

EDMONTON



the city of edmonton, alberta, canada

annual report
2003



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mission

The City of Edmonton focuses on:

The delivery of effective, efficient and citizen - oriented services;
Sound leadership and teamwork; and
Responsible use of resources (financial, people and assets).

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

annual report 2003

the city of edmonton, alberta, canada





"We chose Edmonton. There's a positive business, political and entrepreneurial climate here. The city produces an educated and skilled workforce. And the cultural, recreational and lifestyle opportunities make it easy to attract the experts we need to grow our business."

BRUCE JOHNSON, VP, INTUIT

Edmonton, located in the heart of Canada's most prosperous province, is Canada's sixth largest metropolitan centre. Capital of the province of Alberta, Edmonton consistently ranks among the leaders in a variety of quality of life measurements.

green

With over 460 parks, Edmonton is a very green city. The City maintains 3,800 hectares of grass, more than any other Canadian city. It's strong on the environmental front, too. Since starting a curbside recycling program in 1988, Edmontonians have proudly become national leaders in effective waste management. Through popular recycling, reuse and composting programs, about 60 per cent of residential waste is diverted from the landfill, more than any other major Canadian city.

creative

Edmonton's creativity and diversity shows in the more than 35 arts and cultural festivals held here each year. From traditional events like Canadian Finals Rodeo and Klondike Days, to cutting edge offerings like the International Fringe Theatre Festival and the International Street Performers Festival, Edmonton's reputation as Festival City is truly "live all year".

affordable

Edmonton has the lowest overall cost of doing business in the Canadian and U.S. West, according to KPMG's 2004 Competitive Alternatives Study. Low labour, tax, land and facility costs contributed to Edmonton placing number one in the study, which compared 17 cities.

entrepreneurial

Alberta Venture magazine's annual list of Alberta's 30 fastest-growing companies includes ten headquartered in Edmonton, double the number two years ago. Four Edmonton firms made the top 10, including the number one spot. The trend away from traditional resource-based companies to high technology firms reflects the growing diversity of the City's economy.

smart

The October 13, 2003 issue of Time magazine calls Edmonton Public Schools "the most imitated and admired public school system in North America". For Edmontonians, that success carries into their adult years: 46 per cent of Greater Edmonton residents have earned a post-secondary degree, diploma or certificate, providing the city with one of the most educated workforces in North America.

edmonton
a snapshot





ATTRACTIONS

- West Edmonton Mall
- Provincial Museum of Alberta
- Odysseum science centre
- Muttart Conservatory
- Fort Edmonton Park
- Valley Zoo
- NHL Edmonton Oilers, CFL Edmonton Eskimos, Triple A Edmonton Trappers
- Nearby National Parks, including Jasper and Banff
- Edmonton's Ribbon of Green, the largest expanse of urban parkland in North America



“The Calgary-Edmonton Corridor is in a unique position in Canada. Specifically, it is the only Canadian urban centre to amass a U.S.- level of wealth while preserving a Canadian-style quality of life.”

THE CALGARY-EDMONTON CORRIDOR
REPORT, TD BANK FINANCIAL GROUP



KEY BUSINESS CLUSTERS

- Advanced Manufacturing
- Agri-Food Products
- Biomedicine and Biotechnology
- Engineering and Technical Services
- Forest Products
- Information and Communications Technology
- Nanotechnology and Microsystems
- Oil, Gas and Chemicals
- Tourism and Entertainment
- Transportation and Logistics

(These ten clusters were selected based on their above-average employment, growth rate and concentration relative to comparable North American cities.)

CULTURE

- Winspear Centre for Music, home to Edmonton Symphony Orchestra
- Citadel Theatre, plus a wide range of smaller theatre companies
- Edmonton Art Gallery and numerous smaller galleries
- Edmonton Opera and excellent ensembles and choirs
- Alberta College Conservatory of Music
- Alberta Ballet Company

POPULATION

- Edmonton: 666,104
- Metropolitan: 954,342

LAND AREA

- Edmonton: 700 square kilometres (69,980 hectares)
- Metropolitan: 9,537 square kilometres

capital
facts





city council

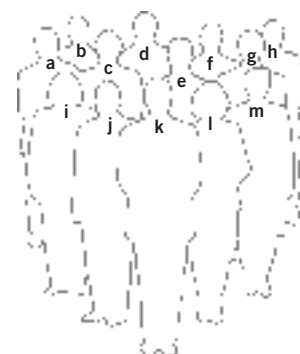
Edmonton is an incredibly successful city with an enviable quality of life. However, like many other Canadian cities, the sources of funds we currently use to pay for basic services will not meet future needs.

Edmonton City Council took steps in 2003 to address this important issue by working with other orders of government to discuss roles, responsibilities and resources – and by hosting the first national *Strategies for Urban Sustainability Conference*.

Edmonton City Council is determined to maintain a vital, healthy future for our community.

“Our highest priority remains to work with, and for, the citizens of Edmonton.”

EDMONTON CITY COUNCIL
2001-2004



(a) Allan Bolstad, (b) Stephen Mandel, (c) Ron Hayter, (d) Dave Thiele, (e) Larry Langley, (f) Ed Gibbons, (g) Bryan Anderson, (h) Terry Cavanagh, (i) Janice Melnychuk, (j) Michael Phair, (k) Mayor Bill Smith, (l) Jane Batty, (m) Karen Leibovici

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 administration, who ensure that citizens have access to the essential services needed in a livable city.

The city is divided into six wards, with each voter able to choose two Councillors as well as the Mayor. Elections are usually held every three years; the next election is set for October 18, 2004.

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

city manager

Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations. Under his leadership are six departments, plus the Office of the City Clerk, the Intergovernmental Affairs Office, and the Edmonton 2005 World Masters Games.

office of the city auditor

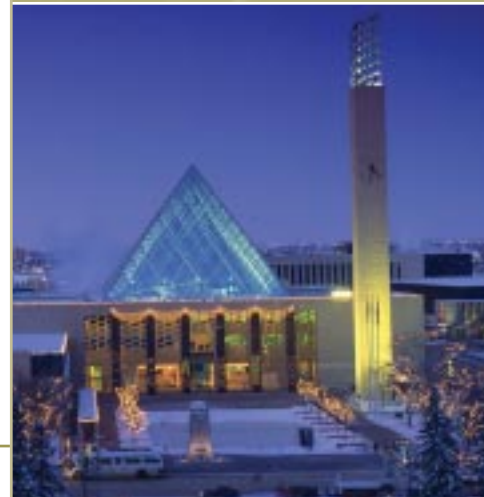
Appointed by and accountable to City Council, the City Auditor performs the key roles of guardian and agent of change, providing independent reviews of civic departments and programs through audits and other studies.

EPCOR Utilities Inc. (EPCOR)

A wholly-owned subsidiary corporation, EPCOR owns and operates power plants, electrical transmission and distribution networks; builds and operates water and wastewater treatment facilities and infrastructure; and provides power, water and natural gas to its customer base of 1.9 million. EPCOR is headquartered in Edmonton and has operations throughout Alberta, British Columbia, Ontario and the U.S. Pacific Northwest.

The City is EPCOR's sole common shareholder and City Council appoints the utility's Board of Directors and Chairman. In 2003 EPCOR fulfilled its financial commitments to the City of Edmonton, and paid the City a dividend of \$110.5 million. In addition, the company paid \$40.5 million in business tax, property tax, franchise fees and revenue taxes to the City of Edmonton. Under EPCOR's dividend policy, the dividend to the City of Edmonton in 2004 will be \$120.5 million.

political and
administrative
structure





city manager

Edmonton enjoyed another successful year in 2003, continuing to experience growth on both the economic and physical fronts, all within approved budgets. The City responded to the times by taking significant action on initiatives that are improving Edmontonians' quality of life.

- Continuing work on the Capital City Downtown Plan is enhancing the vitality of our downtown area. We are close to achieving our target of an additional 10,000 downtown residents, and to completing the redevelopment of Churchill Square in time for the City's 2004 Centennial Celebrations in October.
- Improving our environmental sustainability by completing the City's first State of the Environment report, replacing incandescent bulbs with a LED system in traffic lights, and reducing pesticide use in Edmonton.
- Improving service in the public transportation area, with a focus on the South LRT and Disabled Adult Transit Services.
- Ensuring the City is well prepared to respond to emergencies through an enhanced command structure and a training program that has already proved its value.

"City initiatives undertaken in 2003 were successful, due to the hard work and dedication of City employees. We remain committed to serving Edmontonians, through innovative and cost-effective solutions."

AL MAURER
CITY MANAGER



edmonton police service

The Edmonton Police Commission 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 budget to maximize the Police Service's community-based approach to enhancing safety and combating crime.

edmonton public library

A 10-member Edmonton Public Library Board, appointed by City Council, manages Edmonton's library services, offered from a main location downtown and 15 branches. One City Councillor sits on the Board.

economic development edmonton

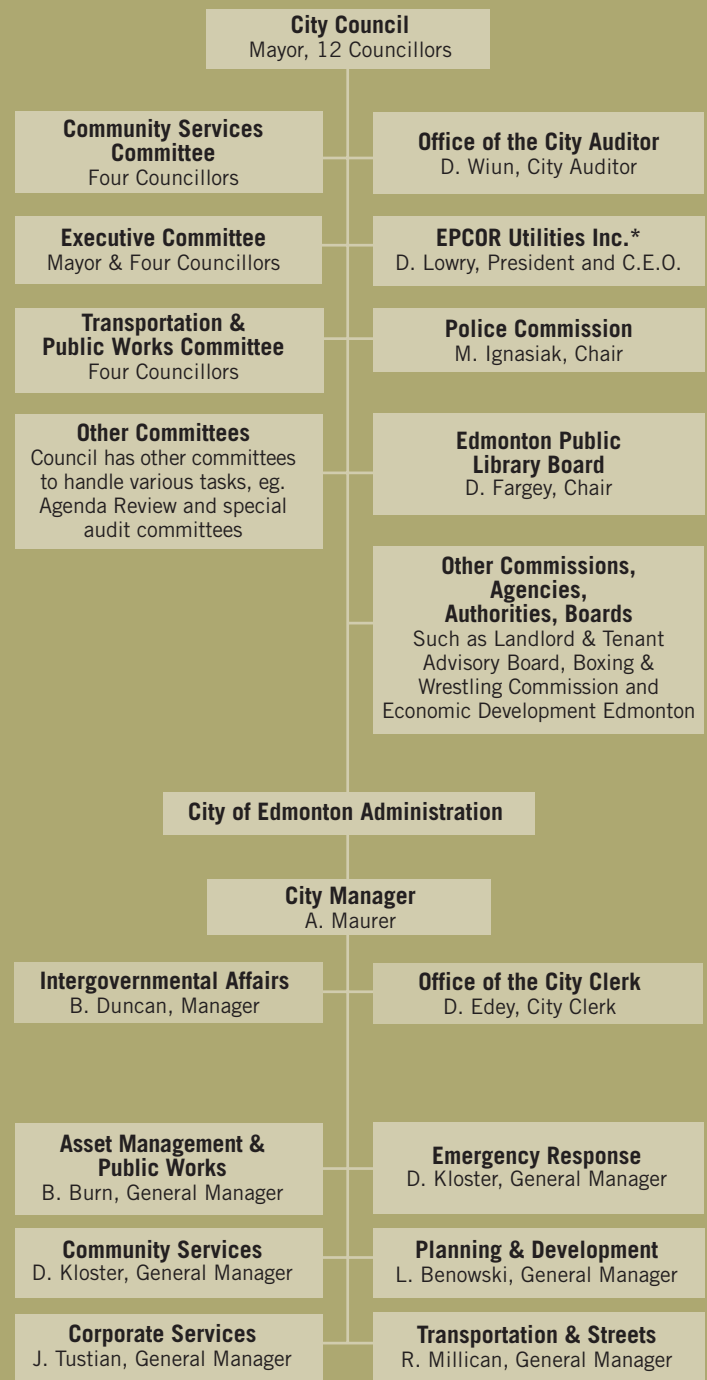
Economic Development Edmonton (EDE) is a wholly-owned subsidiary of the City of Edmonton, responsible for regional economic development, tourism marketing, and the operation of Shaw Conference Centre and Edmonton Research Park. EDE reports to a Board of Directors, appointed from both the private and public sector by City Council. The 15-member Board includes Edmonton's Mayor.

other boards

Hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice about vital aspects of our lives. In addition to the boards named above, 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



* EPCOR Utilities Inc. is a wholly owned subsidiary of the City of Edmonton



"Cities lack the financial wherewithal to meet their growing responsibilities... Simply put, cities have the problems and other orders of government have the money."

