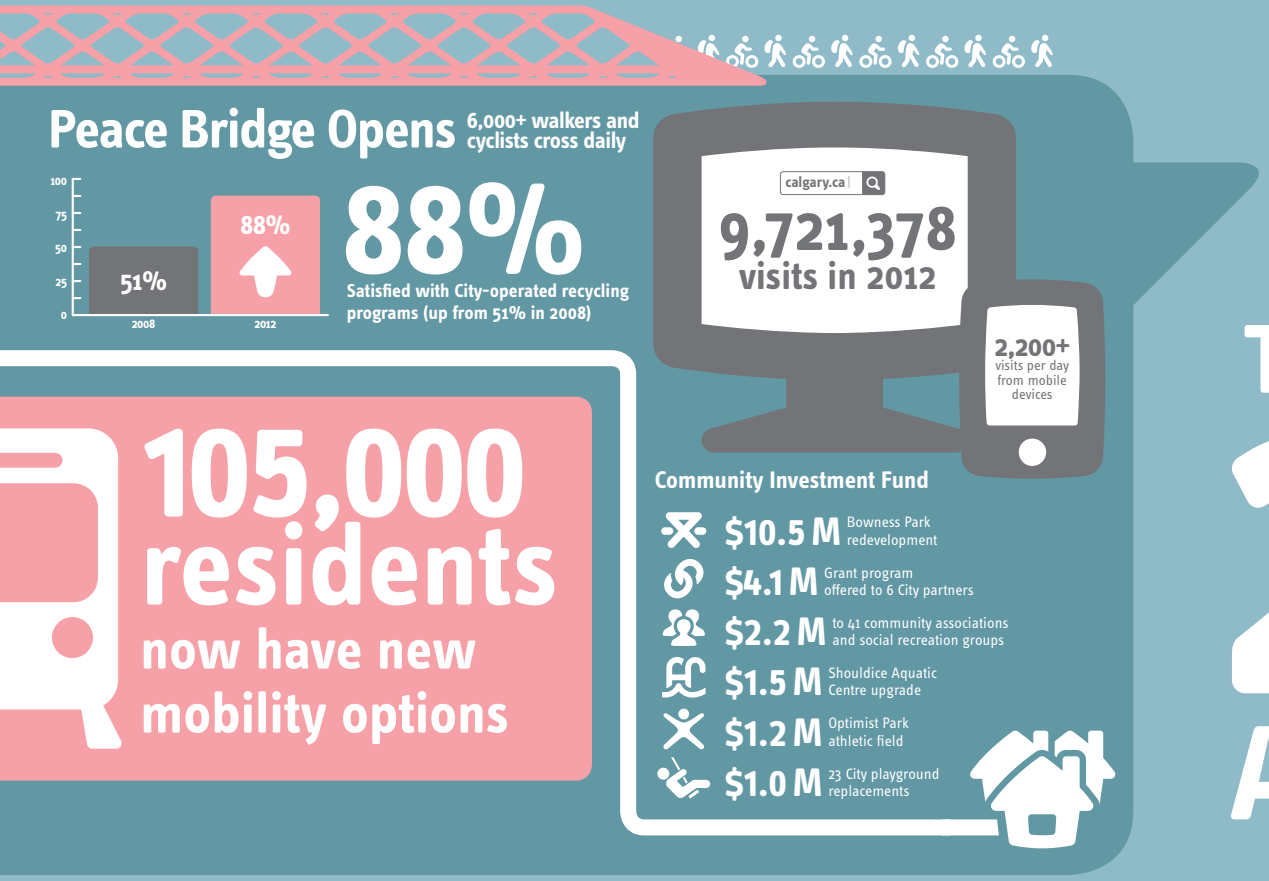

Engagement. Achievements.
Building a Better City.

The City of Calgary 2012 Annual Report

The City of Calgary, Alberta
Annual Report for the year ended December 31, 2012

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Annual Report for the year ended December 31, 2012

Produced by the Chief Financial Officer's Department of The City of Calgary,
in cooperation with all civic departments, offices and agencies.

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Engagement. Achievements.
Building a Better City.

The annual report, as it does every year, provides financial information for The City of Calgary.

It also focuses on accomplishments that we – citizens and the municipal government – achieve in building a community that we're proud to call our home.

In 2012, a compelling narrative continued to unfold: passionate citizens, by the thousands, sharing their ideas on important matters that in turn provides crucial direction for City government.

This year's report shows how we're meeting expectations by highlighting some key 2012 accomplishments and how they directly benefit our quality of life.

It's a snapshot, brought into sharp focus through an info-graphic style that's designed to see a city working as one.

Calgary at a Glance

1,120,225 Population (April, 2012)

2.7% Population growth

36.0 Median age

848 km² City area

4.9% Unemployment rate

$4.5 B Total building permits issued

4,569 Single family housing starts

$428,655 MLS avg. selling price

102 M Transit passenger trips

2,400+ Hours of sunshine/ year

21.9ºC Average daily max. – summer

-1.4ºC Average daily max. – winter

Message from the Mayor

Two years ago, City Council unanimously approved its Fiscal Plan for Calgary – our commitment to building a better city. I'm pleased to report that we're making real progress on that goal.

Whether it's in building better communities or getting Calgarians moving or making our city a great place to start and grow a business, Calgary is getting even better. And Calgarians agree.

In the 2012 citizen satisfaction survey, 89 per cent of those surveyed declared they are "proud to be a Calgarian," and 74 per cent said we are on track to ensure a high quality of life for future generations. Another 2012 survey found that nine in 10 Calgarians agreed that this is a "city on the rise."

But we're not done yet – Calgary can be even better.

This year's annual report highlights how The City and citizens collaborate and contribute.

The true experts in city-building are neither the 15 of us on Council nor my 15,000 colleagues at The City. The true experts are the more than 1.1 million Calgarians who live and work in our great city. The mother who takes transit, the student who visits a public library, the commuter who uses our busiest roads, the grandparents that spend time in their community centre – these are the true experts. Their ideas are so important as we build a better Calgary.

This report highlights accomplishments, measures community impact, and recognizes the role of citizen engagement in our evolving city.

You will read, for example, about how The City of Calgary is moving forward with a plan to build a new Central Library for all Calgarians to enjoy. It's made possible through the Community Investment Fund which allows us to invest in parks, sports fields, recreation centres, community associations, fire halls and more. But it is also being built based on input from 16,500 Calgarians who shared their ideas for this important community space.

Similarly, the RouteAhead initiative also rolled into action as we met with 4,000 citizens face to face to help prepare The City's long-term strategy for public transit over the next 30 years. The end result is an ambitious plan for public transit based on the desires of Calgarians and the best ideas from around the world.

These and scores of other efforts are achieving the vision we share as citizens of this city: that Calgary remains a great place to make a living and a great place to make a life – a place where we get even better every day.

Naheed K. Nenshi
Mayor

81% satisfied with what City offers

83% rate City service as consistently high

90% agree Calgary is a "city on the rise"

Corporate Governance & 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 sit on a variety of boards, commissions and committees. Their participation provides a critical link between Calgary's communities, agencies and the workings of the municipal government.

The City has implemented significant corporate governance in line with the current best practices following the Corporate Governance Guidelines of the Canadian Securities Administrators to the extent they may be applicable to municipalities.

City Council is comprised of 14 Aldermen, 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 Aldermen hold office for three-year terms.

After every civic election, the City Clerk and City Solicitor brief new Council members on the responsibilities of their office, the Procedures Bylaw, and other information pertinent to their positions, including ethical guidelines which require them to exclude themselves from all discussions involving issues in which they have a pecuniary interest. Throughout their term in office, Council members pursue ongoing training and education.

Council meets on two Mondays each month (except in August). One of these meetings is a regular Council meeting where the recommendations from the standing policy committees 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 2012, Council set priorities, established policy and made decisions through the Standing Policy Committees (SPC), which include the SPC on Community & Protective Services, SPC on Planning and Urban Development, SPC on Transportation & Transit, and SPC on Utilities and Corporate Services, along with Council Strategic Sessions, the Priorities and Finance Committee (PFC) chaired by the Mayor, the Intergovernmental Affairs Committee, the Gas, Power and Telecommunications Committee, the Audit Committee, and the Land and Asset Strategy Committee.

The four SPCs and all the committees, with the exception of the Priorities and Finance Committee, meet once every month in City Hall. The public is welcome to attend the SPCs and to make presentations at these meetings. The decisions and directions that come out of committee meetings are forwarded to City Council for final approval.

The Priorities and Finance Committee meets twice monthly, and during 2012, PFC oversaw the nominations and appointments to various boards, committees, commissions and other bodies, and created and maintained a process for the regular review and reporting of Council's legislative governance practices. This committee also provided annual written performance evaluations and ongoing monitoring of the City Manager as required by the Municipal Government Act.

The Audit Committee, which is comprised of five Council members and two citizen members – one of whom must be a professional accountant – oversees the activities of the City Auditor's Office, the Legislative Resource Group, the external auditors, and The City's internal controls and management information systems to help ensure Administration's accountability to Council and adherence to the Integrated Risk Management Policy.

The Council Compensation Review Committee is responsible for making recommendations to Council regarding its remuneration, pension, benefits and other forms and levels of compensation. This committee is comprised of five independent external advisors, including professional representation from labour, business and law.

City of Calgary policies

Council establishes policies for governing The City based on information provided by four standing policy committees. These include The City's Code of Conduct Policy and Conflict of Interest Policy, which apply equally to all City employees and provide guidelines for employee conduct in fulfilling their day-to-day responsibilities.

The Council-approved Whistle-Blower Policy is also a part of The City's ongoing efforts to support open, ethical, accountable and transparent local government. This policy provides additional mechanisms to ensure processes are in place to prevent, detect, report and investigate any suspected acts of waste or wrongdoing.

Other policies directing employee behaviour in the workplace include the Acceptable Use of City Technology Resources Policy, Occupational Health and Safety Policy and a Respectful Workplace Policy that is committed to creating and sustaining a healthy, safe, and caring work environment where all employees are treated with respect, honesty and dignity.

Council employs a Triple Bottom Line decision-making approach, under the umbrella of the Sustainability 20/20 direction, that takes into account the potential environmental, social and economic impacts of The City's actions and operations.

The City's enviroSystem, our ISO 14001-Registered Environmental Management System, helps identify, track and continually improve The City's performance and decision-making.

The City's Sustainable Environmental and Ethical Procurement Policy also supports the purchase of products and services that minimize any negative impact on society and the environment, while obtaining good value for money.

Public availability of The City's financial information is a cornerstone of transparency and accountability. Council leads an accountable and transparent business planning and budget preparation process by directing Administration with early guidelines for spending on services and revenue generation, and by providing opportunities for public review, engagement and comment on the budget prior to approval.

Currently, The City of Calgary employs a three-year business planning and budgeting process, which was approved in November of 2011 for the 2012 – 2014 cycle. In November of 2012, Council approved the 2013 and 2014 adjustments to the current business plans and budgets. All this information is available on calgary.ca. With The City's engage! Policy, Council assigns priority to informing and involving citizens and other stakeholders early on, and throughout the planning and process, when decisions impact their lives. Through an annual survey of Calgary's citizens, Council is able to regularly monitor public satisfaction with the delivery of services, and consider citizen preferences for the nature and delivery of future services to the public.

The City has implemented corporate governance policies and practices which safeguard the public interest and promote transparency and accountability at all levels within the organization.

For more information about City Council, the various boards, foundations and committees, and any of the policies referenced here, visit calgary.ca or call 311

Calgary City Council

2012 Meetings

31 Council meetings
- 320 hrs.

119 Committee meetings
- 271 hrs.

Longest meeting
- 2012 Budget (29.5 hrs.)

591 total hrs.
or
79 work days
or
15.75 weeks
or
almost 4 months

Aldermen

Ward 1 Alderman
Dale Hodges

Ward 2 Alderman
Gord Lowe

Ward 3 Alderman
Jim Stevenson

Ward 4 Alderman
Gael MacLeod

Ward 5 Alderman
Ray Jones

Ward 6 Alderman
Richard Pootmans

Ward 7 Alderman
Druh Farrell

Ward 8 Alderman
John Mar

Ward 9 Alderman
Gian-Carlo Carra

Ward 10 Alderman
Andre Chabot

Ward 11 Alderman
Brian Pincott

Ward 12 Alderman
Shane Keating

Ward 13 Alderman
Diane Colley-Urquhart

Ward 14 Alderman
Peter Demong

Message from the City Manager

Each year, City employees support the daily life of a dynamic city of more than 1.1 million people. We promote a safe working environment, one that is effective and efficient in providing the services and programs citizens expect.

On behalf of The City of Calgary Administration, I am proud to present the 2012 Corporate annual report, a summary of accomplishments made possible by dedicated City employees and engaged citizens.

Calgarians – through imagineCalgary, Plan It, extensive public engagement, 311 calls and social media – continue to communicate a vision of how they want to grow this great city for a sustainable future.

It's our job to listen, to support Council's priorities and be transparent and open about planning and using public funds, whether raised through taxes, user fees or other sources. At the same time, The City has regulatory bodies whose reporting requirements we must meet annually.

Our corporate annual report is designed to address the needs of both audiences, to provide accountability on the financial aspects of The City's annual work, as well as its programs and services.

To meet citizen expectations we use a multi-year cycle of business plans and budgets that positions The City to incrementally achieve our long-term vision; the ideas that flow from 100-, 60-, 30-, 20-year sustainability goals, and 10-year policies, plans and strategies.

This year's report presents our 2012 accomplishments and initiatives in a concise, info-graphic style that connects our actions to the benefits our community receives.

The new West LRT line (page 11) is one such example. West LRT involved more than 150 public consultations, offers new mobility choices to 105,000 area residents, reduces greenhouse gases by about 40,000 tonnes annually, and sets the groundwork for transportation-oriented development opportunities around the Sunalta and Westbrook stations, areas with strong potential for compact, mixed-use urban development.

It is my privilege to lead a dedicated City workforce whose efforts resonate with citizens' lives in important ways. In 2012, we continued our journey towards citizen-centricity in all that we do. For example: two fire stations and the Emergency Operations Centre opened; more than 160,000 citizens attended Canada Day celebrations; 1.8 million kilograms of food and yard materials were collected in our green cart pilot project; and calgary.ca handled 9.7 million visits in award-winning fashion.

In the 2012 Citizen Satisfaction survey, 95 per cent of Calgarians gave The City a positive rating for overall performance – testament that our efforts are meeting the needs of this great city.

Owen Tobert, P. Eng.
City Manager

5 key City services

see significant increases in satisfaction

City-Operated Roads & Infrastructure	City-Operated Control of Traffic Flow	City Land Use Planning	Residential Blue Cart Recycling	Calgary's Pathway System
+8%	+7%	+6%	+6%	+3%
63% (2011) ▸ 71% (2012)	56% (2011) ▸ 63% (2012)	71% (2011) ▸ 77% (2012)	84% (2011) ▸ 90% (2012)	91% (2011) ▸ 94% (2012)

Audit Committee

Calgary City Council is responsible for ensuring that The City's Administration fulfils its responsibilities for financial reporting, internal control and risk management. To assist in fulfilling these responsibilities, Council established the Audit Committee.

One of the Audit Committee's principal goals, in fulfilling its mandate, is to provide a standard of audit governance for The City which is comparable to the current standard for audit committees in the public and private sectors. Audit Committee membership consists of seven independent members appointed by Council: five Council members who are elected by the citizens of Calgary and two volunteer citizen members who are financial professionals.

The City's Audit Committee oversees the activities of the External Auditor and the City Auditor's Office to help ensure Administration's accountability to Council. To fulfil The City's provincially legislated audit requirements, the committee engages an independent external auditor. Deloitte is The City's current external auditor.

Deloitte carried out the audit of The City of Calgary's 2012 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, as to the integrity of The City's financial statements and reporting processes. The Audit Committee reviews The City's Annual Financial Statements and recommends Council approval of The City's financial statements as audited by the External Auditor and presented in this 2012 Annual Report.

The City Auditor's Office is fully independent of The City's Administration and reports to Council through the Audit Committee. The City Auditor's independence and terms of reference are empowered by The City Auditor Bylaw. The City Auditor's Office provides the independent internal audit function for The City of Calgary. The City Auditor submits an annual work plan to the Audit Committee for approval. The Audit Committee can add items to the City Auditor's work plan but cannot delete items from the work plan. Open disclosure is encouraged and all audit reports are provided to the Audit Committee and reviewed as completed. Audit reports are a matter of public record.

The Audit Committee oversees procedures, through the City Auditor's Office and the Whistle-Blower Program, for the receipt, retention and treatment of complaints or allegations of wrongdoing received from City employees or members of the public.

In 2012, the Audit Committee provided oversight to the City Auditor's Office as it engaged an external firm to conduct an independent Quality Assessment Review of the City Auditor's Office.

Major areas of focus for the Audit Committee, in addition to those mentioned above, include the oversight of The City's integrated risk management framework, financial disclosure and accounting practices, code of conduct, legal compliance and coordinates its governance responsibility with audit committees of The City's major autonomous civic entities as determined by the Audit Committee.

The Audit Committee maintains formal Terms of Reference for itself, which it reviews regularly to ensure they reflect best practices in audit governance. The Audit Committee did a major review and revision of its Terms of Reference in 2011, which were approved by Council. The Audit Committee's Terms of Reference will be replaced the Audit Committee Bylaw effective November 2013. The bylaw was approved by Council in November 2012. There are several key changes in the new Audit Committee Bylaw, including: a change in the mix of citizen and Council members for the Audit Committee; non-committee Council members will not be able to vote at Audit Committee meetings; the City Auditor's Office will undergo an independent Quality Assessment Review at least every five years, per IIA standards. These changes will ensure that the Audit Committee's mandate will be current and the committee will continue to effectively carry out its audit governance role.

Gael MacLeod
Alderman, Ward 4
Chair, Audit Committee

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. City Administration anticipates changes and identifies potential opportunities, then puts in place the municipal services that will enable those opportunities to become realities.

The City of Calgary is constantly evolving to ensure the needs and values of its citizens are reflected in its services.

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, 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, balancing the priorities and best interests of the community with The City's corporate goals and available resources.

The citizens of Calgary

Mayor and Council

Calgary Police Commission
Calgary Police Service

City Manager

- **City Clerk's Office**
- **City Manager's Office**
- **Law**

City Auditor's Office

Members of Administrative Leadership Team

Community Services & Protective Services

- Animal & Bylaw Services
- Community & Neighbourhood Services
- Calgary Fire Department
- Parks
- Recreation

Erika Hargesheimer
General Manager

Utilities & Environmental Protection

- Environmental & Safety Management
- Waste & Recycling Services
- Water Resources
- Water Services

Rob Pritchard
General Manager

Planning, Development & Assessment

- Assessment
- Development & Building Approvals
- Land Use Planning & Policy

Rollin Stanley
General Manager

Transportation

- Calgary Transit
- Roads
- Transportation Infrastructure
- Transportation Planning

Malcolm Logan
General Manager

Corporate Services

- Corporate Properties & Buildings
- Customer Service & Communications
- Fleet Services
- Human Resources
- Infrastructure & Information Services
- Information Technology
- Office of Land Servicing & Housing

Brad Stevens
General Manager

Chief Financial Officer

- Finance & Supply

Eric Sawyer
Chief Financial Officer

Transportation

The City made big strides to ensure all Calgarians enjoy a safe, clean, reliable and comprehensive transportation network that offers mobility choices.

105,000 residents now have new mobility options

In December, West LRT opened

– The City's largest capital project and first new transit line in 20 years.

We also opened two northeast LRT stations and refurbished the LRT stations along the 7 Avenue corridor. We rode the streets in our RouteAhead engagement bus, asking citizens for their ideas as we develop a long-term strategy for public transit over the next 30 years.

Downtown, the Peace Bridge opened, providing a new crossing over the Bow River for pedestrians and cyclists. Métis Trail in the northeast opened for motorists and, in the southeast, the final phase of the 52 Street road widening was completed.

Peace Bridge Opens

6,000+ walkers and cyclists cross daily

30,000 downtown residents and 120,000 employees can use the bridge as part of the river pathway system for recreation or in their commute

Recognized by online design magazine designboom as one of the world's Top 10 public spaces in 2012. AZURE magazine rated the bridge as its No. 3 favourite architectural project of 2012.

West LRT

- 150+ meetings consulting/informing citizens (2008-2012)

up to **44,000** riders/day expected in near term | **8.2 km** new track | **6** new LRT stations | **12** min. ride

69th Street | Sirocco | 45th Street | Westbrook | Shaganappi Point | Sunalta

Recognized by Consulting Engineers of Alberta Showcase Awards: Transportation Infrastructure Award of Excellence and Project Management Award of Excellence

40,000 tonnes reduction in GHG emissions annually

Northeast LRT Extension

New CTrain stations open in August:

11,000 expected to use new stations weekdays, meeting growing demand of the northeast

Saddletowne

Martindale

◀ Interchange upgrades at 64 Avenue and Métis Trail lets trains tunnel underground to and from the McKnight Westwinds station

365,000 fewer auto trips to the downtown core = (**4.4M** fewer vehicle km travelled | **1,409 tonnes** reduction in GHG) **Annually**

4,000+ Calgarians met face-to-face with RouteAhead staff

"Calgary Transit is making it more and more convenient for customers to use their services."

RouteAhead

- Long-term capital plan that includes prioritization of transit projects in the overall 10-year Transportation Investing in Mobility plan

102,000,000 2012 transit passenger trips

192 light rail vehicles | **1,100** buses

90,000 street lights maintained and repaired

106.5 traffic radio updates throughout day

52 Street S.E. Reopens

- 22+ lane/km of new roads
- Roadway expanded from 2 to 6 lanes
- New bridges over the CPR tracks and Western Headway Canal

ALSO INCLUDES: New storm sewer system, enhanced street lights and traffic signals, transmission and pipeline relocations, new cycling paths and pedestrian sidewalks

Planning For Growth

Our job is to keep building a more sustainable city, provide citizens and future generations with a high quality of life, high quality of living environments and convenient means to get around.

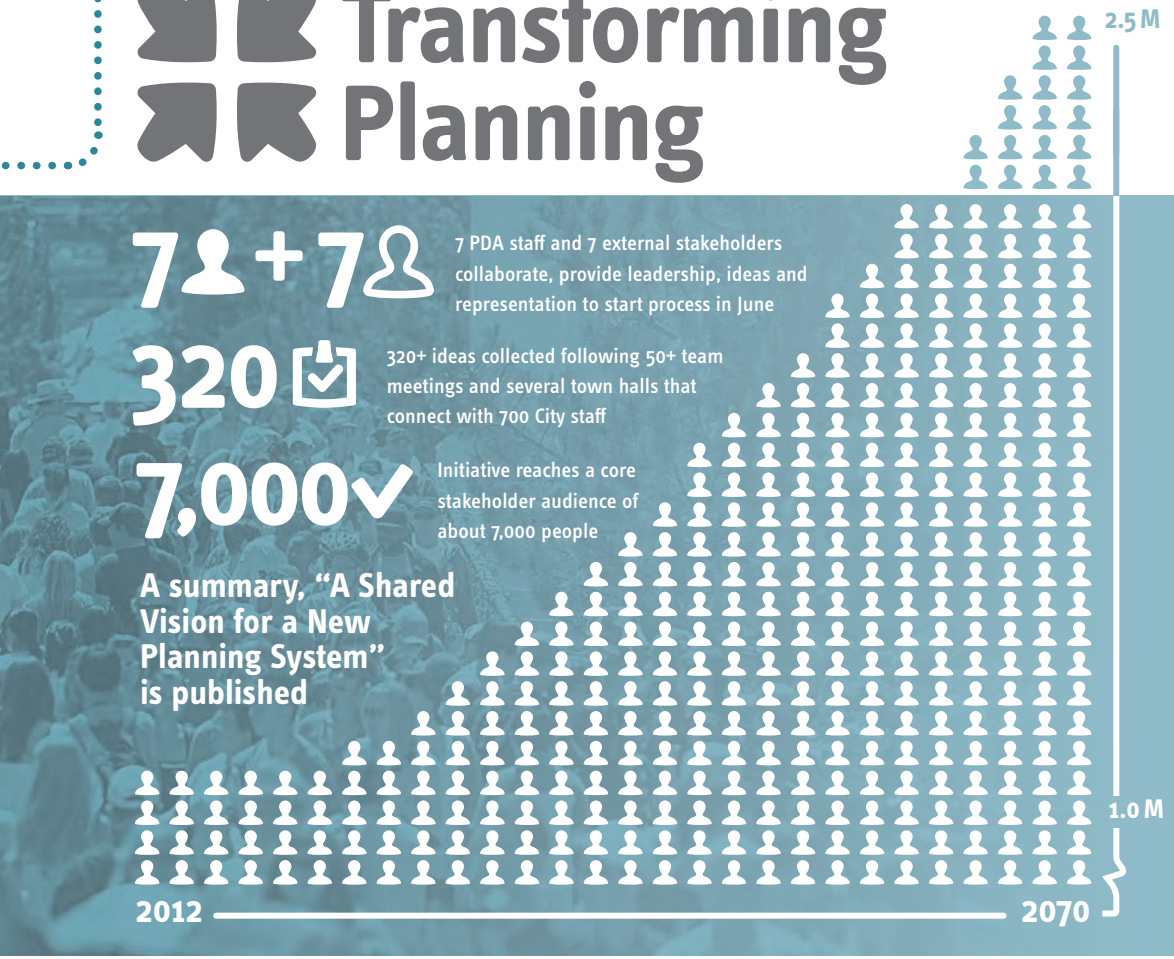
92% of residents feel City Land Use Planning is an important City program

Calgary is expected to add up to **1.3 million** people over the next **50–60 years**

The key question is: How do we grow? The Municipal Development Plan (MDP) offers a visionary urban blueprint. In 2012, we took big steps forward.

The City launched the Transforming Planning initiative. It undertakes a broad-scale review of the planning process – to re-envision and transform our planning system – at a level few North American cities have tried. We developed a Growth Management Framework to prioritize growth areas relative to alignment with the MDP. And the Keystone Area Structure Plan became the first suburban project implemented within the MDP.

