EDMONTON

2010 Annual Report

City of Edmonton Alberta, Canada

For the year ended December 31, 2010

Contents

Our **Mission**

The City of Edmonton focuses on:

- the delivery of effective, efficient and citizen-oriented services
- sound leadership and teamwork
- responsible use of resources (financial, people and assets)

Produced by the Finance and Treasury Department of the City of Edmonton, in cooperation with all civic departments, offices and agencies.

2010 Annual Report

City of Edmonton Alberta, Canada

For the year ended December 31, 2010


SAY

Edmonton's **Big Picture**

Vibrant. Innovative. Inclusive. Sustainable.

That's our vision of Edmonton. And increasingly, that's who we are. Capitalizing on our strengths, building on undeniable excellence, the people of this northern city are transforming Edmonton into one of Canada's great urban centres, among the best in the world.

Edmonton straddles the picturesque North Saskatchewan River. Hundreds of kilometres of trails span the city to form North America's largest continuous urban parkland, and a four-season climate provides generous opportunities for diverse pursuits, from skating and skiing in winter to boating and cycling in summer.

This region of a million people enjoys internationally recognized, best-of-class education, including kindergarten, secondary schools, lifelong learning options, post-secondary institutions and a celebrated research community. An increasingly multicultural mosaic attracts the brightest minds to visit, engage in business and start families. Long a rich agricultural zone, Edmonton is also Canada's service centre for the world's largest source of politically stable oil and a hotbed of knowledge-sector industries.

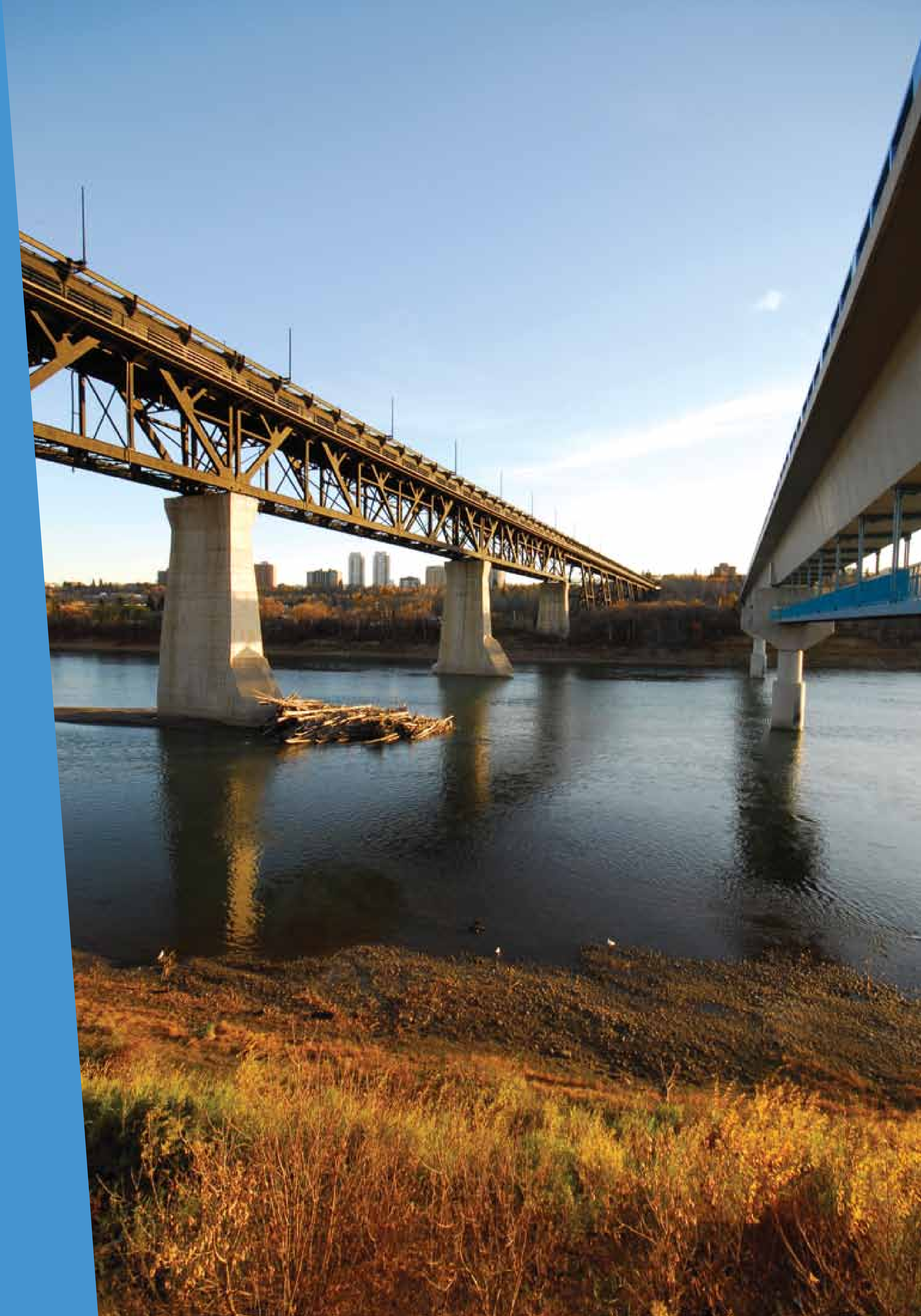
Our entrepreneurial spirit is matched only by the artistic vitality and unparalleled volunteer ethic that permeate our community, connecting neighbourhoods and attracting enviable international events. In 2010 we welcomed the Honda Indy Edmonton, the Canadian Country Music Awards and the Grey Cup. Volunteers also fuel the nonstop events calendar that makes us Canada's Festival City.

Alberta's capital city is in a period of growth and renewal. Investment in infrastructure including over $1 billion in 2010 has revitalized neighbourhoods, rehabilitated roads and bridges and created new parks. We cut the ribbon on a new length of light rail transit, fire stations, multipurpose recreation centres and more.

The revitalization of our downtown core continues unabated. The spectacularly transformed Art Gallery of Alberta drew crowds and accolades to the central Arts District all year, confirming the wisdom of daring design. Along the former rail yards, MacEwan University began the work needed to consolidate four campuses at its flagship location. The 28-floor EPCOR Tower grew to full height, step one of a major mixed-use development. People are again choosing to live downtown, doubling the population in the past dozen years with the expectation to double again in the next 20.

Looking ahead, dialogue about a new downtown arena and entertainment district is sparking innovative ideas for enhancing the livability of the city's core. Meanwhile, visionary concepts for a sustainable City Centre Redevelopment promise a family-focused, walkable urban village near the heart of this dynamic city.

Capitalizing on a wealth of opportunity, Edmonton is transforming daily into an urban centre that is realizing its potential. Together, we are building on our strengths – environmental stewardship, community connectedness, lifestyle quality and economic stability – to create an even greater place to call home.



Steady **Economic Recovery**

Edmonton staged an impressive turnaround in 2010. In just 18 months, an economy that had shrunk almost four per cent due to worldwide recession gained an estimated 3.2 per cent in Gross Domestic Product, recovering lost ground. As the capital of a province with abundant natural resources and a strong knowledge economy, this city has what it takes to meet the challenges posed by a volatile global economy.

Coming as it did on the heels of a nearly decade-long boom, the economic turmoil of 2008-2009 had a silver lining. The regional economy was able to refuel and refocus while reining in price escalation through lower construction and labour costs.

Edmonton's labour force grew by 1.0 per cent in 2010, employment rose 2.3 per cent and the jobless rate stood at 5.8 per cent in December 2010, down from nearly eight per cent at recession's bottom.

Both businesses and residents continue to benefit from one of North America's most competitive corporate tax environments. A 2009 Conference Board of Canada scorecard rated Edmonton third in Canada for economic prosperity. In 2010, Conference Board estimates put our per capita personal income 20 per cent higher than the Canadian average.

Perhaps it's no surprise that our region attracts newcomers from across Canada and around the world. Statistics Canada tallies Edmonton Census Metropolitan Area population at 1,176,300, up 1.7 per cent from 2009. Many come early in their career, joining a relatively young, highly skilled population that is fast-tracking Edmonton to the leading edge of a knowledge-based economy.

The Edmonton region has $30 billion in recently completed, planned or underway capital projects, including a new $5-billion oil sands upgrader set for construction to start this year. The City of Edmonton is a major contributor with an estimated $3 billion in infrastructure projects budgeted over 2010 and 2011.

Looking Ahead

Although a sluggish U.S. economy could constrain export opportunities nationally, regionally and locally, robust oil prices and strength in sectors such as financial services, health care, technology and education should help keep the city's economic growth above the national average.

Nearly four per cent growth is expected for Edmonton in 2011. This is well above the 2.3 per cent gain predicted for Canada by the International Monetary Fund and supports an affordable and sustainable pace of development as major investment projects are stretched over a longer time horizon. Across Alberta, the Conference Board of Canada anticipates 2.8 per cent growth in 2011 and 4.1 per cent in 2012.

Few economies have prospects as bright as northern Alberta, at the geographic core of Canada's economic future. As the research and industrial workhorse of the province, Edmonton stands tall as one of Canada's most dynamic and prosperous urban centres.

City Council (elected October 18, 2010)

Back row (left to right): Don Iveson, Dave Loken, Amarjeet Sohi, Bryan Anderson

Middle row (left to right): Tony Caterina, Ben Henderson, Mayor Stephen Mandel, Kerry Diotte, Ed Gibbons

Front row (left to right): Linda Sloan, Kim Krushell, Jane Batty, Karen Leibovici

Message from **City Council**

This is an exciting time in our city. Edmonton is alive with energy and boundless opportunity. With a growing and diverse economy, thriving arts community, expansive green space and outstanding municipal services, Edmontonians enjoy an exceptional quality of life.

Our assets and innovations are endless. We continue to be a global leader in recycling and waste management. The city is positioned as a major urban centre of advanced technologies, health care and green energy. Our shifting urban form and growing transportation system are attracting international attention.

Our vision is to continue to build on these strengths to shape Edmonton into a city that is increasingly vibrant, innovative, inclusive and sustainable. It is this vision that guides our decisions, helps us set direction and encourages us to align our priorities.

We have set goals to bring this vision to life. These goals will change the way we live, grow, move and prosper.

As City Council, we know we must still be mindful of the financial realities facing the city. Citizens have entrusted us to ensure every dollar spent provides value. We will look for creative solutions to ensure our financial sustainability while we continue to grow. By increasing and diversifying our revenue sources, we will reduce our reliance on residential property tax to fund our infrastructure and service needs.

We will continue to position Edmonton as an economic powerhouse to maximize our many economic advantages. Our competitive corporate tax rates and highly-skilled and educated workforce attract and support businesses and entrepreneurs. As a portal to the North, a hub for industrial development, a hotbed of research and innovation and a centre for excellence in education, Edmonton's economy will continue to grow and diversify.

