

Consolidated Financial Statements of

**REGIONAL MUNICIPALITY
OF WOOD BUFFALO**

Year ended December 31, 2018

Consolidated Financial Statements of
REGIONAL MUNICIPALITY OF WOOD BUFFALO

Year ended December 31, 2018

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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

Linda Ollivier, CPA, CMA
Director, Financial Services

Annette Antoniak
Chief Administrative Officer

April 9, 2019

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, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets 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, 2018 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
April 9, 2019

REGIONAL MUNICIPALITY OF WOOD BUFFALO**Consolidated Statement of Financial Position**

December 31, 2018

	2018	2017
		(Restated - Note 27)
Financial assets		
Cash and cash equivalents	\$ 112,728,560	\$ 46,196,530
Restricted cash (Note 2)	15,004,737	34,328,895
Taxes and grants in lieu receivable (Note 3)	10,122,011	7,223,492
Trade and other receivables (Note 4)	73,555,495	54,985,899
Inventories held for resale (Note 5)	1,590,805	3,189,881
Investments (Note 6)	1,153,164,748	965,928,764
Mortgages and notes receivable (Note 7)	6,976,641	7,024,397
	1,373,142,997	1,118,877,858
Liabilities		
Accounts payable and accrued liabilities	72,742,348	98,549,584
Deposit liabilities	8,576,948	8,363,300
Deferred revenue (Note 8)	91,102,365	139,687,518
Employee benefit obligations (Note 9)	18,351,315	18,201,356
Contaminated sites liability (Note 10)	1,839,866	652,740
Provision for landfill closure and post-closure obligation (Note 11)	13,974,378	13,238,757
Long-term debt (Note 12)	345,336,599	385,336,166
	551,923,819	664,029,421
Net financial assets	821,219,178	454,848,437
Non-financial assets		
Tangible capital assets (Note 14)	4,216,459,520	4,172,621,654
Consumable inventories	4,159,215	5,879,819
Prepaid expenses	4,680,715	3,526,456
	4,225,299,450	4,182,027,929
Accumulated surplus (Note 15)	\$ 5,046,518,628	\$ 4,636,876,366

Contractual rights (Note 19)

Commitments and contingent liabilities (Note 20)

See accompanying notes to consolidated financial statements.

Approved by:_____
Director, Financial Services_____
Chief Administrative Officer

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

For the Year Ended December 31, 2018

	Budget	2018	2017
	(Note 24)		(Restated - Note 27)
Revenue:			
Net taxes available for municipal purposes (Note 16)	\$ 671,060,641	\$ 683,338,605	\$ 730,399,396
Government transfers for operating (Note 17)	21,743,893	50,943,150	61,896,981
Sales and user charges (Note 23)	59,172,479	60,960,237	80,725,961
Sales to other governments	2,596,471	2,609,849	3,459,778
Penalties and costs on taxes	4,308,300	5,290,963	2,800,444
Licenses and permits	3,470,200	4,919,468	2,972,370
Fines	3,100,100	3,603,273	4,963,888
Franchise and concession contracts	7,919,000	7,875,171	7,802,627
Returns on investments	17,888,326	23,944,476	18,464,996
Rentals	19,379,411	19,984,121	19,491,253
Developers' agreements and levies (expenses)	-	21,017,127	(2,138,881)
Other	4,216,324	14,294,515	5,783,256
Gain on disposal of tangible capital assets	-	7,346,931	-
	814,855,145	906,127,886	936,622,069
Expenses (Note 18):			
Council and other legislative	1,628,245	1,054,658	1,332,859
General administration	75,240,509	96,840,030	190,761,714
Other general government	37,169,285	45,422,872	20,678,425
Police	37,978,200	35,584,449	37,504,376
Fire	30,835,598	32,522,008	35,084,990
Disaster and emergency measures	973,130	1,443,045	3,585,499
Ambulance and first aid	8,605,400	8,322,175	8,585,914
Bylaws enforcement	9,010,337	8,913,344	10,124,772
Common and equipment pool	20,589,773	24,086,672	28,189,689
Roads, streets, walks, lighting	31,633,070	53,805,227	48,151,323
Public transport	20,056,950	29,460,935	26,465,288
Storm sewers and drainage	934,400	3,718,164	3,921,113
Water supply and distribution	20,171,862	41,205,462	67,796,299
Wastewater treatment and disposal	19,321,566	36,606,600	19,731,540
Waste management	15,486,605	15,947,981	16,357,047
Family and community support	10,292,686	10,648,221	16,335,404
Cemeteries and crematoriums	500,451	851,135	251,963
Land use planning, zoning and development	14,893,230	11,431,675	11,771,318
Public housing operations	23,777,467	33,068,050	33,392,076
Land, housing and building rentals	4,666,000	4,811,075	7,100,646
Recreation boards	40,000	40,777	38,090
Parks and recreation	65,793,325	84,310,172	96,725,018
Culture: libraries, museums, halls	6,037,538	5,800,355	5,878,964
	455,635,627	585,895,082	689,764,327
Annual surplus before other	359,219,518	320,232,804	246,857,742
Other:			
Contributions of tangible capital assets	-	6,167,889	29,866,617
Government transfers for capital (Note 17)	44,155,127	83,241,569	50,131,515
Annual surplus	403,374,645	409,642,262	326,855,874
Accumulated surplus, beginning of year	4,636,876,366	4,636,876,366	4,310,020,492
Accumulated surplus, end of year	\$5,040,251,011	\$ 5,046,518,628	\$ 4,636,876,366

See accompanying notes to consolidated financial statements.

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

For the Year Ended December 31, 2018

	Budget	2018	2017
	(Note 24)		(Restated - Note 27)
Annual surplus	\$ 403,374,645	\$ 409,642,262	\$ 326,855,874
Acquisition of tangible capital assets	(251,649,356)	(159,456,809)	(199,607,887)
Contributions of tangible capital assets	-	(6,167,889)	(29,866,617)
Transfer of tangible capital assets to inventory held for resale	-	-	760,468
(Gain) loss on disposal of tangible capital assets	-	(7,346,931)	2,214,400
Amortization of tangible capital assets	-	120,346,122	116,200,121
Proceeds on disposal of tangible capital assets	-	8,787,641	3,234,768
	151,725,289	365,804,396	219,791,127
Use (acquisition) of consumable inventories	-	1,720,604	(1,642,278)
Acquisition of prepaid expenses	-	(1,154,259)	(111,798)
	-	566,345	(1,754,076)
Increase in net financial assets	151,725,289	366,370,741	218,037,051
Net financial assets, beginning of year	454,848,437	454,848,437	236,811,386
Net financial assets, end of year	\$ 606,573,726	\$ 821,219,178	\$ 454,848,437

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2018

	2018	2017
		(Restated - Note 27)
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 409,642,262	\$ 326,855,874
Non-cash items included in annual surplus		
Amortization of tangible capital assets	120,346,122	116,200,121
(Gain) loss on disposal of tangible capital assets	(7,346,931)	2,214,400
Contributions of tangible capital assets	(6,167,889)	(29,866,617)
Valuation loss on inventories held for resale	-	600,000
Valuation adjustment to mortgages and notes receivable	-	400,000
Change in non-cash assets and liabilities:		
Taxes and grants in lieu receivable	(2,898,519)	9,217,570
Trade and other receivables	(18,569,596)	19,928,167
Inventories held for resale	1,599,076	229,749
Consumable inventories	1,720,604	(1,642,278)
Prepaid expenses	(1,154,259)	(111,798)
Accounts payable and accrued liabilities	(25,807,236)	(64,204,337)
Deposit liabilities	213,648	746,327
Deferred revenue	(48,585,153)	1,504,112
Employee benefit obligations	149,959	1,198,822
Contaminated sites liability	1,187,126	(340,086)
Provision for landfill closure and post-closure costs	735,621	325,803
Cash provided by operating transactions	425,064,835	383,255,829
Capital:		
Proceeds on disposal of tangible capital assets	8,787,641	3,234,768
Acquisition of tangible capital assets	(159,456,809)	(199,607,887)
Cash applied to capital transactions	(150,669,168)	(196,373,119)
Investing:		
Decrease in mortgages and notes receivable	47,756	570,952
Decrease (increase) in restricted cash	19,324,158	(1,144,625)
Increase in investments	(187,235,984)	(612,548,158)
Cash applied to investing transactions	(167,864,070)	(613,121,831)
Financing:		
Long-term debt repaid	(39,999,567)	(21,126,360)
Cash applied to financing transactions	(39,999,567)	(21,126,360)
Change in cash and cash equivalents during the year	66,532,030	(447,365,481)
Cash and cash equivalents, beginning of year	46,196,530	493,562,011
Cash and cash equivalents, end of year	\$ 112,728,560	\$ 46,196,530

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

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 Board
Wood Buffalo Housing & Development Corporation
Regional Recreation Corporation of Wood Buffalo
Wood Buffalo Economic Development Corporation

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 approved annual budget and requisition requirements. Property tax assessment is based on either the market value or regulated value legislated standard as prescribed in the MGA. The market value standard is based on the market value of properties as of July 1st of the preceding year. The regulated value standard is based on rates and procedures prescribed by Alberta Municipal Affairs. 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 31.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(b) Basis of accounting (continued)

Local improvement levies represent funds from external parties that are restricted by legislation and are accounted for as deferred revenue until the special assessments are authorized by Council, issued to the property owners, and the funds are used for the purpose specified.

