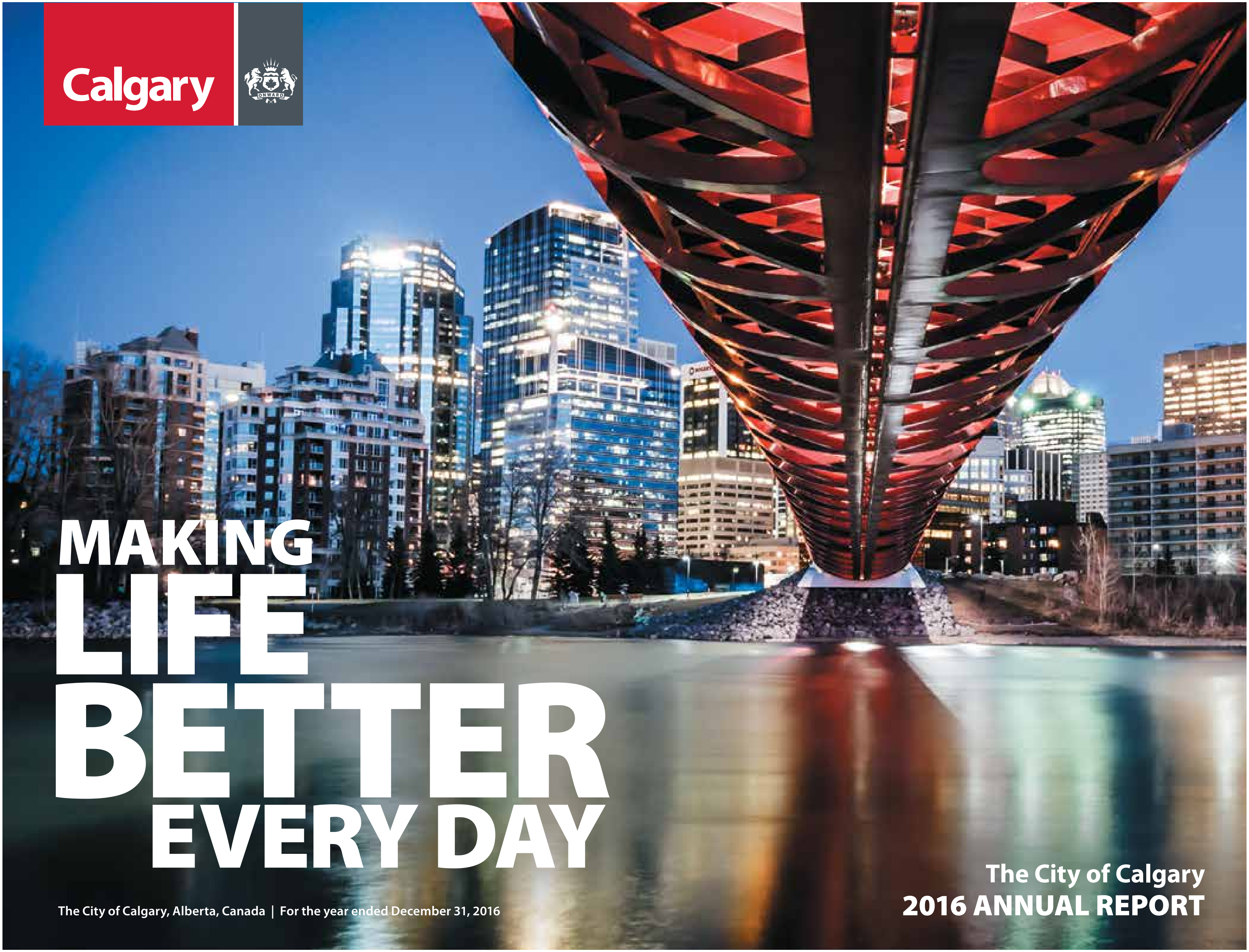

Calgary

MAKING LIFE BETTER EVERY DAY

The City of Calgary, Alberta, Canada | For the year ended December 31, 2016

The City of Calgary 2016 ANNUAL REPORT

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INTRODUCTION

FINANCIAL

STATISTICAL

The City of Calgary, Alberta | ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016
Produced by the Chief Financial Officer's Department of The City of Calgary, in cooperation with all civic departments, offices and agencies.

CITIZEN SATISFACTION

The annual citizen satisfaction survey provides opinions to what The City is doing well and what needs improvement. This year, 2,500 Calgarians, 18 and older, provided their thoughts.

QUALITY OF LIFE IN CALGARY

83%
rate their quality of life as good

86%
agree we are on track tobecoming a better city

82%
agree Calgary is a great place to make a life

88%
are proud to live in their neighbourhood

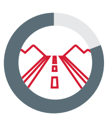
84%
perceive their neighbourhood as safe

CITY PROGRAMS AND SERVICES

95%
are satisfied with the quality of drinking water

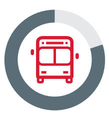
91%
are satisfied with The City's environmental performance

95%
are satisfied with Calgary's parks, playgrounds and open spaces



86%
are satisfied with roads and infrastructure

84%
are satisfied with land use planning



82%
are satisfied with Calgary Transit

AREAS CALGARIANS THINK THE CITY SHOULD INVEST IN

65%
Affordable housing for low-income families

58%
Traffic flow management

56%
Transportation planning

58%
Social services, such as seniors or youth

CALGARY AT A GLANCE

1,235,171
Population

800 km
City pathways

0.35%
Population growth

272
City-supported events

36.3
Median age

$463,047
MLS average selling price

9.0%
Unemployment rate

2,630
Single family housing starts

848 km²
City area (same as 2014)

15,169
Total building permits issued

MESSAGE FROM THE MAYOR

Making life better every day. That's what we do at The City of Calgary. Over 15,000 of my colleagues and I work hard to make sure Calgary remains one of the greatest places on Earth: a city where every single one of us can be safe, can thrive, and can live a fulfilling life.

The stress of this economic downtown is still a reality for many of us. Our friends, neighbours, and family may be feeling the hurt of unemployment and uncertainty about the future. Our job at The City is to make life better as best we can.

Over the past year, my City of Calgary colleagues have worked tirelessly to provide the services citizens need while also being more efficient. The latest City budget baked in many millions of dollars of savings so that we could serve citizens better while freezing property tax rates. Smart management of municipal finances in good and bad times allowed us to cap non-residential property taxes so that businesses wouldn't experience a dramatic increase in taxes just when they are struggling.

In tough economic times, there are four things your municipal government can do to help Calgarians weather the storm:

1. NOT MAKE IT WORSE.
That means we must ensure critical services are there for people who need them, now more than ever.

2. BUILD INFRASTRUCTURE WE NEED NOW.
Building now means taking advantage of lower construction prices and creating jobs, while ensuring we get the infrastructure we need.

3. CONTINUE TO BE A WELL-RUN CITY.
We are continually becoming more efficient, helping us keep our property taxes amongst the very lowest in Canada.

4. KEEP SELLING CALGARY – HERE AND EVERYWHERE
With Calgary's highly educated workforce and current real estate market, there is good opportunity here for businesses looking to invest and expand, but we must keep telling our story. We also need to sell Calgary to Calgarians, sharing the story of a brighter future, and encouraging innovation and entrepreneurship throughout our city.

Calgary was named part of the 100 Resilient Cities – Pioneered by The Rockefeller Foundation. We earned this position for our history of resilience through recessions and floods. But we joined because we must be even better; and have the ability to bounce back and move forward from the economic, social, or environmental shocks and stresses.

We are a strong community served by a strong local government that is constantly adapting and becoming more efficient. In 2016, we were once again called one of the five most liveable cities in the world by the Economist Intelligence Unit, and research highlighted in the Harvard Business Review called us the second-most attractive city for workers in the world. These are great accomplishments, but we continue to work hard to improve: to make life better. Every day.

Naheed Nenshi
Mayor

CORPORATE GOVERNANCE AND ACCOUNTABILITY

The role of City Council is to govern The City of Calgary, Calgary's municipal corporation, to ensure it provides the civic services Calgarians need and want. In carrying out its many duties, City Council must respond to citizens' concerns, as well as anticipate emerging opportunities and plan for the community's long-term development and growth.

Accordingly, City Council members 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.

City Council is comprised of 14 Councillors, each representing a ward, and the Mayor, representing the entire city. They are elected by and accountable to the people of Calgary. The Mayor and Councillors hold office for four-year terms. After every civic election, the City Clerk and City Solicitor brief new Members of Council on the responsibilities of their office, the Procedures Bylaw, and other information pertinent to their positions, including ethical guidelines which require them to excuse themselves from all discussions involving issues in which they have a financial interest. Throughout their term in office, Members of Council pursue ongoing training and education. Council 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 (SPC) are approved and the results of any strategic planning sessions are shared. The other meeting is a combined Council meeting and public hearing where planning matters are also discussed. Regular and open communication with Administration is central to setting and achieving The Corporation's mission, vision, goals, strategies and actions.

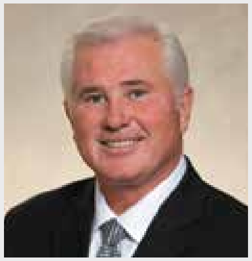
CITY OF CALGARY COMMITTEES

In 2016, Council set priorities, established policies and made decisions through the Standing Policy Committees, 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, the Intergovernmental Affairs Committee, the Gas, Power and Telecommunications Committee, the Audit Committee, and the Land and Asset Strategy Committee. The public is welcome to attend and make presentations at SPCs.

The decisions and directions that come out of committee meetings are forwarded to City Council for final approval. The Priorities and Finance Committee generally meets twice monthly. During 2016, the committee recommended appointments to various boards, commissions, committees and other bodies when vacancies occurred throughout the year following Council's Organizational Meeting. The committee maintained a process for regular review and reporting of Council's legislative governance practices and proposed legislative amendments related to governance. The Priorities and Finance Committee also provides annual written performance evaluations of the City Manager and ongoing monitoring as required by the Municipal Government Act. The Audit Committee oversees the activities of the City Auditor's Office, the external auditor, and The City's internal controls and management information systems. This ensures Administration's accountability to Council and adherence to the Integrated Risk Management Policy.

For more information about City Council, the various boards, commissions and committees, and any of the Administration and Council policies referenced here, visit calgary.ca.

CITY COUNCIL


Ward 1 Councillor
Ward Sutherland
calgary.ca/ward1


Ward 2 Councillor
Joe Magliocca
calgary.ca/ward2


Ward 3 Councillor
Jim Stevenson
calgary.ca/ward3


Ward 4 Councillor
Sean Chu
calgary.ca/ward4


Ward 5 Councillor
Ray Jones
calgary.ca/ward5


Ward 6 Councillor
Richard Pootmans
calgary.ca/ward6


Ward 7 Councillor
Druh Farrell
calgary.ca/ward7


Ward 8 Councillor
Evan Woolley
calgary.ca/ward8


Ward 9 Councillor
Gian-Carlo Carra
calgary.ca/ward9


Ward 10 Councillor
Andre Chabot
calgary.ca/ward10


Ward 11 Councillor
Brian Pincott
calgary.ca/ward11


Ward 12 Councillor
Shane Keating
calgary.ca/ward12


Ward 13 Councillor
Diane Colley-Urquhart
calgary.ca/ward13


Ward 14 Councillor
Peter Demong
calgary.ca/ward14

MESSAGE FROM THE CITY MANAGER

2016 was a year of transition. Calgary had quickly gone from one of the fastest growing cities in North America to one suffering from an economic decline, the likes of which we had not experienced in over 30 years. The global collapse in oil prices led to the loss of thousands of jobs, in Calgary and across Alberta. And, while we are well-experienced in responding to growth, downturns require a different approach; we were on unfamiliar ground.

We quickly needed to switch our focus to supporting the economy, keeping Calgarians working and reducing the cost of local government. To do this we centred our attention on:

- fine-tuning our budgets to ensure we are managing our costs efficiently
- managing our infrastructure projects and investing more strategically
- providing short- and long-term value for taxpayers, with no additional taxes, while responsibly managing our debt

This downturn has been difficult, yet we remain financially stable and fiscally responsible. We are a young city (average age is 36), that is rich in diversity (28 per cent of Calgarians are visible minorities) and an attractive place to live (named the world's cleanest city in 2016 by Mercer Global Financial). We are the 5th most livable city in the world, according to The Economist Intelligence Unit and one of only four Canadian cities named to The Rockefeller Foundation 100 Resilient Cities Network.

The City, too, has been recognized for its operational excellence. We tied for the best budget process in Canada as recognized by C.D. Howe Institute. We were ranked first in government services and 13th overall in Canada's best employer rankings by Forbes Magazine. We were also recognized as one of Canada's greenest employers.

None of this would have been possible without all the hard work done by City employees who, on a daily basis, continue to work to meet the needs of more than 1.2 million Calgarians. And, it looks like we're succeeding. In this year's annual citizen satisfaction survey, 80 per cent of Calgarians said they were satisfied with the level and quality of City programs and services. Also, well over 80 per cent of City employees said they are proud to work for The City and they are proud of the work they do. This is excellent news in my mind as we all know, engaged employees provide the best quality of services to their customers. So, despite the economic downturn, Calgary continues to be a great place to make a living and a great place to make a life!

I encourage you to read the four stories that follow to find out more about what The City's been up to in 2016.

Jeff Fielding
City Manager

CITY OF CALGARY ADMINISTRATION

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

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

THE ROLE OF THE CITY MANAGER

The City Manager leads the Administrative Leadership Team (ALT) and works closely with Council. The City Manager implements the decisions of Council, provides advice and manages City Administration. He is responsible and accountable for ensuring all City work, projects, operations and services comply with Council's policies, priorities and direction.

ADMINISTRATIVE LEADERSHIP TEAM

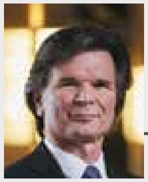
The ALT oversees all City operations and strategic management, leading, managing and co-ordinating The City's programs, projects and initiatives. The ALT also plays a major role in developing and implementing public policy as well as balancing the priorities and best interests of the community with The City's corporate goals and available resources.

* In late 2014, The ALT expanded to include The City Solicitor, Directors from City Clerk's, Human Resources, Information Technology and Customer Service & Communications.

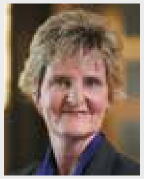
MAYOR AND COUNCIL
Chief of Staff*

City Auditor's Office
KATHARINE PALMER
City Auditor

JEFF FIELDING*
City Manager

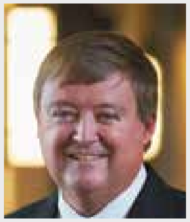


Urban Strategy
ROLLIN STANLEY*
General Manager



Law
GLENDA COLE*
City Solicitor

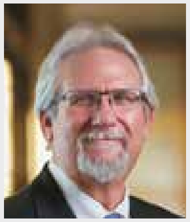
City Clerk's Office
SUE GRAY*
Director /City Clerk



ERIC SAWYER*
Chief Financial Officer

Chief Financial Officer's Department

- Assessment
- Customer Service & Communications*
- Finance
- Human Resources*
- Information Technology*



KURT HANSON*
General Manager

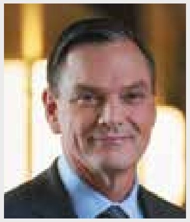
Community Services Department

- Calgary Community Standards
- Calgary Neighbourhoods
- Calgary Emergency Management Agency
- Calgary Parks
- Calgary Fire
- Calgary Recreation
- Calgary Housing

BRAD STEVENS*
Deputy City Manager

Deputy City Manager's Office

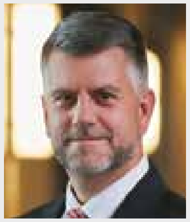
- Corporate Analytics & Innovation
- Facility Management
- Fleet Services
- Resilience and Infrastructure
- Calgary Real Estate & Development Services



STUART DALGLEISH*
General Manager

Planning & Development Department

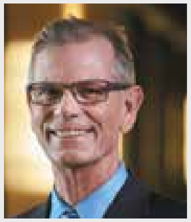
- Calgary Approvals Coordination
- Calgary Building Services
- Calgary Growth Strategies
- Community Planning



MAC LOGAN*
General Manager

Transportation Department

- Roads
- Transit
- Transportation Infrastructure
- Transportation Planning



ROB PRITCHARD*
General Manager

Utilities & Environmental Protection Department

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

*Members of ALT

AUDIT COMMITTEE

Audit Committee's primary goal according to its mandate is to provide effective audit governance supporting City Council's priority of "A well-run city"; a city that is open, responsive, accountable and transparent.

In 2016 the Audit Committee held nine meetings with seven independent members appointed by City Council; four City Councillors, one elected by the Committee as Chair, and three volunteer citizen members with financial expertise. Reflecting best practices in audit governance the Audit Committee reviewed and amended the Audit Committee Bylaw 48M2012 in 2016.

In 2016 Deloitte, LLP were the independent external auditors fulfilling The City's legislated audit requirements and providing assurance over The City's Annual Financial Statements and reporting processes. Deloitte, LLP carried out the audit of The City of Calgary's 2016 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. Audit Committee oversees the integrity of The City's Annual Financial Statements and recommends to City Council approval as audited and presented in this 2016 Annual Report.

The City Auditor's Office is the independent internal auditor for the City of Calgary. The City Auditor's Office operates independently from City Administration and reports directly to Council through Audit Committee. The City Auditor's authority, mandated in the City Auditor's Bylaw and Charter, provides the City Auditor with unrestricted access to all municipal personnel, records, property, policies, procedures, processes and systems necessary to conduct audits. The risk-based activities of the City Auditor's Office are approved annually by Audit Committee through a rolling two year audit plan. The results of formal audits by the City Auditor's Office, as well as follow-up on audit recommendations, are presented to Audit Committee and Council for discussion, and made public through The City's website.

The City Auditor's Office oversees the Whistle-Blower Program to ensure reports received from City employees or members of the public regarding waste or wrongdoing are subject to an appropriate investigation and resolution. The City Auditor provides to Council through the Audit Committee, at least on an annual basis, information related to reports received and investigations conducted during the year. In 2016, a summary of this information was provided as part of the City Auditor's Office 2015 Annual Report, and made public through The City's website.

The Audit Committee oversees The City's integrated risk management framework and Code of Conduct, as well as legal, regulatory and internal control compliance regarding financial matters. The Audit Committee received from City Administration the following reports in accordance with this oversight responsibility:

- Annual Principal Corporate Risk Report
- Code of Conduct Annual Report
- 2015 Law Department Annual Report
- Control Environment Assessment and Management Representations Update
- 2015 Annual Investment Report
- Annual Update – Information Technology Risk Management
- Integrated Risk Management Model Update
- Civic Partner Audit Report – In Camera
- Status of Community Associations and Social Recreation Organizations on City-Owned Land – In Camera

In 2016 the Audit Committee provided oversight to The City's major autonomous civic entities by reviewing presentations from their finance and audit committees on risk management, internal controls, financial reports and governance structure.

Working together with the Chief Financial Officer, the City Auditor and the External Auditor, the Audit Committee supports The City's commitment to increasing accountability and transparency.

I believe that the Audit Committee has the right professionals and the appropriate level of resources in place to successfully fulfill their mandate.

Evan Woolley,
Ward 8 Councillor
Chair, Audit Committee

FAIR ENTRY

If there's one program that has captured the hearts and minds of City employees, it's Fair Entry.

It is an example of identifying a need and having skilled, compassionate staff work together to help citizens. In 2016, over 50,000 Calgarians accessed City subsidized services through Fair Entry.

The program is critical in today's economy. Fair Entry helps low-income citizens – who need to apply only once – to access up to five City subsidy programs. Previously, citizens had to apply separately for each program, each with its own set of eligibility criteria and processes. It was time consuming and potentially embarrassing to repeatedly submit personal income information.

Creating and implementing Fair Entry's one-window access is an example of City employees from across The Corporation demonstrating the culture of our 4Cs: Character, Competence, Commitment and Collaboration in working together for a common purpose. The 4Cs are a main pillar of the Leadership Strategic Plan.

Staff who made Fair Entry a success include members from Recreation, Transit, Calgary Community Standards, Calgary Neighbourhoods, Waste & Recycling Services, Information Technology, Facility Management, and Corporate Analytics and Innovation.

THE SUBSIDIZED SERVICES PEOPLE CAN ACCESS ARE:

- Fee assistance for Recreation programs
- A no cost spay and neuter program for pets
- A Waste & Recycling rebate
- Seniors home maintenance
- Property tax assistance

Fair Entry, however, goes beyond providing subsidized City services. Staff may identify other programs and services that citizens can benefit from. Working with partners such as the Calgary Public Library, the United Way and Enough For All, Calgary's Poverty Reduction Initiative, we're proud to help make life better for Calgarians in need.

"The Fair Entry program is an excellent idea! As a customer, it made things very easy for me to apply to three programs at once, it saved me a lot of trouble filling three different application forms … Thank you very much for the great work you are doing in our community to assist low income earners access services and programs we would not be able to access otherwise. "

FAIR ENTRY CUSTOMER

WORKING TO ADDRESS
THE NEEDS OF CALGARIANS

In these tough economic times, The City has worked hard to insure the needs of citizens continue to be met.

The Fair Entry program is one initiative that shows The City's commitment to focusing on citizens and ensuring all Calgarians have access to City services, regardless of their income level.

Fair Entry makes it possible for citizens to apply once to get access to up to five, subsidized, City services. These include: transit passes, recreation programs and facilities, no cost pet spay and neuter programs, seniors' services home maintenance and property tax assistance. In 2016, The City approved over 50,000 low-income Calgarians for at least one subsidy in this program.

To help keep Calgary kids safe after school, The City has partnered with a number of not-for-profit agencies in the city to provide safe, quality after school programs. These programs focus on sports, the arts, healthy living and leadership development and are designed to help kids do better in school, stay productive, learn new skills and make new friends. In 2016, The City saw a 20 per cent increase in demand for Calgary AfterSchool programming across nine recreation sites compared to 2015.

To help maintain the supply of affordable housing in Calgary, The City acquired East Village Place. This purchase added 163 affordable housing units to Calgary Housing Company's collection of more than 7,000 housing units available to qualifying Calgarians.

Also in 2016, The City invested $6.9 million towards the creation of the Housing Incentive Program. This program, funded through the Community Economic Resiliency Fund, is intended to encourage the development of affordable housing units and help stimulate Calgary's economy. The program provides grants for pre-development activities and rebates on City of Calgary development fees for new affordable housing projects started between January 1, 2016 and December 31, 2017.

Additionally, a Newcomers Guide to Calgary was created to enable new citizens to navigate the city, access City services and build a social network. This guide was also translated into Arabic to support the Syrian refugees that migrated to Calgary.

PUTTING CAPITAL AND CALGARIANS TO WORK

The City's goal, through Infrastructure Calgary and a new Capital Investment Plan, is to increase the quality and speed of capital investment in our city. Doing this stimulates the economy, creates jobs, delivers value to citizens and attracts new investment to Calgary.

The creation of Infrastructure Calgary and the work they have done-to-date has helped accelerate The City's capital spending in 2016 to over 95 per cent of the amount budgeted for - $1.5 billion. This is an increase, on average, of 30 per cent each month compared to 2015. In 2017, capital investment is expected to be $1.8 billion, which will create a significant economic stimulus of approximately 14,000 jobs in the community.

Also in 2016, $7 million was approved to accelerate the implementation of building on our energy a 10 Year Economic Strategy for Calgary. This strategy, stewarded by Calgary Economic Development, is helping to further develop and diversify Calgary's economy. Investment in this strategy helps to provide a healthy supply of industrial land to support economic development and diversification, especially with small and emerging businesses, improving the movement of people with new rapid transit routes and working with industry partners to enhance the movement of goods in major routes throughout the city. Work is also being done to enhance Calgary's City Centre to make it more attractive as a location of choice for economic activity. These investments also tie back to City Council's priority of "a prosperous city."

HELPING CALGARY'S BUSINESS COMMUNITY

Throughout 2016, City staff worked closely with members of industry to streamline The City's planning approvals process, better communicate submission requirements and identify issues earlier in the process. Overall, the frequency in which timelines are being met has improved significantly.

The City also processed 87 per cent of 46,186 trade permits and 83 per cent of 3,396 new home permits online, saving customers both time and money.

A Business Improvement Area Toolkit was developed to help with establishing, managing and sustaining businesses.

Council also took a number of new initiatives to remove barriers for businesses trying to establish themselves in Calgary, including the pop-up retail program and a "one window" approach for small business owners to navigate City processes and requirements.

In November, a review of Calgary Building Services was completed. As a result of this review, The City began streamlining of the licensing process for small business owners to help them get up and running more quickly and easily.

Throughout the year City Administration worked hard to reduce the cost of doing business without impacting service levels or quality of service despite revenue shortfalls resulting from changes in the economy. In 2016, this initiative resulted in significant savings that were then used to fund initiatives like the Non-Residential Phased Tax program that will reduce the overall taxes paid by non-residential property taxpayers.

RUNNING A MORE EFFICIENT CITY

Reducing the cost of local government has been a significant contributor in The City's efforts to support Calgary's economy. The way we've been able to do this is by intentionally managing our financial position.

Intentional management is a phrase we have adopted at The City. It means paying extra attention to the details in how we do business and consciously putting more emphasis on corporate best practices by:

- Controlling the expenses needed to operate our business
- Cost savings whereby we are paying less for a product or services than expected or budgeted
- Cost efficiencies where we produce optimum results for our investment or expenditures creating value
- Cost reductions

These savings have allowed The City to keep taxes and fees as low as possible while still responding to the priorities and needs of citizens.

Since 2015, a total of $325 million in savings has been managed through efficiencies and reductions. These savings allowed Council to pass on $228 million in benefits to Calgarians in 2017 through the mid-cycle adjustments.

Specifically, benefits through mid-cycle adjustments include:

- A reduced 2017 property tax rate increase to 1.5 per cent along with a 1.5 per cent rebate to property owners in 2017
- A reduction from the original 2015-2018 budget in a number of 2017 user fees and rates to provide relief to citizens including: transit fares, recreation, park and pet service fees, planning and development permits, waste and recycling fees, fire code inspections and permits and utility rates
- The non-residential phased tax program
- Offset revenue shortfalls from fees through reserve funds and changes in service
- Additional community support in the form of community and social programs

FINANCIAL INFORMATION

THE CITY OF CALGARY, ALBERTA

2016 Financial Statement Discussion & Analysis

INTRODUCTION

The City of Calgary ("The City") 2016 Annual Financial Report contains the audited consolidated financial statements prepared in accordance with principles and standards established by Canadian Public Sector Accounting Standards (PSAS) of Chartered Professional Accountants (CPA) Canada, as required by the *Alberta Municipal Government Act*.

The financial statements consist of:

- Consolidated statement of financial position (summary of financial assets and liabilities, net financial assets, non-financial assets and accumulated surplus) at year end,
- Consolidated statement of operations and accumulated surplus (summary of the annual surplus for the year, consisting of revenues reflecting what operating and capital funds were raised in the year and expenses reflecting how funds were used during the year, including the annual costs for owning and using capital assets (amortization), plus the change in the net value of the government business enterprise),
- Consolidated statement of cash flows (summary of how The City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets), and
- Consolidated statement of changes in net financial assets (a reconciliation between the net revenues earned in the year to the change in net financial assets). This statement shows the annual surplus, with a reversal of the non-cash accruals for amortization and sale of assets, less donated assets and the spending to acquire new capital assets in the year. The change in net financial assets is an indicator of whether revenues raised in the year were sufficient to cover the spending in the year.

The City Administration is responsible for preparing the following financial statement discussion and analysis (FSD&A) and the audited consolidated financial statements. The FSD&A and the consolidated financial statements should be read in conjunction with the financial and statistical schedules.

The FSD&A reports to stakeholders on how the financial resources entrusted to The City are being managed to provide municipal infrastructure and services. It explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. The FSD&A also identifies trends, risks and anticipated events that could have financial implications.

For 2016, The City was able to implement its business plans and budgets essentially as expected. The City enters 2017 as the third year of a four-year plan reflecting its long-term goals, and it continues to monitor its financial performance carefully so that it can address local effects resulting from the recent economic downturn. These issues are touched on in the risk management and outlook sections at the end of the FSD&A, following the financial analysis of 2016.

