



Audit and Budget Committee

Council Chamber
9909 Franklin Avenue, Fort McMurray

Tuesday, April 21, 2015
4:30 p.m.

Agenda

Call to Order

1. Adoption of the Agenda
2. Minutes of Audit and Budget Committee meeting - March 17, 2015

New and Unfinished Business

3. Conklin Multi Use Facility - Scope Review
4. Policy Updates
 - Update – Accountability, Integrity and Transparency Audit (KPMG)
5. Questions to the Municipal Auditor
6. Advisory Committee on Aging Request For Operating Funding
7. 2014 Non-Consolidated Financial Statements
 - Regional Municipality of Wood Buffalo Presentation
 - Fort McMurray Public Library presentation
 - Regional Recreation Corporation presentation
 - Wood Buffalo Housing and Development Corporations presentation

8. 2014 Preliminary Audited Consolidated Financial Statements

Motion to Move In Camera

9. 2014 External Audit Results and Management Letter (confidential)
(In camera pursuant to section 24 of the Freedom of Information and Protection of Privacy Act)
10. Private Discussion with External Auditors
(In camera pursuant to section 24 of the Freedom of Information and Protection of Privacy Act)
11. 2015 Property Tax Strategy
(In camera pursuant to section 24 of the Freedom of Information and Protection of Privacy Act)

Motion to Reconvene in Public

Adjournment

Unapproved Minutes of a Meeting of the Audit and Budget Committee held in the Council Chamber at the Municipal Offices in Fort McMurray, Alberta, on Tuesday, March 17, 2015, commencing at 4:00 p.m.

Present: S. Germain, Chair
M. Blake, Mayor
T. Ault, Councillor
L. Bussieres, Councillor
K. McGrath, Councillor (via teleconference)
P. Meagher, Councillor

Absent: J. Cardinal, Councillor
J. Chadi, Councillor
J. Stroud, Councillor
A. Vinni, Councillor

Administration: B. Couture, Acting Chief Administrative Officer
D. Leflar, Chief Legislative Officer
A. Hawkins, Acting Senior Legislative Officer
S. Harper, Legislative Officer

Call to Order

Chair S. Germain called the meeting to order at 4:05 p.m.

1. Adoption of the Agenda

Moved by Councillor T. Ault that the agenda be adopted as presented.

CARRIED UNANIMOUSLY

2. Minutes of the Audit and Budget Committee meeting - March 3, 2015

Moved by Mayor M. Blake that the Minutes of the Audit and Budget Committee meeting held on March 3, 2015 be approved as presented.

CARRIED UNANIMOUSLY

New and Unfinished Business

3. Questions to the Municipal Auditor

The Committee did not direct any questions to the Municipal Auditor at this time.

**4. Dave Hodson - Advisory Committee on Aging re: Staff and Funding request
(4:08 p.m. – 4:22 p.m.)**

Dave Hodson, Chair of the Advisory Committee on Aging, provided a presentation on the Advisory Committee's staff and funding request, and their goal of pursuing the World Health Organization designation for a senior friendly community.

5. Advisory Committee on Aging Request For Operating Funding

(4:23 p.m. – 4:55 p.m.)

Carole Bouchard, Director of Community Services, provided a presentation on the current mandate of the Community Services department and the proposed Advisory Committee on Aging's staff and funding request.

Arrival:

Councillor P. Meagher entered the meeting at 4:42 p.m.

Moved by Councillor L. Bussieres that the proposed secondment of staff to the Advisory Committee on Aging be referred back to Administration for further review to be brought back to the Audit and Budget Committee within 30 days.

CARRIED UNANIMOUSLY

The Committee requested further information on the proposed secondment of staff to the Advisory Committee, specifying the need for clarification on the difference between the secondment of staff and the allocation of staff internally. The Committee expressed an interest in gaining a better understanding of what staff support is needed by the Advisory Committee.

6. Review of 2015 Operating Budget

(4:56 p.m. – 5:08 p.m.)

Elsie Hutton, Chief Financial Officer, provided a presentation on the Review of the 2015 Operating Budget.

Reegan McCullough, Executive Director of the Oil Sands Community Alliance, spoke on the current economic climate and the potential impacts this will have on municipal operations.

Moved by Councillor T. Ault that Audit and Budget Committee recommend that Council support the discretionary spending reductions of \$14,056,400 as identified by Administration within the 2015 Operating Budget.

CARRIED UNANIMOUSLY

Adjournment

Moved by Councillor P. Meagher that the meeting adjourn.

CARRIED UNANIMOUSLY

The meeting adjourned at 5:09 p.m.

Chair

Chief Legislative Officer

Subject: Update – Accountability, Integrity and Transparency Audit**APPROVALS:**

Marcel Ulliach, Chief Administrative Officer

Administrative Recommendation:

THAT the update on the Accountability, Integrity, Transparency Audit be accepted as information.

Summary:

The Accountability, Integrity, Transparency Audit (AITA) that was conducted by KPMG focused on the following eight (8) specific areas:

- Governance;
- Council Policies;
- Organization Review – Communications and Public Affairs;
- Honorariums;
- Land Acquisitions and Expropriations;
- Travel and Living Expenses;
- Consultants and Contractors; and
- Tenders and Proposals.

Background:

Of the eight (8) subject areas focused on, KPMG identified recommendations for each. The area of focus and noted recommendations as well as a current status is summarized in Attachment 1 - KPMG Audit Findings – Progress to Date.

Much of the AIT Audit findings and conclusions with respect to the areas of focus related to deficiencies in policy. Administration retained KPMG's services to assist in the research and development of draft policies based on leading practices. The process of moving those policies through for Council consideration has been ongoing; however we are reaching a point where a good number of those will be tabled with Council for consideration in the very near future.

Once the respective policies have been considered and approved by Council, the intent will be to inform and educate staff on the respective policies and procedures in order to steward to compliance.

The internal municipal audit function will then have a role to play in terms of monitoring, testing and confirming for compliance.

There were also Governance matters that were identified in the AIT Audit, and Council has considered the pursuit of governance training based on a defined terms of reference. An RFP was issued and the one submission received is being reviewed to determine if it meets the evaluation criteria. This matter will be tabled at an upcoming Administration Briefing of Council for review.

In addition, the AIT Audit noted a need for the documentation of Department Mandates. Mandates have been drafted and are being reviewed by the CAO. The intent is that once finalized, the mandates will be shared across the organization to ensure that there is clarity and understanding regarding individual department roles, responsibilities and accountability and that it is clearly understood which departments serve in a support capacity and which ones are service delivery oriented. The mandates, once finalized will be distributed to Council. It is also intended to have the mandates posted on the municipal website so that citizens and customers are better informed of its local government structure and function.

In addition to addressing the deficiencies and short-comings cited in the AIT Audit, Administration will also bring forward a revised CAO Bylaw for Council's consideration. The revised Bylaw will address the authority that is to be delegated to the CAO and the reporting requirements of the CAO to Council. Once the revised CAO Bylaw has been approved, the CAO will issue updated delegate authorities to senior management. The objective of this undertaking is to ensure clarity regarding authority, responsibility and accountability throughout the RMWB Administration.

Attachment:

1. KPMG Audit Findings – Progress to Date

KPMG Audit Findings – Progress To-date

1.0 Governance (pages 11-20)

Recommendation	Current Status
1.1 Set a clear and consistent “Tone from the Top”.	The Audit & Budget Committee has supported pursuit of governance training for Council.
1.2 Review the current structure of the relationships between Council and Administration.	A Terms of Reference document was developed to enable the search for a vendor to facilitate an effective and appropriate governance training program built upon leading practices in adult education. The RFP closed on April 1. Administration is currently reviewing the one submission received to determine if it meets the evaluation criteria as set out in the RFP. The evaluation will be presented to Council in order to determine the next steps.
1.3 Develop consistent information to be provided by Administration to Council.	This will be addressed as part of the new CAO Bylaw.
1.4 Council clearly define its expectations for the External Audit function.	Council will have an opportunity to discuss its expectations with the external auditing firm when they review the Management Letter In-Camera at the Audit and Budget Committee on April 21, 2015.
1.5 Develop and document a process to support Administration’s annual representations with respect to internal controls.	Additional discussions were undertaken with KPMG in order to implement for the 2015 year end process.
1.6 Council clearly define its expectations for the Municipal Auditor function.	

2.0 Council Policies (pages 21-31)

Recommendation	Current Status
2.1 Implement a whistleblower policy.	Draft being reviewed with Executive Directors prior to E-review and review by the CAO. To Council prior to summer recess.
2.2 Review and update Delegation Order on a regular basis to ensure it remains current.	Under review.
2.3 Review and update existing Code of Conduct Policy to reflect leading practices.	Review is in progress to ensure it aligns with our Corporate Values and reflects leading practices. E-review anticipated for June 1. To Council prior to Summer recess.
2.4 Implement an employee performance management policy and procedure.	E-review scheduled for April 24. Review has been completed with Executive Directors and CAO. Targeted for May 26 Council meeting.

2.5 Implement a Severance Policy and Procedure.	Human Resources will be reviewing the draft Policy with Executive Directors on April 16. Anticipate presenting it to the CAO May 1 and Council on June 9.
2.6 Implement a “Learning For All” policy and procedure.	E-review completed. Waiting for feedback from CUPE, Executive Directors and Legal Services. Once received it will be reviewed with the Executive Directors and then the CAO. Targeting the May 12 Council meeting.
2.7 Implement a policy covering attendance at political fundraisers for elected officials and employees and update the current procedures to include additional guidance.	Scheduled for April 14 Council meeting.
2.8 Implement the Grant Procedure.	Council approved the Community Investment Program Policy FIN220 on June 24, 2014. The Internal Auditor reviews on an ongoing basis for compliance.
2.9 Review all policies and procedures for gaps noted in this report.	Once the policies and procedures that were identified in the audit are completed, Administration will be reviewing existing policies and procedures on an ongoing basis to determine where updates are needed and where new policies and procedures need to be created.
Additional Policies requested by the CAO: 1. Public Participation – Engagement 2. Groundbreaking/Ribbon Cutting	 E-review in progress. Draft being developed.

3.0 Organization Review – Communications and Public Affairs (pages 32-36)

Recommendations	Current Status
3.1 Develop and document a mandate for the Public Affairs Department.	Completed. As part of the organizational restructuring, the Public Affairs Department was consolidated with the Communications Department as the new Communications and Stakeholder Relations Department. The synergy between these two departments will be improved as a result of this consolidation. Recruitment for a Director has been ongoing; however, it is anticipated that the position will be filled by early May. The new Department mandate will be updated along with the mandates for all other departments which are currently being reviewed by the CAO. Once the review is completed, they will be distributed to Council for information and posted on our website for the general public’s information.

4.0 Honorariums (pages 37-42)

Recommendations	Current Status
4.1 Develop and implement a formal honorarium policy and procedure.	E-review has been completed. Report will be coming to the May 5 ABC and to Council May 12.
4.2 Use a consistent form for approval of honorariums. 4.3 Develop and implement regular monitoring of honorariums.	Form for approval of honorariums and monitoring of honorariums will be addressed as part of the Administrative Procedure that will be developed to support and guide implementation of the Honorarium Policy.

5.0 Land Acquisitions and Expropriations (pages 43-49)

Recommendations	Current Status
5.1 Municipality to document its policies and procedures for land acquisitions and expropriations. 5.2 Retain all documentations in land acquisitions and expropriation files. 5.3 Mandate the use of the "Land Administration Transaction Request" form. 5.4 Include documentation of conflict of interest and related party checks in the land acquisition and expropriation files.	Policies and procedures have been documented and the recommendations incorporated. E-review is completed and reviewed with the Executive Directors. Comments will now be reviewed with Legal Services and the CAO for final review April 20. June 9 Council meeting targeted.
5.5 Consider implementing a data processing patch in SAP to track land acquisitions and expropriations.	We have had discussions in the past with respect to implementing a patch in SAP. We are implementing Open Text (a file management system) to assist with the tracking as well as discussions with Information and Advisory Services with respect to a program to house Land Administration spatial and aspatial data.

6.0 Travel and Living Expenses (pages 50-63)

Recommendations	Current Status
6.1 Determine whether or not a Fly-In-Fly-Out policy is required and if so implement a policy and procedure.	Policy developed and discussed with Executive Directors and the CAO. E-review is scheduled for April 10. May 12 Council meeting targeted.
6.2 Implement a policy and procedure for temporary housing.	Executive Directors and the CAO have reviewed draft policy. E-review scheduled for April 10. Targeted for May 12 Council meeting.

6.3 Implement a policy and procedure for taxable benefits.	Completed. Approved by Council March 10, 2015
6.4 Review all taxable benefits related to fly-in-fly-out arrangements.	Review of current taxable benefits ongoing.
6.5 Update the Delegation Order and LEG-050 for the gaps noted in the report.	Under review.
6.6 Utilize the Municipal Auditor to perform sample testing over self-approval of expense reports.	Ongoing.
6.7 Retain appropriate evidence of approval of expense reports.	Continue to reinforce and train staff relative to following documented procedures.
6.8 Reinforce the requirements of the existing Expense Policy to all employees.	Continue to reinforce and train staff relative to following documented procedures.
6.9 Reinforce the requirement to submit copies of receipts with expense reports.	Continue to reinforce and train staff relative to following documented procedures.
6.10 Regularly monitor taxable benefits.	Incorporated into Administrative Procedure – Taxable Benefits
6.11 Consider implementing an automated approval workflow for expense reports.	This item will require SAP resources and therefore would be prioritized against other SAP projects.
6.12 Update the Delegation Order to require all expenses be approved by a more senior employee.	No update required. The existing Policy FIN180 stipulates that a more senior employee is to approve expenses. All of the Executive Directors expenses are currently approved by the CAO and the CAO's expenses approved by the Chair of ABC.

7.0 Consultants and Contractors (pages 64-67)

Recommendations	Current Status
7.1 – 7.3 Reinforce requirements of the standard operating procedures and Delegation Order related to vendor performance, change orders and contract close out to all employees.	Continue to reinforce and train staff relative to following documented procedures. In addition, there is a Capital Projects Framework project that includes reviewing the “cradle to grave” process for capital projects delivery. The noted audit recommendations will be included as part of this review for potential enhancement.
7.4 - 7.5 Reinforce the requirements for change orders, including evidence of approval, to all employees.	Continue to reinforce and train staff relative to following documented procedures. In addition, there is a Capital Projects Framework project that includes reviewing the “cradle to grave” process for capital projects delivery. The noted audit recommendations will be included as part of this review for potential enhancement. As an interim measure, Executive Directors are reviewing non-competitive selections for adherence to New West Trade Partnership Agreement legislation. Supply Chain Management is also developing enhanced reporting for Executive Directors.

8.0 Tenders and Proposals (pages 68-73)

Recommendations	Current Status
8.1 Review PUR-100, Procurement Policy, in accordance with the mandatory review dates.	Will be brought forward for approval on or before the third quarter 2015. No significant changes to the existing policy anticipated since public procurement is guided by the Agreement on Internal Trade and the New West Trade Partnership Agreement.
8.2 Reinforce the requirement to complete a “Non-competitive Selection Business Case” to all employees.	Continue to reinforce and train staff relative to following documented procedures. As an interim measure, Executive Directors are reviewing non-competitive selections for adherence to New West Trade Partnership Agreement legislation. Supply Chain Management is also developing enhanced reporting for Executive Directors.
8.3 Amend policy FIN 190 to include a minimum number of bids.	Administration has reviewed the matter with KPMG and they have concurred that there is no need to amend the Policy. A BN will be provided to Council explaining the rationale as to why there is no need to amend Policy FIN 190 relative to a minimum number of bids as the Municipality would be in contravention of the New West Trade Partnership Agreement.
8.4 Update FIN 190 to include a minimum categorical requirement for proposal submissions.	Administration has reviewed the matter with KPMG. A minor wording change may be included in the policy update that addresses the ability of the Municipality’s Supply Chain Professional to ensure that the procurement process is adaptable to the various procurement activities undertaken.

**Subject: Advisory Committee on Aging Request For Operating
Funding****APPROVALS:**

Heather Evasiuk, Acting Director
Dale Bendfeld, Acting Executive Director
Marcel Ulliac, Chief Administrative Officer

Administrative Recommendations:

THAT it be recommended to Council that \$100,000 be allocated to fund the mandate of the Advisory Committee on Aging (ACOA) in 2015, to be sourced from:

- 2015 Community Services Department Operating Budget surplus;
 - 2015 Community and Protective Services Division Operating Budget surplus;
 - 2015 Corporate Operating Budget surplus; or
 - Emerging Issues Reserve;
- in that order; and

THAT similar funding for ACOA's activities in future years be incorporated in the budgeting process and brought forward for Council's consideration; and

THAT it be recommended to Council that Administration continue to support the ACOA consistent with the standard processes that are in place to support Council committees throughout the Municipality.

Summary:

On January 13, 2015, Council adopted ACOA's recommendation that the Regional Municipality of Wood Buffalo seek the World Health Organization's Global Network of Age-Friendly Cities designation. An age-friendly community designs policies, services and structures related to the physical and social environment that help seniors live safely, enjoy good health and stay involved. There are eight domains:

1. Pleasant, safe and accessible outdoor areas.
2. Affordable, safe and accessible public transportation.
3. Sufficient, affordable, safe and well-designed housing.
4. Opportunities for seniors to be socially active.
5. Respectful and inclusive relationships.
6. Opportunities for civic participation and employment.
7. Easy-to-find and understandable information.
8. Community health and support services.

To achieve this status, ACOA seeks dedicated resources under its specific direction, including community engagement funding and seconded Municipal employees.

Background:

The Advisory Committee on Aging Bylaw No. 14/021 was passed on June 24, 2014. At the January 13, 2015, Council meeting, ACOA chairperson Dave Hodson presented information about the World Health Organization's (WHO) Age-Friendly Communities initiative. Council unanimously supported pursuit of the Age Friendly Community designation by May, 2015.

The Community Services Department (CSD) provides administrative support to nine Council-appointed advisory committees, including ACOA. Its current organizational structure allows staff to work on committee projects and requests, and other projects and initiatives, as a team with support from all employee classifications, including program assistants, coordinators, supervisors, managers and the director. The program coordinator for seniors would be the logical project lead with other support provided as needed.

Budget/Financial Implications:

Approximately \$100,000 is required for program costs such as community engagement.

Organizational and Other Implications:

Although the Municipality has a long history of providing generous staff support to its advisory committees, there appears to be no precedent for formal secondment. Since ACOA is not a legal person, it cannot be an "employer." Any seconded individual would have to continue as a Municipal employee for the purposes of salary, pension contributions, statutory deductions, insurance, Workers' Compensation, and vicarious liability.

It is also unclear how seconded staff would be managed – who they would be accountable to and who would ensure that they have enough ACOA work to justify full-time secondment. These are significant issues because such a secondment could set a precedent for other advisory committees seeking assistance.