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, providing the transfers are authorized, any eligibility criteria have been met by the Municipality, 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.

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 includes cash on hand and balances with banks, net of overdrafts.

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) Inventories held 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

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(f) 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.

(g) Mortgages and notes receivable

Mortgages and notes receivable are carried at amortized cost using the effective interest method. The effective interest rate is determined to be the Wood Buffalo Housing and Development Corporation's weighted average cost of borrowing at the time the agreement is executed. The discount recorded on the mortgages and notes receivable is amortized each year to interest income. Mortgages and notes receivable are reviewed annually to ensure the amount recoverable is not less than the amortized cost. If this is found to be the case, a valuation allowance is used to adjust the recorded value to the recoverable amounts.

(h) 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 are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	5 to 45
Buildings and improvements	5 to 80
Engineered structures	10 to 120
Machinery and equipment	3 to 30
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 asset 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) 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.

(iv) Natural resources

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(h) *Non-financial assets (continued)*

(v) 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. Any acquisition costs are expensed in the year they are acquired.

(vi) Capitalization of costs

The Municipality does not capitalize interest costs associated with the acquisition or construction of tangible capital assets. General and administrative indirect overhead expenses are not allocated and capitalized.

(vii) 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.

(viii) Consumable inventories

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

(i) *Contaminated sites liability*

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the costs attributable to remediation activities including any required post-remediation operations, maintenance and monitoring.

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

The *Alberta Environmental Protection and Enhancement Act* and the *Code of Practice for Landfill Operations in Alberta*, set 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.

(k) *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 service only basis. The Municipality is responsible for the employer share of benefit premiums throughout the year.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(l) *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, contaminated sites liability, accrued liabilities, provisions for tax assessment appeals, tangible capital asset useful lives, provision for investment impairment, provisions made for allowances for taxes and other receivables, inventories, as well as wildfire related trade and other receivables.

(m) *Adoption of new accounting standards*

The following summarizes changes to Canadian public sector accounting standards issued by the Public Sector Accounting Standards Board (PSAB) that have been adopted by the Municipality during the current fiscal year.

(i) Assets

PS3210 Assets provides additional guidance on the definition of assets and new disclosure requirements for those assets not recognized in the government's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2017.

The Municipality has reviewed and adopted this new standard in fiscal 2018. The adoption of this standard did not have any impact to the consolidated financial statements.

(ii) Contingent Assets

PS3320 Contingent Assets establishes standards on the reporting and disclosure of possible assets that may arise from existing conditions or situations involving uncertainty. This standard is applicable for fiscal years beginning on or after April 1, 2017.

The Municipality has reviewed and adopted this new standard in fiscal 2018. The adoption of this standard did not have any impact to the consolidated financial statements.

(iii) Contractual Rights

PS3380 Contractual Rights establishes standards on the reporting and disclosure of a government's rights to economic resources that may arise from contracts or agreements that will result in both an asset and revenue in the future. This standard is applicable for fiscal years beginning on or after April 1, 2017. The Municipality adopted this new standard in fiscal 2018 and additional disclosures have been added where required.

(iv) Inter-Entity Transactions

PS3420 Inter-Entity Transactions specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

The Municipality has reviewed and adopted this new standard in fiscal 2018. The adoption of this standard did not have any impact to the consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(m) Adoption of new accounting standards (continued)

(v) Related Party Disclosures

PS2200 Related Party Disclosures required sufficient information be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

The Municipality has reviewed and adopted this new standard in fiscal 2018. The adoption of this standard did not have any impact to the consolidated financial statements.

(n) Recent Accounting Standard Pronouncements

The following summarizes upcoming changes to the Canadian public sector accounting standards issued by the PSAB. 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) Restructuring Transactions

PS3430 Restructuring Transactions establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

(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, 2019.

(iii) Foreign Currency Translation

PSAB issued PS2601 Foreign Currency Translation, replacing the current PS2600 applicable for fiscal years beginning on or after April 1, 2019. 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.

(iv) Financial Instruments

PS3450 Financial Instruments applicable for fiscal years beginning on or after April 1, 2019 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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

1. Significant accounting policies (continued)

(n) Recent Accounting Standard Pronouncements (continued)

(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 and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

(vi) Asset Retirement Obligations

PS3280 establishes standards on how to account for and report a liability for asset retirement obligations. Specifically, it defines which activities would be included in a liability for retirement of a tangible capital asset, establishes when to recognize and how to measure a liability for an asset retirement obligation and provides the related financial statement presentation and disclosure requirements. This standard applies to fiscal years beginning on or after April 1, 2021.

2. Restricted cash

Restricted cash is comprised of various tenant deposits and reserves required under funding agreements related to the delivery of affordable housing programs amounting to \$15,004,737 (2017 - \$13,758,576) and \$nil (2017 - \$801,100) for insurance proceeds received, but not yet used to pay approved claim amounts. Proceeds from the Province of Alberta related to the Hawthorne Heights project of \$nil (2017 - \$19,769,219) were to be used for future affordable housing. During the year, the Municipality received approval from the Province of Alberta to use the Hawthorne Heights project restricted funding to pay down related long-term debt.

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.

3. Taxes and grants in lieu receivable

	2018	2017
Current	\$ 7,206,128	\$ 15,127,670
Arrears**	13,306,157	9,545,947
	20,512,285	24,673,617
Less allowance for doubtful accounts	10,390,274	17,450,125
	\$10,122,011	\$ 7,223,492

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

4. Trade and other receivables

	2018	2017
Government transfers	\$44,449,958	\$ 19,182,059
GST recoverable	1,664,023	2,902,880
Utility receivables	5,415,301	5,538,294
Developer charges	2,200,000	2,862,262
Trade receivables - net	19,826,213	24,500,404
	<u>\$ 73,555,495</u>	<u>\$ 54,985,899</u>

5. Inventories held for resale

	2018	2017
Inventories held for resale	\$ 265,563	\$ 308,131
Property inventory held under equity and affordability programs	1,325,242	2,881,750
	<u>\$ 1,590,805</u>	<u>\$ 3,189,881</u>

The Municipality holds property inventory for sale under its equity and affordability programs. There has been a decline in the value of real estate in the region as a result of unfavorable economic conditions. During the year, the Municipality recorded a valuation loss of \$nil (2017 - \$600,000) related to this inventory to adjust its value to the expected net realizable value.

6. Investments

	2018		2017	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Cash	\$ 1,775,430	\$ 1,775,430	\$ 49,106,359	\$ 49,106,359
Bankers acceptances, notes and bonds	2,743,569	2,747,482	3,001,012	2,997,083
Government bonds, government guaranteed bonds and guaranteed investment certificates	837,161,107	839,284,028	682,319,765	681,337,486
Corporate bonds and debentures	301,989,159	296,325,040	169,029,875	167,640,766
Mutual funds	-	-	59,761,395	60,125,862
Accrued interest	9,495,483	9,495,483	2,710,358	2,710,358
	<u>\$ 1,153,164,748</u>	<u>\$ 1,149,627,463</u>	<u>\$ 965,928,764</u>	<u>\$ 963,917,914</u>

Bankers acceptances, notes and bonds, bearing interest rates from 1.63% to 1.69% (2017 - 1.06% to 1.89%)

Government bonds, government guaranteed bonds and guaranteed investment certificates, bearing interest at stated interest rates from 0.75% to 5.60% (2017 - 1.01% to 10.60%).

Corporate bonds and debentures, bearing interest at stated interest rates from 1.40% to 4.937% (2017 - 0.95% to 9.97%).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

6. Investments (continued)

The market value of certain investments fluctuates with changing market interest rates. The carrying value of certain investments have 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 2018 and 2017.

