



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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



Andre Corbould
City Manager

April 19, 2021
Edmonton, Canada



Mary Persson, FCPA, FCMA, ICD.D, MBA
Deputy City Manager
and Chief Financial Officer,
Financial and Corporate Services

April 19, 2021
Edmonton, Canada

3 CONSOLIDATED FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

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

OPINION

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

- + the consolidated statement of financial position as at December 31, 2020
- + the consolidated statement of operations and accumulated surplus for the year then ended
- + the consolidated statement of changes in net financial assets for the year then ended
- + the consolidated statement of cash flows for the year then ended
- + and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BASIS FOR OPINION

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT)

OTHER INFORMATION

Management is responsible for the other information. Other information comprises

- + the information included in Management's Financial Statement Discussion and Analysis
- + the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2020 Annual Report"
- + the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "2020 Financial Report to Citizens"

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

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in the documents likely to be entitled "2020 Annual Report" and "2020 Financial Report to Citizens" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

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

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

We also:

- + Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- + Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- + Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- + Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- + Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- + Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants

Edmonton, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of dollars)

| | 2020 | 2019 |
|---|----------------------|----------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 2) | \$ 531,040 | \$ 578,308 |
| Receivables (Note 3) | 787,212 | 668,880 |
| Investments (Note 4) | 1,983,242 | 1,937,192 |
| Debt recoverable (Note 5) | 9,813 | 10,060 |
| Land for resale | 241,213 | 247,635 |
| Investment in EPCOR (Note 20) | 3,974,963 | 3,841,938 |
| | 7,527,483 | 7,284,013 |
| Liabilities | | |
| Promissory notes payable (Note 6) | | 19,907 |
| Accounts payable and accrued liabilities (Note 7 and Note 23) | 1,061,048 | 953,200 |
| Deposits | 44,682 | 49,235 |
| Deferred revenue (Note 8) | 280,152 | 350,275 |
| Employee benefit obligations (Note 9) | 194,061 | 175,566 |
| Landfill closure and post-closure care (Note 10) | 40,408 | 45,589 |
| Long-term debt (Note 11) | 3,407,145 | 3,202,765 |
| | 5,027,496 | 4,796,537 |
| Net Financial Assets | 2,499,987 | 2,487,476 |
| Non-financial Assets | | |
| Tangible capital assets (Note 12) | 13,195,576 | 12,365,026 |
| Inventory of materials and supplies | 37,320 | 38,606 |
| Other assets (Note 13) | 40,040 | 37,363 |
| | 13,272,936 | 12,440,995 |
| Accumulated Surplus (Note 16) | \$ 15,772,923 | \$ 14,928,471 |

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

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:



Mayor Don Iveson



Councillor Andrew Knack

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

| | Budget | 2020 | 2019 |
|---|---------------|---------------|---------------|
| Revenues | | | |
| Net taxes available for municipal purposes (Note 17) | \$ 1,723,287 | \$ 1,726,220 | \$ 1,671,800 |
| User fees and sale of goods and services | 545,745 | 461,682 | 623,326 |
| Government transfers - operating (Note 18) | 108,682 | 277,454 | 121,950 |
| Subsidiary operations - EPCOR (Note 20) | 278,310 | 275,699 | 231,054 |
| Franchise fees | 169,730 | 177,120 | 171,840 |
| Fines and penalties | 79,379 | 81,858 | 97,898 |
| Investment earnings | 101,279 | 78,160 | 102,246 |
| Licenses and permits | 47,692 | 69,072 | 74,311 |
| Developer and customer contributions - operating | 28,016 | 23,284 | 25,558 |
| | 3,082,120 | 3,170,549 | 3,119,983 |
| Expenses | | | |
| Transportation services: | | | |
| Bus and light rail transit | 486,850 | 471,845 | 549,237 |
| Roadway and parking | 425,284 | 438,665 | 434,445 |
| | 912,134 | 910,510 | 983,682 |
| Protective services: | | | |
| Police | 497,078 | 483,375 | 465,928 |
| Fire rescue | 229,353 | 229,481 | 225,292 |
| Bylaw enforcement | 65,973 | 63,177 | 43,445 |
| | 792,404 | 776,033 | 734,665 |
| Community services: | | | |
| Parks and recreation | 226,215 | 208,976 | 276,723 |
| Planning and corporate properties | 219,025 | 179,748 | 196,471 |
| Community and family | 62,427 | 58,541 | 58,175 |
| Public library | 65,798 | 54,982 | 61,513 |
| Public housing | 49,873 | 47,515 | 39,347 |
| Convention and tourism | 67,374 | 42,302 | 69,619 |
| | 690,712 | 592,064 | 701,848 |
| Utility and enterprise services: | | | |
| Waste Services Utility | 218,360 | 206,187 | 240,883 |
| Land Enterprise | 47,380 | 15,472 | 23,721 |
| Blatchford Renewable Energy Utility | 2,690 | 1,415 | 1,627 |
| | 268,430 | 223,074 | 266,231 |
| Corporate administration | 220,075 | 238,883 | 225,329 |
| General municipal | 265,258 | 234,268 | 238,552 |
| Fleet services | 43,967 | 45,755 | 36,249 |
| Ed Tel Endowment Fund | 4,433 | 2,863 | 3,127 |
| | 3,197,413 | 3,023,450 | 3,189,683 |
| (Shortfall) Excess of Revenues over Expenses before Other | (115,293) | 147,099 | (69,700) |
| Other | | | |
| Government transfers - capital (Note 18) | 658,199 | 565,516 | 571,432 |
| Contributed tangible capital assets (Schedule 1) | 128,975 | 118,245 | 146,932 |
| Developer and customer contributions - capital | 115,789 | 8,873 | 18,418 |
| Local improvements | 12,471 | 24,723 | 12,968 |
| Excess of Revenues over Expenses | 800,141 | 864,456 | 680,050 |
| Accumulated Surplus, beginning of year | 14,928,471 | 14,928,471 | 14,296,486 |
| Subsidiary operations - EPCOR - other comprehensive loss (Note 20) | | (17,849) | (47,140) |
| Contributed capital transfer to EPCOR and other adjustments (Note 20) | | (2,155) | (925) |
| Accumulated Surplus, end of year | \$ 15,728,612 | \$ 15,772,923 | \$ 14,928,471 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

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

| | Budget | 2020 | 2019 |
|---|--------------|---------------------|--------------|
| Excess of Revenues over Expenses | \$ 800,141 | \$ 864,456 | \$ 680,050 |
| Acquisition of tangible capital assets | (2,543,847) | (1,379,334) | (1,259,242) |
| Contributed tangible capital assets (Schedule 1) | (128,975) | (118,245) | (146,932) |
| Proceeds on disposal of tangible capital assets | | 2,254 | 2,997 |
| Amortization of tangible capital assets | 622,752 | 591,167 | 558,462 |
| Loss on disposal, impairment and transfer of tangible capital assets | | 25,277 | 85,762 |
| Tangible capital assets contributed to EPCOR (Note 20) | | 48,331 | 80,874 |
| | (2,050,070) | (830,550) | (678,079) |
| Net use of inventory of materials and supplies | | 1,286 | 1,559 |
| Net change in other assets | | (2,677) | (6,213) |
| | | (1,391) | (4,654) |
| Subsidiary operations - EPCOR - other comprehensive loss (Note 20) | | (17,849) | (47,140) |
| Contributed capital transfer to EPCOR and other adjustments (Note 20) | | (2,155) | (925) |
| | | (20,004) | (48,065) |
| (Decrease) increase in net financial assets | (1,249,929) | 12,511 | (50,748) |
| Net Financial Assets, beginning of year | 2,487,476 | 2,487,476 | 2,538,224 |
| Net Financial Assets, end of year | \$ 1,237,547 | \$ 2,499,987 | \$ 2,487,476 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | 2020 | 2019 |
|--|--------------------|--------------------|
| Net inflow (outflow) of cash and cash equivalents: | | |
| Operating Activities | | |
| Excess of revenues over expenses | \$ 864,456 | \$ 680,050 |
| Add (deduct) items not affecting cash and cash equivalents: | | |
| Subsidiary operations – EPCOR (Note 20) | (275,699) | (231,054) |
| Amortization of tangible capital assets | 591,167 | 558,462 |
| Loss on disposal, impairment and transfer of tangible capital assets | 25,277 | 85,762 |
| Contributed tangible capital assets | (118,245) | (146,932) |
| Change in non-cash items: | | |
| Receivables | (118,332) | (186,028) |
| Debt recoverable | 247 | 236 |
| Land for resale | 6,422 | 23,622 |
| Inventory of materials and supplies | 1,286 | 1,559 |
| Other assets | (2,677) | (6,213) |
| Accounts payable and accrued liabilities | 107,848 | 85,533 |
| Deposits | (4,553) | (1,039) |
| Deferred revenue | (70,123) | (142,886) |
| Employee benefit obligations | 18,495 | 20,747 |
| Landfill closure and post-closure care | (5,181) | 17,795 |
| | 1,020,388 | 759,614 |
| Capital Activities | | |
| Acquisition of tangible capital assets | (1,379,334) | (1,259,242) |
| Proceeds on disposal of tangible capital assets | 2,254 | 2,997 |
| | (1,377,080) | (1,256,245) |
| Investing Activities | | |
| Dividend from subsidiary (Note 20) | 171,000 | 171,000 |
| Net increase in investments | (46,050) | (64,911) |
| | 124,950 | 106,089 |
| Financing Activities | | |
| Promissory notes issued | 289,773 | 139,293 |
| Repayment of promissory notes | (309,680) | (178,983) |
| Debenture borrowings | 246,778 | 189,832 |
| Repayment of long-term debt | (164,620) | (156,200) |
| Increase in public-private partnership (P3) term debt | 122,223 | 122,939 |
| | 184,474 | 116,881 |
| Decrease in cash and cash equivalents | (47,268) | (273,661) |
| Cash and cash equivalents, beginning of year | 578,308 | 851,969 |
| Cash and cash equivalents, end of year | \$ 531,040 | \$ 578,308 |