Rationale for Recommendations:

ACOA requested seconded staff under its direction to gain the Age-Friendly Community designation and subsequently develop recommendations with respect to the eight domains.

The CSD has the necessary resources within its current structure to provide the required level of administrative support.

Attachments:

1. Advisory Committee on Aging Bylaw No. 14/021

BYLAW NO. 14/021

A BYLAW OF THE REGIONAL MUNICIPALITY OF WOOD BUFFALO TO ESTABLISH AN ADVISORY COMMITTEE ON AGING

WHEREAS the *Municipal Government Act* provides that a council may pass bylaws in relation to the establishment and functions of Council Committees;

AND WHEREAS the Council of the Regional Municipality of Wood Buffalo wishes to establish an Advisory Committee on Aging to provide an opportunity for public input into strategic planning and delivery of services for seniors;

NOW THEREFORE the Regional Municipality of Wood Buffalo, in open council assembled, hereby enacts as follows:

1. The Advisory Committee on Aging is established, and is hereinafter in this bylaw referred to as the "Committee".

SHORT TITLE

2. This Bylaw shall be cited as the "Advisory Committee on Aging Bylaw."

MEMBERSHIP OF THE COMMITTEE

3. Membership of the Committee consists of one Councillor and six members of the public at large, appointed by resolution of the Council.
4. The public-at-large members of the Committee will be appointed from the following groups to the extent that there are persons within those groups who are willing to serve and, in the opinion of the Council, qualified to serve on the Committee:
 - (a) Seniors-at-large (2 representatives – 1 each from the rural and urban service areas);
 - (b) Golden Years Society board members (1 representative);
 - (c) Wood Buffalo Health Advisory Council (1 representative);
 - (d) Wood Buffalo Housing and Development Corporation board members (1 representative);
 - (e) Wood Buffalo Seniors Resource Committee (1 representative).

MANDATE OF THE COMMITTEE

5. The mandate of the Committee is to provide a forum for stakeholder input on strategies and service delivery issues affecting seniors [including intergovernmental strategies and service delivery issues] and to make recommendations in respect thereof to the Council.

6. In fulfilling its mandate the Committee may draw upon the expertise or advice of any group or organization that has an interest in the well-being of seniors in the Municipality, including without limitation: Alberta Health Services, the Northern Lights Regional Hospital, Wood Buffalo Housing and Development Corporation, and the Municipality itself.
7. The Committee shall deal with matters referred to it by the Council or by another Council Committee, and may on its own initiative deal with matters that are within its mandate.

TERM OF APPOINTMENT AND REIMBURSEMENT OF EXPENSES

8. Initial appointments of public-at-large members of the Committee shall be for either a one year or two year term, and all subsequent terms of appointment will be for two years.
9. The initial appointment of the Council member representative to the Committee will be for a term expiring at the next organizational meeting of the Council, and all subsequent terms of appointment of Council members shall be for one year.
10. If a member of the Committee is unable or unwilling to continue to serve as a member, the Council shall appoint a replacement to serve for the balance of that member's remaining term.
11. Members of the Committee shall serve without remuneration but shall be reimbursed for reasonable out-of-pocket expenses incurred in attending Committee meetings or otherwise conducting the affairs of the Committee.

QUORUM

12. A quorum of the Committee is a majority of its members, including the Chair.
13. The Committee shall hold a meeting only when a quorum is present.

COMMITTEE MEETINGS

14. The Chair of the Committee shall be determined by the members of the Committee at the first meeting of each calendar year.
15. The Chair shall preside over all meetings of the Committee, preserving order and decorum and deciding questions of procedure in accordance with the most current edition of *Roberts Rules of Order Newly Revised*.

16. If the Chair is unable to attend a scheduled meeting or must leave a meeting for any reason, the Committee members in attendance shall select an acting Chair to perform the duties of the Chair.
17. Meetings of the Committee may be held in such locations within the Municipality as the Committee deems advisable, and shall be open to the public except where a matter under discussion allows the Committee to move *in camera* pursuant to the provisions of subsection 197(2) of the *Municipal Government Act*.
18. The Committee shall meet at the call of the Chair.
19. When the Committee passes a resolution in the nature of a recommendation to the Council, the Committee shall prepare and submit to the Chief Legislative Officer a report containing the resolution and the reasons why it was passed.
20. The Committee may from time to time establish such sub-committees, ad-hoc committees or working groups as it considers advisable to fulfill its mandate.
21. The Chief Administrative Officer shall ensure that adequate administrative support is provided to the Committee.

COMING INTO FORCE

22. This bylaw comes into force when it is passed.

READ a first time this 10th day of June, AD. 2014.

READ a second time this 24th day of June, A.D. 2014.

READ a third time this 24th day of June, A.D. 2014.

SIGNED and PASSED this 24th day of June, A.D. 2014.



Mayor



Chief Legislative Officer

Subject: 2014 Non-Consolidated Financial Statements**APPROVALS:**

Kola Oladimeji, Director
Elsie Hutton, Executive Director
Marcel Ulliac, Chief Administrative Officer

Administrative Recommendation:

THAT the Audit and Budget Committee accept the presentation on the 2014 Non-Consolidated Financial Statements for the Regional Municipality of Wood Buffalo for the year ended December 31, 2014 as information.

Summary:

Following the substantial completion of the Financial Statements for the year ended December 31, 2014, Administration hereby presents the Non-Consolidated Financial Statements for the Regional Municipality of Wood Buffalo.

This is to provide the highlights of the 2014 Non-Consolidated Financial Statements of the Municipality as a separate entity without including the Regional Recreation Corporation, Wood Buffalo Housing Development Corporation and the Regional Municipality of Wood Buffalo Library financials to the Audit and Budget Committee.

Background:

The *Municipal Government Act* requires that every Alberta municipality prepare and submit a Financial Information Return and Audited Financial Statements by May 1 of each year for the preceding year.

Administration is responsible for the preparation of the financial statements and hereby presents the highlights of the Non-Consolidated Financial Statements for the fiscal year ended December 31, 2014. This information precedes the final presentation of the consolidated audited report to Council on April 28, 2015.

Budget/Financial Implications:

The 2014 net surplus includes the operating budget surplus of \$1M transferred to the Emerging Issues Reserve, per the Fiscal Responsibility Policy – FIN-160 approved by Council on April 26, 2011. This transfer will be in addition to the minimum \$50M balance required in the Emerging Issues Reserve. This operating budget surplus represents 0.13% of the 2014 approved Operating Budget.

Rationale for Recommendation:

To provide visibility and transparency to the Audit and Budget Committee on the financial position of the Regional Municipality of Wood Buffalo as a separate entity in advance of consolidation with the other subsidiaries.

Regional Municipality of Wood Buffalo Non-Consolidated Financial Statements for the year ended December 31, 2014

Audit and Budget Committee

April 21, 2015



2014 Non-Consolidated Financial Statements

- Combined capital and operating financial results
- Financial statements differ from operating and capital management reports presented quarterly to Audit and Budget Committee

2014 Key Performance Highlights

- Revenue increase of \$85M (12%)
- Expenses grew by \$13M (2.6%)
- Accumulated Surplus increase of \$317M (10%)
- Net Operating Budget Surplus of \$1M (0.13%)
- Net Financial Debt increase of \$31M (71%)
- Tangible Capital Assets increase of \$354M (11%)
- Reduction on investments \$59M (7%)

2014 Non-Consolidated Financial Statements Reconciliation

Operating Budget Excess		\$ 1,112,034
Non-Operating Excess		315,984,114
Excess as per Financial Statements		<u>317,096,148</u>
Less: Surplus from Capital	(347,545,994)	
Principal debt repayment	(15,232,001)	
Contributed Assets	(19,270,965)	
Add: Amortization	<u>66,064,846</u>	
		<u>(315,984,114)</u>
Net Operating Budget Surplus		<u>\$ 1,112,034</u>

Government Grant Funding Received

	(\$Millions)	
	2014	2013
Operating Grants Received	11.6	11.2
Capital Grants Received	44.8	100.5
Total Grants	56.4	111.7

Financial Position

Non-Consolidated Financial Statements for the year ended December 31, 2014

Accumulated Surplus as at December 31, 2014

	(\$Millions)	
	2014	2013
Net Financial Debt	(75)	(44)
Non Financial Assets *	3,453	3,105
Accumulated Surplus	3,378	3,061

* Tangible Capital Assets:

2014: \$3,447M (99.8%); 2013: \$3,094M (99.6%)

Financial Position as at December 31, 2014

	(\$Millions)	
	2014	2013
Financial Assets	597	597
Liabilities	672	641
Net Financial Assets	(75)	(44)
Non Financial Assets	3,453	3,105
Accumulated Surplus	3,378	3,061

Liabilities include Long-term debt of \$317M, 2014 (\$332M -2013)

Financial Assets

as at December 31, 2014

	(\$Millions)	
	2014	2013
Cash	90	34
Accounts Receivables	40	36
Investments	467	527
	597	597

Non Financial Assets

as at December 31, 2014

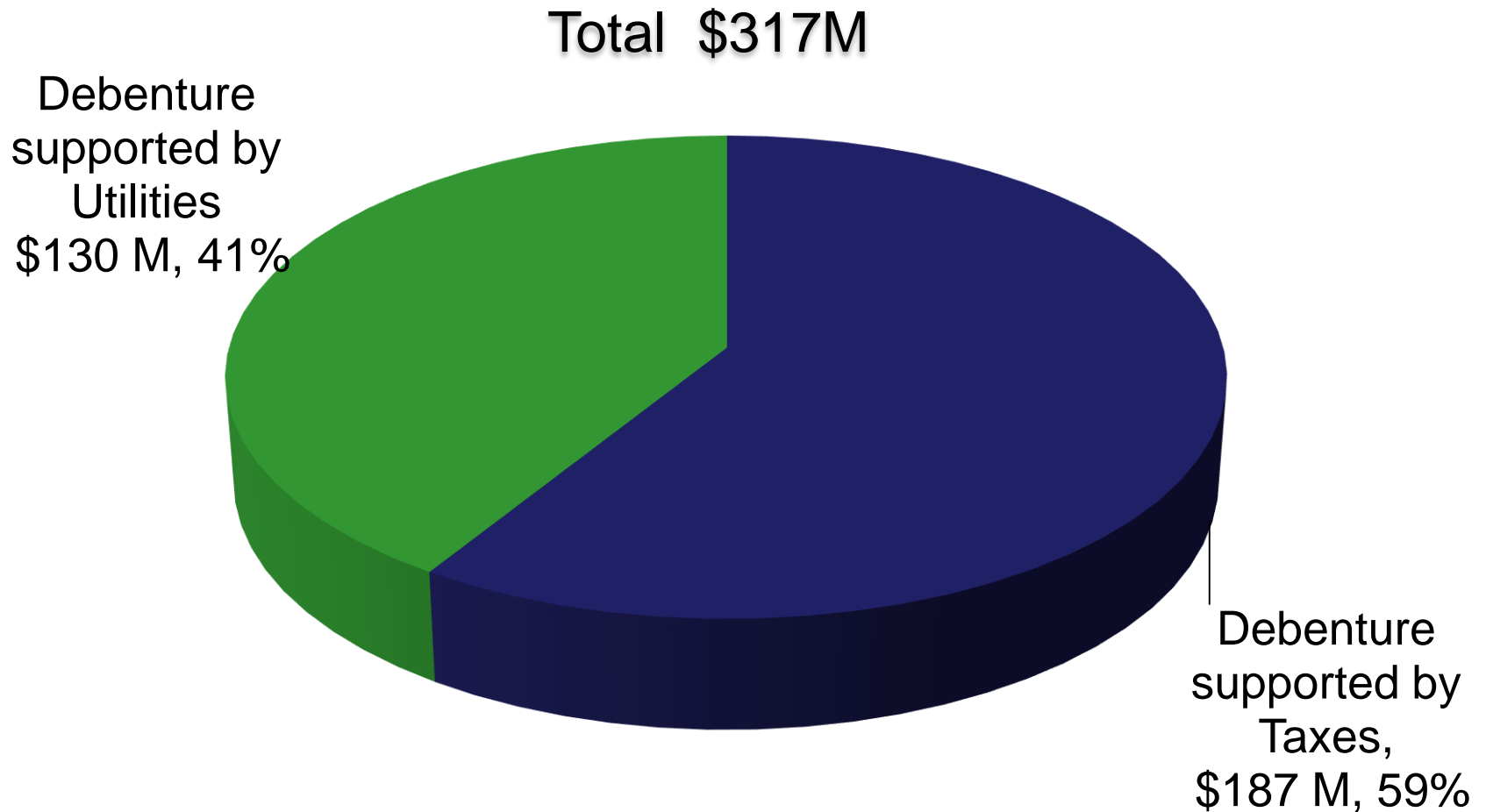
	(\$Millions)	
	2014	2013
Tangible Capital Assets	3,447	3,094
Inventories (Consumables)	2	2
Prepaid Expenses	4	9
	3,453	3,105

Liabilities

as at December 31, 2014

	(\$Millions)	
	2014	2013
Accounts Payable	191	130
Deferred Revenue	129	139
Long Term Debt	317	332
Employee Benefits	15	17
Other Liabilities	20	23
	<u>672</u>	<u>641</u>

Long Term Debt as at December 31, 2014



Operations and Accumulated Surplus

Non-Consolidated Financial Statements for the year ended December 31, 2014

Operations

as at December 31, 2014

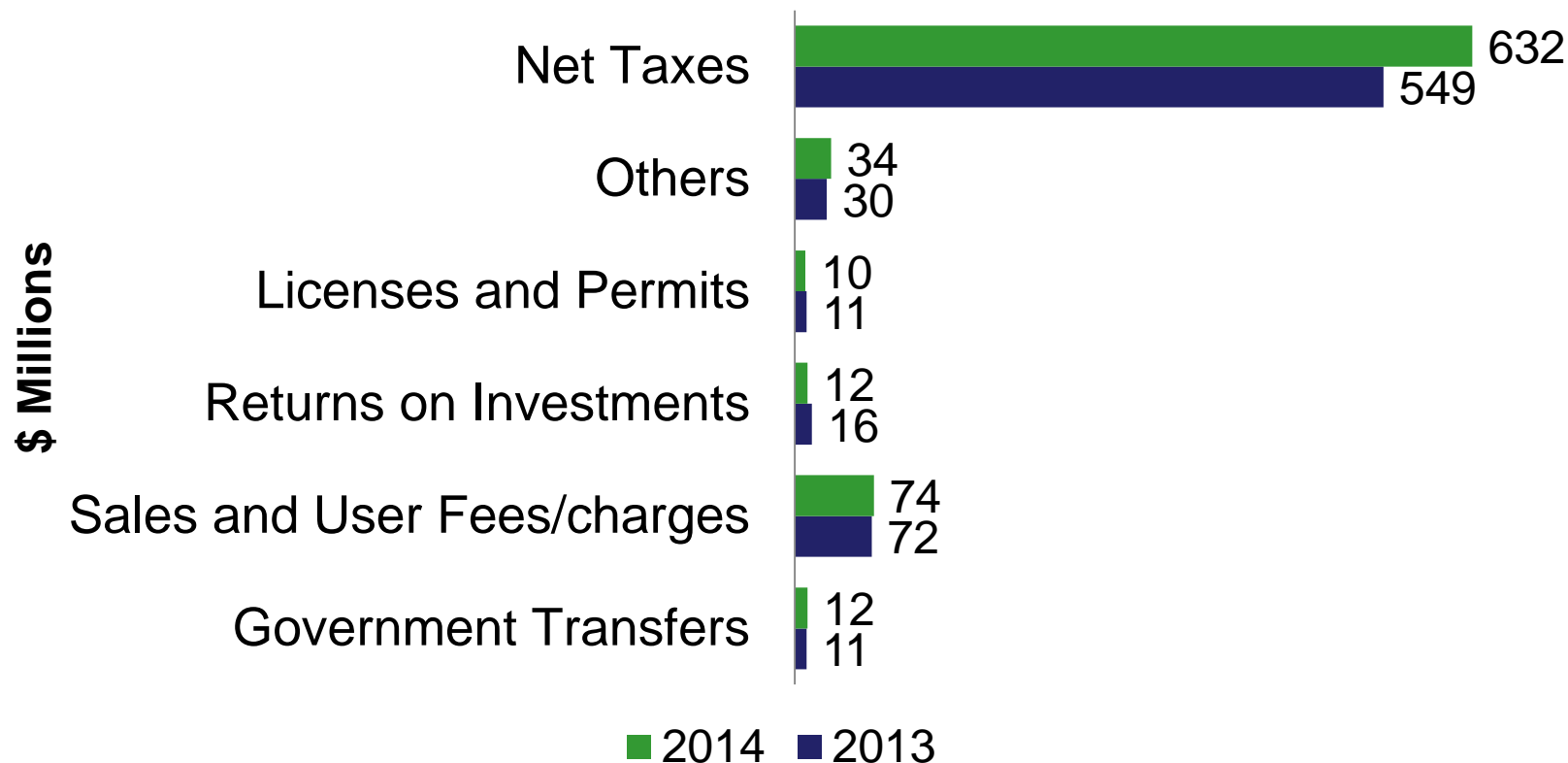
	(\$Millions)	
	2014	2013
Revenue	774	689
Expenses	521	507
Annual Surplus	253	182
Other Income	64	174
Surplus (beginning of year)	3,061	2,705
Surplus (end of year)	3,378	3,061

