



2010 Annual Report
The City of Edmonton
Alberta, Canada

Financial Information

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 within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls including written policies, directives and procedures. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded.

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.



S. Farbrother, MCIP, RPP, MA,
City Manager



Lorna Rosen, CMA
Chief Financial Officer and City Treasurer

April 27, 2011

Independent Auditors' Report

To His Worship the Mayor and Members of Council of the City of Edmonton

We have audited the accompanying consolidated financial statements of the City of Edmonton (the City), which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the City as at December 31, 2010, and its consolidated results of operations, consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The consolidated financial statements of the City as at and for the year ended December 31, 2009 were audited by another auditor who expressed an unqualified opinion on those statements on May 14, 2010.

April 27, 2011
Edmonton, Canada

Consolidated Statement of Financial Position

December 31, 2010 (in thousands of dollars)

	2010	2009 (Restated)
Financial Assets		
Cash and temporary investments (Note 2)	\$ 92,399	\$ 117,030
Receivables:		
Taxes receivable	46,286	37,481
Trade and other receivables	252,740	211,316
Investments (Note 3)	1,379,322	1,385,244
Debt recoverable (Note 4)	59,108	60,865
Land for resale	87,454	74,764
Investment in EPCOR (Note 17)	2,464,951	2,469,884
	4,382,260	4,356,584
Liabilities		
Promissory note payable	19,966	
Accounts payable and accrued liabilities	441,551	376,765
Deposits	29,586	24,887
Deferred revenue (Note 5)	168,439	255,312
Employee benefit obligations (Note 6)	121,311	115,043
Landfill closure and post-closure care (Note 7)	20,042	21,015
Long-term debt (Note 8)	1,840,233	1,508,719
	2,641,128	2,301,741
Net Financial Assets	1,741,132	2,054,843
Non-financial Assets		
Tangible capital assets (Note 9)	8,580,171	7,770,320
Inventory of materials and supplies	30,215	29,768
Other assets (Note 10)	29,626	42,907
	8,640,012	7,842,995
Accumulated Surplus (Note 13)	\$ 10,381,144	\$ 9,897,838

Commitments and contingent liabilities (Notes 19 and 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Stephen Mandel

Councillor

Consolidated Statement of Operations

For the year ended December 31, 2010 (in thousands of dollars)

	Budget (Unaudited)	2010	2009 (Restated)
Revenues			
Net taxes available for municipal purposes (Note 14)	\$ 897,055	\$ 897,048	\$ 837,766
User fees and sale of goods and services	522,619	495,883	458,814
Subsidiary operations – EPCOR (Note 17)	156,606	132,955	119,555
Government transfers – operating (Note 15)	124,251	118,618	107,500
Franchise fees	100,500	103,266	95,283
Investment earnings	49,454	95,113	9,784
Fines and penalties	54,515	51,820	45,403
Licenses and permits	36,276	40,777	33,599
Developer and customer contributions – operating		149	5
	1,941,276	1,935,629	1,707,709
Expenses			
Protective services:			
Police	303,078	292,496	258,340
Fire Rescue	156,478	155,845	151,765
Bylaw enforcement	26,552	27,431	20,112
	486,108	475,772	430,217
Transportation services:			
Bus and light rail transit	334,455	324,778	285,183
Roadway and parking	371,480	299,799	284,154
	705,935	624,577	569,337
Community services:			
Parks and recreation	144,171	136,160	126,974
Community and family	48,561	46,377	41,512
Edmonton Public Library Board	51,964	44,667	41,778
Public housing	53,400	37,888	31,385
Convention and tourism	35,019	35,410	35,015
Planning	41,633	34,256	27,673
	374,748	334,758	304,337
Utility and enterprise services:			
Waste Management	129,590	125,445	109,705
Drainage Services	96,981	106,626	86,481
Fleet Services	4,713	44,231	54,446
Land	24,832	13,182	7,235
	256,116	289,484	257,867
Corporate administration	178,669	162,914	168,868
General municipal	123,412	106,722	108,235
Tax appeals and allowances	7,261	7,147	22,120
Pension adjustments and other	6,904	11,981	13,217
	2,139,153	2,013,355	1,874,198
Shortfall of Revenues over Expenses before other	(197,877)	(77,726)	(166,489)
Other:			
Subsidiary operations – EPCOR – net comprehensive income adjustment (Note 17)		(2,102)	31,220
Government transfers – capital (Note 15)	484,913	389,776	469,928
Developer and customer contributions – capital	42,424	34,077	33,549
Developer contributed tangible capital assets (Note 9)	2,400	139,281	241,074
Excess of Revenues over Expenses	331,860	483,306	609,282
Accumulated Surplus, beginning of year	9,897,838	9,897,838	9,336,481
Contributed capital transfer to EPCOR for Gold Bar (Note 17)			(47,925)
Accumulated Surplus, end of year	\$ 10,229,698	\$ 10,381,144	\$ 9,897,838

See accompanying notes to consolidated financial statements

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2010 (in thousands of dollars)

	Budget (Unaudited)	2010	2009 (Restated)
Excess of Revenues over Expenses	\$ 331,860	\$ 483,306	\$ 609,282
Acquisition of tangible capital assets	(1,417,267)	(1,012,341)	(1,139,790)
Contributed tangible capital assets	(2,400)	(139,281)	(241,074)
Proceeds on disposal of assets		3,299	1,243
Amortization of tangible capital assets	388,544	328,943	295,006
Net tangible capital asset transfer to EPCOR for Gold Bar (Note 17)			258,153
Loss on disposal/replacement of tangible capital assets		9,529	3,831
	(1,031,123)	(809,851)	(822,631)
Net acquisition of inventories of materials and supplies		(447)	(3,466)
Net (acquisition) use of other assets		13,281	(6,219)
Contributed capital transfer to EPCOR for Gold Bar (Note 17)			(47,925)
		12,834	(57,610)
Decrease in Net Financial Assets	(699,263)	(313,711)	(270,959)
Net Financial Assets, beginning of year	2,054,843	2,054,843	2,325,802
Net Financial Assets, end of year	\$ 1,355,580	\$ 1,741,132	\$ 2,054,843

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2010 (in thousands of dollars)