In 2016, as a result of continued usage and refinement of capital asset accounting and management systems, certain prior year asset balances were identified that required correction and the financial statements have been retrospectively adjusted. These tangible capital asset balances primarily consisted of land improvements, engineered structures, buildings, and machinery and equipment. As a result, approximately $52.0 million in net adjustments was restated and $1.4 million in land inventory was reclassified to tangible capital assets for 2015. The change represents less than 0.5% of tangible capital assets.

During 2016, ENMAX identified an adjustment in their deferred income tax calculation that required correction. The correction and reclassification have been reflected in these financial statements as a prior period adjustment to the 2015 figure, resulting in a decrease of $39.0 million to the income tax recovery.

In 2016, The City identified an adjustment to their capital deposits and reserves that required reclassification. This reclassification has been reflected in these financial statements as a prior period adjustment to 2015 figures, resulting in a decrease of $26.5 million to the capital deposits.

The Water Resources and Water Services business unit in 2016 identified an adjustment in their accounts receivable that required correction. This correction has been reflected in the financial statements as a prior period adjustment to 2015 figures. As a result, the accounts receivable and sale of goods and services both increase by $11.7 million.

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

Economic Environment

Economic growth in the Calgary Economic Region was estimated at –3.2% in 2016, while Calgary's population increased by 0.35%.

	2016	2015	Change
Calgary			
Population (April census)	**1,235,171**	1,230,915	0.35%
Employment (1)	**734,800**	749,000	(1.9%)
Residential housing starts	**7,777**	10,699	(27.3%)
Building permit applications	**15,169**	16,067	(5.6%)
Building permit value ($ billions)	**4.7**	6.2	(24.2%)
Calgary Census Metro Area			
CPI inflation rate	**1.0%**	1.2%	(0.2%)
Calgary Economic Region			
Unemployment rate	**9.0%**	6.1%	2.9%

Sources: see schedule of demographic and other information on page 91 except:
(1) Estimated by The City of Calgary – Corporate Economics based on Statistics Canada Labour Force Survey.

Population growth from April 2015 to April 2016 was 4,256 (0.35%) compared to 35,721 (3.0%) for the year ending April 2015. The annual rate of population growth is estimated at 1.7% per year over the next ten years.

Population growth for 2017 will continue to drive demand for infrastructure and services from The City.

FINANCIAL HIGHLIGHTS

Revenues and Expenses

The City had consolidated revenues of $3.753 billion in 2016 before external transfers for infrastructure (grants and revenue sharing recognized from other governments plus funds and tangible capital assets from developers totaling $1.178 billion) (2015 – $3.706 billion, before external transfers of $1.004 billion).

City consolidated expenses were $3.694 billion before net ENMAX Corporation (“ENMAX”) adjustments of ($0.065) billion (2015 – $3.591 billion, before net ENMAX adjustments of $0.025 billion). Included in expenses is amortization in the amount of $0.596 billion (2015 – $0.580 billion) as the estimated annual cost of owning and using The City’s capital assets.

For 2016, net revenues including external contributions to infrastructure of funds and tangible capital assets totaled $1.237 billion (2015 – $1.120 billion).

Consolidated Financial Position

As at December 31 (in thousands of dollars)

		2016	2015 (Restated)
A.	Financial Assets	**$ 7,289,185**	$ 7,054,676
B.	Liabilities	**5,929,908**	5,810,378
C.	Net Financial Assets (A minus B)	**1,359,277**	1,244,298
D.	Non-Financial Assets	**16,108,893**	15,052,646
E.	Accumulated Surplus (C plus D)	**17,468,170**	16,296,944

The City’s net financial assets increased by $115 million (2015 – $537 million) primarily due to increases in cash and cash equivalents, receivables, our investment in ENMAX, and land inventory, as well as decreases in long term debt. This is partially offset by an increase in accounts payable and accrued liabilities.

The City’s accumulated surplus increased by $1,171 million (7.2%) in 2016, primarily from the net increase in tangible capital assets (purchased and donated) of $1,052 million, an increase in cash and cash equivalents of $123 million, and a decrease in long-term debt of $144 million.

The City’s long-term debt ratings were affirmed at AA+ by Standard and Poor’s and AA (high) by Dominion Bond Rating Service (DBRS) in 2016.

Cash Flow

The City’s cash and cash equivalents increased by $123 million to $228 million while investments decreased by $22 million to $4,096 million. The decrease in investments largely reflects a decrease in a corporate investment which was held in cash for reinvestment given a change in investment policy, partially offset by an increase in the federal grant investment balance to fund capital projects, as well as increases in global fixed income and equity investments.

Cash provided by operating activities

In 2016, cash provided by operating activities was $1,541 million, compared to $1,649 million in 2015. This decrease was primarily due to intentional management decisions to use capital deposits to build infrastructure, an increase in developer contributions-in-kind related to capital, and higher equity in earnings of ENMAX, partially offset by an increase in accounts payable and accrued liabilities primarily related to capital.

Cash used in capital activities

Cash used in capital activities was $(1,354) million, compared to $(1,026) million in 2015, consistent with our goal to increase the quality and speed of capital investment in our city. It includes:

- Additions to capital assets of $(1,392) million; and
- Proceeds from sale of tangible capital assets of $38 million.

Cash provided by investing activities

Cash provided by investing activities was $69 million, compared to $(357) million used in investing activities in 2015, and includes:

- Net sales of investments of $22 million; and
- Dividends from ENMAX of $47 million.

Cash used in financing activities

Cash used in financing activities was $(132) million, compared to $(242) million of cash used in 2015, and includes:

- Proceeds from long-term debt issued of $308 million;
- Long-term debt repayments of $(452) million; and
- Net increase in bank indebtedness of $12 million.

FINANCIAL ANALYSIS REVIEW

Revenues – Budget to Actual Comparison

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

	Budget 2016	Actual 2016	Favourable/ (Unfavourable)	Percent Change
Net taxes available for municipal purposes	**$ 1,963,444**	**1,938,199**	(25,245)	(1%)
Sales of goods and services	**1,297,830**	**1,211,983**	(85,847)	(7%)
Government transfers and revenue sharing agreements				
Federal	**4,522**	**4,660**	138	3%
Province of Alberta	**113,905**	**128,157**	14,252	13%
Investment income	**55,874**	**77,451**	21,577	39%
Fines and penalties	**77,127**	**89,796**	12,669	16%
Licences, permits and fees	**99,318**	**114,988**	15,670	16%
Miscellaneous revenue	**26,277**	**44,428**	18,151	69%
Equity in earnings of ENMAX	**143,000**	**143,597**	597	0%
Total revenues (before external transfers for infrastructure)	**$ 3,781,297**	**$ 3,753,259**	$ (28,038)	(1%)
Developer contributions	**$ 303,839**	**198,394**	(105,445)	(35%)
Government transfers related to capital	**609,048**	**679,736**	70,688	12%
Developer contributions-in-kind related to capital	**–**	**299,826**	299,826	N/A
Total external transfers for infrastructure	**$ 912,887**	**$ 1,177,956**	$ 265,069	29%

Total City revenues (before external transfers for infrastructure) were approximately 1% lower than budgeted for 2016, mainly as a result of lower than anticipated sales of goods and services, lower net municipal taxes, offset by higher than budgeted investment income, licences, permits and fees, provincial government transfers, miscellaneous revenue, and fines and penalties.

Sales of goods and services were approximately 7% lower than budgeted primarily due to lower transit fare revenue resulting from reduced ridership, lower landfill tipping fees resulting from decreased tonnage received at waste management facilities, and lower industrial land and general land sales due to the economic downturn and weaker demand, offset by higher revenues from water services and resources due to increases in customer base in residential metered and large general services, as well as unbudgeted revenue from the Emergency Medical Services Dispatch contract with the Alberta Health Services.

Government transfers and revenue sharing agreements (Provincial) were approximately 13% higher than budgeted primarily due to provincial transfers for flood recovery and for the Calgary Fire Department response provided to the wildfires in Northern Alberta, and new provincial government grants on 9-1-1 Cell Phone to help fund 9-1-1 operations and capital projects.

Investment income was approximately 39% higher than budgeted due to higher principal balances invested and a higher than budgeted blended yield resulting from stronger Canadian and global equity markets.

Fines and penalties were approximately 16% higher than budgeted mainly due to increased court fines.

Licences, permits and fees were approximately 16% higher than budgeted as a result of higher activities in development resulting from the change in the National Energy Code Compliance regulations effective November 2016.

Miscellaneous revenue was approximately 69% higher than budgeted due to a variety of items that are difficult to budget, such as higher rebate programs, and unbudgeted insurance settlements from third parties related to property damage to City Infrastructure, vehicles and flood claims.

Developer contributions were approximately 35% below budget due to differences in the estimates of anticipated contributions used during the year, as well as lower than anticipated growth aligned with the current economic downturn.

Government transfers related to capital were approximately 12% higher than budgeted primarily due to accelerated use of government grants for capital infrastructure.

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)

	2016 Budget (excluding Amortization)	2016 Actual (excluding Amortization)	Favourable/ (Unfavourable)	Percent Change	2016 Budget Amortization Expense	2016 Actual Amortization Expense
Police	$ 471,854	$ 475,959	$ (4,105)	(1%)	$ –	$ 18,587
Fire	278,407	294,839	(16,432)	(6%)	–	16,114
Public transit	439,987	430,988	8,999	2%	–	115,386
Roads, traffic and parking	253,235	255,665	(2,430)	(1%)	9,000	153,530
Water services and resources	423,318	410,228	13,090	3%	80,847	113,126
Waste and recycling services	134,024	119,978	14,046	10%	–	12,036
Community and social development	71,461	76,051	(4,590)	(6%)	–	129
Social housing	133,582	114,727	18,855	14%	1,434	7,991
Parks and recreation facilities	234,545	245,034	(10,489)	(4%)	–	52,175
Societies and related authorities	103,660	102,694	966	1%	–	706
Calgary Public Library Board	54,856	50,477	4,379	8%	–	6,923
General government	370,577	228,773	141,804	38%	–	32,915
Public works	260,626	262,196	(1,570)	(1%)	29,691	54,226
Real estate services	83,237	30,811	52,426	63%	–	12,231
	$ 3,313,369	$ 3,098,420	$ 214,949	6%	$ 120,972	$ 596,075

Given 2009 was the first year of adoption of Tangible Capital Assets standards (PS 3150), The City had yet to integrate these standards for budget preparation, and so amortization charges for most tax supported assets are not included in the budget process. The four year budget cycle 2015-2018 has incorporated amortization charges for information purposes only. The savings in expenses have allowed The City to keep taxes and fees as low as possible while still responding to the priorities and needs of citizens.

The following variance explanations exclude the impact of amortization expense.

Fire expenses were approximately 6% higher than budgeted primarily due to unanticipated costs related to the Fort McMurray wildfire response provided by the Calgary Fire Department, and unbudgeted costs for the dispatch contract with the Alberta Health Services.

Public transit expenses were approximately 2% lower than budgeted primarily due to decreased costs on salary and wages, lower snow and ice control expenditures due to the mild winter, and reduced utility costs resulting from lower diesel fuel and natural gas prices.

Water services and resources was approximately 3% lower than budgeted due to lower natural gas costs and lower costs on contracted and general services due to lower than expected storm pond cleaning.

Waste and recycling services was approximately 10% lower than budgeted due to lower costs on salary and wages, lower recyclable processing fees as a result of less tonnage than expected and lower general services costs.

Community and social development expenses were approximately 6% higher than the prior year due to higher transfers to associated parties.

Social housing was lower than budgeted by approximately 14% primarily due to lower sales and lower cost of sales than budgeted due to weaker market conditions.

Parks and recreation facilities expenses were approximately 4% higher than budgeted primarily due to higher than budgeted interest costs and higher costs on contracted and general services for maintenance.

Calgary Public Library Board was approximately 8% lower than budgeted primarily due to recoveries of life-cycle maintenance costs from associated parties.

General government expenses include the costs of Council, City Manager, Finance, Supply, Mayor, City Auditor, City Clerk's, Law, Assessment, Customer Service & Communications, Human Resources, Information Technology and Corporate Revenues and Costs. Expenses were approximately 38% lower than budgeted primarily due to lower provisions for corporate contingencies than expected.

Real estate services expenses were approximately 63% lower than anticipated due to lower than budgeted industrial land sale costs, offset by a contribution to the National Music Centre made by Calgary Municipal Land Corporation ("CMLC").

Revenues – Comparison to Prior Year

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

	Actual 2016	Actual 2015 (Restated)	Increase/ (Decrease)	Percent Change
Net taxes available for municipal purposes	**$ 1,938,199**	$ 1,926,218	$ 11,981	1%
Sales of goods and services	**1,211,983**	1,285,280	(73,297)	(6%)
Government transfers and revenue sharing agreements				
Federal	**4,660**	3,812	848	22%
Province of Alberta	**128,157**	128,431	(274)	(0%)
Investment income	**77,451**	79,185	(1,734)	(2%)
Fines and penalties	**89,796**	80,451	9,345	12%
Licences, permits and fees	**114,988**	124,358	(9,370)	(8%)
Miscellaneous revenue	**44,428**	68,235	(23,807)	(35%)
Equity in earnings of ENMAX	**143,597**	9,725	133,872	1,377%
Equity in earnings of Co-Ownership	**–**	618	(618)	(100%)
Total revenues (before external transfers for infrastructure)	**$ 3,753,259**	$ 3,706,313	$ 46,946	1%
Developer contributions	**$ 198,394**	$ 107,456	$ 90,938	85%
Government transfers related to capital	**679,736**	699,704	(19,968)	(3%)
Developer contributions-in-kind related to capital	**299,826**	197,021	102,805	52%
Total external transfers for infrastructure	**$ 1,177,956**	$ 1,004,181	$ 173,775	17%

Sales of goods and services were approximately 6% lower in 2016 primarily as a result of lower land and housing unit sales, lower transit fare revenue resulting from reduced ridership, lower landfill tipping fees resulting from decreased tonnage received at waste management facilities, and lower parking revenues due to the economic downturn and weaker demand, offset by higher revenues from water services and resources due to rate increases for water, wastewater and drainage, as well as growth in the customer base in residential metered and large general services.

Fines and penalties were approximately 12% higher in 2016 mainly due to increased revenue for court fines.

Licences, permits and fees in 2016 were approximately 8% lower than 2015 primarily due to decreased residential and commercial development activities and building permit applications resulting from the economic downturn.

Miscellaneous revenue was approximately 35% lower in 2016 primarily due to lower revenue received from insurance companies for costs related to the 2013 flood compared to 2015.

Equity in earnings of ENMAX was higher by approximately 1,377% primarily due to continued growth in ENMAX power delivery resulting from steady growth in rate base and customer sites, and its integrated strategy on hedging and cost and capital spending management. In 2016, ENMAX identified an adjustment in their deferred income tax calculation that resulted in a decrease of $39 million to the 2015 income tax recovery.

Developer contributions were approximately 85% higher in 2016 primarily due to intentional accelerated capital activities for these contributions used during the year related to water and wastewater services.

Government transfers related to capital were approximately 3% lower than 2015 primarily due to a decrease in the use of the Municipal Sustainability Initiative ("MSI") funding received, lower contributions from the Fuel Tax Grant program recognized, lower GreenTRIP funding received, as well as lower grant funding related to stimulus activities.

Developer contributions-in-kind related to capital were approximately 52% higher than 2015 due to the timing of completion of developer donated assets which is highly volatile from year to year.

Expenses – Comparison to Prior Year

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

	Actual 2016	Actual 2015 (Restated)	Increase/ (Decrease)	Percent Change
Police	**$ 494,546**	$ 473,727	$ 20,819	4%
Fire	**310,953**	289,593	21,360	7%
Public transit	**546,374**	542,416	3,958	1%
Roads, traffic and parking	**409,195**	407,105	2,090	1%
Water services and resources	**523,354**	476,634	46,720	10%
Waste and recycling services	**132,014**	128,182	3,832	3%
Community and social development	**76,180**	66,063	10,117	15%
Social housing	**122,718**	159,323	(36,605)	(23%)
Parks and recreation facilities	**297,209**	264,150	33,059	13%
Societies and related authorities	**103,400**	81,239	22,161	27%
Calgary Public Library	**57,400**	54,527	2,873	5%
General government	**261,688**	300,654	(38,966)	(13%)
Public works	**316,422**	272,039	44,383	16%
Real estate services	**43,042**	75,139	(32,097)	(43%)
	$ 3,694,495	$ 3,590,791	$ 103,704	3%

Changes in expenses due to the following:

Police expenses were approximately 4% higher than in 2015 due to higher salaries and wages and increased expenses from commissionaires and contracts.

Fire increase of approximately 7% in expenses in 2016 includes costs associated with a salary settlement reached in 2016 and spending related to the Fort McMurray wildfire response.

Water services and resources were approximately 10% higher primarily due to increased spending on the Bonnybrook Wastewater Treatment Plant D expansion and other associated work, as well as higher costs on contracted and general services.

Community and social development expenses were approximately 15% higher than the prior year primarily due to transfer payments related to programs and external organizations on after school programs and additional community and social programs.

Social housing expenses decreased by approximately 23% over the prior year due to lower costs of sales as a result of lower sales due to weaker market conditions.

Parks and recreation facilities expenses were approximately 13% higher than the prior year due to increased costs of contracted services for park maintenance.

Societies and related authorities expenses from prior year increased by approximately 27% primarily due to costs incurred for flood mitigation work performed at the Calgary Zoo.

Calgary Public Library Board was approximately 5% higher than the prior year primarily due to increased costs on labour, buildings and equipment.

General government was approximately 13% lower than 2015 primarily due to an increase in recoveries relating to fringe benefit rates and reduced contingency expenses.

Public Works was approximately 16% higher due to many contributing factors such as costs incurred for the restoration of historic City Hall and the truss structural issue at the Municipal Building.

Real estate services were approximately 43% lower than the prior year primarily due to lower costs related to land sales, partially offset by the land acquisition related costs of the new Green Line project.

Tangible Capital Assets

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

	2016 Net book value	2015 Net book value (Restated)	Increase/ (Decrease)
Land	**$ 2,185,308**	$ 2,064,384	120,924
Land improvements	**707,311**	660,564	46,747
Engineered structures	**9,201,575**	8,767,817	433,758
Buildings	**1,566,136**	1,390,962	175,174
Machinery and equipment	**293,292**	341,666	(48,374)
Vehicles	**725,325**	679,092	46,233
	14,678,947	13,904,485	774,462
Work in progress			
Land	**16,396**	11,246	5,150
Construction	**1,318,933**	1,046,138	272,795
Tangible capital assets	**$ 16,014,276**	$ 14,961,869	1,052,407

During 2016, The City spent $1,784 million on capital projects (2015 – $1,451 million), which included $1,430 million for tax-supported projects (2015 – $1,125 million). Spending on capital projects was primarily on roads and water infrastructure projects, regional recreation facilities, purchases of light rail vehicles, and the Green Line LRT project.

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less estimated salvage value of the tangible capital assets is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 2 to 100 years.

During the year, there were no write-downs. Donated assets (related to 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 $300 million (2015 – $197 million).

SIGNIFICANT TRENDS

Revenues (before external transfers for infrastructure)

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

	Actual 2016	Actual 2015 (Restated)	Actual 2014 (Restated)	Actual 2013 (Restated)	Actual 2012 (Restated)
Net taxes available for municipal purposes	**$ 1,938,199**	$ 1,926,218	$ 1,801,262	$ 1,805,666	$ 1,593,447
Sales of goods and services	**1,211,983**	1,285,280	1,214,406	1,116,298	1,028,539
Government transfers					
Federal	**4,660**	3,812	4,507	4,462	6,117
Province of Alberta	**128,157**	128,431	150,584	108,906	117,974
Investment income	**77,451**	79,185	61,794	47,357	41,753
Fines and penalties	**89,796**	80,451	72,121	69,503	75,477
Licences, permits and fees	**114,988**	124,358	116,331	103,645	90,938
Miscellaneous revenue	**44,428**	68,235	44,082	95,292	44,339
Equity in earnings of ENMAX	**143,597**	9,725	184,069	352,483	225,038
Equity in earnings of Co-Ownership	**–**	618	1,992	–	–
Total revenues (before external transfers for infrastructure)	**$ 3,753,259**	$ 3,706,313	$ 3,651,148	$ 3,703,612	$ 3,223,622

The five year trend for revenues largely reflects rate and growth-related increases for the prior four years.

Net taxes available for municipal purposes generally increases with growth and tax rate increases; however, it includes local access fees that are charged in lieu of taxes to some utilities for using The City right-of-way based on the cost of the service and commodity being provided. Fluctuations in commodity prices affect this revenue.

Sales of goods and services decreased in 2016 compared to 2015. In 2016, water, wastewater and drainage rates were increased by 2.0%, 15.8% and 19.1% respectively, which combined with an increase in population, contributed to an increase of approximately $65 million over 2015. However, reduced transit ridership resulted in a year-over-year decrease of approximately $17 million. Land tipping fees also decreased by $9 million in 2016 due to lower tonnages received at the waste management facilities. In addition, sales decreased by $29 million in attainable homes units and $37 million in land sales due to weaker market conditions in 2016.

Government transfers (Provincial) in 2016 were close to the amount received in 2015, but decreased in those two years compared to 2014, as a result of lower payments from the Disaster Recovery Program, Municipal Staffing capacity grant and Flood Preparedness grant to The City in 2016.

Investment income for the years 2012 to 2013 was influenced by much lower interest rates than previous years, decreasing the amount of investment income earned in each of these years. Investment income resumed a favourable trend in 2014 primarily due to better yields and increased investment balances over the year. This trend of increased principal balances continued through 2015 and resulted in higher investment income than previous years. Investment income in 2016 was slightly lower than 2015 primarily due to lower bond returns which offset the increase from higher portfolio balances.

Licences, permits and fees reflect the building permit revenues driven by Calgary's growth, which was steady from 2012 to 2015 but decreased in 2016. Revenues increased as a result of increased activities and growth in development and building permit acquisitions, driven by rapid population growth during 2012 to 2015. Licences, permits and fees in 2016 were lower than 2015 primarily due to decreased residential and commercial development activities and lower building permit applications resulting from the economic downturn.

Miscellaneous revenue has decreased for 2016 from 2015 primarily due to less revenue received from insurance companies for costs related to the 2013 flood. In 2013, miscellaneous revenue was higher primarily due to increased transactions with third parties, after remaining stable through 2012.

Equity in earnings of ENMAX comprises the net equity increase in The City's government business enterprise ENMAX. In 2012, ENMAX experienced higher revenues than previous years as a result of increased rates for electricity. For 2013, ENMAX experienced higher revenues due to a one-time, non-recurring sale of ENMAX Envision Inc. (Envision) for a gain of $175 million which resulted in a decline in 2014 revenues. Also, in 2014 a realized loss on derivative designated cash flow hedges contributed to the decrease in earnings. The equity in earnings of ENMAX decreased in 2015 as a result of lower electricity prices. In addition, ENMAX identified an adjustment in their deferred income tax calculation that resulted in a decrease of $39 million to the 2015 income tax recovery. In 2016, ENMAX experienced higher net earnings due to continued growth in ENMAX power delivery resulting from steady growth in rate base and customer sites, and its integrated strategy on hedging and cost and capital spending management.

Equity in earnings of Co-Ownership comprises of Attainable Homes Calgary Corporation's share of net income earned from the Co-Ownership that was entered into in 2013. The project was completed in the year ended December 31, 2015 and was dissolved on January 9, 2017.

LIQUIDITY AND DEBT

Financial Position – Net Financial Assets

As at December 31 (in thousands of dollars)

	Actual 2016	Actual 2015 (Restated)	Actual 2014 (Restated)	Actual 2013 (Restated)	Actual 2012 (Restated)
FINANCIAL ASSETS					
Cash and cash equivalents	**$ 227,884**	$ 104,499	$ 81,085	$ 62,021	$ 47,429
Investments	**4,096,462**	4,117,988	3,702,773	3,317,463	2,709,358
Receivables	**328,499**	267,216	248,099	312,617	209,350
Land inventory	**235,642**	206,477	235,108	229,765	249,499
Other assets	**109,390**	98,291	96,887	90,231	29,899
Investment in ENMAX	**2,291,308**	2,260,205	2,281,064	2,460,204	2,161,986
Investment in Co-ownership	**–**	–	1,539	3,438	–
	7,289,185	7,054,676	6,646,555	6,475,739	5,407,521
LIABILITIES					
Bank indebtedness and short-term borrowing	**70,255**	58,424	35,261	29,215	30,385
Accounts payable and accrued liabilities	**945,890**	731,184	728,516	749,870	648,205
Deferred revenue	**111,502**	89,108	86,738	69,771	59,089
Capital deposits	**1,018,173**	1,028,323	946,576	929,765	687,310
Provision for landfill rehabilitation	**87,263**	87,488	86,946	64,700	60,100
Employee benefit obligations	**480,153**	455,249	423,740	398,827	361,810
Long-term debt	**3,216,672**	3,360,602	3,626,177	3,661,382	3,420,540
	5,929,908	5,810,378	5,933,954	5,903,530	5,267,439
NET FINANCIAL ASSETS	**$ 1,359,277**	$ 1,244,298	$ 712,601	$ 572,209	$ 140,082

Beginning in 2012, net financial assets increased by approximately $1,219 million primarily due to the growth in cash and investments and the repayment of debt over time, offset by growing accounts payable and accrued liabilities, and capital deposits to be spent on infrastructure in the future. In 2013 and 2014, net financial assets increased by $432 million and $140 million respectively due to increases in liquid assets. The growth trend continued in 2015 with an increase of $532 million compared to 2014. In 2016, net financial assets further increased by another $115 million compared to 2015. These 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)

	2016	2015	2014	2013	2012
Opening Balance	**$ 3,360,602**	$ 3,626,177	$ 3,661,382	$ 3,420,540	$ 3,228,887
Increase (Decrease)					
Tax-supported	**(39,837)**	(38,424)	(41,985)	209,329	(46,991)
Self-sufficient tax-supported	**(202,514)**	(275,895)	(142,183)	74,378	238,514
Self-supported	**98,421**	48,744	148,963	(42,865)	130
Net Increase during the year	**(143,930)**	(265,575)	(35,205)	240,842	191,653
Closing balance	**3,216,672**	3,360,602	3,626,177	3,661,382	3,420,540
ENMAX debt in The City's name	**1,145,184**	1,211,055	1,088,771	915,510	827,828
Total debt attributable to The City	**$ 4,361,856**	$ 4,571,657	$ 4,714,948	$ 4,576,892	$ 4,248,368

In 2016, 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 financial management and budgetary performance, as well as exceptional liquidity and moderate debt levels, with a strong economy. 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 financial policies and practices.

The City utilizes debt to finance certain capital projects on the premise that the cost of these projects should be borne by the taxpayers and utility users who will benefit from the projects. Debt financing smoothes the impact on annual property tax rates while providing appropriate infrastructure to meet citizens' needs.

The City has three categories of debt, including:

- Tax-supported – debt issued for capital expenditures that is funded in whole or in part from tax revenues;
- Self-sufficient tax-supported – debt for non-utility operations or programs that are self-funded by revenues or cash flows from a dedicated funding source; and
- Self-supported – debt mainly for utility services which is not funded by tax revenues but by rates charged directly to users and cash flows generated from operations.

Council's capital financing policy allows for increasing the tax-supported debt outstanding as long as annual debt servicing charges do not exceed 10% of the tax-supported gross expenditure (net of recoveries). The policy would allow The City to provide some additional growth-related capital infrastructure if desired.

In 2016, The City's issued $25.1 million in new tax-supported debt to finance growth-related projects, and repaid $64.9 million in tax-supported debt, resulting in a net reduction in tax-supported debt of $39.8 million to $450.5 million as at December 31, 2016.

The ratio of debt servicing charges to tax-supported gross expenditure (net of recoveries) was 10.4% (including MSI) and 2.2% (excluding MSI) which is not within The City's 10% policy limitation but is strictly related to MSI. This is in alignment with Council direction in 2009 to exceed the Council tax-supported debt service limit, if needed, to provide bridge financing for MSI-funded projects.