Revenue

Non-Consolidated Financial Statements for the year ended December 31, 2014

Revenue as at December 31, 2014

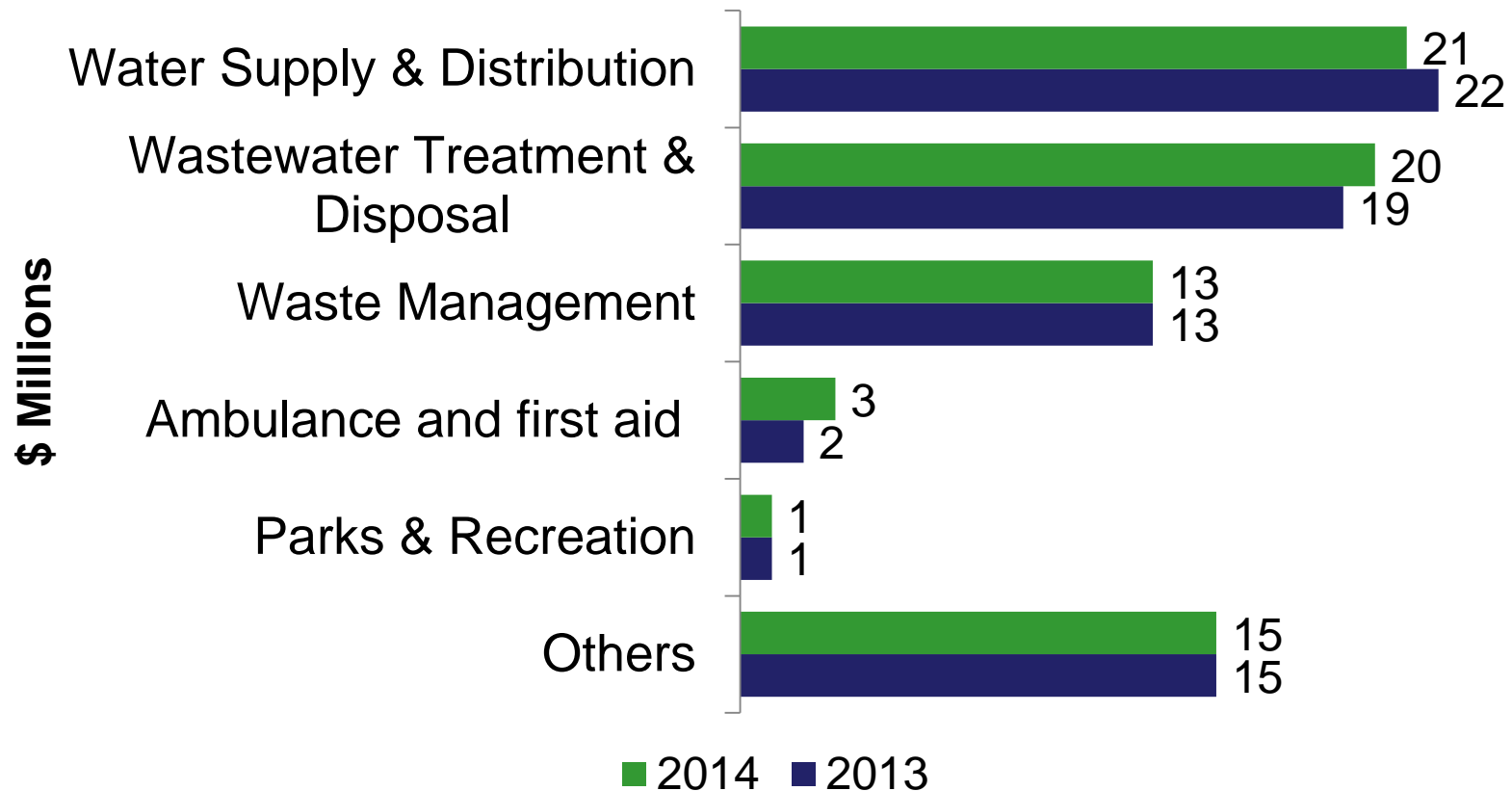
Revenue \$774M



Excluding Grants and Contributed Assets

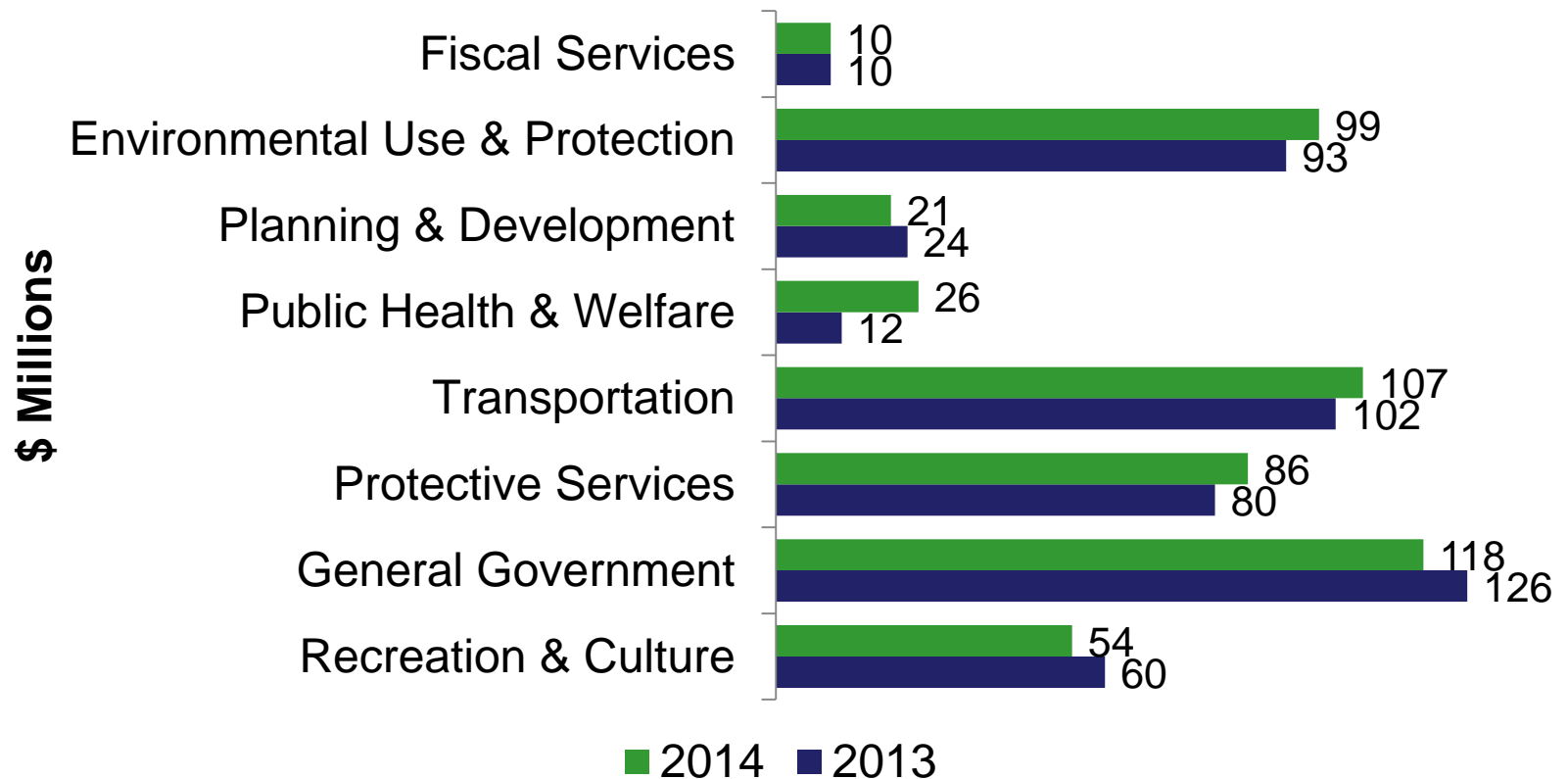
Sales and User Charges as at December 31, 2014

Sales and User Charges \$73M



Expenses by Class as at December 31, 2014

Expenses \$521M



Net Financial Assets

Non-Consolidated Financial Statements for the year ended December 31, 2014

Changes in Net Financial Assets (Debt) as at December 31, 2014

	(\$Millions)	
	2014	2013
Annual Surplus	317	356
Capital Asset	(353)	(500)
Prepaid and Inventory	5	14
Change in Net Assets	(31)	(130)
Net Assets (Debt) – opening	(44)	86
Net Assets (Debt) – ending	(75)	(44)

Cash Flow

Non-Consolidated Financial Statements for the year ended December 31, 2014

Cash Flow

as at December 31, 2014

	(\$Millions)	
	2014	2013
Operations	415	341
Capital	(403)	(497)
Investing	59	174
Financing	(15)	(15)
Increase in Cash	56	03
Cash (Beginning of year)	34	31
Cash (End of year)	90	34

Regional Municipality of Wood Buffalo Non-Consolidated Financial Statements for the year ended December 31, 2014

Audit and Budget Committee

April 21, 2015



Fort McMurray Public Library

Non Consolidated Financial Statements
For the year ended December 31, 2014

Audit and Budget Committee

April 21, 2015



Sharing. Inspiring. Connecting.

FMPL Funding Received

Operating Funding

Nature	Funds Received 2014 \$'000	Spend \$'000	Balance as at Dec, 31 2014 \$'000
RMWB Operating Grant	4,100		
Provincial Grant	500		
Other*	452		
Total	5,052	5,457	(405)

“Other” includes Donations/fundraising, Fines/memberships/fees, interest income and other income.

FMPL presented a deficit budget in 2014, in order to reduce cash reserves.

Fort McMurray Public Library

Financial Position

Non Consolidated Financial Statements

For the year ended December 31, 2014



Sharing. Inspiring. Connecting.

Financial Position

As at December 31, 2014

	\$'000	
	2014	2013
Current Assets	2,292	3,025
Capital Assets	2,336	2,351
Liabilities	812	1,155
Net Assets	3,816	4,221

Statement of Operations Highlight

For the year ended December 31, 2014



Sharing. Inspiring. Connecting.

Statement of Operations Summary

For the year ended December 31, 2014

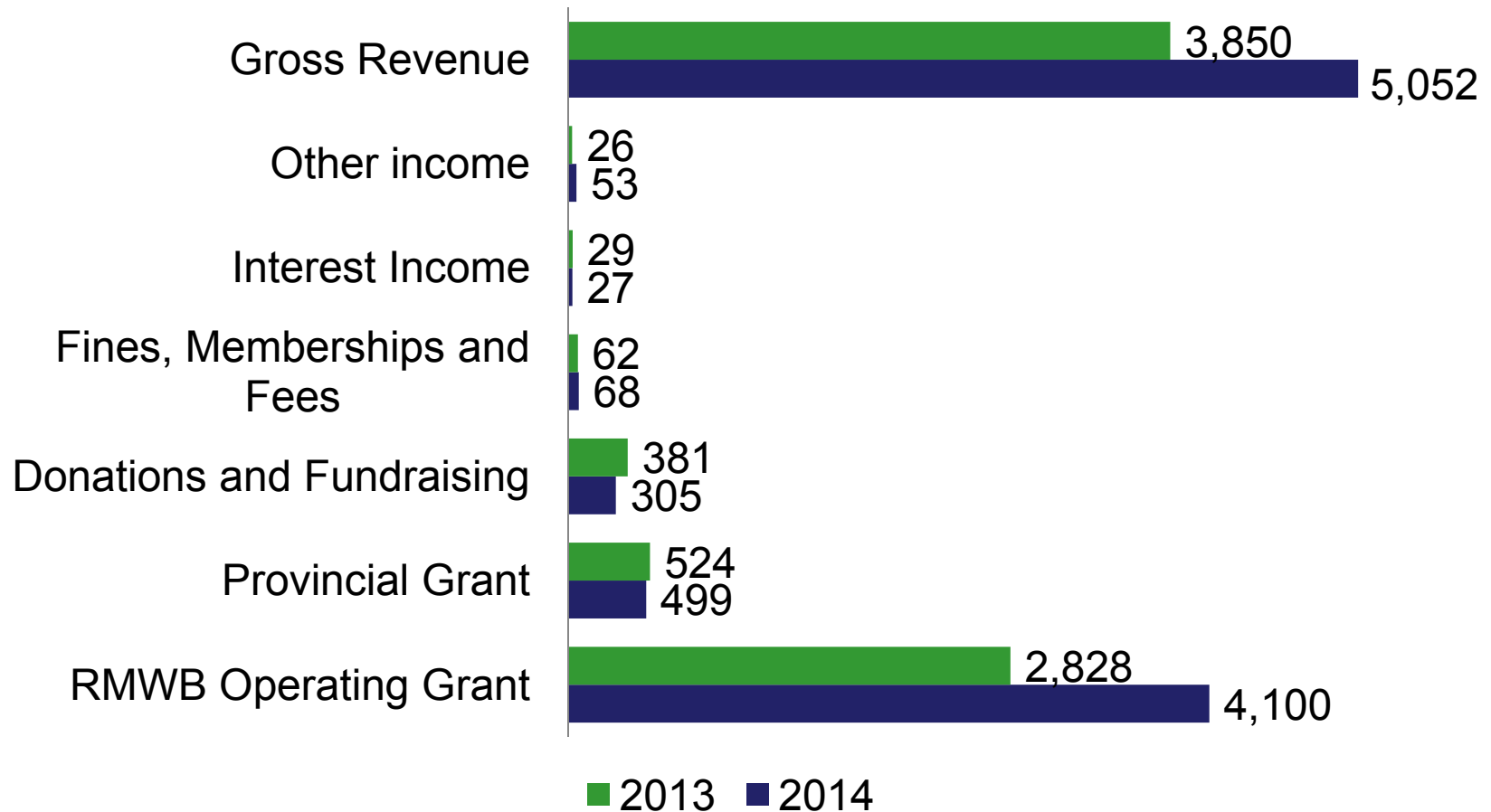
	\$'000	
	2014	2013
Revenues	5,052	3,850
Expenses	5,457	5,583
Excess/(Deficiency)	(405)	(1,733)

Revenue Summary



Sharing. Inspiring. Connecting.

Revenue Sources \$'000

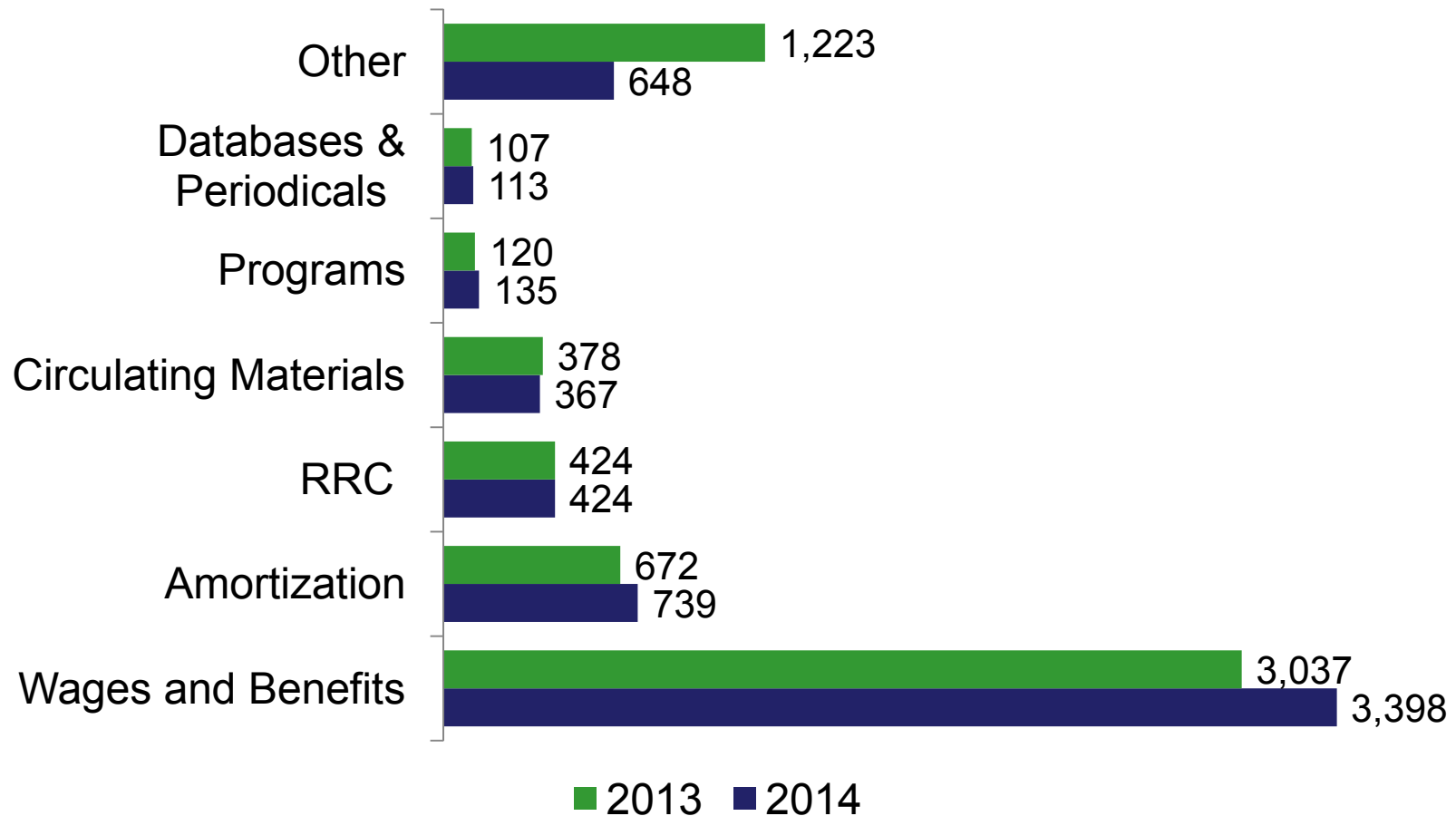


Expenses Summary



Sharing. Inspiring. Connecting.

Expenses by Class – \$'000



Cash Flow Summary



Sharing. Inspiring. Connecting.