This city has come so far and holds so much promise for the future. We, on City Council, are proud to have the opportunity to build on our strengths to move forward. Together with our citizens, businesses and community organizations we can realize our potential and work to transform Edmonton and bring our City vision to life.

Message from the **City Manager**

On behalf of the City of Edmonton's Administration, I am pleased to present our 2010 annual report.

I recently celebrated my first anniversary as City Manager, and I continue to be impressed daily by the professionalism and dedication of City of Edmonton staff.

Our City Council has clearly articulated their vision and priorities in their strategic plan, The Way Ahead. In 2010 we worked closely with Council to set performance targets and measures to quantify our progress as we work toward our goals.

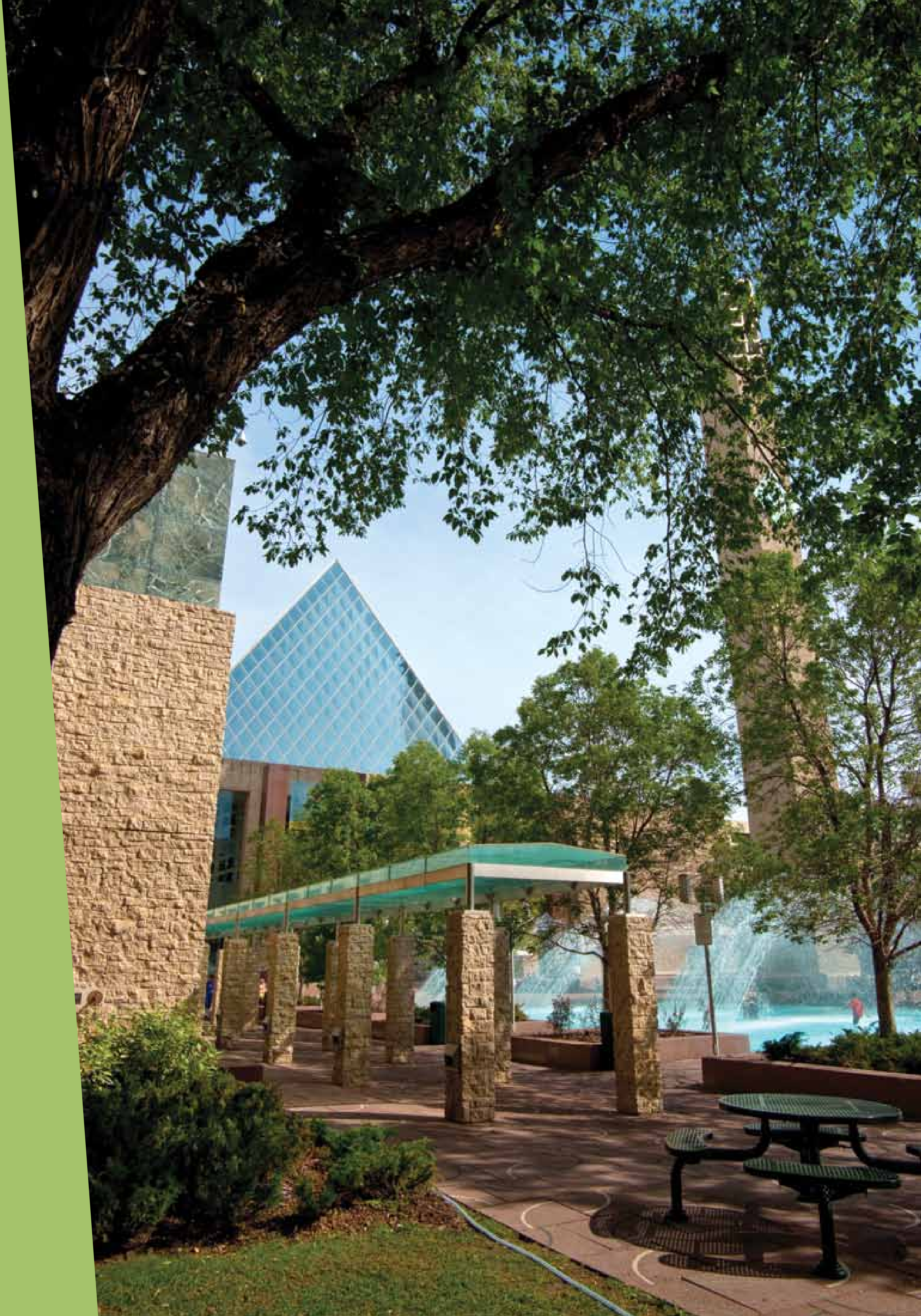
The road ahead of us is clear, and we have checkpoints to guide our progress along the way. Our citizens and our partner agencies know where we are at and where we are going.

The world around us, however, will always continue to change. Our Corporate Leadership Team is working to help our organization become more agile and adaptable. Our focus is on cooperation and collaboration. We are working with our branch managers and directors to align our work with the strategic goals and refine our framework for decision-making.

Our capital plans are also moving forward faster thanks to increased competition and lower prices in the construction trades. Our investment in infrastructure is targeted to preserve our assets, help make our community more sustainable and ensure Edmontonians have the services they need. Citizens showed overwhelming support for our LRT expansion, for example, increasing their use of our transit system last year by 7.8 million rides more than in 2009.

2011 will bring more change to our city. Exciting projects that will transform our downtown core, and the very way we think about designing neighbourhoods, are now in the early stages. We have a strong team of professionals at the City of Edmonton, and we will continue to build our capacity and build a great city.

Simon Farbrother
City Manager



Political and Administrative Structure

City Council

Edmonton is governed by an elected City Council comprised of a Mayor and 12 Councillors. Together they provide leadership and direction to the City Manager and City Administration. Elections are held every three years.

On July 22, 2009 City Council adopted revisions to the electoral system to move from having six wards, each represented by two City Councillors to divide Edmonton into 12 wards, each represented by a single City Councillor. This system came into effect with the most recent municipal election, held on October 18, 2010.

City Council meetings are held two to three times a month. City Council has a number of standing committees that meet regularly. Meetings are open to the public.

During 2010 City Council established a standing Utility Committee, comprised of four members of Council, to review and recommend to Council items related to policy and rate-setting of Waste Management, Sanitary and Land Drainage Utilities. An external utility advisor reports to Council through the Utility Committee.

City Manager

Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations to ensure that citizens have access to the essential services needed in a livable city. Simon Farbrother assumed responsibility as City Manager on January 18, 2010, replacing Al Maurer who retired after serving as City Manager for the prior ten years. City Administration is organized into seven departments reporting to the City Manager, each responsible for a particular aspect of public service.

Office of the City Auditor

Appointed by and accountable to City Council, the City Auditor performs the key roles of guardian and agent of change, providing independent reviews of civic departments and programs through audits and other studies.

EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR) is wholly owned by the City of Edmonton and City Council appoints the utility's Board of Directors and Chairman. Headquartered in Edmonton, EPCOR builds, owns and operates electrical transmission and distribution networks, and water and wastewater treatment facilities and infrastructure in Canada.

EPCOR owns a 61.0 per cent equity investment in Capital Power, a power generation company also headquartered in Edmonton. As a result of certain restrictive rights established, EPCOR maintains influence but not control of Capital Power.

Police

The Edmonton Police Commission is committed to making Edmonton a safe and vibrant city and includes seven citizens, appointed by City Council, and two City Councillors. The Police Commission 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.

Library

The Edmonton Public Library operates under the authority of the Libraries Act of Alberta and is governed by a 10-member City Council appointed Board, comprised of nine citizens and one City Councillor. Library services are offered from a main location downtown and 16 additional branches.

Edmonton Economic Development Corporation

Edmonton Economic Development Corporation (EEDC) is a wholly-owned subsidiary of the City of Edmonton and reports to a 15-member Board of Directors, appointed from both the private and public sector by City Council. The Board includes Edmonton's Mayor. 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, which opens doors for local entrepreneurs, investors and the U of A research community.

Other Boards

In addition to the boards named above, hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice about vital aspects of our City. Areas addressed by those bodies include business development, assessment, transportation, housing and historical preservation. Most citizens volunteer their services, evidence of the vibrant volunteerism for which Edmonton is internationally known.

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 Public Works Committee
  Four Councillors
- Utility Committee
  Four Councillors
- Audit Committee
  Mayor, four Councillors and two 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. Lowry, President & C.E.O.
- Police Commission
  A. Yakeley, Chair
- Edmonton Public Library Board
  B. McDonough, Chair
- Other Commissions, Agencies, Authorities, Boards such as Landlord & Tenant Advisory Board and Edmonton Economic Development Corporation

CITY OF EDMONTON ADMINISTRATION

City Manager
S. Farbrother**

- Asset Management & Public Works
  M. Koziol, Acting General Manager
- Capital Construction
  M. Koziol, General Manager
- Community Services
  L. Cochrane, General Manager
- Corporate Services
  D. Edey, General Manager
- Planning & Development
  G. Klassen, General Manager
- Transportation
  B. Boutilier, General Manager
- Finance & Treasury
  L. Rosen, Chief Financial Officer

*EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton.
**Replaced the prior City Manager, Al Maurer, on January 18, 2010.


EDMONTON
SYMPHONY
ORCHESTRA
SYMPHONY
Under the Sky

2010 **Accomplishment Highlights**

The City's 10-year strategic plan, *The Way Ahead*, aligns actions necessary to achieve our 30-year City Vision and six strategic goals. The plan helps establish priorities, make informed decisions and manage the opportunities and challenges of our dynamic environment.

The City of Edmonton completed or partnered on many initiatives and activities to advance these goals to the benefit of our community in 2010. Following are some examples.

Preserving and Sustaining Edmonton's Environment – *The Way We Green*

Green buildings. A committee of City representatives, local builders, architects and other stakeholders is developing a Green Building Strategy to encourage construction and retrofitting with the goal of making all buildings in Edmonton more environmentally sustainable and energy efficient. The strategy will apply to commercial, industrial, institutional, mixed-use and residential buildings.

Turning garbage into fuel. Construction began in mid-2010 on the world's first industrial-scale municipal waste-to-biofuels facility. Owned and operated by Enerkem Alberta Biofuels, the facility will turn 100,000 tonnes of municipal solid waste that would otherwise be sent to landfill every year into 36 million litres of biofuel – the equivalent of removing 42,000 cars a year from our roads. The facility will reduce our carbon dioxide footprint by six million tonnes over the next 25 years. This $80-million facility is part of a $131-million initiative co-financed by the Government of Alberta and the City that also includes a feedstock preparation facility and an Advanced Energy Research Facility.

Improving Edmonton's Livability – *The Way We Live*

Open data. Already advancing Edmontonians' access to information through its Open Data Catalogue http://www.edmonton.ca/OpenData, the City is partnering with the cities of Toronto, Ottawa and Vancouver to develop a national open government strategy addressing data standards, a common data licence and open data terms of use. The initiative aims to increase transparency of government business, foster greater potential for citizen engagement, and create opportunities for private-sector development of information services.