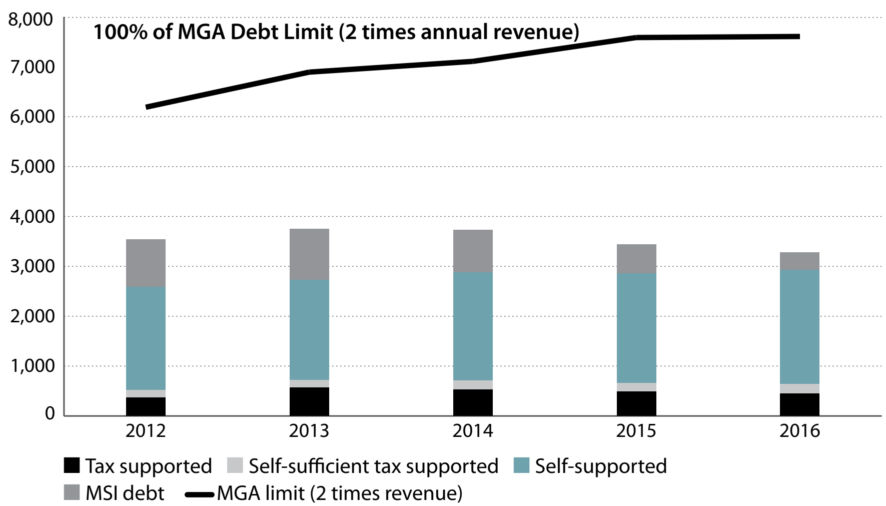
Self-sufficient tax-supported debt comprises debt for CMLC's programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes, but that are currently being funded by revenues resulting from their own operations. Self-sufficient tax-supported debt also includes short-term debt that will be funded from future grant receipts from the Alberta Government's MSI. As at December 31, 2016, CMLC has $193 million in outstanding debt. In 2009, Council approved a maximum debt of $1,000 million to provide bridge financing for MSI-funded projects. Additional bridge financing for MSI-funded projects was approved in 2011, bringing the total capacity to approximately $1,600 million. As at December 31, 2016, The City has total outstanding debt of $361 million for these projects.

Also in 2016, $255 million in new self-supported debt (primarily related to to water services and resources) was obtained, and the new borrowing exceeded the debt repayments by $98 million, increasing the total self-supported debt to $2,212 million (excluding $1,145 million in debt attributable to ENMAX).

The Municipal Government Act (MGA) requires The City to comply with two separate debt related limits which are expressed as a percentage of revenue. The MGA Debt Limit stipulates the maximum amount of debt principal that The City can have outstanding, including loan guarantees, and is calculated at two times revenue. Chart A below reports The City's total historical outstanding debt from 2012 to 2016. It indicates that as at December 31, 2016 The City had used 43% of its MGA debt limit.

Chart A — The City Historic Debt Levels
MGA Debt Limits Trend 2012-2016

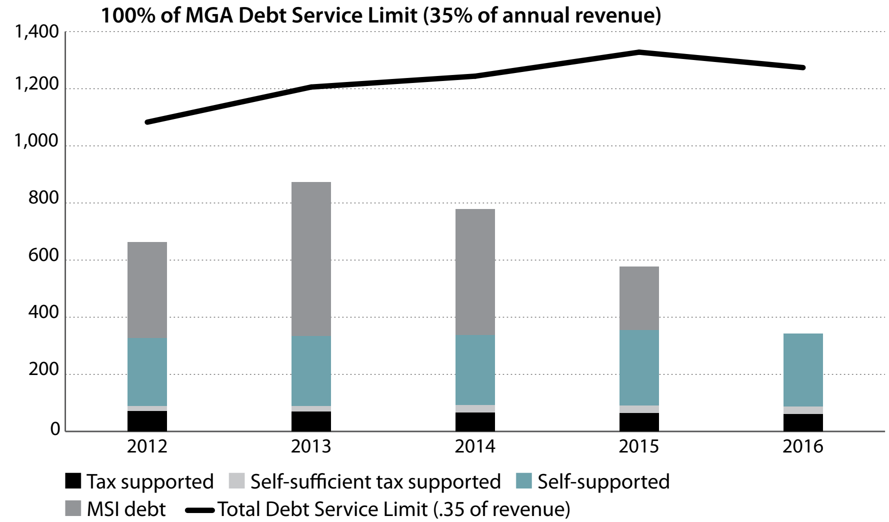
(in millions of dollars)



The MGA Debt Service Limit sets out the maximum amount of annual debt servicing (principal and interest) that The City can incur and is calculated at 35% of revenue. For MSI bullet debt, the total principal and interest is recognized as debt servicing in the year the debt matures. Chart B reports The City's Debt Servicing Charges is at 26% of the MGA debt service limit at the end of 2016.

Chart B — Debt Service Limit vs. Debt Servicing Charges (Principal and Interest)
MGA Debt Service Limit Trend 2012-2016

(in millions of dollars)



Administration continues to monitor and report 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. In 2011, the Provincial government enacted a regulation that exempted The City's MSI related debt issued after December 31, 2011 from the debt service limit calculation. As a result, debt servicing for MSI bridge financing originated in 2012 or beyond is not included in the figures above.

Reserves

As at December 31 (in thousands of dollars)

	2016	2015 (Restated)	2014 (Restated)	2013 (Restated)	2012
	$ 1,975,809	$ 1,915,176	$ 1,626,276	$ 1,437,065	$ 1,297,791

The reserve balances totaled $1,976 million at the end of 2016 (2015 – $1,915 million). The net increase was primarily the result of increases in the Fiscal Stability Reserve, Budget Savings Account, and reserves for utilities sustainment, partially offset by reductions in reserves for future capital projects, community investment, and lifecycle maintenance and upgrades reserves.

The City allocates funds to reserves to meet specific future operating and capital expenditure requirements and to provide for emergencies. In 2010, Council approved an updated Financial Reserve Policy that establishes guidelines and criteria for the proper creation and administration of reserve funds. This policy includes a triennial review process requiring that each reserve be reviewed at least once every three years. This review includes ensuring that reserves are being administered as approved by Council and in accordance with The City's policies and procedures, that reserve purpose and requirements are still relevant, and whether reserves are still required or can be closed. During 2016, City staff undertook a review of 16 reserves totaling $654 million, representing approximately one third of all reserve balances as of December 31, 2015. Findings and recommendations of the review were approved by Council in January 2017.

Maintaining financial reserves is good management, allowing funds to be collected as available and spent judiciously as needed to ensure service levels to citizens are maintained. The City classifies reserves into three categories to be used for three distinct purposes:

- Operating reserves are used to fund operating expenses for one-time projects/pilot programs; to stabilize operating budgets for unanticipated fluctuations in revenue or expenses; to comply with a contractual agreement; or for contingency funds for operational emergencies.
- Capital reserves are used to fund capital expenses.
- Sustainment reserves are used to fund both operating and capital expenses for activities that are treated as self-sustaining. Surpluses from these activities are retained in these reserves to offset any future deficits.

The largest reserve is the Fiscal Stability Reserve (2016 – $519 million; 2015 – $489 million) which is a contingency reserve for urgent situations with significant financial implications and is also used to fund one-time operating costs. Included in the amounts are commitments of $87 million for Mid-Cycle Adjustments related initiatives, $25 million for budgeted one-time expenditures, and $116 million for flood and resiliency related projects. The second largest reserve is the Reserve for Future Capital (2016 – $327 million; 2015 – $354 million) which funds capital projects.

RISK MANAGEMENT

The City is committed to an integrated approach to risk management, where it is viewed as a key component of sound business practice and due diligence. The City Manager is responsible for ensuring compliance with Council's Integrated Risk Management (IRM) Policy and promoting a proactive, corporate-wide and systematic approach to managing risks that could affect The City's objectives. As an example, risk management has been embedded into multi-year business planning and reporting to enhance the level of accountability, transparency and comparability of operations. Through the IRM framework, risks are identified at all levels across the organization. Some specific risks and mitigation approaches are presented below.

Economic Monitoring

The City was materially impacted by the sharp fall in world oil prices as it is the head office location for Canada's energy sector. The local economy is therefore vulnerable to the impact of external economic pressures due to volatile crude oil prices and the threat of depressed natural gas prices. In keeping with Council's IRM policy, The City continues to monitor economic conditions and The City's financial status so that Council is promptly informed of any changes requiring adjustment to business plans and budgets.

The economy's impact on provincial government revenues has resulted in deferral of a portion of capital grants to The City for infrastructure construction underway and planned for the near future. As a result, The City will take on debt until the deferred grant funding is provided to continue planned projects, thus avoiding costs of delaying projects and taking advantage of a more favourable construction market. Economic activity, population, and the tax assessment base are anticipated to grow at a modestly higher rate in 2017 compared to 2016. Property tax revenue is not anticipated to be significantly impacted in 2017, however franchise fees are expected to be lower than anticipated in 2017.

On March 16, 2017 the Alberta government released its 2017/2018 budget. In 2016, the Provincial budget introduced a carbon levy, beginning with a rate of $20 per tonne of carbon dioxide in 2017, rising to $30 per tonne in 2018. This will increase The City's operating costs. The carbon levy followed the 2015 budget, which included a 4 cent increase in the fuel tax and lower grant in lieu of taxes from the Provincial government. Although oil prices have stabilized and are stronger than 2015 and 2016, the Province's financial situation is still challenging with significant deficits anticipated for the next few years. The City will be monitoring the economy and the Provincial fiscal situation, and taking action to mitigate any negative impacts.

Calgary is experiencing the economic impacts of lower oil prices as the local unemployment rate has increased above the national average. This has had a negative impact on net migration to Calgary and population growth. Economic activity in Calgary is expected to recover modestly in 2017 as oil prices stage a mild rebound.

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 for 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, 2016. The City sponsored registered and non-registered defined benefit pension plans currently have a total unamortized net actuarial loss of $21 million (2015 – $44 million). The City has put in place a plan of action to set aside funding for these losses. The action plans are reviewed and adjusted annually. In addition, there are certain employee benefit obligations that inherently relate to The City with respect to multi-employer pension plans. Civic employees, with the exception of police officers, are members of the Local Authorities Pension Plan ("LAPP"). Police officers are members of the Special Forces Pension Plan ("SFPP"). Both plans are multi-employer, defined-benefit pension plans and are sponsored by the Alberta Minister of Finance and administered by Alberta Pension Services ("APS"). Both plans currently have a plan deficit, where the actuarial value of accrued benefit obligations is greater than the net assets available for benefits. The total deficit at December 31, 2015 for LAPP is $923 million and for SFPP is $162 million. At December 31, 2015, The City employees represented approximately 8.5% 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 its employees, share in funding the future plan deficits through contribution rate increases. The contributions by each participating employer are not segregated in a separate account or restricted to provide benefits only to employees of The City, but rather are used to provide benefits to employees of all participating employers. The City includes a provision for increasing LAPP and SFPP contributions in its multiple-year budget plans.

The City is continuing to improve efficiency and effectiveness through a variety of approaches. In 2015, a Budget Savings Account program (PFC2016-0181) was set up to encourage business units to seek annual savings, innovation and efficiencies, within their operating and capital budgets. Funding for the Budget Savings Account is generated by favourable budget variances identified by business units through the management of their operating and capital budgets. At the 2016 year end, business units' operating savings in the amount of $24 million from tax-supported programs were transferred to the Budget Savings Account Reserve. Capital savings identified through the Budget Savings Account program in 2016 was $83 million.

Environmental Risk

Environmental risk at The City is considered and managed in three ways. First, risks to the environment from City operations are primarily managed through the employment of environmental management professionals to assist business units in achieving and maintaining compliance with environmental laws and regulations. Specifically, The City business units have implemented Environmental Management Systems (EMS) based on the ISO 14001 international standard. Currently, 13 business units are registered, providing a sound model to effectively deal with environmental impacts associated with The City's activities. Environmental concerns related to corporate capital works projects are managed through the ECO (Environmental Construction Operations) Plan program.

Second, risks related to corporate land development and The City's role as a development approving agency are managed through policies and procedures. For example, there are policies in place addressing environmental concerns involved with the purchase, sale or redevelopment of contaminated land. The City 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. Further, the Environmental Development Review policy exists to determine the suitability of a site for its intended use with respect to environmental conditions and to ensure that environmental conditions are considered in the planning approval process.

Effective April 1, 2014, The City adopted the new PSAS Liability for Contaminated Sites ("PS 3260"). As part of the process to implement, The City reviewed its screening data for its sites and identified 142 sites that are at a higher risk for potential contamination. As at December 31, 2016, desktop based detailed environmental site reviews were completed on all 142 sites, and 9 sites were identified for follow-up work. Four of these sites have been determined to not meet the PS 3260 inclusion criteria, and the necessary assessments of the other five sites are underway. If determined to meet the inclusion criteria they will be added to The City's list of PS 3260 sites.

Third, there are risks to The City related to environmental conditions such as climate change and air quality which are dealt with through programs designed to mitigate their occurrence and impacts. Regional air quality concerns are managed through the efforts of the Calgary Region Airshed Zone (CRAZ) of which The City is a founding member. Programs addressing greenhouse gas emission reduction are also being developed and implemented for both The City and the community at large. Infrastructure concerns related to climate change adaptation are also being addressed.

Commodity Price and Foreign Exchange Risk

To stabilize operating budgets in the face of energy price volatility, The City purchases diesel fuel forward when deemed beneficial and has a long-term fixed-rate contract for electricity. The City has a natural hedge against natural gas price increases because franchise fee revenue increases when the price of natural gas rises. The City hedges any foreign currency requirements in excess of $0.250 million Canadian. At December 31, 2016, The City had 25 (2015 – 14) U.S. foreign exchange fixed contracts and 2 (2015 – nil) Swiss Franc foreign exchange fixed contracts in place. At December 31, 2016, The City had U.S. dollar foreign exchange fixed contract arrangements at exchange rates ranging from 1.22 to 1.35 Canadian dollars for U.S. dollar contracts. A similar arrangement is in place for the Swiss Franc contracts with rates of 1.49 and 1.52 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2016 is $57 million (2015 – $44 million) Canadian dollars. During the fiscal year ended December 31, 2016, the various arrangements for foreign merchandise purchases cost The City $7 million less (2015 – $5 million less) than if the arrangements had not been entered into.

The City has also purchased hedges for future purchases relating to the light rail transit system. At December 31, 2016, the City has invested $5 million U.S. dollars (2015 – $47 million U.S. dollars) of cash with a maturity date of January 2017. These invested funds will be used to settle committed future foreign merchandise purchases of $41 million U.S. dollars (2015 – $68 million U.S. dollars). Under the terms of the purchase order agreement, The City has fixed exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with the supplier at rates ranging from 1.03 to 1.07. During the fiscal year ended December 31, 2016, the various arrangements for foreign merchandise cost The City $7 million less (2015 – $3 million less) than if the arrangements had not been entered into. The City continues to monitor economic conditions and impacts on The City's financial status and adjusts strategies accordingly.

ENMAX (THE CITY'S WHOLLY-OWNED SUBSIDIARY)

The City Electric System was a department of The City until 1998 when its assets, responsibilities and liabilities were transferred to ENMAX, a wholly-owned subsidiary of The City. The new structure was deemed necessary to respond to deregulation of the electricity industry in Alberta.

Deregulation resulted in the introduction of commodity price and volume risk, wholesale and retail competition, and political and regulatory risks to ENMAX's business. Additional risks identified by ENMAX and presented in detail in its annual financial report include operational, development, environmental, legal, human resources, financial resources/liquidity, credit/default, reporting/disclosure, technological, tax, reputation, corporate structure and strategic risks. ENMAX has an integrated approach to risk management across all ENMAX companies and has implemented an Enterprise Risk Management (ERM) framework. The Risk Management Committee, consisting of ENMAX senior management team members, oversees risk management and reports risk exposures to the Board of Directors.

ENMAX Power Corporation, ENMAX's electricity distribution and transmission subsidiary, has been regulated by the Alberta Utilities Commission since January 1, 2008 and prior to that by the Alberta Energy and Utilities Board starting in 2004.

ENMAX is a private Alberta corporation owned by The City. In 2016, The City, as ENMAX's shareholder, reviewed and confirmed the company's strategic direction and annual operating plans. Approvals for ENMAX's annual budget and major capital projects in excess of $75 million are sought from the shareholder, and ENMAX provides The City with annual dividends.

ENMAX's 2016 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Summary financial information for ENMAX, which includes the discussion of the entity's transition to IFRS, is included in Note 7 to the consolidated financial statements.

THE OUTLOOK

Calgary Economy and Management of Growth

Calgary's economic prospects are closely connected to shifts in external economic events. These external pressures include: shifts in expenditures by other orders of government, changes in short-term interest rates, slower growth in the emerging economies, recovery in the United States and volatile commodity prices. The sharp decline in oil prices since 2014 to present has resulted in a corresponding reduction by the private sector in capital expenditures and staffing levels and this has weighed on economic activity in the local economy. The City will continue to monitor the local economy.

Economic activity in Calgary is expected to improve in 2017 as the energy and related sectors benefit from higher oil prices. In addition, the Calgary economy should benefit indirectly from the rebuilding of Fort McMurray. Economic activity in the local economy should expand by 1.2% in 2017. The economy is expected to experience a long and slow period of recovery that extends from 2017 to 2019. The unemployment rate averaged 9.0% in 2016 and should remain around that rate for 2017 before trending down to 6.0% by 2021. Employment growth in 2017 is expected to remain weak relative to labour force growth.

The rapid swings in economic prospects, from the record growth of 2006-2007 to the slump of 2008-2010 to the following robust recovery and the current economic downturn, have validated the flexibility built into The City's process for strategic and business planning. In 2015, Council approved the 2016-2018 Action Plan, The City's four year operating and capital budget. The City has begun to implement the business plan and budget for 2016 and will continue to maintain its flexibility to respond to economic, social, environmental and political changes through the mid-cycle budget review and annual budget adjustment process. Changes to provincial election legislation resulted in four-year terms beginning in October 2013. The City implemented process changes to ensure that the planning and budgeting cycle remain aligned with Council's term.

The City has been a major contributor to regional planning efforts for over a decade and was a founding member of the voluntary Calgary Regional Partnership. The regional context in Calgary's region is heading for significant change in the future, as it moves from voluntary to mandatory. The *Modernized Municipal Government Act* was passed by the legislature requiring that The City be a mandatory member to the new Calgary Metropolitan Region Board. This growth management board will come into force in the late Fall of 2017. The board will be responsible for preparing a new metropolitan scaled plan and regional servicing plan. This change represents a formalized shift towards legislated regional planning and regional coordination of municipal service delivery.

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

From 2014 through 2022, The City is investing in a number of infrastructure improvements at the Bonnybrook Wastewater Treatment Plant to address the City's growing demand. The Bonnybrook Wastewater Treatment Plant is the largest of Calgary's three wastewater treatment plants, with a capacity to serve an equivalent population of 946,000 people. The investments include capacity and process equipment upgrades, as well as a major plant expansion. The construction of the capacity and process equipment upgrades are well underway and will allow The City to more efficiently utilize existing Bonnybrook Wastewater Treatment Plant infrastructure and will provide an incremental capacity increase of 95,000 people to accommodate growth in the short term. The total cost of these upgrades is estimated at $160 million and the project is scheduled for completion by the end of 2018. The major plant expansion (Plant D) will increase the capacity by a further 325,000 people by 2022, bringing the total capacity at Bonnybrook to 1.37 million equivalent population. It will include the addition of new primary, secondary and tertiary treatment infrastructure as well as a new, enhanced sludge treatment facility. The expansion project will also include upgrades and life-cycle replacements of existing processes, ancillary facilities and systems, as well as a flood resiliency component. Detailed design of the plant expansion is almost complete and initial phases of construction have already begun. The cost estimate for the plant expansion project is approximately $600 million.

The City entered into an agreement with Chinook Resources Management General Partnership on June 25, 2015 to design, build, operate, and maintain The City's new organics composting facility. The facility is located at the Shepard Waste Management Facility and will accept food and yard waste from single family homes as well as dewatered biosolids from wastewater treatment. The facility is on schedule and on budget for a mid-2017 operational date. The facility is an integral part of The City's plan to achieve its waste diversion goal of 70 percent by 2025. Additional program benefits include increasing the life of our existing landfills, reducing greenhouse gas emissions and transforming waste into high quality compost.

Intergovernmental & Corporate Strategy

In the current environment, The City must not only identify local methods of spurring growth in the local economy, but also identify how to support those efforts with funding from, and collaboration with, other orders of government. As the lead on intergovernmental government relations, Intergovernmental & Corporate Strategy (ICS), has and will continue to be critical in allowing The City to respond to the needs of a changing economic environment. On the one hand, ICS works collaboratively with City departments and business units to identify issues and opportunities to advocate for positive change to other orders of government. On the other hand, ICS helps The City ensure a state of readiness in response to these changes from other orders of government, providing clarity and understanding of this evolving legislative framework and supporting the development of actionable opportunities to reach our full corporate potential. This is true generally, but also specifically with regard to the way The City is financed.

Besides own-source revenues (e.g. property tax), the most significant sources of funding for The City are grants and contributions from the provincial government. While more generous than in the past, the current arrangements continue to present problems of insufficiency as well as unpredictability. Some provincial grants, for instance, have failed to grow with inflation (e.g. Municipal Police Grant) while others have been the subject of unilateral provincial discretion to either reduce or defer municipal funding (e.g. the Municipal Sustainability Initiative). The unpredictability of provincial funding, in particular, compromises The City's ability to plan for and carry-out the large scale infrastructure investments and deliver the services necessary for a city of its size.

Although the province has undertaken a widespread review of the MGA, the release of Bill 21 in May of 2016, revealed that this process would not include any significant changes to the way municipalities are funded in the province. Instead, ICS has continued to work with the Government of Alberta and the City of Edmonton through the City Charter process to develop a new fiscal framework for the two big cities that will "recognize and address the needs and challenges facing all parties," as per the Framework Agreement on Charters. The City Charters, including a proposal for a big city funding framework, will be announced prior to the 2017 municipal elections.

On the national scale, although constitutional division of powers generally prevents the federal government from providing funding directly to municipalities, the current Government of Canada has signaled a desire to re-engage municipal governments as key partners in its agenda. A key component of this agenda includes major investments in infrastructure. Budget 2016 announced $14.4B in new infrastructure funding for Canada's communities. Delivery of this funding to municipalities has required the Government of Canada to negotiate and adopt a bilateral agreement with the Government of Alberta, however, this funding can suffer from the same issues of adequacy and sustainability described above. It is not always clear what percentage of federal funding The City is entitled to, or when (or if), that funding can be expected to flow. ICS has therefore continued to work with our partners in the Federation of Canadian Municipalities, and supported the Mayor's participation in the Big City Mayors' Caucus, to ensure that current federal funding, as well as the $81.2B of new infrastructure funding announced in the Fall Economic Statement, reaches its intended recipients in The City and municipalities everywhere. ICS has also urged the provincial government to provide the big cities with a voice in the negotiation of federal-provincial agreements through the City Charters, the Framework Agreement for which commits the province to include the cities in these discussions or seek their feedback in a timely fashion.

In addition to advocating for changes to The City's fiscal framework and funding opportunities, ICS has also worked with our partners across The City to ensure we are prepared and able to respond to changes to The City's fiscal framework. For instance, although the City Charter fiscal framework conversations continue, both the MGA review and the City Charter agreements to date include important changes to the way The City conducts property assessments. ICS works closely with both Finance and Assessment to ensure The City is ready to respond to these changes. ICS also works with senior administration and other business units to ensure awareness of new funding opportunities announced by other orders of government.

Civic and Community Initiatives

The Community Revitalization Levy is an example of an innovative, own-source approach to obtaining funding that has been approved for a major downtown infrastructure redevelopment project called The Rivers District Community Revitalization Plan. The plan was initiated as a self-sufficient tax-supported program in 2007 under the then newly formed CMLC, a controlled corporation of The City that is accountable for development and sale of land transferred from The City.

The City currently has two public-private partnerships (P3s) in progress and continues to evaluate major capital projects for P3 suitability. The City of Calgary Composting Facility Project completed its financing agreements in June 2015 and is currently under construction. Substantial completion of construction is scheduled for June 2017. The Stoney Compressed Natural Gas Bus Storage and Transit Facility completed its financing agreements in September 2016 and is now under construction. The facility is scheduled for substantial completion of construction in January 2019.

Infrastructure Calgary is a corporate-wide initiative created to provide governance and oversight of the Council approved Capital Infrastructure Investment Strategy. Over the past year, The City has been working to address the needs of Calgarians by increasing the quality and velocity of capital investment through the nine key areas of this strategy. This includes critically examining and recasting cash flows; standardizing processes; funding additional resources (through the Accelerating Capital for Economic Resiliency program); and aligning with federal and provincial government initiatives and priorities.

In November 2016, Council approved the Capital Investment Plan brought forward by Infrastructure Calgary which outlines how The City can work with government, private sector and public institutions to align and optimize respective capital investment. It is based on the premise that a more strategic and cohesive approach to investment will result in greater collective benefit for the public, the individual organizations and the Calgary region.

The Capital Investment Plan is based on geographic, theme and community investment areas which align with Council's priorities and Calgary Economic Development's 10-year economic strategy for Calgary. It supports the transition of the existing capital budget into an investment strategy that maximizes existing funds and enables The City to leverage investment from the private sector and other levels of government. Working together, The City and its partners can maximize investment to create jobs, build and maintain needed infrastructure and attract and retain people, business and investment.

To support potential new investments that align with the Capital Investment Plan, Infrastructure Calgary conducted a review within the organization to identify funding capacity. In 2017, Infrastructure Calgary will bring forward specific recommendations for new, or currently unfunded investment projects that provide both short and long term benefits and will deliver social, economic and environmental value to Calgarians.

Council and City Administration Actions

Action Plan 2015 -2018 represents The City's four year spending plan for meeting Council's priorities. It includes total operating expenditures of $15 billion over the four years ($3.5 billion in 2016, rising to $4.1 billion by 2018), and $7 billion in capital investment. This is based on delivering services to an additional 100,000 people over the four year period. The City revises the Action Plan to reflect changing conditions through the annual budget adjustment process. In 2016, The City conducted a more comprehensive mid-cycle budget adjustment in advance of the 2017 budget year, in accordance with the Multi-Year Business Planning and Budgeting Policy. Council's decision was to reduce the approved tax rate increase from 4.7% to 1.5%, with a one-time tax rebate in 2017 to offset the 1.5%. Fees and utility rates were also reduced relative to those approved in Action Plan, while franchise fees and other revenues are also anticipated to be below Action Plan budgets. The City has managed these adjustments with minimal service reductions. In total, these adjustments provided $228 million dollars in benefits to citizens.

The "Zero Base Review" (ZBR) Program is part of The City's Leadership Strategic plan to better serve our customers, communities and citizens. It oversees the review of City programs and services to improve efficiency, effectiveness and sustainability. Our customers' needs form the foundation or "ground zero" of our analysis as their satisfaction is fundamental to our organizational success. By the end of 2016, the ZBR Program had initiated 11 reviews making up 71% of The City's gross operating expenditure budget.

City Council continues to provide policy guidance and to support the longer-term planning perspective afforded by the multi-year approach to business plans and budgets. Administration will use these as a framework to provide recommendations on how best to supply required infrastructure and services for Calgarians within available funding. The recent economic downturn has reinforced the need to respond to our cyclical economy and to monitor the economy and The City's financial status to ensure continuing adaptation to economic uncertainties. In meeting its mandate for public service, The City will continue to make effective and efficient use of experienced and new City staff, whose combined knowledge and skill will provide maximum value from the financial resources provided by citizens.

