CITY OF AIRDRIE

Consolidated Financial Statements

December 31, 2019

City of Airdrie
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For the Year Ended December 31, 2019

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Independent auditor's report

To the Mayor and City Council of City of Airdrie

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of City of Airdrie and its subsidiaries (together, the City) as at December 31, 2019 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited
The City's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2019;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of change in net financial assets for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from



error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
April 21, 2020

City of Airdrie
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments *(Note 5)*	**$ 42,583,543**	$ 36,070,711
Receivables		
Taxes and grants-in-place of taxes *(Note 6)*	**2,671,522**	2,354,424
Trade and other receivables	**7,554,417**	10,148,053
Developers' levies receivable	**6,674,985**	12,064,904
Loans receivable *(Note 7)*	**13,443**	20,692
Investments *(Note 8)*	**158,022,784**	157,354,035
Other financial assets	**66,709**	27,836
Investment in subsidiary operation *(Note 2)*	**-**	5,642,894
	217,587,403	223,683,549
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	**19,273,794**	17,665,594
Deposit liabilities	**1,906,301**	2,573,461
Deferred revenue *(Note 10)*	**67,299,998**	67,676,656
Employee benefit obligations *(Note 11)*	**1,814,798**	1,696,162
Other liabilities *(Note 12)*	**3,669,461**	4,805,163
Deferred developers' levies	**6,674,985**	12,064,904
Long-term debt *(Note 13 and 14)*	**61,387,542**	66,489,977
	162,026,879	172,971,917
NET FINANCIAL ASSETS	**$ 55,560,524**	$ 50,711,632
NON FINANCIAL ASSETS		
Tangible capital assets *(Schedule 1 and Note 9)*	**786,018,694**	742,454,529
Prepaid expenses	**81,282**	89,651
	786,099,976	742,544,180
ACCUMULATED SURPLUS *(Note 15)*	**$ 841,660,500**	$ 793,255,812

Contingent assets and contingent liabilities *(Note 20 and 21)*
Contractual rights and contractual obligations *(Note 22 and 23)*

City of Airdrie
Consolidated Statement of Operations
For the Year Ended December 31, 2019

	2019 Budget	2019	2018
REVENUE			
Net municipal property taxes *(Schedule 2)*	**$ 61,173,603**	**$ 61,071,710**	$ 54,415,608
User fees and sale of goods	**50,480,998**	**47,861,431**	50,219,785
Contributed assets	**35,200,000**	**35,234,381**	21,621,182
Government transfers *(Schedule 3)*	**42,391,716**	**17,565,834**	15,967,994
Franchise and concession contracts	**9,084,652**	**8,939,180**	7,672,572
Development levies	**12,979,957**	**8,456,253**	9,981,746
Investment income	**3,715,308**	**5,399,960**	3,935,300
Rental revenue	**4,763,726**	**4,936,981**	4,065,229
Licenses and permits	**5,211,964**	**4,808,457**	4,835,731
Other revenue	**1,234,317**	**4,360,472**	4,953,523
Fines	**1,579,750**	**1,420,412**	1,411,893
Penalties and costs on taxes	**822,500**	**909,677**	844,584
Sales to other governments	**870,670**	**670,882**	404,100
Equity in earnings of subsidiary operation *(Note 2)*	**-**	**-**	881,626
	229,509,161	**201,635,630**	181,210,873
EXPENSES			
Transportation services	**36,866,805**	**35,321,065**	32,827,907
Environmental services	**33,499,976**	**31,063,957**	32,293,824
Protective services	**32,012,369**	**30,857,606**	28,881,423
Recreation and cultural	**25,048,037**	**24,145,739**	23,316,079
General government	**22,104,445**	**21,682,241**	19,033,845
Planning and development	**4,886,967**	**5,044,687**	4,184,437
Public health and welfare	**2,903,009**	**4,381,063**	4,033,698
Council	**697,790**	**626,753**	570,804
Loss on disposal of tangible capital assets	**-**	**107,831**	696,718
	158,019,398	**153,230,942**	145,838,735
ANNUAL SURPLUS	**71,489,763**	**48,404,688**	35,372,138
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**793,255,812**	**793,255,812**	757,883,674
ACCUMULATED SURPLUS - END OF YEAR	**$ 864,745,575**	**$ 841,660,500**	$ 793,255,812

City of Airdrie
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	**$ 48,404,688**	$ 35,372,138
Non-cash items included in annual surplus		
Amortization of tangible capital assets	**29,213,201**	26,211,104
Loss on disposal of tangible capital assets	**107,831**	696,718
Tangible capital assets received as contributions	**(35,234,381)**	(21,621,182)
Equity in earnings of subsidiary operation *(Note 2)*	-	(881,626)
Changes in non-cash working capital balances		
Taxes and grants-in-place of taxes	**(317,098)**	(161,496)
Trade and other receivables *(Note 2)*	**2,069,800**	15,642,739
Developers' levies receivable	**5,389,919**	(1,466,811)
Prepaid expenses	**8,369**	3,740
Other financial assets	**(38,873)**	1,915
Accounts payable and accrued liabilities *(Note 2)*	**1,538,767**	727,147
Deposit liabilities *(Note 2)*	**(686,516)**	(787,597)
Deferred revenue *(Note 2)*	**(403,593)**	22,132,516
Employee benefit obligations	**118,636**	159,808
Other liabilities	**(1,135,702)**	(450,136)
Deferred developers' levies	**(5,389,919)**	1,466,811
Cash provided by operating transactions	**43,645,129**	77,045,788
CAPITAL		
Acquisition of tangible capital assets	**(33,642,200)**	(36,907,721)
Proceeds on disposal of tangible capital assets	**832,179**	130,319
Cash applied to capital transactions	**(32,810,021)**	(36,777,402)
INVESTING		
Purchases of investments	**(36,315,795)**	(37,116,043)
Sales of investments	**35,647,046**	9,572,975
Cash acquired upon consolidation of subsidiary operation *(Note 2)*	**1,441,659**	-
Loan repayment received from subsidiary operation *(Note 2)*	**-**	369,233
Dividend received from subsidiary operation *(Note 2)*	**-**	550,000
Loan receivable repayments	**7,249**	6,694
Cash provided by investing transactions	**780,159**	(26,617,141)
FINANCING		
Long-term debt issued	**514,070**	8,571,500
Long-term debt repaid	**(5,616,505)**	(5,374,414)
Cash applied to financing transactions	**(5,102,435)**	3,197,086
CHANGE IN CASH AND TEMPORARY INVESTMENTS	**6,512,832**	16,848,331
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR *(Note 2 & 5)*	**36,070,711**	19,222,380
CASH AND TEMPORARY INVESTMENTS, END OF YEAR *(Note 5)*	**$ 42,583,543**	$ 36,070,711

