

Consolidated Financial Statements of

**REGIONAL MUNICIPALITY
OF WOOD BUFFALO**

Year ended December 31, 2019

Consolidated Financial Statements of
REGIONAL MUNICIPALITY OF WOOD BUFFALO

Year ended December 31, 2019

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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

Jamie Doyle
Chief Administrative Officer

May 27, 2020

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements Opinion

We have audited the consolidated financial statements of the Regional Municipality of Wood Buffalo (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2019, 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 ("PSAS")

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
May 27, 2020

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Financial Position

December 31, 2019

| | 2019 | 2018 |
|--|------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 378,684,579 | \$ 112,728,560 |
| Restricted cash (Note 2) | 15,675,259 | 15,004,737 |
| Taxes and grants in lieu receivable (Note 3) | 9,372,072 | 10,122,011 |
| Trade and other receivables (Note 4) | 23,065,520 | 73,555,495 |
| Inventories held for resale (Note 5) | 541,325 | 1,590,805 |
| Investments (Note 6) | 862,450,159 | 1,153,164,748 |
| Mortgages and notes receivable (Note 7) | 6,359,124 | 6,976,641 |
| | 1,296,148,038 | 1,373,142,997 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 83,436,115 | 72,742,348 |
| Deposit liabilities | 8,521,092 | 8,576,948 |
| Deferred revenue (Note 8) | 74,134,911 | 91,102,365 |
| Employee benefit obligations (Note 9) | 17,349,635 | 18,351,315 |
| Contaminated sites liability (Note 10) | 1,928,561 | 1,839,866 |
| Provision for landfill closure and post-closure obligation (Note 11) | 17,423,662 | 13,974,378 |
| Long-term debt (Note 12) | 76,286,233 | 345,336,599 |
| | 279,080,209 | 551,923,819 |
| Net financial assets | 1,017,067,829 | 821,219,178 |
| Non-financial assets | | |
| Tangible capital assets (Note 14) | 4,302,598,396 | 4,216,459,520 |
| Consumable inventories | 5,704,278 | 4,159,215 |
| Prepaid expenses | 4,603,393 | 4,680,715 |
| | 4,312,906,067 | 4,225,299,450 |
| Accumulated surplus (Note 15) | \$ 5,329,973,896 | \$ 5,046,518,628 |

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, 2019

| | Budget | 2019 | 2018 |
|--|------------------|------------------|------------------|
| | (Note 24) | | |
| Revenue: | | | |
| Net taxes available for municipal purposes (Note 16) | \$ 643,707,700 | \$ 657,278,601 | \$ 683,338,605 |
| Government transfers for operating (Note 17) | 22,413,555 | 44,180,489 | 50,943,150 |
| Sales and user charges (Note 23) | 61,435,792 | 63,817,902 | 60,960,237 |
| Sales to other governments | 2,441,500 | 3,193,453 | 2,609,849 |
| Penalties and costs on taxes | 4,182,000 | 4,372,602 | 5,290,963 |
| Licenses and permits | 2,193,108 | 2,018,676 | 4,919,468 |
| Fines | 3,099,745 | 2,647,260 | 3,603,273 |
| Franchise and concession contracts | 8,300,000 | 8,184,926 | 7,875,171 |
| Returns on investments | 24,156,826 | 31,342,868 | 23,944,476 |
| Rentals | 18,785,211 | 19,614,508 | 19,984,121 |
| Developers' agreements and levies | - | 2,691,857 | 21,017,127 |
| Other | 5,028,117 | 7,553,667 | 14,294,515 |
| Gain on disposal of tangible capital assets | - | 963,590 | 7,346,931 |
| | 795,743,554 | 847,860,399 | 906,127,886 |
| Expenses (Note 18): | | | |
| Council and other legislative | 1,555,361 | 1,283,948 | 1,054,658 |
| General administration | 75,805,529 | 132,778,825 | 96,840,030 |
| Other general government | 36,786,571 | 34,984,313 | 45,422,872 |
| Police | 35,627,606 | 34,508,288 | 35,584,449 |
| Fire | 29,343,567 | 32,315,684 | 32,522,008 |
| Disaster and emergency measures | 847,245 | 690,677 | 1,443,045 |
| Ambulance and first aid | 9,356,628 | 11,041,296 | 8,322,175 |
| Bylaws enforcement | 8,899,054 | 6,480,401 | 8,913,344 |
| Common and equipment pool | 22,085,848 | 23,403,506 | 24,086,672 |
| Roads, streets, walks, lighting | 30,743,545 | 58,479,680 | 53,805,227 |
| Public transport | 19,347,585 | 28,861,839 | 29,460,935 |
| Storm sewers and drainage | 436,749 | 4,102,136 | 3,718,164 |
| Water supply and distribution | 20,234,766 | 42,476,013 | 41,205,462 |
| Wastewater treatment and disposal | 16,648,257 | 36,787,714 | 36,606,600 |
| Waste management | 14,721,818 | 18,735,066 | 15,947,981 |
| Family and community support | 8,297,446 | 9,173,599 | 10,648,221 |
| Cemeteries and crematoriums | 399,188 | 427,238 | 851,135 |
| Land use planning, zoning and development | 12,736,996 | 10,561,638 | 11,431,675 |
| Public housing operations | 22,771,344 | 32,618,483 | 33,068,050 |
| Land, housing and building rentals | 3,984,488 | 4,321,265 | 4,811,075 |
| Recreation boards | 50,000 | 34,751 | 40,777 |
| Parks and recreation | 65,352,911 | 99,518,727 | 84,310,172 |
| Culture: libraries, museums, halls | 5,421,485 | 6,103,868 | 5,800,355 |
| | 441,453,987 | 629,688,955 | 585,895,082 |
| Annual surplus before other | 354,289,567 | 218,171,444 | 320,232,804 |
| Other: | | | |
| Contributions of tangible capital assets | - | 3,102,354 | 6,167,889 |
| Government transfers for capital (Note 17) | 28,583,333 | 62,181,470 | 83,241,569 |
| Annual surplus | 382,872,900 | 283,455,268 | 409,642,262 |
| Accumulated surplus, beginning of year | 5,046,518,628 | 5,046,518,628 | 4,636,876,366 |
| Accumulated surplus, end of year | \$ 5,429,391,528 | \$ 5,329,973,896 | \$ 5,046,518,628 |

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, 2019

| | Budget | 2019 | 2018 |
|---|----------------|------------------|----------------|
| | (Note 24) | | |
| Annual surplus | \$ 382,872,900 | \$ 283,455,268 | \$ 409,642,262 |
| Acquisition of tangible capital assets | (256,680,449) | (207,232,735) | (159,456,809) |
| Contributions of tangible capital assets | - | (3,102,354) | (6,167,889) |
| Gain on disposal of tangible capital assets | - | (963,590) | (7,346,931) |
| Amortization of tangible capital assets | - | 124,099,235 | 120,346,122 |
| Proceeds on disposal of tangible capital assets | - | 1,060,568 | 8,787,641 |
| | 126,192,451 | 197,316,392 | 365,804,396 |
| (Acquisition) use of consumable inventories | - | (1,545,063) | 1,720,604 |
| Use (acquisition) of prepaid expenses | - | 77,322 | (1,154,259) |
| | - | (1,467,741) | 566,345 |
| Increase in net financial assets | 126,192,451 | 195,848,651 | 366,370,741 |
| Net financial assets, beginning of year | 821,219,178 | 821,219,178 | 454,848,437 |
| Net financial assets, end of year | \$ 947,411,629 | \$ 1,017,067,829 | \$ 821,219,178 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Cash Flows

