

Consolidated Financial Statements of

**REGIONAL MUNICIPALITY
OF WOOD BUFFALO**

Year ended December 31, 2011

Consolidated Financial Statements of
REGIONAL MUNICIPALITY OF WOOD BUFFALO
Year ended December 31, 2011

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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 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 meet with management and the external auditors to review the consolidated financial statements and to discuss 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 & Touche LLP, independent external auditors appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Regional Municipality of Wood Buffalo, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Wood Buffalo as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

We draw attention to Note 19 to the consolidated financial statements, which describes the correction of a prior year error. The correction is to record insurance proceeds received which were previously not recorded in the consolidated financial statements and to correct the related deferred revenue and government transfers for the Hawthorne Heights project. The previously issued independent auditor's report for the December 31, 2010 consolidated financial statements which were issued by another auditor who expressed an unmodified opinion on those statements on April 29, 2011, has not been reissued, but the corresponding comparative figures have been properly restated and disclosed in the current period financial statements. Our opinion is not qualified in respect of this matter.

Other matters

The consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2011.

As part of our audit of the December 31, 2011 consolidated financial statements, we also audited the adjustments described in Note 19 that were applied to amend the December 31, 2010 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the December 31, 2010 consolidated financial statements of the Regional Municipality of Wood Buffalo other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2010 consolidated financial statements taken as a whole.

Deloitte & Touche LLP

Chartered Accountants

May 8, 2012

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010 (Restated - Note 19)
Financial assets		
Cash and cash equivalents	\$23,631,478	\$64,635,605
Restricted cash (Note 2)	23,147,571	4,465,115
Taxes and grants in lieu receivable (Note 3)	5,324,030	5,965,468
Trade and other receivables (Note 4)	110,348,635	85,943,451
Inventories held for resale (Note 5)	66,689,619	71,176,504
Investments (Note 6)	763,663,148	835,078,699
	<u>992,804,481</u>	<u>1,067,264,842</u>
Liabilities		
Accounts payable and accrued liabilities	141,908,292	130,342,919
Deposit liabilities	8,749,445	7,845,436
Deferred revenue (Note 7)	266,148,572	286,766,139
Employee benefit obligations (Note 8)	13,885,832	15,384,343
Provision for landfill closure and post-closure obligation (Note 9)	12,190,490	8,657,101
Long-term debt (Note 10,11)	456,332,345	478,268,140
	<u>899,214,976</u>	<u>927,264,078</u>
Net financial assets	<u>93,589,505</u>	<u>140,000,764</u>
Non-financial assets		
Tangible capital assets (Note 12)	2,548,455,548	2,092,735,353
Consumable inventories	513,108	860,049
Prepaid expenses	2,411,562	5,357,057
	<u>2,551,380,218</u>	<u>2,098,952,459</u>
Accumulated surplus (Note 13)	<u>\$2,644,969,723</u>	<u>\$2,238,953,223</u>

Commitments and contingent liabilities (Note 14)

See accompanying notes to consolidated financial statements.

Approved by:

 Chief Financial Officer

 Chief Administrative Officer

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

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010 (Restated - Note 19)
Revenue:			
Net taxes available for municipal purposes (Schedule 1)	\$ 481,502,711	\$ 480,027,699	\$ 432,085,357
Government transfers (Schedule 2)	246,603,109	119,068,740	116,274,449
Sales and user charges (Schedule 3)	74,770,303	81,417,932	96,809,819
Sales to other governments	3,089,435	2,077,293	1,690,032
Penalties and costs on taxes	1,106,000	1,576,980	1,543,375
Licenses and permits	9,433,534	10,583,341	11,380,602
Fines	3,423,500	3,435,635	3,001,260
Franchise and concession contracts	4,622,371	4,598,555	4,582,643
Returns on investments	13,010,000	23,118,587	13,835,898
Rentals	20,647,803	21,332,118	12,612,073
Transfers from local boards and agencies	-	-	62,000
Developers' agreements and levies	-	18,549	5,971,414
Other	4,812,284	7,474,880	9,454,177
Gain on disposal of tangible capital assets	-	16,026,552	5,715,212
Contributions of tangible capital assets	-	82,082,914	74,558,193
	863,021,050	852,839,775	789,576,504
Expenses: (Schedule 4)			
Council and other legislative	1,942,947	1,468,407	1,299,712
General administration	82,843,674	77,978,117	65,431,304
Other general government	4,247,510	3,848,328	3,873,919
Police	32,262,471	31,840,651	27,246,249
Fire	24,019,822	24,700,258	22,430,483
Disaster and emergency measures	1,233,765	722,111	691,780
Ambulance and first aid	7,458,205	6,774,157	7,900,637
Bylaws enforcement	5,205,761	5,162,463	4,396,980
Common and equipment pool	21,117,363	22,855,623	15,682,872
Roads, streets, walks, lighting	28,073,879	38,785,113	34,119,155
Public transport	17,326,332	20,790,171	16,968,024
Storm sewers and drainage	1,162,416	1,950,490	1,695,586
Water supply and distribution	21,400,144	29,076,965	25,565,138
Wastewater treatment and disposal	18,907,636	27,275,505	22,621,189
Waste management	15,392,243	21,057,691	12,484,796
Family and community support	5,414,242	6,335,293	6,748,952
Day care	15,000	15,000	15,000
Cemeteries and crematoriums	129,477	112,067	1,429,447
Land use planning, zoning and development	14,125,574	12,709,267	11,181,775
Subdivision land and development	2,497,910	1,898,374	2,922,834
Public housing operations	38,191,787	40,367,077	45,102,050
Land, housing and building rentals	3,523,100	2,893,814	-
Recreation boards	2,203,335	1,984,947	1,453,902
Parks and recreation	56,207,606	60,679,362	49,883,314
Culture: libraries, museums, halls	4,356,108	2,415,588	6,159,702
Other	-	3,126,436	199,466
Transfer of net assets (Note 20)	-	-	52,676,161
	409,258,305	446,823,275	440,180,427
Annual surplus	453,762,745	406,016,500	349,396,077
Accumulated surplus, beginning of year (Restated - Note 19)	2,238,953,223	2,238,953,223	1,889,557,146
Accumulated surplus, end of year	\$ 2,692,715,968	\$ 2,644,969,723	\$ 2,238,953,223

See accompanying notes to consolidated financial statements.