ROGER GIBBINS,
CANADA WEST FOUNDATION,
WRITING IN THE WINNIPEG PRESS



Over the past several years, there has been growing recognition that Canada's cities are in crisis. With neither the resources nor the legislative authority to deal effectively with the increasingly complex problems they face, a major gap is developing between the responsibilities of municipalities and their revenues.

That message emerged loud and clear from participants in the Strategies for Urban Sustainability Conference, hosted in Edmonton in September 2003. The 420 delegates – including economists, urban studies researchers/planners, environmental experts, political, business and community leaders – agreed there is an urgent need for a new fiscal deal for Canada's cities.

As Anne Golden, President and CEO of the Conference Board of Canada put it, "Provinces either must take back responsibility for some expenditures or provide cities with the funding and/or taxation authority they need to provide them."

Between 1992 and 2002, provincial transfers to Alberta municipalities dropped by 46 per cent. In Edmonton, it is estimated the City carries out \$85 million in services where there is a valid case for increased provincial funding or involvement. A significant level of services is also provided to a regional population.

Edmonton's Long Range Financial Plan estimates an operating shortfall of \$69 million to meet the community's needs in 2004, combined with a \$233 million shortfall in funding to build new and rehabilitate existing infrastructure. With no change in municipal funding structures, the situation will continue to deteriorate.

Early in 2004, there are signs of progress with a clear commitment in the federal Speech from the Throne and budget to a "new deal" for Canada's municipalities. The announcement was made of a full rebate of the municipal Goods and Services Tax, effective February 1, 2004 and acceleration of the allocation of federal infrastructure funds.

This is an important first step. It is essential that our municipalities have predictable, long term sources of revenue that allow them to deliver high quality services to the 80 per cent of Canadians who live in urban communities. The future of Edmonton – and all Canadian cities – depends upon it.

focus on
sustainability





“The National Institute of Nanotechnology, to be located at the University of Alberta, will be an international center... in a field expected to revolutionize everything from computing and communications to medicine and manufacturing.”

ALBERTA ECONOMIC DEVELOPMENT

Edmonton continues to enjoy the longest period of sustained economic growth in the past quarter century. In five of the last six years, the total value of all goods and services produced in the region (GDP) has increased 3 per cent or more. The Conference Board of Canada predicts the trend will carry into 2004, with anticipated growth of 4.4 per cent, once again among Canada's leading municipalities.

The TD Financial Group reports that low taxation levels and consistently strong job creation give Edmontonians disposable incomes 40 per cent above the Canadian average, creating strong consumer confidence. Retail sales reflect this confidence, exceeding \$12.5 billion in 2003, up 4.2 per cent from 2002.

Average housing prices reached \$165,541 in 2003, a 10.2 per cent increase from 2002. Despite significant growth in recent years, housing in Edmonton remains affordable, well below both the Alberta and Canadian averages.

Fuelled by an influx of new migrants to the city and low interest rates, housing starts remained strong in 2003. At 12,380, the number of new starts in the metropolitan area, was virtually unchanged from the previous year. Building permits reflect a similar strong trend.

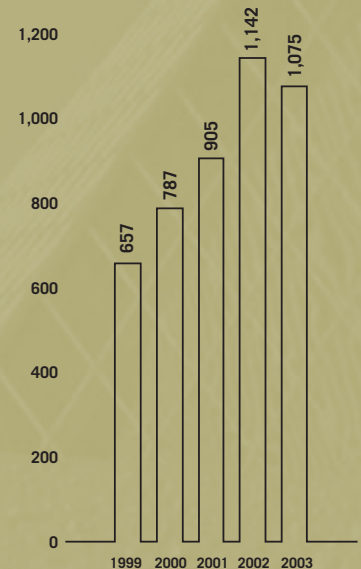
The unemployment rate of 5.1 per cent in 2003 remained constant with 2002 - Edmonton remains well below the Canadian level of 7.6 per cent. Since 1995, the City has experienced excellent annual employment growth, averaging about 2.5 per cent. At 1.9 per cent in 2003, the rate of growth declined somewhat, but remained above the national average. Net in-migration of 9,897 new residents in 2003 provided a welcome source of new workers within Edmonton.

In December 2003, the Edmonton region's major project list was valued at \$10.2 billion. The City will also benefit from the \$51.5 billion in major projects scheduled for the rest of northern Alberta, many of which rely on products and services purchased in Edmonton.

BUILDING PERMITS

(MILLIONS OF \$)

* City of Edmonton Planning and Development Department



economic
climate





"Thank you for allowing me to feel that my citizen participation in this process can help keep our City the excellent community it is."

2003 COMMUNITY
DIALOGUE PARTICIPANT

Since Edmonton's earliest days, citizen input and open debate have contributed to the shape of our community. They remain essential today, as Edmonton works to preserve and enhance its reputation as a successful, world-class city.

citizen priorities

The City of Edmonton conducted its bi-annual Citizen Satisfaction Survey in 2003. The results indicated 89 per cent of Edmontonians are very or somewhat satisfied with the value they receive from their municipal tax dollars.

That satisfaction may be a result of the degree to which citizen-identified concerns are reflected in how their tax dollars are spent. Citizens ranked protective services – police, fire and emergency medical services – as their top priority. It ranks number one in budgetary spending as well, with 31 cents of every municipal tax dollar directed to these areas. Primary areas of high importance identified for improvement were winter and summer road maintenance, as well as public transit.

Results of Community Dialogue Sessions, held in June, were consistent with the Citizen Satisfaction Survey. The 100 participants, representing various stakeholder groups, businesses, civic unions and individual citizens, generally felt the City has done a good job managing its financial resources within the constrained funding environment.

budget process

To ensure Edmontonians' priorities continue to be reflected, the City of Edmonton encourages public reaction to each year's Proposed Budget before it is debated and passed by City Council. Comments are collected through a number of vehicles, including the Citizen Action Centre, booths in libraries and malls, a questionnaire on the edmonton.ca web site and through public hearings.

In November 2003, although responses varied widely, citizens were significantly more concerned about reductions of service in key areas, such as police and libraries, than about the proposed tax increase to cover inflation.

In addition, the response reflected growing public awareness of the City's financial situation; nearly 70 per cent of citizens agreed the City does not receive a fair share of tax revenues. Furthermore, many participants in the Public Hearings advocated the City continuing its efforts to increase funding from the Provincial and Federal governments.

listening to
edmontonians



"Thank you to the people of Edmonton for bringing yet another outstanding, internationally-recognized sports event to this province."

PREMIER RALPH KLEIN
AT THE HERITAGE
CLASSIC LUNCHEON,
NOVEMBER 21, 2003



edmonton in the spotlight

Edmonton's reputation as an exceptional sporting city grows stronger every year. 2003 was no exception, with victories on the field, success behind the scenes as organizers, and unequalled enthusiasm from audiences.

heritage classic

Over 57,000 enthusiastic fans braved the cold to watch the Edmonton Oilers and Montreal Canadiens play the first-ever outdoor NHL regular season game. An even bigger draw was the exhibition game between the teams' alumni earlier in the day. With a roster that included many of the Oiler greats who helped win five Stanley Cups for Edmonton, it was truly a day to remember.

hometown heroes

The Edmonton Eskimos enjoyed a successful year, bringing the Grey Cup back to Edmonton for the twelfth time in their 54-year history. It was a year of triumph for Edmonton curler Randy Ferbey, who led his team to victories in the Canada Cup, the Nokia Brier and the Ford Worlds.





City Centennial

With Edmonton's 100th birthday fast approaching, volunteers are busy putting the finishing touches on events to commemorate the milestone. The year of celebration will culminate in a huge Birthday Party on October 8, 2004 that will provide an opportunity for all Edmontonians to celebrate the city's rich past, vibrant present and promising future.

JUNO Awards

Edmonton's vast experience in hosting successful national and international events is proving invaluable as volunteers prepare for the 33rd Annual JUNO Awards in April 2004. This marks the first time Edmonton has hosted Canada's largest music industry award show.

World Masters Games

The largest multi-sport Games in the world will put Edmonton in the spotlight once again in July 2005. With more than 16,000 athletes from over 100 countries participating in 27 sports, the event will have a projected economic impact of \$31 million.

coming to
edmonton



The 2003 City of Edmonton Annual Report contains audited financial statements prepared in compliance with standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, as required under the Alberta Municipal Government Act. The following discussion and analysis is the responsibility of management and should be read in conjunction with the audited financial statements.

The annual report also serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2003 financial performance, and to provide related information regarding significant financial policies, events and issues.

2003 financial highlights

The 2003 financial statements of The City of Edmonton have been completed on a fund basis and are comprised of an operating fund, a capital fund, and a reserve fund. The results of the three funds have then been consolidated to report the overall financial position and financial activities of the City.

operating fund

The 2003 consolidated operating fund net revenues were \$56.8 million, excluding income from subsidiary operations which contributed a further \$416.1 million. After providing for certain budgeted fund transfers and debt repayments, the consolidated operating fund balance increased by \$310.5 million to \$2,343.0 million.

Heavy snowfalls, continuing weakened investment markets and higher energy costs early in the year resulted in a number of savings strategies being introduced by administration to offset a projected deficit to tax-supported operations. However, the strong local economy continued, with abundant growth and development activity resulting in increased revenues in areas such as development compliance, roadways and transit. Assessment growth exceeded expectations. These positive revenue streams in conjunction with the savings strategies, resulted in a slight surplus position for tax-supported operations in 2003.



Joyce Tustian
General Manager,
Corporate Services

report from
corporate
services - finance



Land Drainage Services (formerly storm sewer) adopted a utility status within the overall Drainage Services Utility in 2003, to implement more stable funding for necessary system upgrades and maintenance, and to more fairly charge users.

