

Non-Consolidated Financial Statements of

**REGIONAL MUNICIPALITY  
OF WOOD BUFFALO**

Year ended December 31, 2018

**Non-Consolidated Financial Statements of**  
**REGIONAL MUNICIPALITY OF WOOD BUFFALO**

**Year ended December 31, 2018**

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

December 31, 2018

	2018	2017
		(Restated - Note 24)
<b>Financial assets</b>		
Cash	\$ 89,468,425	\$ 23,082,497
Taxes and grants in lieu receivable (Note 2)	10,164,457	7,242,336
Trade and other receivables (Note 3)	70,242,262	49,142,203
Investments (Note 4)	1,118,735,857	932,427,774
	<u>1,288,611,001</u>	<u>1,011,894,810</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	69,657,711	94,364,436
Deposit liabilities	6,996,762	6,906,392
Deferred revenue (Note 5)	82,244,148	110,753,325
Employee benefit obligations (Note 6)	15,595,566	15,517,564
Contaminated sites liability (Note 7)	1,839,866	652,740
Provision for landfill closure and post-closure obligation (Note 8)	13,974,378	13,238,757
Long-term debt (Note 9)	265,421,406	282,722,342
	<u>455,729,837</u>	<u>524,155,556</u>
<b>Net financial assets</b>	832,881,164	487,739,254
<b>Non-financial assets</b>		
Tangible capital assets (Note 11)	3,976,680,288	3,926,249,077
Consumable inventories	4,159,215	5,879,819
Prepaid expenses	2,607,432	2,279,421
	<u>3,983,446,935</u>	<u>3,934,408,317</u>
<b>Accumulated surplus (Note 12)</b>	<u>\$ 4,816,328,099</u>	<u>\$ 4,422,147,571</u>

Contractual rights (Note 16)

Commitments and contingent liabilities (Note 17)

See accompanying notes to non-consolidated financial statements.

**Approved by:**

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Linda Ollivier, CPA, CMA  
Director, Financial Services

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Annette Antoniak  
Chief Administrative Officer

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

For the Year Ended December 31, 2018

	Budget	2018	2017
	(Note 21)		(Restated - Note 24)
<b>Revenue:</b>			
Net taxes available for municipal purposes (Note 13)	\$ 672,728,941	\$ 680,883,086	\$ 730,069,821
Government transfers for operating (Note 14)	12,833,815	41,393,369	53,016,339
Sales and user charges (Note 20)	44,994,740	49,172,069	62,198,759
Sales to other governments	2,596,471	2,609,849	3,459,778
Penalties and costs on taxes	4,312,300	5,294,952	2,804,034
Licenses and permits	3,470,400	4,919,628	2,972,525
Fines	3,040,000	3,560,958	4,928,587
Franchise and concession contracts	7,919,000	7,875,171	7,802,627
Returns on investments	17,396,000	22,550,635	17,738,969
Rentals	1,475,300	2,039,247	1,810,319
Developers' agreements and levies (expenses)	-	21,017,127	(2,138,881)
Other	185,500	9,042,976	1,760,886
Gain on disposal of tangible capital assets	-	7,053,598	-
	<u>770,952,467</u>	<u>857,412,665</u>	<u>886,423,763</u>
<b>Expenses: (Note 15)</b>			
Council and other legislative	1,628,445	1,054,892	1,413,181
General administration	75,254,109	96,890,984	192,333,352
Other general government	37,182,685	45,190,032	20,716,275
Police	37,978,200	35,584,449	37,504,376
Fire	30,835,798	32,522,168	35,084,990
Disaster and emergency measures	975,630	1,445,562	3,602,922
Ambulance and first aid	8,605,400	8,322,175	8,585,914
Bylaws enforcement	9,010,337	8,913,344	10,124,772
Common and equipment pool	20,590,773	24,087,672	28,204,086
Roads, streets, walks, lighting	31,633,070	53,805,227	48,151,323
Public transport	20,056,950	29,460,935	26,465,288
Storm sewers and drainage	934,400	3,718,164	3,921,113
Water supply and distribution	20,171,862	41,205,462	67,796,299
Wastewater treatment and disposal	19,321,566	36,606,600	19,731,540
Waste management	15,486,605	15,947,981	16,357,047
Family and community support	25,791,386	26,146,889	30,548,342
Cemeteries and crematoriums	500,451	851,135	251,963
Land use planning, zoning and development	14,896,430	11,434,822	11,771,318
Public housing operations	-	-	197
Land, housing and building rentals	4,666,000	4,811,075	7,102,141
Recreation boards	40,000	40,777	38,090
Parks and recreation	31,240,923	50,438,376	66,033,792
Culture: libraries, museums, halls	5,318,500	4,562,874	5,094,130
Other	-	-	(1,509,848)
	<u>412,119,520</u>	<u>533,041,595</u>	<u>639,322,603</u>
Annual surplus before other	<u>358,832,947</u>	<u>324,371,070</u>	<u>247,101,160</u>
Other:			
Contributions of tangible capital assets	-	6,167,889	29,866,617
Government transfers for capital (Note 14)	44,155,127	63,641,569	50,131,515
Annual surplus	402,988,074	394,180,528	327,099,292
Accumulated surplus, beginning of year	4,422,147,571	4,422,147,571	4,095,048,279
Accumulated surplus, end of year	<u>\$ 4,825,135,645</u>	<u>\$ 4,816,328,099</u>	<u>\$ 4,422,147,571</u>

See accompanying notes to non-consolidated financial statements.