	2010	2009 (Restated)
Net inflow (outflow) of cash and temporary investments:		
Operating Activities		
Excess of revenues over expenses	\$ 483,306	\$ 609,282
Add (deduct) items not affecting cash:		
Subsidiary operations – EPCOR	(132,955)	(119,555)
Subsidiary operations – EPCOR – net comprehensive income adjustment	2,102	(31,220)
Amortization of tangible capital assets	328,943	295,006
Loss on disposal/replacement of tangible capital assets	9,529	3,831
Developer contributed tangible capital assets	(139,281)	(241,074)
Change in non-cash items:		
Taxes receivable	(8,805)	(5,528)
Trade and other receivables	(41,424)	(38,938)
Debt recoverable	1,757	(58,472)
Land for resale	(12,690)	(10,360)
Accounts payable and accrued liabilities	64,786	23,532
Deposits	4,699	4,221
Deferred revenue	(86,873)	(111,313)
Employee benefit obligations	6,268	4,612
Landfill closure and post-closure care	(973)	1,489
Inventories of materials and supplies	(447)	(3,466)
Other assets	13,281	(6,219)
	491,223	315,828
Capital Activities		
Acquisition of tangible capital assets	(1,012,341)	(1,139,790)
Proceeds on disposal of tangible capital assets	3,299	1,243
	(1,009,042)	(1,138,547)
Investing Activities		
Dividend from subsidiary (Note 17)	135,786	133,700
Net decrease in investments	5,922	13,696
	141,708	147,396
Financing Activities		
Promissory note payable	19,966	
Debenture borrowings	396,791	609,866
Repayment of long-term debt	(65,277)	(50,842)
	351,480	559,024
Decrease in cash and temporary investments	(24,631)	(116,299)
Cash and temporary investments, beginning of year	117,030	233,329
Cash and temporary investments, end of year	\$ 92,399	\$ 117,030

See accompanying notes to consolidated financial statements.

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2010 (in thousands of dollars)

	Opening Balance (Restated)	Additions	Disposals	Closing Balance
Cost				
Land	\$ 817,529	\$ 122,238	\$ (30)	\$ 939,737
Land improvements	727,665	34,303	(106,641)	655,327
Buildings	1,017,823	52,963		1,070,786
Machinery and equipment	521,759	42,581	(27,538)	536,802
Vehicles	711,122	94,860	(21,628)	784,354
Engineered structures				
Roadway system	4,728,982	451,223	(48,698)	5,131,507
Drainage system	2,045,484	221,819	(265)	2,267,038
Light rail transit	607,575	193,658	(16,345)	784,888
Waste	148,972	5,133		154,105
Bus system	76,355	38,197		114,552
Other	9,050	2,154		11,204
	11,412,316	1,259,129	(221,145)	12,450,300
Assets under construction	1,392,202	(107,507)		1,284,695
	12,804,518	1,151,622	(221,145)	13,734,995
Accumulated Amortization				
Land improvements	391,703	16,708	(106,641)	301,770
Buildings	576,874	25,015		601,889
Machinery and equipment	288,590	50,441	(26,816)	312,215
Vehicles	264,923	45,662	(20,466)	290,119
Engineered structures				
Roadway system	2,642,337	136,491	(40,785)	2,738,043
Drainage system	477,016	28,937	(49)	505,904
Light rail transit	272,279	11,873	(13,560)	270,592
Waste	78,278	8,779		87,057
Bus system	39,748	4,457		44,205
Other	2,450	580		3,030
	5,034,198	328,943	(208,317)	5,154,824
Net Book Value	\$ 7,770,320	\$ 822,679	\$ (12,828)	\$ 8,580,171

Schedule 2 - Consolidated Schedule of Segment Disclosures

For the year ended December 31, 2010 (in thousands of dollars)

	Tax-supported										2010 Consolidated
	Protective Services	Transportation Services	Community Services	Other	Total	Drainage Services	Waste Management	Fleet Services	Land Enterprise	EPCOR	
Revenues											
Net taxes available for municipal purposes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
User fees and sales of goods and services	25,251	126,246	64,556	19,438	235,491	104,102	117,323	11,447	20,109	7,411	
Subsidiary operations – EPCOR										132,955	
Government transfers – operating	22,908	3,217	45,959	45,687	117,771	2	75	250		520	
Franchise fees				108,382	108,382	(5,116)					
Investment earnings		1	723	46,245	46,969	499	337		96	47,212	
Fines and penalties	35,006		937	15,877	51,820						
Licenses and permits	209	378	39,424		40,011	25				766	
Developer and customer contributions – operating			48		48					76	
Appropriation of earnings	83,374	129,842	151,647	1,157,375	1,522,238	99,512	117,735	11,697	20,205	(24,698)	31,287
Expenses											
Salaries, wages and benefits	376,256	238,654	156,153	170,598	941,661	53,722	27,404	54,332	83	2,762	
Materials, goods and utilities	23,907	48,685	42,819	24,212	139,623	10,277	7,454	55,890	9,182	3,898	
Contracted and general services	64,509	116,245	36,500	26,245	243,499	(9,612)	66,394	(96,961)	3,134	3,407	
Interest and bank charges	753	38,657	10,170	3,293	52,873	12,937	9,239	2,248	541	894	
Grants and other			62,069	12,966	75,035	5,807		(847)		7	
Amortization of tangible capital assets	9,727	171,639	27,653	39,916	248,935	33,495	14,955	30,303	242	1,013	
Loss (gain) on disposal/replacement of tangible capital assets	620	10,697	(606)	(447)	10,264		(1)	(734)			
Excess (shortfall) of Revenues over Expenses before other	475,772	624,577	334,758	276,783	1,711,890	106,626	125,445	44,231	13,182	11,981	
	(392,398)	(494,735)	(183,111)	880,592	(189,652)	(7,114)	(7,710)	(32,534)	7,023	132,955	19,306
Other											
Subsidiary operations – EPCOR – net comprehensive income adjustment										(2,102)	
Government transfers – capital	11,849	281,049	75,437		368,335	7,443	6,444	1,151		6,403	
Developer and customer contributions – capital	367	4,565	10,235	1,628	16,795	17,282					
Developer contributed tangible capital assets (Note 9)		59,883	29,118	2,605	91,606	47,668		7			
Excess (shortfall) of Revenues over Expenses	\$(380,182)	\$(149,238)	\$(68,321)	\$884,825	\$287,084	\$65,279	\$(1,266)	\$(31,376)	7,023	\$130,853	\$25,709
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See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures

For the year ended December 31, 2009 (in thousands of dollars)