Calgary, Canada
April 24, 2017

Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

The City of Calgary

Alberta

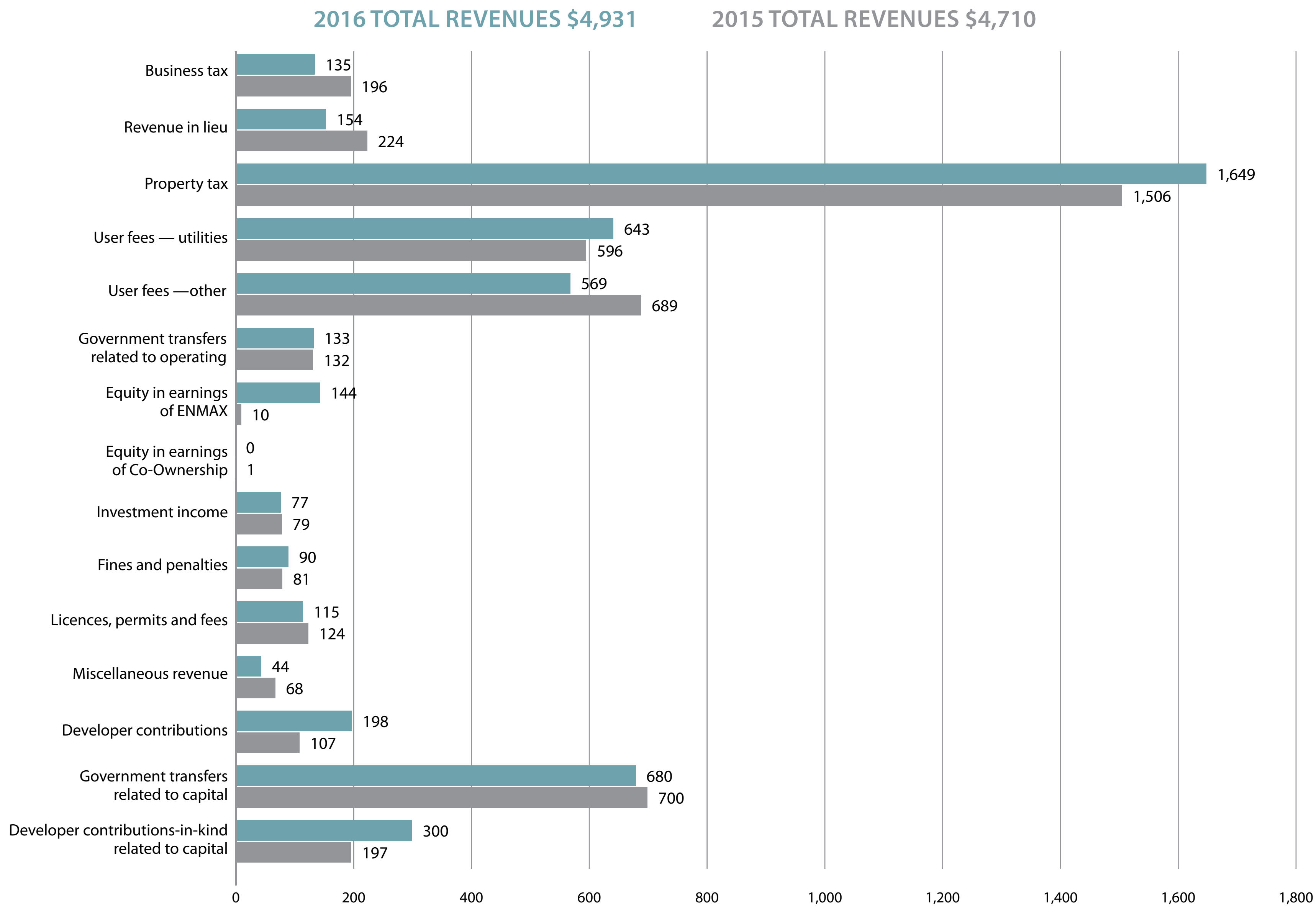
For its Annual
Financial Report
for the Year Ended

December 31, 2015

Executive Director/CEO

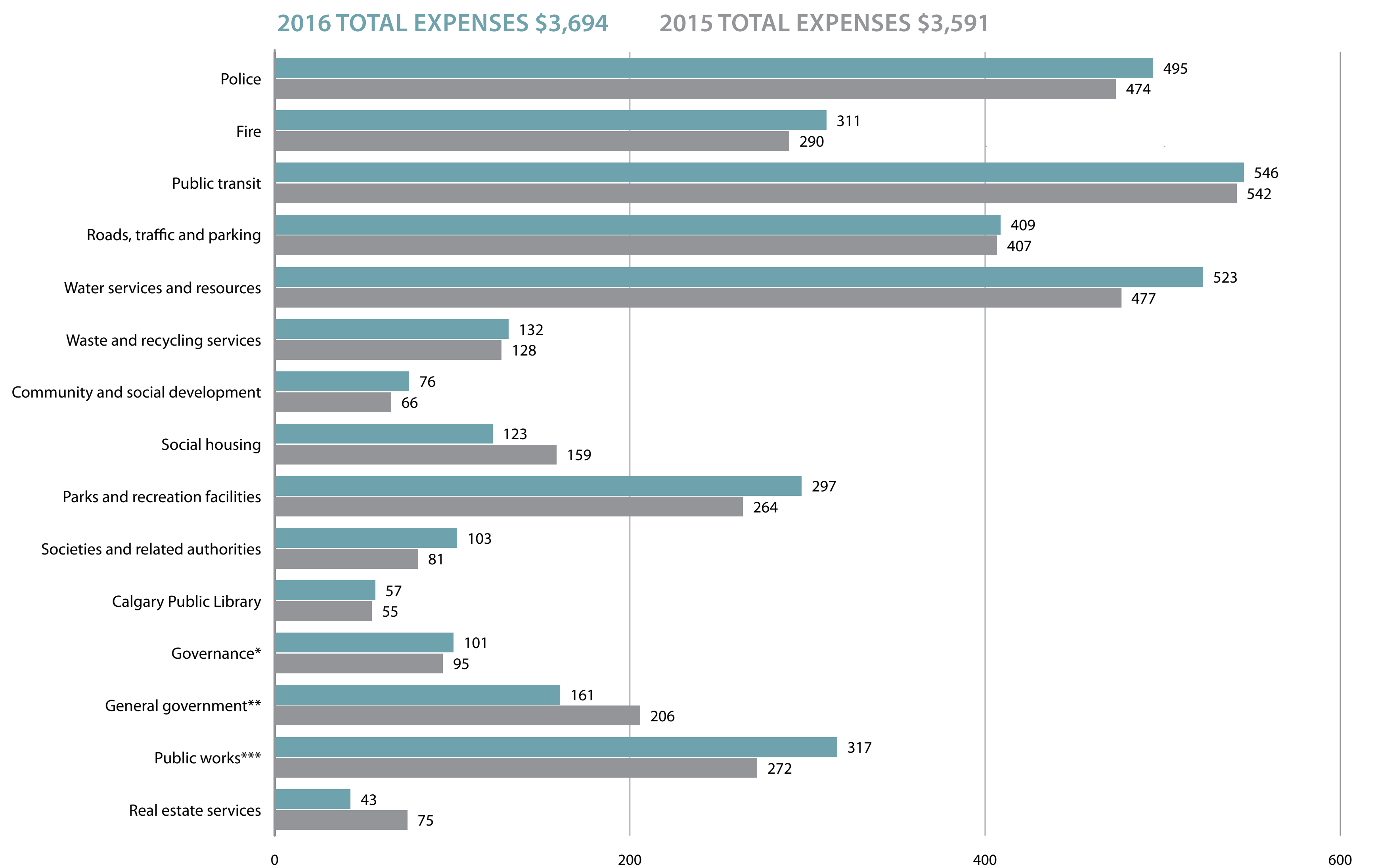
Financial Synopsis 2016 Sources of Revenue

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



Financial Synopsis 2016 Expenses

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



* Includes offices of the Mayor, Councillors, City Manager, Finance, Supply, City Auditor, City Clerk and Law.

** Includes Assessment, Customer Service & Communications, Human Resources, Information Technology and Corporate Revenue & Costs.

*** Includes Calgary Community Standards, Calgary Growth Strategies, Community Planning, Environmental & Safety Management, Urban Strategy, Calgary Approvals Coordination, Corporate Analytics & Innovation, Calgary Building Services, Facility Management and Fleet Services.

CONSOLIDATED FINANCIAL STATEMENTS

THE CITY OF CALGARY, ALBERTA

Responsibility for Financial Reporting

MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management, in accordance with Canadian Public Sector Accounting Standards. They necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the consolidated financial statements.

The City Auditor's Office reports directly to Council, through the Audit Committee, on an ongoing basis, carrying out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

In 2016, City Council fulfilled its responsibility for financial reporting through the Priorities and Finance Committee and its Audit Committee. The Priorities and Finance Committee, which consists of the Mayor, the Chairs of each of the four Standing Policy Committees, the Chair of the Audit Committee and a Councillor at large, meets regularly to deal with, among other issues, financial planning and reporting matters. The Audit Committee consists of four councillors and three citizen representatives, which meets regularly with both the independent external auditor and the City Auditor to review financial control and reporting matters.

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

Jeff Fielding, City Manager

Eric Sawyer, Chief Financial Officer

Calgary, Canada
April 24, 2017

Responsibility for Financial Reporting

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The City of Calgary, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets for the year then ended, and accompanying notes to the consolidated financial statements.

City Administration's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by City Administration, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The City of Calgary as at December 31, 2016 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta
April 24, 2017

Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)

	2016	2015 (Restated Note 30)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	**$ 227,884**	$ 104,499
Investments (Note 3)	**4,096,462**	4,117,988
Receivables (Notes 4 and 7a) iii))	**328,499**	267,216
Land inventory (Note 5)	**235,642**	206,477
Other assets (Note 6)	**109,390**	98,291
Investment in ENMAX Corporation (Note 7a))	**2,291,308**	2,260,205
	7,289,185	7,054,676
FINANCIAL LIABILITIES		
Bank indebtedness (Note 8)	**70,255**	58,424
Accounts payable and accrued liabilities (Notes 7a) iii)), 9)	**945,890**	731,184
Deferred revenue (Note 10 and Note 7a) iii))	**111,502**	89,108
Capital deposits (Note 11)	**1,018,173**	1,028,323
Provision for landfill rehabilitation (Note 12)	**87,263**	87,488
Employee benefit obligations (Note 13)	**480,153**	455,249
Long-term debt (Note 14)	**3,216,672**	3,360,602
	5,929,908	5,810,378
NET FINANCIAL ASSETS	**1,359,277**	1,244,298
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 15, 31 and 32)	**16,014,276**	14,961,869
Inventory	**57,821**	60,375
Prepaid assets	**36,796**	30,402
	16,108,893	15,052,646
ACCUMULATED SURPLUS (Note 17)	**$ 17,468,170**	$ 16,296,944

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

See accompanying notes to the consolidated financial statements

Approved on behalf of City Council:

Mayor Naheed Nenshi

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2016 (Note 16)	Actual 2016	Actual 2015 (Restated Note 30)
REVENUES			
Net taxes available for municipal purposes (Note 20)	**$ 1,963,444**	$ 1,938,199	$ 1,926,218
Sales of goods and services	**1,297,830**	1,211,983	1,285,280
Government transfers and revenue sharing agreements (Note 23)			
Federal	**4,522**	4,660	3,812
Province of Alberta	**113,905**	128,157	128,431
Investment income	**55,874**	77,451	79,185
Fines and penalties	**77,127**	89,796	80,451
Licences, permits and fees	**99,318**	114,988	124,358
Miscellaneous revenue (Note 32)	**26,277**	44,428	68,235
Equity in earnings of ENMAX Corporation (Note 7a))	**143,000**	143,597	9,725
Equity in earnings of Co-Ownership (Note 7b))	**–**	–	618
	3,781,297	3,753,259	3,706,313
EXPENSES			
Police	**471,854**	494,546	473,727
Fire	**278,407**	310,953	289,593
Public transit	**439,987**	546,374	542,416
Roads, traffic and parking	**262,235**	409,195	407,105
Water services and resources	**504,165**	523,354	476,634
Waste and recycling services	**134,024**	132,014	128,182
Community and social development (Note 33)	**71,461**	76,180	66,063
Social housing (Note 33)	**135,016**	122,718	159,323
Parks and recreation facilities	**234,545**	297,209	264,150
Societies and related authorities (Note 33)	**103,660**	103,400	81,239
Calgary Public Library Board	**54,856**	57,400	54,527
General government	**370,577**	261,688	300,654
Public works (Note 33)	**290,317**	316,422	272,039
Real estate services (Note 33)	**83,237**	43,042	75,139
	3,434,341	3,694,495	3,590,791
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	**346,956**	58,764	115,522
OTHER			
Developer contributions	**303,839**	198,394	107,456
Government transfers related to capital (Note 23)	**609,048**	679,736	699,704
Developer contributions-in-kind related to capital	**–**	299,826	197,021
NET REVENUES	**1,259,843**	1,236,720	1,119,703
ENMAX Corporation – other comprehensive (loss)/gain adjustment (Note 7a))	**–**	(65,494)	25,416
ANNUAL SURPLUS	**1,259,843**	1,171,226	1,145,119
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**16,296,944**	16,296,944	15,151,825
ACCUMULATED SURPLUS, END OF YEAR	**$ 17,556,787**	$ 17,468,170	$ 16,296,944

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

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

	2016	2015 (Restated Note 30)
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:		
OPERATING ACTIVITIES		
Annual Surplus	**$ 1,171,226**	$ 1,145,119
Deduct items not affecting cash:		
Equity in earnings of ENMAX Corporation (Note 7a))	**(143,597)**	(9,725)
ENMAX Corporation– other comprehensive (gain)/loss (Note 7a))	**65,494**	(25,416)
Equity in earnings of Co-Ownership (Note 7b))	**–**	(618)
Amortization of tangible capital assets	**596,075**	580,110
Net Loss on disposal of tangible capital assets	**5,583**	9,297
Developer contributions-in-kind related to capital	**(299,826)**	(197,021)
Change in non-cash items:		
Receivables	**(61,283)**	(19,117)
Land inventory	**(29,165)**	27,538
Other assets	**(11,099)**	(1,404)
Inventory	**2,554**	2,035
Prepaid assets	**(6,394)**	(5,289)
Accounts payable and accrued liabilities	**214,706**	4,725
Deferred revenue	**22,394**	2,370
Capital deposits	**(10,150)**	104,434
Provision for landfill rehabilitation	**(225)**	542
Employee benefit obligations	**24,904**	31,509
	1,541,197	1,649,089
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(1,392,526)**	(1,051,262)
Proceeds on sale of tangible capital assets	**38,287**	25,057
	(1,354,239)	(1,026,205)
INVESTING ACTIVITIES		
Dividends from ENMAX Corporation	**47,000**	56,000
Receipt of Co-Ownership distribution	**–**	2,157
Net sales (purchases) of investments	**21,526**	(415,215)
	68,526	(357,058)
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	**307,601**	222,441
Long-term debt repaid	**(451,531)**	(488,016)
Net increase in bank indebtedness	**11,831**	23,163
	(132,099)	(242,412)
INCREASE IN CASH AND CASH EQUIVALENTS	**123,385**	23,414
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**104,499**	81,085
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 227,884**	$ 104,499

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Financial Assets

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

	Budget 2016	Actual 2016	Actual 2015
	(Note 16)		(Restated Note 30)
ANNUAL SURPLUS	**$ 1,259,843**	$ 1,171,226	$ 1,145,119
Amortization of tangible capital assets	**120,972**	596,075	580,110
Proceeds on sale of tangible capital assets	**350**	38,287	25,057
Acquisition of supplies inventories	–	175,937	176,295
Use of supplies inventories	–	(173,383)	(174,260)
Acquisition of prepaid assets	–	267,540	374,159
Use of prepaid assets	–	(273,934)	(379,448)
Tangible capital assets received as contributions	–	(299,826)	(197,021)
Net loss on disposal of tangible capital assets	–	5,583	9,297
Acquisition of tangible capital assets	**(423,772)**	(1,392,526)	(1,051,262)
INCREASE IN NET FINANCIAL ASSETS	**957,393**	114,979	508,046
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**1,244,298**	1,244,298	736,252
NET FINANCIAL ASSETS, END OF YEAR	**$ 2,201,691**	$ 1,359,277	$ 1,244,298

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2016 (in thousands of dollars)

The City of Calgary ("The City") is a municipality in the Province of Alberta incorporated in 1884 as a town and in 1894 as a city and operates under provisions of the *Municipal Government Act*.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The City are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS").

a) Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund and reserves fund of The City. 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").

Related Authorities

The eight 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, the Calgary Convention Centre Authority (operating as Calgary TELUS Convention Centre), Calgary Economic Development Ltd., and Calgary Arts Development Authority Ltd. (Note 21). Inter-entity transactions and balances between The City and the related authorities have been eliminated.

Civic Partners

The City has fiscal relationships with many organizations for which control lies outside of Calgary City Council. These consolidated financial statements include operating and capital requisitions for certain educational, cultural, social and other external organizations, but do not include the financial results of these organizations. Separate financial information may be sought directly from such organizations and registered pension plans, which include the following:

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

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 7a)).

Funds Held in Trust

Funds held in trust and their related operations administered by The City for the benefit of external parties are not included in the consolidated financial statements, but are reported separately in Note 29, Funds Held in Trust.

b) Basis of Accounting

i) Revenues are accounted for in the period in which the transactions or events giving rise to the revenue occur, providing the revenues are reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

ii) Taxation revenues are recorded at the time tax billings are issued. Taxation billings are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on taxation revenue appeals outstanding as of December 31, 2016.

iii) Local improvements are recognized as revenue, and established as a receivable, for the property owners' share of the improvements in the period that the project expenses are incurred.

iv) Government transfers and grants are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made. Where transfers are received but eligibility criteria or stipulations are not met, government transfers are recognized in Capital Deposits (Capital Grants) or Deferred Revenue (Operating Grants) until eligibility criteria or stipulations are met.

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

vi) Authorized transfers from The City are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, treasury bills and Guaranteed Investment Certificates ("GICs") with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

d) Investments

Included in investments are internally managed portfolios consisting of investments in money market instruments and short term bonds. The City also has externally managed investment portfolios consisting of short and long term investments including money market securities, bonds, mortgages, equities and fixed-income securities. Investments are recorded at the lower of original cost net of amortized discounts and premiums and market value on a portfolio basis. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Land Inventory

Land inventory is carried at the lower of cost and net realizable value. Cost includes amounts for land development expenses. These amounts are held for sale in the normal course of business.

f) Bank Indebtedness

Bank indebtedness consists of cheques outstanding in excess of deposits with commercial banks and short term borrowing.

g) Deferred Revenue

Deferred revenue represents amounts received from third parties for a specified operating purpose. These amounts include deferred government transfers, which are externally restricted until used for the purpose intended. Also included in deferred revenue are private contributions, advance sales of goods and services and amounts received for licenses, permits, and application fees, which are recognized as revenue in the period when the related expenses are incurred.

h) Capital Deposits

Capital deposits represent amounts received from third parties for specified capital projects. Deposits must be expended on projects for which they are designated, and are recognized as revenue when expenditures are made.

i) Provision for Landfill Rehabilitation

The *Environmental Enhancement and Protection Act* (Alberta) sets out the regulatory requirements to properly close and maintain all 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) Provision for Contaminated Sites

The *Environmental Enhancement and Protection Act* (Alberta) sets out the regulatory requirements in regards to contamination. Under this Act, there is a requirement for the persons responsible to address the contamination that is causing or has caused an adverse effect. A provision in PS 3260 is provided for non-productive sites where contamination exists that exceeds an environmental standard, The City is legally responsible or has accepted responsibility for the contamination, future economic benefits are expected to be given up and a reasonable estimate for the provision can be made. Non-productive sites include any site where the contamination is a result of past activities not related to the current use of the site.

The provision reflects The City's best estimate of the amount required to remediate sites to a condition that is suitable for the sites' intended use, as of the financial statement date. The provision is determined on a site-by-site basis, and is adjusted to reflect the passage of time, new obligations, and changes to management's intent and actual remediation costs incurred.

The provision for future remediation is an estimate of the minimum costs known for sites where an assessment has been conducted and where there is available information that is sufficient to estimate costs. Where sites require ongoing monitoring or maintenance as part of the remediation plan, the present value of all estimated future costs are discounted using The City's weighted average cost of capital. The provision is included in accounts payable and accrued liabilities.

k) Employee Benefit Obligations

The City has fully met its current year cash contribution requirements for employee benefit obligations at December 31, 2016. Long term unamortized actuarial losses will be funded in future periods.

i) Contributions to multi-employer plans are expensed when the contributions are due.

ii) The cost of City-sponsored, registered and non-registered defined-benefit pension plans and other retirement benefits are recognized when earned by plan members. These costs are actuarially determined using the projected benefit method prorated on service applying management's best estimate of expected salary and benefit escalation, retirement ages of employees and plan investment performance. Plan obligations are discounted using The City's cost of borrowing based on estimated rates for debt with maturities similar to expected benefit payments in the future.

iii) The City records the actuarially determined net fund benefit asset or liability for City-sponsored, registered defined-benefit pension plans. For jointly sponsored plans, The City records its proportionate share of that asset or liability. For non-registered, defined-benefit plans and post-retirement benefit obligations, The City records the actuarially determined accrued benefit liability and assets are held within its cash and investments to fund these liabilities. No obligations are recorded for multi-employer defined-benefit pension plans administered by external parties as The City's share of those obligations is not readily determinable.

iv) Adjustments arising from actuarial experience gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service period of the active employee group. Adjustments arising from prior service costs related to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs.

l) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

m) Accumulated Surplus/Deficit

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

n) Tangible Capital Assets

Tangible capital assets, including assets held under capital leases, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated and contributed assets are capitalized and recorded at their estimated fair value at the time they are transferred to The City. At that same time, the corresponding revenue is recognized. Interest charges are not capitalized.

Work in progress represents assets which are not available for use and therefore are not subject to amortization.

Works of art for display are not recorded as tangible capital assets.

Tangible capital assets are written down when there is permanent and measureable impairment in 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
Vehicles	
Light rail transit	25
Transit buses and fire trucks	5 – 20
Vehicles	2 – 15
Land improvements	5 – 40
Engineered structures	
Waterworks and wastewater distribution and collection systems and treatment plants	15 – 65
Transit network	15 – 50
Road network	5 – 100
Communication networks and landfills	20 – 50
Machinery and equipment	
Computer equipment	5 – 7
Furniture and equipment	5 – 20
Boats and other mobile machinery	5 – 20
Other equipment and machinery	5 – 20

o) Inventories

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

p) Land Held for Municipal Purposes

Land held for municipal purposes are comprised of land held for future civic use and is carried at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for civic use. Land held for municipal purposes is included in tangible capital assets for financial statement purposes.

q) Equity in Non-Financial Assets

Equity in non-financial assets represents the investment in non-financial assets after deducting the portion of these assets that have been financed by long-term debt.

r) Budget Figures

The 2016 budget is reflected on the consolidated statement of operations and accumulated surplus. The budget consists of the Council-approved amounts for the operating fund and the capital fund, modified for capital revenue adjustments, assets capitalized on the statement of financial position, and depreciation expense for tax-supported assets. The budgets established for the capital fund are on a project-oriented basis, the costs of which may be carried out over one or more years. The capital budget figures are modified based on the percentage of completion of these projects.

s) Environmental Provisions

The City has a formal environmental assessment and reclamation program in place to ensure that it complies with environmental legislation. The City provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured.

t) Financial Instruments and Fair Values

The City is exposed to the risk that arises from fluctuations in interest rates and exchange rates and the degree of volatility of these rates.

The City utilizes derivative financial instruments in order to manage the impact of fluctuating interest rates and foreign currency on its investment income, as well as to manage foreign exchange on anticipated future expenses in foreign currencies. Gains (losses) on foreign currency translation are included as revenues (losses). The City's policy is not to utilize derivative financial instruments for trading or speculative purposes.

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

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).

u) Loan Guarantees

Periodically The City provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in The City's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of The City until The City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, The City's resulting liability would be recorded in the consolidated financial statements.

v) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Where estimation uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accrued liabilities, employee benefit obligations, provision for tax appeals, provision for landfill rehabilitation, contaminated sites and environmental assessments, 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.

w) Loans Receivable

Loans receivable are recorded at cost less allowance for doubtful accounts. Allowance for doubtful accounts is recognized when collection is in doubt, and are stated at the lower of cost and net recoverable value. No interest is charged on owed amounts.

x) Public-Private Partnerships

A public-private partnership ("P3s") is a contractual agreement between a public authority and a private entity for the provision of infrastructure and/or services.

The City's P3s are assessed based on the substance of the underlying agreement and accounted as follows:

- Costs incurred during construction or acquisition are recognized in the work-in-progress and liability balances based on the estimated percentage complete.
- Construction costs, as well as the combined total of future payments, are recognized as a tangible capital asset and amortized over the estimated useful life once the asset is in-service.
- Sources of funds used to finance the tangible capital asset and future payments will be classified based on the nature of the funds, such as debt, grants, and/or reserves.

y) Future Accounting Pronouncements

Standards effective beginning on or after April 1, 2017

i) Assets

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

ii) Contingent Assets

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

iii) Contractual Rights

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

iv) Related Party Transactions

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

v) Inter-entity Transactions

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

Standards effective beginning on or after April 1, 2018

vi) Restructuring Transactions

Restructuring Transactions ("PS 3430") establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor.

Standards effective beginning on or after April 1, 2019

vii) Financial Statement Presentation

Financial Statement Presentation ("PS 1201") was amended to conform to Financial Instruments ("PS 3450"), and requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships.

viii) Portfolio Investments

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

ix) Foreign Currency Translation

Foreign Currency Translation ("PS 2601") requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Unrealized gains and losses are to be presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item.

x) Financial Instruments

Financial Instruments ("PS 3450") establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

The City continues to assess the impacts of the above standards. While the timing of standards adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation ("PS 1201"), Financial Instruments ("PS 3450"), Foreign Currency Translation ("PS 2601") and Portfolio Investments ("PS 3041") must be implemented at the same time. Related Party Disclosures ("PS 2200") and Inter-Entity Transactions ("PS 3420") also require concurrent adoption.

2. CASH AND CASH EQUIVALENTS

	2016	2015
Cash on deposit	**$ 227,635**	$ 103,789
Treasury bills and GICs with original maturities of 90 days or less	**249**	710
	$ 227,884	$ 104,499

Treasury bills and GICs interest rates are approximately 0.5% in 2016 and 2015.

3. INVESTMENTS

All the investments managed by The City are held in fixed income securities and equity investments. Investments with a cost of $2,376 (2015 – $2,395) are managed by the Parks Foundation Calgary[(1)], and include equity investments of $1,504 (2015 – $1,490). The cost and market value of all investments as at December 31 are as follows:

	2016 Cost	**2016 Market value**	2015 Cost	2015 Market value
Government of Canada	**$ 390,136**	**$ 387,959**	$ 360,775	$ 362,277
Other Government	**522,641**	**517,358**	540,840	542,556
Corporate	**2,743,537**	**2,743,949**	2,889,837	2,893,485
Global fixed income investments	**97,726**	**97,725**	–	–
Equity investments	**342,422**	**406,573**	326,536	360,635
	$4,096,462	**$4,153,564**	$ 4,117,988	$ 4,158,953

The average yield earned from investments during the year ended December 31, 2016, was 2.3% (2015 – 2.5%). Maturity dates on the investments range from 2017 to 2108. Investments include $1,875,776 (2015 – $2,066,874) in an internally managed portfolio composed of short-term money market instruments and bonds.

A portion of City investments are held for certain purposes including reserves, capital deposits and employee benefit obligations.

(1) Parks Foundation Calgary is an endowment fund which uses investment income to fund the administrative costs of the Parks Foundation and eliminate the annual contribution from The City to its operating budget.

4. RECEIVABLES

		2016		2015 (Restated Note 30)
Taxes	**$**	**36,734**	$	37,179
Federal and Provincial governments		**28,159**		41,323
General		**263,606**		188,714
	$	**328,499**	$	267,216

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.

		2016		2015 (Restated Note 30)
Developed land	**$**	**55,812**	$	41,772
Under development		**94,860**		79,610
Long-term inventory		**84,970**		85,095
	$	**235,642**	$	206,477

6. OTHER ASSETS

		2016		2015 (Restated Note 30)
Long-term debt recoverable	**$**	**13,542**	$	6,522
Assets held for sale		**–**		750
Long-term receivables		**77,877**		81,007
Other receivables		**10,445**		2,549
Loan receivables		**7,526**		7,463
	$	**109,390**	$	98,291

Long-term receivables consist primarily of local improvement levies recognized as revenue on the basis of full or partial completion of the related projects, a loan receivable from St. Mary's University (see Note 14 a) i)) and vendor take-back ("VTB") mortgages granted to Attainable Homes Calgary Corporation ("AHCC").

Loan receivables consist of interest-free loans offered by AHCC to citizens when they purchase their housing units, and are secured by The City's encumbrance on the title of each property. In 2016, an allowance for doubtful accounts of $862 (2015 – $496) related to the loans receivables was recognized. These loans are forgiven once the citizen sells or refinances their house and a shared participation amount is repaid.

7. INVESTMENT IN ENMAX AND CO-OWNERSHIP

a) ENMAX

i) ENMAX is a wholly-owned subsidiary of The City and was formed to carry on the electric utility transmission and distribution operations previously carried on by the Calgary Electric System, a former department of The City. ENMAX operates in two segments; ENMAX Power, a regulated, wholly-owned subsidiary established to carry out all electricity distribution and transmission service functions, and ENMAX Energy, an unregulated, wholly-owned subsidiary established to carry out all energy supply and retail functions.

