Bringing Our Vision To Life

ANNUAL REPORT 2012

CITY OF EDMONTON, ALBERTA, CANADA

For the year ended December 31, 2012

THE CITY OF Edmonton

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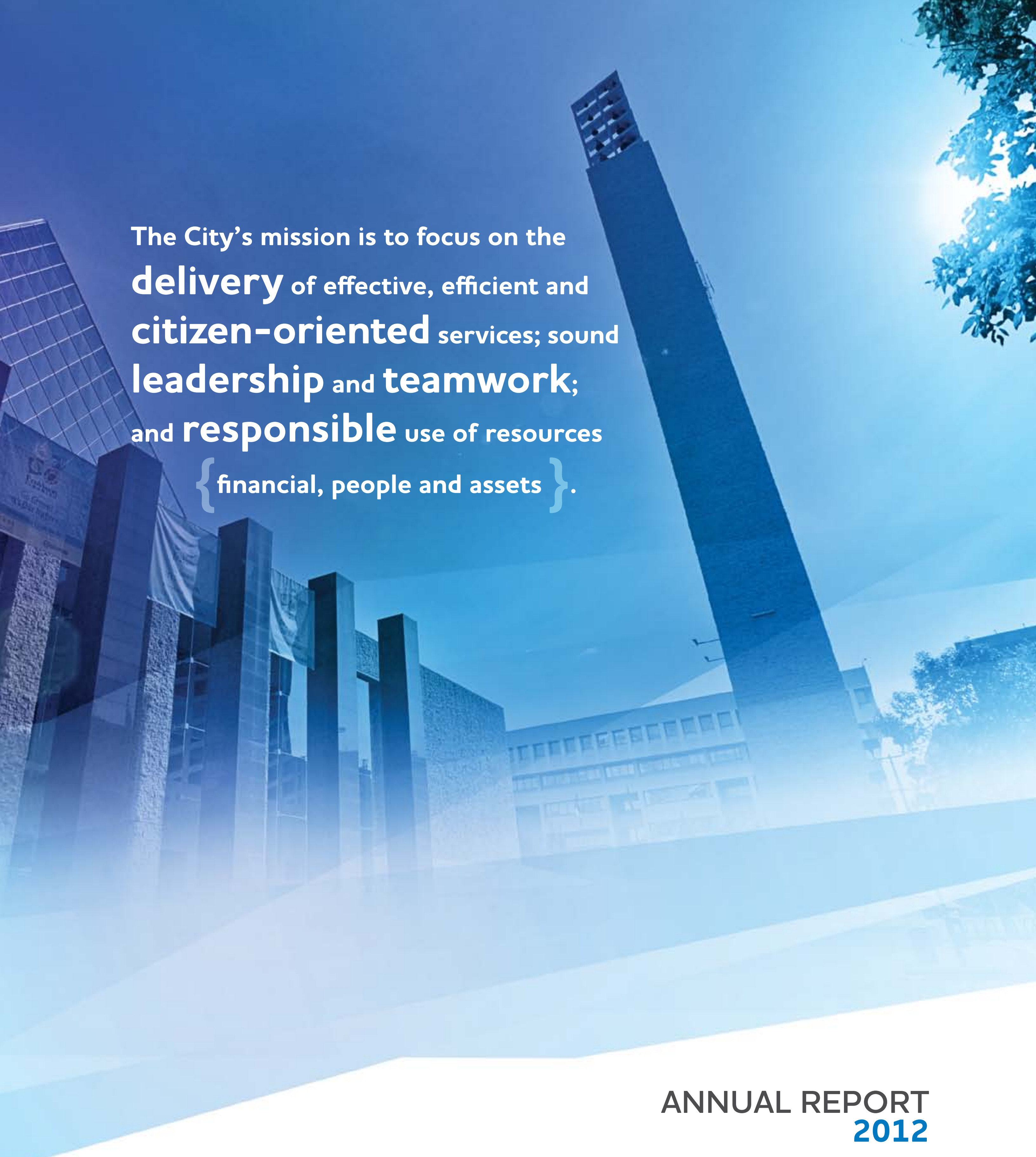


The City's mission is to focus on the **delivery** of effective, efficient and **citizen-oriented** services; sound **leadership** and **teamwork**; and **responsible** use of resources {financial, people and assets}.

ANNUAL REPORT 2012

City of Edmonton, Alberta, Canada
For the year ended December 31, 2012

Produced by the City of Edmonton, Financial Services and Utilities, with support from Corporate Communications, civic departments, offices and agencies.

OUR EDMONTON

Our quality of life is embodied in our caring communities, dynamic arts and culture, passionate sports teams and world-class recreation centres. Our robust economy and employment growth is moving forward at a remarkable rate, garnering an esteemed reputation that is the envy of the world. We will continue to strive for excellence, attract investment and capitalize on what is fundamentally Edmonton—a multicultural, innovative, vibrant and energetic city that proudly stands as one of Canada's most dynamic and prosperous economic centres.

EDMONTON: WHERE PEOPLE WANT—AND LOVE—TO LIVE

Our community has come a long way in the 100 years since two pioneer communities separated by a river amalgamated to become Alberta's capital city on February 12, 1912.

On that date, Edmonton on the north bank of the North Saskatchewan River enfolded Strathcona on the south bank and their combined energy, inclusiveness and drive has been unstoppable ever since.

Today, Edmonton is a magnet for people from all over the world. Our population in the 2012 municipal census was 817,498, up 65,000 from just five years earlier. Statistics Canada numbers show our population is unusually youthful, with a third of citizens aged 25 to 44—in their prime career and family development years.

We are a city that honours the ever-expanding diversity of background and tradition, as well as the seniors who built our community and wish to "age in place" with dignity and respect. We are proud of a rich and vibrant arts scene, with an Edmonton Symphony Orchestra that celebrated 60 years with a concert at New York's Carnegie Hall in 2012, a renewed art gallery downtown and commitment for a new $360-million Royal Museum of Alberta across from City Hall.

Edmontonians enjoy a high average wage ($1,039 per week) and an affordable housing scene. Our economy may get its sizzle from our geographical proximity to Northern Alberta's oilsands, but much of its flavour comes from the innovation and creativity coming out of research labs at the University of Alberta and the talent incubation of MacEwan University, NAIT, NorQuest College and many specialized educational facilities.

Just like 100 years ago, Edmonton is a Western Canadian transportation hub, now with transcontinental rail lines, highways, an expanding international airport and the Port Alberta project linking us with Asia and Europe, and with the Far North and Mexico.

The Canadian Federation of Independent Business listed Edmonton as one of the most entrepreneurial cities in the country in 2012, with its wide range of funding and facilities for business start-ups, movie making, pilot-scale testing and technology commercialization in biomedical, pharmaceutical, nanotechnology and many other sectors.

We are also a city on the move, with over a billion dollar investment each year in light rail, roads and transit, new multi-purpose community recreation centres, libraries and downtown revitalization. That, along with all the day-to-day programs and services, makes Edmonton a place where people want—and love—to live.

CANADA'S FIFTH-LARGEST MUNICIPALITY AND ALBERTA'S SECOND-LARGEST CITY.

Population:

- City: 817,498*
- Metro: 1,159,869**

Land area:

- City: 684.37 km^2
- Metro: 9,426.73 km^2

* based on 2012 municipal census
** based on 2011 Canada census

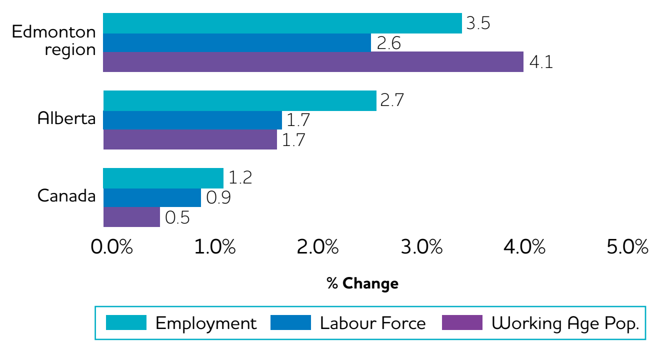
ECONOMIC OUTLOOK

Edmonton remains home to one of Canada's most outstanding economies. Few cities have prospects as bright as Edmonton, which stands at the geographic core of Canada's economic future. Last year, with housing construction reaching its post-recession peak and consumer inflation remaining modest, the Edmonton region's economy expanded by about 4.4 per cent—which puts Alberta's capital among the top Canadian performers and is reflected in the City of Edmonton's AA+ credit rating, one of the highest among Canadian cities.

Overall economic performance

Throughout 2012, both Edmonton and the Edmonton Census Metropolitan Area (Edmonton region) saw strong economic growth. While employment, incomes and population rose at very robust rates, continuing expansion of Edmonton's manufacturing, construction and professional services sectors was the key contributor to the region's overall economic performance. The inflation-adjusted growth rate was 3.7 per cent for the city and 4.4 per cent for the Edmonton region. These results are well ahead of the overall growth rates of 1.8 per cent and 3.4 per cent for Canada and Alberta, respectively.

2012 Labour Market Growth



Source: Statistics Canada

Employment

Edmonton outperformed both Alberta and Canada in employment, labour force and working-age population growth in 2012. Employment in the Edmonton region grew by 3.5 per cent while unemployment tumbled from 5.4 per cent in January 2012 to 4.7 per cent by the end of the year.

During 2012, Edmonton's very healthy job market attracted new job seekers from within Alberta, Canada and, increasingly, abroad. The working-age population (those aged 15 to 64) in the region grew by more than 49,000 people. Such a strong increase indicates that a significant number of workers moved into the Edmonton region, helping to address labour shortages that have begun to emerge in several sectors of Edmonton's economy.

Residential construction

Benefiting from solid income, employment and population growth, new home construction was very strong throughout 2012: going up 55 per cent in the city and 38 per cent in the region. Construction of multi-family residences was particularly strong as builders responded to a falling rental vacancy rate.

Overall, Edmonton's residential construction activity almost doubled the growth recorded provincially, outperformed the previous four years and matched the peak levels experienced before the 2007 recession.

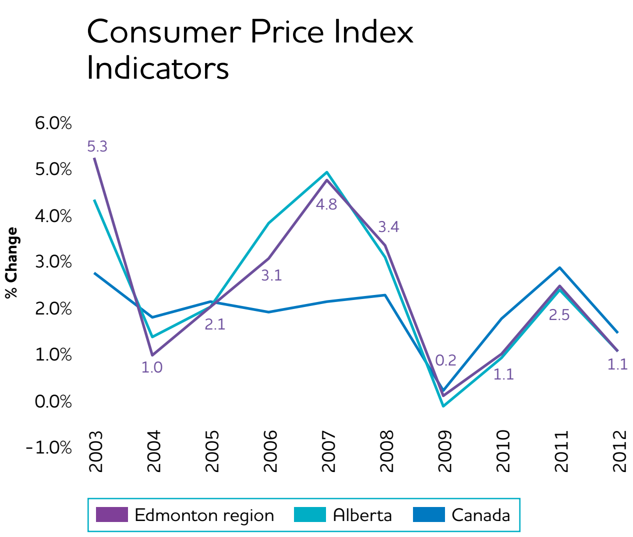
As building permits provide insight to construction intentions and the performance of the construction sector, it is expected that Edmonton's construction sector, particularly non-residential, will hold up throughout 2013.

Inflation

While Edmonton's economy saw labour markets tighten during 2012, inflation as measured by the Consumer Price Index (CPI) remained muted. The CPI-based inflation rate was running well below 1 per cent by the end of 2012 as lower prices for gasoline, electricity and natural gas held down cost pressures faced by consumers. On average consumer prices rose 1.1 per cent in 2012.

The Non-Residential Construction Price Index, which shows inflation experienced by many businesses and government agencies in the Edmonton region, moved up 4 per cent in 2012. The softer non-residential construction prices experienced in the last two quarters of 2012 combined with the strong investment intentions in the industrial sector, signals a buoyant year for construction activity in the Edmonton region in 2013.

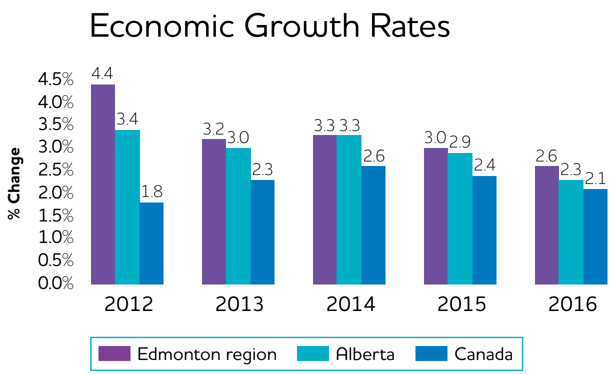
The very low inflation values seen in 2012, however, are unlikely to carry into 2013 since energy-related prices are volatile and the near 4 per cent unemployment rate—a range considered to be an indicator of tight labour market conditions—will put additional pressure on wages and salaries and give increased impetus to inflation in 2013.



Source: Statistics Canada

What is ahead?

Healthy gains registered in employment and population suggest that economic growth in the Edmonton region will continue throughout 2013—albeit at a slower pace. Edmonton's growth rates will be slightly below those of the region as growth in key areas such as public administration, education and health care is expected to be slower than what it has been recently. The Edmonton region's economy is expected to expand between 2.6 and 3.3 per cent over the next four years and continue to surpass both provincial and national levels.



Source: Conference Board of Canada

OUR ORGANIZATION

As a corporation, the City of Edmonton serves more than one million people living in the Edmonton region. Mayor and Council govern this corporation, setting policy, budget and direction for the City Manager who, along with City Administration, carries out City Council's direction and administers public services.

The City's departments are responsible for particular aspects of public service, while City-owned subsidiaries and authorities provide other services on the City's behalf.

Back row
(left to right):
Don Iveson - Ward 10
Dave Loken - Ward 3
Amarjeet Sohi - Ward 12
Bryan Anderson - Ward 9

Middle row
(left to right):
Tony Caterina - Ward 7
Ben Henderson - Ward 8
Mayor Stephen Mandel
Kerry Diotte - Ward 11
Ed Gibbons - Ward 4

Front row
(left to right):
Linda Sloan - Ward 1
Kim Krushell - Ward 2
Jane Batty - Ward 6
Karen Leibovici - Ward 5

MESSAGE FROM CITY COUNCIL

With exceptional municipal services, a vibrant arts and cultural community, engaged citizens and spectacular river valley parks and green spaces, Edmonton is thriving. Edmontonians enjoy a great public education system, tremendous postsecondary institutions led by the University of Alberta, MacEwan University, NorQuest and NAIT, as well as a variety of unique recreation, shopping, dining and family attractions. Edmonton continues to stand tall as one of Canada's most dynamic and prosperous urban centres.

2012 was a year of tremendous growth in our city. Edmonton recorded high population growth and strong employment growth —both important indicators of a resilient and robust economy. The city's population continues to expand at almost two-and-a-half times the national rate as a superior quality of life and higher-than-average incomes attract thousands of people from across the country to our city. Strong growth in sectors like construction, manufacturing and transportation also helped Edmonton's economy outperform the rest of Alberta and Canada in both job creation and labour force growth. This growth is expected to continue—well above the Canadian rate—for many years.

With this growth also comes increased demand for City services. In 2012, we continued to invest in new infrastructure to meet the needs of this population and economic growth. Over the next three years, we will allocate billions of dollars towards projects like new police stations and fire halls, libraries and recreation facilities. We will also enhance our world class Edmonton Waste Management Centre, build a new Walterdale Bridge and extensively expand our Light Rail Transit (LRT) system—all to ensure Edmonton remains a great city to live, work, play and invest in.

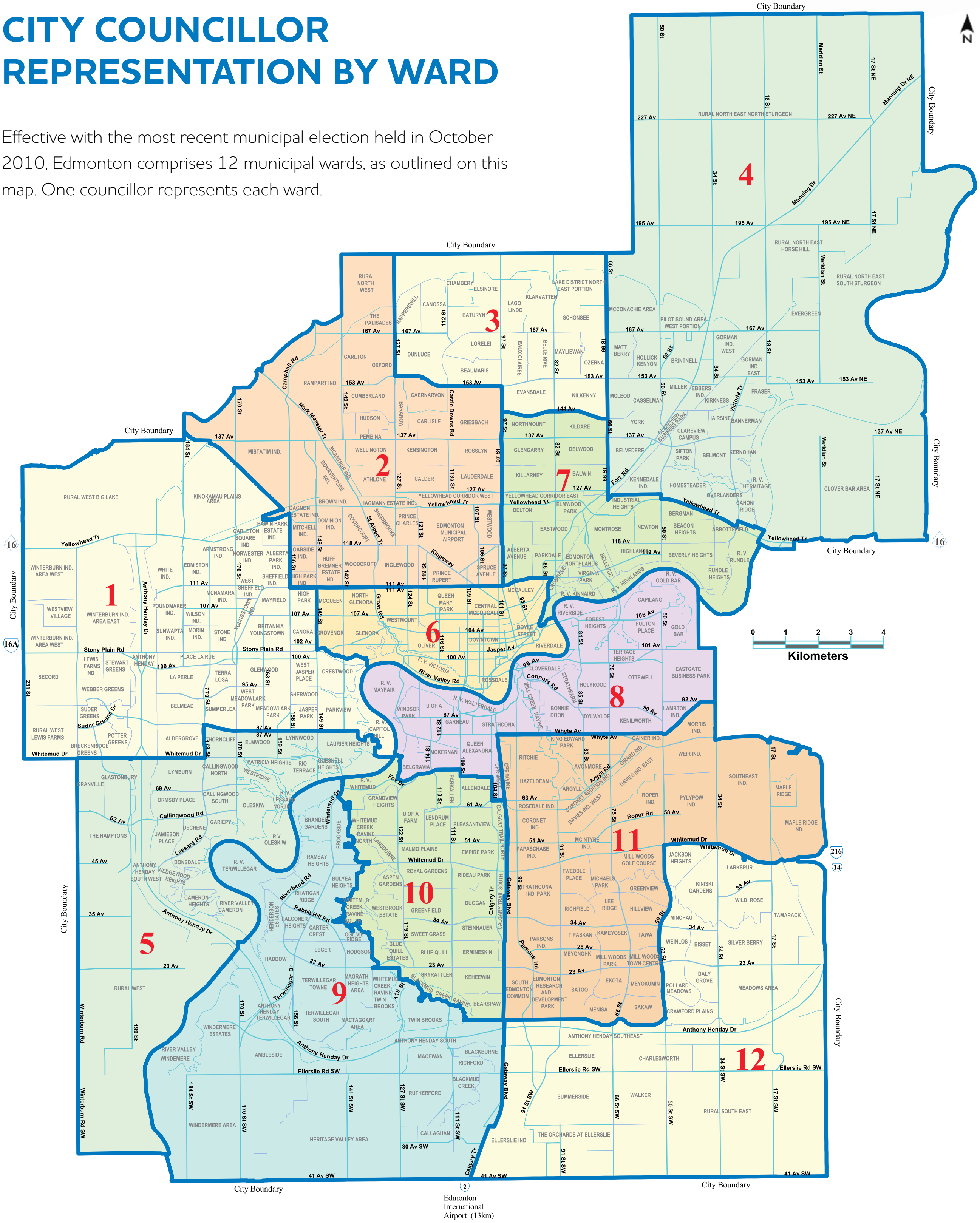
This past year also saw substantial progress on some of our most transformational projects. City Council worked to finalize a financial framework for a new downtown arena, continued development of The Quarters and a master plan for Blatchford, the City Centre Airport Redevelopment project, is expected to be completed in 2013. These exciting projects and many others taking place across our city all contribute to our vision to transform Edmonton into an increasingly vibrant, innovative, inclusive and sustainable city.

