



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information contained within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

To assist in meeting its responsibility, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgements of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

Prior to their submission to City Council, the consolidated financial statements have been reviewed and recommended for approval by the Audit Committee. The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Mayor and City Council, stating their opinion, basis for opinion, other information, responsibilities of management and those charged with governance for the financial statements, and auditors' responsibilities for the audit of the financial statements, follows.

Andre Corbould
City Manager

Edmonton, Canada

Stacey Padbury
Deputy City Manager
and Chief Financial Officer,
Financial and Corporate Services

Edmonton, Canada

3 CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO HIS WORSHIP THE MAYOR AND MEMBERS OF COUNCIL OF THE CITY OF EDMONTON

OPINION

We have audited the consolidated financial statements of the City of Edmonton (the "Entity"), which comprise:

- + the consolidated statement of financial position as at December 31, 2021
- + the consolidated statement of operations and accumulated surplus for the year then ended
- + the consolidated statement of changes in net financial assets for the year then ended
- + the consolidated statement of cash flows for the year then ended
- + and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

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

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

INDEPENDENT AUDITORS' REPORT (CONT)

OTHER INFORMATION

Management is responsible for the other information. Other information comprises

- + the information included in Management's Financial Statement Discussion and Analysis
- + the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2021 Annual Report"
- + the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2021 Financial Report to Citizens"

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

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

We obtained the information included in Management's Financial Statement Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in the documents likely to be entitled "2021 Annual Report" and "2021 Financial Report to Citizens" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- + Identify and assess the risks of material misstatement of the 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 Entity's internal control.
- + Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- + Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- + Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- + Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Edmonton, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of dollars)

	2021	2020
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 473,259	\$ 531,040
Receivables (Note 3)	789,169	787,212
Investments (Note 4)	2,342,782	1,983,242
Debt recoverable (Note 5)	22,455	9,813
Land for resale	242,683	241,213
Investment in EPCOR (Note 19)	4,223,418	3,974,963
	8,093,766	7,527,483
Liabilities		
Accounts payable and accrued liabilities (Note 6 and Note 23)	1,150,730	1,061,048
Deposits	53,336	44,682
Deferred revenue (Note 7)	378,791	280,152
Employee benefit obligations (Note 8)	195,797	194,061
Landfill closure and post-closure care (Note 9)	45,560	40,408
Long-term debt (Note 10)	3,546,570	3,407,145
	5,370,784	5,027,496
Net Financial Assets	2,722,982	2,499,987
Non-financial Assets		
Tangible capital assets (Note 11)	13,754,952	13,195,576
Inventory of materials and supplies	33,778	37,320
Other assets (Note 12)	50,356	40,040
	13,839,086	13,272,936
Accumulated Surplus (Note 15)	\$ 16,562,068	\$ 15,772,923

Commitments, contingent liabilities, contingent assets and contractual rights (Notes 22, 24, 25 and 26).

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Amarjeet Sohi

Councillor Andrew Knack

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget (Note 29)	2021	2020
Revenues			
Net taxes available for municipal purposes (Note 16)	\$ 1,738,170	\$ 1,745,774	\$ 1,726,220
User fees and sale of goods and services	550,375	506,676	461,682
Subsidiary operations – EPCOR (Note 19)	279,100	387,730	275,699
Investment earnings	91,137	208,089	78,160
Franchise fees (Note 20)	187,967	183,021	177,120
Government transfers – operating (Note 17)	107,515	144,879	277,454
Licences and permits	60,144	77,618	69,072
Fines and penalties	77,661	67,223	81,858
Developer and customer contributions – operating	26,431	37,531	23,284
	3,118,500	3,358,541	3,170,549
Expenses			
Transportation services:			
Bus and light rail transit	528,599	473,540	471,845
Roadway and parking	446,031	434,726	438,665
	974,630	908,266	910,510
Protective services:			
Police	511,020	499,947	483,375
Fire rescue	231,947	229,504	229,481
Bylaw enforcement	64,469	60,136	63,177
	807,436	789,587	776,033
Community services:			
Parks and recreation	218,748	213,398	208,976
Planning and corporate properties	224,762	175,390	179,748
Public housing	58,525	87,481	47,515
Public library	65,250	57,769	54,982
Community and family	55,322	52,937	58,541
Convention and tourism	69,551	36,893	42,302
	692,158	623,868	592,064
Utility and enterprise services:			
Waste Services Utility	210,465	202,808	206,187
Land Enterprise	37,032	23,425	15,472
Blatchford Renewable Energy Utility	2,410	1,606	1,415
	249,907	227,839	223,074
General municipal	279,815	246,888	234,268
Corporate administration	244,615	254,025	238,883
Fleet Services	48,466	38,809	45,755
Ed Tel Endowment Fund	4,491	4,221	2,863
	3,301,518	3,093,503	3,023,450
(Shortfall) Excess of Revenues over Expenses before Other	(183,018)	265,038	147,099
Other			
Government transfers – capital (Note 17)	499,651	413,405	565,516
Contributed tangible capital assets (Schedule 1)	128,975	95,448	118,245
Developer and customer contributions – capital	121,124	6,770	8,873
Local improvements	17,693	11,468	24,723
	867,443	527,091	717,357
Excess of Revenues over Expenses	584,425	792,129	864,456
Accumulated Surplus, beginning of year	15,772,923	15,772,923	14,928,471
Subsidiary operations – EPCOR – other comprehensive loss (Note 19)		(732)	(17,849)
Contributed capital transfer to EPCOR (Note 19)		(2,252)	(2,155)
Accumulated Surplus, end of year	\$ 16,357,348	\$ 16,562,068	\$ 15,772,923

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

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

	Budget (Note 29)	2021	2020
Excess of Revenues over Expenses	\$ 584,425	\$ 792,129	\$ 864,456
Acquisition of tangible capital assets	(2,278,273)	(1,136,470)	(1,379,334)
Contributed tangible capital assets (Schedule 1)	(128,975)	(95,448)	(118,245)
Proceeds on disposal of tangible capital assets		5,892	2,254
Amortization of tangible capital assets	663,270	620,337	591,167
Loss on disposal, impairment and transfer of tangible capital assets		11,604	25,277
Tangible capital assets contributed to EPCOR (Note 19)		34,709	48,331
	(1,743,978)	(559,376)	(830,550)
Net use of inventory of materials and supplies		3,542	1,286
Net change in other assets		(10,316)	(2,677)
		(6,774)	(1,391)
Subsidiary operations - EPCOR - other comprehensive loss (Note 19)		(732)	(17,849)
Contributed capital transfer to EPCOR and other adjustments (Note 19)		(2,252)	(2,155)
		(2,984)	(20,004)
(Decrease) increase in net financial assets	(1,159,553)	222,995	12,511
Net Financial Assets, beginning of year	2,499,987	2,499,987	2,487,476
Net Financial Assets, end of year	\$ 1,340,434	\$ 2,722,982	\$ 2,499,987

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2021		2020
Net inflow (outflow) of cash and cash equivalents:			
Operating Activities			
Excess of revenues over expenses	\$792,129	\$	864,456
Add (deduct) items not affecting cash and cash equivalents:			
Subsidiary operations - EPCOR (Note 19)	(387,730)		(275,699)
Amortization of tangible capital assets	620,337		591,167
Loss on disposal, impairment and transfer of tangible capital assets	11,604		25,277
Contributed tangible capital assets	(95,448)		(118,245)
Change in non-cash items:			
Receivables	(1,957)		(118,332)
Debt recoverable	(12,642)		247
Land for resale	(1,470)		6,422
Inventory of materials and supplies	3,542		1,286
Other assets	(10,316)		(2,677)
Accounts payable and accrued liabilities	89,682		107,848
Deposits	8,654		(4,553)
Deferred revenue	98,639		(70,123)
Employee benefit obligations	1,736		18,495
Landfill closure and post-closure care	5,152		(5,181)
	1,121,912		1,020,388
Capital Activities			
Acquisition of tangible capital assets	(1,136,470)		(1,379,334)
Proceeds on disposal of tangible capital assets	5,892		2,254
	(1,130,578)		(1,377,080)
Investing Activities			
Dividend from subsidiary (Note 19)	171,000		171,000
Net increase in investments	(359,540)		(46,050)
	(188,540)		124,950
Financing Activities			
Promissory notes issued	59,975		289,773
Repayment of promissory notes	(59,975)		(309,680)
Debenture borrowings	260,370		246,778
Repayment of long-term debt	(179,970)		(164,620)
Increase in public-private partnership (P3) term debt	59,025		122,223
	139,425		184,474
Decrease in cash and cash equivalents	(57,781)		(47,268)
Cash and cash equivalents, beginning of year	531,040		578,308
Cash and cash equivalents, end of year	\$473,259	\$	531,040

Operating activities for 2021 include \$33,656 (2020 - \$36,470) of interest received and \$111,005 (2020 - \$127,717) of interest paid.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2021 (in thousands of dollars)

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
Cost				
Land	\$ 1,834,792	\$ 174,826	\$ (6,226)	\$ 2,003,392
Land improvements	1,517,825	258,446	(1,435)	1,774,836
Buildings	3,388,637	172,816	(1,413)	3,560,040
Vehicles	1,187,718	157,353	(43,921)	1,301,150
Machinery and equipment	1,001,850	111,447	(20,228)	1,093,069
Engineered structures:				
Roadway system	8,532,630	570,779	(36,120)	9,067,289
Light rail transit	1,347,406	474,098		1,821,504
Waste	150,454	5,673		156,127
Bus system	233,817	33,419		267,236
Other	83,562	3,214		86,776
	19,278,691	1,962,071	(109,343)	21,131,419
Assets under construction	1,882,257	(730,153)	(30,717)	1,121,387
	21,160,948	1,231,918	(140,060)	22,252,806
Accumulated Amortization				
Land improvements	565,926	54,582	(1,435)	619,073
Buildings	1,299,532	123,871	(406)	1,422,997
Vehicles	685,487	68,896	(43,026)	711,357
Machinery and equipment	612,753	78,684	(19,505)	671,932
Engineered structures:				
Roadway system	4,089,362	236,786	(23,483)	4,302,665
Light rail transit	493,278	42,943		536,221
Waste	106,320	2,640		108,960
Bus system	99,480	9,936		109,416
Other	13,234	1,999		15,233
	7,965,372	620,337	(87,855)	8,497,854
Net Book Value	\$ 13,195,576	\$ 611,581	\$ (52,205)	\$ 13,754,952

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications. In 2021, a total of \$95,448 in land, land improvements, and engineered structures were contributed to the City and were recorded at their fair value at the time received.