City of Airdrie
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2019

	2019 Budget	2019	2018
ANNUAL SURPLUS	**$ 71,489,763**	**$ 48,404,688**	$ 35,372,138
Acquisition of tangible capital assets	**(20,217,460)**	**(33,642,200)**	(36,907,721)
Subsidiary investment adjustment *(Note 2)*	**-**	**(4,840,795)**	-
Tangible capital assets received as contributions	**(35,200,000)**	**(35,234,381)**	(21,621,182)
Proceeds on disposal of tangible capital assets	**-**	**832,179**	130,319
Amortization of tangible capital assets	**29,235,023**	**29,213,201**	26,211,104
Loss on disposal of tangible capital assets	**-**	**107,831**	696,718
	(26,182,437)	**(43,564,165)**	(31,490,762)
Acquisition of prepaid assets	**-**	**(81,282)**	(89,651)
Use of prepaid assets	**-**	**89,651**	93,391
	-	**8,369**	3,740
INCREASE IN NET ASSETS	**45,307,326**	**4,848,892**	3,885,116
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**50,711,632**	**50,711,632**	46,826,516
NET FINANCIAL ASSETS, END OF YEAR	**$ 96,018,958**	**$ 55,560,524**	$ 50,711,632

City of Airdrie
Schedule 1 - Consolidated Tangible Capital Assets
For the Year Ended December 31, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Assets under Construction	2019	2018
COST									
Balance, beginning of year	**$ 113,527,223**	**$ 68,660,639**	**$ 142,677,620**	**$ 578,764,618**	**$ 29,902,674**	**$ 18,789,979**	**$ 37,024,158**	**$ 989,346,911**	$ 934,546,059
Add: Acquisitions during the year	**3,433,380**	**5,624,139**	**2,146,831**	**59,324,037**	**5,862,931**	**2,376,309**	**17,583,162**	**96,350,789**	95,039,991
Add: Subsidiary assets consolidated in 2019 *(Note 2)*	**3,600,000**	**-**	**2,000,000**	**-**	**18,954**	**-**	**-**	**5,618,954**	-
Less: Disposals during the year	**515,206**	**282,573**	**-**	**504,676**	**2,422,357**	**117,006**	**-**	**3,841,818**	3,728,051
Other - change in Assets under Construction	**-**	**-**	**-**	**-**	**-**	**-**	**(27,474,208)**	**(27,474,208)**	(36,511,088)
Balance, end of year	**$ 120,045,397**	**$ 74,002,205**	**$ 146,824,451**	**$ 637,583,979**	**$ 33,362,202**	**$ 21,049,282**	**$ 27,133,112**	**$ 1,060,000,628**	$ 989,346,911
ACCUMULATED AMORTIZATION									
Balance, beginning of year	**$ -**	**$ 22,179,453**	**$ 27,722,771**	**$ 177,551,146**	**$ 11,677,396**	**$ 7,761,616**	**$ -**	**$ 246,892,382**	$ 223,582,292
Add: Amortization	**-**	**3,071,926**	**3,244,512**	**18,542,738**	**2,714,239**	**1,639,786**	**-**	**29,213,201**	26,211,104
Add: Subsidiary amortization consolidated in 2019 *(Note 2)*	**-**	**-**	**775,000**	**-**	**3,159**	**-**	**-**	**778,159**	-
Less: Amortization on disposals	**-**	**169,853**	**-**	**329,110**	**2,277,722**	**125,123**	**-**	**2,901,808**	2,901,014
Balance, end of year	**$ -**	**$ 25,081,526**	**$ 31,742,283**	**$ 195,764,774**	**$ 12,117,072**	**$ 9,276,279**	**$ -**	**$ 273,981,934**	$ 246,892,382
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**$ 120,045,397**	**$ 48,920,679**	**$ 115,082,168**	**$ 441,819,205**	**$ 21,245,130**	**$ 11,773,003**	**$ 27,133,112**	**$ 786,018,694**	$ 742,454,529

City of Airdrie
Schedule 2 - Consolidated Property Taxes Levied
For the Year Ended December 31, 2019

	2019 Budget	2019	2018
TAXATION			
Real property taxes	**$ 91,199,117**	**$ 91,131,103**	$ 83,337,386
Linear property taxes	**738,116**	**738,116**	638,140
Government grants in place of property taxes	**166,223**	**132,344**	147,833
	92,103,456	**92,001,563**	84,123,359
REQUISITIONS			
Alberta School Foundation Fund	**26,881,542**	**26,881,542**	25,819,604
Calgary Catholic Separate School Division	**3,625,701**	**3,625,701**	3,480,775
Rocky View Senior's Foundation	**416,280**	**416,280**	404,754
Designated industrial property	**6,330**	**6,330**	2,618
	30,929,853	**30,929,853**	29,707,751
NET MUNICIPAL PROPERTY TAXES	**$ 61,173,603**	**$ 61,071,710**	$ 54,415,608

