

Reykjavíkurborg

(City of Reykjavik)

Financial Statements

2019



Reykjavíkurborg
(City of Reykjavik)
Reg. no. 530269-7609
City hall
Tjarnargötu 11
101 Reykjavík

Reykjavíkurborg

(City of Reykjavik)

Financial Statements 2019

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Please note:

This is an English translation of the Icelandic Financial Statements of Reykjavíkurborg (the City of Reykjavik). In the event of any discrepancy between the English and Icelandic versions the original Icelandic text shall prevail.

Mayor and Executive Committee's report and endorsement

The annual financial statements of Reykjavíkurborg (the City of Reykjavik) for the year 2019 were prepared in accordance with the Local Government Act, the Financial Statements Act and the Government Regulation on Municipal Accounts, Budgets and Financial Statements. Details of accounting policies are provided in the Notes to the financial statements.

The activities of the City of Reykjavik are divided into A and B operations, i.e. Reykjavík Municipal (A operation) and Reykjavik Group (A and B operations). Reykjavík Municipal comprises activities which are funded in part or in full through tax revenues. B operation companies are companies in which the City holds at least half of the shares and operate as financially independent units.

According to the Income Statement for Reykjavík Municipal, operating income amounted to ISK 123,350 million in 2019, of which tax revenues accounted for ISK 99.313 million. The municipal income tax rate was 14.52%, which is the statutory maximum. The property tax rate was 0.18% for tax class A, 1.32% for tax class B and 1.65% for tax class C. The maximum statutory rates are 0.625%, 1.32% and 1.65% for tax classes A, B and C, respectively. Total operating revenue for the consolidated Reykjavik Group amounted to ISK 185,211 million in 2019.

The operating result for Reykjavik Municipal (A operation) amounted to a profit of ISK 1,358 million, whereas the budget for the fiscal year projected a profit of ISK 3,572 million. The operating result for Reykjavík Group (A and B operations) amounted to a profit of ISK 11,200 million, whereas the year's budget projected a profit of ISK 11,991 million. The poorer result of A operation is mainly due to lower income from the sale of building rights, which was ISK 2,302 million. under the budget and in addition, the increase in write-down of this item due to uncertainty about the economic development in the next term amounted to ISK 1,451 million. Salaries and related expenses amounted to ISK 2,187 million. within budget. A and B operation's results are poorer than projected by ISK 791 million.

The total assets of Reykjavík Group (consolidated A and B operations) according to the balance sheet at year-end 2019 amounted to ISK 688,915 million, and total liabilities amounted to ISK 345,022 million. Equity amounted to ISK 343,893 million, of which minority interests amounted to ISK 18,884 million.

On 1 December 2019 the population of the City of Reykjavik was 131,146.

It is clear that the pandemic caused by the COVID-19 virus will have a significant impact on the economy of Iceland and the world. The spread of the epidemic and global impact are unprecedented and will have an extensive financial impact on the city of Reykjavik. Income may be expected to fall, and welfare spending will rise, among other things due to increased unemployment. The final impact on the operation and economy of the city is difficult to assess, and uncertainty remains over how long the situation will last. The capital position of the City of Reykjavik is strong and the City of Reykjavik has the financial strength to absorb significant shocks from the consequences of the epidemic. The City of Reykjavik's Economic Action in response to the Covid-19 Epidemic was unanimously approved by the City Council on March 26, 2020.

Information necessary to assess the development, scope, situation and success of the City of Reykjavík as regards environmental, social and human resource matters etc. is disclosed in the Statement on governance and non-financial information, which is attached to the financial statements.

To the best knowledge of the Mayor and the Executive Committee, the financial statements have been prepared in accordance with law and give a true and fair view of assets and liabilities, financial status and operating results of Reykjavik Municipal and Reykjavik Group. The report of the Mayor and Executive Committee includes the information required in such reports.

Reykjavík, 30 April 2020.

Mayor

Executive Committee

Endorsement by the City Council

The financial statements of Reykjavíkurborg (the City of Reykjavík) for the year 2019 have been addressed by the City Council in accordance with Article 61 of the Local Government Act No. 138/2011 and are confirmed and endorsed at the second debate in the City Council.

Reykjavík, 19 May 2020.

City Council:

Endorsement by the City Council, cont.

Endorsement with the following reservation

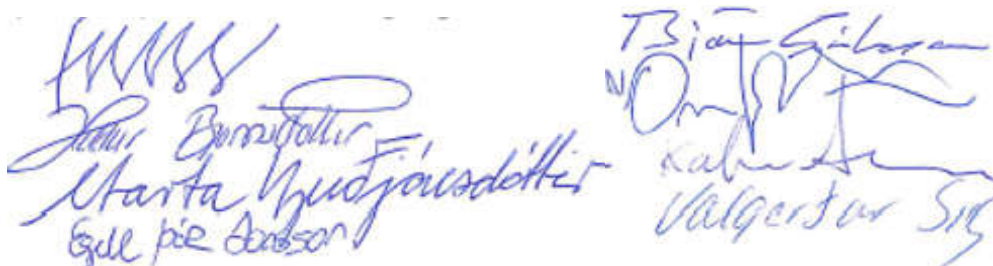
Local authorities are required, among other things, to ensure the availability of housing for families and individuals that are otherwise unable to provide for housing due to low wages, high cost of living, or other social circumstances, as provided in Art. 45 of Act no. 40/1991 on the Social Services of Local Authorities. They are obligated to do so by law. The municipality is required to prepare consolidated account statements, i.e. the municipal treasury, its institutions and undertakings with independent accounting, as provided in Art. 61 of the Act on Local Authorities. The Annual statement shall be prepared in accordance with laws on account statements, rules imposed under those laws, as well as this act, and generally accepted accounting standards. The City of Reykjavik uses IFRS in part when preparing the consolidated financial statement of the City of Reykjavik, i.e. by adding together figures from, *inter alia*, the accounts of the main fund and the annual financial statement of Félagsbústaðir hf., which is prepared in accordance with IFRS. With regard to the presentation of financial information of companies in the consolidated accounts for a municipality, the rules on the presentation of accounts of parent companies and subsidiaries in consolidated accounts shall be applied, as provided in the Act on Annual Statements. No provisions exist that permit municipalities to use IFRS when preparing their consolidated accounts. For this reason we have decided to sign the annual statement of the City of Reykjavik for the year 2019 with a reservation.

Further reasoning

Municipalities have extensive obligations pursuant to the Act on Fire Prevention no. 75/2000. The municipalities thus operate a fire department for the Capital area to fulfil their legal obligations. The fire department's real estate is under a separate company that leases facilities to the fire department located at a premium location in Reykjavik. Would this company be permitted to evaluate the real estate at fair value? It is reiterated that the City owns Félagsbústaðir hf. for the sole purpose of fulfilling its legal obligations and cannot avoid owning property in order to lease it to its clients. When preparing consolidated accounts for companies with subsidiaries that lease property to their parent company, entries of price increases, where the real estate evaluated at fair value in the subsidiary's accounts, are subsequently credited in the consolidated accounts of the parent company and its subsidiaries. No explanation is given as to why the City of Reykjavik does not follow this procedure. The consolidated accounts do not show the whole picture unless this is done. In addition, there are doubts regarding the authority to use an almost year-old real estate evaluation, adjusted to a rise in an index, as an approximation of current value pursuant to IAS 40.

Reports presented to the Icelandic Parliament on the collapse of the banks were highly critical of Icelandic accounting practices, and the Parliamentary Investigative Report of 2014 on the events leading up to, and causes of, the troubles and fall of the savings banks stated, among other things: "In instances where it is necessary to interpret the financial reporting standards account should be taken of the conceptual basis on which they rest. The International Accounting Standards Board implemented in 2001, as a sort of introduction to its series of standards, a Concept Framework for the preparation and presentation of account statements. 29 It defines the basic objectives of account statements, their basic criteria and the features that make account statements useful. The goal is to provide users of financial accounts information that may be of use to them when making financial decisions. The usefulness consists not least in the information being relevant and reliable. In order to ensure reliability substance shall be taken over form, the information shall be neutral, it shall give the complete picture, and reasonable prudence shall be observed for discretionary decisions. A basic premise of financial statements is that the company in question is considered to be a going concern for at least the next accounting period."

The report pointed out a number of instances where the savings banks violated these principles by interpreting the financial reporting standards in their favour, using isolated sentences and rules out of context and without ensuring reliability by taking their substance over form. – What does the City Council intend to do to show the complete picture in the City's consolidated accounts?



Endorsement by the City Council, cont.

Endorsement with the following reservation

The City Council member for the People's Party endorses the annual statement for 2019 with a reservation regarding whether the accounting methods are appropriate and whether there are no material misstatements due to fraud or error that the auditors were unaware of. This reservation follows the example of the auditors themselves, who have exonerated themselves by means of reservations regarding misstatements due to possible error or fraud. Their goal is to obtain reasonable assurance that the annual statement is without material misstatement. Reasonable assurance is nonetheless considered to be a high level of assurance, although it does not guarantee that all misstatements due to error or fraud are known. The representative of the People's Party also makes a special reservation as to whether the accounting methods for Félagsbústaðir stands up to scrutiny and conforms to the law. It made the news when a representative on the Audit Committee of the City of Reykjavik resigned from the committee because of the accounting method used for Félagsbústaðir, known as the fair value method. Since Félagsbústaðir are a social recourse, and not an investment company, he believed that the company's investments should be recorded at cost price. He pointed out that by endorsing the annual statement elected representatives might be personally liable if the creditors of Félagsbústaðir were to put to the test whether the annual statements for Félagsbústaðir hf. actually give a fair view of the company's operation and finances. That personal liability might also extend to the audit committees of Félagsbústaðir and the City.



I believe that there are significant irregularities in the outcome of the City of Reykjavik's consolidated accounts. Assets are overrated by approximately ISK 57 billion and thus the equity is overrated by ISK 57 billion. This irregularity has a significant impact on the City's solvency and for this reason the consolidated statement does not give a correct picture of the City's financial position. I endorse the annual statement with the above reservation.



Independent auditor's report

To the City Council of Reykjavíkurborg

Opinion

We have audited the accompanying Financial Statements of Reykjavíkurborg for the year 2019 which comprise the financial statements of A operations and the financial statements of A and B operations. The Financial Statements comprise the Statement of the Mayor and the City Council, the Statement of Income, the Statement of Financial Position, the Statement of Cash Flows, a summary of significant accounting policies and other explanatory information.

In our opinion, the Financial Statements present fairly, in all material respects, the municipality's financial performance in the year 2019, its financial position as at December 31, 2019, and its cash flow for the year then ended in accordance with the Icelandic Financial Statement Act and the Local Government Act.

In accordance with the provisions of Article 104, paragraph 2 of the Icelandic Financial Statements Act no. 3/2006, we confirm that the report of the Mayor and the City Council accompanying the Financial Statements includes at least the information required by the Financial Statements Act if not disclosed elsewhere in the Financial Statements.

Event after accounting date

Without prejudice to our opinion, we would like to draw attention to the discussion in the Mayor's and City Council's report and in Note 58 to the Annual Accounts Report after the reporting date relating to the potential impact of the COVID-19 epidemic on the city's operations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our Report. We are independent of the municipality in accordance with the Code of Ethics for Professional Accountants in Iceland, and we have fulfilled all ethical requirements therein. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the municipality's Financial Statement for the year 2018. These matters were addressed in the context of our audit of the Financial Statement and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion, the following matters were key audit matters:

Valuation of production and distribution systems

See note 8 on significant accounting policies and note 31 on property, plant and equipment.

Note on significant risks:

We have defined the valuation of production and distribution systems as a key audit matter in our audit. Orkuveita Reykjavíkur's production and distribution systems are carried at revalued amount in accordance with the provisions of IAS 16. An assessment is made of the changes in construction costs of similar types of assets and both cost and accumulated depreciation are revalued accordingly. Orkuveita Reykjavíkur performs impairment tests on the reporting date and recognises impairment loss if value in use is lower than the book value of an asset. Revalued amount will also not be higher than value in use.

The assumptions used for revaluation and impairment tests are based on management assessments and are partly subjective. With production and distribution systems being a significant part of the consolidated financial statements of A- and B- operations, any change in assumptions can have significant effect on the income statement and balance sheet. Our work included both estimates of the revaluation assessments and the impairment tests of the production and distribution systems.

How to deal with the significant risks:

As part of our audit, we reviewed Orkuveita Reykjavíkur's methodology for valuing the production and distribution systems and its consistency with international financial reporting standards. We reviewed Orkuveita Reykjavíkur's processes for the revaluation and impairment tests. We also reviewed the functionality of models used in the assessments.

We evaluated management assumptions by comparing them with public information where applicable. Where assumptions are not based on public information, we made our own evaluation of management assumptions. We used the work of a valuation specialist to assist in this evaluation.

Independent auditor's report, cont.

Valuation of embedded derivatives

See note 39 on embedded derivatives

Note on significant risks:

Because prices of specific electricity sales contracts with large counterparties are tied to aluminium prices, Orkuveita Reykjavíkur recognises embedded derivatives on the balance sheet. As electricity and aluminium prices are generally not closely related, financial reporting standards require the risk relating to this relationship to be evaluated specifically.

The embedded derivatives are considered to be third level financial items, where estimates are based on management assumptions and unobservable inputs. Because of the vulnerability of the estimate, any change in assumptions can have significant effect on the income statement and balance sheet. For these reasons, we assume there is significant risk related to embedded derivatives and have therefore defined them as a key audit matter. Furthermore, the extent of the derivative is such that changes in fair value have a material effect on the consolidated Financial Statement of A- and B-operation.

How to deal with the significant risks:

In our audit, we reviewed the pricing methodology of Orkuveita Reykjavíkur and consistency with international financial reporting standards. We reviewed Orkuveita Reykjavíkur's process for analysing and assessing assumptions used in the valuation, as well as reviewing valuation models used.

We recalculated derivative valuations based on information we collected. We used the work of a valuation specialist to assist with this review.

Accuracy and existence of property plant and equipment

See note 8 on significant accounting policies and note 31 on property, plant and equipment

Note on significant risks:

Property, plant and equipment are the largest single balance sheet component, amounting to ISK 553.9bn in 2018, as compared to ISK 503.9bn in 2017 for A- and B-operations combined. PPE amounted to ISK 145.3bn in 2018 and ISK 128bn in 2017 for A-operation alone. Particular emphasis is placed on the audit of property, plant and equipment of the City's Real Estate Fund and Orkuveita Reykjavíkur.

How to deal with the significant risks:

We reviewed the process of capitalization of property, plant and equipment, including cost allocations. We have tested selected control activities related to capitalization and we have reviewed the City's internal audits on capital expenditures performed by the Internal Audit function. We performed substantive analytical procedures relating to the depreciation report and recalculated depreciation.

We confirmed the additions of the year using sample testing. We were in direct contact við employees responsible for execution of work, both at Orkuveita Reykjavíkur and the City of Reykjavík, and reviewed the nature and purpose of the work along with approvals for individual work items.

Revenue recognition

See note 4 on significant accounting policies and note 25 on revenues.

Note on significant risks:

In our audit of the municipality's Financial Statement we have placed special emphasis on revenue recognition. A- and B- operation income can be roughly divided into three separate income streams, that is tax revenues, contribution from the local equalization fund and other income. Revenue recognition may depend on management estimates and issues may arise regarding revenue recognition for long-term contracts and sold construction rights or allocated land. As these issues, or valuation assumptions, can have a significant impact on the Consolidated Financial Statement for A- and B-operations, we have defined the audit of revenues as a key audit matter

How to deal with the significant risks:

During our audit, we have assessed control activities of each business unit's revenue system. We have also tested certain controls relating to revenue recognition. We have reviewed and evaluated the IT control environment of each business unit, including a review of how access to finance and accounting-related IT systems is controlled and incorporated into the financial system and subsystems relating to revenue recognition.