	Tax-supported							2009 Consolidated (Restated)				
	Protective Services	Transportation Services	Community Services	Other	Total	Drainage Services	Waste Management		Fleet Services	Land Enterprise	EPCOR	Other
Revenues												
Net taxes available for municipal purposes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
User fees and sales of goods and services	19,658	118,280	63,026	19,116	220,080	106,548	105,499	10,590	10,185	119,555	5,912	837,766
Subsidiary operations – EPCOR												458,814
Government transfers – operating	18,637	73	40,074	41,193	99,977	4	6,636	267			616	119,555
Franchise fees				101,109	101,109	(5,826)						107,500
Investment earnings			314	16,211	16,525	603	654		99		(8,097)	95,283
Fines and penalties	28,843		1,034	15,526	45,403							9,784
Licenses and permits	163	303	32,397		32,863						736	45,403
Developer and customer contributions – operating			5		5							33,599
Appropriation of earnings	67,301	118,656	136,850	1,065,912	1,388,719	101,329	112,789	10,857	10,284	119,555	(34,991)	5
Expenses												
Salaries, wages and benefits	344,166	218,432	147,020	158,055	867,673	52,366	21,447	49,779			5,285	996,550
Materials, goods and utilities	21,851	54,888	40,489	22,707	139,935	12,898	7,406	53,430	3,642		3,673	220,984
Contracted and general services	51,675	108,485	33,720	48,069	241,949	(19,611)	52,477	(77,809)	2,260		2,677	201,943
Interest and bank charges	1,821	30,445	5,801	3,490	41,557	11,293	9,735	1,024	1,329		805	65,743
Grants and other	466		50,091	31,138	81,695	710	6,600	1,121	4		11	90,141
Amortization of tangible capital assets	10,032	152,992	27,218	35,764	226,006	28,825	12,040	27,369			766	295,006
Loss (gain) on disposal/replacement of tangible capital assets	206	4,095	(2)		4,299		(468)					3,831
Excess (shortfall) of Revenues over Expenses before other	430,217	569,337	304,337	299,223	1,603,114	86,481	109,705	54,446	7,235		13,217	1,874,198
Other	(362,916)	(450,681)	(167,487)	766,689	(214,395)	14,848	3,084	(43,589)	3,049	119,555	(49,041)	(166,489)
Subsidiary operations – EPCOR – net comprehensive income adjustment												
Government transfers – capital	4,411	312,056	35,415	87,662	439,544	24,490	2,060	349		31,220	3,485	31,220
Developer and customer contributions – capital	258	10,092	12,482	362	23,194	10,021	334					469,928
Developer contributed tangible capital assets (Note 9)		116,182	18,352	2,842	137,376	103,698						33,549
Excess (shortfall) of Revenues over Expenses	\$ (358,247)	\$ (12,351)	\$ (101,238)	\$ 857,555	\$ 385,719	\$ 153,057	\$ 5,478	\$ (43,240)	\$ 3,049	\$ 150,775	\$ (45,556)	\$ 241,074
												\$ 609,282

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (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).

1. 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. 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 is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, they include the following:

- Edmonton Public Library Board
- Edmonton Economic Development Corporation
- Drainage Services Utility (Sanitary Drainage Services, Land Drainage Services and Drainage Design and Construction)
- Waste Management
- Fleet Services
- Land Enterprise (Land Development and Municipal Land Use Property)
- Ed Tel Endowment Fund
- The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)
- Vehicle for Hire Commission
- Fort Edmonton Management Company
- Edmonton Combative Sports Commission

Non-Profit Housing Corporation has been fully consolidated within the 2010 financial statements. Note 23 outlines the accounting policy change. The Non-Profit Housing Corporation was established in 1977 to provide non-profit housing for citizens.

The 2010 financial statements fully consolidate the Fort Edmonton Management Company. The Fort Edmonton Management Company was created as a wholly owned non-profit corporation under the Companies Act to operate the Fort Edmonton Park on behalf of the City. The City owns the buildings, artifacts and land associated with the attraction.

The Edmonton Combative Sports Commission regulates, governs and controls regulated combative sports events in Edmonton. Effective November 24, 2009, the governance model was updated to establish the Commission as a Committee of City Council. During 2010, the fiscal year end for the Commission was changed from October 31 to December 31. The assets, liabilities, revenues, expenses and accumulated surplus from the date of the authority change have been consolidated within the 2010 financial statements of the City.

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR Utilities Inc. (EPCOR), a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 17). 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. In accordance with PSAB Accounting Guideline 6 (PSG-6) *Including results of organizations and partnerships applying fair value measurement*, other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations as EPCOR – net comprehensive income adjustment. Other comprehensive income (loss) reduces the Investment in EPCOR and Accumulated Surplus (Note 13).

The financial statements exclude trust assets under administration for the benefit of external parties (Note 21).

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

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.

Property tax revenue is based on market value assessments determined in accordance with the MGA. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Statement of Operations.

Government transfers to the City are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Prior to that time, any amounts received, along with restricted interest thereon is recorded as deferred revenue.

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

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

Budget information, as approved by City Council, is reported on an accrual basis, consistent with principles applied in the financial statements.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that 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, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable.

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 as revenues (expenses).

e) 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.

f) Investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues. Investments in common and preferred shares 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.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

g) Debt Recoverable

Debt recoverable consists of amounts that are recoverable under loans made to non-profit organizations, relating to City outstanding long-term debt. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

h) 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 are comprised of tangible capital assets, inventories 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

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributed tangible capital assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received. Equivalent amounts are recorded as Developer contributed tangible capital assets on the Consolidated Statement of Operations.

iii) Leases

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

iv) Land under roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v) Inventories of materials and supplies

Inventories of materials and supplies are 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.

i) Reserves for Future Expenditures

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

j) 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.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

2. Cash and Temporary Investments

	2010	2009
Cash	\$ 3,191	\$ 3,193
Temporary investments	98,655	129,715
Cheques outstanding in excess of deposits	(9,447)	(15,878)
	\$ 92,399	\$ 117,030

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market. Temporary investments have effective rates of 1.0 to 1.2 per cent (2009 – 0.2 to 0.5 per cent) and mature within ninety days. Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

The City has access to an unsecured line of credit of up to \$100,000 to cover any bank overdrafts arising from day to day cash transactions. No amounts were outstanding on the line of credit overdraft at December 31, 2010.

