

Consolidated Financial Statements

City of Moncton

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To Her Worship the Mayor and Members of City Council

Opinion

We have audited the accompanying consolidated financial statements of City of Moncton (the "Entity"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2018 and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 3, 2018.



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are/is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Moncton, Canada

April 1, 2019

City of Moncton

Consolidated Statement of Financial Position

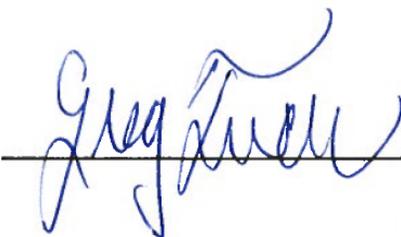
Year Ended December 31

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash and cash equivalents	\$ 25,552,026	\$ 17,852,307
Restricted cash (Note 2)	3,507,549	3,610,101
Receivables (Note 3)	26,736,907	30,857,751
Mortgage receivable (Note 4)	1	1
Long-term investments (Note 5)	5,389,356	4,793,203
Land and land development (Note 6)	24,838,888	19,012,280
Unamortized debenture discounts	1,749,455	1,088,669
Accrued pension asset (Note 11)	<u>19,012,600</u>	<u>11,419,100</u>
	<u>106,786,782</u>	<u>88,633,412</u>
Liabilities		
Payables and accruals (Note 8)	30,201,788	35,574,307
Long-term debt (Note 10)	196,720,761	126,723,332
Forgivable loan payable (Note 9)	5,497,323	-
Other post employment liabilities (Note 12)	<u>10,881,200</u>	<u>10,547,000</u>
	<u>243,301,072</u>	<u>172,844,639</u>
Net debt	<u>(136,514,290)</u>	<u>(84,211,227)</u>
Non-financial assets		
Tangible capital assets (Note 13)	827,434,371	722,328,809
Inventory of supplies	2,318,530	2,603,653
Prepays	<u>689,289</u>	<u>578,641</u>
	<u>830,442,190</u>	<u>725,511,103</u>
Accumulated surplus	<u>\$ 693,927,900</u>	<u>\$ 641,299,876</u>

Commitments and contingencies (Note 17)

On behalf of the council:





See accompanying notes and schedules to the consolidated financial statements.

City of Moncton

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31

	PSA Budget (schedule 3)	2018 <u>Actual</u>	2017 <u>Actual</u>
Revenue			
Warrant of assessment	\$ 132,990,664	\$ 132,990,661	\$ 133,327,510
Community Funding and Equalization Grant from Provincial Government	6,909,841	7,006,108	3,227,655
Federals grant in lieu	1,941	1,941	(33,179)
Government transfers for operating (schedule 1)	1,506,709	1,770,196	1,996,165
Other revenue from own sources (schedule 1)	12,595,160	13,518,452	12,727,938
Water and wastewater revenue (schedule 1)	33,878,181	34,481,930	32,960,263
Interest	497,500	2,154,542	1,689,217
	<u>188,379,996</u>	<u>191,923,830</u>	<u>185,895,569</u>
Expenses (schedule 2)			
General government services	47,145,066	44,416,846	45,511,643
Protection services	39,575,481	39,651,465	38,471,347
Transportation services	28,398,034	29,224,022	27,994,541
Environmental health and development services	10,118,777	10,120,159	9,903,545
Recreation and cultural services	16,795,785	16,237,825	15,356,305
Water and wastewater	26,994,498	26,924,092	27,707,728
	<u>169,027,641</u>	<u>166,574,409</u>	<u>164,945,109</u>
Annual surplus before capital contributions	19,352,355	25,349,421	20,950,460
Other contributed assets for capital (schedule 1)	-	11,613,955	6,148,313
Government transfers for capital (schedule 1)	<u>29,491,904</u>	<u>15,664,648</u>	<u>19,063,772</u>
Annual surplus	48,844,259	52,628,024	46,162,545
Accumulated surplus, beginning of year	<u>641,299,876</u>	<u>641,299,876</u>	<u>595,137,331</u>
Accumulated surplus, end of year	<u>\$ 690,144,135</u>	<u>\$ 693,927,900</u>	<u>\$ 641,299,876</u>

See accompanying notes and schedules to the consolidated financial statements.

City of Moncton

Consolidated Statement of Changes in Net Debt

Year Ended December 31

2018

2017

	PSA Budget		
Annual surplus	\$ 48,844,259	\$ 52,628,024	\$ 46,162,545
Acquisition of tangible capital assets	(156,157,299)	(137,160,270)	(59,098,908)
Proceeds on disposal of tangible capital assets	-	124,090	88,104
Amortization of tangible capital assets	31,746,698	31,746,698	28,905,508
Loss on tangible capital assets	-	183,920	913,909
Change in prepaids	-	(110,648)	(194,850)
Change in inventory of supplies	-	285,123	52,869
	<u>(124,410,601)</u>	<u>(104,931,087)</u>	<u>(29,333,368)</u>
Decrease (increase) in net debt	(75,566,342)	(52,303,063)	16,829,177
Net debt, beginning of year	<u>(84,211,227)</u>	<u>(84,211,227)</u>	<u>(101,040,404)</u>
Net debt, end of year	<u>\$(159,777,569)</u>	<u>\$(136,514,290)</u>	<u>\$(84,211,227)</u>

See accompanying notes and schedules to the consolidated financial statements.