Transforming Planning



7 + 7 7 PDA staff and 7 external stakeholders collaborate, provide leadership, ideas and representation to start process in June

320 320+ ideas collected following 50+ team meetings and several town halls that connect with 700 City staff

7,000 Initiative reaches a core stakeholder audience of about 7,000 people

A summary, "A Shared Vision for a New Planning System" is published

Keystone Area Structure Plan

60,000 projected residents

Mixed land uses to promote complete communities, including 23,800 new homes (12,800 single family, and 11,000 multi-family)

Neighbourhood-focused design and transportation network promotes walkability and connectivity while conserving natural features

Major Activity Corridor and Urban Corridor expected to generate over 17,000 new jobs in the plan area

Growth Management Framework

50 face-to-face sessions to actively engage a diverse group of stakeholders

- Council approves process for prioritizing growth areas in alignment with MDP
- 40 growth areas evaluated using this process, defined by 30 metrics and 9 criteria

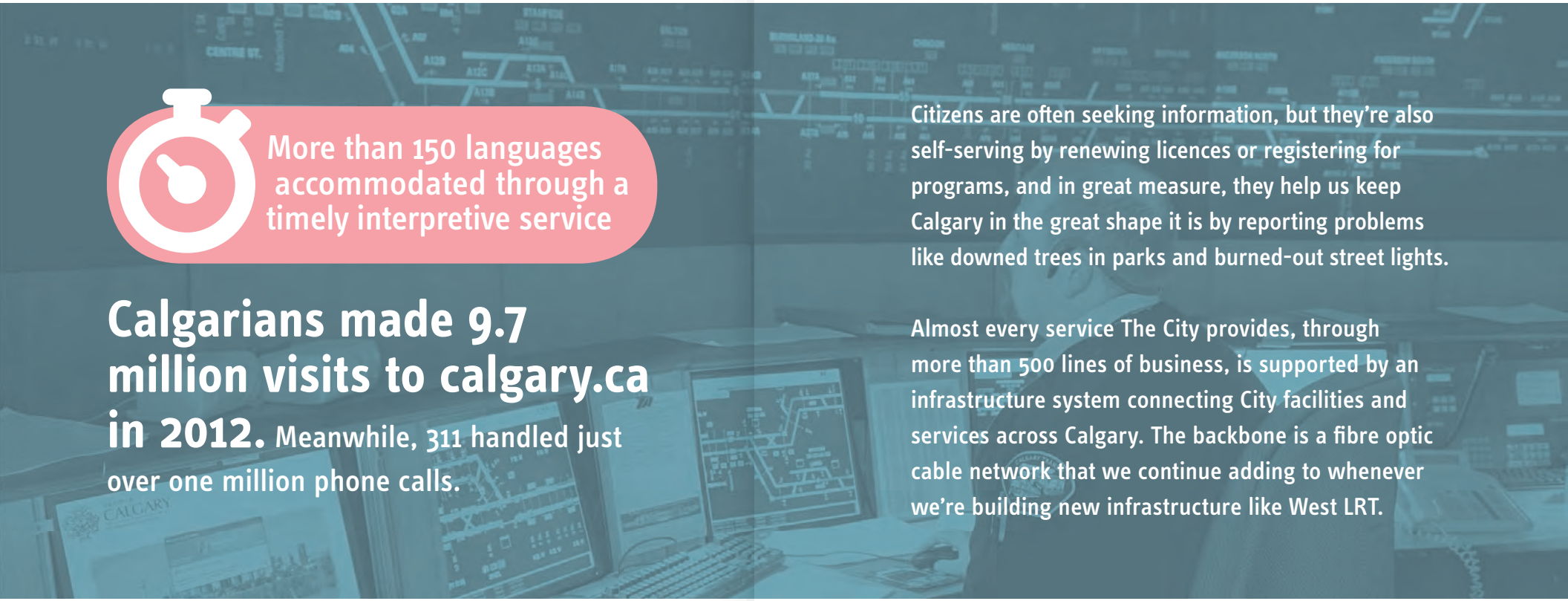
Municipal Development Plan

60 years

The MDP describes the vision for Calgary's long-term growth over the next 60 years and provides policies to guide development of the city over the next 30 years.

Communication & Technology

Communication is a two-way street. And whether it's online or over the phone, The City and citizens use technology to great advantage.



More than 150 languages accommodated through a timely interpretive service

Calgarians made 9.7 million visits to calgary.ca in 2012. Meanwhile, 311 handled just over one million phone calls.

Citizens are often seeking information, but they're also self-serving by renewing licences or registering for programs, and in great measure, they help us keep Calgary in the great shape it is by reporting problems like downed trees in parks and burned-out street lights.

Almost every service The City provides, through more than 500 lines of business, is supported by an infrastructure system connecting City facilities and services across Calgary. The backbone is a fibre optic cable network that we continue adding to whenever we're building new infrastructure like West LRT.

calgary.ca

9,721,378 visits in 2012

Visitors can find information (park locations, pool hours) or complete tasks (renew pet licences, register for programs) at their convenience

NEW APP

Canada Dayyc & myParking

2,200+ visits per day from mobile devices

Mobile user visits to calgary.ca double in Sept.-Dec. 2012 vs. Sept.-Dec. 2011 **2×**

Common Fleet Operating System (CFOS)

540+ 540+ vehicles equipped with onboard equipment including Fleet, Parks, Roads, Waste & Recycling and Water Services

CFOS enables business unit staff to have mobile offices and do more work for citizens on site

"The service is exemplary. I've used it many times and it is a great help to making our city a good and livable community. Kudos to the team and supervisors there."

311

Statistics from the 311 satisfaction survey 2012:

- 91% of Calgarians are aware of the 311 service
- 88% of citizens are satisfied with length of time spent waiting for a live answer from 311
- 82% of citizens feel that 311 service is useful to them

1,062,972 customer contacts managed

456,849 of those calls become service requests

150+ languages accommodated through an interpretive service

123 self-service options now available on calgary.ca

Available 24/7/365

calgary.ca Awards:

- Society for New Communications Research External Communications; Government Division
- GTEC Award for Excellence in Public Service Delivery: Municipal Awards
- New Media Awards, Best in Industry: Government in Canada
- Interactive Media Award, Best in Class: Government
- PMI-SAC Project of the Year award: Business & Technology, project management excellence
- Digital Alberta Awards: Business to Consumer Innovation Award

Fibre Optic Network

- 400 km of fibre optic infrastructure has been built in conjunction with years of road construction activity and capital works projects
- 150+ connected worksites

Save about $14 M/year vs. leasing connections from third parties

Deliver video, maps and applications without bandwith limitations

Quality of Life

Enabling a community that is active, creative, vibrant – and safe. That's our role and this year was particularly special in encouraging human interaction and strengthening our sense of community.

Fav place is River Park, it's where I had my first date with my husband, where we got married & where we walk the pups! #myyyc @cityofcalgary

– @cailiey via Twitter

It was a year to celebrate the old and new. Recreation celebrated its 100th anniversary of enriching and improving Calgarians' quality of life.

Rec100 celebrated a monthly leisure theme or activity. A highlight in 2012 was Calgary's designation as Cultural Capital of Canada, affirming Calgary as a city enriched by diversity.

The Genesis Centre of Community Wellness opened to an appreciative northeast community. Devonian Gardens reopened downtown following an extensive renovation and our community became safer with the opening of two fire stations and a new Emergency Operations Centre.

Rec 100

75% of Calgarians agree Recreation facilities help build a sense of community

12 monthly themes for citizens to mark Rec's 100th anniversary

10,000+ recreation programs annually

320 festivals and events supported annually

SNAPSHOT:
- 12 arenas
- 12 aquatic and fitness centres
- 12 athletic parks
- 6 golf facilities
- 2 leisure centres
- 2 arts centres
- 1 sailing school

Devonian Gardens Upgrades

$37M capital renovation to 1 hectare indoor space

"Thank you for having this "haven" inside a centralized building in Calgary with easy access."

SNAPSHOT:
- 10,000 shrubs
- 680,400 kg soil
- 550 palm trees
- 3-block skylight
- countless fish

Genesis Centre of Community Wellness

- $70 M contributed by City as project partner
- 2 sport fields, 2 gymnasiums, 25-metre swimming pool, library hosting 150,000 items including over 50,000 children's items

"Today was a phenomenal day with so many residents dropping by to check things out. The activities were endless and the energy was buzzing non stop." – Cheryl, on grand opening (calgary.ca blog)

Canada Dayyc

160,000+

Calgarians attended events connected along Olympic Plaza, Prince's Island Park, RiverWalk, Riverfront Avenue to East Village and Fort Calgary

"Compliments to the staff who put on Canada Day festivities. It was great to have it spread all along the downtown."

Emergency Operations Centre

The EOC opens and is vital in protecting Calgarians' lives and property in a disaster or major emergency. It houses:

- The Calgary Emergency Management Agency
- Back-up public safety communications call centre
- One of The City's Data Centres

Fire Station Openings

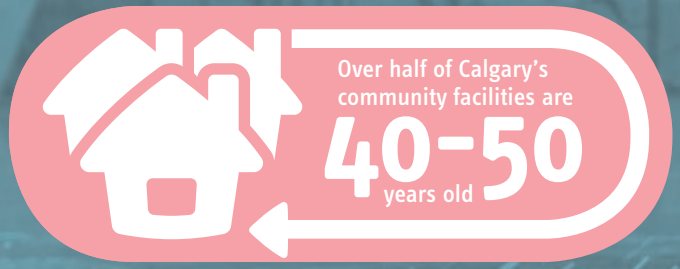
- **Douglas Glen #39**
  Serving residents of Douglas Glen, Douglasdale and Shepard Industrial Areas
- **South Calgary #5 (replacement)**
  Serving residents in southwest Calgary

96% Calgarians agree that CFD keeps our City safe through quality service

91% Calgarians agree that CFD is an important part of their community

Community Investment Fund

City Council created the Community Investment Fund to support new projects and critical lifecycle upgrades, large and small, across Calgary.



The fund was approved in 2011 and in 2012 citizens began seeing our commitment, where $252 million will be invested in tangible and useful community improvements between 2012-2016.

Community needs were identified through a rigorous Council-approved process that began in 2005 and this funding addresses long-standing needs.

Projects vary in scope: from fixing leaky roofs in community association buildings; to upgrades in parks, playgrounds and recreation centres; planting trees; and building a new central library.

Each project supports The City's plan for complete communities – neighbourhoods Calgarians want to live and remain in, where there's a strong sense of community and pride.

Community Investment Fund

2012 Projects

$10.5 M Bowness Park redevelopment

$4.1 M Grant program offered to 6 City partners

$2.2 M to 41 community associations and social recreation groups

$1.5 M Shouldice Aquatic Centre upgrade

$1.2 M Optimist Park athletic field

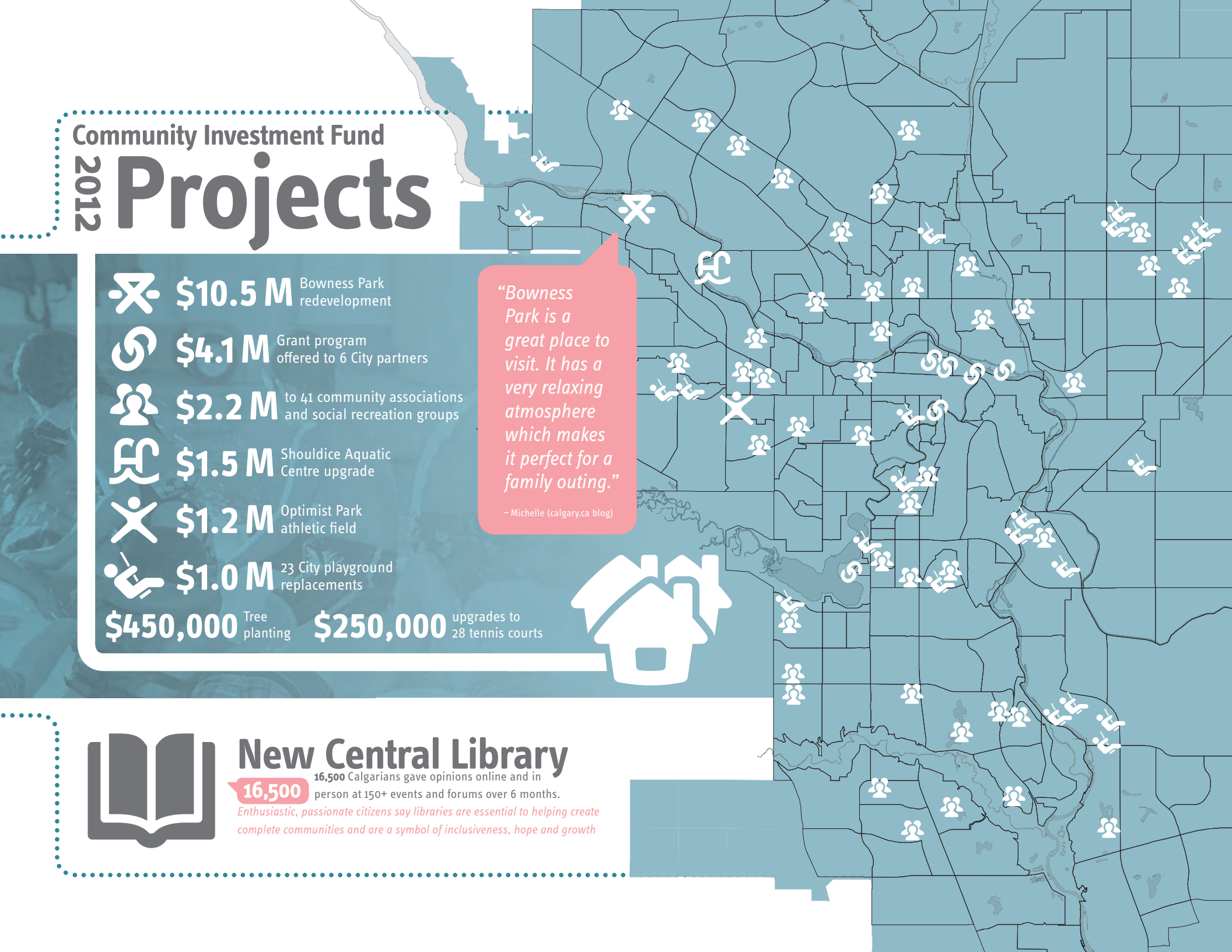
$1.0 M 23 City playground replacements

$450,000 Tree planting

$250,000 upgrades to 28 tennis courts

"Bowness Park is a great place to visit. It has a very relaxing atmosphere which makes it perfect for a family outing."

– Michelle (calgary.ca blog)



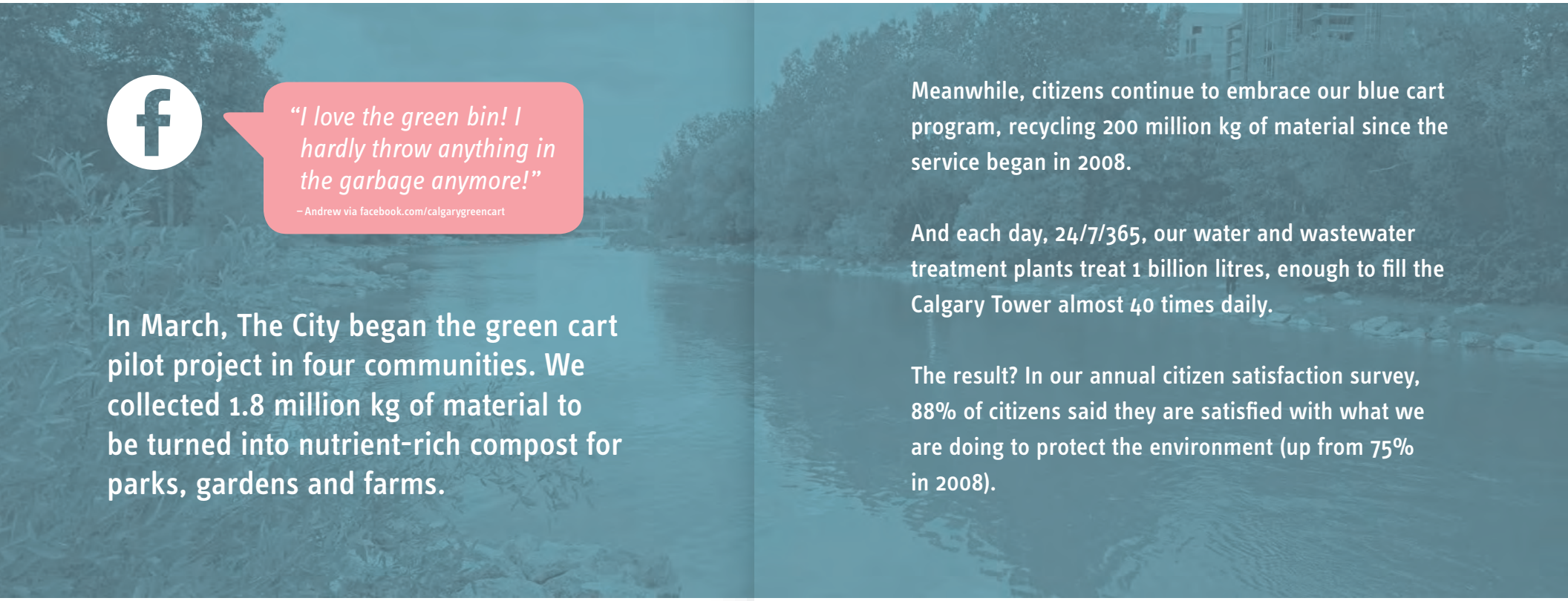
New Central Library

16,500 Calgarians gave opinions online and in person at 150+ events and forums over 6 months.

Enthusiastic, passionate citizens say libraries are essential to helping create complete communities and are a symbol of inclusiveness, hope and growth

Environment

We take great pride in protecting public health and the environment. In 2012, Calgarians continued their strong support for City programs designed to conserve and enhance our air, land and water.



"I love the green bin! I hardly throw anything in the garbage anymore!"

– Andrew via facebook.com/calgarygreencart

In March, The City began the green cart pilot project in four communities. We collected 1.8 million kg of material to be turned into nutrient-rich compost for parks, gardens and farms.

Meanwhile, citizens continue to embrace our blue cart program, recycling 200 million kg of material since the service began in 2008.

And each day, 24/7/365, our water and wastewater treatment plants treat 1 billion litres, enough to fill the Calgary Tower almost 40 times daily.

The result? In our annual citizen satisfaction survey, 88% of citizens said they are satisfied with what we are doing to protect the environment (up from 75% in 2008).

89% of participants are satisfied with the green cart program

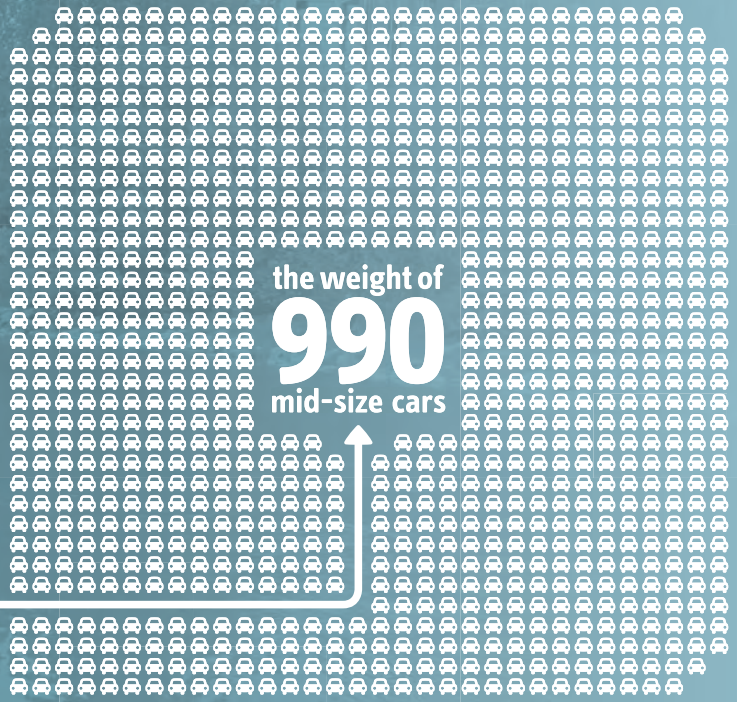
91% of participants support extending the green cart service city-wide

Green Cart Pilot Project

1.8 M kg of material diverted from the landfill

40% reduction in garbage collected from pilot communities compared to those without green carts

the weight of **990** mid-size cars

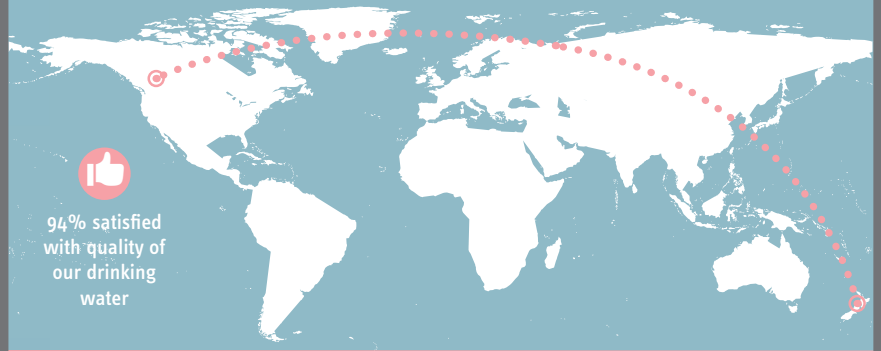


Counting On Our Water

The City of Calgary manages the quality and delivery of our water supply – from the river, to our taps and back to the river

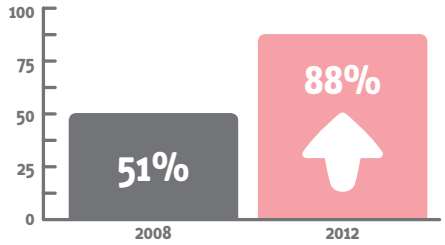
12,000+ km of underground pipe operated/ maintained by The City*

Water is tested **110,000** times annually



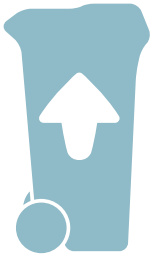
94% satisfied with quality of our drinking water

*The approximate distance between Calgary and Wellington, New Zealand



88% Satisfied with City-operated recycling programs (up from 51% in 2008)

70% increase in recycling material collected since 2009



94% satisfied with garbage collection

11.5 million blue carts picked up in 2012

15 million black carts picked up in 2012

Financial Information

ISC: UNRESTRICTED

Introduction

The City of Calgary 2012 Annual Financial Report contains the audited consolidated financial statements prepared in accordance with principles and standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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 (debt), 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 (depreciation), plus the change in the net value of government business enterprises),
- 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 (debt) (a reconciliation between the net revenues earned in the year to the change in net financial assets (debt). This statement shows the net revenues, with a reversal of the non-cash accruals for depreciation and sale of assets, less donated assets and the spending to acquire new capital assets in the year. The change in net financial assets (debt) is an indicator of whether revenues raised in the year were sufficient to cover the spending in the year).

The City of Calgary Administration is responsible for preparing the following financial statement discussion and analysis (FSD&A). It should be read in conjunction with the audited consolidated financial statements and 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 2012, The City of Calgary was able to implement its business plans and budgets essentially as expected. The City enters 2013 with two years remaining of a three-year plan reflecting its long-term goals, but it continues to monitor its financial performance carefully so that it can address any local effects should the recovery from the global economic downturn weaken. These issues are touched on in the risk management and outlook sections at the end of the FSD&A, following the financial analysis of 2012.

In 2012, as part of on-going usage and refinement of evolving capital asset accounting and management systems, certain assets were physically verified. The resulting information provided more accurate information regarding certain asset estimations recognized when the Tangible Capital Assets standards were adopted in 2009. These asset balances primarily consisted of Parks land and land improvements, Parks and Water engineered structures, machinery & equipment, and buildings.

Economic Environment

Economic growth in the Calgary Economic Region was about 3.3% in 2012, while Calgary's population increased by 2.7%.

	2012	2011	Change
Calgary			
Population (April census)	**1,120,225**	1,090,936	+2.7%
Employment [1]	**659,921**	635,204	+3.9%
Residential housing starts	**10,301**	7,726	+33.3%
Building permit applications	**16,613**	15,550	+6.8%
Building permit value ($ billions)	**$4.475**	$4.538	–1.4%
Calgary Census Metro Area			
CPI inflation rate	**1.0%**	2.2%	–54.5%
Calgary Economic Region			
Unemployment rate	**4.8%**	6.2%	–22.6%

sources: see schedule of demographic and other information on page 107 except:
1. Estimated by The City of Calgary – Corporate Economics based on Statistics Canada Labour Force Survey.

Population growth from April 2011 to April 2012 was 29,289 (2.7%) compared to 19,421 (1.8%) for the year ending April 2011. The annual rate of population growth is estimated at 1.7% over the next ten years.

Population and economic growth forecasted for 2012 will continue to drive demand for more infrastructure and services from The City.

Financial Highlights

Revenues and Expenses

The City had consolidated revenues of $3.224 billion in 2012 before external transfers for infrastructure (grants and revenue sharing from other governments plus funds and tangible capital assets from developers totaling $823.3 million) (2011 – $2.967 billion, before external transfers of $776.2 million).

City consolidated expenses were $2.959 billion before net ENMAX adjustments of $49.2 million (2011 – $2.911 billion, before net ENMAX adjustments of $30.5 million). Included in expenses is depreciation in the amount of $522 million (2011 – $413 million) as the estimated annual cost of owning and using The City's capital assets.

For 2012, net revenues including external contributions to infrastructure of funds and tangible capital assets totalled $1.088 billion (2011 – $0.832 billion).

Operating budgets were exceeded for both revenues and expenses, once again contributed to by greater than anticipated growth and demand for municipal services. Capital and Operating reserves were increased as a result of the revenues increasing more than the expenses.

Consolidated Financial Position

As at December 31 (in thousands of dollars)	**2012**	2011
A. Financial Assets	**$5,407,521**	$4,831,572
B. Liabilities	**5,267,439**	5,009,322
C. Net Financial Assets (Debt) (A minus B)	**140,082**	(177,750)
D. Non-Financial Assets	**13,052,859**	12,233,230
E. Accumulated Surplus (C plus D)	**13,192,941**	12,055,480

The City's financial position increased primarily due to the increase in its investment in ENMAX, and increases in investment balances, partially offset by increases in debt and other liabilities. The City's net financial assets (debt) increased by $318 million (2011 – $235 million) primarily as a result of the acquisition of capital assets, including donated assets of $1.360 billion (2011 – $1.473 billion), net revenues of $1.137 billion (2011 – $0.801 billion), non-cash charges for amortization of $522 million (2011 – $413 million) and an increase in debt proceeds, net of debt principal repayments of $192 million (2011 – $283 million). The net increase in net financial assets (debt) reflects primarily the increase in investment balances, and also the increase in the equity in ENMAX.

The City's accumulated surplus (net total assets) increased by $1.137 billion (9.4%) in 2012, primarily from the net increase in physical assets (purchased and donated) of $0.820 billion partially offset by a net increase in debt of $192 million, as well as reflecting an increase in the equity in ENMAX of $218 million.

The long-term debt component of liabilities (including self-supported and excluding ENMAX) increased by $192 million to $3.421 billion

The City's long-term debt ratings were affirmed at AA+ by Standard and Poors and AA (high) by Dominion Bond Rating Service in 2012.

Cash Flow

The City's cash and cash equivalents decreased by $13.7 million to $47 million while investments increased by $376 million to $2.709 billion. The increase in investments largely reflects the collection of property taxes, and increases in various grant investment balances to fund capital projects, and increases in other capital and operating reserves.

Cash provided by operating activities

In 2012, cash provided by operating activities was $1.237 billion, compared to $0.911 billion in 2011. This increase was driven primarily by a higher annual surplus resulting from higher net taxes available for municipal purposes, higher sales of goods and services, and higher equity in earnings of ENMAX.