Included in disposals, impairments and transfers in 2021, is \$34,709 of tangible capital assets contributed to EPCOR (Note 19).

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2020 (in thousands of dollars)

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
Cost				
Land	\$ 1,714,158	\$ 122,320	\$ (1,686)	\$ 1,834,792
Land improvements	1,418,124	107,457	(7,756)	1,517,825
Buildings	2,993,654	396,426	(1,443)	3,388,637
Vehicles	1,073,949	176,269	(62,500)	1,187,718
Machinery and equipment	958,931	77,164	(34,245)	1,001,850
Engineered structures:				
Roadway system	8,260,793	350,252	(78,415)	8,532,630
Light rail transit	1,497,646	(149,295)	(945)	1,347,406
Waste	144,311	10,457	(4,314)	150,454
Bus system	202,492	33,350	(2,025)	233,817
Other	73,303	11,426	(1,167)	83,562
	18,337,361	1,135,826	(194,496)	19,278,691
Assets under construction	1,576,135	361,753	(55,631)	1,882,257
	19,913,496	1,497,579	(250,127)	21,160,948
Accumulated Amortization				
Land improvements	524,257	49,42	(7,756)	565,926
Buildings	1,180,696	119,931	(1,095)	1,299,532
Vehicles	681,549	65,437	(61,499)	685,487
Machinery and equipment	566,232	77,585	(31,064)	612,753
Engineered structures:				
Roadway system	3,927,665	229,547	(67,850)	4,089,362
Light rail transit	458,964	35,209	(895)	493,278
Waste	107,104	2,198	(2,982)	106,320
Bus system	90,368	9,776	(664)	99,480
Other	11,635	2,059	(460)	13,234
	7,548,470	591,167	(174,265)	7,965,372
Net Book Value	\$ 12,365,026	\$ 906,412	\$ (75,862)	\$ 13,195,576

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications. In 2020, a total of \$118,245 in land, land improvements, and engineered structures were contributed to the City and were recorded at their fair value at the time received.

Included in disposals, impairments and transfers, in 2020, is \$3,671 for the impairment of assets where the value of future economic benefits associated with the tangible capital asset is less than its net book value. Also included is \$48,331 of tangible capital assets contributed to EPCOR (Note 19) and \$989 of tangible capital assets contributed to the Province of Alberta.

See accompanying notes to consolidated financial statements.

SCHEDULE 2 – CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2021 (in thousands of dollars)

	Tax-Supported										2021	
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported	Waste Services	Land Enterprise	Blatchford Renewable Energy	EPCOR		Ed Tel Endowment Fund
Revenues												
Net taxes available for municipal purposes	\$ 446,983	\$ 656,237	\$ 324,002	\$	\$ 318,552	\$1,745,774						\$ 1,745,774
User fees and sale of goods and services	70,433	31,938	86,493	14,951	44,901	248,716	213,667	44,239	54		387,730	506,676
Subsidiary operations – EPCOR												387,730
Franchise fees					183,021	183,021						183,021
Government transfers – operating	4,414	30,366	62,041	1,061	47,547	144,368	455		56			144,879
Investment earnings					83,104	84,165	161					208,089
Fines and penalties		38,449	97		28,677	67,223						67,223
Licenses and permits	3,294	3,070	64,217		7,037	77,618						77,618
Developer and customer contributions – operating		124	29,795			29,919	7,612					37,531
Appropriation of earnings	525,124	760,184	567,706	14,951	753,526	2,621,491	221,895	44,239	110		387,730	83,076
					40,687	40,687						(40,687)
Expenses												
Salaries, wages and benefits	333,370	628,988	223,193	76,329	279,308	1,541,188	48,384	1,338				1,590,910
Materials, goods and utilities	90,116	41,897	59,325	51,293	23,620	266,251	10,996	15,314	58			292,619
Contracted and general services	107,618	86,605	126,923	(139,096)	4,355	186,405	106,185	4,899	850			302,560
Interest and bank charges	52,841	3,168	37,957	(2,961)	14,919	105,924	8,301	1,874	556			116,655
Grants and other	89	440	122,065		36,224	158,818						158,818
Amortization of tangible capital assets	311,549	27,640	54,224	55,227	147,023	595,663	24,532		142			620,337
Loss on disposal, impairment and transfer of tangible capital assets	12,683	849	181	(1,983)	(4,536)	7,194	4,410					11,604
	908,266	789,587	623,868	38,809	500,913	2,861,443	202,808	23,425	1,606			4,221
(Shortfall) Excess of Revenues over Expenses before Other	(383,142)	(29,403)	(56,162)	(23,858)	252,613	(239,952)	19,087	20,814	(1,496)		387,730	78,855
Other												
Government transfers – capital	245,883	6,317	129,298		30,303	411,801	1,604					413,405
Contributed tangible capital assets	42,747		33,732		18,969	95,448						95,448
Developer and customer contributions – capital	1,979	11	4,019		16	6,025	745					6,770
Local improvements	290,609	6,328	167,049		60,756	524,742	2,349					11,468
Excess (Shortfall) of Revenues over Expenses	\$ (92,533)	\$ (23,075)	\$ 110,887	\$ (23,858)	\$ 313,369	\$ 284,790	\$ 21,436	\$ 20,814	\$ (1,496)	\$ 387,730	\$ 78,855	\$ 792,129

SCHEDULE 2 – CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2020 (in thousands of dollars)

	Tax-Supported											
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported	Waste Services	Land Enterprise	Blatchford Renewable Energy	EPCOR	Ediel Endowment Fund	2020
Revenues												
Net taxes available for municipal purposes	\$ 447,073	\$ 646,815	\$ 341,086		\$291,246	\$1,726,220						\$1,726,220
User fees and sale of goods and services	75,377	32,088	73,880	17,430	26,570	225,345	211,295	25,012	30			461,682
Subsidiary operations - EPCOR										275,699		275,699
Franchise fees					177,120	177,120						177,120
Government transfers - operating	3,462	30,345	40,422		201,784	276,013	1,441					277,454
Investment earnings			1,277		43,570	44,847	659				32,654	78,160
Fines and penalties			60,611		21,034	81,858						81,858
Licenses and permits	2,599	2,998	53,325		10,150	69,072						69,072
Developer and customer contributions - operating	1	48	23,235			23,284						23,284
Appropriation of earnings	528,512	772,905	533,438	17,430	811,567	2,663,852	213,395	25,012	30	275,699	(40,093)	3,170,549
Expenses												
Salaries, wages and benefits	332,897	620,189	219,463	82,615	272,835	1,527,999	48,141	1,456	82			1,577,596
Materials, goods and utilities	94,928	39,723	54,443	49,296	30,167	268,557	8,402	7,119				284,160
Contracted and general services	98,874	84,080	125,535	(144,625)	(10,236)	153,628	113,777	4,941	643		2,863	275,852
Interest and bank charges	75,767	3,210	38,281	6,311	9,250	132,819	8,589	1,956	551			143,915
Grants and other	196	387	98,472		25,240	124,295	1,188					125,483
Amortization of tangible capital assets	293,696	27,839	53,881	51,901	141,076	568,393	22,635		139			591,167
Loss (gain) on disposal, impairment and transfer of tangible capital assets	14,152	605	1,989	257	4,819	21,822	3,455					25,277
(Shortfall) excess of Revenues over Expenses before Other	910,510	776,033	592,064	45,755	473,151	2,797,513	206,187	15,472	1,415	275,699	2,863	3,023,450
Other	(381,998)	(3,128)	(58,626)	(28,325)	338,416	(133,661)	7,208	9,540	(1,385)	275,699	(10,302)	147,099
Government transfers - capital	454,603	4,425	84,574		21,640	565,242	274					565,516
Contributed tangible capital assets	78,160		29,775		10,310	118,245						118,245
Developer and customer contributions - capital	1,029		9,235		(2,391)	7,873	1,000					8,873
Local improvements	533,792	4,425	123,584		54,282	716,083	1,274					24,723
Excess (Shortfall) of Revenues over Expenses	\$ 151,794	\$ 1,297	\$ 64,958	\$ (28,325)	\$392,698	\$ 582,422	\$ 8,482	\$ 9,540	\$ (1,385)	\$ 275,699	\$ (10,302)	\$ 864,456

SCHEDULE 3 – SUPPLEMENTARY FINANCIAL INFORMATION OF INTERNALLY RESTRICTED AND OTHER ENTITIES

The assets, liabilities and the operations of the following related authorities are included in the City's consolidated financial statements. The amounts are reported before any inter-organizational transactions are eliminated.