For the Year Ended December 31, 2019

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Annual surplus | \$ 283,455,268 | \$ 409,642,262 |
| Non-cash items included in annual surplus | | |
| Amortization of tangible capital assets | 124,099,235 | 120,346,122 |
| Gain on disposal of tangible capital assets | (963,590) | (7,346,931) |
| Contributions of tangible capital assets | (3,102,354) | (6,167,889) |
| Valuation adjustment to mortgages and notes receivable | 295,445 | - |
| Change in non-cash assets and liabilities: | | |
| Taxes and grants in lieu receivable | 749,939 | (2,898,519) |
| Trade and other receivables | 50,489,975 | (18,569,596) |
| Inventories held for resale | 1,049,480 | 1,599,076 |
| Consumable inventories | (1,545,063) | 1,720,604 |
| Prepaid expenses | 77,322 | (1,154,259) |
| Accounts payable and accrued liabilities | 10,693,767 | (25,807,236) |
| Deposit liabilities | (55,856) | 213,648 |
| Deferred revenue | (16,967,454) | (48,585,153) |
| Employee benefit obligations | (1,001,680) | 149,959 |
| Contaminated sites liability | 88,695 | 1,187,126 |
| Provision for landfill closure and post-closure costs | 3,449,284 | 735,621 |
| Cash provided by operating transactions | 450,812,413 | 425,064,835 |
| Capital: | | |
| Proceeds on disposal of tangible capital assets | 1,060,568 | 8,787,641 |
| Acquisition of tangible capital assets | (207,232,735) | (159,456,809) |
| Cash applied to capital transactions | (206,172,167) | (150,669,168) |
| Investing: | | |
| Decrease in mortgages and notes receivable | 322,072 | 47,756 |
| (Increase) decrease in restricted cash | (670,522) | 19,324,158 |
| Decrease (increase) in investments | 290,714,589 | (187,235,984) |
| Cash applied to investing transactions | 290,366,139 | (167,864,070) |
| Financing: | | |
| Long-term debt repaid | (269,050,366) | (39,999,567) |
| Cash applied to financing transactions | (269,050,366) | (39,999,567) |
| Change in cash and cash equivalents during the year | 265,956,019 | 66,532,030 |
| Cash and cash equivalents, beginning of year | 112,728,560 | 46,196,530 |
| Cash and cash equivalents, end of year | \$ 378,684,579 | \$ 112,728,560 |

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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.

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, 2019

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, 2019

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:

| <u>Asset</u> | <u>Useful Life - Years</u> |
|----------------------------|----------------------------|
| 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, 2019

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, Code of Practice for Landfill Operations in Alberta*, and the *Standards for Landfills 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, 2019

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) 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.

The Municipality has reviewed and adopted this new standard in fiscal 2019. 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 Instruments (PS3450), Foreign Currency Translation (PS2601) and Portfolio Investments (PS3041) must be implemented at the same time.

(i) Financial Statement Presentation

PS1201 Financial Statement Presentation requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising 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, 2021.

(ii) Foreign Currency Translation

PSAB issued PS2601 Foreign Currency Translation, replacing the current PS2600 applicable for fiscal years beginning on or after April 1, 2021. 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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant accounting policies (continued)

(n) Recent Accounting Standard Pronouncements (continued)

(iii) Financial Instruments

PS3450 Financial Instruments applicable for fiscal years beginning on or after April 1, 2021 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.

(iv) 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, 2021.

(v) 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 \$15,675,259 (2018 - \$15,004,737).

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

| | 2019 | 2018 |
|--------------------------------------|---------------|---------------|
| Current | \$ 11,677,672 | \$ 7,206,128 |
| Arrears** | 15,079,043 | 13,306,157 |
| | 26,756,715 | 20,512,285 |
| Less allowance for doubtful accounts | 17,384,643 | 10,390,274 |
| | \$ 9,372,072 | \$ 10,122,011 |

** 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, 2019

4. Trade and other receivables

| | 2019 | 2018 |
|----------------------|----------------------|----------------------|
| Government transfers | \$ 5,934,157 | \$ 44,449,958 |
| GST recoverable | 3,732,335 | 1,664,023 |
| Utility receivables | 5,420,429 | 5,415,301 |
| Developer charges | - | 2,200,000 |
| Trade receivables | 7,978,599 | 19,826,213 |
| | <u>\$ 23,065,520</u> | <u>\$ 73,555,495</u> |

Trade and other receivables include allowance for doubtful accounts of \$6,280,553 (2018 - \$9,344,529).

5. Inventories held for resale

| | 2019 | 2018 |
|---|-------------------|---------------------|
| Inventories held for resale | \$ 271,491 | \$ 265,563 |
| Property inventory held under equity and affordability programs | 269,834 | 1,325,242 |
| | <u>\$ 541,325</u> | <u>\$ 1,590,805</u> |

The Municipality holds property inventory for sale under its equity and affordability programs. During the year, the Municipality sold six properties (2018 - five properties), leaving two properties in inventory for sale under its equity and affordability programs at the end of the year.

6. Investments

| | 2019 | | 2018 | |
|--|-----------------------|-----------------------|-------------------------|-------------------------|
| | Amortized Cost | Market Value | Amortized Cost | Market Value |
| Cash | \$ 12,528,905 | \$ 12,528,905 | \$ 1,775,430 | \$ 1,775,430 |
| Bankers acceptances, notes and bonds | 4,035,541 | 4,044,908 | 2,743,569 | 2,747,482 |
| Government bonds, government guaranteed bonds and guaranteed investment certificates | 550,014,664 | 551,654,342 | 837,161,107 | 839,284,028 |
| Corporate bonds, debentures and mutual funds | 291,282,318 | 293,231,446 | 301,989,159 | 296,325,040 |
| Accrued interest | 4,588,731 | 4,588,731 | 9,495,483 | 9,495,483 |
| | <u>\$ 862,450,159</u> | <u>\$ 866,048,332</u> | <u>\$ 1,153,164,748</u> | <u>\$ 1,149,627,463</u> |

Bankers acceptances, notes and bonds, bearing interest rates from 1.64% to 1.66% (2018 - 1.63% to 1.69%)

Government bonds, government guaranteed bonds and guaranteed investment certificates, bearing interest at stated interest rates from 1.15% to 5.60% (2018 - 0.75% to 5.60%).