3. Investments

	2010	Cost 2009	Market Value 2010	2009
Cash	\$ 1,800	\$ 1,739	\$ 1,800	\$ 1,739
Amounts receivable – net	378	947	378	947
Fixed income:				
Short-term notes and deposits	21,810	5,843	21,509	5,538
Government and government guaranteed bonds	619,767	617,169	625,907	613,110
Corporate bonds and debentures	240,872	257,315	245,346	262,939
	882,449	880,327	892,762	881,587
Common and preferred shares:				
Canadian	216,882	229,768	271,289	266,977
International	277,794	272,444	271,689	266,489
	494,676	502,212	542,978	533,466
Other investments	19	19	19	19
	\$ 1,379,322	\$ 1,385,244	\$ 1,437,937	\$ 1,417,758

Short-term notes and deposits have effective interest rates of 0.0 to 0.8 per cent (2009 – 0.2 to 0.3 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.1 to 10.1 per cent (2009 – 0.5 to 10.6 per cent) with maturity dates from January 27, 2011 to November 24, 2050 (2009 – January 1, 2010 to March 5, 2050).

The market value of short-term notes and deposits includes unrealized losses on futures contracts of \$151 (2009 – \$97). See also Note 19 c).

Investments with a cost of \$591,113 (2009 – \$570,932) and market value of \$626,626 (2009 – \$589,938) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund is 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.

There were no net undistributed realized losses relating to multi-unit investment trusts managed by the City as at December 31, 2010 (2009 – \$14,043).

The cost of certain short-term notes and deposits and international equity fund investments exceed market value as at December 31, 2010. Management is of the opinion that the loss in value is a temporary decline. No adjustment has been made to reduce the carrying value of investments.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

4. Debt Recoverable

Debt recoverable of \$59,108 (2009 – \$60,865 as restated) relates to amounts borrowed by the City and loaned to non-profit organizations in accordance with section 264 of the MGA. The amounts recoverable have the same general repayment terms as the respective debt. Debt recoverable matures in annual amounts to the year 2034 with interest rates ranging from 2.5 to 6.0 per cent.

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

	Principal	Interest	Total
2011	\$ 1,838	\$ 2,956	\$ 4,794
2012	1,922	2,872	4,794
2013	2,012	2,782	4,794
2014	1,891	2,689	4,580
2015	1,766	2,599	4,365
Thereafter	49,679	26,940	76,619
	\$ 59,108	\$ 40,838	\$ 99,946

5. Deferred Revenue

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Certain deferred revenues relate to government transfers as further described in Note 15.

	2010	2009 (Restated)
Operating	\$ 83,215	\$ 82,457
Capital:		
Alberta Municipal Infrastructure Program (AMIP)	40,516	104,920
Transportation fuel rebate – Federal	19,529	35,842
Alberta Innovation and Science Program	10,254	16,589
North/South Trade Highway grant	7,388	7,342
Major Community Facilities Program	4,907	5,367
Other	2,630	2,795
	85,224	172,855
	\$ 168,439	\$ 255,312

6. Employee Benefit Obligations

	2010	2009 (Restated)
Accrued vacation	\$ 66,024	\$ 63,887
Post-employment benefits	17,982	17,375
Income replacement plan	9,630	10,391
Banked overtime	10,363	9,364
Major medical and dental plans	6,284	5,418
Group Life Insurance Plan	5,405	4,169
Health care spending	3,332	2,955
Supplementary Management Retirement Plan	1,765	1,013
Other	526	471
	\$ 121,311	\$ 115,043

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

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.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 4.0 per cent (2009 – 4.0 per cent). The accrued benefit obligation as at December 31, 2010 is \$14,475 (2009 – \$14,299). The change is comprised of current service cost of \$3,292 (2009 – \$2,459), interest cost of \$651 (2009 – \$749), actuarial gain of \$1,122 (2009 – loss of \$1,209) and benefits paid during the year of \$2,645 (2009 – \$2,563).

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 2010 were \$1,770 (2009 – \$1,846). Eligible dental obligations for 2010 were \$335 (2009 – \$344). Other post-employment benefits were \$1,402 (2009 – \$886).

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, 2010, completed by Aon Hewitt.

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

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.

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 2010 expenses of amounts not used in the current year eligible to be carried forward under the terms of the plan.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The liability for total current and past service costs of \$1,765 (2009 – \$1,013) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2010.

7. Landfill Closure and Post-closure Care

Under legislation, the City has a liability for closure and post-closure care costs for its landfill. The landfill site reached full capacity and was closed August 2009. The period for post-closure care is estimated to be 25 years. An amount of \$20,042 (2009 – \$21,015) has been accrued, representing the sum of the discounted future cash flows for closure and post-closure care activities, applying a discount rate at the City's average long-term borrowing rate of 4.7 per cent (2009 – 5.0 per cent) and an inflation rate of 2.5 per cent (2009 – 2.5 per cent).

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and 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.

The City has entered into a contract with Beaver Regional Waste Management Services Commission for their provision of landfill capacity effective February 26, 2007 through February 26, 2027, with a further option for the City to extend the term for ten additional years. Under the terms of the agreement the City pays the Commission tipping fees per tonne of waste delivered to the site and has committed to send a minimum of 70,000 tonnes per year.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

8. Long-term Debt

a) Debt payable

Debt payable includes the following amounts:

	2010	2009 (Restated)
Debt		
Debentures	\$ 2,312,491	\$ 2,066,072
Mortgages	26,738	27,538
	2,339,229	2,093,610
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	208,690	250,110
Sinking Fund assets	290,306	334,781
	1,840,233	1,508,719
Long-term debt is comprised of:		
Self-liquidating debt	650,475	598,042
Tax-supported debt	1,189,758	910,677
	\$ 1,840,233	\$ 1,508,719

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. 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.

Outstanding debentures of \$375,000 are secured by Sinking Fund assets with a carrying value of \$290,306 (market value – \$297,017) and required earnings of 5.0 per cent (2009 – 5.0 per cent). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of \$29,374 (market value – \$31,293).

Short-term notes and deposits have an effective interest rate of 0.0 to 0.5 per cent (2009 – 0.0 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.2 to 5.1 per cent (2009 – 0.5 to 6.7 per cent) with maturity dates from February 15, 2011 to June 1, 2037 (2009 – June 1, 2010 to June 1, 2037).