City of Moncton

Consolidated Statement of Cash Flows

Year Ended December 31

2018

2017

Net cash inflow (outflow) related to the following activities:

Operating activities

Annual surplus	\$ 52,628,024	\$ 46,162,545
Items not affecting cash:		
Amortization of tangible capital assets	31,746,698	28,905,508
Cost of lots sold - MID	859,181	1,410,106
Loss on sale of tangible capital assets	183,920	913,909
Donated infrastructure	(5,127,412)	(5,322,654)
Change in accrued pension asset	(7,593,500)	(4,075,600)
Change in other post employment benefits	334,200	470,300
Change in debenture discounts	(660,786)	58,383
Loan forgiveness	(5,497,323)	-

Changes in non-cash working capital:

Change in receivables	4,120,844	(4,490,275)
Change in payables and accruals	(5,372,519)	9,063,059
Change in supplies inventory	285,123	52,869
Change in prepaids	(110,648)	(194,850)

Net cash provided by operating activities

<u>65,795,802</u>	<u>72,953,300</u>
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Capital activities

Acquisition of tangible capital assets	(132,032,857)	(53,776,254)
Proceeds on sale of tangible capital assets	124,090	88,104

Net cash used for capital activities

<u>(131,908,767)</u>	<u>(53,688,150)</u>
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Financing activities

Issuance of long-term debt	93,400,554	15,385,000
Repayment of long-term debt	(23,403,125)	(24,205,738)
Proceeds from forgivable loan	10,994,646	-

Net cash provided by (used for) financing activities

<u>80,992,075</u>	<u>(8,820,738)</u>
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Investing activities

Purchases in land and land development	(6,685,790)	(2,488,072)
Change in long-term investments	(596,153)	(538,911)

Net cash used for investing activities

<u>(7,281,943)</u>	<u>(3,026,983)</u>
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Increase in cash and cash equivalents

7,597,167	7,417,429
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Cash and cash equivalents at beginning of year

<u>21,462,408</u>	<u>14,044,979</u>
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Cash and cash equivalents at end of year

<u>\$ 29,059,575</u>	<u>\$ 21,462,408</u>
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Summary of cash and cash equivalents:

Cash	\$ 25,552,026	\$ 17,852,307
Restricted cash	3,507,549	3,610,101

Cash and cash equivalents at end of year

<u>\$ 29,059,575</u>	<u>\$ 21,462,408</u>
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See accompanying notes and schedules to the consolidated financial statements.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

The Corporation of the City of Moncton (the "City") is incorporated and operates under the provisions of the Province of New Brunswick's Local Governance Act.

The City provides municipal services such as police, fire, public works, engineering, parks and recreation, community development and other general government operations.

1. Summary of significant accounting policies

Basis of presentation

The consolidated financial statements of the Corporation of the City of Moncton have been prepared in accordance with Canadian public sector accounting standards. These consolidated financial statements include the additional disclosure requirements by the Department of Local Government of New Brunswick. The City has added notes 14, 15 and 16 and schedules 8 and 9 to comply with these requirements.

Significant aspects of the accounting policies adopted by the City of Moncton are as follows:

a) **Basis of consolidation**

These consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in accumulated surplus and change in financial position of the reporting entity. The City of Moncton is comprised of all organizations, local boards and commissions that are owned or controlled by the City and are, therefore, accountable to the Council for the administration of their financial affairs and resources. In addition to the City's municipal government operations, they include the operations of Moncton Industrial Development Limited (MID) and the Water and Light Department (utility operations).

Inter-departmental and organizational transactions and balances are eliminated.

b) **Government transfers**

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue where transfer stipulations have not been met and revenue is recognized as the stipulations are settled.

c) **Deferred revenue**

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired. In addition all funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenues until used for the purpose specified.

d) **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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

1. Summary of significant accounting policies (continued)

e) i) **Tangible capital assets**

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

Asset type	Years
Land improvements	15-25 years
Buildings and leasehold improvements	10-50 years
Vehicles and equipment	5-30 years
Computer hardware and software	5 years
Roads, streets, sidewalks and culverts	20-50 years
Parking lots	30 years
Water and wastewater networks	30-80 years

Interest on debt used to purchase tangible capital assets is not capitalized.

ii) **Assets under construction**

Assets under construction are not amortized until the asset is available for productive use.

iii) **Contribution of tangible capital assets**

Contributed capital assets are recorded into revenues at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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

f) **Inventories of supplies**

Inventories of materials and supplies consist mainly of parts and road maintenance materials and are valued at the lower of cost and net realizable value.

g) **Land and land development**

Land held for resale in Moncton Industrial Development Limited is carried at the lower of cost and net realizable value. Moncton Industrial Development Limited sole business purpose is to sell commercial land for development purpose. Development costs are carried at the lower of cost and net realizable value as well. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing. Land and development costs are expensed as cost of lot sales.

h) **Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

i) **Long-term debt**

Long-term debt is recorded net of any related sinking fund balances.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

1. Summary of significant accounting policies (continued)

j) **Employee future benefits**

The City and its employees contribute to the City of Moncton Municipal Pension Plan, a jointly trustee pension plan. The Plan provides for service pensions based on length of service and rate of pay (a defined benefit plan). In addition to the Municipal Pension Plan, other retirement benefits also accrue to the City's employees. The City allows a portion of unused sick benefits which have vested to be paid to employees upon retirement or resignation. The costs of these benefits are actuarially determined based on service and best estimate of retirement ages and expected future salary increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. The City also provides continuation of unused sick banks which do not vest to be used during the employees' period of employment.

k) **Budget**

The budget figures contained in these consolidated financial statements were approved by Council on December 18, 2017 and the Minister of Local Government approved the General Operating Budget on January 28, 2018, Capital Budget on March 12, 2018 and Utility Operating Budget on January 22, 2018.