Operating activities for 2020 include \$36,470 (2019 – \$48,587) of interest received and \$104,690 (2019 – \$106,790) of interest paid.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

| | Opening Balance | Additions and Transfers | Disposals, Impairments and Transfers | Closing Balance |
|---------------------------------|-----------------|-------------------------|--------------------------------------|-----------------|
| Cost | | | | |
| Land | \$ 1,714,158 | \$ 122,320 | \$ (1,686) | \$ 1,834,792 |
| Land improvements | 1,418,124 | 107,457 | (7,756) | 1,517,825 |
| Buildings | 2,993,654 | 396,426 | (1,443) | 3,388,637 |
| Vehicles | 1,073,949 | 176,269 | (62,500) | 1,187,718 |
| Machinery and equipment | 958,931 | 77,164 | (34,245) | 1,001,850 |
| Engineered structures: | | | | |
| Roadway system | 8,260,793 | 350,252 | (78,415) | 8,532,630 |
| Light rail transit | 1,497,646 | (149,295) | (945) | 1,347,406 |
| Waste | 144,311 | 10,457 | (4,314) | 150,454 |
| Bus system | 202,492 | 33,350 | (2,025) | 233,817 |
| Other | 73,303 | 11,426 | (1,167) | 83,562 |
| | 18,337,361 | 1,135,826 | (194,496) | 19,278,691 |
| Assets under construction | 1,576,135 | 361,753 | (55,631) | 1,882,257 |
| | 19,913,496 | 1,497,579 | (250,127) | 21,160,948 |
| Accumulated Amortization | | | | |
| Land improvements | 524,257 | 49,425 | (7,756) | 565,926 |
| Buildings | 1,180,696 | 119,931 | (1,095) | 1,299,532 |
| Vehicles | 681,549 | 65,437 | (61,499) | 685,487 |
| Machinery and equipment | 566,232 | 77,585 | (31,064) | 612,753 |
| Engineered structures: | | | | |
| Roadway system | 3,927,665 | 229,547 | (67,850) | 4,089,362 |
| Light rail transit | 458,964 | 35,209 | (895) | 493,278 |
| Waste | 107,104 | 2,198 | (2,982) | 106,320 |
| Bus system | 90,368 | 9,776 | (664) | 99,480 |
| Other | 11,635 | 2,059 | (460) | 13,234 |
| | 7,548,470 | 591,167 | (174,265) | 7,965,372 |
| Net Book Value | \$ 12,365,026 | \$ 906,412 | \$ (75,862) | \$ 13,195,576 |

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

Included in disposals, impairments and transfers, in 2020, is \$3,671 for the impairment of assets where the value of future economic benefits associated with the tangible capital asset is less than its net book value. Also included is \$48,331 of tangible capital assets contributed to EPCOR (Note 20) and \$989 of tangible capital assets contributed to the Province of Alberta.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2019 (in thousands of dollars)

| | Opening Balance | Additions and Transfers | Disposals and Transfers | Closing Balance |
|---------------------------------|-----------------|-------------------------|-------------------------|-----------------|
| Cost | | | | |
| Land | \$ 1,621,605 | \$ 103,852 | \$ (11,299) | \$ 1,714,158 |
| Land improvements | 1,256,774 | 166,933 | (5,583) | 1,418,124 |
| Buildings | 3,012,151 | 133 | (18,630) | 2,993,654 |
| Vehicles | 1,068,715 | 48,277 | (43,043) | 1,073,949 |
| Machinery and equipment | 921,449 | 79,751 | (42,269) | 958,931 |
| Engineered structures: | | | | |
| Roadway system | 7,917,054 | 419,057 | (75,318) | 8,260,793 |
| Light rail transit | 1,344,939 | 208,662 | (55,955) | 1,497,646 |
| Waste | 168,626 | 6,666 | (30,981) | 144,311 |
| Bus system | 173,219 | 33,053 | (3,780) | 202,492 |
| Other | 47,160 | 37,294 | (11,151) | 73,303 |
| | 17,531,692 | 1,103,678 | (298,009) | 18,337,361 |
| Assets under construction | 1,343,385 | 302,496 | (69,746) | 1,576,135 |
| | 18,875,077 | 1,406,174 | (367,755) | 19,913,496 |
| Accumulated Amortization | | | | |
| Land improvements | 482,818 | 46,905 | (5,466) | 524,257 |
| Buildings | 1,088,473 | 101,193 | (8,970) | 1,180,696 |
| Vehicles | 661,196 | 62,339 | (41,986) | 681,549 |
| Machinery and equipment | 523,195 | 81,623 | (38,586) | 566,232 |
| Engineered structures: | | | | |
| Roadway system | 3,777,358 | 220,660 | (70,353) | 3,927,665 |
| Light rail transit | 421,588 | 37,376 | | 458,964 |
| Waste | 137,730 | (1,768) | (28,858) | 107,104 |
| Bus system | 85,160 | 8,423 | (3,215) | 90,368 |
| Other | 10,612 | 1,711 | (688) | 11,635 |
| | 7,188,130 | 558,462 | (198,122) | 7,548,470 |
| Net Book Value | \$ 11,686,947 | \$ 847,712 | \$ (169,633) | \$ 12,365,026 |

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications. In 2019, a total of \$146,932 in land, land improvements, and engineered structures were contributed to the City and were recorded at their fair value at the time received.

Included in disposals, impairments and transfers, in 2019, is \$62,321 for the impairment of assets where the value of future economic benefits associated with the tangible capital asset is less than its net book value. Also included is \$80,874 of tangible capital assets contributed to EPCOR (Note 20) and \$7,903 of tangible capital assets contributed to the Province of Alberta.

See accompanying notes to consolidated financial statements.

SCHEDULE 2 – CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE

For the year ended December 31, 2019 (in thousands of dollars)

| | Tax-Supported | | | | | | | | | | | 2019 | | | | | | | | | | |
|---|-------------------------|---------------------|--------------------|--------------------|---------------------|---------------------|--------------------|-----------------|-----------------------------|-------------------|----------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Transportation Services | Protective Services | Community Services | Fleet Services | Other Tax-Supported | Total Tax-Supported | Waste Services | Land Enterprise | Blatchford Renewable Energy | EPCOR | Ediel Endowment Fund | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | | | | | | | | | | |
| Net taxes available for municipal purposes | \$ 384,910 | \$ 602,237 | \$ 378,905 | | \$ 305,748 | \$ 1,671,800 | | | | | | | | | | | | | | | | \$ 1,671,800 |
| User fees and sale of goods and services | 161,106 | 30,439 | 144,701 | 16,508 | 27,443 | 380,197 | 213,690 | 29,432 | 7 | | | | | | | | | | | | | 623,326 |
| Subsidiary operations – EPCOR | | | | | | | | | | | | | | | | | | | | | | 231,054 |
| Franchise fees | | | | | 171,840 | 171,840 | | | | | | | | | | | | | | | | 171,840 |
| Government transfers – operating | 5,123 | 29,293 | 37,262 | | 46,663 | 118,341 | 3,609 | | | | | | | | | | | | | | | 121,950 |
| Investment earnings | 4 | | 2,135 | | 48,620 | 50,759 | 1,459 | | | | | | | | | | | | | | | 102,246 |
| Fines and penalties | 31 | 66,837 | 766 | | 30,264 | 97,898 | | | | | | | | | | | | | | | | 97,898 |
| Licenses and permits | 2,860 | 3,171 | 59,288 | | 8,992 | 74,311 | | | | | | | | | | | | | | | | 74,311 |
| Developer and customer contributions – operating | | 142 | 25,416 | | | 25,558 | | | | | | | | | | | | | | | | 25,558 |
| Appropriation of earnings | 554,034 | 732,119 | 648,473 | 16,508 | 688,099 | 2,639,233 | 218,758 | 29,432 | 7 | 231,054 | 1,499 | (48,529) | | | | | | | | | | 3,119,983 |
| Expenses | | | | | | | | | | | | | | | | | | | | | | |
| Salaries, wages and benefits | 344,465 | 581,769 | 289,241 | 82,999 | 285,732 | 1,584,206 | 50,873 | 1,419 | 18 | | | | | | | | | | | | | 1,636,498 |
| Materials, goods and utilities | 102,898 | 36,709 | 59,118 | 48,402 | 28,371 | 275,498 | 10,550 | 14,714 | | | | | | | | | | | | | | 300,780 |
| Contracted and general services | 101,857 | 86,083 | 170,822 | (146,687) | (10,497) | 201,578 | 136,341 | 5,857 | 878 | | | | | | | | | | | | | 347,781 |
| Interest and bank charges | 74,155 | 3,244 | 39,061 | 1,908 | 12,323 | 130,691 | 9,025 | 1,731 | 661 | | | | | | | | | | | | | 142,108 |
| Grants and other | 259 | 362 | 90,662 | | 21,909 | 113,192 | 5,100 | | | | | | | | | | | | | | | 118,292 |
| Amortization of tangible capital assets | 284,692 | 26,387 | 51,930 | 50,170 | 122,747 | 535,926 | 22,466 | | 70 | | | | | | | | | | | | | 558,462 |
| Loss (gain) on disposal, impairment and transfer of tangible capital assets | 75,356 | 111 | 1,014 | (543) | 3,296 | 79,234 | 6,528 | | | | | | | | | | | | | | | 85,762 |
| (Shortfall) Excess of Revenues over Expenses before Other | 983,682 | 734,665 | 701,848 | 36,249 | 463,881 | 2,920,325 | 240,883 | 23,721 | 1,627 | 231,054 | 3,127 | | | | | | | | | | | 3,189,683 |
| Other | (429,648) | (2,546) | (53,375) | (19,741) | 224,218 | (281,092) | (22,125) | 5,711 | (1,620) | | | | | | | | | | | | | (69,700) |
| Government transfers – capital | 401,539 | 5,046 | 100,547 | | 64,300 | 571,432 | | | | | | | | | | | | | | | | 571,432 |
| Contributed tangible capital assets | 104,286 | | 41,500 | | 1,146 | 146,932 | | | | | | | | | | | | | | | | 146,932 |
| Developer and customer contributions – capital | 1,706 | | 8,361 | | 8,351 | 18,418 | | | | | | | | | | | | | | | | 18,418 |
| Local improvements | 507,531 | 5,046 | 150,408 | | 86,765 | 749,750 | | | | | | | | | | | | | | | | 749,750 |
| Excess (Shortfall) of Revenues over Expenses | \$ 77,883 | \$ 2,500 | \$ 97,033 | \$ (19,741) | \$ 310,983 | \$ 468,658 | \$ (22,125) | \$ 5,711 | \$ (1,620) | \$ 231,054 | \$ (1,628) | \$ (48,529) | \$ 231,054 | \$ (1,628) | \$ (1,628) | \$ (1,628) | \$ (1,628) | \$ (1,628) | \$ (1,628) | \$ (1,628) | \$ (1,628) | \$ 680,050 |