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

Year ended December 31, 2011, with comparative figures for 2010

	Budget	2011	2010
	(Unaudited)		(Restated - Note 19)
Annual surplus	\$ 453,762,745	\$ 406,016,500	\$ 349,396,077
Acquisition of tangible capital assets	918,601,817	(428,773,602)	(262,275,102)
Contributions of tangible capital assets	-	(82,082,914)	(74,558,193)
Gain on disposal of tangible capital assets	-	(16,026,552)	(5,715,212)
Amortization of tangible capital assets	-	48,390,556	39,496,011
Proceeds on disposal of tangible capital assets	-	22,772,317	5,996,520
	1,372,364,562	(49,703,695)	52,340,101
Use of consumable inventories	-	346,941	225,410
Use (acquisition) of prepaid expenses	-	2,945,495	(4,017,357)
Increase (decrease) in net financial assets	1,372,364,562	(46,411,259)	48,548,154
Net financial assets, beginning of year	140,000,764	140,000,764	91,452,610
Net financial assets, end of year	\$ 1,512,365,326	\$ 93,589,505	\$ 140,000,764

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated - Note 19)
Cash provided by (used in):		
Operating:		
Annual surplus	\$ 406,016,500	\$ 349,396,077
Items not involving cash and cash equivalents:		
Contributions of tangible capital assets	(82,082,914)	(74,558,193)
Gain on disposal of tangible capital assets	(16,026,552)	(5,715,212)
Amortization of tangible capital assets	48,390,556	39,496,011
Transfer of net assets	-	52,676,161
Change in non-cash assets and liabilities:		
Restricted cash	(18,682,456)	(2,247,404)
Taxes and grants in lieu receivable	641,438	(1,982,274)
Trade and other receivables	(24,405,184)	29,247,979
Inventories for resale	4,486,885	(965,859)
Accounts payable and accrued liabilities	11,565,373	6,305,245
Deposit liabilities	904,009	(1,223,182)
Deferred revenue	(20,617,567)	32,249,160
Employee benefit obligations	(1,498,511)	3,021,566
Provision for landfill closure and post closure costs	3,533,389	(2,316,885)
Consumable inventories	346,941	225,410
Prepaid expenses	2,945,495	(4,017,357)
Cash provided by operating transactions	315,517,402	419,591,243
Capital:		
Proceeds on disposal of tangible capital assets	22,772,317	5,996,520
Acquisition of tangible capital assets	(428,763,307)	(262,275,102)
Cash applied to capital transactions	(405,990,990)	(256,278,582)
Investing:		
Decrease (increase) in investments	71,415,551	(306,489,075)
Cash applied to investing transactions	71,415,551	(306,489,075)
Financing:		
Long-term debt issued	24,530,041	201,744,172
Long-term debt repaid	(46,476,131)	(32,645,232)
Cash provided by financing transactions	(21,946,090)	169,098,940
Decrease (increase) in cash and cash equivalents during the year	(41,004,127)	25,922,526
Cash and cash equivalents, beginning of year	64,635,605	38,713,079
Cash and cash equivalents, end of year	\$ 23,631,478	\$ 64,635,605

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements

Year ended December 31, 2011

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

1. Significant accounting policies:

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

(a) Reporting entity:

(i) Consolidated entities

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

Regional Municipality of Wood Buffalo Library
Wood Buffalo Housing & Development Corporation
MacDonald Island Park 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 schedule of 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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

1. Significant accounting policies, continued:

(b) Basis of accounting:

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

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

Government transfers are recognized in the consolidated financial statements as revenue 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.

Revenues for the provision of goods or services are recognized in the period in which the goods are provided or the services are rendered.

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.

Investment income is 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.

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.

Budget information, as approved by Council, is reported on an accrual basis and is unaudited, consistent with accounting principles applied in the consolidated financial statements.

(c) 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.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of bank deposits and investments with original maturities of three months or less.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

1. Significant accounting policies, continued:

(e) Investments:

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 has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Cash in brokerage trading accounts is included in investments.

(f) 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.

Cost is determined using specific identification. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

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

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

Annual amortization is charged at 50% in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(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) 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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

1. Significant accounting policies, continued:

(g) Non-financial assets (continued):

(iv) Capitalization of costs

The Municipality does not capitalize interest costs associated with the acquisition or construction of tangible capital asset with the exception of direct costs relating to certain rental properties under development. Direct costs include carrying costs such as property taxes, interest on debt specifically related to the properties and other costs. General and administrative indirect overhead expenses are not allocated and capitalized to properties.

(v) 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.

(vi) Consumable inventories

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

(h) Landfill closure and post-closure obligation

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

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

(i) Employee future benefits

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

(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 consolidated financial statements, and the reported amounts of revenues and expenses during the period.

Actual results could differ from those estimates.

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

2. Restricted cash:

Restricted cash is comprised of security deposits received from tenants in the amount of \$898,679 (2010-\$810,809) held in trust accounts that bear interest at the Royal Bank of Canada prime rate less 1.9% (2010-1.9%), restricted replacement reserves in the amount of \$1,830,416 (2010-\$1,328,029), Lodge Funds restricted for purchase and maintenance of Rotary House and other projects in the amount of \$1,113,644 (2010-\$982,280), capital grant funds to support the development of affordable housing units in Parsons Creek in the amount \$738,402 (2010-\$730,000), rent supplement funds payable to Alberta Housing & Urban Affairs in the amount of \$360,194 (2010-\$613,997), and proceeds from the Province of Alberta related to the Hawthorne Heights project of \$18,206,236 (2010 - nil) which are restricted as per an amended Hawthorne Heights conditional grant funding agreement and are to be used for a future development project.

Under the terms of the mortgage agreements with the Royal Bank of Canada, 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 Royal Bank of Canada following submission of paid invoices for approved major capital repairs.

3. Taxes and grants in lieu receivable:

	2011	2010
Current	\$ 4,980,224	\$ 4,827,081
Arrears**	885,594	1,266,209
	<u>5,865,818</u>	<u>6,093,290</u>
Less allowance for doubtful accounts	541,788	127,822
	<u>\$ 5,324,030</u>	<u>\$ 5,965,468</u>

** levies which were imposed prior to January 1, 2011

4. Trade and other receivables:

	2011	2010
Government transfers	\$ 32,937,201	59,668,476
GST recoverable	13,761,302	6,341,921
Utility receivables	4,094,980	4,047,542
Developer charges	20,633,010	1,997,648
Other receivables	38,922,142	13,887,864
	<u>\$ 110,348,635</u>	<u>\$ 85,943,451</u>

The allowance for doubtful accounts for trade and other receivables is \$1,553,708 (2010-\$1,738,809). The above amounts are net of any related doubtful accounts balances.

5. Inventories for resale:

	2011	2010
Inventories for resale	\$ 232,662	\$ 238,041
Property inventory:		
Taiganova Eco Industrial Park	2,627,198	8,249,052
Other properties under development	3,659,374	42,373,488
Held under equity and affordability programs	60,170,385	20,315,923
	<u>\$ 66,689,619</u>	<u>\$ 71,176,504</u>

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

6. Investments:

	2011		2010	
	Carrying Value	Market Value	Carrying Value	Market Value
Cash	\$ 8,166,039	\$ 8,166,039	\$ 7,528,275	\$ 7,528,275
Bankers acceptances, notes and bonds	90,469,958	90,474,662	84,520,776	84,647,098
Mortgages and notes receivable	7,805,221	7,805,221	3,237,434	3,237,434
Government and government guaranteed bonds	314,057,393	322,791,349	439,381,242	440,658,932
Corporate bonds and debentures	325,177,375	326,390,563	278,957,100	278,479,251
Mutual Funds	15,355,446	16,295,252	19,384,145	22,745,119
Accrued interest	2,631,716	2,631,716	2,069,727	2,069,727
	\$ 763,663,148	\$ 774,554,802	\$ 835,078,699	\$ 839,365,836

Bankers acceptances, notes and bonds have maturities of less than one year and stated interest rates from 1.250% to 2.150% (2010-Average of 1.068%).

The mortgages and notes receivable include housing affordability loans, bearing interest at rates ranging from nil % 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. In addition, mortgages and notes receivable includes 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. Further, mortgages and notes receivable includes demand promissory notes receivable and second mortgages receivable bearing interest at nil % to 6% per annum, with monthly repayment terms representing a 25 year amortization period, secured by land and buildings.

