



ANNUAL REPORT 2002



THE CITY OF
CALGARY

Proudly serving a great city



Published May 5, 2003

The City of Calgary 2002 Annual Report has been prepared by the Finance and Customer Service & Communications business units, with contributions from City business units and related organizations.

Cover photo

Downtown 9th Avenue SW, looking east toward the Calgary Tower, a landmark since 1968.



*Proudly serving a great city,
Calgary Transit employees help
customer Freeman Ellis plan a
trip using City transit services.*

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calgary PROFILE

Calgary, with its population of 904,987 people, occupies 721.73 square kilometres between the Rocky Mountain foothills and Canada's vast western prairie. Branded as 'the heart of the new west', the city traces its beginning back to 1875, when a North West Mounted Police fort was established where the Bow and Elbow Rivers meet. In the time since, a vibrant population from four corners of the world has shaped the city's dynamic culture, as have strong agriculture traditions, a thriving entrepreneurial spirit, and a pioneering oil and gas industry.

Calgary is the fastest growing major city in Canada, attracting citizens of many cultures, backgrounds, professions and experiences. As Canada's economic hotspot, this is one of the best places to live and do business in the entire country. Calgary is Canada's energy capital, a major distribution link for the Pacific Northwest region, the second largest concentration of head offices in the nation and a growing centre for technology and research and development. Calgary proudly boasts one of the most educated and well-trained workforces in the world.

A 'knowledge' city, Calgary has been recognized as a leader of intelligent communities and, in 2002, was named co-recipient along with Seoul, South Korea of the World's Top Intelligent Community

designation by the World Teleport Authority at its annual forum in New York. The city's pivotal role in the Canadian oil industry has helped push information technology and infrastructure to the leading edge.

Calgary is blessed with many natural assets. Those who enjoy the great outdoors can experience world-renowned skiing, hiking and fishing in close proximity as well as unsurpassed scenery. With the help of superb facilities that are a continuing legacy of the 1988 Olympics, Calgary has successfully staged world championship speedskating, skiing, luge, curling and bobsled competitions. The city is a great place to live and raise a family, with its sense of safe community and wide range of recreational opportunities and green spaces. Just one example: with 550 kilometres of pathways and 260 kilometres of bicycle routes, Calgary has the most extensive pathway and bikeway network in North America.

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Calgary is known around the world for its 'can do!' attitude and volunteer spirit. The city has rightfully earned its reputation as outstanding host to international events as varied as the annual Calgary Exhibition & Stampede, the 1988 Olympic Winter Games, the World Police and Fire Games (1997), the World Petroleum Congress (2000) and the G8 Summit (2002).

A long-time volunteer at Calgary's Canada Olympic Park during ski season, Calgarian Paul Quan exemplifies Calgary's volunteer spirit.

Calgary FACTS

- Population - 904,987
- More than 60% of Calgarians have a post-secondary education
- 54% of Calgarians access the Internet daily
- 82% of Calgarians have accessed the Internet in the last 12 months
- Average age is 34, the lowest among Canada's cities
- Calgary is rated the cleanest city in the world by an independent environmental survey of 215 cities around the globe
- A wired city, Calgary was named along with Seoul, South Korea as the world's top intelligent community of 2002 by the World Teleport Authority

message from the MAYOR

On behalf of City Council, I am proud to present the 2002 Annual Report for The City of Calgary. As the governing body of Canada's fastest growing city, we promised to be a Council of action. During 2002, we lived up to that commitment.

We worked together to produce a statement of our priorities over our three-year term. The resulting document, *Looking Ahead, Moving Forward*, focuses on four priorities: *advancing smart growth, protecting our environment, addressing social change and supporting economic development.*

Our priorities directly respond to the wishes of Calgarians in addressing the pressures that growth is putting on our infrastructure, environment, community services and economic well-being.

Calgarians' number one concern is traffic. To address these concerns, a new tax-supported capital financing policy, implemented in 2002, allows The City to finance up to an additional \$70 million a year for the next five years, without any additional taxes. This allowed us to fast-track construction of three major interchanges. The first project, at Glenmore Trail and 18th Street SE, was open to traffic only seven months after the first shovel hit the ground, record speed for such a major development, and an example of our responsiveness to citizen needs. Two additional interchanges are already underway and will be completed in 2003.

One of Calgary's great assets is the quality of its natural environment. In 2002, the international firm of Mercer Associates ranked Calgary's air and wastewater treatment the best in the world. Calgarians have a role to play in safeguarding the environment, and City programs such as universal water metering, putting more efficient low-wattage lamps in Calgary streetlights and powering our Light Rail Transit through wind energy are examples of projects that reduce environmental impact.

City Council also recognizes that Calgary's high growth rate brings additional need for programs that address social and economic disparity. One example is our support for building affordable housing. In 2002, The City of Calgary partnered with other levels of government and the private sector on projects such as Cyprus Greens on the former Canadian Forces Base site, a complex that provides 65 family homes where rent is indexed to income.

Council also took steps in 2002 to strengthen our economic base. A re-invigorated economic development model was approved in the fall that will harness the talent we have in our business community to promote Calgary as a great place to live and work.

Without a doubt, the highlight of 2002 was the successful role Calgary played with other partners in organizing the G-8 Summit in Kananaskis. With the eyes of the world upon us, I am proud to say that Calgary, Alberta and Canada staged a safe and successful event without violence. The G-8 Summit confirmed our city's international reputation for our unsurpassed organizational capabilities, our spirit and our pride.

Looking ahead, the challenge for Calgary will be to sustain its enviable quality of life. To do so, we need to work closely with our provincial and federal counterparts to ensure that cities have access to stable and growth-responsive revenue sources. As City Council's representative, I will continue to press the case for adequate funding to match our needs for smart growth, environmental protection and social responsibility.

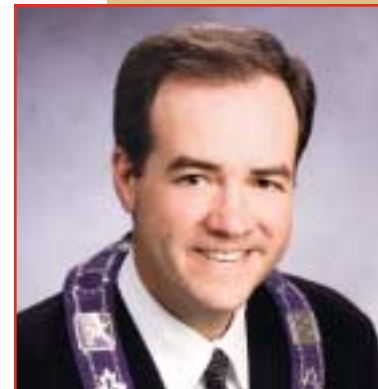
I invite you to read about the many achievements that contribute to our success as a great city. In the future, the heart of our actions will continue to focus on The City of Calgary's stated vision: *to create and sustain a vibrant, healthy, safe and caring community.*

(Signed)

Dave Bronconnier
Mayor



A new economic development model was introduced in the fall that will harness the talent we have in our business community to promote Calgary as a great place to live and work.



message from the CHIEF EXECUTIVE OFFICER

On behalf of Administration I am pleased to present The City of Calgary's 2002 Annual Report. In the private sector, an annual report contains information about shareholder value. Our annual report demonstrates the municipal government's public value and financial health. "Public value" means doing the right things efficiently and effectively in the public interest. As such, this report tells the story of how The City of Calgary is managing its resources to meet Calgarians needs today while working toward a sustainable future.

Many accomplishments indicate that we're on track in addressing citizen needs. The work of The City's 11,000 employees earned Calgary's local government an 89% satisfaction rating with citizens. Given that Calgary continues to face unprecedented growth with more demand for services and relatively fewer resources, it is quite extraordinary to maintain such a high level of satisfaction among citizens.

Early in 2002, Council declared four priority areas for their term of office: advancing 'smart' growth, protecting the environment, addressing social change and supporting economic development. Significant progress was made in these areas and much work has been accomplished: building interchanges, increasing transit service, launching EnviroSystem, a powerful tool enabling The City to control the impact of its activities and services on the environment and completing more affordable housing units to name a few.

In the midst of this work, The City ably managed unusual events, including our key role in the G8 Summit, Canada's largest peacetime security effort, and the Erlton fire, the largest fire in Calgary's history.

These events speak to the increasing complexity of the world in which we operate and the responsibilities of local government. Our exemplary performance during these events has resulted in Calgary being used as a benchmark on how to do things well.

Our high citizen satisfaction ratings speak to the lengths that staff go to in the name of public service: from a firefighter going back into a burning building to rescue a pet to a Waterworks employee who stops to assist a citizen who has taken a bad fall. There are many more acts of kindness such as lending a hand to people in need, employees shaving their heads in support of someone battling cancer, selling flowers to raise funds for the Multiple Sclerosis Society, and assisting new Canadians through volunteer work.

As we look ahead, factors that have been critical to our successes so far—citizen input, leadership from Council and our employees' innovation and dedication—will be critical to our future success. Fortunately, The City of Calgary has a strong foundation to build on, as it continues to create and sustain a vibrant, healthy, safe and caring community.

In reading this Annual Report, you will see the connections among citizens who express their wishes, a Council that represents these wishes and the actions of Administration and employees who make it all happen. I believe we can all be confident about our city's bright future.

(Signed)

Dale M. Stanway
Chief Executive Officer

City workers made significant headway on Council's priorities related to advancing smart growth, protecting our environment, addressing social change and supporting economic development.

Council directly employs Chief Executive Officer

Dale Stanway, who is responsible for leading and directing 11,000+ employees.



The new Mid-Sun Services Centre in the City's south brought Calgary's three emergency services—Police, Fire, and Emergency Medical Services—as well as Animal and Bylaw services into a single shared facility.



city council, corporate organization & CORPORATE GOVERNANCE

Calgary City Council is the legislative body representing Calgarians. As The City's 'board of directors', Council provides leadership and establishes policies and priorities for Calgary's municipal government. Council reviews and establishes budget levels for civic operations and capital expenditures.

City Council is made up of the mayor and 14 aldermen who represent individual wards. All members of Council hold office for three-year terms. The Mayor presides at meetings of Council and is also an ex-officio member of all Council Committees and all bodies to which Council has the right to appoint members.

Council holds one public hearing on planning matters and two regular meetings each month. Meetings are open to the public and agendas are available on the web at www.calgary.ca

Council establishes policies and makes decisions that govern The City based on information provided through Standing Policy Committees that oversee four main areas:

- Community and Protective Services
- Finance and Budget
- Operations and Environment
- Transportation, Transit and Parking

These Committees meet monthly.

There are also five special committees of Council: Audit; Gas, Power and Telecommunications; Land; Corporate Effectiveness; and Intergovernmental Affairs. Council also participates in dozens of committees, autonomous bodies and civic partnerships.

As well, a number of boards and commissions report either to Council or to the Standing Policy Committees, and are composed of one or more council members and community representatives. Among these boards and commissions are The Calgary Police Commission, the Calgary Planning Commission, the Subdivision and Development Appeal Board, and the Calgary Public Library Board. The Calgary Police Service reports to the Calgary Police Commission.



Members of Council

(Back row, left to right)

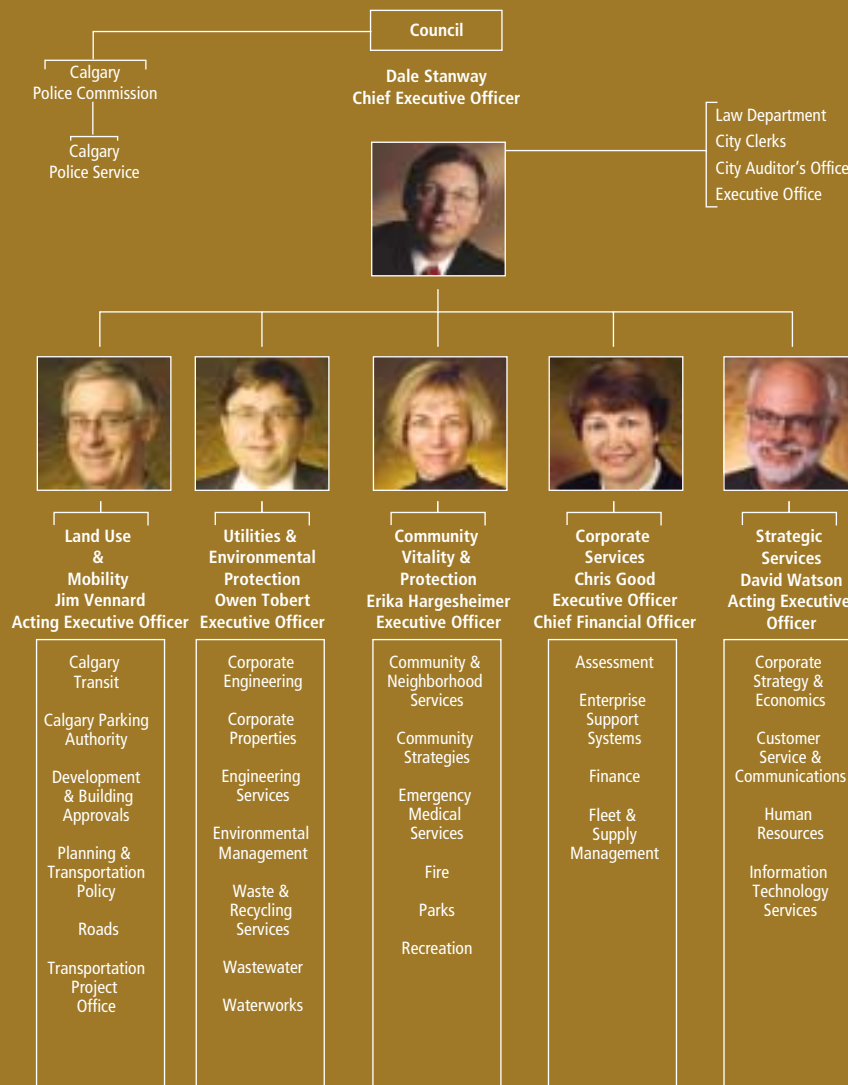
- Craig Burrows, Ward 6*
- Ric McIver, Ward 12*
- Barry Erskine, Ward 11*
- Gord Lowe, Ward 2*
- Ray Jones, Ward 5*
- Joe Ceci, Ward 9*

(Middle row)

- Dale Hodges, Ward 1*
- Diane Colley-Urquhart, Ward 13*
- Madeleine King, Ward 8*
- Diane Danielson, Ward 10*
- John Schmal, Ward 3*
- Bob Hawkesworth, Ward 4*

(Front Row)

- Druh Farrell, Ward 7*
- Mayor Dave Bronconnier*
- Linda Fox-Mellway, Ward 14*





The Municipal Government Act provides the legislative framework and authority for municipal taxation and expenditure.

Audit Committee

Calgary City Council is responsible for ensuring that the City Administration fulfills its responsibilities for financial reporting and internal control. The City's Audit Committee, with City Council, administration, and the external auditors, encourages and monitors responsible financial disclosure, reporting and internal controls. The committee seeks to ensure that taxpayers' money is well spent, with due regard for economy, efficiency and effectiveness.

Audit Committee membership consists of seven Council members and two citizen members. To achieve its mandate, the committee obtains support from the external auditors and the City Auditor's office. Deloitte and Touche LLP, the external auditors for The City, carried out the audit of The City of Calgary's financial accounts, as required by provincial legislation and in accordance with Canadian generally accepted auditing standards. The external auditors have full and unrestricted access to Audit Committee to discuss their audit and related findings as to the integrity of the financial reporting process. Deloitte and Touche LLP participated in all 2002 meetings of the Audit Committee.

The City Auditor's Office provides the internal audit function for The City of Calgary. It submits its annual work plans to the Audit Committee for review. Open disclosure is supported, and all audit reports are reported to Audit Committee and reviewed on a quarterly basis. Reports are then forwarded to Council for information and become a matter of public record. The City Auditor participated in all Committee meetings in 2002.

In 2002, Audit Committee commenced a review of its terms of reference to ensure they reflect best practices in municipal audit governance and help maintain its leadership position within the municipal audit environment. Council approved the revised terms of reference in early 2003.

The Audit Committee also commissions value-for-money audits and special studies of City activities to assist in appropriately discharging its responsibilities. The external auditors and the City Auditor's Office make contributions to these audits and special studies. In 2002, Audit Committee initiated an audit of the Transportation Project Office (TPO), a partnership between The City of Calgary and a joint venture of five private sector companies that manages several hundred million dollars of infrastructure development projects. The TPO Task Force is expected to deliver its findings in 2003.

The Parks Value for Money audit was also initiated in 2002 to review parks management practices, and identify potential enhancements to all parks operations. A major value-for-money audit of the Calgary Taxi Commission, including consultation with multiple stakeholders, was concluded. The audit clarified the roles and relationships between The City of Calgary and the Commission, and resulted in the Commission assuming regulatory responsibility while Calgary Transit has taken over administrative practices.



Calgary City Council is the legislative body representing Calgarians.

establishing priorities & measuring PROGRESS IN 2002

PRIORITIES FOR ACTION IN 2002

We Calgarians place a high value on our quality of life, it is the reason we all choose to live, work and raise our families here.

Recognizing this, City Council has put in writing its commitment to creating a city that works for all citizens and sustaining the enviable lifestyle we all cherish.

In 2002, Council's leadership focused on managing the challenges of growth so as to realize The City's vision: to create and sustain a vibrant, healthy, safe and caring community.

In the spring of 2002, Council released its key priorities document, entitled "Looking Ahead, Moving Forward, Council's Priorities 2002-2004." This document is a blueprint for what Council intends to accomplish during its current term of office, including strategies for protecting and enhancing Calgary's environmental, social and economic strengths in the light of continuing rapid growth.

Council's four priority pillars are: Advancing Smart Growth, Protecting the Environment, Addressing Social Issues and Supporting Economic Development. This Annual Report focuses on actions that took place to achieve these priorities.

Measuring Progress

The City of Calgary uses performance measures in its business planning, ensuring a well-managed and customer-focused organization.

The City's performance is measured at three levels:

Community performance measures address the end result of government programs and the condition of the Calgary community. For example, how do changes in the crime rate affect citizen satisfaction with the quality of life here? The corporation's decisions and actions influence these measures.

The annual Citizen Satisfaction Survey is a key tool for measuring community performance, helping the corporation gauge citizens' viewpoints about their municipal government. In 2002:

- Nine in 10 Calgarians surveyed (92%) rated the quality of life here as very good or good.
- Residents gave The City high ratings for service quality, with an overall rating of 89% as very good or good.
- Eight out of 10 respondents noted traffic is getting worse.
- 50% of citizens said road conditions are deteriorating.
- 93% of respondents expressed satisfaction with the value they received for their property taxes.