Cash used in capital activities

Cash used in capital activities was $1.094 billion, compared to $1.274 billion in 2011, and includes:

- Additions to capital assets of $1.124 billion;
- Additions to land receivable of $0.2 million;
- Proceeds from sale of tangible capital assets of $29.8 million.

Cash used in investing activities

Cash used in investing activities was $320.4 million, compared to $80.7 provided by investing activities in 2011, and includes:

- Net purchases of investments of $376.4 million;
- Dividends from ENMAX Corporation of $56.0 million.

Cash provided by financing activities

Cash provided by financing activities was $164.1 million, compared to $283.7 million in 2011, and includes:

- Proceeds from long-term debt issued of $436.6 million;
- Long-term debt repayments of $245.0 million;
- Net decrease in bank indebtedness of $27.5 million.

Financial Analysis Review

Revenues – Budget to Actual Comparison

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

	Budget 2012	Actual 2012	Favourable/ (Unfavourable)
Net taxes available for municipal purposes	$ 1,520,066	**$ 1,593,447**	$ 73,381
Sales of goods and services	1,026,373	**1,028,539**	2,166
Government transfers and revenue sharing agreements			
Federal	7,132	**6,117**	(1,015)
Province of Alberta	106,472	**117,974**	11,502
Investment income	42,631	**41,753**	(878)
Fines and penalties	64,269	**75,477**	11,208
Licences, permits and fees	84,707	**90,938**	6,231
Miscellaneous revenue	13,893	**44,389**	30,496
Equity in earnings of ENMAX	207,600	**225,038**	17,438
Total revenues (before external transfers for infrastructure)	$ 3,073,143	**$ 3,223,672**	$ 150,529
Developer contributions	$ 224,083	**$ 96,396**	$ (127,687)
Government transfers related to capital	1,123,500	**490,743**	(632,757)
Developer contributions-in-kind related to capital	–	**236,179**	236,179
Total external transfers for infrastructure	$ 1,347,583	**$ 823,318**	$ (524,265)

Total City revenues (before external transfers for infrastructure) were approximately 5% greater than budgeted for 2012, mainly as a result of greater than anticipated net municipal taxes, sales of goods and services, higher provincial government transfers and revenue sharing, fines and penalties, licences, permits and fees, higher miscellaneous revenue, and higher equity earnings of ENMAX.

Net taxes available for municipal purposes was approximately 5% higher than budgeted primarily due to lower property tax cancellations ($23.3 million), lower business tax cancellations ($14.7 million), favourable growth in business assessment and supplementary tax revenue ($4.8 million), continued stability in the Calgary real estate market and higher revenue in lieu of taxes ($27.8 million).

Sales of goods and services were approximately 1% higher than budgeted due to higher sales of affordable housing and land resulting from favourable market conditions. There was also higher transit revenue resulting from higher ridership, partially offset by lower water consumption due to the effectiveness of water conservation programs.

Government transfers and revenue sharing agreements were approximately 9% higher than budgeted primarily due to higher Provincial funding related to housing initiatives and disaster recovery.

Fines and penalties were approximately 17% higher than budget due to a greater number of delinquent tax accounts and higher levels of service and newly created enforcement related to Transit and Police.

Licences, permits and fees were approximately 7% higher than budget as a result of increased activity and growth in development and building permit acquisitions, partially offset by an unfavorable variance due to the vehicle registry lookup project not implemented by the province.

Miscellaneous revenue was approximately 219% higher due to a variety of items, primarily increased transactions with associated parties, and higher recoveries from third parties, including for damage caused to City property.

Equity in earnings of ENMAX was approximately 8% higher than budgeted primarily as a result of higher earnings from discontinued operations and lower amortization expense, partially offset by foreign exchange losses.

City revenues related to infrastructure were lower than budgeted for 2012 mainly as a result of the Municipal Sustainability Initiative (MSI) agreement, introduced by the Province of Alberta in 2007-08 as a commitment to Calgary over a ten-year period. Due to the substantial change in provincial revenues, the Alberta government in its 2010-11 budget changed the terms and conditions for MSI funding, to extend the same amount of total funding over a longer time period.

Developer contributions were approximately 57% below budget due to differences in the estimates of anticipated acreage assessments used during the year.

Government transfers related to capital were approximately 56% lower than budgeted primarily due to unanticipated changes in timing of grant receipts for the Municipal Sustainability Initiative ($388 million), the Alberta Municipal Infrastructure Program ($67 million), and the Fuel Tax Rebate ($64 million).

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

Expenses – Budget to Actual Comparison

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

	2012 Budget (excluding Depreciation)	2012 Actual Depreciation Expense	2012 Actual (excluding Depreciation)	Favourable/ (Unfavourable)***
Police	$ 397,487	$ 16,286	$ 394,640	$ 2,847
Fire	229,974	14,105	231,898	(1,924)
Public transit	346,983	79,576	358,829	(11,846)
Roads, traffic and parking	213,908	135,141	219,940	(6,032)
Water services and resources	353,877*	91,845	290,732	63,145
Waste and recycling services	103,611	7,718	103,316	295
Community and social development	56,725	482	55,085	1,640
Social housing	127,731	2,798	110,386	17,345
Parks and recreation facilities	187,690	79,001	132,141	55,549
Societies and related authorities	52,034	458	68,135	(16,101)
Calgary Public Library Board	47,537	6,597	45,598	1,939
General government	264,168	36,067	228,580	35,588
Public works	194,016**	28,700	148,292	45,724
Real estate services	104,583	23,010	49,390	55,193
	$ 2,680,324	$ 521,784	$ 2,436,962	$ 243,362

* Includes depreciation expense of $66.3 million
** Includes depreciation expense of $29.5 million for Fleet Services
*** Excludes depreciation, except as noted above

Expenses were higher than budget, primarily for unbudgeted amortization charges of $522 million. Given 2009 was the first year of adoption of the new Tangible Capital Assets standards (PS 3150), The City has yet to integrate these new standards for budget preparation, and so amortization charges for most tax supported assets are not included in the budget process. The following variance explanations have been prepared excluding the impact of depreciation expense. Other expenses above budget include fire, transit, roads and social housing and societies and related authorities, offset by lower than budgeted amounts in police, water services and resources, community and social development, social housing, parks and recreation, Calgary Public Library Board, general government, public works and real estate services.

The following variance explanations exclude the impact of depreciation expense.

Public transit was approximately 3% higher than budgeted due primarily to increased service hours and higher than expected overtime due to weather and traffic conditions, and higher building and fleet maintenance costs, partially offset by higher than expected recoveries for insurance claims.

Roads, traffic and parking were approximately 3% higher than budgeted due primarily to higher salaries and wages resulting from increased road maintenance, higher snow and ice control and street cleaning activities as a result of higher snowfall and more activity in paving and streetlight requests, partially offset by savings in vehicle registry lookup fees (not implemented by province), lower property tax expense due to lower assessed values on business unit buildings, and fuel savings due to better than expected mileage for fleet vehicles.

Water services and resources was approximately 18% lower than budgeted due to lower interest expense resulting from lower debt incurred as a result of lower than anticipated capital expenditures, savings from lower salaries and wages from vacant positions, and lower chemical usage due to decommissioning fluoride in drinking water.

Social housing was lower than budgeted by approximately 14% due primarily to lower cost of sales than budgeted for one project, partially offset by higher move-out repair and maintenance costs.

Parks and recreation facilities were approximately 30% lower than budgeted costs due to changes in estimates applied to Tangible Capital Asset opening balances, partially offset by higher limited term staff costs.

Societies and related authorities expenses were approximately 31% higher than budget due to higher than anticipated capital transfers for related authorities.

General government expenses includes the costs of Council, City Manager, Chief Financial Officer, City Auditor, City Clerk's, Law, Customer Service & Communications, Finance & Supply, Human Resources and Information Technology. Expense were approximately 13% lower than budgeted due primarily to lower employee benefit liability, lower provisions for corporate contingencies including fuel and utilities, partially offset by higher corporate costs for contingent legal claims, and higher interest expense due to higher debt repayment balances.

Public works was approximately 24% lower than budgeted due primarily to lower capital activity than planned, lower materials and supplies expenses due to lower "plus 15" construction activity than planned and increased transactions with associated parties.

Real estate services expenses were approximately 53% lower than budget due to lower capital activity than planned, partially offset by higher cost of land sales.

Revenues – Comparison to Prior Year

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

	Actual 2012	Actual 2011	Increase/ (Decrease)
Net taxes available for municipal purposes	**$ 1,593,447**	$ 1,467,317	$ 126,130
Sales of goods and services	**1,028,539**	966,413	62,126
Government transfers and revenue sharing agreements			
Federal	**6,117**	6,418	(301)
Provincial	**117,974**	118,512	(538)
Investment income	**41,753**	43,980	(2,227)
Fines and penalties	**75,477**	69,680	5,797
Licences, permits and fees	**90,938**	74,527	16,411
Miscellaneous revenue	**44,389**	35,319	9,070
Equity in earnings of government business enterprises	**225,038**	184,581	40,457
Total revenues (before external transfers for infrastructure)	**$ 3,223,672**	$ 2,966,747	$ 256,925
Developer contributions	**$ 96,396**	$ 55,220	$ 41,176
Government transfers related to capital	**490,743**	532,865	(42,122)
Developer contributions-in-kind related to capital	**236,179**	188,071	48,108
Total external transfers for infrastructure	**$ 823,318**	$ 776,156	$ 47,162

The increase between current and prior year revenues include property tax base growth and rate increases.

Net taxes available for municipal purposes was approximately 9% higher than 2011 as a result of a property tax rate increase, growth in both property tax and business tax assessment bases, decreased property tax cancellations and an increase in the Community Revitalization Levy due to higher development activity. In addition, 2012 increases were driven by higher ENMAX access fees resulting from higher electricity prices and energy sales. This was partially offset by decreased franchise fees resulting from lower natural gas prices in 2012 compared to 2011.

Sales of goods and services was approximately 6% higher in 2012 primarily as a result of higher land sales, increases in the sales revenue of water services and resources resulting from a rate increase, as well as the minor effects of population growth, and higher transit revenue due to increased ridership, partially offset by lower industrial land sales.

Fines and penalties were approximately 8% higher than 2011 due primarily to higher levels of service and enforcement related to Transit and Police.

Licences, permits and fees were approximately 22% higher than prior year due primarily to increased activity and growth in development and building permit acquisitions.

Miscellaneous revenue was approximately 26% higher than 2011 due primarily to increased transactions with associated parties.

Equity in earnings of government business enterprises was higher by approximately 22% due to overall earnings of ENMAX in 2012.

Developer contributions were approximately 75% higher than the prior year primarily due to higher acreage assessment rates which were introduced in 2012.

Government transfers related to capital were approximately 8% lower than the prior year primarily due to a decrease in the use of MSI funding received, lower contributions from the Fuel Tax Grant program recognized, and lower one-time provincial grant revenue than 2011, partially offset by higher federal grant funding related to stimulus activities.

Developer contributions-in-kind related to capital were approximately 26% higher than 2011 due to the timing of completion of developer donated assets.

Expenses – Comparison to Prior Year

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

	Actual 2012	Actual 2011	Increase/ (Decrease)
Police	**$ 410,926**	$ 384,396	$ 26,530
Fire	**246,003**	233,265	12,738
Public transit	**438,405**	391,456	46,949
Roads, traffic and parking	**355,081**	362,113	(7,032)
Water services and resources	**382,577**	362,259	20,318
Waste and recycling services	**111,034**	94,476	16,558
Community and social development	**55,567**	56,736	(1,169)
Social housing	**113,184**	106,174	7,010
Parks and recreation facilities	**211,142**	263,844	(52,702)
Societies and related authorities	**68,593**	84,077	(15,484)
Calgary Public Library	**52,195**	51,367	828
General government	**264,647**	277,138	(12,491)
Public works	**176,992**	186,081	(9,089)
Real estate services	**72,400**	57,690	14,710
	$ 2,958,746	$ 2,911,072	$ 47,674

Other than general inflation which applies to all items below, most increases from 2011 to 2012 were growth-related in various services, and increases in depreciation given infrastructure growth in the last few years, including:

Police expenses were approximately 7% higher than in 2011 from new positions for growth, including new positions offset in provincial funding revenues and higher overtime due to initiatives to combat organized crime and gang activity, partially offset by reduced expenses resulting from the move to the Westwinds Campus.

Fire increase of approximately 5% in expenses in 2012 includes costs associated with filling vacant positions and wage settlements, and higher fuel, building and vehicle maintenance costs, partially offset by lower supply costs due to lower duty gear and uniform supply purchases.

Public transit costs were approximately 12% higher than 2011 due primarily to higher labour, fuel, oil, maintenance and utility costs due to additional transit service in 2012.

Roads, traffic and parking decreased by approximately 2% from the prior year due primarily to fewer transactions with associated parties, and lower property taxes resulting from lower assessed property values for the Calgary Parking Authority, partially offset by higher labour costs due to fewer vacancies.

Water services and resources were approximately 6% higher due primarily to higher costs for staffing and biosolids removal, and general inflationary increases, partially offset by lower chemical costs resulting from the decommissioning of fluoride use in 2012.

Waste and recycling services were approximately 18% higher than prior year due primarily to consulting costs associated with environmental management and higher maintenance costs associated with a growing and aging vehicle fleet, partially offset by adjustments to the provision for landfill rehabilitation.

Social housing increased from the prior year by approximately 7% due primarily to increased activity in social housing, partially offset by higher labour costs resulting from fewer vacancies.

Parks and recreation facilities decreased by approximately 20% primarily due to capital grants to civic partners, which can vary from year to year, and lower contract and general services expenses, partially offset by increased building, machinery and equipment maintenance expenses.

Societies and related authorities expenses include transfer payments to third parties for capital projects, which can vary in amount from year to year. 2012 transfers for capital projects were approximately $15 million lower than those made in 2011.

General government was approximately 5% lower than 2011 primarily due to lower contingencies, lower interest expense resulting from lower debt balances, and slightly lower insurance costs. This was partially offset by general inflationary increases.

Public Works was approximately 5% lower primarily due to reduced expenditures on vehicle acquisitions, partially offset by higher labour costs resulting from increases in limited term staff positions and fewer vacancies than in 2011, higher contractual expenses related to abandoned sites, and higher lease costs.

Real estate services were 26% higher than 2011 primarily as a result of increased transactions with associated parties, higher facility operation costs, and higher cost of land sales, partially offset by lower land acquisition costs.

Tangible Capital Assets

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

	2012 Net book value	2011 Net book value	Increase/ (Decrease)
Land	**$ 1,918,072**	$ 1,652,648	265,424
Land Improvements	**541,801**	467,019	74,782
Engineered Structures	**7,598,737**	6,242,539	1,356,198
Buildings	**1,082,467**	967,421	115,046
Machinery and Equipment	**341,547**	321,519	20,028
Vehicles	**673,633**	673,556	77
	12,156,257	10,324,702	1,831,555
Work in Progress			
Land	**28,327**	224,351	(196,024)
Construction	**797,569**	1,620,706	(823,137)
Tangible capital assets	**$ 12,982,153**	$ 12,169,759	$ 812,394

During 2012, The City spent $1.124 billion on capital projects (2011 – $1.285 billion), which included $0.983 billion for tax-supported projects (2011 – $1.099 billion). Spending on capital projects was primarily on LRT projects including the West LRT project and platform enhancements; roads and bridges; various land and buildings acquisitions and betterments, and a regional recreation centre.

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 of machinery and equipment. Donated assets (related to waterworks 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 $236.2 million (2011 – $188.1 million).

Significant Trends

Revenues (before external transfers for infrastructure)

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

	Actual 2012	Actual 2011	Actual 2010 (restated)	Actual 2009 (restated)	Actual 2008[1] (restated)
Net taxes available for municipal purposes	**$ 1,593,447**	$ 1,467,317	$ 1,343,960	$ 1,292,408	$ 1,223,187
Sales of goods and services	**1,028,539**	966,413	907,229	861,126	781,437
Government transfers					
Federal	**6,117**	6,418	6,941	9,506	8,202
Provincial	**117,974**	118,512	158,748	165,753	111,098
Equity in earnings of government business enterprises [1]	**225,038**	184,581	177,819	206,034	181,994
Investment income	**41,753**	43,980	40,507	40,486	57,873
Fines and penalties	**75,477**	69,680	67,324	60,075	56,156
Licences, permits and fees	**90,938**	74,527	70,739	69,061	77,700
Miscellaneous revenue	**44,389**	35,319	35,625	46,343	35,751
Total revenues (before external transfers for infrastructure)	**$ 3,223,672**	$ 2,966,747	$ 2,808,892	$ 2,750,792	$ 2,533,398

Note 1: 2008 is not restated for the change in accounting for the Calgary TELUS Convention Centre from the modified equity method to fully consolidated.

The comparisons between current and prior year revenues largely reflect rate and growth-related increases.

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 can affect this revenue.

Sales of goods and services has generally increased due to growth and rate increases. In 2012, water and wastewater rates were increased by 7.6% and 13.5% respectively, which combined with an increase in population, contributed to an increase of approximately $42 million over 2011. In addition, increased transit ridership resulted in a year-over-year increase of approximately $18 million. A significant non-industrial land sale contributed to higher revenue in 2012, offset by lower industrial land sales activity than realized in 2011.

Government transfers (Provincial) decreased slightly in 2012, partially offset by one time provincial grant revenue of $4.2 million was received for affordable housing in 2012. No provincial grant revenue for affordable housing was received in 2011. Additional one-time grants for affordable housing received in prior years include $38 million in 2010, compared to $48 million in 2009.

Equity in earnings of government business enterprises comprises the net equity increase in The City's two government business enterprises: ENMAX and The Calgary Telus Convention Centre, until 2008, and only ENMAX for 2009 to 2012. The increase in 2009 is primarily a result of the growth in ENMAX. In 2010 and 2011, ENMAX did not experience the same growth rate as in previous years. In 2012, ENMAX experienced higher revenues as a result of increased rates for electricity.

Investment income had been increasing until 2009 as a result of increasing balances in reserves and capital deposits dedicated to specific capital projects. 2009 to 2011 experienced much lower interest rates, decreasing the amount of investment income earned in each of these years. Investment income resumed a favourable trend in 2011 due primarily to better investment performance and increased investment balances over the year. In 2012, investment income was consistent with prior years, partially offset by higher transactions with an associated party.

Licences, permits and fees reflects the building permit revenues driven by Calgary's growth, which increased through to 2008 but declined somewhat in 2009 and has remained relatively steady in 2010 and 2011. In 2012, revenue increased as a result of increased activity and growth in development and building permit acquisitions.

Miscellaneous revenue has increased for 2012 due primarily to increased transactions with associated parties, after remaining stable through 2011 and 2010. 2009 experienced an unusually high gain on sale of $22.4 million. Increases over 2008 are as a result of certain capital asset sales not being restated under the new Tangible Capital Assets reporting changes.

Liquidity and Debt

Financial Position – Net Financial Assets (Debt)

As at December 31 (in thousands of dollars)

	Actual 2012	Actual 2011	Actual 2010 (restated)	Actual 2009 (restated)	Actual 2008[1] (restated)
FINANCIAL ASSETS					
Cash and cash equivalents	**$ 47,429**	$ 61,172	$ 60,359	$ 54,064	$ 68,927
Investments	**2,709,358**	2,333,003	2,358,079	2,218,939	1,958,122
Receivables	**209,350**	230,247	237,469	224,490	242,054
Land inventory	**249,499**	243,109	244,595	241,017	243,874
Other assets	**29,899**	20,310	20,329	10,395	11,231
Investment in government business enterprises [1]	**2,161,986**	1,943,731	1,845,250	1,744,464	1,604,361
	5,407,521	4,831,572	4,766,081	4,493,369	4,128,569
LIABILITIES					
Bank indebtedness and short-term borrowing	**30,385**	57,922	57,470	56,518	76,371
Accounts payable and accrued liabilities	**648,205**	639,457	574,002	574,820	506,466
Deferred revenue	**59,089**	57,934	54,268	64,189	67,567
Capital deposits	**687,310**	639,567	713,477	613,498	583,436
Provision for landfill rehabilitation	**60,100**	56,100	54,400	12,100	11,500
Employee benefit obligations	**361,810**	329,455	309,138	278,994	248,339
Long-term debt	**3,420,540**	3,228,887	2,945,662	2,461,850	1,959,231
	5,267,439	5,009,322	4,708,417	4,061,969	3,452,910
NET FINANCIAL ASSETS (DEBT)	**$ 140,082**	$ (177,750)	$ 57,664	$ 431,400	$ 675,659

Note 1: 2008 is not restated for the change in accounting for the Calgary TELUS Convention Centre from the modified equity method to fully consolidated.

From 2008 to 2011 net financial assets (debt) declined primarily as a result of the annual increase in long-term debt required to fund infrastructure. In 2012, net financial assets (debt) increased by approximately $318 million due primarily to increases in The City's investment in ENMAX, and increases in liquid assets. These liquid 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), capital deposits that must be spent on specific types of capital, and employee benefit obligations.

Long-Term Debt

As at December 31 (in thousands of dollars)

	2012	2011	2010	2009	2008
Opening Balance	**$ 3,228,887**	$ 2,945,662	$ 2,476,075	$ 1,967,939	$ 1,696,323
Increase (Decrease)					
Tax-supported	**(46,991)**	(28,061)	(14,020)	(37,342)	(22,663)
Self-sufficient tax-supported	**238,514**	247,643	308,000	266,000	40,000
Self-supported	**130**	63,643	175,607	279,478	254,279
Net Increase during the year	**191,653**	283,225	469,587	508,136	271,616
Closing balance	**3,420,540**	3,228,887	2,945,662	2,476,075	1,967,939
ENMAX debt in The City's name	**827,828**	732,877	631,494	516,852	438,586
Total debt attributable to The City	**$ 4,248,368**	$ 3,961,764	$ 3,577,156	$ 2,992,927	$ 2,406,525

In 2012, Standard & Poor's affirmed The City's long-term debt rating at AA+ and commercial paper rating of A-1+ reflecting the city's very strong economic performance and growth prospects; strong budgetary results; healthy cash and investment balances; manageable debt; and the significant and committed funding support The City receives from other orders of government. DBRS Limited also maintained The City's long-term debt notional rating at AA (high) and The City's commercial paper rating at R-1 (high). These excellent independent ratings reflect Calgary's strong economy, financial policies/practices and approval of three-year business plans and budgets.

The City of Calgary 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.

In 2006, Council approved 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;
- Self-supported – debt 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 2002 capital financing policy allows for increasing the tax-supported debt outstanding as long as annual debt servicing charges do not exceed 10% 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. However, increasing self-supported debt may be a constraint.

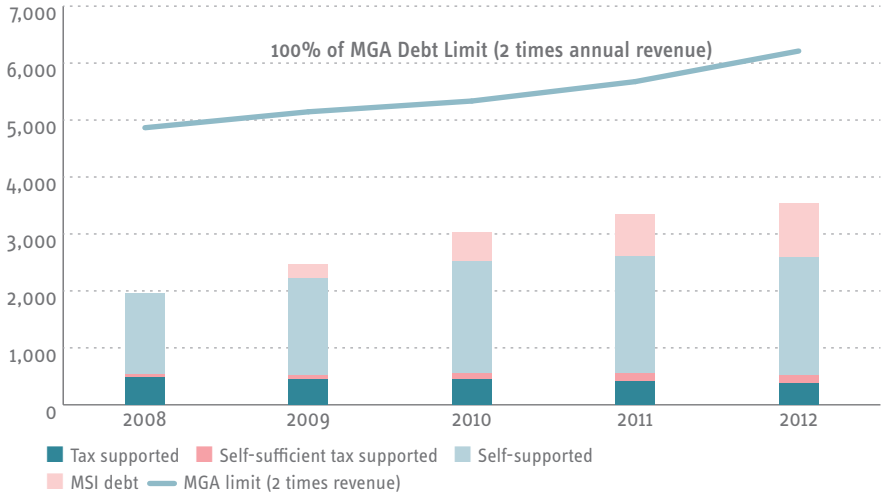
In 2012, $8.9 million in new tax-supported debt (debt that is repaid using tax revenues and is the long-term debt used in tax-supported areas) was obtained to finance growth-related projects, which was $46.9 million less than tax-supported debt repayments. The City's tax-supported long-term debt was $361.5 million as at December 31, 2012. The ratio of debt servicing charges to tax-supported gross expenditure (net of recoveries) was 4.2% (including MSI), which is well within The City's 10% policy limitation. $350 million of additional tax-supported debt capacity, approved by Council in 2002, is fully committed.

In 2006, Council approved a further $75 million per year for 2007-2008 for self-sufficient tax-supported debt in anticipation of possible funding requirements for new projects such as The Rivers Community Revitalization Plan. 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 Government's Municipal Sustainability Initiative (MSI). In 2008, Council authorized $100 million per year, in each of the next five years, of self-sufficient, tax-supported debt for self sustaining projects (e.g. Calgary Municipal Land Corporation projects). As at December 31, 2012, the Calgary Municipal Land Corporation has borrowed a total of $150.2 million. In 2009, Council also approved a maximum debt of $1 billion to provide bridge financing for MSI-funded projects. As at December 31, 2012, The City has borrowed a total of $950.0 million for these projects. Additional bridge financing for MSI-funded projects was approved in 2011, bringing the total amount of bridge financing to approximately $1.6 billion.

Also in 2012, $212.6 million in new self-supported debt (self supported debt, primarily related to Water Services & Resources, is debt repaid from sources excluding the tax-supported portion of The City's budget, such as fees for services, levies on user fees, or local improvement levies) was obtained, and new borrowing exceeded debt repayments by $25.0 million, bringing the total self-supported debt up to $1.959 billion (excluding $827.8 million in debt attributable to ENMAX).

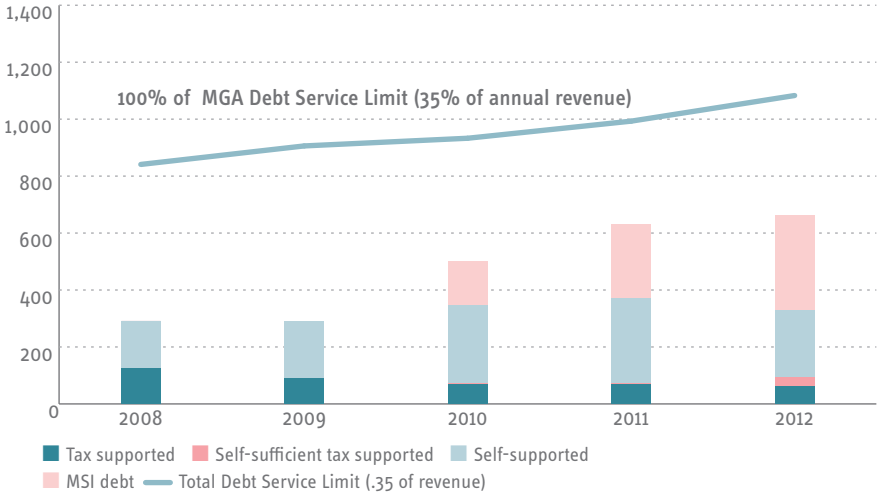
The Municipal Government Act (MGA) requires The City comply with two separate debt related limits which are expressed as a percentage of revenue. The MGA Debt Limit stipulates the maximum amount of debt principal that The City can have outstanding, including loan guarantees, and is calculated at two times revenue. Chart A below projects The City's total historical outstanding debt from 2008 to 2012. It indicates that as at December 31, 2012 The City had used 58% of its MGA debt limit.