Corporate bonds, debentures and mutual funds, bearing interest at stated interest rates from 1.59% to 4.93% (2018 - 1.40% to 4.937%).

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 2019 and 2018.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

7. Mortgages and notes receivable

| | 2019 | 2018 |
|--|---------------------|---------------------|
| 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. (face value - \$5,921,012 (2018 - \$6,293,313)) | \$ 2,289,887 | \$ 2,642,515 |
| 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. (face value - \$4,803,426 (2018 - \$4,990,555)) | 1,970,905 | 2,193,099 |
| Demand promissory notes receivable, bearing interest at 6% per annum, with total payments including principal and interest ranging from \$153 to \$449 per month, representing a 25-year amortization period, secured by land and buildings in Conklin and Janvier. (face value - \$108,264 (2018 - \$113,329)) | 88,265 | 89,449 |
| Demand second mortgages receivable, non-interest bearing, with total payments and forgiveness ranging from \$121 to \$240 per month, representing a 25-year amortization period, secured by land and buildings in Conklin and Janvier. (face value - \$226,359 (2018 - \$232,001)) | 185,340 | 183,577 |
| Net investment in a long-term lease arrangement. | 1,824,727 | 1,868,001 |
| | <u>\$ 6,359,124</u> | <u>\$ 6,976,641</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 \$295,444 (\$2018 - \$nil).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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.

| | 2018 | Externally restricted inflows (outflows) | Revenue (recognized) reallocated | 2019 |
|--|---------------|---|--|---------------|
| <u>Government transfers</u> | | | | |
| Operating: | | | | |
| Community Housing Plan (a) | \$ 1,837,988 | \$ 3,536,489 | \$ (5,373,830) | \$ 647 |
| Rent Supplement Program (b) | 1,225,059 | 4,824,489 | (4,657,045) | 1,392,503 |
| Sustainable Remote Housing Grant | 71,640 | - | (5,040) | 66,600 |
| Emergency Services Grants (c) | 64,864 | (404) | (37,471) | 26,989 |
| Royal Canadian Mounted Police Grants (d) | 341,304 | 1,526,076 | (1,096,224) | 771,156 |
| Community and Regional Economic Support Grant (e) | 95,000 | - | (95,000) | - |
| FireSmart Grant (f) | 3,421,233 | - | (2,182,897) | 1,238,336 |
| Victims of Crime Grant (g) | 10,631 | 395,369 | (406,000) | - |
| Community Inclusion Grant | 2,673 | - | (2,673) | - |
| Coalitions Creating Equity Grant | 24,897 | 61,500 | (67,189) | 19,208 |
| Labour Market Partnership Grant | 51,000 | 510 | (51,510) | - |
| Access and Equity Grant | - | 10,000 | - | 10,000 |
| Other Grants (h) | 848,558 | 1,814,869 | (2,125,203) | 538,224 |
| | 7,994,847 | 12,168,898 | (16,100,082) | 4,063,663 |
| Capital: | | | | |
| Community Development Plan (i) | 10,518,387 | - | (10,518,387) | - |
| Municipal Sustainability Initiative Grant (j) | 13,709,573 | 16,985,484 | (22,243,409) | 8,451,648 |
| Federal Gas Tax Fund Grant (k) | 6,477,990 | 12,702,908 | (10,627,871) | 8,553,027 |
| Alberta Affordable Housing Initiative (l) | 802,368 | 22,337 | - | 824,705 |
| 911 Grant (m) | 733,300 | 504,913 | (258,929) | 979,284 |
| South Policing Facility Grant (n) | 1,193,846 | - | (5,000) | 1,188,846 |
| FireSmart Grant - Emergency Response Systems (o) | 1,933,340 | 14,955 | (714,406) | 1,233,889 |
| Strategic Transportation Infrastructure Program Grant (p) | 394,111 | 577 | (333,113) | 61,575 |
| Green Transit Incentives Program Grants (q) | - | 17,402,516 | (16,472,815) | 929,701 |
| Alberta Community Resilience Program Grant (r) | - | 6,596,157 | - | 6,596,157 |
| | 35,762,915 | 54,229,847 | (61,173,930) | 28,818,832 |
| | 43,757,762 | 66,398,745 | (77,274,012) | 32,882,495 |
| <u>Other</u> | | | | |
| Rights Holder Agreements (s) | 1,099,200 | - | (84,800) | 1,014,400 |
| Deferred Property Taxes | 25,183,426 | 23,141,502 | (25,183,426) | 23,141,502 |
| Deferred Offsite Levies and Developer Charges (t) | 5,345,242 | 84,545 | (2,691,858) | 2,737,929 |
| Deferred Developer Agreements (u) | 3,320,398 | - | - | 3,320,398 |
| Canadian Red Cross - Recovery Gift Agreement (v) | 997,815 | 4,000,000 | (2,954,643) | 2,043,172 |
| Canadian Red Cross - Disaster Response Service Agreement (w) | 425,837 | - | (295,008) | 130,829 |
| Insurance Proceeds - Wildfire Event (x) | 684,059 | - | (616,809) | 67,250 |
| Lifetime golf and fitness memberships | 854,508 | 2,907,466 | (3,172,371) | 589,603 |
| Other | 9,434,118 | 2,075,646 | (3,302,431) | 8,207,333 |
| | 47,344,603 | 32,209,159 | (38,301,346) | 41,252,416 |
| | \$ 91,102,365 | \$ 98,607,904 | \$ (115,575,358) | \$ 74,134,911 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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) *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 2019, the Municipality received grant funding of \$4,824,489 (2018 - \$4,694,223).

(c) *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 2019, the Municipality refunded \$404 (2018 - \$500,640 received).

(d) *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 2019, the Municipality received \$1,526,076 (2018 - \$1,365,216).

(e) *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 2019 the Municipality received \$nil (2018 - \$95,000).

(f) *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 2019, the Municipality received \$nil (2018 - \$6,000,000).

(g) *Victims of Crime Grant*

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 2019, the Municipality received \$395,369 (2018 - \$261,962).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Deferred revenue (continued)

Operating government transfers (continued)

(h) *Other operating grants include various government grants including:*

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 2019, the Municipality received grant funding of \$1,292,169 (2018 - \$1,550,603).

Capital government transfers

(i) *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 2019, the Municipality recognized \$10,518,388 of grant funds (2018 - \$1,610).

(j) *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 2019, the Municipality received \$16,910,007 (2018 - \$40,516,420) and allocated interest on the unspent grant in the amount of \$75,477 (2018 - \$339,138).

(k) *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 2019, the Municipality received \$12,620,692 (2018 - \$6,324,684) and allocated interest on the unspent grant in the amount of \$82,216 (2018 - \$47,637).

(l) *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 2019, the Municipality allocated interest on the unspent grants in the amount of \$22,337 (2018 - \$17,923).

(m) *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 2019, the Municipality received \$496,125 (2018 - \$nil) and allocated interest on the unspent grant in the amount of \$8,788 (2018 - \$3,356).