ENMAX Power Corporation, ENMAX's electricity distribution and transmission subsidiary, was regulated by the Alberta Energy and Utilities Board starting from 2004 to 2007 and then by the Alberta Utilities Commission ("AUC") since January 1, 2008. Upon deregulation which was made effective on January 1, 2001, The City approved only those electrical rates determined for the regulated activities of electricity transmission and distribution. The City transferred rate regulation approval responsibilities to the AUC in January 2008, thereby allowing the regulator to approve ENMAX Power's electricity transmission and distribution rates charged to customers within ENMAX's service area.

Debentures in the amount of $1,145,184 (2015 – $1,211,055) and reported by ENMAX in long-term debt have been issued in the name of The City (Note 14(a)).

ii) In 2015, ENMAX adopted the International Financial Reporting Standards ("IFRS") applicable to companies for years beginning on or after January 1, 2011. ENMAX elected to defer its transition and accordingly, the subsidiary's transition date to IFRS was January 1, 2014. IFRS 1, "First-time Adoption of International Financial Reporting Standards", has been applied with retroactive application. For purposes of The City's consolidated financial statements, the change by ENMAX to adopt IFRS has been reported as a change to opening retained earnings, without restatement of prior periods.

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

	2016	2015 (Restated Note 30)
Financial Position		
Current assets	**$ 934,415**	$ 846,020
Power purchase arrangements	**–**	55,097
Deferred income taxes	**72,013**	54,935
Capital and intangible assets	**4,231,277**	4,106,675
Other assets	**88,018**	61,893
Total assets	**5,325,723**	5,124,620
Regulatory deferral account debit balances	**39,815**	34,469
Total assets and regulatory deferral account debit balances	**5,365,538**	5,159,089
Current liabilities (including current portion of long-term debt; 2016 – $66,972; 2015 – $66,166)	**600,867**	545,669
Deferred income tax liabilities	**98,025**	83,065
Other long-term liabilities	**652,097**	505,123
Asset retirement obligations	**125,279**	104,887
Long-term debt	**1,580,227**	1,646,647
Total liabilities	**3,056,495**	2,885,391
Regulatory deferral account credit balances	**17,735**	13,493
Total liabilities and regulatory deferral account credit balances	**3,074,230**	2,898,884
ENMAX net assets	**2,291,308**	2,260,205
Accumulated other comprehensive loss	**(89,278)**	(23,784)
Retained earnings	**2,380,586**	2,283,989
Investment in ENMAX Corporation	**$ 2,291,308**	$ 2,260,205

	2016	2015 (Restated Note 30)
Results of Operations		
Revenues	**$ 2,801,008**	$ 3,065,724
Operating expenses	**2,577,102**	2,946,707
Interest charges (net)	**74,942**	68,621
Net earnings before income tax	**148,964**	50,396
Income tax (expense)/recovery	**(6,467)**	2,452
Net earnings before net movements in regulatory deferral account balances	**142,497**	52,848
Net movement in regulatory deferral account balances	**1,100**	(43,123)
Net earnings before dividends paid	**143,597**	9,725
Dividends paid	**(47,000)**	(56,000)
Net earnings (loss) after dividends paid	**96,597**	(46,275)
Other comprehensive (loss)/income	**(65,494)**	25,416
Net assets, beginning of year	**2,260,205**	2,281,064
Equity in ENMAX Corporation	**$ 2,291,308**	$ 2,260,205

In 2016, ENMAX identified an adjustment in their deferred income tax calculation that required correction. This correction has been reflected in these financial statements as a prior period adjustment to 2015 figures. The deferred income tax asset previously reported in the 2015 financial statements as $93,935 has been restated to $54,935, resulting in a decrease of $39,000 to the income tax recovery (Note 30).

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

	2016	2015
Received by The City		
Dividends	**$ 47,000**	$ 56,000
Local access fee	**88,410**	113,629
Sales of services	**20,548**	17,238
Purchased by The City		
Power and other services	**$ 133,847**	$ 128,511

The City's accounts payable, accrued liabilities and deferred revenue include $27,233 (2015 – $16,531) for amounts owed to ENMAX at December 31, 2016. The City's receivables include $10,775 (2015 – $12,626) for amounts owing to The City by ENMAX at December 31, 2016. Corresponding related-party differences between the payables and receivables for The City and ENMAX result primarily from timing differences related to recognizing the receipt of payments. Sale of services and purchase of power and other services are transacted at fair market value, which is the amount agreed upon by the parties.

b) Co-Ownership

i) During the year ended December 31, 2013, AHCC entered into a Co-Ownership agreement (the "Agreement") with a homebuilder (the "Co-Owner Partner") for the purpose of developing, constructing and selling units (the "Project") to qualified middle income Calgarians. In order to complete this Project, the Co-Owners created a separate legal entity whereby the Co-Owners have equal shares in that entity, with the rights and obligations of each Co-Owner proportionate to their respective Co-Owner interest. As part of this Agreement, AHCC transferred to the Co-Ownership the legal title to a parcel of land owned by AHCC and other costs as payment of its contribution totalling $3,438. As security for the contribution provided, AHCC was granted on behalf of the Co-Ownership, a non-interest bearing secured VTB mortgage in the amount of $3,440. Contribution from the Co-Owner Partner will amount to $3,440 to be contributed from time to time during the duration of the Project, and is secured against the title of the Lands by the Co-Owner Partner mortgage, immediately following the VTB mortgage.

ii) The following table provides condensed supplementary financial information of the equity investment in the Co-Ownership reported by AHCC. For condensed supplementary financial information reported separately by AHCC, refer to Note 21.

		2016		2015
Financial Position				
Total assets	**$**	**–**	$	–
Total liabilities		**–**		–
Net assets	**$**	**–**	$	–

The following is AHCC's 50% share of the components of the financial statements of the Co-Ownership:

		2016		2015
Results of Operations				
Revenue	**$**	**–**	$	1,614
Expenses	**$**	**–**		996
Excess of revenue over expenses for the year	**$**	**–**	$	618

iii) The VTB mortgage amount of $3,440 was repaid in full in 2014. During the year, equity income of $nil (2015 – $618) was earned and $nil (2015 – $2,157) of the equity income earned was distributed to AHCC for a remaining balance of $nil (2015 – $nil) in the equity investment

8. BANK INDEBTEDNESS

An unsecured short-term bank line of credit with a commercial bank is available to The City up to an amount of $60,000. As at December 31, 2016, The City had a total of $64,154 (2015 – $50,611) of bank indebtedness comprised of cheques issued in excess of deposits. As at December 31, 2016 and 2015, The City has not issued any promissory notes.

The City has the approved authority to issue up to $200,000 of short-term borrowing, through a combination of a bank line of credit and the issue of commercial paper. As at December 31, 2016, The City had $6,101 (2015 – $7,813) of short-term borrowings, which consisted of demand loans held by Calgary Economic Development Ltd., Calgary Arts Development Authority Ltd. and Attainable Homes Calgary Corporation.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2016		2015 (Restated Note 30)
Trade	**$**	**885,438**	$	665,941
Federal and Provincial governments		**39,202**		36,616
Accrued interest		**21,250**		28,627
	$	**945,890**	$	731,184

10. DEFERRED REVENUE

Advance sales of goods and services are revenues received from operations in advance of the services being provided. Licenses, permits and application fees include amounts received for building permits, business and animal licenses that are recognized as revenue over the term of the underlying agreements. Government grants are externally restricted amounts that are recognized in revenue when the conditions of use are satisfied. Other contributions relate primarily to private sponsorships and donations received for which the related expenditures have not yet been incurred. These funds are recognized as revenue in the period they are used for the purpose specified.

Deferred revenue is comprised of the following:

	December 31, 2015	Inflows	Revenue Recognized	**December 31, 2016**
Advance sales of goods and services	$ 22,211	$ 99,637	$ 82,074	**$ 39,774**
Licences, permits and application fees	49,510	39,884	37,735	**51,659**
Government grants	10,803	45,915	42,142	**14,576**
Other contributions	6,584	2,865	3,956	**5,493**
	$ 89,108	$ 188,301	$ 165,907	**$ 111,502**

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 to 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:

	2016	2015 (Restated Note 30)
Developers contributions	**$ 149,152**	$ 150,708
Offsite levies	**400,096**	339,009
Other private contributions	**19,081**	30,419
Provincial government grants	**372,108**	439,541
Federal government grants	**77,736**	68,646
	$ 1,018,173	$ 1,028,323

12. PROVISION FOR LANDFILL REHABILITATION

Under environmental law, there is a requirement for closure and post-closure care of landfill sites. Closure and post-closure care includes final covering and landscaping of a landfill, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

In 2016, The City selected to perform a triennial review of the model supporting the provision of the landfill liability. The model was revised to ensure alignment with Environment and Sustainable Resource Development's requirements and to reflect the current economic condition.

Management's estimates with respects to both operating and inactive landfill sites resulted in the recognition of the total liability of $151,411 (2015 – $159,295).This is the sum of the discounted future cash flows for closure and post-closure activities for 25 years following the closure of operating sites, and the estimated requirements at currently inactive sites. A discount rate of 3.3% (2015 – 3.8%) was used for the active landfills and 3.2% (2015 – 3.1%) for the inactive landfills.

The calculation of the reported liability of $87,263 (2015 – $87,488) is based on the cumulative capacity used at December 31, 2016 compared to the total estimated landfill capacity at that same date. The change in calculation resulted in $6,755 (2015 – $8,178) of unfunded liability being recognized in 2016. The unfunded liability will be funded through future contributions from the Waste & Recycling Sustainment Reserve. At December 31, 2016, the balance of the Waste & Recycling Sustainment Reserve is $48,019 (2015 – $48,809).

The estimated remaining capacity of the landfill sites is 49.0 (2015 – 50.1) million cubic metres, which is 50% (2015 – 51%) of the sites' total capacity. In 2016, The City determined that the landfills' expected remaining life would be increased to 33 years (2015 – 32 years), which was based on factors including current disposal practices and projected population growth rates.

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 post-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, 2016.

The City has fully met its current year cash contribution requirements for employee benefit obligations at December 31, 2016.

	2016 *Funded	2015 *Funded
a) Registered defined-benefit pension plans	**$ 51,714**	$ 46,772
b) Non-registered defined-benefit pension plans	**35,024**	32,118
c) Post-retirement benefits	**176,341**	167,879
d) Vacation and overtime (undiscounted)	**217,074**	208,480
	$ 480,153	$ 455,249

*The concept of funding refers to amounts recorded in the consolidated financial statements.

In addition to the funded obligations referred to above, The City has long term unamortized net actuarial (gains)/losses that are amortized over the expected average remaining service life of the active employee groups as follows:

		2016		2015
Registered defined-benefit pension plans	**$**	**3,922**	$	21,754
Non-registered defined-benefit pension plans		**17,143**		22,074
Post-retirement benefits		**(23,531)**		(16,660)
	$	**(2,466)**	$	27,168

The City will also be partially responsible for the unfunded defined-benefit pension plan unamortized net actuarial losses of the Local Authorities Pension Plan ("LAPP") and Special Forces Pension Plan ("SFPP"), see Note 13(e) i) and ii).

Actuarial Accounting Methodology

Annual actuarial accounting valuations for the registered and non-registered defined-benefit pension plans and post-retirement benefits are completed using the projected unit credit actuarial cost 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 pension plans (Note 13 a)), non-registered defined-benefit pension plans (Note 13 b)) and post-retirement benefits (Note 13 c)) are as follows:

Date of actuarial accounting valuation	**December 31, 2016**	December 31, 2015
Year-end obligation discount rate (%)	**3.25**	3.25
Inflation rate (%)	**2.00**	2.25
Expected rate of return on plan assets (%)	**6.00**	6.50
Rate of compensation average increase, excluding merit and promotion	**2.00**	3.25

a) Registered defined-benefit pension plans

Certain defined-benefit pension plans are registered for Canada Revenue Agency ("CRA") purposes. These plans provide benefits up to limits prescribed by the *Income Tax Act* (Canada). The assets of these plans are held in trust and The City records its share of the obligations net of plan assets. In accordance with regulations, actuarial valuations for funding purposes are performed at least triennially for the registered plans to determine The City's required contributions to the plan trusts. The most recent actuarial valuations (funding basis) were (will be) prepared as of the following dates:

Pension Plan	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Calgary Firefighters' Supplementary Pension Plan ("FSPP")	December 31, 2015	December 31, 2018
City of Calgary Supplementary Pension Plan ("SPP")	December 31, 2013	December 31, 2016
Pension Plan for Elected Officials of The City of Calgary ("EOPP")	December 31, 2015	December 31, 2018

For each registered pension plan, the market value of assets as at October 31, 2016 was projected forward to December 31, 2016 using expected employer and employee contributions and benefit payments for November and December 2016.

The following table sets out the results of, and significant assumptions utilized, in the most recent actuarial valuations for accounting purposes of The City sponsored registered pension plans:

	2016	2015
Fair value of plan assets – beginning of year	**$ 120,451**	$ 111,335
Contributions – employer	**7,817**	7,598
Contributions – member	**151**	161
Expected interest on plan assets	**7,256**	7,292
Less benefits paid	**(7,013)**	(6,059)
Actuarial gain	**445**	124
Fair value of plan assets – end of year	**$ 129,107**	$ 120,451
Accrued benefit obligation – beginning of year	**$ 188,977**	$ 182,967
Current period benefit cost	**9,679**	10,676
Interest on accrued benefit obligation	**6,342**	6,672
Less benefits paid	**(7,013)**	(6,059)
Actuarial (gain)	**(13,242)**	(5,279)
Accrued benefit obligation – end of year	**$ 184,743**	$ 188,977
Funded status – plan deficit	**$ 55,636**	$ 68,526
Unamortized net actuarial (loss)	**(3,922)**	(21,754)
Accrued benefit liability	**$ 51,714**	$ 46,772
Current period benefit cost	**$ 9,679**	$ 10,676
Amortization of actuarial losses	**4,145**	5,110
Less member contributions	**(151)**	(161)
Benefit expense	**$ 13,673**	$ 15,625
Interest on accrued benefit obligation	**6,342**	6,672
Less expected interest on plan assets	**(7,256)**	(7,292)
Benefit interest (expense)	**(914)**	(620)
Total expense	**$ 12,759**	$ 15,005

Unamortized net actuarial gains and losses are amortized over the expected average remaining service life ("EARSL") of the active employee groups, except for The Calgary Police Supplementary Pension Plan ("PSPP"), and commence in the period following the determination of the gain or loss. The EARSL for each plan is:

	2016	2015
FSPP	**16.4**	15.8
SPP	**7.9**	7.9
EOPP	**8.1**	8.7
PSPP	**nil**	nil

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

i) Calgary Firefighters' Supplementary Pension Plan

The FSPP was established on June 3, 1975. The plan is jointly administered by The City and The International Association of Firefighters ("IAFF") Local 255. The plan is supplemental to the LAPP (Note 13 e) i)) and provides an annual retirement benefit of 1.4% of pensionable earnings up to the year's maximum pensionable earnings ("YMPE"), 2% of pensionable earnings over YMPE, a bridge benefit of 0.6% of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the *Income Tax Act* (Canada). The City and the IAFF Local 255 have agreed to share the cost of future service and future additional unfunded liabilities 55% by The City and 45% by the plan members. The consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability.

At December 31, 2016, The City's portion of plan assets, held in trust, is invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2015 as follows:

	2016 Employer	**2016 Members**	2015 Employer	2015 Members
Current service contributions	**$ 4,569**	**$ 4,230**	$ 4,502	$ 3,660
Contribution rates (% of pensionable salaries)	**3.22%**	**2.63%**	3.22%	2.63%

ii) City of Calgary Supplementary Pension Plan

The SPP commenced on February 1, 2000 and is sponsored and administered by The City. The plan is supplemental to the LAPP (Note 13 e) i)) and provides an annual retirement benefit of 2% of earnings, up to maximum pension limits of the *Income Tax Act* (Canada) for years of service since the later of February 1, 2000 and the date of eligibility for membership in the plan, as well as enhanced death benefits. The cost of future service and future additional unfunded liabilities are shared 55% by The City and 45% by the plan members. The consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability.

At December 31, 2016, The City's portion of plan assets, held in trust, is invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2013 as follows:

	2016 Employer	**2016 Members**	2015 Employer	2015 Members
Current service contributions	**$ 2,736**	**$ 2,369**	$ 2,591	$ 2,231
Contribution rates (% of pensionable salaries)	**2.83%**	**2.44%**	2.83%	2.44%

iii) Pension Plan for Elected Officials of The City of Calgary

The EOPP commenced on October 1, 1989 and provides pension benefits of 2% of taxable salary, up to a maximum pension limit of the *Income Tax Act* (Canada) per year of service to The City elected officials who choose to participate.

At December 31, 2016, plan assets, held in trust, are invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2015 as follows:

	2016 Employer	**2016 Members**	2015 Employer	2015 Members
Current service contributions	**$ 314**	**$ 151**	$ 309	$ 161
Contribution rates (% of pensionable salaries)	**18.64%**	**9.00%**	17.25%	9.00%

iv) Calgary Police Supplementary Pension Plan

The PSPP commenced on January 1, 1975 and provides supplemental pension benefits to those police officers who retired prior to September 1, 1979. The PSPP is deemed a closed plan as police officers who have retired after September 1, 1979 are covered under the SFPP Plan (Note 13 e) ii)).

The PSPP is not subject to provincial minimum funding legislation. Pursuant to the agreement made in 1985, The City will continue to pay benefits out of its investments. In 2007, the fund was exhausted and benefits to pensioners for the year and future years are now being paid from The City's investments. Since 2003, the liabilities associated with these continued benefits have been accounted for in accordance with PSAS Handbook Section 3250 ("PS 3250") *Retirement Benefits*.

Sufficient funds are held with The City's investments to cover the liabilities as determined by the actuarial accounting valuation as at December 31, 2016.

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
Overcap Pension Plan ("OCPP") for management employees	December 31, 2016	December 31, 2017
OCPP for the Police Chief and Deputies	December 31, 2016	December 31, 2017
OCPP for the Fire Chief and Deputies	December 31, 2016	December 31, 2017
Supplementary Pension Plan for Elected Officials ("EOSP")	December 31, 2016	December 31, 2017
Executive Pension Plan ("EPP")	December 31, 2016	December 31, 2017
Contractual obligations	December 31, 2016	December 31, 2017

The results of, and significant assumptions utilized, in the December 31, 2016 actuarial accounting valuations for the non-registered pension plans are as follows:

		2016		2015
Accrued benefit obligation – beginning of year	**$**	**54,192**	$	49,751
Current period benefit cost		**1,698**		1,321
Interest on accrued benefit obligation		**1,756**		1,736
Less benefits paid		**(3,717)**		(2,940)
Actuarial (gain) loss		**(1,762)**		4,324
Accrued benefit obligation – end of year	**$**	**52,167**	$	54,192
Funded status – plan deficit	**$**	**52,167**	$	54,192
Unamortized net actuarial (loss)		**(17,143)**		(22,074)
Accrued benefit liability [1]	**$**	**35,024**	$	32,118
Current period benefit cost	**$**	**1,698**	$	1,321
Amortization of actuarial losses		**3,169**		3,214
Interest on accrued benefit obligation		**1,756**		1,736
Total expense	**$**	**6,623**	$	6,271

(1) To satisfy the obligations under these plans, assets in the amount of $35,024 (2015 – $32,118) are held within The City's investments.

Unamortized net actuarial gains and losses of the OCPP and EOSP are amortized over the EARSL of the active employee groups and commence in the period following the determination of the gain or loss. The EARSL for each plan is:

	2016	2015
OCPP for management employees	**10.5**	10.1
OCPP Police Chief & Deputies	**6.4**	4.2
OCPP Fire Chief & Deputies	**nil**	nil
EOSP	**16.8**	17.8
EPP	**nil**	nil
Contractual Obligations	**nil**	nil

The following information details the structure and benefits of each of The City's non-registered defined-benefit pension plans:

i) City of Calgary Overcap Pension Plan

The OCPP commenced on February 1, 2000. The plan is sponsored and administered by The City and provides supplementary pension benefits for management employees, the Police Chief and deputies, and the Fire Chief and deputies.

The OCPP for management employees provides a coordinated benefit with the LAPP (Note 13 e) i)), and the SPP (Note 13 a) ii)), to provide an annual retirement benefit of 2% of all pensionable earnings for the years of service since the later of January 1, 1992 and the date of hire with The City.

The OCPP for the Police Chief and Deputies and the OCPP for the Fire Chief and Deputies provide supplementary pension benefits in excess of the maximum pension benefits provided under the SFPP (Note 13 e) ii)) and the FSPP (Note 13 a) i)) respectively. The OCPP for the Fire Chief and Deputies is deemed a closed plan as new entrants are not eligible to participate. The Plan will continue to provide benefits to existing retirees and to grandfathered members.

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

The EOSP commenced on October 1, 1999. This plan is sponsored and administered by The City and provides a coordinated benefit with the EOPP to provide an annual retirement benefit of 2% of all pensionable earnings for the years of service recognized under the EOPP (Note 13 a) iii)).

iii) Executive Pension Plan

The EPP was designed to provide pension arrangements for key members of senior management pursuant to individual employment contracts with The City prior to the inception of the OCPP and SPP. The EPP is deemed a closed plan as it provides no benefits to active employees; however, benefits will continue to existing retirees.

iv) Contractual Obligations

The City has entered into individual compensation arrangements with key members of management that provide defined benefits upon retirement. These contractual obligations were grandfathered to members and have been deemed as closed as no benefits are provided to new employees; however, benefits will continue to retirees. These arrangements are sponsored and administered by The City.

c) Post-retirement benefits

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

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.

ii) Retirement Allowance

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.

iii) Supplemental Compensation

The City also sponsors a supplementary compensation plan for employees who were disabled or survivors of employees who were killed, in the line of duty. The supplementary compensation plan is deemed a closed plan where employees are not actively accruing benefits.

Full actuarial valuations for post-retirement benefits were (and will be) performed as follows:

	Latest Full Actuarial Valuation Date	Next Full Actuarial Valuation Date
Post-Retirement Benefits	December 31, 2016	December 31, 2017
Retiring Allowance	December 31, 2016	December 31, 2017
Supplementary Compensation	December 31, 2016	December 31, 2017

The results of, and significant assumptions utilized, in the December 31, 2016 actuarial accounting valuations for post-retirement benefits include:

		2016		2015
Accrued benefit obligation – beginning of year	**$**	**153,021**	$	149,885
Current period benefit cost		**9,832**		9,601
Interest on accrued benefit obligation		**5,181**		5,441
Less benefits paid		**(6,864)**		(8,062)
Actuarial gain		**(6,421)**		(3,844)
Accrued benefit obligation – end of year	**$**	**154,749**	$	153,021
Funded status – plan deficit	**$**	**154,749**	$	153,021
Plan assets (1)		**(1,939)**		(1,802)
Unamortized net actuarial gain		**23,531**		16,660
Accrued benefit liability (2)	**$**	**176,341**	$	167,879
Current period benefit cost	**$**	**9,832**	$	9,601
Amortization of actuarial loss		**313**		862
Interest on accrued benefit obligation		**5,181**		5,441
Total expense	**$**	**15,326**	$	15,904
Rate of compensation average increase, excluding merit and promotion		**2.00%**		3.25%
Annual increase in extended health costs		**7.80%**		8.03%
Annual increase in dental costs		**4.00%**		4.00%
EARSL (3)		**12.2 yr**		12.2 yr

(1) Plan assets in the amount of $1,939 (2015 – $1,802) to satisfy future life claims are equal to fair market value.

(2) Assets in the amount of $176,341 (2015 – $167,879) to satisfy the obligations under these plans are held within The City's investment portfolio.

(3) 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 $217,074 (2015 – $208,480) are held within The City's investments portfolio to satisfy the obligations under these programs.

e) Multi-employer pension plans

Civic employees, with the exception of police officers, are members of the LAPP. Police officers are members of the SFPP. Both plans are multi-employer, defined-benefit pension plans sponsored by the Alberta Minister of Finance and administered by Alberta Pension Services ("APS"). Due to the multi-employer nature of these plans, information is not available to determine the portion of the plans' obligations and assets attributable to each employer. Therefore, The City appropriately accounts for both plans using the method for defined contribution plans. The amount of expense recorded in the consolidated financial statements is equal to The City's current service contributions to the plan as determined by APS for the year and no obligation is recorded in The City's financial statements. However, given that these multi-employer plans are in deficit positions, an inherent unrecorded liability amount is attributable indirectly to plan participants. Plan deficiencies will need to be resolved by increased future employee and employer contributions, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements.

i) Local Authorities Pension Plan

The LAPP plan provides an annual retirement benefit of 1.4% of earnings up to the YMPE and 2% of earnings over YMPE. Under the Alberta *Public Sector Pension Plans Act*, The City and members of the LAPP plan made the following contributions:

	2016 Employer	**2016 Members**	2015 Employer	2015 Members
Current service contributions	**$ 152,011**	**$ 139,933**	$ 143,110	$ 132,149
Contribution Rates (% of pensionable salaries)	**11.39% up to YMPE and 15.84% over YMPE**	**10.39% up to YMPE and 14.84% over YMPE**	11.39% up to YMPE and 15.84% over YMPE	10.39% up to YMPE and 14.84% over YMPE

The LAPP reported a deficiency (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2015 of $923,416 (2014 – $2,454,636). More recent information was not available at the time of preparing these financial statements. LAPP consists of 156,141 active members. The City's active plan membership represents approximately 8.5% of the total LAPP active membership as at December 31, 2015. The City's 2016 contribution rates did not change as a result of this deficit.

ii) Special Forces Pension Plan

The SFPP provides an annual retirement benefit of 1.4% of pensionable earnings up to YMPE, 2% of pensionable earnings over YMPE, a bridge benefit of 0.6% of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the *Income Tax Act* (Canada). Under the Alberta *Public Sector Pension Plans Act*, The City and members of the SFPP plan made the following contributions:

	2016 Employer	**2016 Members**	2015 Employer	2015 Members
Current service contributions	**$ 33,063**	**$ 30,601**	$ 32,213	$ 29,655
Contribution Rates (% of pensionable salaries)	**14.55%**	**13.45%**	14.55%	13.45%

The SFPP reported a deficiency (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2015 of $161,642 (2014 – $190,999). More recent information was not available at the time of preparing these financial statements. SFPP consists of 4,334 active members. The City active plan membership represents approximately 50% of the total SFPP active membership as at December 31, 2015. The City's 2016 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:

	2016 Tax Supported	**2016 Self Sufficient Tax Supported**	**2016 Self Supported**	**2016 Total**	2015 Tax Supported	2015 Self Sufficient Tax Supported	2015 Self Supported	2015 Total
i) Debentures	**$ 450,543**	**$ 553,943**	**$ 3,304,677**	**$ 4,309,163**	$ 490,380	$ 756,457	$ 3,290,389	$ 4,537,226
ii) Mortgages and other debt	**–**	**–**	**52,693**	**52,693**	–	–	32,893	32,893
iii) Capital leases	**–**	**–**	**–**	**–**	–	–	1,538	1,538
	450,543	**553,943**	**3,357,370**	**4,361,856**	490,380	756,457	3,324,820	4,571,657
Less								
iv) Debt attributable to ENMAX	**–**	**–**	**1,145,184**	**1,145,184**	–	–	1,211,055	1,211,055
	$ 450,543	**$ 553,943**	**$ 2,212,186**	**$ 3,216,672**	$ 490,380	$ 756,457	$ 2,113,765	$ 3,360,602

i) Debentures, which are predominantly held by the Alberta Capital Finance Authority, mature in annual amounts to the year 2041.

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 and Resources, includes debentures in the amount of $70,278 (2015 – $72,018) which has been issued to fund local improvements and are collectable from property owners for work authorized by them and performed by The City. Principal and interest on local improvement debentures are recovered from property owners through annual local improvement levies over the term of the debenture to a maximum of 25 years.