City of Airdrie
Schedule 3 - Consolidated Government Transfers
For the Year Ended December 31, 2019

	2019 Budget	2019	2018
FEDERAL TRANSFERS			
Shared-cost agreements and grants	**$ 10,056,105**	**$ 2,733,736**	$ 4,036,807
PROVINCIAL TRANSFERS			
Entitlements	**420,000**	**430,963**	418,567
Shared-cost agreements and grants	**31,518,471**	**13,969,783**	11,123,403
	31,938,471	**14,400,746**	11,541,970
LOCAL GOVERNMENT TRANSFERS			
Shared-cost agreements and grants	**397,140**	**431,352**	389,217
TOTAL GOVERNMENT TRANSFERS	**$ 42,391,716**	**$ 17,565,834**	$ 15,967,994

City of Airdrie
Schedule 4 - Consolidated Expenses by Object
For the Year Ended December 31, 2019

	2019 Budget	2019	2018
CONSOLIDATED EXPENSES			
Salaries, wages and benefits	**$ 62,732,920**	**$ 60,905,530**	$ 56,809,270
Amortization of tangible capital assets	**29,235,023**	**29,213,201**	26,211,104
Contracted and general services	**26,592,477**	**22,674,807**	22,549,679
Purchases from other governments	**23,144,301**	**22,642,713**	23,177,785
Materials, goods, supplies and utilities	**11,096,741**	**10,630,466**	10,474,080
Grants to other groups and organizations	**2,554,180**	**4,363,783**	3,369,900
Interest on long-term debt	**2,029,836**	**1,999,225**	1,998,503
Bank charges and short-term interest	**375,700**	**555,463**	461,707
Other	**258,220**	**137,923**	89,989
Loss on disposal of tangible capital assets	**-**	**107,831**	696,718
TOTAL CONSOLIDATED EXPENSES	**$ 158,019,398**	**$ 153,230,942**	$ 145,838,735

City of Airdrie
Schedule 5 - Consolidated Segmented Disclosure
For the Year Ended December 31, 2019

	Council	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Cultural	Public Health and Welfare	2019
REVENUE									
Net municipal property taxes	$ 537,431	$ 16,544,326	$ 19,775,020	$ 10,192,868	$ -	$ 2,583,333	$ 11,151,694	$ 287,037	$ 61,071,710
User fees and sales of goods	-	392,898	248,006	2,042,318	40,526,386	19,448	4,524,614	107,761	47,861,431
Contributed assets	-	-	-	17,396,125	10,421,742	2,981,607	4,434,907	-	35,234,381
Other revenues	-	10,519,543	6,045,190	7,565,174	2,095,360	2,544,725	3,792,500	1,939,822	34,502,314
Government transfers	-	828,479	1,972,932	10,700,219	3,563	176,288	2,323,549	1,560,804	17,565,834
Investment income	-	3,034,414	857,633	1,004,012	222,418	49,231	232,252	-	5,399,960
	537,431	31,319,660	28,898,781	48,900,716	53,269,469	8,354,632	26,459,516	3,895,424	201,635,630
EXPENSES									
Salaries, wages and benefits	479,789	15,756,036	17,113,269	7,100,887	4,517,735	2,904,743	12,289,939	743,132	60,905,530
Amortization of tangible capital assets	-	1,249,660	1,323,729	15,936,369	4,929,280	234,622	5,536,989	2,552	29,213,201
Contracted and general services	78,767	3,454,442	1,116,222	7,031,475	6,188,825	1,393,343	3,299,876	111,857	22,674,807
Purchases from other governments	-	7,392	10,491,833	-	12,143,488	-	-	-	22,642,713
Materials, goods, supplies and utilities	68,197	280,883	549,593	4,557,359	2,628,804	121,379	2,407,854	16,397	10,630,466
Grants to other groups and organizations	-	608,000	4,000	-	-	1,200	246,134	3,504,449	4,363,783
Interest on long-term debt	-	-	209,816	694,975	482,817	385,256	226,361	-	1,999,225
Other expenses	-	325,828	49,499	71,135	173,008	(28,622)	207,693	2,676	801,217
	626,753	21,682,241	30,857,961	35,392,200	31,063,957	5,011,921	24,214,846	4,381,063	153,230,942
2019 ANNUAL (DEFICIT) SURPLUS	$ (89,322)	$ 9,637,419	$ (1,959,180)	$ 13,508,516	$ 22,205,512	$ 3,342,711	$ 2,244,670	$ (485,639)	$ 48,404,688