(n) *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. The remaining balance will be recognized as rental revenue over the term of the South Policing Facility lease.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Deferred revenue (continued)

Capital government transfers (continued)

(o) *FireSmart Grant – Emergency Response 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 FireSmart Interpretive Trail and to migrate existing emergency communication systems to Alberta First Responders Radio Communication System (AFRRCS). In 2019, the Municipality received \$nil (2018 - \$1,000,000) and allocated interest on the unspent grant in the amount of \$14,955 (2018 - \$6,440).

(p) *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 2019, the Municipality received \$nil (2018 - \$460,000) and allocated interest on the unspent grant in the amount of \$577 (2018 - \$1,949).

(q) *Green Transit Incentive Program Grants*

The Municipality entered into cost-sharing agreements with Alberta Transportation to undertake the construction of a transit maintenance facility and two bus bay turnouts as well as the purchase of 34 low floor buses, whereby the Province of Alberta provides 66.7% of eligible costs. In 2019, the Municipality received \$17,324,195 (2018 - \$649,996) and allocated interest on the unspent grant in the amount of \$78,321 (2018 - \$nil).

(r) *Alberta Community Resilience Program Grant*

The Municipality entered into an agreement with Alberta Environment and Parks for funding under the Alberta Community Resilience Program to undertake flood mitigation work in the region. In 2019, the Municipality received \$6,590,000 (2018 - \$nil) and allocated interest on the unspent grant in the amount of \$6,157 (2018 - \$nil)

Other

(s) *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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Deferred revenue (continued)

Other (continued)

(t) 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 2019, the Municipality received \$54,875 (2018 - \$525,375) in levies and charges and allocated interest on the unspent levies and charges of \$29,670 (2018 - \$285,990).

(u) Deferred Developer Agreements

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

(v) 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 2019, the Municipality received \$4,000,000 (2018 - \$nil).

(w) 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 2019, the Municipality received \$nil (2018 - \$496,236).

(x) Insurance Proceeds – Wildfire Event

In 2018, the Municipality negotiated with its insurance providers to finalize the insurance settlement. During 2019, the Municipality received \$nil (2018 - \$9,531,000).

9. Employee benefit obligations

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Accrued vacation pay and overtime bank | \$ 7,887,246 | \$ 6,924,470 |
| Accrued salary and benefits | 9,462,389 | 11,426,845 |
| | <u>\$ 17,349,635</u> | <u>\$ 18,351,315</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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

9. Employee benefit obligations (continued)

(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 9.39% (2018 - 10.39%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 13.84% (2018 - 14.84%) for the excess. Employees of the Municipality are required to make current service contributions of 8.39% (2018 - 9.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2018 - 13.84%) 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 2019 are \$16,202,490 (2018 - \$17,543,952). Total current service contributions by the employees of the Municipality to the LAPP in 2019 are \$14,883,621 (2018 - \$16,143,539).

The LAPP reported a surplus for the overall plan as at December 31, 2018 of \$3,469,347,000 (2017 - \$4,835,515,000). Information as at December 31, 2019 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 192 (2018 - 180) 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 \$151,278 (2018 - \$147,222) per employee per year.

Total current service contributions by the Municipality to APEX in 2019 were \$805,866 (2018 - \$753,716). Total current service contributions by the employees of the Municipality were \$605,450 (2018 - \$566,214).

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

(d) Other employee benefit plans

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

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

9. Employee benefit obligations (continued)

(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. This program was discontinued as of 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, 2019, \$1,362,500 (2018 - \$1,501,200) is accrued within these consolidated financial statements relating to this program. During 2019, the Municipality paid out \$3,691,000 (2018 - \$5,851,750) for this program. There are 231 (2018 - 255) employees eligible, approved and participating in the program with an aggregate secured property value of \$140,095,233 (2018 - \$154,368,625) based on assessed values.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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, 2019.

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:

| | 2019 | 2018 |
|--|-------------|--------------|
| Accrued benefit obligation | | |
| Balance, beginning of year | \$ 808,934 | \$ 916,394 |
| Current service and interest cost (recovery) | 179,741 | (107,460) |
| Balance, end of year | 988,675 | 808,934 |
| Assets held to fund liability | 1,113,685 | 683,654 |
| Net assets (liabilities) | \$ 125,010 | \$ (125,280) |

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

| | 2019 | 2018 |
|---|-------------|-------------|
| Inflation | 2.25% | 2.25% |
| Wages and salaries escalations | 2.75% | 3.50% |
| Interest (discount rate on accrued benefit obligations) | 4.60% | 4.75% |
| Average municipal service (years) | 3.0 | 2.3 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

10. Contaminated sites liability

The Municipality recorded a contaminated sites liability for 2019 of \$1,928,561 (2018 - \$1,839,866) which represents the present value of reclamation costs to the Municipality, using annual rates of 2.10% (2018 – 1.70%) for inflation and discount rates of 2.69% (2018 – 3.34%) for remediation costs and 1.76% (2018 – 2.13%) for any related pre-remediation or monitoring costs. The following represents the contaminated sites liability breakdown by site at December 31st.

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Sites: | | |
| Conklin - former airstrip | \$ 496,025 | \$ 480,620 |
| Conklin - former storage site | 103,301 | 101,211 |
| Fort Chipewyan - historic unofficial landfill | 58,904 | 57,909 |
| Fort McMurray - former tow yard | 1,270,331 | 1,200,126 |
| Net present value of estimated expenditures | \$ 1,928,561 | \$ 1,839,866 |

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 \$1,962,962 (2018 - \$1,962,962) 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, 2019

11. Landfill closure and post-closure obligation

The obligation recorded at December 31, 2019 for the landfill closure and post closure is \$17,423,662 (2018 - \$13,974,378) and represents the present value of closure and post-closure costs of the Municipality landfill sites, using annual rates of 2.10% (2018 – 1.70%) for inflation and discount rates of 1.76% (2018 – 2.13%) for post-closure and 2.69% (2018 – 3.34%) 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 2019 there are four closed and two partially_-closed landfill sites within the Regional Municipality of Wood Buffalo.

The Fort McMurray Regional landfill and the Fort Chipewyan landfill are the only operational landfill sites within the Municipality. The Fort McMurray Regional landfill consists of four cells. Cell 4 is fully constructed and available as additional capacity up until cells 1 to 3 are closed, at which point, cell 4 will be in full operation, and the only active cell.

| 2019 | | | | |
|-----------------------------------|-------------|------------|--------|-----------------------------------|
| Capacity utilization | Total Cells | Cells Used | % Used | Estimated remaining life in years |
| Fort McMurray - Regional landfill | 4 | 2.1 | 53% | 8 |
| Fort Chipewyan | 1 | 0.4 | 41% | 15 |

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 four closed and two partially_-closed landfill sites within the Regional Municipality of Wood Buffalo:

| | 2019 | 2018 |
|---|---------------|---------------|
| Estimated closure costs | \$ 22,317,418 | \$ 19,654,487 |
| Estimated post-closure costs | 292,532 | 408,244 |
| Estimated total liability (100% utilized) | 22,609,950 | 20,062,731 |
| Accrued liability portion (current utilization) | 17,423,662 | 13,974,378 |
| Portion of liability remaining to be recognized | \$ 5,186,288 | \$ 6,088,353 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

12. Long-term debt

| | 2019 | 2018 |
|--|---------------|----------------|
| Municipal debt: | | |
| Debentures supported by general tax levies (a) | \$ - | \$ 162,686,383 |
| Debentures supported by utility rates (a) | - | 102,735,023 |
| | | 265,421,406 |
| Controlled organizations debt: | | |
| Long-term debt (b) | 76,286,233 | 79,915,193 |
| | 76,286,233 | 79,915,193 |
| | \$ 76,286,233 | \$ 345,336,599 |

a) *Municipal debt*

Debentures supported by general tax levies and utility rates were fully repaid during the year.