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

For the Year Ended December 31, 2018

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	(Note 21)		(Restated - Note 24)
<b>Annual surplus</b>	\$ 402,988,074	\$ 394,180,528	\$ 327,099,292
Acquisition of tangible capital assets	(251,649,356)	(157,404,813)	(199,429,148)
Contributions of tangible capital assets	-	(6,167,889)	(29,866,617)
(Gain) loss on disposal of tangible capital assets	-	(7,053,598)	2,222,734
Amortization of tangible capital assets	-	111,729,348	111,000,844
Proceeds on disposal of tangible capital assets	-	8,465,741	2,820,360
	151,338,718	343,749,317	213,847,465
Acquisition of consumable inventories	-	-	(1,642,278)
Use of consumable inventories	-	1,720,604	-
Acquisition of prepaids expenses	-	(328,011)	(329,175)
	-	1,392,593	(1,971,453)
<b>Increase in net assets</b>	151,338,718	345,141,910	211,876,012
<b>Net financial assets, beginning of year</b>	487,739,254	487,739,254	275,863,242
<b>Net financial assets, end of year</b>	<b>\$ 639,077,972</b>	<b>\$ 832,881,164</b>	<b>\$ 487,739,254</b>

See accompanying notes to non-consolidated financial statements.

**REGIONAL MUNICIPALITY OF WOOD BUFFALO**  
**Non-Consolidated Statement of Cash Flows**

For the Year Ended December 31, 2018

	2018	2017
		(Restated - Note 24)
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Annual surplus	\$ 394,180,528	\$ 327,099,292
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	111,729,348	111,000,844
(Gain) loss on disposal of tangible capital assets	(7,053,598)	2,222,734
Contributions of tangible capital assets	(6,167,889)	(29,866,617)
Change in non-cash assets and liabilities:		
Taxes and grants in lieu receivable	(2,922,121)	9,215,524
Trade and other receivables	(21,100,059)	19,936,082
Consumable inventories	1,720,604	(1,642,278)
Prepaid expenses	(328,011)	(329,175)
Accounts payable and accrued liabilities	(24,706,725)	(60,862,801)
Deposit liabilities	90,370	716,881
Deferred revenue	(28,509,177)	1,755,598
Employee benefit obligations	78,002	1,622,205
Contaminated sites liability	1,187,126	(340,086)
Provision for landfill closure and post closure costs	735,621	325,803
Cash provided by operating transactions	418,934,019	380,854,006
<b>Capital:</b>		
Proceeds on disposal of tangible capital assets	8,465,741	2,820,360
Acquisition of tangible capital assets	(157,404,813)	(199,429,148)
Cash applied to capital transactions	(148,939,072)	(196,608,788)
<b>Investing:</b>		
Increase in investments	(186,308,083)	(612,143,733)
Cash applied to investing transactions	(186,308,083)	(612,143,733)
<b>Financing:</b>		
Long-term debt repaid	(17,300,936)	(17,116,136)
Cash applied to financing transactions	(17,300,936)	(17,116,136)
<b>Change in cash during the year</b>	<b>66,385,928</b>	<b>(445,014,651)</b>
<b>Cash, beginning of year</b>	<b>23,082,497</b>	<b>468,097,148</b>
<b>Cash, end of year</b>	<b>\$ 89,468,425</b>	<b>\$ 23,082,497</b>

See accompanying notes to non-consolidated financial statements.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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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 non-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) Non-consolidated entities

The financial statements reflect the assets, liabilities, revenues and expenses, and accumulated surplus of the non-consolidated reporting entity. The reporting entity is comprised of general government tax-supported departments and the following commissions controlled by the Municipality and accountable to the Municipal Council for the administration of their financial affairs and resources:

Regional Municipality of Wood Buffalo Combative Sports Commission.

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) Tax Requisitions

The note for taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

(iv) Trust funds

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

(b) Basis of accounting:

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

Property tax revenue is based on approved annual budget and requisition requirements. Property tax assessment is based on either the market value or regulated value legislated standard as prescribed in the MGA. The market value standard is based on the market value of properties as of July 1st of the preceding year. The regulated value standard is based on rates and procedures prescribed by Alberta Municipal Affairs. Assessments are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding as at December 31.

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

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.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (b) Basis of accounting (continued):

Government transfers and grants are recognized in the non-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, stipulations have been satisfied, 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 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 are recognized when title transfers and all of the rights and responsibilities of ownership have transferred, the price to the buyer is determined and collection is reasonably assured.

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:

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

#### (d) Excess collections and under-levies:

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

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

#### (e) Investments:

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



# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 1. Significant accounting policies (continued)

(f) 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	10 to 45
Buildings and building improvements	15 to 80
Engineered structures	10 to 120
Machinery and equipment	4 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 assets are less than their net book value.

(ii) Contributions of tangible capital assets

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

(iii) Tangible capital assets disclosed 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 non-consolidated financial statements.

(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 non-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.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 1. Significant accounting policies (continued)

(f) Non-Financial assets (continued):

(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.

(g) 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.

(h) Landfill closure and post-closure obligation:

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

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

(i) Employee future benefits

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

(j) Use of estimates

The preparation of 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 non-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 liabilities, accrued liabilities, provisions for tax assessment appeals, tangible capital asset useful lives, provisions for investment impairment, provisions made for allowances for taxes and other receivables and inventories, as well as wildfire related trade and other receivables.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (k) Adoption of new accounting standards

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

##### (i) Assets

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

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

##### (ii) Contingent Assets

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

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

##### (iii) Contractual Rights

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

##### (iv) Inter-Entity Transactions

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

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

##### (v) Related Party Disclosures

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

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 1. Significant accounting policies (continued)

#### (l) Recent Accounting Standard Pronouncements

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

##### (i) Restructuring Transactions

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

##### (ii) Financial Statement Presentation

PS1201 Financial Statement Presentation requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising for the re-measurement of financial instruments and items denominated in foreign currencies as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

##### (iii) Foreign Currency Translation

PSAB issued PS2601 Foreign Currency Translation, replacing the current PS2600 applicable for fiscal years beginning on or after April 1, 2019. This standard requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses.