Affordable homes. The community gained 383 affordable and transitional housing units in 2010, thanks in part to $33.3 million provided from the City's Cornerstones Plan. Since 2006, the five-year Cornerstones Plan has committed or leveraged $120.6 million towards adding 2,542 affordable and transitional units, exceeding its goal of 2,500 units by 2011.

Transforming Edmonton's Urban Form – *The Way We Grow*

Planning our growth. The major plan that directs Edmonton's growth and development for the next 10 years received City Council approval in May 2010, following nearly four years of public consultation. Called The Way We Grow, our new Municipal Development Plan charts a course toward a more compact, transit-oriented, sustainable city. In concert with The Way We Move, our transportation master plan, The Way We Grow integrates transportation and land use with the goal of attracting residential growth downtown, in mature neighbourhoods and near LRT stations and transit centres. The plan also calls for quality urban design and eco-industrial planning to attract the creative people and sustainable enterprises needed to thrive, while protecting our natural environment.

Balanced development. Planning moved ahead on the Rampart Industrial Area in northwest Edmonton, which the City is developing using a unique approach that balances conservation of a natural area with economic benefit. While ensuring the Henry Singer Wetlands remain intact and sustainable into the future, the plan includes a multi-use trail network that will add recreational value to an adjacent sports field complex and provide a commuter link for cyclists to nearby St. Albert. Sale of the industrial lots will encourage LEED (Leadership in Energy and Environmental Design) building development.

Shifting Edmonton's Transportation Modes – *The Way We Move*

South LRT extension opens. Completion of the South LRT Extension to Century Park in April 2010 marked a key milestone in shifting Edmonton's transportation modes. With all four South LRT stations open, weekday LRT ridership nearly doubled and overall ETS ridership climbed to 76.3 million, an increase of 7.8 million over that of 2009 (68.5 million). This award-winning infrastructure continues to teach us about best practices for building and using transit.

Centennial Garage. Edmonton Transit Service opened Centennial Garage, its first new garage in 25 years. Meeting LEED Silver Certification, environmental initiatives include a solar wall system to help heat the building on sunny winter days, drought resistant and/or local landscaping species, a snow melt cooling system and a water efficient bus wash. At more than 300,000 square feet, the garage is the transit system's largest facility, with room to house 250 regular and articulated buses.

Ensuring Edmonton's Financial Sustainability – *The Way We Finance*

Responsible budgeting. The City aims to strike a balance of affordable taxes for property owners and affordable fees for residents who use certain services, while maintaining service levels the public expects. In the 2010 budget year, a service and budget review was able to reduce the net tax levy requirement by approximately $56 million to meet Council's tax target of 2% for Neighbourhood Renewal and 3% for operations. Council set a more aggressive cap for taxes in 2011, limiting the increase to 1.5% for Neighbourhood Renewal and 2.35% for operations, of which 1.5% will be for debt servicing on capital projects.

Managing financial volatility. The 2010 budget for tax-supported operations introduced a strategy to redirect more volatile revenues including investment earnings to capital on a pay-as-you-go basis, applying more stable revenue sources to recurring operating expenses. Variability is able to be managed more effectively with capital through the timing of projects. In 2010, a strategy of short-term debt financing was introduced to manage deferred capital grant funding programs from the Province. This funding, $60 million in 2010, allowed projects to still proceed during this period of reduced construction costs and lower debt interest rates. The grant funding deferred to future years will fund the debt repayment.

Efficient use of smallest share of taxes. According to Statistics Canada, Edmontonians pay roughly 4% of their total household taxes to the City. This 4% delivers programs and services necessary to maintain and enhance our high standard of living. Road maintenance and public transit that move people; police, bylaws and fire rescue services to keep people safe; parks, waste management and drainage to keep our communities clean and healthy; social programs and leisure activities to make Edmonton a great place in which to live, work and visit.

Diversifying Edmonton's Economy *The Way We Prosper*

Approved by China. Capitalizing on China's approval of Canada's Approved Destination Status (ADS), Edmonton welcomed its first post-ADS Chinese delegation of 21 visitors in 2010. ADS status makes it easier for Chinese citizens to visit Canada and for the Canadian tourism industry to market our assets to China. In preparation for this opportunity, Edmonton Tourism partnered with Confucius Institute on cultural awareness training for front-line employees. In addition, Edmonton Economic Development Corporation (EEDC) also served as the base for quarterly visits by the Chinese Economic and Commercial Consul.

New ventures. TEC Edmonton – a joint partnership of the University of Alberta and the City of Edmonton - added 24 new ventures to its portfolio in 2010 and signed 63 local agreements to move technologies to the marketplace. The list of active licensing opportunities with the potential to attract investment stands at 200.

Progressive partnership. Joining the charge to further develop and attract new business, the City of Edmonton has signed on as the fifth municipal partner of Alberta's Industrial Heartland Association (AIHA) - the first new municipal partner to join the Association since it was originally created in 1998. Light and medium industrial development planned for Edmonton's northeast is linked directly to the Heartland, an area of more than 530 square kilometers, the largest hydrocarbon processing centre in Canada. The proposed Horse Hills Energy and Technology Park will focus on further processing the primary commodity product produced in the Heartland into marketable, consumer-ready products. The area is also envisioned to become a centre for hydrocarbon processing and manufacturing, technology development and research.


TELUS

Lorna Rosen, CMA
Chief Financial Officer
and City Treasurer

Financial Statement Discussion and Analysis

The Annual Report serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2010 financial performance, and to provide information regarding significant financial policies, strategies, and events.

The 2010 Annual Report includes the consolidated financial statements for the City of Edmonton (the City), prepared in accordance with Canadian public sector accounting standards. KPMG LLP have audited the financial statements and 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 Management and should be read in conjunction with the audited consolidated financial statements and the accompanying statistical review.

2010 Financial Highlights

2010 began with the identification of fiscal challenges arising from a combination of current economic conditions, a revenue imbalance and increased debt-financing costs for committed capital projects. Administration proposed revenue and expense strategies that reduced the tax-levy requirement by $50.3 million to prepare a budget within the target 3% tax rate increase.

Expenses were monitored closely throughout the year. The City ended 2010 with a $42.0 million surplus for tax-supported operations relative to budget (2.5 per cent of budgeted expenses), resulting primarily from lower than budgeted expenses for winter and summer road maintenance as a result of weather conditions, reduced debt servicing cost from deferral of capital expenditures and therefore related borrowing, personnel savings and other net favourable variances across programs.

Accounting and Reporting Changes

No significant public sector accounting changes impacted the City reporting for 2010. However, changes were made in the reporting basis for Non-Profit Housing Corporation. As well, two additional related organizations are now being consolidated.

The 2010 financial statements for the City fully consolidate the Non-Profit Housing Corporation, with the change applied retroactively. Intercompany transactions and balances have been eliminated. The prior year financial statements included Non-Profit Housing Corporation on a modified equity accounting basis and did not eliminate intercompany amounts. Note 23 to the financial statements provides further detail with respect to the accounting policy change.

The 2010 financial statements consolidate the results for each of the Edmonton Combative Sports Commission and Fort Edmonton Management Company which now form part of the City reporting entity.

Financial Position

The City ended the year with a net financial asset position (financial assets less liabilities) of $1,741.1 million, a decrease of $313.7 million from the prior year, as a result of increased long-term debt. The City's investment of $2,465.0 million in the EPCOR subsidiary is a primary component of the net financial asset balance. Overall the City has maintained a strong accumulated surplus with a total of $10,381.1 million, an increase of 4.9 per cent from the prior year. The yearly change in the accumulated surplus arises from the annual excess of revenues over expenses for the year of $483.3 million.

Cash Position

Although reduced somewhat from the end of the prior year, the City's cash position is closely managed and remains adequate along with short-term investments to meet ongoing cash requirements. The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2010. The cash position, comprised of cash and temporary investments, has decreased to $92.4 million from $117.0 million in 2009. A short-term promissory note payable with a maturity date of February 15, 2011, in the amount of $20.0 million, was outstanding at the close of the year. During the year, cash was raised in a combination of $491.2 million from operations, $141.7 million from investing activities, and $351.5 million from net borrowing. $1,009.0 million was spent to acquire tangible capital assets (net).

Investments

All investments held by the City must comply with the MGA, the associated provincial *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 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 2010 Annual Report.

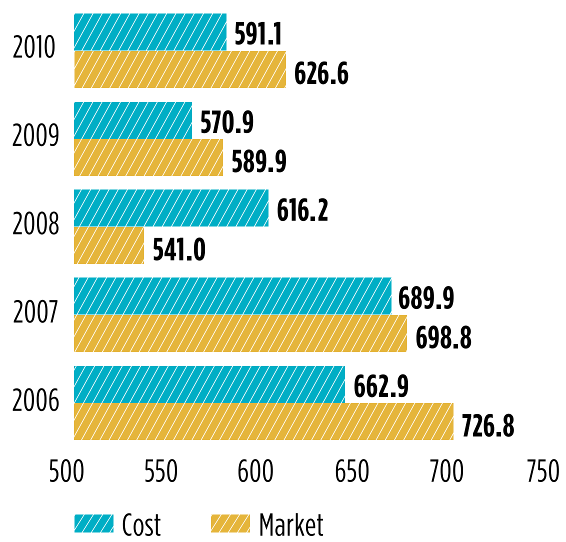
The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of a large portfolio of the City's investments. Other investments are managed internally. A formal review of the City's banking and custodial services is typically completed every seven to ten years. State Street Trust Company was selected and the change was made during 2008.

Included in investments of $1,379.3 million are amounts held within a Short Term Bond Fund, the Ed Tel Endowment Fund, the Balanced Fund and other longer term investments. Overall, the market value of the investment portfolio continued to regain ground, ending the year at $1,437.9 million, above the investment cost by 4.2 per cent.

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 to support municipal operations under a formula established by City Bylaw. Since experiencing negative market results in 2008, the fund has recovered significantly, ending the year with an investment book value of $591.1 million compared to a market value of $626.6 million. Dividends of $24.7 million were provided from the fund in 2010 to support municipal operations; however, based on the June 30, 2009 market values, no additional special dividend was available.

Additional investments of $233.8 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, as disclosed in Note 21 to the consolidated financial statements.

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



Investment in Subsidiary - EPCOR

The City's investment in subsidiary relates to EPCOR Utilities Inc. (EPCOR), a wholly owned subsidiary. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR 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.

In 2010, the net investment in EPCOR changed to $2,465.0 million from $2,469.9 million in 2009, a slight reduction of $4.9 million. EPCOR reported net income for the year of $133.0 million and a net comprehensive income adjustment of $(2.1) million. This was more than offset by $135.8 million in dividends provided from EPCOR to the City in 2010.