Independent assessments also provide information on Calgary's quality of life:

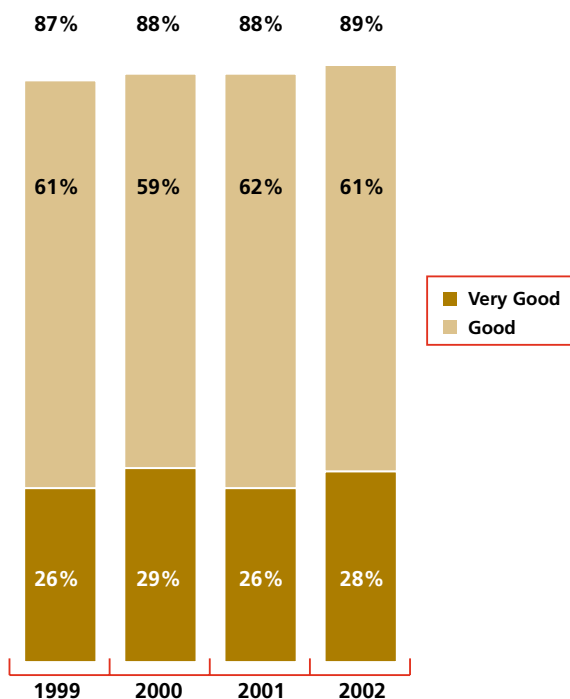
- A study on 'Healthy Canadian Cities' ranked Calgary third overall.
- In 2002, the international firm of Mercer Associates ranked Calgary's air and wastewater treatment the best in the world.

Corporate performance measures ensure management accountability and alignment between business unit goals and The Corporation as a whole. In 2002, three 'high level' corporate goals were identified, including responding to Council's agenda, delivering quality public service and strengthening the workplace.

Business unit measures monitor output, trends and efficiency of City operations such as waterworks, roads, transit and parks. These measures are considered during business planning and budget review.



Calgarians Linda Bozek and Michael Coté recently moved here from Toronto. They say Calgary offers big urban feel with small town appeal, combining amenities of a large city with the advantages of a small town.



89% of the population rated the quality of The City's civic services as "good" or "very good."

advancing SMART GROWTH

Council is responding to Calgarians' desire for accessible, affordable and appealing communities that have a compatible mix of housing, jobs, shops, parks and open spaces, connected by a well-planned, integrated transportation system.

Calgary's remarkable growth rate continued in 2002 with nearly 30,000 new residents moving to the city. More than 13,000 new homes were constructed during the year and 50 more cars started traveling on Calgary's road network each day.

Council is focused on delivering a well-planned urban environment and is working with citizens, community associations, the business community and other stakeholders on solutions to issues such as affordable housing, the funding of road construction, supporting higher-density inner-city communities, and the specific needs of communities far from the city centre. Smart urban planning is at the foundation of sustainable communities. Positioning Calgary to manage future growth and change is at the top of Council's agenda.

'Smart growth' is about finding ways to accommodate such expansion and is about realizing the benefits of growth while minimizing the costs. Encouraging growth in existing communities, preserving open space and farmland, and creating a range of housing choices in neighbourhoods are key strategies of smart growth. So is providing for economic development while protecting the health of the environment.

Council's endorsement of the principals of smart growth brings together separate projects and policies into a comprehensive approach that ensures a strong Calgary.

Advancing Smart Growth - Urban Planning

Like all fast-growing cities, Calgary is experiencing urban pressures including traffic congestion, housing shortages and concerns about maintaining a healthy air and water supply. That's why, in October 2002, Council approved a new Strategic Land Acquisition policy which will help to ensure that an adequate supply of land is available to support various medium to long-term infrastructure projects in the city.

The Land Use Bylaw Review was initiated in October, will involve multiple stakeholders, and is targeted for completion at the end of 2005 or early 2006. The review will help Council respond to unprecedented growth and the changes in the way people live and work that has occurred over the past 23 years.

In July 2000, Council approved a heads of agreement with private sector business interests for the development of The City's lands in East Village. After reviewing the status of the negotiations, on November 1, 2002 Council directed the Administration to terminate negotiations with respect to any proposed arrangements. Council remains committed to redevelopment of the East Village, and will continue to examine options to bring this about.



Council is focused on delivering a well-planned urban environment and is working with citizens, community associations, the business community and other stakeholders on solutions to issues such as affordable housing, the funding of road construction, supporting higher-density inner-city communities, and the specific needs of communities far from the city centre.

In 2002, projects that supported 'Smart Growth' included:

- *Phase 1 of the redevelopment of Bow Valley Centre (former General Hospital) site began with the installation of utilities infrastructure along 1 Avenue NE, and landscaping of the large central park.*
- *Council approved the Corporate Affordable Housing Strategy in July, including support for increased spending on affordable housing initiatives and encouragement for private development of affordable housing.*
- *Corporate Properties partnered with private, government and not-for-profit agencies to facilitate affordable housing such as the Cyprus Greens development on former Canadian Forces Base lands that provides 65 affordable single family and duplex units.*



Inner-city dwellers Paul and Elin Moller love the appeal of living close to shops, parks and Calgary's integrated transportation system. Council continued to support higher-density inner-city communities in 2002.

Components of Smart Growth

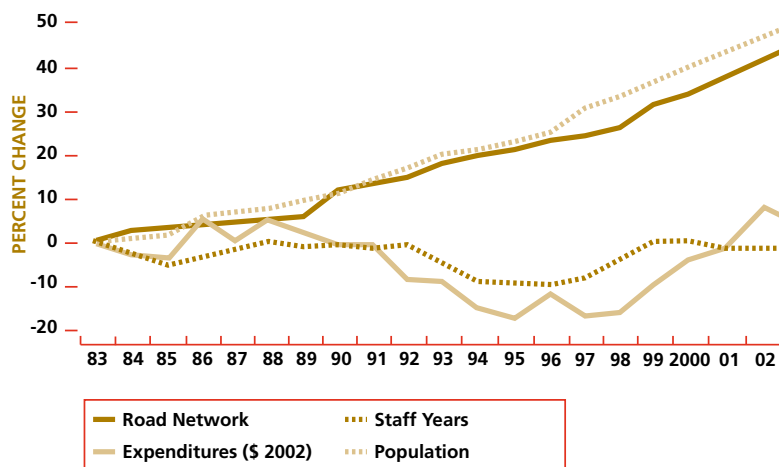
- Using existing community facilities like schools, transit and utilities
- Creating a range of housing choices
- Fostering walkable neighbourhoods
- Promoting distinctive, attractive communities
- Preserving natural and sensitive environmental areas
- Encouraging growth in existing communities
- Providing a range of transportation choices
- Making land use and development decisions that support smart growth
- Encouraging citizen participation

Advancing Smart Growth – Transportation

Calgarians identified infrastructure, traffic and roads as the most important issues facing the city in 2002. With this in mind, The City undertook a number of actions in 2002 to improve the mobility of Calgarians, including jump-starting solutions to Calgary's traffic issues.

In early spring, Council approved \$263 million in infrastructure projects for 2002. An additional \$672 million will be spent over the next four years on new interchanges, expanded transit capacity and upgraded roadways.

In October, an interchange on Glenmore Trail and 18th Street S.E. opened, a project taking just seven months to complete. The average commuter using this route will save 45 minutes a week in travel time. Construction started on two more interchanges, Macleod Trail and Shawnessy Boulevard and Crowchild Trail and 50th Avenue, to handle increased residential and commercial traffic. The Crowchild Trail Corridor improvement project, as part of the Northwest LRT extension, was completed with three interchanges along Crowchild Trail in use by September.



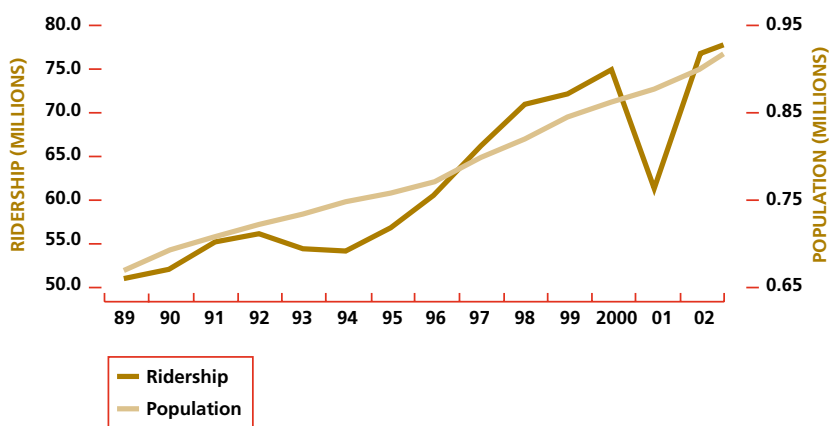
Maintenance expenditures for Calgary's road network were \$77 million in 2002. Efficiency targets continue to be met even though the road network is increasing.

Advancing Smart Growth – City Transit

Smart Growth encourages a transportation system that provides citizens alternative choices to the car, including walking, cycling and taking public transit.

In 2002, 35,000 more hours of service were added to Calgary Transit's schedule. More buses and routes helped carry a total of 77 million passengers in 2002, two million more than just two years earlier. Innovative Calgary Transit programs increased transit use. For example, 'U' transit passes were available to SAIT and University of Calgary students and staff through annual student and faculty fees.

In the area of Calgary's light rail transit network, construction of the southwest Shawnessy/Evergreen station and the northwest Dalhousie station were well underway in 2002.



Calgary Transit continually adjusts services to meet customer demand and to increase its travel market share. Ridership has continued to increase with population growth (dip in 2001 is due to transit strike).



Daily downtown commuter Salim Kurji gave up his car for the convenience of taking the LRT to work.

Other 2002 projects that supported 'Smart Growth' included:

- The City's Corporate Addressing and Mapping (CAM) project was completed to ensure that accurate, up-to-date address, utility and infrastructure information was available for the development sector and other corporate clients.
- Calhome Properties Ltd. and the Calgary Housing Authority amalgamated into the Calgary Housing Company (CHC), which promotes long-term, comprehensive planning for non-market housing. CHC operates 7,600 affordable housing units and works with more than 100 social service agencies to assist tenants.

protecting the ENVIRONMENT

Council will provide the leadership to conserve, protect, improve and sustain Calgary's environment for the benefit of all citizens of this region, now and into the future.

Calgary's quality of life depends on responsible environmental management and sound choices that affect our water, waste collection, recycling and wastewater treatment. In 2002, the international firm of Mercer Associates ranked Calgary first out of 215 cities worldwide in an environmental survey that rated the level of air pollution and the efficiency of waste disposal and sewage systems. While the ranking is great news, hard work is needed to maintain this reputation.

The City of Calgary hopes to achieve the distinction of being the first city in North America to achieve corporate ISO-14001 certification, the highest international standard for environment management. The City has launched EnviroSystem, a powerful tool enabling The City to control the impact of its activities and services on the environment and continually improve environmental performance.

Business units that successfully completed ISO-14001 registration of their environmental management system in 2002 or earlier include Fleet & Supply Management, the Fire Department, Golf Courses (a division of Recreation), Corporate Properties, Waterworks, Waste & Recycling and Roads.

Water and Wastewater

Calgary has two sources of drinking water. The Elbow River feeds the Glenmore Reservoir, which supplies water to the Glenmore Plant and to most of south Calgary. The Bow River feeds the Bearspaw Plant and homes in the city's north.

The purity of Calgary's drinking water continues to exceed national and provincial standards, and water treatment plants are continuously improving their technologies and adapting to changes in the quality of water coming into the system.

Water conservation is a key issue for Council. In March, Council passed a bylaw that will require water meters in every home by 2014. All new accounts will be metered accounts, meaning that consumers will pay only for the water used. Meters must be installed in all new homes. Currently 63% of homes in Calgary are metered, up from 22% in 1991 and up 5% since 2001.



Fishing on the Bow River is a favourite pastime of many Calgarians. The City is working hard to ensure responsible environmental management.

Protecting the Environment

2002 Highlights

- Council approved the Corporate and Community Climate Change Strategy as the basis for corporate and community energy reducing initiatives.
- Environment Canada's Director General Jean Bilodeau noted The City's progress on its ISO-14001 program at the World Summit on Sustainable Development, Johannesburg, South Africa.
- The Sales Acquisition Leasing Environmental (SALE) policy was implemented to ensure responsible identification of any environmental concerns on land transactions.
- The Site Information Management System (SIMS) was launched to enable The City to identify and develop action plans for contamination issues.
- Council approved a Smoking Bylaw that will see restaurants and bars elected to be smoking or non-smoking by March 2003, with a total smoking ban to be implemented by January 1, 2008.



Junior High student David Rose says he was the one who got his whole family involved in recycling. "It doesn't take long to do and the depot is close to our house. The effort we make now will help the environment in the future."

2002 saw other innovative programs designed to address our water supply:

- A pilot project in Crestmont includes designing the entire neighbourhood for maximum water efficiency, from household appliances to landscaping choices.
- Home water saver kits with low flow shower-heads, toilet tank bags and other items were made available for just \$15 through The City's online store.
- Waterworks continued to reduce upstream risks to Calgary's water supply through cooperation with Alberta Environment, the Bow River Basin Council and Elbow River Watershed Partnership.
- Waterworks replaced more than 20 kilometres of mains in 2002, resulting in a drop of 75% in the number of watermain repairs since the program began.
- Plans are underway for Calgary's third wastewater treatment plant, one that will be the most efficient in all of Canada.

Waste and Recycling

The City helps Calgarians reduce waste and take responsibility for the environment through many activities and programs: offering composting bins for \$20, distributing 10,000 free green recycling boxes, providing community clean-ups in the spring, and offering community recycling depots, computer recycling days, and Christmas tree and leaf collection programs.

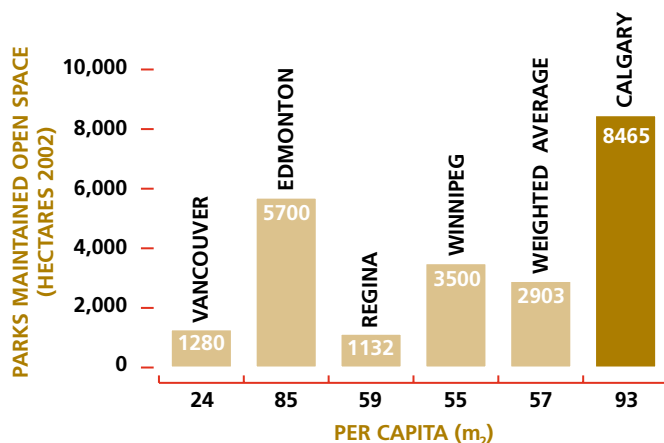
Calgary's residential recycling enabled Calgarians to increase the amount of materials recycled from 25,396 tonnes in 2001 to 27,003 tonnes in 2002.

In 2002, The City was pleased to complete reclamation of the former Blackfoot and Springbank landfill sites. The Springbank site has been redeveloped as softball diamonds, and it's hoped that the Blackfoot site will one day be the home of another Birthplace Forest.

Other business units are also playing their part in promoting recycling. In 2002, Calgary Transit, along with several partners, introduced the Breathe Easy vehicle scrappage pilot project aimed at reducing vehicle emissions and thereby improving Calgary's urban air quality. The first pilot program saw 350 pre-1988 vehicles turned in for scrappage and the owners switching to Calgary Transit as their main means of transportation.

Parks and Green Space

Protecting and acquiring key natural areas, green spaces and wetlands are important City priorities. In fact, Calgary provides 9.67 hectares of green space for every 1,000 people, and in 2002 we ranked second in the National Post's 2002 Healthy Canadian Cities survey of public access to park space.



Calgary has more maintained parks than any other western Canadian city.



Spencer Yanke enjoys time with his mom Nicole at one of hundreds of public green spaces.

Parks and Green Space 2002 Highlights

- Parks partnered with Parks Foundation Calgary to champion the Land Trust Society, a new non-profit foundation that will acquire natural areas for the future benefit of Calgarians.
- Parks used alternative water sources such as storm water, wells, lagoons and direct irrigation from rivers to irrigate City green areas.
- Parks received national and provincial awards for its BP BirthPlace Forest program. In 2002, 6,500 trees were planted at the Forest in Silver Springs, one for every baby born in Calgary hospitals during the year.
- The 2002 Healthy Yards media awareness campaign educated Calgarians on natural techniques for lawn and garden health.

addressing SOCIAL CHANGE

City Council is working toward a safe, inclusive community for all Calgarians, one that responds to the needs of its vulnerable and disadvantaged citizens, and where diversity is embraced and valued as a community asset.

While Calgarians overall enjoy the highest standard of living in Canada, some citizens continue to live on the sidelines of the city's economic success. Low-income individuals and families, people whose first language is not English, persons with disabilities, the elderly and Aboriginal persons often face barriers to affordable housing, to adequate health and nutrition information and/or to equal opportunities. Addressing social and economic disparities of disadvantaged citizens will become a bigger challenge as Calgary grows.

Disadvantaged Calgarians rely on community services that provide advocacy, programming and support in situations involving disparity, safety, health, mobility, nutrition, education and prevention. In 2002, The City of Calgary worked with agencies, individuals and communities to address issues of poverty, enhancing individual self worth and social cohesion.

Family and Community Support Services

Family and Community Support Services (FCSS) is a municipal-provincial joint partnership providing funding support for 300 preventative social programs and agencies.

Working primarily with the aid of volunteers, these community-based programs, such as Crisis and Counselling Services, Seniors' Caregiver Services and Boys and Girls Clubs, strengthen and support family and community life in Calgary.

Council approved \$16 million in FCSS funding for 83 social support agencies in Calgary, supporting 100 projects such as outreach services for the elderly, programs for high-risk youth, family counseling programs, services to prevent domestic violence and access programs for new immigrants.

Recognizing the need to work more strategically with agency partners and other funders to build Calgary's social service infrastructure, Council endorsed an FCSS re-design plan to better assist community-based agencies. For example, this includes multi-year funding to give agencies the ability to plan ahead, as well as a strong focus on identifying and measuring program outcomes to demonstrate the difference the services make in the lives of Calgarians.