Cash Flow Summary

For the year ended December 31, 2014

	\$'000	
	2014	2013
Operating	(48)	(444)
Capital	(725)	(186)
Inc./Decrease in Cash	(773)	(629)
Cash (Beginning of year)	2,895	3,524
Cash (End of year)	2,122	2,895

Fort McMurray Public Library

Non Consolidated Financial Statements
For the year ended December 31, 2014

Audit and Budget Committee

April 21, 2015

Regional Recreation Corporation of Wood Buffalo

Non Consolidated Financial Statements For the year ended December 31, 2014

Audit and Budget Committee

April 21, 2015

Key Performance Highlights

- Ended the year \$44k behind budget (0.1% of total expenses)
- Fifth year in a row where we have been off budget by less than 0.7% of total expenses
- Cost recovery of 65% versus a budget of 65% and 67% in 2013. The cost recovery fell as the Anzac facility was operated in 2014 and had a cost recovery of 24% Compared to 2013
- Revenue (excluding RMWB grant) grew \$2,962k (15.8%)
- Cost of Sales increased \$531k (21.2%)
- Expenses increased \$4,817k (18.8%)

RMWB Funding Received

Operating Funding

Nature	Funds Received 2014 (\$'M)	Spend (\$'M)	Balance as at Dec, 31 2014 (\$'M)
Operating Grants	\$12	\$12	\$0
Total	\$12	\$12	\$0

Capital Funding

Nature	Funds Received 2014 (\$'M)	Spend (\$'M)	Balance as at Dec, 31 2014 (\$'M)
RMWB	\$53	\$74	\$11
Total	\$53	\$74	\$11

Regional Recreation Corporation of Wood Buffalo

Financial Position

Non Consolidated Financial Statements

For the year ended December 31, 2014

Financial Position

As at December 31, 2014

	(\$Millions)	
	2014	2013
Current Assets	\$38	\$51
Capital Assets	\$140	\$69
Liabilities	\$178	\$120
Net Assets	\$0	\$0

Financial Position - Key Highlights

- Cash decrease primarily related to the Shell Place expansion nearing completion
- Capital asset increase – Shell Place expansion
- Accounts payable increase is holdback on the Shell Place project
- Overall increase in deferred revenue attributed to increased deferred sponsorships

Statement of Operations Highlights

For the year ended December 31, 2014

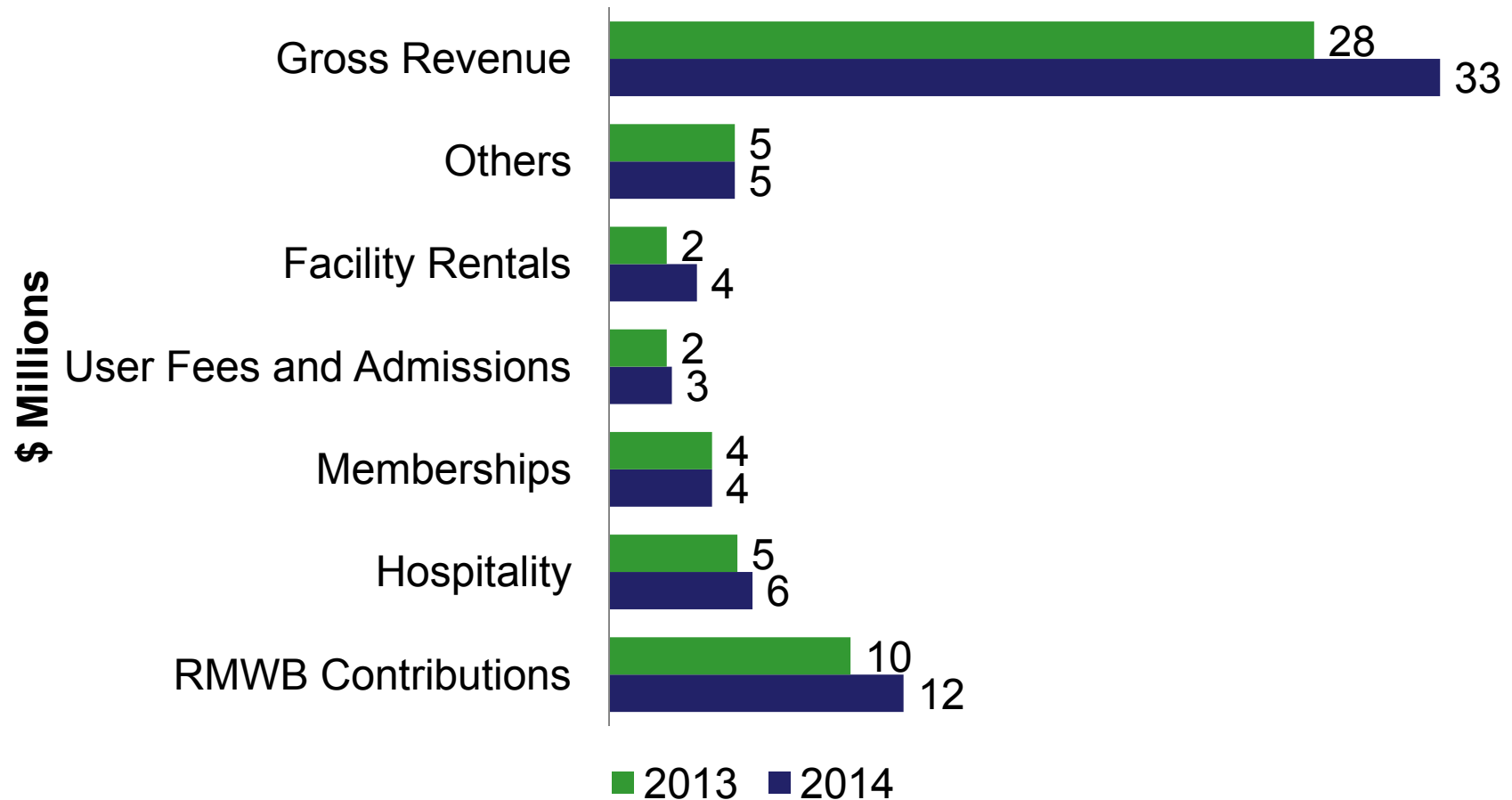
Statement of Operations Summary

For the year ended December 31, 2014

	(\$Millions)	
	2014	2013
Revenues	\$33	\$28
Cost of Goods Sold	\$3	\$2
Expenses	\$30	\$26
Excess/(Deficiency)	\$0	\$0

Revenue Summary

Revenue Sources (\$33M)



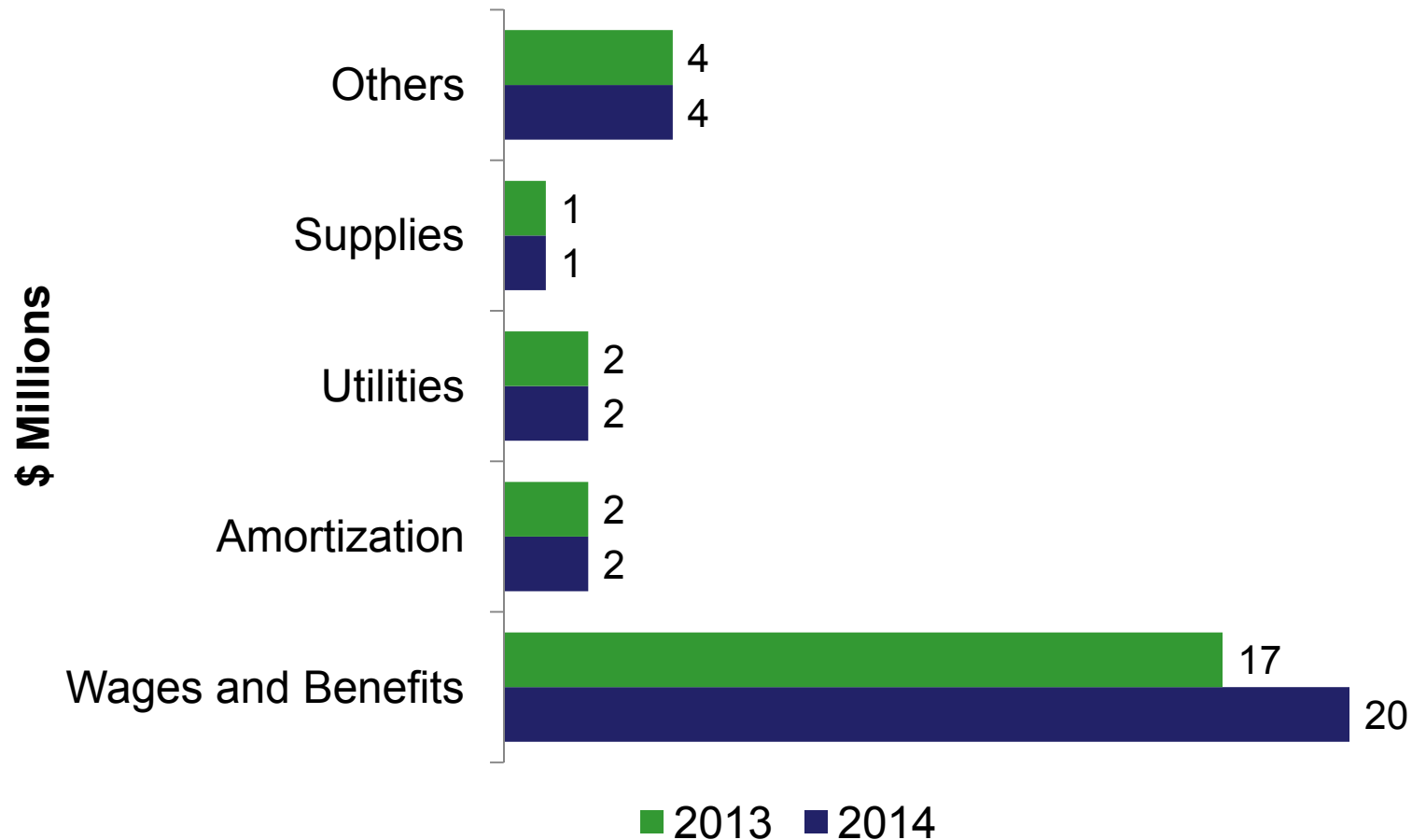
Revenue - Key Performance Highlights

- Increases in Hospitality revenue of \$644k (13%) from 2013
- Facility & equipment rentals increased \$1,203k (54%) related to increases in Hospitality, Sport & Rec and Events
- Memberships have shown no growth from 2013 values averaging 8,800 members per year although on occasion we did reach over 10,000 members
- Programs increased \$339k with improvements in Sport & Rec and Dance

Expenses Summary

- Wages and benefits increased \$2.9m from 2013 related to the operation of Anzac and increased wages rates as per the union contract
- Amortization increased from 2013 in relation to assets operated
- Utilities increased from 2013 due to the Anzac facility being operated
- Other operating expense increases from 2013 were the result of operating additional facility - Anzac

Expenses by Class – (\$30M)



Cash Flow Summary

- Accounts Receivable increased \$0.8m
- Deferred Revenue (sponsorships) increased \$1.1m
- Accounts Payable and Accrued Liabilities decreased \$0.6m

Cash Flow Summary

Major changes in cash flow were in accounts receivable increased \$0.8m, deferred revenue (sponsorships) increased \$1.1m offset by reductions in accounts payable and accrued liabilities of \$0.6m

Cash Flow Summary

For the year ended December 31, 2014

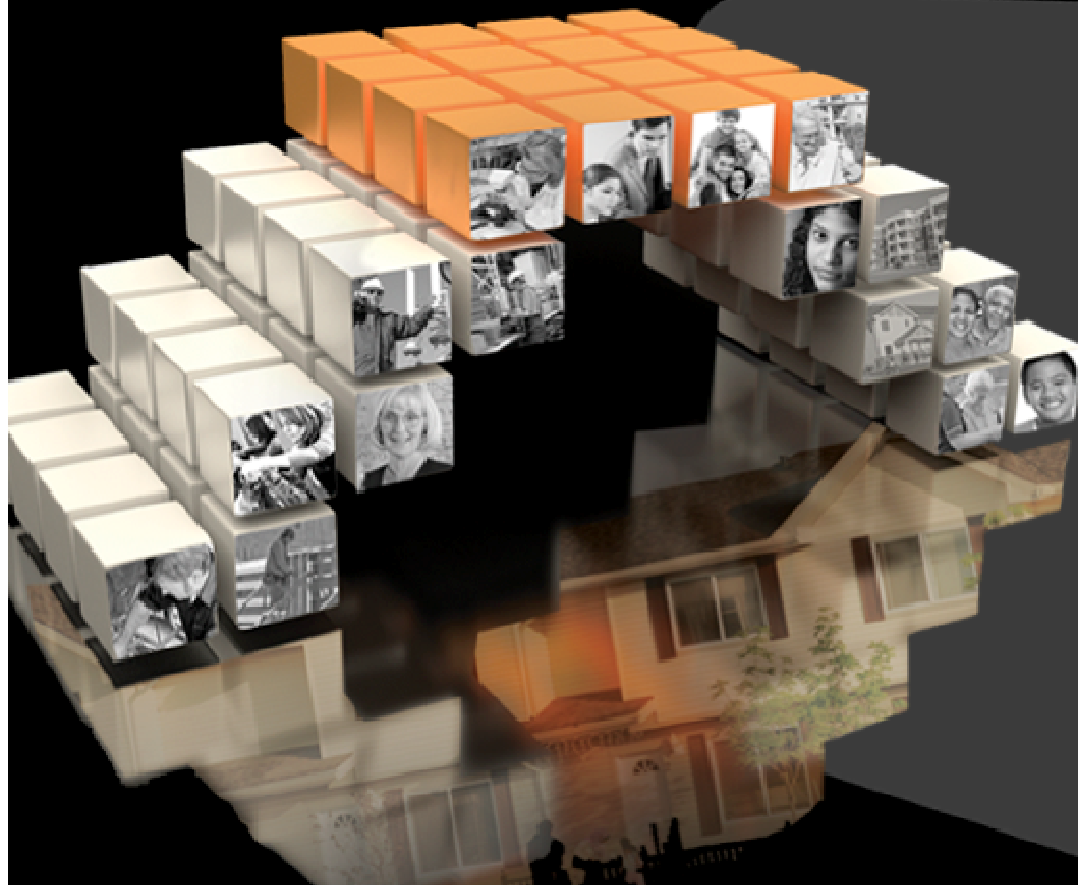
	(\$Millions)	
	2014	2013
Operating	\$2	(\$3)
Financing	\$57	\$62
Capital	(\$70)	(\$41)
Inc./Decrease in Cash	(\$11)	\$18
Cash (Beginning of year)	\$44	\$26
Cash (End of year)	\$33	\$44

Regional Recreation corporation of Wood Buffalo

Non Consolidated Financial Statements For the year ended December 31, 2014

Audit and Budget Committee

April 21, 2015



**Non Consolidated
Financial Statements**
For the Year Ended
December 31, 2014

**Presentation to the
RMWB Audit Budget
Committee**

April 21, 2015



FINANCIAL POSITION

As at December 31, 2014

	(\$Millions)	
	2014	2013
Current Assets	66	61
Capital Assets	257	246
Long-term Assets	38	39
Liabilities	(224)	(212)
Net Assets	137	134



KEY FINANCIAL HIGHLIGHTS

- \$22M increase in assets due to construction of Siltstone Place (175 unit affordable housing apartment and townhouse project).
- \$12M loss due to fire at Siltstone project completely destroying 82 unit apartment building (covered by insurance).
- \$15.5M increase in construction loan for Siltstone Place.
- \$2.5M debt repayment.
- \$3M increase to net assets.



CASH FLOW SUMMARY

For the Year Ended December 31, 2014

	(\$Millions)	
	2014	2013
Operations	21	13
Financing	13	(3)
Capital	(22)	(14)
Investing	(8)	(13)
Increase/(Decrease) in Cash	4	(18)
Cash at Beginning of Year	30	48
Cash at End of Year	34	30



CASH FLOW HIGHLIGHTS

For the Year Ended December 31, 2014

- Operations
\$16M Capital Grants, \$3M Surplus, \$2M Other
- Financing
\$15.5M Construction Loan, (\$2.5M) Debt Repayments
- Capital
(\$22M) Siltstone Project
- Investing
(\$7M) Investments, (\$1.5M) Reserves, \$0.5 Other



STATEMENT OF OPERATIONS SUMMARY

For the Year Ended December 31, 2014

	(\$Millions)	
	2014	2013
Revenues	35	36
Expenses	(32)	(34)
Gain on Sale of Assets	-	6
Surplus	3	8



KEY OPERATING HIGHLIGHTS

- Operate affordable housing with 1060 units
- Operate senior lodges with 54 units
- Operate homeless shelter (80 bed capacity)
- Operate Provincial social housing portfolio of 96 units
- Administer Provincial social housing programs
- Administer Home Ownership Program of 176 units

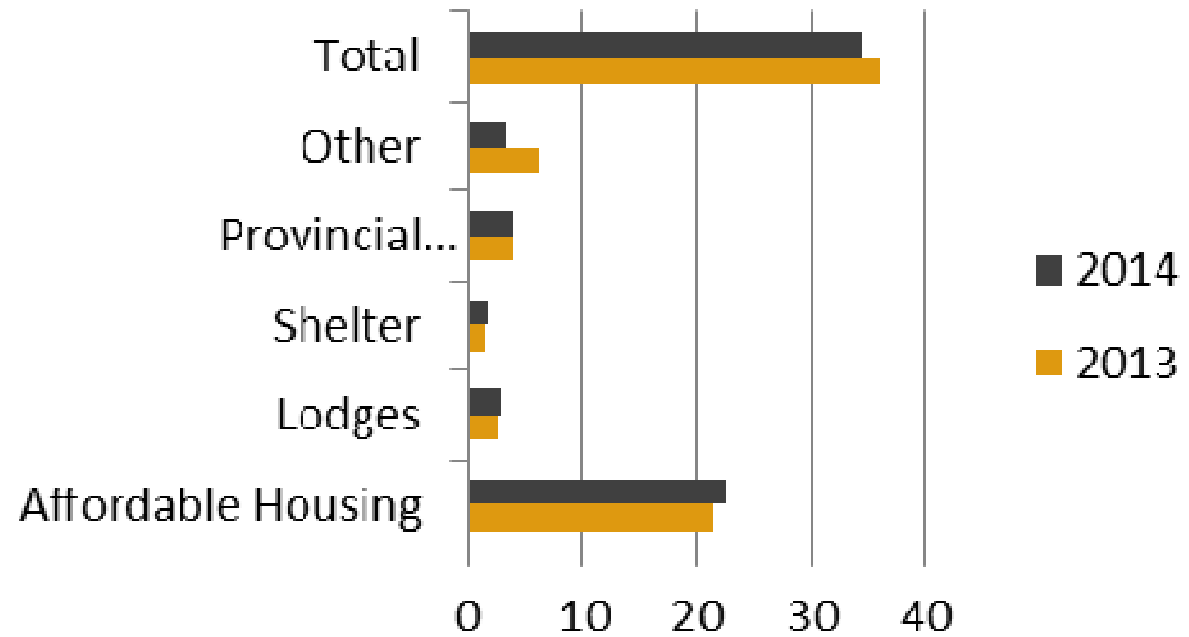


KEY OPERATING PERFORMANCE HIGHLIGHTS

- Affordable housing rentals
(rates 10% to 20% below market).
- Assisted 8 new households to establish roots
through the Home Ownership Program (HOP).
- 15 HOP owners graduated to market
- Rebuild of Siltstone Building A
(32% complete at year end)

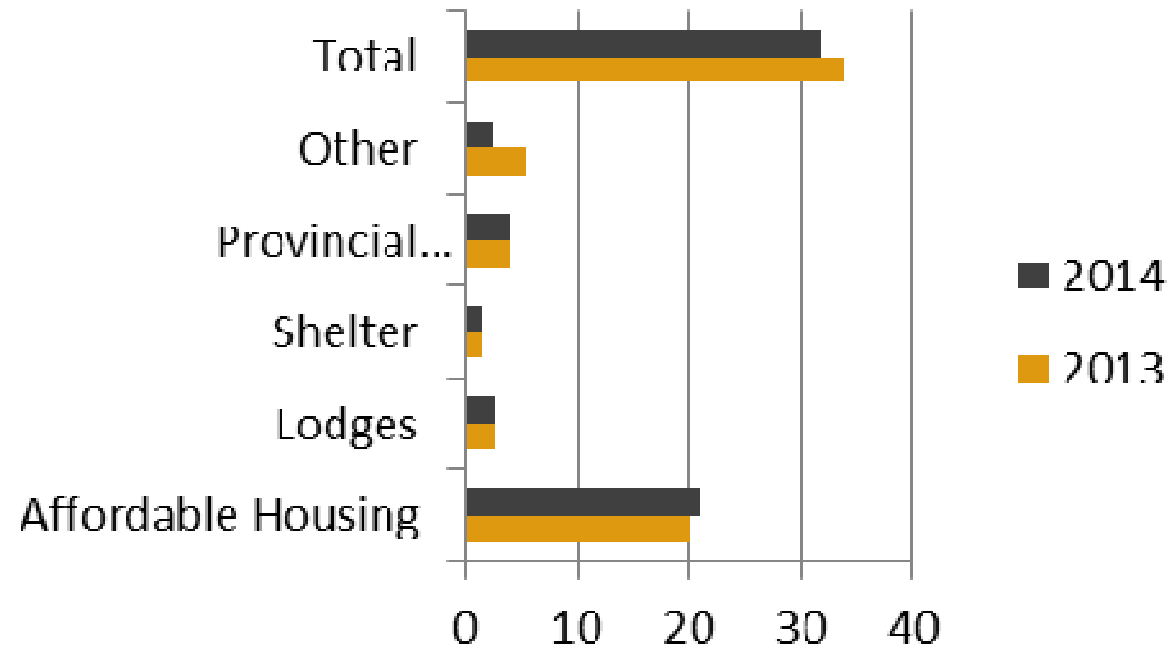
REVENUE SUMMARY

(\$ millions)