7. Mortgages and notes receivable

	2018	2017
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.	\$ 2,642,515	\$ 2,655,184
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.	2,193,099	2,183,441
Demand promissory notes receivable and second mortgages receivable bearing interest at 6% per annum and non-interest bearing respectively, with monthly repayment terms representing a 25 year amortization period, secured by land and buildings.	273,026	272,896
Employee loan, bearing interest at 2% per annum, compounded semi-annually, payable in bi-weekly instalments of principal and interest, secured by an employee loan agreement.	-	3,701
A net investment in a long-term lease arrangement.	1,868,001	1,909,175
	<u>\$ 6,976,641</u>	<u>\$ 7,024,397</u>

The Municipality annually reviews the current market conditions in the region to determine if the market value of real estate has declined significantly, affecting the required repayment on loans receivable should a sale occur. If the net book value of loans receivable is no longer representative of the net recoverable value after an analysis of the portfolio, an adjustment will be made. During the year, the Municipality recorded a valuation loss related to its mortgage's receivable of \$nil (\$2017 - \$400,000).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

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. Certain deferred revenues relate to government transfers as further described in Note 17.

	2017	Externally restricted inflows (outflows)	Revenue (recognized) reallocated	2018
<u>Government transfers</u>				
Operating:				
Community Housing Plan (a)	\$ 3,204,622	\$ 3,451,000	\$ (4,817,634)	\$ 1,837,988
Children and Youth Services Grant (b)	84,230	(73,238)	(10,992)	-
Rent Supplement Program (c)	1,201,523	4,694,223	(4,670,687)	1,225,059
Marshall House Grant	71,354	-	-	71,354
Sustainable Remote Housing Grant	81,720	-	(10,080)	71,640
Emergency Services Grants (d)	20,722	500,640	(26,498)	494,864
RCMP Grants (e)	405,896	1,365,216	(1,429,808)	341,304
Community and Regional Economic Support Grant (f)	-	95,000	-	95,000
FireSmart Grant (g)	-	6,000,000	(1,278,767)	4,721,233
Victims of Crime Grant (h)	-	261,962	(251,331)	10,631
Community Inclusion Grant	-	10,000	(7,378)	2,622
Coalitions Creating Equity Grant	-	61,500	(36,552)	24,948
Labour Market Partnership Grant	-	51,000	-	51,000
Other Grants (i)	980,289	2,166,053	(2,369,138)	777,204
	6,050,356	18,583,356	(14,908,865)	9,724,847
Capital:				
Community Development Plan (j)	10,519,997	-	(1,610)	10,518,387
Municipal Sustainability Initiative Grant (k)	29,277,277	40,855,558	(56,423,262)	13,709,573
Federal Gas Tax Fund Grant (l)	2,805,119	6,372,321	(2,699,450)	6,477,990
Alberta Affordable Housing Initiative (m)	20,553,664	17,923	(19,769,219)	802,368
Alberta Seniors and Housing (n)	650,035	-	(650,035)	-
911 Grant (o)	316,168	3,356	(16,224)	303,300
Alberta Municipal Water and Wastewater Grant (p)	1,000,000	2,756,092	(3,756,092)	-
South Policing Facility Grant (q)	1,202,256	-	(8,410)	1,193,846
FireSmart Grant - Emergency Response Systems (r)	-	1,006,440	(373,100)	633,340
Strategic Transportation Infrastructure Program Grant (s)	-	461,949	(67,838)	394,111
	66,324,516	51,473,639	(83,765,240)	34,032,915
	72,374,872	70,056,995	(98,674,105)	43,757,762
<u>Other</u>				
Corporate Donations and Naming Rights	95,238	-	(95,238)	-
Rights Holder Agreements (t)	1,184,000	-	(84,800)	1,099,200
RCMP Agreements	10,240	-	(10,240)	-
Deferred Property Taxes	24,056,237	25,183,426	(24,056,237)	25,183,426
Deferred Offsite Levies and Developer Charges (u)	25,551,004	811,365	(21,017,127)	5,345,242
Deferred Developer Agreements (v)	3,285,398	35,000	-	3,320,398
Canadian Red Cross Recovery Gift Agreement (w)	4,001,716	-	(3,003,901)	997,815
Canadian Red Cross - Disaster Response Service Agreement (x)	-	496,236	(70,399)	425,837
Insurance Proceeds - Wildfire Event (y)	4,083,554	9,531,000	(12,930,495)	684,059
Lifetime golf and fitness memberships	528,777	2,705,492	(2,379,761)	854,508
Other	4,516,482	8,621,515	(3,703,879)	9,434,118
	67,312,646	47,384,034	(67,352,077)	47,344,603
	\$ 139,687,518	\$ 117,441,029	\$ (166,026,182)	\$ 91,102,365

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

8. Deferred revenue (continued)

Operating government transfers

(a) Community Housing Plan

The Community Housing Plan is an 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.

(b) Children and Youth Services Grant

The Province of Alberta, through the Minister of Human Services, provided the Children and Youth Services Grant to provide youth advocacy services in the community. In 2018, the Municipality refunded \$73,238 (2017 - \$nil).

(c) Rent Supplement Program

The Rent Supplement Program grant is an 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 2018, the Municipality received grant funding of \$4,694,223 (2017 - \$4,711,448) and allocated interest on the unspent grant in the amount of \$nil (2017 - \$12,770).

(d) Emergency Services Grants

The Municipality received four grants from the Province of Alberta related to the provision of emergency services within the Municipality. Alberta Emergency Management Agency provides, through Alberta Municipal Affairs, the 911 grant, and the Fire Services and Emergency Preparedness grant and Alberta Agriculture and Forestry provides the FireSmart Community grant. The 911 grant supports and enhances the delivery and development of local 911 services throughout Alberta. The Fire Services and Emergency Preparedness grant provides an effective and cost-efficient mechanism for increased training capacity that results in an increased number of trained fire service and emergency management practitioners. The FireSmart Community grant assists communities in reducing the risk of wildfire within their respective jurisdictions. During 2018, the Municipality received \$500,640 (2017 - \$505,945).

(e) Royal Canadian Mounted Police (RCMP) Grants

The Province of Alberta provides two RCMP grants through the Alberta Solicitor General and Minister of Public Security - the Police Officers Grant (POG) and the Municipal Policing Assistance Grant (MPAG). POG 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. During 2018, the Municipality received \$1,365,216 (2017 - \$1,623,584).

(f) Community and Regional Economic Support (CARES) Grant

The Province of Alberta through the Minister of Economic Development and Trade provides the CARES grant to fund initiatives of Alberta Municipalities that enhance local economic conditions, leverage regional economic development resources, and build local and regional capacity for sustainable economic development delivery. During 2018 the Municipality received \$95,000 (2017 - \$nil).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

8. Deferred revenue (continued)

Operating government transfers (continued)

(g) FireSmart Grant

The Province of Alberta, through the Minister of Agriculture and Forestry, provides the FireSmart operating grant to fund initiatives that reduce the wildfire risk and/or hazard to the community by emergency planning, education and vegetation management. During 2018, the Municipality received and recognized as operating government transfers \$6,000,000 (2017 - \$nil).

(h) Victims of Crime Grant

- (i) The Province of Alberta, through Alberta Justice and Solicitor General, provides the Victims of Crime grant which funds services that benefit victims during their involvement with the criminal justice process. During 2018, the Municipality received and recognized as operating government transfers \$261,962 (2017 - \$nil).

(i) Other operating grants include various smaller federal and provincial governments 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 2018, the Municipality received grant funding of \$1,550,603 (2017 - \$1,515,290) and recognized \$1,491,122 (2017 - \$1,618,016) as operating government transfers. Deferred revenue of \$479,065 (2017 - \$419,584) is recorded.

Capital government transfers

(j) 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 totaling \$242,380,000 was provided by the Province. During 2018, the Municipality reallocated \$1,610 of grant funds and allocated interest on the unspent grant in the amount of \$nil (2017 - \$131,527).

(k) Municipal Sustainability Initiative Grant

In 2007, the Province of Alberta introduced the Municipal Sustainability Initiative 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. In 2018, the Municipality received \$40,516,420 (2017 - \$31,183,480) and allocated interest on the unspent grant in the amount of \$339,138 (2017 - \$302,543).

(l) 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 2018, the Municipality received \$6,324,684 (2017 - \$6,762,860) and allocated interest on the unspent grant in the amount of \$47,637 (2017 - \$26,678).

(m) Alberta Affordable Housing Initiative

The Province of Alberta provides grants to support the development and supply of affordable housing in Hawthorne Heights and Parsons Creek. During 2018, the Municipality allocated interest on the unspent grants in the amount of \$17,923 (2017 - \$252,656).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

8. Deferred revenue (continued)

Capital government transfers (continued)

(n) Alberta Seniors and Housing Grant

The Province of Alberta provided funding for basement redevelopment to provide additional living space for large families in 15 townhomes owned by the Municipality. During 2018, the Municipality received grant funding of \$nil (2017 - \$650,035).