We have used substantive testing methods, where we have, for example, reviewed reconciliations between accounting systems and subsystems and received third party confirmation of energy usage, turnover and outstanding balances at year-end from specific customers. We have also reviewed deposits after year-end, where balance confirmations from customers were not available.

We have also performed substantive tests where we have compared our expectations to actual revenue recognition.

Independent auditor's report, cont.

Other Information

The City Council and the Mayor are responsible for all information presented by the municipality, both the Financial Statements as well as other information. The other information comprises a report from the municipality's finance office. Our opinion on the Financial Statement does not cover other documents issued by the municipality, and we do not express any form of assurance on the information in those documents.

In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above when it becomes available, and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we conclude that there are material misstatements or inconsistencies therein, we are required to communicate the matter to the City Council and the Mayor and take appropriate action depending on the severity of the misstatement.

The City Council and the Mayor's Responsibility for the Financial Statements

The City Council and the Mayor are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Icelandic Financial Statement Act and the Local Government. The City Council and the Mayor are also responsible for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

In preparing the Financial Statements, the City Council and the Mayor are responsible for assessing the municipality's ability to continue as a going concern. If there are any material uncertainties relating to the going concern assumption, then there should be adequate going concern disclosures in the Financial Statements and the reason why it was decided to apply the assumption of a going concern in the preparation and presentation of the Financial Statements.

The City Council and Reykjavik's Audit Committee are responsible for overseeing the municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements.

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content, of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the municipality to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the municipality's audit. We remain solely responsible for our audit opinion.

Independent auditor's report, contd.

We communicate with the City Council and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit. We provided the City Council and the Audit Committee with an Audit Report, which describes these items and is consistent with this Report.

We have not provided the municipality with any services that we are not permitted to provide concurrently with audits according to legislation on auditors. We have also made a statement to the City Council and the Audit Committee to the effect that we comply with the Code of Conduct relating to independence. We have also provided information on relationships or other factors that could affect our independence and what precautions we have taken to ensure our independence, where appropriate.

From the matters that we communicated to the City Council and the Audit Committee, we determine the matters that have the greatest significance in the audit of the Financial Statements of the current year and therefore constitute key audit matters. We describe these matters in our Auditor's Report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our Report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

We were appointed auditors by the City Council following an Auditing Services Auction conducted in July 2018, and this is the second consecutive accounting year in which we are auditors of the city.

For and on behalf of Grant Thornton endurskoðun ehf.
Reykjavík, 19 May 2020

J. Sturla Jónsson
State Authorized Public Accountant

Theodór S. Sigurbergsson
State Authorized Public Accountant

Income Statement for the year 2019

	Notes	Reykjavik Municipal (A operation)			Reykjavik Group (A and B operations)		
		2019	2019	2018	2019	2019	2018
		Financial Statements	Budget with Annexes	Financial Statements	Financial Statements	Budget with Annexes	Financial Statements
Operating revenue	4,25						
Tax revenues		99.313.039	100.763.629	92.660.626	98.642.200	100.078.111	92.101.779
Contributions from Municipal Equalisation Fund		7.493.931	7.629.400	7.382.951	7.493.931	7.629.400	7.382.951
Other revenues		16.542.605	18.504.195	19.748.062	79.075.328	84.288.872	80.483.040
Total operating revenues		123.349.575	126.897.224	119.791.639	185.211.460	191.996.384	179.967.770
Operating expenses	5						
Wage cost and wage-related expenses	26	68.167.388	70.354.557	63.178.818	83.294.290	86.387.693	77.060.778
Changes in pension obligations, LsRb*	26,45	3.198.943	3.750.000	4.706.002	3.272.786	3.750.000	4.810.578
Other operating expenses		45.724.168	43.607.334	41.802.859	59.241.436	57.871.229	54.326.671
Total operating expenses		117.090.499	117.711.891	109.687.678	145.808.512	148.008.922	136.198.026
Operating result before depreciation, EBITDA		<u>6.259.076</u>	<u>9.185.333</u>	<u>10.103.961</u>	<u>39.402.948</u>	<u>43.987.461</u>	<u>43.769.744</u>
Depreciation	10,11,33	(5.329.221)	(5.138.427)	(4.923.351)	(18.988.531)	(16.928.963)	(16.661.737)
Operating result before financial items.....		<u>929.855</u>	<u>4.046.906</u>	<u>5.180.610</u>	<u>20.414.417</u>	<u>27.058.498</u>	<u>27.108.007</u>
Net financial items	6,27	428.430	(474.560)	(455.100)	(12.857.634)	(15.017.692)	(18.103.013)
Operating result before tax, adjustments and effects of associated companies		<u>1.358.285</u>	<u>3.572.346</u>	<u>4.725.509</u>	<u>7.556.783</u>	<u>12.040.806</u>	<u>9.004.994</u>
Income tax	20,48	0	0	0	(365.453)	(1.427.988)	1.372.643
Value adjustment of investment properties	8,31	0	0	0	4.831.584	1.377.633	2.964.778
Share in associated companies' operating results	12,29	0	0	0	(104.874)	1.000	(13.999)
Minority interests		0	0	0	(718.656)	0	(986.765)
Operating results.....	44	<u>1.358.285</u>	<u>3.572.346</u>	<u>4.725.509</u>	<u>11.199.384</u>	<u>11.991.451</u>	<u>12.341.652</u>

* For the evaluation of pension obligations, it is assumed that the national mortality rate will continue to decrease and that life expectancy will increase instead of basing assumptions on the experience of previous years. See note 45.

Statement of Financial Position 31 December 2019

Assets

	Notes	Reykjavik Municipal (A operation)		Reykjavik Group (A and B operations)	
		31.12.2019 Financial Statements	31.12.2018 Financial Statements	31.12.2019 Financial Statements	31.12.2018 Financial Statements
Fixed assets					
Intangible assets	7,30	0	0	2.498.099	1.999.523
Fixed tangible assets:	8,10,11				
Real estate	31	122.802.005	118.626.457	151.198.694	143.857.185
Utilities	31	0	0	319.444.939	294.237.974
Investment properties	31	0	0	92.103.198	83.202.731
Road systems	31	20.197.587	15.975.143	20.793.439	16.583.805
Machinery and equipment	31	5.652.043	4.890.248	11.486.601	10.188.154
Lease properties	32	5.234.104	5.790.960	6.833.511	5.790.960
		153.885.739	145.282.808	601.860.382	553.860.808
Investments and long-term receivables:					
Capital contributions and shares in companies	12,38	11.275.007	10.286.737	9.940.200	8.064.362
Long-term receivables from own companies	14,15,40	8.433.646	9.556.177	0	0
Pre-paid costs	13	9.617.925	10.002.370	10.466.641	10.884.997
Derivative contracts	9	0	0	229.072	295.670
Deferred tax assets	20,48	0	0	4.879.759	3.819.233
Other long-term receivables	14,15,40	2.778.644	4.677.361	3.038.257	5.245.617
		32.105.222	34.522.645	28.553.929	28.309.880
Total fixed assets		185.990.961	179.805.453	632.912.411	584.170.211
Current assets					
Inventories	16,41	0	0	1.623.232	1.608.102
Short-term receivables:	17				
Unclaimed revenues and receivables	42	10.880.301	9.517.650	17.823.931	16.911.457
Next year's paym. of own comp. long-term receivab.	40	1.377.777	1.341.934	(0)	0
Next year's payment of other long-term receivables	40	556.891	1.195.928	918.856	1.548.167
Receivables from own companies		441.819	344.158	0	0
Pre-paid costs	13	388.081	388.081	1.411.554	723.903
Derivative contracts	9	0	0	388.451	946.717
Other receivables		1.391.611	1.822.092	2.056.818	2.466.346
Bank deposits and marketable securities	43	0	0	9.833.014	7.223.231
Cash and cash equivalents	18,43	8.840.324	10.040.334	21.946.655	25.976.122
Total current assets		23.876.804	24.650.178	56.002.512	57.404.045
Total assets		209.867.765	204.455.631	688.914.922	641.574.255

Statement of Financial Position 31 December 2019

Equity and liabilities

	Notes	Reykjavik Municipal (A operation)		Reykjavik Group (A and B operations)	
		31.12.2019 Financial Statements	31.12.2018 Financial Statements	31.12.2019 Financial Statements	31.12.2018 Financial Statements
Equity					
Equity account	44	97.666.374	96.308.089	325.008.983	299.968.020
Minority interest		0	0	18.883.544	17.219.445
Total equity		97.666.374	96.308.089	343.892.527	317.187.465
Obligations					
Pension obligations	19,45	36.312.318	35.642.169	37.035.402	36.324.573
Deferred tax liabilities	20,48	0	0	14.909.556	13.013.289
Capital contributions from state		0	0	1.078.670	629.786
Other obligations		0	0	390.040	348.905
Total obligations		36.312.318	35.642.169	53.413.669	50.316.553
Long-term liabilities					
Long-term debts	21,46	45.254.273	41.612.271	225.009.419	207.267.653
Current liabilities, own companies	46	11.669	77.952	0	(0)
Lease liabilities	22,47	10.159.461	10.706.000	11.625.604	10.706.000
Embedded derivatives in electricity contracts	9,39	0	0	5.307.027	4.270.604
Derivative contracts	9	0	0	613.778	777.053
Total long-term liabilities		55.425.402	52.396.224	242.555.829	223.021.310
Current liabilities					
Debts to credit institutions		190.928	210.487	219.871	1.169.079
Accounts payable		4.472.789	4.638.706	10.501.422	10.181.531
Embedded derivatives in electricity contracts	9,39	0	0	1.372.302	1.046.265
Next year's payments on long-term debts	46	1.510.317	1.554.896	16.475.728	18.824.173
Next year's payments on current liabilities, own companies	46	68.366	66.587	0	0
Next year's payments on lease liabilities	47	914.300	856.597	1.059.075	856.597
Pension obligations, short-term	45	2.463.000	2.507.000	2.493.000	2.534.700
Accounts payable to own companies		1.092.454	551.394	(0)	0
Prepayments		390.063	1.649.659	539.799	1.834.105
Derivative contracts	9	0	0	317.233	548.022
Other payables		9.361.452	8.073.821	16.074.468	14.054.454
Total current liabilities		20.463.670	20.109.149	49.052.897	51.048.927
Total liabilities and obligations		112.201.390	108.147.541	345.022.395	324.386.790
Total equity and liabilities		209.867.765	204.455.631	688.914.922	641.574.255
Obligations off the Statement of Financial Position	51				

Statement of Cash Flows for the year 2019

Notes	Reykjavik Municipal (A operation)			Reykjavik Group (A and B operations)		
	2019 Financial statements	2019 Budget with annexes	2018 Financial statements	2019 Financial statements	2019 Budget with annexes	2018 Financial statements
Cash flows from operating activities						
Operating results.....	1.358.285	3.572.346	4.725.509	11.199.384	11.991.451	12.341.652
Adjustments not affecting cash flow:						
Gain on sold assets	(43.104)	(3.875.370)	(3.602.567)	(49.786)	(3.875.370)	(3.964.388)
Depreciation	33 5.329.221	5.138.427	4.923.351	18.988.532	16.928.963	16.661.737
Indexation, discounts and exch.rate differences	6 1.038.093	1.432.355	1.063.351	3.541.571	6.026.713	5.892.860
Embedded derivatives, change	39 0	0	0	1.362.460	1.214.979	8.587.246
Value adjustment of investment properties	31 0	0	0	(4.831.584)	(1.377.633)	(2.964.778)
Effect of own companies and minority interests	0	0	0	823.530	(1.000)	1.000.764
Changes in pension obligations	45 3.198.943	3.750.000	4.706.002	3.272.786	3.778.308	4.810.578
Changes in deferred taxes	48 0	0	0	338.516	(1.031.237)	(2.774.688)
Provision for losses	1.522.250	0	1.952.524	1.522.250	0	1.952.524
Working capital provided by operating activities	12.403.689	10.017.759	13.768.170	36.167.658	33.655.174	41.543.506
Changes in operating assets and liabilities:						
Inventories decrease (increase)	0	0	0	(15.130)	310.000	(177.726)
Current receivables (increase) decrease	(892.138)	0	2.274.269	(261.202)	(74.054)	820.732
Current liabilities (decrease) increase	1.664.532	1.626.117	99.601	2.473.534	2.152.214	(2.844.632)
Contributions to pension payments	45 (2.572.794)	(2.650.000)	(2.360.533)	(2.603.657)	(2.650.000)	(2.642.663)
Prepaid contribution to Brú pension fund, changes	384.445	392.000	486.347	418.357	398.000	(226.309)
Change in operating assets and liabilities	(1.415.955)	(631.883)	499.684	11.902	136.160	(5.070.597)
Net cash provided by operating activities	10.987.734	9.385.876	14.267.854	36.179.560	33.791.334	36.472.909
Investment activities						
Investments in fixed tangible assets	31 (16.024.127)	(19.229.010)	(19.368.267)	(42.711.621)	(44.501.576)	(37.289.842)
Investment in investment properties	31 0	0	0	(4.044.066)	(3.994.651)	(2.972.472)
Investments in intangible assets	30 0	0	0	(772.281)	(624.000)	(545.692)
Paid road construction fees	31 1.812.954	4.194.363	3.293.966	1.812.954	4.194.363	3.293.966
Sales of building rights	25.754	3.778.694	3.548.460	25.754	3.778.694	3.578.798
Proceeds from sale of fixed tangible assets	296.371	96.676	55.039	540.054	332.124	513.766
Change in shareholdings	(988.270)	(1.721.166)	(2.170.065)	(832.150)	(1.080.785)	(1.659.460)
Short-term investments	(1.259.596)	0	449.659	(3.856.738)	2.250	(297.964)
Restricted bank deposits	0	0	0	0	0	(14.209)
Long-term receivables, change	2.222.370	652.389	(1.306.813)	1.026.852	(395.848)	1.599.278
Investment activities	(13.914.544)	(12.228.055)	(15.498.021)	(48.811.242)	(42.289.429)	(33.793.830)
Financing activities						
Capital contributions from state	0	0	0	559.093	833.000	386.518
New long-term borrowings	46 4.209.957	5.500.000	6.592.601	29.100.898	26.101.706	31.196.103
New lease liabilities	47 57.548	0	0	1.730.731	0	0
Repayments of long-term liabilities	46 (1.673.148)	(1.947.159)	(1.882.565)	(20.581.728)	(19.620.338)	(23.591.215)
Payments on lease liabilities	47 (883.234)	(867.370)	(834.006)	(994.985)	(867.370)	(834.006)
Derivative contracts paid	0	0	0	(484.429)	(487.982)	(1.657.785)
Paid-in capital	0	0	0	200.500	66.618	151.319
Short-term borrowings, change	(19.559)	0	0	(888.084)	161.535	(656.309)
Dividends paid	0	0	0	(266.693)	(203.214)	(155.808)
Other financing activities	35.238	0	174.758	35.087	0	174.758
Financing activities	1.726.801	2.685.471	4.050.788	8.410.389	5.983.955	5.013.574
(Decrease) Increase in cash and cash equivalents.....	(1.200.010)	(156.708)	2.820.621	(4.221.293)	(2.514.141)	7.692.653
Cash and cash equivalents at beginning of year.....	10.040.334	7.088.392	7.219.713	25.976.122	24.020.115	17.902.524
Effect of currency fluctuations on cash.....	0	0	0	191.826	3.388	380.945
Cash and cash equivalents at year-end.....	18 8.840.324	6.931.684	10.040.334	21.946.656	21.509.363	25.976.122
Investment and financing activities without cash flow effect						
Investments in fixed tangible assets	31 0	0	0	(65.139)	0	(448.539)
Short-term borrowings, change	0	0	0	65.139	0	448.539
New borrowings	46 0	0	0	0	0	27.763

Notes

1. Information on the Municipality

Reykjavíkurborg (the City of Reykjavík), the capital city of Iceland, is a municipality with a population of 128,724, as at 1 December 2019. The municipality's offices are located in Reykjavík City Hall.