Included in the self-supported debt is the debenture issued in 2010 by The City on behalf of the Repsol Sport Centre ("RSP"), formerly the Lindsay Park Sports Society, pursuant to City Bylaw authorization in the amount of $1,171 (2015 – $1,480), as well as the debenture issued in 2014 by The City on behalf of the St. Mary's University College ("SMUC") in the amount of $4,496 (2015 – $4,683). In accordance with Credit Agreements between RSP, SMUC, and The City, The City shall service the debenture through the disbursement of principal and interest payments. The City is liable for the outstanding debenture debt to the debenture debt holder. The RSP and SMUC are required to reimburse The City for all principal and interest payments with respect to the debenture on the same day as The City disburses the payments to the debt holder. As at December 31, 2016, RSP and SMUC are in compliance.

ii) Mortgages and other debt, which are predominantly held by Canada Mortgage and Housing Corporation, mature in annual amounts to the year 2030. Capital assets with a cost of $93,187 (2015 – $96,631) are pledged as collateral against the mortgages.

iii) Capital leases are comprised of vehicle leases. In 2011, Fleet Services entered into a lease for 15 vehicles for $5,475 at an interest rate of 1.52%. On September 1, 2014, Fleet Services renewed the lease term for another 2 years at an interest rate of 1.43%. In May 2016, Fleet Services terminated the lease agreement and returned the vehicles to the vendor. The 2016 principal payments totalled $364 (2015 – $865) with interest of $8 (2015 – $28), and the remaining loan balance was written down from $1,174 to $nil.

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 $nil in 2016 (2015 – $189,180), 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.

v) More detail on the self-supported and tax-supported debt payable can be found in the continuity of long-term debt within the unaudited Financial and Statistical Schedules in the annual report.

b) Long-term debt is repayable as follows:

	Tax Supported	Self Sufficient Tax Supported	Self Supported	Less: Debt attributable to ENMAX	Total
2017	$ 44,694	$ 231,243	$ 226,873	$ 66,662	$ 436,148
2018	41,345	81,858	232,684	67,016	288,871
2019	38,130	88,370	213,525	63,680	276,345
2020	35,181	19,835	200,453	58,283	197,186
2021	32,827	20,538	187,157	51,411	189,111
Thereafter	258,366	112,099	2,296,678	838,132	1,829,011
	$ 450,543	$ 553,943	$ 3,357,370	$ 1,145,184	$ 3,216,672

c) Debenture interest is payable, before provincial subsidy, at rates ranging from 1.09% to 10.13% (2015 – 1.09% to 10.13%) per annum. Debenture debt held at year end has an average rate of interest of 3.69% (2015 – 3.70%) before provincial subsidy and 3.68% (2015 – 3.69%) after provincial subsidy.

The mortgages of Calgary Housing Company in the amount of $16,476 (2015 – $15,206) are payable with interest ranging from 0.94% to 6.45% (2015 – 1.04% to 6.45%) before interest rate subsidy. The effective interest rates after the subsidy for the fixed-subsidy projects is 2% (2015 – 2%).

d) Interest charges are as follows:

	2016 Tax Supported	**2016 Self Sufficient Tax Supported**	**2016 Self Supported**	**2016 Total**	2015 Tax Supported	2015 Self Sufficient Tax Supported	2015 Self Supported (Restated Note 30)	2015 Total (Restated Note 30)
Debenture interest	**$ 18,241**	**$ 16,150**	**$ 82,720**	**$ 117,111**	$ 20,072	$ 23,984	$ 83,432	$ 127,488
Other interest and charges	**2,241**	**–**	**4,731**	**6,972**	2,312	–	1,218	3,530
	$ 20,482	**$ 16,150**	**$ 87,451**	**$ 124,083**	$ 22,384	$ 23,984	$ 84,650	$ 131,018

e) The estimated fair value of The City's long-term debt is $3,320,533 (2015 – $3,548,706). Calculation of the estimated fair value of the debt is based on lending rates obtainable at December 31, 2016 for debentures with comparable maturities from The City's primary lender, the Alberta Capital Finance Authority.

f) Section 271 of the *Municipal Government Act* ("MGA") requires disclosure of debt, debt limits and the debt service limits, which include both interest and principal payments. The debt limit is calculated at 2 times revenue (as defined in the Debt Limit Regulation 255/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are conservative guidelines used by Municipal Affairs to identify municipalities which could be at financial risk if further debt is incurred. The calculation, taken alone, does not represent the financial stability of the municipality as the financial statements must be interpreted as a whole.

Note: Ministerial Order No L:124/11 set out an exception to the calculation of the debt service limit as originally disclosed in section 271 of the MGA, stating the calculation shall not take into account borrowing that is related to Municipal Affairs Grants Regulation (Municipal Sustainability Initiative Debt) that does not require the repayment of any principal before December 31, 2016. At December 31, 2016, debt principal of $220,000 (2015 – $360,500) and debt interest of $4,946 (2015 – $14,421) was excluded from the pro-rata calculation of the debt service limit.

	2016	2015 (Restated Note 30)
Total debt limit (2 times revenue)	**$ 7,616,112**	$ 7,606,852
Total debt (short- and long-term)	**3,303,092**	3,447,143
Percentage of debt to debt limit	**43.37%**	45.32%
Total debt service limit (35% of revenue)	**$ 1,332,820**	$ 1,331,199
Total debt service	**348,569**	554,584
Percentage of debt service to service limit	**26.15%**	41.66%

The City's subsidiaries are subject to certain financial and non-financial covenants over their long-term debt. As at December 31, 2016, one subsidiary was not in compliance with one of the borrower covenants and conditions relating to the debt service coverage ratio. It is management's expectation that the subsidiary will rectify this breach and be in compliance with all financial and non-financial covenants in 2017.

15. TANGIBLE CAPITAL ASSETS

Cost	January 1, 2016 Opening Balance	Additions	Disposals	December 31, 2016 Closing Balance
	(Restated Note 30)			
Land	$ 2,064,384	$ 145,971	$ (25,047)	$ 2,185,308
Land improvements	1,278,087	96,380	(7,716)	1,366,751
Engineered structures	13,120,903	749,205	(10,248)	13,859,860
Buildings	2,168,277	257,203	(7,156)	2,418,324
Machinery and equipment	926,527	14,759	(66,863)	874,423
Vehicles	1,270,414	155,896	(68,023)	1,358,287
	$ 20,828,592	$ 1,419,414	$ (185,053)	$ 22,062,953
Work in progress				
Land	11,246	5,150	–	16,396
Construction	1,046,138	272,795	–	1,318,933
	$ 21,885,976	$ 1,697,359	$ (185,053)	$ 23,398,282

Accumulated Amortization	January 1, 2016 Opening Balance	Additions	Disposals	December 31, 2016 Closing Balance
	(Restated Note 30)			
Land improvements	$ 617,523	$ 45,660	$ (3,743)	$ 659,440
Engineered structures	4,353,086	313,272	(8,073)	4,658,285
Buildings	777,315	80,082	(5,209)	852,188
Machinery and equipment	584,861	62,173	(65,903)	581,131
Vehicles	591,322	94,888	(53,248)	632,962
	$ 6,924,107	$ 596,075	$ (136,176)	$ 7,384,006
Net book value	$ 14,961,869	$ 1,101,284	$ (48,877)	$ 16,014,276

In 2016, $299,826 (2015 – $197,021) in engineered structures, land improvements and land were contributed to The City. These contributions were represented at their fair value at the time received. Assets recognized at nominal value by The City in 2016 and 2015 consist of certain machinery and equipment, land and land improvements. There was a permanent writedown of $nil (2015 – $nil) relating to impairment.

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

In accordance with policy, no interest was capitalized by The City in 2016 (2015 – $nil).

16. 2016 BUDGET

Budget data presented in these consolidated financial statements are based upon the 2016 operating and capital budgets as approved by Council. Council approved budgets are prepared on a modified cash basis which differs from budget amounts reported on the consolidated statement of operations and changes in net financial assets which are prepared in accordance with PSAS. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Actual amounts have been used to approximate budget amounts for certain reconciling items that were not included in the Council budget.

	Revenues	Expenses	Other
Budget as approved by Council			
Operating	$ 3,559,005	$ 3,667,457	$ 108,452
Capital	–	2,332,177	2,332,177
Add			
Related authorities	252,167	294,995	114,228
Equity in earnings of ENMAX	96,000	–	–
2016 Property Tax Bylaw adjustment	8,993	8,993	–
Capital budget carry forward from 2015 to 2016	6,115	860,062	853,947
Transfers between capital and operating	–	–	126,791
Miscellaneous adjustments	117,421	117,421	–
	$ 4,039,701	**$ 7,281,105**	**$ 3,535,595**
Less			
Intercompany eliminations	83,021	107,761	24,741
Contributions from Utilities	60,678	42,716	–
Contributions from reserves and operations	114,705	621,647	–
Business unit requested adjustments	–	10,205	10,205
Debt principal repayments	–	68,694	–
Mid and end of year capital adjustments	–	1,535,985	1,535,985
Tangible capital asset adjustments	–	1,348,757	–
Debt issued	–	–	459,777
Transfers from reserves	–	–	591,699
Amortization	–	110,999	–
Miscellaneous adjustments	–	–	301
BUDGET FOR FINANCIAL STATEMENT PURPOSES	**$ 3,781,297**	**$ 3,434,341**	**$ 912,887**

17. ACCUMULATED SURPLUS

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

	2016	2015 (Restated Note 30)
Operating fund	**$ 37,731**	$ 59,026
Capital fund	**204,860**	303,958
Local improvements to be funded in future years	**67,329**	70,583
Obligation to be funded in future years[1]	**(6,755)**	(10,211)
Reserves (Note 19)	**1,975,809**	1,915,176
Equity in ENMAX (Note 7a))	**2,291,308**	2,260,205
Equity in non-financial assets (Note 18)	**12,897,888**	11,698,207
	$ 17,468,170	$ 16,296,944

(1) Obligation to be funded in future years consists of unfunded liabilities of $6,755 (2015 – $8,178) and $nil (2015 – $2,033) for the landfill rehabilitation provision (Note 12) and liability for contaminated sites (Note 25 (l)), respectively.

18. EQUITY IN NON FINANCIAL ASSETS

	2016	2015 (Restated Note 30)
Tangible capital assets (Note 15)	**$23,398,282**	$ 21,885,976
Accumulated amortization (Note 15)	**(7,384,006)**	(6,924,107)
Long-term debt (Note 14)	**(3,216,672)**	(3,360,602)
Long-term debt – non capital	**5,667**	6,163
Inventory	**57,821**	60,375
Prepaid expenses	**36,796**	30,402
	$ 12,897,888	$ 11,698,207

19. RESERVES

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

	2016	2015 (Restated Note 30)
Fiscal stability	**$ 518,830**	$ 488,785
Reserve for future capital	**327,014**	354,190
Budget savings account	**130,103**	60,905
Debt servicing	**52,570**	52,570
Legacy parks	**10,558**	18,450
Corporate housing reserve	**29,559**	38,205
Real estate services	**59,005**	63,432
Community investment	**102,204**	152,379
Development and building approvals sustainment	**99,114**	93,707
Reserve for tax loss provision	**37,398**	37,398
Lifecycle maintenance and upgrade	**115,694**	149,391
Calgary Housing Company	**27,448**	27,426
Subtotal	**$ 1,509,497**	$ 1,536,838

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

	2016	2015
Utilities sustainment	**$ 135,131**	$ 83,257
Social programs	**10,197**	10,310
Police services (capital)	**40,254**	34,349
Police services (operating)	**4,000**	4,000
Waste and recycling sustainment	**48,019**	48,809
ENMAX dividend stabilization	**20,000**	20,000
Other operating	**99,949**	81,841
Other capital expenditures	**108,762**	95,772
Subtotal	**$ 466,312**	$ 378,338
Total	**$ 1,975,809**	$ 1,915,176

20. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	2016	2015 (Restated Note 30)
Property taxes	$ 2,393,642	$ 2,219,421
Community Revitalization Levy	41,031	38,785
Business taxes	134,601	196,184
Revenue in lieu of taxes	154,293	184,722
Local improvement levies and special taxes	6,294	6,926
	$ 2,729,861	$ 2,646,038
Less: Provincial property taxes (see below)		
Current year levy	(784,791)	(715,164)
Prior year levy	(6,871)	(4,656)
Net taxes available for municipal use	$ 1,938,199	$ 1,926,218

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 $5,140 (2015 – $6,870) has been recorded at December 31, 2016 within accounts receivable that will be funded through an increase in the subsequent year's provincial property tax rate.

21. RELATED AUTHORITIES

The assets and liabilities and the operations of the following related authorities are included in The City's consolidated financial statements.

The Calgary Convention Centre Authority (the "Authority") is incorporated under the laws of the Province of Alberta and operates the Calgary TELUS Convention Centre ("CTCC") pursuant to an operating agreement between the Authority and The City. The land, building, furniture and equipment are owned by The City, which also contributes a grant towards the operating costs of CTCC. In accordance with an amendment to the operating agreement, the Authority retains operating surpluses and is responsible to fund net operating deficits.

Attainable Homes Calgary Corporation is a controlled corporation of The City and was incorporated on November 27, 2009 under the *Alberta Business Corporations Act*. The purpose of AHCC is the implementation and administration of attainable housing in The City.

The Calgary Parking Authority operates and manages parking facilities owned by The City and is also responsible for parking enforcement and the management of the Municipal Vehicle Impound Lot.

The Calgary Public Library Board is constituted under the *Libraries Act* of the Province of Alberta. It operates a system of 17 branches and the central library in Calgary.

Calhome Properties Ltd. (operating as Calgary Housing Company) owns, develops and operates low and moderate-rent housing projects on a not-for-profit basis under agreements with the Province of Alberta and Canada Mortgage and Housing Corporation, which provide subsidies for certain projects.

Calgary Municipal Land Corporation ("CMLC") is a controlled corporation of The City pursuant to Section 73 of the *Municipal Government Act*, and the Control of Corporations Regulation. CMLC began operations in 2007, with The City as the sole shareholder of CMLC. CMLC is accountable for the development and sale of land transferred from The City and the implementation of public infrastructure improvements in The Rivers, a former industrial and residential area located in downtown Calgary.

Calgary Economic Development Ltd. ("CED") is a controlled corporation of The City and was incorporated in July 1999 under the *Alberta Business Corporations Act*. The mandate of CED is to lead The City's economic development efforts in promoting The City's competitive advantages and pro-business climate. Successful economic development results in business growth and industry development, increased investment and trade activities.

Calgary Arts Development Authority Ltd. ("CADA") is a controlled corporation of The City and was incorporated under the *Alberta Business Corporations Act* on March 18, 2005. The mandate of CADA is to promote and direct investment in the arts to increase the sector's public and artistic impact on behalf of the citizens of The City.

		2016 Calgary TELUS Convention Centre		2016 Attainable Homes Calgary Corporation		2016 Calgary Parking Authority		2016 Calgary Public Library Board		2016 Calgary Housing Company
Financial Position										
Physical assets	$	1,707	$	9	$	125,541	$	53,416	$	101,521
Financial assets		9,298		27,874		6,637		5,949		32,004
		11,005		27,883		132,178		59,365		133,525
Long-term debt		–		–		2,273		–		16,476
Financial liabilities		7,962		9,951		24,538		4,068		36,845
		7,962		9,951		26,811		4,068		53,321
Net assets	$	3,043	$	17,932	$	105,367	$	55,297	$	80,204
Results of Operations										
Revenue										
Community Revitalization Levy	$	–	$	–	$	–	$	–	$	–
Sales of goods & services		18,291		29,561		63,342		–		48,039
Government transfers, agreements & subsidies		–		–		–		7,137		38,582
Equity in earnings from Co-Ownership		–		–		–		–		–
Developer contributions		–		–		–		–		–
Donated assets		–		–		226		–		–
Investment income		–		31		3,057		81		317
Fines & penalties		–		–		16,180		1,162		–
Licenses, permits and fees		–		–		1,222		–		–
Miscellaneous revenue		–		12		2,493		2,421		2,070
Gain (loss) on sale of tangible capital assets		–		–		(425)		(17)		(40)
Internal transfers & contributions		1,817		–		115		44,461		(2,053)
Total revenue		20,108		29,604		86,210		55,245		86,915
Expenses										
Salaries, wages, and benefits	$	7,178	$	846	$	19,511	$	36,742	$	17,108
Contracted and general services		2,092		1,818		18,246		14,626		28,894
Materials, equipment and supplies		9,909		25,242		7,827		4,148		1,432
Interest charges		–		79		1,363		–		520
Transfers		–		–		–		–		18,513
Utilities		750		19		1,536		725		10,859
Amortization		235		10		7,417		6,923		3,095
Debt principal repayments		–		–		850		–		4,514
Total expenses		20,164		28,014		56,750		63,164		84,935
Income (loss) before appropriations		(56)		1,590		29,460		(7,919)		1,980
Internal transfers		56		(1,590)		(10,336)		7,919		(1,980)
To City operating fund (1)		–		–		(19,124)		–		–
Change in fund balance	$	–	$	–	$	–	$	–	$	–

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

2016 Calgary Municipal Land Corporation	2016 Calgary Economic Development Ltd.	2016 Calgary Arts Development Authority Ltd.	2016 Total
$ 324,188	$ 27,795	$ 22,258	$ 656,435
121,397	6,035	5,851	215,045
445,585	33,830	28,109	871,480
193,443	–	–	212,192
155,879	18,006	3,124	260,373
349,322	18,006	3,124	472,565
$ 96,263	$ 15,824	$ 24,985	$ 398,915
$ 38,423	$ –	$ –	$ 38,423
251	–	–	159,484
–	773	1,904	48,396
–	–	–	–
–	–	2,697	2,697
–	–	–	226
46	19	77	3,628
–	–	–	17,342
–	–	–	1,222
662	2,396	752	10,806
(54)	(9)	4,500	3,955
321	7,286	6,933	58,880
39,649	10,465	16,863	345,059
$ 2,680	$ 4,779	$ 929	$ 89,773
14,793	4,556	6,994	92,019
1,511	852	37	50,958
6,623	213	69	8,867
–	–	–	18,513
42	115	19	14,065
7,119	471	–	25,270
–	119	–	5,483
32,768	11,105	8,048	304,948
6,881	(640)	8,815	40,111
(6,881)	640	(8,815)	(20,987)
–	–	–	(19,124)
$ –	$ –	$ –	$ –

	2015 Calgary TELUS Convention Centre		2015 Attainable Homes Calgary Corporation (Restated Note 30)		2015 Calgary Parking Authority		2015 Calgary Public Library Board		2015 Calgary Housing Company (Restated Note 30)
Financial Position									
Physical assets	$	1,036	$	20	$	122,277	$	52,326	$	92,324
Financial assets		9,932		20,905		7,640		8,917		30,102
		10,968		20,925		129,917		61,243		122,426
Long-term debt		–		–		3,123		–		15,206
Financial liabilities		7,868		4,582		21,987		3,787		33,511
		7,868		4,582		25,110		3,787		48,717
Net assets	$	3,100	$	16,343	$	104,807	$	57,456	$	73,709
Results of Operations										
Revenue										
Community Revitalization Levy	$	–	$	–	$	–	$	–	$	–
Sales of goods & services		21,470		59,044		66,569		–		50,221
Government transfers, agreements & subsidies		–		–		–		6,973		35,383
Equity in earnings from Co-Ownership		–		618		–		–		–
Developer contributions		–		–		–		–		–
Investment income		–		7		2,865		132		337
Fines & penalties		–		–		14,163		1,269		–
Licenses, permits and fees		–		–		1,207		–		–
Miscellaneous revenue		–		107		878		2,274		1,846
Gain (loss) on sale of tangible capital assets		(29)		–		1,815		–		–
Internal transfers & contributions		1,758		–		224		43,285		(2,145)
Total revenue		23,199		59,776		87,721		53,933		85,642
Expenses										
Salaries, wages, and benefits	$	6,962	$	1,082	$	11,907	$	35,044	$	16,573
Contracted and general services		2,238		1,141		24,665		13,306		28,955
Materials, equipment and supplies		12,718		52,065		5,121		4,310		1,407
Interest charges		60		75		1,436		–		573
Transfers		–		–		–		–		19,765
Utilities		1,161		22		1,647		747		10,475
Amortization		329		32		7,753		6,938		2,862
Debt principal repayments		–		–		1,210		–		5,441
Total expenses		23,468		54,417		53,739		60,345		86,051
Income (loss) before appropriations		(269)		5,359		33,982		(6,412)		(409)
Internal transfers		269		(5,359)		(13,380)		6,412		409
To City operating fund (1)		–		–		(20,602)		–		–
Change in fund balance	$	–	$	–	$	–	$	–	$	–

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

	2015 Calgary Municipal Land Corporation		2015 Calgary Economic Development Ltd.		2015 Calgary Arts Development Authority Ltd.		2015 Total
	(Restated Note 30)		(Restated Note 30)		(Restated Note 30)		(Restated Note 30)
$	255,085	$	23,734	$	13,683	$	560,485
	97,449		3,954		4,433		183,332
	352,534		27,688		18,116		743,817
	175,957		–		–		194,286
	87,195		11,342		1,945		172,217
	263,152		11,342		1,945		366,503
$	89,382	$	16,346	$	16,171	$	377,314
$	37,391	$	–	$	–	$	37,391
	36,974		–		–		234,278
	–		5,270		1,006		48,632
	–		–		–		618
	–		1,000		1,457		2,457
	262		70		31		3,704
	–		–		–		15,432
	–		–		–		1,207
	–		1,795		6,217		13,117
	(14)		(1)		–		1,771
	267		8,523		5,650		57,562
	74,880		16,657		14,361		416,169
$	2,465	$	4,827	$	1,031	$	79,891
	30,404		2,365		7,783		110,857
	1,106		509		30		77,266
	6,713		10		15		8,882
	–		–		–		19,765
	17		–		26		14,095
	4,209		216		–		22,339
	-		–		–		6,651
	44,914		7,927		8,885		339,746
	29,966		8,730		5,476		76,423
	(29,966)		(8,730)		(5,476)		(55,821)
	–		–		–		(20,602)
$	–	$	–	$	–	$	–

22. EXPENSES BY OBJECT

	2016	2015 (Restated Note 30)
Salaries, wages and benefits	**$ 1,975,359**	$ 1,860,128
Contracted and general services	**491,047**	456,424
Materials, equipment and supplies	**293,730**	343,164
Interest charges	**124,083**	131,018
Transfer payments	**118,297**	114,834
Utilities	**81,352**	79,283
Amortization	**596,075**	580,110
Loss on disposal of tangible capital assets	**14,552**	25,830
	$ 3,694,495	$ 3,590,791

23. GOVERNMENT TRANSFERS

	2016	2015 (Restated Note 30)
Operating		
Province of Alberta	**$ 128,157**	$ 128,431
Government of Canada	**4,660**	3,812
	132,817	132,243
Capital		
Province of Alberta	**618,953**	635,257
Government of Canada	**60,783**	64,447
	679,736	699,704
	$ 812,553	$ 831,947

In accordance with PSAS, government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the eligibility criteria and stipulation requirements of the agreements are met.

24. SEGMENTED INFORMATION

The Consolidated Schedule of Financial Activities by Segment has been prepared in accordance with PSAS Handbook Section 2700 ("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, Calgary Municipal Land Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd. These related authorities are consolidated within these financial statements. For more information regarding these related authorities, refer to Note 21.

f) **ENMAX** is included as a government business enterprise and is accounted for on a modified equity basis. For more information regarding ENMAX, refer to Note 7.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the consolidated financial statements (Note 1).

Schedule of Financial Activities by Segment

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

	Tax Supported Operating	Self Supported Operating	Tax Supported Capital	Self Supported Capital	Total The City of Calgary
REVENUES					
Property tax	$ 1,871,453	$ –	$ –	$ –	$ 1,871,453
Business tax	134,601	–	–	–	134,601
Sales of goods & services	456,454	662,670	14	1,662	1,120,800
Government transfers, grants & subsidies					
Federal	3,044	12	58,978	–	62,034
Provincial	88,727	160	608,878	4,573	702,338
Developer contributions	457	79,902	114,409	545	195,313
Donated assets	–	–	–	–	–
Investment income	70,970	2,853	–	–	73,823
Fines & penalties	70,324	2,130	–	–	72,454
Licences, permits and fees	111,611	2,163	–	–	113,774
Miscellaneous revenue	46,704	990	–	–	47,694
Proceeds on sale of TCA (Misc revenue)	1,311	–	–	–	1,311
Gain/(loss) on sale of TCA (Misc revenue)	5,682	–	–	–	5,682
Dividends from ENMAX	47,000	–	–	–	47,000
Equity in earnings from ENMAX	–	–	–	–	–
Equity Earnings from Co-Ownership	–	–	–	–	–
Debt	–	–	83,203	178,182	261,385
Contribution from reserves	120,721	37,164	496,323	151,429	805,637
Internal transfers & contributions	18,654	–	–	–	18,654
Total Revenues	**3,047,713**	**788,044**	**1,361,805**	**336,391**	**5,533,953**
EXPENSES					
Salaries, wages and benefits	1,803,833	144,323	28,517	9,185	1,985,858
Contracted and general services	451,388	77,549	901,363	285,495	1,715,795
Materials, equipment and supplies	315,179	44,258	325,084	38,413	722,934
Utilities	63,016	24,415	503	165	88,099
Transfers	183,143	58,366	24,135	–	265,644
Internal recoveries	(488,157)	(25,718)	(98,257)	1,447	(610,685)
Interest charges	35,822	73,554	13,109	412	122,897
Amortization	31,559	74,736	–	–	106,295
Loss on Sale	–	–	–	–	–
Debt principal repayments	288,995	7,915	1,691	–	298,601
Contribution from operations to reserves	581,282	265,407	–	–	846,689
Contribution (to) from operations to (from) capital	(213,362)	523	233,954	19,272	40,387
Internal transfers & contributions	(42,716)	42,716	–	–	–
Total Expenses	**3,009,982**	**788,044**	**1,430,099**	**354,389**	**5,582,514**
Annual Surplus	**$ 37,731**	**$ –**	**$ (68,294)**	**$ (17,998)**	**$ (48,561)**

Related Authorities	ENMAX	Consolidation Adjustments	Total Consolidated 2016
$ 38,423	$ –	$ (106,278)	$ 1,803,598
–	–	–	134,601
159,484	–	(68,301)	1,211,983
3,487	–	(78)	65,443
44,909	–	(137)	747,110
2,697	–	384	198,394
226	–	299,600	299,826
3,628	–	–	77,451
17,342	–	–	89,796
1,222	–	(8)	114,988
10,806	–	(23,041)	35,459
6,501	–	24,792	32,604
(2,546)	–	(26,771)	(23,635)
–	–	–	47,000
–	31,103	–	31,103
–	–	–	–
–	–	(261,385)	–
–	–	(805,637)	–
58,880	–	(77,534)	–
345,059	**31,103**	**(1,044,394)**	**4,865,721**
89,773	–	(100,272)	1,975,359
92,019	–	(1,316,767)	491,047
50,958	–	(480,162)	293,730
14,065	–	(20,812)	81,352
18,513	–	(165,860)	118,297
–	–	610,685	–
8,867	–	(7,681)	124,083
25,270	–	464,510	596,075
–	–	14,552	14,552
5,483	–	(304,084)	–
–	–	(846,689)	–
–	–	(40,387)	–
–	–	–	–
304,948	**–**	**(2,192,967)**	**3,694,495**
$ 40,111	**$ 31,103**	**$ 1,148,573**	**$ 1,171,226**

Schedule of Financial Activities by Segment

For the Year Ended December 31, 2015 (in thousands of dollars) (Restated Note 30)