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

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

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

| | City of Edmonton Library Board | Edmonton Economic Development Corporation | Non-Profit Housing Corporation | Fort Edmonton Management Company | Edmonton Combative Sports Commission | Waste RE-solutions Edmonton |
|---|-----------------------------------|--|--------------------------------------|--|--|-----------------------------------|
| Financial Position | | | | | | |
| Financial Assets | \$ 21,908 | \$ 13,589 | \$ 8,869 | \$ 2,498 | \$ 263 | \$ 386 |
| Liabilities | 11,783 | 19,313 | 29,503 | 543 | 14 | 386 |
| Net Financial Assets (Debt) | 10,125 | (5,724) | (20,634) | 1,955 | 249 | |
| Non-Financial Assets | 39,532 | 7,683 | 44,078 | 483 | | |
| Accumulated Surplus | \$ 49,657 | \$ 1,959 | \$ 23,444 | \$ 2,438 | \$ 249 | \$ |
| Operations | | | | | | |
| Revenues | 51,482 | 35,673 | 9,581 | 967 | 1 | 22 |
| Expenses | 55,443 | 43,719 | 9,762 | 940 | 10 | 213 |
| Other | 9,731 | | 1,489 | | | |
| (Shortfall) Excess of Revenues over Expenses | 5,770 | (8,046) | 1,308 | 27 | (9) | (191) |
| Accumulated Surplus, beginning of year | 43,887 | 10,005 | 22,136 | 2,411 | 258 | 191 |
| Accumulated Surplus, end of year | \$ 49,657 | \$ 1,959 | \$ 23,444 | \$ 2,438 | \$ 249 | \$ |

For the year ended December 31, 2019 (in thousands of dollars)

| | City of Edmonton Library Board | Edmonton Economic Development Corporation | Non-Profit Housing Corporation | Fort Edmonton Management Company | Edmonton Combative Sports Commission | Waste RE-solutions Edmonton |
|---|-----------------------------------|--|--------------------------------------|--|--|-----------------------------------|
| Financial Position | | | | | | |
| Financial Assets | \$ 34,363 | \$ 21,793 | \$ 8,244 | \$ 2,600 | \$ 268 | \$ 471 |
| Liabilities | 26,340 | 20,906 | 31,198 | 877 | 10 | 284 |
| Net Financial Assets (Debt) | 8,023 | 887 | (22,954) | 1,723 | 258 | 187 |
| Non-Financial Assets | 35,864 | 9,118 | 45,090 | 688 | | 4 |
| Accumulated Surplus | \$ 43,887 | \$ 10,005 | \$ 22,136 | \$ 2,411 | \$ 258 | \$ 191 |
| Operations | | | | | | |
| Revenues | 56,247 | 71,435 | 8,618 | 3,244 | 109 | 106 |
| Expenses | 61,936 | 71,124 | 7,430 | 3,863 | 20 | 137 |
| Other | 4,592 | | 726 | | | |
| (Shortfall) Excess of Revenues over Expenses | (1,097) | 311 | 1,914 | (619) | 89 | (31) |
| Accumulated Surplus, beginning of year | 44,984 | 9,694 | 20,222 | 3,030 | 169 | 222 |
| Accumulated Surplus, end of year | \$ 43,887 | \$ 10,005 | \$ 22,136 | \$ 2,411 | \$ 258 | \$ 191 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

01 SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

The City of Edmonton Library Board
(Edmonton Public Library)

Edmonton Economic Development Corporation
(operating as "Explore Edmonton"), including TEC
Edmonton partnership

Fort Edmonton Management Company

Edmonton Combative Sports Commission

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

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

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

Blatchford Renewable Energy Utility

Ed Tel Endowment Fund

Innovate Edmonton

Interdepartmental and inter-organizational transactions and balances are eliminated.

EPCOR, a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the public sector accounting treatment for a government business enterprise. Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus. Contributions of tangible capital assets to EPCOR from the City are recorded as an increase to the investment in EPCOR.

The City, through its wholly-owned subsidiary Edmonton Economic Development Corporation (EEDC), holds a 50 per cent interest in TEC Edmonton, a partnership with the University of Alberta to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society. Proportionate consolidation is used to record the City's share in the partnership.

The City is the sole Shareholder of its subsidiary corporation, 2492369 Canada Corporation, operating as Waste RE-solutions Edmonton (WRsE). At the October 10, 2018 Annual General Shareholder Meeting, the City, in its capacity as Shareholder, passed a resolution to begin the process to put the 2492369 Canada Corporation into dormancy. The Company has wound up operations and will be transitioned to a dormant state in a systematic manner subsequent to year end.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

B. BASIS OF ACCOUNTING

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

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

C. USE OF ESTIMATES

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

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

D. FOREIGN CURRENCY

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

E. TAX REVENUE

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

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

F. GOVERNMENT TRANSFERS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

G. LOCAL IMPROVEMENTS

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

H. CASH AND CASH EQUIVALENTS

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

I. INVESTMENTS

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

Investment earnings are recorded as revenue in the period earned.

J. DEBT RECOVERABLE

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

K. LAND FOR RESALE

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

L. LIABILITY FOR CONTAMINATED SITES

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

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

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

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

M. DEPOSITS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

N. DEFERRED REVENUE

Deferred revenue comprises funds received in advance of services performed or where the use of funds is externally restricted and the stipulations have not been met. These amounts are recognized as revenue in the period the service is performed or when the funds are used for the purpose specified. When agreements stipulate that interest earned on contributions should be restricted for a specific purpose, that interest is treated as a contribution received and recorded as an addition to deferred revenue.

O. EMPLOYEE BENEFIT OBLIGATIONS

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

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

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

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

P. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

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

Q. PUBLIC-PRIVATE PARTNERSHIPS

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

R. NON-FINANCIAL ASSETS

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

i. Tangible Capital Assets

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

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

Assets under construction are not amortized. Amortization commences when the asset is available for productive use.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

ii. Contributed Tangible Capital Assets

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

iii. Leases

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

iv. Land Under Roads

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

v. Inventory of Materials and Supplies

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

vi. Cultural, Historical and Works of Art

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

S. RESERVES FOR FUTURE EXPENDITURES

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

T. EQUITY IN TANGIBLE CAPITAL ASSETS

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

U. COVID-19

On January 30, 2020, the World Health Organization (WHO) declared a public health emergency of international concern in response to the outbreak of novel coronavirus (COVID-19) and subsequently, on March 11, 2020, the WHO recognized COVID-19 as a global pandemic. On March 17, 2020, the Province declared a state of public health emergency under the Public Health Act, and varying restrictions continued through to the end of 2020.

In efforts to protect the health and well-being of City employees and the general public, the City declared a State of Local Emergency, activated the Emergency Operations Centre and implemented a series of measures including the closure of recreational, cultural and sports facilities, cancellation of public events, temporary suspension of parking fees and transit fare collection, deferral of utility payments and delay of property tax penalties.

This situation has impacted the City's operations, including decreases in user fee revenue and investment earnings, offsetting expenditure reductions and delays in completing capital project work. The impacts of this situation have been reflected in the consolidated financial statements, both in the actual and budgeted results.