l) **Reserves and funds**

Certain amounts, as approved by City Council, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/from reserves and reserve funds are recorded as an adjustment within accumulated surplus. Schedule 4 "Schedule of Reserve Funds" to the consolidated financial statements is included to show the reserve fund balances as supplementary information.

i. **Operating funds**

Operating funds are established for general, and wastewater operations of the City. Operating funds are used to record the costs associated with providing City services.

ii. **Capital funds**

Capital funds are established for general, water, and wastewater capital. Capital funds track the acquisition cost of various capital assets and the financing of those assets, including related debt.

iii. **Reserve funds**

Under the Local Governance Act of New Brunswick, Council may establish discretionary reserves for each fund listed above. In addition the Community Planning Act requires that a statutory Land Reserve be established and maintained for the purposes of acquiring and developing land held for public purposes.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

1. Summary of significant accounting policies (continued)

m) Segmented information

The City of Moncton is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the City's operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments as follows:

General government services

This department is responsible for the overall governance and financial administration of the Municipality. This includes council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.

Protective services

This department is responsible for the provision of policing services, fire protection, emergency measures, animal control and other protective measures.

Transportation services

This department is responsible for common services, roads and streets maintenance, street lighting, traffic services, parking and other transportation related functions.

Environmental health services and development services

This department is responsible for the provision of waste collection and disposal for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and cultural services

This department is responsible for the maintenance and operation of recreational and cultural facilities, including the swimming pool, arena, parks and playgrounds and other recreational and cultural facilities.

Water and wastewater systems

This department is responsible for the provision of water and wastewater services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

n) Revenue recognition

Taxation Revenue represents annual levy administered and collected by the Province of New Brunswick on behalf of all New Brunswick Municipalities for municipal services they are recorded as warrant of assessment as the funds are received to the City.

Government Transfers are recognized as revenue in the period that the transfer is authorized, eligibility criteria, if any, have been met by the City, and a reasonable estimate of the amount to be received can be made.

Fee and charge revenue for building permits; water and wastewater, and transportation are recorded on the accrual basis and recognized as earned which is usually when services are provided or facilities are utilized.

Other revenues are recorded when it is earned, and collection is reasonably assured.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

1. Summary of significant accounting policies (continued)

o) Expenses recognition

Expenses are recognized in the period that the goods and services were acquired and a liability was incurred. Expenses are recorded on an accrual basis. Outstanding commitments for goods and services relating to the current year are accrued at the balance sheet date.

p) Trusts Funds

There are no trusts funds included in these financial statements as there are currently no trust funds administered by the City of Moncton.

q) Liability for contaminated sites

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 contaminated sites is recognized when a site is not in productive use all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the City:
 - is directly responsible; or
 - accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

r) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles 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 revenue and expenses during the reporting period. As such, actual results could differ from the estimates. Areas requiring the greatest degree of estimation include provision for future employee benefits, valuation of donated capital assets, assessment of contingency liabilities, and allowance for doubtful accounts receivable.

2. Restricted cash

Restricted cash is comprised of the following:

	<u>2018</u>	<u>2017</u>
Deposits on program funding – Transportation		
Discovery Centre	\$ 364,438	\$ 357,653
Deposit on Gas Tax program funding	2,079,662	2,069,597
Deposits on hand - MID	722,077	506,759
Cash held to pay performance rebates on land sales - MID	341,372	676,092
	<u>\$ 3,507,549</u>	<u>\$ 3,610,101</u>

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

3. Receivables

	<u>2018</u>	<u>2017</u>
Federal/Provincial government - capital and operating contributions	\$11,131,043	\$ 16,024,641
Other – various (net of allowance)	6,093,850	5,655,869
Water and wastewater receivables	9,370,790	9,136,196
Moncton Industrial Development Limited receivables	<u>141,224</u>	<u>41,045</u>
	<u>\$26,736,907</u>	<u>\$ 30,857,751</u>

4. Mortgage receivable

The mortgage receivable of **\$1.9** million is non-interest bearing with no set terms for repayment and represents a security position from the Théâtre Capitol Theatre Inc. as a result of the transfer of the Theatre property to that Corporation in 1999 equal to the City's net contribution to the refurbishment of the Theatre. An allowance provision has been recorded effectively reducing the carrying value to **\$1** given that the mortgage continues without interest and without any terms for repayment. The City's legal position continues with a **\$1.9** million first claim on the Theatre facility.

5. Long-term investments

The long-term investment of **\$5,389,356** represents amounts deposited for the benefit of the City with a third party in accordance with the Moncton Place lease agreement. Under the lease agreement, monthly deposits are to be invested to build a fund of **\$7** million over 25 years that will be available for the City to use at its discretion in pursuing various options for the premises in 2021. The interest rate being applied is **10.135%** and is fixed for the entire 25 years.

6. Land and land development

The City has cumulatively invested in land and land development costs of **\$52,261,167** consisting of the Caledonia Industrial Park of **\$30,729,208**, Moncton Industrial Park of **\$11,554,793**, West TCH **\$767,706**, New Business Park Development of **\$6,362,825** and other land **\$2,846,635** for a future industrial park. Land and land development costs net of the cost of lots sold to date is **\$24,838,888**.

7. Bank indebtedness

Bank indebtedness for operating purposes is within the limit prescribed by the Local Governance Act, and the Municipal Capital Borrowing Board has approved the short-term borrowing outstanding in the Capital Fund at the end of the year. The credit facility with the City's bank has combined authorizing borrowing limit of **\$25** million for the City operations excluding Moncton Industrial Development Limited.