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. In 2010, further dispositions reduced EPCOR's interest in Capital Power to 61.0 per cent. As a result of restrictive rights, EPCOR has significant influence but not control of Capital Power. Therefore, the equity method is used within EPCOR to account for the investment in Capital Power.

Summary financial information for EPCOR is included in Note 17 to the consolidated financial statements. Additional detail would be available directly from the organization, using contact information provided at the back of this Annual Report.

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 each utility to pay the City a franchise fee on utility revenue and generally to provide a portion of annual utility profits as a dividend - a percentage of ongoing earnings. The utility fiscal policies are being reviewed in 2011.

Deferred Revenue

Deferred revenue is largely made up of government transfer funding received in advance for operating or capital expenses, externally restricted until used for the purpose intended. Deferred revenue of $168.4 million has decreased by $86.9 million over 2009, as capital grant monies previously received in advance, were applied. Deferred funds relate primarily to the Alberta Municipal Infrastructure Program (AMIP), a program implemented to address the infrastructure backlog and longer term infrastructure requirements, and the Federal Fuel Rebate program, internally directed to the South Light Rail Transit (South LRT) project.

Debt

The MGA provides limits for debt and debt service costs within a Regulation under section 271. Within that legislative framework, the City further manages its debt under principles and more conservative 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.

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 Province 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.

The Province has announced that a portion of the Provincial Municipal Sustainability Initiative (MSI) funding previously committed for 2010 through 2012 is being deferred to future years. A decision was made to continue progressing with approved capital projects funded under this program and to also fast track expenditures being funded from the Provincial Fuel Rebate program, in order to take advantage of reduced costs, accessible resources and low interest rates. To manage the grant cash flows, approval was provided to borrow up to $200.0 million in short term debentures. In 2010, $60.0 million in five year debentures was borrowed with interest payable semi-annually and the full principal to be paid at the end of the term, applying funding from the grants.

In 2010, $396.8 million was added through new debenture borrowings and mortgages, of which $315.8 million was for tax-supported debt and $81.0 million was self-liquidating. The City continued to benefit from relatively low interest rates for new borrowing during the year with ranges as follows:

Term	Interest rates (per cent)
5 year	2.90
9 year	1.77
10 year	2.88 to 3.38
15 year	3.49 to 4.05
20 year	3.84 to 4.28
25 year	3.92 to 4.47

Net long-term debt of $1,840.2 million at December 31, 2010 was increased by $331.5 million (22.0 per cent) over the 2009 balance. The gross amount of debentures and mortgages payable of $2,339.2 million is offset by $208.7 million in related amounts receivable from EPCOR and by sinking fund assets for debt retirement of $290.3 million (market value of $297.0 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.

The MGA and related Regulations establish limits for municipal debt levels and annual debt servicing costs. As per the MGA, the City's debt limit is defined as two times revenue, where revenue is the consolidated revenue net of revenue from subsidiary operations - EPCOR, capital government transfers and contributed tangible capital assets. Debt servicing costs are not to exceed 35.0 per cent of the same revenues. The City carries levels of debt and debt servicing well below the legislated limit, however the levels of the limits accessed have increased from the prior year despite increases to revenues and consequently the available limits. Further amounts of debt funding beyond the current levels outstanding have been approved as part of the overall 2009 – 2011 capital budget.

(millions of $)

	2010	2009 (Restated)
MGA debt limit	**3,673.5**	3,243.4
Total debt limit used	**1,840.2**	1,508.7
Percentage used (%)	**50.1**	46.5
MGA debt service limit	**642.9**	567.6
Total debt service limit used	**172.6**	138.7
Percentage used (%)	**26.9**	24.4

The internal DMFP sets more conservative debt servicing limits than those established within the MGA. As per the City's internally set DMFP, the tax-supported debt service limit is 15.0 per cent of tax-supported revenues, with tax-supported operations for purposes of this calculation as reported within Schedule 2 - Consolidated Segment Disclosure. The total debt service limit is set within the DMFP at 22.0 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 (interest and principal) to the limits as established in the City DMFP.

(millions of $)

	2010	2009 (Restated)
DMFP debt service limit - tax-supported	**228.3**	208.3
Tax-supported debt service cost	**108.4**	79.5
Percentage used (%)	**47.5**	38.2
DMFP debt service limit - all debt (net)	**404.1**	356.8
Debt service cost	**172.6**	138.7
Percentage used (%)	**42.7**	38.9

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

Non-Financial Assets

Non-financial assets include inventories, prepaid expenses and tangible capital assets; generally to be used to provide future services. With the significant financial reporting model change implemented as of January 1, 2009, all tangible capital assets are recorded and amortized over their expected service lives. Tangible capital assets are assets managed and held for use in production or supply of goods and services, for rental 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 $8,580.2 million have increased by 10.4 per cent compared to the 2009 restated balance of $7,770.3 million.

The net increase of $809.9 million is a result of the acquisition and contributions of tangible capital assets of $1,151.6 million, offset by annual amortization and asset disposals. Additions to tangible capital assets were primarily in asset categories of land, roadways, drainage structures, and light rail transit. Schedule 1 of the financial statements - Consolidated Schedule of Tangible Capital Assets, provides a continuity schedule for the asset cost and the related accumulated amortization for each of the significant asset types.

2010 was the second year of a three year approved capital budget. Additions during the year of $1,151.6 million were reduced from the $1,380.9 million level of 2009 but continued a substantive capital program ramped up significantly over recent years. A number of large capital projects came to completion such as the South LRT extension to Century Park and the 23 Ave/Gateway Boulevard Interchange. Work advanced significantly on the Terwillegar Community Recreation Centre, the Whitemud Freeway/Quesnell Bridge and on neighbourhood renewal.

Comparing to a 2010 budget of $1,419.7 million, certain capital projects did not proceed to the extent planned due to delays caused by weather conditions, land acquisition timing, resourcing constraints, coordination challenges with partners and uncertainty around grant funding. Those projects will continue into 2011.

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 13 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 with a total of $10,381.1 million, an increase of 4.9 per cent from the prior year. The yearly change in the accumulated surplus relates directly to the annual excess of revenues over expenses for the year of $483.3 million. As at December 31, 2010 unrestricted amounts consist of $44.0 million for general government operations and $3.8 million from excess sinking fund earnings. Included in the restricted surplus of $3,481.9 million is: $2,465.0 million relating to EPCOR, $591.1 million from the Ed Tel Endowment Fund, a combined accumulated surplus from the enterprise and utility operations of Drainage Services Utility, Land Enterprise, Fleet Services and Waste Management of $178.5 million, as well as $218.5 million in reserves for future expenditures. $6,799.0 million in equity has been invested in tangible capital assets.

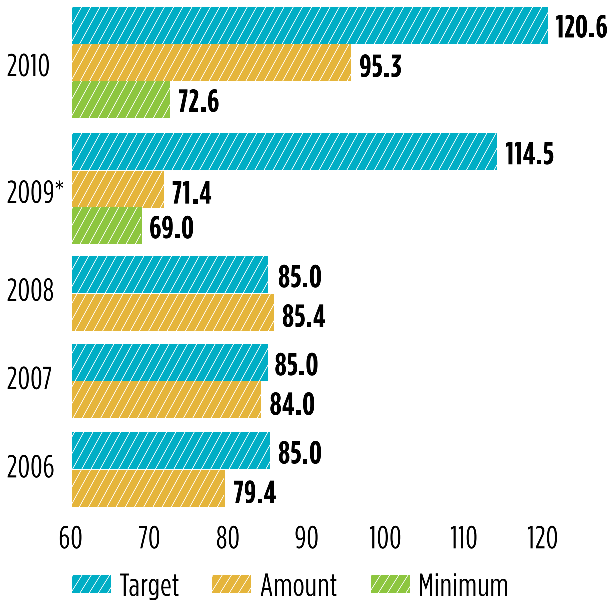
Reserves

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. During 2009, a review of reserve balances and related policies was completed to ensure they continue to support the financial goals and serve the highest priority needs of the City and its citizens. The policy and balances are monitored on an ongoing basis with the next formal review planned for 2012.

A schedule of reserves comprising the $218.5 million 2010 consolidated balance has been provided in Note 12 to the financial statements. The balance increased overall by $18.1 million or 9.0 per cent from the prior year. 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 $95.3 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, policy changes included establishing 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. Any operating surplus from tax-levy 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 to significant one-time operating or capital priorities. A transfer of $42.0 million of 2010 tax-levy surplus will be made to the reserve in 2011, with $16.4 million then appropriated for funding within the 2011 budget or for purposes as approved by City Council.

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).

After reflecting the approved transactions, the FSR balance will exceed the minimum level as set within the policy ($72.6 million) and will meet the target level ($120.6 million). Other funding allocations from the FSR are being considered by City Council.

During 2010, $6.3 million was transferred to a Current Planning Reserve, reflecting a revised business model approved for the Current Planning Branch. Under the revised model, the net financial result for the area is transferred to or charged against the reserve. The reserve balance is to be used to offset planning revenue fluctuation, stabilize resources across extended periods of time and fund initiatives to enhance planning service and accountability. A Development Incentive Reserve has been established to carry over funding for grant payments to property owners to support revitalization of Main Street Commercial Areas in targeted areas within eligible Business Revitalization Zones. The balance in the Development Incentive Reserve at the end of 2010 is $1.9 million. A Vehicle Replacement Reserve has been initiated within the Fleet Services enterprise, ending the year with $1.0 million, as part of a financial business model change in 2010.

Equity in Tangible Capital Assets

As summarized in Note 11 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. An increase of $476.6 million for 2010, 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 $6,799.0 million.

Financial Operations

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

Total 2010 consolidated revenues of $1,935.6 million increased by 13.3 per cent over those collected in 2009, with the most significant increases being in taxation revenue, user fees, sale of goods and services and investment earnings. Revenues were closely aligned with budget overall, with variances in lower earnings from EPCOR subsidiary operations, a lower volume of user fees and sales of goods and services, mostly offset by increased investments earnings.

Investment earnings for the year rebounded significantly from those of the prior year, exceeding the budget. The Ed Tel Endowment Fund experienced investment earnings of $44.9 million in 2010. Based upon policy, $24.7 million was provided from the fund to support municipal operations. Market values as of June 30, 2009 did not provide for an additional special dividend in 2010. Similarly, market values at June 30, 2010 were not adequate to exceed the inflation-adjusted value for the Fund required to support a special dividend for 2011.

To better manage volatility and maximize flexibility, a strategy was initiated with the 2010 budget to redirect revenue from investment and Ed Tel Endowment Fund dividends to fund capital projects on a pay-as-you-go basis rather than managing the fluctuation within the operating budget. It is less disruptive to deal with the volatility of investment and dividend earnings by accelerating or deferring one-time infrastructure projects than it is to reduce ongoing operating programs and services.

Expenses of $2,013.4 million were generally managed within the approved budget, with savings from winter and summer road maintenance, reduced debt servicing costs and amortization from deferred capital expenditures, one-time hiring controls and reduced cost of land sold from deferred sales.