	Council	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Cultural	Public Health and Welfare	2018
REVENUE									
Net municipal property taxes	$ 440,766	$ 15,339,760	$ 17,516,384	$ 9,141,822	$ -	$ 1,616,144	$ 10,121,303	$ 239,429	$ 54,415,608
User fees and sales of goods	-	323,381	259,918	1,764,461	43,304,563	159,047	4,317,813	90,602	50,219,785
Contributed assets	-	-	-	12,432,194	3,929,983	3,439,482	1,819,523	-	21,621,182
Other revenues	-	8,862,916	6,137,471	9,448,714	2,264,460	2,703,088	4,053,164	1,581,191	35,051,004
Government transfers	-	892,838	2,174,909	9,553,927	3,264	720,863	904,715	1,717,478	15,967,994
Investment income	-	2,010,626	-	714,370	171,945	874,501	163,858	-	3,935,300
	440,766	27,429,521	26,088,682	43,055,488	49,674,215	9,513,125	21,380,376	3,628,700	181,210,873
EXPENSES									
Salaries, wages and benefits	429,691	14,099,179	16,410,917	6,413,932	4,337,221	2,689,839	11,713,618	714,873	56,809,270
Contracted and general services	74,115	3,594,679	1,165,363	6,753,920	6,570,759	994,525	3,315,695	80,623	22,549,679
Purchases from other governments	-	5,576	9,359,469	-	13,812,740	-	-	-	23,177,785
Materials, goods, supplies and utilities	66,998	195,795	503,020	4,392,218	2,581,485	106,740	2,612,583	15,241	10,474,080
Interest on long-term debt	-	-	231,119	765,491	532,064	213,100	256,729	-	1,998,503
Grants to other groups and organizations	-	-	4,000	-	-	-	145,491	3,220,409	3,369,900
Other expenses	-	231,048	47,429	601,865	159,906	1,928	206,238	-	1,248,414
Amortization of tangible capital assets	-	907,568	1,160,106	14,502,346	4,299,649	178,305	5,160,578	2,552	26,211,104
	570,804	19,033,845	28,881,423	33,429,772	32,293,824	4,184,437	23,410,932	4,033,698	145,838,735
2018 ANNUAL (DEFICIT) SURPLUS	$ (130,038)	$ 8,395,676	$ (2,792,741)	$ 9,625,716	$ 17,380,391	$ 5,328,688	$ (2,030,556)	$ (404,998)	$ 35,372,138

1. NATURE OF BUSINESS

Airdrie was established as the Village of Airdrie in 1909 and was incorporated as the City of Airdrie ("the City") in 1985. The City is legislated under the Alberta Municipal Government Act and its principal activities include the provision of local government services to its citizens. These include administrative, protective, transportation, environmental, planning and development, recreational and culture and public health and welfare.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the City are the representations of management and are prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board and as published by the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the City are as follows:

Reporting entity

The consolidated financial statements represent the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations owned or controlled by the City and are therefore accountable to the City Council for the administration of their affairs and resources. As wholly-owned subsidiaries of the City, The City of Airdrie Library Board ("Library"), Airdrie Housing Limited ("Airdrie Housing") and Airdrie Mainstreet Square Real Estate Inc. ("AMSQ") are consolidated into these financial statements.

In past years AMSQ was classified as a government business enterprise and a wholly owned subsidiary of the City and was thus accounted for using the modified equity method. Under this method, the business enterprise's accounting principles were not adjusted to conform to those of the City and inter-organizational transactions were not eliminated. Effective January 1, 2019 AMSQ's organizational status changed to become an Other Government Organization. Since AMSQ is a wholly owned subsidiary and is classified as an Other Government Organization it has been consolidated into the City's financial statements in the current year. In accordance with the Public Sector Accounting Standards for Government Organizations, the prior year numbers have not been adjusted to account for this change in status and therefore current year balances for AMSQ have been included in only the current year column of the consolidated financial statements.

The schedule of property taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measureable based upon receipt of goods or services or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services are performed or the tangible capital assets are acquired.

(Continued on next page…/)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(…/Continued)*

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these estimates.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized using the straight-line method over the term of the respective investments. 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.

Loans Receivable

Loans receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt as assessed by management. Loans are reviewed on an annual basis by management. Interest income is accrued on loans receivable to the extent it is deemed collectible.

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 annual surplus, provides the consolidated change in net financial assets for the year.

a) Tangible Capital Assets

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 residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	Years
Land improvements	10 - 75
Buildings	30 - 50
Engineered structures	
Roadway systems	5 - 60
Water systems	25 - 50
Wastewater systems	25 - 50
Storm systems	15 - 50
Fibre optics	30
Machinery and equipment	3 - 20
Vehicles	10 - 20

No amortization is charged in the year of acquisition and a full year of amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(…/Continued)*

Non-Financial Assets *(…/Continued)*

b) Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed in Note 9.

Requisition Over-Levy and Under-Levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Deferred Developers' Levies

Deferred developers' levies are calculated using the rates established by bylaw at the time of the agreement. The levies are reduced based on payments received during the year or amortized based on the total acres developed during the year, depending on the terms of agreement.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be determined.

Employee Future Benefits

The City is a member of a defined contribution multi-employer pension plan covering substantially all of its employees. Pension contributions are accounted for using defined contribution accounting, wherein contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

(Continued on next page…/)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(…/Continued)*

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all of the following criteria are met:

- An environmental standard exists;
- Contamination exceeds the environmental standard;
- The City is directly responsible or accepts responsibility;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

PSAB Section 3430, Restructuring Transactions

Effective, January 1, 2019, the City adopted PSAB 3430 Restructuring Transactions. PSAB 3340 contains standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. The adoption of this section had no impact on the consolidated financial statements.

4. FUTURE ACCOUNTING POLICIES

PSAB recently announced the following accounting pronouncements:

PSAB Section 1201, Financial Statement Presentation

This section is effective for fiscal years beginning on or after April 1, 2021, when sections PS 2601 and PS 3450 are adopted and establishes new general reporting principles and standards for the disclosure of information in government financial statements.

PSAB Section 2601, Foreign Currency Translation

This section is effective for fiscal years beginning on or after April 1, 2021 and establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements.

PSAB Section 3280, Asset Retirement Obligations

This section is effective for fiscal years beginning on or after April 1, 2021 and provides guidance on accounting for asset retirement obligations.