Moncton Industrial Development Limited has a combined line of credit and revolving credit facility with Scotiabank of up to a combined borrowing limit of **\$15** million (note 10).

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

8. Payables and accruals

	<u>2018</u>	<u>2017</u>
Accounts payable and commitments	\$ 15,545,888	\$ 20,049,868
Payable to the Policing Authority	9,560,521	9,389,024
Contractors' holdbacks	3,072,711	4,182,762
Interest on long-term debt	512,412	341,987
Moncton Industrial Development Limited payables, accruals and deposit on land	1,474,995	1,575,405
Local improvement deposits	<u>35,261</u>	<u>35,261</u>
	<u>\$ 30,201,788</u>	<u>\$ 35,574,307</u>

Payables and accruals include an amount for contaminated sites of **\$540,000** (2017 - \$179,646). The amount is an estimate done by the internal environmental engineers.

9. Forgivable loan payable

On July 12, 2018, the Province of New Brunswick (Regional Development Corporation) ("RDC") issued a forgivable loan to the City of Moncton in the amount of **\$10,994,646** for Moncton's Downtown Event Centre (the "Project")

Forgiveness

Based on the agreement in place, RDC will forgive the loan in the following manner:

Initial forgiveness

Completion and commissioning of the Project	36%
Completion and commissioning of the Project on or before the date agreed by the parties	7%
Completion of the Project within the agreed budget	<u>7%</u>
Total forgiveness at December 31, 2018	<u>50%</u>

From 2019 to 2032 inclusive, RDC will grant additional forgiveness for the remaining 50% of the principal, in annual increments equal to the amount of the tax revenue generated by the Project.

The forgivable loan is non-interest bearing unless the City defaults on the agreement, at which time the forgiveness of the loan will cease and interest at a rate of 3% per annum calculated semi-annually, will be charged on the outstanding loan balance from date advances were received.

On or before January 31, 2033, any principal amount remaining will need to be repaid with interest.

	<u>2018</u>
Forgivable loan, advanced 2018	\$ 10,994,646
Forgiveness amount - 2018 (per above)	<u>(5,497,323)</u>
Forgivable loan, ending balance December 31, 2018	\$ 5,497,323

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

10. Long-term debt	<u>2018</u>	<u>2017</u>
<u>New Brunswick Municipal Financing Corporation</u>		
Debentures:		
AY5 3.3% - 4.85%, due 2018, OIC #05-0016, #06-0019, #07-0015, #07-0093	\$ -	\$ 1,450,000
AY6 3.3% - 4.85%, due 2018, OIC #05-0016	-	886,000
AZ10 2.1% - 5.55%, due 2018, OIC #04-0010, #05-0016	-	721,000
BA7 0.95% - 5%, due 2019, OIC #05-0016, #06-0019, #07-0015, #08-0014	1,540,000	3,058,000
BA8 0.95% - 5%, due 2019, OIC #06-0019	348,000	691,000
BC5 1.5% - 4.55%, due 2020, OIC #07-0015, #08-0014, #09-0025	3,538,000	5,216,000
BC6 1.5% - 4.55%, due 2020, OIC #07-0015	1,084,000	1,598,000
BD11 1.5% - 3.85%, due 2020, OIC #07-0015, #08-0014	2,137,000	3,152,000
BE21 1.65% - 4.25%, due 2021, OIC #08-0014, #09-0025, #10-0018	4,657,000	6,102,000
BE22 1.65% - 4.25%, due 2021, OIC #09-0025, #10-0018	1,789,000	2,344,000
BF9 1.35% - 3.45%, due 2021, OIC #09-0025, #10-0018	2,072,000	2,723,000
BG10 1.65% - 3.4% due 2022, OIC#06-19, #08-14, #09-0025, #10-0018, #10-0068, #11-0038, #11-0100	5,807,000	7,159,000
BH12 1.35%-3.1% due 2022, OIC#06-19, #08-14, #09-0025, #09-0072, #10-0018, #11-0038, #12-0016	787,000	971,000
BH13 1.35%-3.1% due 2022 OIC#06-19, #07-15, #08-14, #09-0025, #10-0018, #11-0038	4,007,000	4,946,000
BI9 1.35% - 3.25%, due 2023, OIC #09-0025, #10-0018, #11,0038, #12-0016	3,287,000	4,249,000
BI10 1.35% - 3.25%, due 2023, OIC #09-0025, #12-0016	824,000	977,000
BJ10 1.25% - 3.70%, due 2023, OIC #09-0025, #10-0018, #10-0068, #11-0038 #12-0016, #13-0010	5,135,000	6,444,000
BJ11 1.25% - 3.70%, due 2023, OIC #06-0019, #08-0014, #09-0025, #10-0018 #11-0038, #12-0016	1,906,000	2,256,000
BK6 1.15% - 3.45%, due 2024, OIC #06-0019, #09-0025, #10-0018, #11-0038, #12-0016, #13-0010, #13-0012	1,926,000	2,494,000
BK7 1.15% - 3.45%, due 2024, OIC #08-0014, #09-0025, #10-0018, #11-0038, #12-0016, #13-0010	1,845,000	2,136,000
BL8 1.20% - 3.10%, due 2024, OIC #10-0018, #11-0038, #12-0016, #13-0010 #14-0019	1,964,000	2,470,000
BL9 1.20% - 3.70%, due 2034, OIC #05-0016, #06-0019, #07-0015, #09-0025, #10-0018, #11-0038, #13-0010, #14-0019	16,961,000	17,838,000
BM8 0.95% - 2.80%, due 2025, OIC #08-0014, #09-0025, #09-0072, #10-0018, #11-0038, #12-0016, #13-0012, #14-0019	6,345,000	7,481,000
BL9 1.20% - 3.70%, due 2035, OIC #05-0016, #06-0019, #07-0015, #09-0025, #10-0018, #11-0038, #13-0010, #14-0019	7,196,000	8,166,000
BP8 1.45% - 2.90%, due 2026, OIC #09-0025, #11-0038, #12-0016, #13-0010, #13-0012, #14-0019, #15-0020, #15-0041	5,289,000	6,132,000
BP8 1.20%-2.95%, due 2026, OIC#10-0018, #11-0038, #12-0016, #13-0010, #14-0019, #15-0020, #16-0018	5,767,000	6,505,000
BQ8 1.20%-2.70%, due 2027, OIC#12-0016, #13-0010, #14-0019, #15-0020, #15-0041, #16-0018, #16-0027	5,273,000	5,978,000
BR6 1.65%-2.90%, due 2027, OIC#12-0016, #13-0010, #14-0019, #15-0020 #16-0018, #17-0008	8,499,000	9,407,000
BT8 2.10%-3.70%, due 2038, OIC#10-0018, #11-0038, #12-0016, #13-0010, #14-0019, #15-0020, #15-0054, #16-0018, #17-0008	70,484,000	-
BU7 2.55%-3.40%, due 2028, OIC#14-0019, #15-0020, #15-0041, #16-0018, #17-0008 #18-0041	7,566,000	-
BU8 2.55%-3.40%, due 2028, OIC#13-0010, #14-0019, #15-0020, #16-0018 #17-0008, #18-0014	9,720,000	-
	\$ 187,753,000	\$ 123,550,000