For the year ended December 31, 2021 (in thousands of dollars)

	City of Edmonton Library Board	Edmonton Economic Development Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Innovate Edmonton	Waste RE-solutions Edmonton (Note 1)
Financial Position							
Financial Assets	\$ 24,939	\$ 22,225	\$ 8,945	\$ 4,387	\$ 237	\$ 7,917	\$
Liabilities	9,125	23,805	54,937	2,291		6,212	
Net Financial Assets (Debt)	15,814	(1,580)	(45,992)	2,096	237	1,705	
Non-Financial Assets	37,222	7,500	69,936	429		61	
Accumulated Surplus	\$ 53,036	\$ 5,920	\$ 23,944	\$ 2,525	\$ 237	\$ 1,766	\$
Operations							
Revenues	53,366	44,499	11,813	3,841	(1)	6,097	
Expenses	58,220	40,573	12,405	3,754	11	4,339	
Other	8,233	35	1,116				
(Shortfall) Excess of Revenues over Expenses	3,379	3,961	524	87	(12)	1,758	
Accumulated Surplus, beginning of year	49,657	1,959	23,420	2,438	249	8	
Accumulated Surplus, end of year	\$ 53,036	\$ 5,920	\$ 23,944	\$ 2,525	\$ 237	\$ 1,766	\$

For the year ended December 31, 2020 (in thousands of dollars)

	City of Edmonton Library Board	Edmonton Economic Development Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Innovate Edmonton	Waste RE-solutions Edmonton
Financial Position							
Financial Assets	\$ 21,908	\$ 13,589	\$ 8,950	\$ 2,498	\$ 263	\$ 69	\$ 386
Liabilities	11,783	19,313	29,528	543	14	64	386
Net Financial Assets (Debt)	10,125	(5,724)	(20,578)	1,955	249	5	
Non-Financial Assets	39,532	7,683	43,998	483		3	
Accumulated Surplus	\$ 49,657	\$ 1,959	\$ 23,420	\$ 2,438	\$ 249	\$ 8	\$
Operations							
Revenues	51,482	35,673	9,556	967	1	100	22
Expenses	55,443	43,719	9,761	940	10	92	213
Other	9,731		1,489				
(Shortfall) Excess of Revenues over Expenses	5,770	(8,046)	1,284	27	(9)	8	(191)
Accumulated Surplus, beginning of year	43,887	10,005	22,136	2,411	258		191
Accumulated Surplus, end of year	\$ 49,657	\$ 1,959	\$ 23,420	\$ 2,438	\$ 249	\$ 8	\$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

01 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

A. REPORTING ENTITY

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity comprises all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are controlled by the City. In addition to general government tax-supported departments, these organizations, enterprises and utilities are consolidated and include the following:

The City of Edmonton Library Board
(Edmonton Public Library)

Explore Edmonton Corporation
(formerly Edmonton Economic Development Corporation), including TEC Edmonton partnership

Fort Edmonton Management Company

Edmonton Combative Sports Commission

The City of Edmonton Non-Profit Housing Corporation
(Non-Profit Housing Corporation, operating as "homeED")

Waste Services Utility
(including 2492369 Canada Corporation, previously operating as Waste RE-solutions Edmonton)

Land Enterprise
(Land Development, Land for Future Municipal Purposes and Blatchford Redevelopment)

Blatchford Renewable Energy Utility

Ed Tel Endowment Fund

Innovate Edmonton

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR, a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the public sector accounting treatment for a government business enterprise. Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. The City recognizes its equity interest in the annual other comprehensive income (loss) due to fair value adjustments on the Consolidated Statement of Operations and Accumulated surplus with a corresponding increase (decrease) in the investment account. Contributions of tangible capital assets to EPCOR from the City are recorded as an increase to the investment in EPCOR, and any dividends that the City receives from EPCOR are recorded as a decrease to the investment account.

The City, through its wholly-owned subsidiary Explore Edmonton Corporation (EE) (previously operating as Edmonton Economic Development Corporation (EEDC)), held a 50 per cent interest in TEC Edmonton, a partnership with the University of Alberta to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society. Proportionate consolidation is used to record the City's share in the partnership. On March 30, 2021, both EE and the University of Alberta decided to terminate their participation in the partnership. This decision resulted in the dissolution of the partnership, with all assets existing within the partnership being distributed equally to the partners by August 31, 2021.

In December 2019, City Council voted to change the scope of EE's responsibilities, requiring the organization to refine their focus to economic development and tourism and move away from supporting new business innovations and startups. In May, 2020, Council approved the formation of a new entity, Innovate Edmonton, to guide the City's business innovation ecosystem.

The City is the sole Shareholder of its subsidiary corporation, 2492369 Canada Corporation, previously operating as Waste RE-solutions Edmonton (WRsE). At the October 10, 2018 Annual General Shareholder Meeting, the City, in its capacity as Shareholder, passed a resolution to begin the process to put the 2492369 Canada Corporation into dormancy. This process was completed, and the Company became dormant effective June 30, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

The City administers Pension Funds, a Long-term Disability Plan and other assets on behalf of third parties and are disclosed in note 21. Related trust assets under administration for the benefit of external parties have been excluded from the reporting entity.

B. BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

C. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities including estimates for expropriation of municipal lands and contaminated sites remediation, useful lives of tangible capital assets, the value of contributed tangible capital assets as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values and tangible capital assets.

D. FOREIGN CURRENCY

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included in the Consolidated Statement of Operations and Accumulated Surplus.

E. TAX REVENUE

Annually, the City bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by City Council in accordance with legislation and City Council-approved policies to raise the tax revenue required to meet the City's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. A provision has been recorded in Accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Tax revenues are recorded net of any tax appeals or allowances in the Consolidated Statement of Operations and Accumulated Surplus.

The City also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis. Education taxes collected are remitted to the Province and the Edmonton Catholic Separate School District and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus. Education taxes collected as part of the incremental property taxes within a Community Revitalization Levy (CRL) are retained to offset development costs in the area over the life of the CRL.

F. GOVERNMENT TRANSFERS

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the City are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the City are in the form of tangible capital assets, grants and subsidies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

G. LOCAL IMPROVEMENTS

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA, to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owners' share of the improvement is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed.

H. CASH AND CASH EQUIVALENTS

Cash and Cash equivalents consist of cash on deposit, bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These cash equivalents generally mature within ninety days from the date of purchase, are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

I. INVESTMENTS

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the net present value basis over the terms of the issues. Investments in common and preferred shares and pooled funds are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded in the year incurred.

Investment earnings are recorded as revenue in the period earned.

J. DEBT RECOVERABLE

Debt recoverable consists of long-term debt amounts borrowed by the City that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31. Loans are recorded at the lower of cost and net recoverable value. A valuation allowance in the debt recoverable is recognized when the City no longer has reasonable assurance of collection.

K. LAND FOR RESALE

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

L. LIABILITY FOR CONTAMINATED SITES

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The City recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- + an environmental standard exists,
- + there is evidence that contamination exceeds an environmental standard,,
- + the City is directly responsible or accepts responsibility for the contamination,
- + it is expected that future economic benefits will be given up, and
- + a reasonable estimate of the amount can be made.

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the City's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the City's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. When cash flows are expected to occur over extended future periods the City will measure the liability using present value techniques. This liability is reported in Accounts payable and accrued liabilities (Trade and other) in the Consolidated Statement of Financial Position.

M. DEPOSITS

Deposits are held for the purposes of securing the compliance of a third party to contractual stipulations. Deposits are returned when compliance with contractual stipulations is determined. The City recognizes deposits into revenue when a third party defaults on the contractual stipulations that the deposits were securing against.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

N. DEFERRED REVENUE

Deferred revenue comprises funds received in advance of services performed or where the use of funds is externally restricted. These amounts are recognized as revenue in the period the service is performed or when the funds are used for the purpose specified. When agreements stipulate that interest earned on contributions should be restricted for a specific purpose, that interest is treated as a contribution received and recorded as an addition to deferred revenue.

O. EMPLOYEE BENEFIT OBLIGATIONS

The costs of post-employment benefits, compensated absences and termination benefits are recorded as an expense when the event that gives rise to the obligation occurs.

City employees participate in multi-employer pension plans that are administered by third parties. Obligations related to plan deficiencies are not recorded for these multi-employer pension plans as the City's share is not determinable. Contributions to multi-employer plans for current and past service are recorded as expenses in the year in which they become due.

Costs related to City-sponsored registered and non-registered defined benefit pension plans are recognized when earned by plan members. Plan obligations are actuarially determined using the projected benefit method prorated on service, applying management's best estimates of expected retirement ages of employees, salary and benefit escalation, plan investment performance and discount rates.

Actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Adjustments arising from prior service costs relating to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs. The City records the actuarially determined net fund asset or liability for City-sponsored registered pension plans. For jointly sponsored plans, the City records its proportionate share of that asset or liability.

P. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The costs to close and maintain solid waste landfill sites are based on estimated future expenses, adjusted for inflation and discounted to current dollars. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, monitoring ground and surface water, treatment and monitoring of leachates, ongoing environmental monitoring, site

inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

Q. PUBLIC-PRIVATE PARTNERSHIPS

A public-private partnership (P3) is a contractual agreement between a public authority and a private entity for the provision of infrastructure and/or services. The City's P3 with TransEd Partners General Partnership is assessed based on the substance of the underlying agreement. Costs incurred during construction or acquisition are recognized as Tangible capital assets (classified as assets under construction), with a corresponding liability, both based on the estimated percentage of project completion. The asset will be amortized over the estimated useful life once in service. The liability is reduced by progress payments made during and upon completion of construction. The present value of future construction payments is recognized as Long-term debt, discounted to the date the asset is available for use, using the implied interest rate at the time the agreement is signed.

R. NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets include tangible capital assets, inventory of materials and supplies and other assets.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

Assets under construction are not amortized until the asset is available for productive use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

ii. Contributed Tangible Capital Assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received and corresponding revenues are recorded as contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii. Leases

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits and risks to the City incidental to ownership of property are accounted for as capital leases. Assets under a capital lease are included within the respective tangible capital asset classifications. All other leases are accounted for as operating leases and the related lease payments, net of tenant inducements, are charged to expenses on a straight-line basis over the lease term.

iv. Land Under Roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount, as the fair value is not determinable.

v. Inventory of Materials and Supplies

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vi. Cultural, Historical and Works of Art

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized. Costs for public art are expensed in the period they are incurred.

S. COVID -19

Over the course of the 2021 fiscal year, the City continued to be impacted by COVID-19. Various levels of public health restrictions were present throughout 2021 which affected the finances of many individuals, organizations, and the City. The City continued to closely monitor the COVID-19 developments and follow the guidelines issued by Alberta Health Services.

This ongoing situation has impacted the City's operations, including reduced revenues from lower transit ridership, lower community and recreation facility admissions as well as decreased program and rental fees due to facility closures and reduced service levels in response to Provincial public health measures, lower parking fees, and various other revenue impacts. Additional expenses were also incurred for enhanced cleaning, purchases of personal protective equipment, and other pandemic related costs. The impacts have been reflected in the consolidated financial statements, both in the actual and budgeted results.

Management continues to monitor the financial effects on the City. The long-term effects of the pandemic on citizens' needs and preferences, including how they use City services, are unclear. The situation continues to be dynamic and the ultimate duration and magnitude of the impacts on the economy are still relatively uncertain.

T. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

In 2022, the City will continue to assess the impact and prepare for the adoption of the following standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments* are required to be implemented at the same time. The following summarizes upcoming changes to PSAS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

i. Financial Statement Presentation

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2022.

ii. Financial Instruments

PS3450, *Financial Instruments* establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

iii. Foreign Currency Translation

PS2601, *Foreign Currency Translation* requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2022.

iv. Portfolio Investments

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, *Financial Instruments*, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, *Temporary Investments* will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2022

v. Asset Retirement Obligations

PS3280, *Asset Retirement Obligations* establishes guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard is applicable for fiscal years beginning on or after April 1, 2022.

vi. Revenue

PS3400, *Revenue* provides a framework for recognizing, measuring and reporting revenue by differentiating between revenue that arises from transactions that include performance obligations and transactions that do not have performance obligations. This standard is applicable for fiscal years beginning on or after April 1, 2023.

vii. Purchased Intangibles

PSG-8, *Purchased Intangibles*, allows for purchased intangible assets to be recognized as assets in a public sector entity's financial statements. This guideline is applicable for fiscal years beginning on or after April 1, 2023.

viii. Public Private Partnerships

PS3160, *Public Private Partnerships*, establishes standards on accounting for partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. This standard is applicable to fiscal years beginning on or after April 1, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

02 CASH AND CASH EQUIVALENTS

	2021	2020
Cash	\$ 35,067	\$ 38,696
Cash equivalents	444,828	492,344
Cheques outstanding in excess of deposits	(6,636)	
	\$ 473,259	\$ 531,040

Cash equivalents have effective interest rates of 0.2 to 0.6 per cent (2020 – 0.2 to 2.0 per cent) and generally mature within ninety days from the date of purchase.

The City has access to an unsecured line of credit of up to \$250,000 CDN and \$10,000 USD (2020 – \$250,000 CDN and \$10,000 USD) to cover any bank overdrafts arising from day to day cash transactions. As of December 31, 2021, \$0 (2020 – \$0) was outstanding on the line of credit.

03 RECEIVABLES

	2021	2020
Trade and other	\$ 207,696	\$ 184,889
Local improvements	119,986	120,470
Taxes	81,260	104,760
Government transfers:		
P3 Canada Fund	232,780	219,397
Investing in Canada Infrastructure Program	102,281	56,856
Public Transit Infrastructure Fund	24,874	49,381
Building Canada Fund	9,250	28,172
National Trade Corridor	4,758	478
Green Transit Incentives Program	2,461	22,257
Other	3,823	552
	\$ 789,169	\$ 787,212

Trade and other is net of allowance for doubtful accounts of \$3,835 (2020 – \$4,061). Taxes is net of allowance for doubtful accounts of \$6,076 (2020 – \$4,744).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

04 INVESTMENTS

	2021		2020	
	Cost	Market value	Cost	Market Value
Cash	\$ 491	\$ 491	\$ 600	\$ 600
Amounts receivable - net	813	813	279	279
Fixed income:				
Short-term notes and deposits	267,622	267,515	62,730	62,577
Government and government guaranteed bonds	627,377	627,966	550,078	576,214
Corporate bonds and debentures	466,823	463,206	448,128	463,489
Pooled fund	108,076	110,026	92,078	95,512
	1,469,898	1,468,713	1,153,014	1,197,792
Common and preferred shares:				
Canadian	260,611	307,530	278,340	317,072
International	458,629	543,993	439,715	510,458
Global	47,897	56,958	46,755	49,577
	767,137	908,481	764,810	877,107
Pooled infrastructure funds	104,426	113,497	64,453	79,877
Other investments	17	17	86	86
	\$ 2,342,782	\$ 2,492,012	\$ 1,983,242	\$ 2,155,741

Short-term notes and deposits have effective interest rates of 0.1 to 0.9 per cent (2020 - 0.1 to 0.6 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 0.9 to 4.1 per cent (2020 - 0.1 to 3.8 per cent) with maturity dates from September 8, 2022 to June 18, 2062 (2020 - January 5, 2021 to June 18, 2062).

The pooled fixed income fund represents an interest in a fund consisting of corporate bonds, government bonds and inflation-linked bonds.

The pooled infrastructure fund represents an interest in a globally diversified portfolio of core-yielding infrastructure investments.

Investments with a cost of \$891,958 (2020 - \$813,103) and market value of \$996,922 (2020 - \$912,823) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the fund of \$40,687 (2020 - \$40,093) was withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

05 DEBT RECOVERABLE

Debt recoverable of \$22,455 (2020 – \$9,813) consists of amounts borrowed by the City and provided to the Edmonton Catholic Separate School District and the Francis Winspear Centre for Music, to be recovered through agreements. The financial arrangements are in accordance with section 264 of the Municipal Government Act and are authorized by City bylaws. The arrangements have the same general repayments terms as the respective debt with interest accrued on outstanding amounts. As of December 31, 2021, the Edmonton Catholic Separate School District and Francis Winspear Centre for Music

are in compliance with the terms of the financial arrangement. The receivables bear an implicit annual interest rate ranging between 2.5 per cent to 4.3 per cent (2020 – 4.3 per cent) and will be recovered in annual amounts between the years 2041 and 2044, respectively.

Principal and interest payments recoverable for each of the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2022	\$ 269	\$ 303	\$ 572
2023	561	303	864
2024	863	293	1,156
2025	889	279	1,168
2026	916	266	1,182
Thereafter	18,957	2,091	21,048
	\$ 22,455	\$ 3,535	\$ 25,990

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

06 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade and other	\$ 853,897	\$ 792,085
Developer obligations	182,879	173,911
Payroll and remittances	93,027	73,674
Accrued interest	20,927	21,378
	\$ 1,150,730	\$ 1,061,048

07 DEFERRED REVENUE

	2020	Externally Restricted Contributions Received	Revenue Recognized	2021
Operating:				
Revenue in advance of service performed and other	\$ 33,555	\$ 143,057	\$ 137,368	\$ 39,244
Development permits	18,991	11,620	13,239	17,372
Deferred lease incentives	13,095	10	852	12,253
Affordable Housing Municipal Block Funding	10,439	22	2,084	8,377
	76,080	154,709	153,543	77,246
Capital:				
Municipal Sustainability Initiative	99,633	235,363	170,664	164,332
Canada Community Building Fund (formerly known as the Federal Gas Tax Fund)	51,968	113,836	59,720	106,084
Municipal Stimulus Program	5,799	109,527	102,608	12,718
Other	11,528	5,955	7,349	10,134
Rapid Housing Initiative	35,144		26,867	8,277
	204,072	464,681	367,208	301,545
	\$ 280,152	\$ 619,390	\$ 520,751	\$ 378,791

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

08 EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Accrued vacation	\$ 93,961	\$ 88,382
Post-employment benefits	50,160	52,483
Banked overtime	15,024	13,672
Major medical and dental plans	13,407	16,419
Group life insurance plan	11,155	9,194
Supplementary management retirement plan	7,089	8,548
Health care spending	3,122	3,378
Income replacement plan	1,163	1,400
Other	716	585
	\$ 195,797	\$ 194,061

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations until pensioners reach the age of 65.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2021 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 1.5 per cent (2020 – 1.5 per cent). The accrued benefit obligation as at December 31, 2021 is \$46,642 (2020 – \$42,247). The change is comprised of current service cost of \$8,858 (2020 – \$8,968), interest cost of \$772 (2020 – \$1,112), actuarial loss of \$796 (2020 actuarial gain – \$242) and benefits paid during the year of \$6,031 (2020 – \$6,221).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2021 were \$1,004 (2020 – \$1,176). Eligible dental obligations for 2021 were \$331 (2020 – \$289). Other post-employment benefits for 2021 were \$2,183 (2020 – \$8,770).