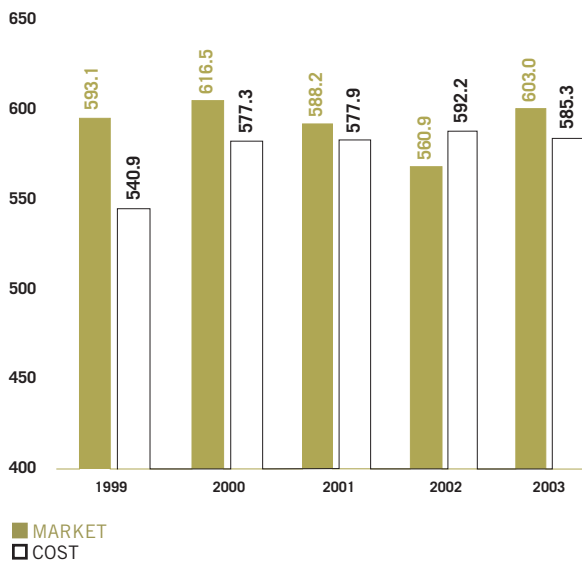
The Ed Tel Endowment Fund was established in 1995, with the investment of the \$470 million in proceeds from the sale of the telephone utility. Earnings from the Fund are applied to support municipal operations under a formula established by City Bylaw. In 2001 and 2002, the fund was negatively impacted by continuing weak investment markets. None of the planned appropriation was withdrawn from the fund in 2002. During 2003, amendments were made to the Bylaw to reflect a more sustainable annual contribution level over the longer term. Earnings within the fund in 2003 were \$19.7 million. An appropriation of \$26.6 million was made to support municipal operations. The Fund ended the year with a net asset book value of \$585.3 million, while the market value is estimated to be \$603.0 million.

Earnings in the The City of Edmonton Sinking Fund, established to meet future obligations to the purchasers of certain City of Edmonton debentures, exceeded required earnings by \$16.7 million in 2003. Under an agreement entered into January 1, 1996, excess earnings within the Sinking Fund are shared between the City and EPCOR Utilities Inc. The fund's accumulated excess earnings at December 31, 2003, attributable to the City, is \$27.8 million, of which \$11.8 million has been appropriated to fund future capital expenditures. An amount of \$493 million has been accumulated for future debt retirement. Overall market values of investments exceed book values as at December 31, 2003.

EPCOR Utilities Inc. earned \$438.3 million in 2003, well in excess of the budget of \$197.7 million. \$283.6 million of earnings were the result of a net gain on discontinued operations as a result of a sale of the water heater business in the latter part of 2003. Dividends of \$110.5 million and franchise fees, revenue tax, property and business tax of \$40.5 million were transferred to support municipal operations.

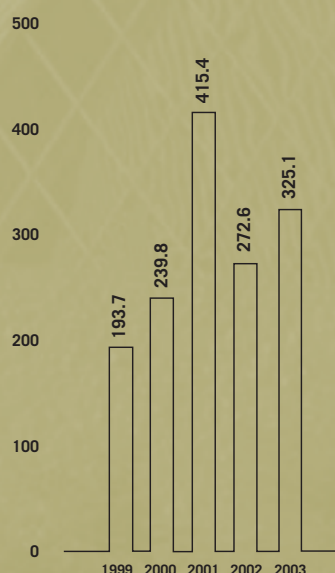
NET ASSETS OF ED TEL ENDOWMENT FUND

(MILLIONS OF \$)



CAPITAL EXPENDITURES (excluding EPCOR Utilities Inc.)

(MILLIONS OF \$)



Other operations within the consolidated entity, including the Drainage Services Utility, land operations, mobile equipment operations, Edmonton Public Library, Economic Development Edmonton, and Taxi Cab Commission earned a combined \$74.2 million, prior to transfers and debt repayment of \$63.8 million.

The City has recognized an obligation and expense of \$5.6 million in 2003, relating to post-employment benefits continuing to be provided to employees subsequent to their active service. Prior period results have not been restated.

capital fund

\$325.1 million was expended on capital during 2003, excluding expenditures incurred within EPCOR Utilities Inc. The capital fund balance of \$93.7 million is committed to capital projects approved by City Council in 2003 or in prior years.

Capital expenditures for tax-supported operations amounted to \$201.9 million, which were primarily financed on a pay-as-you-go basis including an allocation from operating revenues, government transfers, developer and surcharge contributions and transfers from reserves. As well, \$15 million of additional tax-supported debt was incurred, under a revised Debt Management Fiscal Policy.

Capital expenditures of \$123.2 million, in utility and enterprise operations, were financed primarily through borrowing, developer and customer contributions, or charges to equity.

reserve fund

The City maintains reserves designated for specific purposes as approved by City Council or the Boards of municipal entities. As at December 31, 2003 an amount of \$95.4 million has been appropriated for future operating or capital purposes, a decrease of \$6.5 million over the level of the prior year.

Of the overall reserve fund, an amount of \$42.0 million is held within the Financial Stabilization Reserve, to protect the City against unforeseen operating costs and ensure the orderly provision of services to citizens.

2004 budget

City Council approved the 2004 Operating and Capital Budgets in December 2003. Overall, the budget maintains existing services and places emphasis on key citizen priority areas such as fire and rescue services and on addressing improvements to city roadways. Additional funding is provided by a 5.3 per cent increase in the municipal property and business tax revenues, including one per cent to cover the future cost of servicing \$50 million in borrowing for priority tax-supported capital projects. Debt financed tax-supported projects include an expansion to the conference centre, new and replacement fire stations, mature neighborhood rehabilitation, improvements to arterial roads and preliminary drainage work to prepare for a new interchange in the City's south.



The City of Edmonton has followed an exclusively pay-as-you-go approach to financing tax-supported capital expenditures for many years. However significant pressures of growth and an increasing backlog of infrastructure rehabilitation requirements have led to the need to consider alternative funding strategies. City Council approved changes to the Debt Management Fiscal Policy in 2002 and endorsed an overall plan to borrow up to \$250 million over a 5 year period.

The budget includes selected increases in user fees for various municipal services. Sanitary Drainage Services Utility rates have not been increased for 2004 while land drainage fees increased by 2 percent. City Council approved a dividend of \$4.8 million from the Sanitary Drainage Services Utility be applied to fund initiatives in 2004.

As one aspect of an overall closing the gap initiative, the 2004 Budget identified \$12 million in revenue and business model initiatives. This is in addition to \$97 million in annual revenue and expenditure reduction initiatives that the City has implemented over the past eleven years.

recognition

Once again the City of Edmonton has been recognized with a number of awards in the financial area, attesting to the ongoing drive for quality and 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, 2002. 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 tenth consecutive year that the City of Edmonton has received this award – a decade of achievement. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we are submitting it to the GFOA for consideration.

The City of Edmonton also received the **2003 Distinguished Budget Presentation Award** from the GFOA, for the sixth straight year. The award represents a significant achievement and reflects the commitment of City Council and administration to meeting the highest principles of governmental budgeting. Edmonton has satisfied nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the budget serves as a policy document, a financial document, an operations guide, and a communication device.

Canadian Award for Financial Reporting

Presented to

The City of Edmonton,
Alberta

For its Annual
Financial Report
for the Year ended
December 31, 2002

A Canadian Award for Financial Reporting that
recognizes the quality of financial reporting
prepared by municipal governments and their
commitment to transparency and accountability
in their financial reporting. The award is given
to the top 100 municipal governments in
Canada.



Edward H. Haggitt
President

Jeffrey L. Eason
Vice President





For the fourth 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 innovation, professionalism, productivity, and leadership attributes of public sector organizations.

conclusion

Operating and capital funding gaps continue to exist as identified in the long-range financial plans reviewed with City Council. The overall closing the gap and business model review strategies recognize the need for a revised, more equitable relationship with the Federal and Provincial governments, as well as the need to continue reviewing programs and services to identify internal efficiencies and opportunities. Announcement of the full Goods and Services Tax rebate by the Federal government, beginning in 2004, and the additional funding for police services announced with the 2004/05 Provincial budget will assist. Efforts to more fully address the gap are ongoing.

Updates from the credit rating agencies have confirmed the City's ratings, acknowledging the low tax-supported debt, solid financial position, and sound financial management. The ratings are as follows: Dominion Bond Rating Services AA (high) and Standard & Poors AA (positive).

Looking forward, the forecast for economic growth within the Edmonton region continues to be strong, challenging the City to maintain existing services as well as to address the service and infrastructure needs associated with significant growth.

Joyce Tustian
General Manager, Corporate Services

Roger Rosychuk, M.B.A.
Finance Branch Manager

March 17, 2004

budget process

In 2003, the Long Range Financial Plan was updated for the 2004-2013 period and provided to City Council along with contextual financial information, in order to establish the guidelines for the preparation of the 2004 Budgets. The fifth City of Edmonton Corporate Business Plan was adopted, setting out goals, key strategies, and specific corporate-wide initiatives for implementation during the period 2004-2006. In addition, three-year departmental business plans were prepared in conjunction with the 2004 budget.

Edmonton's **operating budget** lays out the revenues and expenditures planned for the following year to deliver city services, using a program-based approach with a focus on service delivery.

Edmonton's **capital priorities plan and budget** is a five-year plan identifying proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by City Council. Those projects that fall within the Corporation's financial resources are recommended. Projects with a lower priority are deferred, and may be considered in future budgets.

City Council values public consultation during the development and review of the annual budgets. For the 2004 Budget, public input was provided through community dialogue sessions and web based surveys. City staff and Council members went out to public libraries and shopping malls around Edmonton to answer questions and provide information on the recommended budget. In addition, City Council held a public forum prior to their deliberations with respect to the recommended budget.

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 service model for finance and accounting services. Under this model all business areas share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Finance Branch Manager and delivered to each business area based on their needs.

auditing process

The Municipal Government Act requires municipal councils to appoint an auditor. In 1999, Edmonton 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 and the Provincial financial information return of the municipality. An Audit Committee has been established as a Committee of Council. The Act requires municipal financial statements to be prepared in accordance with generally accepted accounting principles for local governments, as recommended by the Canadian Institute of Chartered Accountants.

financial management and control



The City also has an internal audit function. The Office of the City Auditor is independent of the City Administration and reports directly to City Council through Executive Committee. The Office is 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.

financial policies

A number of significant financial policies, adopted by City Council, provide a framework for operating and capital planning and decision-making.

Property Tax Policy

In February 2004, City Council approved amendments to the property tax allocation policy. The policy provides for maintaining the current residential and non-residential property tax revenue split of 58.4% : 41.6% respectively, adjusted annually for growth. The allocation basis is to be applied to 2004 and future tax-related decisions.

Debt Management Fiscal Policy

The Debt Management Fiscal Policy provides guidelines for debt and pay-as-you-go funding for tax-supported, utility, other self-supporting, and local improvement capital expenditures. In late 2002, City Council approved revisions to the Policy to allow limited borrowing for tax-supported capital projects that meet specific criteria. This change is one strategy to address the increasing growth and rehabilitation demands the City is experiencing. During 2003, \$15 million was borrowed to address certain high priority tax-supported capital projects.

Previous to the recent change, the City followed an exclusively pay-as-you-go approach for funding tax-supported capital expenditures for many years. No new tax-supported borrowings had been made since 1990. As the debt principal decreased and the related annual debt repayment declined over the years, property tax previously set aside for debt repayment was made available to fund capital works. Pay-as-you-go financing has grown from \$7 million in 1983 to approximately \$84 million in 2003.



Utility Fiscal Policies

City Council's utility fiscal policies govern the financial relationship between the City's General Fund 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 to pay the City a portion of annual utility profits as a dividend. The Land Drainage Services Utility, established in 2003, is exempt from payment of franchise fees and dividends until 2014. The dividend policy for EPCOR Utilities Inc., the wholly owned electrical and water company, is established based on a percentage of budgeted earnings.