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

	2011	2012	2013	2014	2015	Thereafter
Self-liquidating debt	\$ 51,218	\$ 49,033	\$ 48,001	\$ 45,865	\$ 46,147	\$ 575,791
Tax-supported debt	43,070	44,341	45,660	47,799	110,039	898,849
	94,288	93,374	93,661	93,664	156,186	1,474,640
Less:						
Payments on offsetting EPCOR amounts receivable	8,148	7,450	7,855	7,716	7,554	85,273
Sinking Fund principal	11,341	9,073	6,049	3,024	3,024	9,073
	\$ 74,799	\$ 76,851	\$ 79,757	\$ 82,924	\$ 145,608	\$ 1,380,294

Payments on offsetting amounts receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (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 the 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 Minister of Municipal Affairs.

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

	2010	2009 (Restated)
Total debt limit	\$ 3,673,502	\$ 3,243,406
Total debt	1,840,233	1,508,719
Percentage used (%)	50.09	46.52
Total debt service limit	\$ 642,863	\$ 567,596
Total debt service	172,625	138,671
Percentage used (%)	26.85	24.43

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2035 and debenture interest is payable, before provincial subsidy, at rates ranging from 1.8 to 10.8 per cent (2009 – 2.5 to 11.8 per cent). The average annual interest rate is 4.7 per cent for 2010 (2009 – 5.0 per cent), before rebate. The Province rebates 60 per cent of interest in excess of 8 per cent, 9 per cent and 11 per cent for qualifying debt issues. The Province is paying the interest for the first five years for qualifying debt issues related to energy conservation, undertaken through the former ME *first!* program.

d) Interest on long-term debt

	2010	2009 (Restated)
Self-liquidating debt	\$ 82,039	\$ 88,751
Tax-supported debt	47,600	33,895
	129,639	122,646
Less payments on offsetting amounts receivable	53,883	64,037
Long-term debt interest included in interest and bank charges	\$ 75,756	\$ 58,609

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

9. Tangible Capital Assets

	Net Book Value	
	2010	2009 (Restated)
Land	\$ 939,737	\$ 817,529
Land improvements	353,557	335,962
Buildings	468,897	440,949
Machinery and equipment	224,587	233,169
Vehicles	494,235	446,199
Engineered structures		
Roadway system	2,393,464	2,086,645
Drainage system	1,761,134	1,568,468
Light rail transit	514,296	335,296
Waste	67,048	70,694
Bus system	70,347	36,607
Other	8,174	6,600
	7,295,476	6,378,118
Assets under construction	1,284,695	1,392,202
	\$ 8,580,171	\$ 7,770,320

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

Additions to assets under construction are reported net of those tangible capital assets placed into service during the year, which are shown in their respective asset classifications.

\$139,281 in land, land improvements, and engineered structures were contributed to the City in 2010 (2009 – \$241,074) and were represented at their fair value at the time received.

10. Other Assets

	2010	2009 (Restated)
Prepaid expenses – operational	\$ 6,942	\$ 7,118
Deferred charges		11,114
Pension net fund asset (Note 18)	22,684	24,675
	\$ 29,626	\$ 42,907

11. Equity in Tangible Capital Assets

	2010	2009 (Restated)
Tangible capital assets (Schedule 1)	\$ 13,734,995	\$ 12,804,518
Accumulated amortization (Schedule 1)	(5,154,824)	(5,034,198)
Long-term debt (Note 8)	(1,840,233)	(1,508,719)
Debt recoverable (Note 4)	59,108	60,865
	\$ 6,799,046	\$ 6,322,466

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

12. Reserves for Future Expenditures

	2010	2009 (Restated)
General Government:		
Financial stabilization	\$ 95,267	\$ 71,366
Financial stabilization – appropriated	31,614	43,297
Affordable housing	14,744	14,782
Parkland reserve	12,070	12,683
Funds in Lieu/residential	11,420	8,254
LRT	10,035	14,924
Current planning	6,314	
Natural areas	6,124	5,058
Enterprise portfolio/Commonwealth Stadium	5,593	7,990
Perpetual care	4,775	4,041
Other	3,597	2,191
Heritage resources	2,722	2,924
Neighbourhood renewal	2,586	4,723
Self insurance – vehicles	2,500	2,500
Development incentive	1,942	
Tax-supported debt	1,691	1,090
Northlands – capital	1,078	683
	214,072	196,506
Edmonton Economic Development Corporation	1,879	1,590
Non-Profit Housing Corporation	1,259	1,538
Fleet Services – vehicle replacement	953	
Edmonton Public Library Board	332	743
	\$ 218,495	\$ 200,377

13. Accumulated Surplus

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

	2010	2009 (Restated)
General government operations	\$ 44,017	\$ 36,322
Excess earnings on Sinking Fund	3,845	3,962
Restricted surplus:		
Pension	22,684	24,675
Drainage Services Utility	44,881	63,673
Land Enterprise	118,143	112,676
Fleet Services	16,289	46,296
Waste Management	(781)	17,039
Ed Tel Endowment Fund	591,113	570,932
EPCOR Utilities Inc.	2,464,951	2,469,884
Non-Profit Housing Corporation	3,023	1,686
Edmonton Public Library Board	1,116	538
Edmonton Economic Development Corporation	1,691	1,230
Vehicle for Hire Commission	71	101
Edmonton Combative Sports	153	
Fort Edmonton Management Company	79	
Reserves for future expenditures (Note 12)	218,495	200,377
Equity in tangible capital assets (Note 11)	6,799,046	6,322,466
Advances for construction (capital to be financed)	52,328	25,981
	\$ 10,381,144	\$ 9,897,838

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

14. Net Taxes Available for Municipal Purposes

	2010	2009
Taxes:		
Property and business taxes	\$ 1,186,356	\$ 1,113,011
Revenue in lieu of taxes	34,244	28,194
Local improvement levies	8,584	8,627
Other	5,494	5,480
	1,234,678	1,155,312
Less taxes on behalf of:		
Education	334,922	314,899
Business revitalization zones	2,708	2,647
	337,630	317,546
Net taxes available for municipal purposes	\$ 897,048	\$ 837,766

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 trade and other receivables.

An amount of education taxes payable of \$1,366 on supplementary levies has been recorded at December 31, 2010 (2009 – \$1,287) within accounts payable and accrued liabilities.