In addition to FCSS support, The City addressed social needs in many ways during 2002:

- Almost 11,500 economically-disadvantaged Calgarians received fee assistance and subsidies in areas such as out-of-school care and recreation programs.
- 1,100 seniors and persons with disabilities were able to remain safe and independent in their homes through City Links, a program that provides services such as small repairs, shovelling walks and mowing lawns.
- The Community Access Program (CAP) provided disadvantaged Calgarians with free access to the Internet and basic computer training, enabling thousands of low-income families, seniors and immigrants access to information on services.
- The City implemented a Disaster Social Services Plan and worked with the Red Cross and community organizations to help 459 Calgarians affected by the Erlton fire with food, shelter and clothing.
- The Youth Employment Centre worked with 362 businesses to connect youth with employment opportunities.
- 97,109 volunteer hours were provided by citizens for community programming. This volunteer time is worth \$1.4 million.
- The City provided 18,000 children summer recreation programs such as Park 'n' Play, promoting health and well-being of communities.
- The City continued to support the Calgary Zoo, the Calgary Science Centre, Calgary Public Library, Heritage Park, Talisman Centre and other organizations in 2002.
- Work continued on two new library branches in northwest Calgary, and the Calgary Zoo opened its long-awaited Destination Africa exhibit.



These six young members of the Mayor's Youth Council are getting ready to dig into the dirt at the Victoria Park Community Centre.

Social Trends

- *Close to 40,000 immigrants have come to Calgary in the past five years, bringing the need for increased support to ease their transition into our culture through programs such as Diversity Calgary.*
- *Over the next 15 years, the number of seniors is expected to increase by 85%, putting excess demand on services such as affordable housing and assistance with independent living.*
- *The number of homeless people living on Calgary streets has increased by 34% in the past two years, despite the addition of homeless shelter spaces.*
- *Housing affordability continued to strain the resources of many low-income families.*



Leisure Centres made huge strides in engaging youth, with more than 17,000 youth participating in various activities each month.

Recreation Highlights

- *The design phase was completed for the Nose Creek Recreation Centre and Library, and construction commenced on the expansion of the Talisman Centre.*
- *Phase three of the Shaganappi Point golf course redevelopment opened.*
- *Daycamp programs at Leisure Centres achieved record success with over 6,200 registrants participating in 220 camps.*
- *Civic arenas hosted a number of major events including the CalAlta Rose Bowl Competition, ESSO Gold Ring Tournament, Canadian Oldtimers Tournament and the Canadian Olympic Development Association Figure Skating Competition.*
- *Work began on a Civic Arts Policy review with stakeholders from artists to arts policy experts, civic administrators to funding agencies, patrons to managers of arts groups, and the general public.*

Citizen Wellbeing

The benefits of a healthy, active lifestyle are well understood by many Calgarians, and The City is proud of a full spectrum of fitness and wellness opportunities available to Calgarians through recreational opportunities. These include more than 12,000 programs, workshops and drop-in classes.

Recreation Services entered the 250,000th customer in its database in 2002, while about five million more visits were recorded at The City's 12 indoor and nine outdoor pools, two leisure centres, 10 arenas, 11 athletic parks, eight municipal golf courses and two arts centres. Quarterly publication of the Recreation program guide continues to be an event that Calgarians look forward to, and many programs fill up quickly and continue to be in high demand.

Safety – Police, Emergency Medical Services, and Fire

Protective services including Police, Fire and Emergency Medical Services (EMS) continued to be highly valued by Calgarians in the 2002 Citizen Satisfaction Survey.

The Calgary Police Service, Calgary Fire Department, and Emergency Medical Services – as well as Animal and Bylaw Services were brought together into a single, shared facility, creating a more efficient, problem-focused solution to emergency response.

In 2002, the Calgary Police Service continued its commitment to the philosophy of community-based policing, working with other agencies, community groups, businesses and citizens to keep Calgary safe. The core services of front-line policing are community problem solving, responding to calls for service, traffic safety, criminal investigations and crime prevention.

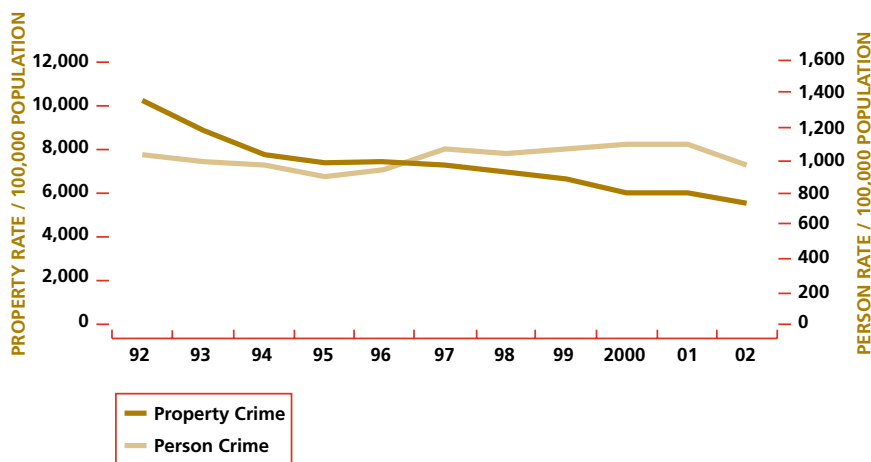
One of the highlights of 2002 was the Calgary Police Service's leadership role in the peaceful G8 Kananaskis Summit. The joint operation with the RCMP, the largest peacetime security operation in Canadian history, took 10 months of preparation. Calgary police officers worked alongside members of other policing agencies from across Canada to ensure the safety of Calgarians and visitors during the Summit.

In 2002, Emergency Medical Services responded to continuing trends of increased call volumes, aging population, population growth and increased congestion of the emergency medical response system. Calgary EMS responds to 80,000 emergency calls a year, and operates 37 advanced life-support response vehicles during peak times when call volumes are highest. In 2002, 20 Calgary paramedics completed an extensive training program in hazardous materials exposure, providing critical help at the scene of hazardous materials emergencies.

The Calgary Fire Department's 948 firefighters responded to over 30,000 calls for help in 2002, including more than 3,100 fires, 13,000 medical assists, 2,200 hazardous materials incidents and 200 water rescues. Firefighters also responded to the largest residential fire in Calgary's history at the Waterford condominium complex in Erlton as well as other major fires at Century Gardens Apartments and The Harbours of Newport. Working in partnership with other City business units, the Fire Department provided assistance to victims following these emergencies through its After the Emergency program to help victims return their lives to normal. Finally, Fire Chief Wayne Morris received the National Fire Chiefs' Award of Excellence for outstanding contributions to both the community and fire service industry. Through his guidance and direction, the Fire Department was recognized for its many innovative programs, including its partnerships with other agencies and municipalities.



Aislinn Duguid gets a chance to tour a fire truck at the local fire station. The Fire Department was recognized for its many innovative programs and partnerships.



The property crime rate decreased by 4% in 2002 when compared with the previous year and is the lowest rate since 1979.

supporting economic DEVELOPMENT

Council will encourage and promote economic development activities that will contribute to Calgary's long-term prosperity.

From its strength as Canada's energy capital, Calgary has diversified into a robust economy led by such industries as telecommunications, information technology, transportation, warehousing and logistics, and financial services.

Calgary is a wired city. With more kilometres of optical fiber than any city in Canada, broadband Internet is accessible to 99 per cent of the city's residences. In fact, Calgary was named the world's top intelligent community of 2002 by the World Teleport Authority. The city was chosen for its strength in broadband communications, a fast-growing IT and telecommunications sector and technology-related employment. Calgary was particularly praised for bringing technology access to community members who are traditionally excluded.



Calgary Economic Development - A New Model

In the fall of 2002, a volunteer group of Calgarians provided Council with a re-energized economic development organization model. A restructured Calgary Economic Development agency will work with business partners and organizations to promote an economic environment and regulatory framework in support of a wide range of employment and business development opportunities.

The City of Calgary encourages economic development activities that contribute to long-term prosperity. The City is the largest supplier of serviced light industrial land in the city, and works with developers and others to improve the permit process and find solutions to real estate issues. Low location costs and excellent City services continued to support economic development.

While available lands, low costs and streamlining building approvals all help Calgary's strong economic development, the city's quality of life also has a large part in influencing companies' decisions to locate here.

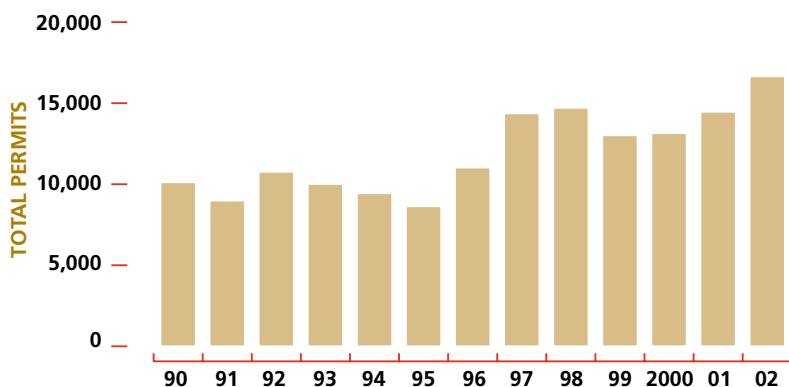
In 2002, The City's Corporate Properties worked with other City business units to support the development of industrial lands and suburban employment centres. The 175-acre Southbend Industrial Park was developed and the 529-acre Eastlake (formerly Westco) Industrial Park in the southeast was also initiated. Both projects encourage economic growth by attracting new business and/or expanding existing business in Calgary.

In 2002, The City undertook innovative measures to support Calgary's business advantage:

- For example, Calgary's Electrical Utility Regulation Committee (EURC) was created to ensure a fair, neutral and cost-effective process in determining ENMAX electricity distribution rates for users.
- The City also provided input into the Canadian Radio and Telecommunications Commission decision that resulted in savings of \$100 million for Calgarians by freezing local phone rates over the next four years.

Calgary's economic growth indicators are strong. Between 1990 and 2002 in the Calgary Economic Region:

- Gross Domestic Product (GDP) increased by \$17 billion, or 59.6%
- Total employment increased by 195,000 jobs, or 46.2%
- The unemployment rate fell from 6.7% to 5.7%.



Number of building permits issued in Calgary.



Facts and Stats

- Calgary is the national leader in employment growth, with the number of people employed in the Calgary Census Metropolitan Area exceeding 550,000.
- Calgary has the lowest unemployment rate among all major Canadian cities.
- The Calgary Census Metropolitan Area produces over \$27 billion in goods and services annually.
- Calgary's real economy grew by over 25% during the second half of the last decade.

delivering quality PUBLIC SERVICE

The City of Calgary employs more than 11,000 people who help meet the daily needs of Calgarians, whether providing safe water, saving a life, answering questions from the public or writing a brief on a complex issue. Whatever the job, doing it, and doing it well, demands a capable and committed workforce.

The City is proud of its international reputation for good civic practices. For example, The City's work in performance measurement was highlighted in an international benchmarking study conducted by the International City/County Managers Association (ICMA).

Proudly serving a great city

In 2002, The City focused on creating and sustaining a supportive work environment where employees continue to deliver quality public service. The City received input from staff for a draft People Plan that outlines principles for attracting, engaging and retaining employees. A joint job evaluation process for CUPE Local 38 positions was initiated to ensure appropriate compensation levels. Improved internal communications focused on informing employees of corporate initiatives.

Staff members were also encouraged to take part in candid discussions on corporate values, including what is important to a well-functioning workplace. Finally, almost 3,400 employees responded to an employee survey, uncovering aspects of work that inspire top performance and providing information to help us strengthen the workplace.

Communicating with Citizens

The City of Calgary ensures that citizens, employees and stakeholders have access to timely information about local government programs, services and regulatory responsibilities. Priorities include making information easily accessible to the public as well as two-way communication on civic issues.

In 2002, The City expanded its one-call contact centre, answering over 250,000 calls on everything from waste and recycling to recreation programs. The City's new web presence (www.calgary.ca) was launched in October to provide better access to information on City services and programs using three portals – City Hall, City Living and City Business.

A citizen engagement framework was developed, providing for citizen input on such issues as the Smoking Bylaw, LRT station development, interchanges and the Parks Bylaw.

Leveraging Technology

More and more Calgarians are conducting business transactions online, and in response The City provided customers more opportunities to use the Internet for City dealings. For example, The City's online store provides products and services ranging from dog licences to transit passes, golf punch cards, water saver kits and electrical permits.

Technology is also enhancing Calgary's transportation network and public safety. An LRT fibre-optic network links transportation signal systems, and phase one of the new Tri-Services Dispatch system uses computerized mapping to enable faster Fire, Police and Emergency Medical Service response times.

Great Employees Contributing to Our Community

A peek under the surface of The City's workplace shows an overriding theme that drives City employees: they care. Not only do they proudly serve a great city while doing their jobs, City employees often dig deep into their pockets or juggle off-duty schedules to give more to the community they love to serve.

Here are only a handful of examples of how City employees continue to go above and beyond:

- In 2002, City employees donated over \$328,000 to the United Way and volunteers worked hand-in-hand during an annual Day of Caring to refurbish picnic tables, fencing, and other equipment at Shouldice Park.
- Dozens of volunteers from Calgary Recreation regularly give up winter weekends to act as mentors and role models for youth with the Board-Dogs Snowboarding Volunteer Team. Over 1,900 kids aged five to 20 participated this year.



City volunteers helped victims of the Erlton Fire return their lives back to normal.

The City of Calgary

Mission:

- Proudly Serving a Great City

Vision:

- To create and sustain a vibrant, healthy, safe and caring community

Values:

- Be honest and tell the truth
- Pursue excellence
- Be accountable
- Be responsive, compassionate and fair
- Treat others with respect



Transit employees and their families volunteered on Christmas Eve to deliver the contents of six off-duty transit buses filled with gifts and food for Calgarians in need. Other Transit volunteers visited more than 3,000 people who wouldn't otherwise get a visit in private homes, nursing homes and hospitals during Christmas.

- City employees regularly support Calgary Police Services' initiatives such as providing school backpacks filled with supplies for disadvantaged kids and working at the information-rich interpretive centre.
- Calgary Emergency Medical Services employees regularly support people who are less fortunate than most. This year, an employee organized 100 volunteers plus six off-duty ambulances to collect 14,000 Operation Christmas shoeboxes filled with Christmas items for disadvantaged kids at 44 Calgary elementary schools.
- Calgary firefighters, who had one of their busiest years in 2002, also kept busy raising nearly \$120,000 and volunteering time to wrap gifts, load trucks and serve food for the annual Toy Association Christmas Party for 3,000 kids.
- City staff collectively donated 781 units of blood through Canadian Blood Services clinics set up at the Municipal Building atrium. With every blood donation contributing to saving up to four lives, this means staff helped save up to 3,124 lives!
- City employees also display their workplace pride and spirit each year by participating in the community Calgary Corporate Challenge. For three weeks each September, 17,000 employees and volunteers from 200 corporations take part in this amateur, Olympic-style event consisting of 20 sporting events—everything from softball to pool. Leading up to the city-wide challenge are The City's own Employee Playdowns that demonstrate team building, company pride and spirit displayed by participants and volunteers.



Centre Street Bridge at night.

Consolidated Financial Statements

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report from the CHIEF FINANCIAL OFFICER

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

The City of Calgary 2002 Annual Financial Report contains the audited financial statements consistent with principles and standards for financial reporting established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as required by the Alberta Municipal Government Act.

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

The FSD&A also reports to stakeholders on how the financial resources entrusted to The City are being managed to provide municipal infrastructure and services, and presents significant issues that affected 2002 results or may have an impact on future results.

2002 FINANCIAL RESULTS

Operating

For 2002, The City of Calgary's revenue was \$1.484 billion (2001 - \$1.462 billion) while expenditures to provide services amounted to \$1.227 billion (2001 - \$1.127 billion). After providing for transfers to reserves, capital fund and debt repayments, the net operating surplus was \$6.486 million.

Total revenue only increased by \$21.6 million compared to 2001 because net increases in taxes, sales of goods and services, government transfers (including \$17.3 million for the international G-8 Summit) and ENMAX dividends were partially offset by decreases in payments in lieu of taxes (decreased by \$52.4 million compared to 2001—primarily municipal consent and access fees (MCAF) and franchise fees) and investment income. As noted in the 2001 report, MCAF and franchise fees were at an unusually high level in 2001 due to volatile energy prices, so a decline in 2002 was anticipated.

A \$101 million increase in expenditures is largely the result of spending in growth-related areas, including protective services and transportation, inflation-related cost increases and G-8 expenditures (recovered through revenue as noted above). Social housing expenditures increased by \$10 million because The City took over properties from the Provincial Government, which contributed to the increase in sales of goods and services revenue as well.

The Calgary Parking Authority also contributed \$9.9 million to operating in 2002 and has committed to make further contributions in future years.

The City's utilities (Water and Wastewater) are financed and operated in a manner similar to private businesses. Costs of providing these services to the general public are recovered through user fees. These operations produced solid financial and operational results. The utilities contributed taxation on utility revenue (franchise fees) of \$22.2 million (2001 - \$21.9 million) and return on equity of \$37.5 million (2001 - \$39.2 million) to The City.

ENMAX Corporation, The City's wholly-owned subsidiary, contributed \$35.0 million in dividends (2001 - \$30.0 million) and \$72.2 million in municipal consent and access fees (2001 - \$110.6 million) to The City in 2002. The City uses these funds for operating budget purposes, and therefore relies on them to provide services. During 2002, The City, as shareholder, approved ENMAX's new dividend policy whereby ENMAX declares dividends based on 30% of the prior year's net earnings with a floor of \$30 million, effective in 2003.

The City's equity in ENMAX increased in 2002 (to \$1.009 billion from \$877.4 million in 2001) reflecting net earnings of \$166.6 million less the \$35.0 million dividend.

Capital

\$463.8 million was spent on capital projects in 2002, including \$294.0 million on tax-supported and \$169.8 million on self-supported projects. Capital expenditures were primarily funded through government transfers and the provincial fuel tax revenue sharing agreement (\$96.0 million), transfers from reserves and operations (\$133.0 million), new debt (\$186.8 million) and the remainder from developer contributions and donated assets.

Based on the fuel tax revenue-sharing agreement with the Province, of five cents per litre of vehicle fuel sold in Calgary, The City's share in 2002 was \$87.5 million. The 2002/03 provincial budget indicated that the amount per litre was to be reduced, but at a meeting with the mayors of Calgary and Edmonton, the premier stated that the five cents per litre specified in the agreement would continue to be provided.

In addition, the Provincial Government has taken over responsibility for Deerfoot Trail a provincial highway within Calgary. The City is also contributing significant funds for transportation infrastructure, with the development industry and Calgary Parking Authority also contributing.