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements and administrative costs are applied to each of the respective plans.

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of \$7,089 (2020 – \$8,548) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2021. Unamortized net loss of \$416 (2020 loss – \$1,035) will be amortized over the fourteen (2020 – thirteen) year average remaining service period of active plan participants.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2021 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2021, completed by Aon Hewitt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

09 LANDFILL CLOSURE AND POST-CLOSURE CARE

Under Provincial legislation, the City has a liability for closure and post-closure care costs for its landfill sites. The Clover Bar landfill site was closed to the public in August 2009. The City used the landfill internally until 2018 and anticipates final closure in 2024, after which time the post closure period is expected to be 25 years. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate at the

City's average long-term borrowing rate of 3.5 per cent (2020 – 3.5 per cent) and inflation rate of 2.1 per cent (2020 – 2.0 per cent). An amount of \$45,560 (2020 – \$40,408) has been accrued and Waste Services currently maintains restricted cash of \$22,200 for the Clover Bar landfill liability. The remaining required funds for this liability will be funded through the collection of utility rates.

10 LONG-TERM DEBT

A. DEBT PAYABLE

Debt payable includes the following amounts:

	2021	2020
Debentures	\$ 3,554,705	\$ 3,523,655
Mortgages	24,048	5,275
Public-private partnership (P3) term debt	491,165	433,832
	4,069,918	3,962,762
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	523,348	555,617
	\$ 3,546,570	\$ 3,407,145
Long-term debt comprises:		
Self-liquidating debt	514,408	456,270
Tax-supported debt:		
Debenture debt	2,540,997	2,517,043
Public-private partnership (P3) term debt	491,165	433,832
	\$ 3,546,570	\$ 3,407,145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2022	\$ 70,222	\$ 183,328	\$ 253,550	\$ 33,221	\$ 220,329
2023	68,459	162,197	230,656	30,966	199,690
2024	68,849	166,710	235,559	31,613	203,946
2025	69,234	168,931	238,165	32,437	205,728
2026	69,281	172,426	241,707	33,155	208,552
Thereafter	691,711	2,178,570	2,870,281	361,956	2,508,325
	\$ 1,037,756	\$ 3,032,162	\$ 4,069,918	\$ 523,348	\$ 3,546,570

Interest:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2022	\$ 36,767	\$ 94,729	\$ 131,496	\$ 19,690	\$ 111,806
2023	33,128	100,057	133,185	18,195	114,990
2024	30,346	94,051	124,397	16,885	107,512
2025	27,578	87,901	115,479	15,553	99,926
2026	24,821	81,652	106,473	14,194	92,279
Thereafter	138,031	710,846	848,877	78,157	770,720
	\$ 290,671	\$ 1,169,236	\$ 1,459,907	\$ 162,674	\$ 1,297,233

Total Payments:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2022	\$ 106,989	\$ 278,057	\$ 385,046	\$ 52,911	\$ 332,135
2023	101,587	262,254	363,841	49,161	314,680
2024	99,195	260,761	359,956	48,498	311,458
2025	96,812	256,832	353,644	47,990	305,654
2026	94,102	254,078	348,180	47,349	300,831
Thereafter	829,742	2,889,416	3,719,158	440,113	3,279,045
	\$ 1,328,427	\$ 4,201,398	\$ 5,529,825	\$ 686,022	\$ 4,843,803

EPCOR receivable amounts offset self-liquidating debt and interest payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

B. DEBT AND DEBT SERVICE LIMITS

A regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. As allowed under the Regulation, the revenue

from EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the provincial Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2021	2020
Total debt limit per Regulation	\$ 5,978,098	\$ 5,856,892
Total debt	3,546,570	3,407,145
Percentage used (%)	59.3	58.2
Total debt service limit per Regulation	\$ 1,046,167	\$ 1,024,956
Total debt service	335,975	313,179
Percentage used (%)	32.1	30.6

C. MATURITIES AND INTEREST RATES

Existing long-term debt matures in annual amounts in years 2022 through 2052 and debenture interest is payable at rates ranging from

1.3 to 8.5 per cent (2020 - 1.3 to 8.5 per cent). The average annual interest rate is 3.5 per cent for 2021 (2020 - 3.5 per cent).

D. INTEREST ON LONG-TERM DEBT

	2021	2020
Self-liquidating debt	\$ 37,353	\$ 39,018
Tax-supported debt	86,440	87,151
Public private partnership (P3) term debt	7,493	23,027
	131,286	149,196
Less payments on offsetting amounts receivable	20,861	22,330
Long-term debt interest included in interest and bank charges	\$ 110,425	\$ 126,866

E. PUBLIC PRIVATE PARTNERSHIP (P3) OBLIGATION

	2021	2020
Valley Line LRT:		
P3 service commencement liability	\$ 204,804	\$ 204,112
P3 term debt	491,165	433,832
Total P3 Obligation	\$ 695,969	\$ 637,944

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

In February 2016, the City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) for the design, construction, operation, and maintenance of stage 1 of the Valley Line LRT from Mill Woods to Downtown. The construction period runs from 2016–2022 and the operating period from 2022–2050. During construction of the Valley Line LRT, the City recognizes capital costs as assets under construction and makes progress payments on 50.0 per cent of the capital costs, based on percentage of construction completion. Payments on the remaining 50.0 per cent of the capital costs are deferred and recognized as a P3 obligation to TransEd of which 16.7 per cent will be settled upon substantial construction completion of the project. The remaining 33.3 per cent, which represents P3 term debt, is to be repaid by monthly interest and principal payments starting in the operating period at an interest rate of 4.4 per cent. The City's liability for the P3 Long term debt is uncertain at present due to the ongoing construction period and the contractual mechanisms by which disputes arising during the construction period are resolved.

As of December 31, 2021, the total P3 obligation is \$695,969 based on 95.8 per cent of construction completion. The P3 service commencement liability related to the payment TransEd will receive upon service commencement, reported in Accounts payable and accrued liabilities, has a balance of \$204,804.

Principal and interest payments on the P3 term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
2022	\$ 31,763	\$ 9,409	\$ 41,172
2023	7,741	20,282	28,023
2024	8,091	19,932	28,023
2025	8,457	19,566	28,023
2026	8,840	19,184	28,024
Thereafter	426,273	287,687	713,960
	\$ 491,165	\$ 376,060	\$ 867,225

11 TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2021	2020
Land	\$ 2,003,392	\$ 1,834,792
Land improvements	1,155,763	951,899
Buildings	2,137,043	2,089,105
Vehicles	589,793	502,231
Machinery and equipment	421,137	389,097
Engineered structures:		
Roadway system	4,764,624	4,443,268
Light rail transit (LRT)	1,285,283	854,128
Waste	47,167	44,134
Bus system	157,820	134,337
Other	71,543	70,328
	12,633,565	11,313,319
Assets under construction	1,121,387	1,882,257
	\$ 13,754,952	\$ 13,195,576

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

12 OTHER ASSETS

	2021		2020
Prepaid expenses – operational	\$ 30,846	\$	24,142
Benefit plan asset	14,795		15,898
Other	4,715		
	\$ 50,356	\$	40,040

13 EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by Long-term debt.

	2021		2020
Tangible capital assets (Schedule 1)	\$ 22,252,806	\$	21,160,948
Accumulated amortization (Schedule 1)	(8,497,854)		(7,965,372)
Long-term debt (Note 10)	(3,546,570)		(3,407,145)
Long-term debt for land redevelopment	76,118		76,605
Debt recoverable (Note 5)	22,455		9,813
	\$ 10,306,955	\$	9,874,849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

