⁽¹⁾ (Restated) | 2013 |
|---------------------------------|---------------------|---------------------|---------------------|-----------------------------------|---------------------|
| Cost: | | | | | |
| Government of Canada | \$ 448,941 | \$ 390,136 | \$ 360,775 | \$ 312,443 | \$ 296,416 |
| Other Government | 427,985 | 522,641 | 540,840 | 500,394 | 336,992 |
| Corporate | 2,107,337 | 2,743,537 | 2,889,837 | 2,680,473 | 2,487,030 |
| Global fixed income investments | 501,720 | 97,726 | – | – | – |
| Equity investments | 407,774 | 342,422 | 326,536 | 209,463 | 197,025 |
| | \$ 3,893,757 | \$ 4,096,462 | \$ 4,117,988 | \$ 3,702,773 | \$ 3,317,463 |
| Market Value: | | | | | |
| Government of Canada | \$ 445,545 | \$ 387,989 | \$ 362,277 | \$ 313,604 | \$ 295,882 |
| Other government | 421,092 | 517,358 | 542,556 | 508,199 | 333,205 |
| Corporate | 2,095,590 | 2,743,949 | 2,893,485 | 2,689,034 | 2,486,998 |
| Global fixed income investments | 496,850 | 97,725 | – | – | – |
| Equity investments | 480,860 | 406,573 | 360,635 | 263,798 | 238,039 |
| | \$ 3,939,937 | \$ 4,153,594 | \$ 4,158,953 | \$ 3,774,635 | \$ 3,354,124 |

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.

Other Financial and Statistical Schedules

CONSOLIDATED RESERVES UNAUDITED

2013 to 2017 (in thousands of dollars)

| | 2017 | 2016 | 2015 ⁽³⁾ | 2014 ⁽²⁾ | 2013 ⁽¹⁾ |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | | (Restated) | (Restated) | (Restated) |
| Significant Reserves | | | | | |
| Fiscal stability | \$ 492,766 | \$ 518,830 | \$ 488,785 | \$ 415,881 | \$ 357,301 |
| Reserve for future capital | 308,440 | 327,014 | 354,190 | 318,286 | 269,629 |
| Budget savings account | 157,334 | 130,103 | 60,905 | – | – |
| Debt servicing | 52,570 | 52,570 | 52,570 | 52,570 | 52,570 |
| Legacy parks | 7,195 | 10,558 | 18,450 | 23,033 | 19,738 |
| Corporate housing reserve ⁽³⁾ | 30,383 | 29,559 | 38,205 | 35,750 | 31,903 |
| Real estate services (combined operating & capital) | 65,831 | 59,005 | 63,432 | 90,913 | 73,799 |
| Community investment | 39,407 | 102,204 | 152,379 | 168,302 | 151,077 |
| Economic Development Investment | 55,000 | – | – | – | – |
| Calgary building services sustainment | 86,752 | 99,114 | 93,707 | 74,063 | 48,701 |
| Reserve for tax loss provision | 37,398 | 37,398 | 37,398 | 37,398 | 39,823 |
| Lifecycle maintenance and upgrade ⁽⁴⁾ | 174,747 | 116,123 | 149,391 | 97,251 | 125,729 |
| Calgary Housing Company ⁽³⁾ | 27,349 | 27,448 | 27,426 | 22,589 | 17,010 |
| | \$ 1,535,172 | \$ 1,509,926 | \$ 1,536,838 | \$ 1,336,036 | \$ 1,187,280 |
| Other reserve balances will be utilized in future years for the following types of expenses: | | | | | |
| Utilities sustainment ^{(1) (3)} | \$ 142,392 | \$ 135,131 | \$ 83,257 | \$ 49,153 | \$ 44,076 |
| Social programs | 9,084 | 10,197 | 10,310 | 8,316 | 8,283 |
| Police services (capital) | 40,209 | 40,254 | 34,349 | 30,978 | 28,362 |
| Police services (operating) | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 |
| Waste & recycling sustainment ⁽²⁾ | 64,802 | 48,019 | 48,809 | 41,968 | 33,808 |
| ENMAX dividend stabilization | 20,000 | 20,000 | 20,000 | 16,450 | 10,100 |
| Other operating ⁽⁴⁾ | 104,448 | 99,520 | 81,841 | 59,076 | 52,205 |
| Other capital expenditures | 123,941 | 108,762 | 95,772 | 80,299 | 68,951 |
| | 508,876 | 465,833 | 378,338 | 290,240 | 249,785 |
| | \$ 2,044,048 | \$ 1,975,809 | \$ 1,915,176 | \$ 1,626,276 | \$ 1,437,065 |

Notes: (1) In 2013, other operating reserves were restated for the correction of tax revenue accounting related adjustments identified in 2014.