##### (iv) Financial Instruments

PS3450 Financial Instruments applicable for fiscal years beginning on or after April 1, 2019 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments, all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

##### (v) Portfolio Investments

Section PS3041 Portfolio Investments has removed the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments PS3450 and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

##### (vi) Asset Retirement Obligations

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 2. Taxes and grants in lieu receivable

	2018	2017
Current	\$ 7,248,574	\$ 15,146,514
Arrears**	13,306,157	9,545,947
	20,554,731	24,692,461
Less allowance for doubtful accounts	10,390,274	17,450,125
	\$ 10,164,457	\$ 7,242,336

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

### 3. Trade and other receivables

	2018	2017
Government transfers	\$ 44,205,569	\$ 19,182,059
GST recoverable	1,622,743	2,866,130
Utility receivables	5,580,671	5,694,857
Developer charges	2,200,000	2,876,159
Trade receivables	16,633,279	18,522,998
	\$ 70,242,262	\$ 49,142,203

The allowance for doubtful accounts for trade and other receivables is \$9,100,602 (2017 - \$13,435,559).

### 4. Investments

	2018		2017	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Cash	\$ 400,663	\$ 400,663	\$ 43,776,748	\$ 43,776,749
Bankers acceptances, notes and bonds	2,743,569	2,747,482	3,001,012	2,997,083
Government bonds, government guaranteed bonds and guaranteed investments certificates	804,106,983	806,229,904	654,148,386	653,166,107
Corporate bonds and debentures	301,989,159	296,325,040	169,029,875	167,640,766
Mutual funds	-	-	59,761,395	60,125,862
Accrued interest	9,495,483	9,495,483	2,710,358	2,710,358
	\$ 1,118,735,857	\$ 1,115,198,572	\$ 932,427,774	\$ 930,416,925

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

Government bonds, government guaranteed bonds and guaranteed investment certificates, bearing interest at stated interest rates from 1.00% to 5.60% (2017 - 1.01% to 10.60%).

Corporate bonds and debentures, bearing interest at stated interest rates from 1.40% to 4.93% (2017 - 0.95% to 9.97%).

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.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 5. 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 related to government transfers are further described in Note 14.

	2017	Externally restricted inflows (outflows)	Revenue (recognized) reallocated	2018
<u>Government transfers</u>				
Operating:				
Community Housing Plan (a)	\$ 3,204,622	\$ 3,451,000	\$ (4,817,634)	\$ 1,837,988
Children and Youth Services Grant (b)	84,230	(73,238)	(10,992)	-
Emergency Services Grants (c)	20,722	500,640	(26,498)	494,864
RCMP Grants (d)	405,896	1,365,216	(1,429,808)	341,304
Community and Regional Economic Support Grant (e)	-	95,000	-	95,000
FireSmart Grant (f)	-	6,000,000	(1,278,767)	4,721,233
Victims of Crime Grant (g)	-	261,962	(251,331)	10,631
Community Inclusion Grant	-	10,000	(7,378)	2,622
Coalitions Creating Equity Grant	-	61,500	(36,552)	24,948
Labour Market Partnership Grant	-	51,000	-	51,000
	3,715,470	11,723,080	(7,858,960)	7,579,590
Capital:				
Community Development Plan (h)	10,519,997	-	(1,610)	10,518,387
Municipal Sustainability Initiative Grant (i)	29,277,277	40,855,558	(56,423,262)	13,709,573
Federal Gas Tax Fund Grant (j)	2,805,119	6,372,321	(2,699,450)	6,477,990
911 Grant (k)	316,168	3,356	(16,224)	303,300
Alberta Municipal Water and Wastewater Grant (l)	1,000,000	2,756,092	(3,756,092)	-
South Policing Facility Grant (m)	1,202,256	-	(8,410)	1,193,846
FireSmart Grant - Emergency Response Systems (n)	-	1,006,440	(373,100)	633,340
Strategic Transportation Infrastructure Program Grant (o)	-	461,949	(67,838)	394,111
	45,120,817	51,455,716	(63,345,986)	33,230,547
	48,836,287	63,178,796	(71,204,946)	40,810,137
<u>Other</u>				
Corporate Donations and Naming Rights	95,238	-	(95,238)	-
RCMP Agreements	10,240	-	(10,240)	-
Deferred Property Taxes	24,056,237	25,183,426	(24,056,237)	25,183,426
Deferred Offsite Levies and Developer Charges (p)	25,551,004	811,365	(21,017,127)	5,345,242
Deferred Developer Agreements (q)	3,285,398	35,000	-	3,320,398
Canadian Red Cross Recovery Gift Agreement (r)	4,001,716	-	(3,003,901)	997,815
Canadian Red Cross - Disaster Response Service Agreement (s)	-	496,236	(70,399)	425,837
Insurance Proceeds - Wildfire Event (t)	4,083,554	9,531,000	(12,930,495)	684,059
Other	833,651	5,545,142	(901,559)	5,477,234
	61,917,038	41,602,169	(62,085,196)	41,434,011
	\$110,753,325	\$ 104,780,965	\$(133,290,142)	\$ 82,244,148

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### Deferred revenue (continued)

#### Operating government transfers

##### (a) *Community Housing Plan*

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

##### (b) *Children and Youth Services Grant*

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

##### (c) *Emergency Services Grants*

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

##### (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 2018, the Municipality received \$1,365,216 (2017 - \$1,623,584).

##### (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 2018 the Municipality received \$95,000 (2017 - \$nil).

##### (f) *FireSmart Grant*

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

##### (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 2018, the Municipality received and recognized as operating government transfers \$261,962 (2017 - \$nil).

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### Deferred revenue (continued)

#### Capital government transfers

##### *(h) Community Development Plan*

In 2009, the Municipality entered into an agreement with the Province of Alberta to service the development of Crown Lands known as Parsons Creek and Saline Creek Plateau. To facilitate this servicing, for residential and other purposes, a grant totaling \$242,380,000 was provided by the Province. During 2018, the Municipality reallocated \$1,610 of grant funds and allocated interest on the unspent grant in the amount of \$nil (2017 - \$131,527).