14 RESERVES FOR FUTURE EXPENDITURES

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

	2021	2020
General Government:		
Financial stabilization – appropriated	\$ 180,952	\$ 213,320
Pay-As-You-Go capital	180,143	122,725
Local improvement	138,880	137,940
Financial stabilization	121,746	129,015
LRT	86,567	56,110
Sanitary servicing strategy fund	56,009	56,584
Affordable housing	55,834	49,731
Fleet services – vehicle replacement	36,411	25,249
Planning and development	29,512	16,558
Funds in lieu – residential	29,447	21,936
Neighbourhood renewal	19,579	18,477
Parkland	19,572	18,613
Pay-As-You-Go capital – Edmonton Police Services	17,422	7,009
Tax-supported debt	16,707	5,456
Developer recoveries	10,959	11,848
Tree management	9,793	9,463
Natural areas	8,710	8,750
Rogers Place Arena capital	8,665	6,954
Revolving industrial servicing fund	8,631	2,535
Traffic safety and automated enforcement	7,375	20,347
Heritage resources	5,032	3,724
Commercial revitalization	4,830	1,594
Perpetual care	4,650	3,555
Public art	3,420	
Motor vehicle insurance	2,500	2,500
St. Francis Xavier	2,488	2,245
Commonwealth Stadium	1,991	1,876
Vehicle for hire	1,966	2,465
Other	902	1,424
Developer incentive		1,999
Brownfield redevelopment	(2,850)	(2,329)
Edmonton Police Service	(2,895)	7,034
Community revitalization levy – Capital City Downtown	(11,770)	(13,839)
Community revitalization levy – Belvedere	(14,205)	(11,025)
Community revitalization levy – Quarters	(14,211)	(12,214)
Interim financing	(37,749)	(37,838)
	987,013	889,791
City of Edmonton Library Board	12,488	6,968
Non-Profit Housing Corporation	6,511	6,680
Fort Edmonton Management Company	30	30
	\$ 1,006,042	\$ 903,469

The City maintains reserves that are used to accommodate differences between expenses and related funding sources. These include the Interim financing, Community revitalization levy and Brownfield redevelopment reserves. Existing shortfalls in these reserves will be recovered through future funding sources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

15 ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2021	2020
General government operations	\$ 52,254	\$ 40,385
Restricted surplus (deficit):		
EPCOR Utilities Inc.	4,223,418	3,974,963
Reserves for future expenditures (Note 14)	1,006,042	903,469
Ed Tel Endowment Fund	891,958	813,103
Land Enterprise	107,001	93,220
Pension and benefits	36,965	35,961
Waste Services Utility	17,804	(175)
Explore Edmonton Corporation	16,136	6,617
City of Edmonton Library Board	5,172	5,172
Fort Edmonton Management Company	3,662	2,015
Non-Profit Housing Corporation	704	745
Edmonton Combative Sports Commission	237	249
Blatchford Renewable Energy Utility	(5,585)	(3,671)
Equity in tangible capital assets (Note 1.3)	10,306,955	9,874,849
Advances for construction (capital to be financed)	(100,655)	26,021
	\$ 16,562,068	\$ 15,772,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

16 NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	Budget	2021	2020
Taxes:			
Property taxes	\$ 2,186,341	\$ 2,183,866	\$ 2,167,812
Revenue in lieu of taxes	24,925	22,971	22,368
Community revitalization levy ("CRL")	34,512	34,614	36,474
Other	4,000	8,494	8,878
Special tax – alley lighting	910	1,362	1,107
Tax appeals and allowances	(16,500)	(8,593)	(10,911)
	2,234,188	2,242,714	2,225,728
Less taxes on behalf of:			
Education	496,018	493,416	495,499
Business Improvement Areas and other		3,524	4,009
	496,018	496,940	499,508
Net taxes available for municipal purposes	\$ 1,738,170	\$ 1,745,774	\$ 1,726,220

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to Accounts payable and accrued liabilities - Trade and other (Note 6).

Local improvement levies are not included in net taxes available for municipal purposes and are reflected separately in Other in the Consolidated Statement of Operations and Accumulated Surplus.

Provincial education taxes collected on incremental tax revenue within the CRL are retained to offset development costs in the related area. As at December 31, 2021 the City has three active CRL areas: the Quarters, Belvedere and Capital City Downtown. The CRL taxes collected include property taxes, revenue in lieu of taxes, and other taxes. In 2021, \$4,429 (2020 - \$4,914) incremental tax levy was collected in the Quarters CRL, including \$983 (2020 - \$1,028) in education taxes. The Belvedere CRL collected \$1,174 (2020 - \$1,133) in incremental tax levy during the year, including \$240 (2020 - \$205) in education taxes. The Capital City Downtown CRL collected \$29,011 (2020 - \$30,427) in incremental tax levy during the year, including \$7,163 (2020 - \$7,590) in education taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

17 GOVERNMENT TRANSFERS

	Budget	2021	2020
Operating:			
Federal	\$ 44,645	\$ 61,449	\$ 45,282
Provincial	62,870	83,430	232,172
	107,515	144,879	277,454
Capital:			
Federal	161,853	110,654	211,285
Provincial	337,798	302,751	354,231
	499,651	413,405	565,516
Total Government Transfers	\$ 607,166	\$ 558,284	\$ 842,970

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2021, the City received \$10,199 (2020 - \$21,437), net of \$462 (2020 - \$253) received on behalf of regional transit partners and earned interest of \$34 (2020 - \$137). In 2021, the City transferred Green TRIP funding from Metro Line to the Stadium LRT Station project resulting in a net recognition of (\$9,563) (2020 - recognition of \$14,104) as capital government transfers and a receivable of \$2,461 (2020 - \$22,257) has been recorded.

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. In 2021, the City recognized operating government transfers of \$2,084 (2020 - \$3,512). In 2021, \$8,377 (2020 - \$10,439) has been recorded as deferred revenue and earned interest of \$22 (2020 - \$114).

In 2007, the Province introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. In 2021, the City received \$235,053 (2020 - \$191,908) from the Province, earned interest of \$310 (2020 - \$1,318) and recorded \$170,664 (2020 - \$266,067) as capital government transfers. In 2021, the City recorded \$164,332 (2020 - \$99,633) as deferred revenue.

Under the Canada Community Building Fund, formerly known as the Federal Gas Tax Fund, the City received \$113,836 (2020 - \$55,613), and recognized \$16,115 (2020 - \$23,352) as capital government transfers and \$43,605 (2020 - \$43,605) as operating government transfers, to fund debt servicing costs related to the South LRT. In 2021, \$106,084 (2020 - \$51,968) has been recorded as deferred revenue.

In 2021, the City received a grant of \$26,046 (2020 - \$24,185) from the Province for Family and Community Support Services funding. In 2021, \$22,325 (2020 - \$22,325) was recognized as operating government transfers, while \$5,581 (2020 - \$1,860) was recorded as deferred revenue.

Through the Building Canada Fund, an agreement was signed for the Valley Line LRT expansion in 2017. In 2018, agreements for the Fort Edmonton Park Expansion project, and the Yellowhead Trail Freeway Conversion Project were also signed. In 2021, the City received \$35,396 (2020 - \$44,880) and recorded \$16,474 (2020 - \$58,810) as capital government transfers. A receivable has been recorded for \$9,250 (2020 - \$28,172).

Under the Public Transit Infrastructure Fund, the Province agrees to provide on behalf of itself and the Federal Government a cost-sharing grant which is comprised of the Province's contribution of 25 per cent and the Federal Government's contribution of 50 per cent of the eligible expenditures. An agreement was signed between the City and the Province in 2017 to support the funding of improved and expanded public transit systems. In 2021, the City received \$25,854 (2020 - \$70,156), and \$1,347 (2020 - \$49,042) has been recorded as capital government transfers and a receivable has been recorded of \$24,874 (2020 - \$49,381).

In 2020, the Province commenced the Municipal Stimulus Program to sustain and create local jobs and position communities to participate in future economic growth. In 2021, the City received \$109,450 (2020 - \$6,117) from the Province and earned interest of \$77 (2020 - \$0). The City recognized \$93,008 (2020 - \$318) as capital government transfers, \$9,600 (2020 - \$0) as operating government transfers and recorded \$12,718 (2020 - \$5,799) as deferred revenue.

Through the Investing In Canada Infrastructure Program, the governments of Canada and Alberta signed an agreement to provide funds to build inclusive and prosperous communities while supporting a low carbon, green economy. In 2021, the City received \$26,491 (2020 - \$0). The City recognized \$71,916 (2020 - \$56,856) as capital government transfers and \$102,281 (2020 - \$56,856) was recorded as receivable.

In 2016, through the P3 Canada Fund, an agreement was signed to provide funding for the construction of Valley Line LRT. In 2021, the City recognized \$13,383 (2020 - \$76,049) as capital government transfers and has recorded \$232,780 (2020 - \$219,397) as receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

18 EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries		Benefits		2021		2020	
Mayor:								
Iveson	\$	175	\$	95	\$	270	\$	251
Sohi	\$	31	\$	8	\$	39		
		206		45		251		251
Councillors:								
Banga		99		57		156		142
Cartmell		116		27		143		139
Caterina		99		23		122		142
Dziadyk		99		26		125		139
Esslinger		99		39		138		143
Hamilton		116		28		144		141
Henderson		87		37		124		140
Knack		116		29		145		143
McKeen		99		32		131		140
Nickel		99		77		176		142
Paquette		116		31		147		143
Walters		99		63		162		143
Rutherford		17		6		23		
Rice		17		8		25		
Tang		17		5		22		
Salvador		17		7		24		
Stevenson		17		9		26		
Janz		17		5		22		
Wright		17		7		24		
Principe		17		6		23		
		1,380		522		1,902		1,697
Chief Administrative Officer (City Manager)		337		29		366		355
Designated Officers		1,690		135		1,825		1,087
	\$	3,613	\$	789	\$	4,402	\$	3,390

Executive salaries and benefits are included in Corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances. The City of Edmonton

Members of Council are provided with a transition allowance, upon the conclusion of their service, equal to three weeks salary for each year served, to a maximum of 36 weeks.