The principles of administration and operation of local governments are provided for in the Local Government Act No. 138/2011.

2. Basis of preparation

The financial statements of Reykjavíkurborg (the City of Reykjavík) include annual accounts for the operating units pertaining to Reykjavík Municipal (A operations) and a consolidated statement for the City's entire operations, Reykjavík Group (i.e. consolidated A and B operations), as stipulated in Article 60 of the Local Government Act No. 138/2011.

Reykjavík Municipal comprises activities which are partly or entirely funded by tax revenues. These include Aðalsjóður (the City's Operations Fund) and Eignasjóður (Real Estate Fund). B operations comprise financially independent companies where the City holds 50% of the shares or more. These companies are largely funded by income generated by the services they provide. The companies in B operations are Aflvaki hf. (development/investment agency), Faxaflóahafnir sf. (Associated Icelandic Ports), Félagsbústaðir hf. (Reykjavík Social Housing), Íþrótt- og sýningahöllin hf. (Sport and Exhibition Centre), Malbikunarstöðin Höfði hf. (Asphalt Station Hofdi), Orkuveita Reykjavíkur (Reykjavík Energy), Slökkvilið höfuðborgarsvæðisins bs. (Capital District Fire and Rescue Service), Sorpa bs. (Capital Area Waste Disposal Company) and Strætó bs. (Metropolitan Bus Transportation Company).

The financial statements have been prepared on the historical cost basis and comply with the Local Government Act, the Financial Statements Act No. 3/2006, Regulation No. 696/1996 on the presentation and contents of financial statements and consolidated financial statements, and Regulation No. 1212/2015 on the accounting, budgeting and financial statements of municipalities.

Included in the consolidated financial statements for Reykjavík Group are the financial statements of Orkuveita Reykjavíkur and Félagsbústaðir hf., which have been prepared in accordance with International Financial Reporting Standards (IFRS). The most significant deviations from the accounting policies for municipalities are:

- a part of fixed tangible assets has been restated at fair market value;
- embedded derivatives are stated at fair market value;
- shares in companies are stated at fair market value;
- other assets and liabilities are stated at fair market value.

The financial statements of Orkuveita Reykjavíkur and Félagsbústaðir hf. are included unchanged in the consolidated financial statements of Reykjavík Group. The financial statements are largely based on the same accounting policies as the previous year.

Balances between Reykjavík Municipal entities and inter-unit transactions are eliminated in the financial statements for Reykjavík Municipal. Balances between A operation and B operation entities and inter-unit transactions are eliminated in the consolidated financial statements. Balances between operating entities and inter-unit transactions include real estate tax levies, rent collected by the Real Estate Fund and other inter-unit transactions relating to purchases of goods and services. They also include interest calculated on balances and long-term liabilities resulting from transfers of assets and investments.

Changes in accounting methods

3. Reykjavík Energy and Félagsbústaðir hf. have adopted IFRS Accounting Standard 16 for the fiscal year starting on January 1, 2019. Comparative figures for 2018 have not been changed, i.e. they are presented as they were previously presented in accordance with IAS 17 and related interpretations. Reykjavík Energy has adopted IFRS 16 by transferring lease property and lease debt 1.1.2019.

Accounting methods

4. Income recognition

Tax revenues are recognised on the date of levying, but balancing provisions are made for uncollected tax revenues. Tax revenues include municipal income tax, property tax and contributions to and from the Municipal Equalisation Fund, in addition to other revenues which are equivalent to taxes, such as plot rents.

Capital expenditure and collection of construction fees are recognised in the Income Statement as decrease in construction costs and are recognised as a deduction from depreciation over the assets' anticipated useful life. Proceeds from sales of goods and services are generally recognised in the Income Statement at the time that ownership and the right to claim have been transferred to the buyer. The same applies to grants.

Accrued interest income is recognised in the Income Statement based on the principal of debt and the terms of interest-bearing claims. Dividends are recognised in the Income Statement on the date of dividend declaration.

Profit or loss on the sale of fixed tangible assets is the calculated difference between their selling price and book value. The difference is recognised in the Income Statement as operating revenues or expenses accordingly.

Notes

5. Expense recognition

Expenses are recognised in the Income Statement at the time that they are incurred and the seller's right to claim has been established.

6. Indexation and exchange-rate criteria

Assets and liabilities which are indexed or denominated in foreign currency are recognised in the financial statements at the indexation or exchange rate applying at year-end 2019. Accrued indexation and exchange-rate differences are recognised in the Income Statement.

7. Intangible assets

Geothermal rights are capitalised in the Statement of Financial Position as an intangible asset at their depreciated cost price. Geothermal rights are separated from land on acquisition. Preparation costs are capitalised in the Statement of Financial Position as intangible assets if there is a reasonable probability that the work will generate revenues later. Cost is expensed over the projected utilisation time. Other intangible assets are assessed at cost value, net of accrued depreciation and impairment.

8. Capitalisation of fixed tangible assets

Fixed tangible assets, other than plots and land for which the municipality receives lease income, are recognised as assets at cost, net of depreciation, based on their estimated useful life. The cost of operational assets consists of their purchasing price and the costs incurred from their acquisition and improvements. Purchases of tools and equipment for Reykjavik A operation under ISK 2,5 million are expensed, with the exception that equipment which is subject to compulsory registration is capitalised.

Leased assets are real estate that the municipality leases pursuant to lease agreements with a minimum term of three years and no option of termination by the municipality within a year from their starting date.

The cost of a leased asset is regarded as its fair value on the date of the contract or the net present value of the minimum lease payments under the lease agreement, if lower.

Plots and land for which the municipality receives lease income are entered at fair value or net present value of future revenues pursuant to the current lease agreements, if lower. Plots and land are revalued on a regular basis. Revaluation of plots and land is recognised as equity.

The distribution and production systems of Orkuveita Reykjavíkur and operational assets of Íþróttá- og sýningahöllin hf. are recognised at restated value in the Statement of Financial Position for Reykjavik Group, which is their fair market value on the restatement date, net of any additional depreciation from that time. Revaluation of these assets is undertaken on a regular basis. All increases in valuation are recognised as equity. Depreciation of the restated value is recognised in the Income Statement.

Investment properties are properties owned by Félagsbústaðir hf. with the object of generating rent revenue. Investment properties are recognised at fair value in accordance with International Financial Reporting Standards (IFRS). The evaluation of investment properties is based on the official real estate evaluation of the Icelandic National Registry. According to information from the National Registry, the official real estate evaluation is fair value estimated in real estate market transactions. The evaluation is performed in May each year based on pricing in February of the same year. The new evaluation comes into effect at the end of the year. The real estate evaluation covers both the buildings and the plots and is divided into building evaluation and plot evaluation. The real estate evaluation is extrapolated based on the building cost index until the end of the year. Changes in the evaluation of investment properties are recognised under the item value adjustment of investment properties in the Income Statement. Investment properties are not amortised.

9. Financial instruments

A financial instrument is categorised as a financial asset or liability at fair value in the Income Statement in the case of trading assets or trading liabilities, or if they are recognised as financial instruments at fair value in the Income Statement at their initial entry in the accounts. Financial assets and liabilities at fair value in Orkuveita Reykjavíkur's Income Statement are recognised at fair value in the Statement of Financial Position. Changes in fair value are recognised in the Income Statement.

Embedded derivatives are separated from the host contract and recognised separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, or if another instrument with the same provisions as the embedded derivative would be defined as a derivative, and the mixed contract is not recognised at fair value in the income statement. Orkuveita Reykjavíkur uses derivatives to hedge against currency, interest and aluminium price risk. Derivative contracts are recognised at fair value in the Statement of Financial Position, and changes in fair value are recognised in the Income Statement.

Notes

10. Depreciation of fixed tangible assets, other than leased assets

Depreciation is calculated as a fixed percentage based on the estimated useful life of the asset until scrap value is reached. In general, scrap value corresponds to one-year's depreciation, not exceeding 10% of the original price. Plots and land from which the municipality generates lease revenue are not depreciated. The estimated useful life of fixed assets is as follows:

General purpose buildings, offices and schools.....	25-50 years
Other buildings.....	25-50 years
Plots and land for planning.....	25 years
Road system.....	25 years
Orkuveita Reykjavíkur, distribution systems.....	5-50 years
Orkuveita Reykjavíkur, production systems.....	5-50 years
Orkuveita Reykjavíkur, geothermal rights.....	100 years
Vehicles, machinery and equipment.....	3-16 years

11. Depreciation of leased assets

The depreciation of leased assets is calculated as a fixed percentage based on lease period or estimated useful life, if shorter. If it is known that the municipality will acquire the leased asset at the end of the lease period, the useful life of the asset in question is used. In general, residual value corresponds to one year's depreciation, not exceeding 10% of the original price. The estimated useful life of leased assets is as follows:

Real estate.....	4-25 years
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12. Capital contributions and shares in companies

Capital contributions in accordance with Act No. 52/2016 on general apartments, which municipalities are permitted to allocate for the construction and purchase of general apartments in order to encourage the supply of affordable rental apartments, are capitalised at cost, if reimbursement has been required. If reimbursement is not required, they are expensed at payment date.

In the financial statements of Reykjavik Municipal, shares in companies, jointly owned municipal agencies and own enterprises are entered at cost, although the book value at year-end 2001 remains unchanged in the financial statements. The financial statements of Reykjavik Municipal focus primarily on the use of tax revenues, and therefore shares in the results of other companies are not recognised. Contributions from Reykjavik Municipal to the operations of jointly owned B operations companies constitute part of the cost of the respective segments of Reykjavik Municipal.

In the consolidated financial statements of Reykjavik Group, shares in associated companies are recognised according to the equity method. The equity method entails that the City's share in the results and equity of associated companies is recognised in the financial statements. The fair value of shares categorised as financial assets for sale is determined through recognised evaluation methods, except in cases where the price in recent transactions is used as a reference. Other equity shares are recognised at cost.

Depreciation of shares in companies that have been subject to impairment is calculated and recognised in the financial statements following a valuation.

13. Pre-paid cost

Pre-paid cost due to settlement with Brú Pension Fund, cf. Act No. 127/2016, is divided into supplementary pension fund, which is expensed over 30 years, and contribution to prudential fund, which is expensed over 20 years, from the 1st of July 2017.

14. Long-term receivables

Long-term receivables are recognised in the Statement of Financial Position in accordance with their credit terms, less a provision for losses. Current maturities and payments in arrears are recognised among current assets in the Statement of Financial Position.

15. Provision for losses

Long-term receivables, outstanding tax revenue and other short-term receivables have been evaluated with regard to risk of loss and a provision is made in the financial statements with an indirect depreciation. This provision does not represent a final write-off but a reserve is created to meet possible losses. Changes in the provision based on actual losses during the year are recognised in the Income Statement.

Notes

16. Inventories

Inventories are valued at cost price or day trade price, if lower.

17. Short-term receivables

Short-term receivables are recognised at nominal value, less exchange rate difference and accrued interest in the case of interest-bearing receivables. A provision has been made to meet possible losses.

18. Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits with banks and market securities.

19. Obligations

Pension obligations for the benefit of the City's employees are recognised as a long-term liability in the Balance Sheet based on actuarial assessment. Changes in the liability during the year are recognised in the Income Statement. Projected next year's payments due to pension obligations are recognised among short term liabilities. See further note 45.

20. Deferred income tax liability and assets

The deferred income tax liability and assets of entities in B operations which are subject to income tax have been calculated and recognised in the financial statements. The calculation is based on the temporary difference between the tax return on the one hand, and the financial statements, on the other hand. This difference is due to the fact that tax assessments are based on rules which differ from those governing financial statements.

Calculation of deferred tax assets and liabilities is based on the expected tax rate in effect when temporary differences are to be reversed, based on the legislation in effect at the reporting date.

According to the current tax legislation, transferable tax losses can be used against taxable revenues 10 years from their formation. The application of transferable tax loss has been assessed and calculations have been made regarding taxable revenues for the next few years. The income tax balance for transferable loss is recognised to the extent that it is believed to be of use.

21. Long-term liabilities

Long-term liabilities are recognised in the Statement of Financial Position at year-end in accordance with the applicable credit terms. Next year's instalments are recognised as short-term liabilities.

22. Lease debts

At the original recognition of an obligation relating to lease agreements, the lease debt is entered at the fair value of the leased asset or the net present value of the lease agreement, if lower. Minimum lease payments are divided into interest costs and instalments on the balance of debts. The interest costs are spread over the lease period based on effective interest.

Minimum lease payments are the payments that a lessee is required to pay during the contract term, excluding conditional rent, as well as maintenance, service costs, insurance and taxes, which are paid by the lessor.

Calculation of the net present value of minimum lease payments is based on the lessor's required rate of return when it can be determined; if not, the net present value is based on the credit terms of the municipality for new capital at the date of the contract.

23. Budget

The budget with annexes is a part of the financial statements and is included in the Income Statement, the Statement of Cash Flows and the Notes.

24. Statement of Cash Flows

Investments affecting net cash are recognised among investment activities in the Statement of Cash Flows.