##### *(i) Municipal Sustainability Initiative Grant*

In 2007, the Province of Alberta introduced the Municipal Sustainability Initiative program to assist municipalities with managing growth pressures, provide sustainable funding and support infrastructure needs. Based on a pre-established formula and budget availability, the Municipality will receive an annual grant allocation. In 2018, the Municipality received \$40,516,420 (2017 - \$31,183,480) and allocated interest on the unspent grant in the amount of \$339,138 (2017 - \$302,543).

##### *(j) Federal Gas Tax Fund Grant*

The Federal Gas Tax Fund Grant (formerly New Deal for Cities and Communities Grant) assists municipalities in addressing their sustainable municipal capital infrastructure needs. Funding is received through the allocation of the federal gasoline tax to Alberta municipalities. This grant program is extended to 2024. In 2018, the Municipality received \$6,324,684 (2017 - \$6,762,860) and allocated interest on the unspent grant in the amount of \$47,637 (2017 - \$26,678).

##### *(k) 911 Grant*

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

##### *(l) Alberta Municipal Water and Wastewater Partnership*

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

##### *(m) South Policing Facility Grant*

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

##### *(n) FireSmart Grant – Emergency Communication Systems*

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



# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### Deferred revenue (continued)

#### Capital government transfers (continued)

##### *(o) Strategic Transportation Infrastructure Program Grant*

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

#### Other

##### *(p) Deferred Offsite Levies and Developer Charges*

The Municipality collects offsite levies and developer charges from property developers prior to new development commencing within the municipality. During 2018, the Municipality received \$525,375 (2017 - \$833,495) in levies and charges and allocated interest on the unspent levies and charges of \$285,990 (2017 - \$261,520).

##### *(q) Deferred Developer Agreements*

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

##### *(r) Canadian Red Cross Society – Recovery Gift Agreement*

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

##### *(s) Canadian Red Cross Society – Disaster Response Service Agreement*

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

##### *(t) Insurance Proceeds – Wildfire Event*

In 2018, the Municipality finalized insurance claims with most of its insurers. During 2018 the Municipality received \$9,531,000 (2017 - \$nil).

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 6. Employee benefit obligations

	2018	2017
Accrued vacation pay and overtime bank	\$ 6,924,470	\$ 6,789,539
Accrued salary and benefits	8,671,096	8,728,025
	\$ 15,595,566	\$ 15,517,564

#### (a) *Vacation and overtime*

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

#### (b) *Local Authorities Pension Plan*

Employees of the Municipality participate in the LAPP, which is covered by the Alberta Public Sector Pension Plans Act.

The Municipality is required to make current service contributions to the LAPP of 10.39% (2017 - 11.39%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 14.84% (2017 - 15.84%) for the excess. Employees of the Municipality are required to make current service contributions of 9.39% (2017 - 10.39%) of pensionable salary up to the year's maximum pensionable salary and 13.84% (2017 - 14.84%) on pensionable salary above this amount. Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Municipality to the LAPP in 2018 are \$16,656,784 (2017 - \$18,648,561). Total current service contributions by the employees of the Municipality to the LAPP in 2018 are \$15,333,813 (2017 - \$17,237,074).

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

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

The APEX Supplementary Pension Plan, an Alberta Urban Municipalities Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the Alberta Employment Pension Plans Act, commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees with approximately 180 (2017 - 211) beneficiaries. The plan supplements the Local Authorities Pension Plan.

Contributions are made by the prescribed class of employees and the Municipality. Employees and the Municipality are required to make current service contributions to APEX of 2.84% and 3.78% respectively on pensionable earnings up to \$147,222 (2017 - \$145,722) per employee per year.

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

The cost of post-retirement benefits earned by employees is actuarially determined 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 Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 6. 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) were provided for exclusive use by employees of the Municipality to assist with transitional housing needs. Due to the change in rental market this program has now been closed and all except two housing units are returned to Wood Buffalo Housing & Development Corporation. Employees are now referred directly to Wood Buffalo Housing & Development Corporation.

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 incomes of the employees as determined by the Municipality. Units are allocated based on merit and employees enter into short-term lease agreements for the rental of the designated rental units at an agreed upon monthly rental cost. The employee is responsible for the monthly rental cost and any required damage deposit.

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

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

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

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

#### (g) *MuniSERP - supplemental retirement program*

MuniSERP is an accrued benefit obligation for certain groups of employees; the future benefit plan commenced in 2012. An actuarial valuation for this plan was completed by the Alberta Municipal Services Corporation's actuaries as at December 31, 2018.

MuniSERP is a supplementary retirement program that cannot be prefunded.

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

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

## 6. Employee benefit obligations (continued)

(g) *MuniSERP - supplemental retirement program (continued)*

The following presents the MuniSERP net assets as at December 31<sup>st</sup>:

	2018	2017
Accrued Benefit Obligation		
Balance, beginning of year	\$ 916,394	\$ 914,350
Current service and interest (recovery) cost	(107,460)	2,044
Balance, end of year	808,934	916,394
Assets held to fund liability	683,654	983,955
<b>Net assets</b>	<b>\$ 125,280</b>	<b>\$ (67,561)</b>

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

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

## 7. Contaminated sites liability

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

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

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 8. Landfill closure and post-closure obligation

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

Post-closure activities are expected to occur for 25 years and will involve surface and ground water monitoring, landfill cover maintenance and erosion management as per Alberta Environment standards.

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

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

2018				
Capacity utilization	Total Cells	Cells Used	% Used	Estimated remaining life in years
Fort McMurray - regional landfill	4	2.2	55%	8
Fort Chipewyan - new site	1	0.4	38%	9

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

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 9. Long-term debt

	2018	2017
Municipal debt:		
Debentures supported by general tax levies (i)	\$ 162,686,383	\$ 170,145,395
Debentures supported by utility rates (ii)	102,735,023	112,576,947
	<u>\$ 265,421,406</u>	<u>\$ 282,722,342</u>

#### *Municipal debt*

Debentures supported by general tax levies and utility rates.