The additional ongoing funding for transportation and Council's use of the revised capital financing policy has contributed to The City being able to include \$1.4 billion over the next five years for all tax-supported capital expenditures, thereby addressing crucial infrastructure requirements caused by rapid growth of the city.

In 2002, The City's public-private partnership (PPP) with a private-sector consortium continued to advance transportation improvements and achieve economies of scale. Major projects such as road interchanges at Crowchild Trail/50th Avenue and Macleod Trail/Shawnessy Boulevard were started, the Northwest and South LRT extensions continued, and the Macleod Trail/Anderson Road interchange was completed. Roads Business Unit started and substantially completed an interchange at Glenmore Trail and 18 Street southeast in record time. These structures will ultimately alleviate congestion and provide capacity for Calgary's continuing growth.

The Infrastructure Canada Alberta Program (ICAP) announced in 2000 continued providing The City with capital project matching funds from the federal and provincial governments that will total approximately \$75 million from 2001 through 2006.

A portion of capital is also being invested in recreation facilities such as the Nose Creek Recreation Centre, replacement of obsolete computer systems, and protective services facilities and equipment.

Debt Administration

The City's credit ratings are among the best for Canadian municipalities. Standard & Poor's increased The City's rating from AA (stable) to AA (positive). Dominion Bond Rating Service Limited (DBRS) has assigned a rating of AA to The City's long-term debt and R-1 (middle) to The City's commercial paper. These continued excellent independent ratings reflect Calgary's sound management, strong and diverse economy, consistent good fiscal performance and a low tax burden.

A revised capital financing policy was approved by Council in February 2002, recognizing the significant debt reduction since 1985, and allowing the tax-supported debt outstanding to be increased by Council as long as annual debt servicing charges would not exceed 10% of the tax-supported gross expenditure (net of recoveries).

There has been an increasing demand in funding for capital works, particularly for transportation/transit infrastructure to reduce traffic congestion arising from the continuing population growth. The capital financing policy change increases capacity for City Council to provide some additional growth-related capital infrastructure that is required now.

\$96.3 million in new tax-supported debt was obtained to finance growth-related projects, exceeding debt repayments by \$35.4 million. The City's tax-supported long-term debt is \$496.5 million as at December 31, 2002. The ratio of debt servicing charges to tax-supported gross expenditure (net of recoveries) was 8.0%, which is within The City's 10% policy limitation.

\$90.4 million in new self-supported debt was obtained, and new borrowing exceeded debt repayments by \$35.8 million, bringing the total self-supported debt up to \$612.7 million (excluding \$183.8 million in debt for ENMAX).

Reserves

The City of Calgary allocates funds to reserves to meet specific future operating and capital expenditure requirements, to provide for emergencies, and to smooth out property tax changes. The City's policy is to review the necessity and sufficiency of each reserve at least every three years to ensure that required funds are available, outdated reserves are closed and the level of funding is not higher than necessary. City Council's Financial Planning and Policy Review Sub-committee of the Standing Policy Committee on Finance and Budget is reviewing all City financial reserves in 2003.

Investments

The City's investment policy seeks the preservation of capital, liquidity and yield, in that order of priority, consistent with the types of investments permitted under the Municipal Government Act. Investments contributed \$31.1 million in investment income to the operating budget in 2002. Investments amounting to \$783 million at December 31, 2002, are recorded at the lower of cost or market value. The unrealized increase in market value of these investments totaled approximately \$11.7 million at December 31, 2002.

RISK MANAGEMENT AND UNCERTAINTIES

OPERATIONAL RISK MANAGEMENT

Normal Operational:

All activities undertaken by The City are covered under the Civic Insurance Program. This program is comprised 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, such as uninsurable risks, as well as risks whose costs are prohibitive, or for which coverage is unnecessary in light of The City's operations.

A reserve is set aside and is utilized to offset any loss or large claim against The City either in excess of a purchased policy limit or not covered by any insurance policy.

Environmental:

The City of Calgary employs environmental management professionals to assist business units to achieve and maintain compliance with environmental laws and regulations. Specifically, The City of Calgary has embarked on a campaign to have all business units implement an environmental management system (EnviroSystem) and to have corporate registration in 2003 according to the ISO-14001 standard.

Policies and procedures have been implemented to address environmental concerns on the purchase and sale of land as well as an ongoing environmental review of all property currently owned by The City. The City of Calgary is also aggressively pursuing a CO₂ emissions reduction strategy with funding and implementation for Energy Performance Contracting.

Commodity Price and Foreign Exchange:

To stabilize operating budgets in the face of energy price volatility, The City purchases diesel fuel in the futures market when deemed beneficial and has a long-term fixed-rate contract for electricity. The City has a natural hedge against natural gas price increases because fees for using City rights of way are based on the amount billed for those services. Decisions on whether to purchase futures contracts are based on all the information available at the time. The City hedges any foreign currency requirements in excess of \$250,000 Canadian. At December 31, 2002, The City had outstanding hedges for U.S.\$17.5 million at a weighted average exchange rate of Cdn.\$1.421 for the purchase of LRT vehicles.

ENMAX (THE CITY'S WHOLLY-OWNED SUBSIDIARY)

The City of Calgary Electric System was a City department until December 31, 1997 when its assets, responsibilities and liabilities were transferred to ENMAX Corporation, a wholly-owned subsidiary of The City. The new structure was deemed necessary because of deregulation of the electricity industry in Alberta. Deregulation has resulted in the introduction of commodity price and volume risk, wholesale and retail competition, and political and regulatory risks to ENMAX's business. ENMAX uses an integrated approach to risk management across all its companies through its senior executive Risk Management Committee, Energy Trading and Sales Advisory Committee and Enterprise Advisory Committee.

As of 2003, ENMAX Power Corporation, ENMAX's electricity distribution and transmission (wires) subsidiary, is regulated by The City's Electrical Utility Regulation Committee. The business is preparing for this regulatory role to be transferred to the Alberta Energy & Utilities Board in 2004.

ENMAX is a substantial City equity holding and during 2001 and early 2002 The City conducted a thorough review of continued ownership in ENMAX. Council decided to retain ownership of ENMAX on behalf of the citizens of Calgary and endorsed the company's strategic plan. The plan requires a significant investment of new capital for ENMAX to continue to be competitive in the energy industry. As a result, ENMAX's 2003 capital expenditure budget includes an amount in the order of \$800 million for growth in 2003. ENMAX will fund these capital expenditures from cash from operations and new debt raised in public capital markets.

FUTURE ACCOUNTING POLICY CHANGES

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants has established new accounting standards with respect to post-employment benefits.

PSAB Handbook Section PS3255 (Post-Employment Benefits, Compensated Absences and Termination Benefits) requires recording all such post-employment benefits, with an implementation date of January 01, 2004. The actuarial valuation for employee retirement allowances and updating the valuation of post-retirement obligation has resulted in an increase in the unfunded employee benefit obligations, which at December 31, 2002 totals \$73.6 million. Funding options are being investigated and will be presented to Council to ensure that a funding plan is in place prior to the deadline.

THE OUTLOOK

In 2003, City Council is establishing a new Council executive committee, known as the Accountability, Priorities and Agenda Committee, to provide the main point of contact with the Administration to strengthen accountability and communications. The committee includes the Mayor and the chairmen of the four standing policy committees.

The new committee and ongoing strategic planning will provide the Administration with focused input from Council and feedback on actions taken to achieve Council's goals.

City Council is also holding strategic planning sessions concerning the budget early in the year to determine what direction Council will give the Administration with respect to future budgets. The sessions include looking at the financial impact of the current budget on future years.

Because of Calgary's rapid growth, a substantial challenge is to provide for the maintenance of City assets. Work in 2003 will address the magnitude of required lifecycle maintenance, including a financial plan and standards to ensure continued sustainability.

Calgary's economic and population growth is expected to continue in 2003. Initiatives to achieve financial and customer service goals include:

- Continued infrastructure funding through revenue and cost sharing from the provincial and federal governments.
- Continued transportation infrastructure implementation through partnership with the private sector.
- Software development and enhancement.

Renewed investment in the energy sector will continue to be a strong contributor to Calgary's economic growth over the next five years. Other Calgary businesses that trade with the rest of the world are expected to enjoy an expanding market for their goods and services as the U.S. and world economies improve.

Calgary's robust economy is supported by the third lowest municipal property taxes and utility rates among 26 Canadian cities, the lowest among major cities, as determined in The City of Edmonton's annual survey of tax and utility rates across the country. With Calgary's many economic and environmental advantages, net migration is forecasted to be in the 5,000 to 10,000 person-per-year band. This level of net migration combined with natural increases (births less deaths) is forecasted to result in total population growth averaging 15,800 persons (1.7%) per year, over the next five years.

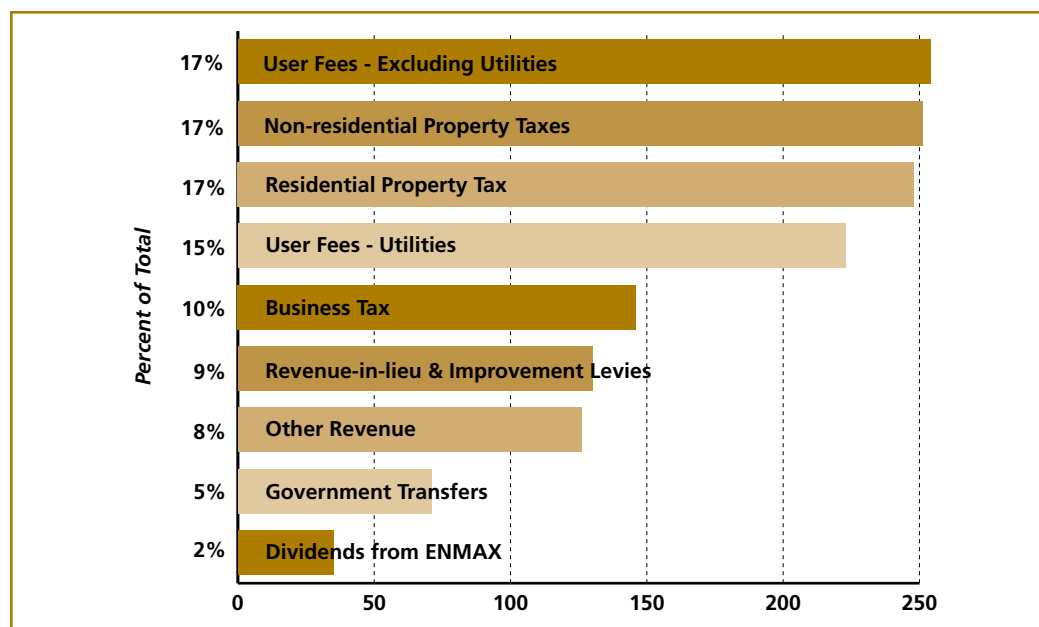
The Administration is dedicated to making the best possible use of the financial resources provided by City Council to provide excellent service for the citizens of Calgary. The City's employees continue to focus their skills and efforts to get maximum value from those resources.

Chris Good
Chief Financial Officer
April 4, 2003



financial SYNOPSIS

2002 SOURCES OF REVENUE - OPERATIONS (in millions of dollars)



TOTAL REVENUES \$1,484

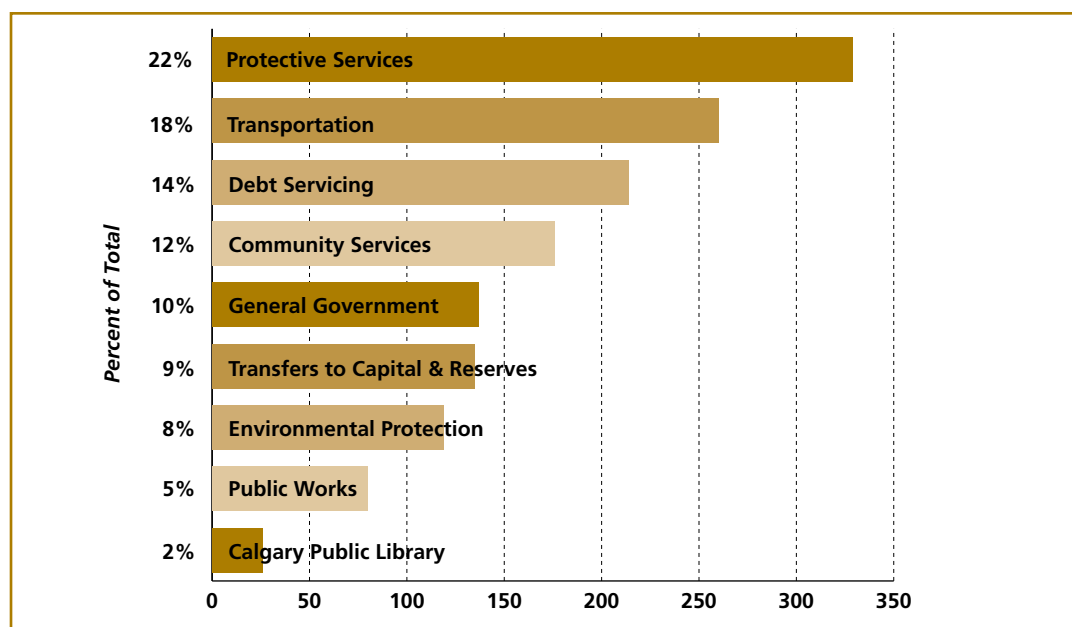
SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2002 (in thousands of dollars)

	2002	2001
FINANCIAL ASSETS		
Cash and investments	\$ 797,581	\$ 807,683
Receivables	131,380	142,369
Other assets	147,740	142,360
Total financial assets	1,076,701	1,092,412
INVESTMENT IN SUBSIDIARY OPERATION	1,009,023	877,375
PHYSICAL ASSETS	6,631,801	6,245,246
	<u>\$ 8,717,525</u>	<u>\$ 8,215,033</u>

2002 COSTS OF SERVICES - OPERATIONS

(in millions of dollars)



TOTAL EXPENDITURES \$1,477

	2002	2001
LIABILITIES		
Bank indebtedness and short term borrowing	\$ 18,607	\$ 40,492
Payables and accrued liabilities	239,944	247,254
Deferred revenue	19,802	15,687
Capital deposits	210,357	249,686
Other liabilities	163,642	123,538
Long term debt	1,109,146	1,037,965
Total liabilities	<u>\$ 1,761,498</u>	<u>\$ 1,714,622</u>
MUNICIPAL POSITION		
Equity in physical assets	\$ 5,661,267	\$ 5,310,559
Operating fund	6,486	16,103
Reserves	352,865	334,513
Equity in subsidiary operation	1,009,023	877,375
Unfunded liabilities	(73,614)	(38,139)
Total municipal position	<u>6,956,027</u>	<u>6,500,411</u>
	<u>\$ 8,717,525</u>	<u>\$ 8,215,033</u>

comment on the FINANCIAL REPORT

The City of Calgary publishes an annual financial report, which is available to the public, as part of its reporting obligation under the Municipal Government Act of Alberta.

BASIS OF REPORTING

The financial results in this report include the activities of 20 civic financial reporting units and three related authorities which are owned or controlled by The City. These consolidated financial statements are presented in three funds (Operating Fund, Capital Fund, and Reserves Fund). In addition, ENMAX Corporation (a government business enterprise) is accounted for by the modified equity method as a long-term investment.

Civic Financial Reporting Units:

Community Strategies and Community & Neighbourhood Services, Corporate Services, Drainage, Emergency Medical Services, Environmental Management & Engineering Services, Facility Management, Fire, Fleet Operations, Strategic Services, Parks & Recreation, Planning Policy, Calgary Police Service, Public Housing, Real Estate Services, Roads, Societies & Related Authorities, Waste & Recycling Services, Transit, Wastewater, Waterworks.

Related Authorities:

Calgary Parking Authority, Calgary Public Library, Calhome Properties Ltd. – operating as Calgary Housing Company.

Government Business Enterprise:

ENMAX Corporation

EXCLUDED ORGANIZATIONS

The City has fiscal relationships with many organizations for which control lies outside of Calgary City Council. Consequently their financial results are not included in this report. Separate financial information may be sought directly from the following:

Calgary Board of Education, Calgary Centre for Performing Arts, Calgary Exhibition and Stampede Limited, Calgary Handi-Bus Association, Calgary Region Arts Foundation, Calgary Health Region, Calgary Roman Catholic Separate School District No.1, Calgary Science Centre, Calgary Winter Festival, Calgary Zoological Society, Heritage Park Society, Lindsay Park Sports Society, Metropolitan Calgary Foundation, Tourism Calgary, Calgary Technologies Inc., Calgary Economic Development, Calgary Convention Centre Authority, Saddledome Foundation.

FUNDS HELD IN TRUST

The City receives monies on behalf of third parties, which are to be used solely for non-City purposes. The City has no entitlement to these monies and therefore does not include this information in the consolidated financial statements. Separate audited financial statements have been prepared for these funds and are included on page 78 of this report.

responsibility for FINANCIAL REPORTING

MANAGEMENT'S REPORT

April 4, 2003

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 generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They necessarily include some amounts that are based on the best estimates and judgements of management. Financial data elsewhere in the report is consistent with that in the 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 financial statements. In addition, The City has an internal management audit group, 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.

City Council fulfills responsibility for financial reporting through its Standing Policy Committee (S.P.C.) on Finance and Budget and its Audit Committee. The S.P.C. on Finance and Budget consists of seven aldermen who meet regularly to deal with financial and budget-related issues. The Audit Committee of seven aldermen and two citizens meets regularly, with both independent and management auditors in attendance, to review financial control and reporting matters.