(o) 911 Grant

Alberta's Emergency 911 Act came into force on April 1, 2014. The Act established the Alberta 911 Grant Program under the Alberta Emergency Management Agency. The objective of the 911 Grant Program is to strengthen and support local delivery of 911. This will be done through delivering a new source of funding generated from a monthly 911 levy on cellphones, and by developing provincial standards for 911. In 2018, the Municipality allocated interest on the unspent grant in the amount of \$3,356 (2017 - \$3,529).

(p) Alberta Municipal Water and Wastewater Grant

The Alberta Municipal Water/Wastewater Partnership provides cost-shared funding to eligible municipalities to assist in the construction of municipal water supply and treatment and wastewater treatment and disposal facilities. In 2018, the Municipality received \$2,756,092 (2017 - \$17,000,000) for upgrades to the Fort Chipewyan Water Treatment Plant.

(q) South Policing Facility Grant

Alberta Infrastructure provided funding in 2011 as a contribution towards the costs of the construction and development of a new Wood Buffalo South Policing Facility. In 2018, the Municipality reallocated the unused grant revenue of \$nil (2017 - \$1,202,256).

(r) FireSmart Grant – Emergency Communications Systems

The Province of Alberta, through the Minister of Agriculture and Forestry, provides the FireSmart capital grant to fund initiatives that reduce the wildfire risk and/or hazard to the community by emergency planning, education and vegetation management. The Municipality is using a portion of this grant to fund the migration of existing emergency communication systems to Alberta First Responders Radio Communication System (AFRRCS) to align with communication systems used by the Province of Alberta. In 2018, the Municipality received \$1,000,000 (2017 - \$nil) and allocated interest on the unspent grant in the amount of \$6,440 (2017 - \$nil).

(s) Strategic Transportation Infrastructure Program Grant

The Strategic Transportation Infrastructure Program grant provides financial assistance to rural and smaller urban municipalities for developing and maintaining key transportation infrastructure. The Municipality applied under the Local Road Bridge component for the Fort Chipewyan Winter Road Culvert project. In 2018, the Municipality received \$460,000 (2017 - \$nil) and allocated interest on the unspent grant in the amount of \$1,949 (2017 - \$nil).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

8. Deferred revenue (continued)

Other

(t) Rights Holder Agreements

From 2006 to 2009, contributions totaling \$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 rights holder has 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.

(u) 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 2018, the Municipality received \$525,375 (2017 - \$833,495) in levies and charges and allocated interest on the unspent levies and charges of \$285,990 (2017 - \$261,520).

(v) Deferred Developer Agreements

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

(w) Canadian Red Cross Society – Recovery Gift Agreement

The Canadian Red Cross Society provided funding under a Recovery Gift Agreement to facilitate the provision of relief and recovery work in the region following the Alberta wildfires of 2016. During 2018 the Municipality received \$nil (2017 - \$5,000,000).

(x) Canadian Red Cross Society – Disaster Response Service Agreement

In 2018, the RMWB entered into a Disaster Response Service Agreement with the Canadian Red Cross Society for support the Small Business Program (Phase 3B) providing programming for small businesses impacted by the May 2016 Horse River Wildfire disaster in the Municipality. The total contribution under the agreement will be \$992,472. During 2018 the Municipality received \$496,236 (2017 - \$nil).

(y) Insurance Proceeds – Wildfire Event

In 2018, the Municipality negotiated with its insurance providers to finalize the insurance settlement. During 2018 the Municipality received \$9,531,000 (2017 - \$nil).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

9. Employee benefit obligations

	2018	2017
Accrued vacation pay and overtime bank	\$ 6,924,470	\$ 6,789,539
Accrued salary and benefits	11,426,845	11,411,817
	<u>\$ 18,351,315</u>	<u>\$ 18,201,356</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 LAPP, which is covered by the Alberta Public Sector Pension Plans Act.

The Municipality is required to make current service contributions to the LAPP of 10.39% (2017 - 11.39%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 14.84% (2017 - 15.84%) for the excess. Employees of the Municipality are required to make current service contributions of 9.39% (2017 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 13.84% (2017 - 14.84%) 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 the LAPP in 2018 are \$17,543,952 (2017 - \$19,641,732). Total current service contributions by the employees of the Municipality to the LAPP in 2018 are \$16,143,539 (2017 - \$18,151,037).

The LAPP reported a surplus for the overall plan as at December 31, 2017 of \$4,835,515,000 (2016 - \$637,357,000 deficiency). Information as at December 31, 2018 is not available at the time of preparing these consolidated 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 with approximately 180 (2017 - 211) beneficiaries. The plan supplements the LAPP.

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 2.84% and 3.78% respectively on pensionable earnings up to \$147,222 (2017 - \$145,722) per employee per year.

Total current service contributions by the Municipality to APEX in 2018 were \$753,716 (2017 - \$844,489). Total current service contributions by the employees of the Municipality were \$566,214 (2017 - \$634,470).

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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

9. Employee benefit obligations (continued)

(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 (18) 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. The program is discontinued and has not accepted new participants 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.

As at December 31, 2018, \$1,501,200 (2017 - \$3,246,100) is accrued within these consolidated financial statements relating to this program. During 2018, the Municipality paid out \$5,851,750 (2017 - \$3,274,444) for this program. There are 255 (2017 - 297) employees eligible, approved and participating in the program with an aggregate secured property value of \$154,368,625 (2017 - \$180,239,425) based on assessed values.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

9. Employee benefit obligations (continued)

(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 Alberta Municipal Services Corporation's actuaries as at December 31, 2018.

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 assets as at December 31st:

	2018	2017
Accrued benefit obligation		
Balance, beginning of year	\$ 916,394	\$ 914,350
Current service and interest (recovery) cost	(107,460)	2,044
Payments not yet processed	-	-
Balance, end of year	808,934	916,394
Assets held to fund liability	683,654	983,955
Net assets	\$ 125,280	\$ (67,561)

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

	2018	2017
Inflation	2.25%	2.25%
Wages and salaries escalations	3.50%	3.50%
Interest (discount rate on accrued benefit obligations)	4.75%	4.75%
Average municipal service (years)	2.3	2.9

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

10. Contaminated sites liability

The Municipality recorded a contaminated sites liability for 2018 of \$1,839,866 (2017 - \$652,740) which represents the present value of reclamation costs to the Municipality, using annual rates of 1.70% (2017 – 2.00%) for inflation and discount rates of 3.34% (2017 – 3.00%) for remediation costs and 2.13% (2017 – 2.22%) for any related pre-remediation or monitoring costs. The following represents the contaminated sites liability breakdown by site at December 31st:

	2018	2017
Sites:		
Conklin - former airstrip	\$ 480,620	\$ 491,079
Conklin - former storage site	101,211	103,482
Fort Chipewyan - historic unofficial landfill	57,909	58,179
Fort McMurray - former tow yard	1,200,126	-
Net present value of estimated expenditures	\$ 1,839,866	\$ 652,740

Contaminants that exceed environmental standards were present in the soil and/or groundwater due to the historic usage of the sites and/or to items remaining on the sites today. The undiscounted estimated expenditures for these sites are \$1,926,962 (2017 - \$747,962) and there are no expected recoveries available from other sources.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

11. Landfill closure and post-closure obligation

The obligation recorded at December 31, 2018 for the landfill closure was \$13,974,378 (2017 - \$13,238,757) and represents the present value of closure and post-closure costs of the Municipality landfill sites, using annual rates of 1.70% (2017 – 1.30%) for inflation and discount rates of 2.13% (2017 – 3.29%) for post-closure and 3.34% (2017 – 2.23%) for closure.

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 2018 there are six closed landfill sites within the Regional Municipality of Wood Buffalo.

The new Fort McMurray Regional landfill and the Fort Chipewyan landfill are the only open landfill sites within the Municipality. The remaining capacity is expected to meet regional demands until the end of 2021. In 2018, Cell 4 was fully constructed and is available as additional capacity up until cells 1, 2, 3 and the lateral expansion are closed, at which point, cell 4 will be in full operation, and the only active cell.