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

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

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

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

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 10. Debt and debt service limits

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

#### Debt Limit

	2018	2017
Maximum allowable debt	\$ 1,728,932,526	\$ 1,772,847,526
Total municipal debt	265,421,406	282,722,342
Amount of total debt limit available	\$ 1,463,511,120	\$ 1,490,125,184
Percentage used	15.35%	15.95%

#### Debt service limit

	2018	2017
Maximum allowable debt service	\$ 302,563,192	\$ 310,248,317
Annual payments on existing municipal debt	29,457,835	30,038,241
Amount of service on debt limit available	\$ 273,105,357	\$ 280,210,076
Percentage used	9.74%	9.68%

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.

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 Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 11. Tangible capital assets

	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Assets Under Construction	2018 \$	2017 \$ (Restated - Note 24)
<b>COST:</b>									
<i>Balance, beginning of year</i>	\$ 370,192,646	\$ 278,180,802	\$ 684,835,436	\$ 2,620,345,225	\$ 120,587,717	\$ 83,470,597	\$ 627,299,873	\$ 4,784,912,296	\$ 4,578,187,287
Acquisition of tangible capital assets	8,431,788	26,752,908	53,001,379	173,682,288	2,300,181	3,536,585	(104,132,427)	163,572,702	229,295,765
Disposal of tangible capital assets	-	88,661	-	(10,835,853)	(870,739)	(2,608,013)	-	(14,225,944)	(22,570,756)
<i>Balance, end of year</i>	\$ 378,624,434	\$ 305,022,371	\$ 737,836,815	\$ 2,783,191,660	\$ 122,017,159	\$ 84,399,169	\$ 523,167,446	\$ 4,934,259,054	\$ 4,784,912,296
<b>ACCUMULATED AMORTIZATION:</b>									
<i>Balance, beginning of year</i>	\$ -	\$ 66,948,485	\$ 100,108,003	\$ 583,248,417	\$ 58,464,251	\$ 49,894,063	\$ -	\$ 858,663,219	\$ 765,190,037
Annual amortization	-	16,155,707	18,794,451	60,121,426	10,932,672	5,725,092	-	111,729,348	111,000,844
Accumulated amortization on disposals	-	26,598	-	(9,617,878)	(614,508)	(2,608,013)	-	(12,813,801)	(17,527,662)
<i>Balance, end of year</i>	\$ -	\$ 83,130,790	\$ 118,902,454	\$ 633,751,965	\$ 68,782,415	\$ 53,011,142	\$ -	\$ 957,578,766	\$ 858,663,219
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 378,624,434	\$ 221,891,581	\$ 618,934,361	\$ 2,149,439,695	\$ 53,234,744	\$ 31,388,027	\$ 523,167,446	\$ 3,976,680,288	\$ 3,926,249,077
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Restated - Note 24)	\$ 370,192,646	\$ 211,232,317	\$ 584,727,433	\$ 2,037,096,808	\$ 62,123,466	\$ 33,576,534	\$ 627,299,873	\$ 3,926,249,077	



# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 11. Tangible capital assets (continued)

(a) *Assets under construction*

Assets under construction having a value of \$ 523,167,446 (2017 - \$627,299,873) have not been amortized. Amortization of these assets will commence when the assets are available for use.

(b) *Contributed tangible capital assets*

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

Contributed tangible capital assets received consist of:

	<b>2018</b>	<b>2017</b>
		(Restated - Note 24)
Roadway System	\$ 3,198,574	\$ 11,580,249
Water System	848,961	3,929,291
Wastewater System	753,907	8,498,592
Storm System	1,291,447	4,314,781
Land Improvements	75,000	1,543,704
	<b>\$ 6,167,889</b>	<b>\$ 29,866,617</b>

(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 Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 12. Accumulated surplus

	2018	2017
		(Restated - Note 24)
Operations:		
Operating reserves:		
General administration	\$ 335,557,651	\$ 268,490,962
Common services	142,575	142,575
Recreation	931,103	922,754
Urban parks	289,775	289,775
Total operations	336,921,104	269,846,066
Capital:		
Deficit - undesignated	(86,581,068)	(114,007,686)
Capital reserves:		
General	842,004,475	610,057,817
Equipment	706,327	706,327
Common services	708,599	708,599
Roads and streets	32,811	32,744
Water supply	2,052,107	2,052,107
Sewage	2,317,650	2,317,650
Recreation	6,907,212	6,907,212
	854,729,181	622,782,456
Equity in tangible capital assets:		
Tangible capital assets (Note 11)	4,934,259,054	4,784,912,296
Accumulated amortization (Note 11)	(957,578,766)	(858,663,219)
Long-term debt (Note 9)	(265,421,406)	(282,722,342)
	3,711,258,882	3,643,526,735
<b>Total capital</b>	<b>4,479,406,995</b>	<b>4,152,301,505</b>
<b>Accumulated surplus</b>	<b>\$ 4,816,328,099</b>	<b>\$ 4,422,147,571</b>

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.

**REGIONAL MUNICIPALITY OF WOOD BUFFALO**

Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

**12. Accumulated surplus (continued)**

**Changes in accumulated surplus**

	Unrestricted Deficit	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017 (Restated - Note 24)
Balance, beginning of year	\$ (114,007,686)	\$ 892,628,522	\$ 3,643,526,735	\$ 4,422,147,571	\$ 4,095,048,279
Annual surplus	394,180,528	-	-	394,180,528	327,099,292
Unrestricted funds designated for future use	(423,811,622)	423,811,622	-	-	-
Restricted funds used for operations	13,309,577	(13,309,577)	-	-	-
Restricted funds used for tangible capital assets	-	(111,480,282)	111,480,282	-	-
Current year funds used for tangible capital assets	(45,924,531)	-	45,924,531	-	-
Contributed tangible capital assets	(6,167,889)	-	6,167,889	-	-
Disposal of tangible capital assets	1,412,143	-	(1,412,143)	-	-
Annual amortization expense	111,729,348	-	(111,729,348)	-	-
Long term debt repaid	(17,300,936)	-	17,300,936	-	-
Change in accumulated surplus	27,426,618	299,021,763	67,732,147	394,180,528	327,099,292
Balance, end of year	\$ (86,581,068)	\$ 1,191,650,285	\$ 3,711,258,882	\$ 4,816,328,099	\$ 4,422,147,571