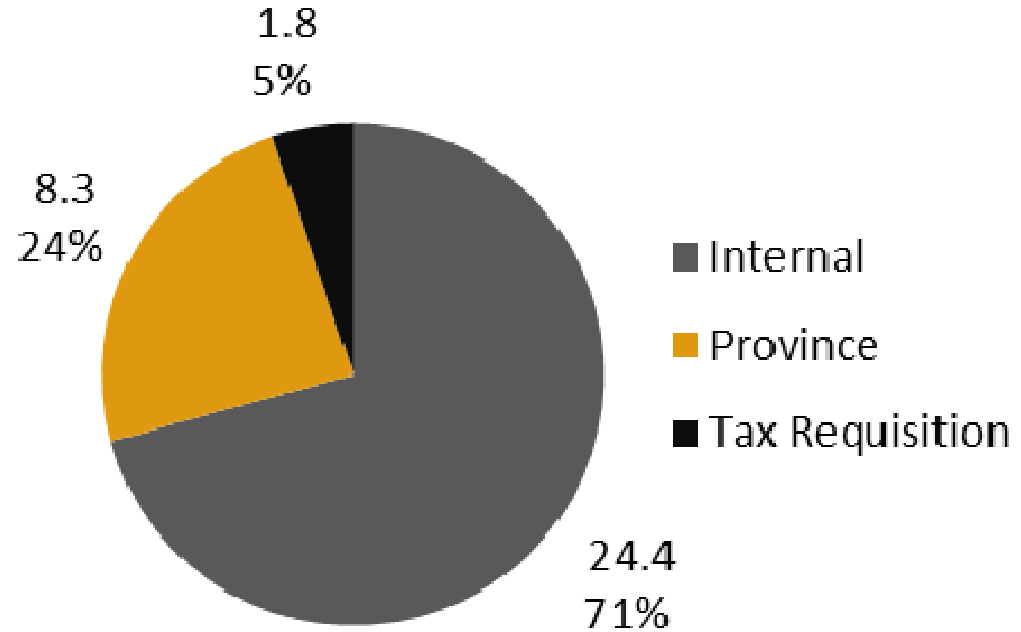


EXPENSES SUMMARY

(\$ millions)



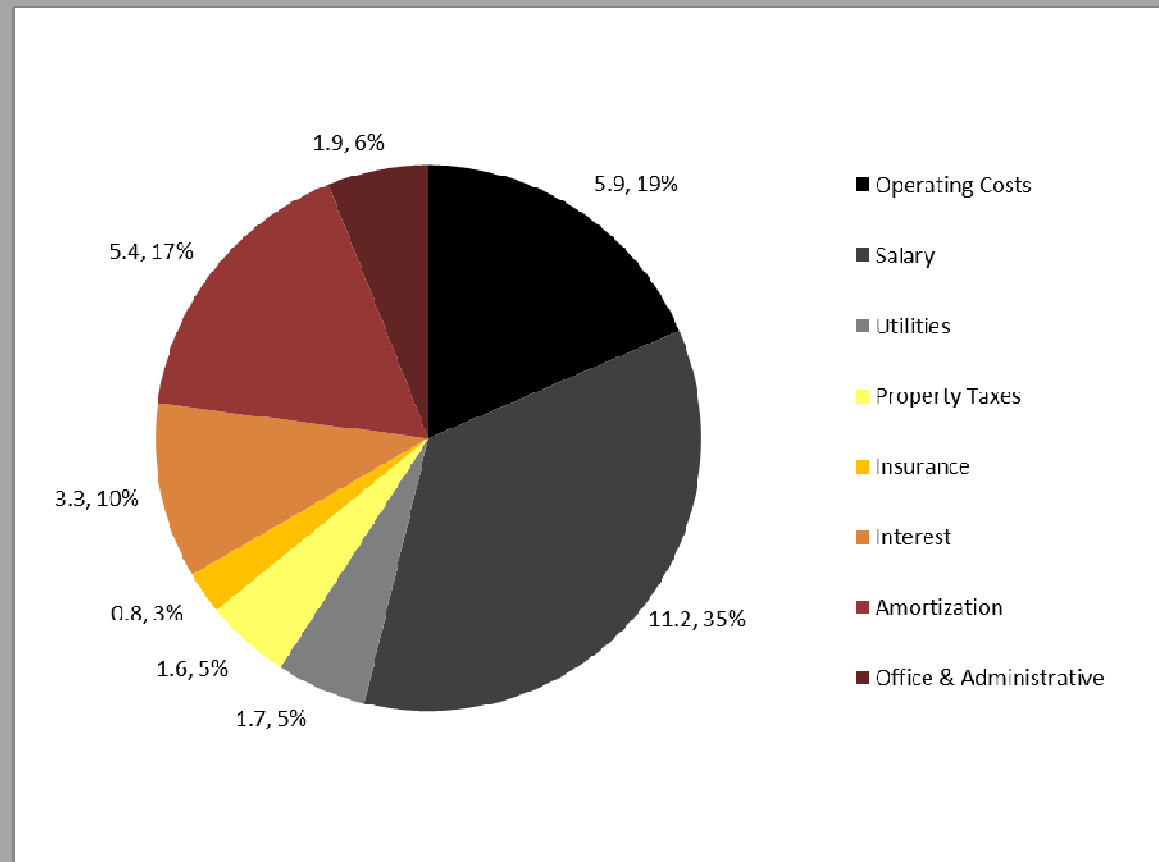
2014 REVENUE SOURCES (\$ millions)





2014 EXPENSES SUMMARY

(\$ millions)



Subject: 2014 Preliminary Audited Consolidated Financial Statements**APPROVALS:**

Kola Oladimeji, Director
Elsie Hutton, Executive Director
Marcel Ulliac, Chief Administrative Officer

Administrative Recommendation:

THAT the final 2014 Audited Consolidated Financial Statements for the Regional Municipality of Wood Buffalo for the year ended December 31, 2014 be presented to Council for acceptance as information.

Summary:

The *Municipal Government Act* requires that every Alberta municipality prepare and submit a Financial Information Return and Audited Financial Statements by May 1 of each year for the preceding year. The 2014 external audit is substantially completed and only minor revisions are expected in the final version of the financial statements. The status update is being provided in advance of the final presentation of the audited report to Council on April 28, 2015.

Background:

All information from subsidiary corporations which includes the Regional Recreation Corporation of Wood Buffalo, Regional Municipality of Wood Buffalo Public Library, and Wood Buffalo Housing and Development Corporation have been consolidated within the Regional Municipality of Wood Buffalo Financial Statements.

This status update follows substantial completion of the field audit work from the Auditors (Deloitte) and is relative to any issues arising from the 2014 year end audit including subsidiary corporations. The final Audited Financial Statements will be presented at the April 28 Council meeting prior to the May 1 legislated deadline.

The Audited Consolidated Financial Statements will also be made available to the public on the Regional Municipality of Wood Buffalo website.

Budget/Financial Implications:

The 2014 net surplus includes the operating budget surplus of \$1M transferred to the Emerging Issues Reserve, per the Fiscal Responsibility Policy – FIN-160 approved by Council on April 26, 2011. This transfer will be in addition to the minimum \$50M balance required in the Emerging Issues Reserve. The operating budget surplus represents 0.13% of the 2014 Approved Operating Budget. The Municipality continues to exhibit a strong financial position as represented in the attached financial statements.

Rationale for Recommendation:

Section 276 of the *Municipal Government Act* requires that all municipalities prepare annual financial statements and the auditor's report by May 1 of each year for the immediate preceding year.

Attachment:

1. Preliminary Consolidated Financial Statements of Regional Municipality of Wood Buffalo Year ended December 31, 2014

Consolidated Financial Statements of

**REGIONAL MUNICIPALITY
OF WOOD BUFFALO**

Year ended December 31, 2014

Consolidated Financial Statements of
REGIONAL MUNICIPALITY OF WOOD BUFFALO

Year ended December 31, 2014

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Regional Municipality of Wood Buffalo (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies followed by the Municipality are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Mayor and Members of Council met with management and the external auditors to discuss the consolidated financial statements and any significant financial reporting or internal control matters prior to the management approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent auditors appointed by the Municipality. The Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

For: Regional Municipality of Wood Buffalo

Elsie Hutton, CMA
Chief Financial Officer

April 28, 2015

Marcel Ulliac
Chief Administrative Officer

Independent Auditor's Report

To the Mayor and members of Council of the Regional Municipality of Wood Buffalo

We have audited the accompanying consolidated financial statements of the Regional Municipality of Wood Buffalo, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations and accumulated surplus, change in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Wood Buffalo as at December 31, 2014, and the results of its operations, changes in net financial debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 28, 2015

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Financial Position

December 31, 2014

	2014	2013
Financial assets		
Cash and cash equivalents	\$ 158,684,331	\$ 109,871,998
Restricted cash (Note 2)	29,960,774	28,500,698
Taxes and grants in lieu receivable (Note 3)	5,610,392	6,777,064
Trade and other receivables (Note 4)	48,866,519	52,944,396
Inventories held for resale (Note 5)	1,468,114	735,511
Investments (Note 6)	484,578,395	536,733,108
Mortgages and notes receivable (Note 7)	9,754,136	10,427,190
	<u>738,922,661</u>	<u>745,989,965</u>
Liabilities		
Accounts payable and accrued liabilities	218,338,452	149,152,419
Deposit liabilities	9,397,407	11,265,718
Deferred revenue (Note 8)	161,467,121	192,908,082
Employee benefit obligations (Note 9)	17,106,972	19,355,331
Provision for landfill closure and post-closure obligation (Note 10)	12,391,616	12,478,720
Long-term debt (Note 11,12)	417,874,672	420,305,816
	<u>836,576,240</u>	<u>805,466,086</u>
Net financial debt	(97,653,579)	(59,476,121)
Non-financial assets		
Tangible capital assets (Note 13)	3,702,206,233	3,318,071,978
Consumable inventories	2,341,902	2,468,109
Prepaid expenses	5,922,450	10,809,402
	<u>3,710,470,585</u>	<u>3,331,349,489</u>
Accumulated surplus (Note 14)	<u>\$ 3,612,817,006</u>	<u>\$ 3,271,873,368</u>

Contractual obligations and contingent liabilities (Note 18)

See accompanying notes to financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2014

	Budget	2014	2013
Revenue:			
Net taxes available for municipal purposes (Note 15) \$	650,780,210	\$ 632,285,095	\$ 550,735,297
Government transfers for operating (Note 16)	11,492,435	15,500,681	14,119,956
Sales and user charges (Note 21)	72,464,057	90,996,743	85,888,419
Sales to other governments	3,370,300	3,280,699	2,960,403
Penalties and costs on taxes	1,585,700	1,958,105	2,645,603
Licenses and permits	9,511,400	10,289,482	10,742,144
Fines	4,477,325	4,161,236	5,304,681
Franchise and concession contracts	4,456,800	8,948,639	5,225,944
Returns on investments	17,458,315	13,170,336	18,419,609
Rentals	25,764,321	30,340,926	25,749,993
Developers' agreements and levies	-	9,663,697	11,007,606
Other	3,901,179	8,312,291	4,983,166
	805,262,042	828,907,930	737,782,821
Expenses (Note 17):			
Council and other legislative	1,815,850	1,649,476	1,658,700
General administration	138,122,118	122,412,748	125,109,360
Other general government	5,878,650	4,611,043	3,756,576
Police	36,771,269	36,884,213	34,392,162
Fire	27,682,508	29,756,970	28,479,659
Disaster and emergency measures	839,618	671,232	399,646
Ambulance and first aid	8,997,987	11,791,985	9,237,720
Bylaws enforcement	10,400,891	6,663,533	7,034,898
Common and equipment pool	26,140,516	27,606,729	30,375,851
Roads, streets, walks, lighting	32,553,626	48,349,430	44,994,959
Public transport	26,501,748	27,633,803	25,982,977
Storm sewers and drainage	1,277,062	3,107,950	1,134,703
Water supply and distribution	26,116,732	28,866,000	38,552,244
Wastewater treatment and disposal	16,894,953	31,953,189	33,472,186
Waste management	22,831,957	38,504,244	20,658,810
Family and community support	28,028,473	12,897,028	11,992,986
Day care	-	-	25,000
Cemeteries and crematoriums	626,030	553,621	229,506
Land use planning, zoning and development	13,395,419	13,886,489	12,176,508
Subdivision land and development	6,859,390	4,179,858	9,149,381
Public housing operations	23,051,401	32,693,226	35,018,634
Land, housing and building rentals	2,871,794	2,905,735	2,971,485
Recreation boards	308,400	278,651	1,622,764
Parks and recreation	48,716,804	79,991,105	65,928,012
Culture: libraries, museums, halls	6,029,652	7,094,885	11,431,416
Other	-	-	5,642,222
	512,712,848	574,943,143	561,428,365
Excess of revenue over expenses before other	292,549,194	253,964,787	176,354,456
Other:			
Contributions of tangible capital assets	-	19,270,965	73,721,884
Government transfers for capital (Note 16)	30,285,000	67,707,886	100,467,073
Excess of revenue over expenses	322,834,194	340,943,638	350,543,413
Accumulated surplus, beginning of year	3,271,873,368	3,271,873,368	2,921,329,955
Accumulated surplus, end of year \$	\$ 3,594,707,562	\$ 3,612,817,006	\$ 3,271,873,368

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2014

	Budget	2014	2013
Excess of revenue over expenses	\$ 322,834,194	\$ 340,943,638	\$ 350,543,413
Acquisition of tangible capital assets	(446,752,242)	(442,131,679)	(481,902,985)
Contributions of tangible capital assets	-	(19,270,965)	(73,721,884)
Loss on disposal of tangible capital assets	-	2,528,553	11,634,312
Amortization of tangible capital assets	-	74,398,095	66,249,827
Proceeds on disposal of tangible capital assets	-	341,741	1,464,543
	(123,918,048)	(43,190,617)	(125,732,774)
Acquisition of prepaid expenses	-	-	(5,662,330)
Use of prepaid expenses	-	4,886,952	-
Use of consumable inventories	-	126,207	773,162
	-	5,013,159	(4,889,168)
Increase in net debt	(123,918,048)	(38,177,458)	(130,621,942)
Net financial assets (debt), beginning of year	(59,476,121)	(59,476,121)	71,145,821
Net financial debt, end of year	\$ (183,394,169)	\$ (97,653,579)	\$ (59,476,121)

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Cash Flows

Year ended December 31, 2014

	2014	2013
Cash provided by (used in):		
Operating:		
Excess of revenues over expenses	\$ 340,943,638	\$ 350,543,413
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	74,398,095	66,249,827
Loss on disposal of tangible capital assets	2,528,553	11,634,312
Contributions of tangible capital assets	(19,270,965)	(73,721,884)
Change in non-cash assets and liabilities:		
Taxes and grants in lieu receivable	1,166,672	(981,582)
Trade and other receivables	4,077,877	8,108,109
Inventories held for resale	(732,603)	366,836
Consumable inventories	126,207	773,162
Prepaid expenses	4,886,952	(5,662,330)
Accounts payable and accrued liabilities	69,186,033	25,886,823
Deposit liabilities	(1,868,311)	2,559,306
Deferred revenue	(31,440,961)	(48,901,712)
Employee benefit obligations	(2,248,359)	2,793,318
Provision for landfill closure and post-closure costs	(87,104)	(1,039,555)
Cash provided by operating transactions	441,665,724	338,608,043
Capital:		
Proceeds on disposal of tangible capital assets	341,741	1,464,543
Acquisition of tangible capital assets	(442,131,679)	(481,902,985)
Cash applied to capital transactions	(441,789,938)	(480,438,442)
Investing:		
Decrease in mortgages and notes receivable	673,054	200,166
Increase in restricted cash	(1,460,076)	(3,531,955)
Decrease in investments	52,154,713	189,740,222
Cash provided by investing transactions	51,367,691	186,408,433
Financing:		
Long-term debt issued	15,455,210	22,196,067
Long-term debt repaid	(17,886,354)	(40,812,533)
Cash applied to financing transactions	(2,431,144)	(18,616,466)
Change in cash and cash equivalents during the year	48,812,333	25,961,568
Cash and cash equivalents, beginning of year	109,871,998	83,910,430
Cash and cash equivalents, end of year	\$ 158,684,331	\$ 109,871,998

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

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

1. Significant accounting policies

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

(a) *Reporting entity*

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of entities whose operations and assets are under the control of the Municipality. In addition to general municipal tax supported operations, they include:

Regional Municipality of Wood Buffalo Library
Wood Buffalo Housing & Development Corporation
Regional Recreation Corporation of Wood Buffalo

Interdepartmental and inter-organizational transactions and balances have been eliminated.

(ii) Other boards and commissions

The Municipality is a member of various other boards and commissions that are not included in the reporting entity.

(iii) Alberta School Foundation Fund and School Boards

The note for net taxes available for municipal purposes includes requisitions for the Alberta School Foundation Fund and School Boards that are not part of the reporting entity.

(iv) Trust funds

Trust funds and their related operations administered by the Municipality are not included in these consolidated financial statements.

(b) *Basis of accounting*

The Municipality follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Property tax revenue is based on market value assessments determined in accordance with the MGA. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding as at December 31st of each reporting year.

Government transfers and grants are recognized in the consolidated financial statements as revenues in the period that the events giving rise to the transfer occurred provided the transfers are authorized, any eligibility criteria have been met by the Municipality, stipulations have been satisfied and reasonable estimates of the amounts can be made. Prior to that time, any amounts received, along with the restricted interest thereon, are recorded as deferred revenue.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

1. Significant accounting policies (continued)

(b) *Basis of accounting (continued)*

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

Revenues for the provision of goods or services are recognized in the period in which the goods are provided or the services are rendered. Revenues from sponsorships are recognized over the terms of the sponsorship agreements. Rental income is recognized as revenue in the relevant tenancy period. Revenues from land and building sales related to inventories held for resale are recognized when title transfers and all of the rights and responsibilities of ownership have transferred, the price to the buyer is determinable and collection is reasonably assured. Amounts received under rights holder agreements have been deferred and are recognized as revenue on a straight line basis over the 25 year life of the agreements.