The budget as approved by City Council on April 27, 2020 included one-time 2020 operating budget adjustments to mitigate the reduced revenue and increased costs resulting from the pandemic. The 2020 operating budget was adjusted to reflect a decrease of \$143,245 in revenues, and \$85,479 decrease in expenses, \$46,520 reduction in transfers to the Pay-As-You-Go reserve and an \$11,246 increase in transfers from reserves, including the planning and development and vehicle for hire reserves.

As this situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the future financial effect on the City is not determinable at this time.

The City continues to closely monitor the COVID-19 developments and follow the guidelines issued by Alberta Health Services to ensure a quick and effective response to this evolving situation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

V. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

In 2021, the City will continue to assess the impact and prepare for the adoption of the following standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments* must be implemented at the same time. The following summarizes upcoming changes to PSAS.

i. Financial Statement Presentation

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

ii. Financial Instruments

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

iii. Foreign Currency Translation

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

iv. Portfolio Investments

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

v. Asset Retirement Obligations

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

vi. Revenue

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

vii. Purchased Intangibles

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

02 CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|---|------------|------------|
| Cash | \$ 38,696 | \$ 12,322 |
| Cash equivalents | 492,344 | 601,509 |
| Cheques outstanding in excess of deposits | | (35,523) |
| | \$ 531,040 | \$ 578,308 |

Cash equivalents have effective interest rates of 0.2 to 2.0 per cent (2019 – 1.0 to 2.0 per cent) and generally mature within ninety days from the date of purchase.

The City has access to an unsecured line of credit of up to \$250,000 CDN and \$10,000 USD (2019 – \$100,000 CDN and \$10,000 USD) to cover any bank overdrafts arising from day to day cash transactions. As of December 31, 2020, \$0 (2019 – \$1,767) was outstanding on the line of credit.

03 RECEIVABLES

| | 2020 | 2019 |
|--|------------|------------|
| Trade and other | \$ 184,889 | \$ 173,604 |
| Local improvements | 120,470 | 106,884 |
| Taxes | 104,760 | 67,197 |
| Government transfers: | | |
| P3 Canada Fund | 219,397 | 143,347 |
| Investing in Canada Infrastructure Program | 56,856 | |
| Public Transit Infrastructure Fund | 49,381 | 70,496 |
| Building Canada Fund | 28,172 | 14,242 |
| Green Transit Incentives Program | 22,257 | 29,337 |
| Other | 1,030 | 30 |
| Municipal Sustainability Initiative | | 63,743 |
| | \$ 787,212 | \$ 668,880 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

04 INVESTMENTS

| | 2020 | | 2019 | |
|--|---------------------|---------------------|--------------|--------------|
| | Cost | Market value | Cost | Market Value |
| Cash | \$ 600 | \$ 600 | \$ 1,285 | \$ 1,285 |
| Amounts receivable - net | 279 | 279 | 611 | 611 |
| Fixed income: | | | | |
| Short-term notes and deposits | 62,730 | 62,577 | 43,593 | 43,470 |
| Government and government guaranteed bonds | 550,078 | 576,214 | 547,617 | 550,500 |
| Corporate bonds and debentures | 448,128 | 463,489 | 414,831 | 413,843 |
| Pooled fund | 92,078 | 95,512 | 92,078 | 93,377 |
| | 1,153,014 | 1,197,792 | 1,098,119 | 1,101,190 |
| Common and preferred shares: | | | | |
| Canadian | 278,340 | 317,072 | 278,179 | 306,113 |
| International | 439,715 | 510,458 | 448,261 | 462,986 |
| Global | 46,755 | 49,577 | 47,497 | 50,582 |
| | 764,810 | 877,107 | 773,937 | 819,681 |
| Pooled infrastructure funds | 64,453 | 79,877 | 62,959 | 69,902 |
| Other investments | 86 | 86 | 281 | 281 |
| | \$ 1,983,242 | \$ 2,155,741 | \$ 1,937,192 | \$ 1,992,950 |

Short-term notes and deposits have effective interest rates of 0.1 to 0.6 per cent (2019 - 0.6 to 2.2 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 0.1 to 3.8 per cent (2019 - 1.7 to 4.2 per cent) with maturity dates from January 5, 2021 to June 18, 2062 (2019 - March 12, 2020 to June 18, 2062). The pooled fixed income fund represents an interest in a fund consisting of corporate bonds, government bonds and inflation-linked bonds.

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

Investments with a cost of \$813,103 (2019 - \$823,406) and market value of \$912,823 (2019 - \$861,580) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the fund of \$40,093 (2019 - \$48,529), including a special dividend of \$0 (2019 - \$9,706) was withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. In accordance with the Bylaw the fund is in a position to pay a special dividend when the market value of the fund as at June 30 of the preceding year is more than 15 per cent above the inflation adjusted principal. Any amendment to the Bylaw requires advertisement and a public hearing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

05 DEBT RECOVERABLE

Debt recoverable of \$9,813 (2019 – \$10,060) consists of amounts borrowed by the City and provided to the Edmonton Catholic School Board, to be recovered through a lease agreement. The financial arrangement is in accordance with section 264 of the MGA and is authorized by City bylaws. The arrangement has the same general repayment terms as the respective debt with interest accrued on outstanding amounts. As of December 31, 2020, the Edmonton

Catholic School Board is in compliance with the terms of the financial arrangement. Lease receivables of \$9,813 bear an implicit annual interest rate of 4.3 per cent (2019 – 4.3 per cent) and will be recovered in annual amounts to the year 2044.

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

| | | Principal | | Interest | | Total |
|------------|----|-----------|----|----------|----|--------|
| 2021 | \$ | 258 | \$ | 425 | \$ | 683 |
| 2022 | | 269 | | 413 | | 682 |
| 2023 | | 280 | | 401 | | 681 |
| 2024 | | 293 | | 388 | | 681 |
| 2025 | | 305 | | 376 | | 681 |
| Thereafter | | 8,408 | | 3,857 | | 12,265 |
| | \$ | 9,813 | \$ | 5,860 | \$ | 15,673 |

06 PROMISSORY NOTE PAYABLE

The outstanding promissory note payable at December 31, 2019 had been accounted for at amortized cost of \$20,000, had a discounted value of \$19,907, and matured on March 18, 2020

(2019 Maturity Date - March 18, 2020) with interest rates from 0.4 to 1.0 per cent (2019– 0.5 per cent). During the year, the outstanding promissory note payable was repaid.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

07 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2020 | 2019 |
|-------------------------|---------------------|-------------------|
| Trade and other | \$ 792,085 | \$ 694,454 |
| Developer obligations | 173,911 | 174,721 |
| Payroll and remittances | 73,674 | 62,277 |
| Accrued interest | 21,378 | 21,748 |
| | \$ 1,061,048 | \$ 953,200 |

08 DEFERRED REVENUE

| | 2019 | Externally Restricted Contributions Received | Revenue Recognized | 2020 |
|---|-------------------|--|--------------------|-------------------|
| Operating: | | | | |
| Revenue in advance of service performed and other | \$ 33,986 | \$ 241,189 | \$ 241,620 | \$ 33,555 |
| Development permits | 19,910 | 12,026 | 12,945 | 18,991 |
| Deferred lease incentives | 9,921 | 4,028 | 854 | 13,095 |
| Affordable Housing Municipal Block Funding | 13,837 | 114 | 3,512 | 10,439 |
| | 77,654 | 257,357 | 258,931 | 76,080 |
| Capital: | | | | |
| Municipal Sustainability Initiative | 172,474 | 193,226 | 266,067 | 99,633 |
| Federal Gas Tax Fund | 63,312 | 55,613 | 66,957 | 51,968 |
| CMHC Housing Project | | 35,144 | | 35,144 |
| Other | 19,189 | 26,049 | 27,911 | 17,327 |
| Fort Edmonton Park Expansion | 17,646 | | 17,646 | |
| | 272,621 | 310,032 | 378,581 | 204,072 |
| | \$ 350,275 | \$ 567,389 | \$ 637,512 | \$ 280,152 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

09 EMPLOYEE BENEFIT OBLIGATIONS

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Accrued vacation | \$ 88,382 | \$ 80,689 |
| Post-employment benefits | 52,483 | 45,902 |
| Major medical and dental plans | 16,419 | 12,505 |
| Banked overtime | 13,672 | 13,672 |
| Group life insurance plan | 9,194 | 8,755 |
| Supplementary management retirement plan | 8,548 | 7,214 |
| Health care spending | 3,378 | 4,104 |
| Income replacement plan | 1,400 | 1,711 |
| Other | 585 | 1,014 |
| | \$ 194,061 | \$ 175,566 |

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

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2020 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 1.5 per cent (2019 – 2.5 per cent). The accrued benefit obligation as at December 31, 2020 is \$42,247 (2019 – \$38,630). The change is comprised of current service cost of \$8,968 (2019 – \$7,365), interest cost of \$1,112 (2019 – \$854), actuarial gain of \$242 (2019 actuarial loss – \$5,973) and benefits paid during the year of \$6,221 (2019 – \$4,739).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2020 were \$1,176 (2019 – \$1,071). Eligible dental obligations for 2020 were \$289 (2019 – \$317). Other post-employment benefits were \$8,770 (2019 – \$5,884).

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

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

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of \$8,548 (2019 – \$7,214) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2020. Unamortized net loss of \$1,035 (2019 gain – \$117) will be amortized over the thirteen (2019 – twelve) year average remaining service period of active plan participants.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2020 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2020, completed by Aon Hewitt.