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

10. Long-term debt (continued)	<u>2018</u>	<u>2017</u>
<u>Maritime Life Assurance Company</u>		
Mortgage payable, 8.186%, due November 1, 2019 secured by leaseholds and a collateral mortgage on certain land adjacent to City Hall in Moncton, Canada	\$ 147,839	\$ 308,521
<u>Scotiabank credit facility - Moncton Industrial Development Limited</u>		
Interest payable monthly at the bank prime rate, revolving credit facility, due April 30, 2022, secured by collateral mortgage on lands owned by Moncton Industrial Development Limited.	<u>8,819,922</u>	<u>2,864,811</u>
	<u>\$196,720,761</u>	<u>\$ 126,723,332</u>

Principal payments required during the next five years are as follows:

2019	\$ 25,980,838	2022	\$ 17,548,000
2020	23,927,000	2023	14,767,000
2021	20,531,000		

Approval of the Municipal Capital Borrowing Board has been obtained for the debenture debt reported and all the long-term debt has been approved by an Order-in-Council of the Provincial Legislature. At December 31, 2018, the City has an approval to borrow an additional **\$77,245,000**.

11. Accrued pension asset

Pension benefits are provided to employees of The City of Moncton under the Pension Plan for the Employees of the City of Moncton amended and assented to February 26, 1998. Employees contribute to the plan, which provides for service pensions based on length of service and rate of pay (a defined benefit plan). The City's contribution limits were initially fixed by legislation at 6.65% of employee earnings plus a lump sum amount of \$25,000 per annum. Effective March 2014, the City's contribution limit was increased to 10% of employee earnings.

Employees make contributions equal to 10% of earnings, and the City contributes an equal amount. The contribution by the City in the year was **\$4,252,300** (2017 - \$4,267,300). Total benefit payments to retirees during the year were **\$11,122,100** (2017 - \$10,686,700). A separate pension fund is maintained. The City is in a net funded position at December 31, 2018, as follows:

	<u>2018</u>	<u>2017</u>
Fair market value of plan assets	\$ 269,143,000	\$ 273,346,800
Accrued benefit obligation	<u>(229,854,700)</u>	<u>(224,915,800)</u>
Funded status	39,288,300	48,431,000
Unamortized actuarial gain	<u>20,275,700</u>	<u>37,011,900</u>
Accounting pension asset	<u>\$ 19,012,600</u>	<u>\$ 11,419,100</u>

The 2018 balances are based on an extrapolation by the Actuary. There is a net unamortized actuarial gain to be amortized on a straight-line basis over the expected average remaining service life of the employee group.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

11. Accrued pension asset (continued)

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the City's best estimates:

	<u>2018</u>	<u>2017</u>
(a) Discount rate	6.40%	6.25%
(b) Rate of compensation increases	2.50%	2.50%
(c) Rate of inflation	2.00%	2.00%
Mortality	110% of the rates of the CPM-2014 Public mortality table with MI-2018 projections scale	
Retirement age	Age-related tables	
	<u>2018</u>	<u>2017</u>
Current period benefit cost	\$ 7,162,700	\$ 7,524,100
Amortization of actuarial (gains) losses	<u>(3,173,300)</u>	<u>(1,612,100)</u>
	3,989,400	5,912,000
Less: employee contributions	<u>(4,252,300)</u>	<u>(4,267,300)</u>
Pension (recovery) / expense	(262,900)	1,644,700
Interest cost on the average accrued benefit obligation	<u>(3,078,300)</u>	<u>(1,453,000)</u>
Total (recovery) / expenses related to pension	<u>\$ (3,341,200)</u>	<u>\$ 191,700</u>

The employer contribution expense of **\$4,252,300** (2017 - \$4,267,300) is included in the statement of operations as a component of department expenses. The change in pension asset of **\$7,593,500** (2017 - \$4,075,600) is recorded in the general government services.