Chart A – The City of Calgary's historic debt levels 2008 – 2012



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% of revenue. For MSI bullet debt, the total principal and interest is recognized as debt servicing in the year the debt matures. Chart B below shows The City's Debt Servicing Charges and indicates that 61% of the MGA debt service limit has been used to the end of 2012.

Chart B – Debt Service Limit vs. Debt Servicing Charges (Principal and Interest) 2008 – 2012



In 2002, City Council approved a target for City tax-supported debt service as a percentage of City tax-supported gross expenditures (net of recoveries) to not exceed 10%. This ratio differs from the MGA debt limits which includes all debt. The City is expected to exceed this ratio for several years due to debt associated with MSI bridge financing.

Debt associated with MSI bridge financing will move us towards the limits of The City's debt capacity. However, Administration monitors and reports on an internal maximum level of 80%, as well as the mandated 100% maximums of the MGA limits, ensuring that The City has a sufficient cushion of debt capacity room available to provide financial flexibility.

Reserves

As at December 31 (in thousands of dollars)

	2012	2011	2010	2009	2008 (restated)
	$ 1,297,791	$ 1,131,968	$ 1,017,747	$ 958,433	$ 862,290

The reserve balances totaled $1.298 billion at the end of 2012 (2011 – $1.132 billion). The net increase was primarily the result of transferring funds to the Community Investment Reserve as a result of The City taking up vacated provincial property tax room resulting in a projected cash flow of approximately $42 million annually. In addition, there were increases in the Fiscal Stability Reserve, and reserves for major capital projects and real estate, partially offset by reductions in funds for corporate housing and debt servicing.

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 process to ensure each reserve is reviewed for necessity and sufficiency at least once during a three year cycle. This review will include ensuring that required funds are available, outdated reserves are closed and the level of funding is not higher than necessary. During 2012, the second year of the current triennial review period, City staff undertook a review of 18 reserves, representing approximately one-third of all reserves' balances as of December 31, 2012. Findings and recommendations of the review were approved by Council in December 2012.

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, 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, used to fund capital expenses.
- Sustainment reserves, 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 reserves are the Reserve for Future Capital (2012 – $271.9 million; 2011 – $255.5 million) which funds capital projects and the Fiscal Stability Reserve (2012 – $295.0 million; 2011 – $240.9 million) which is a contingency reserve for urgent situations with significant financial implications and is also used to fund one-time operating costs.

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 City 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. In addition to the corporate-wide IRM framework, there are specific risk management processes in place that are presented below.

Economic Monitoring

The City of Calgary was not as materially impacted by the recent worldwide economic downturn as many other organizations. However, the local economy is still potentially vulnerable to the impact of external economic pressures due to differing rates of recovery in the global economy, volatile crude oil prices and the threat of depressed natural gas prices. In keeping with Council's Integrated Risk Management policy, The City continues to monitor economic conditions and The City's financial status so that Council is informed promptly of any changes requiring adjustment to business plans and budgets.

The economy's impact on provincial government revenues has resulted in deferral of a portion of capital grants to Calgary for infrastructure construction underway and planned for the near future. As a result, Calgary will take on short-term debt until the deferred grant funding is provided in order to continue planned projects, thus avoiding costs of delaying projects and taking advantage of a more favourable construction market. Stable economic activity in 2012 maintained the level of property development within the city, and population and the tax assessment base continues to grow. Natural gas franchise fee revenues were affected by less growth in demand and lower energy prices, but even as recovery continues there is still uncertainty about the direction in the coming year.

Calgary has been buffered from some economic impacts by the fact that its unemployment rate did not increase to as high a level as most jurisdictions and population continued to grow, but it is an integral part of the global economy and will ultimately be affected by worldwide economic conditions.

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 totally 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 a loss that is not covered by any insurance policy.

The City has fully met its current year cash contributions for employee benefit obligations at December 31, 2012. The City sponsored registered and non-registered defined benefit pension plans currently have a total unamortized net actuarial loss of $77.3 million (2011 – $80.6 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 liabilities are greater than the net assets available for benefits. The total deficit at December 31, 2011 for LAPP is $4.6 billion and for SFPP is $609 million. At December 31, 2011 the City of Calgary employees represented approximately 8.4% of the employees in LAPP and 50% of the employees in SFPP. The City, in conjunction with other participating member employers (such as Alberta Health Services, other Alberta municipalities, universities, colleges and school boards) and employees share in funding the future plan deficits through contribution rate increases. The contributions by one 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 provision for increasing LAPP and SFPP contributions in its 3 year budget plans.

Environmental Risk

The City of Calgary employs environmental management professionals to assist business units in achieving and maintaining compliance with environmental laws and regulations. Specifically, City of Calgary business units have implemented Environmental Management Systems (EMS), based on the ISO 14001 international standard. Currently, 11 business units are registered, providing a sound model to effectively deal with environmental impacts associated with The City's activities.

Policies and procedures have been implemented to address environmental concerns involving the purchase, sale and redevelopment of contaminated land. The City has also established an environmental liability assessment program to identify, quantify and manage liability arising from corporately owned contaminated sites, along with measures to address contamination of City lands by others.

Environmental concerns related to corporate capital works projects are managed through the ECO (Environmental Construction Operations) program. 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 reductions are also being developed and implemented for both The Corporation and the community at large. 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 in the futures market 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 fees for using City rights of way (e.g., for natural gas distribution) are based on the amount billed for those services. The City hedges any foreign currency requirements in excess of $250,000 Canadian. At December 31, 2012, The City had U.S. dollar foreign exchange fixed contract arrangements totaling $5.8 million Canadian dollars (2011 – $4.4 million) at exchange rates ranging from 1.00 to 1.02 Canadian dollars for U.S. dollar contracts. During the fiscal year ended December 31, 2012, the various arrangements for foreign merchandise purchases cost The City $0.891 million (2011 – $1.259 million) more than if the arrangements had not been entered into.

ENMAX (The City's Wholly-Owned Subsidiary)

The City of Calgary Electric System was a department of The City until 1998 when its assets, responsibilities and liabilities were transferred to ENMAX Corporation, 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 (wires) 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 substantial City equity holding. In 2011 The City, as shareholder, endorsed the company's 2012 strategic plan. Approvals for capital projects in excess of $30 million are sought separately and explicitly from the shareholder. ENMAX provides The City with annual dividends that are determined by board policy and have been $50 million or more for each of the last nine years.

The Outlook

Calgary Economy and Management of Growth

Calgary's economic prospects are closely connected with the potential impact of external economic pressures. These external pressures from the global economy include: the unstable ongoing European Union financial sovereign debt crisis, the sluggish US economy, and volatile commodity prices. While the local economy appears to be relatively stable, the impact of external economic pressures on our economic growth requires The City of Calgary to stay vigilant.

The Calgary Economic Region (CER) should benefit from strong investment in heavy oil, as it is home to a significant portion of head offices in the energy sector. The CER's gross domestic product (GDP) is expected to grow by 3.0% in 2013, 4.0% in 2014, and 3.7% in 2015. However, economic growth is expected to decline to 3.6% by 2016, as a relatively tight labour market restricts increased production and consumer spending. Total employment in the CER was estimated at 806,300 in 2012, up from 776,100 in 2011 and 755,200 in 2010. The forecast calls for total employment to average 823,000 in 2013 and 846,000 in 2014. The unemployment rate was estimated at 4.8% in 2012, down from 6.2 % in 2011. The unemployment rate is expected to remain at 4.8 % in 2013 and fall to 4.5% in 2014 as employment growth exceeds labour force growth. The latest economic projections paint a generally positive outlook for Calgary, which is expected to continue to outperform other Canadian regions, however, external risks remain requiring ongoing vigilance.

Calgary's economy continued to attract many people from other locations, with net migration to the city in 2012 of approximately 20,000 people. This was a doubling of the net migration seen in 2011 and marked a return to similar levels seen in 2007. With employment growth improving and the unemployment rate returning back to more normal levels, migrants will again be attracted to the local economy, annual net migration is therefore forecasted to average about 14,000 per year over the next five years, which, combined with natural increases will increase population by an average of 24,000 persons (1.7%) per year, a healthy growth rate for a large city.

The rapid swings in economic prospects, from the record growth of 2006-2007 to the slump of 2008-2010, and the current relative stability, have validated the flexibility built into The City's process for strategic and business planning. Council reviews the impacts of current decisions on future budget prospects and gives the Administration clear direction concerning business plans and budgets through its guidelines and decisions. On November 29th, 2011, Council approved The City's 2012–2014 business plans and budgets that form the path that The City of Calgary will take over the next three years, to provide the services and programs expected and valued by Calgarians. In 2012, Council approved a set of adjustments to the 2013 and 2014 operating and capital budgets. The current stable economic and social outlook for Calgary allowed Council to approve adjustments to the most critical areas so as not to exceed the previously approved tax rate. The City will continue to maintain its flexibility to respond to economic, social, environmental and political changes through the annual budget adjustment process. Changes to provincial election legislation will result in four-year terms beginning in October 2013. The City is currently evaluating process changes to ensure that the planning and budgeting cycle remain aligned with Council's term.

The City of Calgary's longer-term perspective carries well beyond its three-year plan. In 2009, Council approved the adoption of new municipal development and transportation plans that will manage future community growth and investment plans for the next 60 years, featuring a balancing of growth between established and new areas of the city. Calgary has also been a major contributor to the Calgary Metropolitan Plan (CMP), completed and approved by the Calgary Regional Partnership (CRP), which includes a comprehensive regional land use plan, a governance strategy and principles for regional servicing. The Metropolitan Plan contemplates the extension of Calgary's water, sewer and transit services to the surrounding region, which will have significant future operational, budgetary and growth management implications. The City is working with the Calgary Regional Partnership (CRP) to establish a governance model for the region to implement the Calgary Metropolitan Plan. In particular, The City is working with the CRP to implement regional servicing and regional transit requirements, as well as further refinement of identified urban growth areas. The Calgary Regional Partnership and its member municipalities adopted amendments to the Calgary Metropolitan Plan in June 2012 designed to ensure the CMP remains relevant to its members, and respond to provincial requirements. The amended CMP was submitted to the Government of Alberta for further consideration in July of 2012. After a cross-ministry review in 2012, the Minister of Municipal Affairs has asked that a government-led mediator be assigned to assist in addressing outstanding issues with the Plan. It is anticipated the Province will approve the CMP in 2013. The City presented an updated long range financial plan to Council in 2011. This document extends The City's financial planning horizon by projecting costs and revenues for a ten year period and provides goals and strategies aimed at favourably influencing The City's long term financial future. An update to this document is expected to be presented to Council in 2014.

Calgary'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 $55 billion (estimated replacement cost) in assets, by integrating multiple asset management systems into a Corporate Asset Management Plan. The City has entered into a 20-year contract for electricity from ENMAX Energy for 2007-2026 with the objective of moving towards 100% "green" energy use. Building on the success of the blue cart recycling program established in 2009, implementation of a more automated collection system for all household garbage began in 2010. In 2011, The City announced a pilot program to test the weekly collection of residential food and yard waste to evaluate its suitability as a city-wide program. In 2012, four Calgary communities began participating in this initiative which resulted in a 42% reduction in garbage collected in these communities. A potential city-wide program is currently being assessed.

Funding Growth and Renewal – Intergovernmental Relations

The City will continue to identify and address Calgary's growth requirements while seeking to obtain the necessary funding to undertake the additional projects required to maintain the social, environmental and economic conditions that Calgarians expect. Intergovernmental relations continue to be critical in allowing The City to respond to the needs of a rapidly growing community. The most substantial funding program is the provincial Municipal Sustainability Initiative (MSI) agreement, introduced by the Province in Alberta in 2007-08 as a commitment totalling $3.3 billion for Calgary over a ten-year period. Due to the substantial change in provincial revenues, the Alberta government in its 2010-11 budget changed the terms and conditions for MSI funding, to extend the same amount of total funding over a longer time period. In recognition that The City of Calgary has made several long-term commitments to major construction projects based on the funding agreement, the Province will allow Calgary to use 7% of its total MSI grant for interest costs on the debt that will need to be borrowed to build the required infrastructure improvements. This ability to front-end capital projects against future cash flows from MSI will enable Calgary to maintain its pace of construction within its infrastructure investment plan. The 2012-2013 Provincial budget continues to support municipalities through the MSI agreement with $2.8 billion allocated over the next three years, the same total as announced in the 2010-11 budget. Calgary's allocation for 2012 was approximately $260 million.

In December 2012, The City received notice from Alberta Transportation confirming advancement of GreenTRIP funding totaling $473 million. Confirmation of the timing and amount of the funding has allowed The City to proceed with several transportation capital projects.

Provincial cooperation also is key to a renewed effort to make housing as affordable as possible, and to reduce the incidence of homelessness in Calgary. Joint City-provincial funding, and partnerships with the development industry, have created an Attainable Home Ownership Program with a goal to create 1,000 housing units on City-owned surplus lands and former dedicated school sites. The program is being administered by the Attainable Homes Calgary Corporation, an independent non-profit corporation, and is designed to have a positive impact on the rental vacancy rate and the wait list for Calgary Housing Company units, leading to improved economic vitality.

Federal government support for municipal priorities remains in place. In December 2011, The Government of Canada passed legislation to maintain its commitment to a long-term funding agreement with municipalities to share a portion of federal fuel tax proceeds for transportation infrastructure as well as for environmental initiatives. In March of 2013, the Federal Government's Economic Action Plan introduced indexing for the Gas Tax Fund revenue sharing program that will result in an increase of 2% per year for approximately another $300 million in additional funding for The City of Calgary over the next 20 years.

Funding Growth and Renewal – 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 Community Revitalization Plan. The plan was initiated as a self-sufficient tax-supported program in 2007 under the newly formed Calgary Municipal Land Corporation, a controlled corporation of The City that is accountable for development and sale of land transferred from The City. As with other development projects, challenging economic conditions could affect the implementation schedule. The City is also evaluating the use of public-private partnerships (P3s) for the delivery of major infrastructure projects. As well, Council approved the Financing Municipal Infrastructure report in 2010 which set out the principles for funding infrastructure in new growth areas. The City has negotiated a new Standard Development Agreement with the Urban Development Institute based on these principles.

Funding Growth and Renewal – Council and City Administration Actions

In 2011, Council adopted a Fiscal Plan for Calgary, the vision of which is to build a municipal government that is more citizen-centred, cost-conscious and innovative. Council's Plan recognizes that existing principles and practices governing municipal finance are not sustainable. In order to continue to fulfill the municipal mandate to provide the services and infrastructure that Calgarians expect and value, The City has approved and implemented a number of strategies that will align with this vision of transforming municipal government.

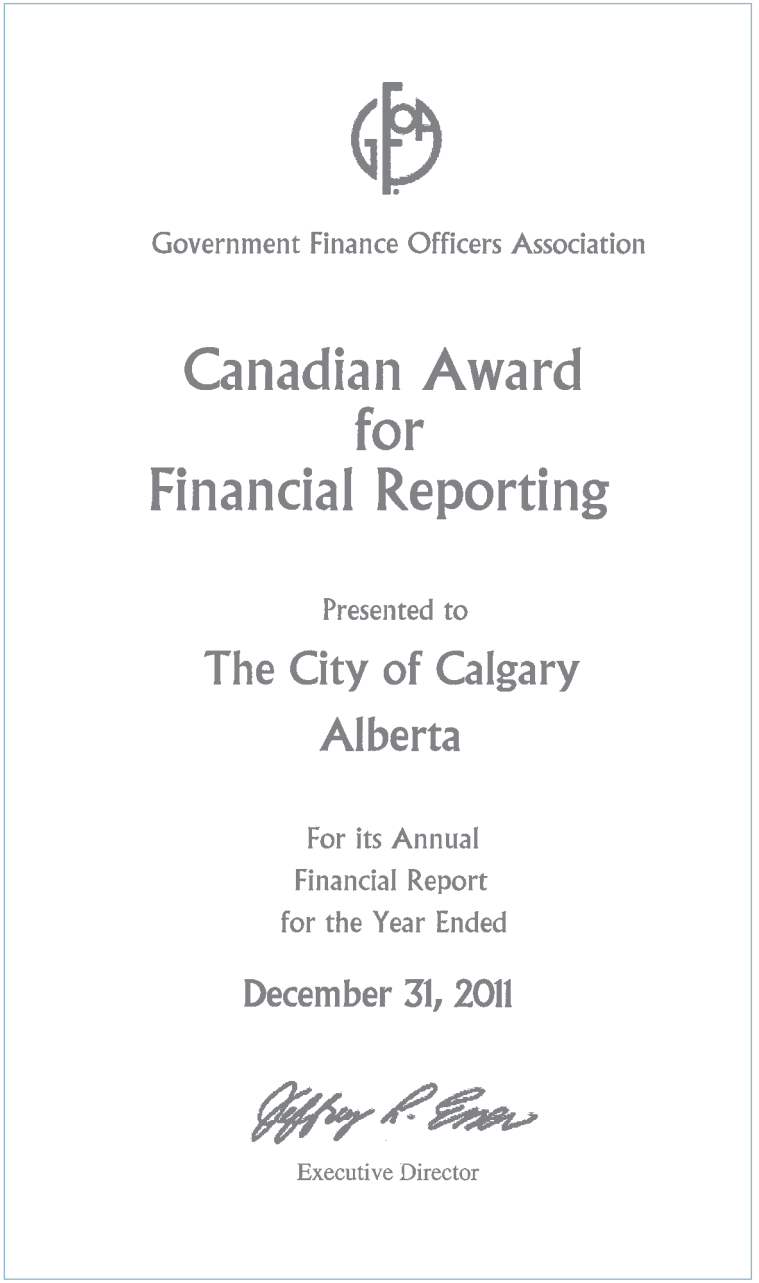
In June of 2012, the cities of Calgary and Edmonton signed an agreement with the province, agreeing to work together on legislation to redraft the relationship between the province and the two cities. This is intended to be a collaborative process which will provide a solution to allow the cities to sustain increasing demands for municipal services and infrastructure, and to more effectively fulfill their respective mandates.

As part of its Fiscal Plan, Council approved a strategy for ongoing improvements to service efficiency and effectiveness including a "zero based" review (ZBR) approach. A zero based review is an examination of all aspects of an existing service including scope, service level, alignment with long-term policy goals and potential efficiencies in the way services are delivered. In 2012, Administration completed a pilot project review of a candidate Business Unit which identified service improvement options for further review. In addition, two other Business Units were identified as candidates for review.

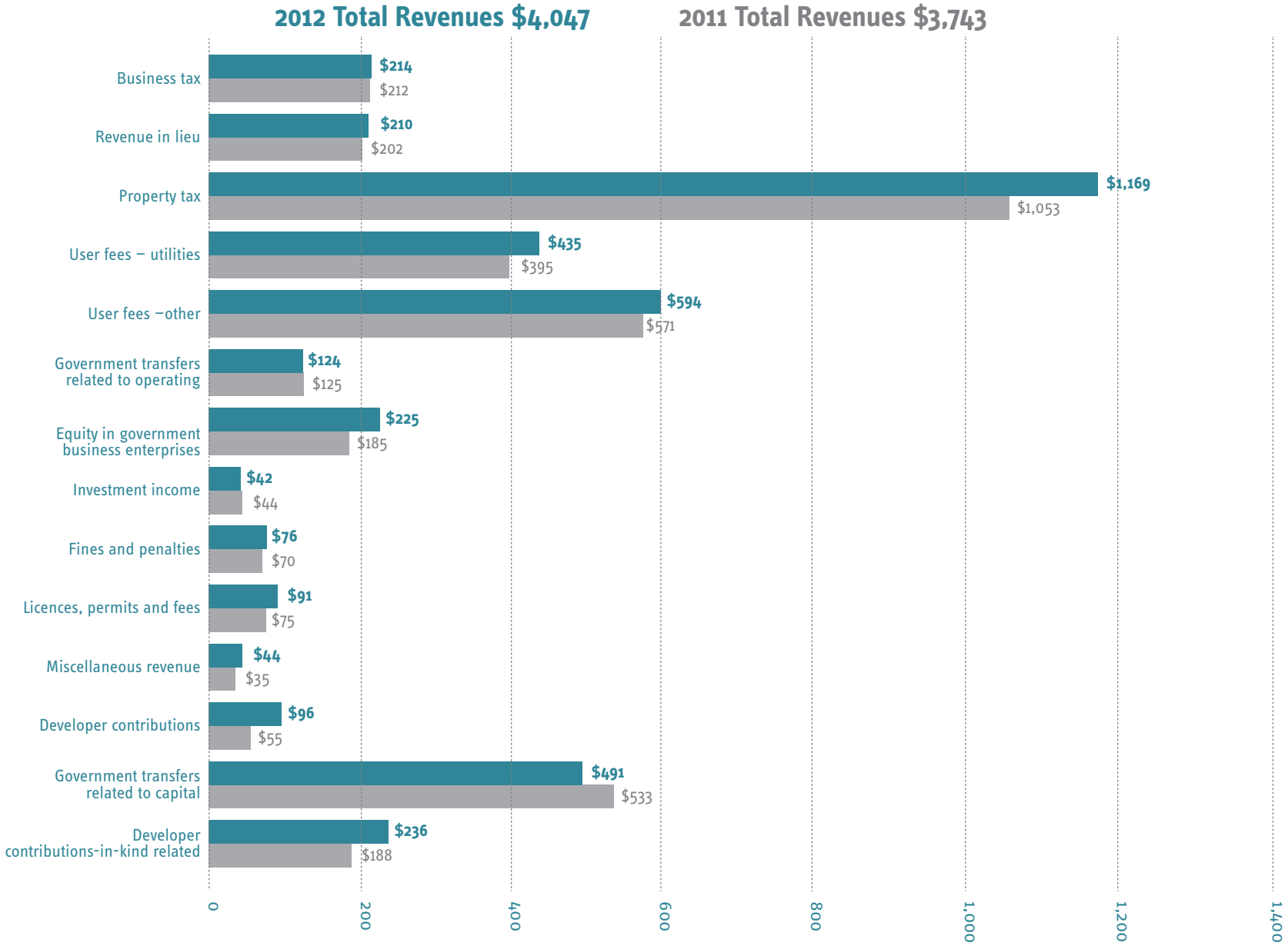
In response to a Council directive to undertake a broad-scale review of the planning process, "Transforming Planning" was launched as an initiative to collaboratively design – and ultimately implement – a new planning system for Calgary. This initiative will engage City staff and stakeholders to deliver the best possible planning system that will help build a vibrant, prosperous and sustainable city.

City Council continues to provide policy guidance and to support the longer-term planning perspective afforded by the three-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 fluctuations have reinforced the need to maintain flexibility and to monitor the economy and The City's financial status to ensure continuing adaptation to economic impacts. 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 22, 2013



(IN MILLIONS OF DOLLARS)

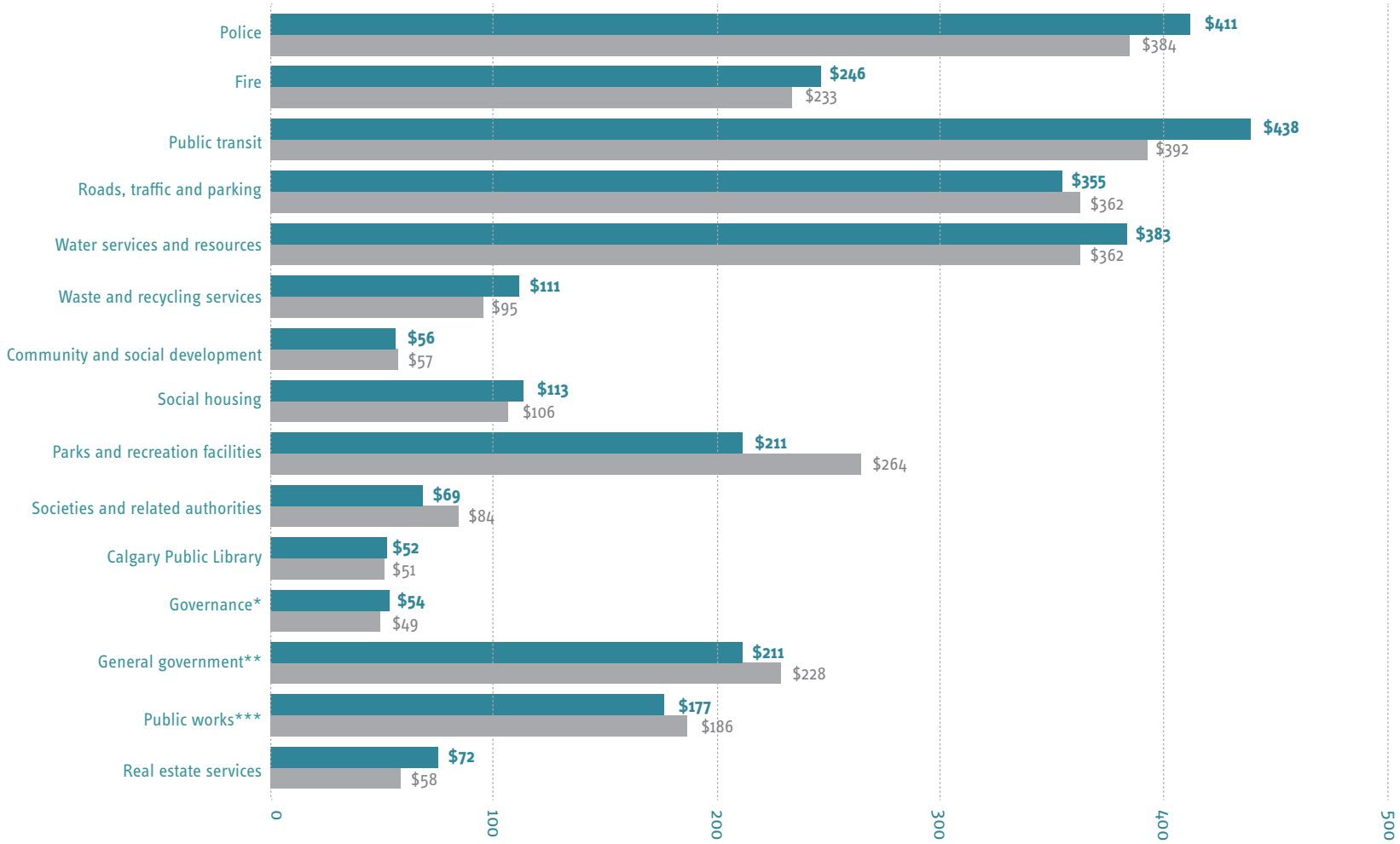


ISC: UNRESTRICTED

(IN MILLIONS OF DOLLARS)

2012 Total Expenses $2,959

2011 Total Expenses $2,911



* Includes offices of the Mayor, Aldermen, City Manager, Chief Financial Officer, City Auditor, City Clerk and Law.