(millions of $)

Operating Revenues	
2010 actual	1,935.6
2009 actual	1,707.7
Variance	227.9
% variance	13.3

Operating Expenses	
2010 actual	2,013.4
2009 actual	1,874.2
Variance	139.2
% variance	7.4

Government transfers of $389.8 million and developer and customer contributions for capital of $173.4 million were both lower than the 2009 comparators of $469.9 million and $274.6 million respectively. Capital government transfers are included in revenue as the expenditures associated with the transfer are incurred. Certain Provincial grants were decreased in 2010 and deferred to future periods. Less developer contributed assets were completed in the year.

The $95.1 million variance between the budget and actual capital revenue for government transfers in 2010 is generally due to timing differences in project expenditures, and therefore the timing in recognition of the related government transfer revenue. Reporting of the developer contributed tangible capital assets was a new requirement initiated with the reporting model change in 2009. The budget process for contributed assets was introduced in 2010 but is being refined to address the less predictable nature. Future budgets are expected to better reflect the contributed assets.

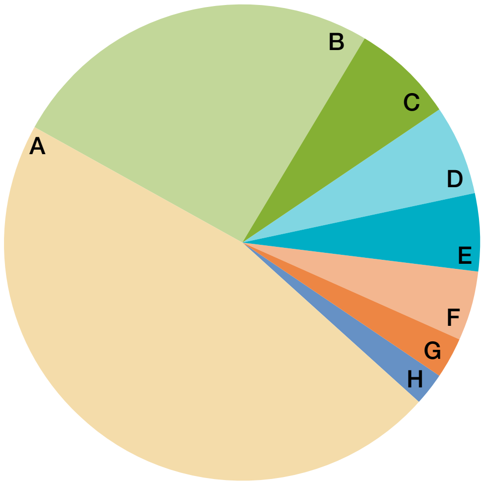
(millions of $)

Capital Revenues	
2010 actual	563.1
2009 actual	744.6
Variance	(181.5)
% variance	24.4

Capital Revenues	
2010 actual	563.1
2010 budget	529.7
Variance	33.4
% variance	6.3

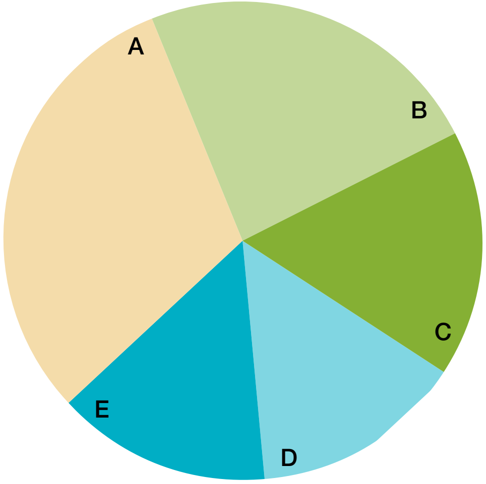
Consolidated revenues exceeded expenses for the year by $483.3 million after accounting for government transfers for capital, developer and customer contributions for capital, developer contributed tangible capital assets and the net comprehensive income adjustment for EPCOR subsidiary operations.

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 22 to the financial statements provides a description of each of the segments.



Operations – Source of Revenue
(millions of $)

	$	%
A. Taxation	897.0	46.4
B. User fees and sale of goods and services	495.9	25.6
C. Subsidiary operations – EPCOR	133.0	6.9
D. Government transfers – operating	118.6	6.1
E. Franchise fees	103.3	5.3
F. Investment earnings	95.1	4.9
G. Fines and penalties	51.8	2.7
H. Licenses, permits and other	40.9	2.1
	1,935.6	100.0



Operations – Distribution of Expenses
(millions of $)

	$	%
A. Transportation services	624.6	31.1
B. Protective services	475.8	23.6
C. Community services	334.7	16.6
D. Utility and enterprise services	289.5	14.4
E. Corporate administration, general municipal and other	288.8	14.3
	2,013.4	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.

Planning and Budgeting Process

Based on input provided from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan 2009-2018* in July 2008. 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. Corporate outcomes are used by departments to establish a line of sight between their outcomes, outputs and measures with the strategic goals.

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 towards the City's long-term goals. From year-to-year, new services may be created when City Council identifies a clear need for citizens. Some services are enhanced to help move towards City goals while others are deferred due to costs or other factors.

City Council and administration are committed to public consultation during the development and review of the annual budget. In 2009, the City conducted a pilot project with the University of Alberta to gain informed citizen opinion. The Edmonton Citizen Panel brought together 49 randomly recruited Edmontonians of diverse backgrounds, ages, incomes and experiences to learn about and discuss Edmonton's budget priorities. The 2009 Citizen Panel's Recommendations were outlined in a report to City Council for consideration when making decisions about the 2010 budget priorities. As well, a series of Mayor's Town Hall Meetings were held in November and December throughout the city to get public input.

2010 was the second year of a City Council approved three-year capital budget, developed based on the capital priorities and funding identified in the 10-year 2008 – 2017 Capital Investment Agenda. Two supplementary capital budget adjustments were completed in 2010, to address emerging priorities, and reflect project expenditure, timing or funding changes.

Accounting 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 finance and treasury services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within Finance & Treasury 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 and Edmonton Economic Development Corporation each have independent accounting systems and report through their respective Boards.

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. In order to complete the consolidated audit of the City of Edmonton, the auditor must place reliance on the work of other auditors for Edmonton Economic Development Corporation.

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. Based upon the review and recommendation of Audit Committee, City Council approved the 2010 Consolidated Financial Statements at their meeting of April 27, 2011.

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.

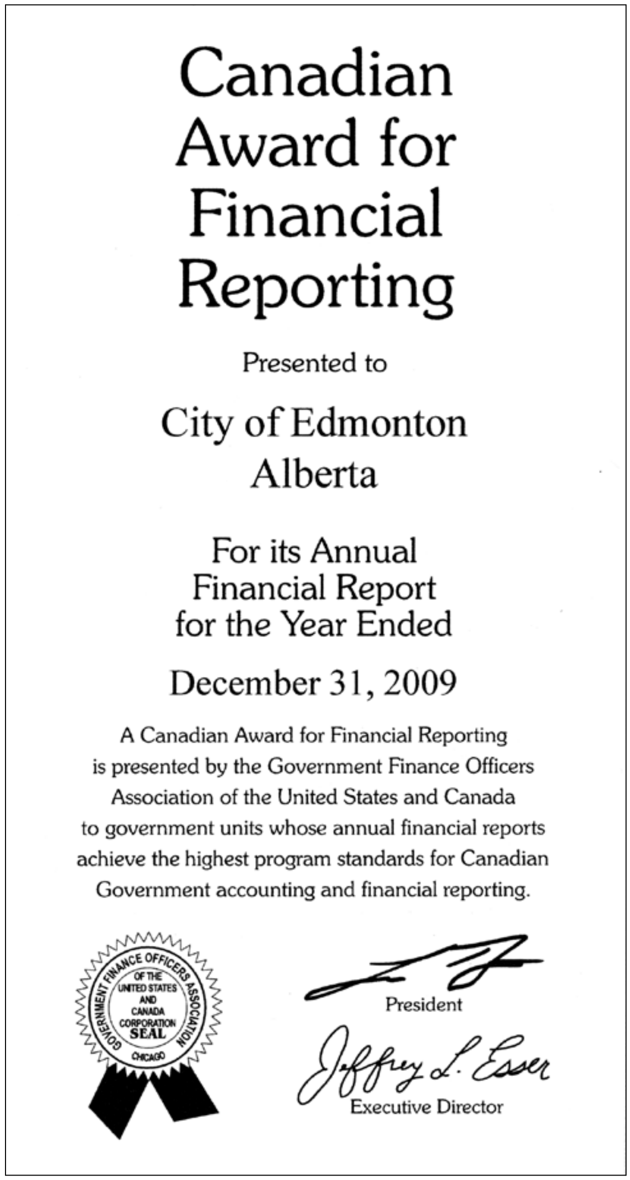
Recognition for Achievements

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, 2009. 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.

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 seventeenth consecutive year that the City of Edmonton has received this award. We believe this 2010 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.


Canadian Award for Financial Reporting

Presented to

City of Edmonton
Alberta

For its Annual Financial Report for the Year Ended

December 31, 2009

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.

President

Jeffrey L. Esser
Executive Director

For the eleventh 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 2010.

2011 Budget

City Council directed a three per cent tax-levy increase guideline for the preparation of the 2011 operating budget with an additional two per cent guideline for neighbourhood renewal. In order to achieve the guideline and to provide funding to further advance the City directional plans (the Ways), administration undertook a Service and Budget Review of all programs and services to explore opportunities to increase revenues, to find efficiencies, or to reduce services without adversely affecting quality of life. The review resulted in a reduced operating funding requirement of $50.6 million for civic programs and boards and authorities for 2011. These funds were able to be redirected within the budget to address program and service needs, debt servicing costs, operating impacts of new capital and to new service packages to advance the Ways directional plans.

City Council approved the 2011 Operating Budget in December 2010, including a 2.35 per cent increase in the property tax levy plus 1.5 per cent specifically directed to continue the Neighbourhood Renewal Program. Property taxes are one of the funding sources used to provide the services and infrastructure approved in the budget. The Bylaw to set the 2011 municipal tax for all property types (including commercial and industrial) will be set by City Council in April 2011. The budget also includes selected increases in user fees for various municipal services including transit fares, various recreational facility fees and permit fees.

The 2011 capital budget constitutes the final year of City Council's three-year (2009 – 2011) capital budget approval, allowing for some project completion to extend beyond the end of the year. Note 19a) to the financial statements provides a listing of the funding sources for the $2,335.0 million in capital expenditures approved going forward.

Long-Term Sustainability

Work is underway on a new long-term financial plan, *The Way We Finance* that will outline guiding principles to ensure continued sound fiscal management and financial sustainability. A number of strategies are being developed to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City, including a 2011 service and budget review.

With the support of the Government of Alberta, the City worked with the other 24 municipal members of the Capital Region Board to develop an integrated regional growth management plan which was approved by the Province in March 2010. The plan lays out a strategy to manage growth, minimize the development footprint, strengthen communities, increase transportation choices and ensure strategically coordinated economic development. The Board completed a comprehensive review of regional transportation projects and submitted a prioritized listing in November, 2010 for the $800.0 million in Provincial GreenTRIP funding designated for the capital region. The first priority on the list is the LRT expansion from downtown to NAIT.

The City joined Alberta's Industrial Heartland Association in 2010 to advance the sustainable development of the value-added petrochemical industry in the Capital region – the largest hydrocarbon processing centre in Canada. By working with the Association, the City aims to create local jobs and increase the commercial tax base from chemical, plastics and eco-industries, while ensuring preservation of agriculturally and environmentally valuable land in the northeast.