	Percentage of Plan Assets	
	<u>2018</u>	<u>2017</u>
Benefits plan assets consist of:		
Bonds	30.00%	35.33%
Canadian and foreign equities	38.50%	49.73%
Infrastructure	10.50%	8.09%
Hedge Fund	7.00%	6.60%
Other (Private equity, Private debt, Opportunistic fixed income)	<u>14.00%</u>	<u>0.25%</u>
	<u>100%</u>	<u>100%</u>

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

12. Sick and other post-employment liabilities

The City of Moncton provides various groups of employees in accordance with applicable collective agreements the ability to accumulate sick bank benefits payable either upon retirement or resign.

	<u>2018</u>	<u>2017</u>
Employee benefits obligations:		
Vested benefits	\$ 7,346,800	\$ 7,604,500
Unamortized actuary gains	730,900	519,700
Non-vested benefits	4,305,200	4,287,000
Unamortized actuary losses non-vested	<u>(1,501,700)</u>	<u>(1,864,200)</u>
Accrued employee benefit obligation	<u>\$ 10,881,200</u>	<u>\$ 10,547,000</u>
Accrued employee benefit obligation	\$ 10,881,200	\$ 10,547,000
Less funded amount	<u>(5,256,637)</u>	<u>(4,553,144)</u>
Unfunded employee benefit obligation	5,624,563	5,993,856
Less non-vested benefits	<u>(2,803,500)</u>	<u>(2,422,800)</u>
Vested benefits to be funded from future revenue	<u>\$ 2,821,063</u>	<u>\$ 3,571,056</u>
Benefit expense in the year	<u>\$ 1,367,100</u>	<u>\$ 1,300,600</u>

Vested benefits represent the City's liability for future employee benefits including sick leave banks and lump sum retirement payments in the year of retirement or resignation which are contractually required to be paid to an employee independent of his or her further employment. Non-vested benefits represent the City's estimated liability of future costs related to benefits for employees that are conditional on his or her future employment.

The actuarial method used was the projected benefit method prorated on service to calculate the accrued benefit obligation. The valuation was based on a number of assumptions about future events, such as interest rates, wage and salary increases and employee turnover and retirement. The assumptions used reflect the City's best estimates.

The following summarizes the major assumptions in the valuation:

- annual salary increase is 2.50%;
- the discount rate used to determine the accrued benefit obligation is 3.35%;
- retirement age is 65; and
- estimated net excess utilization of rate of sick leave varies with age.

The sick leave is an unfunded benefit. Benefits are paid out of general revenue as they come due.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

13. Consolidated tangible capital assets

	General Capital Assets							Water and Wastewater Assets					2018	2017
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer, Hardware and Software	Land Improvements	Asset under Construction	Parking Lots	Road, Streets, Sidewalks, Culverts	W&W Buildings and Leasehold Improvements	Water and Wastewater	Assets under Construction			
Cost														
Opening cost	\$ 33,511,581	\$ 97,295,598	\$ 61,935,527	\$ 11,354,126	\$ 50,663,995	\$ 14,463,721	\$ 12,473,708	\$ 322,985,916	\$ 97,365,886	\$ 449,011,172	\$ 5,027,189	\$ 1,156,088,419	\$ 1,099,664,537	
Additions and transfers	21,121	102,824,973	4,118,395	1,055,731	4,491,660	(3,955,905)	-	14,327,069	526,826	16,328,095	(2,577,694)	137,160,271	59,098,908	
Disposals and transfers	-	(9,886)	(433,502)	-	-	-	-	(5,141)	-	(777,761)	-	(1,226,290)	(2,675,026)	
Closing cost	33,532,702	200,110,685	65,620,420	12,409,857	55,155,655	10,507,816	12,473,708	337,307,844	97,892,712	464,561,506	2,449,495	1,292,022,400	1,156,088,419	
Accumulated amortization														
Opening accumulated Amortization	-	40,626,092	38,251,773	9,462,494	25,856,224	-	7,531,153	142,129,111	35,893,150	134,009,613	-	433,759,610	(406,527,115)	
Amortization	-	4,192,876	3,964,715	721,339	2,737,207	-	369,115	10,010,572	3,087,748	6,663,126	-	31,746,698	(28,905,508)	
Disposals and transfers	-	(9,886)	(433,502)	-	-	-	-	(5,141)	-	(469,751)	-	(918,280)	(1,673,013)	
Closing accum'd amortization	-	44,809,082	41,782,986	10,183,833	28,593,431	-	7,900,268	152,134,542	38,980,898	140,202,988	-	464,588,028	(433,759,610)	
Asset net book value	\$ 33,532,702	\$ 155,301,603	\$ 23,837,434	\$ 2,226,024	\$ 26,562,224	\$ 10,507,816	\$ 4,573,440	\$ 185,173,302	\$ 58,911,814	\$ 324,358,518	\$ 2,449,495	\$ 827,434,371	\$ 722,328,809	

*During the year, the City received donated infrastructure of **\$5,127,412** (2017 - \$5,322,654) from subdivision developers.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

14. Short-term borrowings compliance

Operating borrowing

As prescribed in the *Local Governance Act*, borrowing to finance General Fund operations is limited to 4% of the Municipality's operating budget. Borrowing to finance Utility Fund operations is limited to 50% of the operating budget for the year. In 2018, the Municipality has complied with these restrictions.

Inter-fund borrowing

The Municipal Financial Reporting Manual required that short term inter-fund borrowings be repaid in the next year unless the borrowing is for a capital project. The amounts payable between Funds are in compliance with the requirements.