The mortgages and notes receivable bear interest at stated interest rates between nil % and 6%, depending on the level of family income of the mortgage and note holders and have market of interest on same or similar instruments between 6% and 8% and are all assumed to have a 25 year amortization period. The mortgages and notes receivable are carried at amortized cost less impairment which is determined to be the present value of contractual future payments of principal and interest, discounted at market rates of interest on the same or similar instruments at the time of inception. Under the various agreements, the Municipality effectively provides an annual subsidy to the mortgage and note holders representing the difference between a fair market value interest rate on the mortgages and notes receivable between 6% and 8% and the amount of interest actually received from the mortgage and note holders. The Municipality records this difference each year as an increase to returns on investments. The interest subsidy added to returns on investments during the year was \$168,111 (2010-\$165,449).

Government and government guaranteed bonds, bearing interest at stated average interest rates from 1.399% to 6.500% (2010-1.441% to 8.231%).

Corporate bonds and debentures, bearing interest at stated average interest rates from 1.531% to 11.800% (2010-0.110% to 9.74%).

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

7. Deferred revenue:

	2011	2010
		(Restated - Note 19)
<u>Government transfers</u>		
Operating:		
Community Housing Plan Grant	\$ 1,582,908	\$ 183,396
Rent Supplement Program Grant	472,680	749,943
Marshall House Grant	134,095	522,640
Alberta Housing & Urban Affairs	123,139	203,618
Sustainable Remote Housing Grant	106,920	111,960
Other Grants	529,783	388,665
RCMP Grant	256,512	254,704
	<u>3,206,037</u>	<u>2,414,926</u>
Capital:		
Community Development Plan (1)	100,640,331	166,178,618
Alberta Municipal Infrastructure Program (2)	8,657,707	12,761,587
Alberta Municipal Sponsorship Grant	112,355	144,768
Alberta Municipal Sustainability Initiative Grant (3)	17,719,664	25,391,445
Alberta Infrastructure Transportation Grant (4)	6,790,493	3,264,764
New Deal for Cities and Communities Grant (5)	5,830,592	4,873,323
Western Economic Diversification Canada (6)	-	427,103
Alberta Affordable Housing Initiative	46,189,089	44,110,000
Provincial Grant South Police Centre & Cell Block (7)	9,154,694	-
Strategic Transportation Infrastructure Grant (8)	4,763,063	-
	<u>199,857,988</u>	<u>257,151,808</u>
	<u>203,064,025</u>	<u>259,566,534</u>
<u>Other</u>		
Corporate Donations and Naming Rights	666,667	1,532,453
Rights Holder Agreements (9)	1,692,800	1,777,600
Deferred Property Sales (10)	57,007,211	22,125,830
Lifetime golf and fitness memberships	1,013,248	1,095,270
Other	2,704,621	668,452
	<u>63,084,547</u>	<u>27,199,605</u>
	<u>\$ 266,148,572</u>	<u>\$ 286,766,139</u>

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

7. Deferred revenue, continued:

(1) The Municipality has entered into an agreement with the Province of Alberta to service the development of Crown Lands known as Parsons Creek and Saline Creek Plateau. To facilitate this servicing, for residential and other purposes, a grant totalling \$192,420,000 was provided by the Province. The Municipality received a grant allocation of nil, (2010 - \$97,420,000) and recognized \$67,185,809 (2010-\$21,296,374) as government transfers. The Municipality allocated interest in the amount of \$1,647,522 (2010-\$1,188,523).

(2) The Provincial government introduced the Alberta Municipal Infrastructure Program (AMIP) in 2005 to assist municipalities in addressing capital infrastructure needs. The Municipality recognized \$4,234,420 (2010-\$4,169,830) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$130,540 (2010-\$98,938). This program terminated in 2009.

(3) In 2007, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to assist municipalities with managing growth pressures, provide sustainable funding and support infrastructure needs. In 2011, the Municipality received \$18,061,319 (2010-\$17,379,589) and recognized \$25,863,786 (2010-\$7,842,620) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$130,686 (2010-\$118,867). Based on a pre-established formula and budget availability, the Municipality will receive an annual grant allocation until 2016. The Province has committed a total of \$219,500,697 over the term of this agreement.

(4) The Alberta Infrastructure Transportation Grant provides annual cost-shared financial assistance to cities for developing and implementing safe and effective roadway network and transportation systems. In 2011, the Municipality received \$4,101,466 (2010-\$4,065,726) and recognized \$605,470 (2010-\$3,831,225) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$29,733 (2010-\$20,024).

(5) The New Deal for Cities and Communities (NDCC) program assists municipalities in addressing their sustainable municipal capital infrastructure needs. Funding is received through the allocation of the federal gasoline tax to Alberta municipalities. In 2011, the Municipality received \$5,012,918 (2010-\$5,012,918) and recognized \$4,083,961 (2010-\$7,199,212) as government transfers. The Municipality allocated interest on the unspent grant in the amount of \$28,312 (2010-\$33,490). This grant program has been extended to 2013 and the Municipality will receive an additional \$5,012,918 each year from 2011 to 2013 under the terms of this agreement.

(6) In 2009, the Municipality received a \$1,000,000 grant from the Government of Canada (Western Economic Diversification Canada) for the construction of portable roof structures for four rural outdoor rinks. \$427,103 (2010-\$81,056) was recognized as government transfers.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

7. Deferred revenue, continued:

(7) The Municipality entered into an agreement with the Alberta Government in 2011 to contribute \$10,000,000 towards the cost of the construction and development of a new Wood Buffalo South Police Facility. During 2011, the Municipality received a grant of \$10,000,000 and recognized \$915,132 as government transfers. The Municipality allocated interest in the amount of \$69,826.

(8) The Municipality entered into an agreement with the Alberta Government to undertake the maintenance and construction of the Fort MacKay Bridge Replacement project. The Municipality received \$5,645,000 in 2011. The Municipality recognized \$925,394 as government transfers. The Municipality allocated interest in the amount of \$43,457.

(9) In exchange for contributions received totalling \$2,120,000 from certain entities within the Municipality, the Municipality granted rights holders the right to refer tenants 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 holders have first right of refusal to certain vacant units and if there is no proposed or accepted tenant, the rights holder can lease the unit for a one year term so that the unit remains available for a future referred tenant, subject to acceptance by the Municipality's acceptance criteria. If there is no proposed or accepted tenant, and the rights holder does not exercise its option to lease the unit, then the Municipality can lease the unit to another tenant for a one year lease. The rights holders can assign or sell its 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 new terms and conditions. Should the Municipality commit an act of default under the agreements, the contributions become repayable. The agreements do not convey any interest in land buildings to the rights holders and regular monthly rental payments are required under any unit rented.