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

Chris Good,
Chief Financial Officer

Francis Leong,
City Treasurer

AUDITORS' REPORT

To His Worship Mayor Dave Bronconnier and Members of City Council, The City of Calgary

We have audited the consolidated statement of financial position of The City of Calgary as at December 31, 2002 and the consolidated statements of financial activities, including the supporting schedules and cash flows for the year then ended. These consolidated financial statements are the responsibility of The City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Calgary as at December 31, 2002 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

April 4, 2003
Calgary, Alberta

(Signed)
Chartered Accountants

consolidated statement of FINANCIAL POSITION

As at December 31, 2002 (in thousands of dollars)

	2002	2001
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 14,480	\$ 3,448
Investments (Note 3)	783,101	804,235
Receivables		
Taxes	23,893	22,347
Federal and Provincial governments	15,735	15,613
General	91,752	104,409
Land inventory	120,978	115,957
Other assets (Note 4)	26,762	26,403
Total financial assets	<u>1,076,701</u>	<u>1,092,412</u>
INVESTMENT IN SUBSIDIARY OPERATION (Note 16)	<u>1,009,023</u>	<u>877,375</u>
PHYSICAL ASSETS		
Capital assets (Note 5)	6,520,638	6,165,307
Land held for municipal purposes	78,116	49,100
Inventories of material and supplies	33,047	30,839
Total physical assets	<u>6,631,801</u>	<u>6,245,246</u>
	<u>\$ 8,717,525</u>	<u>\$ 8,215,033</u>
LIABILITIES		
Bank indebtedness	\$ 8,680	\$ 4,757
Short-term borrowing (Note 6)	9,927	35,735
Payables		
Federal and Provincial governments	14,651	13,600
General	186,422	195,759
Accrued interest on long-term debt	38,871	37,895
Deferred revenue (Note 7)	19,802	15,687
Capital deposits (Note 8)	210,357	249,686
Provision for solid waste landfill rehabilitation (Note 9)	6,721	6,643
Employee benefit obligations (Note 10)	156,921	116,895
Long-term debt (Note 11)		
Tax supported	496,470	461,111
Self supported	612,676	576,854
Total liabilities	<u>1,761,498</u>	<u>1,714,622</u>
MUNICIPAL POSITION		
Equity in physical assets	5,567,948	5,252,574
Capital fund (Schedule 2)	93,319	57,985
	<u>5,661,267</u>	<u>5,310,559</u>
Operating fund (Schedule 1)	6,486	16,103
Reserves fund (Schedule 3, Note 12)	352,865	334,513
Equity in subsidiary operation (Schedule 4)	1,009,023	877,375
Obligations to be funded in future years (Note 10 (d))	(73,614)	(38,139)
Total municipal position	<u>6,956,027</u>	<u>6,500,411</u>
	<u>\$ 8,717,525</u>	<u>\$ 8,215,033</u>

Commitments and contingent liabilities (Note 19)

See accompanying notes to the consolidated financial statements

Approved on behalf of City Council:
Mayor Dave Bronconnier

Alderman Craig Burrows, Chairman, Audit Committee

consolidated statement of FINANCIAL ACTIVITIES

For the year ended December 31, 2002 (in thousands of dollars)

	2002 budget (unaudited)	2002	2001
REVENUES			
Property, business and other taxes (Note 18)	\$ 1,181,885	\$ 1,167,766	\$ 1,169,307
Less: Education taxes (Note 14)	(392,798)	(392,798)	(378,961)
Net taxes available for municipal purposes	789,087	774,968	790,346
Sales of goods and services	462,737	476,634	460,050
Government transfers	203,276	166,819	229,449
Developer contributions	68,106	37,662	46,098
Donated assets	-	43,984	37,251
Income from subsidiary operation	131,025	166,648	249,634
Investment income	17,250	31,083	40,765
Fines and penalties	39,901	39,823	39,408
Licences, permits and fees	28,768	34,756	32,882
Miscellaneous revenue	16,471	22,474	25,225
	1,756,621	1,794,851	1,951,108
EXPENDITURES			
Protective services	383,528	348,557	305,063
Transportation	532,012	457,184	472,263
Environmental protection	302,347	245,878	245,387
Social development	89,543	79,735	65,484
Recreation and culture	209,281	159,776	165,680
Other expenditures			
General government	175,913	160,736	140,148
Public works	106,169	80,505	74,324
Real estate services	114,994	43,819	37,396
Fleet services	31,909	15,942	21,510
Interest charges			
Tax supported	54,229	53,344	53,221
Self supported	44,539	44,839	48,756
	2,044,464	1,690,315	1,629,232
Excess of revenues over expenditures	(287,843)	104,536	321,876
Net interfund transfers from reserves fund	259,919	(2,249)	(74,161)
Adoption of future income tax standard (Note 16)	-	-	315,319
Contribution of share capital	-	-	1,852
Increase in equity in subsidiary operations	(96,025)	(131,648)	(536,805)
Debenture borrowings	239,547	186,779	117,813
Debt repayment	(115,598)	(115,598)	(108,027)
Change in fund balances	-	41,820	37,867
Opening balance	74,088	74,088	60,631
Appropriation of prior year's surplus	(16,103)	(16,103)	(24,410)
Closing balance	\$ 57,985	\$ 99,805	\$ 74,088

See accompanying notes to the consolidated financial statements

consolidated statement of CASH FLOWS

For the year ended December 31, 2002 (in thousands of dollars)

	2002	2001
CASH PROVIDED BY (USED IN):		
Operating Activities		
Excess of revenue over expenditure	\$ 104,536	\$ 321,876
Deduct item not affecting cash:		
Income from subsidiary operation	(166,648)	(249,634)
Change in non-cash items:		
Receivables	10,989	54,848
Land inventories	(5,021)	(6,499)
Other assets	(359)	4,563
Payables	(8,286)	19,270
Accrued interest	976	(1,296)
Deferred revenue	4,115	(429)
Capital deposits	(39,329)	(126,488)
Provision for solid waste landfill rehabilitation	78	(951)
Employee benefit obligations	40,026	9,138
Obligations to be funded in future years	(35,475)	(974)
	<u>(94,398)</u>	<u>23,424</u>
INVESTING ACTIVITIES		
Dividends from subsidiary operation	35,000	30,000
Sale (purchase) of investment securities (net)	21,134	(72,065)
	<u>56,134</u>	<u>(42,065)</u>
FINANCING ACTIVITIES		
Long-term debt issued	186,779	117,813
Long-term debt redeemed	(115,598)	(108,027)
Short-term borrowing redeemed	(9,926)	73
	<u>61,255</u>	<u>9,859</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,991	(8,782)
Cash and cash equivalents, beginning of year	(27,118)	(18,336)
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (4,127)</u>	<u>\$ (27,118)</u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and cash equivalents	\$ 14,480	\$ 3,448
Bank indebtedness	(8,680)	(4,757)
Short-term borrowing (Note 6)	(9,927)	(25,809)
	<u>\$ (4,127)</u>	<u>\$ (27,118)</u>

See accompanying notes to the consolidated financial statements

schedule 1

OPERATING FUND

For the year ended December 31, 2002 (in thousands of dollars)

	2002 Budget (unaudited)	2002	2001
REVENUES			
Property, business and other taxes (Note 18)	\$ 1,181,885	\$ 1,167,766	\$ 1,169,307
Less: Education taxes (Note 14)	(392,798)	(392,798)	(378,961)
Net taxes available for municipal purposes	789,087	774,968	790,346
Sales of goods and services	462,737	476,634	460,050
Government transfers and revenue sharing agreements			
Federal	23,285	22,494	5,122
Provincial	51,005	48,374	43,137
Dividends from subsidiary operation (Note 16)	35,000	35,000	30,000
Investment income	17,250	31,083	40,765
Fines and penalties	39,901	39,823	39,408
Licences, permits and fees	28,768	34,756	32,882
Miscellaneous revenue	16,471	20,747	20,564
	<u>1,463,504</u>	<u>1,483,879</u>	<u>1,462,274</u>
EXPENDITURES			
Police	211,272	193,761	162,834
Fire	102,356	103,687	97,823
Ambulance and paramedic	31,482	31,714	29,296
Public transit	164,176	165,680	149,315
Streets, traffic and parking	91,209	93,984	88,415
Wastewater treatment and disposal	48,010	47,246	44,523
Water supply and distribution	39,270	40,909	36,053
Solid waste management	31,920	31,247	30,816
Community and social development	44,199	38,890	35,815
Social housing	36,800	35,056	24,874
Parks and recreation facilities	83,288	84,256	80,823
Societies and related authorities	19,239	18,646	19,148
Calgary Public Library	26,151	26,151	24,742
General government	131,349	137,144	113,818
Public works	66,960	66,812	63,215
Real estate services	26,084	13,141	23,430
Financing charges	98,768	98,183	101,977
	<u>1,252,533</u>	<u>1,226,507</u>	<u>1,126,917</u>
Excess revenues over expenditures	210,971	257,372	335,357
Net interfund transfers			
To reserves fund	(95,373)	(129,094)	(207,323)
To capital fund	-	(6,194)	(3,904)
Debt repayment	(115,598)	(115,598)	(108,027)
Change in fund balances	-	6,486	16,103
Opening balance	16,103	16,103	24,410
Appropriation of prior year's surplus	(16,103)	(16,103)	(24,410)
Closing balance	-	\$ 6,486	\$ 16,103

See accompanying notes to the consolidated financial statements

schedule 2

CAPITAL FUND

For the year ended December 31, 2002 (in thousands of dollars)

	2002 Budget (unaudited)	2002	2001
REVENUES			
Government transfers			
Federal	\$ 12,142	\$ 4,021	\$ 477
Provincial	116,844	91,930	180,713
Developer contributions	68,106	37,662	46,098
Donated assets	-	43,984	37,251
Miscellaneous revenue	-	1,727	4,661
	197,092	179,324	269,200
EXPENDITURES			
Police	18,020	11,497	9,348
Fire	13,613	6,607	4,902
Ambulance and paramedic	6,785	1,277	860
Public transit	76,008	66,312	116,212
Streets, traffic and parking	200,619	131,222	118,321
Wastewater treatment and disposal	86,178	49,333	48,550
Water supply and distribution	82,728	72,889	79,593
Solid waste management	14,241	4,254	5,852
Social housing	8,544	5,789	4,795
Parks and recreation facilities	41,797	20,531	27,664
Societies and related authorities	28,344	8,369	9,845
Calgary Public Library	10,462	1,823	3,458
General government	44,564	23,592	26,330
Public works	39,209	13,693	11,109
Real estate services	88,910	30,678	13,966
Fleet services	31,909	15,942	21,510
	791,931	463,808	502,315
Deficiency of revenues over expenditures	(594,839)	(284,484)	(233,115)
Net interfund transfers			
From reserves fund	355,292	126,845	133,162
From operating fund	-	6,194	3,904
New debt issued	239,547	186,779	117,813
Change in fund balances	-	35,334	21,764
Opening balance	57,985	57,985	36,221
Closing balance	\$ 57,985	\$ 93,319	\$ 57,985

See accompanying notes to the consolidated financial statements

schedule 3

RESERVES FUND

For the year ended December 31, 2002 (in thousands of dollars)

	2002	2001
Transfers from operating fund		
Transfers from operating fund	\$ 179,887	\$ 246,787
Transfers to operating fund	(50,793)	(39,464)
Net transfer from operating fund	129,094	207,323
Transfer to capital fund	(126,845)	(133,162)
Transfer from prior year's surplus	16,103	24,410
Change in fund balances	18,352	98,571
Opening balance	334,513	235,942
Closing balance	\$ 352,865	\$ 334,513

See accompanying notes to the consolidated financial statements

schedule 4 - equity in

SUBSIDIARY OPERATION

For the year ended December 31, 2002 (in thousands of dollars)

	2002	2001
Income from subsidiary operation	\$ 166,648	\$ 249,634
Add (deduct):		
Dividends from subsidiary operation	(35,000)	(30,000)
Adoption of future income tax standard (Note 16)	-	315,319
Contribution of share capital	-	1,852
Change in fund balances	131,648	536,805
Opening balance	877,375	340,570
Closing balance	\$ 1,009,023	\$ 877,375

See accompanying notes to the consolidated financial statements

notes to the consolidated FINANCIAL STATEMENTS

December 31, 2002 (in thousands of dollars)

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

1. ACCOUNTING POLICIES

The consolidated financial statements of The City of Calgary ("The City") are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The preparation of 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 revenue and expenditures during the period. Where estimation uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

The following are The City's significant accounting policies:

a) *Reporting Entity*

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. All funds and major related organizations accountable for the administration of their financial affairs and resources to City Council, and which are owned or controlled by The City are included in the consolidated financial statements. In addition, the consolidated financial statements include the operations of related authorities as disclosed in Note 15. ENMAX Corporation ("ENMAX"), a government business enterprise, and a wholly-owned subsidiary of The City, is accounted for using the modified equity method. Under this method, the business enterprise's accounting principles are not adjusted to conform with those of The City, and inter-organizational transactions are not eliminated.

The consolidated financial statements also include operating requisitions for certain educational, cultural, social and other external organizations that have a fiscal relationship with The City, but whose control is the responsibility of separate governing boards.

Excluded are Funds Held in Trust, the Municipal Employees Benefit Association of Calgary and the defined benefit pension plans to which The City's employees and the elected officials belong. Each of these pension plans is reported on separately.

Inter-business unit transactions and balances have been eliminated.

b) *Basis of Accounting*

i) Revenues are recorded on the accrual basis of accounting, whereby revenues are recognized as they are earned and measurable, except for traffic fine revenue. Traffic fine revenue is recorded as cash is received, which is not materially different than recording such revenue on an accrual basis.

- ii) Government transfers are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.
- iii) Expenditures are recognized in the period goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

The consolidated financial statements are presented on a fund accounting basis and include the following funds:

- i) Operating Fund
The operating fund reflects the financial activities associated with the provision of general municipal and utility services during the year.
- ii) Capital Fund
The capital fund reflects the financial activities associated with the acquisition, construction and funding of capital assets.
- iii) Reserve Fund
The reserve fund reflects funds authorized by City Council to be set aside for the funding of future operating or capital expenditures.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term investments with original maturities at the date of acquisition of 90 days or less and are recorded at cost.

e) Investments

Included in investments are temporary investments in money market instruments (excluding treasury bills) and portfolio investments such as fixed income bonds. Investments are recorded at the lower of original cost and market value.

f) Inventories

Materials and supplies are valued at the lower of cost and replacement cost.

g) Capital Assets

Capital assets are recorded at cost in the period they are acquired and also include:

- donated assets which are recorded at their estimated fair value upon acquisition
- assets held under capital leases

Capital assets are not depreciated except those of the water and wastewater utilities, real estate services, fleet services, Calhome Properties Ltd. and the Calgary Parking Authority, which are depreciated on a straight-line basis over their estimated useful lives as follows:

	YEARS
Buildings	25
Systems and structures	30–50
Machinery and equipment	3–20

h) Land Inventory

Land inventory, comprising land held for future development and resale, is valued at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

i) Provision for Solid Waste Landfill Rehabilitation

The Alberta Environmental Protection Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste 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 expenditure, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

j) Equity in Physical Assets

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

k) Employee Benefit Plans

The City has adopted the following policies with respect to employee benefit plans:

- i) The contributions to multi-employer and single employee-group defined-benefit pension plans are expensed when the contributions are made.
- ii) The cost of defined-benefit pension plans and the post-employment benefit obligations are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected salary and benefit escalation and retirement ages of employees. Plan obligations are discounted using current market interest rates.
- iii) The actuarial valuation of the costs of each pension plan also take into account management's best estimate of plan investment performance. Related costs of funded benefits are net of plan assets.
- iv) Past service costs from plan amendments to pension plans are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment.

The City has various post-employment benefits and termination benefits obligations earned by employees and expected to be provided to them when they are no longer providing active service. Historically, municipalities and The City have not provided for and/or fully funded such financial obligations. In accordance with the new PSAB Section 3255 "Post Employment Benefits and Termination Benefits" accounting standard, such obligations must be recorded as a change in accounting policy, applicable for fiscal years beginning January 1, 2004, and applied retroactively.

In anticipation of the Section 3255, The City has recorded its estimated obligations with respect to its post-employment benefits and termination benefits, as an unfunded obligation, as indicated in Note 10 (d). The increase in the unfunded obligation during the year has been charged to the Municipal Position in the consolidated statement of financial position. The City is determining a plan for the long-term funding of these obligations and liabilities.

l) Financial Instruments and Fair Values

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

The City utilizes derivative financial instruments in order to reduce the impact of fluctuating interest rates on its short-term investments and fluctuating foreign currency exchange rates on anticipated future expenditures in foreign currencies. The City's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The City's accounts receivable, investments, short-term borrowings, payables, and long-term debt constitute financial instruments. 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 11 (f).

m) 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.

2. ENMAX CORPORATION

On December 31, 1997 substantially all of the assets, liabilities and operations of The City of Calgary Electric System were transferred to ENMAX Corporation ("ENMAX"), a wholly-owned subsidiary of The City. In turn, ENMAX created ENMAX Power Corporation, a wholly-owned subsidiary, to carry out all wire services functions. In April 1999, ENMAX created ENMAX Energy Corporation, a wholly-owned subsidiary, to carry out all energy services functions when deregulation took place in 2001. In December 2000, ENMAX created ENMAX Encompass Inc., a wholly-owned subsidiary, to carry out customer service, billing and meter reading functions.

The City, as the regulator of ENMAX, approves the electrical rates to charge customers within ENMAX's service area. Upon deregulation, effective January 1, 2001, The City approves only those rates determined for the regulated activities of electricity transmission and distribution. In 2003, the Electrical Utility Regulation Committee (EURC) established by Calgary City Council, will be the regulator of Enmax Power.

Previously, ENMAX was operated and accounted for as a City department. As a government business enterprise, ENMAX is no longer consolidated in The City's financial statements and is accounted for using the modified equity method as a long-term investment.

3. INVESTMENTS

All The City's investments are held in fixed income securities. The cost and market value of the investments as at December 31, are as follows:

	2002		2001	
	Cost	Market Value	Cost	Market Value
Government of Canada bonds	\$ 188,451	\$ 192,048	\$ 173,035	\$ 174,506
Provincial bonds	54,083	56,994	42,199	43,547
Canadian banks	170,325	171,475	127,925	129,017
Other Canadian corporations	370,242	374,273	461,076	463,678
	<u>\$ 783,101</u>	<u>\$ 794,790</u>	<u>\$ 804,235</u>	<u>\$ 810,748</u>

4. OTHER ASSETS

	2002	2001
Deferred charges	\$ 4,880	\$ 5,210
Long-term debt recoverable	5,362	5,609
Assets held by other organizations	4,690	5,356
Current assets	5,781	5,996
Long-term receivables	6,049	3,958
Loan receivables	-	274
	<u>\$ 26,762</u>	<u>\$ 26,403</u>

5. CAPITAL ASSETS

	2002			2001		
	Accumulated Cost	Depreciation	Net Book Value	Accumulated Cost	Depreciation	Net Book Value
Land	\$ 512,627	\$ -	\$ 512,627	\$ 502,719	\$ -	\$ 502,719
Buildings	1,351,676	145,449	1,206,227	1,297,579	135,115	1,162,464
Systems & Structures	4,169,247	474,180	3,695,067	3,970,123	444,643	3,525,480
Machinery & Equipment	860,767	137,674	723,093	818,170	124,230	693,940
	6,894,317	757,303	6,137,014	6,588,591	703,988	5,884,603
Work in Progress						
Land	130,688	-	130,688	125,841	-	125,841
Construction	252,936	-	252,936	154,863	-	154,863
	\$ 7,277,941	\$ 757,303	\$ 6,520,638	\$ 6,869,295	\$ 703,988	\$ 6,165,307

Accumulated depreciation increased in 2002 by charges to the Operating Fund of \$48,701 (2001 - \$45,487) and to equity in capital assets of \$17,544 (2001 - \$16,471), the latter in respect of donated assets.