15. Water and wastewater fund surplus/deficit

The City employs an annual balanced budget approach is within the allowable practice under the *Local Governance Act*.

16. Water cost transfer

The City's water cost transfer for fire protection is within the maximum allowable by Regulation 81-195 under the *Local Governance Act* based upon the applicable percentage of water system expenditures for the population.

17. Commitments and contingencies

Commitments

- (a) In 1996, the City entered into a long-term lease agreement to lease the City Hall complex, for twenty-five years, which includes an option to purchase. The minimum annual lease payments are as follows:

2018	\$1,533,876
2019	\$1,533,876
2020	\$1,533,876
2021	\$ 639,115

In addition, an amount approximating \$82,464 per year is being allocated to the General Capital Reserve (formerly the City Hall Development Fund) and invested through an arrangement under the lease. These funds would be available under the lease agreement for the City to exercise various options at its discretion.

- (b) Under the terms of a lease for the City library and now assigned to SOT NLNB Inc. the City is responsible for the proportionate share of the common area operating costs. In 2018 this approximated **\$577,220** and approximately **52.9%** was recovered from the Province under a sub-lease for its proportionate share of the costs. The lease expires in 2053.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2018

17. Commitments and contingencies (continued)

- (c) The City is committed under an agreement with Moncton 4Ice Sports Inc. (the Service Provider) to pay a service fee of **\$119,430** per month for a total of **\$1.433** million annually to provide and operate the 4Plex facility for the benefit of the citizens of Moncton. The initial term of the agreement is for twenty years with a ten year renewal option. The City also has the ability to exercise purchase options after twenty and after thirty years.
- (d) City Council has approved total funding commitments of **\$3,702,000** to community organizations.
- (e) In 2017, the City entered into a new 10 year agreement for radio equipment with New Brunswick Trunked Mobile Radio (NBTMR) for a system access subscription fee, at a recurring monthly cost of **\$5,290**, for a total projected operating cost of **\$634,897**, plus HST at 15%.
- (f) In 2018, the City entered into a 20 year operating and maintenance agreement of the Avenir Centre with SMG Canada ULC. This agreement requires that SMG Canada ULC provide full operating and appropriate maintenance of the facility over that term. This commitment includes a minimal annual guaranteed payment from SMG Canada ULC to the City of Moncton over the life of the agreement. The agreement also includes a major maintenance and rehabilitation program in order to address lifecycle maintenance requirements of the facility over the life of the term and the City regular payments over the term to fund this program.
- (g) City has entered into a number of multi-year contracts for the delivery of services, the construction of assets, business improvement grants, and operating leases. These contract obligation will become liabilities in the future when the terms of the contract are met.

Contingencies

- a) City Council has approved the extension of a \$150,000 loan guarantee for the Atlantic Ballet Theatre of Canada. This guarantee commenced on January 1, 2010 and loan guarantee expired on December 31, 2015. City Council reinstated the fixed loan guarantee that is to be reviewed on an annual basis. At December 31, 2018, the guarantee stands at **\$150,000**.
- b) The City has an outstanding claim against it for approximately **\$3** million for additional compensation for the expropriation of approximately 600 acres of wooded land on Berry Mills road. The event outcome of this claim is not determinable at year-end.
- c) In the normal course of the City's activities, the City is subject to a number of claims and litigation. The City intends to defend and negotiate such claims and litigation. The eventual outcome of these claims and litigation is not determinable at year end.

18. Reclassification

Certain amounts in the prior year presented have been reclassified to conform to the current year financial statement presentation. These reclassifications have not any impact on previously reported Surplus.

19. Subsequent events

On February 6, 2019, the City purchased PID #70439849 on Albert Street, Moncton, Canada for \$2,450,000.

City of Moncton

Schedule 1: Consolidated Schedule of Revenues

Year ended December 31, 2018	2018	2018	2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Government transfers for operating			
Atlantic Canada Opportunity Agency	\$ -	\$ -	\$ 9,108
Canada Heritage	-	-	402,500
Canadian Museum Association – Provincial	60,000	60,000	60,000
Global Affairs Canada	-	-	22,314
Immigration, Refugees and Citizenship Canada	-	102,434	-
Regional Development Corporation	-	80,064	9,108
Protection - Other Local Governments	767,175	847,664	679,891
Provincial Contributions			
- Transportation - designated highway recovery	679,534	680,034	813,244
	<u>\$ 1,506,709</u>	<u>\$ 1,770,196</u>	<u>\$ 1,996,165</u>
Other revenue from own sources			
Licenses and permits			
- building permits	\$ 1,161,740	\$ 1,676,028	\$ 1,773,488
- other	819,767	836,912	863,558
Fines and fees	339,000	234,284	289,234
Parking	2,216,023	2,096,175	2,211,890
Rent	16,201	14,694	14,679
Miscellaneous	292,793	418,564	395,968
Protection	3,500	87	1,976
Transportation - other	107,250	99,608	106,270
Public transit	4,063,082	4,227,036	4,111,827
Magnetic Hill Zoo	1,891,209	1,888,592	1,925,731
Magnetic Hill Park	163,032	207,179	192,349
Other recreational	704,003	605,270	503,472
Coliseum - Agrena	777,043	333,536	376,210
Gain (loss) on sale and write-off of tangible assets	-	(308,010)	(913,909)
Cash received in lieu	-	412,613	14,477
Other / Misc. Income	-	143,868	2,259
Water and wastewater other revenue	40,517	35,932	23,773
Moncton Industrial Development Limited – land and other	-	596,084	834,686
	<u>\$ 12,595,160</u>	<u>\$ 13,518,452</u>	<u>\$ 12,727,938</u>
Water and wastewater revenue			
Water user charges	\$ 19,105,730	\$ 19,285,488	\$ 18,314,382
Wastewater user charges	6,494,041	6,700,911	6,127,370
Wastewater treatment levy	8,278,410	8,495,531	8,518,611
	<u>\$ 33,878,181</u>	<u>\$ 34,481,930</u>	<u>\$ 32,960,363</u>
Other contributions for capital			
Donated assets - developers	\$ -	\$ 5,127,412	\$ 5,322,654
Organizations and individuals	-	6,378,430	742,639
Local improvement and branch sewer recoveries	-	108,113	83,020
	<u>\$ -</u>	<u>\$ 11,613,955</u>	<u>\$ 6,148,313</u>
Government transfers for capital			
Department of Transportation and Infrastructure	\$ 800,000	\$ -	\$ 3,221,307
Infrastructure Canada – gas tax funding	4,983,000	5,131,793	4,924,705
ACOA -Infrastructure program	-	163,562	148,092
Build Canada Infrastructure Program Funding (Provincial & Federal)	12,291,654	4,314,567	9,516,771
Province of New Brunswick – Forgivable Loan	10,944,646	5,497,323	-
Provincial contributions - MID	472,604	219,788	232,477
Federal/Provincial contributions - water and wastewater	-	337,615	1,020,420
	<u>\$ 29,491,904</u>	<u>\$ 15,664,648</u>	<u>\$ 19,063,772</u>