Edmonton remains home to one of Canada's most outstanding economies. Few cities have prospects as bright as Edmonton, which stands at the geographic core of Canada's economic future and the research and industrial workhorse of the province. This positive outlook is reflected in the City of Edmonton's AA+ credit rating, one of the highest among Canadian cities. Edmonton is also ranked by the Real Estate Investment Network as one of the best North American places to invest in. The Conference Board of Canada also consistently scores Edmonton as one of the top cities in Canada for economic prosperity.

City Council will continue to capitalize on these strengths of a robust economy, remarkable growth and a strong vision to build a city that is alive with energy, boundless opportunity, unparalleled potential and an extraordinary quality of life.

CITY COUNCILLOR REPRESENTATION BY WARD

Effective with the most recent municipal election held in October 2010, Edmonton comprises 12 municipal wards, as outlined on this map. One councillor represents each ward.



MESSAGE FROM THE CITY MANAGER

I am pleased to present our 2012 Annual Report on behalf of the City of Edmonton Administration.

We are maintaining a steady pace in our progress toward the goals City Council set for us in their 2008 strategic plan, *The Way Ahead*. Edmonton continues to mature as we develop amenities that make the city a vibrant place for residents and a dynamic environment for business.

Our challenge is to expand services to our growing population. We are making conscious decisions about the way we do business so that we can minimize the impact on our bottom line. Together, our extended management team has worked to re-focus our resources to priority services. We are helping our staff adjust to emerging needs by ensuring they have supportive leaders and the best information possible to engage in their work, innovate and make good decisions.

Indeed, we are taking steps forward. The City of Edmonton has made substantial investments in infrastructure in recent years. There is a great deal of work underway that will change the face of Edmonton.

Next year construction on our new LRT line will wrap up. We will make significant progress on rejuvenating Edmonton's downtown core. We have opened two of the largest, most progressive community recreation centres in the country, providing new opportunities for citizens to connect. Work is progressing on the next centres.

Edmonton is an ideal place for people from all walks of life to build a future. We are proud to be part of building a great city.

Simon Farbrother
City Manager

LEGISLATIVE AND ADMINISTRATIVE ORGANIZATION CHART

ELECTORATE

CITY COUNCIL
Mayor and 12 Councillors

- Community Services Committee
  Four Councillors
- Executive Committee
  Mayor and four Councillors
- Transportation and Infrastructure Committee
  Four Councillors
- Utility Committee
  Four Councillors
- Audit Committee
  Mayor, four Councillors and two external members
- LRT Governance Board
  Four to six external members
- Other Committees
  Council has other committees to handle various tasks (e.g. Agenda Review)

- Office of the City Auditor
  D. Wiun, City Auditor
- EPCOR Utilities Inc.*
  D. Stevens, President & C.E.O.
- Police Commission
  S. Sandhu, Chair
- Edmonton Public Library Board
  E. Calabrese-Amrhein, Chair
- Edmonton Economic Development Corporation
  P. Silverstone, Chair
- Other Commissions, Agencies, Boards and Authorities (e.g. Landlord & Tenant Advisory Board and Non-Profit Housing Corporation)

CITY OF EDMONTON ADMINISTRATION

City Manager
S. Farbrother

- Community Services
  L. Cochrane, General Manager
- Corporate Services
  D. Edey, General Manager
- Financial Services & Utilities
  L. Rosen, Chief Financial Officer and Treasurer
- Sustainable Development
  G. Klassen, General Manager
- Transportation Services
  B. Boutilier, General Manager

* EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton. David Stevens replaced Don Lowry as President and CEO effective March 6, 2013.

OUR ACCOMPLISHMENTS

In 2012, the City made significant steps toward advancing the goals set in Edmonton's strategic "roadmap", *The Way Ahead*. This roadmap is supported by specific directional and implementation plans that translate strategic vision into day-to-day actions. Altogether, that visionary suite guides City Council and City Administration in enhancing Edmonton's quality of life and creating the city envisioned by its citizens.

Transforming our urban form

City Council approved a Growth Coordination Strategy, a framework for the planning and development of new residential communities. It will provide comprehensive, consistent and timely information on how and where Edmonton is growing. The information will help the City manage future public obligations for these new neighbourhoods.

The Drainage Neighbourhood Renewal Program invested $33.6 million in mature neighbourhoods to renew and replace deteriorated drainage infrastructure prior to pavement and sidewalk reconstruction taking place.

Ground was broken for a new upscale hotel in The Quarters Downtown. The Quarters is an area east of downtown where City-led infrastructure improvements funded through a Community Revitalization Levy are already sparking private interest in new residential, retail and commercial developments.

Improving transportation

City Council approved a funding strategy to expand the LRT from southeast Edmonton to the west end, starting with the $1.8-billion line from the southeast to downtown, moving forward with design and land acquisition. The financing plan depends on cost-sharing with the governments of Canada and Alberta and affirms the intention to move ahead on the full 27 kilometres low-floor urban line at a total cost of $3.3 billion.

Development of another line, from downtown north to NAIT, progressed in 2012. Construction crews worked on finishing further street-level work as well as punching an LRT tunnel under the new EPCOR Tower and into the existing Churchill Station downtown. The line will be operational in 2014.

Edmonton Transit System (ETS) ridership increased by 3.1 per cent in 2012, with the number of bus and LRT trips jumping from 80.3 million in 2011 to 82.8 million last year. Improvements in 2012 included enhanced service in off-peak hours on busy bus routes and the addition of new routes, including cross-town bus service between Mill Woods and West Edmonton Mall.

ETS awarded a contract to bring Smart Bus technology to Edmonton. That technology will bring ETS customers increased predictability, reliability, accessibility and safety. The first deployment of 45 Smart Buses is scheduled to go into service April 2013 on two ETS routes.

Enhancing a livable city

2012 saw the opening of the new Commonwealth Community Recreation Centre, while construction was initiated on a new facility in Clareview that will bring together a recreation centre, arena, library, multicultural centre and high school under one roof, surrounded by a new district park.

Protection services for residents continued to grow with the opening of Ellerslie Station, Edmonton's 27th fire station. The station meets the Canada Green Building Council LEED-NC silver rating and was recognized with a Gold Station Style Award in the Satellite Station category from Fire Chief Magazine for the abundance of natural light, thoughtful layout and "green" features.

Council approved a new WinterCity Strategy. It invites all citizens to make the most of winter and recommends initiatives such as placing warming huts in the river valley, designing buildings to block wind and capture sunlight and promoting businesses linked to winter.

Edmonton Valley Zoo was awarded top honour for outstanding achievement among Canada's accredited zoos and aquariums for its new Arctic Shores exhibit. Given by Canada's Accredited Zoos and Aquariums, the award recognizes a significant advancement in the zoo's approach to exhibits and the visitor experience created as part of the $50-million transformation project.

Sustaining environmental responsibility

The City unveiled Oxford, a new community that will see all homebuilders meet eco-friendly guidelines for conservation and efficiency. The partnership with homeowners and homebuilders requires that all Oxford homes achieve a minimum EnerGuide rating of 78 or be certified to Built Green Silver standards or equivalents.

Seven Edmonton companies were honoured in the City of Edmonton's Small Business Eco Challenge, which encourages small businesses to take steps to reduce their environmental impact in areas such as energy and climate change, food resiliency, solid waste reduction, land conservation, water protection and air quality.

The Way We Green, Edmonton's bold vision to make the city more environmentally sustainable and resilient by 2040, was honoured with the Government of Alberta's 2012 Minister's Award for Municipal Excellence in the category of Outstanding Achievement, as well as the Canadian Association of Municipal Administrators' 2012 Environment Award.

Edmonton's 10-year plan to end homelessness exceeded all targets reported in a Year 3 Update that showed nearly 1,800 Edmontonians are now housed in 1,237 units, 150 per cent of the plan's target for the first three years.

Supporting financial sustainability

Rating agency DBRS continued credit ratings of R-1 (high) and AA (high) for the City of Edmonton. International credit rating agency Standard & Poor's affirmed its AA+ credit rating for the City, one notch below the highest possible level and unchanged from 2011.

A new corporation wholly owned by the City will market Edmonton's renowned waste management expertise at the international level. Named Waste RE-Solutions Edmonton, the corporation will focus initially on possible clients in China, through a joint venture with Canfit Resource Recovery Technologies of Beijing.

A new online tool at data.edmonton.ca/dashboard shows performance results for certain city services. The Citizen Dashboard is a quick and easy way for citizens to access performance measures for an initial sampling of City services, as well as additional service information. Ultimately, results from a wide range of City services will be provided.

The Canadian Society for Civil Engineering recognized the City of Edmonton with a special award for governmental leadership in sustainable infrastructure. The award honoured Edmonton's municipal government for true innovation and leadership in the development and guardianship of sustainable infrastructure.

Charting paths to prosperity

The Way We Prosper, the long-term economic development strategy for the City of Edmonton, entered the final stages of development.

The Mayor led a mission to China, along with senior administration, economic development and education officials and Edmonton business leaders, to promote Edmonton as a western Canadian economic powerhouse. "We are the service and supply centre for the oilsands and petrochemical regions; we have industrial lands, including a new energy and technology park, in proximity to the Alberta Industrial Heartland; we are a hub for manufacturing and warehousing; and Edmonton is headquarters for many businesses with top operating experience and technology deployment in areas that are of high interest to China," the Mayor noted.

Racism Free Edmonton staged an employment symposium with the message that local businesses dealing with a hot economy should get serious about diversity to stay competitive in the face of projected labour shortfalls. A cross-section of local employers came together to learn how a diverse workforce could enhance Edmonton's economy.

POLITICAL AND ADMINISTRATIVE STRUCTURE

City Council

Edmonton's City Council consists of 13 elected representatives including one mayor and 12 councillors. The mayor is elected by all Edmontonians who vote in the civic election and councillors are elected by voters in the wards they represent. Council provides leadership and direction to the City Manager and City Administration.

Edmonton has 12 wards and each ward is represented by one councillor who serves a three-year term. The most recent municipal election took place October 18, 2010 and the next municipal election will be held on October 21, 2013. Moving forward, based on an amendment of the Local Authorities Election Act in 2012, City Council elections will be held every four years.

City Council meets two or three times a month and has a number of standing committees that meet regularly, including Community Services, Transportation and Infrastructure, Utility, Audit and Executive committees.

The Community Services and Transportation and Infrastructure committees are directed by City Council and deal with matters specifically related to departments that fall within their jurisdiction. The Utility Committee reviews and recommends to City Council items related to policy and rate-setting for waste management, sanitary and storm water drainage utilities, as well as water and wastewater in-city operations of EPCOR. The Audit Committee aids City Council in fulfilling its oversight responsibilities for financial reporting, audit and enterprise risk management. The Executive Committee makes recommendations and advises Council on items that are more corporate and inter-governmental in nature.

Edmontonians are appointed to more than 25 agencies, boards, commissions and task forces. Whether advisory, decision-making, quasi-judicial or governing, all provide citizens with an opportunity to participate in the present and future direction setting of the city. In 2012, the LRT Governance Board was established to provide oversight of the LRT projects, including determining the best construction delivery method, selection of contractors and monitoring of costs.

Meetings of City Council, committees and boards are open to the public.

City Administration

City Administration operates under the leadership of City Manager Simon Farbrother, who assumed this responsibility on January 18, 2010. Appointed by City Council as Chief Administrative Officer, Simon Farbrother implements City Council policies and manages the day-to-day operations of the corporation.

City Administration is organized into five departments:

- Community Services
- Corporate Services
- Financial Services and Utilities
- Sustainable Development
- Transportation Services

Each department is responsible for particular aspects of public service to ensure citizens have access to the essential services needed in a livable city.

Office of the City Auditor

Appointed by and accountable to City Council, the Office of the City Auditor provides internal audit services. In providing such services to the corporation, the Office of the City Auditor performs the key roles of guardian and agent of change by performing independent reviews of civic departments and programs through audits and other studies.

Edmonton Economic Development Corporation

Edmonton Economic Development Corporation (EEDC) is responsible for regional economic development, tourism marketing and the operation of the Shaw Conference Centre and Edmonton Research Park. EEDC is also part of a joint venture with the University of Alberta, called TEC Edmonton. It helps local entrepreneurs, investors and researchers transform technologies into business opportunities.

EEDC is a wholly-owned subsidiary of the City of Edmonton and reports to a board of directors. The 14-member board is appointed from both the private and public sector by City Council and includes Edmonton's mayor.

Edmonton Police Commission

The Edmonton Police Commission works to increase the safety of the Edmonton community and ensure professional and ethical policing in Edmonton. It oversees the Edmonton Police Service, including allocating funds provided in its annual operating budget to maximize the Police Service's community-based approach to enhancing safety and combating crime.

The Edmonton Police Commission consists of seven citizens, appointed by City Council, and two city councillors

Edmonton Public Library

The Edmonton Public Library (EPL) has been offering its services to Edmontonians for nearly a century. As a strong advocate for literacy and learning, EPL puts on more than 6,800 programs and events every year and offers its services online, at its main location downtown Edmonton and 16 branches located across the city.

The EPL operates under the authority of the Libraries Act of Alberta and is governed by a 10-member City Council-appointed board, including nine citizens and one city councillor.

EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR) builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure. It also provides electricity and water services and products to residential and commercial customers. EPCOR operates in Canada and the United States, with its head office located in Edmonton.

EPCOR is wholly owned by the City of Edmonton, and City Council appoints the utility's board of directors and chairman. EPCOR owns a 29 per cent equity investment, decreased from 39 per cent at the end of 2011, in Capital Power, a power generation company also headquartered in Edmonton.

Other Boards

In addition to the boards highlighted above, hundreds of Edmontonians play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice in such vital aspects of our city's life as business development, assessment, transportation, housing, historical preservation and much more. Most citizens volunteer their services—evidence of the vibrant volunteerism for which Edmonton is known internationally.

2012 FINANCIAL INFORMATION

The City of Edmonton is entrusted with financial resources to provide municipal infrastructure and services. The following section discusses the City's 2012 financial performance and significant financial policies, strategies and events.


Exit
CLAREVIEW
Edmonton Transit System
ETS
1042

Lorna Rosen, CMA
Chief Financial Officer
and Treasurer

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The Annual Report provides information regarding the use of financial resources entrusted to the City of Edmonton to provide municipal services and infrastructure. It serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2012 financial performance, as well as significant financial policies, strategies and future plans to address financial risk and sustainability.

The 2012 Annual Report includes the consolidated financial statements for the City, prepared in accordance with Canadian public sector accounting standards. KPMG LLP have audited the financial statements and have provided the accompanying Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the *Municipal Government Act* (MGA) of Alberta.

The following financial statement discussion and analysis has been prepared by and is the responsibility of Management. The material should be read in conjunction with the audited consolidated financial statements and the accompanying statistical review.

2012 Financial Highlights

2012 saw continued economic growth in the region – albeit at a slower pace than in 2011. A new three-year capital budget for 2012 – 2014 was initiated, with investment in LRT expansion, recreation centre growth, neighbourhood renewal, roadways and replacement of the Walterdale Bridge. The 2012 operating budget advanced Council priorities and maintained the tax increase for civic programs at approximately 5.0 per cent, including 1.5 per cent directed specifically to funding neighbourhood renewal on a pay-as-you-go basis.

The City ended the year with an $18.6 million surplus for tax-supported operations relative to the budget approved on a modified cash basis (1.0 per cent of budgeted expenditures), resulting primarily from personnel savings and other net favourable variances across City programs, partially offset by reduced photo enforcement revenues and gas franchise fees.

Financial Position

2012 ended with a net financial asset position (financial assets less liabilities) of $1,180.8 million, a decrease of $269.5 million from the prior year. The decrease relates primarily to reduced trade and other receivables, a reduced net investment in the EPCOR subsidiary, increased accounts payable and accrued liabilities and increased long-term debt. The overall decrease was partially offset by increased cash and temporary investments, additional land for resale and the repayment of all outstanding promissory notes as at December 31, 2012. The City's investment of $2,232.7 million in the EPCOR subsidiary is a primary component of the net financial asset balance.