Notes

25. Operating revenue

Operating revenue is specified as follows:

	A operations		A and B operations	
	2019 Financial Statements	2019 Budget with Annexes	2019 Financial Statements	2019 Budget with Annexes
Tax revenues				
Municipal income tax:				
Paid municipal income tax	85.334.183	86.976.997	85.334.183	86.976.997
Share of Municipal Equalisation Fund in income tax	(4.525.298)	(4.612.417)	(4.525.298)	(4.612.417)
Share of Mun.Eq.Fund in tax relating to the disabled	(5.818.240)	(5.930.250)	(5.818.240)	(5.930.250)
	74.990.646	76.434.331	74.990.646	76.434.331
Postpaid municipal income tax	4.712.160	2.618.048	4.712.160	2.618.048
Tax changes	(696.663)	0	(696.663)	0
Amortisation of tax revenues	(702.449)	0	(702.449)	0
Changes to write-offs	(200.000)	0	(200.000)	0
	78.103.693	79.052.378	78.103.693	79.052.378
Property tax				
Property tax	19.462.653	19.892.164	18.850.739	19.325.839
Plot rent	1.751.468	1.819.087	1.692.543	1.699.894
Write-off/depreciation of property tax revenues, change	(4.775)	0	(4.775)	0
	21.209.346	21.711.251	20.538.507	21.025.733
Total tax revenues.....	99.313.039	100.763.629	98.642.200	100.078.111
Contributions from Municipal Equalisation Fund				
Contribution for the disabled	5.756.172	5.806.900	5.756.172	5.806.900
Municipal Equalisation Fund, other contributions	1.737.759	1.822.500	1.737.759	1.822.500
	7.493.931	7.629.400	7.493.931	7.629.400
Other income				
Fees for services provided	10.809.667	10.176.372	22.459.387	16.991.612
Income from assets	21.084.230	21.031.134	22.499.512	22.259.610
Other repayments	4.727.242	3.789.310	11.181.782	11.799.065
Other income	6.058.415	5.535.368	59.738.611	64.598.917
Sales of building rights	25.754	3.778.694	25.754	3.778.694
Gain from sale of assets	17.350	96.676	24.033	96.676
Inter-unit transactions eliminated	(26.180.052)	(25.903.360)	(36.853.750)	(35.235.702)
	16.542.605	18.504.195	79.075.328	84.288.872
Total operating revenue	123.349.575	126.897.224	185.211.460	191.996.384

Notes

26. Wage cost and wage-related expenses

	A operations		A and B operations	
	2019 Financial Statements	2019 Budget with Annexes	2019 Financial Statements	2019 Budget with Annexes
Operating revenue is itemised as follows:				
Wages	54.312.722	59.202.432	67.484.678	73.234.211
Wage-related expenses	13.086.570	12.976.121	16.150.867	14.971.961
	67.399.292	72.178.553	83.635.545	88.206.173
Changes in accrued vacation obligations	245.686	282.000	346.460	299.516
Estimated effect of retroactive provisions in collective agreements	676.000	0	676.000	0
Transfer/capitalisation of salaries	(153.590)	(2.105.996)	(1.363.715)	(2.117.996)
Wages and wage related exp. less charged pens. contrib.	68.167.388	70.354.557	83.294.290	86.387.693
Changes in pension obligations LsRb	3.198.943	3.750.000	3.272.786	3.750.000
Total wage cost and wage-related expenses	71.366.331	74.104.557	86.567.076	90.137.693
Average full-time equivalent positions	7.399		8.694	
The salaries of the City of Reykjavik's senior management are itemised in note 56.				

27. Financial income and financial expenses

	A operations	A and B operativos
Financial income and (expenses) are specified as follows:		
Dividends on equity shares	2.022.918	131.522
Risk charge for guarantees	629.575	(46.864)
Interest income and indexation	1.789.321	1.705.102
Interest expenses and indexation	(3.677.403)	(12.214.541)
Financial income tax	(339.983)	(370.126)
Hedge contracts	0	(122.306)
Exchange rate difference	4.001	(938.887)
Changes in fair value	0	(1.001.533)
Total financial income and (expenses)	428.430	(12.857.634)

28. Statement of operations

Operations of the City's segments, departments and companies are itemised as follows:

	Financial statements 2019			2019 Budget with Annexes
	Expenses	Revenues	Balance	Net
Municipal Fund				
Tax revenue		108.716.166	(108.716.166)	(110.324.084)
Contribution to B operation companies	3.277.279	0	3.277.279	3.289.143
Department of Sports and Leisure	10.184.395	1.884.403	8.299.992	8.371.669
Department of Culture and Tourism	5.444.253	444.215	5.000.038	5.037.969
Department of Education and Recreation	57.436.719	4.547.861	52.888.857	52.459.477
Central administration offices	5.980.293	1.277.379	4.702.914	4.930.421
Department of Environment and Planning	11.375.468	3.867.305	7.508.163	7.744.606
Department of Welfare	33.163.186	5.771.421	27.391.764	27.300.702
Joint expenses	6.820.979	1.303	6.819.676	9.550.351
	133.682.571	126.510.053	7.172.518	8.360.254
Financial income and financial expenses	289.353	6.489.551	(6.200.198)	(5.618.267)
Municipal Fund total	133.971.924	132.999.604	972.320	2.741.987

Notes

28. Statement of operations, continued:

	Financial statements			2019
	2019			Budget with Annexes
	Expenses	Revenues	Balance	Net
Reykjavík Municipal (A operations) organisations				
Real Estate Fund	22.684.471	25.015.076	(2.330.605)	(6.314.333)
Internal transactions in A operation	(30.559.272)	(30.559.272)	0	0
A operations total	126.097.122	127.455.407	(1.358.285)	(3.572.346)
B operations companies				
Aflvaki hf.	18	193	(176)	358
Faxaflóahafnir sf.	3.323.703	4.206.533	(882.830)	(860.519)
Félagsbústaðir hf.	4.810.396	9.307.208	(4.496.812)	(726.972)
Íþróttá- og sýningahöllin hf.	462.873	429.916	32.957	36.483
Malbikunarstöðin Höfði hf.	1.778.153	1.893.878	(115.725)	(116.400)
Orkuveita Reykjavíkur	40.125.218	47.042.132	(6.916.914)	(8.197.273)
Slökkvilið höfuðborgarsvæðisins bs.	2.999.206	3.128.559	(129.354)	(40.096)
Sorpa bs.	3.771.255	3.868.861	(97.606)	(245.977)
Strætó bs.	8.792.054	8.755.173	36.881	(10.119)
Þjóðarleikvangur ehf.	7.880	4.538	3.342	0
	66.070.756	78.636.991	(12.566.235)	(10.160.516)
Share in associated companies' results	0	(104.874)	104.874	0
Minority interest	0	(718.656)	718.656	0
B operations total	66.070.756	77.813.460	(11.742.705)	(10.160.516)
Internal transactions in B operations	(12.017.532)	(13.919.137)	1.901.606	1.741.411
Reykjavík Group (A and B operations) total	180.150.346	191.349.731	(11.199.384)	(11.991.451)

The results of financial income and expenses of Reykjavík Group organisations and B operation companies are recognised as income or expenses, as applicable.

29. Share in the results of associated companies

Shares in the results of associated companies are itemised as follows:

	A and B operations
Minjavernd hf.	(103.009)
Orkuveita Reykjavíkur - associated companies	(544)
Sorpa - associated company	(1.322)
	(104.874)

30. Intangible assets

Intangible assets are itemised as follows:

	A and B operations
Total value	
Balance at the beginning of the year	3.675.039
Additions during the year	772.281
	4.447.319
Depreciations	
Opening balance	1.675.516
Depreciations during the year	273.704
	1.949.220
Book value at year-end	2.498.100

Notes

31. Fixed tangible assets

A operations are itemised as follows:	A operations			
	Real estate	Road systems	Machinery and equipment	Total
Total value				
Balance at the beginning of the year	174.393.328	21.583.178	10.318.530	206.295.036
Re-classification of assets	(90.410)	0	90.410	0
Additions during the year	7.247.513	6.955.206	1.763.860	15.966.579
Road construction fees	0	(1.812.954)		(1.812.954)
Sold or disposed of during the year	(279.665)	0	(58.490)	(338.155)
Balance at year-end	181.270.766	26.725.430	12.114.310	220.110.506
Depreciations				
Balance at the beginning of the year	55.766.871	5.608.035	5.428.282	66.803.188
Depreciations during the year	2.712.285	919.808	1.082.724	4.714.818
Sold or disposed of during the year	(6.493)	0	(52.641)	(59.134)
Balance at year-end	58.468.761	6.527.843	6.462.268	71.458.871
Book value at year-end	122.802.005	20.197.587	5.652.043	148.651.635
Depreciation rate	2 - 4%	4%	5 - 25%	

A and B operations are specified as follows:	A and B operations			
	Real estate	Utilities	Road system mach. & equipm.	Total
Total value				
Balance at the beginning of the year	219.401.464	565.983.395	45.310.142	830.695.001
Re-classification of assets	(1.268.907)	0	90.410	(1.178.497)
Revaluation	139.170	32.795.390	0	32.934.560
Additions during the year	12.775.848	17.837.794	10.328.995	40.942.637
Translation difference	1.227	4.144.473	0	4.145.699
Road construction fees	0	0	(1.812.954)	(1.812.954)
Sold or disposed of during the year	(545.824)	0	(110.450)	(656.274)
Balance at year-end	230.502.976	620.761.052	53.806.143	905.070.171
Depreciations				
Balance at the beginning of the year	75.544.279	271.745.421	18.538.183	365.827.883
Re-classification of assets	(3.902)	0	3.902	0
Revaluation	0	17.873.720	0	17.873.720
Depreciations during the year	3.769.895	11.146.972	3.107.261	18.024.127
Translation difference	0	550.001	0	550.001
Sold or disposed of during the year	(5.989)	0	(123.243)	(129.232)
Balance at year-end	79.304.282	301.316.113	21.526.103	402.146.498
Book value at year-end	151.198.694	319.444.939	32.280.040	502.923.673
Depreciation rate	2 - 4%	2 - 20%	4 - 33,3%	

Mortgages:

The properties of Félagsbústaðir hf. are mortgaged to secure the balance of debts amounting to ISK 27,445 million at year-end. In addition, the company has signed two bonds with its commercial bank in the aggregate amount of ISK 2,620 million, which are also secured by a mortgage on the company's properties. A long-term loan to Félagsbústaðir hf. guaranteed by Reykjavíkurborg amounted to ISK 16,125 million at the end of the year. The debts of Íþróttá- og sýningarhöllin hf. in the amount of ISK 2,105.1 million are secured by a mortgage on the company's property and a lease contract with the City of Reykjavík.

Notes

31. Fixed tangible assets, continued:

Investment properties are itemised as follows:

	A operations	A and B operations
Total value		
Balance at the beginning of the year	0	83.202.731
Revaluation during the year	0	4.893.401
Additions during the year	0	4.044.066
Sold during the year	0	(37.000)
Balance at year-end	<u>0</u>	<u>92.103.198</u>

The presentation of Félagsbústaðir hf. in the consolidated financial statements is based on fair value measurement. Valuation changes resulting from fair value measurements are recognised in the Income Statement.

Orkuveita Reykjavíkur performs a special re-evaluation of its production systems and the re-evaluation extends to assets used for the production of electricity, hot water and cold water. The fair value of production assets is determined by the depreciated and restated cost price. This entails that changes in the building cost of similar assets are assessed and both the cost price and accumulated depreciation are re-assessed in accordance with those changes. The same method is applied in determining the fair value of Orkuveita Reykjavíkur's distribution systems, which have been subject to a special re-evaluation. Re-evaluated distribution systems are used for operations that require special permits, and the income limit is primarily based on changes in the building cost index. This is taken into consideration when determining fair value.

The permanent fixed assets of Íþróttá- og sýningahöllin hf. are recognised at the re-evaluated cost price, net of depreciation.

32. Leased properties

Leased properties are specified as follows:

	A operations	A and B operations
Balance at the beginning of the year	11.452.015	11.452.015
Additions during the year	57.548	1.730.730
Written off over the year	(189.113)	(189.113)
Indexation	0	18.808
	<u>11.320.450</u>	<u>13.012.440</u>
Depreciation at the beginning of the year	5.661.056	5.661.056
Depreciation during the year	614.403	706.986
Written off over the year	(189.113)	(189.113)
	<u>6.086.346</u>	<u>6.178.929</u>
Book value at year-end	<u>5.234.104</u>	<u>6.833.511</u>
Depreciation rate	4 - 25%	4 - 25%

33. Depreciation and impairment

Depreciation and impairment in the income statement are specified as follows:

	A operations	A and B operations
Depreciation of fixed tangible assets, see note 30	4.714.818	18.024.127
Depreciation of intangible assets, see note 29	0	273.704
Depreciation of leased properties, see note 31	614.403	706.986
Depreciation during the year	<u>5.329.221</u>	<u>19.004.818</u>
Recognised in the income statement	5.329.221	18.988.531
Recognised as a reduction of obligations	0	16.287
	<u>5.329.221</u>	<u>19.004.818</u>

Notes

34. Investments in fixed tangible assets

Investments of A operations during the year are itemised as follows:

	2019 Financial Statements	2019 Budget with annexes
Property, machinery and equipment:		
Culture	595.485	1.063.910
Education	3.303.863	3.360.000
Sports and leisure	2.779.179	2.599.650
Social Services	430.187	463.950
Social Services, termination of purchase agreement	(787.479)	0
Bílastæðasjóður	(6.132)	0
Other properties	1.439.897	1.695.000
Software, machinery and equipment	1.089.178	1.302.000
Building plots, land and planning properties	32.662	51.500
Renovation and major maintenance of buildings	736.817	725.000
Expensed development project	(150.946)	0
Entered in income statement	58.830	0
Total property, machinery and equipment	<u>9.521.542</u>	<u>11.261.010</u>
Road system		
Road construction	6.445.036	7.968.000
Road construction fees over the year	(1.812.954)	(4.194.363)
Road system total	<u>4.632.082</u>	<u>3.773.637</u>
Total capitalised investment	14.153.624	15.034.647
Road construction fees over the year	<u>1.812.954</u>	<u>4.194.363</u>
Gross investment A operations	<u><u>15.966.578</u></u>	<u><u>19.229.010</u></u>
Investments of B operations during the year are itemised as follows:		
Faxaflóahafnir sf.	1.501.978	2.330.000
Félagsbústaðir hf.	4.252.297	3.994.651
Orkuveita Reykjavíkur	21.890.513	18.006.566
Slökkvilið höfuðborgarsvæðisins bs.	439.183	492.000
Strætó bs	125.009	530.000
Sorpa bs	4.055.342	4.478.000
Other B operation companies	170.706	60.000
Total investment of B operations	<u>32.435.028</u>	<u>29.891.217</u>
Inter-unit transactions eliminated	(931.187)	0
Total investment of Reykjavík Group in fixed tangible assets during the year	<u><u>47.470.419</u></u>	<u><u>49.120.227</u></u>

35. Selling price of building rights, road construction fees and sale of fixed assets

	2019 Financial Statements	2019 Budget with annexes
Selling price of building rights, plots and road construction fees are itemised as follows:		
Road construction fees A operations	(1.812.954)	1.812.954
Sold building rights A operations	(25.754)	25.754
	<u>(1.839)</u>	<u>1.839</u>
Selling price of fixed assets:		
Selling price of fixed assets of A operations	204.868	96.676
Selling price of fixed assets of B operations	248.761	235.448
Inter-unit transactions eliminated	(5.078)	0
	<u>448.551</u>	<u>332.124</u>

Notes

36. Official value and insurance value of buildings

Fire insurance valuation, the official property valuation and book value of real estate are itemised as follows at year-end 2019:

	A operations	A and B operations
Official property valuation of buildings	115.714.804	163.226.396
Official property valuation of plots	31.498.520	67.180.646
Fire insurance valuation	188.254.860	251.575.998
Book value	122.802.005	151.198.694

37. Insurance value of liquid assets

According to a resolution of the City Council, liquid assets of A operations are not specifically insured, except in the case of statutory liability insurances. The insurance value of liquid assets of B operations amounted to ISK 403,938 million at year end 2019.