Investment Policy

City Council approved an investment policy to ensure that funds that would otherwise remain idle in the bank are put to their best use through investments. These investments are made for the benefit of the citizens of Edmonton or, where they are pension or trust funds, for the benefit of designated beneficiaries.

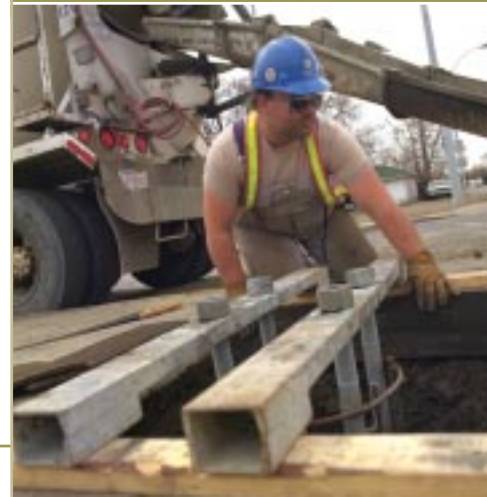
The Investment Policy establishes objectives to preserve the original principal and to maximize investment returns within an acceptable level of risk. All investments must comply with the City of Edmonton's Investment Policy and the Municipal Government Act of Alberta.

The Investment Committee, appointed by the City Manager, has responsibility for the prudent investment of the funds under its control. The Committee oversees the activities of all investment managers, monitors their performance in relation to their established benchmarks, and reports to City Council at least annually.

Reserve and Operating Equity

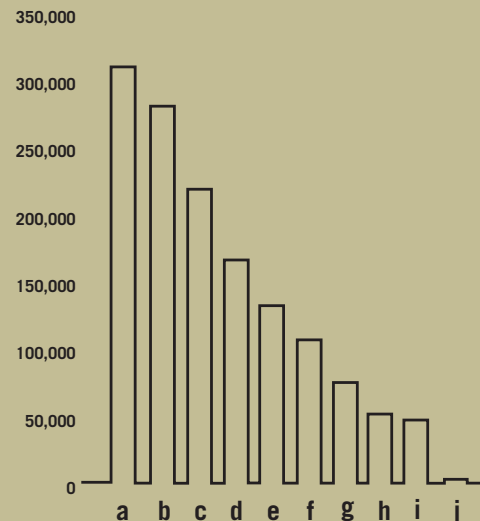
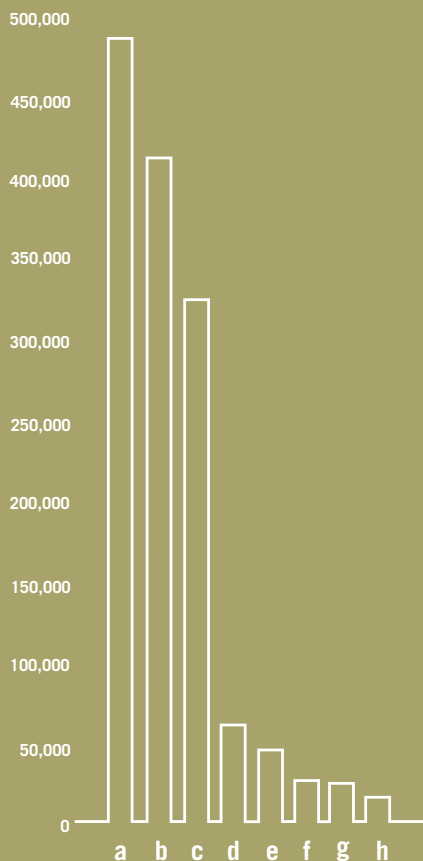
The Reserve and Operating Equity Accounts Policy was approved by City Council in 2002, replacing the previous Reserves and Surplus Policy and incorporating the former Financial Stabilization Reserve Policy.

The Financial Stabilization Reserve was established in 1997 to protect the City in the case of unforeseen operating costs, to maintain stable taxes and other revenue sources, and to ensure the orderly provision of services to residents. A target balance of seven per cent of general government operating expenditures has been established for the Reserve. Under the new policy, any general government annual operating surplus is to be transferred to the Reserve. Any balance in excess of the target level will be applied evenly to the three subsequent years' operating budgets.



Financial Synopsis

Operating Fund — Source and Distribution of Income Dollar
2003 Results
(in thousands of dollars)



SOURCE OF INCOME DOLLAR

a Taxation	\$	492,879	34.83%
b Subsidiary operations		416,077	29.41%
c Sale of goods and services		320,373	22.64%
d Investment earnings		52,111	3.68%
e Franchise fees		46,741	3.30%
f Fines and penalties		30,674	2.17%
g Government transfers		30,083	2.13%
h Licences, permits, and other		25,975	1.84%
	\$	1,414,913	100.00%

DISTRIBUTION OF INCOME DOLLAR

a Increase in operating fund balance	\$	310,539	21.95%
b Protective services		283,138	20.00%
c Transportation services		218,641	15.45%
d Community services		168,180	11.89%
e Corporate administration, general municipal, and pension and benefit adjustments		136,151	9.62%
f Net transfers to capital fund and from reserve fund		111,570	7.89%
g Utility and enterprise services		78,477	5.55%
h Waste management and storm sewer		53,391	3.77%
i Debt repayment		50,773	3.59%
j Tax appeals and allowances		4,053	0.29%
		\$1,414,913	100.00%

financial information
2003
the city of edmonton, alberta, canada



MANAGEMENT'S REPORT

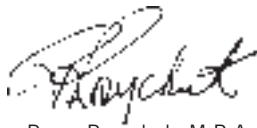
The management of The City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles for municipal governments established by 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 financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls, as well as an internal audit function. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

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.



Al Maurer, P.Eng.
City Manager



Roger Rosychuk, M.B.A.
Finance Branch Manager

March 17, 2004

AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of The City of Edmonton as at December 31, 2003 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Edmonton as at December 31, 2003 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Edmonton, Canada
March 17, 2004

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

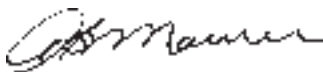
December 31, 2003
(in thousands of dollars)

	2003	2002 (Note 21)
Financial Assets		
Cash and short-term investments (Note 2)	\$ 122,475	\$ 93,826
Taxes receivable	23,312	22,829
Accounts receivable	60,373	53,879
Prepaid expenses and deferred charges (Note 17)	40,118	44,732
Land for resale	40,388	42,274
Long-term investments (Note 3)	996,134	1,030,829
Investment in subsidiaries (Note 16)	1,608,299	1,302,722
Total Financial Assets	2,891,099	2,591,091
Liabilities		
Accounts payable and accrued liabilities (Note 5)	184,650	160,688
Deposits	7,047	6,863
Deferred revenue (Note 6)	96,221	133,888
Employee benefit obligations (Note 7)	71,051	60,549
Long-term debt (Note 8)	367,248	377,021
Total Liabilities	726,217	739,009
Net Financial Assets	2,164,882	1,852,082
Physical Assets (Note 4)	1,442,734	926,776
Total Net Financial and Physical Assets	3,607,616	2,778,858
Municipal Position		
Capital fund (Schedule 2)	93,672	94,720
Equity in physical assets	1,075,486	549,755
	1,169,158	644,475
Reserve fund (Schedule 3)	95,445	101,909
Operating fund (Schedule 1)	2,343,013	2,032,474
Total Municipal Position	\$ 3,607,616	\$ 2,778,858

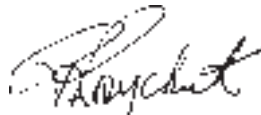
Commitments and contingent liabilities (Notes 18 and 19)

See accompanying notes to consolidated financial statements.

Approved by:



Al Maurer, P.Eng.
City Manager



Roger Rosychuk, M.B.A.
Finance Branch Manager

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended December 31, 2003
(in thousands of dollars)

	2003	Budget	2002 (Note 21)
Revenues			
Net taxes available for municipal purposes (Note 12)	\$ 492,879	\$ 486,952	\$ 472,093
User fees and sale of goods and services	321,554	303,065	314,008
Subsidiary operations (Note 16)	416,077	197,994	190,501
Investment earnings	52,111	57,115	50,109
Franchise fees	46,741	45,324	44,094
Government transfers (Note 13)	131,057	153,538	105,245
Developer and customer contributions	63,291	66,064	61,064
Fines and penalties	30,674	31,449	31,288
Licenses and permits	25,554	19,109	24,412
	1,579,938	1,360,610	1,292,814
Expenditures (Note 15)			
Protective services:			
Police and bylaw enforcement	179,874	180,873	169,847
Emergency response	110,186	116,383	102,143
	290,060	297,256	271,990
Transportation services:			
Bus and light rail transit	177,952	187,453	148,762
Roadway and parking	180,529	202,150	173,379
	358,481	389,603	322,141
Community services:			
Parks and recreation	95,569	119,316	87,928
Community and family	14,422	11,463	13,908
Edmonton Public Library	29,462	28,567	27,423
Planning	16,495	17,117	20,524
Convention and tourism	16,390	15,692	19,473
Public housing	4,423	5,250	5,083
Grants	8,708	8,795	9,430
	185,469	206,200	183,769
Utility and enterprise services:			
Drainage Services	133,388	147,694	86,199
Land	13,184	13,237	18,543
Mobile equipment	55,144	75,494	47,988
	201,716	236,425	152,730
Waste management and storm sewer	57,987	58,884	86,913
Corporate administration	106,009	129,341	84,321
General municipal	58,837	46,838	43,410
Tax appeals and allowances	4,053	10,770	8,092
Pension and benefit adjustments	4,526		(18,963)
	1,267,138	1,375,317	1,134,403
Excess (deficiency) of revenues over expenditures	312,800	(14,707)	158,411
Debtenture borrowings	41,000	34,419	23,000
Debt repayment	(50,773)	(48,713)	(57,272)
Change in fund balances	\$ 303,027	\$ (29,001)	\$ 124,139

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 2003
(in thousands of dollars)

	2003	2002 (Note 21)
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenditures	\$ 312,800	\$ 158,411
Deduct item not affecting cash:		
Subsidiary operations	(416,077)	(190,501)
Change in non-cash items:		
Taxes receivable	(483)	(1,032)
Accounts receivable	(6,494)	(479)
Prepaid expenses and deferred charges	4,614	(18,588)
Land for resale	1,886	251
Accounts payable and accrued liabilities	23,962	(20,478)
Deposits	184	1,279
Deferred revenue	(37,667)	(21,880)
Employee benefit obligations	10,502	(1,791)
Cash from operations	(106,773)	(94,808)
Investing Activities		
Net increase in long-term investments	34,695	3,713
Dividend from subsidiary	110,500	100,500
Cash from investing	145,195	104,213
Financing Activities		
Debenture borrowings	41,000	23,000
Repayment of long-term debt	(50,773)	(57,272)
Cash from financing	(9,773)	(34,272)
Increase (decrease) in cash position	28,649	(24,867)
Cash, beginning of year	93,826	118,693
Cash, end of year	\$ 122,475	\$ 93,826

Cash is represented by cash and short-term investments.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 — OPERATING FUND

for the year ended December 31, 2003
(in thousands of dollars)