Other employee benefit obligations for 2020 include \$0 (2019 – \$450) for the Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan liability (Note 21c).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

10 LANDFILL CLOSURE AND POST-CLOSURE CARE

Under Provincial legislation, the City has a liability for closure and post-closure care costs for its landfill sites. The Clover Bar landfill site was closed to the public in August 2009. The City used the landfill internally until 2018 and anticipates final closure in 2021. From the time of final closure, the post closure period is expected to be 25 years. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate at the City's average long-term borrowing rate of 3.5 per cent (2019 – 3.7 per cent) and inflation rate of 2.0 per cent (2019 – 1.8 per cent). An amount of \$40,408 (2019 – \$45,589) has been accrued. Waste Services currently maintains restricted cash of \$23,500 for the Clover Bar landfill liability. The remaining required funds for this liability will be funded through the collection of utility rates.

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

11 LONG-TERM DEBT

A. DEBT PAYABLE

Debt payable includes the following amounts:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Debentures | \$ 3,523,655 | \$ 3,472,500 |
| Mortgages | 5,275 | 5,930 |
| Public-private partnership (P3) term debt | 433,832 | 311,609 |
| | 3,962,762 | 3,790,039 |
| Less debt attributed to and secured by offsetting amounts receivable from: | | |
| EPCOR Utilities Inc. | 555,617 | 587,274 |
| | \$ 3,407,145 | \$ 3,202,765 |
| Long-term debt comprises: | | |
| Self-liquidating debt | 456,270 | 466,082 |
| Tax-supported debt: | | |
| Debenture debt | 2,517,043 | 2,425,074 |
| Public-private partnership (P3) term debt | 433,832 | 311,609 |
| | \$ 3,407,145 | \$ 3,202,765 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Principal:

| | Self-Liquidating | Tax-Supported | Gross Payment | Less: EPCOR Receivable | Net Payment |
|------------|------------------|---------------|---------------|------------------------|--------------|
| 2021 | \$ 66,798 | \$ 152,480 | \$ 219,278 | \$ 32,268 | \$ 187,010 |
| 2022 | 67,206 | 151,273 | \$ 218,479 | 33,221 | 185,258 |
| 2023 | 65,365 | 154,296 | \$ 219,661 | 30,966 | 188,695 |
| 2024 | 65,675 | 158,600 | \$ 224,275 | 31,614 | 192,661 |
| 2025 | 65,978 | 160,605 | \$ 226,583 | 32,437 | 194,146 |
| Thereafter | 680,865 | 2,173,621 | \$ 2,854,486 | 395,111 | 2,459,375 |
| | \$ 1,011,887 | \$ 2,950,875 | \$ 3,962,762 | \$ 555,617 | \$ 3,407,145 |

Interest:

| | Self-Liquidating | Tax-Supported | Gross Payment | Less: EPCOR Receivable | Net Payment |
|------------|------------------|---------------|---------------|------------------------|--------------|
| 2021 | \$ 37,048 | \$ 91,536 | \$ 128,584 | \$ 21,150 | \$ 107,434 |
| 2022 | 34,200 | 99,380 | \$ 133,580 | 19,690 | 113,890 |
| 2023 | 31,324 | 93,704 | \$ 125,028 | 18,195 | 106,833 |
| 2024 | 28,622 | 87,907 | \$ 116,529 | 16,885 | 99,644 |
| 2025 | 25,936 | 81,973 | \$ 107,909 | 15,553 | 92,356 |
| Thereafter | 148,664 | 711,725 | \$ 860,389 | 92,351 | 768,038 |
| | \$ 305,794 | \$ 1,166,225 | \$ 1,472,019 | \$ 183,824 | \$ 1,288,195 |

Total Payments:

| | Self-Liquidating | Tax-Supported | Gross Payment | Less: EPCOR Receivable | Net Payment |
|------------|------------------|---------------|---------------|------------------------|--------------|
| 2021 | \$ 103,846 | \$ 244,016 | \$ 347,862 | \$ 53,418 | \$ 294,444 |
| 2022 | \$ 101,406 | 250,653 | 352,059 | 52,911 | 299,148 |
| 2023 | \$ 96,689 | 248,000 | 344,689 | 49,161 | 295,528 |
| 2024 | \$ 94,297 | 246,507 | 340,804 | 48,499 | 292,305 |
| 2025 | \$ 91,914 | 242,578 | 334,492 | 47,990 | 286,502 |
| Thereafter | \$ 829,529 | 2,885,346 | 3,714,875 | 487,462 | 3,227,413 |
| | \$ 1,317,681 | \$ 4,117,100 | \$ 5,434,781 | \$ 739,441 | \$ 4,695,340 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

B. DEBT AND DEBT SERVICE LIMITS

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

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

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

| | 2020 | 2019 |
|---|--------------|--------------|
| Total debt limit per Regulation | \$ 5,856,892 | \$ 5,840,630 |
| Total debt | 3,407,145 | 3,202,765 |
| Percentage used (%) | 58.2 | 54.8 |
| Total debt service limit per Regulation | \$ 1,024,956 | \$ 1,022,110 |
| Total debt service | 313,179 | 301,097 |
| Percentage used (%) | 30.6 | 29.5 |

C. MATURITIES AND INTEREST RATES

Existing long-term debt matures in annual amounts from 2021 through 2052 and debenture interest is payable at rates ranging from 1.3 to

8.5 per cent (2019 - 1.7 to 8.5 per cent). The average annual interest rate is 3.5 per cent for 2020 (2019 - 3.7 per cent).

D. INTEREST ON LONG-TERM DEBT

| | 2020 | 2019 |
|---|------------|------------|
| Self-liquidating debt | \$ 39,018 | \$ 40,809 |
| Tax-supported debt | 87,151 | 88,382 |
| Public private partnership (P3) term debt | 23,027 | 21,474 |
| | 149,196 | 150,665 |
| Less payments on offsetting amounts receivable | 22,330 | 23,733 |
| Long-term debt interest included in interest and bank charges | \$ 126,866 | \$ 126,932 |

E. PUBLIC PRIVATE PARTNERSHIP (P3) OBLIGATION

| | 2020 | 2019 |
|-----------------------------------|------------|------------|
| Valley Line LRT: | | |
| P3 service commencement liability | \$ 204,112 | \$ 142,817 |
| P3 term debt | 433,832 | 311,609 |
| Total P3 Obligation | \$ 637,944 | \$ 454,426 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In February 2016, the City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) for the design, construction, operation, and maintenance of stage 1 of the Valley Line Light Rail Transit (LRT) from Mill Woods to Downtown. The construction period runs from 2016 to 2021 and the operating period from 2021 to 2050. During construction of the Valley Line LRT, the City recognizes capital costs as assets under construction and makes progress payments on 50.0 per cent of the capital costs, based on percentage of construction completion. Payments on the remaining 50.0 per cent of the capital costs are deferred and recognized as a P3 obligation to TransEd of which 16.7 per cent will be settled upon substantial completion of the project in 2021. The remaining 33.3 per cent, which represents P3 term debt, is to be repaid by monthly interest and principal payments starting in 2021 over the operating period at an interest rate of 4.4 per cent. The City's liability for the P3 term debt is uncertain at present, due to the ongoing construction period, and the contractual mechanisms by which disputes arising during the construction period are resolved.

As of December 31, 2020, the total P3 obligation is \$637,945 based on 87.6 per cent of project completion. The P3 substantial completion liability related to the payment TransEd will receive upon substantial completion, reported in Accounts payable and accrued liabilities, has a balance of \$204,112.

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

| | Principal | Interest | Total |
|------------|------------|------------|------------|
| 2021 | \$ 11,057 | \$ 5,482 | \$ 16,539 |
| 2022 | 7,026 | 18,598 | 25,624 |
| 2023 | 7,343 | 18,281 | 25,624 |
| 2024 | 7,676 | 17,948 | 25,624 |
| 2025 | 8,024 | 17,601 | 25,625 |
| Thereafter | 392,706 | 265,961 | 658,667 |
| | \$ 433,832 | \$ 343,871 | \$ 777,703 |

12 TANGIBLE CAPITAL ASSETS

| | Net Book Value | |
|---------------------------|----------------|---------------|
| | 2020 | 2019 |
| Land | \$ 1,834,792 | \$ 1,714,158 |
| Land improvements | 951,899 | 893,867 |
| Buildings | 2,089,105 | 1,812,958 |
| Vehicles | 502,231 | 392,400 |
| Machinery and equipment | 389,097 | 392,699 |
| Engineered structures: | | |
| Roadway system | 4,443,268 | 4,333,128 |
| Light rail transit (LRT) | 854,128 | 1,038,682 |
| Waste | 44,134 | 37,207 |
| Bus system | 134,337 | 112,124 |
| Other | 70,328 | 61,668 |
| | 11,313,319 | 10,788,891 |
| Assets under construction | 1,882,257 | 1,576,135 |
| | \$ 13,195,576 | \$ 12,365,026 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

13 OTHER ASSETS

| | 2020 | | 2019 |
|--------------------------------|-----------|----|--------|
| Prepaid expenses – operational | \$ 24,142 | \$ | 24,331 |
| Benefit plan asset | 15,898 | | 13,032 |
| | \$ 40,040 | \$ | 37,363 |