6. SHORT-TERM BORROWING

Short-term borrowing includes unsecured notes with a par value of \$10,000 (2001 - \$35,000), due within one year, with interest rate of 2.81%.

The discounted value of the notes is \$9,927 (2001 - \$34,316). Short-term borrowings of less than 90 days of \$9,927 (2001 - \$25,809) are treated as cash and cash equivalents on the statement of cash flows.

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 of December 31, The City had drawn \$ nil (2001 - \$1,419) on its line of credit.

7. DEFERRED REVENUE

Deferred revenue comprises the following amounts, which have been received from third parties for a specified purpose. These amounts are recognized as revenue in the period when the related expenditures are incurred.

	2002	2001
Advance sales of goods and services	\$ 7,791	\$ 6,955
Licences, permits and application fees	8,118	6,563
Government transfers	3,511	1,989
Private contributions	382	180
Closing balance	\$ 19,802	\$ 15,687

8. CAPITAL DEPOSITS

Capital deposits represent funds 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 tax revenue sharing agreement. Deposits must be expended on projects for which they may be designated, and are recognized as revenue in the capital fund as expenditures are made. Certain deposits are allocated investment income, and some may become refundable with interest.

Current transactions are summarized below:

	2002	2001
Opening Balance	\$ 249,686	\$ 376,174
New deposits		
Federal government	4,020	477
Provincial government	49,488	41,569
Private sources	31,565	42,109
Investment income	9,789	15,635
Recognized as revenue in capital fund	(133,306)	(224,278)
Transfer to funds held in trust	(885)	(2,000)
Closing Balance	\$ 210,357	\$ 249,686

9. PROVISION FOR SOLID WASTE LANDFILL REHABILITATION

Under environmental law, there is a requirement for closure and post-closure care of solid waste 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 inspection and maintenance. The estimated total liability of \$23,602 (2001 - \$20,987) for these expenditures represent the sum of the discounted future cash flows for closure and post-closure activities for 40 years after closure. The discount rate of 4% was used.

The calculation of the reported liability of \$6,721 (2001 - \$6,643) is based on the cumulative capacity used at December 31, compared to the total estimated landfill capacity at that same date. The estimated remaining capacity of the landfill sites is 67.2 (2001 - 68.5) million cubic metres, which is 72% of the sites' total capacity. The existing landfill sites are expected to reach capacity in the years ranging from 2032 to 2039.

The City has provided a reserve to fund future landfill capital expenditures, which is funded through tipping fees. In 2002, The City reclassified \$1,024 (2001 - \$2,692) from the landfill closure reserve to a liability to account for the provision for site rehabilitation. At December 31, 2002 the balance of this reserve was \$1,065 (2001 - \$75).

10. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations are future liabilities of The City to its employees and retirees for benefits earned but not taken as of December 31, consisting of the following:

	2002	2001
Vacation and overtime	\$ 81,546	\$ 80,323
Post-retirement benefit obligations	73,485	34,492
Firefighters' Supplementary Pension Plan	1,890	2,080
	<u>\$ 156,921</u>	<u>\$ 116,895</u>

- a) The vacation and overtime liability is comprised of the vacation and overtime which employees are deferring to future years.
- b) The post-retirement benefit obligations represent The City's estimated share of future pension and extended benefits to be paid on behalf of existing retirees and current employees. 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 ages of employees. In 2002 a revised actuarial valuation was obtained for the post-retirement benefits, which resulted in a \$11,604 increase in the liability. In 2002, the retiring benefit, consisting of up to 7 weeks of salary upon retirement, was also actuarially valued at \$24,365 and is included in the post-retirement liability at year end.
- c) The City began funding the Firefighters Supplementary Pension Plan liability in 1995 through 15 annual installments. This liability also includes The City's \$90 share of an additional unfunded liability totaling \$163, which was determined by actuarial valuation at December 31, 1998. The City and the International Association of Firefighters Local 255 have agreed to cost share this liability 55% by The City and 45% by the plan members.
- d) Of the total employee benefit obligations, as at December 31, 2002, \$73,614 (2001 - \$38,139) is unfunded. The unfunded obligations have been charged to the Municipal Position in the consolidated statement of financial position. The City is determining a plan for the long-term funding of these obligations, beginning in 2004.

11. LONG-TERM DEBT

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

	2002		2001	
	Tax Supported	Self Supported	Tax Supported	Self Supported
i) Debentures	\$ 494,253	\$ 717,009	\$ 456,120	\$ 701,477
ii) Mortgages and other debt	-	79,426	-	82,462
iii) Capital leases	2,217	-	4,991	-
	496,470	796,435	461,111	783,939
Less				
iv) Debt attributable to ENMAX	-	183,759	-	207,085
	\$ 496,470	\$ 612,676	\$ 461,111	\$ 576,854

- i) Debentures, which are held by the Alberta Municipal Financing Corporation, mature in annual amounts to the year 2022 for tax supported and the year 2023 for self supported.
- ii) Mortgages and other debt, which are predominately held by Canada Mortgage and Housing Corporation, mature in annual amounts to the year 2030. Capital assets of \$113,136 (2001 - \$113,136) are pledged as security against the mortgages.
- iii) Capital leases for computer equipment mature in 2005. The future minimum payments totaling \$2,316 over the next 3 years include interest of \$99 at a weighted average rate of 3.79%.
- iv) The debentures attributable to ENMAX were initially issued by The City on behalf of the Calgary Electric System ("CES") pursuant to City bylaw authorizations prior to January 1, 1998. Pursuant to the Master Agreement between ENMAX Corporation 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 CES from The City to ENMAX Corporation at January 1, 1998. In accordance with a Debt Management Service Level Agreement between The City and ENMAX, The City shall continue to service the existing debentures through the disbursement of principal and interest payments. The City also continues to be liable for the outstanding ENMAX debentures debt to the debenture debt holders. ENMAX is required to reimburse The City for all principal repayments 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. No issues were made by The City on behalf of ENMAX in 2001 or 2002.

- b) Long-term debt is repayable as follows:

	Tax Supported	Self Supported	Less: Debt Attributable To ENMAX	Total
2003	\$ 61,640	\$ 87,613	\$ 23,188	\$ 126,065
2004	58,097	88,038	22,880	123,255
2005	59,221	86,640	22,619	123,242
2006	57,283	83,053	18,781	121,555
2007	51,120	81,026	19,069	113,077
Thereafter	209,109	370,065	77,222	501,952
	\$ 496,470	\$ 796,435	\$ 183,759	\$1,109,146

- c) Debenture interest is payable, before Provincial subsidy, at rates ranging from 4.63% to 12.0% per annum. Debenture debt held at year end has an average rate of interest of 9.01% (2001 - 9.21%) before Provincial subsidy, and 8.45% (2001 - 8.57%) after Provincial subsidy.

The mortgages of Calhome Properties Ltd. of \$65,569 (2001 - \$68,339) are payable with interest ranging from 4.53% to 7.52% before interest rate subsidy. The effective interest rate after the subsidy for the fixed-subsidy projects is 2.0% (2001 - 2.0%).

- d) The Government of Alberta, under its Municipal Debenture Interest Rebate Program, rebates the interest paid in excess of levels that ranged from 8% to 11% on most debentures issued between 1974 and 1986.

- e) Interest charges:

	2002		2001	
	Tax Supported	Self Supported	Tax Supported	Self Supported
Debenture interest	\$ 49,026	\$ 44,839	\$ 49,680	\$ 48,756
Other interest and charges	4,318	-	3,541	-
	\$ 53,344	\$ 44,839	\$ 53,221	\$ 48,756

- f) The estimated fair value of The City's long-term debt is \$1,253,786. Calculation of the estimated fair value of the debt is based on current lending rates obtainable for debentures with comparable maturities from The City's primary lender, the Alberta Municipal Financing Corporation.

- g) Section 271 of the Municipal Government Act requires that debt and debt limits and the debt service limits, which include both interest and principal payments, as defined in regulation 375/94, be disclosed. The debt limit is calculated at 2 times revenue (as defined in the Regulation) 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 a conservative guideline used by Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation, taken alone, does not represent the financial stability of the municipality as the financial statements must be interpreted as a whole.

	2002	2001
Total Debt Limit	\$ 3,231,052	\$ 3,363,816
Total Debt (short and long term)	1,119,073	1,073,700
Percentage used (%)	34.63	31.92
Total Debt Service Limit	\$ 565,434	\$ 588,668
Total Debt Service	234,753	217,490
Percentage used (%)	41.52	36.95

12. RESERVES

As at December 31, 2002, reserves consist of operating and capital reserves and the retained earnings of municipal enterprises and related authorities, as follows:

	2002	2001
Reserves		
Mill rate stabilization	\$ 92,949	\$ 78,426
Future capital	81,765	104,406
Transportation capital financing	27,922	25,412
Capital expenditures	23,531	15,664
Environmental control	12,597	9,224
Lifecycle and energy issues	9,531	3,000
Storm sewer upgrade	9,158	7,118
Self-insurance	6,230	7,000
Innovative technology	5,961	8,513
Social services programs	4,220	2,317
Emerging social issues	3,719	3,753
Corporate housing capital	2,726	1,563
Downtown improvement fund	1,933	2,327
Major project	1,597	1,597
Special dividend operating	-	3,000
Other operating	18,282	17,084
	<u>302,121</u>	<u>290,404</u>
Retained earnings		
Real estate services	\$ 39,422	\$ 33,426
Wastewater	5,000	5,000
Waterworks	5,000	5,000
Calhome Properties Ltd.	1,322	683
	<u>50,744</u>	<u>44,109</u>
	<u>\$ 352,865</u>	<u>\$ 334,513</u>

Current activity in the Mill Rate Stabilization Reserve is as follows:

	2002	2001
Opening balance	\$ 78,426	\$ 65,112
Net contribution to operations	(12,730)	(14,293)
Transfer from operating fund	16,103	24,410
Transfer from operating initiatives reserve	11,150	3,197
Closing balance	<u>\$ 92,949</u>	<u>\$ 78,426</u>

13. LOCAL IMPROVEMENT LEVIES

Local improvement levies are collectable from property owners for work authorized by them and performed by The City. The costs of construction and borrowing are recorded as incurred and recovered in annual amounts during the period of related borrowing to a maximum of 20 years. At December 31, 2002, the outstanding costs collectable in future years amount to \$60,950 (2001 - \$60,105) which are not reflected in the consolidated statement of financial position.

14. EDUCATION REQUISITIONS

The City is required to collect education taxes under section 353 of the Municipal Government Act. The amount of these education requisitions are determined solely by the Government of Alberta. All supplementary tax collections above the requisitioned amounts become payable to the provincial government in the year following. The Alberta Government revised its policy in 2000 regarding education tax refunds due to changes to the assessment roll, or due to decisions of the Assessment Review Board and the Municipal Government Board. Prior to 2000, the Alberta Government, through the Alberta School Foundation Fund, had refunded to The City of Calgary any education property tax amounts that had been refunded to the taxpayer by The City. Under the new policy, Calgary taxpayers alone will fund the cost of any current education tax refunds, through an increase to the subsequent year's education property tax rate.

	2002	2001
Total education requisitions	\$ 390,573	\$ 374,405
Total collections	384,616	372,180
Amount to be recovered in future years	\$ 5,957	\$ 2,225

15. RELATED AUTHORITIES

The assets and liabilities and the operations of the following related authorities are included in The City's financial statements. Transactions between and year-end balances for the Related Authorities and The City have been eliminated.

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.

Calhome Properties Ltd., which operates 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.

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

	2002			2001		
	Calgary Parking Authority	Calgary Public Library	Calhome Properties Ltd.	Calgary Parking Authority	Calgary Public Library	Calhome Properties Ltd.
Financial Position						
Current assets	\$ 1,270	\$ 7,759	\$ 13,012	\$ 978	\$ 8,638	\$ 12,328
Capital assets	91,188	42,610	94,779	89,159	41,351	94,668
Other assets	1,307	558	4	1,325	530	4
	93,765	50,927	107,795	91,462	50,519	107,000
Current liabilities	10,288	1,951	13,480	9,586	3,125	13,563
Long-term debt	2,437	8,396	65,569	3,467	9,343	68,340
Other liabilities	529	87	523	447	133	440
	13,254	10,434	79,572	13,500	12,601	82,343
Net assets	\$ 80,511	\$ 40,493	\$ 28,223	\$ 77,962	\$ 37,918	\$ 24,657
Results of operations						
Total revenues	\$ 39,728	\$ 29,327	\$ 43,165	\$ 38,497	\$ 27,503	\$ 32,224
Total expenditures	18,870	26,974	39,581	17,280	25,334	28,826
Income before appropriations	20,858	2,353	3,584	21,217	2,169	3,398
Internal transfers	(6,930)	(2,243)	(3,584)	(7,697)	(1,820)	3,398
To The City operating fund	(13,928)	-	-	(13,520)	-	-
Change in fund balance	\$ -	\$ 110	\$ -	\$ -	\$ 349	\$ -

16. SUBSIDIARY OPERATION

- a) The following table provides condensed supplementary financial information reported separately by ENMAX Corporation.

	2002	2001
Financial Position		
Current assets	\$ 220,740	\$ 291,889
Power purchase arrangements	179,733	222,003
Deregulation adjustment rider receivable	97,888	78,286
Future income taxes	231,831	277,727
Capital assets	633,181	520,148
Total assets	1,363,373	1,390,053
Current liabilities (including current portion of long-term debt \$23,188, 2001 - \$23,326)	183,987	206,028
Commercial paper issued	-	113,747
Other long-term liabilities	9,793	9,145
Long-term debt	160,570	183,758
Total liabilities	354,350	512,678
Net assets	\$ 1,009,023	\$ 877,375
Results of Operations		
Revenues	\$ 1,150,435	\$ 1,440,291
Operating expenses	849,808	1,009,509
Interest charges (net)	14,793	28,563
Municipal consent and access fee	72,223	110,626
Net income before income tax	213,611	291,593
Income tax	46,963	41,959
Net earnings	166,648	249,634
Dividends paid	35,000	30,000
Adoption of future income tax standard (Note 16)	-	315,319
Share capital contribution	-	1,852
Increase in equity	131,648	536,805
Net assets, beginning of year	877,375	340,570
Net assets, end of year	\$ 1,009,023	\$ 877,375

Debentures reported by ENMAX Corporation have been issued in the name of The City (Note 11).

- b) Prior to 2001, ENMAX and its subsidiaries were not subject to federal and provincial income taxes because ENMAX is municipally owned. The Government of Alberta, however, has developed a regulation to the Electric Utilities Act that requires municipally-owned entities to make payments in lieu of income taxes on certain portions of their operations. This new regulation was effective for fiscal 2001.

To reflect the impact of this new regulation, ENMAX has recorded income tax expense for fiscal 2001. In addition, ENMAX has adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to future income taxes. These recommendations provide for the liability method of tax allocation. This accounting change was effective January 1, 2001.

A future income tax asset and corresponding increase in retained earnings amounting to \$315,319 was recorded by ENMAX January 1, 2001. The future income tax asset was subsequently drawn down for the year ended December 31, 2001 by a charge to future income tax expense of \$37,592.

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

	2002	2001
Received by The City		
Dividends	\$ 35,000	\$ 30,000
Municipal consent and access fee	72,223	110,626
Sales of services	11,380	13,605
Purchased by The City		
Power and other services	\$ 63,102	\$ 61,124

Included in accounts payable is \$18,714 (2001 - \$12,225) for amounts owed to ENMAX at December 31, 2002. Included in accounts receivable is \$11,915 (2001 - \$13,618) for amounts owing to The City from ENMAX at December 31, 2002. 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, and accordingly have been measured and recorded at the exchange amount.

17. PENSION AND BENEFIT PLANS

Civic employees and elected officials qualify to belong to one or more defined-benefit pension plans which The City funds. The City's contributions for current and past service are recorded as expenditures in the year in which they become due. Each of these pension plans is outlined below:

- a) Civic employees, with the exception of law enforcement officers, are members of the Local Authorities Pension Plan of the Province of Alberta ("LAPP"), a multi-employer plan. Under the Alberta Public Sector Pension Plans Act, The City makes current service contributions to a multi-employer plan of 5.025% of pensionable payroll up to the year's maximum pensionable earnings ("YMPE") plus 6.9% of pensionable salary over the YMPE. Employees are required to make current service contributions of 4.025% of the YMPE plus 5.9% of any portion of pensionable salary over the YMPE. Total current and past service contributions by The City to the LAPP in 2002 were \$25,198 (2001 - \$22,287). Total current and past service contributions by the employees of The City to the LAPP in 2002 were \$21,054 (2001 - \$18,568).
- b) Police officers are members of the Special Forces Pension Plan of the Province of Alberta ("SFPP"), a multi-employer plan. The contribution rates for 2002 and 2001 are 9.8% of pensionable earnings for The City and 8.7% of pensionable salaries for police officers. Total current and past service contributions by The City to the SFPP in 2002 were \$8,402 (2001 - \$8,056). Total current and past service contributions by the police officers to the SFPP in 2002 were \$7,647 (2001 - \$7,304).
- c) The Firefighters' Supplementary Pension Plan ("FSPP") provides retirement and death benefits to its members. The contribution rates for 2002 and 2001 are 2.21% of pensionable salaries for The City and 1.8% of pensionable salaries for members, in accordance with the 55% / 45% cost sharing agreement. Total current and past service contributions by The City to the FSPP in 2002 were \$1,615 (2001 - \$1,352). Total current and past service contributions by the employees to the FSPP in 2002 were \$1,403 (2001 - \$1,126).