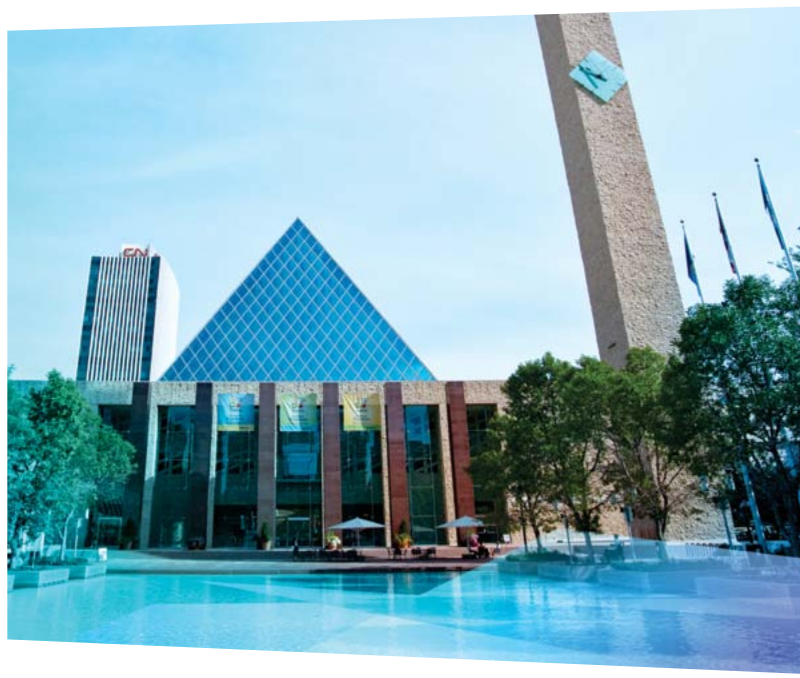
Overall, the City has continued to increase its accumulated surplus with a total of $11,436.1 million, an increase of 5.2 per cent from the prior year balance of $10,875.6 million. The change in the accumulated surplus arises from the annual excess of revenues over expenses for the year of $555.9 million and a $4.6 million other comprehensive income adjustment relating to the EPCOR subsidiary.

Cash Position

The City's cash position, which comprises cash and temporary investments, has increased to $226.5 million from $1.7 million in 2011, an overall increase of $224.8 million. The change is due to the timing differences between expenditures and funding sources, and is consistent with the decrease in trade and other receivables and the increase to accounts payable and accrued liabilities. In 2012, cash and temporary investments used to interim finance certain 2011 capital expenditures were partially replenished through borrowing and receipt of capital government transfers.

Promissory notes are being used to assist in managing cash flow and working capital requirements. The promissory notes are very liquid in the bond market, providing flexibility if repayment dates need to be adjusted. There were no promissory notes outstanding as at December 31, 2012, a reduction of $59.9 million from the prior year balance.

The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2012. During the year, cash was raised in a combination of $798.6 million from operations, $232.1 million from investing activities, and $199.2 million from net borrowing. $1,005.1 million was spent to acquire tangible capital assets, net of proceeds on disposal.

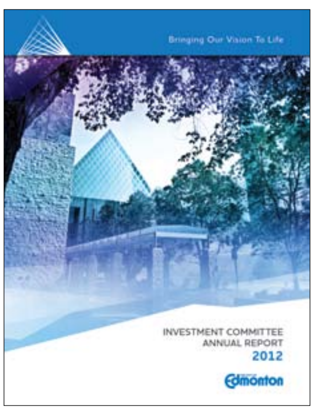


Trade and Other Receivables

Trade and other receivables includes amounts owed to the City related to general operations, utility user fees and amounts owing from other orders of government for outstanding operating and capital grants. The trade and other receivables balance at the end of 2012 of $223.3 million decreased by $90.4 million or 28.8 per cent over the prior year balance of $313.7 million. $73.8 million of the decrease is due to grant payments from the provincial and federal governments, outstanding at the end of 2011, received during 2012. A further $10.5 million is due to a reduction to reflect only the net employer share of an accounting pension asset, with the remainder of the change arising from a $6.1 million net decrease in other receivable balances.

Investments

All investments held by the City must comply with the MGA, the associated provincial Investment Regulation, *Major City's Investment Regulation* and with the City's internal investment policy. The goal of the City Council-approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable prudent level of risk. Asset mix is determined based upon the earning objectives, investment time horizon and level of risk tolerance. The Investment Committee is confident that the asset allocation policies remain appropriate, and it will continue to monitor and evaluate the City's investment program and recommend changes as appropriate. More detailed information on the investment performance and benchmarks is available in the Investment Committee 2012 Annual Report.



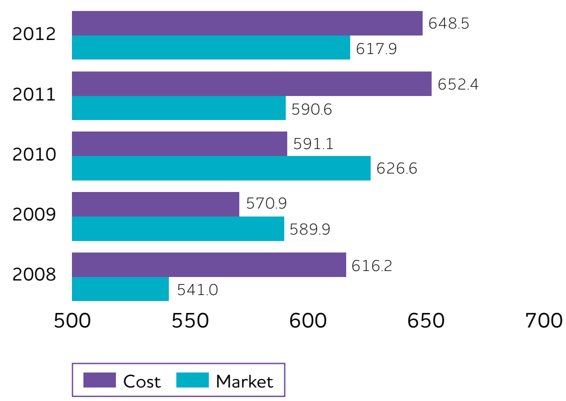
Included in investments of $1,255.3 million are amounts held as cash (net), fixed income and common and preferred shares, held within a Short Term Bond Fund, a Balanced Fund and the Ed Tel Endowment Fund. Overall, the market value of the investment portfolio ended the year at $1,215.9 million, below the investment cost by 3.1 per cent.

Although there is still considerable uncertainty associated with a number of political and economic challenges, the equity markets around the globe generally improved throughout the year. Management is of the opinion that the decline does not constitute a permanent impairment of value and, therefore, no valuation adjustment has been recorded.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of $470.2 million in proceeds from the sale of the municipal telephone utility. The objective of the Ed Tel Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by City Bylaw 11713.

Since inception, the fund has contributed a total of $588.7 million with dividends of $27.7 million provided from the fund in 2012. Based on the June 30, 2011 market value, no additional special dividend was available in 2012. Under a financial strategy implemented in 2010, dividends from the Ed Tel Endowment Fund form part of investment earnings directed to fund capital on a pay-as-you-go basis. The fund ended the year with an investment book value of $648.5 million compared to a market value of $617.9 million, with the difference considered a temporary decline.

Net Assets of
Ed Tel Endowment Fund
(millions of $)



Additional investments of $257.9 million are managed for trust assets under administration, including City-sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with public sector reporting requirements, trust assets are excluded from the City reporting entity. Note 23 to the consolidated financial statements provides summary disclosure with respect to trust assets under City administration.

The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of the City's investments. State Street Trust Company was selected as the City's investment custodian in 2008. A formal review of the City's banking and custodial services is typically completed every seven to ten years.

Land for Resale

Land for resale includes land inventory that the City ultimately intends to develop for sale or land that has been determined to be surplus to the municipal needs. The balance is recorded at the lower of cost and estimated net realizable value. Costs associated with preparation for sale are added to the cost of the land. Land for resale increased by $101.6 million during 2012, mainly relating to land for the city centre redevelopment of the former municipal airport site and the 41st Avenue SW interchange being initiated in partnership with the Government of Alberta, resulting in a balance of $239.7 million at the end of the year. Portions of the land for resale may be identified for future municipal capital purposes and funded as tangible capital assets in future, as plans are developed in more detail.

Investment in Subsidiary - EPCOR

EPCOR builds, owns and operates electrical transmission and distribution networks in Canada as well as water and wastewater treatment facilities and infrastructure in Canada and the United States. EPCOR also provides electricity and water services and products to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR, a wholly owned subsidiary, as a government business enterprise. Accounting principles of EPCOR are not adjusted to conform to those of the City as a local government and inter-organizational transactions and balances are not eliminated.

EPCOR's 2012 consolidated financial statements have been prepared by EPCOR's management in accordance with International Financial Reporting Standards (IFRS).

In 2012, the investment in EPCOR recorded by the City was reduced to $2,232.7 million from $2,351.0 million in 2011, a net decrease of $118.3 million. The decrease is due to $141.0 million in dividends provided from EPCOR to the City in 2012 partially offset by EPCOR's reported net income for the year of $18.1 million as well as a net comprehensive income adjustment of $4.6 million, reflected as an adjustment directly to accumulated surplus.

In 2009, EPCOR sold substantially all of its power generation assets (net of certain liabilities) to Capital Power for a 72.2 per cent interest in that business. Further dispositions since have reduced EPCOR's interest in Capital Power to 29.0 per cent at the end

of 2012. By reducing its investment in Capital Power, EPCOR is able to focus more on its core business activities. The equity method is used within EPCOR to account for the investment in Capital Power.

Summary financial information for EPCOR is included in Note 19 to the consolidated financial statements. Additional detail is available directly from the organization, using contact information provided at the back of this Annual Report.

Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance at the end of 2012 of $599.4 million has increased by $116.9 million over the prior year balance of $482.5 million.

Trade payables have increased by $93.6 million primarily due to $62.0 million increased obligations related to land acquisition, $25.0 million increase in obligations relating to construction of the North LRT project and $6.6 million net increases in other trade payable accounts.

Developer obligations have increased by $42.6 million due to a rise in developer arterial roadway construction during the year and increased developer payments being held pending fulfillment of requirements set out in service agreements.

Payroll and remittance liabilities have decreased by $20.0 million as all but one of the personnel collective agreements that were under negotiation at the end of 2011 were settled in 2012, thereby reducing the salary settlement liability.

There was a combined increase of $0.7 million in accrued interest and other payables. Note 6 to the consolidated financial statements provides further information on the composition of the accounts payable and accrued liability balance.

Deferred Revenue

Deferred revenue has decreased by $25.5 million over 2011, to end the year at $84.2 million, as net operating and capital funding was recognized as revenue during the year. Deferred revenue is largely made up of government transfer funding for operating or capital expenses, externally restricted until used for the purpose intended. Operating deferred revenue also includes amounts for property and facility rentals and other revenue amounts received in advance of the service being provided. More recent capital transfer programs have tended to shift more to post-expenditure reimbursement as opposed to provision of funding in advance. Additional detail with respect to deferred revenue is included in Note 7 to the consolidated financial statements.

Debt

The City utilizes debt to finance capital expenditures under principles and limits established within the Debt Management Fiscal Policy (DMFP). The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the use of freed up debt servicing funding once debt is retired.

Borrowing completed by the City since 1993 has generally been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Government of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

During the year, a total of $344.3 million was added through new debenture borrowings and mortgages, with $248.6 million considered tax-supported primarily to finance recreation centers and LRT expansion projects and $95.7 million self-liquidating. The City continued to benefit from low interest rates for new borrowing during the year, with ranges as follows:

Term	Interest rates (per cent)
5 year	1.59 to 1.81
10 year	2.18 to 2.44
15 year	2.60 to 2.77
20 year	2.92 to 3.06
25 year	3.08 to 3.27

The net long-term debt of $2,232.9 million at December 31, 2012 increased by $259.1 million (13.1 per cent) over the 2011 balance. The gross amount of debentures and mortgages payable of $2,541.3 million is offset by $152.3 million in related amounts receivable from EPCOR, and by sinking fund assets for debt retirement of $156.1 million (market value of $160.1 million). The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999, as well as debt relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009.

A Regulation under section 271 of the MGA establishes limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined by the Regulation is calculated as two times consolidated revenue net of revenue from subsidiary operations - EPCOR, capital government transfers and contributed tangible capital assets. Debt servicing costs are not to exceed 35 per cent of the same revenues. The City carries levels of debt and debt servicing well below the legislated limit and the limits accessed have remained fairly consistent from 2011 to 2012.

(millions of $)	**2012**	2011
MGA debt limit	**4,178.3**	4,079.0
Total debt limit used	**2,232.9**	1,973.8
Percentage used (%)	**53.4**	48.4
MGA debt service limit	**731.2**	713.8
Total debt service limit used	**223.5**	188.1
Percentage used (%)	**30.6**	26.4

Further amounts of borrowing of $535.4 million, beyond the current levels outstanding, have been approved to complete ongoing projects or as part of the overall 2012 – 2014 capital budget.

In addition, up to $796.7 million has been approved in short-term borrowing to fast-track expenditures in advance of funding from provincial or federal transfer payments. To date, $120.0 million in five-year short-term debt has been borrowed, with $60.0 million being borrowed in each of 2010 and 2012. Interest is payable semi-annually and the principal is to be paid utilizing the government transfer monies when received in 2015 and 2017. Further use of the short-term borrowing is not anticipated based on the approved capital expenditure projections and government transfer cash flows estimated at this time.

Transformational projects being considered such as downtown arena, further LRT development and additional Community Revitalization Levy areas would require increased borrowing on a short- or long-term basis

The internal DMFP sets more conservative debt servicing limits than those established through the MGA. As per the City's internally set DMFP, the tax-supported debt service limit is 15 per cent of tax-supported revenues, with tax-supported operations for purposes of this calculation as reported within the consolidated financial statements in Schedule 2 - Consolidated Segment Disclosure. The total debt service limit is set within the DMFP at 22 per cent of corporate revenues for the City, with revenues being defined consistently with the MGA debt limit calculation. The following table compares the debt servicing cost to the limits as established in the City DMFP, where debt servicing cost is the amount of principal and interest for the subsequent year relating to debt in place at the end of the year reported.

(millions of $)

	2012	2011
DMFP limit – tax supported	**257.0**	245.3
Tax-supported debt servicing	**116.4**	103.8
Percentage used (%)	**45.3**	42.3
DMFP limit – all debt (net)	**459.6**	448.7
Debt servicing cost	**191.5**	173.1
Percentage used (%)	**41.7**	38.6

The City continues to follow a pay-as-you-go financing approach for a significant portion of the capital expenses in tax-supported programs.

Non-financial Assets

Non-financial assets include tangible capital assets, inventories and other assets generally to be used to provide future services. Tangible capital assets are assets managed and held for use in production or supply of goods and services, for rentals to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets; have economic lives that extend beyond a year; and are not for sale in the ordinary course of operations. Net tangible capital assets of $10,201.9 million have increased by 8.8 per cent compared to the 2011 balance of $9,379.9 million.

The net increase of $822.0 million is a result of the acquisition and contributions of tangible capital assets of $1,209.2 million, offset by annual amortization and asset disposals. Additions to tangible capital assets placed in service were primarily in asset categories of roadways, drainage systems, vehicles and buildings. Schedule 1 - Consolidated Schedule of Tangible Capital Assets to the financial statements provides a continuity schedule for the asset cost and the related accumulated amortization for each of the significant asset types.

2012 is the first year of the three year 2012 - 2014 capital budget, approved by Council in December 2011, to advance the investment in City infrastructure for both growth and renewal projects. 2012 capital additions of $1,209.2 million, including developer contributed assets, were similar to the $1,177.3 million level of 2011 and continued a substantive capital investment program ramped up significantly since 2008.

A number of large capital projects progressed and continued during the year including the North LRT, Neighbourhood Renewal Program, multi-purpose recreation centers and strategic land acquisition and preliminary design work for the South and West LRT. In some cases, projects experienced delays and will be carried forward within the overall 2012-2014 capital budget timeline.

Accumulated Surplus

The accumulated surplus reflects the net economic resources that have been built up over time for the City of Edmonton. As reflected in Note 15 to the financial statements, the accumulated surplus consists of restricted and unrestricted amounts, including operating surplus, reserves and equity invested in tangible capital assets. The City has maintained a strong accumulated surplus, ending 2012 with a total of $11,436.1 million, an increase of 5.2 per cent from the prior year.

As of December 31, 2012, general government operations have an accumulated surplus of $15.5 million and the City share of unrestricted excess sinking fund earnings are $4.1 million. Included in the restricted surplus of $3,321.5 million is $2,232.7 million relating to EPCOR, $648.5 million from the Ed Tel Endowment Fund, a combined accumulated surplus from the enterprise and utility operations of Drainage Services, Land Enterprise, Fleet Services and Waste Management of $163.7 million, as well as $253.8 million in reserves for future expenditures.

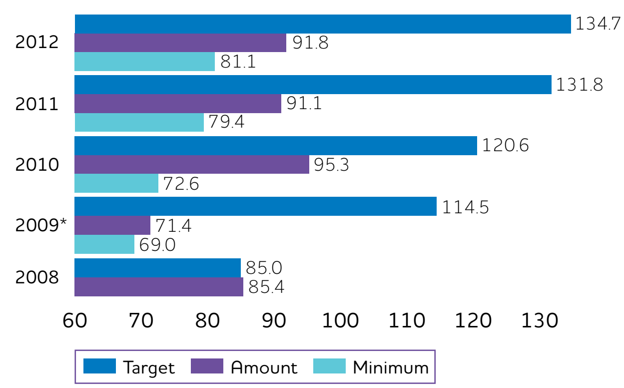
Reserves

The City maintains a City Council-approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves, requires the approval of City Council. A review of reserve balances and related policies was completed in 2012 to ensure they continue to support the financial goals and serve the highest priority needs of the City and its citizens. From this review, City Council approved the establishment of reserves for each of the Quarters and Belvedere Community Revitalization Levy programs as well as reserves for any Community Revitalization Levy established in the future. Council also expanded the scope of the tax-supported debt reserve to include all differences between the budget for tax-supported debt servicing and the actual costs incurred during the year. Amounts in the reserve greater than $1 million are to be used to fund capital on a pay-as-you-go basis. The reserve policy and balances are monitored on an ongoing basis with the next formal review planned for 2015.