Interest on long-term debt in 2019 amounted to \$11,840,000 (2018 - \$12,639,738).

Controlled organizations debt

(b) *Long-term debt*

Long-term debt is comprised of commercial mortgages with weighted average interest rate of 3.2%, (2018 - 3.1%), 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 \$191,891,681 (2018 - \$197,032,570).

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 |
|------------|-----------------------|----------------------|-------------------|----------------------------------|
| 2020 | \$ 3,744,305 | \$ 2,351,641 | \$ 6,095,946 | \$ 16,216,870 |
| 2021 | 3,863,441 | 2,232,505 | 6,095,946 | - |
| 2022 | 3,986,494 | 2,109,452 | 6,095,946 | 8,655,390 |
| 2023 | 4,113,598 | 1,982,348 | 6,095,946 | 11,829,939 |
| 2024 | 4,244,890 | 1,851,056 | 6,095,946 | - |
| Thereafter | 56,333,505 | 13,519,097 | 69,852,602 | 18,935,445 |
| | \$ 76,286,233 | \$ 24,046,099 | \$ 100,332,332 | \$ 55,637,644 |

Interest on long-term debt in 2019 amounted to \$2,456,998 (2018 - \$3,859,344).

During the year, the Municipality used \$5,040 (2018 - \$19,600,000) 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 a general assignment of rents, leases and sales proceeds, deposits and all other payments on the housing projects.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

12. Long-term debt (continued)

(b) *Long-term debt (continued)*

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.

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

| | 2019 | 2018 |
|--------------------------------------|------------------|------------------|
| Maximum allowable debt | \$ 1,598,275,880 | \$ 1,731,027,690 |
| Total municipal debt | - | 265,421,406 |
| Amount of total debt limit available | \$ 1,598,275,880 | \$ 1,465,606,284 |
| Percentage used | 0.00% | 15.33% |

Debt service limit

| | 2019 | 2018 |
|--|----------------|----------------|
| Maximum allowable debt service | \$ 279,698,279 | \$ 302,929,846 |
| Annual payments on existing municipal debt | - | 29,457,835 |
| Amount of service on debt limit available | \$ 279,698,279 | \$ 273,472,011 |
| Percentage used | 0.00% | 9.72% |

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, 2019

14. Tangible capital assets

| | Land | Land Improvements | Buildings and Improvements | Engineered Structures | Machinery and Equipment | Vehicles | Assets Under Construction | 2019 | 2018 |
|--|----------------|-------------------|----------------------------|-----------------------|-------------------------|---------------|---------------------------|------------------|------------------|
| COST: | | | | | | | | | |
| <i>Balance, beginning of year</i> | \$ 416,697,693 | \$ 309,851,549 | \$ 987,507,658 | \$ 2,782,829,677 | \$ 149,302,259 | \$ 85,319,071 | \$ 519,719,216 | \$ 5,251,227,123 | \$ 5,101,032,216 |
| Acquisition of tangible capital assets | 3,791,150 | 15,527,855 | 28,714,824 | 117,913,989 | 6,289,950 | 6,225,590 | 31,871,731 | 210,335,089 | 165,624,698 |
| Disposal of tangible capital assets | (4,974) | (299,084) | - | - | (598,652) | (3,623,066) | - | (4,525,776) | (15,429,791) |
| <i>Balance, end of year</i> | \$ 420,483,869 | \$ 325,080,320 | \$ 1,016,222,482 | \$ 2,900,743,666 | \$ 154,993,557 | \$ 87,921,595 | \$ 551,590,947 | \$ 5,457,036,436 | \$ 5,251,227,123 |
| ACCUMULATED AMORTIZATION: | | | | | | | | | |
| <i>Balance, beginning of year</i> | \$ - | \$ 85,256,196 | \$ 176,814,076 | \$ 633,751,965 | \$ 85,196,846 | \$ 53,748,520 | \$ - | \$ 1,034,767,603 | \$ 928,410,562 |
| Annual amortization | - | 17,530,304 | 25,340,503 | 63,597,322 | 11,866,396 | 5,764,710 | - | 124,099,235 | 120,346,122 |
| Accumulated amortization on disposals | - | (287,121) | - | - | (518,611) | (3,623,066) | - | (4,428,798) | (13,989,081) |
| <i>Balance, end of year</i> | \$ - | \$ 102,499,379 | \$ 202,154,579 | \$ 697,349,287 | \$ 96,544,631 | \$ 55,890,164 | \$ - | \$ 1,154,438,040 | \$ 1,034,767,603 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 420,483,869 | \$ 222,580,941 | \$ 814,067,903 | \$ 2,203,394,379 | \$ 58,448,926 | \$ 32,031,431 | \$ 551,590,947 | \$ 4,302,598,396 | \$ 4,216,459,520 |
| 2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 416,697,693 | \$ 224,595,353 | \$ 810,693,582 | \$ 2,149,077,712 | \$ 64,105,413 | \$ 31,570,551 | \$ 519,719,216 | \$ 4,216,459,520 | |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

14. Tangible capital assets (continued)

a) *Assets under construction*

Assets under construction having a value of \$551,590,947 (2018 - \$519,719,216) 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 \$3,102,354 (2018 - \$6,167,889).