(2) 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.

(3) 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.

(4) In 2016, lifecycle maintenance and upgrade reserve and other operating reserves were reclassified to conform to the current year's presentation.

Taxation and Assessments unaudited 2013 to 2017

(in thousands of dollars unless otherwise stated)

| | | 2017 | 2016 | 2015 ⁽³⁾ (Restated) | 2014 ⁽²⁾ (Restated) | 2013 ⁽¹⁾ (Restated) |
|---|-------|---------------|---------------|-----------------------------------|-----------------------------------|-----------------------------------|
| TAX RATES | | | | | | |
| Residential | | | | | | |
| Municipal and Library | Mills | 3.963 | 3.709 | 3.541 | 3.747 | 3.797 |
| Provincial property | Mills | 2.538 | 2.465 | 2.214 | 2.356 | 2.525 |
| Non-Residential | | | | | | |
| Municipal and Library | Mills | 13.882 | 12.155 | 10.737 | 10.694 | 10.991 |
| Provincial property | Mills | 3.863 | 3.780 | 3.458 | 3.417 | 3.305 |
| ASSESSED VALUES | | | | | | |
| Residential | | \$206,172,452 | \$210,448,506 | \$210,408,125 | \$183,058,116 | \$170,331,240 |
| Percentage of total (%) | | 75.6 | 75.3 | 74.9 | 74.1 | 74.9 |
| Commercial, industrial and farm | | \$66,440,662 | \$68,985,390 | \$70,507,335 | \$64,107,914 | \$57,042,815 |
| Percentage of total (%) | | 24.4 | 24.7 | 25.1 | 25.9 | 25.1 |
| Total assessment | | \$272,613,114 | \$279,433,896 | \$280,915,460 | \$247,166,030 | \$227,374,055 |
| TAX LEVIES | | | | | | |
| Municipal property taxes | | | | | | |
| Residential | | \$813,769 | \$788,084 | \$745,974 | \$699,844 | \$650,287 |
| Non-residential | | 841,003 | 820,245 | 762,066 | 646,637 | 628,404 |
| Community Revitalization Levy | | 37,740 | 41,031 | 38,785 | 32,745 | 27,336 |
| Business taxes | | 88,105 | 134,601 | 196,184 | 201,114 | 225,390 |
| Revenue in lieu of taxes | | 162,960 | 147,944 | 176,283 | 215,298 | 194,228 |
| Local improvement levies and special levies | | 11,852 | 6,294 | 6,926 | 5,624 | 80,021 |
| | | \$1,955,429 | \$1,938,199 | \$1,926,218 | \$1,801,262 | \$1,805,666 |
| Provincial property taxes | | | | | | |
| Residential | | \$532,887 | \$520,571 | \$463,175 | \$436,150 | \$444,289 |
| Non-residential | | 250,733 | 264,742 | 248,206 | 224,125 | 183,560 |
| Revenue in lieu of taxes | | 6,646 | 6,349 | 8,439 | 8,888 | 8,289 |
| | | 790,266 | 791,662 | 719,820 | 669,163 | 636,138 |
| Total taxes levied | | \$2,745,695 | \$2,729,861 | \$2,646,038 | \$2,470,425 | \$2,441,804 |
| Percentage of Total Levies | | | | | | |
| Property tax | | | | | | |
| Residential property | | 49.05% | 47.94% | 45.70% | 45.98% | 44.83% |
| Non-residential property | | 39.76% | 39.75% | 38.18% | 32.91% | 33.25% |
| Local improvement levies | | 0.43% | 0.23% | 0.26% | 0.23% | 3.28% |
| Community Revitalization Levy | | 1.37% | 1.50% | 1.47% | 1.33% | 1.12% |
| Business tax | | 3.21% | 4.93% | 7.41% | 8.14% | 9.23% |
| Revenue in lieu of taxes | | 6.18% | 5.65% | 6.98% | 9.07% | 8.29% |

Notes: (1) Figures for 2013 have been restated for the correction of tax revenue accounting related adjustments identified in 2014.