2018				
Capacity utilization	Total Cells	Cells Used	% Used	Estimated remaining life in years
Fort McMurray - regional landfill	4	2.2	55%	8
Fort Chipewyan - new site	1	0.4	38%	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:

	2018	2017
Estimated closure costs	\$19,654,487	\$ 19,325,946
Estimated post-closure costs	408,244	226,157
Estimated total liability (100% utilized)	20,062,731	19,552,103
Accrued liability portion (current utilization)	13,974,378	13,238,757
Portion of liability remaining to be recognized	\$ 6,088,353	\$ 6,313,346

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

12. Long-term debt

	2018	2017
Municipal debt:		
Debentures supported by general tax levies (a)	\$ 162,686,383	\$ 170,145,395
Debentures supported by utility rates (a)	102,735,023	112,576,947
	265,421,406	282,722,342
Controlled organizations debt:		
Long-term debt (b)	79,915,193	102,613,824
	79,915,193	102,613,824
	\$ 345,336,599	\$ 385,336,166

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
2019	\$ 17,527,806	\$ 11,930,029	\$ 29,457,835
2020	17,890,273	11,116,261	29,006,534
2021	16,568,799	10,311,916	26,880,715
2022	17,192,178	9,540,620	26,732,798
2023	17,911,075	8,741,383	26,652,458
Thereafter	178,331,275	41,491,756	219,823,031
	\$ 265,421,406	\$ 93,131,965	\$ 358,553,371

Interest on long-term debt in 2018 amounted to \$12,639,738 (2017 - \$13,431,331).

The debenture debt above is repayable to Alberta Capital Finance Authority, has interest rates ranging from 1.78% to 9.75% per annum, and matures in years 2019 through 2036 with a weighted average interest rate of 4.61%.

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

12. Long-term debt (continued)

Controlled organizations debt

(b) Long-term debt

Long-term debt is comprised of commercial mortgages with weighted average interest rate of 3.1%, (2017 - 3.3%) payments of \$507,052 per month including principal and interest, maturities from 2020 to 2028, with land and buildings pledged as collateral with a carrying value of \$197,032,570 (2017 - \$234,632,944).

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

	Principal Payments	Interest Payments	Total Payments	Principal Balance Maturing
2019	\$ 3,627,580	\$ 2,316,917	\$ 5,944,497	-
2020	3,744,042	2,351,835	6,095,877	16,214,176
2021	3,863,254	2,232,693	6,095,947	-
2022	3,986,315	2,109,631	6,095,946	9,128,916
2023	8,976,958	1,667,966	10,644,924	12,935,434
Thereafter	55,717,044	10,390,705	66,107,749	20,203,208
	\$ 79,915,193	\$ 21,069,747	\$ 100,984,940	\$ 58,481,734

Interest on long-term debt in 2018 amounted to \$3,859,344 (2017 - \$3,564,037).

During the year, the Municipality used \$19,600,000 (2017 - \$nil) of deferred grant funding to pay down long-term debt with the approval of the Province of Alberta.

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

Principal payments assume refinancing at consistent rates and terms as the current mortgage. Principal balances maturing would either be refinanced or paid in full at the date of maturity and are included in principal payments due to 2024 and thereafter.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

13. 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

	2018	2017
Maximum allowable debt	\$ 1,731,027,690	\$ 1,774,882,110
Total municipal debt	265,421,406	282,722,342
Amount of total debt limit available	\$ 1,465,606,284	\$ 1,492,159,768
Percentage used	15.33%	15.93%

Debt service limit

	2018	2017
Maximum allowable debt service	\$ 302,929,846	\$ 310,604,369
Annual payments on existing municipal debt	29,457,835	30,038,241
Amount of service on debt limit available	\$ 273,472,011	\$ 280,566,128
Percentage used	9.72%	9.67%

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

For the Year Ended December 31, 2018

14. Tangible capital assets

	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction	2018	2017 (Restated - Note 27)
COST:									
<i>Balance, beginning of year</i>	\$ 408,265,905	\$ 283,009,980	\$ 933,317,148	\$ 2,619,983,242	\$ 148,378,003	\$ 84,390,499	\$ 623,687,439	\$ 5,101,032,216	\$ 4,896,591,209
Acquisition of tangible capital assets	8,431,788	26,752,908	54,190,510	173,682,288	2,998,842	3,536,585	(103,968,223)	165,624,698	229,474,504
Disposal of tangible capital assets	-	88,661	-	(10,835,853)	(2,074,586)	(2,608,013)	-	(15,429,791)	(25,033,497)
<i>Balance, end of year</i>	<u>\$ 416,697,693</u>	<u>\$ 309,851,549</u>	<u>\$ 987,507,658</u>	<u>\$ 2,782,829,677</u>	<u>\$ 149,302,259</u>	<u>\$ 85,319,071</u>	<u>\$ 519,719,216</u>	<u>\$ 5,251,227,123</u>	<u>\$ 5,101,032,216</u>
ACCUMULATED AMORTIZATION:									
<i>Balance, beginning of year</i>	\$ -	\$ 68,839,191	\$ 151,174,563	\$ 583,248,417	\$ 74,643,363	\$ 50,505,028	\$ -	\$ 928,410,562	\$ 831,034,302
Annual amortization	-	16,390,407	25,639,513	60,121,426	12,343,271	5,851,505	-	120,346,122	116,200,121
Accumulated amortization on disposals	-	26,598	-	(9,617,878)	(1,789,788)	(2,608,013)	-	(13,989,081)	(18,823,861)
<i>Balance, end of year</i>	<u>\$ -</u>	<u>\$ 85,256,196</u>	<u>\$ 176,814,076</u>	<u>\$ 633,751,965</u>	<u>\$ 85,196,846</u>	<u>\$ 53,748,520</u>	<u>\$ -</u>	<u>\$ 1,034,767,603</u>	<u>\$ 928,410,562</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 416,697,693</u>	<u>\$ 224,595,353</u>	<u>\$ 810,693,582</u>	<u>\$ 2,149,077,712</u>	<u>\$ 64,105,413</u>	<u>\$ 31,570,551</u>	<u>\$ 519,719,216</u>	<u>\$ 4,216,459,520</u>	<u>\$ 4,172,621,654</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated - Note 27)	<u>\$ 408,265,905</u>	<u>\$ 214,170,789</u>	<u>\$ 782,142,585</u>	<u>\$ 2,036,734,825</u>	<u>\$ 73,734,640</u>	<u>\$ 33,885,471</u>	<u>\$ 623,687,439</u>	<u>\$ 4,172,621,654</u>	

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

14. Tangible capital assets (continued)

a) *Assets under construction*

Assets under construction having a value of \$519,719,216 (2017 - \$623,687,439) have not been amortized. Amortization of these assets will commence when the assets are available for use.

b) *Contributed tangible capital assets*

Contributed capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$6,167,889 (2017 - \$29,866,617).

Contributed tangible capital assets received consists of:

	2018	2017
		(Restated - Note 27)
Roadway System	\$ 3,198,574	\$ 11,580,249
Water System	848,961	3,929,291
Wastewater System	753,907	8,498,592
Storm System	1,291,447	4,314,781
Land Improvements	75,000	1,543,704
	<u>\$ 6,167,889</u>	<u>\$ 29,866,617</u>

c) *Tangible capital assets disclosed at nominal values*

Assets recognized at nominal value by the Municipality consist of certain land, land improvements, buildings and improvements, machinery and equipment, engineered structures, and vehicles.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

15. Accumulated surplus

	2018	2017
		(Restated - Note 27)
Operations:		
Operating reserves:		
General administration	\$ 335,557,651	\$ 268,490,962
Common services	142,575	142,575
Recreation	931,103	922,754
Urban parks	289,775	289,775
Wood Buffalo Economic Development Corporation	(246,275)	-
Regional Municipality of Wood Buffalo Library Board	1,509,847	1,876,866
Wood Buffalo Housing & Development Corporation	49,377,490	51,239,897
Regional Recreation Corporation of Wood Buffalo	2,129,123	2,322,351
	389,691,289	325,285,180
Total operations	389,691,289	325,285,180
Capital:		
Deficit - undesignated	(83,768,179)	(111,902,359)
Capital reserves:		
General	842,004,475	610,057,817
Equipment	706,327	706,327
Common services	708,599	708,599
Roads and streets	32,811	32,744
Water supply	2,052,107	2,052,107
Sewage	2,317,650	2,317,650
Recreation	6,907,212	6,907,212
Regional Municipality of Wood Buffalo Library Board	458,673	287,438
Wood Buffalo Housing & Development Corporation	12,515,305	11,368,725
Regional Recreation Corporation of Wood Buffalo	1,769,438	1,769,438
	869,472,597	636,208,057
Equity in tangible capital assets		
Tangible capital assets (Note 14)	5,251,227,123	5,101,032,216
Accumulated amortization (Note 14)	(1,034,767,603)	(928,410,562)
Long-term debt (Note 12)	(345,336,599)	(385,336,166)
	3,871,122,921	3,787,285,488
Total capital	4,656,827,339	4,311,591,186
Accumulated surplus	\$ 5,046,518,628	\$ 4,636,876,366