14 EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2020 | | 2019 |
|---------------------------------------|---------------|----|-------------|
| Tangible capital assets (Schedule 1) | \$ 21,160,948 | \$ | 19,913,496 |
| Accumulated amortization (Schedule 1) | (7,965,372) | | (7,548,470) |
| Long-term debt (Note 11) | (3,407,145) | | (3,202,765) |
| Long-term debt for land redevelopment | 76,605 | | 80,129 |
| Debt recoverable (Note 5) | 9,813 | | 10,060 |
| | \$ 9,874,849 | \$ | 9,252,450 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

15 RESERVES FOR FUTURE EXPENDITURES

| | 2020 | 2019 |
|---|-------------------|-------------------|
| General Government: | | |
| Financial stabilization – appropriated | \$ 213,320 | \$ 51,291 |
| Local improvement | 137,940 | 123,003 |
| Financial stabilization | 129,015 | 123,886 |
| Pay-As-You-Go capital | 122,725 | 185,874 |
| Sanitary servicing strategy fund | 56,584 | 66,320 |
| LRT | 56,110 | 40,486 |
| Affordable housing | 49,731 | 44,956 |
| Fleet services – vehicle replacement | 25,249 | 28,418 |
| Funds in lieu – residential | 21,936 | 26,582 |
| Traffic safety and automated enforcement | 20,347 | 16,903 |
| Parkland | 18,613 | 20,647 |
| Neighbourhood renewal | 18,477 | 2,042 |
| Planning and development | 16,558 | 16,156 |
| Developer recoveries | 11,848 | 12,078 |
| Tree management | 9,463 | 8,161 |
| Natural areas | 8,750 | 8,722 |
| Edmonton Police Service | 7,034 | 2,245 |
| Pay-As-You-Go capital – Edmonton Police Services | 7,009 | 13,734 |
| Rogers Place Arena capital | 6,954 | 5,439 |
| Tax-supported debt | 5,456 | 5,380 |
| Heritage resources | 3,724 | 2,324 |
| Perpetual care | 3,555 | 3,719 |
| Enterprise portfolio/Commonwealth Stadium | 2,911 | 4,012 |
| Revolving industrial servicing fund | 2,535 | 923 |
| Motor vehicle insurance | 2,500 | 2,500 |
| Vehicle for hire | 2,465 | 2,353 |
| St. Francis Xavier | 2,245 | 1,934 |
| Developer incentive | 1,999 | 1,699 |
| Other | 1,983 | 1,033 |
| Brownfield redevelopment | (2,329) | (2,900) |
| Community revitalization levy – Belvedere | (11,025) | (10,093) |
| Community revitalization levy – Quarters | (12,214) | (8,650) |
| Community revitalization levy – Capital City Downtown | (13,839) | (19,872) |
| Interim financing | (37,838) | (40,556) |
| | 889,791 | 740,749 |
| City of Edmonton Library Board | 6,968 | 8,680 |
| Non-Profit Housing Corporation | 6,680 | 5,918 |
| Fort Edmonton Management Company | 30 | 30 |
| Edmonton Economic Development Corporation | | 2,853 |
| | \$ 903,469 | \$ 758,230 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

16 ACCUMULATED SURPLUS

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

| | 2020 | | 2019 |
|---|---------------|----|------------|
| General government operations | \$ 40,385 | \$ | 20,127 |
| Restricted surplus (deficit): | | | |
| EPCOR Utilities Inc. | 3,974,963 | | 3,841,938 |
| Ed Tel Endowment Fund | 813,103 | | 823,406 |
| Land Enterprise | 93,220 | | 107,702 |
| Pension and benefits | 35,961 | | 29,620 |
| Edmonton Economic Development Corporation | 6,617 | | 11,913 |
| City of Edmonton Library Board | 5,172 | | 635 |
| Fort Edmonton Management Company | 2,015 | | 1,882 |
| Non-Profit Housing Corporation | 745 | | 1,012 |
| Edmonton Combative Sports Commission | 249 | | 258 |
| Waste RE-solutions Edmonton | - | | 399 |
| Waste Services Utility | (175) | | 9,619 |
| Blatchford Renewable Energy Utility | (3,671) | | (1,924) |
| Reserves for future expenditures (Note 15) | 903,469 | | 758,230 |
| Equity in tangible capital assets (Note 14) | 9,874,849 | | 9,252,450 |
| Advances for construction | 26,021 | | 71,204 |
| | \$ 15,772,923 | \$ | 14,928,471 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17 NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

| | Budget | 2020 | 2019 |
|--|--------------|--------------|--------------|
| Taxes: | | | |
| Property taxes | \$ 2,155,145 | \$ 2,167,812 | \$ 2,104,416 |
| Revenue in lieu of taxes | 24,372 | 22,368 | 34,603 |
| Community revitalization levy (CRL) | 35,880 | 36,474 | 30,119 |
| Other | 2,789 | 8,878 | 9,513 |
| Special tax – alley lighting | 908 | 1,107 | 1,281 |
| Tax appeals and allowances | (12,300) | (10,911) | (15,907) |
| | 2,206,794 | 2,225,728 | 2,164,025 |
| Less taxes on behalf of: | | | |
| Education | 483,507 | 495,499 | 488,266 |
| Business Improvement Areas and other | | 4,009 | 3,959 |
| | 483,507 | 499,508 | 492,225 |
| Net taxes available for municipal purposes | \$ 1,723,287 | \$ 1,726,220 | \$ 1,671,800 |

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to Accounts payable and accrued liabilities - Trade and other (Note 7).

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

Provincial education taxes collected on incremental tax revenue within the CRL are retained to offset development costs in the related area. As at December 31, 2020 the City has three active CRL areas: the Quarters, Belvedere and Capital City Downtown. The CRL taxes collected include property taxes, revenue in lieu of taxes, and other taxes. In 2020, \$4,914 (2019 - \$4,301) incremental tax levy was collected in the Quarters CRL, including \$1,028 (2019 - \$943) in education taxes. The Belvedere CRL collected \$1,133 (2019 - \$1,003) in incremental tax levy during the year, including \$205 (2019 - \$215) in education taxes. The Capital City Downtown CRL collected \$30,427 (2019 - \$24,815) in incremental tax levy during the year, including \$7,590 (2019 - \$5,683) in education taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

18 GOVERNMENT TRANSFERS

| | Budget | 2020 | 2019 |
|----------------------------|------------|------------|------------|
| Operating: | | | |
| Federal | \$ 44,807 | \$ 45,282 | \$ 45,562 |
| Provincial | 63,875 | 232,172 | 76,388 |
| | 108,682 | 277,454 | 121,950 |
| Capital: | | | |
| Federal | 271,540 | 211,285 | 158,104 |
| Provincial | 386,659 | 354,231 | 413,328 |
| | 658,199 | 565,516 | 571,432 |
| Total Government Transfers | \$ 766,881 | \$ 842,970 | \$ 693,382 |

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2020, the City received \$21,437 (2019 - \$20,594), including earned interest of \$137 (2019 - \$285), net of \$253 (2019 - \$1,953) received on behalf of regional transit partners. In 2020, the City recognized \$14,104 (2019 - \$47,950) as capital government transfers and a receivable of \$22,257 (2019 - \$29,337) has been recorded.

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. In 2020, the City recognized operating government transfers of \$3,512 (2019 - \$2,667). In 2020, the City recorded \$10,439 (2019 - \$13,837) as deferred revenue, including interest of \$114 (2019 - \$316).

In 2007, the Province introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. In 2020, the City received \$193,226 (2019 - \$132,119) from the Province, including earned interest of \$1,318 (2019 - \$4,632) and recorded \$266,067 (2019 - \$260,717) as capital government transfers. In 2020, the City recorded \$99,633 (2019 - \$172,474) as deferred revenue and \$0 (2019 - \$63,743) as receivable.

Under the Federal Gas Tax Fund, the City received \$55,613 (2019 - \$105,378), and recognized \$23,352 (2019 - \$6,290) as capital government transfers and \$43,605 (2019 - \$43,605) as operating government transfers, to fund debt servicing costs related to the South LRT. In 2020, \$51,968 (2019 - \$63,312) has been recorded as deferred revenue.

In 2020, the City received a grant of \$24,185 (2019 - \$22,325) from the Province for Family and Community Support Services funding. In 2020, \$22,325 (2019 - \$22,325) was recognized as operating government transfers, while \$1,860 (2019 - \$0) was recorded as deferred revenue.

Through the Building Canada Fund, an agreement was signed for the Valley Line LRT expansion in 2017. In 2018, agreements for the Fort Edmonton Park Expansion project, and the Yellowhead Trail Freeway Conversion Project were also signed. In 2020, the City received \$44,880 (2019 - \$48,433) and recorded \$58,810 (2019 - \$54,851) as capital government transfers. A receivable has been recorded for \$28,172 (2019 - \$14,242).

Under the Public Transit Infrastructure Fund, the Province agrees to provide on behalf of itself and the Federal Government a cost-sharing grant which is comprised of the Province's contribution of 25 per cent and the Federal Government's contribution of 50 per cent of the eligible expenditures. An agreement was signed between the City and the Province in 2017 to support the funding of improved and expanded public transit systems. In 2020, the City received \$70,156 (2019 - \$35,482) and recorded \$49,041 (2019 - \$52,185) as capital government transfers, \$0 (2019 - \$361) as an operating transfer and \$49,381 (2019 - \$70,496) as receivable.

In 2020 the Province commenced the Municipal Stimulus Program to sustain and create local jobs and position communities to participate in future economic growth. In 2020, the City received \$6,117 (2019 - \$0) from the Province. The City recognized \$318 (2019 - \$0) as capital government transfers and recorded \$5,799 (2019 - \$0) as deferred revenue.