(2) 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.

(3) Figures for 2015 have been restated for the correction of tax revenue accounting related adjustments identified in 2016.

Taxation and Assessments unaudited 2013 to 2017

(in thousands of dollars unless otherwise stated)

| | 2017 | 2016 | 2015 | 2014 | 2013 ⁽¹⁾ (Restated) |
|--|-------------|-------------|-------------|-------------|-----------------------------------|
| PROPERTY TAX – Continuity | | | | | |
| Taxes receivable, January 1 | \$ 37,234 | \$ 38,179 | \$ 31,708 | \$ 40,556 | \$ 40,643 |
| Current levies | | | | | |
| Property taxes | 2,540,761 | 2,475,556 | 2,259,232 | 2,092,111 | 1,962,606 |
| Business taxes | 95,610 | 141,619 | 188,238 | 203,675 | 228,455 |
| Non-tax items for collection | 1,079 | 931 | 1,066 | 1,253 | 1,154 |
| Penalties | 10,631 | 9,863 | 8,873 | 8,631 | 8,296 |
| Cancellation of tax arrears | (2,574) | (1,599) | (19,044) | (597) | (1,412) |
| Write-off of taxes | (468) | (1,157) | (1,416) | (3,266) | (534) |
| Total to be collected | 2,682,273 | 2,663,392 | 2,468,657 | 2,342,363 | 2,239,208 |
| Collections during the year | | | | | |
| Current levies | (2,604,624) | (2,597,569) | (2,399,612) | (2,278,604) | (2,164,807) |
| Arrears | (28,092) | (28,589) | (30,866) | (32,051) | (33,845) |
| Subtotal | 49,557 | 37,234 | 38,179 | 31,708 | 40,556 |
| Allowance for doubtful accounts | (140) | (500) | (1,000) | (500) | (450) |
| Taxes receivable, December 31 | 49,417 | \$ 36,734 | \$ 37,179 | \$ 31,208 | \$ 40,106 |
| Percentage of current taxes collected (%) | 97.11% | 97.53% | 97.20% | 97.28% | 96.68% |
| Taxes outstanding as a percentage of the current year levy (%) | 1.88% | 1.42% | 1.56% | 1.38% | 1.85% |
| Other Major Tax Levies: | | | | | |
| Revenue in lieu of taxes | | | | | |
| Municipal consent and access fee | \$ 95,690 | \$ 88,410 | \$ 113,629 | \$ 131,168 | \$ 129,735 |
| Franchise fees | 61,779 | 54,089 | 57,045 | 77,042 | 57,354 |
| Governments | | | | | |
| Provincial | 8,291 | 8,655 | 8,459 | 9,649 | 9,403 |
| Federal | 3,045 | 2,615 | 2,150 | 2,081 | 2,011 |
| | \$ 168,805 | \$ 153,769 | \$ 181,283 | \$ 219,940 | \$ 198,503 |

Note: (1) Figures for 2013 have been restated for the correction of tax revenue accounting related adjustments identified in 2014.

Continuity of Long-Term Debt unaudited 2013 to 2017

(in thousands of dollars unless otherwise stated)