PSAB Section 3400, Revenue

This section is effective for fiscal years beginning on or after April 1, 2022 and provides greater clarity on the difference between exchange and non-exchange transactions.

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4. FUTURE ACCOUNTING POLICIES *(…/Continued)*

PSAB Section 3450, Financial Instruments

This accounting pronouncement establishes standards on how to account for and report all types of financial instruments including primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2021 for governments only, with early adoption encouraged. In addition, the City will be required to assess Section 3041, Portfolio Investments; Section 3050, Loans Receivable; Section 3390, Contractual Obligations; Section 3230, Long-Term Debt; Section 2500, Consolidation; and Section 3070, Investments in Government Business Enterprises.

Management is currently in the process of assessing the impact of the adoption of these standards which is not known or reasonably estimable at this time.

5. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	**$ 40,829,240**	$ 35,882,164
Temporary investments *(Note 8)*	**1,754,303**	188,547
	$ 42,583,543	$ 36,070,711

Temporary investments are short-term deposits with original maturities of three months or less.

6. TAXES AND GRANTS-IN-PLACE OF TAXES

	2019	2018
Current taxes and grants in place of taxes	**$ 2,016,809**	$ 1,648,261
Arrears taxes	**654,713**	706,163
	$ 2,671,522	$ 2,354,424

7. LOANS RECEIVABLE

	2019	2018
Alberta Health Services with an interest rate of 8% compounded annually, payable in monthly installments of $720 due September, 2021.	**$ 13,443**	$ 20,692

Principal and interest amounts due are as follows:

	Principal	Interest	**Total**
2020	$ 7,851	$ 792	**$ 8,643**
2021	5,592	169	**5,761**
	$ 13,443	$ 961	**$ 14,404**

The City provided an improvement allowance loan to Alberta Health Services to pay for relocation costs as required by the terms of the lease agreement signed July 1, 2016. The term of the loan is five years and bears interest at a rate of 8% per annum.

8. INVESTMENTS

	2019		2018	
	Amortized Cost	**Market Value**	Amortized Cost	Market Value
Short-term notes and deposits	**$ 22,387,091**	**$ 22,034,554**	$ 18,371,421	$ 17,458,572
Government and government-guaranteed bonds	**62,429,580**	**63,296,336**	54,077,473	54,010,051
Corporate bonds	**74,960,416**	**75,577,097**	85,093,688	82,522,254
	159,777,087	**160,907,987**	157,542,582	153,990,877
Less: Investments less than three months	**1,754,303**	**1,756,096**	188,547	188,547
	$ 158,022,784	**$ 159,151,891**	$ 157,354,035	$ 153,802,330

The short-term notes and deposits have effective interest rates of 0.90% to 5.68% (2018: 0.90% to 4.10%). Government and government-guaranteed bonds have effective interest rates of 1.50% to 6.95% (2018: 1.00% to 6.95%) with maturity dates from June 2, 2021 to December 1, 2044. Corporate bonds have effective interest rates of 1.00% to 7.05% (2018: 1.00% to 7.05%) with maturity dates from January 29, 2021 to June 30, 2108. Included in the City investments is a restricted amount of $66,443,887 (2018: $66,473,881) (Note 10) received from Provincial programs, Federal programs and local corporations held exclusively for approved capital infrastructure projects and eligible operating projects.

9. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2019		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land	**$ 120,045,397**	**$ -**	**$ 120,045,397**
Land improvements	**74,002,205**	**25,081,526**	**48,920,679**
Buildings	**146,824,451**	**31,742,283**	**115,082,168**
Engineered structures	**637,583,979**	**195,764,774**	**441,819,205**
Machinery and equipment	**33,362,202**	**12,117,072**	**21,245,130**
Vehicles	**21,049,282**	**9,276,279**	**11,773,003**
Assets under construction	**27,133,112**	**-**	**27,133,112**
	$ 1,060,000,628	**$ 273,981,934**	**$ 786,018,694**

	2018		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 113,527,223	$ -	$ 113,527,223
Land improvements	68,660,639	22,179,453	46,481,186
Buildings	142,677,620	27,722,771	114,954,849
Engineered structures	578,764,618	177,551,146	401,213,472
Machinery and equipment	29,902,674	11,677,396	18,225,278
Vehicles	18,789,979	7,761,616	11,028,363
Assets under construction	37,024,158	-	37,024,158
	$ 989,346,911	$ 246,892,382	$ 742,454,529

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9. TANGIBLE CAPITAL ASSETS *(…/Continued)*

During the year there were no write downs of tangible capital assets. Roads, land, land improvements and underground networks contributed to the City totaled $35,234,381 (2018: $21,618,491). These assets were capitalized at their fair market value. There were no contributed assets received by any of the City's subsidiaries (2018: $2,691).

The City owns various pieces of original artwork that are on permanent display at Bert Church Theatre, Genesis Place, City Hall, Nose Creek Park, Chinook Winds Firehall and the Community of Ravenswood. These artworks were donated to the City and have significant cultural and historical value in perpetuity. These artworks are not recorded as tangible capital assets in the financial statements and are not amortized, because a reasonable estimate of future benefits associated with these properties cannot be made.