	Tax Supported Operating	Self Supported Operating	Tax Supported Capital	Self Supported Capital	Total The City of Calgary
REVENUES					
Property tax	$ 1,792,173	$ –	$ –	$ –	$ 1,792,173
Business tax	196,184	–	–	–	196,184
Sales of goods & services	483,264	613,060	(8)	10,400	1,106,716
Government transfers, grants & subsidies					
Federal	2,542	5	64,447	–	66,994
Provincial	87,607	696	626,491	1,602	716,396
Developer contributions	4,639	32,170	65,578	2,612	104,999
Donated assets	–	–	–	–	–
Investment income	73,674	1,838	–	–	75,512
Fines & penalties	63,041	1,978	–	–	65,019
Licences, permits and fees	121,391	1,763	–	–	123,154
Miscellaneous revenue	42,520	3,227	14,000	–	59,747
Proceeds on sale of TCA (Misc revenue)	706	–	–	–	706
Gain/(Loss) on sale of TCA (Misc revenue)	6,626	12	–	–	6,638
Dividends from ENMAX	56,000	–	–	–	56,000
Equity in earnings from ENMAX	–	–	–	–	–
Equity in earnings from Co-Ownership	–	–	–	–	–
Debt	–	–	62,686	154,756	217,442
Contribution from reserves	126,144	29,061	292,955	121,979	570,139
Internal transfers & contributions	20,193	–	–	–	20,193
Total Revenues	**3,076,704**	**683,810**	**1,126,149**	**291,349**	**5,178,012**
EXPENSES					
Salaries, wages and benefits	1,704,504	141,686	28,000	8,858	1,883,048
Contracted and general services	546,505	70,746	641,080	286,134	1,544,465
Materials, equipment and supplies	321,003	45,729	202,423	34,710	603,865
Utilities	64,085	23,539	498	65	88,187
Transfers	173,455	53,357	26,338	–	253,150
Internal recoveries	(544,991)	(27,648)	(58,807)	822	(630,624)
Interest charges	38,189	74,071	17,270	445	129,975
Amortization	32,869	71,421	–	–	104,290
Loss on sale	–	–	800	306	1,106
Debt principal repayments	356,515	7,371	1,835	–	365,721
Contribution from operations to reserves	633,104	161,221	–	–	794,325
Contribution (to) from operations to (from) capital	(264,901)	19,658	265,657	(5,462)	14,952
Internal transfers & contributions	(42,659)	42,659	–	–	–
Total Expenses	**3,017,678**	**683,810**	**1,125,094**	**325,878**	**5,152,460**
Annual Surplus	**$ 59,026**	**$ –**	**$ 1,055**	**$ (34,529)**	**$ 25,552**

	Related Authorities		ENMAX		Consolidation Adjustments		Total Consolidated 2015
$	37,391	$	–	$	(99,530)	$	1,730,034
	–		–		–		196,184
	234,278		–		(55,714)		1,285,280
	1,340		–		(75)		68,259
	47,292		–		–		763,688
	2,457		–		–		107,456
	–		–		197,021		197,021
	3,704		–		(31)		79,185
	15,432		–		–		80,451
	1,207		–		(3)		124,358
	13,117		–		(21,162)		51,702
	(1,887)		–		15,825		14,644
	3,658		–		(8,407)		1,889
	–		–		–		56,000
	–		(20,859)		–		(20,859)
	618		–		–		618
	–		–		(217,442)		–
	–		–		(570,139)		–
	57,562		–		(77,755)		–
	416,169		**(20,859)**		**(837,412)**		**4,735,910**
	79,891		–		(102,811)		1,860,128
	110,857		–		(1,198,898)		456,424
	77,266		–		(337,967)		343,164
	14,095		–		(22,999)		79,283
	19,765		–		(158,081)		114,834
	–		–		630,624		–
	8,882		–		(7,839)		131,018
	22,339		–		453,481		580,110
	–		–		24,724		25,830
	6,651		–		(372,372)		–
	–		–		(794,325)		–
	–		–		(14,952)		–
	–		–		–		–
	339,746		**–**		**(1,901,415)**		**3,590,791**
$	**76,423**	**$**	**(20,859)**	**$**	**1,064,003**	**$**	**1,145,119**

25. COMMITMENTS AND CONTINGENT LIABILITIES

a) Capital commitments of $1,111,103 (2015 – $1,168,982) are not reflected in the consolidated financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2016, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year's capital budget of $1,729,436 (2015 – $2,094,240) and will be funded from reserves and debt in future years.

b) Commitments related to operating leases of $34,010 (2015 – $27,596) 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:

2017	$ 6,457
2018	5,597
2019	5,030
2020	3,709
2021	2,381
Thereafter	10,836
	$ 34,010

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. Where the resulting loss of various claims and lawsuits brought against The City cannot be reasonably estimated, amounts have not been recorded, and the City's administration believes that there will be no material adverse effect on the financial position of the City. No provision has been made for pending expropriations of land beyond the payments already made to affected property owners. Any payment made by The City pursuant to expropriation settlement is charged to the year of settlement.

d) Where estimated reclamation and closure costs are reasonably determinable, The City has recorded a total provision in the amount of $3,090 (2015 – $3,106) 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, 2016, 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 regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and to make certain judgments.

g) The City has entered into a 20-year contract for power supply from ENMAX Energy from 2007 to 2026. Under the terms of the agreement, ENMAX Energy is to supply The City with 100% of the electricity from renewable sources. Annual electricity prices are based on a portfolio of energy sources developed for The City by ENMAX Energy.

h) The City has entered into a 20-year agreement with District Energy, a wholly owned subsidiary of ENMAX, for thermal energy supply commencing July 1, 2010. The annual price of the energy supplied will be a blended rate which includes a fixed charge component.

i) The City has entered into an agreement with CMLC for the New Central Library ("NCL"), The City has committed a total of $175,000 of which $93,741 (2015 – $79,547) is included in the total capital commitments. CMLC has committed an additional $70,000.

j) The City entered into a public-private partnership ("P3") agreement with Chinook Resources Management General Partnership ("CRMG") on June 25, 2015 to design, build, operate, and maintain The City's new organics composting facility. The new facility will be funded through capital debt and Federal Gas Tax Funding ("FGTF"). The new facility is expected to be substantially complete in June 2017. CRMG will also operate the new facility until June 2027. As at December 31, 2016, The City incurred $102,189 (2015 – $24,714) of costs, which were captured in the work-in-progress balance for tangible capital assets (Note 15). The expected commitment related to the new facility is $125,433 (2015 – $124,892).

k) The City entered into a P3 agreement with Plenary Infrastructure Calgary LP ("Plenary") on September 13, 2016 to design, build, finance, and maintain The City's Stoney compressed natural gas bus storage and transit facility. The new facility will be funded through capital debt, reserves, and P3 Canada Fund. The City anticipates to receive up to $46,900 from the P3 Canada Fund towards the cost of the project. The facility is expected to be substantially complete in January 2019 and will be maintained by Plenary until January 2049. As at December 31, 2016, The City incurred $11,172 (2015 – $nil) of costs, which were captured in the work-in-progress balance for tangible capital assets (Note 15). The expected commitment related to the new facility is $226,165 (2015 – $nil).

l) The City is responsible for the remediation of contaminated sites that are no longer in productive use where The City is directly responsible or has accepted responsibility for remediation. A provision for future clean-up costs and monitoring has been accrued based on environmental assessments. As at December 31, 2016, the provision was $734 (2015 – $2,683) and is classified in Trade Payables of which, all of the unfunded liability has been funded (2015 – $2,033 unfunded) (Note 17). This provision is based on $784 (2015 – $2,796) in expenditures expected to be incurred over the next 25 years discounted at 3.2% (2015 – 3.3%) based on The City's weighted average cost of capital.

The liability for contaminated sites includes sites associated with former industrial operations. The nature of contamination includes polycyclic aromatic hydrocarbons, heavy metals and road salts. The sources of the contamination include, but are not limited to, activities related to historical operations and non-sanctioned activities on City land. Sites often have multiple sources of contamination.

From time to time, there may be uncertainty as to whether The City has a legal responsibility or accepts responsibility for a contaminated site or whether economic benefits will be foregone for a contaminated site. It is not expected that the impact of any such sites would have a material impact on the financial statements. When The City is able to determine that all inclusion criteria have been met, The City will accrue a liability for these future remediation costs.

During 2015, The City utilized a risk based assessment screening approach for identifying sites with potential contamination. Through this process, 142 sites were identified as having potential contamination. As at December 31, 2016, all 142 (2015 – 6) desktop detailed environmental site reviews were completed and 9 (2015 – nil) sites were identified that required follow-up to determine if all inclusion criteria were met. Upon further analysis and assessment, it was determined that a provision was not required for 4 of the 9 identified sites. The City is currently in the process of completing the necessary follow-up for the remaining 5 sites. It cannot be confirmed that all inclusion criteria have been met, therefore, no provision has been made for these 5 sites at this time.

26. GUARANTEES

In the normal course of business, The City enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires The City to make payments to the guaranteed party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variables that are related to an asset, liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or, (c) failure of a third party to pay its indebtedness when due. Significant guarantees The City has provided to third parties include the following:

a) Third party debt agreements

No amounts have been accrued in the consolidated financial statements of The City with respect to the following agreements.

i) The City has guaranteed certain indebtedness of the Calgary Exhibition and Stampede Limited ("CES"). This third party debt agreement requires The City to make immediate payment of certain outstanding borrowings on behalf of CES in the event CES cannot fulfill its obligations to a Canadian chartered bank. The terms of these guarantees are equal to the amortization periods of the related credit facilities, which mature between 2024 and 2036. The interest rates on the credit facilities held by CES range from 1.21% to 6.23% (2015 – 1.34% to 6.23%). As at December 31, 2016, CES has drawn a total of $71,092 (2015 – $75,272) on the total maximum available facility of $89,492 (2015 – $93,672). The City, as an unconditional guarantor, holds as security a fixed debenture in the amount of $100,227 (2015 – $100,227) charging certain lands owned by the CES.

ii) The City has guaranteed certain indebtedness of The Calgary Zoological Society (the "Zoo"). This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of the Zoo in the event the Zoo cannot fulfill its obligations to a Canadian chartered bank. The term of the guarantee is valid until 2024, and the related debt will mature in 2019, subject to a renewal for a further five years at that time. In the event the Zoo does not extend the loan beyond 2019, the City's guarantee will automatically expire. The interest rate on the credit facility is 4.94% (2015 – 4.94%). As at December 31, 2016, the outstanding balance of the facility was $3,144 (2015 – $3,456) on the total maximum available facility of $3,144 (2015 – $3,456). 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 had 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 required 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. This credit facility was repaid in 2015 and The City was released and discharged from all liability in connection with the guarantee.

iv) The City has guaranteed certain indebtedness of AHCC. This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of AHCC in the event AHCC cannot fulfill its obligations on a revolving credit facility to a Canadian financial institution. The term of the guarantee is valid until 2021, and the related credit facility will mature in 2017, subject to a renewal for a further period of one year. In the event the credit facility is not extended beyond 2017, The City's guarantee will automatically expire. The interest on the credit facility is Prime minus 0.75% per annum (2015 – Prime minus 0.75%). As at December 31, 2016, the outstanding balance of the facility was $6,083 (2015 – $nil) on the total maximum available facility of $10,000 (2015 – $10,000). The City, as an unconditional guarantor, holds as security a fixed and floating debenture in the amount of $10,000 (2015 – $10,000).

b) Other indemnification agreements

In the normal course of business, The City may provide indemnification to counterparties that would require The City to compensate them for costs incurred as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a result of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents The City from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, The City has not made any payments under such indemnifications and any potential future claims would be claimed against the Civic Insurance Program, which comprises a combination of purchased insurance and a self-funded component.

27. EXECUTIVE SALARIES AND BENEFITS

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

	2016 Salaries	2016 Benefits	2016 Total	2015 Salaries	2015 Benefits	2015 Total
Mayor	$ 217	$ 41	$ 258	$ 215	$ 37	$ 252
Councillors (1) (2)	1,622	503	2,125	1,607	509	2,116
City Manager	340	52	392	348	48	396
Designated Officers (3)	1,258	204	1,462	1,198	216	1,414

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

Notes:

1. The Councillors who served throughout 2016 in Wards 1 through 14 each received a salary of $116 (2015 – $115) and benefits ranging between $16 and $38 (2015 – $35 and $36). Transitional allowances in 2016 were paid to Councillors who left office after the 2013 election as disclosed in Note 27 (2).
2. Elected officials receive a transition allowance of two weeks pay for each year in office, up to a maximum of twenty six years, when they leave office. These allowances may be taken over several years and are not included in the salary and benefits amounts reported above. Transitional allowances paid to the former Councillors who left office in 2013 are Ward 1 – $39 and Ward 2 – $17 (2015 – $39 and $17 respectively). Transitional allowances to be paid in 2017 and beyond are: Ward 1 – $nil and Ward 2 – $nil.
3. The City's five designated officers are the City Assessor, City Clerk, City Solicitor, City Treasurer and City Auditor. In 2016, there was $89 (2015 – $nil) holiday, vacation pay out of the ordinary course of business and severance payouts for one of these five designated officers.

28. FINANCIAL INSTRUMENTS

At December 31, 2016, The City had 25 (2015 – 14) U.S. foreign exchange fixed contracts in place. Maturity dates for these contracts range from January 2017 to December 2019. Total committed future foreign merchandise purchases are $105,750 USD (2015 – $67,792 USD).

The City also had 2 (2015 – nil) Swiss Franc foreign exchange fixed contracts in place as at December 31, 2016. Maturity dates for these contracts are July 2017 and July 2018. Total committed future foreign merchandise purchases are € 918 (2015 – € nil) and 160 CHF (2015 – nil CHF).

Under the terms of the contract arrangements, The City has fixed its exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with Canadian Schedule 1 banks at rates ranging from 1.22 to 1.35 Canadian dollars. A similar arrangement is in place for the Swiss Franc contracts with rates of 1.49 and 1.52 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2016 is $56,565 (2015 – $43,941) Canadian dollars. During the fiscal year ended December 31, 2016, the various arrangements for foreign merchandise cost The City $7,471 less (2015 – $5,042 less) than if the arrangements had not been entered into.

At December 31, 2015, The City held 12 forward foreign exchange contracts to hedge foreign currency exposure related to its global investment holdings. These contracts were obtained from Chartered Banks and were settled on January 13, 2016 for $13,805 Canadian dollars. As at December 31, 2015, these contracts had a market value of $14,448 Canadian dollars and an unrealized loss of $643. The City no longer holds any foreign exchange contracts to hedge foreign exposure related to its global investment holdings.

In addition to U.S. foreign exchange fixed contracts, The City has also purchased hedges for future purchases relating to the light rail transit system. At December 31, 2016, The City has invested $5,317 USD (2015 – $47,088 USD) of cash with a maturity date of January 2017. These invested funds will be used to settle committed future foreign merchandise purchases of $40,553 USD (2015 – $67,792 USD).

Under the terms of the purchase order agreement, The City has fixed exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with the supplier at rates ranging from 1.03 to 1.07. During the fiscal year ended December 31, 2016, the various arrangements for foreign merchandise cost The City $7,366 less (2015 – $2,680 less) than if the arrangements had not been entered into. The City continues to monitor economic conditions and impacts on The City's financial status and adjusts strategies accordingly.

29. FUNDS HELD IN TRUST

The City administers the following trusts on behalf of third parties. As related trust assets are not owned by The City, the trusts have been excluded from the consolidated financial statements. The following table provides a summary of the transactions within these trusts during the year:

	December 31, 2015	Receipts	Investment Income	Disbursements	December 31, 2016
Joint Use Reserve Fund	$ 83,691	$ 5,038	$ 1,177	$ (7,606)	$ 82,300
Oversize roads	11,267	5,407	63	(9,891)	6,846
Oversize parks	21,256	2,520	124	(817)	23,083
Oversize utilities	8,902	2,472	52	(1,952)	9,474
Developers' cash bonds	5,590	102	31	(773)	4,950
Southland natural park sport field	1,867	–	8	–	1,875
Offsite Levies	458	–	2	–	460
Other miscellaneous trusts	824	799	13	(770)	866
	$ 133,855	$ 16,338	$ 1,470	$ (21,809)	$ 129,854

30. PRIOR PERIOD ADJUSTMENTS

a) In 2009, the City adopted the provisions of Section 3150 *Tangible Capital Assets* of the PSAS Handbook and recorded the City's tangible capital assets, net of related amortization, as non-financial assets. In 2016, as a result of continued usage and refinement of capital asset accounting and management systems, certain asset balances were identified that required correction and the financial statements have been retroactively adjusted. The tangible capital assets previously reported in the 2015 financial statements as $14,909,836 has been restated to $14,961,869, resulting in an increase of $52,033. The change represents less than 0.5% of tangible capital assets.

b) In 2016, ENMAX identified an adjustment in their deferred income tax calculation that required correction. This correction has been reflected in these financial statements as a prior period adjustment to 2015 figures. The deferred income tax asset previously reported in the 2015 financial statements as $93,935 has been restated to $54,935, resulting in a decrease of $39,000 to the income tax recovery.

c) In 2016, the City identified adjustments to their capital deposits and reserves that required reclassification. This reclassification has been reflected in these financial statements in the 2015 figures. The capital deposits previously reported in the 2015 financial statements as $1,054,794 has been restated to $1,028,323, resulting in a decrease of $26,471.

d) In 2016, the Water Services and Resources business unit identified an adjustment in their accounts receivable that required correction. This correction has been reflected in these financial statements as a prior period adjustment to 2015 figures. The accounts receivable previously reported in the 2015 financial statements as $255,517 has been restated to $267,216, resulting in an increase of $11,699 to sale of goods and services revenue.

e) In 2016, the City identified other adjustments that required correction. These corrections have been reflected in these financial statements as prior period adjustments to 2015 figures. The impact of these changes was to increase net financial assets and accumulated surplus by $1,278.

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

The impact of these changes was to:
Increase opening accumulated surplus by $66,884
Increase closing accumulated surplus by $47,091 as follows:

	December 31, 2015 (previously reported)	Adjustments	December 31, 2015 (restated)
Net financial assets	$ 1,249,240	(4,942)	$ 1,244,298
Tangible capital assets	14,909,836	52,033	14,961,869
Other non-financial assets	90,777	–	90,777
Accumulated Surplus	$16,249,853	$ 47,091	$16,296,944

Decrease annual surplus by $19,793 as follows:

	December 31, 2015 (previously reported)	Adjustments	December 31, 2015 (restated)
Revenues	$ 3,735,260	$ (28,947)	$ 3,706,313
Expenses	3,586,124	4,667	3,590,791
Other	990,360	13,821	1,004,181
Other comprehensive gain – ENMAX Corporation	25,416	–	25,416
Accumulated Surplus	$ 1,164,912	$ (19,793)	$ 1,145,119

31. CHANGE IN ACCOUNTING POLICY

The City has changed its estimate on the useful life of machinery & equipment, buildings and engineered structures so that assets better reflect actual usage patterns. The change in estimate is being applied prospectively to the current and future periods.

32. 2013 FLOOD EVENT

Overview

On June 20, 2013, The City experienced a major flood event and a State of Local Emergency ("SOLE") was declared within The City. The flood caused significant damage to The City's TCA balances. While The City has completed a portion of the work to restore conditions to pre-flood state, it is expected that remediation and mitigation efforts will continue into 2017 and beyond.

The City holds various insurance policies with multiple insurance providers which have been used to fund a portion of the remediation and recovery efforts.

The City has applied to the Province of Alberta for flood relief and mitigation funding through the following programs:

- Disaster Recovery Program ("DRP") to provide financial assistance for uninsurable property damage, loss and other expenses incurred as the result of the flood;
- Flood Recovery Erosion Control ("FREC") program to deal with erosion damage from the flood and address immediate repairs and long–term community mitigation projects;
- Municipal Staffing Capacity Grant ("MSCG") program to fund consultants and newly hired staff to perform operating flood recovery work; and
- Flood Readiness Grant program to secure operating grants to enable communities impacted by the flood to increase community resiliency and enhance operational capability to mitigate and respond to future flood risks.

As at December 31, 2016, The City has successfully completed and settled the MSGC and Flood Readiness Grant programs.

Impact on Financial Results

Costs incurred as a result of remediation or mitigation efforts are capitalized or expensed in accordance with accounting policies in Note 1. Only costs that represent a betterment, enhancement or new asset are capitalized, with repairs and maintenance being expensed. All operating expenditures are recognized in the current year consolidated statement of operations and accumulated surplus in the various business units that incurred those costs.

The City has received the final payment of $14,000 in 2015 towards the global settlement from insurance providers relating to building and content losses which is reflected in Miscellaneous revenue on the consolidated statement of operations and accumulated surplus. The City has incurred $1,442 (2015 – $9,108) in insurance related capital expenditures. The remainder being funded internally until further DRP claims are processed and finalized.

With respect to the Provincial flood funding, the following grants were received and expenses were recognized in the consolidated statement of operations and accumulated surplus:

- The City received from the DRP $40,000 (2015 – $16,800) during 2016. The City has incurred $12,659 (2015 – $14,550) in DRP related capital expenditures, the total of which has been funded by the DRP advance and interest earned $617 (2015 – $103), with the remainder being funded internally until further DRP claims are processed and finalized.
- The City has also incurred $2,097 (2015 – $1,522) of emergency operating and recovery costs and recovered $5,604 (2015 – $1,295) from the DRP in 2016 with the remaining balance expected to be recovered in future years.
- FREC provided $nil (2015 – $ nil) and $8,913 (2015 – $11,607) was spent in 2016. Cash advances that are not spent at the end of the year including interest earned $490 (2015 – $725) in the amount of $15,365 (2015 – $23,787) are recorded as capital deposits.
- The City received $nil (2015 – $ nil) in MSCG revenue and has spent $259 (2015 – $1,026) and interest earned $2 (2015 – $8). All expenditures were fully funded.

The City is required to earn interest income, through its investment strategy, on the unspent balance of the Provincial grants received for FREC, MSCG and Flood Readiness. The unspent balance is required to be repaid by June 30, 2019.

Due to significant uncertainty in measurement, as well as significant uncertainty of collectability, The City has not recognized accounts receivable or revenue for Provincial proceeds that it expects to receive in the future related to remediation or mitigation costs. These amounts will be recorded as revenue in the fiscal year received.

TCAs that were significantly impacted by the flood include a variety of asset types through a variety of business units. The majority of asset classes affected include buildings, various engineered structures (e.g. roads, bridges, pathways, transit lines, etc.), machinery and equipment and vehicles. The majority of these assets have been replaced or repaired with the remainder of these costs to be incurred in 2017 and beyond. The City has completed review assessments of the conditions of assets affected by the flood and has determined that no permanent impairment is present as at December 31, 2016.

Measurement Uncertainty

The impact of the flood was subject to a high degree of estimation and judgement, particularly as it relates to the estimation of future expenditures and impairment of assets. The City has used the best information at the time in all measurements and estimations related to the flood and those estimates may not materialize and the final results and adjustments to these estimates will be reflected in future financial statements.

The City has estimated the total cost of capital expenditures related to the flood to be approximately $329,320 (excluding resiliency), which includes repairs, replacements and mitigation strategies, of which $24,544 (2015 – $35,264) has been incurred.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Reclassifications have been made in 2015 to reclassify certain expenses by function on the Consolidated Statement of Operations and Accumulated Surplus. The impact of these changes, excluding the impact of prior period adjustments (Note 30) was to decrease Community and Social Development by $4,654 and increase Societies and Related Authorities by $4,654, as well as increase Social Housing by $17,482, increase Public Works by $27,993 and decrease Real Estate Services by $45,475.

FINANCIAL AND STATISTICAL SCHEDULES

THE CITY OF CALGARY, ALBERTA

Revenue by Source Unaudited (see Notes) 2012 to 2016

(in thousands of dollars)

	2016 Operating	2016 Capital	Total	2015 Operating (Restated)[4]	2015 Capital (Restated)[4]	2015 Total (Restated)[4]
Property taxes	**$ 2,393,642**	**$ –**	**$ 2,393,642**	$ 2,219,421	$ –	$ 2,219,421
Community Revitalization Levy	**41,031**	**–**	**41,031**	38,785	–	38,785
Business taxes	**134,601**	**–**	**134,601**	196,184	–	196,184
Revenue in lieu of taxes	**154,293**	**–**	**154,293**	184,722	–	184,722
Local improvement levies and special taxes	**6,294**	**–**	**6,294**	6,926	–	6,926
	2,729,861	**–**	**2,729,861**	2,646,038	–	2,646,038
Less: Provincial property taxes	**(791,662)**	**–**	**(791,662)**	(719,820)	–	(719,820)
Net taxes available for municipal purposes	**1,938,199**	**–**	**1,938,199**	1,926,218	–	1,926,218
Sales of goods and services						
Water and sewer	**642,499**	**–**	**642,499**	607,673	–	607,673
Public transit	**176,170**	**–**	**176,170**	195,228	–	195,228
Real estate	**54,129**	**–**	**54,129**	95,489	–	95,489
Recreation and culture	**70,774**	**–**	**70,774**	73,503	–	73,503
Parking	**60,353**	**–**	**60,353**	63,596	–	63,596
Social housing	**50,482**	**–**	**50,482**	49,241	–	49,241
Protective services	**40,727**	**–**	**40,727**	40,906	–	40,906
Waste disposal	**86,113**	**–**	**86,113**	93,068	–	93,068
Other	**30,736**	**–**	**30,736**	66,576	–	66,576
	1,211,983	**–**	**1,211,983**	1,285,280	–	1,285,280
Government transfers and revenue sharing agreements						
Federal						
Debenture interest rebates	**199**	**–**	**199**	129	–	129
Revenue and cost sharing agreements and grants agreements	**4,461**	**60,783**	**65,244**	3,683	64,447	68,130
Provincial						
Debenture interest rebates	**40**	**–**	**40**	41	–	41
Grants, entitlements, revenue and cost sharing agreements	**128,117**	**618,953**	**747,070**	128,390	635,257	763,647
	132,817	**679,736**	**812,553**	132,243	699,704	831,947
Other revenue						
Dividends from ENMAX	**47,000**	**–**	**47,000**	56,000	–	56,000
Other equity earnings in ENMAX	**96,597**	**–**	**96,597**	(46,275)	–	(46,275)
Other equity earnings in Co-Ownership	**–**	**–**	**–**	618	–	618
Developer contributions	**–**	**198,394**	**198,394**	–	107,456	107,456
Donated assets	**–**	**299,826**	**299,826**	–	197,021	197,021
Investment income	**77,451**	**–**	**77,451**	79,185	–	79,185
Fines and penalties	**89,796**	**–**	**89,796**	80,451	–	80,451
Licences, permits and fees	**114,988**	**–**	**114,988**	124,358	–	124,358
Miscellaneous revenue	**44,428**	**–**	**44,428**	68,235	–	68,235
	470,260	**498,220**	**968,480**	362,572	304,477	667,049
Total revenue	**$ 3,753,259**	**$ 1,177,956**	**$ 4,931,215**	$ 3,706,313	$ 1,004,181	$ 4,710,494

2014 Operating (Restated)[3]	2014 Capital (Restated)[3]	2014 Total (Restated)[3]	2013 Operating (Restated)[2]	2013 Capital (Restated)[2]	2013 Total (Restated)[2]	2012 Operating (Restated)[1]	2012 Capital (Restated)[1]	2012 Total (Restated)[1]
$ 2,006,756	$ –	$ 2,006,756	$ 1,906,540	$ –	$ 1,906,540	$ 1,775,276	$ –	$ 1,775,276
32,745	–	32,745	27,336	–	27,336	22,396	–	22,396
201,114	–	201,114	225,390	–	225,390	214,174	–	214,174
224,186	–	224,186	202, 517	–	202, 517	209,778	–	209,778
5,624	–	5,624	80,021	–	80,021	13,308	–	13,308
2,470,425	–	2,470,425	2,441,804	–	2,441,804	2,234,932	–	2,234,932
(669,163)	–	(669,163)	(636,138)	–	(636,138)	(641,485)	–	(641,485)
1,801,262	–	1,801,262	1,805,666	–	1,805,666	1,593,447	–	1,593,447
528,913	–	528,913	481,613	–	481,613	435,386	–	435,386
191,171	–	191,171	186,493	–	186,493	169,914	–	169,914
122,826	–	122,826	88,417	–	88,417	80,994	–	80,994
72,280	–	72,280	67,745	–	67,745	65,247	–	65,247
62,677	–	62,677	59,941	–	59,941	58,435	–	58,435
49,978	–	49,978	47,469	–	47,469	45,586	–	45,586
43,752	–	43,752	45,790	–	45,790	42,529	–	42,529
99,535	–	99,535	91,525	–	91,525	85,019	–	85,019
43,274	–	43,274	47,305	–	47,305	45,429	–	45,429
1,214,406	–	1,214,406	1,116,298	–	1,116,298	1,028,539	–	1,028,539
147	–	147	151	–	151	400	–	400
4,360	48,919	53,279	4,311	88,971	93,282	5,717	112,135	117,852
33	–	33	48	–	48	135	–	135
150,551	553,301	703,852	108,858	294,007	402,865	117,839	378,608	496,447
155,091	602,220	757,311	113,368	382,978	496,346	124,091	490,743	614,834
60,000	–	60,000	67,500	–	67,500	56,000	–	56,000
124,069	–	124,069	284,983	–	284,983	169,038	–	169,038
1,992	–	1,992	–	–	–	–	–	–
–	89,637	89,637	–	95,783	95,783	–	96,396	96,396
–	229,982	229,982	–	249,829	249,829	–	257,122	257,122
61,794	–	61,794	47,357	–	47,357	41,753	–	41,753
72,121	–	72,121	69,503	–	69,503	75,477	–	75,477
116,331	–	116,331	103,645	–	103,645	90,938	–	90,938
44,082	–	44,082	95,292	–	95,292	44,339	–	44,339
480,389	319,619	800,008	668,280	345,612	1,013,892	477,545	353,518	831,063
$ 3,651,148	$ 921,839	$ 4,572,987	$ 3,703,612	$ 728,590	$ 4,432,202	$ 3,223,622	$ 844,261	$ 4,067,883

Expenses By Function unaudited (see Notes) 2012 to 2016

(In thousands of dollars)

	2016	2015[4]	2014[3]	2013[2]	2012[1]
Protective Services		(Restated)	(Restated)	(Restated)	(Restated)
Police	**$ 494,546**	$ 473,727	$ 451,128	$ 440,213	$ 410,897
Fire	**310,953**	289,593	279,986	263,501	246,737
	805,499	763,320	731,114	703,714	657,634
Transportation					
Public transit	**546,374**	542,416	513,595	494,625	438,856
Roads, traffic and parking	**409,195**	407,105	433,667	397,462	383,383
	955,569	949,521	947,262	892,087	822,239
Environmental protection					
Water services and resources	**523,354**	476,634	438,648	404,800	384,764
Waste and recycling	**132,014**	128,182	136,683	125,236	111,336
	655,368	604,816	575,331	530,036	496,100
Social development					
Community and social development	**76,180**	66,063	67,567	63,132	55,567
Social housing	**122,718**	159,323	127,250	129,001	113,430
	198,898	225,386	194,817	192,133	168,997
Recreation and culture					
Parks and recreation facilities	**297,209**	264,150	266,664	264,550	214,423
Societies and related authorities	**103,400**	81,239	86,290	108,453	68,593
Calgary Public Library Board	**57,400**	54,527	52,898	47,011	52,195
	458,009	399,916	405,852	420,014	335,211
Other expenditure					
General government	**261,688**	300,654	278,582	350,073	276,005
Public works	**316,422**	272,039	214,329	193,486	177,086
Real estate services	**43,042**	75,139	103,595	82,476	76,001
	621,152	647,832	596,506	626,035	529,092
Total expenses	**$ 3,694,495**	$ 3,590,791	$ 3,450,882	$ 3,364,019	$ 3,009,273

Notes:
(1) Figures for 2012 have been restated for the correction of certain tangible capital asset adjustments identified in 2013. Years prior to 2012 have not been restated for this adjustment.
(2) Figures for 2013 have been restated for the correction of certain tangible capital asset and tax revenue adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.
(3) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, as well as for the correction of certain tangible capital asset, miscellaneous revenue, transfer payment and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.
(4) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

Other Financial and Statistical Schedules

FINANCIAL POSITION AND NET REVENUES UNAUDITED

2012 to 2016 (in thousands of dollars)

	2016	2015[4] (Restated)	2014[3] (Restated)	2013[2] (Restated)	2012[1] (Restated)
Financial assets	**$ 7,289,185**	$ 7,054,676	$ 6,646,555	$ 6,475,739	$ 5,407,521
Financial liabilities	**5,929,908**	5,810,378	5,933,954	5,903,530	5,267,439
Net financial assets	**1,359,277**	1,244,298	712,601	572,209	140,082
Non-financial assets	**16,108,893**	15,052,646	14,372,340	13,432,385	13,043,074
Accumulated surplus	**17,468,170**	16,296,944	15,084,941	14,004,594	13,183,156
Annual surplus	**$ 1,171,226**	$ 1,145,119	$ 1,080,347	$ 821,438	$ 1,112,984

Notes: (1) Figures for 2012 have been restated for the correction of certain tangible capital asset adjustments identified in 2013. Years prior to 2012 have not been restated for this adjustment.