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Opening Balance | \$ 3,216,672 | \$ 3,360,602 | \$ 3,626,177 | \$ 3,661,382 | \$ 3,420,540 |
| New issues or additions during the year | | | | | |
| Tax supported | | | | | |
| Debentures | 1,044 | 5,097 | 7,262 | 4,509 | 261,308 |
| Capital leases | – | 20,000 | – | – | – |
| | 1,044 | 25,097 | 7,262 | 4,509 | 261,308 |
| Self supported | | | | | |
| Debentures | 254,978 | 223,779 | 193,686 | 288,211 | 91,701 |
| Local improvement debentures | 4,548 | 5,930 | 4,023 | 7,195 | 5,273 |
| Capital leases | – | (1,174) | – | – | – |
| Mortgages and other debt | 2,959 | 25,969 | 12,470 | 3,590 | 1,530 |
| | 262,485 | 254,504 | 210,179 | 298,996 | 98,504 |
| Self sufficient tax supported | | | | | |
| Debentures | 26,500 | 28,000 | 5,000 | 101,500 | 77,000 |
| | 26,500 | 28,000 | 5,000 | 101,500 | 77,000 |
| Debt repaid during the year | | | | | |
| Tax supported | | | | | |
| Debentures | (44,711) | (44,934) | (45,686) | (46,494) | (51,979) |
| Capital leases | – | (20,000) | – | – | – |
| | (44,711) | (64,934) | (45,686) | (46,494) | (51,979) |
| Self supported | | | | | |
| Debentures | (153,898) | (141,881) | (149,351) | (122,489) | (124,337) |
| Local improvement debentures | (6,938) | (7,669) | (6,281) | (5,695) | (8,278) |
| Capital leases | – | (364) | (865) | (914) | (932) |
| Mortgages and other debt | (2,987) | (6,169) | (4,938) | (20,935) | (7,822) |
| | (163,823) | (156,083) | (161,435) | (150,033) | (141,369) |
| Self sufficient tax supported | | | | | |
| Debentures | (231,904) | (230,514) | (280,895) | (243,683) | (2,622) |
| | (231,904) | (230,514) | (280,895) | (243,683) | (2,622) |
| Increase (Decrease) | | | | | |
| Tax supported | (43,667) | (39,837) | (38,424) | (41,985) | 209,329 |
| Self supported | 98,662 | 98,421 | 48,744 | 148,963 | (42,865) |
| Self sufficient tax supported | (205,404) | (202,514) | (275,895) | (142,183) | 74,378 |
| Net Increase during the year | (150,409) | (143,930) | (265,575) | (35,205) | 240,842 |
| Closing balance | \$ 3,066,263 | \$ 3,216,672 | \$ 3,360,602 | \$ 3,626,177 | \$ 3,661,382 |
| Debt servicing as a per cent of operating expenditures (net of recoveries), tax supported | 1.9 | 2.2 | 2.3 | 2.4 | 2.6 |
| Percentage of legal debt limit as per <i>Municipal Government Act</i> [see Note 14 f)] | 40.2 | 43.2 | 45.3 | 52.4 | 54.4 |

Continuity of Long-Term Debt unaudited 2013 to 2017

(in thousands of dollars unless otherwise stated)

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------------|--------------|--------------|--------------|--------------|
| Tax Supported | | | | | |
| Facility management | \$ 39,713 | \$ 45,139 | \$ 50,373 | \$ 48,820 | \$ 49,359 |
| Fire | 1,903 | 2,319 | 2,486 | 2,912 | 3,230 |
| General government | – | – | – | – | 96 |
| Parks and recreation | 255,498 | 268,575 | 282,239 | 295,487 | 307,850 |
| Police | – | – | – | – | 334 |
| Social housing | 3,829 | 4,200 | 4,552 | 4,887 | 5,205 |
| Roads | 82,229 | 97,882 | 109,670 | 128,350 | 148,289 |
| Societies and related authorities | 11,335 | 12,363 | 13,378 | 13,247 | 13,610 |
| Waste and recycling services | 3,527 | 3,848 | 4,154 | 4,446 | 4,723 |
| Public transit | 8,842 | 16,217 | 23,528 | 30,655 | 38,093 |
| | 406,876 | 450,543 | 490,380 | 528,804 | 570,789 |
| Tax supported, % of total | 13.3 | 14.0 | 14.6 | 14.6 | 15.6 |
| Per capita, tax supported | \$ 326 | \$ 365 | \$ 398 | \$ 442 | \$ 493 |
| Self Supported | | | | | |
| Calgary Arts Development Authority Ltd. | \$ 2,000 | \$ – | \$ – | \$ – | \$ – |
| Calgary Economic Development Ltd. | 11,949 | 12,313 | – | – | – |
| Calgary Parking Authority | 1,810 | 2,273 | 3,123 | 4,333 | 5,487 |
| Calhome Properties Ltd. | 12,601 | 16,476 | 15,206 | 20,647 | 26,027 |
| Lindsay Park Sports Society | 851 | 1,171 | 1,480 | 1,778 | 2,067 |
| St. Mary's University College | 4,303 | 4,496 | 4,683 | 4,864 | – |
| Water services & resources | 1,905,947 | 1,917,288 | 1,846,166 | 1,789,574 | 1,646,815 |
| Facility management | 8 | 9 | 10 | 520 | 1,000 |
| Fleet services | 153,573 | 127,866 | 113,896 | 101,947 | 91,370 |
| Parks and recreation | 1,748 | 2,911 | 4,164 | 5,451 | 6,665 |
| Social housing | 7,493 | 8,686 | 9,799 | 10,838 | 12,556 |
| Real estate services | 9,580 | 9,580 | 9,580 | 26,580 | 26,580 |
| Roads | 67,184 | 69,491 | 71,152 | 73,335 | 80,186 |
| Societies and related authorities | 696 | 777 | 855 | 1,173 | 1,474 |
| Waste and recycling services | 131,105 | 38,849 | 33,651 | 23,981 | 15,831 |
| | 2,310,848 | 2,212,186 | 2,113,765 | 2,065,021 | 1,916,058 |
| Self supported, % of total | 75.3 | 68.8 | 62.9 | 56.9 | 52.3 |
| Per capita, self supported | \$ 1,843 | \$ 1,791 | \$ 1,717 | \$ 1,728 | \$ 1,657 |
| Self Sufficient Tax supported | | | | | |
| CMLC | \$ 208,039 | \$ 193,443 | \$ 175,957 | \$ 181,852 | \$ 154,535 |
| MSI | 140,500 | 360,500 | 580,500 | 850,500 | 1,020,000 |
| | 348,539 | 553,943 | 756,457 | 1,032,352 | 1,174,535 |
| Self suff tax supp, % of total | 11.4 | 17.2 | 22.5 | 28.5 | 32.1 |
| Per capita, self suff tax supported | \$ 280 | \$ 448 | \$ 615 | \$ 864 | \$ 1,015 |
| Total City debt | 3,066,263 | 3,216,672 | 3,360,602 | 3,626,177 | 3,661,382 |
| ENMAX debt | 1,078,522 | 1,145,184 | 1,211,055 | 1,088,771 | 915,510 |
| Total debt attributable to The City | \$ 4,144,785 | \$ 4,361,856 | \$ 4,571,657 | \$ 4,714,948 | \$ 4,576,892 |