10. DEFERRED REVENUE

	2018	Externally Restricted Inflows	Revenue Earned	**2019**
Municipal Sustainability Initiative & Basic Municipal Transportation Grant	$ 50,779,397	$ 5,880,101	$ (5,738,778)	**$ 50,920,720**
Federal Gas Tax Grant	13,729,041	266,038	(2,419,274)	**11,575,805**
GreenTRIP	605	7,634,886	(5,670,214)	**1,965,277**
Other deferred revenue	371,004	605,428	(433,923)	**542,509**
Genesis Place	587,514	2,387,037	(2,660,949)	**313,602**
Other grants	212,646	260,948	(383,698)	**89,896**
Smart Cities Challenge Grant	143,971	-	(143,971)	**-**
Airdrie Housing - Alberta Housing and Urban Affairs	1,599,478	42,711	-	**1,642,189**
Library	253,000	-	(3,000)	**250,000**
	$ 67,676,656	$ 17,077,149	$ (17,453,807)	**$ 67,299,998**

Deferred revenue represents amounts received or receivable which will be taken into revenue in the period in which they are earned and corresponding expenditures are incurred.

The use of the Municipal Sustainability Initiative Grant, the Basic Municipal Transportation Grant, the Federal Gas Tax Grant and the GreenTRIP Grant is restricted to eligible capital projects as approved by the Province, which are scheduled for completion in the future.

The use of the Alberta Housing and Urban Affairs grant is restricted to projects as approved by the Province, which are scheduled for completion in the future.

The Library deferred revenue includes $250,000 that is restricted to eligible capital projects.

Unexpended funds related to advances of restricted capital and operating grants are supported by investments of $66,443,887 (2018: $66,473,881) held exclusively for these projects (Note 8).

11. EMPLOYEE BENEFIT OBLIGATION

	2019	2018
Vacation and banked overtime	**$ 1,814,798**	$ 1,696,162

The vacation and banked overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

12. OTHER LIABILITIES

	2019	2018
Development agreement bonds	**$ 2,382,170**	$ 3,467,596
Supplier holdbacks	**1,287,233**	1,337,517
Prepaid lease	**58**	50
	$ 3,669,461	$ 4,805,163

13. LONG-TERM DEBT

	2019	2018
Offsite supported debentures	**$ 35,554,026**	$ 39,038,621
Tax-supported debentures	**23,787,092**	25,809,610
Solar Project loan payable	**514,070**	-
Airdrie Housing - Mortgage	**1,058,516**	1,118,435
Airdrie Housing - Term Loan	**368,225**	391,295
Airdrie Housing - Forgivable Loan	**105,613**	132,016
	$ 61,387,542	$ 66,489,977

The current portion of long-term debt amounts to $6,574,613 (2018: $5,615,433).

Principal and interest repayments are as follows:

	Principal	Interest	**Total**
2020	$ 6,574,613	$ 1,830,684	**$ 8,405,297**
2021	5,708,997	1,641,305	**7,350,302**
2022	5,900,924	1,448,339	**7,349,263**
2023	5,714,627	1,250,994	**6,965,621**
2024	5,382,815	1,069,224	**6,452,039**
Thereafter	32,105,566	3,655,245	**35,760,811**
	$ 61,387,542	$ 10,895,791	**$ 72,283,333**

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.151% to 4.614% per annum, before Provincial subsidy, and matures in periods 2022 through 2034. Debenture debt is issued on the credit and security of the City at large.

The Solar Project loan is repayable in monthly installments of $3,191 including principal and interest at 1.5% due March 1, 2035. The Solar Project loan is secured by a general assignment of property taxes receivable.

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13. LONG-TERM DEBT *(…/Continued)*

Airdrie Housing was funded using a variable rate term loan from TD Financial Group in the amount of $368,225 (2018: $391,295) to facilitate the purchase of affordable housing units. The loan requires monthly principal payments of $1,840 with interest paid on a monthly basis at prime plus 0.75%. Two financial covenants exist on this credit facility: one portfolio specific covenant requiring a debt service ratio of not less than 130%; and the second being a general debt service coverage of not less than 120%. The term loan has an amortization period of 25 years and a maturity date of March 16, 2037.

Airdrie Housing has a mortgage payable in the amount of $1,058,516 (2018: $1,118,435) to TD Financial Group with an interest rate of 1.93%, monthly payments of $6,741, an amortization period of 25 years and a maturity date of March 1, 2020. The mortgage is secured against real estate held by the Company and includes a covenant which requires a certified rent roll evidencing annual rental income from legal and enforceable occupancy agreements or leases to be not less than $334,740.

Airdrie Housing was approved for a Residential Rehabilitation Assistance Program loan in the amount of $343,241 with an interest rate of 6.875%, an interest adjustment date of January 1, 2011 and a maturity date of January 1, 2024. The forgivable loan will be earned over 13 years. The current portion of this forgivable loan is $26,403 (2018: $26,403), leaving a long-term portion of $79,210 (2018: $105,613).

Long-term debt used to facilitate the purchase of capital assets is $61,387,542 (2018: $66,489,977).

Interest on long-term debt for the fiscal year 2019 was $1,999,225 (2018: $1,998,503).

14. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the City be disclosed as follows:

	2019	2018
Total debt limit	**$ 230,383,535**	$ 222,876,566
Total debt	**61,387,542**	66,489,977
Total debt under debt limit by	**$ 168,995,993**	$ 156,386,589
Service on debt limit	**$ 38,397,256**	$ 37,146,094
Service on debt	**8,405,297**	7,639,187
Service on debt under limit by	**$ 29,991,959**	$ 29,506,907