Conclusion

The City of Edmonton continues to benefit from one of the strongest economic growth outlooks in the country. Nearly 4 per cent growth is expected for Edmonton in 2011, well above the 2.3 per cent projected for Canada by the International Monetary Fund.

In June 2010, Standard & Poors affirmed their rating of the City of Edmonton as AA+/Stable based on a strong economy, the City's declining-but-still-excellent cash and liquid asset levels, significant capital funding from senior levels of governments, and Edmonton's traditionally stronger-than-average operating surpluses. The moderate but increasing debt and debt servicing costs constrain the rating but are considered manageable. DBRS has also confirmed the long-term credit rating as AA (high) for the City of Edmonton, supported by the healthy liquidity position and management's fiscal prudence.

The directional plans (the Ways) for the City are ambitious and exciting, including new LRT expansion, downtown revitalization, redevelopment of the City Centre airport lands, bridge construction and neighbourhood renewal. The City will continue to be challenged to manage emerging competing financing needs as the major centre for the region, and to maintain existing services while addressing the service and infrastructure needs associated with the growth internally. The City's long-term financial plan, *The Way We Finance*, will support guiding principles to ensure continued sound fiscal management and long term financial sustainability.

Lorna Rosen, CMA
Chief Financial Officer and City Treasurer

April 27, 2011

2010 Annual Report
City of Edmonton
Alberta, Canada

Financial Information

Management's Responsibility for Financial Reporting

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

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

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

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

Lorna Rosen, CMA
Chief Financial Officer and City Treasurer

April 27, 2011

Independent Auditors' Report

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

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

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

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

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

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

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

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

KPMG LLP

April 27, 2011
Edmonton, Canada

Consolidated Statement of Financial Position

December 31, 2010 (in thousands of dollars)

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

Commitments and contingent liabilities (Notes 19 and 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Stephen Mandel

Councillor Jane Batty

Consolidated Statement of Operations

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

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

See accompanying notes to consolidated financial statements

Consolidated Statement of Change in Net Financial Assets

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

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

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

Schedule 2 - Consolidated Schedule of Segment Disclosures

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

	Tax-supported											
	Protective Services	Transportation Services	Community Services	Other	Total	Drainage Services	Waste Management	Fleet Services	Land Enterprise	EPCOR	Other	2010 Consolidated
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 897,048	$ 897,048	$	$	$	$	$	$	**$ 897,048**
User fees and sales of goods and services	25,251	126,246	64,556	19,438	235,491	104,102	117,323	11,447	20,109		7,411	**495,883**
Subsidiary operations – EPCOR										132,955		**132,955**
Government transfers – operating	22,908	3,217	45,959	45,687	117,771	2	75	250			520	**118,618**
Franchise fees				108,382	108,382	(5,116)						**103,266**
Investment earnings		1	723	46,245	46,969	499	337		96		47,212	**95,113**
Fines and penalties	35,006		937	15,877	51,820							**51,820**
Licenses and permits	209	378	39,424		40,011						766	**40,777**
Developer and customer contributions – operating			48		48	25					76	**149**
Appropriation of earnings				24,698	24,698						(24,698)	
	83,374	129,842	151,647	1,157,375	1,522,238	99,512	117,735	11,697	20,205	132,955	31,287	**1,935,629**
Expenses												
Salaries, wages and benefits	376,256	238,654	156,153	170,598	941,661	53,722	27,404	54,332	83		2,762	**1,079,964**
Materials, goods and utilities	23,907	48,685	42,819	24,212	139,623	10,277	7,454	55,890	9,182		3,898	**226,324**
Contracted and general services	64,509	116,245	36,500	26,245	243,499	(9,612)	66,394	(96,961)	3,134		3,407	**209,861**
Interest and bank charges	753	38,657	10,170	3,293	52,873	12,937	9,239	2,248	541		894	**78,732**
Grants and other			62,069	12,966	75,035	5,807		(847)			7	**80,002**
Amortization of tangible capital assets	9,727	171,639	27,653	39,916	248,935	33,495	14,955	30,303	242		1,013	**328,943**
Loss (gain) on disposal/replacement of tangible capital assets	620	10,697	(606)	(447)	10,264		(1)	(734)				**9,529**
	475,772	624,577	334,758	276,783	1,711,890	106,626	125,445	44,231	13,182		11,981	**2,013,355**
Excess (shortfall) of Revenues over Expenses before other	(392,398)	(494,735)	(183,111)	880,592	(189,652)	(7,114)	(7,710)	(32,534)	7,023	132,955	19,306	**(77,726)**
Other												
Subsidiary operations – EPCOR – net comprehensive income adjustment										(2,102)		**(2,102)**
Government transfers – capital	11,849	281,049	75,437		368,335	7,443	6,444	1,151			6,403	**389,776**
Developer and customer contributions – capital	367	4,565	10,235	1,628	16,795	17,282						**34,077**
Developer contributed tangible capital assets (Note 9)		59,883	29,118	2,605	91,606	47,668		7				**139,281**
Excess (shortfall) of Revenues over Expenses	$ (380,182)	$ (149,238)	$ (68,321)	$ 884,825	$ 287,084	$ 65,279	$ (1,266)	$ (31,376)	$ 7,023	$ 130,853	$ 25,709	**$ 483,306**

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures

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

	Tax-supported											2009
	Protective Services	Transportation Services	Community Services	Other	Total	Drainage Services	Waste Management	Fleet Services	Land Enterprise	EPCOR	Other	Consolidated (Restated)
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 837,766	$ 837,766	$	$	$	$	$	$	**$ 837,766**
User fees and sales of goods and services	19,658	118,280	63,026	19,116	220,080	106,548	105,499	10,590	10,185		5,912	**458,814**
Subsidiary operations – EPCOR										119,555		**119,555**
Government transfers – operating	18,637	73	40,074	41,193	99,977	4	6,636	267			616	**107,500**
Franchise fees				101,109	101,109	(5,826)						**95,283**
Investment earnings			314	16,211	16,525	603	654		99		(8,097)	**9,784**
Fines and penalties	28,843		1,034	15,526	45,403							**45,403**
Licenses and permits	163	303	32,397		32,863						736	**33,599**
Developer and customer contributions – operating			5		5							**5**
Appropriation of earnings				34,991	34,991						(34,991)	
	67,301	118,656	136,850	1,065,912	1,388,719	101,329	112,789	10,857	10,284	119,555	(35,824)	**1,707,709**
Expenses												
Salaries, wages and benefits	344,166	218,432	147,020	158,055	867,673	52,366	21,447	49,779			5,285	**996,550**
Materials, goods and utilities	21,851	54,888	40,489	22,707	139,935	12,898	7,406	53,430	3,642		3,673	**220,984**
Contracted and general services	51,675	108,485	33,720	48,069	241,949	(19,611)	52,477	(77,809)	2,260		2,677	**201,943**
Interest and bank charges	1,821	30,445	5,801	3,490	41,557	11,293	9,735	1,024	1,329		805	**65,743**
Grants and other	466		50,091	31,138	81,695	710	6,600	1,121	4		11	**90,141**
Amortization of tangible capital assets	10,032	152,992	27,218	35,764	226,006	28,825	12,040	27,369			766	**295,006**
Loss (gain) on disposal/replacement of tangible capital assets	206	4,095	(2)		4,299			(468)				**3,831**
	430,217	569,337	304,337	299,223	1,603,114	86,481	109,705	54,446	7,235		13,217	**1,874,198**
Excess (shortfall) of Revenues over Expenses before other	(362,916)	(450,681)	(167,487)	766,689	(214,395)	14,848	3,084	(43,589)	3,049	119,555	(49,041)	**(166,489)**
Other												
Subsidiary operations – EPCOR – net comprehensive income adjustment										31,220		**31,220**
Government transfers – capital	4,411	312,056	35,415	87,662	439,544	24,490	2,060	349			3,485	**469,928**
Developer and customer contributions – capital	258	10,092	12,482	362	23,194	10,021	334					**33,549**
Developer contributed tangible capital assets (Note 9)		116,182	18,352	2,842	137,376	103,698						**241,074**
Excess (shortfall) of Revenues over Expenses	$ (358,247)	$ (12,351)	$ (101,238)	$ 857,555	$ 385,719	$ 153,057	$ 5,478	$ (43,240)	$ 3,049	$ 150,775	$ (45,556)	**$ 609,282**

See accompanying notes to consolidated financial statements.

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

1. Significant Accounting Policies

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

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

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

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

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

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

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR Utilities Inc. (EPCOR), a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 17). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. In accordance with PSAB Accounting Guideline 6 (PSG-6) *Including results of organizations and partnerships applying fair value measurement*, other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations as EPCOR – net comprehensive income adjustment. Other comprehensive income (loss) reduces the Investment in EPCOR and Accumulated Surplus (Note 13).

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

b) Basis of Accounting

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

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

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

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

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

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

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable.

d) Foreign Currency

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

e) Land for Resale

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

f) Investments

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

g) Debt Recoverable

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

h) Non-Financial Assets

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

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

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

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

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

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

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

v) Inventories of materials and supplies
Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

vi) Cultural, historical, and works of art
The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

i) Reserves for Future Expenditures

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

j) Equity in Tangible Capital Assets

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

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

2. Cash and Temporary Investments

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

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

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

3. Investments

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

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

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

Investments with a cost of $591,113 (2009 – $570,932) and market value of $626,626 (2009 – $589,938) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund is withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

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

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

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

4. Debt Recoverable

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

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

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

5. Deferred Revenue

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

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

6. Employee Benefit Obligations

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

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

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

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2010 were $1,770 (2009 – $1,846). Eligible dental obligations for 2010 were $335 (2009 – $344). Other post-employment benefits were $1,402 (2009 – $886).

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2010, completed by Aon Hewitt.

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

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

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2010 expenses of amounts not used in the current year eligible to be carried forward under the terms of the plan.

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

7. Landfill Closure and Post-closure Care

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

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

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

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

8. Long-term Debt

a) Debt payable

Debt payable includes the following amounts:

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

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

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

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

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

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

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

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

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. As allowed under the Regulation, the revenue from the EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

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

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

c) Maturities and interest rates

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

d) Interest on long-term debt

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

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

9. Tangible Capital Assets

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

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

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

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

10. Other Assets

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

11. Equity in Tangible Capital Assets

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

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

12. Reserves for Future Expenditures

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

13. Accumulated Surplus

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

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

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

14. Net Taxes Available for Municipal Purposes

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

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to trade and other receivables.

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

15. Government Transfers

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

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units, and to develop secondary suites and transitional housing. $27,024 was received in 2010 (2009 – $0). $22,364 (2009 – $16,631) has been recognized as operating transfer revenue and $48,644 (2009 – $48,822), including interest of $397 (2009 – $650), has been deferred to future years. $5,235 (2009 – $3,774) has been recognized as capital government transfers.