A schedule of reserves, comprising the $253.8 million 2012 balance, has been provided in Note 14 to the consolidated financial statements. The reserve balance includes reserves of the Edmonton Public Library Board, Edmonton Economic Development Corporation and Non-Profit Housing Corporation as approved by the respective boards.

Of the overall reserve balance, an amount of $91.9 million is held within the unappropriated Financial Stabilization Reserve (FSR). Established in 1997, the intent of the FSR is to provide flexibility to address financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. As an outcome of the 2009 review of reserves, a minimum balance of 5.0 per cent and a target balance of 8.3 per cent of general government (tax-supported) operating expenses for the FSR were established. The target balance is meant to approximate one month of operating expenses, excluding amortization. Any operating surplus from tax-supported operations is transferred to the FSR at the beginning of the subsequent year, with any excess of the reserve target level then applied evenly in the three subsequent years' operating budgets or approved to fund significant one-time operating or capital priorities.

Financial Stabilization Reserve
(millions of $)



*Effective beginning 2009, target balance 8.3 per cent of tax-supported operating expenses (net of amortization), with a minimum balance of 5.0 per cent of tax-supported operating expenses (net of amortization).

The 2012 tax-supported surplus will be transferred to the reserve in 2013, with $9.4 million then appropriated for funding within the 2013 budget, as approved by City Council. After reflecting the approved transactions, the FSR balance of $101.0 million will exceed the minimum level as set within the policy of $81.1 million but will be below the target level of $134.7 million. During the year, $14.0 million was transferred from the FSR as previously approved by Council to fund 2012 expenditures.

In November 2012, Council approved amendments to the Current Planning Reserve policy, which provides for the transfer of the total Current Planning annual surplus or deficit to/from the reserve. The reserve is to be used to support the long-term financial sustainability of Current Planning operations by managing revenue risks, stabilizing resources across extended periods of time and funding initiatives that enhance planning service and ensure accountability. $9.2 million was transferred to the Current Planning Reserve in 2012, reflecting increased permit and fee revenues and reduced administrative and personnel costs, ending the year with a balance of $25.7 million.

$9.7 million was drawn from the Funds in Lieu-Residential Reserve to fund capital projects during the year. These funds are received from developers and from the sale of parkland in residential areas. $23.1 million was also transferred to the Fleet Services-Vehicle Replacement Reserve to be utilized to fund future vehicle and equipment replacement. $18.8 million from the reserve was used during the year to fund vehicle and equipment replacement.

Equity in Tangible Capital Assets

As summarized in Note 13 to the consolidated financial statements, equity in tangible capital assets represents the investment made in tangible capital assets, after deducting the portion financed by outstanding long-term debt net of debt recoverable. An increase of $561.0 million for 2012, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, brings the ending balance of Equity in Tangible Capital Assets for the year to $8,024.4 million.

Advances for Construction (Capital to be Financed)

$70.7 million of funding is in place at the end of the year where capital expenditures have not yet proceeded. This compares to $45.0 million of capital expenditures completed to the end of 2011 that required future funding – an overall shift of $115.7 million.

The change is primarily due to $60.0 million in additional five-year debt borrowed in 2012 to advance expenditures to be financed by future government transfers and $66.0 million in funding approved and applied for land previously purchased for future municipal purposes. Other capital to be funded at year end includes capital leases for computer and phone equipment and photo radar equipment where revenues from the program in future periods are expected to fund the assets.

Financial Operations

The Consolidated Statement of Operations and Accumulated Surplus outlines revenues earned by the City and their application (expenses) to provide municipal services.

Total 2012 consolidated revenues of $2,065.6 million decreased by 3.4 per cent over the prior year revenues of $2,137.4 million. Revenues are less than budget by $122.1 million, or 5.6 per cent of the revenue budget, primarily due to the reduction in subsidiary operations net income for the year.

Expenses of $2,239.5 million were generally managed within the approved budget, with savings from deferred hirings and reduced housing grants in the year.

(millions of $)

Operating Revenues

2012 actual	2,065.6
2011 actual	2,137.4
Variance	(71.8)
% variance	(3.4)

Operating Expenses

2012 actual	2,239.5
2011 actual	2,178.3
Variance	61.2
% variance	2.8

The overall operating revenue decrease of $71.8 million from the prior year is due to a decrease of $125.6 million net EPCOR earnings and $98.1 million in City investment earnings, partially offset by $77.0 million increased taxation revenues from a combined rate increase and growth, $51.1 million increased user fees and sales of goods and services, $13.2 million increase in license and permit revenues and net increases totalling $10.0 million across other revenue sources. The decrease in EPCOR's net income is due to an impairment of their investment in Capital Power. Gains on sale of investments decreased in 2012 primarily as a result of realizing significant gains in 2011 through the transition of investment managers and rebalancing of the investment funds.

Operating expense increases of $61.2 million over the prior year related to increases in personnel costs of $70.0 million, $22.4 million additional amortization expense relating to tangible capital assets, partially offset by a decrease in contracted and general services of $20.7 million, materials, goods and utilities of $14.0 million and net increases of $3.5 million across other expense categories. Additional resources were required for protective services and to maintain new recreation facilities.

(millions of $)

Capital Revenues

2012 actual	729.8
2011 actual	654.6
Variance	75.2
% variance	11.5

Capital Revenues

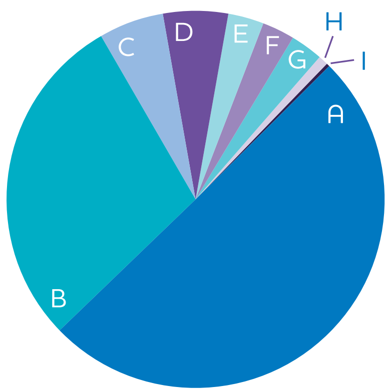
2012 actual	729.8
2012 budget	916.1
Variance	(186.3)
% variance	(20.3)

Capital revenues increased over the prior year by $75.2 million, mainly due to developer contributed tangible capital assets of $202.5 million, greater than the prior year by $80.9 million. The majority of the increase in developer contributions was related to drainage system assets. Certain projects funded through government grants, such as the North LRT, progressed significantly during the year; therefore, capital government transfers were included in revenue as the expenditures associated with the projects were incurred.

The majority of the $186.3 million variance between the budget and actual capital revenue for government transfers is generally due to timing differences around project expenditures, and therefore the timing in recognition of the related government transfer revenue.

Schedule 2 to the financial statements, Consolidated Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. Note 24 to the financial statements provides a description of each of the segments.

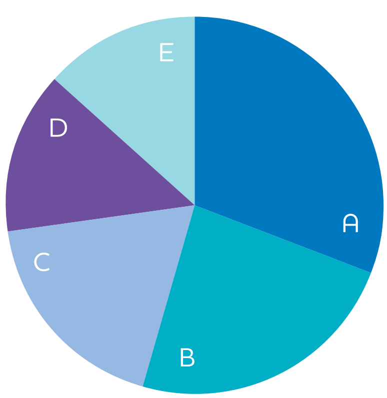
Consolidated revenues exceeded expenses for the year by $555.9 million after accounting for government transfers for capital, developer and customer contributions for capital, and developer contributed tangible capital assets.



Operations – Source of Revenue

(millions of $)

Revenue	$	%
A. Taxation	1,040.3	50.3
B. User fees and sale of goods and services	595.6	28.8
C. Franchise fees	117.4	5.7
D. Government transfers – operating	110.8	5.4
E. Licenses and permits	64.5	3.1
F. Investment earnings	59.9	2.9
G. Fines and penalties	55.6	2.7
H. Subsidiary operations – EPCOR	18.1	0.9
I. Developer and customer contributions	3.4	0.2
	2,065.6	**100.0**



Operations – Distribution of Expenses

(millions of $)

Expenses	$	%
A. Transportation services	695.1	31.0
B. Protective services	528.0	23.6
C. Community services	407.3	18.2
D. Utility and enterprise services	313.5	14.0
E. Corporate administration, general municipal and other	295.6	13.2
	2,239.5	**100.0**

Financial Control and Accountability

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and to take a proactive approach to identify and address financial challenges.

Responsible Fiscal Management

Based on input provided from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan 2009-2018* in July 2008, which was updated in 2011 and continues to be refined. The strategic plan was developed to help the City establish priorities and make informed decisions to improve the quality of life for citizens now and in the future. The plan moves the City toward a 30-year vision by establishing 10-year strategic goals. Ongoing public involvement assists City Council with refining short-term priorities to meet changing economic situations and emerging needs.

Six directional plans are intended to integrate and guide the City's work to achieve each of the strategic goals: *The Way We Live*, *The Way We Green*, *The Way We Grow*, *The Way We Move*, *The Way We Prosper* and *The Way We Finance*. Corporate outcomes were set by Council in July 2010 to help bridge operational activities, programs and services of the City with the 10-year strategic goals outlined by City Council in *The Way Ahead*. Corporate outcomes set out the results the corporation is striving for and collectively serve as a roadmap demonstrating how the operations of the City align to the City's strategic plan. More detailed implementation plans are being developed.

Edmonton's operating budget lays out the revenues and expenses planned for the following year to deliver city services, using a program-based approach focused on service delivery and advancement toward the City's long-term goals. From year to year, new services may be created when City Council identifies a clear need. Services may be enhanced or reduced to more closely align with goals and outcomes, or due to costs or other factors.

City Council and administration are committed to public consultation during the development and review of the annual budget. Edmontonians provide valuable input on operational issues using a variety of channels, including comments through the City's online reporting tools, calls to 311, public consultation on specific programs, contact directly with the Mayor and Councillors throughout the year and through the budget hearing.

A 10-year Capital Investment Agenda (2012-2021) assists Council in making long-term strategic decisions on how to best allocate City resources to build and maintain the infrastructure requirements over the next decade.

The three-year capital budget determines the investment in Edmonton's hard infrastructure: the construction of buildings like recreation centers and libraries, transportation assets like LRT lines and bridges, and for underground infrastructure like sewage systems. Supplementary capital budget adjustments are made twice each year (or as required) as needs are refined, as projects advance and as funding sources are confirmed or amended.

Moving forward, the City is developing a Capital and Operating Budget system for implementation with the 2014 operating budget and the 2015 – 2017 capital budget. The system and revised processes are intended to streamline budget preparation, provide additional detailed analysis as well as support scenario building to assist decision-making. Work is underway to also implement a performance-based budget approach for the 2014 operating budget, redefining, evaluating and prioritizing operating budget programs.

More detailed information on the planning and budgeting process is available on the City's website.

Accounting and Performance Reporting Process

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City utilizes a shared services model for financial services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within financial services and delivered to each business area based on their needs.

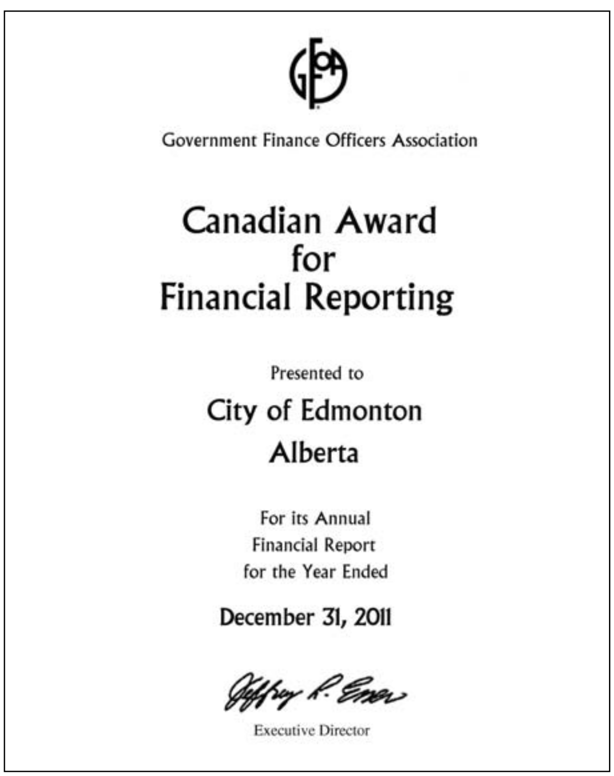
The Edmonton Public Library Board, Edmonton Police Services, Non-Profit Housing Corporation, Vehicle for Hire Commission and Edmonton Combative Sports Commission utilize the common accounting system but report through their board or commission. EPCOR, Edmonton Economic Development Corporation and Fort Edmonton Management Company each have independent accounting systems and report through their respective boards.

Monthly operating performance reports for areas reporting to the City Manager are reviewed administratively, comparing year-to-date revenues and expenses as well as projections to the end of the fiscal year to annual budgets. Quarterly operating reporting is provided to City Council along with recommendations for strategies to address opportunities and challenges. Capital reporting is reviewed with City Council in each of the second, third and fourth quarters. It is anticipated that performance reporting will be supported by the capital and operating budget system, once implemented.

Recognition for Achievements

Award programs in the financial area continue to recognize the City of Edmonton for a high standard of achievement.

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2011. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Edmonton Alberta

For its Annual Financial Report for the Year Ended

December 31, 2011

Executive Director

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the nineteenth consecutive year that the City of Edmonton has received this award. We believe this 2012 Annual Report continues to conform to the Canadian Award for Financial Reporting program requirements and we will be submitting it to the GFOA for consideration and feedback.

For the thirteenth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations. The City of Edmonton was the only Canadian government organization to receive this award for 2012.

The City received several other awards in 2012 including recognition for its environmental strategic plan, excellence in public transit, governmental leadership in sustainable infrastructure, protection of natural areas and 311 call centre efficiency and effectiveness.

Auditing Process

The MGA requires municipal councils to appoint an independent auditor. In 2010, a tender for audit services was completed and City Council appointed the firm of KPMG LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements. External audits are also completed for the Provincial Financial Information Return and for each of the pension and benefit plans administered by the City. Certain government transfer programs also require external audit.

An Audit Committee has been established as a Committee of Council to assist in fulfilling its oversight responsibilities. The Committee includes the Mayor, four Councillors and two public members as outlined under Bylaw 15310, *Audit Committee Bylaw*. Audit Committee reviews the consolidated financial statements and makes a recommendation to City Council for the approval of the statements.

The City has an internal audit function independent of the City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, *City Auditor*. This bylaw establishes the position of City Auditor and delegates powers, duties and functions to this position. The City Auditor has two roles:

- Agent of Change Role – to conduct proactive and forward-looking projects based on the provision of strategic, risk and control-related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and
- Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

2013 Budget

Based on economic and other contextual information, in mid-June 2012 City Council directed administration to prepare a 2013 draft budget within a 4.0 per cent tax rate increase for all civic operations, including boards and commissions, and with a 1.5 per cent tax rate increase specifically directed to the neighbourhood renewal program. Following deliberations in December 2012, Council approved a tax rate increase of 2.3 per cent for civic services, including boards and commissions and a 1.0 per cent tax rate increase for neighbourhood renewal program fund, for a total of 3.3 per cent.

The Bylaw to establish the 2013 municipal tax for all property types (including commercial and industrial) will be set by City Council in April 2013. Changes to the operating budget which impact the tax levy may be completed prior to the taxation bylaw approval. Property taxes are one of the funding sources used to provide the services and infrastructure approved in the budget. The budget also includes selected increases in user fees for various municipal services including transit fares, various recreational facility fees, permit fees, and realigns budgets to improve delivery of core services.

The 2012 - 2014 capital budget was approved by Council in December 2011, based on capital priorities and funding identified in the 10-year 2012 – 2021 Capital Investment Agenda. The 2012 capital budget constitutes the first year of City Council's three-year (2012 – 2014) capital budget approval. The level of spending in the last three years accelerated key growth projects and focused aggressively on maintaining existing infrastructure. The City will continue to advance important projects but at a reduced level of investment. The 2012 - 2014 capital budget approves spending $4,290.6 million for capital projects, including amounts carried forward for projects not completed at the end of 2011. Projects will replace the century-old Walterdale bridge, reconstruct and maintain older communities through the Neighbourhood Renewal Program, complete land purchases and design work for the Southeast to West LRT, continue arterial roadwork, fund the construction of various City facilities and revitalize the downtown core through initiatives such as the Downtown Arena and Entertainment District and Quarters Downtown.

The three-year capital budget increased property taxes by 0.75 per cent in 2012 and is expected to increase property taxes a further 0.70 per cent in 2013 and 0.67 per cent in 2014 to service debt on three major projects—the Walterdale Bridge, the new Northwest Police Campus and Southeast to West LRT land purchases—and to provide interim funding for priority projects.

Long-term Sustainability and Risk Management

As with any municipality, there are constant pressures in providing services and service enhancements at a reasonable and affordable cost, balancing the investment between infrastructure growth and renewal projects and ensuring risks are properly managed. The City is committed to an integrated approach to risk management, where it is a critical component of the City's long term sustainability. A number of strategies are in place or being developed to mitigate risks faced by the City and to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City.

Integral to achieving financial sustainability is the continuing use of a comprehensive Enterprise Risk Management Framework. A number of risk management activities are undertaken on an ongoing basis across the corporation.

- A corporate Risk Management area provides risk management advice, claims adjusting, purchase of insurance and completes risk control inspections.
- There is an ongoing proactive analysis of the physical, contractual and insurance risks associated with capital projects or major initiatives and appropriate measures are established to identify and control project risk.
- Environmental risks are monitored through the Contaminated Gas Stations Task Force and through the use of Envisio – the City's environmental management system that aids effective management of environmental risks and responsibilities.
- The City continues to monitor economic conditions and impacts on the City's financial status so that strategies can be adjusted accordingly. For example, hedges are purchased for future fuel purchases when deemed beneficial, in order to stabilize operating budgets in the face of fuel price volatility. The Financial Stabilization Reserve may be used to address any emergent needs faced by the City.