Demographic and Other Information unaudited 2013 to 2017

| | 2017 | 2016 | 2015 | 2014 | 2013 ⁽¹⁾ (Restated) |
|---|--------------------|-------------|-------------|-------------|-----------------------------------|
| Population, per April civic census | 1,246,337 | 1,235,171 | 1,230,915 | 1,195,194 | 1,156,686 |
| Change due to natural increase | 10,192 | 10,783 | 10,812 | 10,491 | 10,260 |
| Change due to net migration | 974 | (6,527) | 24,909 | 28,017 | 26,201 |
| Dwelling Units, per April civic census | | | | | |
| Total number of units | 506,392 | 499,222 | 492,623 | 478,223 | 468,358 |
| Number of vacancies | 25,553 | 20,843 | 12,526 | 9,315 | 11,782 |
| Owner occupancy rate (%) | 68.8 | 69.8 | 69.2 | 68.7 | 68.5 |
| Housing Activity | | | | | |
| Annual applications for residential units | | | | | |
| Total residential | 8,122 | 11,064 | 12,355 | 15,027 | 14,838 |
| Change (%) | (26.6) | (10.4) | (17.8) | 1.3 | 9.1 |
| Single family | 4,199 | 2,630 | 2,714 | 5,584 | 5,939 |
| Change (%) | 59.7 | (3.1) | (51.4) | (6.0) | 30.0 |
| MLS average selling price (\$) (i) | 487,505 | 479,452 | 469,399 | 483,160 | 456,695 |
| New housing price inflation (%) (ii) | 0.0 | (0.9) | 1.1 | 7.2 | 5.1 |
| Building Permits, applied for | | | | | |
| Number of applications | 16,434 | 15,144 | 16,667 | 19,549 | 17,921 |
| Change (%) | 8.5 | (9.1) | (14.7) | 9.1 | 7.9 |
| Value, in thousands of dollars | \$4,574,171 | \$4,651,963 | \$6,285,485 | \$6,510,000 | \$6,027,000 |
| Change (%) | (1.6) | (26.0) | (3.4) | 8.0 | 34.7 |
| Inflation, CPI annual increases (ii) | | | | | |
| Calgary | 1.60% | 1.00% | 1.20% | 3.00% | 0.90% |
| Alberta | 1.60% | 1.10% | 1.10% | 2.60% | 1.40% |
| Canada | 1.60% | 1.40% | 1.10% | 2.00% | 1.70% |
| Unemployment Rate (ii) | | | | | |
| Calgary | 8.70% | 9.10% | 6.20% | 5.00% | 4.80% |
| Alberta | 7.80% | 8.10% | 6.00% | 4.70% | 4.60% |
| Canada | 6.30% | 7.00% | 6.90% | 6.90% | 7.10% |

External Sources

(i) Calgary Real Estate Board

(ii) Statistics Canada

Note: (1) Figures for 2013 were revised to account for refinements in the original census data.