38. Shares in companies

Shares in companies are itemised as follows:

	Share in operation A	Share in operation A and B	A operations Book value	A and B operations Book value
Subsidiaries				
Aflvaki hf.	54,5%	95,7%	4.363	
Félagsbústaðir hf.	100,0%	100,0%	3.093.051	
Íprótta- og sýningahöllin hf.	50,0%	50,0%	50.000	
Malbikunarstöðin Höfði hf.	99,0%	100,0%	190.575	
Slökkvilið höfuðborgarsvæðisins bs.	60,8%	60,8%	1.027.526	
Sorpa bs.	60,5%	60,5%	797.709	
Strætó bs.	60,3%	60,3%	514.504	
Orkuveita Reykjavíkur	93,5%	93,5%		
Faxaflóahafnir sf.	75,6%	75,6%	59.111	
Þjóðarleikvangur ehf.	50,0%	50,0%	250	
Subsidiaries total			<u>5.737.089</u>	
Associated companies				
Harpa tónlistar- og ráðstefnuhúsið ohf.	46,0%	46,0%	555.370	
Situs ehf	46,0%	46,0%		7.375
Minjavernd hf.	38,3%	38,3%	107.839	166.675
Metan hf.		100,0%		24.337
Íslensk Nýorka		29,0%		27.378
Netorka hf.		38,4%		40.347
Orkuskipti REYST hf.		45,0%		6.027
Associated companies total			<u>663.209</u>	<u>272.140</u>
Other companies				
Landsnet hf.		6,8%		5.160.587
Lánasjóður sveitarfélaga ohf.	17,5%	17,5%	1.547.831	1.547.831
Galantatem		3,8%		13.082
Keilir		12,1%		18.500
Landskerfi bókasafna hf.	20,6%	20,6%	29.524	29.524
Neyðarlínan hf.	20,39%	20,4%	14.472	9.394
Rekstrarfélagið Stæði ehf	22,97%	22,97%	919	919
DMM lausnir ehf		13,4%		23.898
Vísindagarðar Háskóla Íslands ehf.	5,4%	5,4%	11.688	11.688
Halakot ehf		100,0%		2.000
Vatnsveita Hvalfjarðarsveitar sf.		50,0%		75.481
Próunarfélag Grundatanga ehf	16,7%	33,3%	750	1.500
Other companies			40	537
Other companies total			<u>1.605.223</u>	<u>6.894.941</u>
Capital contributions				
Þjarg íbúðafélag hses.			2.082.621	2.082.621
Brynja, hússjóður Öryrkjabandalags Íslands			129.072	129.072
Arnrún íbúðarfélag hses			40.003	40.003
Félagsbústaðir hf.			496.366	0
Stakkahlíð hses.			343.912	343.912
Byggingarfélag námsmanna ses			177.511	177.511
			<u>3.269.486</u>	<u>2.773.120</u>
Total shares			<u>11.275.007</u>	<u>9.940.200</u>

Changes in fair value of Landsnet hf. amounted to ISK 1.365 million during the year and the increase is recognised as equity.

Notes

39. Embedded derivatives

At the accounting date Orkuveita Reykjavíkur had two aluminum-linked electricity sales contracts in effect: one with Norðurál relating to the aluminium smelter at Grundartangi and a second with Norðurál relating to Helgúvík. As regards the agreement with Norðurál Helgúvík, delivery has begun in part through delivery to Grundartangi. These power sale agreements are made in USD, with the power price linked to the world market price of aluminium. Revenue from power sales agreements linked to aluminum prices accounted for 12.7% of Orkuveita Reykjavíkur total revenue in 2019.

In order to reduce the aluminium price risk, Orkuveita Reykjavíkur has entered into derivative agreements to reduce fluctuations in revenues linked to aluminium prices. The risk management department of Orkuveita Reykjavíkur is authorised to hedge the aluminium price risk and minimum/maximum defense ratios have been approved for the next 5 financial years. At the accounting date the hedging amounted to 52% of the estimated sales linked to the price of aluminium for the next 12 months.

Power sale agreements linked to aluminium prices entail embedded derivatives, as their revenues are subject to future changes in the world market price of aluminium. In accordance with the provisions of international financial reporting standards regarding financial instruments, the fair value of embedded derivatives concerning Grundartangi, and partially concerning Helgúvík, has been evaluated and recognised in the financial statements.

Embedded derivatives in power sale agreements that are recognised in the financial statements are recorded as assets or liabilities in the balance sheet at fair value on the accounting date, and the changes to the fair value over the year are recognised in the income statement as income and expenses on financial assets and financial liabilities.

Fair value of embedded derivatives in electricity sales contracts is itemised as follows:	2019	2018
Fair value of embedded derivatives in electricity sales contracts at the beginning of the year	(5.316.869)	2.224.111
Fair value changes during the year	<u>(1.362.460)</u>	<u>(7.540.981)</u>
Fair value of embedded derivatives in electricity sales contracts at the end of the year (liability)	<u>(6.679.329)</u>	<u>(5.316.870)</u>

The allocation of embedded derivatives in electricity sales contracts is itemised as follows:

Non-current embedded derivatives (liability)	(5.307.027)	(4.270.604)
Current embedded derivatives (liability)	<u>(1.372.302)</u>	<u>(1.046.265)</u>
Total embedded derivatives	<u>(6.679.329)</u>	<u>(5.316.869)</u>

40. Long-term receivables

Long-term receivables are itemised as follows:

	Indexed	Non-indexed	Total
Long-term receivables from own companies			
Balance at the beginning of the year	10.898.111	0	10.898.111
Payment over the year	(1.356.140)	0	(1.356.140)
Indexation	<u>269.453</u>	<u>0</u>	<u>269.453</u>
	9.811.423	0	9.811.423
Current maturities of long term receivables	<u>(1.377.777)</u>	<u>0</u>	<u>(1.377.777)</u>
	<u>8.433.646</u>	<u>0</u>	<u>8.433.646</u>

Annual maturities are specified as follows:

Year 2020	1.377.777
Year 2021	1.377.777
Year 2022	1.377.777
Year 2023	1.377.777
Year 2024	1.377.777
Later	<u>2.922.537</u>
	<u>9.811.423</u>

Notes

40. Long-term receivables, continued:

	Indexed	Non-indexed	Total
Other long-term receivables (A operations)			
Balance at the beginning of the year	814.448	7.985.337	8.799.785
Re-classification	0	(174.688)	(174.688)
New loans	0	604.385	604.385
Payments	(130.560)	(1.340.054)	(1.470.615)
Indexation	19.445	5.969	25.414
	703.332	7.080.949	7.784.281
Provision for losses	0	(4.448.746)	(4.448.746)
	703.332	2.632.203	3.335.535
Next year's payments on long-term receivables	(86.965)	(469.927)	(556.891)
	616.367	2.162.276	2.778.644
Other long-term receivables (A and B operations)			
Balance at the beginning of the year	1.734.943	7.985.337	9.720.280
New loans	42.198	604.385	646.583
Reclassification	0	(174.688)	(174.688)
Payment	(484.154)	(1.340.054)	(1.824.208)
Indexation	31.923	5.969	37.892
	1.324.910	7.080.949	8.405.859
Provision for losses	0	(4.448.746)	(4.448.746)
	1.324.910	2.632.203	3.957.113
Next year's payments on long-term receivables	(448.929)	(469.927)	(918.856)
	875.981	2.162.276	3.038.257

Annual maturities are itemised as follows:

	A operations	A and B operations
Year 2020	1.195.928	1.548.167
Year 2021	2.398.530	2.817.156
Year 2022	461.944	537.683
Year 2023	838.823	870.555
Year 2024	2.092.440	2.095.718
Later	1.812.120	1.851.001
	8.799.785	9.720.280

41. Inventories

Inventories are itemised as follows:

	A operations	A and B operations
Inventory of materials	0	1.195.475
Raw material	0	281.583
Supplies in stock	0	38.041
Products ready for use	0	108.132
	0	1.623.231

42. Current receivables

Provisions for current receivables are itemised as follows:

	A operations	A and B operations
Provision for receivables other than tax revenue at the beginning of the year	215.100	508.412
Actual losses during the year	(140.867)	(142.364)
Provision for losses during the year	718.951	718.951
Provision for receivables other than tax revenue at year-end	793.185	1.084.999

Outstanding tax revenue, excluding default interest and provisions, amounted to ISK 12,031 million at year-end. The total provision for tax revenue at year-end amounted to ISK 5,009 million.

Notes

43. Cash and bank deposits

Cash and bank deposits are itemised as follows:	A operations	A and B operations
Bank deposits with three to twelve month maturities	0	2.500.000
Marketable securities	0	7.333.014
	0	9.833.014
Bank deposits and short-term securities, redeemable without notice	8.840.324	21.946.655
	<u>8.840.324</u>	<u>31.779.670</u>

44. Equity

Changes in equity:	A operations	A and B operations
Balance at the beginning of the year	96.308.090	299.968.020
Building lots of B operations taken out of building lot evaluations for A operations	0	(1.178.497)
Re-evaluation of plots and land at year-end	0	12.047.632
Changes in the market value of equity shares	0	1.276.476
Translation differences of Orkuveita Reykjavíkur	0	1.750.054
Other changes	0	(54.086)
Operating results	1.358.285	11.199.384
	<u>97.666.374</u>	<u>325.008.983</u>

Changes in fair value of the share in Landsnet hf. is recognised among equity. Translation difference is the exchange rate difference resulting from the conversion of financial statements in operations that use a functional currency other than the Icelandic króna.

45. Pension obligations due to LsRb

The net present value of the pension obligations of A operations due to LsRb (Reykjavik employees' pension fund) amounted to ISK 38,775 million at the end of 2019, while the net present value of A and B operations amounted to ISK 39,528 million, taking into consideration the share in the pension fund's net assets. The benefit rights largely follow wage changes and are adjusted based on a 2% interest rate, but in other respects a 3.5% interest rate is used for adjustment.

In evaluation of the pension obligations of A operations due to LsRb, assumptions about mortality rate and life expectancy are made in accordance with a proposal from the Icelandic Actuarial Society dating from 1 March 2015. The LsRb actuarial valuation uses existing mortality and life expectancy tables which are based on experience from the years 2014-2018. The amendment of 1 March 2015 proposes a new methodology in estimating mortality rate and life expectancy by assuming that the mortality rate will continue to decrease and that average life expectancy will increase over the next decades instead of using the experience of previous years. It is the assessment of management that this new methodology provides a clearer view of the pension obligations of A operations and that the City is required to take this into consideration in order to comply with the Financial Statements Act, even though this new methodology is not yet effective under current actuarial valuation regulations of pension funds. The managements' assessment is based, among other things, on the fact that LsRb is closed to new members.

The evaluation of the obligations was done by LsRb's actuary using the same methodology as in the actuarial valuation with the modified assumptions mentioned above. In addition, the effect of retrospective wage agreements concluded in March 2020 on LsRb's pension obligation is assessed and recognized as an increase in pension obligations on 31 December 2019 and expensed in the income statement for 2019.

The obligations are itemised as follows:	A operations	A and B operations
Pension obligations 1.1.2019	38.149.169	38.859.273
Contributions to pension payments during the year	3.198.943	3.272.786
Change in pension obligations during the year	(2.572.794)	(2.603.657)
Pension obligations 31.12.2019	<u>38.775.318</u>	<u>39.528.402</u>
Pension obligations, short-term	2.463.000	2.493.000
Pension obligations, long-term	<u>36.312.318</u>	<u>37.035.402</u>
	<u>38.775.318</u>	<u>39.528.402</u>

Estimated participation in the payment of pensions next year is recognised among current liabilities in the balance sheet.

Notes

45. Pension obligations due to LsRb, continued:

Estimated future pension payments for Reykjavik Municipal by period:

Payments 2020-2024	9.407.680
Payments 2025-2029	8.469.940
Payments 2030-2034	7.175.052
Payments 2035 and later	13.722.646
	<u>38.775.318</u>

In 2007 the operating fund made a payment on its pension obligation to LsRb with securities deriving from the sale of Landsvirkjun. The pension fund keeps this payment separate from other assets of the fund when calculating the City's pension obligations.

46. Long-term liabilities

A operations

Long-term liabilities are itemised as follows:	Exchange rate	Indexed	Non-indexed	Total
Balance at the beginning of the year	0	38.185.344	4.981.823	43.167.167
Additions during the year	0	2.870.828	1.339.129	4.209.957
Payments over the year	0	(1.280.004)	(326.000)	(1.606.004)
Indexation of the year	0	1.011.246	(17.776)	993.470
	0	40.787.414	5.977.176	46.764.589
Next year's payments	0	(1.124.693)	(385.624)	(1.510.317)
	0	39.662.721	5.591.551	45.254.273

A and B operations

Long-term liabilities are itemised as follows:	Exchange rate	Indexed	Non-indexed	Total
Balance at the beginning of the year	80.232.097	131.352.906	14.506.823	226.091.826
Additions during the year	0	23.995.472	5.109.129	29.104.601
Payments over the year	(13.714.284)	(6.241.444)	(626.000)	(20.581.728)
Indexation of the year	3.017.779	3.870.446	(17.776)	6.870.449
	69.535.591	152.977.380	18.972.176	241.485.147
Next year's payments	(8.978.392)	(6.051.277)	(1.446.059)	(16.475.728)
	60.557.199	146.926.103	17.526.117	225.009.419

Estimated annual maturities of long-term liabilities are itemised as follows:

	A operations	A and B operations
Year 2020	1.510.317	16.475.728
Year 2021	1.536.299	17.035.838
Year 2022	1.288.215	16.090.727
Year 2023	1.315.075	16.907.796
Year 2024	1.343.430	16.536.340
Later	39.771.253	158.438.718
	<u>46.764.589</u>	<u>241.485.147</u>

Notes

46. Long-term liabilities, continued:

Long-term liabilities A operations with B operations	A operations	A and B operations
Balance at the beginning of the year	144.540	0
Payments over the year	(67.144)	0
Indexation of the year	2.639	0
	80.035	0
Next year's payments	(68.366)	0
	<u>11.669</u>	<u>0</u>
 Estimated annual maturities of long-term liabilities to own companies are itemised as follows:	A operations	A and B operations
Year 2020	68.366	0
Year 2021	8.587	0
Year 2022	3.081	0
Year 2023	0	0
	<u>80.035</u>	<u>0</u>

47. Lease liabilities

The Real Estate Fund has made lease contracts for real estate which are recognised as liabilities, see note 22. Lease contracts are indexed.

	A operations	A and B operations
Balance at the beginning of the year	11.562.597	11.562.597
Addition over the year	57.548	1.730.731
Payments over the year	(883.234)	(994.985)
Indexation of the year	336.850	386.336
	11.073.761	12.684.679
Next year's payments	(914.300)	(1.059.075)
	<u>10.159.461</u>	<u>11.625.604</u>

Annual lease liabilities are specified as follows:

	A operations	A and B operations
Year 2020	914.300	1.059.075
Year 2021	953.630	1.030.913
Year 2022	978.338	1.030.908
Year 2023	1.019.670	1.046.522
Year 2024	1.016.773	1.044.466
Later	6.191.050	7.472.796
	<u>11.073.761</u>	<u>12.684.679</u>

Other information on lease contracts:

	Lease period	Book value at year-end
Sports facilities	2006 - 2035	4.199.192
Office buildings	2002 - 2032	5.865.933
Other facilities	2007 - 2030	1.008.636
		<u>11.073.761</u>

Minimum payments on lease contracts are itemised as follows, not at net present value:

	Sports facilities	Office buildings	Other facilities	Total
Year 2020	893.297	722.793	196.754	1.812.844
Year 2021	893.297	722.793	194.847	1.810.937
Year 2022	893.297	705.186	194.847	1.793.331
Year 2023	893.297	703.586	194.847	1.791.730
Year 2024	893.297	692.734	146.443	1.732.475
Later	3.517.828	5.283.232	575.345	9.376.405
Total	<u>7.984.313</u>	<u>8.830.324</u>	<u>1.503.085</u>	<u>18.317.722</u>

Total payments on lease contracts amounted to ISK 1,627 million in 2018 and are itemised as follows in the financial statements:

	A operations	A and B operations
Payments reducing lease liabilities	883.234	994.985
Interest payments	418.852	436.285
	1.302.086	1.431.270
Operating expenses	518.301	518.301
Total lease payments	<u>1.820.388</u>	<u>1.949.571</u>

Notes

48. Taxes

B operation companies are partially or wholly subject to payment of income tax, and income tax for these companies is calculated and recognised in the financial statements. The balance of financial items in the tax return, on the one hand, and the financial statements, on the other hand, results in the formation of either deferred income tax assets or liabilities.