15. Government Transfers

	2010	2009 (Restated)
Operating transfers:		
Federal	\$ 45,524	\$ 37,493
Provincial	73,094	70,007
	118,618	107,500
Capital transfers:		
Federal:		
Shared cost agreements	1,658	3,640
Grants and entitlements	31,457	7,185
Provincial:		
Shared cost agreements	1,658	2,841
Grants and entitlements	355,003	456,262
	389,776	469,928
Total Government Transfers	\$ 508,394	\$ 577,428

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. \$27,024 was received in 2010 (2009 – \$0). \$22,364 (2009 – \$16,631) has been recognized as operating transfer revenue and \$48,644 (2009 – \$48,822), including interest of \$397 (2009 – \$650), has been deferred to future years. \$5,235 (2009 – \$3,774) has been recognized as capital government transfers.

In 2005, the Federal government introduced the New Deal for Cities and Communities to assist in reducing the backlog of necessary sustainable capital infrastructure projects that have been deferred. In 2010, the City received \$43,605 (2009 – \$58,362) and recognized \$16,151 (2009 – \$3,911) as capital government transfers and \$19,529 (2009 – \$35,842), including interest of \$354 (2009 – \$213), as deferred revenue under the Transportation Fuel Rebate – Federal. The City also recognized \$44,121 (2009 – \$36,184) as operating government transfers under the program, applied to debt servicing related to the LRT.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2010, the City received funding of \$80,000 (2009 – \$85,545) and has recognized \$113,225 (2009 – \$152,663) as capital government transfers including interest of \$91 (2009 – \$235). \$66,622 was recognized as a receivable (2009 – \$33,488).

The Provincial government introduced the Alberta Municipal Infrastructure Program (AMIP) in 2005 to assist municipalities in addressing capital infrastructure needs. In 2010, the City received a per capita grant of \$0 (2009 – \$120,694) and recognized \$64,894 (2009 – \$91,133) as government transfers. \$40,516 (2009 – \$104,920), including interest of \$490 (2009 – \$797), of cumulative AMIP transfers have been deferred to future years. No additional funds are anticipated under this Program.

In 2007, the Provincial government introduced the Municipality Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. The City received \$161,482 in 2010 (2009 – \$71,862) and recognized \$161,435 (2009 – \$187,189) including interest of \$43 (2009 – \$618) as capital government transfers and \$3,200 (2009 – \$0) as operating government transfers. \$30,197 has been recorded as a receivable (2009 – \$27,087).

A grant of up to \$29,000 has been approved under the Alberta Innovation and Science Program to provide funding for a solid waste gasification demonstration facility. \$6,444 (2009 – \$2,060) has been recognized as government transfers for capital and \$0 (2009 – \$6,600) has been recognized as government transfers for operations. \$10,254 (2009 – \$16,589), including interest of \$109 (2009 – \$253), has been reported as deferred revenue.

The Provincial Government has provided grants under a Major Community Facilities Program (MCFP) for the Terwillegar Community Recreational Centre, Muttart Conservatory, North Branch Library and Fred Broadstock Pool projects. In 2010, the City received \$0 (2009 – \$1,469). \$492 (2009 – \$12,438) has been recognized as revenue and \$4,907 (2009 – \$5,367) has been recognized as deferred revenue including interest of \$32 (2009 – \$361).

The City received \$3,682 from the Federal portion of the Infrastructure Stimulus Fund in 2010 (2009 – \$1,750). \$12,711 (2009 – \$799) was recorded as capital government transfers. A receivable of \$8,075 (2009 – deferred revenue of \$952), including interest of \$2 (2009 – \$1), has been recorded.

A one time grant of \$16,335 was received from the Province in 2010 for Family and Community Support Services operating funding. The full amount was recognized as revenue in 2010.

For government transfer amounts deferred to future years, see also Note 5.

16. 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	2010	2009
Mayor	\$ 135	\$ 33	\$ 168	\$ 168
Councillors (12)	953	311	1,264	1,173
Chief Administrative Officer	453	31	484	400
City Assessor	183	23	206	188
	\$ 1,724	\$ 398	\$ 2,122	\$ 1,929

Twelve Councillors are each paid a base salary of \$79.4. Each receives benefits in the range of \$17.6 to \$20.7 (2009 – \$16.4 to \$20.5).

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, Alberta Health Care, dental coverage, medical coverage, group life insurance, short-term disability insurance, and transportation allowances. 2010 benefits include \$82 in retiring allowances for two Councillors.

Salary and benefits for the Chief Administrative Officer include overlapping payments during the 2010 transition of the position.

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

17. Subsidiary Operations - EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained by contacting the corporate offices of EPCOR.

	2010	2009
Financial position:		
Current assets	\$ 633,689	\$ 525,049
Capital assets	1,907,303	1,778,377
Investment in Capital Power	1,235,394	1,481,146
Other assets	738,347	956,832
Total assets	4,514,733	4,741,404
Current liabilities (including current portion of long-term debt of \$219,489 (2009 – \$224,504))	534,186	498,824
Non-current liabilities	59,089	80,859
Long-term debt	1,456,507	1,691,837
Total liabilities	2,049,782	2,271,520
Accumulated other comprehensive loss	(17,980)	(15,878)
Share capital contribution	23,582	23,582
Retained earnings	2,459,349	2,462,180
Shareholder's equity	2,464,951	2,469,884
Results of operations:		
Revenues	1,472,583	2,383,750
Equity share of income – Capital Power	88,334	65,260
Expenses	1,427,962	2,324,096
Net income	132,955	124,914
Net refundable tax adjustment and change in accounting policies		(5,359)
Net income and adjustments	\$ 132,955	\$ 119,555
Net comprehensive income adjustment	\$ (2,102)	\$ 31,220
Dividend to shareholder (City of Edmonton)	\$ 135,786	\$ 133,700

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.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

In 2009, through a series of transactions, EPCOR sold substantially all of its power generation assets net of certain liabilities to Capital Power. Through an equity investment in Capital Power, a 72.2 per cent interest in that business was retained. In 2010, further dispositions have decreased EPCOR's interest in Capital Power to 61.0 per cent. Due to restrictive rights, EPCOR has significant influence but not control of Capital Power and therefore applies the equity method to account for its investment in Capital Power.

On March 31, 2009, the City transferred Gold Bar Wastewater Treatment Facility assets and operations to EPCOR. Net assets of \$210,228 (\$258,153 in net tangible capital assets including \$47,925 in contributed assets, previously financed by developers and government transfers) were exchanged for a \$75,000 transfer fee payable and \$111,646 in debt payable, resulting in a net share capital contribution from the City of \$23,582. \$15,250 of the transfer fee was paid to the City in 2010 (2009 – \$16,500).