** Includes Assessment Services, Customer Services & Communications, Human Resources, Finance & Supply, Information Technology and Corporate Costs.

*** Includes Animal & Bylaw Services, Development & Building Approvals (DBA), Land Use Planning and Policy, Land Information and Mapping, Environmental & Safety Management, Infrastructure Services and facilities.

Consolidated Financial Statements

ISC: UNRESTRICTED

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 generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. 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 2011, City Council fulfilled its responsibility for financial reporting through its Standing Policy Committee ("S.P.C.") on Finance and Corporate Services and its Audit Committee. The S.P.C. on Finance and Corporate Services consisted of seven aldermen who meet regularly to deal with budget-related matters. Beginning in 2012, City Council fulfils its responsibility for financial reporting through its Priorities and Finance Committee and its Audit Committee. The Priorities and Finance Committee consists of the Mayor, the four Chairs of each of the Standing Policy Committees and the Chair of the Audit Committee who meet regularly to deal with financial planning and reporting matters. The Audit Committee consists of five aldermen and two citizen representatives, which meets regularly with both the independent external auditors and the City Auditor to review financial control and reporting matters.

Deloitte LLP, Chartered Accountants, have been appointed by City Council to express an audit opinion on The City's consolidated financial statements. Their report follows.

Owen Tobert, City Manager

Eric Sawyer, Chief Financial Officer

Calgary, Canada
April 22, 2013

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, 2012 and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets (debt) 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 judgement, 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, 2012 and results of its operations, cash flows and changes in net financial assets (debt) for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Calgary, Alberta
April 22, 2013

ISC: UNRESTRICTED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	2012	2011
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	**$ 47,429**	$ 61,172
Investments (Note 3)	**2,709,358**	2,333,003
Receivables (Notes 4 and 7(c))	**209,350**	230,247
Land inventory (Note 5)	**249,499**	243,109
Other assets (Note 6)	**29,899**	20,310
Investment in ENMAX (Note 7)	**2,161,986**	1,943,731
	5,407,521	4,831,572
FINANCIAL LIABILITIES		
Bank indebtedness (Note 8)	**30,385**	57,922
Accounts payable and accrued liabilities (Notes 7(c) and 9)	**648,205**	639,457
Deferred revenue (Note 10)	**59,089**	57,934
Capital deposits (Note 11)	**687,310**	639,567
Provision for landfill rehabilitation (Note 12)	**60,100**	56,100
Employee benefit obligations (Note 13)	**361,810**	329,455
Long-term debt (Note 14)	**3,420,540**	3,228,887
	5,267,439	5,009,322
NET FINANCIAL ASSETS/(DEBT)	**140,082**	(177,750)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15 and 29)	**12,982,153**	12,169,759
Inventory	**51,811**	47,324
Prepaid assets	**18,663**	16,147
Land receivable	**232**	–
	13,052,859	12,233,230
ACCUMULATED SURPLUS (Note 17)	**$ 13,192,941**	$12,055,480

Commitments, contingent liabilities and guarantees (Notes 24 and 25)

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 2012 (unaudited) (note 16)	Actual 2012	Actual 2011
REVENUES			
Net taxes available for municipal purposes (Note 19)	**$ 1,520,066**	**$ 1,593,447**	$ 1,467,317
Sales of goods and services	**1,026,373**	**1,028,539**	966,413
Government transfers and revenue sharing agreements (Note 22)			
Federal	**7,132**	**6,117**	6,418
Province of Alberta	**106,472**	**117,974**	118,512
Investment income	**42,631**	**41,753**	43,980
Fines and penalties	**64,269**	**75,477**	69,680
Licences, permits and fees	**84,707**	**90,938**	74,527
Miscellaneous revenue	**13,893**	**44,389**	35,319
Equity in earnings of ENMAX (Note 7)	**207,600**	**225,038**	184,581
	3,073,143	**3,223,672**	2,966,747
EXPENSES			
Police	**397,487**	**410,926**	384,396
Fire	**229,974**	**246,003**	233,265
Public transit	**346,983**	**438,405**	391,456
Roads, traffic and parking	**213,908**	**355,081**	362,113
Water services & resources	**353,877**	**382,577**	362,259
Waste and recycling services	**103,611**	**111,034**	94,476
Community and social development	**56,725**	**55,567**	56,736
Social housing	**127,731**	**113,184**	106,174
Parks and recreation facilities	**187,690**	**211,142**	263,844
Societies and related authorities	**52,034**	**68,593**	84,077
Calgary Public Library Board	**47,537**	**52,195**	51,367
General government	**264,168**	**264,647**	277,138
Public works	**194,016**	**176,992**	186,081
Real estate services	**104,583**	**72,400**	57,690
	2,680,324	**2,958,746**	2,911,072
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	**392,819**	**264,926**	55,675
OTHER			
Developer contributions	**224,083**	**96,396**	55,220
Government transfers related to capital (Note 22)	**1,123,500**	**490,743**	532,865
Developer contributions-in-kind related to capital	**–**	**236,179**	188,071
NET REVENUES	**1,740,402**	**1,088,244**	831,831
ENMAX – other comprehensive gain/(loss) adjustment (Note 7)	**–**	**49,217**	(30,500)
ANNUAL SURPLUS	**1,740,402**	**1,137,461**	801,331
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**12,055,480**	**12,055,480**	11,254,149
ACCUMULATED SURPLUS, END OF YEAR	**$ 13,795,882**	**$ 13,192,941**	$12,055,480

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	2012	2011
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:		
OPERATING ACTIVITIES		
Annual Surplus	**$ 1,137,461**	$ 801,331
Deduct items not affecting cash:		
Equity in earnings of ENMAX	**(225,038)**	(184,581)
ENMAX – other comprehensive (gain) loss (Note 7)	**(49,217)**	30,500
Amortization of tangible capital assets	**521,784**	413,273
Loss/(gain) on disposal of tangible capital assets	**(3,850)**	12,682
Developer contributions-in-kind related to capital	**(236,179)**	(188,071)
Change in non-cash items:		
Receivables	**20,897**	7,222
Land inventory	**(6,390)**	1,486
Other assets	**(9,589)**	19
Inventory	**(4,487)**	(4,409)
Prepaid assets	**(2,516)**	1,287
Accounts payable and accrued liabilities	**8,748**	68,088
Deferred revenue	**1,155**	3,666
Capital deposits	**47,743**	(73,910)
Provision for landfill rehabilitation	**4,000**	1,700
Employee benefit obligations	**32,355**	20,317
	1,236,877	910,600
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(1,123,990)**	(1,285,272)
Acquisition of land receivable	**(232)**	–
Proceeds on sale of tangible capital assets	**29,841**	11,132
	(1,094,381)	(1,274,140)
INVESTING ACTIVITIES		
Dividends from ENMAX Corporation	**56,000**	55,600
Net (purchase)/sale of investments	**(376,355)**	25,076
	(320,355)	80,676
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	**436,630**	483,649
Long-term debt repaid	**(244,977)**	(200,424)
Net (decrease) increase in bank indebtedness	**(27,537)**	452
	164,116	283,677
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,743)**	813
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**61,172**	60,359
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 47,429**	$ 61,172

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	Budget 2012 (unaudited) (note 16)	Actual 2012	Actual 2011
ANNUAL SURPLUS	**$ 1,740,402**	**$ 1,137,461**	$ 801,331
Amortization of tangible capital assets	**202,625**	**521,784**	413,273
Proceeds on sale of tangible capital assets	**345**	**29,841**	11,132
Acquisition of supplies inventories	**–**	**179,037**	166,517
Use of supplies inventories	**–**	**(183,524)**	(170,926)
Acquisition of prepaid assets	**–**	**198,847**	196,526
Use of prepaid assets	**–**	**(201,363)**	(195,239)
Tangible capital assets received as contributions	**–**	**(236,179)**	(188,071)
Loss/(gain) on sale of tangible capital assets	**5**	**(3,850)**	12,682
Acquisition of land receivable	**–**	**(232)**	–
Acquisition of tangible capital assets	**(1,012,836)**	**(1,123,990)**	(1,285,272)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	**930,541**	**317,832**	(238,047)
NET FINANCIAL (DEBT) ASSETS, BEGINNING OF YEAR	**(177,750)**	**(177,750)**	60,297
NET FINANCIAL ASSETS (DEBT), END OF YEAR	**$ 752,791**	**$ 140,082**	$ (177,750)

See accompanying notes to the consolidated financial statements.

ISC: UNRESTRICTED

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 generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

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. Inter-departmental balances and transactions have been eliminated from the consolidated financial statements.

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to The City and are controlled by The City, except for The City's government business enterprise, ENMAX Corporation ("ENMAX").

Consolidated Entities

The six related authorities included in the consolidated financial statements are Calgary Parking Authority, the Calgary Public Library Board, Calhome Properties Ltd. (operating as Calgary Housing Company), the Calgary Municipal Land Corporation, the Attainable Homes Calgary Corporation and Calgary TELUS Convention Centre ("CTCC") (Note 20). Transactions and balances between The City and the related authorities have been eliminated.

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:

Calgary Board of Education
Calgary Exhibition and Stampede Limited
Calgary HandiBus Association
Alberta Health Services
Calgary Arts Development Authority Ltd.
Calgary Roman Catholic Separate School District No.1
TELUS World of Science & Creative Kids Museum
Calgary Zoological Society
EPCOR Centre for the Performing Arts
Heritage Park Society
Lindsay Park Sports Society
Metropolitan Calgary Foundation
Parks Foundation Calgary
Saddledome Foundation

Registered Pension Plans (Note 13)
Calgary Firefighters' Supplementary Pension Plan
Calgary Police Supplementary Pension Plan
Pension Plan for Elected Officials of The City of Calgary
The City of Calgary Supplementary Pension Plan
Local Authorities Pension Plan
Special Forces Pension Plan

Government Business Enterprise

ENMAX is a government business enterprise, and a wholly-owned subsidiary of The City. ENMAX is accounted for using the modified equity method. Under this method, the business enterprise's accounting principles are not adjusted to conform to those of The City, and inter-organizational transactions are not eliminated (Note 7).

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 28, Funds Held in Trust.

b) Basis of Accounting

i) Revenues are accounted for in the period in which the transactions or events occurred that gave rise to 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, 2012.

iii) 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 have been met and reasonable estimates of the amounts can be made.

iv) Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

v) 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 is an internally managed portfolio consisting of temporary 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 and bonds. In 2008, The City added equities, on a limited basis, as an allowable asset class, with a constraint of not more than 10% of the market value of total funds invested allocated to equities. 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 are recognized as revenue in the period when the related expenses are incurred.

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 expenses are made.

i) Provision for Landfill Rehabilitation

The *Alberta Environmental Protection Act* sets out the regulatory requirements to properly close and maintain all active and inactive 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 & Recycling Services, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

j) Employee Benefit Obligations

The City has fully funded its total current requirements for employee benefit obligations at December 31, 2012. 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 defined-benefit pension plans and non-registered defined-benefit pension plans and post-employment benefits are recognized when earned by plan members. These costs are actuarially determined using the projected benefit method prorated on service and 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 using estimated rates for debt with maturities similar to expected benefit payments in the future.

iii) The City records the actuarially determined excess of the accrued benefit obligation over the market value of the plan assets for City-sponsored, registered defined-benefit pension plans. For jointly sponsored plans, The City records its proportionate share of that excess. For non-registered, defined-benefit plans and other retirement benefit obligations, The City records the actuarially determined accrued benefit obligation. The City holds assets within its cash and investments to address 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 experience gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees. Adjustments arising from prior service costs related to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs.

k) 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.

l) 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 physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

m) Tangible Capital Assets ("TCA")

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 assets (related to waterworks and wastewater distribution and collection systems, parks and roads) are capitalized and are recorded at their estimated fair value upon acquisition at the time they are transferred to The City and are also recorded as revenue. 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 but are disclosed.

Tangible capital assets are written down when there is permanent and measurable impairment in its tangible capital asset 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 – 30
Vehicles	
Light rail transit	25
Transit buses & fire trucks	5 – 20
Vehicles	2 – 15
Land improvements	5 – 40
Engineered structures	
Waterworks and wastewater distribution and collection systems and treatment plants	15 – 75
Transit network	10 – 75
Road network	5 – 100
Communication networks & landfills	20 – 50
Machinery and equipment	
Computer equipment	3 – 5
Furniture & equipment	5 – 25
Boats & other mobile machinery	3 – 25
Other equipment and machinery	5 – 35

i) Inventories

Inventories comprising materials and supplies are carried at the lower of cost and replacement cost.

ii) 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.

n) 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.

o) Budget Figures (unaudited)

The 2012 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.

p) 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.

q) 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 reduce the impact of fluctuating interest rates on its investment income and fluctuating foreign currency exchange rates 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.

Based on available market information, the carrying value of The City's financial instruments 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 14(e).

r) Loan Guarantees

Periodically The City provides loan guarantees on specific debt held 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.

s) 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, employee benefit obligations, provision for landfill rehabilitation, contingent liabilities and commitments are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

t) Recent Accounting Pronouncements

i) Government Transfers

PSAB released a standard related to Government Transfers (PS 3410). The standard applies (retroactively or prospectively) to all local governments for fiscal years beginning on or after April 1, 2012. The standard discusses what the criteria are for a government transfer, recognition of the transferring and recipient government, eligibility criteria/stipulations within the transfer, and presentation and disclosure information related to the government transfer. The City of Calgary is in the process of reviewing transferor and transferee agreements related to this standard and have not yet determined what, if any, financial reporting implications may arise from this standard.

ii) Tax Revenue

PSAB released a standard related to Tax Revenue (PS 3510). The standard applies to all local governments for fiscal years beginning on or after April 1, 2012. The section discusses various types of tax, the timing of recognition, measurement and presentation and disclosure requirements. The City of Calgary has robust processes in place with regards to tracking tax charges and outstanding balances related to taxes. The City of Calgary is currently reviewing and assessing tax levies, related to this new standard and has not yet determined what, if any, financial reporting implications may arise from this standard.

iii) Contaminated Sites

PSAB released a standard related to Contaminated Sites (PS 3260). The standard applies to all local governments for fiscal years beginning on or after April 1, 2014. The section defines the activities included with regards to remediation, establishes when to recognize and how to measure the liability, as well as discusses the presentation and disclosure requirements. The City of Calgary has processes in place for assessing land for contamination on a periodic basis, and estimating the costs of reclamation. The City of Calgary has not yet determined what, if any, financial reporting implications may arise from this standard.

iv) Foreign Currency Translation

PSAB released a standard related to Foreign Currency Translation (PS 2601). The standard applies to all local governments for fiscal years beginning on or after April 1, 2015. The application of this section for governments will be reviewed by December 31, 2013. The standard 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. Gains and losses yet to be settled are 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. The City of Calgary has begun reviewing policies and is in the planning stages for upgrading systems and reporting in order to ensure it complies with this standard.

v) Financial Instruments

PSAB released a standard related to Financial Instruments (PS 3450). The standard applies to all local governments for fiscal years beginning on or after April 1, 2015. The application of this section for governments will be reviewed by December 31, 2013. The standard applies to all types of financial instruments (primary and derivatives). In the year that this standard is adopted, Foreign Currency Translation (PS 2601) must also be adopted. The new standard requires equity and derivative instruments be measured at fair value, with changes in value being recorded in a statement of re-measurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value for remaining instruments, which is elected upon by the government organization. The City of Calgary has begun reviewing policies and is in the planning stages for upgrading systems and reporting in order to ensure it complies with this standard.

2. Cash and Cash Equivalents

	2012	2011
Cash on deposit	$ 40,869	$ 47,672
Treasury bills and GICs with original maturities of 90 days or less	6,560	13,500
	$ 47,429	$ 61,172

Treasury bills and GICs interest rate is approximately 1% in 2012 and 2011.

3. Investments

All the investments managed by The City are held in fixed income securities and equity investments. Investments with a cost of $2,100 (2011 – $2,100) are managed by the Parks Foundation Calgary[1], and include equity investments of $1,717 (2011 – $1,675). The cost and market value of all investments as at December 31 are as follows:

	2012 Cost	2012 Market value	2011 Cost	2011 Market value
Government of Canada	$ 52,593	$ 53,039	$ 148,114	$ 149,767
Other Government	625,113	630,196	323,104	333,787
Corporate	1,893,506	1,900,726	1,728,753	1,734,843
Equity investments	138,146	151,249	133,032	134,098
	$ 2,709,358	$ 2,735,210	$ 2,333,003	$ 2,352,495

The average yield earned from investments during the year was 2.2% (2011 – 2.6%). Maturity dates on the investments range from 2013 to 2108. Investments include $1,758,761 (2011 – $1,560,657) in an internally managed portfolio composed of money market instruments and bonds maturing within two years.

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

	2012	2011
Taxes	$ 38,536	$ 38,307
Federal and Provincial governments	21,231	29,901
General	149,583	162,039
	$ 209,350	$ 230,247

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.

	2012	2011
Developed land	$ 22,736	$ 24,328
Under development	138,260	120,312
Long-term inventory	88,503	98,469
	$ 249,499	$ 243,109

6. Other Assets

	2012	2011
Long-term debt recoverable	$ 8,417	$ 10,033
Assets held for sale	1,125	2,275
Long-term receivables	16,375	5,945
Other receivables	1,484	1,398
Loan receivables	2,498	659
	$ 29,899	$ 20,310

7. Investment in ENMAX

a) 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 (wires) 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. Upon deregulation, effective January 1, 2001, The City approved only those electrical rates determined for the regulated activities of electricity transmission and distribution. Effective January 2004, Alberta Energy and Utilities Board ("AEUB") became the regulator of ENMAX Power, approving the electricity transmission and distribution rates to charge customers within ENMAX's service area.

Debentures in the amount of $827,828 (2011 – $732,877) and reported by ENMAX in long-term debt have been issued in the name of The City (Note 14(a)).

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

	2012	2011
Financial Position		
Current assets	$ 1,428,262	$ 825,751
Power purchase arrangements	422,228	473,676
Future income taxes	60,991	74,408
Capital assets	2,810,823	2,849,335
Other assets	97,640	104,665
	4,819,944	4,327,835
Current liabilities		
(including current portion of long-term debt; 2012 – $59,656; 2011 – $53,715)	922,472	704,160
Other long-term liabilities	171,299	197,520
Asset retirement obligations	14,391	13,952
Long-term debt	1,549,796	1,468,472
	2,657,958	2,384,104
ENMAX net assets	2,161,986	1,943,731
Accumulated other comprehensive loss	(19,557)	(68,761)
Retained earnings	2,181,543	2,012,492
Investment in ENMAX	$ 2,161,986	$ 1,943,731

	2012	2011
Results of Operations		
Revenues	**$ 3,160,010**	$ 3,109,040
Operating expenses	**2,886,372**	2,857,572
Interest charges (net)	**40,200**	50,437
Earnings before income tax	**233,438**	201,031
Income tax	**8,400**	16,450
Earnings before dividends paid	**225,038**	184,581
Dividends paid	**(56,000)**	(55,600)
Net earnings after dividends paid	**169,038**	128,981
Other comprehensive gain/(loss)	**49,217**	(30,500)
Net assets, beginning of year	**1,943,731**	1,845,250
Equity in ENMAX	**$ 2,161,986**	$ 1,943,731

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

	2012	2011
Received by The City		
Dividends	**$ 56,000**	$ 55,600
Local access fee	**147,833**	125,563
Sales of services	**22,439**	16,746
Purchased by The City		
Power and other services	**117,726**	124,741

The City's accounts payable and accrued liabilities include $20,017 (2011 – $16,746) for amounts owed to ENMAX at December 31, 2012. The City's receivables include $3,932 (2011 – $4,100) for amounts owing to The City by ENMAX at December 31, 2012. Corresponding related-party differences between the payables and receivables (Note 7(c)) 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

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. 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, 2012, The City had a total of $30,385 (2011 – $57,922) of bank indebtedness comprised of $nil (2011 – $500) on its line of credit and cheques issued in excess of deposits of $30,385 (2011 – $57,422). As at December 31 2012 or 2011, The City has not issued any promissory notes.

9. Accounts Payable and Accrued Liabilities

	2012	2011
Trade	**$ 575,607**	$ 556,681
Government	**38,146**	50,102
Accrued interest	**34,452**	32,674
	$ 648,205	$ 639,457

10. Deferred Revenue

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

	2012	2011
Advance sales of goods and services	**$ 17,172**	$ 17,295
Licences, permits and application fees	**23,579**	20,674
Government grants	**14,327**	16,447
Other contributions	**4,011**	3,518
	$ 59,089	$ 57,934

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 the provincial 5 cents per litre fuel tax revenue sharing agreement. 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:

	2012	2011
Developers contributions	**$ 116,870**	$ 106,757
Acreage assessments	**304,502**	252,312
Other private contributions	**20,217**	16,773
Provincial government grants	**199,683**	229,746
Federal government grants	**46,038**	33,979
	$ 687,310	$ 639,567

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. The estimated total liability of $161,000 (2011 – $152,100) for these expenses represents the sum of the discounted future cash flows for closure and post-closure activities for 40 years after the site begins accepting waste. A discount rate of 3.25% (2011 – 3.5%) was used.

The calculation of the reported liability of $60,100 (2011 – $56,100) is based on the cumulative capacity used at December 31, 2012 compared to the total estimated landfill capacity at that same date. The estimated remaining capacity of the landfill sites is 54.1 (2011 – 55.4) million cubic metres, which is 58% (2011 – 59%) of the sites' total capacity. Based on current disposal practices and projected population growth rates, the landfills have an expected remaining life of 33 years (2011 – 33 years).

The City has provided a reserve to fund future landfill capital expenses, which is funded through tipping fees. At December 31, 2012 the balance of the Waste and Recycling Sustainment reserve is $41,910 (2011 – $58,162).

13. Employee Benefit Obligations

Civic employees and elected officials qualify to belong to one or more multi-employer pension plans, defined-benefit pension plans and other retirement benefit plans provided by The City. Employee benefit obligations are liabilities of The City to its employees and retirees for benefits earned but not taken as of December 31, 2012.

The City has fully met its current year cash contribution obligations for employee benefit obligations at December 31, 2012. The City and its employees have an obligation to fund the unamortized net actuarial losses for its post retirement benefits, registered and non-registered defined-benefit pension plans and for its share of the multi-employer plans. The losses are expected to be funded through future increases in contributions and future changes in actuarial assumptions. The concept of funding refers to amounts recorded in the consolidated financial statements as described below:

	2012 Funded	2011 Funded
a) Registered defined-benefit pension plans	**$ 23,609**	$ 17,215
b) Non-registered defined-benefit pension plans	**20,081**	16,398
c) Other retirement benefits	**137,514**	125,307
d) Vacation and overtime (undiscounted)	**180,606**	170,535
	$ 361,810	$ 329,455

In addition to the funded obligations referred to above, The City has long term unamortized net actuarial losses as follows:

	2012	2011
Registered defined-benefit pension plans	**$ 61,855**	$ 65,789
Non-registered defined-benefit pension plans	**15,415**	14,825
Other retirement benefits	**20,333**	29,288
	$ 97,603	$ 109,902

The City will also be partially responsible for the unfunded defined-benefit pension plan unamortized net actuarial losses in the LAPP and SFPP pension plans, see note 13(e) i) and ii).

Annual actuarial accounting valuations for the registered and non-registered defined-benefit pension plans and other retirement benefits are performed using the projected benefit method prorated on years of service to determine the accrued benefit obligation and the expense to be recognized in the consolidated financial statements. The measurement of the accrued benefit obligation and expense for actuarial accounting valuations is obtained by extrapolating the actuarial liabilities calculated as of the most recent actuarial valuation dates as stated for each benefit.

The significant actuarial assumptions used for the actuarial accounting valuations of the registered defined-benefit plans (Note 13 a)), non-registered defined-benefit pension plans (Note 13 b)) and other retirement benefits (Note 13 c)) are as follows:

Date of actuarial accounting valuation	**Dec. 31, 2012**	Dec. 31, 2011
Year end obligation discount rate (%)	**3.25**	3.5
Inflation rate (%)	**2.5**	2.5
Expected rate of return on plan assets (%)	**6.5**	6.5
Rate of compensation increase	(included within each section)	

a) Registered defined-benefit pension plans

Certain of the 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 obligations under these plans net of plan assets. As required by the *Alberta Employment Pension Plans Act* actuarial funding valuations are performed at least triennially on the registered plans to determine The City's required contributions to the plan trusts. The most recent full actuarial valuations were (will be) prepared at the following dates:

Pension Plan	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Calgary Firefighters' Supplementary Pension Plan (FSPP)	December 31, 2010	December 31, 2013
City of Calgary Supplementary Pension Plan (SPP)	December 31, 2010	December 31, 2013
Pension Plan for Elected Officials of The City of Calgary (EOPP)	December 31, 2012	December 31, 2015

For each registered pension plan, the market value of assets as at October 31, 2012 was projected forward to December 31, 2012 using expected employer and employee contributions and benefit payments for November and December 2012.

(1) The results of, and significant assumptions utilized, in the most recent actuarial accounting valuations for registered plans include:

	2012	2011
Fair value of plan assets – beginning of year	**$ 88,899**	$ 88,830
Contributions – employer	**6,736**	5,806
Contributions – member	**137**	1,390
Expected interest on plan assets	**5,259**	5,771
Less benefits paid	**(7,294)**	(7,286)
Plan settlement	**(7,791)**	–
Actuarial gain/(loss)	**1,794**	(5,612)
Fair value of plan assets – end of year	**$ 87,740**	$ 88,899
Accrued benefit obligation – beginning of year	**$ 171,903**	$ 146,333
Current period benefit cost	**8,529**	8,005
Interest on accrued benefit obligation	**5,676**	6,028
Less benefits paid	**(7,294)**	(7,286)
Plan settlement	**(14,614)**	–
Plan amendment	**(147)**	–
Actuarial loss	**9,151**	18,823
Accrued benefit obligation – end of year	**$ 173,204**	$ 171,903
Funded status – plan deficit	**$ 85,464**	$ 83,004
Unamortized net actuarial loss	**(61,855)**	(65,789)
Accrued benefit liability	**$ 23,609**	$ 17,215
Current period benefit cost	**$ 8,529**	$ 8,005
Amortization of actuarial losses	**11,290**	4,795
Plan Settlement	**(6,823)**	–
Past Service Cost	**(147)**	–
Less member contributions	**(137)**	(1,390)
Benefit expense	**12,712**	11,410
Interest on accrued benefit obligation	**5,676**	6,028
Less expected interest on plan assets	**(5,258)**	(5,771)
Benefit interest income	**418**	257
Total expense	**$ 13,130**	$ 11,667

Rate of compensation increase % (excluding merit & promotion)	2012	2011
FSPP	**4.5**	4.0
SPP	**3.0**	4.0
EOPP	**3.5**	3.5

Actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the related employee group and commence in the period following the determination of the gain or loss. The EARSL is:

	2012	2011
FSPP	**15.6**	13.8
SPP	**8.0**	8.7
EOPP	**9.4**	9.5
Calgary Police Supplementary Pension Plan (PSPP)	**10.0**	9.8

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 ("FSPP")

The FSPP commenced on June 3, 1975. The plan is jointly administered by The City and The International Association of Firefighters ("IAFF") Local 255. The plan provides a supplement to the Local Authorities Pension Plan (Note 13 e) i)) to provide 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, 2012, 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 valued at market value.