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 13. Net taxes available for municipal purposes

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	(Note 21)		
Taxation:			
Real property taxes	\$ 671,875,131	\$ 758,555,857	\$ 803,677,091
Government grants in lieu of property taxes	-	1,273,569	729,099
Special assessments and local improvement taxes	253,810	329,503	331,491
Well drilling	600,000	1,651,417	1,140,875
	<u>672,728,941</u>	<u>761,810,346</u>	<u>805,878,556</u>
Requisitions:			
Designated Industrial Properties	-	1,509,106	-
Alberta School Foundation Fund	-	71,371,590	67,952,318
School boards	-	6,105,166	5,895,003
Ayabaskaw House Seniors' Lodge	-	130,975	209,080
Rotary House Seniors' Lodge	-	1,810,423	1,752,334
	<u>-</u>	<u>80,927,260</u>	<u>75,808,735</u>
<b>Net taxes available for municipal purposes</b>	<b>\$ 672,728,941</b>	<b>\$ 680,883,086</b>	<b>\$ 730,069,821</b>

The Municipality is required to levy taxes under section 353 of the Municipal Governments 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.

### 14. Government transfers

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	(Note 21)		
Transfers for Operating:			
Conditional shared cost agreements and grants			
Federal Government	\$ 129,440	\$ 362,484	\$ 82,106
Provincial Government	12,704,375	41,030,885	52,934,233
Total government transfers for operating	<u>12,833,815</u>	<u>41,393,369</u>	<u>53,016,339</u>
Transfers for Capital:			
Conditional shared cost agreements and grants			
Federal Government	9,071,390	-	-
Provincial Government	35,083,737	63,641,569	50,131,515
Total government transfers for capital	<u>44,155,127</u>	<u>63,641,569</u>	<u>50,131,515</u>
<b>Total government transfers</b>	<b>\$ 56,988,942</b>	<b>\$ 105,034,938</b>	<b>\$ 103,147,854</b>

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 14. Government transfers (continued)

In addition to those government transfers relating to deferred revenues, as described in Note 5, the following operating provincial government transfers were received:

#### Operating government transfers

##### (a) *Disaster Recovery Program*

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

##### (b) *Dispatch Contract*

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

##### (c) *Emergency Medical Services Contract*

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

##### (d) *Family and Community Support Services Grant*

The Province of Alberta provides the Family and Community Support Services Grant to support several programs for children, youth, families, adults, seniors, community development, and social planning in the Municipality's different communities in accordance with the Family and Community Support Services Act and Regulation. During 2018, the Municipality received and recognized as operating government transfers \$1,924,513 (2017 - \$1,924,513).

##### (e) *Canada 150 Community Infrastructure Program Grant*

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

#### Capital government transfers

##### (f) *GreenTRIP Transportation Grants*

The Municipality entered into an agreement with the Province of Alberta to undertake the construction of a transit maintenance facility and purchase 34 low floor buses. The grant is a cost share grant whereby the Province of Alberta will provide 66.67% of eligible costs. In 2018, the Municipality received and recognized as capital government transfers \$649,996 (2017 - \$3,359,641) towards the costs of the transit facility and buses.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 15. Expenses by object

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	(Note 21)		(Restated - Note 24)
Salaries, wages and benefits	\$ 228,541,215	\$ 218,403,518	\$ 236,832,294
Contracted and general services	78,295,569	109,198,022	118,212,824
Purchases from other governments	27,113,700	23,641,339	24,102,618
Materials, goods, supplies and utilities	37,269,136	32,391,859	29,774,591
Provision (recovery) for allowances	512,000	(2,658,892)	22,188,834
Transfers to local boards and agencies	743,000	71,500	143,000
Transfers to individuals and organizations	26,587,150	27,195,918	36,136,013
Bank charges and short-term interest	228,600	233,069	221,440
Interest on long-term debt	12,734,000	12,639,738	13,431,331
Other	95,150	196,176	45,056,080
Amortization of tangible capital assets	-	111,729,348	111,000,844
Loss on disposal of tangible capital assets	-	-	2,222,734
<b>Total expenses</b>	<b>\$ 412,119,520</b>	<b>\$ 533,041,595</b>	<b>\$ 639,322,603</b>

### 16. Contractual Rights

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

2019	\$ 747,761
2020	661,677
2021	617,115
2022	603,036
2023	484,969
Thereafter	2,425,717
	<b>\$ 5,540,275</b>

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 17. Commitments and contingent liabilities

(a) *Operating leases*

The Municipality has entered into lease agreements for the leasing of office space and equipment until 2031. The annual lease payments in each of the following years are:

2019	\$ 3,269,341
2020	2,742,123
2021	1,938,378
2022	1,938,378
2023	1,619,632
Thereafter	377,708
	<u>\$ 11,885,560</u>

(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 million for the purpose of meeting current operating expenditures and obligations of the Municipality when required. At December 31, 2018, the Municipality had authorized the line of credit available from its bank in the amount of \$50 million. At year end, no amounts were drawn against its available line of credit.

(c) *Development agreements*

Developers have entered into agreements with the Municipality in the amount of approximately \$28,000,000 (2017 - \$29,000,000) and are committed to installing and constructing certain works to serve the development of lands within the Municipality. The Municipality has taken security from developers in the form of deposit liabilities in the amount of \$5,688,396 (2017 - \$5,318,275) and letters of credit in the amount of \$15,575,901 (2017 - \$16,537,755) to ensure performance by the developers under the agreements.