(10) Deferred property sales represent the cash, mortgages and notes, net of discounting, received as consideration by the Municipality relating to properties under certain housing equity and affordability programs. The housing equity and affordability program agreements include certain market appreciation guarantees which establish the final amount to be paid to the Municipality once the mortgage and note holders sell or otherwise convey an interest in the the underlying properties. The amount to be paid to the Municipality, whether at the option of the mortgage and note holder, or as a result of sale, is the original principal amount of the note and mortgage receivable, plus a percentage of the increased market value of the property less any interest previously paid to the Municipality. During the year, the Municipality recognized \$7,040,775 (2010-\$3,381,281) in revenue relating to the sales of certain properties. As the ultimate selling price of the properties is uncertain and substantially all of the rights and responsibilities of ownership of the properties have not been transferred at the end of the year, the Municipality has not recognized revenue related to these sales. The properties are reflected as part of property inventory held under equity and affordability programs and related revenues have been deferred and will be recognized when there is greater certainty as to the ultimate proceeds.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

8. Employee benefit obligations:

	2011		2010
Accrued vacation pay and overtime liability	\$ 7,335,522	\$	7,020,184
Accrued salary and benefits	6,550,310		8,364,159
	<u>\$ 13,885,832</u>	\$	<u>15,384,343</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 (and are vested) or are entitled to these 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. LAPP serves approximately 200,000 employees and approximately 400 employer organizations such as municipalities, hospitals and schools (non-teachers). It is financed by employer, employee and Government of Alberta contributions and investment earnings of the LAPP Fund.

The Municipality is required to make current service contributions to LAPP of 9.49% (2010-9.06%) of an employees' pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.13% (2010-12.53%) for the excess. Employees of the Municipality are required to make current service contributions of 8.49% (2010-8.06%) of pensionable salary up to the year's maximum pensionable salary and 12.31% (2010-11.53%) on pensionable salary above this amount. Contributions for current service are recorded as expenditures in the year in which they become due.

Total current service contributions by the Municipality to LAPP were \$10,112,901 (2010-\$9,584,421). Total current service contributions by the employees of the Municipality to LAPP in 2011 were \$11,021,097 (2010-\$8,679,946).

The LAPP reported a deficiency for the overall plan as at December 31, 2010 of \$4,635,250,000. Information as at December 31, 2011 was not available at the time of preparing these consolidated financial statements.

(c) APEX Supplementary Pension Plan

The APEX Supplementary Pension Plan, an Alberta Urban Municipality 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 (approximately 91 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 2.5% and 3% respectively of pensionable earnings up to \$127,611.

Total current service contributions by the Municipality to APEX in 2011 were \$325,550 (2010-\$276,396). Total current service contributions by the employees of the Municipality were \$272,660 (2010-\$230,336).

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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

8. Employee benefit obligations, continued:

(d) Other employee benefit plans

Basic Life, accidental death and dismemberment, short term disability, long term disability, extended health, dental and vision benefits are fully funded by the Municipality. The Municipality's contributions are expensed to the extent that they do not relate to discretionary reserves. The Municipality accrues its obligations for employee non-pension future benefits.

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

(e) Employee housing initiative - designated housing units

On February 14, 2006, a designated housing unit program was established by the Municipality. Under this program, a specified number of rental units (18) are provided for exclusive use by employees of the Municipality to assist with transitional housing needs.

The program is for new employees requiring transitional housing, or in unique cases, for an existing employee where affordable housing cannot be secured by the employee within the Municipality. The designated rental units are allocated as per the qualifying 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.

Shared rental accommodation is also available for up to six months through several houses currently rented by the Municipality.

(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.

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

At December 31, 2011, 219 employees were approved for participation under the program with an aggregate secured property value of \$120,089,419. Of the participating employees, 169 currently meet the eligibility requirements with a secured property value of \$88,792,084.

At December 31, 2011, no amounts have been accrued (2010 - \$nil) within the consolidated financial statements relating to this program as management is of the opinion that, based on current market conditions, no obligations exist with respect to the outstanding arrangements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

9. Landfill closure and post-closure obligation:

The obligation recorded at December 31, 2011 for the landfill closure was \$12,190,490 (2010-\$8,657,101) and represents the present value of closure and post-closure costs of the Municipality's landfill sites, using assumed annual rates of 2.2% (2010- 0.70%) for inflation and discount rates of 3.193% (2010-4.085%).

The closing of existing facilities involves contouring the site to promote positive drainage to minimize leachate production, site slope reduction to prevent excessive erosion and cap damage and covering the site with low permeability clay to prevent water infiltration followed by application of topsoil and vegetation. Estimates are based on the current closure plan developed for and approved by Alberta Environment. 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.

As of the end of 2011 there are 5 sites that are currently closed. Two of these sites, being Janvier and Conklin, were closed in late 2011. The Fort Mackay site is currently being re-closed following the identification of post closure damage to the site. Additional accruals have been provided in 2011 to remediate the damages.

The Fort McMurray site completed operations in early 2011 and closure activities will be completed in 2012 and 2013. Increases in obligation costs are expected with the introduction of landfill gas management technologies at the Fort McMurray site, in keeping with the Municipal Development Plan.

The Fort Chipewyan and the Fort McMurray Regional landfill are currently the only open landfill sites within the Regional Municipality of Wood Buffalo. The Fort Chipewyan site, which has approximately 1% capacity or less than a year's life is scheduled to be closed in June 2012. The 2011 accrued obligations for this site have been increased to reflect the inclusion of a geomembrane within the Fort Chipewyan site in 2012 as part of the closure plan. The new Fort Chipewyan landfill is scheduled to begin operations in June 2012.

The Fort McMurray Regional landfill site came into operation during early 2011 and has existing capacity of 98% with an estimated life of 80 years.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

10. Long-term debt:

	2011	2010
Municipal debt:		
Capital leases supported by general tax levies (i)	\$ 33,363	\$ 225,697
Debentures supported by general tax levies (ii)	213,326,426	222,258,928
Debentures supported by utility rates (ii)	148,935,748	154,774,429
	<u>362,295,537</u>	<u>377,259,054</u>
Controlled organizations debt:		
Capital leases (iii)	141,897	198,850
Demand loans - operating (iv)	-	10,203,077
Demand loans - capital (iv)	17,236	7,911,495
Long-term debt (v)	93,877,875	82,695,664
	<u>94,036,808</u>	<u>101,009,086</u>
	<u>\$ 456,332,345</u>	<u>\$ 478,268,140</u>

Municipal debt

(i) The Municipality has entered into capital lease agreements for vehicles. The payments on principal and interest in the next two years are as follows:

	Principal	Interest	Total
2012	\$ 8,006	\$ 1,457	\$ 9,463
2013	25,357	908	26,265
	<u>\$ 33,363</u>	<u>\$ 2,365</u>	<u>\$ 35,728</u>

Interest on capital leases in 2011 amounted to \$9,903 (2010 - \$26,390).

Implicit interest has been calculated at rates ranging from 4.25% to 8.95% (2010 - 0.50% to 8.95%) on the outstanding balances.

(ii) 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
2012	\$ 14,918,872	17,081,932	32,000,804
2013	15,096,057	16,334,452	31,430,509
2014	15,226,273	15,584,137	30,810,410
2015	15,765,539	14,828,724	30,594,263
2016	15,703,651	14,055,713	29,759,364
Thereafter	285,551,782	117,008,263	402,560,045
	<u>\$ 362,262,174</u>	<u>\$ 194,893,221</u>	<u>\$ 557,155,395</u>

Interest on long-term debt in 2011 amounted to \$17,683,453 (2010 - \$12,372,682).

Debenture debt repayable to Alberta Capital Finance Authority has interest rates ranging from 2.44% to 11.75% per annum, and matures in years 2012 through 2032.