The City and member's 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, 2010 as follows:

	2012 Employer	2012 Members	2011 Employer	2011 Members
Current service contributions	**$ 4,310**	**$ 3,618**	$ 3,702	$ 3,032
Contribution rates (% of pensionable salaries) *Effective October 10, 2011	**3.69%**	**3.02%**	*3.69%	*3.02%

ii) City of Calgary Supplementary Pension Plan ("SPP")

The SPP commenced on February 1, 2000 and is sponsored and administered by The City. The plan provides a supplement to the Local Authorities Pension Plan (Note 13 e) i)) to provide 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. Due to plan review conducted in 2011, as of January 1, 2012, the cost of future service and future additional unfunded liabilities are once again 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, 2012, 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 valued at market value.

The City and member's 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, 2010 as follows:

	2012 Employer	**2012 Members**	2011 Employer	2011 Members
Current service contributions	**$ 1,898**	**$ 1,466**	$ 1,569	$ 1,309
Contribution rates (% of pensionable salaries)	**2.49%**	**2.03%**	2.16%	2.00%

iii) Pension Plan for Elected Officials of The City of Calgary ("EOPP")

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. In 2012 the contributions rates changed as a result of Council's decision to adopt the independent Council Compensation Review Committee's recommendation dated January 23, 2012.

At December 31, 2012, plan assets held in trust are invested in a mix of equities, bonds and money market instruments. Plan assets are valued at market value.

The City and member's 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, 2012 as shown below.

	2012 Employer	**2012 Members**	2011 Employer	2011 Members
Current service contributions	**$ 246**	**$ 137**	$ 298	$ 93
Contribution rates (% of pensionable salaries)	**15.10%**	**9.00%**	19.18%	6.00%

iv) Calgary Police Supplementary Pension Plan ("PSPP")

The PSPP commenced on January 1, 1975 and provides supplemental pension benefits to those police officers who retired prior to September 1, 1979. Police officers who have retired after September 1, 1979 are covered under the Special Forces Pension 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 under the appropriate GAAP and PSAB guidelines.

Sufficient funds are held with The City's investments to cover the liabilities as determined by the actuarial accounting valuation as at December 31, 2012.

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.

The most recent full actuarial valuations were (will be) prepared at the following dates:

Pension Plan	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
OCPP for management employees	December 31, 2010	December 31, 2013
OCPP for the Police Chief and Deputies	December 31, 2012	December 31, 2013
OCPP for the Fire Chief and Deputies	December 31, 2012	December 31, 2013
EOSP	December 31, 2012	December 31, 2013
EPP	December 31, 2012	December 31, 2013
Contractual obligations	December 31, 2012	December 31, 2013

(2) The results of, and significant assumptions utilized, in the December 31, 2012 actuarial accounting valuations for the non-registered pension plans are as follows:

	2012	2011
Accrued benefit obligation – beginning of year	$ 31,223	$ 20,364
Current period benefit cost	973	518
Interest on accrued benefit obligation	1,115	812
Less benefits paid	(686)	(1,204)
Plan amendment	(4)	–
Actuarial loss	2,875	10,733
Accrued benefit obligation – end of year	$ 35,496	$ 31,223
Funded status – plan deficit	$ 35,496	$ 31,223
Unamortized net actuarial loss	(15,415)	(14,825)
Accrued benefit liability [1]	$ 20,081	$ 16,398
Current period benefit cost	$ 973	$ 518
Amortization of actuarial losses	2,285	939
Past service cost	(4)	–
Interest on accrued benefit obligation	1,115	812
Total expense	$ 4,369	$ 2,269

	2012	2011
Rate of compensation increase % (excluding merit & promotion)		
• All OCPP & EPP	3.0	4.0
• EOSP	3.5	3.5

[1] Assets in the amount of $20,081 (2011: $16,398) to satisfy the obligations under these plans are held within The City's investments.

Actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the related employee group and commence in the period following the determination of the gain or loss. The EARSL is:

	2012	2011
OCPP for management employees	8.8	7.3
OCPP Police Chief & Deputies	6.5	2.7
OCPP Fire Chief & Deputies	4.1	7.0
EOSP	21.8	22.8
EPP	3.7	3.3
Contractual Obligations	11.2	11.8

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 ("OCPP")

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.

ii) Supplementary Pension Plan for Elected Officials of The City of Calgary ("EOSP")

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)).

Since the EOSP was designed to provide benefits on the non-taxable portion of Council salaries, the elimination of the non-taxable portion of Council salaries in July 2006 will result in a gradual decrease in the benefit obligations under the EOSP. This decrease will occur with a corresponding increase in benefits under the EOPP due to the increase in taxable earnings. In addition, the EOSP will continue to provide benefits to existing retirees and eligible Council members in excess of the maximum pension benefits provided under the EOPP (Note 13 a) iii)).

iii) Executive Pension Plan ("EPP")

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 will continue to provide benefits to existing retirees and to grandfathered members.

iv) Contractual Obligations

The City has entered into individual compensation arrangements with key members of management that provide defined benefits upon retirement. These arrangements are sponsored and administered by The City.

c) Other retirement benefits

The City sponsors post retirement benefits for extended health, dental and life insurance benefits to 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 reduces to a paid-up death benefit based on the number of years of contributory service prior to retirement. The City and the retirees share equally in the cost of benefits. Due to the joint nature of the plan and the cost sharing arrangement, the consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability. The City sponsors a non-contributory retiring allowance of up to 7 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense as the employees provide service. The City also sponsors a salary continuation plan for employees that are disabled or survivors of employees killed in the line of duty.

The most recent full actuarial valuations for other retirement benefits were (will be) performed as stated below.

	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Post Retirement Benefits	December 31, 2010	December 31, 2013
Retiring Allowance	December 31, 2010	December 31, 2013
Supplementary Compensation	December 31, 2010	December 31, 2013

The results of, and significant assumptions utilized, in the December 31, 2012 actuarial accounting valuations for other retirement benefits include:

	2012	2011
Accrued benefit obligation – beginning of year	$ 155,544	$ 136,627
Current period benefit cost	9,315	7,987
Interest on accrued benefit obligation	5,648	5,655
Less benefits paid	(6,964)	(6,485)
Actuarial loss/(gain)	(4,910)	11,760
Accrued benefit obligation – end of year	$ 158,633	$ 155,544
Funded status – plan deficit	$ 158,633	$ 155,544
Plan assets (1)	(786)	(949)
Unamortized net actuarial loss	(20,333)	(29,288)
Accrued benefit liability (2)	$ 137,514	$ 125,307
Current period benefit cost	$ 9,315	$ 7,987
Amortization of actuarial loss	3,699	2,661
Interest on accrued benefit obligation	5,648	5,655
Total expense	$ 18,662	$ 16,303
Rate of compensation average increase, excluding merit and promotion (3)	3.50%	3.50%
Annual Increase in extended health costs	6.25%	7.00%
Annual Increase in dental costs	4.00%	4.00%
EARSL (4)	11.2 yr	11.2 yr

(1) Plan Assets in the amount of $ 786 (2011 $949) to satisfy future life claims are equal to fair market value.
(2) Assets in the amount of $137,514 (2011 $125,307) to satisfy the obligations under these plans are held within The City's investments.
(3) Annual increases for general employees are: 2013: 3.0%; 2014: 4.0%; thereafter 3.50% per annum. Annual increases for police are: 2013: 3.9%; 2014: 3.0%; thereafter 3.50% per annum. Annual increases for firefighters are: 2013: 4.5%; 2014: 5.5%; thereafter 3.50% per annum.
(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.

d) Vacation and overtime

The vacation and overtime liability comprises the vacation and overtime that employees are deferring to future years. Employees who have deferred vacation or overtime can, under specific circumstances as outlined in administrative policies and/or contractual agreements, be paid out in cash or as otherwise entitled within the next budgetary year. Assets in the amount of $180,606; (2011: $170,535) to satisfy the obligations under these programs are held within The City's investments.

e) 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"). 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 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 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 ("LAPP")

The LAPP plan provides an annual retirement benefit of 1.4% of earnings up to the year's maximum pensionable earnings ("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:

	2012 Employer	**2012 Members**	2011 Employer	2011 Members
Current service contributions	**$106,218**	**$96,622**	$96,515	$87,761
Contribution rates (% of pensionable salaries)	**9.91% of YMPE and 13.74% over YMPE**	**8.91% of YMPE and 12.74% over YMPE**	9.49% of and YMPE 13.13% over YMPE	8.49% of and YMPE 12.13% over YMPE

The LAPP reported a deficiency for the overall plan as at December 31, 2011 of $4.639 billion (2010 – $4.635 billion). More recent information was not available at the time of preparing these financial statements. LAPP consists of over 143,000 active members. City plan membership is approximately 8.4%. The City's 2012 contribution rates increased 4.4% (2011 – 5%) as a result of this deficit.

ii) Special Forces Pension Plan ("SFPP")

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 plan made the following contributions:

	2012 Employer	**2012 Members**	2011 Employer	2011 Members
Current service contributions	**$27,662**	**$25,516**	$24,826	$23,004
Contributions rates (% of pensionable salaries)	**14.55%**	**13.45%**	14.55%	13.45%

The SFPP reported a deficiency for the overall plan as at December 31, 2011 of $609 million (2010 – $581 million) comprised of $280 million for pre-1992 and $329 million relating to post-1991. More recent information was not available at the time of preparing these financial statements. SFPP consists of 4,000 active members. City plan membership is approximately 50%. The City's 2012 contribution rates did not change as a result of this deficit.

14. Long-Term Debt

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

		2012 Tax Supported	2012 Self Sufficient Tax Supported	2012 Self Supported	2012 Total	2011 Tax Supported	2011 Self Sufficient Tax Supported	2011 Self Supported	2011 Total
i)	Debentures	$ 361,460	$ 1,100,157	$ 2,733,504	$ 4,195,121	$ 408,316	$ 861,643	$ 2,572,509	$ 3,842,468
ii)	Mortgages and other debt	–	–	48,999	48,999	–	–	114,071	114,071
iii)	Capital leases	–	–	4,248	4,248	135	–	5,090	5,225
		361,460	1,100,157	2,786,751	4,248,368	408,451	861,643	2,691,670	3,961,764
Less									
iv)	Debt attributable to ENMAX	–	–	827,828	827,828	–	–	732,877	732,877
		$ 361,460	$ 1,100,157	$ 1,958,923	$ 3,420,540	$ 408,451	$ 861,643	$ 1,958,793	$ 3,228,887

i) Debentures, which are predominantly held by the Alberta Capital Finance Authority, mature in annual amounts to the year 2039.

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, also includes debentures in the amount of $75,779 (2011 – $80,586) which have 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 The City on behalf of the Lindsay Park Sports Society (LPSS) pursuant to City Bylaw authorization in the amount of $2,345 (2011 – $2,614). In accordance with a Credit Agreement between LPSS 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 LPSS is 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, 2012 LPSS is 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 $109,132 (2011 – $114,042) are pledged as collateral against the mortgages.

iii) Capital leases comprise of computer equipment and vehicle leases. The computer equipment lease matured in March 2012. In 2011 Fleet Services leased 15 vehicles for $5,475 (2011 – $5,391) at an interest rate of 1.524% (2011 – 2.20%). The 2012 principal payments totalling $1,061 (2011 – $636) with interest of $64 (2011 – $37) at a weighted average rate ranging from 1.524% to 4.67% (2011 – 2.20% to 4.67%).

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, which included debt issuance of $143,400 in 2012 (2011 – $145,864), through the disbursement of principal and interest payments. 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.

b) Long-term debt is repayable as follows:

	Tax Supported	Self Sufficient Tax Supported	Self Supported	Less: Debt attributable to ENMAX	Total
2013	$ 51,791	$ 2,308	$ 195,988	$ 50,601	$ 199,486
2014	36,707	242,379	187,095	49,186	416,995
2015	35,216	277,452	188,367	47,371	453,664
2016	33,523	226,527	161,608	41,162	380,496
2017	32,682	224,605	154,104	41,312	370,079
Thereafter	171,541	126,886	1,899,589	598,196	1,599,820
	$ 361,460	$ 1,100,157	$ 2,786,751	$ 827,828	$ 3,420,540

c) Debenture interest is payable, before provincial subsidy, at rates ranging from 1.52% to 10.25% (2011 – 1.52% to 10.25%) per annum. The Government of Alberta, under its Municipal Debenture Interest Rebate Program, provides rebates to reduce the effective interest paid to levels that ranged from 8% to 11% on most debentures issued between 1974 and 1986. Debenture debt held at year end has an average rate of interest of 4.09% (2011 – 4.29%) before provincial subsidy and 4.08% (2011 – 4.27%) after provincial subsidy.

The mortgages of Calgary Housing Company in the amount of $31,262 (2011 – $36,272) are payable with interest ranging from 1.46% to 6.45% (2011 – 1.46% to 6.45%) before interest rate subsidy. The effective interest rates after the subsidy for the fixed-subsidy projects is 2% (2011 – 2%).

d) Interest charges are as follows:

	2012 Tax Supported	**2012 Self Sufficient Tax Supported**	**2012 Self Supported**	**2012 Total**	2011 Tax Supported	2011 Self Sufficient Tax Supported	2011 Self Supported	2011 Total
Debenture interest	**$ 18,654**	**$ 29,974**	**$ 84,409**	**$ 133,037**	$ 20,943	$ 24,630	$ 83,550	$ 129,123
Other interest and charges	**483**	**–**	**2,209**	**2,692**	2,647	353	1,314	4,314
	$ 19,137	**$ 29,974**	**$ 86,618**	**$ 135,729**	$ 23,590	$ 24,983	$ 84,864	$ 133,437

e) The estimated fair value of The City's long-term debt is $3,699,925 (2011 – $3,509,947). Calculation of the estimated fair value of the debt is based on lending rates obtainable at December 31, 2012 for debentures with comparable maturities from The City's primary lender, the Alberta Capital Finance Authority.

f) Section 271 of the *Municipal Government Act* 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, 2016. At December 31, 2012, debt principal of $220,000 (2011 – $nil) and debt interest of $19,192 (2011 – $nil) was excluded from the pro-rata calculation of the debt service limit.

	2012	2011
Total debt limit (2 times revenue)	**$ 6,190,060**	$ 5,674,772
Total debt (short – and long-term)	**3,538,824**	3,343,881
Percentage of debt to debt limit	**57.17%**	58.93%
Total debt service limit (35% of revenue)	**$ 1,083,261**	$ 993,085
Total debt service	**663,241**	628,462
Percentage of debt service to service limit	**61.23%**	63.28%

15. Tangible Capital Assets

Cost	January 1, 2012 Opening Balance	Additions	Disposals	December 31,2012 Closing Balance
Land	$ 1,652,648	$ 271,119	$ (5,695)	$ 1,918,072
Land Improvements	991,730	150,923	(9,067)	1,133,586
Engineered Structures	9,526,059	1,616,952	(22,761)	11,120,250
Buildings	1,500,254	174,117	(7,411)	1,666,960
Machinery and Equipment	704,342	105,977	(12,778)	797,541
Vehicles	1,102,503	64,449	(24,653)	1,142,299
	15,477,536	2,383,537	(82,365)	17,778,708
Work in Progress				
Land	224,351	(196,024)	–	28,327
Construction	1,620,706	(823,137)	–	797,569
	$ 17,322,593	$ 1,364,376	$ (82,365)	$18,604,604

Accumulated Amortization	January 1, 2012 Opening Balance	Additions	Disposals	December 31,2012 Closing Balance
Land Improvements	$ 524,711	$ 72,512	$ (5,438)	$ 591,785
Engineered Structures	3,283,520	251,270	(13,277)	3,521,513
Buildings	532,833	56,029	(4,369)	584,493
Machinery and Equipment	382,823	82,341	(9,170)	455,994
Vehicles	428,947	59,977	(20,258)	468,666
	$ 5,152,834	$ 522,129	$ (52,512)	$ 5,622,451
Net Book Value	$ 12,169,759	$ 842,247	$ (29,853)	$ 12,982,153

In 2012, there was a permanent writedown of machinery and equipment of $nil (2011 – $nil). $236,179 in land, land improvements, buildings and engineered structures were contributed to the City in 2012 (2011 – $188,071) and were represented at their fair value at the time received. Assets recognized at nominal value by The City in 2012 and 2011 consist of certain machinery and equipment, buildings, land and land improvements.

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.

No interest was capitalized by The City in 2012 (2011 – $nil).

16. 2012 Budget – Unaudited

The budget amounts presented throughout these consolidated financial statements are based upon the Operating and Capital Budgets approved by Council, except in regard to certain budget amounts for capital revenue sources and capitalization of Tangible Capital Assets (collectively referred to as the “tangible capital asset related adjustments”).

The City adopted the PSAB Tangible Capital Asset accounting standards beginning January 1, 2009. These standards have not been adopted for budget preparation and presentation purposes. The 2012 Council approved budget has been modified for the amount of capital budget revenues based on the percentage of completion of the various capital projects and the capitalization of tangible capital assets.

The table below shows the adjustments to the 2012 budget approved by Council after adjusting the budget values by the tangible capital asset related items that were not included in the approved 2012 budget.

	2012 Operating Budget Council Approved	2012 Capital Budget Council Approved	2012 Reserves	Tangible Capital Asset Related Adjustments	2012 Budget Financial Statements
Statement of Operations:					
REVENUES					
Net taxes available for municipal purposes	1,520,066	–	–	–	1,520,066
Sales of goods and services	1,026,373	–	–	–	1,026,373
Government transfers and revenue sharing agreements					
Federal	7,132	–	–	–	7,132
Provincial	106,472	–	–	–	106,472
Investment income	42,631	–	–	–	42,631
Fines and penalties	64,269	–	–	–	64,269
Licences, permits and fees	84,707	–	–	–	84,707
Miscellaneous revenue	13,553	–	–	–	13,553
Proceeds on sale of TCA	345	–	–	–	345
Loss on sale of TCA	(5)	–	–	–	(5)
Equity in earnings of government business enterprise	207,600	–	–	–	207,600
	3,073,143	–	–	–	3,073,143
EXPENSES					
Police	397,980	69,426	–	(69,919)	397,487
Fire	228,080	112,524	–	(110,630)	229,974
Public transit	342,447	189,742	–	(185,206)	346,983
Roads, traffic and parking	190,199	670,569	–	(646,860)	213,908
Water services & resources	267,678	282,063	–	(195,864)	353,877
Waste and recycling services	91,215	54,622	–	(42,226)	103,611
Community and social development	56,807	–	–	(82)	56,725
Social housing	125,973	54,335	–	(52,577)	127,731
Parks and recreation facilities	161,853	129,623	–	(103,786)	187,690
Societies and related authorities	51,386	52,534	–	(51,886)	52,034
Calgary Public Library Board	47,537	6,554	–	(6,554)	47,537
General government	295,918	76,288	–	(108,038)	264,168
Public works	152,794	107,725	–	(99,751)	160,768
Fleet services	4,967	86,459	–	(58,178)	33,248
Real estate services	59,511	92,685	–	(47,613)	104,583
	2,474,345	1,985,149	–	(1,779,170)	2,680,324
NET EXPENSES BEFORE OTHER	598,798	(1,985,149)	–	1,779,170	392,819

	2012 Operating Budget Council Approved	2012 Capital Budget Council Approved	2012 Reserves	Tangible Capital Asset Related Adjustments	2012 Budget Financial Statements
OTHER					
Developer contributions	22,935	201,148	–	–	224,083
Government transfers related to capital	–	1,123,500	–	–	1,123,500
Developer contributions-in-kind related to capital	–	–	–	–	–
NET EXPENSES	621,733	(660,501)	–	1,779,170	1,740,402
FINANCING AND TRANSFERS					
Debt principal repayment	75,613	–	–	–	75,613
Debt issued	–	443,241	–	(859,477)	(416,236)
Net interfund transfers					
From (to) reserves fund	(542,982)	62,896	480,086	243,022	243,022
Between capital and operating fund	(154,364)	154,364	–	–	–
Capital fund expenses	–	–	–	(1,162,715)	(1,162,715)
	(621,733)	660,501	480,086	(1,779,170)	(1,260,316)
NET INCREASE IN FUND BALANCE	–	–	480,086	–	480,086
FUND BALANCE, BEGINNING OF YEAR	5,243	(33,649)	1,131,968	–	1,103,562
Transfer of prior year's surplus to reserve fund	(5,243)	–	5,243	–	–
FUND BALANCE, END OF YEAR	–	(33,649)	1,617,297	–	1,583,648

17. Accumulated Surplus

Accumulated Surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2012	2011
Operating fund	$ 31,258	$ 5,243
Capital fund	49,866	(33,649)
Unfunded portion of provision for landfill rehabilitation	–	(16,500)
Reserves (Note 18)	1,297,791	1,131,968
Equity in ENMAX (Note 7)	2,161,986	1,943,731
Equity in non-financial assets	9,652,040	9,024,687
	$ 13,192,941	$12,055,480

18. Reserves

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

	2012	2011
Fiscal stability	$ 294,985	$ 240,932
Reserve for future capital	271,888	255,492
Debt servicing	67,769	72,996
Legacy parks	13,332	9,695
Corporate housing reserve	44,547	43,274
Real Estate Services	68,239	69,605
Community investment	112,223	76,959
Development and building approvals ("DBA") sustainment	30,794	27,488
Reserve for tax loss provision	39,823	36,329
Lifecycle maintenance and upgrade	102,075	92,205
Calgary Housing Company	13,737	10,625
Subtotal	$ 1,059,412	$ 935,600

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

	2012	2011
Utilities sustainment (note 1)	$ 52,226	$ 18,982
Social programs	7,916	7,900
Police services (capital)	25,923	20,151
Police services (operating)	4,000	–
Waste and recycling sustainment (note 2)	41,910	58,162
Other operating	45,885	39,885
Other capital expenses	60,519	51,288
Subtotal	$ 238,379	$ 196,368
Total	$ 1,297,791	$ 1,131,968

Note: (1) in 2011, Wastewater treatment, disposal and water supply reserves were closed and funds transferred to a new Utilities sustainment reserve. (2) in 2011, Landfill revenue and the Environmental control reserves were closed and the funds transferred to a new Waste and recycling sustainment reserve.

19. Net Taxes Available for Municipal Purposes

	2012	2011
Property taxes	$ 1,775,276	$ 1,631,781
Community Revitalization Levy	22,396	15,110
Business taxes	214,174	212,264
Revenue in lieu of taxes	209,778	202,012
Local improvement levies and special taxes	13,308	13,366
	$ 2,234,932	$ 2,074,533
Less: Provincial property taxes (see below)		
Current year levy	(636,534)	(601,784)
Prior year levy	(4,951)	(5,432)
Net taxes available for municipal use	$ 1,593,447	$ 1,467,317

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 $4,083 (2011 – $4,951) has been recorded at December 31 within accounts receivable that will be funded through an increase in the subsequent year's provincial property tax rate.

20. 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 ("AHCC") 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 of Calgary. AHCC began operations in 2010.

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.

	2012 Calgary TELUS Convention Centre	2012 Attainable Homes Calgary Corporation	2012 Calgary Parking Authority	2012 Calgary Public Library Board	2012 Calgary Housing Company	2012 Calgary Municipal Land Corporation	Total
Financial Position							
Physical assets	$ 1,138	$ 55	$ 119,426	$ 45,739	$ 94,891	$ 138,616	$ 399,865
Financial assets	10,233	10,210	5,155	10,881	27,601	72,258	136,338
	11,371	10,265	124,581	56,620	122,492	210,874	536,203
Long-term debt	–	1,200	6,588	1,224	31,262	150,157	190,431
Financial liabilities	8,014	6,514	11,683	3,591	32,405	36,937	99,144
	8,014	7,714	18,271	4,815	63,667	187,094	289,575
Net Assets	$ 3,357	$ 2,551	$ 106,310	$ 51,805	$ 58,825	$ 23,780	$ 246,628
Results of Operations							
Revenue							
Property tax	$ –	$ –	$ –	$ –	$ –	$ 22,396	$ 22,396
Sales of goods & services	23,535	22,469	61,060	–	45,586	16,956	169,606
Government transfers, agreements & subsidies	–	–	–	6,120	41,252	–	47,372
Developer contributions	–	23	–	–	–	–	23
Donated assets	–	–	–	6,055	–	–	6,055
Investment income	–	5	2,558	249	307	102	3,221
Fines & penalties	–	–	15,188	1,768	–	–	16,956
Licenses, permits and fees	–	–	776	1,446	–	–	2,222
Miscellaneous revenue	–	26	–	2,143	1,538	91	3,798
Gain (Loss) on sale of TCA	(16)	–	(4)	8	–	70	58
Internal transfers & contributions	1,686	–	–	40,441	(1,596)	640	41,171
Total revenue	25,205	22,523	79,578	58,230	87,087	40,255	312,878
Expenses							
Salaries, wages, and benefits	$ 6,347	$ 762	$ 6,822	$ 33,018	$ 12,730	$ 1,764	$ 61,443
Contracted and general services	3,067	611	22,985	7,771	31,900	10,957	77,291
Materials, equipment and supplies	14,310	19,634	3,677	4,737	3,957	1,523	47,838
Interest charges	–	38	1,279	76	1,221	6,182	8,796
Transfers	–	–	–	–	20,995	–	20,995
Utilities	1,193	22	1,467	892	8,767	19	12,360
Amortization	458	29	8,090	6,597	2,769	3,045	20,988
Internal recoveries	–	–	(262)	–	–	–	(262)
Debt principle repayments	–	–	1,050	–	5,010	–	6,060
Total expenses	25,375	21,096	45,108	53,091	87,349	23,490	255,509
Income (loss) before appropriations	(170)	1,427	34,470	5,139	(262)	16,765	57,369
Internal transfers	170	(1,427)	(11,860)	(5,139)	262	(16,765)	(34,759)
To City operating fund [1]	–	–	(22,610)	–	–	–	(22,610)
Change in fund balance	$ –	$ –	$ –	$ –	$ –	$ –	$ –

	2011 Calgary TELUS Convention Centre	2011 Attainable Homes Calgary Corporation	2011 Calgary Parking Authority	2011 Calgary Public Library Board	2011 Calgary Housing Company	2011 Calgary Municipal Land Corporation	Total
Financial Position							
Physical assets	$ 1,511	$ 66	$ 125,329	$ 39,736	$ 96,021	$ 120,200	$ 382,863
Financial assets	8,976	8,038	5,671	13,117	33,614	71,602	141,018
	10,487	8,104	131,000	52,853	129,635	191,802	523,881
Long-term debt	–	1,200	7,638	2,107	36,272	131,643	178,860
Financial liabilities	6,959	5,779	10,331	4,976	39,279	50,142	117,466
	6,959	6,979	17,969	7,083	75,551	181,785	296,326
Net Assets	$ 3,528	$ 1,125	$ 113,031	$ 45,770	$ 54,084	$ 10,017	$ 227,555
Results of Operations							
Revenue							
Property tax	$ –	$ –	$ –	$ –	$ –	$ 15,110	$ 15,110
Sales of goods & services	21,748	7,550	56,121	–	44,701	–	130,120
Government transfers, agreements & subsidies	–	–	–	6,211	47,196	–	53,407
Donated assets	–	15	–	–	–	–	15
Investment income	–	6	2,486	244	359	71	3,166
Fines & penalties	–	–	14,802	1,844	–	–	16,646
Licenses, permits and fees	–	–	773	1,448	–	–	2,221
Miscellaneous revenue	–	720	–	1,106	2,371	133	4,330
(Loss) on sale of TCA	–	–	(439)	(28)	–	–	(467)
Internal transfers & contributions	1,713	–	–	37,455	(3,028)	506	36,646
Total revenue	23,461	8,291	73,743	48,280	91,599	15,820	261,194
Expenses							
Salaries, wages, and benefits	$ 6,080	$ 590	$ 7,535	$ 30,838	$ 11,608	$ 1,537	$ 58,188
Contracted and general services	3,002	747	24,055	6,634	32,387	2,414	69,239
Materials, equipment and supplies	12,477	7,001	3,675	4,525	3,529	1,539	32,746
Interest charges	–	19	1,290	128	1,636	5,456	8,529
Transfers	–	–	–	–	24,948	–	24,948
Utilities	1,178	27	1,460	887	9,153	21	12,726
Amortization	1,346	26	7,773	6,079	2,480	1,324	19,028
Internal recoveries	–	–	(481)	–	–	–	(481)
Debt principle repayments	–	–	1,222	–	4,738	357	6,317
Total expenses	24,083	8,410	46,529	49,091	90,479	12,648	231,240
Income (loss) before appropriations	(622)	(119)	27,214	(811)	1,120	3,172	29,954
Internal transfers	622	119	(9,729)	811	(1,120)	(3,172)	(12,469)
To City operating fund [1]	–	–	(17,485)	–	–	–	(17,485)
Change in fund balance	$ –	$ –	$ –	$ –	$ –	$ –	$ –

[1] Distribution to The City for certain net surpluses from Calgary Parking Authority operations.