	2003	Budget	2002 (Note 21)
Revenues			
Net taxes available for municipal purposes (Note 12)	\$ 492,879	\$ 486,952	\$ 472,093
User fees and sale of goods and services	320,373	303,065	313,601
Subsidiary operations (Note 16)	416,077	197,994	190,501
Investment earnings	52,111	57,115	50,109
Franchise fees	46,741	45,324	44,094
Government transfers (Note 13)	30,083	27,580	27,139
Developer and customer contributions	421		627
Fines and penalties	30,674	31,449	31,288
Licenses and permits	25,554	19,109	24,412
	1,414,913	1,168,588	1,153,864
Expenditures			
Protective services:			
Police and bylaw enforcement	173,629	171,598	160,806
Emergency response	109,509	115,365	101,777
	283,138	286,963	262,583
Transportation services:			
Bus and light rail transit	138,641	137,616	128,623
Roadway and parking	80,000	71,246	69,839
	218,641	208,862	198,462
Community services:			
Parks and recreation	84,024	84,697	76,025
Community and family	14,422	11,463	13,908
Edmonton Public Library	26,563	25,102	24,811
Planning	14,948	13,310	18,185
Convention and tourism	15,092	15,167	19,036
Public housing	4,423	5,250	5,083
Grants	8,708	8,795	9,430
	168,180	163,784	166,478
Utility and enterprise services:			
Drainage Services	55,981	52,930	44,288
Land	13,184	13,237	18,543
Mobile equipment	9,312	6,937	7,922
	78,477	73,104	70,753
Waste management and storm sewer	53,391	50,397	60,780
Corporate administration	72,788	79,852	70,214
General municipal	58,837	46,838	43,410
Tax appeals and allowances	4,053	10,770	8,092
Pension and benefit adjustments	4,526		(18,963)
	942,031	920,570	861,809
Excess of revenues over expenditures	472,882	248,018	292,055
Net interfund transfers			
To capital fund	(119,301)	(165,815)	(130,618)
From reserve fund	7,731	18,504	292
Debt repayment	(50,773)	(48,713)	(57,272)
Change in fund balance	310,539	51,994	104,457
Opening balance	2,032,474	2,032,474	1,928,017
Closing balance (Note 11)	\$ 2,343,013	\$ 2,084,468	\$ 2,032,474

See accompanying notes to consolidated financial statements.

SCHEDULE 2 — CAPITAL FUND

for the year ended December 31, 2003
(in thousands of dollars)

	2003	Budget	2002
Revenues			
Government transfers (Note 13)	\$ 100,974	\$ 125,958	\$ 78,106
Developer and customer contributions	62,870	66,064	60,437
Other	1,181		407
	165,025	192,022	138,950
Expenditures			
Protective services:			
Police and bylaw enforcement	6,245	9,275	9,041
Emergency response	677	1,018	366
	6,922	10,293	9,407
Transportation services:			
Bus and light rail transit	39,311	49,837	20,139
Roadway and parking	100,529	130,904	103,540
	139,840	180,741	123,679
Community services:			
Parks and recreation	11,545	34,619	11,903
Edmonton Public Library	2,899	3,465	2,612
Planning	1,547	3,807	2,339
Convention and tourism	1,298	525	437
	17,289	42,416	17,291
Utility and enterprise services:			
Drainage Services	77,407	94,764	41,911
Mobile equipment	45,832	68,557	40,066
	123,239	163,321	81,977
Waste management and storm sewer	4,596	8,487	26,133
Corporate administration	33,221	49,489	14,107
	325,107	454,747	272,594
Excess of expenditures over revenues	160,082	262,725	133,644
Net interfund transfers			
From operating fund	119,301	165,815	130,618
From (to) reserve fund	(1,267)	10,061	3,457
Debtenture borrowings	41,000	34,419	23,000
	159,034	210,295	157,075
Change in fund balance	(1,048)	(52,430)	23,431
Opening balance	94,720	94,720	71,289
Closing balance (Note 10)	\$ 93,672	\$ 42,290	\$ 94,720

See accompanying notes to consolidated financial statements.

SCHEDULE 3 — RESERVE FUND

for the year ended December 31, 2003
(in thousands of dollars)

	2003	Budget	2002
Opening balance	\$ 101,909	\$ 101,909	\$ 105,658
Add (deduct):			
Transfer from operating fund	14,691	2,661	24,040
Transfer to operating fund	(22,422)	(21,165)	(24,332)
Net transfer to operating fund	(7,731)	(18,504)	(292)
Transfer from capital fund	4,007		3,578
Transfer to capital fund	(2,740)	(10,061)	(7,035)
Net transfer from (to) capital fund	1,267	(10,061)	(3,457)
Change in fund balance	(6,464)	(28,565)	(3,749)
Closing balance (Note 9)	\$ 95,445	\$ 73,344	\$ 101,909

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2003
(in thousands of dollars)

The City of Edmonton 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.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The City of Edmonton (the City) are prepared by management in accordance with generally accepted accounting principles for municipal governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and in financial position 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 operations, they include the following:

- Drainage Services Utility
- Land Enterprise
- Mobile Equipment Services
- Ed Tel Endowment Fund
- The Edmonton Public Library
- Economic Development Edmonton

Interdepartmental and organizational transactions are eliminated.

On July 2, 2002, City Council amended the Sewers Use Bylaw to establish the Drainage Services Utility. Land drainage (formerly storm sewer) was established as a utility as of January 1, 2003, and forms part of the Drainage Services Utility. Accordingly, the assets and liabilities were recorded in the utility in 2003 (Note 4).

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 16). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Subsidiary corporations accounted for in this manner are:

- EPCOR Utilities Inc.
- The City of Edmonton Non-Profit Housing Corporation

The statements exclude trust assets that are administered for the benefit of external parties (Note 20).

b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenditures are accounted for in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

Funds within the consolidated financial statements consist of the operating, capital, and reserve funds. Transactions between funds are recorded as interfund transfers.

d) 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

e) Long-Term Investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. 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, or at cost less amounts written off to reflect a permanent decline in value.

f) Physical Assets

Physical assets, comprised of capital assets, local improvements, land for future municipal purposes, and inventories of materials and supplies, are recognized as expenditures in the period they are acquired.

Capital assets employed in general government tax-supported operations are carried on the Statement of Financial Position at cost net of financing provided from capital fund revenues, the reserve fund, and the operating fund. Tax-supported capital assets financed by debentures are carried at an amount equivalent to the debenture and are amortized at a rate equivalent to the principal repayment.

Capital assets employed in other operations are carried at cost, and the related financing from capital fund revenues, the reserve fund, and the operating fund is recorded as equity in physical assets. Capital assets are amortized over their estimated useful lives.

Local improvements are authorized by property owners and undertaken by the City. The construction and borrowing costs are recovered through annual local improvement assessments during the period of the related borrowings.

Land for future municipal purposes is valued at cost. Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

g) Equity in Physical Assets

Equity in physical assets represents the investment in physical assets, after deducting the portion financed by long-term debt.

h) Reserve Fund

Certain amounts, as approved by City Council, are set aside in reserves for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

i) Government Transfers

Government transfers 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.

j) 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 expenditures are translated at rates in effect at the time of the transactions. Gains (losses) on foreign currency translation are included as revenues (expenditures).

k) Use of Estimates

The preparation of financial statements in conformity with 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 expenditures during the period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

2. CASH AND SHORT-TERM INVESTMENTS

	2003	2002
Bankers' acceptances, treasury bills and commercial paper, at cost	\$ 5,898	\$ 5,263
Fixed income:		
Short-term notes and deposits	70,153	102,200
Government and government guaranteed bonds	48,012	2,595
Corporate bonds and debentures	22,645	5,264
	140,810	110,059
Cheques outstanding in excess of deposits	(24,233)	(21,496)
	\$ 122,475	\$ 93,826

Short-term notes and deposits have effective interest rates of 2.6 to 2.9 per cent (2002 - 2.6 to 2.9 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 3.0 to 4.5 per cent (2002 - 2.9 to 4.4 per cent) with maturity dates from March 8, 2004 to February 15, 2015 (2002 - May 1, 2003 to December 1, 2005). Market value of fixed income investments is \$140,928 (2002 - \$110,334).

3. LONG-TERM INVESTMENTS

	2003	Cost 2002 (Note 21)	Market Value 2003	2002 (Note 21)
Cash	\$ 375	\$ 441	\$ 375	\$ 441
Amounts receivable - net	(13)	1,135	(13)	1,136
Fixed income:				
Short-term notes and deposits	3,448	69,811	3,499	70,276
Government and government guaranteed bonds	356,822	361,876	367,866	372,719
Corporate bonds and debentures	154,494	133,454	158,697	137,167
	514,764	565,141	530,062	580,162
Common and preferred shares:				
Canadian	211,764	224,148	250,454	213,199
International	269,224	239,945	246,672	204,113
	480,988	464,093	497,126	417,312
Other investments	20	19	20	19
	\$ 996,134	\$ 1,030,829	\$ 1,027,570	\$ 999,070

Short-term notes and deposits have effective interest rates of 2.6 to 2.8 per cent (2002 - 2.6 to 3.0 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 2.6 to 7.5 per cent (2002 - 2.7 to 7.5 per cent) with maturity dates from March 8, 2004 to June 30, 2052 (2002 - February 20, 2003 to December 31, 2049).

Included in the carrying value of long-term investments is \$51,262 (2002 - \$77,590) held exclusively for capital transportation projects (Note 6).

The cost of international common and preferred shares exceeds market value as at December 31, 2003. Given the ongoing market and foreign exchange volatility, management is of the opinion that the loss in value is a temporary decline.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

4. PHYSICAL ASSETS

	Cost	Accumulated Depreciation	2003 Net Book Value	2002 Net Book Value
Capital assets:				
Sanitary Drainage Services	\$ 768,100	\$ 173,309	\$ 594,791	\$ 564,800
Land Drainage Services	713,281	247,095	466,186	
	1,481,381	420,404	1,060,977	564,800
Engineering structures	131,210	22,483	108,727	119,071
Land	1,344		1,344	1,344
Buildings	79,126	44,202	34,924	33,501
Vehicles	230,355	85,661	144,694	116,236
Machinery and equipment	9,493	4,755	4,738	5,004
	1,932,909	577,505	1,355,404	839,956
Local improvements	94,761	35,885	58,876	62,020
Land for future municipal purposes	13,580		13,580	10,369
Inventories of materials and supplies	14,874		14,874	14,431
	\$ 2,056,124	\$ 613,390	\$ 1,442,734	\$ 926,776

To comply with the amended Sewers Use Bylaw, Land Drainage (formerly storm sewer) was established as a utility on January 1, 2003 and forms part of the Drainage Services Utility. Accordingly, the capital assets and liabilities were recorded in the utility in 2003. Gross assets of \$678,125, on January 1, 2003 were financed by contributions in aid of construction of \$554,005, long-term debt of \$5,760, and net equity in physical assets of \$118,360.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities is \$13,551 (2002 - \$12,458) of the estimated total landfill closure and post closure care expenditures of \$14,760. The estimated liability for these expenditures is recognized as the landfill site's capacity is used and the reported liability represents the portion of the estimated total expenditures recognized as at December 31, 2003, based on the cumulative capacity used at that date, compared to the total estimated landfill capacity. Estimated total expenditures represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 6.9 per cent (2002 - 7.3 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 extending over a forty-year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and will be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the landfill site is 8.2 per cent of its total estimated capacity and its estimated remaining life is 10 years, after which the period for post closure care is estimated to be 30 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

6. DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

	2003	2002 (Note 21)
Operating:	\$ 15,608	\$ 14,323
Capital:		
Transportation fuel rebate	51,262	77,590
Infrastructure Canada-Alberta Program (ICAP)	15,992	26,910
North/South Trade Highway grant	12,972	14,365
Other	387	700
	80,613	119,565
	\$ 96,221	\$ 133,888

In 2001, the Province of Alberta (the Province), advanced \$28,524 to the City for the ICAP program. Revenue related to the Province's ICAP share is recognized (Note 13) when the eligible capital expenditures and matching contributions are approved. Also included in the deferred revenue balance is interest earned from related investments.