- d) The Supplementary Pension Plan ("SPP") commenced on February 1, 2000 and provides optional benefits to The City's management employees. The contribution rates for 2002 and 2001 are 2.14% of pensionable salaries for The City and 1.58% of pensionable salaries for members. Total current and past service contributions by The City to the SPP in 2002 were \$518 (2001 - \$516). Total current and past service contributions by the elected officials to the SPP in 2002 were \$406 (2001 - \$389).
- e) The Elected Officials Pension Plan ("EOPP") commenced on October 1, 1989 and provides optional benefits to The City's elected officials. The contribution rates are 10.7% (2001 - nil%) of pensionable salaries for The City and 9.00% (2001 - 9%) of pensionable salaries for members. Total current and past service contributions by The City to the EOPP in 2002 were \$68 (2001 - \$nil). Total current and past service contributions by the elected officials to the EOPP in 2002 were \$59 (2001 - \$51).
- f) The Calgary Police Supplementary Pension Plan ("PSPP") commenced on January 1, 1975 and provides supplementary pension benefits to those police officers that retired prior to September 1, 1979. Police officers who have retired, after September 1, 1979, are covered under the SFPP. The City provides additional funding, as required, to make payments to the pensioners of the PSPP, which are expensed in the year such payments are made. As at December 31, 2002, The City has included \$1,284 related to PSPP in employee benefit obligations.
- g) The following table sets out the extrapolated pension plan assets and liabilities as at December 31, 2002:

	FSPP	EOPP	PSPP
Fair value of assets available for benefits	\$ 102,316	\$ 1,629	\$ 2,144
Accrued benefit obligation (Note 17h)	105,954	1,889	2,255
Funded status - surplus (deficit)	\$ (3,638)	\$ (260)	\$ (111)
Last actuarial report completed as at:	Dec 31, 2001	Jan 1, 2002	Dec 31, 2001
Actuarial valuation completed by:	Mercer Human Resource Consulting	Watson Wyatt Canada	Watson Wyatt Canada

- h) In compliance with the plan texts, The City engages external consultants to perform tri-annual valuations for each of the registered pension plans. The accrued benefit obligations reported for the EOPP and the PSPP at December 31, 2002, are the same amounts as are reported in the most recent actuarial reports, as management estimates that these liabilities have not changed materially since that date. The first SPP actuarial valuation will be completed during 2003. The SPP's market value of assets as at December 31, 2002 is \$2,048. The last actuarial valuation for EOPP, dated January 1, 2002 determined that the unfunded liability and the solvency deficiency for EOPP is \$110 and \$181 respectively. These amounts are being funded by The City evenly over the next fifteen and five years respectively. The funding for 2002 totaled \$54. The extrapolated funding deficit in FSPP as at December 31, 2002 is \$3,638. Upon completion of an actuarial report in 2003, any unfunded liability identified will be funded 55% by The City, based on the cost-sharing agreement.

18. PROPERTY, BUSINESS AND OTHER TAXES

Property, business and other tax revenues comprise the following amounts:

	2002	2001
Property taxes	\$ 883,592	\$ 837,045
Business taxes	146,128	142,217
Revenue in lieu of taxes	130,725	183,174
Local improvement levies	7,321	6,871
	\$ 1,167,766	\$ 1,169,307

19. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Capital commitments of \$162,725 (2001 - \$193,669) are not reflected in the financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2002, on major projects and estimated obligations under other various agreements. These capital commitments were included in the current year's capital budget of \$791,931 (2001 - \$831,694).
- b) 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 for. 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.
- c) Where estimated reclamation and closure costs are reasonably determinable, The City has recorded a total provision in the amount of \$3,100 (2001 - \$1,900) 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 becomes available.
- d) As at December 31, 2002, there were various property 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.

20. EXECUTIVE SALARIES AND BENEFITS

Disclosure of executive salaries and benefits, as required by provincial regulations in the Municipal Government Act, is as follows:

	2002			2001		
	Salaries	Benefits	Total	Salaries	Benefits	Total
Mayor	\$ 108	\$ 15	\$ 123	\$ 104	\$ 9	\$ 113
Aldermen (14)	788	189	977	711	153	864
Current Chief Executive Officer	223	26	249	239	23	262
Former Chief Executive Officer	-	-	-	24	5	29
Designated Officers (4)	546	73	619	535	70	605

Notes:

1. The 14 aldermen each received a salary of \$56 and benefits ranging between \$13 and \$14. The mayor and aldermen's salaries, and car allowance included in benefits has a 1/3 non-taxable component.
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. In 2001, a transition allowance of \$40 was paid to the former Mayor and \$40 was paid to aldermen who left office following the October 2001 municipal elections. The allowances are not included in the salary and benefits amounts.
3. A new Chief Executive Officer ("CEO") was hired on January 15, 2001 to replace the retiring CEO effective February 3, 2001. In 2001, \$340 of accrued vacation payouts and retirement allowances were paid to the retiring CEO. The allowances are not included in the salary and benefits amounts.
4. The designated officers are The City Assessor, City Clerk, City Solicitor and City Treasurer. During 2002 two employees acted in the position of City Solicitor, replacing the former City Solicitor. In 2002 the former City Solicitor received accrued vacation and other benefits of \$127. These amounts have not been included in the designated officers' salary and benefits reported above.

21. FINANCIAL INSTRUMENTS

The City engages in financial instrument derivatives pertaining to interest rate risk and foreign exchange hedging.

Interest Rate:

At December 31, 2002, The City had not fixed any of its anticipated short-term requirements. See Note 1 I).

Foreign Exchange:

At December 31, 2002, The City had 11 foreign exchange fixed contract arrangements in place, for committed and anticipated foreign merchandise purchases for the year December 31, 2002 to 2003, totaling \$17,451(U.S.). Under the terms of the contract arrangements, The City has fixed its exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with schedule 1 Canadian banks. The rates amounts and time periods are set forth below:

Time Period/Date for Exercising Contract	Fixed Rate	Contract Amount in U.S.\$
June 21, 2002 to February 14, 2003	1.538	\$ 130
June 21, 2002 to March 28, 2003	1.541	121
February 16, 2000 to January 3, 2003	1.429	6,400
February 18, 2000 to April 1, 2003	1.422	1,900
February 18, 2000 to May 1, 2003	1.417	1,800
February 18, 2000 to June 2, 2003	1.417	1,900
February 18, 2000 to July 2, 2003	1.416	600
February 18, 2000 to Aug 1, 2003	1.416	1,300
February 18, 2000 to Sep 2, 2003	1.415	600
February 18, 2000 to Oct 1, 2003	1.414	1,300
February 18, 2000 to Nov 3, 2003	1.414	1,400
		\$ 17,451

During the fiscal year ended December 31, 2002, the various arrangements for foreign merchandise purchases cost The City \$2,205 less than if the arrangements had not been entered into.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2002 financial statement presentation.

financial and statistical
SCHEDULES

(unaudited)

consolidated

REVENUE BY SOURCE unaudited

1998 to 2002 (In thousands of dollars)

	2002		2001	
	Operating	Capital	Operating	Capital
Property taxes	883,592		837,045	
Business taxes	146,128		142,217	
Revenue in lieu of taxes	130,725		183,174	
Local improvement levies	7,321		6,871	
	1,167,766	-	1,169,307	-
Less: Education taxes	(392,798)		(378,961)	-
Net taxes available for municipal purposes	774,968	-	790,346	-
Sales of goods and services				
Water and sewer	222,520		219,427	
Public transit	79,309		60,651	
Real estate	31,760		46,124	
Recreation and culture	28,687		28,430	
Parking	31,520		30,359	
Social housing	31,661		23,563	
Protective services	20,634		19,676	
Waste disposal	17,714		15,573	
Other	12,829		16,247	
	476,634	-	460,050	-
Government transfers				
Federal				
Debenture interest rebates	1,482	-	1,679	-
Shared-cost agreements and grants	21,012 ⁽¹⁾	4,021	3,443	477
Provincial				
Debenture interest rebates	5,455	-	6,324	-
Entitlements	10,431	-	11,685	-
Shared-cost agreements and grants	32,488	91,930	25,128	180,713
	70,868	95,951	48,259	181,190
Other revenue				
Dividends from subsidiary operation	35,000	-	30,000	-
Developer contributions	-	37,662	-	46,098
Donated assets	-	43,984	-	37,251
Investment income	31,083	-	40,765	-
Fines and penalties	39,823	-	39,408	-
Licences, permits and fees	34,756	-	32,882	-
Miscellaneous revenue	20,747	1,727	20,564	4,661
	161,409	83,373	163,619	88,010
Total revenue	1,483,879	179,324	1,462,274	269,200

1. Includes \$17,285 for G-8 Summit.

2000		1999		1998	
Operating	Capital	Operating	Capital	Operating	Capital
809,116		769,150		717,211	
134,501		129,833		127,074	
129,904		92,170		89,000	
6,103		5,734		6,298	
1,079,624	-	996,887	-	939,583	-
(389,181)	-	(380,450)	-	(358,059)	-
690,443	-	616,437	-	581,524	-
210,364		202,704		200,963	
71,240		65,539		62,374	
36,086		38,430		39,342	
25,078		24,485		26,582	
27,196		25,549		23,893	
17,788		16,013		15,111	
18,492		16,690		13,970	
15,093		12,505		11,253	
14,097		16,292		17,500	
435,434	-	418,207	-	410,988	-
1,891	-	1,958	-	1,926	-
2,719	88	1,895	638	2,062	9,435
7,247	-	8,174	-	9,040	-
11,402	-	13,103	-	12,933	-
39,909	93,425	15,011	74,909	15,073	42,082
63,168	93,513	40,141	75,547	41,034	51,517
29,889	-	33,958	-	27,991	-
-	50,555	-	48,670	-	41,125
-	18,219	-	42,722	-	46,604
37,601	-	27,138	-	32,625	-
37,451	-	35,213	-	32,814	-
30,473	-	28,838	-	32,534	-
38,751	1,186	20,978	926	12,506	160
174,165	69,960	146,125	92,318	138,470	87,889
1,363,210	163,473	1,220,910	167,865	1,172,016	139,406

consolidated expenditure

BY FUNCTION unaudited

1998 to 2002 (In thousands of dollars)

	2002		2001	
	Operating	Capital	Operating	Capital
Protective services				
Police (see note below)	193,761	11,497	162,834	9,348
Fire	103,687	6,607	97,823	4,902
Ambulance and paramedic	31,714	1,277	29,296	860
	329,162	19,381	289,953	15,110
Transportation				
Public transit	165,680	66,312	149,315	116,212
Streets, traffic and parking	93,984	131,222	88,415	118,321
	259,664	197,534	237,730	234,533
Environmental protection				
Wastewater treatment and disposal	47,246	49,333	44,523	48,550
Water supply and distribution	40,909	72,889	36,053	79,593
Solid waste management	31,247	4,254	30,816	5,852
	119,402	126,476	111,392	133,995
Social development				
Community and social services	38,890	-	35,815	-
Social housing	35,056	5,789	24,874	4,795
	73,946	5,789	60,689	4,795
Recreation and culture				
Parks and recreation facilities	84,256	20,531	80,823	27,664
Societies and related authorities	18,646	8,369	19,148	9,845
Calgary Public Library	26,151	1,823	24,742	3,458
	129,053	30,723	124,713	40,967
Other expenditure				
General government	137,144	23,592	113,818	26,330
Public works	66,812	13,693	63,215	11,109
Real estate services	13,141	30,678	23,430	13,966
Fleet services	-	15,942	-	21,510
	217,097	83,905	200,463	72,915
Interest charges				
Tax supported	53,345	-	53,221	-
Self supported	44,838	-	48,756	-
	98,183	-	101,977	-
Total expenditure	1,226,507	463,808	1,126,917	502,315

Notes: Depreciation is not included in operating expenditures.
Police expenditures in 2002 include \$17,285 for G-8 Summit.

2000		1999		1998	
Operating (Restated)	Capital	Operating	Capital	Operating (Restated)	Capital
149,722	7,791	137,533	7,707	125,328	5,249
91,150	2,800	86,303	4,644	82,457	5,217
24,680	88	21,741	543	19,748	409
265,552	10,679	245,577	12,894	227,533	10,875
141,984	76,704	133,683	38,768	113,763	17,464
83,159	127,354	78,867	79,929	78,488	60,411
225,143	204,058	212,550	118,697	192,251	77,875
41,066	17,741	35,720	52,869	31,526	55,639
33,835	59,820	30,626	52,555	27,138	52,264
28,217	2,977	25,844	4,467	27,084	5,401
103,118	80,538	92,190	109,891	85,748	113,304
34,832	-	40,607	-	35,514	-
18,898	3,405	12,039	1,962	10,731	227
53,730	3,405	52,646	1,962	46,245	227
72,102	49,680	67,666	37,344	71,854	20,714
19,399	5,166	19,549	2,281	19,133	5,743
23,097	2,254	21,909	1,354	21,021	1,441
114,598	57,100	109,124	40,979	112,008	27,898
109,655	27,196	86,446	19,030	81,787	9,665
54,987	24,329	51,523	42,470	44,631	14,530
20,714	10,716	18,693	11,574	19,016	15,555
-	18,279	-	15,804	-	17,162
185,356	80,520	156,662	88,878	145,434	56,912
56,940		60,142		65,049	
50,209		52,251		54,400	
107,149	-	112,393	-	119,449	-
1,054,646	436,300	981,142	373,301	928,668	287,091

expenditure by object-

OPERATING FUND unaudited

1998 to 2002 (in thousands of dollars)

	2002	2001	2000	1999	1998
Salaries, wages and benefits	\$ 859,022	\$ 766,215	\$ 734,791	\$ 690,695	\$ 641,459
Contracted and general services	234,023	196,417	169,162	152,762	135,658
Materials, equipment and supplies	165,722	148,132	138,882	126,599	117,587
Interest charges					
Tax supported	53,345	53,221	56,940	60,142	65,049
Self supported	44,838	48,756	50,209	52,251	54,400
Third-party social, cultural and recreation programs	72,945	80,107	65,466	50,159	51,909
Utilities	51,360	38,301	36,210	30,513	30,288
Internal recoveries	(254,748)	(204,232)	(197,014)	(181,979)	(167,682)
Total expenditure	\$ 1,226,507	\$ 1,126,917	\$ 1,054,646	\$ 981,142	\$ 928,668

consolidated

INVESTMENTS unaudited

1998 to 2002 (in thousands of dollars)

	2002	2001	2000	1999	1998
	Cost	Cost	Cost	Cost	Cost
Government of Canada bonds	\$ 188,451	\$ 173,035	\$ 176,744	\$ 162,256	\$ 189,073
Provincial bonds	54,083	42,199	42,417	52,019	37,368
Canadian banks	170,325	127,925	134,253	54,819	92,896
Other Canadian corporations	370,242	461,076	378,756	241,202	180,847
	\$ 783,101	\$ 804,235	\$ 732,170	\$ 510,296	\$ 500,184

	Market Value	Market Value	Market Value	Market Value	Market Value
Government of Canada bonds	\$ 192,048	\$ 174,506	\$ 178,879	\$ 160,728	\$ 189,851
Provincial bonds	56,994	43,547	43,035	50,563	39,178
Canadian banks	171,475	129,017	134,371	53,659	92,780
Other Canadian corporations	374,273	463,678	379,296	240,735	179,994
	\$ 794,790	\$ 810,748	\$ 735,581	\$ 505,685	\$ 501,803

consolidated

RESERVES unaudited

1998 to 2002 (in thousands of dollars)

	2002	2001	2000	1999	1998
Reserves:					
Mill rate stabilization	\$ 92,949	\$ 78,426	\$ 65,112	\$ 62,853	\$ 78,254
Future capital	81,765	104,406	30,734	2,830	14,805
Transportation capital financing	27,922	25,412	19,328	12,868	6,444
Capital expenditures	23,531	15,664	20,460	21,065	12,005
Environmental control	12,597	9,224	7,535	5,369	5,928
Lifecycle & energy issues	9,531	3,000	-	-	-
Storm sewer upgrade	9,158	7,118	5,167	2,896	3,840
Self-insurance	6,230	7,000	7,000	7,000	7,000
Innovative technology	5,961	8,513	11,166	10,944	8,020
Social services programs	4,220	2,317	2,366	2,690	1,738
Emerging social issues	3,719	3,753	3,815	3,839	6,273
Corporate housing capital reserve	2,726	1,563	3,728	4,625	-
Downtown improvement fund	1,933	2,327	2,555	2,493	2,595
Major project	1,597	1,597	-	-	-
Special dividend operating	-	3,000	-	-	-
Other	18,282	17,084	12,443	9,364	13,974
	302,121	290,404	191,409	148,836	160,876
Retained earnings:					
Real Estate Services	39,422	33,426	34,488	35,780	32,846
Wastewater	5,000	5,000	5,000	5,000	5,000
Waterworks	5,000	5,000	5,000	5,000	5,000
Calhome Properties Ltd.	1,322	683	45	(294)	(834)
	50,744	44,109	44,533	45,486	42,012
	\$ 352,865	\$ 334,513	\$ 235,942	\$ 194,322	\$ 202,888

taxation and ASSESSMENTS unaudited

1998 to 2002 (in thousands of dollars unless otherwise stated)