The Alberta Capital Finance Authority provided a \$136 million loan to the Municipality on June 15, 2006. Proceeds from this loan are being used to fund the Wastewater Treatment Plant project. The Province of Alberta provided a special grant to subsidize the full amount of semi-annual interest cost for the first four years on the loan. In addition, principal repayment was deferred for four years, starting in 2010.

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

10. Long-term debt, continued:

Controlled organizations' debt

(iii) The Municipality has entered into lease agreements for computer and mobile equipment. The payments on principal and interest in the next two years are as follows:

	Total
2012	80,862
2013	73,055
	\$ 153,917

Interest on capital leases in 2011 amounted to \$15,905 (2010 - \$11,536).

During the year, equipment in the aggregate amount of \$10,295 (2010 - \$242,075) was purchased by means of capital leases, of which \$10,295 was financed.

Implicit interest has been calculated at rates ranging from 0% to 15.45% (2010 - 0% to 15.45%) on the outstanding balances.

(iv) Demand loans are comprised of a revolving demand loan with interest at the cost of funds plus 1.5% supporting the development of property inventory for resale, a revolving demand loan at prime rate plus 3.0% supporting construction in progress, and a revolving demand loan at a fixed rate of 5.06%. The demand loans have no established repayment terms or due dates. The prime rate as at December 31, 2011 was 3.0% (2010 - 3.0%).

(v) Long-term debt is comprised of Royal Bank of Canada commercial mortgages with interest rates ranging from 3.49% to 5.074%, payments of \$536,800 per month including principal and interest, maturities from November 1, 2012 to March 1, 2022, with land and buildings pledged as collateral.

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

	Principal	Interest	Total
2012	\$ 2,309,880	\$ 4,301,773	\$ 6,611,653
2013	2,413,456	4,112,080	6,525,536
2014	2,521,754	4,082,418	6,604,172
2015	2,634,990	3,964,872	6,599,862
2016	2,753,393	2,841,746	5,595,139
Thereafter	81,244,402	56,231,879	137,476,281
	\$ 93,877,875	\$ 75,534,768	\$ 169,412,643

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

Interest on demand loans and long-term debt in 2011 amounted to \$3,730,409 (2010 - \$2,905,374).

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

11. Debt and debt service limits:

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

Debt Limit

	<u>2011</u>	<u>2010</u>
Maximum allowable debt	\$ 1,220,870,356	\$ 1,082,278,430
Total municipal debt (Note 10)	<u>362,295,537</u>	<u>377,259,054</u>
Amount of total debt limit available	<u>\$ 858,574,819</u>	<u>\$ 705,019,376</u>
Percentage used	29.68%	34.86%

Debt service limit

Maximum allowable debt service	\$ 213,652,312	\$ 189,142,896
Annual payments on existing municipal debt	<u>32,010,267</u>	<u>32,790,631</u>
Amount of service on debt limit available	<u>\$ 181,642,045</u>	<u>\$ 156,352,265</u>
Percentage used	14.98%	17.34%

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 such revenue. Incurring debt beyond these limitations requires approval by the 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, MacDonald Island Park Corporation and Regional Municipality of Wood Buffalo Library.

The Municipality's Debt Management Policy (amended July 13, 2010) has an established debt and debt service limit of 75% of the Municipal Government Act and regulation limits.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

12. Tangible capital assets:

	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2011
COST:								
<i>Balance, Beginning of Year (restated - Note 19)</i>	\$233,587,495	\$ 33,917,335	\$ 449,113,768	\$ 1,316,384,876	\$ 40,931,142	\$ 49,945,538	\$384,171,331	\$ 2,508,051,485
Acquisition of tangible capital assets	75,246,420	16,365,001	43,331,892	44,640,742	11,647,682	11,612,320	308,012,459	510,856,516
Disposal of tangible capital assets	(5,594,619)	-	(579,026)	-	(373,052)	(2,042,043)	-	(8,588,740)
<i>Balance, End of Year</i>	\$303,239,296	\$ 50,282,336	\$ 491,866,634	\$ 1,361,025,618	\$ 52,205,772	\$ 59,515,815	\$692,183,790	\$ 3,010,319,261
ACCUMULATED AMORTIZATION:								
<i>Balance, Beginning of Year</i>	\$ -	\$ 11,252,482	\$ 34,236,881	\$ 332,883,228	\$ 17,008,535	\$ 19,935,006	\$ -	\$ 415,316,132
Annual amortization	-	2,026,730	10,421,825	25,638,262	4,431,300	5,872,439	-	48,390,556
Accumulated amortization on disposals	-	-	(43,157)	-	(369,412)	(1,430,406)	-	(1,842,975)
<i>Balance, End of Year</i>	\$ -	\$ 13,279,212	\$ 44,615,549	\$ 358,521,490	\$ 21,070,423	\$ 24,377,039	\$ -	\$ 461,863,713
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, End of Year	\$303,239,296	\$ 37,003,124	\$ 447,251,085	\$ 1,002,504,128	\$ 31,135,349	\$ 35,138,776	\$692,183,790	\$ 2,548,455,548

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

12. Tangible capital assets, continued:

	Land	Land Improvements	Buildings and Improvements	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress	2010
								(Restated - Note 19)
COST:								
<i>Balance, Beginning of Year</i>	\$ 214,323,176	\$ 27,221,994	\$ 235,312,899	\$ 1,012,664,699	\$ 31,159,034	\$ 41,854,534	\$ 611,264,277	\$ 2,173,800,613
Acquisition of tangible capital assets	19,353,042	6,695,341	213,800,869	303,720,177	10,197,041	8,439,507	(227,092,946)	335,113,031
Disposal of tangible capital assets	(88,723)	-	-	-	(424,933)	(348,503)	-	(862,159)
<i>Balance, End of Year</i>	\$ 233,587,495	\$ 33,917,335	\$ 449,113,768	\$ 1,316,384,876	\$ 40,931,142	\$ 49,945,538	\$ 384,171,331	\$ 2,508,051,485
ACCUMULATED AMORTIZATION:								
<i>Balance, Beginning of Year</i>	\$ -	\$ 9,840,542	\$ 26,596,978	\$ 311,170,144	\$ 13,371,635	\$ 15,421,673	\$ -	\$ 376,400,972
Annual amortization	-	1,411,940	7,639,903	21,713,084	3,892,108	4,838,976	-	39,496,011
Accumulated amortization on disposals	-	-	-	-	(255,208)	(325,643)	-	(580,851)
<i>Balance, End of Year</i>	\$ -	\$ 11,252,482	\$ 34,236,881	\$ 332,883,228	\$ 17,008,535	\$ 19,935,006	\$ -	\$ 415,316,132
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, End of Year	\$ 233,587,495	\$ 22,664,853	\$ 414,876,887	\$ 983,501,648	\$ 23,922,607	\$ 30,010,532	\$ 384,171,331	\$ 2,092,735,353

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

12. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$692,183,790 (2010 - \$384,171,331) have not been amortized. Amortization of these assets will commence when the assets are put into service.

b) Contributed tangible capital assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$82,082,914 (2010 - \$74,558,193).

c) 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.

d) Works of art and historical treasures

The Municipality manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Municipal sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

e) Building - Edgewater Court

On April 17, 2007, an apartment building that was part of the Edgewater Court project was damaged by fire. The building had a net book value of \$8,392,186 on April 17, 2007 and amortization of the building ceased on that date. The Municipality has replacement value insurance coverage on the building, however the expected proceeds to be received are not yet determinable as reconstruction of the building was not complete at December 31, 2011. In 2007 and 2008, the Municipality's insurers paid out \$542,523 and \$272,331 respectively as a partial settlement of the Municipality's business interruption insurance claim with respect to loss of use of the building while it is being repaired.