(d) *Contingent liabilities*

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

The Municipality is a defendant in various lawsuits as at December 31, 2018. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included in accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded. Any losses arising from these actions will be recorded in the year in which the related litigation is settled.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 18. Salary and benefits disclosure

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

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

(a) Salaries are disclosed as gross wages paid.

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

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

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



# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 19. 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.

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

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 19. Segment disclosures (continued)

	2018								
	Fiscal Services	General Government	Protective Services	Transportation	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	2018 Total
Revenue:									
Net taxes available for municipal purposes	\$ 680,553,583	\$ -	\$ -	\$ 126,819	\$ 202,684	\$ -	\$ -	\$ -	\$ 680,883,086
Government transfers - operating and capital	-	92,719,837	9,542,854	-	-	2,753,030	-	19,217	105,034,938
Sales and user charges	-	2,666,175	2,553,834	2,087,729	40,975,416	30,105	193,978	664,832	49,172,069
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	-	-	-	5,294,952
Licenses and permits	-	428,801	2,445,886	(40)	(1,520)	-	2,046,081	420	4,919,628
Fines	-	-	3,560,958	-	-	-	-	-	3,560,958
Franchise and concession contracts	-	7,875,171	-	-	-	-	-	-	7,875,171
Returns on investments	-	22,540,163	(1,419)	66	-	850	-	10,975	22,550,635
Rentals	-	690,958	1,229,039	13,961	-	-	43,065	62,224	2,039,247
Developers' agreements and levies (expense)	-	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	9,042,976
Gain on disposal of tangible capital assets	-	10,252,458	-	(3,198,860)	-	-	-	-	7,053,598
	685,414,384	164,109,819	22,649,533	3,594,696	45,400,955	2,783,985	2,315,056	953,695	927,222,123
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	218,403,518
Contracted and general services	-	68,268,722	3,775,495	15,958,956	12,450,123	588,623	3,813,506	4,342,597	109,198,022
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	32,391,859
Provision for (recoveries of) allowances	(1,911,041)	(1,593,130)	570,034	-	275,245	-	-	-	(2,658,892)
Transfers to local boards and agencies	-	-	-	-	-	-	-	71,500	71,500
Transfers to individuals and organizations	-	40,000	30,000	-	-	22,666,189	-	4,459,729	27,195,918
Bank charges and short-term interest	-	120,809	3,345	(21)	20,047	-	86,071	2,818	233,069
Interest on long-term debt	-	370,168	531,254	351,328	5,476,490	-	877,901	5,032,597	12,639,738
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	421,312,247
Annual surplus (deficit), before amortization	687,325,425	24,696,373	(58,911,500)	(66,961,407)	(9,959,075)	(24,214,040)	(13,754,067)	(32,311,833)	505,909,876
Amortization of tangible capital assets	-	5,633,503	5,226,665	40,515,894	38,400,012	-	176,774	21,776,500	111,729,348
Annual surplus (deficit)	\$ 687,325,425	\$ 19,062,870	\$ (64,138,165)	\$ (107,477,301)	\$ (48,359,087)	\$ (24,214,040)	\$ (13,930,841)	\$ (54,088,333)	\$ 394,180,528

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 19. Segment disclosures (continued)

	2017								
	(Restated - Note 24)								
	Fiscal Services	General Government	Protective Service	Transportation	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	2017 Total
Revenue:									
Net taxes available for municipal purposes	\$ 729,738,482	\$ (152)	\$ -	\$ 127,681	\$ 203,810	\$ -	\$ -	\$ -	\$ 730,069,821
Government transfers - operating and capital	-	89,793,331	10,689,021	-	-	2,556,719	-	108,783	103,147,854
Sales and user charges	-	13,274,244	4,403,298	1,990,715	40,869,121	181,969	218,453	1,260,959	62,198,759
Sales to other governments	-	-	586,154	-	2,873,624	-	-	-	3,459,778
Penalties and costs on taxes	3,574,495	(959,939)	-	-	189,478	-	-	-	2,804,034
Licenses and permits	-	(356,796)	278,284	7,645	957	-	3,042,100	335	2,972,525
Fines	-	-	4,928,587	-	-	-	-	-	4,928,587
Franchise and concession contracts	-	7,802,627	-	-	-	-	-	-	7,802,627
Returns on investments	-	17,727,600	-	78	-	495	-	10,796	17,738,969
Rentals	-	770,172	970,311	14,141	-	-	25,730	29,965	1,810,319
Developers' agreements and levies	-	(2,138,881)	-	-	-	-	-	-	(2,138,881)
Contributions of tangible capital assets	-	-	-	17,438,734	12,427,883	-	-	-	29,866,617
Other	-	1,263,542	283,204	55,164	-	-	-	158,976	1,760,886
	733,312,977	127,175,748	22,138,859	19,634,158	56,564,873	2,739,183	3,286,283	1,569,814	966,421,895
Expenses:									
Salaries, wages and benefits	-	70,285,425	56,811,995	44,437,169	32,939,299	3,687,336	12,620,874	16,050,196	236,832,294
Contracted and general services	-	70,046,931	4,318,732	16,489,368	9,270,889	249,307	4,821,755	13,015,842	118,212,824
Purchases from other governments	-	39,291	23,253,681	806,384	-	-	3,262	-	24,102,618
Materials, goods, supplies and utilities	-	1,780,026	2,410,914	12,495,727	10,153,482	305,068	247,852	2,381,522	29,774,591
Provision for allowances	17,503,129	(491,535)	2,107,929	-	3,069,311	-	-	-	22,188,834
Transfers to local boards and agencies	-	-	-	-	-	-	-	143,000	143,000
Transfers to individuals and organizations	-	85,668	73,150	-	-	26,558,594	-	9,418,601	36,136,013
Bank charges and short-term interest	-	151,735	1,682	106	21,579	-	44,310	2,028	221,440
Interest on long-term debt	-	400,218	581,464	413,458	5,857,911	-	911,492	5,266,788	13,431,331
Other	45,002,590	52,766	-	24	700	-	-	-	45,056,080
Loss on disposal of tangible capital assets	-	2,222,734	-	-	-	-	-	-	2,222,734
	62,505,719	144,573,259	89,559,547	74,642,236	61,313,171	30,800,305	18,649,545	46,277,977	528,321,759
Annual surplus (deficit), before amortization	670,807,258	(17,397,511)	(67,420,688)	(55,008,078)	(4,748,298)	(28,061,122)	(15,363,262)	(44,708,163)	438,100,136
Amortization of tangible capital assets	-	5,873,984	5,343,427	32,099,574	42,571,714	-	224,111	24,888,034	111,000,844
Annual surplus (deficit)	\$ 670,807,258	\$ (23,271,495)	\$ (72,764,115)	\$ (87,107,652)	\$ (47,320,012)	\$ (28,061,122)	\$ (15,587,373)	\$ (69,596,197)	\$ 327,099,292