The *Way We Finance* is under development as one of six corporate directional plans that set the course for the City to achieve its 10-year goals and ultimately the City vision. The plan will outline guiding principles to ensure continued sound fiscal management and financial sustainability.

City Council's utility fiscal policies govern the financial relationship between the City and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt and earn a return on the City's equity investment. The policies also require the sanitary and stormwater drainage utilities to pay the City a franchise fee on utility revenue. The City's waste management utility is exempt from paying a franchise fee to the City.

The economic downturn in recent years has impacted provincial and federal government revenues and resulted in a deferral of capital transfer funding to the City. Capital budgets were reviewed with the decision to utilize a level of short-term borrowing to continue to fund capital priorities and take advantage of low interest rates and the favourable construction market. Principal payments at the end of five years will be funded from the government transfers.

A Memorandum of Understanding was signed with the Government of Alberta, along with the City of Calgary, in mid 2012 to explore options for a legislative framework that recognizes the evolving needs of each city's individual relationship with the provincial government. Work is ongoing to identify and review options with a target for enactment within 2013.

Conclusion

Edmonton continues to weather the global economic reality well, continuing to see steady growth, demonstrated through the region's economy expanding at 4.4 per cent – comparable to the top Canadian municipalities.

In September 2012, Standard & Poor's affirmed their rating of the City of Edmonton as AA+/Stable and in October 2012, DBRS confirmed the City of Edmonton's long-term credit rating at AA (high). Both ratings were based on a solid economic growth outlook, a very healthy although declining liquidity and consistently sound operating performances. The sizable and ongoing capital spending since 2008, leading to a steadily rising debt burden and the concentration of the economy in the energy sector, have been noted as challenges moving forward.

The directional plans (the *Ways*) set ambitious goals for the City. Highlights include LRT expansion, a Downtown Arena and Entertainment District, establishment of City-owned Waste RE-solutions for Edmonton to market our waste management expertise nationally and internationally, Quarters Downtown development, redevelopment of the City Centre airport lands, and continued emphasis on neighbourhood renewal and multi-purpose recreation centers. The City will continue to be challenged to manage emerging and often competing financial needs as the major centre for the region, maintaining existing services while addressing service and infrastructure needs associated with growth. The City's long-term financial plan, *The Way We Finance*, will outline guiding principles to ensure continued sound fiscal management and long-term financial sustainability.

L. Rosen

Lorna Rosen, CMA
Chief Financial Officer and Treasurer

April 24, 2013

CONSOLIDATED FINANCIAL STATEMENTS

Photo: Tom Arban

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.

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 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.

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 24, 2013

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, 2012, the consolidated statements of operations and accumulated surplus, change 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, 2012, and the consolidated results of its operations, the 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.

KPMG LLP

April 24, 2013
Edmonton, Canada

Consolidated Statement of Financial Position

December 31, 2012 (in thousands of dollars)

	2012	2011
Financial Assets		
Cash and temporary investments (Note 2)	$ 226,510	$ 1,730
Receivables:		
Taxes receivable	44,077	41,010
Trade and other receivables	223,270	313,732
Investments (Note 3)	1,255,338	1,346,394
Debt recoverable (Note 4)	55,348	57,271
Land for resale	239,774	138,150
Investment in EPCOR (Note 19)	2,232,704	2,351,024
	4,277,021	4,249,311
Liabilities		
Promissory notes payable (Note 5)		59,862
Accounts payable and accrued liabilities (Note 6)	599,444	482,492
Deposits	32,529	30,030
Deferred revenue (Note 7)	84,168	109,705
Employee benefit obligations (Note 8)	129,356	123,815
Landfill closure and post-closure care (Note 9)	17,811	19,289
Long-term debt (Note 10)	2,232,921	1,973,819
	3,096,229	2,799,012
Net Financial Assets	1,180,792	1,450,299
Non-financial Assets		
Tangible capital assets (Note 11)	10,201,928	9,379,944
Inventory of materials and supplies	32,743	33,150
Other assets (Note 12)	20,666	12,172
	10,255,337	9,425,266
Accumulated Surplus (Note 15)	$ 11,436,129	$ 10,875,565

Commitments and contingent liabilities (Notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Stephen Mandel

Councillor Kim Krushell

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2012 (in thousands of dollars)

	Budget (Unaudited)	2012	2011
Revenues			
Net taxes available for municipal purposes (Note 16)	$ 1,038,889	**$ 1,040,270**	$ 963,311
User fees and sale of goods and services	606,758	**595,632**	544,501
Franchise fees	114,109	**117,406**	114,805
Government transfers – operating (Note 17)	123,335	**110,758**	113,148
Licenses and permits	53,537	**64,452**	50,737
Investment earnings	26,641	**59,899**	157,950
Fines and penalties	65,311	**55,643**	48,610
Subsidiary operations – EPCOR (Note 19)	159,068	**18,083**	143,656
Developer and customer contributions - operating		**3,444**	656
	2,187,648	**2,065,587**	2,137,374
Expenses			
Transportation services:			
Bus and light rail transit	366,963	**365,960**	351,228
Roadway and parking	330,239	**329,124**	338,718
	697,202	**695,084**	689,946
Protective services:			
Police	328,178	**329,656**	310,946
Fire Rescue	169,329	**166,632**	161,024
Bylaw enforcement	31,415	**31,719**	28,917
	528,922	**528,007**	500,887
Community services:			
Parks and recreation	180,019	**178,707**	164,619
Planning	67,437	**68,222**	58,880
Edmonton Public Library Board	49,355	**46,882**	48,515
Community and family	41,893	**42,773**	35,356
Convention and tourism	36,319	**35,482**	36,314
Public housing	49,569	**35,248**	34,603
	424,592	**407,314**	378,287
Utility and enterprise services:			
Waste Management	141,960	**141,994**	130,828
Drainage Services	124,026	**109,849**	106,920
Fleet Services	32,354	**35,420**	56,204
Land	31,038	**26,262**	18,913
	329,378	**313,525**	312,865
Corporate administration	161,895	**149,678**	157,358
General municipal	131,449	**116,010**	115,205
Tax appeals and allowances	7,700	**8,058**	10,217
Pension adjustments and other	8,440	**21,814**	13,582
	2,289,578	**2,239,490**	2,178,347
Shortfall of Revenues over Expenses before other	(101,930)	**(173,903)**	(40,973)
Other:			
Government transfers – capital (Note 17)	741,382	**485,713**	487,155
Developer contributed tangible capital assets (Note 11)	144,200	**202,493**	121,608
Developer and customer contributions – capital	30,556	**41,643**	45,794
Excess of Revenues over Expenses	814,208	**555,946**	613,584
Accumulated Surplus, beginning of year	10,875,565	**10,875,565**	10,381,144
Subsidiary operations – EPCOR – transition adjustments upon IFRS adoption (Note 19)			(123,404)
Subsidiary operations – EPCOR – other comprehensive income adjustment (Note 19)		**4,618**	4,241
Accumulated Surplus, end of year	$ 11,689,773	**$ 11,436,129**	$ 10,875,565

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2012 (in thousands of dollars)

	Budget (Unaudited)	**2012**	2011
Excess of Revenues over Expenses	$ 814,208	**$ 555,946**	$ 613,584
Acquisition of tangible capital assets	(1,849,099)	**(1,006,717)**	(1,055,729)
Developer contributed tangible capital assets	(144,200)	**(202,493)**	(121,608)
Proceeds on disposal of tangible capital assets		**1,618**	3,786
Amortization of tangible capital assets	393,679	**381,628**	359,254
Net loss on disposal/replacement of tangible capital assets		**3,980**	14,524
	(1,599,620)	**(821,984)**	(799,773)
Net (acquisition) use of inventory of materials and supplies		**407**	(2,935)
Net acquisition of other assets		**(8,494)**	(5,230)
		(8,087)	(8,165)
Subsidiary operations – EPCOR - transition adjustments upon IFRS adoption			(123,404)
Subsidiary operations – EPCOR - other comprehensive income adjustment		**4,618**	4,241
		4,618	(119,163)
Decrease in Net Financial Assets	(785,412)	**(269,507)**	(313,517)
Net Financial Assets, beginning of year	1,450,299	**1,450,299**	1,763,816
Net Financial Assets, end of year	$ 664,887	**$ 1,180,792**	$ 1,450,299

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2012 (in thousands of dollars)

	2012	2011
Net inflow (outflow) of cash and temporary investments:		
Operating Activities		
Excess of revenues over expenses	$ 555,946	$ 613,584
Add (deduct) items not affecting cash:		
Subsidiary operations – EPCOR	(18,083)	(143,656)
Amortization of tangible capital assets	381,628	359,254
Net loss on disposal/replacement of tangible capital assets	3,980	14,524
Developer contributed tangible capital assets	(202,493)	(121,608)
Change in non-cash items:		
Taxes receivable	(3,067)	5,276
Trade and other receivables	90,462	(38,308)
Debt recoverable	1,923	1,837
Land for resale	(101,624)	(50,696)
Inventory of materials and supplies	407	(2,935)
Other assets	(8,494)	(5,230)
Accounts payable and accrued liabilities	116,952	40,941
Deposits	2,499	444
Deferred revenue	(25,537)	(58,734)
Employee benefit obligations	5,541	2,504
Landfill closure and post-closure care	(1,478)	(753)
	798,562	616,444
Capital Activities		
Acquisition of tangible capital assets	(1,006,717)	(1,055,729)
Proceeds on disposal of tangible capital assets	1,618	3,786
	(1,005,099)	(1,051,943)
Investing Activities		
Dividend from subsidiary (Note 19)	141,021	138,420
Net decrease in investments	91,056	32,928
	232,077	171,348
Financing Activities		
Promissory notes issued	99,685	149,636
Repayment of promissory notes	(159,547)	(109,740)
Debenture borrowings	344,292	209,869
Repayment of long-term debt	(85,190)	(76,283)
	199,240	173,482
Increase (decrease) in cash and temporary investments	224,780	(90,669)
Cash and temporary investments, beginning of year	1,730	92,399
Cash and temporary investments, end of year	$ 226,510	$ 1,730

Operating activities for 2012 include $26,582 of interest received and $91,271 of interest paid. For 2011, interest of $34,688 was received and $87,290 was paid.

See accompanying notes to consolidated financial statements.

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2012 (in thousands of dollars)

	Opening Balance	Additions	Disposals	**Closing Balance**
Cost				
Land	$ 1,110,874	$ 63,793	$ (185)	**$ 1,174,482**
Land improvements	709,520	55,173		**764,693**
Buildings	1,357,106	116,467		**1,473,573**
Machinery and equipment	613,571	55,197	(24,286)	**644,482**
Vehicles	811,879	116,984	(13,317)	**915,546**
Engineered structures				
Roadway system	5,481,780	279,106	(40,596)	**5,720,290**
Drainage system	2,407,363	197,503		**2,604,866**
Light rail transit	790,735	9,679	(3,120)	**797,294**
Waste	156,511	5,221		**161,732**
Bus system	128,736	44	(1,199)	**127,581**
Other	13,939	5,639	(259)	**19,319**
	13,582,014	904,806	(82,962)	**14,403,858**
Assets under construction	1,133,949	304,404		**1,438,353**
	14,715,963	1,209,210	(82,962)	**15,842,211**
Accumulated Amortization				
Land improvements	313,854	19,977		**333,831**
Buildings	634,545	39,709		**674,254**
Machinery and equipment	353,848	51,547	(24,223)	**381,172**
Vehicles	320,487	52,077	(12,381)	**360,183**
Engineered structures				
Roadway system	2,788,050	152,789	(37,643)	**2,903,196**
Drainage system	537,509	34,527		**572,036**
Light rail transit	246,227	17,958	(1,992)	**262,193**
Waste	94,793	6,738		**101,531**
Bus system	43,024	5,376	(881)	**47,519**
Other	3,682	930	(244)	**4,368**
	5,336,019	381,628	(77,364)	**5,640,283**
Net Book Value	$ 9,379,944	$ 827,582	$ (5,598)	**$ 10,201,928**

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.

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures (Note 24)

For the year ended December 31, 2012 (in thousands of dollars)

	Tax-Supported											
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total	Waste Management	Drainage Services	Fleet Services	Land Enterprise	EPCOR	Other	**2012 Consolidated**
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 1,040,270	$ 1,040,270	$	$	$	$	$	$	**$ 1,040,270**
User fees and sales of goods and services	145,671	25,552	80,721	8,591	260,535	134,780	132,156	10,707	48,558		8,896	**595,632**
Franchise fees				124,145	124,145		(6,739)					**117,406**
Government transfers – operating	2,545	23,865	35,723	44,607	106,740	3,705					313	**110,758**
Licenses and permits	714	3,461	47,914	9,999	62,088		871				1,493	**64,452**
Investment earnings			528	31,992	32,520	234	309	164	43		26,629	**59,899**
Fines and penalties		36,202	993	18,428	55,623						20	**55,643**
Subsidiary operations – EPCOR										18,083		**18,083**
Developer and customer contributions – operating			3,395		3,395						49	**3,444**
Appropriation of earnings				27,712	27,712						(27,712)	
	148,930	89,080	169,274	1,305,744	1,713,028	138,719	126,597	10,871	48,601	18,083	9,688	**2,065,587**
Expenses												
Salaries, wages and benefits	268,876	415,419	189,999	176,668	1,050,962	33,293	57,446	63,693	1,779		12,560	**1,219,733**
Materials, goods and utilities	89,331	29,831	40,594	22,385	182,141	9,776	12,901	39,391	14,320		618	**259,147**
Contracted and general services	101,131	69,910	74,022	(9,606)	235,457	69,650	(14,687)	(112,108)	8,836		6,610	**193,758**
Interest and bank charges	39,279	639	16,031	10,008	65,957	9,129	15,487	1,870	1,041		476	**93,960**
Grants and other		415	57,826	25,052	83,293	3,700					291	**87,284**
Amortization of tangible capital assets	192,067	11,548	28,949	49,239	281,803	16,446	38,702	43,132	286		1,259	**381,628**
Loss (gain) on disposal/replacement of tangible capital assets	4,400	245	(107)		4,538			(558)				**3,980**
	695,084	528,007	407,314	273,746	1,904,151	141,994	109,849	35,420	26,262		21,814	**2,239,490**
Excess (shortfall) of Revenues over Expenses before other	(546,154)	(438,927)	(238,040)	1,031,998	(191,123)	(3,275)	16,748	(24,549)	22,339	18,083	(12,126)	**(173,903)**
Other												
Government transfers – capital	439,347	16,183	20,241	9,329	485,100	99		514				**485,713**
Developer contributed tangible capital assets	56,483		37,565	533	94,581		107,873	39				**202,493**
Developer and customer contributions – capital	11,152	22	4,741	2,179	18,094		23,549					**41,643**
Excess (shortfall) of Revenues over Expenses	$ (39,172)	$(422,722)	$ (175,493)	$ 1,044,039	$ 406,652	$ (3,176)	$ 148,170	$ (23,996)	$ 22,339	$ 18,083	$ (12,126)	**$ 555,946**

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures (Note 24)

For the year ended December 31, 2011 (in thousands of dollars)

	Tax-Supported											
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total	Waste Management	Drainage Services	Fleet Services	Land Enterprise	EPCOR	Other	**2011 Consolidated**
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 963,311	$ 963,311	$	$	$	$	$	$	**$ 963,311**
User fees and sales of goods and services	136,993	26,570	76,820	9,522	249,905	129,077	111,713	10,530	34,853		8,423	**544,501**
Franchise fees				120,105	120,105		(5,300)					**114,805**
Government transfers – operating	3,747	23,852	40,361	44,405	112,365	11	3	287			482	**113,148**
Licenses and permits	615	3,185	36,277	9,143	49,220		696				821	**50,737**
Investment earnings	1		1,015	64,408	65,424	372	497	1,752	103		89,802	**157,950**
Fines and penalties		29,833	969	17,804	48,606						4	**48,610**
Subsidiary operations – EPCOR										143,656		**143,656**
Developer and customer contributions – operating			351		351						305	**656**
Appropriation of earnings				25,799	25,799						(25,799)	
	141,356	83,440	155,793	1,254,497	1,635,086	129,460	107,609	12,569	34,956	143,656	74,038	**2,137,374**
Expenses												
Salaries, wages and benefits	257,983	393,188	180,394	169,449	1,001,014	30,017	54,591	59,799	1,625		2,701	**1,149,747**
Materials, goods and utilities	93,296	25,462	49,108	16,542	184,408	8,922	10,792	53,013	12,062		3,929	**273,126**
Contracted and general services	100,373	70,459	63,258	12,335	246,425	66,790	(9,144)	(99,301)	4,747		4,896	**214,413**
Interest and bank charges	43,377	705	16,887	3,488	64,457	9,476	14,217	1,480	(107)		793	**90,316**
Grants and other		438	40,588	35,589	76,615			47	300		5	**76,967**
Amortization of tangible capital assets	180,217	10,501	28,400	45,377	264,495	15,408	36,564	41,243	286		1,258	**359,254**
Loss (gain) on disposal/replacement of tangible capital assets	14,700	134	(348)		14,486	215	(100)	(77)				**14,524**
	689,946	500,887	378,287	282,780	1,851,900	130,828	106,920	56,204	18,913		13,582	**2,178,347**
Excess (shortfall) of Revenues over Expenses before other	(548,590)	(417,447)	(222,494)	971,717	(216,814)	(1,368)	689	(43,635)	16,043	143,656	60,456	**(40,973)**
Other												
Government transfers – capital	420,196	19,554	27,261	12,984	479,995	1,474	3,928	1,758				**487,155**
Developer contributed tangible capital assets	45,645	39	21,974	2,951	70,609		50,999					**121,608**
Developer and customer contributions – capital	13,757	267	8,166	1,430	23,620		22,174					**45,794**
Excess (shortfall) of Revenues over Expenses	$ (68,992)	$(397,587)	$ (165,093)	$ 989,082	$ 357,410	$ 106	$ 77,790	$ (41,877)	$ 16,043	$ 143,656	$ 60,456	**$ 613,584**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2012 (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, Stormwater 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

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 19). 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. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus and to the Investment in EPCOR.