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

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

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

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

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

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

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

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

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

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

16. Executive Salaries and Benefits

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

	Salaries	Benefits	**2010**	2009
Mayor	$ 135	$ 33	**$ 168**	$ 168
Councillors:				
Anderson	79	18	**97**	97
Batty	79	19	**98**	98
Caterina	79	21	**100**	100
Diotte	12	3	**15**	
Gibbons	79	18	**97**	97
Hayter	109	15	**124**	95
Henderson	79	19	**98**	98
Iveson	79	21	**100**	100
Krushell	79	18	**97**	97
Leibovici	79	18	**97**	97
Loken	12	3	**15**	
Sloan	79	18	**97**	97
Sohi	79	21	**100**	99
Thiele	109	17	**126**	98
	1,032	229	**1,261**	1,173
Chief Administrative Officer	453	31	**484**	400
City Assessor	183	23	**206**	188
	$ 1,803	$ 316	**$ 2,119**	$ 1,929

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

2010 salaries include $82 in retiring allowances for two Councillors.

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

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

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

17. Subsidiary Operations - EPCOR

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

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

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

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

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

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

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

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

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

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

The following summarizes the City's related party transactions with EPCOR for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

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

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

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

18. Pension and Long-term Disability Plans

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 9.06 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 12.53 per cent thereafter. Employees of the City are required to make current service contributions of 8.06 per cent of pensionable salary up to YMPE and 11.53 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2010 were $60,657 (2009 – $52,827). Total current service contributions by the employees of the City to the LAPP in 2010 were $54,629 (2009 – $47,207).

The LAPP reported a deficiency for the overall plan as at December 31, 2009 of $3,998,614. Information as at December 31, 2010 was not available at the time of preparing these financial statements.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.44 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 3.36 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over 13.5 years. Participants of the SFPP are required to make current service contributions of 9.34 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 3.36 per cent of pensionable payroll are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2010 were $18,455 (2009 – $13,219). Total current and past service contributions by the participants to the SFPP in 2010 were $16,864 (2009 – $11,909).

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

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

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

i) Annuity Plan

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

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

ii) Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 23 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $104 (2009 – $104).

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

iii) Fire Fighters' Supplementary Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

v) Long-term Disability Plan

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

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

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

19. Commitments

a) Capital Commitments

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

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

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

b) Lease Commitments

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

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

c) Contractual Obligations

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

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

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

20. Contingent Liabilities

a) The City is defendant in various lawsuits as at December 31, 2010. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties as well as any potential site reclamation obligations. The amount of any such obligations has not been determined.

21. Trust Assets under Administration

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

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

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

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

22. Segment Disclosures

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PSAB Handbook Section 2700 (PS2700) *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly attributable to the segment.

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

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

- **Protective Services** is comprised of police, traffic safety, bylaw enforcement and fire rescue. Ambulance services were also included in 2009 for the period up to the transfer of the service to Alberta Health Services, effective April 1, 2009.
- **Transportation Services** includes bus, light rail transit, roadway and parking services.
- **Community Services** includes parks and recreation, community and family services, planning and public housing. Also included are Edmonton Public Library and Edmonton Economic Development Corporation, which are managed by separate Boards.
- **Other tax-supported** consists of corporate administration, general municipal services, tax appeals and allowances and excess Sinking Fund earnings. Revenues that are not directly attributed to another segment are also recorded within this other tax-supported segment.

b) **Drainage Services** includes the Sanitary Utility (collection and transmission of wastewater) as well as the Land Drainage Utility (collection and transmission of storm water) and design and construction activities. The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements. On March 31, 2009 the operations of the Gold Bar Wastewater Treatment Facility were transferred from Drainage Services to EPCOR.

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

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

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

f) **EPCOR** is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 17 to these financial statements provides condensed financial information for EPCOR.

g) **Other** includes the Ed Tel Endowment Fund, the Non-Profit Housing Corporation, and the Vehicle for Hire Commission. In 2010, the Combative Sports Commission and the Fort Edmonton Management Company have been added. The Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713. Non-Profit Housing was established by the City in 1977 for the purpose of providing non-profit housing for citizens.

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

23. Change in Accounting Policy

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

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

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

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

Opening 2009 changes:

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

2009 changes to Statement of Operations:

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

2009 changes to Statement of Financial Position:

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

24. Comparative Figures

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

2010 Annual Report
City of Edmonton
Alberta, Canada

Schedules & Statistics

Statistical Review for the Years 2006 to 2010
General Municipal Data

Unaudited

	2010	2009	2008	2007	2006
Population (Note 1)	**782,439**	782,439	752,412	730,372	730,372
Population age distribution (%) (Note 1)					
0-4	**5.77**	5.77	5.70	5.58	5.58
5-19	**17.52**	17.52	17.80	18.10	18.10
20-29	**17.81**	17.81	17.60	17.52	17.52
30-39	**14.95**	14.95	14.60	14.31	14.31
40-49	**14.95**	14.95	15.20	15.92	15.92
50-59	**13.27**	13.27	13.10	12.77	12.77
60-64	**4.44**	4.44	4.30	3.93	3.93
65+	**11.29**	11.29	11.70	11.87	11.87
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 ($000)	**$ 2,726,282**	$ 2,448,601	$ 2,611,673	$ 2,461,527	$ 2,305,717
Number of housing starts					
(per Canada Mortgage and Housing Corporation)	**6,110**	3,911	3,979	8,894	9,816
Household median total income (Note 2)					
(per Statistics Canada) ($)					
Edmonton	**$ 88,190**	$ 88,190	$ 88,190	$ 83,460	$ 79,300
Alberta	**86,080**	86,080	86,080	82,030	78,400
Canada	**68,860**	68,860	68,860	66,550	63,600
Consumer price index – 2002 base year (per Statistics Canada)					
Edmonton	**122.9**	121.6	121.4	117.4	112.0
Alberta	**122.7**	121.5	121.6	117.9	112.3
Canada	**116.5**	114.4	114.1	111.5	109.1
Unemployment rate (%) – annual average					
(per Statistics Canada)					
Edmonton (metropolitan area)	**6.7**	6.7	3.7	3.8	3.9
Alberta	**6.5**	6.6	3.6	3.5	3.4
Canada	**8.0**	8.3	6.1	6.0	6.3
City of Edmonton employees (Note 3)	**12,571**	12,166	11,847	11,077	10,611

Source: The City of Edmonton Planning and Development Department.

Notes:
1. The population figures are as per the 2006 Canada, 2008 City, and 2009 City Census.
2. Updated figures for 2009 and 2010 household median total income are not yet available. The amounts shown continue to reflect the 2008 data.
3. Positions are stated in full time equivalents.

Statistical Review for the Years 2006 to 2010
Assessment and Tax Levy

Unaudited (in thousands of dollars, except per capita)

	2010	2009	2008	2007	2006
Assessment:					
Total taxable assessment	**$ 121,312,731**	$ 132,072,265	$ 130,528,323	$ 79,636,231	$ 64,209,785
Percentage of total assessment represented by:					
Residential properties	**73.7**	75.1	80.7	77.8	77.3
Commercial properties	**26.3**	24.9	19.3	22.2	22.7
Taxable assessment per capita	**$ 155,044**	$ 168,796	$ 173,480	$ 109,035	$ 87,914
Assessment for principal taxpayers (%) (Note 1)	**4.7**	4.6	3.4	4.1	4.1
Rates of taxation (mills):					
Single family residential	**4.73**	6.20	5.46	8.33	9.44
Other residential property	**5.44**	6.80	5.99	9.11	10.30
Commercial and industrial	**12.47**	13.16	14.68	17.25	19.17
Tax levy, collections, and arrears:					
Current year's levy:					
Property	**$ 1,164,619**	$ 1,062,115	$ 958,935	$ 837,189	$ 765,755
Business	**35,814**	65,002	89,054	107,489	99,594
Collections:					
Property	**$ 1,159,849**	$ 1,056,580	$ 952,373	$ 835,374	$ 769,804
Business	**36,627**	65,123	88,739	107,878	98,835
Arrears at December 31 (net):					
Property	**$ 46,199**	$ 36,716	$ 30,575	$ 26,714	$ 23,622
Business	**86**	765	1,251	1,200	1,646
Percentage of current property taxes collected	**97.5**	98.1	97.7	97.5	98.4
Percentage of net property tax arrears collected	**65.8**	47.2	58.9	79.6	66.2
Property tax arrears per capita (gross)	**$ 60.07**	$ 47.85	$ 41.32	$ 42.20	$ 40.14
Property tax arrears per capita (net)	**59.04**	46.93	40.64	36.58	32.34
Property tax levy per capita	**1,488.45**	1,357.44	1,274.48	1,146.25	1,048.45
Education requisitions	**$ 334,922**	$ 314,899	$ 289,916	$ 282,802	$ 267,885

Source: The City of Edmonton Planning and Development Department.

Note:
1. Includes the ten highest taxpayers by assessment value.

Statistical Review for the Years 2006 to 2010
Investment Funds
Unaudited (in thousands of dollars)

	2010	2009	2008	2007	2006
Investment funds (Note 1)					
The Balanced Fund					
Net assets – market value	**$ 519,648**	$ 548,118	$ 472,897	$ 499,751	$ 487,445
Net assets – cost	**500,628**	538,234	504,027	503,056	469,069
Net earnings	**37,265**	9,127	820	33,828	29,833
Fund rate (%)	**6.9**	1.8	0.2	7.2	6.8
Market (%)	**9.0**	10.9	(5.3)	2.7	8.6
Ed Tel Endowment Fund					
Net assets – market value	**$ 626,626**	$ 589,938	$ 541,021	$ 698,820	$ 726,830
Net assets – cost	**591,113**	570,932	616,228	689,927	662,901
Net earnings (losses)	**44,879**	(10,304)	(29,700)	66,981	59,850
Fund rate (%)	**7.6**	(1.8)	(4.8)	9.7	9.0
Market (%)	**10.9**	16.1	(16.0)	2.0	13.1
Sanitary Servicing Strategy Fund (Note 2)					
Net assets – market value	**$**	$	$	$ 10,618	$ 20,564
Net assets – cost				10,618	20,827
Net earnings			384	491	831
Fund rate (%)			N/A	4.6	4.0
Market (%)			N/A	3.0	3.0
The Sinking Fund					
Net assets – market value	**$ 299,750**	$ 347,060	$ 493,040	$ 611,656	$ 616,739
Net assets – cost	**292,977**	337,690	477,467	605,470	606,933
Net earnings:					
Required	**16,917**	20,564	22,459	25,933	25,569
(Deficiency) excess	**(238)**	(3,487)	3,628	(226)	4,418
Total	**16,679**	17,077	26,087	25,707	29,987
Fund rate (%)	**5.7**	5.1	5.5	4.2	4.9
Market (%)	**4.3**	2.2	7.2	3.9	4.1

Source: The City of Edmonton Finance and Treasury Department.