The City's designated officers are designated by City bylaws and include the City Assessor, City Auditor, Chief of Police, Executive Director of Edmonton Combative Sports Commission and the Integrity Commissioner.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

19 SUBSIDIARY OPERATIONS – EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities, sanitary and stormwater systems and infrastructure in Canada and the United States. EPCOR also

provides electricity, natural gas and water products and services to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR.

	2021	2020
Financial position:		
Current assets	\$ 629,862	\$ 512,786
Capital assets	11,724,948	10,913,219
Other assets	891,997	753,819
Total assets	13,246,807	12,179,824
Current liabilities (including current portion of long-term debt of \$391,172 (2020 – \$366,287))	1,064,957	957,497
Non-current liabilities	4,536,752	4,226,268
Long-term debt	3,638,472	3,205,431
Total liabilities	9,240,181	8,389,196
Accumulated other comprehensive income	32,553	33,285
Share capital	797,528	797,528
Retained earnings	3,176,545	2,959,815
Shareholder's equity	\$ 4,006,626	\$ 3,790,628
Results of operations:		
Revenues	\$ 2,233,290	\$ 1,988,158
Gain on expropriation of Bullhead City operations	89,391	
Expenses	(1,934,951)	(1,712,459)
Net income	\$ 387,730	\$ 275,699
Changes in shareholder's equity:		
Shareholder's equity – opening	\$ 3,790,628	\$ 3,703,778
Net Income	387,730	275,699
Other comprehensive loss	(732)	(17,849)
Dividend to shareholder (City of Edmonton)	(171,000)	(171,000)
Shareholder's equity – ending	\$ 4,006,626	\$ 3,790,628

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

In 2021, the City contributed \$34,709 (2020 - \$48,331) in tangible capital assets to EPCOR. The difference between the City's investment in EPCOR and EPCOR's shareholder equity reflects accumulated tangible capital assets contributed to EPCOR from the City in the amount of \$223,100 (2020 - \$188,391), less related amortization of \$6,308 (2020 - \$4,056). This difference of \$216,792 (2020 - \$184,335) will be amortized over the useful life of the assets contributed.

Principal payments on EPCOR's long-term debt for the next five years and thereafter and deferred financing charges are as follows:

2022	\$	134,776
2023		132,393
2024		139,250
2025		33,504
2026		33,986
Thereafter		3,319,625
	\$	3,793,534

EPCOR has issued letters of credit for \$134,443 (2020 - \$84,376) to meet the credit agreements of electricity market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes EPCOR's related party transactions with the City for the year.

	2021	2020
Dividend paid to the City	\$ 171,000	\$ 171,000
Franchise fees paid to the City	105,890	97,310
Financing expenses paid or payable to the City	19,583	20,934
Sales of administrative and construction services from the City	14,156	15,918
Property taxes and other taxes paid to the City	23,728	20,132
Costs of capital construction paid or payable to the City	54,092	40,202
Power and water purchased by the City	2,370	2,197
Other services purchased by the City	43,714	48,394

All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates or as agreed to by the parties.

The following summarizes EPCOR's related party balances with the City.

	2021	2020
Trade and other receivables	\$ 40,420	\$ 60,875
Property, plant and equipment	54,092	40,202
Trade and other payables	16,683	17,661
Loans and borrowings issued in the name of the City	523,348	555,617
Deferred revenue and other liabilities	74,393	81,262

The City's financial statements include the net balance payable to EPCOR within Accounts payable and accrued liabilities - Trade and other (Note 6) and offsetting receivables from EPCOR of \$523,348 (2020 - \$555,617), presented on a PSAS basis, which have been applied to reduce the City's consolidated Long-term Debt (Note 10).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

20 UTILITY FRANCHISE AGREEMENT FEES

The following franchise fees are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Budget	2021	2020
ATCO Gas and Pipelines Ltd. – Gas	\$ 86,910	\$ 80,075	\$ 76,379
EPCOR Distribution Inc. – Power	67,375	67,375	66,017
EPCOR Water Services Inc. – Water	15,604	16,590	15,476
EPCOR Water Services Inc. – Drainage	9,995	10,351	11,570
EPCOR Water Services Inc. – Wastewater	8,083	8,630	7,678
	\$ 187,967	\$ 183,021	\$ 177,120

21 PENSION AND LONG-TERM DISABILITY PLANS

A. LOCAL AUTHORITIES PENSION PLAN

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is a public sector pension plan in Alberta registered under the Alberta Employment Pension Plans Act (EPPA).

The City is required to make current service contributions to the Plan of 9.39 per cent (2020 – 9.39 per cent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84 per cent (2020 – 13.84 per cent) thereafter. Employees of the City are required to make current service contributions of 8.39 per cent (2020 – 8.39 per cent) of pensionable salary up to YMPE and 12.84 per cent (2020 – 12.84 per cent) thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2021 were \$97,276 (2020 – \$97,177) and by the employees to the LAPP in 2021 were \$88,250 (2020 – \$88,248).

As of December 31, 2020, the LAPP reported the value of its asset of \$53,599,237 and a surplus for the overall plan as at of \$4,961,337. Information as at December 31, 2021 was not available at the time of preparing these financial statements.

B. SPECIAL FORCES PENSION PLAN

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 12.87 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 0.93 per cent of pensionable payroll are required to eliminate an unfunded liability related to post-1991 service amortized over no more than 15 years. Participants of the SFPP are required to make current service contributions of 11.77 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 0.93 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2021 were \$32,460 (2020 – \$31,636) and by the employees to the SFPP in 2021 were \$30,008 (2020 – \$29,244).

As at December 31, 2020, the SFPP reported the value of its assets at \$3,592,743 and a surplus for the overall plan of \$9,741 comprised of a deficit of \$177,989 for pre-1992 and a surplus of \$187,730 relating to post-1991. Information as at December 31, 2021 was not available at the time of preparing these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

C. CITY-SPONSORED PENSION PLANS

The City, in conjunction with the City of Edmonton Investment Committee, administers Pension Fund and Long-term Disability Plan assets on behalf of third parties. Related trust assets not owned by the City have been excluded from the reporting entity. Assets consist of government, government guaranteed and corporate bonds valued at market quotations from Canadian and global investment dealers, along with Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed. Other investments within the Pension Funds and Long-term Disability Plan include global infrastructure assets. The City's share of the FFSP asset balance and the Fire Chief Plan net fund liability has been recognized in the financial statements.

The following summarizes plans sponsored by the City.

i. Annuity Plan

The multi-employer Annuity Fund provided lifetime benefits to retired members and beneficiaries only. As of December 4, 2014 there are no longer any beneficiaries of this plan and the fund is closed to new members. The plan is being wound up and surplus funds attributable are reasonably determined. The fund is being held in trust by the City until the assets are distributed.

Total benefits paid during the year were \$0 (2020 – \$0). The total surplus funds available for distribution as of December 2021 were \$15,025.

ii. Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 9 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were \$29 (2020 – \$33).

iii. Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$9,919 (2020 – \$10,393). Employer contributions for the year were \$4,041 (2020 – \$4,002) and employee contributions for the year were \$3,310 (2020 – \$3,459).

iv. Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$231 (2020 – \$245). Employer contributions were \$71 (2020 – \$64) and employee contributions for the year were \$28 (2020 – \$21).

Actuarial valuations for Annuity, Police Supplementary, Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plans and an actuarial extrapolation for the Fire Fighters' Supplementary Pension Plan were completed by Aon Hewitt as at December 31, 2021. Each 2021 actuarial valuation and extrapolation were based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.0 per cent (2020 – 2.0 per cent). The discount rate used to determine the accrued benefit obligation is 5.00 per cent (2020 – 5.25 per cent). The expected rate of return on plan assets is 5.00 per cent (2020 – 5.25 per cent). The expected salary increase is 2.00 per cent for 2 years, and 2.75 per cent thereafter (2020 – 0.75 per cent for 2 years, and 2.0 per cent thereafter), plus a merit and promotion increase in the FFSPP (which varies by service). The Fire Chief Plan assumes a 0.5 per cent merit and promotion increase per annum for those with greater than 5 years of service.

Each pension fund's assets are valued at fair value. The fair value actual rate of return is 15.0 per cent (2020 – 11.1 per cent).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2021	2020
Fair value of assets	\$ 15,025	\$ 17,658	\$ 313,390	\$ 4,939	\$ 351,012	\$ 312,434
Accrued benefit obligation		141	245,287	4,574	250,002	224,986
Funded status – surplus	15,025	17,517	68,103	365	101,010	87,448
Unamortized net actuarial gain			(28,054)	(222)	(28,276)	(20,798)
Accrued benefit asset	15,025	17,517	40,049	143	72,734	66,650
Valuation allowance		17,517			17,517	30,214
Employee portion of accrued benefit asset			18,022		18,022	16,374
Net fund asset	\$ 15,025	\$	\$ 22,027	\$ 143	\$ 37,195	\$ 20,062

The net actuarial gain is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 15.7 years (2020 – 16.3 years) and of the Fire Chief plan of 3.0 years (2020 – 3.0 years). The accrued benefit asset for the FFSPP is shared 55 per cent by the City as the employer and 45 per cent by

employees. The net employer share of the fund asset balance for the FFSPP is included in Receivables – Trade and other (Note 3); the net fund asset for the Fire Chief Plan is included in Receivables – Trade and other (Note 3); and, the net City share of the fund asset balance for the Annuity is included in Receivables – Trade and other (Note 3).