Contributed tangible capital assets received consists of:

| | 2019 | 2018 |
|-------------------|---------------------|---------------------|
| Roadway System | \$ 1,792,193 | \$ 3,198,574 |
| Water System | 384,420 | 848,961 |
| Wastewater System | 479,299 | 753,907 |
| Storm System | 446,442 | 1,291,447 |
| Land Improvements | - | 75,000 |
| | \$ 3,102,354 | \$ 6,167,889 |

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, 2019

15. Accumulated surplus

| | 2019 | 2018 |
|---|-------------------------|-------------------------|
| Operations: | | |
| Operating reserves: | | |
| General administration | \$ 316,150,213 | \$ 335,557,651 |
| Common services | 142,575 | 142,575 |
| Recreation | 700,395 | 931,103 |
| Urban parks | 289,775 | 289,775 |
| Wood Buffalo Economic Development Corporation | 7,579,608 | (246,275) |
| Regional Municipality of Wood Buffalo Library Board | 1,546,187 | 1,509,847 |
| Wood Buffalo Housing & Development Corporation | 49,377,490 | 49,377,490 |
| Regional Recreation Corporation of Wood Buffalo | 1,852,237 | 2,129,123 |
| | <u>377,638,480</u> | <u>389,691,289</u> |
| Total operations | 377,638,480 | 389,691,289 |
| Capital: | | |
| Surplus (Deficit) - undesignated | 9,548,610 | (83,768,179) |
| Capital reserves: | | |
| General | 689,037,987 | 842,004,475 |
| Equipment | 706,327 | 706,327 |
| Common services | 708,599 | 708,599 |
| Roads and streets | 33,022 | 32,811 |
| 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 | 426,996 | 458,673 |
| Wood Buffalo Housing & Development Corporation | 12,515,305 | 12,515,305 |
| Regional Recreation Corporation of Wood Buffalo | 1,769,438 | 1,769,438 |
| | <u>716,474,643</u> | <u>869,472,597</u> |
| Equity in tangible capital assets | | |
| Tangible capital assets (Note 14) | 5,457,036,436 | 5,251,227,123 |
| Accumulated amortization (Note 14) | (1,154,438,040) | (1,034,767,603) |
| Long-term debt (Note 12) | (76,286,233) | (345,336,599) |
| | <u>4,226,312,163</u> | <u>3,871,122,921</u> |
| Total capital | 4,952,335,416 | 4,656,827,339 |
| Accumulated surplus | \$ 5,329,973,896 | \$ 5,046,518,628 |

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, 2019

15. Accumulated surplus (continued)**Changes in accumulated surplus**

| | Unrestricted Deficit | Restricted Surplus | Equity in Tangible Capital Assets | 2019 | 2018 |
|---|-------------------------|-----------------------|--------------------------------------|------------------|------------------|
| Balance, beginning of year | \$ (83,768,179) | \$ 1,259,163,886 | \$ 3,871,122,921 | \$ 5,046,518,628 | \$ 4,636,876,366 |
| Annual surplus | 283,455,268 | - | - | 283,455,268 | 409,642,262 |
| Unrestricted funds designated for future use | (43,226,722) | 43,226,722 | - | - | - |
| Restricted funds used for operations | 20,518,497 | (20,518,497) | - | - | - |
| Restricted funds used for tangible capital assets | - | (187,758,988) | 187,758,988 | - | - |
| Current year funds used for tangible capital assets | (19,473,747) | - | 19,473,747 | - | - |
| Contributed tangible capital assets | (3,102,354) | - | 3,102,354 | - | - |
| Disposal of tangible capital assets | 96,978 | - | (96,978) | - | - |
| Annual amortization expense | 124,099,235 | - | (124,099,235) | - | - |
| Long term debt repaid | (269,050,366) | - | 269,050,366 | - | - |
| Change in accumulated surplus | 93,316,789 | (165,050,763) | 355,189,242 | 283,455,268 | 409,642,262 |
| Balance, end of year | \$ 9,548,610 | \$ 1,094,113,123 | \$ 4,226,312,163 | \$ 5,329,973,896 | \$ 5,046,518,628 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

16. Net taxes available for municipal purposes

| | Budget | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|
| | (Note 24) | | |
| Taxation: | | | |
| Real property taxes | \$642,141,500 | \$733,516,194 | \$759,071,358 |
| Government grants in lieu of property taxes | - | 1,091,187 | 1,273,569 |
| Special assessments and local improvement taxes | 266,200 | 256,000 | 328,123 |
| Well drilling | 1,300,000 | 1,439,334 | 1,651,417 |
| | <u>643,707,700</u> | <u>736,302,715</u> | <u>762,324,467</u> |
| Requisitions: | | | |
| Designated Industrial Properties | - | 3,665,797 | 1,509,106 |
| Alberta School Foundation Fund | - | 69,990,191 | 71,371,590 |
| School boards | - | 5,368,126 | 6,105,166 |
| | <u>-</u> | <u>79,024,114</u> | <u>78,985,862</u> |
| Net taxes available for municipal purposes | \$643,707,700 | \$657,278,601 | \$683,338,605 |

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. Budgeted taxation amounts exclude requisitioned amounts collected on behalf of other entities.

17. Government transfers

| | Budget | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|
| | (Note 24) | | |
| Transfers for Operating: | | | |
| Conditional shared cost agreements and grants | | | |
| Federal Government | \$ 105,500 | \$ 286,337 | \$ 362,484 |
| Provincial Government | 22,308,055 | 43,894,152 | 50,580,666 |
| Total government transfers for operating | <u>22,413,555</u> | <u>44,180,489</u> | <u>50,943,150</u> |
| Transfers for Capital: | | | |
| Conditional shared cost agreements and grants | | | |
| Federal Government | 6,000,000 | 11,601,118 | 2,386,712 |
| Provincial Government | 22,583,333 | 50,580,352 | 80,854,857 |
| Total government transfers for capital | <u>28,583,333</u> | <u>62,181,470</u> | <u>83,241,569</u> |
| Total government transfers | \$ 50,996,888 | \$106,361,959 | \$134,184,719 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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 26). During 2019, the Municipality received \$60,000,000 (2018 - \$nil), recognized as operating government transfers \$20,036,798 (2018 - \$27,673,480) and recognized as receivable \$3,926,462 (2018 - \$43,889,665).

(b) *Dispatch Contract*

Alberta Health Services provides a dispatch contract to partially offset the cost of running the Municipality's dispatch centre. During 2019, the Municipality received and recognized as operating government transfers \$666,359 (2018 - \$660,875).

(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 2019, the Municipality received and recognized \$7,178,054 (2018 - \$7,173,567).

(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 2019, the Municipality received and recognized as operating government transfers \$1,924,513 (2018 - \$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 2019, the Municipality received and recognized as operating government transfers \$728,562 (2018 - \$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 2019, the Municipality received and recognized as capital government transfers \$nil (2018 - \$126,022).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

18. Expenses by object

| | Budget | 2019 | 2018 |
|--|----------------|----------------|----------------|
| | (Note 24) | | |
| Salaries, wages and benefits | \$ 263,694,037 | \$ 259,181,834 | \$ 253,942,114 |
| Contracted and general services | 81,660,709 | 110,366,631 | 118,948,792 |
| Purchases from other governments | 25,266,500 | 21,938,952 | 23,641,339 |
| Materials, goods, supplies and utilities | 47,545,255 | 49,358,510 | 46,186,918 |
| Provision for allowances | 834,000 | 4,830,830 | (2,568,892) |
| Transfers to local boards and agencies | 521,000 | 449,514 | 71,500 |
| Transfers to individuals and organizations | 7,258,305 | 14,540,310 | 8,173,726 |
| Bank charges and short-term interest | 421,200 | 469,162 | 458,205 |
| Interest on long-term debt | 14,237,981 | 14,296,998 | 16,499,082 |
| Other | 15,000 | 29,861,535 | 196,176 |
| Amortization of tangible capital assets | - | 124,099,235 | 120,346,122 |
| Valuation loss on real property inventory and mortgages receivable | - | 295,444 | - |
| Total expenses | \$ 441,453,987 | \$ 629,688,955 | \$ 585,895,082 |