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 generally accepted accounting principles for the public sector.
   b) Fund rate is the rate expressed as the earnings 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 2006 to 2010
Long-Term Debt

Unaudited (in thousands of dollars, except per capita)

	2010	2009 (Restated)	2008	2007	2006
Debenture borrowing					
Self-liquidating	**$ 80,992**	$ 264,609	$ 87,231	$ 55,594	$ 53,136
Tax-supported	**315,799**	345,257	234,443	191,163	49,119
	396,791	609,866	321,674	246,757	102,255
Debt limit per regulation (Note 1)	**$ 3,673,502**	$ 3,243,406	$ 3,003,628	$ 3,157,284	$ 2,842,856
Total debt limit used	**1,840,233**	1,508,719	1,043,438	761,402	546,877
Percentage used (%)	**50.09**	46.52	34.74	24.12	19.24
Debt service limit per regulation (Note 1)	**642,863**	567,596	525,635	552,525	497,500
Total debt service limit used	**172,625**	138,671	103,124	77,595	60,280
Percentage used (%)	**26.85**	24.43	19.62	14.04	12.12
General government debt service	**90,069**	67,449	54,853	38,278	29,497
General government debt service as a percentage of general government operating expenses	**5.3**	4.2	3.4	3.2	2.7
Long-term debt (gross)					
Self-liquidating	**$ 1,149,471**	$ 1,182,933	$ 1,131,095	$ 1,221,789	$ 1,255,760
Tax-supported	**1,189,758**	910,677	547,718	329,543	147,501
Long-term debt (net of Sinking Fund)					
Self-liquidating	**$ 859,165**	$ 848,152	$ 685,024	$ 674,249	$ 708,198
Tax-supported	**1,189,758**	910,677	547,718	329,543	147,501
Net debt per capita					
Self-liquidating	**$ 1,098**	$ 1,084	$ 910	$ 923	$ 982
Tax-supported	**1,521**	1,164	728	451	205
	$ 2,619	$ 2,248	$ 1,638	$ 1,374	$ 1,187
Percentage of total debt to be retired					
Within 5 years	**27.5**	26.1	31.5	36.4	42.5
Within 10 years	**51.9**	51.1	56.6	60.8	64.9

Source: The City of Edmonton Finance and Treasury Department.

Note:
1. The debt limit and debt service limit for 2009 have been restated to reflect the changes around the consolidation of Non-Profit Housing Corporation. The information for years prior to 2009 has not been restated.

Statistical Review for the Years 2006 to 2010
Consolidated Expenses
Unaudited (in thousands of dollars)

Operating Expenses by Function

	2010	2009 (Note 1)	2008	2007	2006
Transportation services	**$ 624,577**	$ 569,337	$ 547,944	$ 322,683	$ 292,434
Protective services	**475,772**	430,217	433,190	379,313	342,901
Community services	**334,758**	304,337	298,088	246,532	229,717
Utility and enterprise services	**289,484**	257,867	186,597	107,414	88,777
Corporate administration, general municipal and other	**288,764**	312,440	269,304	170,168	163,911
Waste management (Note 2)			86,470	66,402	60,469
	$ 2,013,355	$ 1,874,198	$ 1,821,593	$ 1,292,512	$ 1,178,209

Operating Expenses by Object

	2010	2009 (Note 1)	2008	2007	2006
Salaries, wages and benefits	**$ 1,079,964**	$ 996,550	$ 934,463	$ 836,612	$ 755,325
Materials, goods and utilities	**226,324**	220,984	240,840	175,893	140,605
Contracted and general services	**209,861**	201,943	206,733	205,400	205,895
Interest and bank charges	**78,732**	65,743	47,578	37,363	34,356
Grants and other	**80,002**	90,141	71,359	37,244	42,028
Amortization of tangible capital assets	**328,943**	295,006	277,317		
Loss on disposal/replacement of tangible capital assets	**9,529**	3,831	43,303		
	$ 2,013,355	$ 1,874,198	$ 1,821,593	$ 1,292,512	$ 1,178,209

Source: The City of Edmonton Finance and Treasury Department.

Notes:
1. Expenses for 2009 have been restated to reflect the consolidation of Non-Profit Housing Corporation. The information for years prior to 2009 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 2006 to 2010
Consolidated Revenue and Capital Financing

Unaudited (in thousands of dollars)

Revenues – consolidated

	2010	2009 (Note 1)	2008	2007	2006
Net taxes for municipal purposes	**$ 897,048**	$ 837,766	$ 780,399	$ 683,746	$ 617,909
User fees and sale of goods and services	**495,883**	458,814	461,843	468,188	392,881
Subsidiary operations	**132,955**	119,555	176,290	313,110	612,651
Government transfers – operating	**118,618**	107,500	83,096	58,950	54,219
Franchise fees	**103,266**	95,283	76,116	68,599	65,011
Investment earnings (loss)	**95,113**	9,784	(11,509)	116,658	103,546
Fines and penalties	**51,820**	45,403	44,122	39,675	36,951
Licences and permits	**40,777**	33,599	41,132	44,517	36,379
Developer and customer contributions – operating	**149**	5	409	665	461
Revenues before capital	**1,935,629**	1,707,709	1,651,898	1,794,108	1,920,008
Government transfers – capital	**389,776**	469,928	428,794	346,632	138,852
Developer and customer contributions – capital	**173,358**	274,623	218,038	97,644	114,071
	$ 2,498,763	$ 2,452,260	$ 2,298,730	$ 2,238,384	$ 2,172,931

Capital Additions by Financing Source (Note 2)

	2010	2009 (Note 1)	2008	2007	2006
Capital Additions	**$ 1,151,622**	$ 1,380,864	$ 1,356,751	$ 870,770	$ 515,828
Financing Sources Applied:					
General financing (Pay-As-You-Go)	**97,509**	95,352	116,580	99,558	89,330
Debenture borrowing	**276,038**	465,804	418,247	211,122	98,207
Government transfers – Federal	**33,116**	10,825	13,546	35,245	12,826
Government transfers – Provincial	**356,660**	459,103	415,248	310,664	125,795
Developer/partnership	**170,977**	286,838	219,674	110,598	123,133
Reserves/user fees/other	**217,322**	62,942	173,456	103,583	66,537
	$ 1,151,622	$ 1,380,864	$ 1,356,751	$ 870,770	$ 515,828

Source: The City of Edmonton Finance and Treasury Department.

Notes:
1. Revenues and capital additions for 2009 have been restated to reflect the consolidation of Non-Profit Housing Corporation. Information for prior years has not been restated.
2. Capital additions for 2010 – 2008 reflect the revised financial reporting model and PS 3150 – *Tangible Capital Assets*. Years prior to 2008 have not been restated.

Statistical Review for the Years 2006 to 2010
Financial Position, Annual Surplus and Reserves

Unaudited (in thousands of dollars)

Financial Position and Annual Surplus

	2010	2009	2008	2007 (Note 1)	2006 (Note 1)
Financial assets	**$ 4,382,260**	$ 4,356,584	$ 4,257,624	$	$
Liabilities	**2,641,128**	2,301,741	1,931,822		
Net financial assets	**1,741,132**	2,054,843	2,325,802		
Non-financial assets	**8,640,012**	7,842,995	7,010,679		
Accumulated surplus	**$ 10,381,144**	$ 9,897,838	$ 9,336,481	$	$
Annual Surplus	**$ 483,306**	$ 609,282	(Note 1)	$	$

Reserves

	2010	2009	2008	2007	2006
General Government					
Financial Stabilization	**$ 95,267**	$ 71,366	$ 85,413	$ 83,953	$ 79,368
Financial Stabilization – appropriated	**31,614**	43,297	31,823	27,469	32,908
Affordable housing	**14,744**	14,782	18,459	15,825	6,500
Parkland reserve	**12,070**	12,683	12,618	6,590	11,022
Funds in Lieu – residential	**11,420**	8,254	15,324	18,248	22,509
LRT	**10,035**	14,924	9,814	4,870	1,512
Other	**7,175**	5,374	8,526	9,051	8,291
Current planning	**6,314**				
Natural areas	**6,124**	5,058	5,251	4,290	3,122
Enterprise portfolio / Commonwealth Stadium	**5,593**	7,990	6,752	7,408	6,151
Perpetual care	**4,775**	4,041	3,920	3,763	3,648
Heritage resources	**2,722**	2,924	2,896	2,492	1,926
Neighbourhood renewal	**2,586**	4,723			
Development incentive	**1,942**				
Tax-supported debt	**1,691**	1,090	8,731	5,283	4,165
Waste management rate stabilization			18,960	14,670	7,879
Benefit plan			6,500	5,661	4,770
	214,072	196,506	234,987	209,573	193,771
Edmonton Economic Development Corporation	**1,879**	1,590	1,560	938	536
Non-Profit Housing Corporation (Note 2)	**1,259**	1,538	2,030	1,794	1,176
Fleet Services – vehicle replacement	**953**				
Edmonton Public Library Board (Note 3)	**332**	743	389	5,154	3,220
	$ 218,495	$ 200,377	$ 238,966	$ 217,459	$ 198,703

Source: The City of Edmonton Finance and Treasury Department.

Notes:
1. With the implementation of a new financial reporting model effective January 1, 2009, figures for 2008 were restated. Annual surplus for 2008 and information prior to 2008 are unavailable in the current reporting format.
2. Beginning in 2010, Non-Profit Housing Corporation was consolidated within the consolidated financial statements. Prior years reserve information has been restated consistently.
3. During 2009, the Edmonton Public Library Board restated reserve balances for 2008. Balances for years prior to 2008 have not been restated.

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

Chair: Henry Yip
President and CEO: Ron Gilbertson

Vehicle for Hire Commission

5th Floor, Allstream Tower
10250 101 Street
Edmonton, Alberta T5J 3P4

Phone: 780-496-5244
Fax: 780-496-6054

E-mail:
taxicommissionadministration@edmonton.ca
Web: www.edmonton.ca

Chair: Leon Lubin
Acting Administrator: Doug Collinson

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: Arlene Yakeley
Acting Chief of Police: David Korol

The City of Edmonton Non-Profit Housing Corporation

11th Floor, HSBC Bank Canada Building
10250 101 Street
Edmonton, Alberta T5J 3P4

Phone: 780-496-5529
Fax: 780-495-9916

Web: www.edmonton.ca

Chair: Shamik Bhattacharjee
General Manager: Walter Trocenko

EPCOR Utilities Inc.

EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1

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

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

Chair: Hugh Bolton
President and CEO: Donald Lowry

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: Brent McDonough
CEO: Linda Cook

Information on the City of Edmonton is available at

www.edmonton.ca

Inquiries may also be directed to:

The City of Edmonton

Finance & Treasury Department

5th Floor, Chancery Hall

3 Sir Winston Churchill Square

Edmonton, Alberta, Canada T5J 2C3

780-496-4944

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