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21. Expenses by Object

	2012	2011
Salaries, wages and benefits	**$ 1,571,476**	$ 1,495,451
Contracted and general services	**277,772**	366,936
Materials, equipment and supplies	**236,564**	250,271
Interest charges	**135,729**	133,372
Transfer payments	**129,961**	167,312
Utilities	**70,455**	67,406
Amortization	**521,784**	413,273
Loss on disposal of tangible capital assets	**15,005**	17,051
	$ 2,958,746	$ 2,911,072

22. Government Transfers

	2012	2011
Operating		
Province of Alberta	**$ 117,974**	$ 118,512
Government of Canada	**6,117**	6,418
	124,091	124,930
Capital		
Province of Alberta	**378,608**	452,998
Government of Canada	**112,135**	79,867
	490,743	532,865
	$ 614,834	$ 657,795

In accordance with the recommendations of PSAB, 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 tangible capital assets are acquired.

23. Segmented Information

The Consolidated Schedule of Financial Activities by Segment has been prepared in accordance with PSAB Handbook Section 2700 (PS 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) **Subsidiary Entities** include the Calgary Public Library Board, Calgary Parking Authority, Calgary Housing Company, Attainable Homes Calgary Corporation, Calgary TELUS Convention Centre and Calgary Municipal Land Corporation. These related authorities are consolidated within these financial statements. For more information regarding these related authorities, refer to Note 20.

f) **ENMAX Corporation** is included in the government business enterprise and is accounted for on a modified equity basis. For more information regarding ENMAX Corporation, 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, 2012 (in thousands of dollars)

	Tax Supported Operating	Self Supported Operating	Tax Supported Capital	Self Supported Capital	Total The City of Calgary
REVENUES					
Property tax	$ 1,426,622	$ –	$ –	$ –	$ 1,426,622
Business tax	214,174	–	–	–	214,174
Sales of goods & services	454,248	447,779	–	–	902,027
Government transfers, grants & subsidies	–	–	–	–	–
Federal	4,808	–	112,133	–	116,941
Provincial	71,928	334	378,321	–	450,583
Developer contributions	–	16,260	71,189	8,924	96,373
Donated assets	–	–	–	–	–
Investment income	44,518	197	–	–	44,715
Fines & penalties	56,782	1,739	–	–	58,521
Licences, permits and fees	87,266	1,450	–	–	88,716
Miscellaneous revenue	34,152	2,470	41	–	36,663
Proceeds on sale of TCA (Misc revenue)	986	–	–	–	986
Gain/(Loss) on sale of TCA	3,414	35	–	–	3,449
Dividends from ENMAX Corporation	56,000	–	–	–	56,000
Equity in earnings from GBEs	–	–	–	–	–
Debt	–	–	229,628	202,690	432,318
Contribution from reserves	127,225	8,018	224,151	5,095	364,489
Internal transfers & contribution	22,935	–	–	–	22,935
Total Revenues	**2,605,058**	**478,282**	**1,015,463**	**216,709**	**4,315,512**
EXPENSES					
Salaries, wages and benefits	1,443,043	113,021	18,519	9,927	1,584,510
Contracted and general services	470,732	55,153	733,689	168,301	1,427,875
Materials, equipment and supplies	294,824	38,290	211,231	24,533	568,878
Utilities	54,694	20,794	1,643	25	77,156
Transfers	157,330	41,163	21,594	65	220,152
Internal recoveries	(428,345)	(25,177)	(75,477)	14	(528,985)
Interest charges	38,140	72,466	24,148	–	134,754
Amortization	26,585	63,868	–	–	90,453
Loss on sale	–	–	–	–	–
Debt principle repayments	74,748	5,306	–	–	80,054
Contribution from operations to reserves	481,028	48,626	–	–	529,654
Contribution from operations to capital	3,521	2,272	47,535	19,879	73,207
Internal transfers & contribution	(42,500)	42,500	–	–	–
Total Expenses	**2,573,800**	**478,282**	**982,882**	**222,744**	**4,257,708**
Annual Surplus (Deficit)	**$ 31,258**	**$ –**	**$ 32,581**	**$ (6,035)**	**$ 57,804**

	Related Authorities	ENMAX Corporation	Consolidation Adjustments	Total Consolidated 2012
	$ 22,396	$ –	$ (69,745)	$ 1,379,273
	–	–	–	214,174
	169,606	–	(43,094)	1,028,539
	–	–	–	–
	1,373	–	(62)	118,252
	45,999	–	–	496,582
	23	–	–	96,396
	6,055	–	230,124	236,179
	3,221	–	(6,183)	41,753
	16,956	–	–	75,477
	2,222	–	–	90,938
	3,798	–	(14,925)	25,536
	3,359	–	14,508	18,853
	(3,301)	–	(148)	–
	–	–	–	56,000
	–	218,255	–	218,255
	–	–	(432,318)	–
	–	–	(364,489)	–
	41,171	–	(64,106)	–
	312,878	**218,255**	**(750,438)**	**4,096,207**
	61,443	–	(74,477)	1,571,476
	77,291	–	(1,227,394)	277,772
	47,838	–	(380,152)	236,564
	12,360	–	(19,061)	70,455
	20,995	–	(111,186)	129,961
	(262)	–	529,247	–
	8,796	–	(7,821)	135,729
	20,988	–	410,343	521,784
	–	–	15,005	15,005
	6,060	–	(86,114)	–
	–	–	(529,654)	–
	–	–	(73,207)	–
	–	–	–	–
	255,509	**–**	**(1,554,471)**	**2,958,746**
	$ 57,369	**$ 218,255**	**$ 804,033**	**$ 1,137,461**

Schedule of Financial Activities by Segment

For the Year Ended December 31, 2011 (in thousands of dollars)

	Tax Supported Operating	Self Supported Operating	Tax Supported Capital	Self Supported Capital	Total The City of Calgary
REVENUES					
Property tax	$ 1,298,329	$ –	$ –	$ –	$ 1,298,329
Business tax	212,264	–	–	–	212,264
Sales of goods & services	471,644	405,554	55	–	877,253
Government transfers, grants & subsidies	–	–	–	–	–
Federal	4,853	2	79,834	–	84,689
Provincial	68,007	23	451,730	–	519,760
Developer contributions	–	1,374	47,380	6,451	55,205
Donated assets	–	–	–	–	–
Investment income	44,829	281	–	–	45,110
Fines & penalties	51,324	1,710	–	–	53,034
Licences, permits and fees	70,680	1,626	–	–	72,306
Miscellaneous revenue	28,344	1,938	510	–	30,792
Proceeds on sale of TCA (Misc revenue)	1,274	–	–	–	1,274
Gain/(Loss) on sale of TCA	4,900	–	–	–	4,900
Dividends from ENMAX Corporation	55,600	–	–	–	55,600
Equity in earnings from GBEs	–	–	–	–	–
Debt	–	–	296,401	159,000	455,401
Contribution from reserves	155,735	3,189	186,635	(178)	345,381
Internal transfers & contribution	18,283	–	–	–	18,283
Total Revenues	**2,486,066**	**415,697**	**1,062,545**	**165,273**	**4,129,581**
EXPENSES					
Salaries, wages and benefits	1,370,810	108,572	20,882	10,514	1,510,778
Contracted and general services	482,111	53,312	903,836	161,980	1,601,239
Materials, equipment and supplies	293,578	39,941	287,575	20,451	641,545
Utilities	50,298	20,111	142	56	70,607
Transfers	156,553	37,160	43,042	2,300	239,055
Internal recoveries	(428,985)	(27,406)	(46,132)	(92)	(502,615)
Interest charges	41,045	70,479	19,570	–	131,094
Amortization	27,806	58,410	–	–	86,216
Loss on Sale	–	–	–	–	–
Debt principle repayments	69,901	4,371	–	–	74,272
Contribution from operations to reserves	454,740	5,238	–	–	459,978
Contribution from operations to capital	5,466	3,009	20,297	9,891	38,663
Internal transfers & contribution	(42,500)	42,500	–	–	–
Total Expenses	**2,480,823**	**415,697**	**1,249,212**	**205,100**	**4,350,832**
Annual Surplus (Deficit)	**$ 5,243**	**$ –**	**$ (186,667)**	**$ (39,827)**	**$ (221,251)**

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	Related Authorities	ENMAX Corporation	Consolidation Adjustments	Total Consolidated 2011
	$ 15,110	$ –	$ (58,386)	$ 1,255,053
	–	–	–	212,264
	130,120	–	(40,960)	966,413
	–	–	–	–
	1,658	–	(61)	86,286
	51,749	–	–	571,509
	15	–	–	55,220
	–	–	188,071	188,071
	3,166	–	(4,297)	43,979
	16,646	–	–	69,680
	2,221	–	–	74,527
	4,330	–	(4,170)	30,952
	–	–	3,094	4,368
	(467)	–	(4,433)	–
	–	–	–	55,600
	–	98,481	–	98,481
	–	–	(455,401)	–
	–	–	(345,381)	–
	36,646	–	(54,929)	–
	261,194	**98,481**	**(776,853)**	**3,712,403**
	58,188	–	(73,518)	1,495,448
	69,239	–	(1,303,541)	366,937
	32,746	–	(424,020)	250,271
	12,726	–	(15,926)	67,407
	24,948	–	(96,691)	167,312
	(481)	–	503,096	–
	8,529	–	(6,251)	133,372
	19,028	–	308,029	413,273
	–	–	17,052	17,052
	6,317	–	(80,589)	–
	–	–	(459,978)	–
	–	–	(38,663)	–
	–	–	–	–
	231,240	**–**	**(1,671,000)**	**2,911,072**
	$ 29,954	**$ 98,481**	**$ 894,147**	**$ 801,331**

24. Commitments and Contingent Liabilities

a) Capital commitments of $589,305 (2011 – $685,880) are not reflected in the consolidated financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2012, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year's capital budget of $1,985,149 (2011 – $2,253,636) and will be funded from reserves and debt in future years.

b) Commitments related to operating leases of $22,796 (2011 – $26,455) 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:

2013	5,473
2014	2,953
2015	2,165
2016	1,563
2017	866
Thereafter	9,776
	$ 22,796

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. 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 reclamation and closure costs are reasonably determinable, The City has recorded a total provision in the amount of $4,081 (2011 – $4,410) 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, 2012, 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 payment in lieu of taxes ("PILOT") regulation to the *Electric Utilities Act* which became effective January 1, 2001. ENMAX Corporation regularly review the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. Tax provisions are adjusted, positively or negatively, for changes in estimates and assessments by tax authorities in the period in which they are more likely than not to have an impact on the financial results.

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 will provide 75% of The City's electricity from renewable energy sources through 2011. Starting in 2012, 100% of the electricity supplied to The City will come 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.

25. 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 variable that is 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 2034. The interest rates on the credit facilities held by CES range from 1.92% to 6.23% (2011 – 1.92% to 6.23%). As at December 31, 2012, CES has drawn a total of $67,046 (2011 – $70,077) on the total maximum available facility of $123,806 (2011 – $126,477). The City, as an unconditional guarantor, holds as security a fixed debenture in the amount of $135,500 (2011 – $135,500) 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 this guarantee is equal to the amortization period of the related debt, which matures in 2019. The interest rate on the credit facility is 4.94% (2011 – 4.94%). As at December 31, 2012, the outstanding balance of the facility was $4,318 (2011 – $4,573) on the total maximum available facility of $4,318 (2011 – $4,573). 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 the Calgary Olympic Development Association (CODA) operating under the trade name Canadian Winter Sport Institute ("WinSport Canada™"). This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of CODA in the event CODA cannot fulfill its obligations to a Canadian chartered bank. The term of this guarantee is equal to the term of the related credit facility, which matures in 2015. The interest rate on the credit facility is prime plus 0.00% or bankers acceptances plus 1.00% (2011 – prime plus 0.00% or bankers acceptances plus 1.00%). As at December 31, 2012, the outstanding balance of the facility was $39,250 (2011 – $28,905) on the total maximum available facility of $39,250 (2011 – $39,250). The City, as an unconditional guarantor, holds as security a Mortgage, Assignment, and Security Agreement in the amount of $42,250 charging certain lands owned by CODA.

iv) The City has guaranteed certain indebtedness of the Calgary Science Centre and Creative Kids Museum Society ("TELUS Spark"). This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of TELUS Spark in the event TELUS Spark cannot fulfill its obligations to a Canadian chartered bank. The guarantee expires in 2019. The interest rate on the credit facility is prime minus 0.75% (2011 – prime minus 0.75%). As at December 31, 2012, the outstanding balance of the facility was $7,310 (2011 – $10,939) on the total maximum available facility of $7,310 (2011 – $17,000). As collateral for this guarantee, The City, as unconditional guarantor, holds a security interest in all present and after-acquired personal property of the TELUS Spark. In addition, The City could terminate its Lease and Operating Agreement with TELUS Spark and take possession and control of all TELUS Spark facilities.

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 covered by the Civic Insurance Program, which comprises a combination of purchased insurance and a self-funded component.

26. EXECUTIVE SALARIES AND BENEFITS

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

	2012 Salaries	2012 Benefits	2012 Total	2011 Salaries	2011 Benefits	2011 Total
Mayors [1] [4]	$ 201	$ 31	$ 232	$ 192	$ 45	$ 237
Aldermen [2] [4]	1,500	440	1,940	1,430	480	1,910
City Manager	345	45	390	340	42	382
Designated Officers [3]	1,048	195	1,243	1,015	175	1,190

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

Notes:

1. The mayor for 2012 was paid 2012 salary of $201 (2011 – $192) and benefits of $31 (2011 – $45). The former mayor that left office in 2010 was paid a transitional allowance in 2011 as disclosed in note 26 (4). The new mayor received a 2011 salary of $192 and benefits in 2011 of $45.
2. The Alderman in each of wards 1 through 14 received a 2012 salary of $107 (2011 – $102) and 2012 benefits of $33 (2011 – $36); with the exception of 2 Aldermen receiving $16 and $31 in 2012 benefits. Transitional allowances in 2011 were paid to aldermen who left office after the 2010 election as disclosed in note 26 (4.).
3. The City's five designated officers are the City Assessor, City Clerk, City Solicitor, City Treasurer and City Auditor. In 2012, vacation, holiday and severance payouts amounted to: City Solicitor $nil (2011 – $nil), City Treasurer $nil (2011 – $nil), City Assessor $nil (2011 – $nil), City Auditor $nil (2011 – $186). These vacation and holiday payouts are not included in the salary and benefits reported above.
4. 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 mayor and aldermen who left office in 2010 are: Paid in 2012 – $0 (Paid in 2011 – Mayor: $83, Ward 4 $44, Ward 9: $40, Ward 12: $17, and Ward 14 $19)

27. Financial Instruments

At December 31, 2012, The City had no outstanding (2011 – 1) Euro and 7 (2011 – 7) U.S. foreign exchange fixed contract arrangements in place. Dates for exercising these contracts range from February 2013 to May 2014. Total committed and anticipated future foreign merchandise purchases are €nil Euros (2012 – €181 Euros) and $5,837 USD (2012 – $4,119).

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 Schedule One Canadian banks at rates ranging from 1.00 to 1.02 Canadian Dollars. The Canadian Dollar Equivalent of these contracts at December 31, 2012 is $5,828 (2011 – $4,429) Canadian Dollars. During the fiscal year ended December 31, 2012, the various arrangements for foreign merchandise purchases cost The City $891 (2011 – $1,259) more than if the arrangements had not been entered into.

28. 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, 2011	Receipts	Investment Income	Disbursements	December 31, 2012
Joint Use Reserve Fund	$ 59,901	$ 9,825	$ 1,120	$ (6,237)	$ 64,609
Oversize roads	24,383	7,800	271	(3,617)	28,837
Oversize parks	16,077	3,636	173	(1,568)	18,318
Oversize utilities	8,961	3,305	97	(2,658)	9,705
Developers' cash bonds	7,956	200	77	(2,114)	6,119
Calgary Regional Partnership	1,583	560	19	(311)	1,851
Calgary Technologies Inc.	450	–	5	–	455
Acreage assessments	–	2,000	14	(200)	1,814
Other miscellaneous trusts	338	327	5	(101)	569
	$ 119,649	$ 27,653	$ 1,781	(16,806)	$ 132,277

29. CHANGE IN ACCOUNTING ESTIMATE

Upon adoption of PS3150 Tangible Capital Assets, certain assets were recognized in the financial statements using Transitional Provisions for Local Governments, specifically, certain assets were recognized as estimates using valuation strategies when the historic cost accounting records were unavailable. In 2012, as part of on-going usage and refinement of evolving capital asset accounting and management systems, some of these assets were physically verified and the resulting information provided more accurate information regarding these estimations. These asset balances primarily consisted of Parks land and land improvements, Parks and Water engineered structures, machinery & equipment and buildings. The effect of adjusting these estimates was to increase the net book value of tangible capital assets at December 31, 2012 by $37,535 from $12,944,618 to $12,982,153. Similarly, equity in non-financial assets, a category within accumulated surplus at December 31, 2012 increased by $37,535 from $9,614,505 to $9,652,040.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Reclassifications have been made in 2011 to reclassify certain reserve amounts from accounts payable to accumulated surplus.

Financial & Statistical Schedules

REVENUE BY SOURCE UNAUDITED 2008 TO 2012

(IN THOUSANDS OF DOLLARS)

	2012 Operating	2012 Capital	2012 Total	2011 Operating	2011 Capital	2011 Total
Property taxes	$ 1,775,276	$ –	$ 1,775,276	$ 1,631,781	$ –	$ 1,631,781
Community Revitalization Levy	22,396	–	22,396	15,110	–	15,110
Business taxes	214,174	–	214,174	212,264	–	212,264
Revenue in lieu of taxes	209,778	–	209,778	202,011	–	202,011
Local improvement levies and special taxes	13,308	–	13,308	13,366	–	13,366
	2,234,932	–	2,234,932	2,074,532	–	2,074,532
Less: Provincial property taxes	(641,485)	–	(641,485)	(607,215)	–	(607,215)
Net taxes available for municipal purposes	1,593,447	–	1,593,447	1,467,317	–	1,467,317
Sales of goods and services						
Water and sewer	435,386	–	435,386	394,878	–	394,878
Public transit	169,914	–	169,914	151,887	–	151,887
Real estate	80,994	–	80,994	98,496	–	98,496
Recreation and culture	65,247	–	65,247	55,525	–	55,525
Parking	58,435	–	58,435	53,618	–	53,618
Social housing	45,586	–	45,586	39,410	–	39,410
Protective services	42,529	–	42,529	42,655	–	42,655
Waste disposal	85,019	–	85,019	89,053	–	89,053
Other	45,429	–	45,429	40,891	–	40,891
	1,028,539	–	1,028,539	966,413	–	966,413
Government transfers						
Federal						
Debenture interest rebates	400	–	400	778	–	778
Revenue and cost sharing agreements and grants	5,717	112,135	117,852	5,640	79,867	85,507
Provincial						
Debenture interest rebates	135	–	135	135	159	294
Grants, entitlements, revenue and cost sharing agreements	117,839	378,608	496,447	118,377	452,839	571,216
	124,091	490,743	614,834	124,930	532,865	657,795
Other revenue						
Dividends from ENMAX Corporation	56,000	–	56,000	55,600	–	55,600
Other equity earnings in government business enterprises	169,038	–	169,038	128,981	–	128,981
Developer contributions	–	96,396	96,396	–	55,220	55,220
Donated assets	–	236,179	236,179	–	188,071	188,071
Investment income	41,753	–	41,753	43,980	–	43,980
Fines and penalties	75,477	–	75,477	69,680	–	69,680
Licences, permits and fees	90,938	–	90,938	74,527	–	74,527
Miscellaneous revenue	44,389	–	44,389	35,319	–	35,319
	477,595	332,575	810,170	408,087	243,291	651,378
Total revenue	$ 3,223,672	$ 823,318	$ 4,046,990	$ 2,966,747	$ 776,156	$ 3,742,903

	2010 Operating	2010 Capital	2010 Total	2009 Operating	2009 Capital	2009 Total	2008 Operating	2008 Capital	2008 Total
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
	$ 1,554,635	$ –	$ 1,554,635	$ 1,463,695	$ –	$ 1,463,695	$ 1,343,143	$ –	$ 1,343,143
	11,068	–	11,068	7,627	–	7,627	5,018	–	5,018
	201,681	–	201,681	206,771	–	206,771	183,522	–	183,522
	176,246	–	176,246	189,573	–	189,573	230,284	–	230,284
	13,121	–	13,121	10,779	–	10,779	9,778	–	9,778
	1,956,751	–	1,956,751	1,878,445	–	1,878,445	1,771,745	–	1,771,745
	(612,791)	–	(612,791)	(586,037)	–	(586,037)	(548,558)	–	(548,558)
	1,343,960	–	1,343,960	1,292,408	–	1,292,408	1,223,187	–	1,223,187
	370,698	–	370,698	380,467	–	380,467	353,148	–	353,148
	150,463	–	150,463	144,129	–	144,129	134,905	–	134,905
	65,683	–	65,683	42,356	–	42,356	48,187	–	48,187
	60,011	–	60,011	58,507	–	58,507	38,403	–	38,403
	52,361	–	52,361	52,911	–	52,911	51,247	–	51,247
	42,240	–	42,240	42,091	–	42,091	40,084	–	40,084
	47,866	–	47,866	38,576	–	38,576	44,264	–	44,264
	84,068	–	84,068	67,361	–	67,361	35,739	–	35,739
	33,839	–	33,839	34,728	–	34,728	35,460	–	35,460
	907,229	–	907,229	861,126	–	861,126	781,437	–	781,437
	943	–	943	943	–	943	961	–	961
	5,998	62,661	68,659	8,563	54,279	62,842	7,241	47,615	54,856
	153	149	302	359	–	359	720	–	720
	158,595	415,673	574,268	165,394	322,145	487,539	110,378	500,502	610,880
	165,689	478,483	644,172	175,259	376,424	551,683	119,300	548,117	667,417
	61,800	–	61,800	55,000	–	55,000	50,000	–	50,000
	116,019	–	116,019	151,034	–	151,034	131,994	–	131,994
	–	36,031	36,031	–	42,738	42,738	–	80,872	80,872
	–	199,622	199,622	–	183,540	183,540	–	56,042	56,042
	40,507	–	40,507	40,486	–	40,486	57,873	–	57,873
	67,324	–	67,324	60,075	–	60,075	56,156	–	56,156
	70,739	–	70,739	69,061	–	69,061	77,700	–	77,700
	35,625	–	35,625	46,343	–	46,343	35,751	–	35,751
	392,014	235,653	627,667	421,999	226,278	648,277	409,474	136,914	546,388
	$ 2,808,892	$ 714,136	$ 3,523,028	$ 2,750,792	$ 602,702	$ 3,353,494	$ 2,533,398	$ 685,031	$ 3,218,429

EXPENSES BY FUNCTION UNAUDITED (SEE NOTES) 2008 TO 2012

(IN THOUSANDS OF DOLLARS)

	2012	2011	2010 (3)(4)	2009 (2)	2008 (1)
			(restated)	(restated)	(restated)
Protective Services					
Police	**$ 410,926**	$ 384,396	$ 368,947	$ 316,055	$ 285,936
Fire	**246,003**	233,265	222,279	181,082	159,998
Emergency Medical Services	**–**	–	–	15,939	53,928
	656,929	617,661	591,226	513,076	499,862
Transportation					
Public transit	**438,405**	391,456	367,128	288,707	283,688
Roads, traffic and parking	**355,081**	362,113	467,576	241,088	166,415
	793,486	753,569	834,704	529,795	450,103
Environmental protection					
Water services & resources	**382,577**	362,259	329,901	168,827	147,041
Waste and recycling	**111,034**	94,476	119,980	82,833	60,632
	493,611	456,735	449,881	251,660	207,673
Social development					
Community and social development	**55,567**	56,736	51,694	49,535	50,641
Social housing	**113,184**	106,174	123,501	109,421	75,153
	168,751	162,910	175,195	158,956	125,794
Recreation and culture					
Parks and recreation facilities	**211,142**	263,844	255,456	189,518	162,997
Societies and related authorities	**68,593**	84,077	96,942	84,690	41,559
Calgary Public Library Board	**52,195**	51,367	45,481	37,574	35,325
	331,930	399,288	397,879	311,782	239,881
Other expenditure					
General government	**264,647**	277,138	199,097	190,156	160,958
Public works	**176,992**	186,081	167,355	117,045	129,428
Real estate services	**72,400**	57,690	80,820	42,964	37,631
	514,039	520,909	447,272	350,165	328,017
Interest and financing fees (4)					
Tax supported	**–**	–	–	26,061	31,305
Self sufficient tax supported	**–**	–	–	4,414	1,069
Self supported	**–**	–	–	78,348	67,018
	–	–	–	108,823	99,392
Amortization (3)(4)	**–**	–	–	354,910	304,383
Total expenses	**$ 2,958,746**	$ 2,911,072	$ 2,896,157	$ 2,579,167	$ 2,255,105

Notes:

(1) Figures for 2008 have been restated to be consistent with the new local reporting model changes introduced by PSAB effective for 2009 and onwards.