The financial statements exclude trust assets under administration for the benefit of external parties (Note 23).

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 and Accumulated Surplus.

The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These 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 are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when recipients have met the eligibility criteria and the amount can be reasonably estimated. The majority of transfers made by the City are in the form of grants or operating subsidies.

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

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

c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported 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 or any provision for impairment of investment values.

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.

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, 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

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 and Accumulated Surplus.

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) 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.

i) 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.

j) Reserves for Future Expenditures

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

k) 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.

l) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board (PSAB). In 2013, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in *Financial Statement Presentation* (PS1201), *Financial Instruments* (PS3450), *Foreign Currency Translation* (PS2601) and *Portfolio Investments* (PS3041) must be implemented at the same time.

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, 2015.

ii) Financial Instruments

PS3450, *Financial Instruments*, applicable for fiscal years beginning on or after April 1, 2015, 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.

iii) Foreign Currency Translation

PSAB issued PS2601, *Foreign Currency Translation*, replacing the current PS2600, applicable for fiscal years beginning on or after April 1, 2015. This standard 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.

iv) Government Transfers

The updated *Government Transfers* section, PS3410, comes into effect for fiscal years beginning on or after April 1, 2012. This section pertains to government transfers received by the City as well as contributions made by the City to individuals, organizations or other governments and may be applied retroactively or prospectively. PS3410 clarifies the transferring government and recipient government recognition criteria, stipulations and authorization and the impact of these conditions on the accounting treatment. Further, this section provides requirements for financial statement presentation and disclosure. In 2012, the City was substantially in compliance with the updated standard and where not in compliance, processes are being updated to ensure compliance in 2013.

v) Liability for Contaminated Sites

PS3260, *Liability for Contaminated Sites* comes into effect for fiscal years beginning on or after April 1, 2014. PS3260 establishes standards on remediation, recognition and measurement and provides requirements for financial statement presentation and disclosure. The City has begun the process of reviewing policies, procedures and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites.

vi) Portfolio Investments

Section PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to *Financial Instruments*, PS3450. Upon adoption of PS3450 and PS3041, *Temporary Investments* PS3030 will no longer apply.

vii) Tax Revenue

Public sector accounting standard PS3510, *Tax Revenue* discusses the different types of taxes and clarifies standards on the timing, recognition, measurement and reporting of tax revenue in government financial statements. This section applies for fiscal years beginning on or after April 1, 2012. The City is in the final stages of reviewing the financial impact of this standard. As the City has very controlled processes with respect to tax levies and collections, this new standard has little impact on current systems.

For the year ended December 31, 2012 (in thousands of dollars)

2. Cash and Temporary Investments

	2012	2011
Cash	$ 2,330	$ 3,663
Temporary investments	239,414	15,061
Cheques outstanding in excess of deposits	(15,234)	(16,994)
	$ 226,510	$ 1,730

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These investments have effective interest rates of 0.0 to 2.03 per cent (2011 – 0.0 to 1.03 per cent) and generally 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, 2012.

3. Investments

	Amortized Cost		Market Value	
	2012	2011	2012	2011
Cash	$ 1,867	$ 585	$ 1,867	$ 585
Amounts payable – net	(327)	(160)	(327)	(160)
Fixed income:				
Short-term notes and deposits	3,438	3,205	3,415	3,158
Government and government guaranteed bonds	439,975	524,400	444,989	542,720
Corporate bonds and debentures	147,545	152,509	150,349	156,643
	590,958	680,114	598,753	702,521
Common and preferred shares:				
Canadian	221,630	224,669	214,940	206,408
International	354,923	353,957	313,005	283,043
Global	86,258	87,210	87,613	84,173
	662,811	665,836	615,558	573,624
Other investments	29	19	29	19
	$ 1,255,338	$ 1,346,394	$ 1,215,880	$ 1,276,589

For the year ended December 31, 2012 (in thousands of dollars)

Short-term notes and deposits have effective interest rates of 0.0 to 2.0 per cent (2011 - 0.0 to 3.5 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.1 to 6.6 per cent (2011 - 1.0 to 6.5 per cent) with maturity dates from January 1, 2013 to June 21, 2067 (2011 - March 12, 2012 to October 24, 2061).

The market value of short-term notes and deposits include unrealized gains on futures contracts of $23 (2011 - loss of $28). See also Note 21 c).

Investments with a cost of $648,507 (2011 - $652,398) and market value of $617,934 (2011 - $590,567) 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.

Net undistributed realized losses of $7,100 relating to multi-unit investment trusts managed by the City were recorded as at December 31, 2012 (2011 - $8,500).

The cost of Canadian and international investments exceeds market value as at December 31, 2012. Management is of the opinion that the loss in value is a temporary decline. No adjustment was made to reduce the carrying value of investments in the current year.

4. Debt Recoverable

Debt recoverable of $55,348 (2011 – $57,271) 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 (2011 – 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
2013	$ 2,012	$ 2,782	$ 4,794
2014	1,891	2,689	4,580
2015	1,766	2,599	4,365
2016	1,858	2,507	4,365
2017	1,955	2,410	4,365
Thereafter	45,866	22,022	67,888
	$ 55,348	$ 35,009	$ 90,357

5. Promissory Notes Payable

As at December 31, 2012, the City has not issued any promissory notes payable. As at December 31, 2011, the City had issued 5 promissory notes payable with maturity dates from January 25, 2012 to March 21, 2012 with interest rates ranging from 0.9 per cent to 0.95 per cent. The promissory notes were accounted for at amortized cost, with the amount for the 5 notes at maturity totalling $60,000 and a discounted value of $59,862.

For the year ended December 31, 2012 (in thousands of dollars)

6. Accounts Payable and Accrued Liabilities

	2012	2011
Trade	$ 394,779	$ 301,202
Developer obligations	113,978	71,352
Payroll and remittances	72,357	92,342
Accrued interest	16,471	16,012
Other	1,859	1,584
	$ 599,444	$ 482,492

7. Deferred Revenue

Deferred revenue is comprised of the funds noted below, the use of which is 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 17.

	2012	2011
Operating	$ 62,918	$ 73,653
Capital:		
North/South Trade Highway grant	7,470	6,673
Alberta Innovation and Science Program	5,200	8,900
Major Community Facilities Program	3,463	4,845
Other	3,281	1,672
Parks Community Initiatives	1,537	792
New Deals for Public Transit – Federal	299	9,059
Alberta Municipal Infrastructure Program (AMIP)		4,111
	21,250	36,052
	$ 84,168	$ 109,705

8. Employee Benefit Obligations

	2012	2011
Accrued vacation	$ 71,107	$ 68,362
Post-employment benefits	19,436	18,422
Banked overtime	10,943	9,732
Income replacement plan	7,452	8,789
Major medical and dental plans	6,942	6,214
Group Life Insurance Plan	5,559	5,772
Health care spending	3,845	3,480
Supplementary Management Retirement Plan	3,161	2,424
Other	911	620
	$ 129,356	$ 123,815

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 as at December 31, 2012 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 3.0 per cent (2011 – 3.0 per cent). The accrued benefit obligation as at December 31, 2012 is $15,769 (2011 - $15,092). The change is comprised of current service cost of $3,295 (2011 - $2,848), interest cost of $513 (2011 - $639), actuarial gain of $543 (2011 – $175) and benefits paid during the year of $2,588 (2011 - $2,695).

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 2012 were $2,148 (2011 - $1,748). Eligible dental obligations for 2012 were $321 (2011 - $365). Other post-employment benefits were $1,198 (2011 - $1,217).

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, 2012, completed by Aon Hewitt.

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.

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 2012 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 accrued benefit liability for total current and past service costs of $3,161 (2011 - $2,424) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2012. Unamortized net losses of $2,309 (2011 - $1,886) will be amortized over the 9 year average remaining service period of active plan participants.

Other employee benefit obligations for 2012 include $199 for the Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan liability (Note 20).

9. 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 $17,811 (2011 - $19,289) 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 4.3 per cent (2011 – 4.6 per cent) and an inflation rate of 2.25 per cent (2011 – 2.25 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. The City continues to exceed the minimum annual requirement.

For the year ended December 31, 2012 (in thousands of dollars)

10. Long-term Debt

a) Debt payable

Debt payable includes the following amounts:

	2012	2011
Debentures	**$ 2,520,304**	$ 2,366,084
Mortgages	**21,015**	23,584
	2,541,319	2,389,668
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	**152,316**	176,683
Sinking Fund assets	**156,082**	239,166
	2,232,921	1,973,819
Long-term debt is comprised of:		
Self-liquidating debt	**767,810**	707,949
Tax-supported debt	**1,465,111**	1,265,870
	$ 2,232,921	$ 1,973,819

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 $200,000 are secured by Sinking Fund assets with a carrying value of $156,082 (market value – $160,063) and required earnings of 5.0 per cent (2011 – 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 $16,003 (market value – $17,383).

Short-term notes and deposits within the Sinking Fund have an effective interest rate of 0.0 to 2.0 per cent (2011 – 0.0 to 3.5 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.1 to 5.9 per cent (2011 – 1.0 to 4.1 per cent) with maturity dates from March 8, 2013 to April 25, 2042 (2011 – January 20, 2012 to December 1, 2021).

Funds from the Transportation Fuel Rebate – Federal are directed to cover principal and interest payments for tax-supported debt relating to the South LRT. Outstanding principal for the South LRT debt at December 31, 2012 is $490,443 (2011 – $511,079).

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	Less: Sinking Fund Principal	Net Payment
2013	$ 54,150	$ 56,194	$ 110,344	$ 7,855	$ 6,049	$ 96,440
2014	52,179	58,660	110,839	7,717	3,024	100,098
2015	52,630	121,239	173,869	7,554	3,024	163,291
2016	53,198	63,935	117,133	7,584	3,024	106,525
2017	52,764	126,753	179,517	7,426	3,024	169,067
Thereafter	632,456	1,038,330	1,670,786	70,262	3,024	1,597,500
	$ 897,377	$ 1,465,111	$ 2,362,488	$ 108,398	$ 21,169	$ 2,232,921

For the year ended December 31, 2012 (in thousands of dollars)

Interest:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2013	$ 53,834	$ 60,217	$ 114,051	$ 18,975	$ 95,076
2014	47,073	57,748	104,821	14,048	90,773
2015	44,780	55,167	99,947	13,636	86,311
2016	42,441	50,728	93,169	13,221	79,948
2017	40,067	47,908	87,975	12,801	75,174
Thereafter	239,100	346,242	585,342	31,761	553,581
	$ 467,295	$ 618,010	$ 1,086,305	$ 104,442	$ 980,863

Total Payments:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2013	$ 107,984	$ 116,411	$ 224,395	$ 26,830	$ 6,049	$ 191,516
2014	99,252	116,408	215,660	21,765	3,024	190,871
2015	97,410	176,406	273,816	21,190	3,024	249,602
2016	95,639	114,663	210,302	20,805	3,024	186,473
2017	92,831	174,661	267,492	20,227	3,024	244,241
Thereafter	871,556	1,384,572	2,256,128	102,023	3,024	2,151,081
	$ 1,364,672	$ 2,083,121	$ 3,447,793	$ 212,840	$ 21,169	$ 3,213,784

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

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 excluded 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:

	2012	2011
Total debt limit	**$ 4,178,294**	$ 4,079,024
Total debt	**2,232,921**	1,973,819
Percentage used (%)	**53.44**	48.39
Total debt service limit	**$ 731,201**	$ 713,829
Total debt service	**223,516**	188,104
Percentage used (%)	**30.57**	26.35

For the year ended December 31, 2012 (in thousands of dollars)

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2037 and debenture interest is payable, at rates ranging from 1.6 to 9.0 per cent (2011 – 1.5 to 9.6 per cent). The average annual interest rate is 4.3 per cent for 2012 (2011 – 4.6 per cent). The Province pays 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

	2012	2011
Self-liquidating debt	$ 58,676	$ 69,329
Tax-supported debt	57,545	54,879
	116,221	124,208
Less payments on offsetting amounts receivable	24,894	36,897
Long-term debt interest included in interest and bank charges	$ 91,327	$ 87,311

11. Tangible Capital Assets

	Net Book Value 2012	2011
Land	$ 1,174,482	$ 1,110,874
Land improvements	430,862	395,666
Buildings	799,319	722,561
Machinery and equipment	263,310	259,723
Vehicles	555,363	491,392
Engineered structures:		
Roadway system	2,817,094	2,693,730
Drainage system	2,032,830	1,869,854
Light rail transit	535,101	544,508
Waste	60,201	61,718
Bus system	80,062	85,712
Other	14,951	10,257
	8,763,575	8,245,995
Assets under construction	1,438,353	1,133,949
	$ 10,201,928	$ 9,379,944

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

$202,493 in land, land improvements and engineered structures were contributed to the City in 2012 (2011 – $121,608) and were represented at fair value at the time received.

12. Other Assets

	2012	2011
Prepaid expenses – operational	$ 13,132	$ 12,172
Benefit plan asset	7,534	
	$ 20,666	$ 12,172

Notes to Consolidated Financial Statements

For the year ended December 31, 2012 (in thousands of dollars)

13. Equity in Tangible Capital Assets

	2012	2011
Tangible capital assets (Schedule 1)	**$ 15,842,211**	$ 14,715,963
Accumulated amortization (Schedule 1)	**(5,640,283)**	(5,336,019)
Long-term debt (Note 10)	**(2,232,921)**	(1,973,819)
Debt recoverable (Note 4)	**55,348**	57,271
	$ 8,024,355	$ 7,463,396

14. Reserves for Future Expenditures

	2012	2011
General Government:		
Financial stabilization	**$ 91,825**	$ 91,138
Financial stabilization – appropriated	**33,009**	43,931
Current planning	**25,685**	16,448
LRT	**18,334**	14,181
Parkland reserve	**11,746**	8,833
Funds in Lieu - residential	**10,399**	20,125
Affordable housing	**10,065**	11,795
Natural areas	**7,870**	7,166
Tax-supported debt	**6,199**	1,628
Enterprise portfolio/Commonwealth Stadium	**6,137**	4,385
Perpetual care	**5,243**	5,067
Heritage resources	**3,179**	2,920
Self insurance – vehicles	**2,500**	2,500
Tree management	**2,169**	1,914
Façade & storefront improvements	**1,668**	1,498
Development incentive	**1,466**	1,814
Aggregate site	**1,335**	1,418
Northlands – capital	**1,146**	1,090
Other	**718**	676
Community revitalization levy – Quarters	**(1,453)**	
Community revitalization levy – Belvedere	**(2,993)**	
Industrial Servicing Fund	**(3,726)**	
	232,521	238,527
Fleet Services – vehicle replacement	**15,314**	10,986
Edmonton Public Library Board	**3,001**	1,215
Edmonton Economic Development Corporation	**1,946**	1,966
Non-Profit Housing Corporation	**1,002**	1,017
	$ 253,784	$ 253,711

For the year ended December 31, 2012 (in thousands of dollars)

The City invests in public infrastructure within a community revitalization levy area, which is intended to spur new development. The property tax revenue from the new development, along with any revenue from property sales or a lift in the value of existing property within the area, is directed to paying the costs of the infrastructure, including financing costs, for up to twenty years. Timing differences between incurring costs and the collection of tax revenues have created deficit balances in the community revitalization levy reserves at the end of 2012. Future community revitalization levy tax revenues will fund the existing shortfalls.

The Industrial Servicing Fund reserve is used to provide rebates to developers that undertake construction of certain cost shareable infrastructure. The source of funding for the rebates is 50 per cent of the incremental property tax from the related new development. Timing differences between costs of development and collection of incremental property tax revenues have created a deficit balance, to be funded by future incremental property tax revenues.

15. Accumulated Surplus

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

	2012	2011
General government operations	**$ 15,451**	$ (3,587)
Excess earnings on Sinking Fund	**4,104**	3,196
Restricted surplus:		
Pension and benefits	**17,893**	21,029
Drainage Services Utility	**48,914**	56,442
Land Enterprise	**138,381**	131,669
Fleet Services	**(13,671)**	(7,542)
Waste Management	**(9,910)**	(5,352)
Ed Tel Endowment Fund	**648,507**	652,398
EPCOR Utilities Inc.	**2,232,704**	2,351,024
Non-Profit Housing Corporation	**1,442**	1,672
Edmonton Public Library Board	**982**	774
Edmonton Economic Development Corporation	**1,134**	1,313
Vehicle for Hire Commission	**622**	133
Edmonton Combative Sports	**(190)**	(27)
Fort Edmonton Management Company	**918**	282
Reserves for future expenditures (Note 14)	**253,784**	253,711
Equity in tangible capital assets (Note 13)	**8,024,355**	7,463,396
Advances for construction (capital to be financed)	**70,709**	(44,966)
	$ 11,436,129	$ 10,875,565

For the year ended December 31, 2012 (in thousands of dollars)

16. Net Taxes Available for Municipal Purposes

	2012	2011
Taxes:		
Property and business taxes	$ 1,376,511	$ 1,265,588
Community revitalization levy - Quarters	487	
Revenue in lieu of taxes	40,174	37,835
Local improvement levies	9,095	8,492
Other	7,240	6,528
	1,433,507	1,318,443
Less taxes on behalf of:		
Education	390,227	352,300
Business revitalization zones	3,010	2,832
	393,237	355,132
Net taxes available for municipal purposes	$ 1,040,270	$ 963,311

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 $1,859 on supplementary levies has been recorded at December 31, 2012 (2011 – $1,584) within accounts payable and accrued liabilities.