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

2011	\$	230,957
2012		23,705
2013		17,330
2014		13,379
2015		13,490
Thereafter		1,377,135
	\$	1,675,996

EPCOR has issued letters of credit for \$134,582 (2009 – \$98,530) to meet the credit requirements of energy market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

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

	2010	2009
Dividend paid to the City	\$ 135,786	\$ 133,700
Power and water purchased by the City	1,755	14,783
Other services purchased by the City	77,844	72,540
Franchise fees and revenue tax to the City	55,933	52,314
Property taxes and other taxes to the City	10,415	9,642
Sales of administrative and construction services from the City	12,859	9,969
Financing expenses paid or payable to the City	34,414	41,214
Costs of capital construction paid or payable to the City	3,540	1,522

Within current assets and other assets is \$14,162 (2009 – \$15,212) due from the City. Current liabilities of \$14,500 (2009 – \$15,250) and non-current liabilities of \$28,750 (2009 – \$43,250) relate to transfer fees payable to the City with respect to the Gold Bar transfer. The City financial statements include the net balance receivable from EPCOR within the Financial Assets – Trade and other receivables.

Long-term debt reported by EPCOR includes amounts of \$208,690 (2009 – \$250,110) issued in the name of the City. Offsetting short and long-term receivables from EPCOR have been applied to reduce the consolidated long-term debt (Note 8).

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

18. 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 one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 9.06 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 12.53 per cent thereafter. Employees of the City are required to make current service contributions of 8.06 per cent of pensionable salary up to YMPE and 11.53 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 2010 were \$60,657 (2009 – \$52,827). Total current service contributions by the employees of the City to the LAPP in 2010 were \$54,629 (2009 – \$47,207).

The LAPP reported a deficiency for the overall plan as at December 31, 2009 of \$3,998,614. Information as at December 31, 2010 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 10.44 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 3.36 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over 13.5 years. Participants of the SFPP are required to make current service contributions of 9.34 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 3.36 per cent of pensionable payroll 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 2010 were \$18,455 (2009 – \$13,219). Total current and past service contributions by the participants to the SFPP in 2010 were \$16,864 (2009 – \$11,909).

The SFPP reported a deficiency for the plan as at December 31, 2009 of \$374,927 comprised of \$210,267 for pre-1992 and \$164,660 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

c) City-Sponsored Pension and Long-term Disability Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 21.

i) Annuity Plan

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. There are no active members enrolled in the Plan and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were \$5 (2009 – \$5).

ii) Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 23 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 \$104 (2009 – \$104).

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

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 \$5,825 (2009 – \$5,573). Employee contributions for the year were \$2,398 (2009 – \$2,186). Employer contributions for the year were \$2,817 (2009 – \$1,498). As of May 24, 2009 the City began making employer contributions. The City had previously taken a contribution holiday since January 2001.

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 the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$247 (2009 – \$148). Employee contributions for the year were \$10 (2009 – \$12), and employer contributions were \$103 (2009 – \$11).

An actuarial valuation for each of the Annuity and PSPP was completed by Aon Hewitt as at December 31, 2010. Aon Hewitt also completed an extrapolation to December 31, 2010 of their December 31, 2009 valuation for each of the FFSPP and Fire Chief plans. Each 2010 actuarial valuation or extrapolation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.50 per cent (2009 – 2.75 per cent). The discount rate used to determine the accrued benefit obligation is 6.00 per cent (2009 – 6.25 per cent). Each pension fund's assets are valued at market value. The expected rate of return on plan assets is 6.00 per cent (2009 – 6.25 per cent).

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

	Annuity	PSPP	FFSPP	Fire Chief	2010	2009
Fair value of assets	\$ 9,332	\$ 7,476	\$ 133,936	\$ 2,350	\$ 153,094	\$ 139,803
Accrued benefit obligation	15	656	141,661	2,509	144,841	131,984
Funded status – surplus (deficit)	9,317	6,820	(7,725)	(159)	8,253	7,819
Unamortized net actuarial loss			30,322	246	30,568	31,465
Accrued benefit asset	9,317	6,820	22,597	87	38,821	39,284
Valuation allowance	9,317	6,820			16,137	14,609
Net fund asset	\$	\$	\$ 22,597	\$ 87	\$ 22,684	\$ 24,675

The net fund asset balance is included in other assets (Note 10). The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) based on 2009 membership data of the Fire Fighters' plan of 15.9 years and of the Fire Chief plan of 2.8 years. The EARSL was not recalculated for 2010.

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

	Annuity	PSPP	FFSPP	Fire Chief	2010	2009
Current service cost	\$	\$	4,518	24	\$ 4,542	\$ 4,433
Amortization of actuarial (gain) loss	(363)	(290)	1,943	124	1,414	1,657
Increase in valuation allowance	870	658			1,528	1,989
Less: employee contributions			(2,398)	(10)	(2,408)	(2,198)
Benefit plan expense for the year	507	368	4,063	138	5,076	5,881
Interest cost on accrued benefit obligation	1	42	8,010	145	8,198	7,776
Expected return on plan assets	(508)	(410)	(7,317)	(128)	(8,363)	(7,649)
Benefit plan interest expense (income)	(507)	(368)	693	17	(165)	127
Total benefit plan related expense	\$	\$	\$ 4,756	\$ 155	\$ 4,911	\$ 6,008

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

v) Long-term Disability Plan

The Long-term Disability Plan is available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2010. The Plan's assets are valued at fair value.

	2010	2009
Fair value of assets	\$ 79,807	\$ 67,642
Less: Accrued benefit obligation	58,545	51,420
Net assets	\$ 21,262	\$ 16,222

19. Commitments

a) Capital Commitments

City Council approved a 2009 – 2011 Capital Budget. Certain projects include expenditures which extend beyond 2011. The future approved requirement of \$2,335,048 is to be funded as follows:

Government transfers and developer contributions	\$ 1,206,323
Pay-as-you-go financing	184,171
Tax-supported debentures	460,851
Self-liquidating debentures	266,478
Accumulated surplus and other	217,225
	\$ 2,335,048

Capital requirements related to EPCOR are not included in the City 2009 – 2011 Capital Budget. Certain capital commitments for EPCOR have been disclosed in Note 17.