Returns on investments are recorded as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

Deferred revenue represents amounts received from third parties for a specified operating or capital purpose. These amounts are recognized as revenue in the period when the related expenses are incurred.

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

(c) *Cash and cash equivalents*

Cash and cash equivalents consist of bank deposits and short-term investments with original term to maturity of three months or less.

(d) *Excess collections and under-levies*

Excess collections and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is recorded as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is recorded as a receivable and property tax revenue is increased.

Mill-rates in a subsequent year are adjusted for any excess collections or under-levies of the prior year.

(e) *Investments*

Portfolio investments are recorded at amortized cost. Investment premiums and discounts are amortized on a net present value basis over the term of the respective investments. When there is a significant impairment, other than a temporary decline, the respective investment is written down to recognize the loss.

(f) *Inventories for resale*

Property and other inventories are recorded at the lower of cost and net realizable value. Property inventory held under equity and affordability programs which have been sold, but where revenue recognition criteria have not been met, are recorded at the lower of cost and net realizable value.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

1. Significant accounting policies (continued)

(g) *Non-financial assets*

Non-financial assets are not available to discharge existing 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 ordinary course of operations.

(i) *Tangible capital assets*

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

<u>Asset</u>	<u>Useful Life - Years</u>
Land improvements	5 to 30
Buildings and improvements	5 to 50
Engineered structures	10 to 75
Machinery and equipment	4 to 25
Vehicles	5 to 15

Annual amortization is charged at 50% in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Municipality's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) *Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) *Natural resources*

Natural resources that have not been purchased are not recognized as tangible capital assets in these consolidated financial statements.

(iv) *Works of art and cultural and historic assets*

Works of art and cultural and historic assets are not recorded as tangible capital assets in these consolidated financial statements.

(v) *Capitalization of costs*

The Municipality does not capitalize interest costs associated with the acquisition or construction of tangible capital assets with the exception of direct costs relating to certain rental properties under development, including carrying costs such as property taxes, interest on debt specifically related to the properties and other costs.

(vi) *Leases*

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vii) *Consumable inventories*

Consumable inventories are recorded at the lower of cost and replacement cost.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

1. Significant accounting policies (continued)

(h) *Landfill closure and post-closure obligation*

The *Alberta Environmental Protection and Enhancement Act* sets out the regulatory requirements to properly close and maintain all landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. The estimated costs relating to this requirement are being accrued over the estimated remaining life of the landfill site based on usage.

The reported obligation may be affected by changes and factors such as the estimated total expenditures, regulatory requirements, inflation and interest rates. Due to the inherent uncertainty involved in making such estimates and assumptions, actual costs reported in future periods could differ from those estimates.

(i) *Employee future benefits*

The costs of multi-employer defined benefit pension plan benefits such as Local Authorities Pension Plan (LAPP) and APEX pension plans are the employer's contributions to the plan in the period. Health and dental benefits are provided on an administrative services only basis. The Municipality is responsible for the employer share of benefit premiums throughout the year.

(j) *Use of estimates*

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period.

Actual results could differ from those estimates.

Management has used estimates to determine employee benefit obligations, landfill closure and post-closure costs, accrued liabilities, provisions for tax assessment appeals, tangible capital asset useful lives and provision for investment impairment, as well as provisions made for allowances for taxes and other receivables and inventories.

(k) *Recent accounting standard pronouncements*

The following summarizes upcoming changes to public sector standards issued by the Public Sector Accounting Board (PSAB). In 2015, the Municipality will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in the Financial Statement Presentation (PS1201), Financial Instruments (PS3450), Foreign Currency Translation (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

(i) *Liability for Contaminated Sites*

PS3260 Liability for Contaminated Sites comes into effect for fiscal years beginning on or after April 1, 2014. PS3260 establishes standards on remediation, recognition and measurement and provides requirements for financial statement presentation and disclosure. The Municipality has begun the process of reviewing policies, procedures and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites. The Municipality will adopt this section starting in the 2015 fiscal year.

(ii) *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 for 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, 2016. The Municipality is currently assessing the impact of this new standard.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

1. Significant accounting policies (continued)

(k) Recent accounting standard pronouncements (continued)

(iii) Foreign Currency Translation

PSAB issued PS2601 Foreign Currency Translation, replacing the current PS2600 applicable for fiscal years beginning on or after April 1, 2016. This standard requires that monetary assets and liabilities 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. The Municipality assessed this standard as having limited or no impact.

(iv) Financial Instruments

PS3450 Financial Instruments, applicable for fiscal years beginning on or after April 1, 2016, 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. The Municipality is currently assessing the impact of this new standard.

(v) Portfolio Investments

Section PS3041 Portfolio Investments has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments PS3450. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. The Municipality is currently assessing the impact of this new standard.

2. Restricted cash

Restricted cash is comprised of proceeds from the Province of Alberta related to the Hawthorne Heights project of \$19,200,000 (2013 - \$19,200,000) which are restricted as per an amended Hawthorne Heights Conditional grant funding agreement and are to be used for a future development project. In addition, the balance includes various tenant deposits and reserves required under funding agreements related to the delivery of affordable housing programs amounting to \$10,760,774 (2013 - \$9,300,698).

Under the terms of the mortgage agreements related to affordable housing operations, the Municipality deposits 4% of the gross income of the related properties into the restricted replacement reserves account. This amount is reserved for major capital repairs. Withdrawals require prior approval by the lender following submission of paid invoices for approved major capital repairs.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

3. Taxes and grants in lieu receivable

	2014	2013
Current	\$ 4,802,377	\$ 5,678,018
Arrears**	903,312	1,160,150
	5,705,689	6,838,168
Less allowance for doubtful accounts	95,297	61,104
	\$ 5,610,392	\$ 6,777,064

** levies which were imposed one year or longer prior to year-end.

4. Trade and other receivables

	2014	2013
Government transfers	\$ 1,327,903	\$ 1,833,954
GST recoverable	4,865,628	7,157,087
Utility receivables	4,601,453	4,659,342
Developer charges	1,728,974	1,731,608
Trade receivables - net	36,342,561	37,562,405
	\$ 48,866,519	\$ 52,944,396

5. Inventories held for resale

	2014	2013
Inventories held for resale	\$ 402,813	\$ 297,211
Property inventory held under equity and affordability programs	1,065,301	438,300
	\$ 1,468,114	\$ 735,511

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

6. Investments

	2014		2013	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Cash	\$ 3,238,341	\$ 3,238,341	\$ 3,217,259	\$ 3,217,259
Bankers acceptances and notes	108,551,828	108,551,828	46,325,863	46,681,477
Government and government guaranteed bonds	215,991,560	221,261,272	287,300,731	286,378,409
Corporate bonds and debentures	142,816,688	142,990,497	192,481,834	190,659,970
Mutual funds	12,639,244	12,639,223	5,538,894	5,561,295
Accrued interest	1,340,734	1,340,734	1,868,527	1,868,527
	\$ 484,578,395	\$ 490,021,895	\$ 536,733,108	\$ 534,366,937

Bankers acceptances and notes have maturities of less than one year and stated interest rates from 1.03% to 5.30% (2013 - 1.60% to 5.30%).

Government and government guaranteed bonds bear interest at stated average interest rates from 1.03% to 5.60% (2013 - 1.03% to 5.60%).

Corporate bonds and debentures bear interest at stated average interest rates from 1.03% to 6.00% (2013 - 1.03% to 10.22%).

The market value of certain investments fluctuates with changing market interest rates. The carrying value of certain investments has not been written down to market value because management has concluded, based on a review of market information for these investments, there is no obvious indication of significant impairment that is other than temporary. As a result, no write-down has occurred in 2014 and 2013.

7. Mortgages and notes receivable

The mortgages and notes receivable include:

- Housing affordability loans, bearing interest at rates ranging from 0% to 6% per annum, compounded semi-annually, payable in monthly instalments of interest only, repayable when the borrower sells the property, secured by vendor take back mortgages on land and buildings and market appreciation guarantees with a receivable balance of \$2,875,690 (2013 - \$3,824,231).
- Home equity loans which are non-interest bearing, without monthly repayment terms, with principal repayable when the borrower sells the property, secured by vendor take back mortgages on land and buildings and market appreciation guarantees with a receivable balance of \$3,315,490 (2013 - \$2,996,879).
- Demand promissory notes receivable and second mortgages receivable bearing interest at 0% to 6% per annum, with monthly repayment terms representing a 25 year amortization period, secured by land and buildings with a receivable balance of \$338,425 (2013 - \$345,586).
- Employee home purchase assistance loans are non-interest bearing with principal repayments of 1% per year with a receivable balance of \$57,067 (2013 - \$59,348).
- A vendor take-back mortgage non-interest bearing until July 1, 2015 and thereafter at a rate of 4% per annum with a receivable balance of \$1,150,000 (2013 - \$1,150,000). Repaid in January 2015.
- A net investment in a long-term lease arrangement with a receivable balance of \$2,017,464 (2013 - \$2,051,146).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

8. Deferred revenue

Deferred revenue is comprised of the funds noted below, the use of which is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

	December 31, 2013	Externally restricted inflows	Revenue recognized	December 31, 2014
<u>Government transfers</u>				
Operating:				
Community Housing Plan (a)	\$ 2,450,240	\$ 2,691,000	\$ (3,056,630)	\$ 2,084,610
Rent Supplement Program (b)	1,083,939	4,930,455	(4,882,733)	1,131,661
Marshall House Grant	86,467	-	(9,211)	77,256
Sustainable Remote Housing Grant	96,840	1	-	96,841
Emergency Services Grants	-	313,359	(288,445)	24,914
RCMP Grants (c)	364,600	1,458,400	(1,458,400)	364,600
Other Grants (d)	664,682	3,402,770	(3,358,351)	709,101
	4,746,768	12,795,985	(13,053,770)	4,488,983
Capital:				
Community Development Plan (e)	35,265,761	376,573	(12,022,998)	23,619,336
Alberta Municipal Infrastructure Program	162,971	152	(163,123)	-
Municipal Sustainability Initiative Grant (f)	27,361,060	29,488,042	(25,223,114)	31,625,988
Basic Municipal Transportation Grant (g)	1,823,917	17,010	(30,643)	1,810,284
Federal Gas Tax Fund Grant (h)	6,278,550	27,452	(5,649,235)	656,767
GreenTRIP Transportation Grants (i)	-	907,555	(907,555)	-
Strategic Transportation Infrastructure Program (j)	-	355,000	(355,000)	-
Alberta Affordable Housing Initiative (k)	46,205,528	8,345	(22,951,599)	23,262,274
Alberta Transportation Grant	131,098	(121,794)	(9,304)	-
Flood Recovery and Erosion Control Grant (l)	-	5,010,569	(943,292)	4,067,277
Western Economic Diversification Grant	-	245,160	(245,160)	-
	117,228,885	36,314,064	(68,501,023)	85,041,926
	121,975,653	49,110,049	(81,554,793)	89,530,909
<u>Other</u>				
Corporate Donations and Naming Rights	476,191	-	(95,238)	380,953
Rights Holder Agreements (m)	1,523,200	-	(84,800)	1,438,400
RCMP Agreements	133,833	6,744	(133,833)	6,744
Deferred Property Taxes	12,943,120	22,145,694	(12,943,120)	22,145,694
Deferred Offsite Levies and Developer Charges (n)	43,108,628	5,122,890	(9,663,696)	38,567,822
Deferred Developer Agreements (o)	-	4,762,110	(731,594)	4,030,516
Lifetime golf and fitness memberships	1,193,322	3,630,142	(3,603,965)	1,219,499
Other	11,554,135	9,673,436	(17,080,987)	4,146,584
	70,932,429	45,341,016	(44,337,233)	71,936,212
	\$ 192,908,082	\$ 94,451,065	\$ (125,892,026)	\$ 161,467,121

Operating government transfers

(a) Community Housing Plan

The Community Housing Plan grant is a flow-through arrangement where money is received from both the Province of Alberta and the Government of Canada to assist homeless individuals to obtain housing and provide support services through funding provided to a number of not-for-profit organizations. Accruals are set up at the end of each year to record the deferred revenue from the Province of Alberta and record the trade and other receivable from the Government of Canada.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

8. Deferred revenue (continued)

Operating government transfers (continued)

(b) Rent Supplement Program

The Rent Supplement Program is a flow-through arrangement where money is received from the Province of Alberta to provide housing assistance for individuals and families residing or needing to reside in the Regional Municipality of Wood Buffalo. The Municipality makes claims for qualified individuals or families, receives the funds and pays them out to qualified individuals on a monthly basis. During 2014, the Municipality received grant funding of \$4,916,142 (2013 - \$4,642,772) and allocated interest on the unspent grant in the amount of \$14,313 (2013 - \$13,680).

(c) RCMP Grants

The Province of Alberta provides two RCMP grants through the Alberta Solicitor General and Minister of Public Security – the New Police Officers Grant (NPOG) and the Municipal Policing Assistance Grant (MPAG). NPOG provides assistance to Municipalities to promote the hiring of new police officers throughout the province. MPAG helps communities to meet the costs of their policing services.

(d) Other Grants

Other operating grants include various smaller federal and provincial government grants including:

(i) Emergency Transitional Shelter Initiative

The Municipality entered into an agreement with the Province of Alberta through the Emergency Transitional Shelter Initiative to undertake or support projects which provide emergency, short-term, and/or long-term supportive housing and deliver services to alleviate the problem of homelessness in Alberta. During 2014, the Municipality received grant funding of \$1,550,603 (2013 - \$1,445,050) and recognized \$1,483,693 (2013 - \$1,288,650) as operating government transfers. Deferred revenue of \$491,702 (2013 - \$424,792) is recorded.

(ii) Alberta Housing & Urban Affairs – Low Income Housing

The Municipality entered into an agreement with the Province of Alberta to act as a management body in the provision of low income housing to individuals and families residing in the Regional Municipality of Wood Buffalo. During 2014, the Municipality received grant funding of \$1,263,152 (2013 - \$1,184,137) and recognized \$1,235,397 (2013 - \$1,184,137) as operating government transfers. Deferred revenue of \$27,756 (2013 - \$nil) is recorded.

Capital government transfers

(e) Community Development Plan

In 2009, the Municipality entered into an agreement with the Province of Alberta to service the development of Crown Lands known as Parsons Creek and Saline Creek Plateau. To facilitate this servicing, for residential and other purposes, a grant totalling \$243,380,000 was provided by the Province. During 2014, the Municipality received a grant allocation of \$nil (2013 - \$14,580,000) and allocated interest on the unspent grant in the amount of \$376,573 (2013 - \$795,770).

(f) Municipal Sustainability Initiative Grant

In 2007, the Province of Alberta introduced the Municipal Sustainability Initiative (MSI) program to assist municipalities with managing growth pressures, provide sustainable funding and support infrastructure needs. Based on a pre-established formula and budget availability, the Municipality will receive an annual grant allocation until 2016. In 2014, the Municipality received \$29,166,838 (2013 - \$21,376,657) and allocated interest on the unspent grant in the amount of \$321,204 (2013 - \$298,432).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

8. Deferred revenue (continued)

Capital government transfers (continued)

(g) Basic Municipal Transportation Grant

The Basic Municipal Transportation Grant (formerly Alberta Infrastructure Transportation Grant) is funded by Alberta Transportation and provides annual cost-shared financial assistance to cities for developing and implementing safe and effective roadway network and transportation systems. In 2014, the Municipality received \$nil (2013 - \$4,604,388) and allocated interest on the unspent grant in the amount of \$17,010 (2013 - \$17,011).

(h) Federal Gas Tax Fund Grant

The Federal Gas Tax Fund Grant (formerly New Deal for Cities and Communities Grant) assists municipalities in addressing their sustainable municipal capital infrastructure needs. Funding is received through the allocation of the federal gasoline tax to Alberta municipalities. This grant program is extended to 2024. In 2014, the Municipality received \$nil (2013 - \$5,012,918) and allocated interest on the unspent grant in the amount of \$27,452 (2013 - \$68,613).

(i) Green TRIP Transportation Grants

The Municipality entered into an agreement with the Province of Alberta to undertake the construction of a Transit Maintenance Facility and purchase 34 low floor buses. The grants are cost sharing grants whereby the Government of Alberta will provide 66.67% of eligible costs.

(j) Strategic Transportation Infrastructure Program

The Municipality entered into an agreement with the Province of Alberta to undertake the maintenance and construction of the Fort MacKay Bridge Replacement project. During 2014, the Municipality received \$355,000 (2013 - \$nil) and allocated interest on the unspent grant in the amount of \$nil (2013 - \$22,470).

(k) Alberta Affordable Housing Initiative

The Province of Alberta provides grants to support the development and supply of affordable housing in Stone Creek, Hawthorne Heights and Parsons Creek. During 2014, the Municipality allocated interest on the unspent grants in the amount of \$8,345 (2013 - \$8,253).

(l) Flood Recovery Erosion Control Grant

The Municipality entered into an agreement with the Province of Alberta to undertake five flood recovery erosion control projects. During 2014, the Municipality received \$4,971,305 (2013 - \$nil) and allocated interest on the unspent grant in the amount of \$39,264 (2013 - \$nil).

Other

(m) Rights Holder Agreements

From 2006 to 2009 contributions totalling \$2,120,000 were received from entities within the Municipality in exchange for rights holder agreements for certain vacant units in apartment projects owned by the Municipality for a period of 25 years. The Municipality has the sole right to accept or reject the proposed tenants based on the Municipality's pre-established criteria. The right holders have first right of refusal to certain vacant units and if there is no proposed or accepted tenant, the rights holder can lease the unit for a one year term so that the unit remains available for a future referred tenant, subject to acceptance by the Municipality's acceptance criteria. If there is no proposed or accepted tenant, and the rights holder does not exercise its option to lease the unit, then the Municipality can lease the unit to another tenant for a one year lease. The rights holder can assign or sell their rights under the agreements and have the right to both terminate the agreements and have the right of first refusal to renew the agreements after 25 years under the new terms and conditions. The agreements do not convey any interest in land and buildings to the rights holders and regular monthly rental payments are required under any unit rented.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

8. Deferred revenue (continued)

Other (continued)

(n) Deferred Offsite Levies and Developer Charges

The Municipality collects offsite levies and developer charges from property developers prior to new development commencing within the Municipality. During 2014, the Municipality received \$4,649,091 (2013 - \$6,582,706) in levies and charges and allocated interest on the unspent levies and charges of \$473,799 (2013 - \$1,059,427).

(o) Deferred Developer Agreements

The Municipality entered agreements to perform work on behalf of developers and received payments in lieu of municipal reserve lands.