In 2009, the Municipality entered into an arrangement with its insurers whereby the Municipality is acting on behalf of the insurers to complete certain activities relating to the building reconstruction. During the year, the insurer deposited \$829,854 (2010-\$3,098,191) into a trust account for expenses related to the reconstruction of the property. The Municipality incurred expenses related to the reconstruction which were reimbursed out of the account once appropriate expenses were submitted and approved. The amounts recovered from the insurance company have been recorded as insurance proceeds on the statement of operations with the costs incurred being recorded, where appropriate, as repair and maintenance or capital improvements related to the building. During the year, the Municipality capitalized nil (2010 - \$1,720,264). As at December 31, 2011, construction was in progress and the building was not in use. As such, it is not subject to amortization.

As at December 31, 2011, the trust account had a balance of \$31,788 (2010-\$127,516). This account is not included in the consolidated financial statements of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

13. Accumulated surplus:

	2011	2010
		(Restated - Note 19)
Operations:		
Surplus - undesignated	\$ 124,538	\$ 124,538
Operating reserves:		
General administration	87,252,515	172,687,174
Common services	145,003	145,003
Roads and streets	57,231	57,231
Municipal planning	33,526	33,526
Land and housing	547	547
Recreation	368,554	357,880
Urban parks	289,777	289,777
Regional Municipality of Wood Buffalo Library	3,340,718	2,510,397
Wood Buffalo Housing & Development Corporation	54,225,966	51,199,378
MacDonald Island Park Corporation	(465,362)	(460,153)
	<u>145,248,475</u>	<u>226,820,760</u>
Total operations	145,373,013	226,945,298
Capital:		
Deficiency - undesignated	(104,242,148)	(43,014,590)
Capital reserves:		
General	493,456,347	413,659,197
Equipment	706,327	704,168
Firefighting and preventive services	154,651	152,959
Common services	774,064	765,599
Roads and streets	162,918	161,307
Water supply	2,045,026	2,042,500
Sewage	2,324,731	2,324,731
Recreation	7,606,715	7,468,656
Wood Buffalo Housing & Development Corporation	3,217,660	2,598,309
MacDonald Island Park Corporation	1,267,216	474,799
	<u>511,715,655</u>	<u>430,352,225</u>
Invested in tangible capital assets	2,092,123,203	1,624,670,290
Total capital	2,499,596,710	2,012,007,925
Accumulated surplus	\$ 2,644,969,723	\$ 2,238,953,223

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

Operating and capital reserves related to the Regional Municipality of Wood Buffalo Library, Wood Buffalo Housing & Development Corporation and MacDonald Island Park 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, continued

Year ended December 31, 2011

14. Commitments and contingent liabilities:

(a) Operating leases

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

2012	4,098,950
2013	3,790,987
2014	3,698,100
2015	3,642,653
2016	3,577,177
Thereafter	<u>12,081,221</u>
	<u>\$ 30,889,088</u>

(b) Capital commitments

The 2012 Capital Budget was approved by Council on December 13, 2011 in the amount of \$376,854,951. The approved projects along with a number of capital projects in progress are expected to be completed in 2012.

(c) Borrowing facilities (line of credit)

Pursuant to section 256 of the Municipal Government Act and Municipal Bylaw 01/091, the Municipality is authorized to borrow from the Municipality's bank, on a revolving basis, up to \$7.5 million for the purpose of meeting current operating expenditures and obligations of the Municipality when required. At December 31, 2011, the Municipality had authorized the line of credit available from its bank in the amount of \$7.5 million. At year end, no amounts were drawn against its available line of credit.

In addition, one of the Municipality's subsidiaries entered into a banking agreement that includes a revolving demand credit facility available in the amount of \$250,000 which bears interest at prime. At December 31, 2011, no amounts were drawn against this facility.

(d) Development agreements

Developers have entered into agreements with the Municipality in the amount of approximately \$64 million 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 \$5,916,411 (2010 - \$6,933,072) and letters of credit in the amount of \$38,003,236 to ensure performance by the developers under the agreements.

(e) Contingent liabilities

The Municipality is defendant in various lawsuits as at December 31, 2011. 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, and the Municipality's administration believes there will be no material adverse effect on the financial position of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

15. 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 (1)	Benefits and Allowances (2,3)	Total 2011	Total 2010
Mayor Blake (4)	\$ 121,404	\$ 22,269	\$ 143,673	\$ 126,918
Ward 1				
Councillor Allen	35,752	10,187	45,939	38,759
Councillor Germain	35,752	11,162	46,914	39,197
Councillor Kirschner	35,752	13,748	49,500	6,664
Councillor Meagher	35,752	13,097	48,849	41,337
Councillor Scott	35,752	13,748	49,500	6,626
Councillor Thomas	35,752	13,783	49,535	6,626
Ward 2				
Councillor Blair	35,752	11,111	46,863	39,158
Councillor Flett	35,752	9,065	44,817	37,163
Ward 3				
Councillor Vinni	35,752	13,106	48,858	6,270
Ward 4				
Councillor Stroud	35,752	11,454	47,206	6,527
Former				
Councillor Byron	-	-	-	35,710
Councillor Clarkson	-	-	-	41,491
Councillor Janvier	3,673	175	3,848	31,876
Councillor Rebus	-	-	-	39,070
Councillor Vyboh	-	-	-	44,350
Chief Administrative Officers (4)				
Current	480,221	48,644	528,865	62,861
Former			-	876,438
Designated Officer	218,951	44,558	263,509	261,404
	\$ 1,181,769	\$ 236,107	\$ 1,417,876	\$ 1,748,444

(1) Salary includes regular base pay, lump sum payments, gross honoraria and any other remuneration.

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

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

(4) An automobile is provided and no amount is included in the benefits and allowances figure.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16. 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.

During the year, the Municipality reviewed the segments presented and changed the segments to more appropriately reflect the Municipality's operations. Information related to 2010 was not reasonably determinable. 2010 segment disclosures have been presented in the same basis as presented in the December 31, 2010 consolidated financial statements.

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

- (i) **Fiscal Services** provides financial and purchasing services for the Municipality.
- (ii) **General Government** consists of corporate administration and general municipal services for the Municipality.
- (iii) **Protective Service** is comprised of police, traffic safety, bylaw enforcement, fire rescue and ambulance services.
- (iv) **Transportation** includes bus, roadway and parking services.
- (v) **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.
- (vi) **Public Health and Welfare** provides family and community support services along with cemeteries.
- (vii) **Planning and Development** is comprised of the Community Development Planning branch, the Comprehensive Planning branch and the Implementation branch
- (viii) **Recreation and Culture** develops initiatives to provide opportunities and support in the areas of arts heritage and culture, and in recreation and sport and leisure.
- (ix) **Subsidiary entities** - including the Wood Buffalo Housing & Development Corporation, MacDonald Island Park Corporation and the Regional Municipality of Wood Buffalo Library.

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

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16.