(2) Figures for 2013 have been restated for the correction of certain tangible capital asset, land inventory, and tax revenue accounting related adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.

(3) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, ENMAX's IFRS transition adjustments, as well as for the correction of certain tangible capital asset and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.

(4) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, and capital deposit adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

ACQUISITION OF TANGIBLE CAPITAL ASSETS

2012 to 2016 (in thousands of dollars)

	2016	2015[4] (Restated)	2014[3] (Restated)	2013[2] (Restated)	2012[1] (Restated)
Capital additions	**$ 1,392,526**	$ 1,051,262	$ 1,015,878	$ 860,344	$ 1,080,022

Notes: (1) Figures for 2012 have been restated for the correction of certain tangible capital asset adjustments identified in 2013. Years prior to 2012 have not been restated for this adjustment.

(2) Figures for 2013 have been restated for the correction of certain tangible capital asset adjustments identified in 2014. Years prior to 2013 have not been restated for these adjustments.

(3) Figures for 2014 have been restated for the correction of certain tangible capital asset adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.

(4) Figures for 2015 have been restated for the correction of certain tangible capital asset adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED ACCUMULATED SURPLUS UNAUDITED

2012 to 2016 (in thousands of dollars)

	2016	2015[6]	2014[4]	2013[2]	2012[1]
		(Restated)	(Restated)	(Restated)	(Restated)
Operating fund	**$ 37,731**	$ 59,026	$ 27,490	$ 8,159	$ 31,258
Capital fund	**204,860**	303,958	315,037	234,939	49,866
Reserves	**1,975,809**	1,915,176	1,626,276	1,437,065	1,297,791
Obligation to be funded in future years [5]	**(6,755)**	(10,211)	(9,190)	–	–
Equity in ENMAX	**2,291,308**	2,260,205	2,281,064	2,460,204	2,161,986
Equity in Co-Ownership	**–**	–	1,539	3,438	–
Local improvements to be funded in future years [3]	**67,329**	70,583	72,921	70,719	–
Equity in non-financial assets	**12,897,888**	11,698,207	10,769,804	9,790,070	9,642,255
	$ 17,468,170	$ 16,296,944	$ 15,084,941	$ 14,004,594	$ 13,183,156

Notes: (1) Figures for 2012 have been restated for the correction of certain tangible capital asset adjustments identified in 2013. Years prior to 2012 have not been restated for this adjustment.

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

(3) In 2013, The City adopted PS 3510 prospectively, which resulted in a change in the timing of revenue recognition of certain tax revenues. See Note 1 of the audited consolidated financial statements.

(4) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, ENMAX's IFRS transition adjustments, as well as for the correction of certain tangible capital asset and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.

(5) Obligation to be funded in future years consists of unfunded liabilities of $6,755 (2015 – $8,178) and $nil (2015 – $2,033) for the landfill rehabilitation provision and liability for contaminated sites, respectively.

(6) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

EXPENSES BY OBJECT UNAUDITED

2012 to 2016 (in thousands of dollars)

	2016	2015[4]	2014[3]	2013[2]	2012[1]
		(Restated)	(Restated)	(Restated)	(Restated)
Salaries, wages and benefits	**$ 1,975,359**	$ 1,860,128	$ 1,752,478	$ 1,693,095	$ 1,570,469
Contracted and general services	**491,047**	456,424	432,488	501,829	321,683
Materials, equipment and supplies	**293,730**	343,164	341,902	336,045	237,771
Interest charges					
Tax supported	**36,632**	46,368	57,071	52,931	49,111
Self supported	**87,451**	84,650	82,440	85,229	86,618
Transfer payments	**118,297**	114,834	136,218	162,546	129,818
Utilities	**81,352**	79,283	86,985	75,003	70,455
Amortization	**596,075**	580,110	547,552	437,028	525,054
Loss on disposal of tangible capital assets	**14,552**	25,830	13,748	20,313	18,294
Total expenses	**$ 3,694,495**	$ 3,590,791	$ 3,450,882	$ 3,364,019	$ 3,009,273

Notes: (1) Figures for 2012 have been restated for the correction of certain tangible capital asset adjustments identified in 2013. Years prior to 2012 have not been restated for this adjustment.

(2) Figures for 2013 have been restated for the correction of certain tangible capital asset related adjustments identified in 2014. Years prior to 2013 have not been restated for this adjustment.

(3) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, as well as for the correction of certain tangible capital asset, miscellaneous revenue, transfer payment and land inventory adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.

(4) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED INVESTMENTS UNAUDITED

2012 to 2016 (in thousands of dollars)

	2016	2015	2014[1] (Restated)	2013	2012
Cost:					
Government of Canada	**$ 390,136**	$ 360,775	$ 312,443	$ 296,416	$ 52,593
Other Government	**522,641**	540,840	500,394	336,992	625,113
Corporate	**2,743,537**	2,889,837	2,680,473	2,487,030	1,893,506
Global fixed income investments	**97,726**	–	–	–	–
Equity investments	**342,422**	326,536	209,463	197,025	138,146
	$ 4,096,462	$ 4,117,988	$ 3,702,773	$ 3,317,463	$ 2,709,358
Market Value:					
Government of Canada	**$ 387,959**	$ 362,277	$ 313,604	$ 295,882	$ 53,039
Other government	**517,358**	542,556	508,199	333,205	630,196
Corporate	**2,743,949**	2,893,485	2,689,034	2,486,998	1,900,726
Global fixed income investments	**97,725**	–	–	–	–
Equity investments	**406,573**	360,635	263,798	238,039	151,249
	$ 4,153,564	$ 4,158,953	$ 3,774,635	$ 3,354,124	$ 2,735,210

Notes: (1) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes. Years prior to 2014 have not been restated for these adjustments.

Other Financial and Statistical Schedules

CONSOLIDATED RESERVES UNAUDITED

2012 to 2016 (in thousands of dollars)

	2016	2015[3] (Restated)	2014[2] (Restated)	2013[1] (Restated)	2012
Significant Reserves					
Fiscal stability	**$ 518,830**	$ 488,785	$ 415,881	$ 357,301	$ 294,985
Reserve for future capital	**327,014**	354,190	318,286	269,629	271,888
Budget savings account	**130,103**	60,905	–	–	–
Debt servicing	**52,570**	52,570	52,570	52,570	67,769
Legacy parks	**10,558**	18,450	23,033	19,738	13,332
Corporate housing reserve[3]	**29,559**	38,205	35,750	31,903	44,547
Real estate services (combined operating & capital)	**59,005**	63,432	90,913	73,799	68,239
Community investment	**102,204**	152,379	168,302	151,077	112,223
Development and building approvals sustainment	**99,114**	93,707	74,063	48,701	30,794
Reserve for tax loss provision	**37,398**	37,398	37,398	39,823	39,823
Lifecycle maintenance and upgrade	**115,694**	149,391	97,251	125,729	102,075
Calgary Housing Company[3]	**27,448**	27,426	22,589	17,010	13,737
	$ 1,509,497	$ 1,536,838	$ 1,336,036	$ 1,187,280	$ 1,059,412
Other reserve balances will be utilized in future years for the following types of expenses:					
Utilities sustainment[1] [3]	**$ 135,131**	$ 83,257	$ 49,153	$ 44,076	$ 52,226
Social programs	**10,197**	10,310	8,316	8,283	7,916
Police services (capital)	**40,254**	34,349	30,978	28,362	25,923
Police services (operating)	**4,000**	4,000	4,000	4,000	4,000
Waste & recycling sustainment[2]	**48,019**	48,809	41,968	33,808	41,910
ENMAX dividend stabilization	**20,000**	20,000	16,450	10,100	–
Other operating	**99,949**	81,841	59,076	52,205	45,885
Other capital expenditures	**108,762**	95,772	80,299	68,951	60,519
	466,312	378,338	290,240	249,785	238,379
	$ 1,975,809	$ 1,915,176	$ 1,626,276	$ 1,437,065	$ 1,297,791

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

(2) In 2014, other capital expenditures reserves were restated for the inclusion of CADA and CED as related entities for consolidation purposes. Years prior to 2014 have not been restated for these adjustments.

(3) In 2015, Corporate housing reserves, Calgary Housing Company reserve, and Utilities sustainment reserves were restated for adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

Taxation and Assessments unaudited 2012 to 2016

(in thousands of dollars unless otherwise stated)

		2016	2015[3] (Restated)	2014[2] (Restated)	2013[1] (Restated)	2012
TAX RATES						
Residential						
Municipal and Library	Mills	**3.709**	3.541	3.747	3.797	3.457
Provincial property	Mills	**2.465**	2.214	2.356	2.525	2.709
Non-Residential						
Municipal and Library	Mills	**12.155**	10.737	10.694	10.991	12.311
Provincial property	Mills	**3.780**	3.458	3.417	3.305	3.934
ASSESSED VALUES						
Residential		**$ 210,448,506**	$ 210,408,125	$ 183,058,116	$ 170,331,240	$ 162,729,050
Percentage of total (%)		**75.3**	7.49	74.1	74.9	77.6
Commercial, industrial and farm		**$ 68,985,390**	$ 70,507,335	$ 64,107,914	$ 57,042,815	$ 46,855,572
Percentage of total (%)		**24.7**	25.1	25.9	25.1	22.4
Total assessment		**$ 279,433,896**	$ 280,915,460	$ 247,166,030	$ 227,374,055	$ 209,584,622
TAX LEVIES						
Municipal property taxes						
Residential		**$ 788,084**	$ 745,974	$ 699,844	$ 650,287	$ 563,117
Non-residential		**820,245**	762,066	646,637	628,404	579,364
Community Revitalization Levy		**41,031**	38,785	32,745	27,336	22,396
Business taxes		**134,601**	196,184	201,114	225,390	214,174
Revenue in lieu of taxes		**147,944**	176,283	215,298	194,228	201,088
Local improvement levies and special levies		**6,294**	6,926	5,624	80,021	13,308
		$ 1,938,199	$ 1,926,218	$ 1,801,262	$ 1,805,666	$ 1,593,447
Provincial property taxes						
Residential		**$ 520,571**	$ 463,175	$ 436,150	$ 444,289	$ 443,274
Non-residential		**264,742**	248,206	224,125	183,560	189,521
Revenue in lieu of taxes		**6,349**	8,439	8,888	8,289	8,690
		791,662	719,820	669,163	636,138	641,485
Total taxes levied		**$ 2,729,861**	$ 2,646,038	$ 2,470,425	$ 2,441,804	$ 2,234,932
Percentage of Total Levies						
Property tax						
Residential property		**47.94%**	45.70%	45.98%	44.83%	45.03%
Non-residential property		**39.75%**	38.18%	32.91%	33.25%	34.40%
Local improvement levies		**0.23%**	0.26%	0.23%	3.28%	0.60%
Community Revitalization Levy		**1.50%**	1.47%	1.33%	1.12%	1.00%
Business tax		**4.93%**	7.41%	8.14%	9.23%	9.58%
Revenue in lieu of taxes		**5.65%**	6.98%	9.07%	8.29%	9.39%

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

(2) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes. Years prior to 2014 have not been restated for these adjustments.

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

Taxation and Assessments unaudited 2012 to 2016

(in thousands of dollars unless otherwise stated)

	2016	2015	2014	2013[1] (Restated)	2012
PROPERTY TAX – Continuity					
Taxes receivable, January 1	**$ 38,179**	$ 31,708	$ 40,556	$ 40,643	$ 40,075
Current levies					
Property taxes	**2,475,556**	2,259,232	2,092,111	1,962,606	1,821,259
Business taxes	**141,619**	188,238	203,675	228,455	222,846
Non-tax items for collection	**931**	1,066	1,253	1,154	1,378
Penalties	**9,863**	8,873	8,631	8,296	9,088
Cancellation of tax arrears	**(1,599)**	(19,044)	(597)	(1,412)	(2,218)
Write-off of taxes	**(1,157)**	(1,416)	(3,266)	(534)	(559)
Total to be collected	**2,663,392**	2,468,657	2,342,363	2,239,208	2,091,869
Collections during the year					
Current levies	**(2,597,569)**	(2,399,612)	(2,278,604)	(2,164,807)	(2,018,942)
Arrears	**(28,589)**	(30,866)	(32,051)	(33,845)	(32,284)
Subtotal	**37,234**	38,179	31,708	40,556	40,643
Allowance for doubtful accounts	**(500)**	(1,000)	(500)	(450)	(850)
Taxes receivable, December 31	**$ 36,734**	$ 37,179	$ 31,208	$ 40,106	$ 39,793
Percentage of current taxes collected (%)	**97.53%**	97.20%	97.28%	96.68%	96.51%
Taxes outstanding as a percentage of the current year levy (%)	**1.42%**	1.56%	1.38%	1.85 %	1.99%
Other Major Tax Levies:					
Revenue in lieu of taxes					
Municipal consent and access fee	**$ 88,410**	$ 113,629	$ 131,168	$ 129,735	$ 147,833
Franchise fees	**54,089**	57,045	77,042	57,354	48,635
Governments					
Provincial	**8,655**	8,459	9,649	9,403	10,931
Federal	**2,615**	2,150	2,081	2,011	2,443
	$ 153,769	$ 181,283	$ 219,940	$ 198,503	$ 209,842

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

Continuity of Long-Term Debt unaudited 2012 to 2016

(in thousands of dollars unless otherwise stated)

	2016	2015	2014	2013	2012
Opening Balance	**$ 3,360,602**	$ 3,626,177	$ 3,661,382	$ 3,420,540	$ 3,228,887
New issues or additions during the year					
Tax supported					
Debentures	**5,097**	7,262	4,509	261,308	8,872
Capital leases	**20,000**	–	–	–	–
	25,097	7,262	4,509	261,308	8,872
Self supported					
Debentures	**223,779**	193,686	288,211	91,701	191,500
Local improvement debentures	**5,930**	4,023	7,195	5,273	4,018
Capital leases	**(1,174)**	–	–	–	84
Mortgages and other debt	**25,969**	12,470	3,590	1,530	(7,844)
	254,504	210,179	298,996	98,504	187,758
Self sufficient tax supported					
Debentures	**28,000**	5,000	101,500	77,000	240,000
	28,000	5,000	101,500	77,000	240,000
Debt repaid during the year					
Tax supported					
Debentures	**(44,934)**	(45,686)	(46,494)	(51,979)	(55,728)
Capital leases	**(20,000)**	–	–	–	(135)
	(64,934)	(45,686)	(46,494)	(51,979)	(55,863)
Self supported					
Debentures	**(141,881)**	(149,351)	(122,489)	(124,337)	(120,648)
Local improvement debentures	**(7,669)**	(6,281)	(5,695)	(8,278)	(8,826)
Capital leases	**(364)**	(865)	(914)	(932)	(926)
Mortgages and other debt	**(6,169)**	(4,938)	(20,935)	(7,822)	(57,228)
	(156,083)	(161,435)	(150,033)	(141,369)	(187,628)
Self sufficient tax supported					
Debentures	**(230,514)**	(280,895)	(243,683)	(2,622)	(1,486)
	(230,514)	(280,895)	(243,683)	(2,622)	(1,486)
Increase (Decrease)					
Tax supported	**(39,837)**	(38,424)	(41,985)	209,329	(46,991)
Self supported	**98,421**	48,744	148,963	(42,865)	130
Self sufficient tax supported	**(202,514)**	(275,895)	(142,183)	74,378	238,514
Net Increase during the year	**(143,930)**	(265,575)	(35,205)	240,842	191,653
Closing balance	**$ 3,216,672**	$ 3,360,602	$ 3,626,177	$ 3,661,382	$ 3,420,540
Debt servicing as a per cent of operating expenditures (net of recoveries), tax supported	**2.2**	2.3	2.4	2.6	3.1
Percentage of legal debt limit as per *Municipal Government Act* [see Note 14 f)]	**45.3**	45.3	52.4	54.4	57.2

Continuity of Long-Term Debt unaudited 2012 to 2016

(in thousands of dollars unless otherwise stated)

	2016	2015	2014	2013	2012
Tax Supported					
Facility management	**$ 45,139**	$ 50,373	$ 48,820	$ 49,359	$ 51,210
Fire	**2,319**	2,486	2,912	3,230	3,451
General government	**–**	–	–	96	283
Parks and recreation	**268,575**	282,239	295,487	307,850	65,724
Police	**–**	–	–	334	1,202
Public housing	**4,200**	4,552	4,887	5,205	5,508
Roads	**97,882**	109,670	128,350	148,289	166,082
Societies & related authorities	**12,363**	13,378	13,247	13,610	12,334
Waste & recycling services	**3,848**	4,154	4,446	4,723	4,987
Transit	**16,217**	23,528	30,655	38,093	50,679
	450,543	490,380	528,804	570,789	361,460
Tax supported, % of total	**14.0**	14.6	14.6	15.6	10.6
Per capita, tax supported	**$ 365**	$ 398	$ 442	$ 493	$ 323
Self Supported					
Calgary Economic Development Ltd.	**$ 12,313**	$ –	$ –	$ –	$ –
Calgary Parking Authority	**2,273**	3,123	4,333	5,487	6,588
Calhome Properties Ltd.	**16,476**	15,206	20,647	26,027	31,262
Lindsay Park Sports Society	**1,171**	1,480	1,778	2,067	2,345
St. Mary's University College	**4,496**	4,683	4,864	–	–
Water services & resources	**1,917,288**	1,846,166	1,789,574	1,646,815	1,665,394
Facility management	**9**	10	520	1,000	1,452
Fleet services	**127,866**	113,896	101,947	91,370	98,426
Parks and recreation	**2,911**	4,164	5,451	6,665	8,163
Public housing	**8,686**	9,799	10,838	12,556	14,929
Real estate services	**9,580**	9,580	26,580	26,580	26,955
Roads	**69,491**	71,152	73,335	80,186	82,074
Societies & related authorities	**777**	855	1,173	1,474	3,727
Waste & recycling services	**38,849**	33,651	23,981	15,831	17,608
	2,212,186	2,113,765	2,065,021	1,916,058	1,958,923
Self supported, % of total	**68.8**	62.9	56.9	52.3	57.3
Per capita, self supported	**$ 1,791**	$ 1,717	$ 1,728	$ 1,657	$ 1,749
Self Sufficient Tax supported					
CMLC	**$ 193,443**	$ 175,957	$ 181,852	$ 154,535	$ 150,157
MSI	**360,500**	580,500	850,500	1,020,000	950,000
	553,943	756,457	1,032,352	1,174,535	1,100,157
Self suff tax supp, % of total	**17.2**	22.5	28.5	32.1	32.2
Per capita, self suff tax supported	**$ 448**	$ 615	$ 864	$ 1,015	$ 982
Total City debt	**3,216,672**	3,360,602	3,626,177	3,661,382	3,420,540
ENMAX debt	**1,145,184**	1,211,055	1,088,771	915,510	827,828
Total debt attributable to The City	**$ 4,361,856**	$ 4,571,657	$ 4,714,948	$ 4,576,892	$ 4,248,368

Demographic and Other Information unaudited 2012 to 2016

	2016	2015	2014	2013[1] (Restated)	2012
Population, per April civic census	**1,235,171**	1,230,915	1,195,194	1,156,686	1,120,225
Change due to natural increase	**10,783**	10,812	10,491	10,260	9,631
Change due to net migration	**(6,527)**	24,909	28,017	26,201	19,658
Dwelling Units, per April civic census					
Total number of units	**499,222**	492,623	478,223	468,358	459,339
Number of vacancies	**20,843**	12,526	9,315	11,782	12,616
Owner occupancy rate (%)	**69.8**	69.2	68.7	68.5	69.3
Housing Activity					
Annual applications for residential units					
Total residential	**11,064**	12,355	15,027	14,838	13,600
Change (%)	**(10.4)**	(17.8)	1.3	9.1	34.6
Single family	**2,630**	2,714	5,584	5,939	4,569
Change (%)	**(3.1)**	(51.4)	(6.0)	30.0	(6.1)
MLS average selling price ($) (i)	**479,452**	469,399	483,160	456,695	428,655
New housing price inflation (%) (ii)	**(0.9)**	1.1	7.2	5.1	2.6
Building Permits, applied for					
Number of applications	**15,144**	16,667	19,549	17,921	16,613
Change (%)	**(9.1)**	(14.7)	9.1	7.9	6.8
Value, in thousands of dollars	**$ 4,651,963**	$ 6,285,485	$ 6,510,000	$ 6,027,000	$ 4,475,000
Change (%)	**(26.0)**	(3.4)	8.0	34.7	(1.4)
Inflation, CPI annual increases (ii)					
Calgary	**1.00%**	1.20%	3.00%	0.90%	1.00%
Alberta	**1.10%**	1.10%	2.60%	1.40%	1.10%
Canada	**1.40%**	1.10%	2.00%	1.70%	1.50%
Unemployment Rate (ii)					
Calgary	**9.10%**	6.20%	5.00%	4.80%	4.90%
Alberta	**8.10%**	6.00%	4.70%	4.60%	4.90%
Canada	**7.00%**	6.90%	6.90%	7.10%	7.10%

External Sources

(i) Calgary Real Estate Board

(ii) Statistics Canada

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

Demographic and Other Information unaudited 2012 to 2016

	2016	2015(5) (Restated)	2014(4) (Restated)	2013(3) (Restated)	2012
Revenue sources – City general(1)	**$ 2,860,289**	$ 2,890,388	$ 2,816,520	$ 2,725,055	$ 2,455,521
Taxes and revenue in lieu of taxes	**67.76%**	66.64%	63.96%	66.26%	64.89%
General	**25.07%**	26.13%	27.65%	26.47%	27.14%
Utilities and related authorities contributions	**2.32%**	2.35%	2.45%	2.32%	2.56%
Government transfers	**3.21%**	2.94%	3.81%	2.47%	3.12%
Dividends from ENMAX	**1.64%**	1.94%	2.13%	2.48%	2.28%
Interest charges – City general					
As a % of operating expenses					
Before subsidy	**3.97%**	4.18%	4.25%	4.35%	4.74%
After subsidy	**3.97%**	4.18%	4.25%	4.35%	4.74%
Interest charges – consolidated					
Before subsidy (000s)	**$ 110,899**	$ 113,629	$ 112,537	$ 111,076	$ 111,605
Share of operating expenses (%)	**3.9**	4.0	4.2	4.2	4.6
After subsidy (000s)	**$ 110,660**	$ 113,459	$ 112,537	$ 111,876	$ 111,070
Share of operating expenses (%) (net of subsidy)	**3.9**	4.0	4.2	4.2	4.6
Debt service limit (principal + interest)					
Total debt service limit	**$ 1,332,820**	$ 1,331,199	$ 1,244,153	$ 1,206,419	$ 1,083,243
Total debt service	**$ 348,569**	$ 554,584	$ 779,683	$ 872,950	$ 663,241
Percentage used (%)	**26.2**	41.7	62.7	72.4	61.2
Debt limit (2)					
Total debt limit (000s)	**$ 7,616,112**	$ 7,606,852	$ 7,109,448	$ 6,893,824	$ 6,189,960
Total debt (000s)	**$ 3,303,092**	$ 3,447,143	$ 3,728,462	$ 3,749,288	$ 3,338,824
Percentage used (%)	**43.4**	45.3	52.4	54.4	57.2
Municipal full-time equivalents – (excluding ENMAX)					
Total full-time equivalents	**16,643**	16,303	15,972	15,207	15,352
Full-time equivalents per 1,000 population	**13.5**	13.2	13.4	13.2	13.7
Area, square kilometres	**848**	848	848	848	848
Km of roads (lane km)	**20,288**	19,956	19,488	19,268	19,088
Km of roads (centreline km)	**7,945**	7,815	7,312	7,260	7,115
Km of bus routes	**4,369**	4,369	3,804	4,138	4,138
Transit passenger trips, annual (000s)	**102,499**	109,974	110,274	107,493	101,972
Km of wastewater mains	**4,695**	4,678	4,490	4,309	4,311
Km of water mains	**5,060**	5,012	4,982	4,934	4,881
Km of storm drainage mains	**5,157**	5,091	4,175	4,100	4,027

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.
(3) Figures for 2013 have been restated for the correction of tax revenue accounting related adjustments identified in 2014.
(4) Figures for 2014 have been restated for the inclusion of CADA and CED as related entities for consolidation purposes, ENMAX's IFRS transition adjustments, as well as for the correction of miscellaneous revenue adjustments identified in 2015. Years prior to 2014 have not been restated for these adjustments.
(5) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016.