17. Government Transfers

	2012	2011
Operating transfers:		
Federal	$ 44,344	$ 45,104
Provincial	66,414	68,044
	110,758	113,148
Capital transfers:		
Federal	60,282	34,272
Provincial	425,431	452,883
	485,713	487,155
Total Government Transfers	$ 596,471	$ 600,303

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 2012, the City received $197,004 (2011 - $70,000), earned interest of $459 (2011 - $0) and temporary rental income of $24 (2011 - $0) and recorded $150,888 (2011- $135,632) as capital government transfers. A receivable of $19,033 (2011 - $65,632) has been recorded.

In 2011, an agreement through the Building Canada Fund was signed for the North Light Rail Transit expansion. In 2012, the City received $48,004 (2011- $0) and recorded $49,045 (2011 - $16,141) as capital government transfers. A receivable has been recorded for $17,182 (2011- $16,141).

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 2012, $1,440 (2011 – $108) has been recognized as revenue and $3,463 (2011 – $4,845) has been recognized as deferred revenue including interest of $58 (2011 – $46).

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 2012, the City received $0 (2011 - $3,003) and recognized operating government transfers of $12,308 (2011 - $15,833). $23,816 (2011 - $36,001) has been recognized as deferred revenue including interest of $338 (2011 - $474). $215 (2011 - $287) has been recognized as capital government transfers.

In 2007, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. The City received $167,015 in 2012 (2011 - $164,611) and recognized $173,810 (2011 – $194,817) including interest of $66 (2011 – $144) as capital government transfers and $1,558 (2011 – $3,604) as operating government transfers. $72,150 has been recorded as a receivable (2011 – $63,863).

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2012, the City received funding of $124,000 (2011 - $118,000) and has recognized $93,139 (2011 - $83,356) as capital government transfers and $1,712 (2011 - $0) as operating government transfers, including reallocation of costs from the North/South Trade Highway grant of $715, interest of $90 (2011 - $177) and temporary rental income of $65 (2011 - $98). $3,114 has been recorded as a receivable (2011 – $31,703).

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. $99 (2011 - $1,465) has been recognized as government transfers for capital, and $3,700 (2011 - $0) has been recognized as government transfers for operations. $5,200 (2011 – $8,900) including interest of $99 (2011 - $111), has been reported as deferred revenue.

Under the Federal Gas Tax Fund (formerly New Deals for Cities and Communities), the City received $43,605 (2011 - $43,605), and recognized $43,605 (2011 – $43,605) as operating government transfers, to fund debt servicing costs related to the South LRT.

The City recognized $8,797 (2011 - $10,766) as government transfers under the New Deals for Public Transit Program which was established to assist in reducing the backlog of necessary sustainable capital infrastructure projects. $299 (2011 – $9,059) including interest of $37 (2011 - $296) has been recorded as deferred revenue.

The Federal government provided $2,005 (2011 - $12,931) in funding under the Infrastructure Stimulus Fund. $626 (2011 - $6,235) was recorded as capital government transfers. A receivable of $0 (2011 - $1,379) has been recorded. This program is complete and fully spent.

Under the Alberta Municipal Infrastructure Program (AMIP), $4,135 (2011 - $36,686) has been recognized as government transfers, including interest of $24 (2011 - $282), ending the year with $0 (2011 - $4,111) reported as deferred revenue. This program is complete and fully spent.

In 2012, the City received a grant of $16,335 (2011 - $16,335) from the Province for Family and Community Support Services funding. The full amount was recognized as operating revenue in 2012.

For government transfer amounts deferred to future years, see also Note 7.

For the year ended December 31, 2012 (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	**2012**	2011
Mayor	$ 135	$ 33	**$ 168**	$ 168
Councillors:				
Anderson	87	21	**108**	101
Batty	87	21	**108**	100
Caterina	87	21	**108**	104
Diotte	87	21	**108**	98
Gibbons	87	20	**107**	102
Henderson	87	20	**107**	102
Iveson	85	22	**107**	102
Krushell	85	19	**104**	100
Leibovici	86	20	**106**	98
Loken	87	22	**109**	99
Sloan	87	19	**106**	101
Sohi	87	22	**109**	104
	1,039	248	**1,287**	1,211
Chief Administrative Officer	340	30	**370**	352
City Assessor	200	27	**227**	215
	$ 1,714	$ 338	**$ 2,052**	$ 1,946

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.

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 transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

In 2011, EPCOR adopted the International Financial Reporting Standards (IFRS) applicable to companies for years beginning on or after January 1, 2011. IFRS 1 - First-time adoption of IFRS was applied in 2011, with retro active application. For purposes of the City of Edmonton consolidated reporting, the change by EPCOR to adopt IFRS is reported as a change to opening 2011 accumulated surplus without restatement of prior periods.

Notes to Consolidated Financial Statements

For the year ended December 31, 2012 (in thousands of dollars)

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

	2012	2011
Financial position:		
Current assets	$ 605,015	$ 709,966
Capital assets	3,416,574	2,658,248
Investment in Capital Power	620,557	987,383
Other assets	781,480	676,391
Total assets	5,423,626	5,031,988
Current liabilities (including current portion of long-term debt of $14,324 (2011 – $16,894)	400,825	348,819
Non-current liabilities	833,681	649,943
Long-term debt	1,956,416	1,682,202
Total liabilities	3,190,922	2,680,964
Accumulated other comprehensive gain	13,869	9,251
Share capital contribution	23,794	23,794
Retained earnings	2,195,041	2,317,979
Shareholder's equity	$ 2,232,704	$ 2,351,024
Results of operations:		
Revenues	$ 1,958,807	$ 1,833,491
Equity share of income – Capital Power	40,456	90,240
Expenses	(1,857,465)	(1,780,075)
Impairment of investment in Capital Power	(123,715)	
Net income	$ 18,083	$ 143,656
Changes in shareholder's equity:		
Shareholder's equity - opening	$ 2,351,024	$ 2,464,951
Transition adjustments upon IFRS adoption		(123,404)
Adjusted opening shareholder's equity	2,351,024	2,341,547
Net income	18,083	143,656
Other comprehensive income	4,618	4,241
Dividend to shareholder (City of Edmonton)	(141,021)	(138,420)
Shareholder's equity - ending	$ 2,232,704	$ 2,351,024

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 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. Dispositions and stock dilution have subsequently decreased EPCOR's interest in Capital Power to 29 per cent (2011 – 39 per cent). EPCOR applies the equity method to account for its investment in Capital Power.

In 2012, it was determined that the carrying amount of EPCOR's investment in exchangeable limited partnership units of Capital Power L.P. exceeded the recoverable amount of the investment, resulting in an impairment charge of $123,715.

For the year ended December 31, 2012 (in thousands of dollars)

Principal payments on EPCOR's long-term debt for the next five years and thereafter, including sinking fund payments (Note 10) and deferred financing charges, are as follows:

2013	$ 17,656
2014	13,717
2015	13,852
2016	144,263
2017	14,461
Thereafter	1,766,791
	$ 1,970,740

EPCOR has issued letters of credit for $139,405 (2011 – $271,792) to meet the credit agreements 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.

	2012	2011
Dividend paid to the City	**$ 141,021**	$ 138,420
Franchise fees and revenue tax to the City	**65,915**	63,736
Financing expenses paid or payable to the City	**17,360**	24,784
Sales of administrative and construction services from the City	**14,634**	13,749
Property taxes and other taxes to the City	**13,171**	12,274
Costs of capital construction paid or payable to the City	**2,330**	2,966
Power and water purchased by the City	**2,571**	1,881
Other services purchased by the City	**93,773**	88,345

Within current assets and other assets is $29,883 (2011 – $22,289) due from the City. Current liabilities of $10,000 (2011 – $12,250) and non-current liabilities of $6,500 (2011 – $16,500) relate to transfer fees payable to the City with respect to the 2009 transfer of the Gold Bar Wastewater Treatment Facility from the City to EPCOR. EPCOR's current liabilities include $11,183 (2011 - $19,592) in trade and other payables due to the City. The City financial statements include the net balance receivable from EPCOR within the Financial Assets – Trade and other receivables. Other related party balances include deferred revenues of $25,925 (2011 - $19,448), relating to capital contributions received for capital projects and rebates for maintenance, repair and construction services, including $16,600 in contributed capital for the North LRT project.

Long-term debt reported by EPCOR includes amounts of $150,016 (2011 – $171,958) issued in the name of the City. Offsetting short and long-term receivables from EPCOR of $152,316 (2011 – $176,683), presented on a PSAB basis, have been applied to reduce the consolidated long-term debt (Note 10).

Notes to Consolidated Financial Statements

For the year ended December 31, 2012 (in thousands of dollars)

20. 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 9.91 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.74 per cent thereafter. Employees of the City are required to make current service contributions of 8.91 per cent of pensionable salary up to YMPE and 12.74 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 2012 were $74,291 (2011 – $65,533). Total current service contributions by the employees of the City to the LAPP in 2012 were $66,699 (2011 – $59,366).

The LAPP reported a deficiency for the overall plan as at December 31, 2011 of $4,639,390. Information as at December 31, 2012 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 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 2012 were $22,919 (2011 – $20,661). Total current and past service contributions by the participants to the SFPP in 2012 were $21,185 (2011 – $19,099).

The SFPP reported a deficiency for the plan as at December 31, 2011 of $609,272 comprised of $279,966 for pre-1992 and $329,306 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

c) City-Sponsored Pension Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 23.

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 $6 (2011 – $5).

ii) Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 21 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 $99 (2011 – $105).

For the year ended December 31, 2012 (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 $6,769 (2011 – $6,383). Employee contributions for the year were $2,846 (2011 – $2,468). Employer contributions for the year were $3,360 (2011 – $2,952).

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 $308 (2011 – $293). Employee contributions for the year were $12 (2011 – $10), and employer contributions were $63 (2011 – $63).

Actuarial valuations for Annuity, Police Supplementary, and Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plans, and an actuarial extrapolation for Fire Fighters' Supplementary Pension Plan were completed by Aon Hewitt as at December 31, 2012. Each 2012 actuarial valuation and extrapolation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.25 per cent (2011 – 2.25 per cent). The discount rate used to determine the accrued benefit obligation is 6.00 per cent (2011 – 6.00 per cent). Each pension fund's assets are valued at fair value. The expected rate of return on plan assets is 6.00 per cent (2011 – 6.00 per cent).

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

	Annuity	PSPP	FFSPP	Fire Chief	**2012**	2011
Fair value of assets	$ 10,019	$ 7,811	$ 141,858	$ 2,129	**$ 161,817**	$ 149,019
Accrued benefit Obligation	13	512	150,706	2,760	**153,991**	146,334
Funded status – surplus (deficit)	10,006	7,299	(8,848)	(631)	**7,826**	2,685
Unamortized net actuarial loss			28,044	432	**28,476**	34,133
Accrued benefit asset (liability)	10,006	7,299	19,196	(199)	**36,302**	36,818
Valuation allowance	10,006	7,299			**17,305**	15,789
Employee portion of accrued benefit asset			8,638		**8,638**	
Net fund asset (liability)	$	$	$ 10,558	$ (199)	**$ 10,359**	$ 21,029

The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.3 years (2011 - 16.3 years) and of the Fire Chief plan of 3.0 years (2011 - 2.8 years). The accrued benefit asset for the FFSPP is shared 55 per cent by the City as employer and 45 per cent by employees. The net employer share of the fund asset balance for the FFSPP is included in Trade and other receivables. The net fund liability for the Fire Chief Plan is included within Employee Benefit Obligations – Other (Note 8). The 2011 net fund asset reflected the full employee and employer share.

For the year ended December 31, 2012 (in thousands of dollars)

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

	Annuity	PSPP	FFSPP	Fire Chief	**2012**	2011
Current service cost	$	$	$ 5,198	$ 20	**$ 5,218**	$ 4,721
Amortization of actuarial (gain) loss	(303)	(266)	2,086	254	**1,771**	3,293
Increase (decrease) in valuation allowance	852	664			**1,516**	(348)
Less: employee contributions			(2,846)	(12)	**(2,858)**	(2,478)
Benefit plan expense for the year	549	398	4,438	262	**5,647**	5,188
Interest cost on accrued benefit obligation	1	33	8,522	166	**8,722**	8,629
Expected return on plan assets	(550)	(431)	(7,809)	(124)	**(8,914)**	(9,147)
Benefit plan interest expense (income)	(549)	(398)	713	42	**(192)**	(518)
Total benefit plan related expense	$	$	$ 5,151	$ 304	**$ 5,455**	$ 4,670

d) 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, 2012. The Plan's assets are valued at fair value.

	2012	2011
Fair value of assets	**$ 95,291**	$ 84,726
Less: Accrued benefit obligation	**52,442**	56,697
Net assets	**$ 42,849**	$ 28,029

For the year ended December 31, 2012 (in thousands of dollars)

21. Commitments

a) Capital Commitments

City Council has approved a 2012 – 2014 Capital Budget. Certain projects approved include expenditures which extend beyond 2014. The overall future commitment of $3,172,022 is to be funded as follows:

Government transfers and developer contributions	$ 1,208,178
Tax-supported debentures	617,446
Pay-as-you-go financing	547,887
Accumulated surplus including reserves	450,966
Self-liquidating debentures	245,396
Other	102,149
	$ 3,172,022

Capital requirements related to EPCOR are not included in the Capital Priorities Plan. Certain capital commitments for EPCOR have been disclosed in Note 19.

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:

2013	$ 18,724
2014	15,146
2015	13,180
2016	6,851
2017	5,373
Thereafter	26,349
	$ 85,623

c) Contractual Obligations

To mitigate the risk of fluctuation in fuel prices the City has entered into swap transactions to purchase 20.50 million litres of heating oil for monthly periods from January 2013 through December 2013. The contracts have settlement dates ranging from February 7, 2013 through January 8, 2014 at prices from $0.76 to $0.79 per litre, or $15,804.

The City has entered into cash and security futures contracts with a notional value of $3,200. As at December 31, 2012 the unrealized gain of $23 (2011 – loss of $28) 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.

For the year ended December 31, 2012 (in thousands of dollars)

22. Contingent Liabilities

a) The City is defendant in various lawsuits as at December 31, 2012. 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.

23. 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.

	2011	Deposits (Withdrawals)	Earnings	**2012**
Pension Funds Net Assets:				
Annuity Fund	$ 9,168	$ (20)	$ 871	**$ 10,019**
Police Supplementary Pension Fund	7,240	(111)	682	**7,811**
Fire Fighters' Supplementary Pension Fund	130,427	(658)	12,089	**141,858**
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	2,184	(238)	183	**2,129**
	149,019	(1,027)	13,825	**161,817**
Long-term Disability Plan	84,726	3,155	7,410	**95,291**
Other	852	(109)	1	**744**
	$ 234,597	$ 2,019	$ 21,236	**$ 257,852**

Pension Fund assets include fixed income investments in government and government guaranteed bonds, and corporate bonds valued at market quotations from Canadian investment dealers, as well as Canadian, international and global 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, along with Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed.

24. 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.

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 taxes, including the tax allocation provided directly to other operations, as follows:

- **Transportation Services** includes bus, light rail transit, roadway and parking services.
- **Protective Services** is comprised of police, traffic safety, bylaw enforcement and fire rescue.
- **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 (deficiency) in Sinking Fund earnings. Revenues that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

b) **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.

c) **Drainage Services** includes the Sanitary Drainage Utility (collection and transmission of wastewater) as well as the Stormwater 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.

d) **Fleet Services** provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments and to EPCOR.

e) **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.

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 19 to these financial statements provides condensed financial information for EPCOR.

g) **Other** includes the Ed Tel Endowment Fund, the Non-Profit Housing Corporation, the Vehicle for Hire Commission, the Combative Sports Commission and the Fort Edmonton Management Company. 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).

25. Comparative Figures

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

SCHEDULES & STATISTICS

Statistical Review for the Years 2008 to 2012
General Municipal Data

Unaudited

	2012	2011	2010	2009	2008
Population (Note 1)	**817,498**	812,201	782,439	782,439	752,412
Population age distribution (%) (Note 1)					
0-4	**6.15**	5.77	5.77	5.77	5.70
5-19	**16.95**	17.52	17.52	17.52	17.80
20-29	**17.08**	17.81	17.81	17.81	17.60
30-39	**15.46**	14.95	14.95	14.95	14.60
40-49	**14.08**	14.95	14.95	14.95	15.20
50-59	**13.83**	13.27	13.27	13.27	13.10
60-64	**4.91**	4.44	4.44	4.44	4.30
65+	**11.54**	11.29	11.29	11.29	11.70
Area – in hectares	**69,980**	69,980	69,980	69,980	69,980
– in square kilometers (rounded)	**700**	700	700	700	700
Value of building permits ($000)	**$ 3,419,353**	$ 2,820,745	$ 2,726,282	$ 2,448,601	$ 2,611,673
Number of housing starts (per Canada Mortgage and Housing Corporation)	**9,488**	6,135	6,110	3,911	3,979
Household median total income (Note 2) (per Statistics Canada) ($)					
Edmonton	**$ 87,930**	$ 87,930	$ 87,930	$ 86,250	$ 88,190
Alberta	**$ 85,380**	$ 85,380	$ 85,380	$ 83,560	$ 86,080
Canada	**$ 69,860**	$ 69,860	$ 69,860	$ 68,410	$ 68,860
Consumer price index – 2002 base year (per Statistics Canada)					
Edmonton	**127.4**	126.0	122.9	121.6	121.4
Alberta	**126.5**	125.7	122.7	121.5	121.6
Canada	**121.2**	119.9	116.5	114.4	114.1
Unemployment rate (%) – annual average (per Statistics Canada)					
Edmonton (metropolitan area)	**4.7**	5.4	6.7	6.7	3.7
Alberta	**4.7**	5.5	6.5	6.6	3.6
Canada	**7.3**	7.4	8.0	8.3	6.1
City of Edmonton employees (Note 3)	**13,420**	13,030	12,571	12,166	11,847

Source: City of Edmonton Sustainable Development.