9. Employee benefit obligations

	2014	2013
Accrued vacation pay and overtime bank	\$ 5,663,866	\$ 8,124,199
Accrued salary and benefits	11,443,106	11,231,132
	<u>\$ 17,106,972</u>	<u>\$ 19,355,331</u>

(a) Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to those benefits within the next budgetary year.

(b) Local Authorities Pension Plan

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act.

The Municipality is required to make current service contributions to LAPP of 11.39% (2013 - 10.43%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% (2013 - 14.47%) for the excess. Employees of the Municipality are required to make current service contributions of 10.39% (2013 - 9.43%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2013 - 13.47%) on pensionable salary above this amount. Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Municipality to LAPP are \$16,777,712 (2013 - \$14,486,526). Total current service contributions by the employees of the Municipality to LAPP in 2014 are \$15,556,239 (2013 - \$13,384,094).

The LAPP reported a deficiency for the overall plan as at December 31, 2013 of \$4,861,516,000 (2012 - \$4,977,303,000). Information as at December 31, 2014 is not available at the time of preparing these financial statements.

(c) APEX Supplementary Pension Plan

The APEX Supplementary Pension Plan (APEX), an Alberta Urban Municipalities Association sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees (approximately 165 beneficiaries). The plan supplements the Local Authorities Pension Plan.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

9. Employee benefit obligations (continued)

(c) *APEX Supplementary Pension Plan (continued)*

Contributions are made by the prescribed class of employees and the Municipality. Employees and the Municipality are required to make current service contributions to APEX of 2.5% and 3.0% respectively on pensionable earnings up to \$138,500 (2013 - \$138,500) per employee per year.

Total current service contributions by the Municipality to APEX in 2014 were \$620,029 (2013 - \$549,319). Total current service contributions by the employees of the Municipality were \$515,932 (2013 - \$450,826).

The cost of post-retirement benefits earned by employees is determined by actuarial valuation using the projected benefit method prorated on service and management's best estimate of salary and benefit escalation, and retirement age of employees. The cost of post-retirement benefits is fully funded.

(d) *Other employee benefit plans*

The Municipality fully funds all benefits with the exception of long term disability and benefits that are paid by employees as outlined in the Canadian Union of Public Employees and International Association of Fire Fighters contracts. The Municipality's contributions are expensed to the extent that they do not relate to discretionary reserves. The Municipality accrues its obligations for employee non-pension future benefits.

The Municipality sponsors certain employee registered and non-registered retirement plans, which are funded through employee and/or employer contributions.

(e) *Employee housing initiative - designated housing units*

On February 14, 2006, a designated housing unit program was established by the Municipality. Under this program, a specified number of rental units (17) are provided for exclusive use by employees of the Municipality to assist with transitional housing needs.

The program is for new employees requiring transitional housing, or in unique cases, for an existing employee where affordable housing cannot be secured by the employee within the Municipality. The designated rental units are allocated as per the qualifying income of the employees as determined by the Municipality. Units are allocated based on merit and employees enter into short term lease agreements for the rental of the designated rental units at an agreed upon monthly rental cost. The employee is responsible for the monthly rental cost and any required damage deposit.

(f) *Employee housing initiative - home equity protection program*

On February 14, 2006, a home equity protection program was established by the Municipality. Under this program, any employee approved for participation in the program will be compensated by the Municipality in an amount equal to any loss in value of the employee's principal residence between the date of the employee's approval for participation in the program and the date of sale of the principal residence by the employee. Existing employees of the Municipality were eligible to join the program until June 30, 2007. After June 30, 2007, only new employees of the Municipality are eligible to join. Entry to this program is discontinued and new participants have not been accepted since November 30, 2013.

Employees who are approved for participation in the program become eligible for payment under the program after the employee has completed three years of uninterrupted permanent employment with the Municipality. If an employee ceases to be an employee of the Municipality within the three year period or if an employee is not in continuous occupancy of their principal residence, they are not eligible for payment under the program.

At December 31, 2014, no amounts have been accrued (2013 - \$nil) within the consolidated financial statements relating to this program as management is of the opinion that, based on current market conditions, no obligations exist with respect to the outstanding arrangements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

9. Employee benefit obligations (continued)

(f) Employee housing initiative - home equity protection program (continued)

At December 31, 2014, 355 (2013 – 397) employees are approved and participate in the program with an aggregate secured property value of \$215,243,066 (2013 - \$239,346,766) based on assessed values. Of the participating employees, 262 (2013 - 260) currently meet the eligibility requirements with a secured property value of \$155,570,984 (2013 - \$152,770,759) based on assessed values.

(g) MuniSERP - supplemental retirement program

MuniSERP is an accrued benefit obligation for certain groups of employees; the future benefit plan commenced in 2012. An actuarial valuation for this plan was completed by the Municipality's actuaries as at December 31, 2014.

MuniSERP is a supplementary retirement program that cannot be prefunded.

This is a Municipal contributed plan for a certain group of employees. MuniSERP is managed through Alberta Municipal Services Corporation.

This program provides benefits in excess of those allowed under the registered pension plans - LAPP and APEX Supplementary Pension Plans. This program is not a registered pension plan and thus is not subject to pension regulation.

The following presents the MuniSERP net asset as at December 31, 2014:

	2014	2013
Accrued benefit obligation		
Balance, beginning of year	\$ 1,633,029	\$ 1,199,338
Current service and interest cost (recovery)	(215,597)	433,691
Balance, end of year	1,417,432	1,633,029
Assets held to fund liability	1,616,283	1,666,611
Net asset	\$ (198,851)	\$ (33,582)

The significant actuarial assumptions measuring the Municipality's accrued benefit obligation are:

	2014	2013
Inflation	2.50%	2.50%
Wages and salaries escalations	4.00%	4.00%
Interest (discount rate on accrued benefit obligations)	5.00%	5.00%
Average Municipal service (years)	2.40	2.50

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

10. Provision for landfill closure and post-closure obligation

The obligation recorded at December 31, 2014 for the landfill closure was \$12,391,616 (2013 - \$12,478,720) and represents the present value of closure and post-closure costs of the Municipality Landfill sites, using annual rates of 2.60% (2013 - 1.30%) for inflation and discount rates of 3.23% (2013 - 3.94%) for post-closure and 2.45% (2013 - 2.87%) for closure.

The closing of existing facilities involve contouring the site to promote positive drainage to minimize leachate production, site slope reduction to prevent excessive erosion and cap damage and covering the site with low permeability clay to prevent water infiltration followed by application of topsoil and vegetation. Post-closure activities are expected to occur for 25 years and will involve surface and ground water monitoring, landfill cover maintenance and erosion management as per Alberta Environment standards.

At the end of 2014 there are six closed landfill sites within the Regional Municipality of Wood Buffalo. Mariana Lake site closed in 2003, Janvier and Conklin sites closed in late 2011, Fort Chipewyan old site closed in 2012, and Fort McMurray landfill (Phase 1) closure completed in 2013. The Fort MacKay site closed in 2001 and is currently undergoing compliance maintenance following the identification of post-closure damage to the site with compliance maintenance work to be finalized in 2015.

The new Fort Chipewyan and the Fort McMurray Regional landfills are the only open landfill sites within the Regional Municipality of Wood Buffalo. The Fort McMurray Regional landfill began operations in early 2011 and the new Fort Chipewyan landfill began operations in June 2012. At the Fort McMurray Regional landfill a lateral expansion was completed in 2014 bringing the cell total to nine

2014				Estimated remaining life in years
Capacity utilization	Total Cells	Cells Used	% Used	
Fort McMurray - regional landfill	9	4.05	45%	3
Fort Chipewyan - new site	2	0.8	40%	9

The following summarizes the total net present value of the estimated costs of closure and post-closure care for the two operational landfill sites and the six closed landfill sites within the Regional Municipality of Wood Buffalo:

	2014	2013
Estimated closure costs	\$ 18,289,795	\$ 19,429,204
Estimated post-closure costs	715,735	600,270
Estimated total liability (100% utilized)	19,005,530	20,029,474
Accrued liability portion (current utilization)	12,391,616	12,478,720
Portion of liability remaining to be recognized	\$ 6,613,914	\$ 7,550,754

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

11. Long-term debt

	2014	2013
Municipal debt:		
Debentures supported by general tax levies (a)	\$ 187,154,649	\$ 195,890,234
Debentures supported by utility rates (a)	129,850,459	136,339,962
	317,005,108	332,230,196
Controlled organizations debt:		
Demand loans - capital (b)	15,455,210	-
Long-term debt (c)	85,414,354	88,075,620
	100,869,564	88,075,620
	<u>\$ 417,874,672</u>	<u>\$ 420,305,816</u>

Municipal debt

(a) Debentures supported by general tax levies and utility rates

The payments on principal and interest for debentures supported by general tax levies and utility rates for the next five years and thereafter are as follows:

	Principal	Interest	Total
2015	\$ 15,764,291	\$ 14,827,919	\$ 30,592,210
2016	15,702,338	14,054,973	29,757,311
2017	16,115,009	13,267,030	29,382,039
2018	16,280,307	12,466,969	28,747,276
2019	16,487,288	11,679,582	28,166,870
Thereafter	236,655,875	79,591,569	316,247,444
	<u>\$ 317,005,108</u>	<u>\$ 145,888,042</u>	<u>\$ 462,893,150</u>

Interest on long-term debt in 2014 amounted to \$15,583,270 (2013 - \$16,313,770).

The debenture debt above is repayable to Alberta Capital Finance Authority, has interest rates ranging from 2.4% to 10.9% per annum and matures in years 2015 through 2035.

Debenture debt is issued on the credit and security of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

11. Long-term debt (continued)

Controlled organizations debt

(b) Demand loans – capital

Demand loans are comprised of a revolving demand loan with interest at prime plus 0.25% supporting property construction in progress. Demand loans have no established repayment terms or due dates. Prime as of December 31, 2014 was 3.0%.

(c) Long-term debt

Long-term debt is comprised of commercial mortgages with a weighted average interest rate of 3.8%, payments of \$496,251 per month including principal and interest, maturities from 2015 to 2023, with land and buildings pledged as collateral with a carrying value of \$183,271,810 (2013 - \$187,600,816).

Contractual principal repayments of long-term debt over the next 5 years and thereafter are as follows:

	Principal		Interest		Total
2015	\$	3,499,764	\$	3,189,128	\$ 6,688,892
2016		6,045,929		2,920,448	8,966,377
2017		2,752,123		2,826,827	5,578,950
2018		9,587,336		2,676,950	12,264,286
2019		2,350,890		2,437,996	4,788,886
Thereafter		61,178,312		6,488,877	67,667,189
	\$	85,414,354	\$	20,540,226	\$ 105,954,580

The long-term debt is also collateralized by property and equipment and a general assignment of rents, leases and sales proceeds, deposits and all other payments on the housing projects.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

12. Debt and debt service limits

Section 276(2) of the *Municipal Government Act* requires that debt, maximum allowable debt and debt service limits as defined by Alberta Regulation 255/2000 (the Regulation) for the Municipality be disclosed as follows:

Debt limit

	2014	2013
Maximum allowable debt	\$ 1,549,385,876	\$ 1,374,840,818
Total municipal debt	317,005,108	332,230,196
Amount of total debt limit available	\$ 1,232,380,768	\$ 1,042,610,622
Percentage used	20.46%	24.16%

Debt service limit

	2014	2013
Maximum allowable debt service	\$ 271,142,528	\$ 240,597,143
Annual payments on existing municipal debt	30,592,210	30,808,358
Amount of service on debt limit available	\$ 240,550,318	\$ 209,788,785
Percentage used	11.28%	12.80%

The debt limit is calculated at 2.0 times revenue of the Municipality (as defined in the Regulation as amended by Ministerial Order L:038/06) and the debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limitations requires approval by the Provincial Minister of Municipal Affairs.

Pursuant to section 6(1) of the Regulation, the Municipality has elected to exclude revenues, total debt and debt service costs for certain controlled corporations from its debt limit and debt service limit calculations. The controlled corporations that have been excluded are Wood Buffalo Housing & Development Corporation and the Regional Recreation Corporation of Wood Buffalo.

The Municipality's Debt Management Policy (amended November 27, 2012) has an established debt and debt service limit of 85% of the Municipal Government Act and regulation limits.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

13. Tangible capital assets

	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction	2014	2013
COST:									
<i>Balance, Beginning of Year</i>	\$ 353,604,546	\$ 130,493,125	\$ 537,332,739	\$ 1,809,417,230	\$ 71,345,834	\$ 66,950,783	\$ 931,357,727	\$ 3,900,501,984	\$ 3,364,529,319
Acquisition of tangible capital assets	19,990,062	18,169,373	67,843,756	160,481,396	23,036,693	5,965,166	165,916,198	461,402,644	555,624,869
Disposal of tangible capital assets	(5,127)	-	(835,377)	(3,718,075)	(2,107,000)	(1,917,961)	-	(8,583,540)	(19,652,204)
<i>Balance, End of Year</i>	\$ 373,589,481	\$ 148,662,498	\$ 604,341,118	\$ 1,966,180,551	\$ 92,275,527	\$ 70,997,988	\$ 1,097,273,925	\$ 4,353,321,088	\$ 3,900,501,984
ACCUMULATED AMORTIZATION:									
<i>Balance, Beginning of Year</i>	\$ -	\$ 23,809,993	\$ 71,072,663	\$ 420,659,460	\$ 33,124,842	\$ 33,763,048	\$ -	\$ 582,430,006	\$ 522,733,528
Annual amortization	-	6,666,163	15,181,592	37,308,797	8,541,428	6,700,115	-	74,398,095	66,249,827
Accumulated amortization on disposals	-	-	(72,536)	(2,267,377)	(1,595,950)	(1,777,383)	-	(5,713,246)	(6,553,349)
<i>Balance, End of Year</i>	\$ -	\$ 30,476,156	\$ 86,181,719	\$ 455,700,880	\$ 40,070,320	\$ 38,685,780	\$ -	\$ 651,114,855	\$ 582,430,006
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 373,589,481	\$ 118,186,342	\$ 518,159,399	\$ 1,510,479,671	\$ 52,205,207	\$ 32,312,208	\$ 1,097,273,925	\$ 3,702,206,233	\$ 3,318,071,978
2013 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 353,604,546	\$ 106,683,132	\$ 466,260,076	\$ 1,388,757,770	\$ 38,220,991	\$ 33,187,736	\$ 931,357,727	\$ 3,318,071,978	

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements
December 31, 2014

13. Tangible capital assets (continued)

(a) Assets under construction

Assets under construction having a value of \$1,097,273,925 (2013 - \$931,357,727) have not been amortized. Amortization of these assets will commence when the assets are available for use.

(b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed tangible capital assets received during the year is \$19,270,965 (2013 - \$73,721,884).

Contributed tangible capital assets received consist of:

	2014	2013
Roadway System	\$ 10,212,188	\$ 51,553,508
Water System	2,206,434	6,121,604
Wastewater System	2,308,199	4,665,893
Storm System	3,958,203	5,134,659
Land	387,081	4,093,126
Land Improvements	134,730	2,153,094
Machinery and Equipment	64,130	-
	<u>\$ 19,270,965</u>	<u>\$ 73,721,884</u>

(c) Tangible capital assets recognized at nominal values

Where an estimate of fair value could not be made, tangible capital assets are recognized at a nominal value.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

14. Accumulated surplus

	2014	2013
Operations:		
Surplus - undesignated	\$ 124,538	\$ 124,538
Operating reserves:		
General administration	121,374,437	112,566,264
Common services	142,575	142,575
Recreation	383,702	374,838
Urban parks	289,775	289,776
Regional Municipality of Wood Buffalo Library	1,480,141	2,416,056
Wood Buffalo Housing & Development Corporation	36,525,053	35,214,919
Regional Recreation Corporation of Wood Buffalo	69,757	(21,723)
	160,265,440	150,982,705
Total operations	160,389,978	151,107,243
Capital:		
Deficiency - undesignated	(373,255,194)	(237,573,927)
Capital reserves:		
General	519,086,018	440,226,676
Equipment	706,327	706,327
Common services	708,599	708,599
Roads and streets	32,390	32,219
Water supply	2,052,107	2,052,107
Sewage	2,317,650	2,317,650
Recreation	6,907,212	6,907,212
Wood Buffalo Housing & Development Corporation	7,880,145	6,012,887
Regional Recreation Corporation of Wood Buffalo	1,660,213	1,610,213
	541,350,661	460,573,890
Equity in tangible capital assets		
Tangible capital assets (Note 13)	4,353,321,088	3,900,501,984
Accumulated Amortization (Note 13)	(651,114,855)	(582,430,006)
Long-term debt (Note 11)	(417,874,672)	(420,305,816)
	3,284,331,561	2,897,766,162
Total capital	3,452,427,028	3,120,766,125
Accumulated surplus	\$ 3,612,817,006	\$ 3,271,873,368

Reserves are a key tool used to set aside funds to replace existing capital assets, respond to emergent needs, stabilize tax rates, and fund future capital projects. Capital reserves are substantially committed to current budgeted capital projects.

Operating and capital reserves related to the Regional Municipality of Wood Buffalo Library, Wood Buffalo Housing & Development Corporation and the Regional Recreation Corporation of Wood Buffalo are dedicated for those entities and are not available for general use by the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements
December 31, 2014

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

14. Accumulated surplus (continued)

Changes in accumulated surplus

	Unrestricted Surplus (Deficit)	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
Balance, Beginning of Year	\$ (237,449,389) \$	611,556,595	\$ 2,897,766,162	\$ 3,271,873,368	\$ 2,921,329,955
Excess of revenues over expenses	340,943,638	-	-	340,943,638	350,543,413
Unrestricted funds designated for future use	(319,022,280)	319,022,280	-	-	-
Restricted funds used for operations	14,093,675	(14,093,675)	-	-	-
Restricted funds used for tangible capital assets	-	(214,869,099)	214,869,099	-	-
Current year funds used for tangible capital assets	(211,807,370)	-	211,807,370	-	-
Contributed tangible capital assets	(19,270,965)	-	19,270,965	-	-
Disposal of tangible capital assets	2,870,294	-	(2,870,294)	-	-
Annual amortization expense	74,398,095	-	(74,398,095)	-	-
Long term debt issued	-	-	(15,455,210)	(15,455,210)	-
Long term debt repaid	(17,886,354)	-	17,886,354	-	-
Capital debt - used for tangible capital assets	-	-	15,455,210	15,455,210	-
Change in accumulated surplus	(135,681,267)	90,059,506	386,565,399	340,943,638	350,543,413
Balance, End of Year	\$ (373,130,656) \$	701,616,101	\$ 3,284,331,561	\$ 3,612,817,006	\$ 3,271,873,368

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

15. Net taxes available for municipal purposes

	Budget	2014	2013
Taxation:			
Real property taxes	\$ 647,896,604	\$ 698,322,940	\$ 606,257,801
Government grants in lieu of property taxes	1,668,106	1,149,298	1,416,634
Special assessments and local improvement taxes	415,500	356,510	358,559
Well drilling	800,000	936,610	1,096,892
	650,780,210	700,765,358	609,129,886
Requisitions:			
Alberta School Foundation Fund	-	46,584,650	54,692,135
School boards	-	21,895,613	3,702,454
	-	68,480,263	58,394,589
Net taxes available for municipal purposes	\$ 650,780,210	\$ 632,285,095	\$ 550,735,297

The Municipality is required to levy taxes under section 353 of the Municipal Government Act 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 taxes and grants in lieu receivable.