Through the Investing in Canada Infrastructure Program, the governments of Canada and Alberta signed an agreement to provide funds to build inclusive and prosperous communities while supporting a low carbon, green economy. In 2020, the City recognized \$56,856 (2019 - \$0) as capital government transfers and \$56,856 (2019 - \$0) was recorded as receivable.

In 2020, the City received a grant of \$158,179 (2019 - \$0) from the Province through the Safe Restart Program funding. In 2020, \$158,179 (2019 - \$0) has been recorded as operating government transfers.

In 2016, through the P3 Canada Fund, an agreement was signed to provide funding for the construction of Valley Line LRT. In 2020, the City recognized \$76,049 (2019 - \$60,697) as capital government transfers and recorded \$219,397 (2019 - \$143,347) as receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

19 EXECUTIVE SALARIES AND BENEFITS

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

| | Salaries | | Benefits | | 2020 | | 2019 | |
|---|----------|-------|----------|-----|------|-------|------|-------|
| Mayor: | | | | | | | | |
| Iveson | \$ | 206 | \$ | 45 | \$ | 251 | \$ | 257 |
| | | 206 | | 45 | | 251 | | 257 |
| Councillors: | | | | | | | | |
| Banga | | 116 | | 26 | | 142 | | 146 |
| Cartmell | | 116 | | 23 | | 139 | | 143 |
| Caterina | | 116 | | 26 | | 142 | | 146 |
| Dziadyk | | 116 | | 23 | | 139 | | 144 |
| Esslinger | | 116 | | 27 | | 143 | | 147 |
| Hamilton | | 116 | | 25 | | 141 | | 146 |
| Henderson | | 116 | | 24 | | 140 | | 144 |
| Knack | | 116 | | 27 | | 143 | | 147 |
| McKeen | | 116 | | 24 | | 140 | | 144 |
| Nickel | | 116 | | 26 | | 142 | | 146 |
| Paquette | | 116 | | 27 | | 143 | | 147 |
| Walters | | 116 | | 27 | | 143 | | 147 |
| | | 1,392 | | 305 | | 1,697 | | 1,747 |
| Chief Administrative Officer (City Manager) | | 327 | | 28 | | 355 | | 432 |
| Designated Officers | | 1,000 | | 87 | | 1,087 | | 1,137 |
| | \$ | 2,925 | \$ | 465 | \$ | 3,390 | \$ | 3,573 |

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

20 SUBSIDIARY OPERATIONS – EPCOR

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

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

The following table provides condensed supplementary financial information for EPCOR.

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Financial position: | | |
| Current assets | \$ 512,786 | \$ 524,511 |
| Capital assets | 10,913,219 | 10,279,663 |
| Other assets | 753,819 | 617,276 |
| Total assets | 12,179,824 | 11,421,450 |
| Current liabilities (including current portion of long-term debt of \$366,287 (2019 – \$55,468)) | 957,497 | 652,464 |
| Non-current liabilities | 4,226,268 | 4,039,652 |
| Long-term debt | 3,205,431 | 3,025,556 |
| Total liabilities | 8,389,196 | 7,717,672 |
| Accumulated other comprehensive income | 33,285 | 51,134 |
| Share capital | 797,528 | 797,528 |
| Retained earnings | 2,959,815 | 2,855,116 |
| Shareholder's equity | \$ 3,790,628 | \$ 3,703,778 |
| Results of operations: | | |
| Revenues | \$ 1,988,158 | \$ 1,864,347 |
| Expenses | (1,712,459) | (1,633,293) |
| Net income | \$ 275,699 | \$ 231,054 |
| Changes in shareholder's equity: | | |
| Shareholder's equity - opening | \$ 3,703,778 | \$ 3,690,701 |
| Net Income | 275,699 | 231,054 |
| Other comprehensive loss | (17,849) | (47,140) |
| Dividend to shareholder (City of Edmonton) | (171,000) | (171,000) |
| Other equity adjustments | | 163 |
| Shareholder's equity - ending | \$ 3,790,628 | \$ 3,703,778 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

In 2020, the City contributed \$48,331 (2019 - \$80,874) in tangible capital assets to EPCOR. The difference between the City's investment in EPCOR and EPCOR's shareholder equity reflects accumulated tangible capital assets contributed to EPCOR from the City in the amount of \$188,391 (2019 - \$140,060), less related amortization of \$4,056 (2019 - \$1,900). This difference of \$184,335 (2019 - \$138,160) will be amortized over the useful life of the assets contributed.

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

| | | |
|------------|----|------------------|
| 2021 | \$ | 209,654 |
| 2022 | | 134,776 |
| 2023 | | 132,394 |
| 2024 | | 32,912 |
| 2025 | | 33,505 |
| Thereafter | | 2,891,043 |
| | \$ | <u>3,434,284</u> |

EPCOR has issued letters of credit for \$84,376 (2019 - \$100,067) to meet the credit agreements of electricity market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

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

| | 2020 | 2019 |
|---|------------|------------|
| Dividend paid to the City | \$ 171,000 | \$ 171,000 |
| Franchise fees paid to the City | 97,310 | 93,081 |
| Financing expenses paid or payable to the City | 20,934 | 22,194 |
| Sales of administrative and construction services from the City | 15,918 | 21,888 |
| Property taxes and other taxes paid to the City | 20,132 | 19,861 |
| Costs of capital construction paid or payable to the City | 40,202 | 72,811 |
| Power and water purchased by the City | 2,197 | 4,767 |
| Other services purchased by the City | 48,394 | 49,399 |

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

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

| | 2020 | 2019 |
|---|-----------|-----------|
| Trade and other receivables | \$ 60,875 | \$ 78,056 |
| Property, plant and equipment | 40,202 | 72,811 |
| Trade and other payables | 17,661 | 20,613 |
| Loans and borrowings issued in the name of the City | 555,617 | 590,328 |
| Deferred revenue and other liabilities | 81,262 | 124,195 |

The City's financial statements include the net balance payable to EPCOR within Accounts payable and accrued liabilities - Trade and other (Note 7) and offsetting receivables from EPCOR of \$555,617 (2019 - \$587,274), presented on a PSAS basis, which have been applied to reduce the City's consolidated Long-term Debt (Note 11).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

21 PENSION AND LONG-TERM DISABILITY PLANS

A. LOCAL AUTHORITIES PENSION PLAN

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

The City is required to make current service contributions to the Plan of 9.39 per cent (2019 – 9.39 per cent) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.84 per cent (2019 – 13.84 per cent) thereafter. Employees of the City are required to make current service contributions of 8.39 per cent (2019 – 8.39 per cent) of pensionable salary up to YMPE and 12.84 per cent (2019 – 12.84 per cent) thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2020 were \$97,177 (2019 – \$102,307) and by the employees to the LAPP in 2020 were \$88,248 (2019 – \$93,109).

As of December 31, 2019, the LAPP reported the value of its assets at \$50,520,461 and a surplus for the overall plan of \$7,913,261. Information as at December 31, 2020 was not available at the time of preparing these financial statements.

B. SPECIAL FORCES PENSION PLAN

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 12.56 per cent (2019 – 11.81 per cent) of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 1.24 per cent of pensionable payroll are required to eliminate an unfunded liability related to post-1991 service amortized over no more than 15 years. Participants of the SFPP are required to make current service contributions of 11.46 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 1.24 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2020 were \$31,636 (2019 – \$32,344) and by the employees to the SFPP in 2020 were \$29,244 (2019 – \$29,900).

As at December 31, 2019, the SFPP reported the value of its assets at \$3,454,377 and a surplus for the overall plan of \$184,631 comprised of a deficit of \$180,052 for pre-1992 and a surplus of \$364,683 relating to post-1991. Information as at December 31, 2020 was not available at the time of preparing these financial statements.

C. CITY-SPONSORED PENSION PLANS

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

The following summarizes plans sponsored by the City.

i. Annuity Plan

The multi-employer Annuity Fund provided lifetime benefits to retired members and beneficiaries only. As of December 4, 2014 there are no longer any beneficiaries of this plan and the fund is closed to new members. The plan is being wound up and surplus funds attributable to the City are not yet known. The surplus fund position is being held in trust by the City until the assets are distributed.

Total benefits paid during the year were \$0 (2019 – \$0).

ii. Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 11 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were \$33 (2019 – \$54).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

iii. Fire Fighters' Supplementary Pension Plan

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

Total benefits paid during the year were \$10,393 (2019 – \$8,778). Employer contributions for the year were \$4,002 (2019 – \$4,243) and employee contributions for the year were \$3,459 (2019 – \$3,676).

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

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

Total benefits paid during the year were \$244 (2019 – \$312). Employer contributions were \$86 (2019 – \$69) and employee contributions for the year were \$20 (2019 – \$21).

Actuarial valuations for Annuity, Police Supplementary, Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plans and an actuarial extrapolation for the Fire Fighters' Supplementary Pension Plan were completed by Aon Hewitt as at December 31, 2020. Each 2020 actuarial valuation and extrapolation were based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.0 per cent (2019 – 2.0 per cent). The discount rate used to determine the accrued benefit obligation is 5.25 per cent (2019 – 5.75 per cent). The expected rate of return on plan assets is 5.25 per cent (2019 – 5.75 per cent). The expected salary increase is 0.75 per cent for 2 years, and 2.0 per cent thereafter (2019 – 1.5 per cent for 2 years, and 2.0 per cent thereafter), plus a merit and promotion increase in the FFSPP (which varies by service). The Fire Chief Plan assumes a 0.5 per cent merit and promotion increase per annum for those with greater than 5 years of service.