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:

| | |
|------------|---------------|
| 2020 | \$ 5,924,824 |
| 2021 | 1,249,102 |
| 2022 | 1,162,822 |
| 2023 | 1,048,939 |
| 2024 | 854,202 |
| Thereafter | 3,333,891 |
| | \$ 13,573,780 |

20. Commitments and contingent liabilities

(a) Operating leases

The Municipality has entered into lease agreements for the leasing of office space and equipment until 2038. The annual lease payments in each of the following years are:

| | |
|------------|--------------|
| 2020 | \$ 2,775,191 |
| 2021 | 1,926,953 |
| 2022 | 1,926,953 |
| 2023 | 1,608,207 |
| 2024 | 14,475 |
| Thereafter | 202,650 |
| | \$ 8,454,429 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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, 2019, 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 (2018 - \$3,000,000) and \$9,000,000 (2018 - \$9,000,000) which bear interest at prime minus 0.5% and prime plus 3.0% respectively. At December 31, 2019, no amounts were drawn against these facilities (2018 - \$nil). In addition, one of the Municipality's controlled entities has access to a \$300,000 (2018 - \$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 \$22,000,000 (2018 - \$28,000,000) 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 \$5,791,540 (2018 - \$5,688,396) and letters of credit in the amount of \$14,355,012 (2018 - \$15,575,901) 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, 2019. 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, 2019

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 2019 | Total 2018 |
|------------------------------|---------------|-------------------------------------|---------------|---------------|
| Mayor Scott | \$ 164,918 | \$ 24,644 | \$ 189,562 | \$ 157,623 |
| Former | | | | |
| Mayor Blake | - | - | - | 96,748 |
| Ward 1 | | | | |
| Councillor Allen | 46,014 | 14,791 | 60,805 | 52,963 |
| Councillor Balsom | 46,014 | 17,420 | 63,434 | 56,054 |
| Councillor McGrath | 46,014 | 18,334 | 64,348 | 55,971 |
| Councillor Meagher | 46,014 | 14,731 | 60,745 | 52,903 |
| Councillor Murphy | 46,014 | 14,791 | 60,805 | 53,533 |
| Councillor Peddle | 46,014 | 14,791 | 60,805 | 52,963 |
| Ward 2 | | | | |
| Councillor Inglis | 46,014 | 12,607 | 58,621 | 50,826 |
| Councillor Voyageur | 54,626 | 11,369 | 65,995 | 52,941 |
| Ward 3 | | | | |
| Councillor Lalonde | 46,014 | 14,791 | 60,805 | 52,963 |
| Ward 4 | | | | |
| Councillor Stroud | 45,181 | 8,267 | 53,448 | 46,833 |
| Former | | | | |
| Councillor Germain | - | - | - | 29,102 |
| Chief Administrative Officer | 403,173 | 65,804 | 468,977 | 424,851 |
| Designated Officers (d) | | | | |
| Current | 526,431 | 149,807 | 676,238 | 517,763 |
| Former | - | - | - | 496,798 |
| | \$ 1,562,441 | \$ 382,147 | \$ 1,944,588 | \$ 2,250,835 |

(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 three designated officers are the Regional Assessor, Chief Legislative Officer and Director of Planning and Development. In 2018, the Chief Financial Officer position was a designated officer. During 2019, the Chief Financial Officer position was eliminated.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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, 2019

22. Segment disclosures (continued)

| | 2019 | | | | | | | | | |
|---|-----------------|--------------------|--------------------|------------------|----------------------------------|---------------------------|--------------------------|------------------------|---------------------|----------------|
| | Fiscal Services | General Government | Protective Service | Transportation | Environmental Use and Protection | Public Health and Welfare | Planning and Development | Recreation and Culture | Subsidiary Entities | 2019 Total |
| Revenue: | | | | | | | | | | |
| Net taxes available for municipal purposes | \$ 656,578,300 | \$ - | \$ - | \$ 44,010 | \$ 202,684 | \$ - | \$ - | \$ - | \$ 453,607 | \$ 657,278,601 |
| Government transfers - operating and capital | - | 84,575,832 | 9,833,200 | - | 58,676 | 3,048,967 | 85,834 | 10,548 | 8,748,902 | 106,361,959 |
| Sales and user charges | - | 1,566,173 | 3,404,395 | 2,244,477 | 37,993,718 | 25,131 | 77,355 | 189,005 | 18,317,648 | 63,817,902 |
| Sales to other governments | - | 95,375 | 285,254 | - | 2,812,824 | - | - | - | - | 3,193,453 |
| Penalties and costs on taxes | 4,010,431 | 206,546 | - | - | 155,625 | - | - | - | - | 4,372,602 |
| Licenses and permits | - | 387,807 | 226,858 | 4,965 | (360) | - | 1,398,971 | 435 | - | 2,018,676 |
| Fines | - | 15 | 2,587,368 | - | - | - | - | - | 59,877 | 2,647,260 |
| Franchise and concession contracts | - | 8,184,926 | - | - | - | - | - | - | - | 8,184,926 |
| Returns on investments | - | 29,658,607 | (9,749) | 211 | - | 1,570 | - | 27,032 | 1,665,197 | 31,342,868 |
| Rentals | - | 791,109 | 791,560 | 13,931 | - | - | 2,042 | 19,870 | 17,995,996 | 19,614,508 |
| Developers' agreements and levies (expenses) | - | 2,691,857 | - | - | - | - | - | - | - | 2,691,857 |
| Contributions of tangible capital assets | - | - | - | 2,238,635 | 863,719 | - | - | - | - | 3,102,354 |
| Other | - | 2,411,494 | 272,451 | - | 420 | 2,941 | - | 18,706 | 4,847,655 | 7,553,667 |
| Gain on disposal of tangible capital assets | - | 962,481 | - | - | - | - | - | - | 1,109 | 963,590 |
| | 660,588,731 | 131,532,222 | 17,391,337 | 4,546,229 | 42,087,306 | 3,078,609 | 1,564,202 | 265,596 | 52,089,991 | 913,144,223 |
| Expenses: | | | | | | | | | | |
| Salaries, wages and benefits | - | 61,428,250 | 54,312,415 | 43,008,851 | 32,202,551 | 3,392,698 | 10,322,714 | 16,988,032 | 37,526,323 | 259,181,834 |
| Contracted and general services | - | 47,299,246 | 3,316,907 | 14,676,096 | 17,065,482 | 366,157 | 3,553,912 | 10,189,643 | 13,899,188 | 110,366,631 |
| Purchases from other governments | - | 23,636 | 21,764,571 | 148,812 | - | - | 1,933 | - | - | 21,938,952 |
| Materials, goods, supplies and utilities | - | 10,380,982 | 1,279,844 | 13,835,484 | 5,733,600 | 175,696 | 63,855 | 1,367,003 | 16,522,046 | 49,358,510 |
| Provision for (recoveries of) allowances | 7,350,484 | (1,546,995) | (887,211) | - | (85,448) | - | - | - | - | 4,830,830 |
| Transfers to local boards and agencies | - | - | - | - | - | - | - | 449,514 | - | 449,514 |
| Transfers to (from) individuals and organizations | - | 11,419,459 | 122,630 | - | - | 24,137,287 | - | 7,933,712 | (29,072,778) | 14,540,310 |
| Bank charges and short-term interest | - | 106,930 | 5,823 | (103) | 21,489 | - | 96,489 | 2,730 | 235,804 | 469,162 |
| Interest on long-term debt | - | 338,000 | 484,000 | 290,000 | 5,085,000 | - | 844,000 | 4,799,000 | 2,456,998 | 14,296,998 |
| Other | - | 29,860,890 | 10 | - | - | 635 | - | - | - | 29,861,535 |
| Valuation losses on mortgages receivable | - | - | - | - | - | - | - | - | 295,444 | 295,444 |
| | 7,350,484 | 159,310,398 | 80,398,989 | 71,959,140 | 60,022,674 | 28,072,473 | 14,882,903 | 41,729,634 | 41,863,025 | 505,589,720 |
| Annual surplus (deficit), before amortization | 653,238,247 | (27,778,176) | (63,007,652) | (67,412,911) | (17,935,368) | (24,993,864) | (13,318,701) | (41,464,038) | 10,226,966 | 407,554,503 |
| Amortization of tangible capital assets | - | 6,908,236 | 4,637,357 | 42,888,021 | 37,975,484 | - | - | 23,269,899 | 8,420,238 | 124,099,235 |
| Annual surplus (deficit) | \$ 653,238,247 | \$ (34,686,412) | \$ (67,645,009) | \$ (110,300,932) | \$ (55,910,852) | \$ (24,993,864) | \$ (13,318,701) | \$ (64,733,937) | \$ 1,806,728 | \$ 283,455,268 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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 | - | 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, 2019