(2) Figures for 2009 have been restated for the correction of certain tangible capital asset adjustments identified in 2010. Years prior to 2009 have not been restated for this adjustment

(3) Figures for 2010 have been restated for the correction of certain tangible capital asset adjustments identified in 2011. Years prior to 2010 have not been restated for this adjustment.

(4) Reclassifications have been made in 2010 to reclassify amortization and interest expenses by function. Years prior to 2010 have not been restated for this adjustment.

Financial Position and Net Revenues Unaudited

2008 TO 2012 (IN THOUSANDS OF DOLLARS)

	2012	2011	2010 [3]	2009 [2]	2008 [1]
			(restated)	(restated)	(restated)
Financial assets	**$ 5,407,521**	$ 4,831,572	$ 4,766,081	$ 4,493,369	$ 4,128,569
Liabilities	**5,267,439**	5,009,322	4,708,417	4,061,969	3,452,910
Net financial (debt) assets	**140,082**	(177,750)	57,664	431,400	675,659
Non-financial assets	**13,052,859**	12,233,230	11,193,852	10,182,825	9,115,850
Accumulated surplus	**13,192,941**	12,055,480	11,251,516	10,614,225	9,791,509
Annual surplus	**$ 1,137,461**	$ 801,331	$ 611,638	$ 771,329	$ 969,757

Notes:

(1) Figures for 2008 have been restated to be consistent with the new local reporting model changes introduced by PSAB effective for 2009 and onwards.

(2) Figures for 2009 have been restated for the correction of certain tangible capital asset adjustments identified in 2010. Years prior to 2009 have not been restated for this adjustment

(3) Figures for 2010 have been restated for the correction of certain tangible capital asset adjustments identified in 2011. Years prior to 2010 have not been restated for this adjustment.

Consolidated Accumulated Surplus Unaudited

2008 TO 2012 (IN THOUSANDS OF DOLLARS)

	2012	2011	2010	2009	2008
			(restated)	(restated)	(restated)
Operating fund	**$ 31,258**	$ 5,243	$ 24,992	$ 2,141	$ 7,300
Capital fund	**53,295**	(33,649)	84,042	177,242	161,254
Reserves	**1,297,791**	1,131,968	1,017,747	958,433	862,290
Unfunded portion of provision for landfill liabilities [1]	**–**	(16,500)	(13,500)	–	–
Equity in government business enterprises	**2,161,986**	1,943,731	1,845,250	1,744,464	1,604,361
Equity in non-financial assets	**9,648,611**	9,024,687	8,292,985	7,731,945	7,156,304
	$ 13,192,941	$ 12,055,480	$ 11,251,516	$ 10,614,225	$ 9,791,509

Notes:

(1) Figures for 2010 have been restated for the correction of certain post closure costs on active landfill sites identified in 2011. Years prior to 2010 have not been restated

Expenses by Object Unaudited

2008 TO 2012 (IN THOUSANDS OF DOLLARS)

	2012	2011	2010 [3]	2009 [2]	2008 [1]
			(restated)	(restated)	(restated)
Salaries, wages and benefits	$ 1,571,476	$ 1,495,451	$ 1,421,993	$ 1,299,722	$ 1,202,562
Contracted and general services	277,772	366,936	439,334	378,618	213,096
Materials, equipment and supplies	236,564	250,271	216,175	205,682	290,338
Interest charges					
Tax supported	49,111	62,623	54,178	26,061	32,374
Self supported	86,618	70,749	69,860	82,762	67,018
Third-party social, cultural and recreation programs	129,961	167,312	167,699	166,763	85,985
Utilities	70,455	67,406	60,454	64,649	59,349
Amortization	521,784	413,273	398,286	354,910	304,383
Loss on disposal of tangible capital assets	15,005	17,051	68,178	–	–
Total expenses	$ 2,958,746	$ 2,911,072	$ 2,896,157	$ 2,579,167	$ 2,255,105

Notes:

(1) Figures for 2008 have been restated to be consistent with the new local reporting model changes introduced by PSAB effective for 2009 and onwards.

(2) Figures for 2009 have been restated for the correction of certain tangible capital asset adjustments identified in 2010. Years prior to 2009 have not been restated for this adjustment.

(3) Figures for 2010 have been restated for the correction of certain tangible capital asset adjustments identified in 2011. Years prior to 2010 have not been restated for this adjustment.

Consolidated Investments Unaudited

2008 TO 2012 (IN THOUSANDS OF DOLLARS)

	2012	2011	2010	2009	2008
Cost:					
Government of Canada	$ 52,593	$ 148,114	$ 164,569	$ 252,619	$ 67,590
Other government	625,113	323,104	399,370	307,931	339,767
Corporate	1,893,506	1,728,753	1,685,924	1,556,269	1,549,504
Equity investments	138,146	133,032	108,216	102,120	1,261
	$ 2,709,358	$ 2,333,003	$ 2,358,079	$ 2,218,939	$ 1,958,122
Market Value:					
Government of Canada	$ 53,039	$ 149,767	$ 164,614	$ 252,037	$ 68,923
Other government	630,196	333,787	403,198	310,190	340,088
Corporate	1,900,726	1,734,843	1,690,935	1,568,563	1,548,918
Equity investments	151,249	134,098	127,430	112,248	1,261
	$ 2,735,210	$ 2,352,495	$ 2,386,177	$ 2,243,038	$ 1,959,190

Consolidated Reserves Unaudited

2008 TO 2012 (IN THOUSANDS OF DOLLARS)

	2012	2011	2010	2009	2008
Significant Reserves					
Fiscal stability	$ **294,985**	$ 240,932	$ 224,916	$ 195,738	$ 148,084
Reserve for future capital	**271,888**	255,492	232,534	251,054	215,767
Debt servicing	**67,769**	72,996	82,827	87,991	109,310
Corporate housing reserve	**44,547**	43,274	65,589	42,935	33,638
Legacy parks	**13,332**	9,695	15,733	31,738	53,117
Real estate services (combined operating & capital)	**68,239**	69,605	35,851	11,561	–
Community investment	**112,223**	76,959	36,914	40,929	39,776
Development and building approvals ("DBA") sustainment	**30,794**	27,488	36,071	38,189	39,725
Reserve for tax loss provision	**39,823**	36,329	33,146	29,630	27,000
Landfill revenue[2]	**–**	–	10,794	9,829	3,132
Lifecycle maintenance and upgrade	**102,075**	92,205	75,477	55,404	48,762
Calgary Housing Company	**13,737**	10,625	6,851	4,255	8,368
	$ **1,059,412**	$ 935,600	$ 856,703	$ 799,253	$ 726,679
Other reserve balances will be utilized in future years for the following types of expenses:					
Wastewater treatment and disposal and water supply [1]	$ **–**	$ –	$ 18,624	$ 17,786	$ 15,011
Utilities sustainment [1]	**52,226**	18,982	–	–	–
Social programs	**7,916**	7,900	9,336	8,479	7,922
Police services (capital)	**25,923**	20,151	15,502	10,837	9,261
Police services (operating)	**4,000**	–	–	–	–
Environmental control [2]	**–**	–	24,059	26,346	19,091
Waste & recycling sustiainment [2]	**41,910**	58,162	–	–	–
Other operating	**45,885**	39,885	35,976	40,511	36,505
Other capital expenses	**60,519**	51,288	57,547	55,221	47,821
	238,379	196,368	161,044	159,180	135,611
	$ **1,297,791**	$ 1,131,968	$ 1,017,747	$ 958,433	$ 862,290

Notes:

(1) In 2011, Wastewater treatment, disposal and water supply reserves were closed and funds transferred to a new Utilities sustainment reserve.

(2) In 2011, Landfill revenue and the Environmental control reserves were closed and the funds transferred to a new Waste and recycling sustainment reserve.

TAXATION AND ASSESSMENTS UNAUDITED 2008 TO 2012

(IN THOUSANDS OF DOLLARS UNLESS OTHERWISE STATED)

		2012	2011	2010	2009	2008
TAX RATES						
Residential						
Municipal and Library	Mills	**3.457**	3.205	3.138	2.640	2.415
Provincial property	Mills	**2.709**	2.464	2.735	2.360	2.189
Non-Residential						
Municipal and Library	Mills	**12.31**	11.510	9.909	8.213	8.093
Provincial property	Mills	**3.934**	4.099	3.885	3.228	3.216
ASSESSED VALUES						
Residential		**$ 162,729,050**	$ 165,284,722	$ 150,838,293	$ 170,027,495	$ 172,262,927
Percentage of total (%)		**77.6**	78.6	76.2	76.4	77.7
Commercial, industrial and farm		**$ 46,855,572**	$ 44,859,905	$ 47,067,544	$ 52,645,433	$ 49,431,089
Percentage of total (%)		**22.4**	21.4	23.8	23.6	22.3
Total assessment		**$ 209,584,622**	$ 210,144,627	$ 197,905,837	$ 222,672,928	$ 221,694,016
TAX LEVIES						
Municipal property taxes						
Residential		**$ 563,117**	$ 526,126	$ 471,447	$ 443,963	$ 412,317
Non-residential		**579,364**	507,369	479,406	442,173	390,471
Community Revitalization Levy		**22,396**	15,110	11,068	7,627	5,018
Business tax		**214,174**	212,264	201,681	206,771	183,522
Revenue in lieu of taxes		**201,088**	193,081	167,237	181,095	222,081
Local improvements and special levies		**13,308**	13,366	13,121	10,779	9,778
		$ 1,593,447	$ 1,467,316	$ 1,343,960	$ 1,292,408	$ 1,223,187
Provincial property taxes						
Residential		**$ 443,274**	$ 406,908	$ 412,115	$ 401,527	$ 377,174
Non-residential		**189,521**	191,378	191,667	176,032	163,181
Revenue in lieu of taxes		**8,690**	8,930	9,009	8,478	8,203
		641,485	607,216	612,791	586,037	548,558
Total taxes levied		**$ 2,234,932**	$ 2,074,532	$ 1,956,751	$ 1,878,445	$ 1,771,745
Percentage of Total Levies						
Property tax						
Residential property		**45.03%**	44.98%	45.15%	45.01%	44.56%
Non-residential property		**34.40%**	33.69%	34.29%	32.91%	31.25%
Local improvement		**0.60%**	0.63%	0.67%	0.57%	0.55%
Community Revitalization Levy		**1.00%**	0.73%	0.57%	0.41%	0.28%
Business tax		**9.58%**	10.23%	10.31%	11.01%	10.36%
Revenue in lieu of taxes		**9.39%**	9.74%	9.01%	10.09%	13.00%

TAXATION AND ASSESSMENTS UNAUDITED 2008 TO 2012

(IN THOUSANDS OF DOLLARS UNLESS OTHERWISE STATED)

	2012	2011	2010	2009	2008
PROPERTY TAX – Continuity					
Taxes receivable, January 1	**$ 40,075**	$ 45,063	$ 40,630	$ 36,632	$ 22,765
Current levies					
Property taxes	**1,821,259**	1,687,367	1,576,283	1,489,955	1,379,373
Business taxes	**222,846**	215,488	205,391	198,609	192,937
Non-tax items for collection	**1,378**	1,534	1,415	1,709	1,143
Penalties	**9,088**	9,037	8,610	7,818	6,586
Cancellation of tax arrears	**(2,218)**	(3,381)	(16,443)	(26,958)	(11,566)
Write-off of taxes	**(559)**	(614)	(868)	(903)	(617)
Total to be collected	**2,091,869**	1,954,494	1,815,018	1,706,862	1,590,621
Collections during the year					
Current levies	**(2,018,942)**	(1,878,537)	(1,748,852)	(1,658,062)	(1,540,661)
Arrears	**(32,284)**	(35,882)	(21,103)	(8,170)	(13,328)
Subtotal	**40,643**	40,075	45,063	40,630	36,632
Allowance for doubtful accounts	**(850)**	(500)	(850)	(750)	(750)
Taxes receivable, December 31	**$ 39,793**	$ 39,575	$ 44,213	$ 39,880	$ 35,882
Percentage of current taxes collected (%)	**96.51%**	96.11%	97.50%	98.20%	98.00%
Taxes outstanding as a percentage of the current year levy (%)	**1.99%**	2.10%	2.40%	2.40%	2.30%
Other Major Tax Levies:					
Revenue in lieu of taxes					
Municipal consent and access fee	**$ 147,833**	$ 125,536	$ 97,621	$ 107,991	$ 125,903
Franchise fees	**48,635**	63,873	65,327	68,832	92,185
Governments					
Provincial	**10,931**	10,255	11,094	10,899	10,602
Federal	**2,443**	2,328	2,204	1,850	1,594
	$ 209,842	$ 201,992	$ 176,246	$ 189,572	$ 230,284

CONTINUITY OF LONG-TERM DEBT UNAUDITED 2008 TO 2012

(IN THOUSANDS OF DOLLARS UNLESS OTHERWISE STATED)

	2012	2011	2010	2009	2008
Opening Balance	**$ 3,228,887**	$ 2,945,662	$ 2,476,075	$ 1,967,939	$ 1,696,323
New issues or additions during the year					
Tax supported					
Debentures	**8,872**	24,401	45,166	31,438	36,562
Capital leases	**–**	–	–	768	563
	8,872	24,401	45,166	32,206	37,125
Self supported					
Debentures	**191,500**	188,600	228,407	382,015	339,029
Local improvement debentures	**4,018**	6,864	23,686	12,761	6,185
Capital leases	**84**	5,391	–	–	–
Mortgages and other debt	**(7,844)**	10,393	46,251	15,649	19,621
	187,758	211,248	298,344	410,425	364,835
Self sufficient tax supported					
Debentures	**240,000**	248,000	308,000	266,000	40,000
	240,000	248,000	308,000	266,000	40,000
Debt repaid during the year					
Tax supported					
Debentures	**(55,728)**	(52,127)	(58,564)	(68,888)	(59,197)
Capital leases	**(135)**	(335)	(622)	(660)	(591)
	(55,863)	(52,462)	(59,186)	(69,548)	(59,788)
Self supported					
Debentures	**(120,648)**	(120,103)	(112,621)	(112,929)	(97,211)
Local improvement debentures	**(8,826)**	(9,524)	(6,321)	(6,135)	(5,896)
Capital leases	**(926)**	(301)	–	–	–
Mortgages and other debt	**(57,228)**	(17,677)	(3,795)	(11,883)	(7,449)
	(187,628)	(147,605)	(122,737)	(130,947)	(110,556)
Self sufficient tax supported					
Debentures	**(1,486)**	(357)	–	–	–
	(1,486)	(357)	–	–	–
Increase (Decrease)					
Tax supported	**(46,991)**	(28,061)	(14,020)	(37,342)	(22,663)
Self supported	**130**	63,643	175,607	279,478	254,279
Self sufficient tax supported	**238,514**	247,643	308,000	266,000	40,000
Net Increase during the year	**191,653**	283,225	469,587	508,136	271,616
Closing balance	**$ 3,420,540**	$ 3,228,887	$ 2,945,662	$ 2,476,075	$ 1,967,939
Debt servicing as a per cent of operating expenses (net of recoveries), tax supported	**3.1**	3.1	3.6	4.3	4.5
Percentage of legal debt limit as per *Municipal Government Act* [see note 13(f)]	**57.2**	58.9	56.9	48.7	41.9

CONTINUITY OF LONG-TERM DEBT UNAUDITED 2008 TO 2012

(IN THOUSANDS OF DOLLARS UNLESS OTHERWISE STATED)

	2012	2011	2010	2009	2008
Tax Supported					
Calgary Public Library Board	$ –	$ –	$ –	$ 104	$ 660
Facility management (CPB)	51,210	53,828	51,231	42,490	49,702
Fire	3,451	3,768	3,846	4,214	4,594
General government	283	477	676	869	95
Parks and recreation	65,724	72,227	74,737	79,715	77,561
Police	1,202	2,387	3,741	5,351	2,772
Social housing	5,508	5,796	6,070	6,330	6,578
Real estate services	–	–	–	–	676
Roads	166,082	186,438	203,892	202,499	269,705
Societies & related authorities	12,334	14,555	11,018	12,308	17,154
Waste & recycling services	4,987	5,238	5,478	5,706	5,923
Transit	50,679	63,737	75,823	90,946	52,454
	361,460	408,451	436,512	450,532	487,874
Tax supported, % of total	10.6	12.6	14.8	18.2	24.9
Per capita, tax supported	$ 323	$ 374	$ 407	$ 423	$ 468
Self Supported					
Calgary Parking Authority	$ 6,588	$ 7,638	$ 8,860	$ 10,242	$ 11,561
Calhome Properties Ltd.	31,262	36,272	41,011	45,637	49,698
Lindsay Park Sports Society	2,345	2,614	2,874	–	–
Water services & resources	1,665,394	1,569,501	1,485,658	1,359,288	1,131,650
Facility management (CPB)	1,452	2,382	2,812	3,218	600
Fleet services	98,426	112,301	113,061	133,080	118,725
General government	–	–	203	394	574
Parks and recreation	8,163	9,772	11,474	12,836	10,392
Police	–	–	–	–	123
Social housing	14,929	17,784	19,998	22,125	16,439
Real estate services	26,955	27,312	27,650	10,971	4,695
Roads	82,074	149,675	81,490	64,024	57,360
Societies & related authorities	3,727	4,228	4,700	5,833	6,889
Waste & recycling services	17,608	19,314	20,952	22,525	8,429
Transportation infrastructure	–	–	74,407	29,370	22,930
	1,958,923	1,958,793	1,895,150	1,719,543	1,440,065
Self supported, % of total	57.3	60.7	64.1	69.4	73.1
Per capita, self supported	$ 1,749	$ 1,796	$ 1,764	$ 1,601	$ 1,381
Self Sufficient Tax supported					
CMLC	$ 150,157	$ 131,643	$ 104,000	$ 66,000	$ 40,000
MSI	950,000	730,000	510,000	240,000	–
	1,100,157	861,643	614,000	306,000	40,000
Self suff tax supp, % of total	32.2	26.7	20.8	12.4	2.0
Per capita, self suff tax supported	$ 982	$ 790	$ 573	$ 287	$ 38
Total City debt	3,420,540	3,228,887	2,945,662	2,476,075	1,967,939
ENMAX debt	827,828	732,877	631,494	516,852	438,586
Total debt attributable to The City	$ 4,248,368	$ 3,961,764	$ 3,577,156	$ 2,992,927	$ 2,406,525

DEMOGRAPHIC AND OTHER INFORMATION UNAUDITED 2008 TO 2012

	2012	2011	2010	2009	2008
Population, per April civic census	**1,120,225**	1,090,936	1,071,515	1,065,455	1,042,892
Change due to natural increase	**9,631**	9,858	10,214	9,643	9,695
Change due to net migration	**19,658**	9,563	(4,154)	12,920	13,255
Dwelling Units, per April civic census					
Total number of units	**459,339**	450,952	445,455	438,663	432,997
Number of vacancies	**12,616**	16,180	16,929	13,012	9,199
Owner occupancy rate (%)	**69.3**	70.1	70.7	71.1	71.6
Housing Activity					
Annual applications for residential units					
Total residential	**13,600**	10,106	7,249	6,215	6,439
Change (%)	**34.6**	39.4	16.6	(3.5)	(50.2)
Single family	**4,569**	4,865	4,102	4,166	3,208
Change (%)	**(6.1)**	18.6	(1.5)	29.9	(41.2)
MLS average selling price ($) [1]	**428,655**	414,570	397,442	384,347	401,125
New housing price inflation (%) [2]	**2.6**	2.4	3.4	(6.7)	0.6
Building Permits, applied for					
Number of applications	**16,613**	15,550	15,277	15,125	14,920
Change (%)	**6.8**	1.8	1.0	1.4	(19.1)
Value, in thousands of dollars	**$4,475,000**	$4,538,000	$2,916,000	$3,658,000	$4,142,000
Change (%)	**(1.4)**	55.6	(20.3)	(11.7)	(26.2)
Inflation, CPI annual increases [2]					
Calgary	**1.00%**	2.20%	0.80%	(0.10%)	3.20%
Alberta	**1.10%**	2.40%	1.00%	(0.10%)	3.20%
Canada	**1.50%**	2.90%	1.80%	0.30%	2.40%
Unemployment Rate [2]					
Calgary	**4.90%**	6.20%	7.00%	6.30%	3.30%
Alberta	**4.90%**	5.60%	6.60%	6.30%	3.50%
Canada	**7.10%**	7.50%	8.10%	8.10%	6.10%

External Sources

(1) Calgary Real Estate Board

(2) Statistics Canada

DEMOGRAPHIC AND OTHER INFORMATION UNAUDITED 2008 TO 2012

	2012	2011	2010	2009	2008
Revenue sources – city general [1]	**$ 2,455,521**	$ 2,312,699	$ 2,231,090	$ 2,165,336	$ 2,002,323
Taxes and revenue in lieu of taxes	**64.89%**	63.45%	62.00%	61.60%	63.00%
General	**27.14%**	28.26%	27.80%	27.40%	27.40%
Utilities and related authorities contributions	**2.56%**	2.75%	2.90%	3.00%	3.20%
Government transfers	**3.12%**	3.15%	4.60%	5.50%	4.00%
Dividends from ENMAX Corporation	**2.28%**	2.40%	2.80%	2.50%	2.50%
Interest charges – city general					
As a % of operating expenses					
Before subsidy	**4.74%**	4.91%	5.40%	5.20%	5.20%
After subsidy	**4.74%**	4.91%	5.00%	5.10%	5.10%
Interest charges – consolidated					
Before subsidy (000s)	**$ 111,605**	$ 113,845	$ 112,214	$ 108,823	$ 99,392
Share of operating expenses (%)	**4.6**	4.8	4.2	5.2	5.1
After subsidy (000s)	**$ 111,070**	$ 112,932	$ 112,198	$ 108,594	$ 97,722
Share of operating expenses (%) (net of subsidy)	**4.6**	4.8	4.2	5.2	5.0
Debt service limit (principal + interest)					
Total debt service limit	**$ 1,073,723**	$ 993,085	$ 933,486	$ 905,624	$ 840,639
Total debt service	**$ 663,241**	$ 628,462	$ 500,150	$ 290,758	$ 292,070
Percentage used (%)	**61.8**	63.3	53.6	32.1	34.7
Debt limit [2]					
Total debt limit (000s)	**$ 6,135,562**	$ 5,674,772	$ 5,334,208	$ 5,174,992	$ 4,803,653
Total debt (000s)	**$ 3,538,824**	$ 3,343,881	$ 3,024,576	$ 2,536,991	$ 2,013,904
Percentage used (%)	**57.7**	58.9	56.7	49.0	41.9
Municipal full-time equivalents					
– (excluding ENMAX Corporation)					
Total full-time equivalents [3]	**15,352**	15,449	15,038	14,848	14,440
Full-time equivalents per 1,000 population	**13.7**	14.2	14	13.9	13.8
Area, square kilometres	**848**	848	848	848	848
Km of roads (lane km)	**19,088**	18,041	17,809	17,441	17,132
Km of roads (centreline km)	**7,115**	6,732	6,634	6,494	6,371
Km of bus routes	**4,138**	4,419	4,205	4,518	4,659
Transit passenger trips, annual (000s)	**101,972**	96,204	94,368	94,151	95,314
Km of wastewater mains [3]	**4,311**	4,311	4,299	4,238	4,207
Km of water mains [3]	**4,881**	4,843	4,777	4,693	4,655
Km of storm drainage mains [3]	**4,027**	3,989	3,914	3,860	3,828

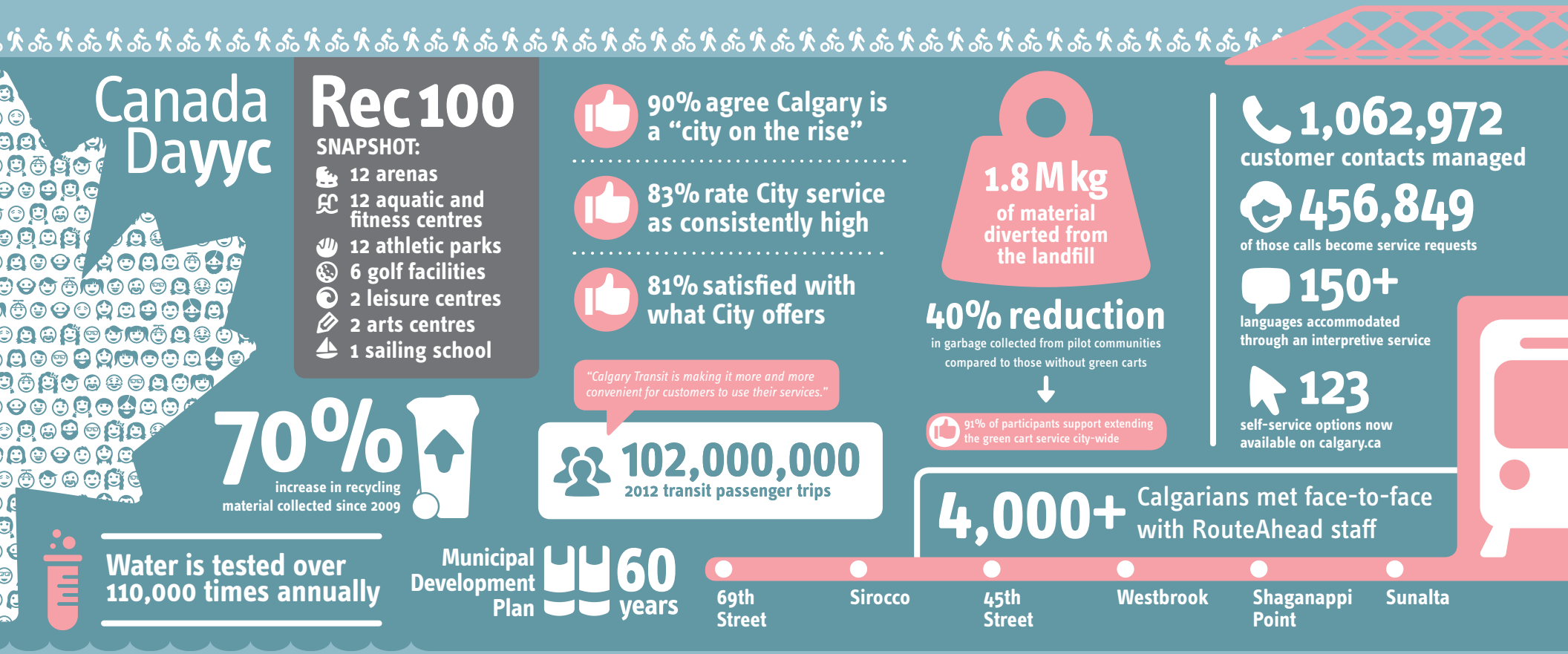
Notes:

(1) Figures (000s) are before consolidating eliminations.

(2) Calculations as prescribed by The Province of Alberta, regulation 375/94 and does not include debt attributable to ENMAX Corporation.

(3) Prior year drainage mains reported certain types of piping that are no longer classified as drainage mains. The prior years values have been adjusted.

NOTES



THE CITY OF CALGARY

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Onward/ The City will serve citizens through engagement, transparency, resiliency and innovation.