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

15. ACCUMULATED SURPLUS

Reserves

Operating fund reserves	2019	2018
General operations	**$ 23,367,575**	$ 21,361,617
Tax stabilization	**7,000,064**	3,502,029
Operating carryforward	**1,488,310**	1,700,430
Snow maintenance	**934,365**	787,840
Cemetery	**97,234**	78,944
Twinning	**77,184**	77,184
	32,964,732	27,508,044
Capital fund reserves		
General capital	**8,323,692**	10,393,005
Genesis place	**4,412,178**	4,734,180
Fleet asset management	**2,668,718**	1,918,048
Building reserve	**1,943,222**	1,647,686
General recreation	**1,917,975**	1,513,654
Roads capital	**1,841,418**	1,901,373
Cash-in-lieu	**1,384,083**	1,356,944
Technology	**1,258,502**	587,059
Parks	**409,837**	300,378
Transit	**24,937**	53,734
	24,184,562	24,406,061
Offsite levied fund reserves		
Roads offsite	**24,916,133**	22,852,181
Water offsite	**7,803,094**	8,163,959
Developer contribution recreation offsite	**7,188,659**	6,373,822
Wastewater offsite	**3,406,649**	3,608,411
Enhanced landscaping offsite	**873,245**	609,085
Land offsite	**261,718**	229,164
	44,449,498	41,836,622
Utility fund reserves		
Utility waste management	**7,045,519**	5,878,427
Utility rate stabilization	**2,421,845**	1,879,354
Utility wastewater	**1,296,960**	4,100,103
Utility water	**1,518,759**	4,048,289
Utility carryforward	**738,970**	543,885
Utility general	**4,448**	-
	13,026,501	16,450,058

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15. ACCUMULATED SURPLUS *(…/Continued)*

Total reserves	**$ 114,625,293**	$ 110,200,785
Investment in subsidiary operation *(Note 2)*	-	5,642,894
AMSQ *(Note 2)*	**915,985**	-
Library	**895,511**	869,003
Airdrie Housing	**592,559**	578,578
Equity in tangible capital assets	**724,631,152**	675,964,552
Accumulated surplus	**$ 841,660,500**	$ 793,255,812

16. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (Schedule 1)	**$ 786,018,694**	$ 742,454,529
Long-term debt (Note 13)	**(61,387,542)**	(66,489,977)
Equity in tangible capital assets	**$ 724,631,152**	$ 675,964,552

17. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and as required by Alberta Regulation 313/2000 is as follows:

	No. of Persons	**Salary**	**Benefits & Allowances**	**2019**	2018
Municipal Officials					
Mayor P. Brown	1	**$ 112,462**	**$ 13,206**	**$ 125,668**	$ 109,675
Alderman D. Belyk	1	**52,780**	**8,171**	**60,951**	52,055
Alderman R. Chapman	1	**52,780**	**8,171**	**60,951**	52,055
Alderman K. Hegg	1	**52,780**	**8,171**	**60,951**	52,055
Alderman C. Kolson	1	**52,780**	**8,171**	**60,951**	52,055
Alderman A Jones	1	**52,780**	**8,171**	**60,951**	52,055
Alderman T. Petrow	1	**52,780**	**8,171**	**60,951**	52,055
	7	**$ 429,142**	**$ 62,232**	**$ 491,374**	$ 422,005
Chief Administrative Officer	1	**$ 267,262**	**$ 35,738**	**$ 303,000**	$ 297,231
Designated Officers	2	**$ 325,260**	**$ 67,998**	**$ 393,258**	$ 388,270

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17. SALARY AND BENEFITS DISCLOSURE *(…/Continued)*

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share of all employee benefits and contributions or payments made on behalf of employees include pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

18. LOCAL AUTHORITIES PENSION PLAN

The City participates in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pensions Plan Act. LAPP serves 265,813 people and 421 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City is required to make current service contributions to LAPP of 9.39% of pensionable earnings up to the Canada Pension Plan Year’s Maximum Pensionable Earnings and 13.84% on pensionable salary above this amount.

Total current and past service contributions by the City to LAPP in 2019 were $4,611,361 (2018: $4,570,329). Total current and past service contributions by the employees of the City to LAPP in 2019 were $4,208,415 (2018: $4,197,926).

At December 31, 2018, LAPP disclosed an actuarial surplus of $3.47 billion (2017: surplus of $4.84 billion).

19. APEX SUPPLEMENTARY PENSION PLAN

The APEX supplementary pension plan, an Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees. The plan supplements the LAPP.

Contributions are made by the prescribed class of employees and the City. Employees and the City are required to make current service contributions to APEX of 2.84% and 3.78% respectively of individual pensionable earnings up to $151,278 (2018: $147,222).

Total current service contributions by the City to APEX were $791,351 (2018: $734,834). Total current service contributions by the employees of the City were $592,264 (2018: $552,094).

The cost of post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation and retirement age of employees. The costs of post-retirement benefits are fully funded.

20. CONTINGENT ASSETS

The City is a plaintiff in a legal proceeding arising in the normal course of business in which the outcome may result in an asset in the future. While the outcome of this legal proceeding cannot be reasonably estimated at this time, the City believes that any settlement will not have a material effect on the financial position or the results of operations of the City. This contingent asset is not recognized in the consolidated financial statements.

21. CONTINGENT LIABILITIES

No provisions have been made for various claims of litigation in which the City is engaged because the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time and management believes that the City has minimal exposure as at December 31, 2019. The amount of any future settlement related to these claims will be accounted for as a current transaction in the year of settlement.

22. CONTRACTUAL RIGHTS

Contractual rights are rights of the City to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for each of the next five years and thereafter are as follows:

	Operating leases	Other Contracts	**Total**
2020	$ 1,505,017	$ 15,220	**$ 1,520,237**
2021	1,184,167	-	**1,184,167**
2022	859,336	10,500	**869,836**
2023	756,049	10,500	**766,549**
2024	635,328	-	**635,328**
Thereafter	3,978,573	-	**3,978,573**
December 31, 2019	**$ 8,918,470**	**$ 36,220**	**$ 8,954,690**
December 31, 2018	$ 7,574,367	$ 559,200	$ 8,133,567

23. CONTRACTUAL OBLIGATIONS

The City has contractual obligations that will result in liabilities in the future when the terms of the contracts are met.