Reserves are a key tool used to set aside funds to replace existing tangible 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 Board, Wood Buffalo Housing & Development Corporation, the Regional Recreation Corporation of Wood Buffalo and the Wood Buffalo Economic Development Corporation 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

For the Year Ended December 31, 2018

15. Accumulated surplus (continued)

Changes in accumulated surplus

	Unrestricted Deficit	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017 (Restated - Note 27)
Balance, beginning of year	\$ (111,902,359)	\$ 961,493,237	\$ 3,787,285,488	\$ 4,636,876,366	\$ 4,310,020,492
Annual surplus	409,642,262	-	-	409,642,262	326,855,874
Unrestricted funds designated for future use	(422,460,508)	422,460,508	-	-	-
Restricted funds used for operations	13,309,577	(13,309,577)	-	-	-
Restricted funds used for tangible capital assets	-	(111,480,282)	111,480,282	-	-
Current year funds used for tangible capital assets	(47,976,527)	-	47,976,527	-	-
Contributed tangible capital assets	(6,167,889)	-	6,167,889	-	-
Disposal of tangible capital assets	1,440,710	-	(1,440,710)	-	-
Annual amortization expense	120,346,122	-	(120,346,122)	-	-
Long term debt repaid	(39,999,567)	-	39,999,567	-	-
Change in accumulated surplus	28,134,180	297,670,649	83,837,433	409,642,262	326,855,874
Balance, end of year	\$ (83,768,179)	\$ 1,259,163,886	\$ 3,871,122,921	\$ 5,046,518,628	\$ 4,636,876,366

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

16. Net taxes available for municipal purposes

	Budget	2018	2017
	(Note 24)		
Taxation:			
Real property taxes	\$670,208,231	\$759,071,358	\$ 802,046,632
Government grants in lieu of property taxes	-	1,273,569	729,099
Special assessments and local improvement taxes	252,410	328,123	330,111
Well drilling	600,000	1,651,417	1,140,875
	671,060,641	762,324,467	804,246,717
Requisitions:			
Designated Industrial Properties	-	1,509,106	-
Alberta School Foundation Fund	-	71,371,590	67,952,318
School boards	-	6,105,166	5,895,003
	-	78,985,862	73,847,321
Net taxes available for municipal purposes	\$671,060,641	\$683,338,605	\$ 730,399,396

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.

17. Government transfers

	Budget	2018	2017
	(Note 24)		
Transfers for Operating:			
Conditional shared cost agreements and grants			
Federal Government	\$ 129,440	\$ 362,484	\$ 82,106
Provincial Government	21,614,453	50,580,666	61,814,875
Total government transfers for operating	21,743,893	50,943,150	61,896,981
Transfers for Capital:			
Conditional shared cost agreements and grants			
Federal Government	9,071,390	-	-
Provincial Government	35,083,737	83,241,569	50,131,515
Total government transfers for capital	44,155,127	83,241,569	50,131,515
Total government transfers	\$ 65,899,020	\$134,184,719	\$ 112,028,496

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

17. Government transfers (continued)

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

Operating government transfers

(a) Disaster Recovery Program

Alberta Municipal Affairs through the Alberta Emergency Management Agency provides financial assistance in the event of a disaster to individuals, small businesses, not-for-profit organizations, municipalities and government departments through the Disaster Recovery program. The Municipality is approved for assistance through the Disaster Recovery Program for the 2016 wildfire event (Note 23). During 2018, the Municipality received \$nil (2017 - \$61,176,369), recognized as operating government transfers \$27,673,480 (2017 - \$39,131,293) and recognized as receivable \$43,889,665 (2017 - \$16,216,185).

(b) Dispatch Contract

Alberta Health Services provides a dispatch contract to partially offset the cost of running the Municipality's dispatch centre. During 2018, the Municipality received and recognized as operating government transfers \$660,875 (2017 - \$643,147).

(c) Emergency Medical Services Contract

Alberta Health Services provides the Emergency Medical Services Ground Ambulance contract which provides assistance to partially offset the cost of providing 24/7 emergency medical services to the Municipality's citizens. During 2018, the Municipality received and recognized \$7,173,567 (2017 - \$7,161,396).

(d) 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 2018, the Municipality received and recognized as operating government transfers \$1,924,513 (2017 - \$1,924,513).

(e) Alberta Municipal Affairs – Public Library Operating Grant

The Municipality receives a per capita operating grant from the Province of Alberta through Alberta Municipal Affairs to support the operation of library services. In 2018, the Municipality received and recognized as operating government transfers \$693,928 (2017 - \$693,928).

(f) Canada 150 Community Infrastructure Program Grant

The Canada 150 Community Infrastructure Program is part of Canada 150 Celebrates, the Government of Canada's celebration of our country's 150th anniversary of Confederation. Through investments in community infrastructure, the Government of Canada invests in projects that celebrate heritage, create jobs, and improve the quality of life for Canadians. In 2018, the Municipality received and recognized as capital government transfers \$126,022 (2017 - \$nil).

Capital government transfers

(g) GreenTRIP 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 grant is a cost share grant whereby the Province of Alberta will provide 66.67% of eligible costs. In 2018, the Municipality received and recognized as capital government transfers \$649,996 (2017 - \$3,359,641) towards the costs of the transit facility and buses.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

18. Expenses by object

	Budget	2018	2017
	(Note 24)		(Restated - Note 27)
Salaries, wages and benefits	\$265,723,249	\$253,942,114	\$272,410,877
Contracted and general services	88,357,085	118,948,792	128,894,539
Purchases from other governments	27,113,700	23,641,339	24,111,442
Materials, goods, supplies and utilities	49,529,801	46,186,918	42,720,321
Provision for allowances	602,000	(2,568,892)	22,393,685
Transfers to local boards and agencies	743,000	71,500	143,000
Transfers to individuals and organizations	6,888,750	8,173,726	17,155,982
Bank charges and short-term interest	401,566	458,205	468,512
Interest on long-term debt	16,181,326	16,499,082	16,995,368
Other	95,150	196,176	45,056,080
Amortization of tangible capital assets	-	120,346,122	116,200,121
Valuation loss on real property inventory and mortgages receivable	-	-	1,000,000
Loss on disposal of tangible capital assets	-	-	2,214,400
Total expenses	\$455,635,627	\$585,895,082	\$689,764,327

19. Contractual Rights

The Municipality has entered into lease agreements to lease land and building space to other parties until 2031 assuming no default on payments by the counterparty. The annual lease receipts in each of the following years are:

2019	\$ 5,695,245
2020	1,487,992
2021	1,293,308
2022	1,216,653
2023	1,102,770
Thereafter	4,484,128
	\$ 15,280,096

20. Commitments and contingent liabilities

(a) Operating leases

The Municipality has entered into lease agreements for the leasing of office space and equipment until 2023. The annual lease payments in each of the following years are:

2019	\$ 3,315,065
2020	2,787,847
2021	1,938,378
2022	1,938,378
2023	1,619,632
Thereafter	377,708
	\$ 11,977,008

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

20. Commitments and contingent liabilities (continued)

(b) *Borrowing facilities (line of credit)*

Pursuant to section 256 of the Municipal Government Act and Municipal Bylaw 16/019, the Municipality is authorized to borrow from the Municipality's financial institution, on a revolving basis, up to \$50,000,000 for the purpose of meeting current operating expenditures and obligations of the Municipality when required. At December 31, 2018, the Municipality had authorized the line of credit available from its bank in the amount of \$50,000,000. At year end, no amounts were drawn against its available 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 (2017 - \$1,000,000) and \$9,000,000 (2017 - \$9,000,000) which bear interest at prime minus 0.5% and prime plus 3.0% respectively. At December 31, 2018, no amounts were drawn against these facilities (2017 - \$nil). In addition, one of the Municipality's controlled entities has access to a \$100,000 (2017 - \$100,000) 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 \$28,000,000 (2017 - \$29,000,000) 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 \$5,688,396 (2017 - \$5,318,275) and letters of credit in the amount of \$15,575,901 (2017 - \$16,537,755) to ensure performance by the developers under the agreements.

(d) *Contingent liabilities*

The Municipality identified one contaminated site where the costs are expected to be paid by a third party. This site in Abasand is a former oil sands site and contaminants in soil and groundwater have been found to exceed environmental standards. The undiscounted expected expenditures to reclaim this site have been estimated at \$2,000,000. The Municipality has assessed that it is not responsible to remediate the contamination and therefore has not recorded a liability.