	Fiscal Services	General Government	Protective Service	Transportation	Environmental Use and Protection	Public Health and Welfare	Planning and Development	Recreation and Culture	Subsidiary Entities	2011	2010
(Restated - Note 19)											
Revenue:											
Net taxes available for municipal purposes	\$ 477,654,215	\$ -	\$ -	\$ 174,712	\$ 159,282	\$ -	\$ -	\$ -	\$ 2,039,490	\$ 480,027,699	\$ 432,085,357
Government transfers	-	106,540,603	8,270,510	188,813	1,939	1,531,687	230,242	32,455	2,272,491	119,068,740	116,274,449
Sales and user charges	-	2,390,126	2,444,163	3,130,455	44,252,328	40,864	490,226	392,337	28,277,435	81,417,932	96,809,819
Sales to other governments	-	-	205,597	-	1,871,696	-	-	-	-	2,077,293	1,690,032
Penalties and costs on taxes	1,228,812	192,076	-	-	156,092	-	-	-	-	1,576,980	1,543,375
Licenses and permits	-	746,444	45,940	4,915	-	-	9,785,757	285	-	10,583,341	11,380,602
Fines	-	144,565	3,228,017	-	-	-	-	-	63,053	3,435,635	3,001,260
Franchise and concession contracts	4,625,246	(26,691)	-	-	-	-	-	-	-	4,598,555	4,582,643
Returns on investments	-	22,134,011	-	-	-	442	-	9,367	974,767	23,118,587	13,835,898
Rentals	-	42,793	(45)	28,328	-	-	261,029	17,386	20,982,627	21,332,118	12,612,073
Transfers from local boards and agencies	-	-	-	-	-	-	-	-	-	-	62,000
Developers' agreements and levies	-	1,723	-	16,826	-	-	-	-	-	18,549	5,971,414
Other	10,443	1,276,814	269,940	2,529	820,453	286,400	1,505,918	348,896	2,953,487	7,474,880	9,454,177
Gain on disposal of tangible capital assets	-	16,239,686	-	-	-	-	-	-	(213,134)	16,026,552	5,715,212
Contributions of tangible capital assets	-	-	-	10,333,890	2,245,195	-	53,503,829	-	16,000,000	82,082,914	74,558,193
	\$ 483,518,716	\$ 149,682,150	\$ 14,464,122	\$ 13,880,468	\$ 49,506,983	\$ 1,859,393	\$ 65,777,001	\$ 800,726	\$ 73,350,216	\$ 852,839,775	\$ 789,576,504
Expenses:											
Salaries, wages and benefits	\$ -	\$ 48,725,625	\$ 37,438,744	\$ 21,909,837	\$ 23,144,035	\$ 3,494,601	\$ 9,083,364	\$ 15,879,704	\$ 23,004,609	\$ 182,680,519	\$ 159,218,905
Contracted and general services	-	30,022,474	5,336,000	39,799,723	13,473,384	437,647	6,700,000	5,766,541	13,129,211	114,664,980	99,269,484
Purchases from other governments	-	18,393	19,678,732	480,434	-	-	166	-	-	20,177,725	17,576,918
Materials, goods, supplies and utilities	34,336	2,146,000	2,451,052	8,915,212	14,557,727	392,928	160,867	2,708,463	18,242,383	49,608,968	47,463,954
Provision for allowances	585,578	36,591	201,885	-	(73,511)	-	-	890	14,645	766,078	525,141
Transfers to other governments	-	-	46,367	-	-	-	-	-	-	46,367	48,519
Transfers to local boards and agencies	-	-	-	-	-	-	-	5,458,268	(4,893,268)	565,000	3,811,288
Transfers to individuals and organizations	-	1,434,081	20,000	-	-	2,034,191	250,000	14,641,002	(10,656,172)	7,723,102	4,195,605
Bank charges and short-term interest	-	255,079	970	398	6,216	390	40,000	38	191,108	494,199	330,015
Interest on long-term debt	-	567,022	894,869	771,623	7,883,712	14,201	1,085,281	6,476,649	3,746,313	21,439,670	15,315,982
Other	779	59,574	668,677	(368,773)	(2,173)	82,926	3,506	(178,405)	-	266,111	252,444
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-
Amortization of tangible capital assets	-	2,535,759	2,462,344	12,872,944	18,420,771	5,476	180,117	6,316,568	5,596,577	48,390,556	39,496,011
Transfer of net assets (Note 20)	-	-	-	-	-	-	-	-	-	-	52,676,161
	\$ 620,693	\$ 85,800,598	\$ 69,199,640	\$ 84,381,398	\$ 77,410,161	\$ 6,462,359	\$ 17,503,301	\$ 57,069,719	\$ 48,597,828	\$ 446,823,275	\$ 440,180,427
Annual surplus (deficiency)	\$ 482,898,023	\$ 63,881,552	\$ (54,735,518)	\$ (70,500,930)	\$ (27,903,178)	\$ (4,602,966)	\$ 48,273,700	\$ (56,268,993)	\$ 24,752,388	\$ 406,016,500	\$ 349,396,077

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

16. Segment disclosures (continued):

	2010			Total (Restated - Note 19)
	Municipal Tax Supported	Public Works Utilities	Subsidiary Entities	
Revenue:				
Net taxes available for municipal purposes	\$ 430,678,993	\$ -	\$ 1,406,364	\$ 432,085,357
Government transfers	39,914,951	45,538,622	30,820,876	116,274,449
Sales and user charges	19,696,730	27,690,313	49,422,776	96,809,819
Sales to other governments	218,657	1,471,375	-	1,690,032
Penalties and costs on taxes	1,421,670	121,705	-	1,543,375
Licenses and permits	11,380,602	-	-	11,380,602
Fines	3,001,260	-	-	3,001,260
Franchise and concession contracts	4,582,643	-	-	4,582,643
Returns on investments	11,810,400	1,381,836	643,662	13,835,898
Rentals	228,915	-	12,383,158	12,612,073
Transfers from local boards and agencies	62,000	-	-	62,000
Developers' agreements and levies	5,971,414	-	-	5,971,414
Other	4,311,899	21,016	5,121,262	9,454,177
Gain on disposal of tangible capital assets	5,649,824	-	65,388	5,715,212
Contributions of tangible capital assets	47,078,240	27,479,953	-	74,558,193
	586,008,198	103,704,820	99,863,486	789,576,504
Expenses:				
Salaries, wages and benefits	126,780,043	13,639,021	18,799,841	159,218,905
Contracted and general services	80,546,675	4,096,815	14,625,994	99,269,484
Purchases from other governments	17,576,918	-	-	17,576,918
Materials, goods, supplies and utilities	16,555,915	8,418,518	22,489,521	47,463,954
Provision for allowances	360,560	139,721	24,860	525,141
Transfers to other governments	48,519	-	-	48,519
Transfers to local boards and agencies	12,651,909	-	(8,840,621)	3,811,288
Transfers to individuals and organizations	4,195,605	-	-	4,195,605
Bank charges and short-term interest	252,436	3,787	73,792	330,015
Interest on long-term debt	4,483,019	7,916,053	2,916,910	15,315,982
Other	246,577	5,867	-	252,444
Amortization of tangible capital assets	22,026,775	13,631,986	3,837,250	39,496,011
Transfer of net assets (Note 20)	-	-	52,676,161	52,676,161
	285,724,951	47,851,768	106,603,708	440,180,427
Annual surplus	\$ 300,283,247	\$ 55,853,052	\$ (6,740,222)	\$ 349,396,077

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

17. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 operating and capital budgets approved by Council and its subsidiaries.