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 20. Sales and user charges by segment

	<b>Budget</b>	<b>2018</b>	<b>2017</b>
	(Note 21)		
Council and other legislative	\$ 18,000	\$ 21,960	\$ 16,580
General administration	258,540	2,547,200	10,966,666
Other general government	75,000	97,014	148,162
Police	567,000	745,081	635,300
Fire	145,000	130,344	157,520
Disaster and emergency measures	50,000	105,538	1,986,724
Ambulance and first aid	1,200,000	1,348,143	1,621,908
Bylaw enforcement	-	224,729	1,847
Common and equipment pool	-	87,889	(14,395)
Roads, streets, walks, lighting	182,000	481,076	406,772
Public transport	1,232,000	1,518,764	1,598,338
Water supply and distribution	15,078,300	16,539,436	16,969,001
Wastewater treatment and disposal	11,736,200	11,931,225	12,539,670
Waste management	14,124,400	12,504,755	11,360,450
Family and community support	-	-	177,240
Cemeteries and crematoriums	20,000	30,105	4,729
Land use planning, zoning and development	174,000	193,978	196,041
Land, housing and building rentals	-	-	22,412
Parks and recreation	134,300	664,832	1,239,133
Culture: libraries, museums, halls	-	-	21,826
Other*	-	-	2,142,835
<b>Total sales and user charges</b>	<b>\$ 44,994,740</b>	<b>\$ 49,172,069</b>	<b>\$ 62,198,759</b>

\* unbudgeted flood recovery

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

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### 21. Budget data

The budget data presented in these non-consolidated financial statements is based upon the 2018 operating and capital budgets approved by Council.

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

	<u>Budget Amount</u>
Revenue:	
Operating budget	\$ 705,352,467
Capital budget	251,649,356
Less:	
Transfers from other funds	<u>141,894,229</u>
Total revenue	815,107,594
Expenses:	
Operating budget	705,352,467
Capital budget	251,649,356
Less:	
Transfers to other funds	275,931,947
Capital expenditures	251,649,356
Long-term debt principal payments	<u>17,301,000</u>
Total expenses	412,119,520
Annual surplus	<u>\$ 402,988,074</u>

### 22. Financial instruments

The Municipality's financial instruments consist of cash, taxes and grants in lieu receivable, trade and other receivables, investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations and long-term debt. Unless otherwise noted, the carrying value of its financial instruments approximates fair value.

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 and 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 customer minimizes the credit risk. The Municipality is subject to interest rate risk arising primarily from fluctuation in rates in its cash, investments and long-term debt.

# REGIONAL MUNICIPALITY OF WOOD BUFFALO

## Notes to Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 23. Fire Event

#### Overview

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

#### Impact on the 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 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 \$29,630,015 from insurance providers since 2016 relating to municipal assets and equipment destroyed or damaged by the wildfire with the final payout of \$9,531,000 (2017 - \$nil) received in 2018.

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

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

	2018	2017
Financial assets		
Trade and other receivables	\$ 43,889,665	\$ 16,216,185
	43,889,665	16,216,185
Liabilities		
Deferred revenue	684,059	3,748,316
	684,059	3,748,316
Net financial assets	\$ 43,205,606	\$ 12,467,869

	2018	2017
Revenue:		
Government transfers for operating	\$ 27,673,480	\$ 39,131,293
Sales and user charges	2,710,587	9,241,831
Other revenue	2,833,933	-
Gain on disposal of tangible capital assets	7,516,858	-
	40,734,858	48,373,124
Expenses (general government):		
Salaries, wages and benefits	1,882,951	2,719,916
Contracted and general services	21,772,704	39,168,296
Materials, goods, supplies and utilities	(127,867)	(251,165)
Other	(1,350)	1,350
	23,526,438	41,638,397
Annual surplus	\$ 17,208,420	\$ 6,734,727

#### 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 Non-Consolidated Financial Statements

For the year ended December 31, 2018

### 24. Restatement of prior year

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

Non-Consolidated Statement of Financial Position	2017 Balances		
	As Reported	Adjustment	Restated
<b>Non-financial assets</b>			
Tangible capital assets	\$ 3,902,417,456	\$ 23,831,621	\$ 3,926,249,077
<b>Accumulated surplus</b>			
Capital	4,128,469,884	23,831,621	4,152,301,505
<b>Non-Consolidated Statement of Operations</b>			
<b>Expenses:</b>			
Roads, streets, walks, lighting*	47,954,088	197,235	48,151,323
Storm sewers and drainage*	3,898,697	22,416	3,921,113
Water supply and distribution*	67,772,034	24,265	67,796,299
Wastewater treatment and disposal*	19,639,066	92,474	19,731,540
	139,263,885	336,390	139,600,275
<b>Other:</b>			
Contribution of tangible capital assets**	5,698,606	24,168,011	29,866,617
<b>Impact on annual surplus</b>	\$ (133,565,279)	\$ 23,831,621	\$ (109,733,658)

\* changes reflected in amortization expense in note 15

\*\* changes reflected in the transportation and environmental use and protection sections in note 19

### 25. Approval of financial statements

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