	2002	2001	2000	1999	1998	
TAX RATES						
Residential						
Municipal and Library	mills	4.394	4.297	4.440	4.464	5.779
Education	mills	4.579	4.649	5.252	5.482	7.340
Non-Residential						
Municipal and Library	mills	13.800	13.668	13.336	12.940	18.786
Education	mills	6.707	7.040	7.408	7.683	10.601
ASSESSED VALUES						
Residential	56,612,851	53,616,824	49,545,613	46,243,402	32,821,069	
Percentage of total (%)	75.1	75.7	75.4	75.2	76.9	
Commercial, industrial and farm	18,740,036	17,242,694	16,184,543	15,274,688	9,861,710	
Percentage of total (%)	24.9	24.3	24.6	24.8	23.1	
Total assessment	75,352,887	70,859,518	65,730,156	61,518,090	42,682,779	
TAX LEVIES						
Municipal taxes						
Property tax						
Residential	248,172	234,304	221,706	206,272	191,391	
Non-residential	250,507	231,662	206,878	190,867	179,278	
Business tax	146,128	142,217	134,501	129,833	127,074	
Revenue in lieu of taxes	122,841	175,292	121,255	83,731	77,483	
Local improvements	7,320	6,871	6,103	5,734	6,298	
	774,968	790,346	690,443	616,437	581,524	
Education taxes						
Property tax						
Residential	258,594	249,020	260,047	254,106	241,720	
Non-residential	126,319	122,059	120,485	117,905	104,822	
Revenue in lieu of taxes	7,885	7,882	8,649	8,439	11,517	
	392,798	378,961	389,181	380,450	358,059	
Total taxes levied	1,167,766	1,169,307	1,079,624	996,887	939,583	
Percentage of Total Levies						
Property tax						
Residential property	43.4%	41.3%	44.6%	46.2%	46.1%	
Non-residential property	32.2%	30.2%	30.3%	31.0%	30.2%	
Local improvement	0.6%	0.6%	0.6%	0.6%	0.7%	
Business tax	12.5%	12.2%	12.5%	13.0%	13.5%	
Revenue in lieu of taxes	11.2%	15.7%	12.0%	9.2%	9.5%	

taxation and ASSESSMENTS unaudited

1998 to 2002 (in thousands of dollars unless otherwise stated)

	2002	2001	2000	1999	1998
PROPERTY TAXES - Continuity					
Taxes receivable, January 1	\$ 23,847	\$ 25,573	\$ 20,459	\$ 17,877	\$ 22,107
Current levies					
Property taxes	891,264	847,537	825,516	775,184	733,005
Business taxes	146,128	142,821	136,198	131,846	127,073
Non-tax items for collection	551	492	618	396	519
Penalties	4,719	4,593	4,209	3,944	3,686
Cancellation of tax arrears	(1,937)	(1,540)	(5,786)	(1,232)	(3,416)
Write-off of taxes	(984)	(686)	(573)	(519)	(652)
	1,063,588	1,018,790	980,641	927,496	882,322
Collections					
Current	(1,018,468)	(972,971)	(942,122)	(891,941)	(847,028)
Arrears	(20,027)	(21,972)	(12,946)	(15,096)	(17,417)
Subtotal	25,093	23,847	25,573	20,459	17,877
Allowance for doubtful accounts	(1,200)	(1,500)	(800)	(800)	(900)
Taxes receivable, December 31	\$ 23,893	\$ 22,347	\$ 24,773	\$ 19,659	\$ 16,977
Percentage of current taxes collected (%)	98.2	98.2	98.0	98.3	98.5
Taxes outstanding as a percentage of the current levy (%)	2.3	2.3	2.6	2.2	2.0
Other Major Tax Levies:					
Revenue in lieu of taxes					
Municipal consent and access fee	\$ 72,223	\$ 110,626	\$ 68,980	\$ 47,516	\$ 45,737
Franchise fees	52,150	66,321	53,027	36,053	33,679
Governments					
Provincial	3,091	3,263	5,086	5,997	6,316
Federal	3,262	2,964	2,811	2,604	3,268
	\$ 130,726	\$ 183,174	\$ 129,904	\$ 92,170	\$ 89,000

continuity of LONG-TERM DEBT unaudited

1998 to 2002 (in thousands of dollars unless otherwise stated)

	2002	2001	2000	1999	1998
Opening balance	\$ 1,037,965	\$ 1,028,179	\$ 1,044,684	\$ 1,093,945	\$ 1,151,223
New issues or additions during the year					
Tax supported					
Debentures	95,758	33,100	48,760	29,004	-
Mortgages and other debt	-	-	-	-	-
Capital leases	571	2,739	6,230	-	-
Transfers/reclassifications	-	-	-	-	5,996
	96,329	35,839	54,990	29,004	5,996
Self supported					
Debentures	86,118	76,383	27,808	18,928	20,336
Local improvement debentures	4,332	5,591	5,328	2,685	8,161
Mortgages and other debt	-	-	1,150	-	-
Transfers/reclassifications	-	-	-	-	-
	90,450	81,974	34,286	21,613	28,497
Debt repaid during the year					
Tax supported					
Debentures	(57,576)	(57,683)	(60,796)	(58,610)	(54,918)
Local improvement debentures	(49)	(45)	(42)	(625)	(718)
Mortgages and other debt	-	-	-	-	-
Capital leases	(3,345)	(2,830)	(1,148)	-	-
Transfers/reclassifications	-	-	-	-	-
	(60,970)	(60,558)	(61,986)	(59,235)	(55,636)
Self supported					
Debentures	(48,156)	(41,736)	(38,194)	(34,667)	(30,022)
Local improvement debentures	(3,427)	(2,785)	(2,494)	(3,132)	(3,127)
Mortgages and other debt	(3,045)	(2,948)	(3,107)	(2,826)	(2,783)
Capital leases	-	-	-	(18)	(203)
Transfers/reclassifications	-	-	-	-	-
	(54,628)	(47,469)	(43,795)	(40,643)	(36,135)
Increase (Decrease)					
Tax supported	35,359	(24,719)	(6,996)	(30,231)	(49,640)
Self supported	35,822	34,505	(9,509)	(19,030)	(7,638)
Net increase (decrease) during the year	71,181	9,786	(16,505)	(49,261)	(57,278)
Closing balance	\$ 1,109,146	\$ 1,037,965	\$ 1,028,179	\$ 1,044,684	\$ 1,093,945
Total debt paid as % of total expenditures (excludes ENMAX)	6.5	6.2	6.6	6.8	6.7
Percentage of legal debt limit as per Municipal Government Act (see note 11)	34.7	31.9	38.2	43.6	46.0

continuity of LONG-TERM DEBT unaudited

1998 to 2002 (in thousands of dollars unless otherwise stated)

	2002	2001	2000	1999	1998
Tax Supported					
Calgary Public Library	\$ 5,418	\$ 6,334	\$ 7,166	\$ 7,922	\$ 8,610
Corporate Services	1,931	2,609	3,225	3,786	4,419
Drainage	10,660	13,347	15,834	18,420	20,817
Emergency Medical Services	-	-	-	-	-
Facility Management	83,986	91,755	98,732	101,376	94,961
Fire	5,944	7,165	8,264	9,526	10,663
Information Technology Services	2,092	5,063	5,130	563	613
Parks and Recreation	94,714	89,302	88,661	77,892	86,720
Police	3,087	3,869	4,776	5,059	5,737
Real Estate Services	2,996	2,996	2,996	2,996	2,996
Roads	112,573	82,558	97,023	108,431	126,769
Societies & Related Authorities	5,794	7,434	8,899	10,207	11,376
Waste & Recycling Services	3,631	4,319	4,934	6,484	7,002
Transit	163,644	144,360	140,190	140,164	142,374
	496,470	461,111	485,830	492,826	523,057
Tax supported, % of total	44.8	44.4	47.3	47.2	47.8
Per capita, tax supported (\$)	549	526	564	585	638
Self Supported					
Calgary Parking Authority	2,437	3,467	4,388	5,213	5,951
Calhome Properties Ltd.	65,569	68,339	70,871	73,378	75,579
Drainage	1,308	1,350	1,389	1,425	1,584
Engineering Services	1,476	1,600	-	-	-
Facility Management	7,025	7,372	7,700	-	-
Fleet Services	57,328	50,023	38,018	39,594	33,979
Parks and Recreation	6,430	6,703	6,198	4,570	4,201
Police	1,504	981	-	-	-
Public Housing	18,378	17,082	18,171	19,156	20,047
Real Estate Services	23,720	1,043	1,170	37	260
Roads	39,085	38,138	35,328	32,805	33,444
Societies & Related Authorities	7,178	7,426	7,654	6,048	2,142
Wastewater	78,043	87,025	95,531	103,387	110,547
Waterworks	303,195	286,305	255,931	266,245	283,154
	612,676	576,854	542,349	551,858	570,888
Total City debt	1,109,146	1,037,965	1,028,179	1,044,684	1,093,945
ENMAX debt	183,759	207,085	529,699	143,245	157,832
Total debt attributable to The City	\$ 1,292,905	\$ 1,245,050	\$ 1,557,878	\$ 1,187,929	\$ 1,251,777
Self supported, % of total (excludes ENMAX)	55.2	55.6	52.7	52.8	52.2
Per capita, self supported (excludes ENMAX) (\$)	677	658	630	655	697

demographic and OTHER INFORMATION unaudited

1998 to 2002

	2002	2001	2000	1999	1998
Population, per April civic census	904,987	876,519	860,749	842,388	819,334
Change due to natural increase	7,506	7,779	7,044	7,425	7,101
Change due to net migration	20,962	7,991	11,317	15,629	21,735
Dwelling Units, per April civic census					
Total number of units	360,129	348,902	340,257	331,159	320,907
Number of vacancies	8,006	9,176	7,837	7,599	6,887
Owner occupancy rate (%)	69.4	68.4	68.2	67.2	65.2
Housing Activity					
Annual number of starts					
Total residential	14,339	9,975	10,484	9,200	11,231
Change (%)	43.7	(4.9)	14.0	(18.1)	9.5
Single family	9,413	6,618	5,714	5,655	7,383
Change (%)	42.2	15.8	1.0	(23.4)	3.2
MLS average selling price (\$) (1)	198,058	182,090	176,130	166,110	157,353
New housing price inflation (%) (2)	5.2	2.5	2.4	4.7	7.7
Building Permits, applied for					
Number of applications	17,032	14,789	13,486	13,347	15,056
Change (%)	15.2	9.7	1.0	(11.4)	2.9
Value, in thousands of dollars	2,289,849	1,984,936	2,063,940	1,737,905	2,293,298
Change (%)	15.4	(3.8)	18.8	(24.2)	38.6
Inflation, CPI annual increases (2)					
Calgary	3.7%	2.4%	3.7%	2.6%	1.5%
Alberta	3.4%	2.6%	3.5%	2.5%	1.1%
Canada	2.3%	2.5%	2.7%	1.7%	1.0%
Unemployment Rate (2)					
Calgary	5.8%	4.5%	4.7%	5.5%	5.2%
Alberta	5.3%	4.6%	5.0%	5.7%	5.6%
Canada	7.6%	7.2%	6.8%	7.6%	8.1%

External Sources:

- (1) Calgary Real Estate Board
- (2) Statistics Canada

demographic and OTHER INFORMATION unaudited

1998 to 2002 (in thousands of dollars unless otherwise stated)

	2002	2001	2000	1999	1998
Revenue sources - city general (1)	1,380,488	1,292,437	1,187,396	1,067,219	1,014,921
Taxes and revenue in lieu	61.2%	62.1%	58.7%	58.2%	57.9%
General operations	29.7%	29.2%	30.9%	31.8%	32.6%
Utilities and related					
authorities contributions	3.7%	3.8%	4.2%	3.8%	3.5%
Government transfers	2.8%	2.6%	3.7%	3.0%	3.2%
Subsidiary contribution (dividends)	2.7%	2.3%	2.5%	3.2%	2.8%
Interest charges - city general (1)					
As a % of operating expenditures					
Before subsidy	5.1%	6.0%	6.8%	7.4%	8.4%
After subsidy	4.8%	5.5%	6.3%	6.8%	7.7%
Interest charges - Consolidated					
Before subsidy	98,183	101,977	107,149	112,393	119,449
Share of operating expenditure (%)	7.7	8.7	9.8	11.5	12.5
After subsidy	91,246	93,974	98,011	104,218	108,483
Share of operating expenditure (%) (net of subsidy)	7.2	8.1	9.1	10.8	11.5
Debt service limit (principal + interest) (2)					
Total debt service limit	565,434	588,668	480,205	431,007	423,217
Total debt service	234,753	217,490	213,808	208,048	207,699
Percentage used (%)	41.5	36.9	44.5	48.3	49.1
Debt limit (2)					
Total debt limit	3,231,052	3,363,816	2,744,030	2,462,898	2,418,384
Total debt	1,119,073	1,073,700	1,047,980	1,074,156	1,112,513
Percentage used (%)	34.7	31.9	38.2	43.6	46.0
Municipal Full Time Equivalents - (excluding ENMAX Corporation)					
Total Full Time Equivalents	11,215	10,802	10,495	10,317	10,035
Full Time Equivalents per 1,000 population	12.4	12.3	12.2	12.2	12.2
Area, square kilometres	722	722	722	722	722
Km of roads	4,130	4,120	4,025	3,925	3,838
Km of bus routes	4,508	4,431	4,534	4,113	3,889
Transit passenger trips, annual	76,112	61,686 ⁽³⁾	74,884	70,730	70,063
Km of wastewater mains	3,679	3,590	3,574	3,445	3,377
Km of water mains	4,260	4,139	4,025	3,895	3,818
Km of storm drainage mains	3,213	3,128	3,053	2,964	2,888

Notes:

- (1) Figures (000's) are before consolidating eliminations.
- (2) Calculations as prescribed by The Province of Alberta, regulation 375/94 and does not include debt attributable to ENMAX Corporation.
- (3) Drop in transit passenger trips was due to the seven-week transit strike.

funds held in TRUST

AUDITORS' REPORT

To His Worship Mayor Dave Bronconnier and Members of City Council, The City of Calgary:

We have audited the balance sheet of The City of Calgary Funds Held in Trust as at December 31, 2002 and the statement of continuity of Funds Held in Trust for the year then ended. These financial statements are the responsibility of The City of Calgary's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards, except as described in the following paragraph, those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Funds Held in Trust receipts, by their nature, are not susceptible to complete audit verification. Accordingly, our verification of these receipts was limited to accounting for the amounts recorded in the records of The City of Calgary as Funds Held in Trust.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had Funds Held in Trust receipts been susceptible to complete audit verification, these financial statements present fairly, in all material respects, The City of Calgary Funds Held in Trust as at December 31, 2002 and the continuity of Funds Held in Trust for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
April 4, 2003

(Signed)
Chartered Accountants

funds held in TRUST

BALANCE SHEET

December 31, 2002 (in dollars)

	2002	2001
ASSETS		
Cash	\$ 9,490,456	\$ 2,901,624
Investments (Note 3)	26,311,599	23,650,136
Accrued interest receivable	40,807	33,945
Due from The City of Calgary (Note 4)	1,656,512	-
Total Assets	\$ 37,499,374	\$ 26,585,705
LIABILITIES		
Accounts payable	\$ 200,000	\$ 254,190
Due to The City of Calgary	-	1,343,820
Funds held in trust	37,299,374	24,987,695
Total Liabilities	\$ 37,499,374	\$ 26,585,705

Francis Leong
City Treasurer

N. Sunderji, CMA
Finance Manager

STATEMENT OF CONTINUITY

For the year ended December 31, 2002 (in dollars)

	Balance January 1	Receipts	Investment Income	Disbursements	Balance December 31
Joint Use Reserve Fund	\$ 16,882,576	\$ 5,931,502	\$ 1,261,993	\$ 1,644,180	\$ 22,431,891
Acreage Assessments	2,155,069	-	22,061	1,417,211	759,919
Developers' Cash Bonds	1,880,488	1,379,000	-	667,000	2,592,488
Oversize Utilities	1,042,701	3,543,299	17,731	2,118,829	2,484,902
Oversize Roads	885,261	4,691,253	44,348	763,217	4,857,645
Oversize Parks	84,998	2,946,729	10,535	1,574,304	1,467,958
Calgary Regional Partnership	555,033	185,000	15,059	216,879	538,213
Miscellaneous Trusts	552,286	849,255	16,981	508,507	910,015
Convention Centre	436,401	-	10,093	15,000	431,494
Calgary Technologies Inc.	355,403	300,000	14,031	-	669,434
Calgary Canoe Club	157,479	-	3,846	5,910	155,415
Total	\$ 24,987,695	\$ 19,826,038	\$ 1,416,678	\$ 8,931,037	\$ 37,299,374

notes to the FINANCIAL STATEMENTS

December 31, 2002 (in dollars)

1. TRUST DESCRIPTION

The City of Calgary ("The City") records as Funds Held in Trust all monies received on behalf of third parties which are held in excess of five working days, and remitted for non-city purposes. These monies are controlled, invested and accounted for in accordance with the terms of the trust arrangements.

The significant trust funds that The City administers on behalf of third parties are as follows:

- a) **Joint Use Reserve Fund**

The Joint Use Reserve Fund consists of monies received from land developers in lieu of the 10% reserve land requirement as set forth in Part 17 of the Municipal Government Act. The Fund is administered by the Joint Use Coordinating Committee (trustees of the Fund), comprised of The City, the Calgary Board of Education and the Calgary Separate School Board. Use of the fund is restricted to unanimously approved land acquisitions for future schools, parks and recreation facilities.
- b) **Acresage Assessments**

The Acresage Assessments Fund consists of monies received from developers pursuant to a special clause in the Development Agreement whereby each developed hectare is assessed a certain sum to be used for recreational facilities in the designated community. Effective 2000, these fees were levied as part of the Standard Development Agreement and the funds are paid to The City instead of being held in a trust fund. The City of Calgary Funds Held in Trust (the "Trust") will continue to hold the established trusts until the monies are completely disbursed.
- c) **Developers Cash Bonds**

The Developers Cash Bonds Fund holds monies taken as cash bonding to secure performance by a developer under the terms of the development agreement.
- d) **Oversize Parks, Utilities & Roads**

The Oversize Parks, Utilities & Roads Funds are administered by The City on behalf of the development industry, which is represented by the Urban Development Institute. Developers of new subdivisions pay into the fund in accordance with oversize rates set out in the Development Agreement. Developers who install agreed upon oversized infrastructure which is larger than the infrastructure required to serve the development area are reimbursed from the trust's funds.

2. ACCOUNTING POLICIES

The financial statements of the Trust are prepared by management in accordance with Canadian Generally Accepted Accounting Principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

a) **Financial Instruments**

The Trust's financial instruments are cash, accrued interest receivable, due from The City and accounts payable. The carrying value of these items approximates their fair value.

3. INVESTMENTS

Temporary investments in money market instruments such as treasury bills are recorded at the lower of cost and market value, while portfolio investments such as fixed income bonds, normally held until maturity, are recorded at cost. The market value of investments as at December 31 is \$31,283,710 (2001 - \$23,930,157).

4. DUE FROM THE CITY OF CALGARY

The amount due from The City of Calgary is a net result of transactions and fund transfers between the Trust and The City.

5. LEGAL LIABILITIES

The Fund is involved in certain legal actions which arise in the normal course of business. It is management's view that these actions, individually or in aggregate, would not have a material effect on the financial position of the Trust.





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