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:

2011	\$ 18,497
2012	16,225
2013	14,550
2014	12,391
2015	11,661
Thereafter	38,070
	\$ 111,394

c) Contractual Obligations

To mitigate the risk of fluctuation in fuel prices the City has entered into swap transactions to purchase 13.65 million litres of heating oil for monthly periods from January 2011 through December 2011. The contracts have settlement dates ranging from February 7, 2011 through January 9, 2012 at prices from \$0.635 to \$0.655 per litre, or \$8,785.

The City has entered into cash and security futures contracts with a notional value of \$16,200. As at December 31, 2010 the unrealized loss of \$151 (2009 – \$97) related to futures has been reported within the market value of short-term notes and deposits in Note 3. The contracts have a term of maturity within one year.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

20. Contingent Liabilities

- a) The City is defendant in various lawsuits as at December 31, 2010. 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 is reviewing environmental objectives and liabilities for its activities and properties as well as any potential site reclamation obligations. The amount of any such obligations has not been determined.

21. Trust Assets under Administration

The City administers Pension Fund, Long-term Disability Plan and other assets in trust on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the reporting entity.

	2009	Deposits (Withdrawals)	Earnings	2010
Pension Funds Net Assets:				
Annuity Fund	\$ 8,463	\$ (17)	\$ 886	\$ 9,332
Police Supplementary Pension Fund	6,878	(114)	712	7,476
Fire Fighters' Supplementary Pension Fund	122,323	(951)	12,564	133,936
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	2,139	(2)	213	2,350
	139,803	(1,084)	14,375	153,094
Long-term Disability Plan	67,642	5,048	7,117	79,807
Other	765	168	2	935
	\$ 208,210	\$ 4,132	\$ 21,494	\$ 233,836

Pension Fund assets include fixed income investments in government and government guaranteed bonds, and corporate bonds valued at market quotations from Canadian investment dealers, and Canadian and international common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the City in conjunction with the City of Edmonton Investment Committee.

Long-Term Disability Plan assets are comprised of government and government guaranteed bonds, corporate bonds valued at market quotations from Canadian investment dealers, and Canadian and international common and preferred shares valued at the closing price on the stock exchange where listed.

22. Segment Disclosures

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PSAB Handbook Section 2700 (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 attributable to the segment.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

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** directly supported by property and business taxes, including the tax allocation provided directly to other operations, as follows:
- **Protective Services** is comprised of police, traffic safety, bylaw enforcement and fire rescue. Ambulance services were also included in 2009 for the period up to the transfer of the service to Alberta Health Services, effective April 1, 2009.
 - **Transportation Services** includes bus, light rail transit, roadway and parking services.
 - **Community Services** includes parks and recreation, community and family services, planning and public housing. Also included are Edmonton Public Library and Edmonton Economic Development Corporation, which are managed by separate Boards.
 - **Other tax-supported** consists of corporate administration, general municipal services, tax appeals and allowances and excess Sinking Fund earnings. Revenues that are not directly attributed to another segment are also recorded within this other tax-supported segment.
- b) **Drainage Services** includes the Sanitary Utility (collection and transmission of wastewater) as well as the Land Drainage Utility (collection and transmission of storm water) and design and construction activities. The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements. On March 31, 2009 the operations of the Gold Bar Wastewater Treatment Facility were transferred from Drainage Services to EPCOR.
- c) **Fleet Services** provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments and to EPCOR.
- d) **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. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The Land Enterprise is intended to be operated on a self-sustaining basis.
- e) **Waste Management** utility 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.
- f) **EPCOR** is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 17 to these financial statements provides condensed financial information for EPCOR.
- g) **Other** includes the Ed Tel Endowment Fund, the Non-Profit Housing Corporation, and the Vehicle for Hire Commission. In 2010, the Combative Sports Commission and the Fort Edmonton Management Company have been added. The 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. Non-Profit Housing was established by the City in 1977 for the purpose of providing non-profit housing for citizens.

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

23. Change in Accounting Policy

With the 2010 financial statements, the City has fully consolidated the Non-Profit Housing Corporation, with the change applied retroactively. Intercompany transactions and balances have been eliminated. The prior year financial statements included Non-Profit Housing Corporation on a modified equity accounting basis and did not eliminate intercompany amounts.

As well, Non-Profit Housing Corporation adopted Canadian public sector accounting standards in 2010, with the changes applied retroactively. The changes included the reporting of additional tangible capital assets, adjustments to amortization, the accrual of interest on long-term debt, and the reporting flow of transactions impacting reserves.

Notes to Consolidated Financial Statements

for the year ended December 31, 2010 (in thousands of dollars)

The following tables outline the adjustments made to the 2009 consolidated financial statement line items to reflect the above changes.

Opening 2009 changes:

	December 31, 2008 (as previously stated)	Adjustments	January 1, 2009 (as restated)
Net Financial Assets	\$ 2,342,015	\$ (16,213)	\$ 2,325,802
Non-financial Assets	6,986,861	23,818	7,010,679
Accumulated Surplus	9,328,876	7,605	9,336,481

2009 changes to Statement of Operations:

	2009 (as previously stated)	Adjustments	2009 (as restated)
Revenues			
User fees and sale of goods and services	\$ 452,983	\$ 5,831	\$ 458,814
Subsidiary operations	119,592	(37)	119,555
Government transfers – operating	108,581	(1,081)	107,500
Expenses			
Public housing	33,829	(2,444)	31,385
Corporate administration	168,929	(61)	168,868
Pension adjustments and other	7,410	5,807	13,217
Government transfers for capital	466,443	3,485	469,928
Excess of Revenues over Expenses	604,386	4,896	609,282

2009 changes to Statement of Financial Position:

	December 31, 2009 (as previously stated)	Adjustments	December 31, 2009 (as restated)
Financial Assets			
Trade and other receivables	\$ 210,883	\$ 433	\$ 211,316
Debt recoverable	65,139	(4,274)	60,865
Investment in subsidiaries	2,470,781	(897)	2,469,884
Liabilities			
Accounts payable and accrued liabilities	380,054	(3,289)	376,765
Deposits	24,578	309	24,887
Deferred revenue	255,128	184	255,312
Employee benefits obligations	115,034	9	115,043
Long term debt	1,492,566	16,153	1,508,719
Net Financial Assets	2,072,947	(18,104)	2,054,843
Non-financial Assets			
Tangible capital assets	7,739,719	30,601	7,770,320
Other assets	42,903	4	42,907
Accumulated Surplus	9,885,337	12,501	9,897,838

24. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.