Companies in B operations for which income tax is calculated are: Orkuveita Reykjavíkur, Íþróttá- og sýningarhöllin hf. and Malbikunarstöðin Höfði hf.

Changes in the calculated deferred income tax assets (liabilities)

are itemised as follows:

	Deferred tax assets	Deferred tax liabilities
Balance at the beginning of the year	3.819.233	13.013.289
Effect of special revaluation of fixed assets	12.322	104.543
Calculated income tax during the year	1.048.204	1.413.657
Other changes	0	(1.680.749)
Income tax payable	0	2.058.817
Balance at year-end	<u>4.879.759</u>	<u>14.909.556</u>

Deferred income tax assets and liabilities are itemised as follows in separate items

in the Statement on Financial Position:

	Deferred tax assets	Deferred tax liabilities
Fixed tangible assets	732.841	15.258.416
Embedded derivatives	2.511.428	0
Other items	0	(93.644)
Impact of carry-forward loss	824.656	(279.921)
Provision due to uncertainty regarding utilisation	810.835	24.706
Balance at year-end	<u>4.879.759</u>	<u>14.909.556</u>

Obligations and guarantees off the Statement of Financial Position

49. Operational contracts and service contracts

Overview of grants, contracts, asset and operational lease agreements of A operations:

	Total obligations	Obligations due in 2020
City Executive Committee grants	35.770	23.110
Cultural grants	4.396.144	1.233.329
Grants and service contracts, Sports and Leisure	1.969.000	1.472.000
Grants and service contracts, Social Services	3.794.396	2.978.715
Grants and service contracts, Education and Recreation	95.454	95.454
Concert and Conference Hall	7.835.830	545.094
Operational agreements for Real Estate Fund	605.020	436.160
Operational Investment agreements for Real Estate Fund	5.378.238	3.433.238
Obligations of Reykjavík Parking Services	289.077	64.042
Contract for the purchase of a pre-school and 20 apartments under construction at Hallgerðargata	699.939	699.939
Total	<u>25.098.868</u>	<u>10.981.082</u>

Overview of contracts and other obligations of B operations off the Statement of Financial Position:

Faxaflóahafnir sf.	408.200	408.200
Félagsbústaðir hf.	2.536.000	1.746.000
Orkuveita Reykjavíkur	<u>2.628.000</u>	<u>2.628.000</u>
Total	<u>5.572.200</u>	<u>4.782.200</u>

Notes

49. Operational contracts and service contracts, continued:

	A operations	A and B operations
Overview of grants, contracts, property lease agreements and operation lease agreements	25.098.868	30.671.068
Overview of A operation guarantee obligations against a third party due to long term bonds	281.799	281.799
Obligations of A operation of the City of Reykjavik for B operation companies not included in the balance sheet	96.851.067	0
	<u>122.231.734</u>	<u>30.952.867</u>

50. Guarantees

Summary of guarantee obligations of Reykjavik Municipal to third parties in respect of bond loans: **A operations**

Churches	281.799
Guarantee obligations of A operations against a third party	<u>281.799</u>

51. Liabilities

The A operation's obligations off the Statement of Financial Position are itemised as follows:

	City's share in liabilities	A operations balance
Faxaflóahafnir sf.	75,6%	501.414
Orkuveita Reykjavíkur	93,5%	77.925.048
Slökkvilið höfuðborgarsvæðisins bs.	56,3%	124.863
Sorpa bs.	56,3%	1.596.270
Strætó bs.	56,3%	578.933
Félagsbústaðir hf.	100,0%	<u>16.124.539</u>
A-operation liabilities off the Statement of Financial Position relating to B-operation companies		<u>96.851.067</u>

	A operations	A and B operations
Operating- and service agreements, obligations and guarantees not included in the balance sheet, total	<u>122.231.734</u>	<u>30.952.867</u>

52. Statement of financial position at year-end

The City's assets, liabilities and equity are itemised as follows:

	Share	Assets	Liabilities	Equity
Reykjavik Municipal (A operations)	100,0%	209.867.765	112.201.390	97.666.374
Aflvaki hf.	95,7%	10.742	0	10.742
Faxaflóahafnir sf.	75,6%	12.108.773	838.445	11.270.328
Félagsbústaðir hf.	100,0%	93.733.803	46.504.187	47.229.616
Íþróttá og sýningahöllin hf.	50,0%	1.541.596	1.155.137	386.459
Malbikunarstöðin Höfði hf.	100,0%	1.726.992	214.446	1.512.546
Orkuveita Reykjavíkur	93,5%	345.986.131	175.465.034	170.521.097
Slökkvilið höfuðborgarsvæðisins bs.	60,8%	1.767.496	404.064	1.363.431
Sorpa bs.	60,5%	4.769.739	2.464.951	2.304.787
Strætó bs.	60,3%	2.236.991	1.189.822	1.047.168
Þjóðarleikvangur ehf.	50,0%	2.519	3.940	-1.421
Internal transactions		<u>-19.924.491</u>	<u>-11.622.345</u>	<u>-8.302.146</u>
Total		<u>653.828.055</u>	<u>328.819.072</u>	<u>325.008.983</u>
Minority share		<u>35.086.867</u>	<u>16.203.323</u>	<u>18.883.544</u>
Balance according to the financial statements		<u>688.914.922</u>	<u>345.022.395</u>	<u>343.892.527</u>

Other

53. Sales tax

The Property Fund is a stakeholder in the Harpa parking lot. The Parking lot is recorded with a special registration pursuant to Art. 6(4) of Act no. 50/1988 on Value Added Tax. The unpaid VAT at end of year 2019 amounted to ISK 250 million.

Notes

54. Litigation

The construction company Sérverk ehf. has sued the City of Reykjavik claiming a payment of ISK 120,101,383 with accrued interest. The plaintiff's ground for action pertains to the legitimacy of a contractual fee for construction plans. The City of Reykjavik is primarily sued for repayment of overcharging the said fee but in the alternate the plaintiff requests recognition of the aforementioned fee as illegal. Sérverk ehf. bought Kuggavogur 5 from Vogabyggð ehf. and, among other things, took over a bond for the aforementioned fee. The settlement price for the bond in October 2018 was over ISK 120 million. The City of Reykjavik is still preparing its statement in the case. If the courts agree with the claims of Sérverk ehf. it can be assumed that claims against the City of Reykjavik for reimbursement of this fee may rise to significant amounts, or up to ISK 1 billion, which is the amount that the City of Reykjavik has made contracts for and collected since 2014. The case will be tried before the District Court of Reykjavik on May 20, 2020.

Among other current liabilities of A and B operations are overdue derivative agreements of Reykjavik Energy. The agreements have not been settled as they are the subject of ongoing litigation. There is great uncertainty regarding their settlement. ISK 740 million have been debited in respect of these agreements in previous financial statements of Reykjavik Energy. The debit entry does not entail any admission of debt by Reykjavik Energy, and the amount may increase or decrease when the agreements are settled.

Gagnaveita Reykjavíkur (GR), a subsidiary of Reykjavik Energy, sent a claim for damages to Siminn hf. in March 2019, where the company claims to have suffered damage due to a violation of the Media Act, regarding which the Post and Telecom Administration of Iceland issued a decision on July 3, 2018. The claim amounts to ISK 1.3 billion for lost revenues, cost and interest. A formal response from Siminn was requested. The lawyers acting for Siminn replied to the aforementioned letter by a letter dated March 19, 2019, where Siminn hf. rejected the claim in its entirety. Siminn hf. filed a suit against the Post and Telecom Administration of Iceland, Gagnaveita Reykjavíkur ehf., Sýn hf. and Mila ehf. in respect of the decision of the Post and Telecom Administration of Iceland concerning the violation. In light of the above, the lawyers acting for Gagnaveita Reykjavíkur are currently preparing an assessment case for the District Court of Reykjavik for the appointment of a court appointed assessor, one or more, on the basis of chapter XII on the Act on Civil Procedure no. 91/1991 for the assessment of financial damages that GR claims to have suffered as a result of the actions of Siminn. No entries are made in connection with this matter in the company's financial statement for 2019.

The City of Reykjavik and various B operation companies are parties to several court cases and other disputes, other than those mentioned above, which may have a financial impact for certain companies or the consolidated accounts of A and B operations.

55. Related parties

Principal and alternate members of the City Council, as well as the Mayor and his deputies, are defined as parties related to the municipality. The spouses of these parties, financially dependent children and other financially dependent parties also fall within this definition. In addition, companies subject to the control of the above parties are also considered related parties.

The municipality has engaged in business with related parties during the year. Business with related parties included normal services provided by the Municipality and public charges levied on related parties. Other business conducted between the Municipality and related parties involves contracts on purchases of goods or services. The transactions are carried out on the same basis as in the case of unrelated parties and the terms and conditions of the transactions are similar as in the case of unrelated parties. The determination of business between related parties is subject to the competence rules of Art. 20 of the Local Government Act. Also, related parties are prohibited in accordance with agreed codes of ethics from taking advantage of their positions for the benefit of their own personal interests or those of their related parties.

56. Top management salaries

The salaries shown are the total salaries paid by the City of Reykjavik to the persons listed:

	Wages	Contribution
Mayor and deputies		
Mayor	22.074	1.305
Mayor's First Deputy, Chief Executive Officer	20.150	0
Mayor's Second Deputy, Chief Legal Counsel	18.994	0
Salaries of elected representatives		
Executive Committee Chairman	14.803	653
City Council President	14.911	653
Elected representatives	235.971	12.815
Elected deputy councillors	72.981	6.006
Committee members	47.490	84
Top management salaries, total	<u>447.375</u>	<u>21.516</u>

Notes

Events after 31.12.2019

57. Impact of wage contracts made by the City of Reykjavik

In March 2020 the City of Reykjavik concluded wage contracts with several trade unions where wage increases were retroactive to April 1, 2019. The impact of this retroactive wage increase has been estimated and expensed under wages, wage related charges and pension obligations for 2019 and entered in the balance sheet.

58. COVID-19 Epidemic

It is clear that a pandemic caused by the COVID-19 virus will have a significant impact on the economy of Iceland and of the world. The spread of the epidemic and global impact are unprecedented and will have an extensive financial impact on the City of Reykjavik.

At the end of January 2020 the Emergency Board of Reykjavik was activated in order to tackle the effects of the pandemic on the operation of the City of Reykjavik. The effects are felt extensively in the fields of welfare, schools, sports, culture and environment, where operations have been either severely curtailed or shut down. Emphasis has been placed on services that are intended to continue uninterrupted pursuant to the Emergency Plan and on ensuring the health and safety of service recipients and city employees. The operation has been under considerable strain as it tries to handle a difficult situation, but on the whole the Emergency Board believes that the tasks relating to the pandemic have been well handled.

The City of Reykjavik has established a work group on measures to be taken in economic and financial matters due to the COVID-19 pandemic. The work group has the task of advising the Mayor, the City Council and the Emergency Board concerning measures against the economic consequences of the COVID-19 pandemic and of presenting proposals for an action plan in this regard. Since early March the work group has been working on, and setting up, scenarios on potential financial and economic effects of the pandemic on the City of Reykjavik and on presenting them to the City Board. Special focus has been placed on the years 2020 and 2021 and on assessing the impact on operation and cash flow for the short and long term. There is great uncertainty regarding how long the situation will last and when one may expect the wheels of the economy to start turning once more, and therefore it is difficult to assess the impact on the operation and economy of the City in any reliable way.

The scenario analysis is a part of active risk management; it is intended to prepare the City's reaction, both operationally and financially, against the anticipated economic depression. The analysis provides for declining income and an increase in welfare expenditure, i.a. due to a rise in unemployment. The negative impact on the City will increase in step with the difficulties in battling the pandemic worldwide, and the economy will take a longer time to get going again, especially in the field of tourism. The capital position of the City of Reykjavik is strong, and the City of Reykjavik has the financial strength to absorb significant shocks resulting from the consequences of the pandemic. The Icelandic Parliament has passed an Act enabling the municipalities to tackle the problem in the short term by providing a slack in the financial rules laid down in the Act on Local Authorities no. 138/2011.

The City of Reykjavik's first economic action for the Covid-19 Epidemic was presented and unanimously approved by the City Council on March 26, 2020.

Notes

59. Comparison of operating budgets

The overview below explains the operating budget for 2019 pursuant to the originally approved budget of the municipality, approved annexes and original budget with annexes. The budget with annexes is shown in the Income Statement and other notes to the financial statements for comparison with the year's actual figures.

	Reykjavík Municipal A operations			Reykjavík Group A and B operations		
	2019 Orginal Budget	2019 Annexes to Budget	2019 Orginal Budget with annexes	2019 Orginal Budget	2019 Annexes to Budget	2019 Orginal Budget with annexes
Operating revenue						
Tax revenues.....	100.763.629	(0)	100.763.629	100.078.111	(0)	100.078.111
Contributions to Municipal Equalisation Fund.....	7.629.400	(0)	7.629.400	7.629.400	(0)	7.629.400
Other revenues.....	18.334.836	169.359	18.504.195	84.159.513	129.359	84.288.872
	<u>126.727.865</u>	<u>169.359</u>	<u>126.897.224</u>	<u>191.867.025</u>	<u>129.359</u>	<u>191.996.384</u>
Operating expenses						
Wage cost and wage-related expenses.....	69.221.673	1.132.885	70.354.557	85.254.809	1.132.885	86.387.693
Changes in pension obligations.....	4.142.000	(392.000)	3.750.000	4.142.000	(392.000)	3.750.000
Other operating expenses.....	44.178.949	(571.616)	43.607.334	58.442.845	(571.616)	57.871.229
Depreciation.....	5.138.427	0	5.138.427	16.928.963	0	16.928.963
	<u>122.681.049</u>	<u>169.269</u>	<u>122.850.319</u>	<u>164.768.616</u>	<u>169.269</u>	<u>164.937.885</u>
Operating result before financial items.....	4.046.816	90	4.046.906	27.098.408	(39.910)	27.058.498
Financial income and (financial expenses).....	(474.560)	0	(474.560)	(14.976.692)	(41.000)	(15.017.692)
Operating result before tax	3.572.256	90	3.572.346	12.121.716	(80.910)	12.040.806
Income tax.....	0	0	0	(1.427.988)	0	(1.427.988)
Changes in valuation of investment properties.....	0	0	0	1.377.633	0	1.377.633
Share in associated companies' operating results.....	0	0	0	1.000	0	1.000
Operating result.....	<u>3.572.256</u>	<u>90</u>	<u>3.572.346</u>	<u>12.072.361</u>	<u>(80.910)</u>	<u>11.991.451</u>

Notes

60. Comparison of cash flow budgets

The overview below shows the cash flow budget for 2019 pursuant to the originally approved budget of the municipality, approved annexes and original budget with annexes. The budget with annexes is shown in the cash flow statement and other notes to the financial statements for comparison with the year's actual figures.