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2021	2020
Current service cost	\$	\$	\$ 7,767	\$ 64	\$ 7,831	\$ 6,764
Amortization of actuarial loss (gain)	784	(1,526)	(1,294)	(31)	(2,067)	(1,801)
Increase in valuation allowance	5	2,323			2,328	1,456
Less: employee contributions			(4)	(28)	(32)	(205)
Benefit plan expense for the year	789	797	6,469	5	8,060	6,214
Interest cost on accrued benefit obligation		8	11,734	214	11,956	11,716
Expected return on plan assets	(789)	(805)	(14,517)	(221)	(16,332)	(16,451)
Benefit plan interest income	(789)	(797)	(2,783)	(7)	(4,376)	(4,735)
Total benefit plan related expense			3,686	(2)	3,684	1,479
Less: employee portion of expense			1,658		1,658	841
Net benefit plan related expense			2,028	(2)	2,026	638
Less: employer contributions	15,025		4,041	93	19,159	4,088
Net Change	\$ (15,025)	\$	\$ (2,013)	\$ (95)	\$ (17,133)	\$ (3,450)

D. LONG-TERM DISABILITY PLAN

The City, in conjunction with the City of Edmonton Investment Committee, administers the Long-term Disability Plan (the Plan) assets on behalf of third parties, made available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan. Related trust assets not owned by the City have been excluded from the reporting entity.

	2021	2020
Fair value of assets	\$ 171,676	\$ 159,153
Less: Accrued benefit obligation	127,701	114,609
Net assets	\$ 43,975	\$ 44,544

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2021. The Plan's assets are valued at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

22 COMMITMENTS

A. CONTRACTUAL OBLIGATIONS

To mitigate the risk of fluctuation in fuel prices, the City has entered into swap transactions to purchase 21.6 million litres of heating oil for monthly periods from January 2022 through December 2022. The contracts have settlement dates ranging from February 7, 2022 through January 09, 2023 at prices from \$0.61 to \$0.77 per litre, for a total commitment of \$14,878.

In February 2016 the City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) for the design, construction, operation, and maintenance of the Valley Line LRT Southeast.

The construction period runs from 2016–2022 and the operating period from 2022–2050. The total commitment for construction over the life of the contract is \$1,456,495. As of December 31, 2021, \$1,395,322 of the construction costs have been recognized by the City. The total commitment for the service level payments and maintenance payments to be made during the operating period is based on current estimated ridership levels and inflation. The total of the monthly service level payments and maintenance payments upon service commencement are estimated to be \$937,942 and \$268,317 respectively. Additional details are provided in Note 10e.

B. LEASE COMMITMENTS

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2022	\$	27,126
2023		25,528
2024		24,143
2025		22,394
2026		21,362
Thereafter		182,218
	\$	302,771

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

23 LIABILITY FOR CONTAMINATED SITES

As of December 31, 2021, the liability for contaminated sites includes sites associated with former and current City operations, sites acquired through tax forfeiture and purchase, and former unofficial waste disposal sites from early in the City's history. The nature of contamination includes heavy metals, salts, biosolids and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, fuel handling, vehicle storage and maintenance, metal manufacturing, stockyards, incinerators, wastewater treatment plants and lagoons as well as fill of unknown origin deposited in unauthorized landfills.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites. The City has recognized a net decrease in the liability of \$442 over the prior year, representing a total liability for the remediation of contaminated sites of \$20,442 (2020 – \$20,884). The liability is reported in Accounts payable and accrued liabilities (Note 6, Trade and other) in the Consolidated Statement of Financial Position.

24 CONTINGENT LIABILITIES

- A. The City is the defendant in various lawsuits as at December 31, 2021. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.
- B. The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. There may be contaminated sites that the City has identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of the City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.
- C. The City has certain agreements in place to guarantee financing for other organizations. While a liability has not been recorded in relation to these guarantees, as it has been assessed as unlikely that the City will be required to pay out any amounts, funds have been restricted in accumulated surplus in the event of default.

25 CONTINGENT ASSETS

The City has outstanding legal claims against third parties as at December 31, 2021 for which the probability of settlement in favour of the City is likely, resulting in \$22,140 in future assets. The eventual recovery of legal claims is subject to risk and uncertainties that may arise from the settlement process. Contingent assets are not recorded in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

26 CONTRACTUAL RIGHTS

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

The City enters into service agreements, partnership agreements, and other developer agreements that result in either contributed assets or contributed funds with average revenues of \$237,564.

	Government transfers	Future lease revenue	Total
2022	\$ 1,154,120	\$ 18,709	\$ 1,172,829
2023	966,369	16,559	982,928
2024	687,737	15,737	703,474
2025	476,098	13,339	489,437
2026	221,507	11,645	233,152
Thereafter	46,528	223,647	270,175
	\$ 3,552,359	\$ 299,636	\$ 3,851,995

27 RELATED PARTY DISCLOSURE

A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control and influence. Related party transactions are disclosed if they occurred at a value other than or terms different from that which would have been arrived at if the parties were unrelated and the transaction has a material effect on the financial statements.

Related parties include key management personnel and close family members, through their relationship with the key management personnel, as they have the ability to influence and impact the City's policies, operations and strategic decisions. Key

management personnel of the City have been identified as the Mayor, City Councillors, City Manager and Deputy City Managers for the purpose of this reporting.

An external entity becomes a related party to the City when the key management personnel and/or their close family member have the ability to influence and impact the policies, operations and strategic decisions of the external entities.

For the year ended December 31, 2021, there were no material transactions to disclose that occurred between related parties at a value other than or terms different from that which would have been arrived at if the parties were unrelated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

28 SEGMENT DISCLOSURES

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PS2700 Segment Disclosures. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

Segments include:

A. TAX-SUPPORTED PROGRAMS

a. Tax-supported programs directly supported by property taxes, including the tax allocation provided directly to other operations, as follows:

i. Transportation Services

Transportation Services includes bus, light rail transit, roadway and parking services.

ii. Protective Services

Protective Services is comprised of police, traffic safety, bylaw enforcement and fire rescue.

iii. Community Services

Community Services includes parks and recreation, community and family services, planning and corporate properties and public housing. Also included are the City of Edmonton Library Board, Explore Edmonton Corporation, Fort Edmonton Management Company, Innovate Edmonton, the Non-Profit Housing Corporation, the Vehicle for Hire Commission and Edmonton Combative Sports Commission, which are managed by separate boards or commissions.

iv. Fleet Services

Fleet Services provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments, and external customers, including EPCOR. The area operates under a full cost recovery model by directly charging other City departments for the provision of fleet services.

v. Other Tax-Supported

Other Tax-Supported consists of corporate administration, general municipal services, and tax appeals and allowances. Revenues and expenses that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021 (in thousands of dollars)

B. WASTE SERVICES

Waste Services delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs.

C. LAND ENTERPRISE

Land Enterprise is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities, including the Blatchford Redevelopment Project. Municipal use property involves the acquisition of land for municipal purposes and the disposal of land deemed surplus to municipal needs. Land Enterprise is intended to be operated on a self-sustaining basis.

D. BLATCHFORD RENEWABLE ENERGY

Blatchford Renewable Energy owns and operates a District Energy Sharing System that will provide environmentally-friendly heating, cooling and hot water to the buildings and homes of the Blatchford community. The Blatchford Renewable Energy Utility was established with the passing of Bylaw 17943 by City Council on December 4, 2018 and began operations in 2019.

E. EPCOR

EPCOR is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 19 to these financial statements provides condensed financial information for EPCOR.

F. ED TEL ENDOWMENT FUND

Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713.

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

29 2021 BUDGET

The City prepared a multi-year 2019–2022 operating budget, which was presented and approved by Council in December 2018. In December 2020, Council approved certain adjustments to the 2021 operating budget to update it for emergent issues. The operating budget reflected in these financial statements is consistent with amounts approved by Council with passing Bylaw 19574 – 2021 Property Tax and Supplementary Property Tax on April 19, 2021, which incorporates the operating budget and related adjustments made in December 2020 and ratifies the 2021 operating budget.

The capital budget reflected in these financial statements is based on the capital budget originally approved by Council in December 2018,

as part of the overall 2019–2022 capital budget, plus carry forward of unspent capital budget from previous years. Capital budget adjustments made as part of the spring and fall supplementary capital budget adjustment process are not reflected.

The budget is reported on an accrual basis, consistent with principles applied in the consolidated financial statements. Included in the table below are presentation and elimination adjustments required to comply with Canadian public sector accounting standards for inclusion in the Consolidated Statement of Operations and Accumulated Surplus.

	Operating Revenues	Operating Expenses	Capital Revenues
Budget approved by Council on December 11, 2020	\$ 3,395,981	\$ 3,333,200	\$ 450,500
Supplementary budget adjustments	(25,666)	(22,324)	
Carry forward of prior year unspent budget		28,133	299,250
Amortization		630,823	
EPCOR Utilities	279,100		
Other controlled entities	11,129	12,948	
Consolidation adjustments	(57,375)	(462)	
Transfers from/to reserves	(242,989)	(457,896)	
Debt principal repayment		(210,604)	
Dividends from subsidiaries	(211,687)		
Reclassification for presentation purposes	(29,993)	(12,300)	17,693
Budget for financial statement purposes	\$ 3,118,500	\$ 3,301,518	\$ 767,443

30 COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.