The following are the City's significant operating contractual obligations:

RCMP Contract

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost for 2019 is $10,739,720 (2018: $9,471,876).

(Continued on next page…/)

23. CONTRACTUAL OBLIGATIONS*(…/Continued)*

ENMAX Contract

In 2018, the City entered into an agreement with ENMAX Energy Corporation to supply electricity to the City. The agreement has four years remaining with a total estimated cost of $15,540,057 (2018: $19,399,857).

Access Gas Contract

In 2015, the City entered into an agreement with Access Gas Services Inc. to supply natural gas to the City. The agreement has five years remaining with a total estimated cost of $3,000,041 (2018: $3,664,217).

City of Calgary Contract

In 2015, the City entered into an agreement with the City of Calgary to supply potable water and provide wastewater servicing to the City. The agreement has three years remaining with a total estimated cost of $42,427,417 (2018: $54,826,498).

Other Goods and Services Contracts

The City has entered into various other contracts whereby third party agencies provide goods and services to the City. These fee for goods and services contracts vary in their length, terms and conditions and expire between the dates of January 2020 and August 2024.

24. FINANCIAL INSTRUMENTS

The City's financial instruments recognized in the balance sheet are cash and temporary investments, receivables, loans receivable, investments, other financial assets, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations, other liabilities and long-term debt. It is management's opinion that the City is not exposed to significant interest rate or credit risk arising from these financial instruments.

The City is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the City provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. Under the Municipal Government Act the municipality has the authority to offer the parcel for sale at a public auction to recover taxes. If the parcel is not sold at the public auction, the municipality may become the owner. Therefore, there is very little risk in this area.

25. SEGEMENTED DISCLOSURE

The City is a diversified municipal government that provides a wide range of services to its citizens, including Police, Fire, Transit, Water and Waste Management.

For management reporting purposes, the City's operations and activities are organized and reported by functions and services provided. Certain functions that have been disclosed in the segmented information, along with the services provided, are as follows:

Council

This category includes City Council.

(Continued on next page…/)

25. SEGEMENTED DISCLOSURE *(…/Continued)*

General Government

General government is comprised of City Manager, Corporate Communications, Information Technology, Budget and Financial Planning, Accounting Services, Taxation Administration, Procurement and Corporate Material Management, Payroll, Property Assessment, Human Resources, Legislative Services, Information Governance and Management, Insurance and Risk Management, Strategic Business Services, Health and Safety, Security, Treasury and Fiscal Services.

Protective Services

Protective services include Police Protection, Fire, Emergency Management, Bylaw Enforcement, Business Licenses, Animal Control and Building Inspections.

Transportation Services

Transportation services include Engineering Services, Roads, Public Transit, Fleet, Storm Water, Capital Projects, Asset Management, Building Operations and Transportation Training.

Environmental Services

Environmental services include Water Supply and Distribution, Wastewater Treatment and Disposal and Waste and Recycling.

Planning and Development

Planning and development includes Economic Development, Municipal Planning, Corporate Properties, Corporate Leasing and Airdrie Housing.

Recreation and Culture

Recreation and cultural includes Parks Operations, Arenas, the Recreation and Wellness Centre (Genesis Place), the Bert Church Theatre, Community Development, Town and Country Centre and the Library.

Public Health and Welfare

Public health and welfare includes Family and Community Support Services (FCSS), Airdrie and Area Health Cooperative (AAHC), Cemeteries and Social Planning.

For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information see the Consolidated Schedule of Segmented Disclosure (Schedule 5).

26. BUDGETED ANNUAL SURPLUS

The reported budget information has been derived from the budget that was approved by Council on December 3, 2018. This note reconciles the budgeted annual surplus to the reported budgeted annual surplus presented in the consolidated financial statements.

Annual surplus as per council approved budget	**$ -**
Add back:	
Contributed assets	35,200,000
Capital government transfers	37,468,226
Development levies	12,979,957
Transfer to reserves	15,693,089
Debt principal repayments	5,507,113
Internal charges	4,151,140
Grant to Library	2,063,980
Capital investment income	1,940,835
Grant to Housing	175,000
Contributed to capital	83,235
Subsidiary budget - AMSQ	353,868
Expenses to AMSQ	706,205
Remove:	
Amortization of tangible capital assets	(29,000,000)
Transfer from reserves	(8,941,176)
Internal recoveries	(4,151,140)
Subsidiary budget - Library	(1,766,183)
Subsidiary budget - Housing	(31,095)
Revenues from Housing	(69,150)
Revenues from AMSQ	(874,141)
Consolidated Statement of Operations Annual Surplus	**$ 71,489,763**

27. SUBSEQUENT EVENTS

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. As at December 31, 2019, the COVID-19 global pandemic had not had a significant impact on the City's operations or programs. Management has assessed this to be a non-adjusting subsequent event and therefore no adjustments relating to this crisis have been recorded in the financial statements as at December 31, 2019.

Subsequent to yearend, the COVID-19 outbreak became a significant event in Alberta and on March 17, 2020 the City invoked an Emergency Management Plan. In an effort to limit the spread of COVID-19 and to comply with Provincial orders, there have been interruptions to multiple City programs, services and events, as community facilities have been closed until further notice. Additionally, aligned with provincial and federal support initiatives, the City has implemented temporary relief measures to which various fees and penalties have been waived or deferred and to allow citizens and businesses to delay payment of taxes until September 30, 2020.

As it is not yet known when public health restrictions will be removed, nor the long-term impact of COVID-19, it is not possible to estimate the financial impact of this event on the City's financial results subsequent to December 31, 2019.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.