Notes:

1. The population figures are as per the 2008 City, 2009 City, 2011 Canada and 2012 City Census. The population age distribution for 2009 through 2011 reflects the 2009 City Census information.
2. Updated figures for 2011 and 2012 household median total income are not yet available. The amounts shown continue to reflect the 2010 data.
3. Positions are stated in full time equivalents.

Statistical Review for the Years 2008 to 2012
Assessment and Tax Levy

Unaudited (in thousands of dollars, except per capita)

	2012	2011	2010	2009	2008
Assessment:					
Total taxable assessment	**$ 131,963,278**	$ 130,942,608	$ 121,312,731	$ 132,072,265	$ 130,528,323
Percentage of total assessment represented by:					
Residential properties	**75.6**	75.3	73.7	75.1	80.7
Commercial properties	**24.4**	24.7	26.3	24.9	19.3
Taxable assessment per capita	**$ 161,423**	$ 161,219	$ 155,044	$ 168,796	$ 173,480
Assessment for principal taxpayers (%) (Note 1)	**4.1**	4.2	4.7	4.6	3.4
Rates of taxation (mills):					
Single family residences	**7.68**	7.12	7.35	6.20	5.46
Other residential property	**8.43**	7.82	8.06	6.80	5.99
Commercial and industrial	**18.88**	17.37	15.56	13.16	14.68
Property tax levy, collections, and arrears:					
Arrears at January 1 (net)	**$ 40,998**	$ 46,199	$ 36,716	$ 30,575	$ 26,724
Tax Levy	**1,390,327**	1,277,865	1,164,619	1,062,115	958,935
Appeals and adjustments	**(13,708)**	(12,778)	(3,268)	(6,457)	(8,531)
Collections:					
Regular	**(1,358,508)**	(1,249,635)	(1,135,708)	(1,042,158)	(936,650)
Community Revitalization Levy	**(487)**				
Arrears	**(25,113)**	(29,321)	(24,141)	(14,422)	(15,723)
Penalties on prior year arrears	**10,464**	8,668	7,981	7,063	5,820
Arrears at December 31 (net)	**$ 43,973**	$ 40,998	$ 46,199	$ 36,716	$ 30,575
Percentage of current property taxes collected	**98.7**	98.8	97.8	98.7	98.6
Percentage of net property tax arrears collected	**61.3**	63.5	65.8	47.2	58.8
Property tax arrears per capita (gross)	**$ 60.18**	$ 56.25	$ 60.07	$ 47.85	$ 41.32
Property tax arrears per capita (net)	**53.79**	50.48	59.04	46.93	40.64
Property tax levy per capita	**1,700.71**	1,573.34	1,488.45	1,357.44	1,274.48
Business tax levy (Note 2)	**$**	$	$ 33,088	$ 62,308	$ 86,849
Business revitalization zone tax levy	**$ 3,005**	$ 2,740	$ 2,726	$ 2,694	$ 2,205
Education requisitions	**$ 390,227**	$ 352,300	$ 334,922	$ 314,899	$ 289,916

Source: City of Edmonton Financial Services and Utilities.

Note:
1. Includes the ten highest taxpayers by assessment value.
2. 2010 was the final year the City levied business taxes.

Statistical Review for the Years 2008 to 2012
Investment Funds

Unaudited (in thousands of dollars)

	2012	2011	2010	2009	2008
Investment funds (Note 1)					
The Balanced Fund					
Net assets – market value	**$ 494,255**	$ 464,594	$ 519,648	$ 548,118	$ 472,897
Net assets – cost	**499,086**	478,786	500,628	538,234	504,027
Net earnings	**20,123**	53,150	37,265	9,127	820
Fund rate (%)	**4.2**	10.6	6.9	1.8	0.2
Market (%)	**6.7**	4.6	9.0	10.9	(5.3)
Ed Tel Endowment Fund					
Net assets – market value	**$ 617,935**	$ 590,566	$ 626,626	$ 589,938	$ 541,021
Net assets – cost	**648,507**	652,398	591,113	570,932	616,228
Net earnings (losses)	**23,821**	87,084	44,879	(10,304)	(29,700)
Fund rate (%)	**3.7**	13.3	7.6	(1.8)	(4.8)
Market (%)	**9.9**	(1.2)	10.9	16.1	(16.0)
Sanitary Servicing Strategy Fund (Note 2)					
Net assets – market value	**$**	$	$	$	$
Net assets – cost					
Net earnings					384
Fund rate (%)					
Market (%)					
The Sinking Fund					
Net assets – market value	**$ 162,682**	$ 249,531	$ 299,750	$ 347,060	$ 493,040
Net assets – cost	**158,636**	240,111	292,977	337,690	477,467
Net earnings:					
Required	**$ 7,843**	$ 12,519	$ 16,917	$ 20,564	$ 22,459
(Deficiency) excess	**1,609**	(1,726)	(238)	(3,487)	3,628
Total	**$ 9,452**	$ 10,793	$ 16,679	$ 17,077	$ 26,087
Fund rate (%)	**6.0**	4.5	5.7	5.1	5.5
Market (%)	**2.9**	5.8	4.3	2.2	7.2

Source: City of Edmonton Financial Services and Utilities.

Notes:
1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
   a) Net earnings (losses) are realized earnings (losses) of the fund as calculated in accordance with Canadian public sector accounting standards.
   b) Fund rate is the rate expressed as the net earnings (losses) for the year over the weighted average of total assets employed.
   c) Market return is based on the time-weighted method, in accordance with industry standards.
2. The Sanitary Servicing Strategy Fund was established on July 29, 2005 and wound up as a separate investment fund on December 1, 2008.

Statistical Review for the Years 2008 to 2012
Long-Term Debt

Unaudited (in thousands of dollars, except per capita)

	2012	2011	2010	2009	2008 (Note 1)
Debenture borrowing					
Self-liquidating	**$ 95,686**	$ 90,037	$ 80,992	$ 220,782	$ 87,231
Tax-supported	**248,606**	119,832	315,799	389,084	234,443
	$ 344,292	$ 209,869	$ 396,791	$ 609,866	$ 321,674
Debt limit per regulation	**$ 4,178,294**	$ 4,079,024	$ 3,679,534	$ 3,243,406	$ 3,003,628
Total debt limit used	**2,232,921**	1,973,819	1,840,233	1,508,719	1,043,438
Percentage used (%)	**53.44**	48.39	50.01	46.52	34.74
Debt service limit per regulation	**731,201**	713,829	643,918	567,596	525,635
Total debt service limit used	**223,516**	188,104	172,625	138,671	103,124
Percentage used (%)	**30.57**	26.35	26.81	24.43	19.62
General government debt service	**111,765**	104,821	90,069	67,449	54,853
General government debt service as a percentage of general government operating expenses	**5.9**	5.7	5.3	4.2	3.4
Long-term debt (gross)					
Self-liquidating	**$ 1,076,208**	$ 1,123,798	$ 1,149,471	$ 1,182,933	$ 1,131,095
Tax-supported	**1,465,111**	1,265,870	1,189,758	910,677	547,718
Long-term debt (net of EPCOR and Sinking Fund)					
Self-liquidating	**$ 767,810**	$ 707,949	$ 650,475	$ 598,042	$ 495,720
Tax-supported	**1,465,111**	1,265,870	1,189,758	910,677	547,718
Net debt per capita					
Self-liquidating	**$ 939**	$ 872	$ 831	$ 764	$ 659
Tax-supported	**1,792**	1,559	1,521	1,164	728
	$ 2,731	$ 2,431	$ 2,352	$ 1,928	$ 1,387
Percentage of net debt to be retired					
Within 5 years	**28.5**	25.9	25.0	22.4	30.1
Within 10 years	**52.5**	50.4	49.1	47.9	57.4

Source: City of Edmonton Financial Services and Utilities.

Note:
1. The debt limit and debt service limit for years subsequent to 2008 reflect the consolidation of Non-Profit Housing Corporation. The information for 2008 has not been restated.

Statistical Review for the Years 2008 to 2012
Consolidated Expenses

Unaudited (in thousands of dollars)

Operating Expenses by Function	2012	2011	2010	2009	2008 (Note 1)
Transportation services	**$ 695,084**	$ 689,946	$ 624,577	$ 569,337	$ 547,944
Protective services	**528,007**	500,887	475,772	430,217	433,190
Community services	**407,314**	378,287	337,774	304,337	298,088
Utility and enterprise services	**313,525**	312,865	289,484	257,867	186,597
Corporate administration, general municipal and other	**295,560**	296,362	288,764	312,440	269,304
Waste management (Note 2)					86,470
	$ 2,239,490	$ 2,178,347	$ 2,016,371	$ 1,874,198	$ 1,821,593

Operating Expenses by Object	2012	2011	2010	2009	2008 (Note 1)
Salaries, wages and benefits	**$ 1,219,733**	$ 1,149,747	$ 1,079,964	$ 996,550	$ 934,463
Materials, goods and utilities	**259,147**	273,126	226,324	220,984	240,840
Contracted and general services	**193,758**	214,413	209,861	201,943	206,733
Interest and bank charges	**93,960**	90,316	81,748	65,743	47,578
Grants and other	**87,284**	76,967	80,002	90,141	71,359
Amortization of tangible capital assets	**381,628**	359,254	328,943	295,006	277,317
Loss on disposal/replacement of tangible capital assets	**3,980**	14,524	9,529	3,831	43,303
	$ 2,239,490	$ 2,178,347	$ 2,016,371	$ 1,874,198	$ 1,821,593

Source: City of Edmonton Financial Services and Utilities.

Notes:
1. Expenses for years subsequent to 2008 reflect the consolidation of Non-Profit Housing Corporation. The information for 2008 has not been restated.
2. Waste management expenses have been included in the utility and enterprise service figure effective January 1, 2009 as a result of a business model change to a full utility.

Statistical Review for the Years 2008 to 2012
Consolidated Revenue and Capital Financing

Unaudited (in thousands of dollars)

Revenues – consolidated	2012	2011	2010	2009	2008 (Note 1)
Net taxes for municipal purposes	**$ 1,040,270**	$ 963,311	$ 897,048	$ 837,766	$ 780,399
User fees and sale of goods and services	**595,632**	544,501	495,883	458,814	461,843
Franchise fees	**117,406**	114,805	103,266	95,283	76,116
Government transfers – operating	**110,758**	113,148	118,618	107,500	83,096
Licences and permits	**64,452**	50,737	40,777	33,599	41,132
Investment earnings (loss)	**59,899**	157,950	98,129	9,784	(11,509)
Fines and penalties	**55,643**	48,610	51,820	45,403	44,122
Subsidiary operations	**18,083**	143,656	132,955	119,555	176,290
Developer and customer contributions – operating	**3,444**	656	149	5	409
Revenues before capital	**2,065,587**	2,137,374	1,938,645	1,707,709	1,651,898
Government transfers – capital	**485,713**	487,155	389,776	469,928	428,794
Developer contritubted tangible capital assets	**202,493**	121,608	139,281	241,074	191,832
Developer and customer contributions – capital	**41,643**	45,794	34,077	33,549	26,206
	$ 2,795,436	$ 2,791,931	$ 2,501,779	$ 2,452,260	$ 2,298,730

Capital Additions by Financing Source	2012	2011	2010	2009	2008 (Note 1)
Capital Additions	**$ 1,209,210**	$ 1,177,337	$ 1,151,622	$ 1,380,864	$ 1,356,751
Financing Sources Applied:					
Pay-As-You-Go	**147,348**	131,965	97,509	95,352	116,580
Debenture borrowing	**273,285**	230,168	276,038	465,804	418,247
Government transfers – Provincial	**425,431**	452,883	356,660	459,103	415,248
Government transfers – Federal	**60,282**	34,272	33,116	10,825	13,546
Developer/partnership	**252,799**	159,552	170,977	286,838	219,674
Reserves/user fees/other	**50,065**	168,497	217,322	62,942	173,456
	$ 1,209,210	$ 1,177,337	$ 1,151,622	$ 1,380,864	$ 1,356,751

Source: City of Edmonton Financial Services and Utilities.

Note:
1. Revenue for years subsequent to 2008 reflect the consolidation of Non-Profit Housing Corporation. Information for 2008 has not been restated.

Statistical Review for the Years 2008 to 2012
Financial Position, Annual Surplus and Reserves

Unaudited (in thousands of dollars)

Financial Position and Annual Surplus Changes to Accumulated Surplus	2012	2011	2010	2009	2008
Financial assets	**$ 4,277,021**	$ 4,249,311	$ 4,382,260	$ 4,356,584	$ 4,257,624
Liabilities	**3,096,229**	2,799,012	2,641,128	2,301,741	1,931,822
Net financial assets	**1,180,792**	1,450,299	1,741,132	2,054,843	2,325,802
Non-financial assets	**10,255,337**	9,425,266	8,640,012	7,842,995	7,010,679
Accumulated surplus – ending	**$ 11,436,129**	$ 10,875,565	$ 10,381,144	$ 9,897,838	$ 9,336,481
Annual Excess of revenues over expenses	**$ 555,946**	$ 613,584	$ 485,408	$ 578,062	(Note 1)
Other changes to Accumulated Surplus	**$ 4,618**	$ (119,163)	$ (2,102)	$ (16,705)	(Note 1)

Reserves	2012	2011	2010	2009	2008
General Government					
Financial Stabilization	**$ 91,825**	$ 91,138	$ 95,267	$ 71,366	$ 85,413
Financial Stabilization – appropriated	**33,009**	43,931	31,614	43,297	31,823
Current planning	**25,685**	16,448	6,314		
LRT	**18,334**	14,181	10,035	14,924	9,814
Parkland reserve	**11,746**	8,833	12,070	12,683	12,618
Funds in Lieu - residential	**10,399**	20,125	11,420	8,254	15,324
Affordable housing	**10,065**	11,795	14,744	14,782	18,459
Natural areas	**7,870**	7,166	6,124	5,058	5,251
Tax-supported debt	**6,199**	1,628	1,691	1,090	8,731
Enterprise portfolio / Commonwealth Stadium	**6,137**	4,385	5,593	7,990	6,752
Perpetual care	**5,243**	5,067	4,775	4,041	3,920
Heritage resources	**3,179**	2,920	2,722	2,924	2,896
Self Insurance – vehicles	**2,500**	2,500	2,500	2,500	2,500
Tree management	**2,169**	1,914	920	516	887
Façade & storefront improvements	**1,668**	1,498	859	240	629
Development incentive	**1,466**	1,814	1,942		
Aggregate site	**1,335**	1,418	1,183	834	982
Northlands – Capital	**1,146**	1,090	1,078	683	2,069
Other	**718**	676	635	601	1,459
Community revitalization levy – Quarters	**(1,453)**				
Community revitalization levy – Belvedere	**(2,993)**				
Industrial Servicing Fund	**(3,726)**				
Neighbourhood renewal			2,586	4,723	
Waste management rate stabilization					18,960
Benefit plan					6,500
	232,521	238,527	214,072	196,506	234,987
Fleet Services – vehicle replacement	**15,314**	10,986	953		
Edmonton Public Library Board (Note 2)	**3,001**	1,215	332	743	389
Edmonton Economic Development Corporation	**1,946**	1,966	1,879	1,590	1,560
Non-Profit Housing Corporation (Note 3)	**1,002**	1,017	1,259	1,538	2,030
	$ 253,784	$ 253,711	$ 218,495	$ 200,377	$ 238,966

Source: City of Edmonton Financial Services and Utilities.

Notes:
1. With the implementation of a new financial reporting model effective January 1, 2009, figures for 2008 were restated. Changes to accumulated surplus for 2008 are unavailable in the current reporting format.
2. During 2009, the Edmonton Public Library Board restated reserve balances for 2008.
3. Beginning in 2010, Non-Profit Housing Corporation was consolidated within the consolidated financial statements. Prior years reserve information has been restated consistently.

Related Boards and Authorities

Further information regarding the related boards and authorities can be obtained from the following sources:

Edmonton Economic Development Corporation

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue
Edmonton, Alberta T5J 1P7

Phone: 780-424-9191
Fax: 780-917-7668

E-mail: info@edmonton.com
Web: www.edmonton.com/eedc-corporate.aspx

Chair: Brad Ferguson
President and CEO: Peter Silverstone

Edmonton Police Commission

Suite 171, 10235 101 Street
Edmonton, Alberta T5J 3E9

Phone: 780-414-7510
Fax: 780-414-7511

E-mail: commission@edmontonpolice.ca
Web: www.edmontonpolicecommission.com

Chair: Shami Sandhu
Chief of Police: Rod Knecht

The City of Edmonton Non-Profit Housing Corporation

100, 11025 124 Street NW
Edmonton, Alberta T5M 0J5

Phone: 780-474-5706
Fax: 780-474-8175

Web: www.myhomeed.ca

Chair: Bryan Kapitza
Executive Director: Bill Bell

EPCOR Utilities Inc.

EPCOR
2000, 10423 101 Street NW
Edmonton, Alberta T5H 0E8

Phone: 780-412-3414
Fax: 780-412-3192

E-mail: corpafrs@epcor.ca
Web: www.epcor.ca

Chair: Hugh Bolton
President and CEO: David Stevens

The Edmonton Public Library

7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4

Phone: 780-496-7000
Fax: 780-496-7097

Web: www.epl.ca

Chair: Ellen Calabrese-Amrhein
CEO: Linda Cook

For more information about
the City of Edmonton, visit

www.edmonton.ca

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