23. Sales and user charges by segment

| | Budget | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|
| | (Note 24) | | |
| Council and other legislative | \$ 18,000 | \$ 8,650 | \$ 21,960 |
| General administration | 92,531 | 1,553,236 | 2,534,940 |
| Other general government | - | 308,121 | 97,014 |
| Police | 371,225 | 1,511,580 | 745,081 |
| Fire | 102,524 | 380,843 | 127,365 |
| Disaster and emergency measures | - | 19,825 | 105,538 |
| Ambulance and first aid | 1,250,000 | 1,298,136 | 1,347,173 |
| Bylaw enforcement | - | 194,011 | 224,729 |
| Common and equipment pool | 74,000 | 83,534 | 87,889 |
| Roads, streets, walks, lighting | 353,300 | 616,195 | 478,956 |
| Public transport | 1,445,305 | 1,544,748 | 1,518,764 |
| Water supply and distribution | 17,035,765 | 15,448,525 | 15,916,653 |
| Wastewater treatment and disposal | 12,179,579 | 10,620,782 | 11,548,198 |
| Waste management | 13,132,100 | 11,924,411 | 12,471,241 |
| Cemeteries and crematoriums | 20,381 | 25,131 | 30,105 |
| Land use planning, zoning and development | 137,400 | 77,355 | 193,978 |
| Public housing operations | 84,800 | 2,588,500 | 794,716 |
| Parks and recreation | 15,138,882 | 15,614,319 | 12,715,937 |
| Total sales and user charges | \$ 61,435,792 | \$ 63,817,902 | \$ 60,960,237 |

24. Budget data

The budget data presented in these consolidated financial statements is based upon the 2019 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 | \$ 671,855,631 |
| Capital budget | 256,680,449 |
| Subsidiaries' budget | 44,797,221 |
| Less: | |
| Transfers from other funds | 149,006,414 |
| Total revenue | 824,326,887 |
| Expenses: | |
| Operating budget | 671,855,631 |
| Capital budget | 256,680,449 |
| Subsidiaries' budget | 44,443,753 |
| Less: | |
| Transfers to other funds | 257,319,397 |
| Capital expenditures | 256,680,449 |
| Long-term debt principal payments | 17,526,000 |
| Total expenses | 441,453,987 |
| Annual surplus | \$ 382,872,900 |

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

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 2019 the Municipality disposed of \$nil (2018 - \$46,400) 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 2020 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 2019 the Municipality received \$nil (2018 - \$9,577,400) 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 totaling \$208,676,369 have been received from DRP since 2016 to assist in paying for financial commitments resulting from expenses incurred during and after the wildfire with \$60,000,000 received in 2019 (2018 - \$nil). The DRP recovery efforts are forecast to be finished by 2021.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2019

26. Fire event (continued)

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

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Financial assets | | |
| Trade and other receivables | \$ 3,926,462 | \$ 45,479,490 |
| | 3,926,462 | 45,479,490 |
| Liabilities | | |
| Deferred revenue | 377,682 | 1,079,715 |
| | 377,682 | 1,079,715 |
| Net financial assets | 3,548,780 | 44,399,775 |
| Revenue: | | |
| Government transfers for operating | 20,036,798 | 27,673,480 |
| Sales and user charges | 1,884,458 | 3,682,427 |
| Other revenue | - | 2,833,933 |
| Gain on disposal of tangible capital assets | - | 7,563,258 |
| | 21,921,256 | 41,753,098 |
| Expenses: | | |
| General government | 10,843,427 | 23,526,438 |
| Public housing operations | 119,078 | (9,823) |
| | 10,962,505 | 23,516,615 |
| Annual surplus | \$ 10,958,751 | \$ 18,236,483 |

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

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Salaries, wages and benefits | \$ 204,466 | \$ 1,882,951 |
| Contracted and general services | 10,768,211 | 21,762,881 |
| Materials, goods, supplies and utilities | (10,172) | (127,867) |
| Other | - | (1,350) |
| Total expenses | \$ 10,962,505 | \$ 23,516,615 |

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, 2019

27. Subsequent events

In March 2020, the World Health Organization declared a global pandemic related to the COVID-19 virus. The event is causing significant market uncertainty and is expected to impact the carrying value of assets, including but not limited to accounts receivable, investments, mortgages and notes receivable. An estimate of its financial impact is not reasonably determinable at this time.

On April 26, 2020, the Municipality experienced a major flood event and declared a State of Local Emergency. The event caused damage to some of the Municipality's infrastructure in the Lower Townsite area. There will be an expected impact to revenues and expenses from waiving certain sales and user charges, licenses and permits, providing accommodation for evacuees and other flood response and recovery activities that may not be covered by insurance or Provincial government disaster programs. The Municipality is seeking support from other governments and partners. An estimate of the financial impact is not reasonably determinable at this time.

28. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

29. Approval of financial statements

These financial statements were presented and approved by Council on May 27, 2020.