In 2000, the City received \$182,479 from the Province for capital transportation projects. In 2003, the City received additional funding of \$45,000 (2002 - \$45,000) from the Province. Revenue is recognized based on eligible expenditures or to provide interim financing as agreed to by the Province. Also included in the deferred revenue balance is interest earned from related investments.

The use of these funds is restricted to eligible capital expenditures, as defined within the funding agreements.

Unexpended funds related to the transportation fuel rebate are supported by long-term investments of \$51,262 (2002 - \$77,590), held exclusively for funding these projects (Note 3).

7. EMPLOYEE BENEFIT OBLIGATIONS

	2003	2002 (Note 21)
Accrued vacation	\$ 43,371	\$ 39,884
Income replacement plan	13,564	13,800
Post-employment benefits	5,562	
Banked overtime	5,189	4,857
Group life plan	2,618	2,141
Other	747	(133)
	\$ 71,051	\$ 60,549

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding liability will be paid to employees in accordance with the agreed upon terms and conditions of the plan. The liability is based on an actuarial valuation completed by the actuaries of Aon Consulting Inc. as at December 31, 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

The City sponsors certain 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.

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 and dental costs.

In order to measure the post-employment obligation, an actuarial valuation was completed by the actuaries of Aon Consulting Inc. regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation and extrapolation is 7.0 per cent. The accrued benefit obligation as at December 31, 2003 is \$4,605. Total benefit plan related expense for 2003 is \$1,187.

8. LONG-TERM DEBT**a) Debt payable:**

Debt payable, issued in the name of the City, includes the following amounts:

	2003	2002
Debentures	\$ 1,390,095	\$ 1,494,801
Mortgages	13,372	13,622
	1,403,467	1,508,423
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	540,394	626,988
Edmonton Northlands	2,927	3,015
Sinking fund assets	492,898	488,979
Debt defeasance assets		12,420
	367,248	377,021
Long-term debt is comprised of:		
Self-liquidating debt	343,190	351,070
Tax-supported debt	24,058	25,951
	\$ 367,248	\$ 377,021

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. and has the same repayment terms as the respective debt.

Outstanding debentures of \$900,000 are secured by sinking fund assets with a carrying value of \$492,898 (market value - \$509,046) and required earnings of 5.0 to 7.0 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 The City of Edmonton debentures with a carrying value of \$96,455 (market value - \$102,056).

Short-term notes and deposits have an effective interest rate of 2.7 to 2.8 per cent (2002 - 2.9 to 3.0 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 4.4 to 12.9 per cent (2002 - 5.3 to 12.9 per cent) with maturity dates from June 1, 2004 to December 1, 2019 (2002 - February 20, 2003 to June 1, 2019).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

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

	2004	2005	2006	2007	2008
Self-liquidating debt	\$ 83,897	\$ 75,977	\$ 67,416	\$ 58,123	\$ 45,254
Tax-supported debt	9,727	706	745	786	829
	93,624	76,683	68,161	58,909	46,083
Less:					
Payments on offsetting amounts receivable	27,224	26,326	23,443	16,786	8,247
Sinking fund principal	27,377	25,387	24,028	24,208	22,517
	\$ 39,023	\$ 24,970	\$ 20,690	\$ 17,915	\$ 15,319

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.

b) Debt and debt service limits:

Regulations under section 271 of the Municipal Government Act, as passed by the Province of Alberta, requires that debt, debt limit and debt service (principal and interest payments) limits be disclosed. The debt limit, as defined in the Regulation, is two times revenue net of capital government transfers. 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:

	2003	2002 (Note 21)
Total debt limit	\$ 2,125,774	\$ 2,048,414
Total debt per Regulation	370,914	393,348
Percentage used (%)	17.45	19.20
Total debt service limit per Regulation	\$ 372,010	\$ 358,472
Total debt service	63,961	88,329
Percentage used (%)	17.19	24.64

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

c) Maturities and interest rates:

Existing long-term debt matures in annual amounts to the year 2028 and debenture interest is payable, before provincial subsidy, at rates ranging from 4.4 to 12.0 per cent. The average annual interest rate is 6.9 per cent for 2003 (2002 - 7.3 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.

d) Interest on long-term debt:

	2003	2002
Self-liquidating debt	\$ 135,236	\$ 148,148
Tax-supported debt	2,364	1,086
	137,600	149,234
Less payments on offsetting amounts receivable	110,830	119,400
Long-term debt interest included in interest and bank charges (Note 15)	\$ 26,770	\$ 29,834

9. RESERVE FUND

	2003	2002 (Note 21)
General Government:		
Financial Stabilization	\$ 41,976	\$ 47,651
Funds in Lieu - Residential	16,574	14,941
Other	9,515	9,615
Enterprise Portfolio	6,571	5,489
Parkland Reserve	5,996	5,138
Benefit Plan	4,069	3,800
Perpetual Care	3,201	3,085
Self Insurance	2,500	2,500
Heritage Resources	1,213	766
Waste Management Rate Stabilization	1,120	5,855
	92,735	98,840
Edmonton Public Library	2,710	3,069
	\$ 95,445	\$ 101,909

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

10. CAPITAL FUND

The capital fund balance is comprised of the following:

	2003	2002
Financing available:		
Funds for future construction	\$ 41,357	\$ 63,201
Drainage Services Utility capital assets	73,634	49,387
Land for future municipal purposes		1,398
	114,991	113,986
Amounts to be financed:		
Land for future municipal purposes	(4,967)	
Inventories of materials and supplies	(12,863)	(12,328)
Other physical assets	(3,489)	(6,938)
	(21,319)	(19,266)
	\$ 93,672	\$ 94,720

Amounts to be financed related to inventories of materials and supplies will be financed at the point they are utilized.

Land for future municipal purposes and other physical assets to be financed will be considered within the City's Capital Priorities Plan (Note 18).

11. OPERATING FUND

	2002	Excess (Deficiency) of Revenues over Expenditures	Transfers and Debt Repayment	2003
General Government:				
Operations	\$ 7,320	\$ (14,887)	\$ 23,914	\$ 16,347
Pension and benefits	40,045	(4,526)	(119)	35,400
Excess earnings on Sinking Fund	30,737	8,872	(11,818)	27,791
Drainage Services Utility		45,292	(45,292)	
Land Enterprise	35,860	11,091	(1,977)	44,974
Mobile Equipment Services	23,654	18,561	(16,798)	25,417
Ed Tel Endowment Fund	592,130	(6,860)		585,270
EPCOR Utilities Inc.	1,302,031	416,077	(110,500)	1,607,608
Non-Profit Housing Corporation	691			691
The Edmonton Public Library	796	(651)	801	946
Economic Development Edmonton	(851)	(132)	(554)	(1,537)
Taxi Cab Commission	61	45		106
	\$ 2,032,474	\$ 472,882	\$ (162,343)	\$ 2,343,013

The general government operations fund balance includes \$7,320 appropriated for future purposes and \$9,027 to be transferred to the Financial Stabilization Reserve. Excess earnings of \$11,754 of the Sinking Fund balance is appropriated for future capital expenditures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

12. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	2003	2002
Taxes:		
Property and business taxes	\$ 687,186	\$ 651,439
Revenue in lieu of taxes	21,411	20,833
Local improvement levies	12,388	13,458
Other	4,405	3,355
	725,390	689,085
Less taxes on behalf of:		
Education	230,927	215,483
Business revitalization zones	1,584	1,509
	232,511	216,992
Net taxes available for municipal purposes	\$ 492,879	\$ 472,093

The City is required to levy taxes under section 353 of the Municipal Government Act towards the 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 the accounts receivable.

An amount of education taxes payable of \$1,666 has been recorded at December 31, 2003 (2002 - \$1,071) within accounts payable and accrued liabilities.

13. GOVERNMENT TRANSFERS

The following government transfers have been included in revenues:

	2003	2002
Operating transfers:		
Federal	\$ 1,470	\$ 989
Provincial	28,613	26,150
	30,083	27,139
Capital transfers:		
Federal:		
Shared cost agreements - ICAP	11,560	2,496
Shared cost agreements - other	137	
Grants and entitlements	105	
Provincial:		
Shared cost agreements - ICAP	11,560	2,496
Grants and entitlements	77,612	73,114
	100,974	78,106
	\$ 131,057	\$ 105,245

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

14. EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required by Regulations under section 276 of the Municipal Government Act passed by the Province.

	Salaries	Benefits	2003	2002
Mayor	\$ 109	\$ 11	\$ 120	\$ 118
Councillors (12)	689	135	824	808
Chief Administrative Officer	230	21	251	227
City Assessor	120	8	128	117
	\$ 1,148	\$ 175	\$ 1,323	\$ 1,270

Councillors are each paid a base salary of \$57.0. Each receives benefits in the range of \$10.2 to \$12.3.

Benefits include the City's share of all employee benefits and contributions made on behalf of employees, 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.

Executive salaries and benefits are included in corporate administration expenditures.

15. EXPENDITURES BY OBJECT

	2003	2002 (Note 21)
Salaries, wages, and employee benefits	\$ 613,693	\$ 544,123
Contracted and general services	349,360	309,617
Materials, goods, supplies, and utilities	211,790	206,903
Interest and bank charges	39,154	39,921
Other	53,141	33,839
	\$ 1,267,138	\$ 1,134,403

16. SUBSIDIARY CORPORATIONS**a) EPCOR Utilities Inc.**

EPCOR Utilities Inc., established by City Council under City Bylaw 11071, is wholly owned by The City of Edmonton and provides regulated and non-regulated electric utility services, natural gas services, water utility services, and complementary commercial services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

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

	2003	2002 (Note 21)
Financial position:		
Current assets and deferred assets	\$ 1,027,487	\$ 912,741
Current assets of discontinued operations	3,979	64,678
Capital assets	3,060,840	3,207,681
Other assets	255,681	211,693
Non-current assets of discontinued operations	292	328,716
Total assets	4,348,279	4,725,509
Current liabilities (including current portion of long-term debt of \$55,600 (2002- \$66,100))	572,716	912,807
Current liabilities of discontinued operations	1,498	34,313
Non-current liabilities	521,499	512,853
Long-term debt	1,644,958	1,839,259
Non-current liabilities of discontinued operations		124,246
Total liabilities	2,740,671	3,423,478
Net assets	1,607,608	1,302,031
Results of operations:		
Revenues	2,589,422	2,512,161
Expenses	2,434,739	2,327,201
Discontinued operations	283,630	(523)
Net income	438,313	184,437
Foreign currency gain (loss)	(22,236)	6,028
Net income and adjustments	\$ 416,077	\$ 190,465

Long-term debt reported by EPCOR Utilities Inc. includes amounts issued in the name of the City. Offsetting short and long-term receivables from EPCOR Utilities Inc. have been applied to reduce the consolidated long-term debt (Note 8).