Demographic and Other Information unaudited 2013 to 2017

| | 2017 | 2016 ⁽⁶⁾ (Restated) | 2015 ⁽⁵⁾ (Restated) | 2014 ⁽⁴⁾ (Restated) | 2013 ⁽³⁾ (Restated) |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Revenue sources – City general⁽¹⁾ | \$ 2,612,149 | \$ 2,860,289 | \$ 2,890,388 | \$ 2,816,520 | \$ 2,725,055 |
| Taxes and revenue in lieu of taxes | 63.09% | 67.76% | 66.64% | 63.96% | 66.26% |
| General | 29.67% | 25.07% | 26.13% | 27.65% | 26.47% |
| Utilities and related authorities contributions | 2.00% | 2.32% | 2.35% | 2.45% | 2.32% |
| Government transfers | 3.40% | 3.21% | 2.94% | 3.81% | 2.47% |
| Dividends from ENMAX | 1.84% | 1.64% | 1.94% | 2.13% | 2.48% |
| Interest charges – City general | | | | | |
| As a % of operating expenses | | | | | |
| Before subsidy | 3.86% | 3.97% | 4.18% | 4.25% | 4.35% |
| After subsidy | 3.86% | 3.97% | 4.18% | 4.25% | 4.35% |
| Interest charges – consolidated | | | | | |
| Before subsidy (000s) | \$ 115,847 | \$ 110,899 | \$ 113,629 | \$ 112,537 | \$ 111,076 |
| Share of operating expenses (%) | 3.6 | 3.9 | 4.0 | 4.2 | 4.2 |
| After subsidy (000s) | \$ 115,610 | \$ 110,660 | \$ 113,459 | \$ 112,537 | \$ 111,876 |
| Share of operating expenses (%) (net of subsidy) | 3.6 | 3.9 | 4.0 | 4.2 | 4.2 |
| Debt service limit (principal + interest) | | | | | |
| Total debt service limit | \$ 1,373,728 | \$ 1,337,148 | \$ 1,331,199 | \$ 1,244,153 | \$ 1,206,419 |
| Total debt service | \$ 362,341 | \$ 348,569 | \$ 554,584 | \$ 779,683 | \$ 872,950 |
| Percentage used (%) | 26.4 | 26.1 | 41.7 | 62.7 | 72.4 |
| Debt limit⁽²⁾ | | | | | |
| Total debt limit (000s) | \$ 7,849,872 | \$ 7,640,844 | \$ 7,606,852 | \$ 7,109,448 | \$ 6,893,824 |
| Total debt (000s) | \$ 3,149,658 | \$ 3,303,092 | \$ 3,447,143 | \$ 3,728,462 | \$ 3,749,288 |
| Percentage used (%) | 40.1 | 43.2 | 45.3 | 52.4 | 54.4 |
| Municipal full-time equivalents – (excluding ENMAX) | | | | | |
| Total full-time equivalents | 16,960 | 16,643 | 16,303 | 15,972 | 15,207 |
| Full-time equivalents per 1,000 population | 13.6 | 13.5 | 13.2 | 13.4 | 13.2 |
| Area, square kilometres | 848 | 848 | 848 | 848 | 848 |
| Km of roads (lane km) | 20,472 | 20,288 | 19,956 | 19,488 | 19,268 |
| Km of roads (centreline km) | 8,009 | 7,945 | 7,815 | 7,312 | 7,260 |
| Transit passenger trips, annual (000s) | 101,929 | 102,499 | 109,974 | 110,274 | 107,493 |
| Km of wastewater mains | 4,756 | 4,695 | 4,678 | 4,490 | 4,309 |
| Km of water mains | 5,165 | 5,060 | 5,012 | 4,982 | 4,934 |
| Km of storm drainage mains | 5,242 | 5,157 | 5,091 | 4,175 | 4,100 |

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 2013 have been restated for the correction of tax revenue accounting related adjustments identified in 2014.

(4) 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. Years prior to 2014 have not been restated for these adjustments.

(5) 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.

(6) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