	Reykjavík Municipal A operations			Reykjavík Group A and B operations		
	2019	2019	2019 Original	2019	2019	2019 Original
	Original Budget	Annexes to Budget	Budget with annexes	Original Budget	Annexes to Budget	Budget with annexes
Cash flows from operating activities						
Operating result	3.572.256	90	3.572.346	12.072.361	(80.910)	11.991.451
Adjustments not affecting cash flow:						
Profit from sales of assets	(3.875.370)	0	(3.875.370)	(3.875.370)	0	(3.875.370)
Depreciation.....	5.138.427	0	5.138.427	16.928.963	0	16.928.963
Indexation, discounts and translation diff.	1.432.355	(0)	1.432.355	6.026.713	(0)	6.026.713
Embedded derivatives, change	0	0	0	1.214.979	0	1.214.979
Value adjustment of investment properties.....	0	0	0	(1.377.633)	0	(1.377.633)
Impact of subsidiaries and minority interests	0	0	0	(1.000)	0	(1.000)
Changes in pension obligations.....	3.750.000	0	3.750.000	3.778.308	0	3.778.308
Changes in deferred income tax liability.....	0	0	0	(1.031.237)	0	(1.031.237)
Working capital provided by operating activities	10.017.668	90	10.017.759	33.736.083	(80.910)	33.655.174
Changes in operating assets and liabilities:						
Inventories, decrease (increase).....	0	0	0	310.000	0	310.000
Unrecovered revenues, decrease (increase)	0	0	0	(74.054)	0	(74.054)
Current receivables, decrease (increase)	1.626.117	0	1.626.117	1.913.214	239.000	2.152.214
Current liabilities, increase (decrease).....	(2.650.000)	0	(2.650.000)	(2.650.000)	0	(2.650.000)
Contribution to pension obligations.....	392.000	0	392.000	398.000	0	398.000
Changes in operating assets and liabilities	(631.883)	0	(631.883)	(102.840)	239.000	136.160
Net cash provided by operating activities	9.385.785	90	9.385.876	33.633.243	158.090	33.791.334
Investment activities						
Investments in fixed tangible assets.....	(19.919.970)	690.960	(19.229.010)	(44.044.536)	(457.040)	(44.501.576)
Investments in investment assets	0	0	0	(3.994.651)	0	(3.994.651)
Investments in intangible assets	0	0	0	(624.000)	0	(624.000)
Paid road construction fees	4.194.363	0	4.194.363	4.194.363	0	4.194.363
Sales of building rights.....	3.778.694	(0)	3.778.694	3.778.694	(0)	3.778.694
Proceeds from sale of fixed tangible assets.....	96.676	0	96.676	332.123	0	332.124
Share holdings, change	(1.721.166)	0	(1.721.166)	(1.080.785)	0	(1.080.785)
Short-term financing, change	0	0	0	2.250	0	2.250
Long-term receivables, change.....	652.389	(0)	652.389	(395.848)	(0)	(395.848)
Investment activities	(12.919.015)	690.960	(12.228.055)	(41.832.390)	(457.040)	(42.289.429)
Financing activities						
Capital contributions from state	0	0	0	833.000	0	833.000
New long-term borrowings.....	5.500.000	0	5.500.000	25.111.706	990.000	26.101.706
Repayment of long-term borrowings.....	(1.947.159)	1	(1.947.159)	(19.620.338)	0	(19.620.338)
Payments on lease liabilities	(867.370)	0	(867.370)	(867.370)	0	(867.370)
Derivative contracts paid	0	0	0	(487.982)	0	(487.982)
Paid-in capital	0	0	0	66.618	0	66.618
Short-term borrowings, change	0	0	0	161.535	0	161.535
Dividends paid	0	0	0	(203.214)	0	(203.214)
Other activities.....	0	0	0	0	0	0
Financing activities	2.685.471	1	2.685.471	4.993.955	990.000	5.983.955
Increase (decrease) in cash and cash equivalents.....	(847.758)	691.051	(156.708)	(3.205.191)	691.050	(2.514.141)
Cash and cash equivalents at beginning of year.....	7.088.392	0	7.088.391	24.020.115	0	24.020.115
Effect of currency fluctuations on cash.....	0	0	0	3.484	0	3.388
Cash and cash equivalents at year-end.....	6.240.633	691.051	6.931.683	20.818.408	691.050	21.509.362

Notes

61. Financial ratios

Overview of financial ratios:

Ratio of operating income:

	Reykjavík Municipal A operations		Reykjavík Group A and B operations	
	2019 Financial Statements	2019 Budget with annexes	2019 Financial Statements	2019 Budget with annexes
Municipal income tax	63,3%	62,3%	42,2%	41,2%
Property taxes	17,2%	17,1%	11,1%	11,0%
Total tax revenues	80,5%	79,4%	53,3%	52,1%
Contribution from Municipal Equalisation Fund	6,1%	6,0%	4,0%	4,0%
Other revenues	13,4%	14,6%	42,7%	43,9%
Total operating revenues	100,0%	100,0%	100,0%	100,0%
Wage cost and wage-related expenses	55,3%	55,4%	45,0%	45,0%
Increase in pension obligations	2,6%	3,0%	1,8%	2,0%
Other operating expenses	37,1%	34,4%	32,0%	30,1%
Total operating expenses	94,9%	92,8%	78,7%	77,1%
Contribution margin (EBITDA)	5,1%	7,2%	21,3%	22,9%
Depreciation	4,3%	4,0%	10,3%	8,8%
Operating result before financial income (expenses)	0,8%	3,2%	11,0%	14,1%
Financial income and (expenses)	0,3%	(0,4%)	(6,9%)	(7,8%)
Income tax	0,0%	0,0%	(0,2%)	(0,7%)
Value adjustment of investment properties	0,0%	0,0%	2,6%	0,7%
Effects of minority interest and subsidiaries	0,0%	0,0%	(0,4%)	0,0%
Operating results	1,1%	2,8%	6,4%	6,2%
Working capital provided by operations	10,1%	7,9%	19,5%	17,5%
Investments in fixed tangible assets	(13,0%)	(15,2%)	(26,1%)	(25,6%)
Total liabilities and obligations	91,0%	-	186,3%	-

In ISK thousand per inhabitant:

Operations:

Tax revenue	757	768	752	763
Contributions from Municipal Equalisation Fund	57	58	57	58
Other revenue	126	141	603	643
Total operating revenue	941	968	1.412	1.464
Wage cost and wage-related expenses	(544)	(565)	(660)	(687)
Other operating expenses and depreciation	(389)	(372)	(597)	(570)
Financial income and (expenses)	3	(4)	(98)	(115)
Other	0	0	33	(0)
Operating result	10	27	85	93

Cash flow:

Working capital provided by operating activities	95	76	276	257
Cash and cash equiv. provided by operating activities	84	72	276	258

	A operation		A and B operations	
	2019	2018	2019	2018
Other ratios:				
Current ratio - curr. assets/curr. liabilities	1,17	1,23	1,14	1,12
Equity ratio - equity/total assets	0,47	0,47	0,50	0,49
Population (source: Statistics Iceland):	2019	2018	2017	2016
Population on 1 December	131.146	128.724	126.109	123.133
Change from previous year	2.422	2.615	2.976	1.484

Notes

62. Reykjavík Municipal financial ratios

Summary of Reykjavík Municipal financial ratios over the past 5 years:

	2019 Budget with annexes	Financial Statements				
		2019	2018	2017	2016	2015
Financial thresholds according to Local Government Act						
Operating result for the last three years in ISK million	-	11.055	12.334	(6.027)	(13.830)	(13.297)
Liabilities thresholds	-	52%	49%	44%	49%	55%
Total liabilities and obligations - debt ratio	-	91%	90%	85%	83%	89%
Other ratios:						
Long-term liabilities and obligations in proportion to working capital provided by operations (in years)	8,68	7,40	6,39	8,76	6,35	12,61
Equity ratio - equity/total assets	42%	47%	47%	46%	48%	48%
Working capital provided by operations in proportion to payment of liabilities	3,56	4,85	5,07	4,11	5,30	2,73
Current asset ratio - current assets/current liabilities	0,86	1,17	1,23	1,29	1,57	1,18
As a ratio of operating revenue:						
Tax revenue	79,4%	80,5%	77,4%	73,4%	76,0%	76,1%
Contributions from Municipal Equalisation Fund	6,0%	6,1%	6,2%	6,2%	6,7%	6,8%
Other revenue	14,6%	13,4%	16,5%	20,4%	17,4%	17,1%
Total operating revenue	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Wage cost and wage-related expenses	55,4%	55,3%	52,7%	52,7%	51,3%	54,0%
Increase in pension obligations	3,0%	2,6%	3,9%	6,0%	5,0%	16,1%
Other operating expenses	34,4%	37,1%	34,9%	33,3%	36,4%	39,5%
Depreciation	4,0%	4,3%	4,1%	4,0%	4,5%	4,6%
Total operating expenses	96,8%	99,2%	95,7%	96,1%	97,2%	114,1%
Operating result before financial items	3,2%	0,8%	4,3%	3,9%	2,8%	(14,1%)
Financial income and (expenses)	(0,4%)	0,3%	(0,4%)	0,4%	(0,2%)	(0,9%)
Operating result (negative)	2,8%	1,1%	3,9%	4,3%	2,6%	(15,0%)
Contribution margin (EBITDA)	7,2%	5,1%	8,4%	7,9%	7,3%	-9,6%
Working capital provided by operations	7,9%	10,1%	11,5%	8,0%	10,9%	5,7%
Investments in fixed tangible assets	(15,2%)	(13,0%)	(16,2%)	(13,3%)	(9,4%)	(10,4%)
In ISK thousand per inhabitant						
Operation:						
Tax revenue	768	757	720	674	620	566
Contributions from Municipal Equalisation Fund	58	57	57	57	54	51
Other revenue	141	126	153	187	142	127
Total operating revenue	968	941	931	918	817	743
Wage cost and wage-related expenses	(536)	(520)	(491)	(484)	(419)	(401)
Increase in pension obligations	(29)	(24)	(37)	(56)	(41)	(119)
Other operating expenses and depreciation	(372)	(389)	(363)	(343)	(333)	(328)
Financial income and (expenses)	(4)	3	(4)	4	(2)	(6)
Operating result (negative)	27	10	37	39	21	(111)
Cash flow:						
Working capital provided by operations	76	95	107	73	89	43
Cash and cash equivalents provided by operations	72	84	96	(8)	53	22
Investments in fixed tangible assets	(147)	(122)	(150)	(122)	(77)	(77)
Balance Sheet:						
Assets	1.425	1.600	1.588	1.460	1.301	1.262
Equity	604	745	748	678	621	603
Liabilities	821	856	840	782	680	659
Tax rates:						
Municipal income tax	14,52%	14,52%	14,52%	14,52%	14,52%	14,52%
Property tax, class A	0,18%	0,18%	0,18%	0,20%	0,20%	0,20%
Property tax, class B	1,32%	1,32%	1,32%	1,32%	1,32%	1,32%
Property tax, class C	1,65%	1,65%	1,65%	1,65%	1,65%	1,65%
Population (source: Statistics Iceland):						
Population on 1 December	131.146	131.146	128.724	126.109	123.133	122.452
Change from previous year		2.422	2.615	2.976	681	698
Change from previous year (ratio)		1,9%	2,1%	2,4%	0,6%	0,6%

Notes

63. Reykjavík Group financial ratios

Summary of Reykjavík Group financial ratios over the past 5 years:	2019 Budget with annexes	Financial Statements				
		2019	2018	2017	2016	2015
Financial thresholds according to Local Government Act						
Operating result for the last three years in ISK million	-	27.493	35.246	18.442	7.806	(824)
Liabilities thresholds less Orkuveita Reykjavíkur (OR).....	-	79%	73%	67%	71%	78%
Total liabilities and obligations. - debt ratio less OR	-	119%	114%	108%	107%	112%
Other ratios:						
Long-term liabilities and obligations in proportion to working capital provided by operations (years)	9,17	8,18	6,58	7,49	7,16	8,16
Equity ratio - equity/total assets	49%	50%	49%	49%	46%	43%
Working capital provided by operations in proportion to payment of liabilities	1,73	1,68	1,70	2,04	1,92	1,74
Current asset ratio - current assets/current liabilities	1,00	1,14	1,12	1,10	1,13	0,94
As a ratio of operating revenue:						
Tax revenue	52,1%	53,3%	51,2%	48,9%	48,8%	47,8%
Contributions from Municipal Equalisation Fund	4,0%	4,0%	4,1%	4,2%	4,3%	4,3%
Other revenue	43,9%	42,7%	44,7%	47,0%	46,9%	47,9%
Total operating revenue	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Wage cost and wage-related expenses	45,0%	45,0%	42,8%	43,5%	40,8%	41,6%
Increase in pension obligations	2,0%	1,8%	2,7%	4,1%	3,3%	10,2%
Other operating expenses	30,1%	32,0%	30,2%	29,5%	32,1%	33,7%
Depreciation	8,8%	10,3%	9,3%	8,7%	10,5%	11,3%
Total operating expenses	85,9%	89,0%	84,9%	85,8%	86,6%	96,8%
Operating result before financial items	14,1%	11,0%	15,1%	14,2%	13,4%	3,2%
Financial income and (expenses)	(7,8%)	(6,9%)	(10,1%)	1,2%	0,6%	(9,2%)
Other	(0,0%)	2,4%	2,4%	1,7%	3,8%	3,1%
Operating result (negative)	6,2%	6,4%	7,4%	16,2%	17,0%	(3,5%)
Contribution margin (EBITDA)	22,9%	21,3%	24,3%	22,9%	23,8%	14,5%
Working capital provided by operations	14,5%	19,5%	23,1%	19,3%	22,0%	21,6%
Investments in fixed tangible assets	(19,4%)	(23,5%)	(20,7%)	(21,6%)	(15,6%)	(16,3%)
In ISK thousand per inhabitant						
Operation:						
Tax revenue	763	752	715	670	616	562
Contributions from Municipal Equalisation Fund	58	57	57	57	54	51
Other revenue	643	603	625	644	593	562
Total operating revenue	1.464	1.412	1.398	1.371	1.263	1.175
Wage cost and wage-related expenses	(659)	(635)	(599)	(596)	(515)	(489)
Increase in pension obligations	(29)	(25)	(37)	(56)	(42)	(120)
Other operating expenses and depreciation	(570)	(597)	(551)	(525)	(537)	(529)
Financial income and (expenses)	(115)	(98)	(141)	16	7	(108)
Other	(0)	33	34	24	48	36
Operating result (negative)	91	91	104	234	225	(34)
Cash flow:						
Working capital provided by operations	212	276	323	265	278	254
Cash and cash equivalents provided by operations	210	276	268	178	249	227
Investments in fixed tangible assets	(285)	(332)	(290)	(296)	(197)	(191)
Balance Sheet:						
Assets	4.439	5.253	4.984	4.621	4.349	4.292
Equity	2.156	2.622	2.464	2.263	1.990	1.829
Liabilities	2.283	2.631	2.520	2.358	2.359	2.463
Tax rates:						
Municipal income tax	14,52%	14,52%	14,52%	14,52%	14,52%	14,52%
Property tax, class A	0,18%	0,18%	0,18%	0,20%	0,20%	0,20%
Property tax, class B	1,32%	1,32%	1,32%	1,32%	1,32%	1,32%
Property tax, class C	1,65%	1,65%	1,65%	1,65%	1,65%	1,65%
Population (source: Statistics Iceland):						
Population on 1 December	131.146	131.146	128.724	126.109	123.133	122.452
Change from previous year		2.422	2.615	2.976	681	698
Change from previous year (ratio)		1,9%	2,1%	2,4%	0,6%	0,6%

Statement on governance and non-financial information

Statement on governance and non-financial information

The City council of Reykjavik places great emphasis on maintaining good governance. The governance of the municipality is subject to the provisions on the Act on Local Authorities no. 138/2011 with amendments and resolution no. 715 of July 8, 2013, on the governance of Reykjavik and points of order, with amendments. The city of Reykjavik has registered bonds in the Iceland Stock Exchange and is therefore subject to rules on issuers of financial instruments, issued by the Iceland Stock Exchange.