16. Government transfers

	Budget	2014	2013
Transfers for Operating:			
Conditional shared cost agreements and grants			
Federal Government	\$ 401,663	\$ 56,475	\$ 497,445
Provincial Government	11,090,772	15,444,206	13,622,511
Total government transfers for operating	11,492,435	15,500,681	14,119,956
Transfers for Capital:			
Conditional shared cost agreements and grants			
Federal Government	250,000	-	(107,494)
Provincial Government	30,035,000	67,707,886	100,574,567
Total government transfers for capital	30,285,000	67,707,886	100,467,073
Total government transfers	\$ 41,777,435	\$ 83,208,567	\$ 114,587,029

In addition to those government transfers relating to deferred revenues, as described in Note 8, the following operating provincial government transfers were received:

(a) Alberta Health Services Grants

Alberta Health Services provides two grants to Municipality's Regional Emergency Services Department – the Emergency Medical Services Ground Ambulance grant (EMS) and the Dispatch grant. The EMS grant provides assistance to partially offset the cost of providing 24/7 emergency medical services to Regional Municipality of Wood Buffalo's citizens. The Dispatch grant provides assistance to partially offset the cost of running the Municipality's dispatch centre. During 2014, the Municipality received and recognized \$8,119,317 (2013 – \$7,129,776) as operating government transfers for the two grants combined.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

16. Government transfers (continued)

(b) Family & Community Support Services Grant

The Province of Alberta provides the Family and Community Support Services Grant to support several programs for children, youth, families, adults, seniors, community development, and social planning in the Municipality's different communities in accordance with the Family and Community Support Services Act and Regulation. During 2014, the Municipality received and recognized \$1,531,445 (2013 - \$1,531,445) as operating government transfers.

17. Expenses by object

	Budget	2014	2013
Salaries, wages and benefits	\$ 237,780,184	\$ 223,237,680	\$ 209,699,771
Contracted and general services	160,693,441	158,779,289	143,460,867
Purchases from other governments	24,735,500	23,387,184	22,877,551
Materials, goods, supplies and utilities	46,224,222	45,546,537	48,210,565
Provision for allowances	560,800	619,009	3,788,417
Transfers to local boards and agencies	900,500	918,500	7,794,875
Transfers to individuals and organizations	21,898,506	15,861,130	17,889,114
Bank charges and short-term interest	782,145	477,754	988,710
Interest on long-term debt	19,016,150	18,636,259	19,982,898
Other	121,400	10,553,153	8,851,458
Amortization of tangible capital assets	-	74,398,095	66,249,827
Loss on disposal of tangible capital assets	-	2,528,553	11,634,312
Total expenses	\$ 512,712,848	\$ 574,943,143	\$ 561,428,365

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

18. Contractual obligations and contingent liabilities

(a) Operating leases

The Municipality has entered into lease agreements for the leasing of office space and equipment until 2022. The annual lease payments in each of the following years are:

2015	\$ 5,529,176
2016	3,996,973
2017	3,505,187
2018	2,651,695
2019	2,406,681
Thereafter	6,694,123
	<u>\$ 24,783,835</u>

(b) Borrowing facilities (line of credit)

Two of the Municipality's controlled entities entered into banking agreements that include a revolving demand credit facility available in the amount of \$1,000,000 (2013 - \$250,000) and \$9,000,000 (2013 - \$9,000,000) which bear interest at prime minus 0.5% and prime plus 3.0% respectively. At December 31, 2014, no amounts were drawn against these facilities (2013 - \$nil). In addition, one of the Municipality's controlled entities has access to a \$100,000 (2013 - \$60,000) Visa business facility which is drawn upon from time to time with their accounts receivable pledged as security on this facility.

(c) Development agreements

Developers have entered into agreements with the Municipality in the amount of approximately \$40,000,000 and are committed to installing and constructing certain works to serve the development of lands within the Municipality. The Municipality has taken security from developers in the form of deposit liabilities in the amount of \$6,985,207 (2013 - \$8,727,627) and letters of credit in the amount of \$35,281,133 to ensure performance by the developers under the agreements.

(d) Contingent liabilities

The Municipality is a defendant in various lawsuits as at December 31, 2014. 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 in accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded. Any losses arising from these actions will be recorded in the year in which the related litigation is settled.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

19. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officer by Alberta Regulation 313/2000 is as follows:

	Salary (a)	Benefits and Allowances (b,c)	Total 2014	Total 2013
Mayor Blake (d)	\$ 127,671	\$ 20,098	\$ 147,769	\$ 146,883
Ward 1				
Councillor Germain	37,600	12,495	50,095	49,880
Councillor Meagher	37,943	12,037	49,980	49,742
Councillor Boutillier	40,915	12,658	53,573	6,170
Councillor McGrath	37,600	14,895	52,495	6,528
Councillor Bussieres	37,600	11,959	49,559	6,170
Councillor Ault	37,600	14,895	52,495	6,528
Ward 2				
Councillor Chadi	37,600	11,959	49,559	6,170
Councillor Cardinal	37,600	11,957	49,557	6,170
Ward 3				
Councillor Vinni	37,600	14,778	52,378	51,239
Ward 4				
Councillor Stroud	40,893	12,430	53,323	49,874
Former				
Councillor Kirschner	-	-	-	49,367
Councillor Thomas	-	-	-	49,387
Councillor Burton	-	-	-	44,904
Councillor Tatum	-	-	-	48,170
Councillor Blair	-	-	-	45,110
Councillor Flett	-	-	-	47,544
Chief Administrative Officers (d)				
Current	288,008	28,388	316,396	-
Former	178,433	761,890	940,323	533,795
Designated Officer	322,792	19,114	341,906	301,591
	<u>\$ 1,299,855</u>	<u>\$ 959,553</u>	<u>\$ 2,259,408</u>	<u>\$ 1,505,222</u>

(a) Salaries are disclosed as gross wages paid.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

(c) Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel, and technology allowances.

(d) An automobile is provided and no amount is included in the benefits and allowance figure.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

20. Segment disclosures

The Municipality provides a wide range of services to its ratepayers. Segment disclosures are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the Municipality. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

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

- (a) **Fiscal Services** provides financial and purchasing services for the Municipality.
- (b) **General Government** consists of corporate administration and general municipal services for the Municipality.
- (c) **Protective Service** is comprised of police, traffic safety, bylaw enforcement, fire rescue and ambulance services.
- (d) **Transportation** includes bus, roadway and parking services.
- (e) **Environmental Use and Protection** delivers services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, underground services, water and wastewater treatment, as well as community relation services in support of waste management programs.
- (f) **Public Health and Welfare** provides family and community support services along with cemeteries.
- (g) **Planning and Development** is comprised of the Community Development Planning branch, the Comprehensive Planning branch and the Implementation branch.
- (h) **Recreation and Culture** develops initiatives to provide opportunities and support in the areas of arts heritage and culture, and in recreation, sport and leisure.
- (i) **Subsidiary entities** include Wood Buffalo Housing & Development Corporation, Regional Recreation Corporation of Wood Buffalo and the Regional Municipality of Wood Buffalo Library.

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

December 31, 2014

20. Segment disclosures (continued)

	2014									
	Fiscal Services	General Government	Protective Service	Transportation	Environmental use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Subsidiary Entities	2014 Total
Revenue:										
Net taxes available for municipal purposes	\$ 631,414,484	\$ -	\$ -	\$ 155,299	\$ 203,810	\$ -	\$ -	\$ -	\$ 511,502	\$ 632,285,095
Government transfers	-	43,496,829	9,621,701	1,335,793	172,818	1,543,980	-	219,000	26,818,446	83,208,567
Sales and user charges	-	11,126,119	4,122,628	2,548,594	53,985,411	64,195	305,955	1,286,827	17,557,014	90,996,743
Sales to other governments	-	-	274,348	-	3,006,351	-	-	-	-	3,280,699
Penalties and costs on taxes	1,420,848	372,765	-	-	165,329	-	-	-	(837)	1,958,105
Licenses and permits	-	765,657	396,260	9,015	-	-	9,118,195	390	(35)	10,289,482
Fines	-	-	4,093,540	-	-	-	-	-	67,696	4,161,236
Franchise and concession contracts	8,948,639	-	-	-	-	-	-	-	-	8,948,639
Returns on investments	-	12,082,061	-	170	-	1,301	2,656	8,864	1,075,284	13,170,336
Rentals	-	5,157	1,180,333	12,685	-	-	786,807	25,239	28,330,705	30,340,926
Developers' agreements and levies	-	9,663,697	-	-	-	-	-	-	-	9,663,697
Contributions of tangible capital assets	-	-	-	14,557,472	4,514,633	-	-	198,860	-	19,270,965
Other	-	4,024,112	40,747	129,903	200	336,829	3,456	150,665	3,626,379	8,312,291
	641,783,971	81,536,397	19,729,557	18,748,931	62,048,552	1,946,305	10,217,069	1,889,845	77,986,154	915,886,781
Expenses:										
Salaries, wages and benefits	-	54,401,789	46,692,915	27,223,154	31,951,181	4,781,739	10,395,426	13,687,875	34,103,601	223,237,680
Contracted and general services	-	56,071,201	8,135,754	47,053,952	19,710,281	566,700	8,819,251	6,470,758	11,951,392	158,779,289
Purchases from other governments	-	27,381	22,850,188	506,915	-	429	2,271	-	-	23,387,184
Materials, goods, supplies and utilities	-	4,025,447	2,922,024	9,003,799	13,883,476	291,610	211,609	2,428,128	12,780,444	45,546,537
Provision for allowances	34,192	6,533	405,360	-	26,987	-	-	-	145,937	619,009
Transfers to local boards and agencies	-	-	-	-	-	18,000	-	900,500	-	918,500
Transfers to (from) individuals and organizations	-	170,457	20,000	-	-	19,863,022	250,000	12,230,797	(16,673,146)	15,861,130
Bank charges and short-term interest	-	157,372	2,083	-	29,641	-	79,954	908	207,796	477,754
Interest on long-term debt	-	486,818	737,356	521,029	6,760,422	6,171	1,003,996	5,829,078	3,291,389	18,636,259
Other	10,454,817	90,101	7,021	-	1,208	-	6	-	-	10,553,153
Loss on disposal of tangible capital assets	-	2,530,553	-	-	-	-	-	-	(2,000)	2,528,553
	10,489,009	117,967,652	81,772,701	84,308,849	72,363,196	25,527,671	20,762,513	41,548,044	45,805,413	500,545,048
Net revenue, before amortization	631,294,962	(36,431,255)	(62,043,144)	(65,559,918)	(10,314,644)	(23,581,366)	(10,545,444)	(39,658,199)	32,180,741	415,341,733
Amortization of tangible capital assets	-	442,410	4,024,468	22,390,243	26,960,983	2,738	225,963	12,018,039	8,333,251	74,398,095
Net revenue	\$ 631,294,962	\$ (36,873,665)	\$ (66,067,612)	\$ (87,950,161)	\$ (37,275,627)	\$ (23,584,104)	\$ (10,771,407)	\$ (51,676,238)	\$ 23,847,490	\$ 340,943,638

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Notes to Consolidated Financial Statements

December 31, 2014

20. Segment disclosures (continued)

	2013									
	Fiscal Services	General Government	Protective Service	Transportation	Environmental use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Subsidiary Entities	2013 Total
Revenue:										
Net taxes available for municipal purposes	\$ 548,949,133	\$ -	\$ -	\$ 157,349	\$ 203,810	\$ -	\$ -	\$ -	\$ 1,425,005	\$ 550,735,297
Government transfers	-	101,147,266	8,647,318	328,005	-	1,534,436	-	37,000	2,893,004	114,587,029
Sales and user charges	-	8,488,371	3,339,521	4,588,120	54,272,167	59,807	182,530	1,026,389	13,931,514	85,888,419
Sales to other governments	-	-	218,196	-	2,742,207	-	-	-	-	2,960,403
Penalties and costs on taxes	1,443,530	1,044,979	-	-	157,335	-	-	-	(241)	2,645,603
Licenses and permits	-	864,712	31,365	8,030	-	-	9,837,577	460	-	10,742,144
Fines	-	131,365	5,112,269	-	-	-	-	-	61,047	5,304,681
Franchise and concession contracts	5,225,944	-	-	-	-	-	-	-	-	5,225,944
Returns on investments	-	16,128,890	-	161	-	492	11,482	8,904	2,269,680	18,419,609
Rentals	-	18,449	1,703,000	13,163	-	-	(12,076)	31,355	23,996,102	25,749,993
Developers' agreements and levies	-	11,007,606	-	-	-	-	-	-	-	11,007,606
Contributions of tangible capital assets	-	43,290,750	-	29,010,358	-	-	1,420,776	-	-	73,721,884
Other	(25)	585,427	20,765	-	150,830	227,560	6,274	106,108	3,886,227	4,983,166
	555,618,582	182,707,815	19,072,434	34,105,186	57,526,349	1,822,295	11,446,563	1,210,216	48,462,338	911,971,778
Expenses:										
Salaries, wages and benefits	-	54,018,781	43,806,027	24,931,707	29,734,322	4,732,900	10,513,834	14,222,863	27,739,337	209,699,771
Contracted and general services	1,652,458	42,098,129	6,804,939	49,791,686	14,482,694	865,851	11,644,394	4,921,367	11,199,349	143,460,867
Purchases from other governments	-	30,771	22,352,191	492,869	-	-	1,720	-	-	22,877,551
Materials, goods, supplies and utilities	9,168	3,414,878	2,985,424	9,981,720	13,319,510	162,235	540,466	2,114,118	15,683,046	48,210,565
Provision for allowances	51,699	3,324,775	324,570	-	8,319	-	-	-	79,054	3,788,417
Transfers to local boards and agencies	-	-	-	-	-	-	-	7,794,875	-	7,794,875
Transfers to (from) individuals and organizations	-	8,801,734	20,000	-	-	6,472,250	250,000	14,247,298	(11,902,168)	17,889,114
Bank charges and short-term interest	-	697,512	3,114	-	14,357	-	87,401	745	185,581	988,710
Interest on long-term debt	-	514,134	791,065	591,583	7,330,999	8,676	1,032,458	6,045,763	3,668,220	19,982,898
Other	8,782,114	63,019	4,945	-	1,301	79	-	-	-	8,851,458
Loss on disposal of tangible capital assets	-	11,626,448	-	-	-	-	-	-	7,864	11,634,312
	10,495,439	124,590,181	77,092,275	85,789,565	64,891,502	12,241,991	24,070,273	49,347,029	46,660,283	495,178,538
Net revenue, before amortization	545,123,143	58,117,634	(58,019,841)	(51,684,379)	(7,365,153)	(10,419,696)	(12,623,710)	(48,136,813)	1,802,055	416,793,240
Amortization of tangible capital assets	-	1,081,237	2,451,810	16,698,926	27,791,737	5,501	227,457	10,637,210	7,355,949	66,249,827
Net revenue	\$ 545,123,143	\$ 57,036,397	\$ (60,471,651)	\$ (68,383,305)	\$ (35,156,890)	\$ (10,425,197)	\$ (12,851,167)	\$ (58,774,023)	\$ (5,553,894)	\$ 350,543,413

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

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21. Sales and user charges by segment

	Budget	2014	2013
Council and other legislative	\$ 20,000	\$ 11,932	\$ 28,599
General administration	315,700	10,960,926	5,177,845
Other general government	5,000	19,968	365,356
Police	797,000	1,045,127	1,131,010
Fire	89,100	162,052	108,055
Disaster and emergency measures	-	280	96,365
Ambulance and first aid	1,511,500	2,897,688	1,968,597
Bylaw enforcement	-	2,917	35,493
Common and equipment pool	57,000	289,194	1,043,300
Roads, streets, walks, lighting	1,445,600	2,256,218	1,910,987
Public transport	-	24,929	1,307,332
Storm sewers and drainage	-	(21,747)	326,501
Water supply and distribution	22,857,200	20,268,525	22,491,625
Wastewater treatment and disposal	16,735,600	19,714,607	19,147,838
Waste management	10,824,700	13,161,846	12,632,704
Family and community support (recovery)	-	36,879	26,021
Cemeteries and crematoriums	18,000	27,316	33,786
Land use planning, zoning and development	192,000	305,936	179,474
Subdivision land and development	-	-	2,714
Public housing operations	3,147,014	4,961,930	3,854,427
Land, housing and building rentals	-	19	-
Parks and recreation	14,448,643	14,870,201	14,020,390
Total sales and user charges	\$ 72,464,057	\$ 90,996,743	\$ 85,888,419

22. Budget data

The budget data presented in these consolidated financial statements is based upon the 2014 operating and capital budgets approved by Council.

Amortization was not contemplated on development of the budget and, as such, has not been included. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements.

	Budget Amount
Revenue:	
Operating budget	\$ 755,433,216
Capital budget	446,752,242
Subsidiaries' budget	49,969,726
Less:	
Transfers from other funds	416,608,142
Proceeds from issuance of long-term debt	-
Total revenue	835,547,042
Expenses:	
Operating budget	755,433,216
Capital budget	446,752,242
Subsidiaries' budget	42,227,745
Less:	
Transfers to other funds	269,713,713
Capital expenditures	446,752,242
Long-term debt principal payments	15,234,400
Total expenses	512,712,848
Excess of revenue over expenses	\$ 322,834,194

REGIONAL MUNICIPALITY OF WOOD BUFFALO

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23. Financial instruments

The Municipality's financial instruments consist of cash and cash equivalents, restricted cash, taxes and grants in lieu receivable, trade and other receivables, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Municipality is not exposed to significant currency risks from its financial instruments.

The Municipality is subject to credit risk with respect to taxes and grants in lieu receivable, trade and other receivables and mortgages and notes receivable. Credit risk arises from the possibility that taxpayers and entities to which the Municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

24. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. On the Statement of Operations and Accumulated Surplus, the Municipality reclassified government transfers for capital from Revenue to Other. In addition, in the Expenses section, the Municipality included the loss on disposal of tangible capital assets in the respective expense functions to which it relates rather than as a separate line item. On the Statement of Cash Flows, the Municipality reclassified increases in restricted cash from Operations to Investments.

25. Approval of financial statements

These financial statements were approved by management and presented to Mayor and Council on April 28, 2015.