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

2004	\$ 55,600
2005	131,000
2006	169,400
2007	46,500
2008	236,500
2009 and thereafter	1,061,558
	\$ 1,700,558

The following summarizes the City's related party transactions with EPCOR Utilities Inc. 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.

	2003	2002
Dividend paid to the City	\$ 110,500	\$ 100,500
Power and water purchased by the City	23,200	22,500
Other services purchased by the City	25,500	23,800
Franchise fees and revenue tax paid to the City	31,400	30,300
Property taxes and other taxes paid to the City	9,100	9,100
Administrative and construction services from the City	19,900	17,600
Excess earnings in Sinking Fund available to EPCOR Utilities Inc. as at December 31	18,100	10,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

Included in accounts receivable is \$31.0 million (2002 - \$14.6 million) due from the City of Edmonton.

EPCOR Utilities Inc. commitments to capital investments include the Genesee Phase 3 project, estimated at \$51.8 million, at December 31, 2003 (2002 - \$244.2 million).

EPCOR Utilities Inc. has issued letters of credit for \$29.3 million (2002 - \$49.5 million) to meet the credit requirements of energy market participants and to satisfy legislated reclamation requirements.

Effective January 1, 2001, EPCOR Utilities Inc. became subject to a regulation in Alberta, requiring payment of amounts in lieu of income taxes on certain of its operations. Alberta Revenue, Tax and Revenue Administration has indicated a concern about the value of goodwill recognized at the time of this change. EPCOR Utilities Inc. believes that it appropriately measured the value of goodwill and will defend its position. If any adjustment is required, it will be recorded in the period of determination.

The settlement process in the Alberta electricity market may result in adjustments to previously settled loads in future periods. The adjustments will result in changes to previous estimates of electricity revenues and expenses. Any such adjustments, which could be material, will be recorded in the period they become known.

b) The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The City is the sole shareholder of Non-Profit Housing Corporation, established in 1977 for the purpose of providing non-profit housing for the citizens of Edmonton. Pursuant to operating agreements, Non-Profit Housing Corporation receives subsidies from Canada Mortgage and Housing Corporation and Alberta Social Housing Corporation.

The following table provides condensed supplementary financial information for Non-Profit Housing Corporation.

	2003	2002
		(Note 21)
Financial position:		
Current assets	\$ 3,192	\$ 3,336
Housing projects	23,915	25,129
Total assets	27,107	28,465
Current liabilities (includes current portion of mortgages payable of \$1,284 (2002 - \$1,207))	1,706	1,675
Mortgages payable	23,971	25,262
Total liabilities	25,677	26,937
Replacement reserves	739	837
Net assets	691	691
Results of operations:		
Revenues	4,936	4,941
Expenses	4,629	4,595
Net income	307	346
Replacement reserve allocation	(307)	(310)
Net income and adjustments	\$	\$ 36

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

2004	\$ 1,284
2005	1,360
2006	1,431
2007	1,509
2008	1,591
2009 and thereafter	18,080
	\$ 25,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

17. 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, which is one of the plans covered by the Public Sector Pension Plans Act.

The City is required to make current service contributions to the Plan of 5.525 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 7.400 per cent thereafter. Employees of the City are required to make current service contributions of 4.525 per cent of pensionable salary up to YMPE and 6.400 per cent thereafter. Contributions for current service are recorded as expenditures in the year in which they become due. Contribution rates reflect a 0.5 per cent increase to both employer and employee contributions, implemented January 1, 2003.

Total current service contributions by the City to the Local Authorities Pension Plan in 2003 were \$20,950 (2002 - \$18,304). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2003 were \$17,498 (2002 - \$15,538).

b) Special Forces Pension Plan

Police officers employed by the City are participants in the Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.36 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. Participants of the SFPP are required to make current service contributions of 9.26 per cent of pensionable salary and past service contributions of 0.75 per cent of pensionable salary to the Plan. Contributions for current and past service are recorded as expenditures in the year in which they become due. Contribution rates reflect a 1.31 per cent increase to both employer and employee contributions, implemented January 1, 2003.

Total current and past service contributions by the City to the SFPP in 2003 were \$8,811 (2002 - \$7,465). Total current and past service contributions by the participants to the SFPP in 2003 were \$8,104 (2002 - \$6,722).

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 20.

i) Annuity Fund

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.

ii) Police Supplementary Pension Fund

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the Local Authorities Pension Plan for 36 beneficiaries. There are no active police officers enrolled in PSPP and no further contributions are expected to be made to the Fund.

iii) Fire Fighters' Supplementary Pension Fund

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 Local Authorities Pension Plan. Active fire fighters continue to earn pension credits under the FFSPP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

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

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 Local Authorities Pension Plan.

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

	Annuity	PSPP	FFSPP	Fire Chief	2003	2002
Fair value of assets	\$ 6,442	\$ 5,676	\$ 103,512	\$ 1,343	\$ 116,973	\$ 106,582
Accrued benefit obligation	182	1,095	83,182	1,681	86,140	80,962
Funded status - surplus (deficit)	6,260	4,581	20,330	(338)	30,833	25,620
Unamortized net actuarial loss			16,424	271	16,695	23,045
Accrued benefit asset (liability)	6,260	4,581	36,754	(67)	47,528	48,665
Valuation allowance	6,260	4,581	2,044		12,885	9,765
Net fund asset (liability)	\$	\$	\$ 34,710	\$ (67)	\$ 34,643	\$ 38,900

An actuarial valuation for each pension plan was completed by Aon Consulting Inc. as at December 31, 2003. Each 2003 actuarial valuation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 3.0 per cent (2002 - 3.0 per cent). The discount rate used to determine the accrued benefit obligation is 7.0 per cent (2002 - 7.0 per cent). Each pension fund's assets are valued at market value. The expected rate of return on plan assets is 7.0 per cent (2002 - 7.0 per cent).

Net fund asset (liability) is included in prepaid expenses and deferred charges. Benefit plan related expense for the Fire Chief and Deputy Fire Chiefs' plan was \$26 (2002 - \$6).

v) Long-Term Disability Plan

The Long-Term Disability Plan is available to permanent 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 Consulting Inc. as at December 31, 2001 and then was extrapolated to December 31, 2003. The 2003 extrapolation was based upon a continuance assumption and an interest discount rate linked to the Canadian long-term bond rate of 6.75 per cent (2002 - 7.0 per cent). The Plan's assets are valued using a moving average market method.

	2003	2002
Fair value of assets	\$ 43,999	\$ 42,974
Accrued benefit obligation	34,960	27,732
Rate stabilization reserve	4,900	4,200
Other obligations and deferred gains	542	1,187
Net fund asset	\$ 3,597	\$ 9,855

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended December 31, 2003
(in thousands of dollars)

18. CAPITAL COMMITMENTS

City Council has approved a 2004 - 2008 Capital Priorities Plan of \$640,487. The 2004 requirement of \$417,025 is to be funded as follows:

Reserves, grants, and developer contributions	\$ 221,851
Pay-as-you-go financing	75,123
Tax-supported debentures	62,573
Self-liquidating debentures	57,478
	\$ 417,025

Capital requirements related to EPCOR Utilities Inc. are not included in the Capital Priorities Plan. Certain capital commitments for EPCOR Utilities Inc. have been disclosed in Note 16.

19. CONTINGENT LIABILITIES

- a) The City is defendant in various lawsuits as at December 31, 2003. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the City Solicitor 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 and potential site reclamation obligations. The amount of any such obligations has not been determined.

20. TRUST ASSETS AND LIABILITIES

The City administers the following 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 consolidated financial statements.

	2002	Deposits (Withdrawals)	Earnings	2003
Pension Fund Net Assets:				
Annuity Fund	\$ 5,827	\$ (74)	\$ 689	\$ 6,442
Police Supplementary Pension Fund	5,193	(126)	609	5,676
Fire Fighters' Supplementary Pension Fund	94,501	(1,885)	10,896	103,512
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	1,061	(138)	420	1,343
	106,582	(2,223)	12,614	116,973
 Long-Term Disability Plan	 41,756	 (677)	 2,044	 43,123
Other	255	273	3	531
	\$ 148,593	\$ (2,627)	\$ 14,661	\$ 160,627

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

Long-Term Disability Plan assets are held in trust within the City Balanced Fund. Investments are comprised of short-term notes and deposits, government and government guaranteed bonds, corporate bonds, debentures, and Canadian and international common and preferred shares.

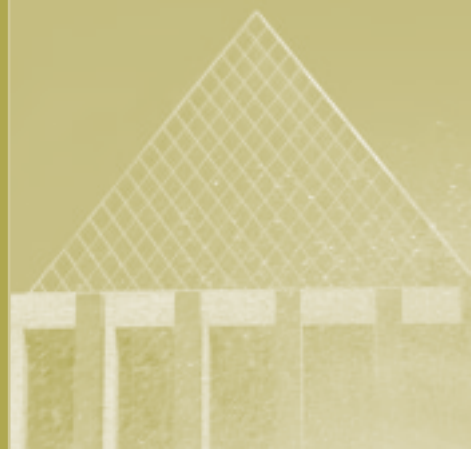
21. COMPARATIVE FIGURES

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

schedules and statistics

2003

edmonton, alberta, canada



SCHEDULES AND STATISTICS — GENERAL MUNICIPAL DATA

STATISTICAL REVIEW FOR THE YEARS 1999 TO 2003

Unaudited

(in thousands of dollars)

	2003	2002	2001	2000	1999
Population (Note 1)	666,104	666,104	666,104	648,284	648,284
Population age distribution (%) (Note 2)					
0-4	5.80	5.80	5.80	5.93	5.93
5-19	19.64	19.64	19.64	19.86	19.86
20-29	16.54	16.54	16.54	16.61	16.61
30-39	15.87	15.87	15.87	17.08	17.08
40-49	16.20	16.20	16.20	15.64	15.64
50-59	10.58	10.58	10.58	9.75	9.75
60-64	3.69	3.69	3.69	3.68	3.68
65+	11.68	11.68	11.68	11.45	11.45
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	\$ 1,075,125	\$ 1,141,696	\$ 904,536	\$ 786,706	\$ 657,535
Number of housing starts (per Canada Mortgage and Housing Corporation)	8,956	8,821	4,811	3,765	3,932
Consumer price index – 1992 base year (per Statistics Canada)					
Edmonton	128.4	121.9	118.4	115.9	112.2
Alberta	129.7	124.2	120.1	117.4	113.4
Canada	122.3	119.0	116.4	113.5	110.5
Unemployment rate (%) - annual average (per Statistics Canada)					
Edmonton	5.1	5.1	4.9	5.5	5.9
Alberta	5.7	5.3	4.6	5.0	5.7
Canada	7.6	7.7	7.2	6.8	7.6
City of Edmonton employees (Note 3)	9,517	9,301	9,084	8,976	8,443

Source: The City of Edmonton Planning and Development Department.

Notes:

1. The population figures are as per the 1999 and 2001 Canada Census.
2. The 2002 and 2003 population age distribution figures are as per the 2001 Canada Census. The 2000 population age distribution figures are as per the 1999 Canada Census.
3. Positions are stated in full time equivalents.