Contributions of tangible capital assets, gain (loss) on disposal of tangible capital assets, and amortization of tangible capital assets were 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	\$ 564,614,563
Capital budget	918,601,817
Subsidiaries' budgets	67,452,971
Less:	
Transfers from other funds	358,191,575
Proceeds from issuance of long-term debt	329,456,726
Total revenue	863,021,050
Expenses:	
Operating budget	564,614,563
Capital budget	918,601,817
Subsidiaries' budgets	54,276,921
Less:	
Transfers to other funds	193,818,662
Capital expenditures	918,601,817
Long-term debt principal payments	15,814,517
Total expenses	409,258,305
Annual surplus	\$ 453,762,745

18. Financial instruments:

The Municipality's financial instruments consist of cash, restricted 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 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.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

19. Correction of prior year errors:

The consolidated financial statements of the Municipality have been restated to record the prior year insurance proceeds received and related costs incurred, where appropriate, as repairs and maintenance or capital improvements related to the Edgewater Court property.

The 2010 consolidated Statement of Operations has been restated to reflect the current period gain resulting from insurance proceeds and the related expenditures for repairs and maintenance, recorded in public housing operations, the effect of which is presented below:

	Year ended December 31, 2010		
	As reported	Adjustment	Restated
Consolidated Statement of Financial Position			
Non-financial assets			
Tangible capital assets	2,091,015,089	1,720,264	2,092,735,353
Accumulated surplus	2,254,512,959	1,720,264	2,256,233,223
Consolidated Statement of Operations			
Revenue			
Other	6,355,986	3,098,191	9,454,177
Expenses			
Public housing operations	40,510,009	1,377,927	41,887,936

The consolidated financial statements of the Municipality have also been restated to account for the contributions received in prior years related to Hawthorne Heights as deferred revenue instead of government transfers. During 2010 the funding agreement was amended and, as a result, the funding was to be deferred for a future capital project. The 2010 effect has been restated as presented below:

	As at December 31, 2010		
	As reported	Adjustment	Restated
Consolidated Statement of Financial Position			
Liabilities			
Deferred revenue	269,486,139	17,280,000	286,766,139
Accumulated surplus (as above)	2,256,233,223	(17,280,000)	2,238,953,223
Statement of Operations and Accumulated Surplus			
Revenues			
Government transfers	127,870,322	(11,595,873)	116,274,449
Accumulated Surplus			
Accumulated surplus, beginning of year	1,895,241,273	(5,684,127)	1,889,557,146

20. Transfer of net assets:

On January 1, 2010 the Municipality transferred ownership of net financial assets and liabilities of \$18,687,426 and tangible capital assets of \$33,988,735 for nominal consideration to the Fort McMurray Regional Airport Authority, an entity outside of the government reporting entity of the Municipality.

REGIONAL MUNICIPALITY OF WOOD BUFFALO

Notes to Consolidated Financial Statements, continued

Year ended December 31, 2011

21. Comparative figures:

Certain other 2010 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted in the current year.

22. Approval of financial statements:

These financial statements were approved by Management and presented to Mayor and Council.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Net Taxes Available For Municipal Purposes

Schedule 1

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Taxation:			
Real property taxes	\$ 480,224,612	\$ 514,932,735	\$ 463,731,384
Government grants in lieu of property taxes	878,099	1,184,234	1,228,989
Special assessments and local improvement taxes	200,000	333,994	353,594
Well drilling	200,000	1,054,959	463,545
	<u>481,502,711</u>	<u>517,505,922</u>	<u>465,777,512</u>
Requisitions:			
Alberta School Foundation Fund	-	36,540,935	32,778,133
School Boards	-	937,288	914,022
	-	<u>37,478,223</u>	<u>33,692,155</u>
Net taxes available for municipal purposes	\$ 481,502,711	\$ 480,027,699	\$ 432,085,357

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Government Transfers

Schedule 2

Year ended December 31, 2011, with comparative figures for 2010

	Budget	2011	2010
	(Unaudited)		(Restated - Note 19)
Federal transfers:			
Conditional shared cost agreements and grants			
- Operating	\$ 86,000	\$ 843,838	\$ 850,440
- Capital	14,033,977	399,368	888,529
Total federal government transfers	14,119,977	1,243,206	1,738,969
Provincial transfers:			
Conditional shared cost agreements and grants			
- Operating	17,393,280	15,189,413	17,223,840
- Capital	215,089,852	102,636,121	97,311,640
Total provincial government transfers	232,483,132	117,825,534	114,535,480
Total government transfers	\$ 246,603,109	\$ 119,068,740	\$ 116,274,449

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Sales and User Charges

Schedule 3

Year ended December 31, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Council and other legislative	\$ 15,000	\$ 36,307	\$ -
General administration	363,200	353,167	407,547
Other general government	15,600	9,493	137,865
Police	967,000	1,149,225	919,837
Fire	190,050	82,192	13,009
Ambulance and first aid	1,305,000	1,208,766	1,325,849
Common and equipment pool	26,153	96,120	72,859
Roads, streets, walks, lighting	1,177,514	1,497,014	1,459,192
Public transport	1,288,000	1,537,321	1,195,098
Water supply and distribution	16,908,472	19,069,942	16,823,580
Wastewater treatment and disposal	9,010,012	15,791,126	10,866,732
Waste management	6,462,660	9,391,259	7,997,343
Family and community support	-	11,504	8,936
Cemeteries and crematoriums	20,423	29,360	19,469
Land use planning, zoning and development	140,000	490,226	172,729
Public housing operations	25,089,983	19,512,494	46,937,922
Recreation boards	16,361	10,412	10,787
Parks and recreation	11,774,875	11,142,004	8,441,065
Total sales and user charges	\$ 74,770,303	\$ 81,417,932	\$ 96,809,819

See accompanying notes to consolidated financial statements.

REGIONAL MUNICIPALITY OF WOOD BUFFALO
Consolidated Expenses by Object

Schedule 4

Year ended December 31, 2011, with comparative figures for 2010

	Budget	2011	2010
	(Unaudited)		(Restated - Note 19)
Salaries, wages and benefits	188,188,209	\$ 182,680,519	\$ 159,218,905
Contracted and general services	113,002,053	114,664,980	99,269,484
Purchases from other governments	22,387,136	20,177,725	17,576,918
Materials, goods, supplies and utilities	55,214,085	49,608,968	47,463,954
Provision for allowances	260,610	766,078	525,141
Transfers to other governments	1,432,017	46,367	48,519
Transfers to local boards and agencies	568,300	565,000	3,811,288
Transfers to individuals and organizations	3,302,602	7,723,102	4,195,605
Bank charges and short-term interest	699,962	494,199	330,015
Interest on long-term debt	18,898,303	21,439,670	15,315,982
Amortization of tangible capital assets	4,836,330	48,390,556	39,496,011
Subsidiary operation (discontinued)	-	-	52,676,161
Other	468,699	266,111	252,444
Total expenses	\$ 409,258,305	\$ 446,823,275	\$ 440,180,427

See accompanying notes to consolidated financial statements.