The form of the declaration of governance 2019 takes into consideration Guidelines for corporate governance issued by the Icelandic Chamber of Commerce, Nasdaq Iceland hf., and the Confederation of Icelandic Enterprise in May 2015. The City of Reykjavik does however deviate partially from the guidelines, especially where the contents of the guidelines do not apply to municipalities.

The mission of Reykjavik

The mission of Reykjavik is to provide quality services for the people of Reykjavik in the most economical way possible and lay the foundations for increased quality of life for the people of the City for the long and the short term. In accordance with the Act on Local Authorities no. 138/2011 municipalities are independent governments, governed by local councils democratically elected by the residents of the municipality. The municipality handles the tasks assigned to it under the Act, e.g. educational policies, social services, youth and sport affairs, cultural affairs, sanitation, planning affairs and environmental affairs. It moreover abides by the requirements made to its operation under other laws, e.g. the Administrative Procedures Act, the Act on Equal Rights of Women and Men, and the Act on Public Procurement.

Section B of the City of Reykjavik grants services to companies and the public inter alia in the field of utilities, harbors, social housing, waste disposal, fire prevention, and public transport.

No serious deviations have been reported by any supervisory body or public reviewers in regards to the municipality's operation relating to environmental, social and human resource issues, human rights issues, or corruption and bribery issues.

Laws, regulations and guidelines

The City of Reykjavik operates under the Act on Local Authorities no. 138/2011. The City's obligations are moreover subject to laws and regulations that apply to the City's operations and services in specific fields. An overview of legitimate tasks of municipalities and references to the applicable laws can be found on the website of the Government of Iceland.

The City of Reykjavik has adopted resolutions and general internal rules on the governance of the City and by fields, a list of which can be found on the City's website, www.reykjavik.is. The main solutions and internal rules are the following:

- Resolution on the governance of the City of Reykjavik and points of order for the City Council with amendments.
- Resolution of the cultural, sports and recreation council
- Resolution of the Council for human rights, innovation and democracy.
- Resolution of the Council for education and leisure issues
- Resolution of the Council for planning and transport issues
- Resolution of the Council for environmental and health issues
- Resolution of the Council for welfare issues
- Resolution on wages and working facilities of elected officials
- Rules on the registration of financial interests of City Council members and confidentiality positions outside the City Council
- Code of ethics for elected officials for the City of Reykjavik
- Code of ethics for employees of the City of Reykjavik
- Rules on grants awarded by the City of Reykjavik
- Procurement rules for the City of Reykjavik
- Rules on the preparation of the City budget
- Rules on City treasury
- Rules on collections
- Working procedure for the Audit board

The City of Reykjavik has implemented a policy across the board which is to be found on the City's website. The main policies are:

- Housing policy
- Equal pay policy
- Human resource policy
- Human rights policy
- Personal data policy
- Information safety policy
- Service policy

Statement on governance and non-financial information

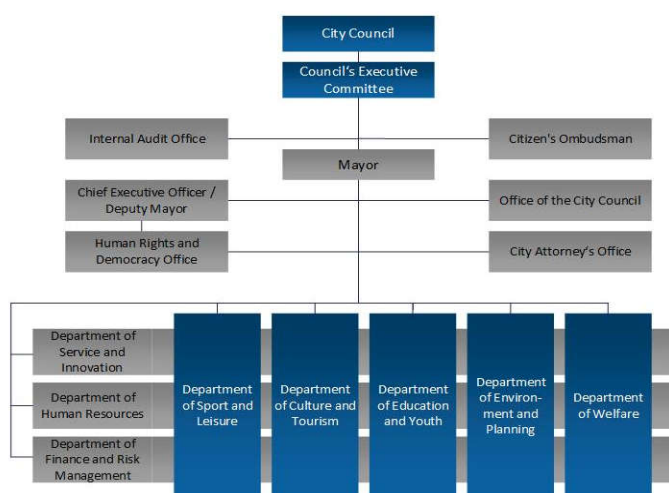
The City of Reykjavik has moreover implanted policies in various fields, also to be found on the City's website. The main policies are:

- Policies in the field of sports and recreation
- Policies in the field of culture and tourism
- Policies in the field of school and recreation
- Policies in the field of environmental and planning affairs
- Policies in the field of welfare

The City of Reykjavik has moreover implemented owner policies for section B companies, inter alia for Félagsbústaðir hf., Harpa – Tónlistar- og ráðstefnuhús ohf., SORPA bs., Strætó bs., and Reykjavik Energy.

City of Reykjavik's form of government

The form of for section A of Reykjavik was changed in 2019 and a new organization chart came into effect on June 1. Three new core fields were established that are responsible for tasks in the field of finance and risk management, human resources and work development, and service and innovation and their coordination across the City's working fields.



City Council

The City Council operates pursuant to chapter II of the Act on Local Authorities no. 138/2011 and Resolution on the governance of the City of Reykjavik and points of order for the City Council no. 1020/2019, cf. Art. 9 of the Act. The mission and sphere of activity of the City Council according to Art. 8 of the Act on Local Authorities is to govern the City of Reykjavik pursuant to the provisions of the Act on Local Authorities and other Acts.

The City Council has the power of decision in regards to the utilization of the city's sources of income and the execution of the tasks handled by the municipality. It shall ensure that all provisions of the Act on Local Authorities and regulations and resolutions of the city are adhered to. The City Council can moreover make resolutions on any issue it deems to concern the City of Reykjavik.

The City Council has twenty-three City Council members and the same number of reserve members, all of whom are elected democratically by the residents of the municipality in accordance with the Act on Municipal Elections. The City Council elects a president for the City Council and four vice presidents from the group of council members for a duration of one year. The City Council elects from its members seven primary members for the City Board for a duration of one year and the same number of reserve members. The City Council elects a chairman and vice chairman for the City Board from its elected members. Information on elected members of the City Council, confidentiality positions for the City Council and their financial interests are to be found on the City's website.

The number of City Council members and representatives in committees, councils and boards on behalf of the City is determined by the provisions of the Act on Local Authorities and in the Resolution on the governance of the City of Reykjavik and points of order for the City Council, published in the Government Gazette and can be found there and on the City's website. The City's website also contains information on the members of individual committees, councils and boards.

Item 2 of Art. 44 of the Act on Local Authorities states a rule on gender ration in committees appointed by the City. The Municipality adheres to these rules when appointing committee members. In regards to the City Council the composition of councilmembers is decided by the composition on the ballots and election results. The City Council currently has members of eight political parties, 14 women and 9 men, with diverse backgrounds and educations.

Statement on governance and non-financial information

In 2019 there were 20 City Council sessions, including one session with the committee on violence prevention, one session with the Youth Reykjavik Council and one session with the Multicultural council.

City Board

The City Board has, along with the Mayor, the executive power for the City of Reykjavik and the financial management, to the extent that these powers are not delegated to others. The Board handles the administration of the City and its financial management specifically, prepares the City budget and addendums to it and presents it before the City Council. The City Board is responsible for the City's annual statements being prepared in accordance to rules and that they, along with the annual statements of institutions and companies on behalf of the City, are presented before the City Council for processing in accordance with the Act on Local Authorities. The City Board has the power of final decision on issues that do not concern major financial impacts for the city treasury or its institutions, provided that there is no disagreement within the Board or with the Mayor.

The City Board has seven City Council members elected by the council. A political party that has representatives on the City Council, but not on the City Board, may nominate a City Council member to sit in on the Board's sessions with the right to speak and make proposals. There are currently three audience members on the City Board.

In 2019 there were 38 sessions of the City Board.

Mayor

The Mayor of Reykjavik is the top superior of all employees of the City of Reykjavik. The Mayor is hired by the City Council and may be a member of the City Council. If he is a member of the City Council he is also bound by his obligation as such. The Mayor is the Chief Executive Officer for the City of Reykjavik, the City's official representative and the political leader of the majority. He is the authorized signatory for the City treasury. He signs documents concerning the purchase and sale of City real estate, loans and other obligations as well as any measures that require the approval of the City Council. The Mayor may, with the City Council's approval, grant authorized signatory to other employees of the City. The Mayor manages the City's stake in section B companies.

The Mayor of Reykjavik is Dagur B. Eggertsson, member of the City Council.

Internal control, risk management and auditing

The City Council is responsible for maintaining an active system of internal control of the City's operation and that it is formal, documented and verified on a regular basis. The internal control shall be suited to confirming that; the municipality achieves success and efficiency in its operation, in accordance with the municipality's goals; reliability and validity of financial information given to external parties and that all laws and regulations that apply to the operation are adhered to. The structure of Reykjavik's internal control is based on the COSO framework, which is an internationally recognized framework for internal control.

Risk management

Risk management is an integrated process that aims to control and run the operation of a company or a municipality with regards to risk. Risks in the operation of the City of Reykjavik may relate to the environment, processes, internal organization and governance.

Risk management is a networked responsibility of the daily operation of the City and a regular part of individual fields' operations is to supervise certain risk factors and thus ensure a continuance of operation and minimize risk.

With a new organizational chart, that came into effect on June 1, 2019, and the establishment of a new financial- and risk management department, a policy has been formed regarding a comprehensive risk management for the City's operation. This entails that the main risks are identified and assessed in a standardized fashion for all main processes of the City and other factors that are considered important to achieve goals in the field of operation and service. A new office of risk management in the field of finance- and risk management as been strengthened and preparation has begun for forming a risk policy and the adoption of a comprehensive risk management.

In regards to financial risk management references made to the provisions of chapter VII of the Act on Local Authorities, i.e. on the power of financial management, binding decision on the annual budget, responsible management of funds, major investments and obligations and limitations concerning hypothecation and guarantees. The City of Reykjavik acts in accordance with the Act on Local Authorities in this regard.

The financial- and risk management department submitted with the quarter annual statements before the City Council in 2019 risk reports with and assessment of the development of main economic factors and the premises for the budget. The department moreover evaluates the main risks in the operation and presents them in a report attached to the budget, as well as preparing thorough scenarios as required when evaluating the main economic factors and their impact on the City's operation.

In order to ensure that the municipal account statements are in accordance with the Act on Local Authorities and the current accounting rules, the municipality has emphasized well defined areas of responsibility, proper distinction of jobs, regular reporting and clear operating procedures and processes that are maintained in a special operating manual accessible to the City's employees.

Statement on governance and non-financial information

Monthly reporting, along with scrutinization of the operation of departments and institutions, is an important factor of supervision and adherence with the approved budget. The financial- and risk management department prepares thorough monthly and quarterly statements and presents them before the City Council.

Audit Board

The Audit Board of the City of Reykjavik operates under the City Council pursuant to chapter IX of Act no. 3/2006 on Annual Statements and works on the basis of the Resolution on the governance of the City of Reykjavik and points of order for the City Council no. 1020/2019 and pursuant to law. The Audit Board has four appointed representatives, three appointed by the City Council and one appointed pursuant to a nomination made by the board of Reykjavik Energy. The members of the board are: Lárus Finnbogason, chartered accountant, chairman, Sigrún Guðmundsdóttir, chartered accountant, Sunna Jóhannsdóttir, business administration, as well as Einar S. Hálfánarson, District Court Lawyer and chartered accountant, who has requested to be relieved of his duties for the Board. A new representative for the Board will presumably be elected at the next session of the City Council. A resolution made by the City Council regarding the Audit Board is to be found on the City's website.

Internal Auditing

Internal Auditing handles the City's financial and administrative auditing with the authority of the City Council. This entails that Internal Auditing evaluates and improves risk management, supervisory methods and governance of institutions and companies in which the City is a majority shareholder. The operating procedure of Internal Auditing, approved by the City Council, is accessible on the City's website. On February 27, 2020, the City Council approved to merge the operation of Internal Auditing of Reykjavik City, the operation of the City's ombudsman and the job of Data Protection Representative, with the goal of simplifying and simultaneously strengthen the operation and organization of the parties that supervise the operation and administration of the City of Reykjavik. The merger comes into effect on June 1, 2020 and the merged operation will be under the management of the Internal Auditor. Hallur Símonarson is the Internal Auditor for Reykjavik.

Social responsibilities and code of ethics

Code of ethics and proper procedure is addressed in Art. 29 of the Act on Local Authorities. The code of ethics for elected officials was approved on June 18, 2019 and is accessible on the City's website. The code of ethics for employees was approved on October 22, 2009.

Social responsibilities are addressed in the policies of the City of Reykjavik, inter alia in the environmental- and resource and climate policy. Emphasis is placed on ensuring the quality of life of current and future residents by appreciating the value entailed in service to nature and clean environment. The City of Reykjavik places emphasis on sustainable exploitation of resources and the policy will be enforced in the following nine fields: Resources, transportation, planning, quality of the environment, climate, education for sustainability, nature and outdoor activities, consumption and waste, and the operation of the City of Reykjavik.

In 2018 the green framework of the City of Reykjavik was approved, which is presented in accordance with the international standards of the ICMA, the International Capital Market Association, so called Green Bond Principle, with reference to the sustainability benchmark of the United Nations. The Green framework is based on four pillars; (i) definition of green task groups; (ii) selection process of green projects, (iii) handling of funds and (iv) reporting to investors. According to the assessment of CICERO (Center for International Climate Research) which gives independent opinions of the framework, gave Reykjavik's green framework the top score, "dark green", and all sub-categories and projects are thus given the "dark green" score. Special attention is given to the administrative arrangement, which also get the top score "excellent".

In 2019 a green framework was moreover approved for Reykjavik Energy and the first green bonds were issued on June 2019. CICERO has given an independent assessment of the framework and gives it the top score, "dark green", for the positive impact of the projects and "excellent" for the casing of the bonds by the company.

Félagsbústaðir has issued a framework for social bonds pursuant to international standards of the ICMA, the so called Social Bond Principle. The framework has received a certification from Sustainalytics, an independent certifier. The certificate states inter alia that the framework of Félagsbústaðir is solid, trustworthy and impressive, and that it conforms to all four main factors of international standards for social bonds. The first social bonds were issued in November 2019.

The City of Reykjavik is a member of Festi, an association for social responsibilities.

Statement on governance and non-financial information

Non-financial information

Pursuant to the Act on Local Authorities no. 138/2011 municipalities are independent authorities, governed by local councils democratically elected by the residents of the municipality. The Municipality manages the tasks entailed to it under the Act, inter alia in regards to education affairs, social services, youth and sports affairs, cultural affairs, sanitation affairs, planning affairs, and environmental affairs. It shall moreover adhere to any requirements made to its operation under other Acts, e.g. the Act on Administrative Procedure, In accordance with the Act on Local Authorities no. 138/2011 municipalities are independent governments, governed by local councils democratically elected by the residents of the municipality. The municipality handles the tasks assigned to it under the Act, e.g. educational policies, social services, youth and sport affairs, cultural affairs, sanitation, planning affairs and environmental affairs. It moreover abides by the requirements made to its operation under other laws, e.g. the Administrative Procedures Act, the Act on Equal Rights of Women and Men, and the Act on Public Procurement.

Information on court cases directed against the City of Reykjavik is to be found in the notes the annual accounts of the City of Reykjavik.

No significant deviations have been reported by any supervisory body or public reviewers in regards to the municipality's operation relating to environmental, social and human resource issues, human rights issues, or corruption and bribery issues.