SCHEDULES AND STATISTICS — ASSESSMENT AND TAX LEVY STATISTICAL REVIEW FOR THE YEARS 1999 TO 2003

Unaudited

(in thousands of dollars, except per capita)

	2003	2002	2001	2000	1999
Assessment:					
Total taxable assessment (market value)	\$ 45,098,041	\$ 39,720,706	\$ 36,344,255	\$ 33,654,816	\$ 32,724,906
Percentage of total assessment represented by:					
Residential properties	77.1	74.7	74.6	75.1	74.0
Commercial properties	22.9	25.3	25.4	24.9	26.0
Taxable assessment per capita	\$ 67,704	\$ 59,631	\$ 54,562	\$ 51,914	\$ 50,479
Assessment for principal taxpayers (%) (Note 1)	5.2	5.7	5.9	8.2	6.7
Rates of taxation (mills):					
Single family residential	10.65	11.60	12.28	13.43	13.50
Other residential property	11.91	13.00	13.73	14.88	14.94
Commercial and industrial	22.95	22.72	23.54	25.60	25.00
Tax levy, collections, and arrears:					
Current year's levy:					
Property	\$ 622,400	\$ 591,407	\$ 570,388	\$ 581,225	\$ 564,127
Business	81,579	76,845	74,263	71,036	68,467
Collections:					
Property	\$ 622,200	\$ 584,504	\$ 565,636	\$ 577,516	\$ 549,207
Business	81,535	76,743	74,965	71,291	67,814
Arrears at December 31 (net):					
Property	\$ 22,548	\$ 21,356	\$ 20,624	\$ 25,535	\$ 29,938
Business	763	1,474	1,173	1,641	2,011
Percentage of current property taxes collected	98.2	96.6	97.4	97.8	94.2
Percentage of net property tax arrears collected	51.7	63.7	39.4	31.0	63.2
Property tax arrears per capita (gross)	\$ 41.29	\$ 43.44	\$ 42.97	\$ 55.52	\$ 58.18
Property tax arrears per capita (net)	33.85	32.06	30.96	39.39	46.18
Property tax levy per capita	934.39	887.86	856.31	896.56	870.18
Education taxes	230,927	215,483	209,809	244,892	240,425

Source: The City of Edmonton Planning and Development Department.

Note:

1. Includes the ten highest taxpayers by assessment value.

SCHEDULES AND STATISTICS — INVESTMENT FUNDS

STATISTICAL REVIEW FOR THE YEARS 1999 TO 2003

Unaudited

(in thousands of dollars)

	2003	2002	2001	2000	1999
Investment funds (Note 1)					
Ed Tel Endowment Fund					
Net assets-market value	\$ 602,997	\$ 560,817	\$ 587,801	\$ 616,509	\$ 593,130
Net assets-cost	585,270	592,130	577,893	577,325	540,911
Net earnings	19,740	14,237	41,416	75,809	47,391
Fund rate (%)	3.4	2.4	7.2	14.0	8.9
Market (%)	6.2	(4.4)	3.6	11.2	8.6
The Balanced Fund (Note 2)					
Net assets-market value	\$ 375,310	\$ 342,279	\$ 333,558	\$ 283,208	\$ 220,724
Net assets-cost	363,182	345,316	328,533	269,036	211,434
Net earnings	16,416	14,211	17,246	15,983	9,810
Fund rate (%)	4.8	4.4	6.4	7.6	5.8
Market (%)	9.6	2.0	3.3	9.5	5.9
The Sinking Fund					
Net assets-market value	\$ 556,368	\$ 555,059	\$ 511,493	\$ 458,607	\$ 389,329
Net assets-cost	538,856	530,066	491,678	440,285	383,872
Net earnings					
Required	25,185	24,034	21,373	18,849	16,453
Unappropriated	16,683	23,306	10,560	15,398	8,343
Total	41,868	47,340	31,933	34,247	24,796
Fund rate (%)	7.7	10.4	7.0	8.4	7.2
Market (%)	6.2	10.6	7.0	11.8	(3.4)
The Transportation Fund (Note 3):					
Net assets-market value	\$	\$ 75,243	\$ 99,888	\$ 153,476	
Net assets-cost		77,590	96,946	151,678	
Net earnings		6,316	8,620	7,789	
Fund rate (%)		5.4	6.2	6.5	
Market (%)		3.4	7.2	8.7	
Combined funds					
Net assets-market value	\$ 1,534,675	\$ 1,533,398	\$ 1,532,740	\$ 1,511,800	\$ 1,203,183
Net assets-cost	1,487,308	1,545,102	1,495,050	1,438,324	1,136,217
Net earnings	78,024	82,104	99,215	133,828	81,997

Source: The City of Edmonton Corporate Services Department.

Notes:

- Net earnings are realized earnings of the fund in accordance with generally accepted accounting principles.
 - Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
 - Market return is based on the time weighted method in accordance with industry standards.
- In 2003, the Reserves Fund was renamed the Balanced Fund to reflect that the fund balance contains surplus working capital in addition to reserves. There is no change to the investment strategy of this fund.
- Effective November 30, 2003, funds held for the Transportation Fund are no longer managed separately. Statistics for the Transportation Fund in 2000 are for a nine month period.

SCHEDULES AND STATISTICS — LONG-TERM DEBT

STATISTICAL REVIEW FOR THE YEARS 1999 TO 2003

Unaudited

(in thousands of dollars, except per capita)

	2003	2002 (Note 1)	2001	2000	1999
Debt limit	\$ 2,125,774	\$ 2,048,414	\$ 2,024,792	\$ 1,982,178	\$ 1,763,366
Total debt per regulation	370,914	393,348	439,609	360,218	405,521
Debt service limit	372,010	358,472	354,339	346,881	308,589
Total debt service per regulation	63,961	88,329	100,394	97,343	103,155
General government debt service	41,996	47,391	42,395	41,009	43,200
General government debt service of general government operating fund expenditures (%)	4.9	6.0	5.7	5.7	6.4
Long-term debt – gross					
Self-liquidating	\$ 1,379,409	\$ 1,482,472	\$ 1,551,295	\$ 1,512,028	\$ 1,597,227
Tax-supported	24,057	25,951	41,252	55,315	69,604
Long-term debt – net of Sinking Fund					
Self-liquidating	\$ 886,511	\$ 993,493	\$ 1,115,084	\$ 1,125,925	\$ 1,258,707
Tax-supported	24,057	25,951	41,252	55,315	69,604
Net debt per capita					
Self-liquidating	\$ 1,331	\$ 1,491	\$ 1,674	\$ 1,737	\$ 1,942
Tax-supported	36	39	62	85	107
	\$ 1,367	\$ 1,530	\$ 1,736	\$ 1,822	\$ 2,049
Percentage of total debt to be retired					
Within 5 years	51.6	53.4	53.4	57.6	56.0
Within 10 years	73.6	76.5	78.3	85.0	84.7

Source: The City of Edmonton Corporate Services Department

Note:

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

SCHEDULES AND STATISTICS — CONSOLIDATED EXPENDITURES STATISTICAL REVIEW FOR THE YEARS 1999 TO 2003

Unaudited

(in thousands of dollars)

Consolidated Expenditures By Function

	2003	2002	2001	2000	1999
		(Note 2)			
Transportation services	\$ 358,481	\$ 322,141	\$ 321,896	\$ 304,574	\$ 276,920
Protective services	290,060	271,990	253,793	234,628	226,784
Community services	185,469	183,769	191,650	157,779	147,767
Corporate administration and general municipal	173,425	116,860	133,589	128,389	114,273
Utility and enterprise services (Note 1)	201,716	152,730	159,648	179,563	108,493
Waste management and storm sewer (Note 1)	57,987	86,913	171,242	65,262	70,014
	\$ 1,267,138	\$ 1,134,403	\$ 1,231,818	\$ 1,070,195	\$ 944,251

Consolidated Expenditures By Object

	2003	2002	2001	2000	1999
		(Note 2)			
Salaries, wages and employee benefits	\$ 613,693	\$ 544,123	\$ 506,482	\$ 498,358	\$ 472,447
Contracted and general services	349,360	309,617	415,444	325,809	255,693
Materials, goods and supplies	211,790	206,903	202,505	172,461	156,947
Interest and bank charges	39,154	39,921	42,641	43,060	38,315
Other charges	53,141	33,839	64,746	30,507	20,849
	\$ 1,267,138	\$ 1,134,403	\$ 1,231,818	\$ 1,070,195	\$ 944,251

Source: The City of Edmonton Corporate Services Department

Notes:

1. To comply with the amended Sewers Use bylaw, the operations of the previously tax-supported storm sewer operation is now carried out by the newly established Land Drainage Services, effective January 1, 2003.
2. Certain comparative figures have been reclassified to conform to the financial statement presentation for the current year.

SCHEDULES AND STATISTICS — OTHER STATISTICAL REVIEW FOR THE YEARS 1999 TO 2003

Unaudited
(in thousands of dollars)

	2003	2002 (Note 2)	2001	2000	1999
Revenue - operating fund:					
General government revenue (Note 1)	\$ 847,342	\$ 795,265	\$ 795,132	\$ 784,244	\$ 712,789
Utility revenue	100,584	91,166	87,913	80,726	79,655
Subsidiary operations	416,077	190,501	383,173	149,188	116,561
Other revenue	50,910	76,932	56,070	90,099	57,451
	\$ 1,414,913	\$ 1,153,864	\$ 1,322,288	\$ 1,104,257	\$ 966,456
General Government operating fund revenue (%):					
Taxation	58.2	59.4	57.3	54.7	58.0
Sale of goods and services	20.3	21.7	19.4	18.9	18.3
Franchise fees	5.5	5.5	5.5	6.7	7.1
Appropriation from Ed Tel					
Endowment Fund	3.1		5.1	5.0	5.4
Government transfers	3.1	2.9	2.7	5.4	3.2
Other	9.8	10.5	10.0	9.3	8.0
General government operating fund expenditures (Note 1)	\$ 866,755	\$ 789,193	\$ 746,908	\$ 718,693	\$ 678,091
Expenditures - capital fund	325,107	272,594	415,427	239,770	193,681
Reserve fund balance	95,445	101,909	105,658	101,263	97,799

Source: The City of Edmonton Corporate Services Department

Notes:

1. The general government operating fund revenue and expenditures includes municipal operations and pension and benefit adjustments.
2. Certain comparative figures have been reclassified to conform to the financial statement presentation for the current year.

RELATED BOARDS AND AUTHORITIES

Further information regarding the related Boards and Authorities can be obtained from the following sources:

Economic Development Edmonton

9797 Jasper Avenue
Edmonton, Alberta T5J 1N9
Fax: (780) 426-0535
Web: www.edmonton.com/ede
Chair: Chris Sheard
President and CEO: Allan Scott

The City of Edmonton Non-Profit Housing Corporation

20th Floor, Century Place
9803-102A Avenue
Edmonton, Alberta T5J 3A3
Fax: (780) 496-5510
Web: www.edmonton.ca
Chair: Peter Abramowich
Vice-Chair: Lorne Dach
General Manager: Terry J. Loat

Edmonton Police Commission

Suite 171, 10235-101 Street
Edmonton, Alberta T5J 3E9
Fax: (780) 414-7511
E-mail: info@edmontonpolicecommission.com
Web: www.edmontonpolicecommission.com
Chair: Martin Ignasiak
Chief of Police: Vacant

EPCOR Utilities Inc.

18th Floor, EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1
Fax: (780) 412-3192
E-mail: corpafrs@epcor.ca
Web: www.epcor.ca
Chair: H. Bolton
President and CEO: D. Lowry

The Edmonton Public Library

7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4
Fax: (780) 496-1885
Web: www.epl.ca
Chair: Ms. Dawn Fargey
Vice-Chair: Alison Faid

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