Each pension fund's assets are valued at fair value. The fair value actual rate of return is 11.1 per cent (2019 – 16.5 per cent).

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

| | Annuity | PSPP | FFSPP | Fire Chief | 2020 | 2019 |
|---|-----------|-----------|------------|------------|------------|------------|
| Fair value of assets | \$ 15,020 | \$ 15,355 | \$ 278,067 | \$ 3,992 | \$ 312,434 | \$ 287,669 |
| Accrued benefit obligation | | 161 | 220,973 | 3,852 | 224,986 | 202,322 |
| Funded status – surplus | 15,020 | 15,194 | 57,094 | 140 | 87,448 | 85,347 |
| Unamortized net actuarial gain | | | (20,706) | (92) | (20,798) | (26,036) |
| Accrued benefit asset | 15,020 | 15,194 | 36,388 | 48 | 66,650 | 59,311 |
| Valuation allowance | 15,020 | 15,194 | | | 30,214 | 28,758 |
| Employee portion of accrued benefit asset | | | 16,374 | | 16,374 | 13,941 |
| Net fund asset | \$ | \$ | \$ 20,014 | \$ 48 | \$ 20,062 | \$ 16,612 |

The net actuarial gain is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.3 years (2019 – 16.3 years) and of the Fire Chief plan of 3.0 years (2019 – 1.0 years). The accrued benefit asset for the FFSPP is shared 55 per cent by the City as the employer and 45 per cent by

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

| | Annuity | PSPP | FFSPP | Fire Chief | 2020 | 2019 |
|---|---------|-------|------------|------------|------------|----------|
| Current service cost | | | \$ 6,738 | \$ 26 | \$ 6,764 | \$ 7,205 |
| Amortization of actuarial loss (gain) | 776 | (579) | (1,603) | (395) | (1,801) | (253) |
| Increase in valuation allowance | 83 | 1,373 | | | 1,456 | 2,211 |
| Less: employee contributions | | | (185) | (20) | (205) | (226) |
| Benefit plan expense for the year | 859 | 794 | 4,950 | (389) | 6,214 | 8,937 |
| Interest cost on accrued benefit obligation | | 13 | 11,489 | 214 | 11,716 | 11,541 |
| Expected return on plan assets | (859) | (807) | (14,571) | (214) | (16,451) | (14,411) |
| Benefit plan interest (income) expense | (859) | (794) | (3,082) | | (4,735) | (2,870) |
| Total benefit plan related expense | | | 1,868 | (389) | 1,479 | 6,067 |
| Less: employee portion of expense | | | 841 | | 841 | 2,574 |
| Net benefit plan related expense | | | 1,027 | (389) | 638 | 3,493 |
| Less: employer contributions | | | 4,002 | 86 | 4,088 | 4,334 |
| Net Change | \$ - | \$ - | \$ (2,975) | \$ (475) | \$ (3,450) | \$ (841) |

D. LONG-TERM DISABILITY PLAN

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

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2020. The Plan's assets are valued at fair value.

| | 2020 | 2019 |
|----------------------------------|------------|------------|
| Fair value of assets | \$ 159,153 | \$ 143,936 |
| Less: Accrued benefit obligation | 114,609 | 110,454 |
| Net assets | \$ 44,544 | \$ 33,482 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

22 COMMITMENTS

A. CONTRACTUAL OBLIGATIONS

To mitigate the risk of fluctuation in fuel prices, the City has entered into swap transactions to purchase 21.3 million litres of heating oil for monthly periods from January 2021 through December 2021. The contracts have settlement dates ranging from February 5, 2021 through January 10, 2022 at prices from \$0.44 to \$0.58 per litre, for a total commitment of \$10,432.

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

The construction period runs from 2016–2021 and the operating period from 2021–2050. The total commitment for construction over the life of the contract is \$1,456,495. As of December 31, 2020, \$1,275,890 of the construction costs have been recognized by the City. The total commitment for the service level payments and maintenance payments to be made during the operating period is based on current estimated ridership levels and inflation. The total service level payments and maintenance payments are estimated to be \$876,630 and \$263,736 respectively. Additional details are provided in Note 11e.

B. LEASE COMMITMENTS

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

| | | |
|------------|----|---------|
| 2021 | \$ | 27,351 |
| 2022 | | 26,049 |
| 2023 | | 23,976 |
| 2024 | | 22,108 |
| 2025 | | 20,372 |
| Thereafter | | 164,171 |
| | \$ | 284,027 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

23 LIABILITY FOR CONTAMINATED SITES

As of December 31, 2020, the liability for contaminated sites includes sites associated with former and current City operations, sites acquired through tax forfeiture, historical acquisition of properties, and former unofficial waste disposal sites from early in the City's history. The nature of contamination includes chemicals, heavy metals, salt, biosolids and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, fuel handling, vehicle storage and maintenance, metal manufacturing, stockyards, incinerators, wastewater treatment plants and lagoons and the leaching of materials deposited in unauthorized landfills.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites. The City has recognized a net increase in the liability of \$190 over the prior year, representing a total liability for the remediation of contaminated sites of \$20,884 (2019 – \$20,694). The liability is reported in Accounts payable and accrued liabilities (Note 7, Trade and other) in the Consolidated Statement of Financial Position.

24 CONTINGENT LIABILITIES

- A. The City is the defendant in various lawsuits as at December 31, 2020. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.
- B. The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential remediation obligations. There may be contaminated sites that the City has identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of the City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

25 CONTINGENT ASSETS

The City has outstanding legal claims against third parties as at December 31, 2020 for which the probability of settlement in favour of the City is likely, resulting in \$25,695 in future assets. Contingent assets are not recorded in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

26 CONTRACTUAL RIGHTS

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

The City enters into service agreements, partnership agreements and other developer agreements that result in either contributed assets or contributed funds with average annual revenues of \$256,899.

| | Government transfers | Future lease revenue | Total |
|------------|----------------------|----------------------|--------------|
| 2021 | \$ 608,855 | \$ 17,099 | \$ 625,954 |
| 2022 | 736,366 | 15,352 | 751,718 |
| 2023 | 795,912 | 14,509 | 810,421 |
| 2024 | 477,839 | 13,838 | 491,677 |
| 2025 | 271,836 | 12,774 | 284,610 |
| Thereafter | 178,342 | 233,966 | 412,308 |
| | \$ 3,069,150 | \$ 307,538 | \$ 3,376,688 |

27 RELATED PARTY DISCLOSURE

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

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

Key management personnel of the City have been identified as the Mayor, City Councillors, City Manager and Deputy City Managers for the purpose of this reporting. An external entity becomes a related party to the City when the key management personnel and/or their close family member have the ability to influence and impact the policies, operations and strategic decisions of the external entities.

For the year ended December 31, 2020 there were no material transactions to disclose that occurred between related parties at a value other than or terms different from that which would have been arrived at if the parties were unrelated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

28 SEGMENT DISCLOSURES

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

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

Segments include:

A. TAX-SUPPORTED PROGRAMS

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

i. Transportation Services

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

ii. Protective Services

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

iii. Community Services

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

iv. Fleet Services

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

v. Other Tax-Supported

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

B. WASTE SERVICES

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

C. LAND ENTERPRISE

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

D. BLATCHFORD RENEWABLE ENERGY

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

E. EPCOR

EPCOR is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 20 to these financial statements provides condensed financial information for EPCOR.

F. ED TEL ENDOWMENT FUND

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

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

29 2020 BUDGET

The City prepared a multi-year 2019-2022 operating budget, which was presented and approved by City Council in December 2018. In December 2019, City Council approved certain adjustments to the budget to update the 2020 operating budget for emergent items. The operating budget reflected in these financial statements is consistent with amounts approved by City Council with the passing of Bylaw 19207 - 2020 Property Tax and Supplementary Property Tax Bylaw on April 27, 2020, which incorporates the operating budget and related adjustments made in December 2019 and ratifies the 2020 operating budget.

The capital budget reflected in these financial statements is based on the capital budget originally approved by City Council on December 14, 2018 as part of the overall 2019-2022 capital budget, plus any carry forward of unspent capital budget from previous years.

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

| | Operating Revenues | Operating Expenses | Capital Revenues |
|--|--------------------|--------------------|------------------|
| Budget as approved by Council on December 13, 2019 | \$ 3,382,071 | \$ 3,331,492 | \$ 836,699 |
| Budget as approved by Council on April 27, 2020 | (144,509) | (144,509) | |
| Carry forward of prior year unspent budget | 19,901 | 19,901 | 66,264 |
| Amortization | | 590,752 | |
| EPCOR Utilities | 278,310 | | |
| Other controlled entities | 12,493 | 13,533 | |
| Consolidation adjustments | (58,155) | (838) | |
| Transfers from/to reserves | (172,127) | (401,346) | |
| Debt principal repayment | | (199,272) | |
| Dividends from subsidiaries | (211,093) | | |
| Reclassification for presentation purposes | (24,771) | (12,300) | 12,471 |
| Budget for financial statement purposes | \$ 3,082,120 | \$ 3,197,413 | \$ 915,434 |

30 COMPARATIVE INFORMATION

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