The Municipality is a defendant in various lawsuits as at December 31, 2018. 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

For the Year Ended December 31, 2018

21. 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 2018	Total 2017
Mayor Scott	\$ 133,352	\$ 24,271	\$ 157,623	\$ 26,222
Former				
Mayor Blake	-	96,748	96,748	130,521
Ward 1				
Councillor Allen	39,273	13,690	52,963	8,703
Councillor Balsom	39,273	16,781	56,054	9,209
Councillor McGrath	39,274	16,697	55,971	54,745
Councillor Meagher	39,273	13,630	52,903	51,768
Councillor Murphy	39,273	14,260	53,533	8,132
Councillor Peddle	39,273	13,690	52,963	8,703
Ward 2				
Councillor Inglis	39,273	11,553	50,826	8,347
Councillor Voyageur	42,674	10,267	52,941	48,517
Ward 3				
Councillor Lalonde	39,273	13,690	52,963	8,703
Ward 4				
Councillor Stroud	36,101	10,732	46,833	49,727
Former				
Councillor Ault	-	-	-	52,017
Councillor Bussieres	-	-	-	47,948
Councillor Cardinal	-	-	-	49,198
Councillor Chadi	-	-	-	2,947
Councillor Germain	-	29,102	29,102	50,870
Councillor Tatum	-	-	-	49,542
Councillor Vinni	-	-	-	56,322
Chief Administrative Officers				
Current	360,000	64,851	424,851	488,648
Former	-	-	-	499,709
Designated Officers (d)				
Current	408,508	109,255	517,763	293,685
Former	392,543	104,255	496,798	886,639
	\$ 1,687,363	\$ 563,472	\$ 2,250,835	\$ 2,890,822

(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, long and short-term disability plans, accidental disability and dismemberment insurance, 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, honorarium, car, travel and technology allowances.

(d) The Municipality's four designated officers are the Regional Assessor, Chief Legislative Officer, Chief Financial Officer and Director of Planning and Development.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

22. 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 Safety Codes 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, Regional Municipality of Wood Buffalo Library Board and Wood Buffalo Economic Development Corporation.

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

For the Year Ended December 31, 2018

22. Segment disclosures (continued)

	2018									
	Fiscal Services	General Government	Protective Service	Transportation	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Subsidiary Entities	2018 Total
Revenue:										
Net taxes available for municipal purposes	\$ 680,553,583	\$ -	\$ -	\$ 126,819	\$ 202,684	\$ -	\$ -	\$ -	\$ 2,455,519	\$ 683,338,605
Government transfers - operating and capital	-	92,719,837	9,542,854	-	-	2,753,030	-	19,217	29,149,781	134,184,719
Sales and user charges	-	2,653,914	2,549,886	2,085,609	39,936,092	30,105	193,978	664,467	12,846,186	60,960,237
Sales to other governments	-	350	231,039	-	2,378,460	-	-	-	-	2,609,849
Penalties and costs on taxes	4,860,801	191,104	-	-	243,047	-	-	-	(3,989)	5,290,963
Licenses and permits	-	428,801	2,445,886	(40)	(1,520)	-	2,046,081	420	(160)	4,919,468
Fines	-	-	3,560,958	-	-	-	-	-	42,315	3,603,273
Franchise and concession contracts	-	7,875,171	-	-	-	-	-	-	-	7,875,171
Returns on investments	-	22,540,163	(1,419)	66	-	850	-	10,975	1,393,841	23,944,476
Rentals	-	690,958	1,229,039	13,961	-	-	43,065	62,224	17,944,874	19,984,121
Developers' agreements and levies (expenses)	-	21,017,127	-	-	-	-	-	-	-	21,017,127
Contributions of tangible capital assets	-	-	-	4,565,021	1,602,868	-	-	-	-	6,167,889
Other	-	5,727,675	3,087,342	-	-	-	31,932	196,027	5,251,539	14,294,515
Gain on disposal of tangible capital assets	-	10,252,458	-	(3,198,860)	-	-	-	-	293,333	7,346,931
	685,414,384	164,097,558	22,645,585	3,592,576	44,361,631	2,783,985	2,315,056	953,330	69,373,239	995,537,344
Expenses:										
Salaries, wages and benefits	-	62,285,485	51,408,985	40,694,309	31,576,448	3,528,082	10,959,061	17,951,148	35,538,596	253,942,114
Contracted and general services	-	68,268,722	3,775,495	15,958,956	12,450,123	588,623	3,813,506	4,342,597	9,750,770	118,948,792
Purchases from other governments	-	9,364	23,503,354	122,377	-	-	6,244	-	-	23,641,339
Materials, goods, supplies and utilities	-	9,766,768	1,738,581	13,379,154	5,560,744	215,131	326,340	1,405,141	13,795,059	46,186,918
Provision for (recoveries of) allowances	(1,911,041)	(1,593,130)	570,034	-	275,245	-	-	-	90,000	(2,568,892)
Transfers to local boards and agencies	-	-	-	-	-	-	-	71,500	-	71,500
Transfers to (from) individuals and organizations	-	40,000	30,000	-	-	22,666,189	-	4,459,729	(19,022,192)	8,173,726
Bank charges and short-term interest	-	120,809	3,345	(21)	20,047	-	86,071	2,818	225,136	458,205
Interest on long-term debt	-	370,168	531,254	351,328	5,476,490	-	877,901	5,032,597	3,859,344	16,499,082
Other	-	145,260	(15)	50,000	933	-	-	(2)	-	196,176
	(1,911,041)	139,413,446	81,561,033	70,556,103	55,360,030	26,998,025	16,069,123	33,265,528	44,236,713	465,548,960
Annual surplus (deficit), before amortization	687,325,425	24,684,112	(58,915,448)	(66,963,527)	(10,998,399)	(24,214,040)	(13,754,067)	(32,312,198)	25,136,526	529,988,384
Amortization of tangible capital assets	-	5,633,503	5,226,665	40,515,894	38,400,012	-	176,774	21,776,500	8,616,774	120,346,122
Annual surplus (deficit)	\$ 687,325,425	\$ 19,050,609	\$ (64,142,113)	\$ (107,479,421)	\$ (49,398,411)	\$ (24,214,040)	\$ (13,930,841)	\$ (54,088,698)	\$ 16,519,752	\$ 409,642,262

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

22. Segment disclosures (continued)

2017										
(Restated - Note 27)										
	Fiscal Services	General Government	Protective Service	Transportation	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Subsidiary Entities	2017 Total
Revenue:										
Net taxes available for municipal purposes	\$729,738,482	\$ (152)	\$ -	\$ 127,681	\$ 203,810	\$ -	\$ -	\$ -	\$ 329,575	\$ 730,399,396
Government transfers - operating and capital	-	89,793,331	10,689,021	-	-	2,556,719	-	108,783	8,880,642	112,028,496
Sales and user charges	-	13,261,773	4,396,792	1,990,715	39,927,012	181,969	218,453	1,260,884	19,488,363	80,725,961
Sales to other governments	-	-	586,154	-	2,873,624	-	-	-	-	3,459,778
Penalties and costs on taxes	3,574,495	(959,939)	-	-	189,478	-	-	-	(3,590)	2,800,444
Licenses and permits	-	(356,796)	278,284	7,645	957	-	3,042,100	335	(155)	2,972,370
Fines	-	-	4,928,587	-	-	-	-	-	35,301	4,963,888
Franchise and concession contracts	-	7,802,627	-	-	-	-	-	-	-	7,802,627
Returns on investments	-	17,727,600	-	78	-	495	-	10,796	726,027	18,464,996
Rentals	-	770,172	970,311	14,141	-	-	25,730	29,965	17,680,934	19,491,253
Developers' agreements and levies	-	(2,138,881)	-	-	-	-	-	-	-	(2,138,881)
Contributions of tangible capital assets	-	-	-	17,438,734	12,427,883	-	-	-	-	29,866,617
Other	-	1,263,542	283,204	55,164	-	-	-	158,976	4,022,370	5,783,256
	733,312,977	127,163,277	22,132,353	19,634,158	55,622,764	2,739,183	3,286,283	1,569,739	51,159,467	1,016,620,201
Expenses:										
Salaries, wages and benefits	-	70,285,425	56,811,995	44,437,169	32,939,299	3,687,336	12,620,874	16,050,196	35,578,583	272,410,877
Contracted and general services	-	70,046,931	4,318,732	16,489,368	9,270,889	249,307	4,821,755	13,015,842	10,681,715	128,894,539
Purchases from other governments	-	39,291	23,253,681	806,384	-	-	3,262	-	8,824	24,111,442
Materials, goods, supplies and utilities	-	1,780,026	2,410,914	12,495,727	10,153,482	305,068	247,852	2,381,522	12,945,730	42,720,321
Provision for allowances	17,503,129	(491,535)	2,107,929	-	3,069,311	-	-	-	204,851	22,393,685
Transfers to local boards and agencies	-	-	-	-	-	-	-	143,000	-	143,000
Transfers to (from) individuals and organizations	-	85,668	73,150	-	-	26,558,594	-	9,418,601	(18,980,031)	17,155,982
Bank charges and short-term interest	-	151,735	1,682	106	21,579	-	44,310	2,028	247,072	468,512
Interest on long-term debt	-	400,218	581,464	413,458	5,857,911	-	911,492	5,266,788	3,564,037	16,995,368
Other	45,002,590	52,766	-	24	700	-	-	-	-	45,056,080
Valuation losses on real property inventory and mortgages receivable	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Loss (gain) on disposal of tangible capital assets	-	2,222,734	-	-	-	-	-	-	(8,334)	2,214,400
	62,505,719	144,573,259	89,559,547	74,642,236	61,313,171	30,800,305	18,649,545	46,277,977	45,242,447	573,564,206
Annual surplus (deficit), before amortization	670,807,258	(17,409,982)	(67,427,194)	(55,008,078)	(5,690,407)	(28,061,122)	(15,363,262)	(44,708,238)	5,917,020	443,055,995
Amortization of tangible capital assets	-	5,873,984	5,343,427	32,099,574	42,571,714	-	224,111	24,888,034	5,199,277	116,200,121
Annual surplus (deficit)	\$670,807,258	\$ (23,283,966)	\$ (72,770,621)	\$ (87,107,652)	\$ (48,262,121)	\$ (28,061,122)	\$ (15,587,373)	\$ (69,596,272)	\$ 717,743	\$ 326,855,874

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

23. Sales and user charges by segment

	Budget (Note 24)	2018	2017
Council and other legislative	\$ 18,000	\$ 21,960	\$ 16,580
General administration	246,240	2,534,940	13,097,031
Other general government	75,000	97,014	148,162
Police	567,000	745,081	635,300
Fire	142,000	127,365	151,013
Disaster and emergency measures	50,000	105,538	1,986,724
Ambulance and first aid	1,199,000	1,347,173	1,621,908
Bylaw enforcement	-	224,729	1,847
Common and equipment pool	-	87,889	(14,395)
Roads, streets, walks, lighting	179,900	478,956	406,772
Public transport	1,232,000	1,518,764	1,598,338
Water supply and distribution	14,455,500	15,916,653	16,382,030
Wastewater treatment and disposal	11,353,100	11,548,198	12,198,827
Waste management	14,108,000	12,471,241	11,346,155
Family and community support	-	-	177,240
Cemeteries and crematoriums	20,000	30,105	4,729
Land use planning, zoning and development	174,000	193,978	196,041
Public housing operations	84,800	794,716	6,352,645
Land, housing and building rentals	-	-	22,412
Parks and recreation	15,267,939	12,715,937	14,374,776
Culture: libraries, museums, halls	-	-	21,826
Total sales and user charges	\$ 59,172,479	\$ 60,960,237	\$ 80,725,961

24. Budget data

The budget data presented in these consolidated financial statements is based upon the 2018 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	\$ 705,352,467
Capital budget	251,649,356
Subsidiaries' budget	43,902,678
Less:	
Transfers from other funds	141,894,229
Total revenue	859,010,272
Expenses:	
Operating budget	705,352,467
Capital budget	251,649,356
Subsidiaries' budget	43,516,107
Less:	
Transfers to other funds	275,931,947
Capital expenditures	251,649,356
Long-term debt principal payments	17,301,000
Total expenses	455,635,627
Annual surplus	\$ 403,374,645

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

25. 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. 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. The Municipality is subject to interest rate risk arising primarily from fluctuations in rates on its cash, investments and long-term debt.

26. Fire event

Overview

On May 1, 2016, a wildfire began southwest of Fort McMurray, in the Regional Municipality of Wood Buffalo.

Impact on Financial Results

Costs incurred as a result of response or recovery efforts are capitalized or expensed in accordance with the accounting policies in Note 1. Only costs that represent a betterment, enhancement or new asset are capitalized, with repairs and maintenance being expensed.

The wildfire damaged or destroyed Municipal tangible capital assets. In 2018 the Municipality disposed of \$46,400 (2017 - \$34,000) in tangible capital assets due to wildfire damage. While the Municipality has completed a portion of the work to restore conditions to pre-fire, it is expected that recovery efforts will continue into 2019 and beyond.

The Municipality holds various insurance policies with multiple insurance providers which have been and will be used to fund a portion of the response and recovery efforts. The Municipality has received \$45,920,250 from insurance providers since 2016 relating to municipal assets and equipment destroyed or damaged by the wildfire. In 2018 the Municipality received \$9,577,400 (2017 - \$4,737,415) from insurance providers.

The Municipality applied and was approved for relief under the Province of Alberta's Alberta Emergency Agency's Disaster Recovery Assistance program (DRP). Advances totalling \$148,676,369 have been received from DRP since 2016 to assist in paying for financial commitments resulting from expenses incurred during and after the wildfire with \$nil (2017 - \$61,176,369) received in 2018. The DRP recovery efforts are forecast to be finished by 2021.

The following amounts recorded in the statement of operations and statement of financial position related to the wildfire of 2016 are as follows:

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

26. Fire event (continued)

	2018	2017
Financial assets		
Restricted cash	\$ -	\$ 801,100
Trade and other receivables	45,479,490	19,560,678
	45,479,490	19,560,678
Liabilities		
Accounts payable and accrued liabilities	395,656	1,005,335
Deferred revenue	684,059	3,748,316
	1,079,715	4,753,651
Net financial assets	44,399,775	14,807,027
Revenue:		
Government transfers for operating	27,673,480	39,131,293
Sales and user charges	3,682,427	11,725,871
Other revenue	2,833,933	718,258
Gain on disposal of tangible capital assets	7,563,258	-
	41,753,098	51,575,422
Expenses:		
General administration	23,526,438	41,638,397
Public housing operations	(9,823)	1,318,028
Parks and recreation	-	17,130
	23,516,615	42,973,555
Annual surplus	\$ 18,236,483	\$ 8,601,867

The wildfire impact on Expenses by Object (Note 18) consists of:

	2018	2017
Salaries, wages and benefits	\$ 1,882,951	\$ 2,719,916
Contracted and general services	21,762,881	40,486,324
Materials, goods, supplies and utilities	(127,867)	(200,035)
Other	(1,350)	1,350
Loss on disposal	-	(34,000)
Total expenses	\$ 23,516,615	\$ 42,973,555

Measurement Uncertainty

The impact of the wildfire was subject to a high degree of estimation and judgement, particularly as it relates to the estimation of future expenditures and impairment of assets. The Municipality has used the best information at the time in all measurements and estimations related to the wildfire and those estimates may not materialize and the final results and adjustments to these estimates will be reflected in future financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2018

27. Restatement of prior year

A contribution of tangible capital assets was not reported in 2017. As a result, tangible capital assets and accumulated surplus - capital in the consolidated statement of financial position, and contributions of tangible capital assets and amortization expense in the consolidated statement of operations, were understated in the December 31, 2017 consolidated financial statements. The notes to the consolidated financial statement have been adjusted accordingly. The impact of the correction of the error on the 2017 consolidated financial statements is as follows:

Consolidated Statement of Financial Position	2017 Balances		
	As Reported	Adjustment	Restated
Non-financial assets			
Tangible capital assets	\$ 4,065,556,907	\$ 23,831,621	\$4,089,388,528
Accumulated surplus			
Capital	4,287,759,565	23,831,621	4,311,591,186
Consolidated Statement of Operations			
Expenses:			
Roads, streets, walks, lighting*	47,954,088	197,235	48,151,323
Storm sewers and drainage*	3,898,697	22,416	3,921,113
Water supply and distribution*	67,772,034	24,265	67,796,299
Wastewater treatment and disposal*	19,639,066	92,474	19,731,540
	139,263,885	336,390	139,600,275
Other:			
Contribution of tangible capital assets**	5,698,606	24,168,011	29,866,617
Impact on annual surplus	\$ (133,565,279)	\$ 23,831,621	\$ (109,733,658)

* changes reflected in amortization expense in note 18

** changes reflected in the transportation and environmental use and protection sections in note 22

28. Approval of financial statements

These financial statements were presented and approved by Council on April 9, 2019.