City of Moncton

Schedule 2: Consolidated Schedule of Expenses

Year Ended December 31	2018	2018	2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Mayor and Councillors	\$ 663,198	\$ 637,816	\$ 630,955
City Manager and Internal Audit	300,371	201,120	400,136
Corporate services	252,223	263,904	283,552
Finance and administration	1,818,772	1,477,685	1,928,240
Information systems	2,056,957	2,033,319	1,920,625
Human resources	1,257,907	1,272,552	1,246,216
Legislative services	903,064	886,614	894,125
City Hall building	1,901,462	1,872,427	1,912,570
Corporate communications	911,959	921,543	857,022
Other general administration	3,770,093	3,617,751	3,497,240
Grants	1,590,760	1,614,931	1,386,473
Corporate planning and policy development	334,385	332,285	313,811
Moncton Industrial Development Limited	792,601	730,274	787,282
Amortization of tangible assets	31,746,698	31,746,698	28,905,508
Amortization of development costs - MID	-	859,183	1,410,106
Interest	4,491,543	2,567,319	2,323,876
Pension	(7,593,500)	(7,593,500)	(4,075,600)
Post-retirement liabilities	1,481,573	1,112,279	1,038,284
Contaminated sites expense	-	(360,354)	(395,960)
Deferred facility and energy maintenance cost	465,000	223,000	247,182
	<u>\$ 47,145,066</u>	<u>\$ 44,416,846</u>	<u>\$ 45,511,643</u>
Protection services			
Police	\$ 20,941,875	\$ 20,955,058	\$ 20,824,350
Fire	15,274,888	15,542,007	14,643,919
Building inspection	1,735,947	1,691,373	1,659,918
Other protective services	1,622,771	1,463,027	1,343,160
	<u>\$ 39,575,481</u>	<u>\$ 39,651,465</u>	<u>\$ 38,471,347</u>
Transportation services			
Engineering administration	\$ 1,786,023	\$ 1,845,809	\$ 1,626,745
Facilities	1,267,522	1,225,754	1,247,751
Roads, streets and equipment	9,552,092	10,601,861	9,873,543
Street lighting	2,524,753	2,466,599	2,474,404
Traffic and parking	1,833,583	1,861,716	1,869,594
Public transit	10,472,925	10,736,480	10,282,546
Other transportation	961,136	485,803	619,958
	<u>\$ 28,398,034</u>	<u>\$ 29,224,022</u>	<u>\$ 27,994,541</u>
Environmental health and development services			
Garbage and waste collection	\$ 3,191,235	\$ 3,194,158	\$ 3,079,072
Planning commission	103,497	103,497	45,145
Development	3,144,898	2,953,727	3,094,177
Magnetic Hill Zoo	2,787,513	3,030,788	2,794,732
Magnetic Hill Park and Magnetic Hill Concert Site	370,800	399,180	331,786
Tourism	520,834	438,809	558,633
	<u>\$ 10,118,777</u>	<u>\$ 10,120,159</u>	<u>\$ 9,903,545</u>

City of Moncton

Schedule 2: Consolidated Schedule of Expenses

Year Ended December 31	2018	2018	2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Recreation and cultural services			
Parks and Leisure services	\$ 6,725,393	\$ 7,011,096	\$ 6,658,383
Library	423,197	409,226	395,981
Capitol Theatre grant	499,335	501,368	425,204
Senior's Citizens	93,964	96,168	85,856
Events and venues	1,495,244	1,623,320	1,794,363
Museum	1,190,976	1,151,429	1,092,506
Avenir Centre	1,322,509	555,623	-
Arenas	2,295,768	2,257,452	2,218,850
Moncton Stadium	57,334	124,204	114,469
William House / Treitz Haus	124,419	101,751	112,507
Coliseum - Agrena	2,249,219	1,964,571	2,162,332
Immigration	119,729	276,085	120,507
Other cultural programs and services	<u>198,698</u>	<u>165,532</u>	<u>175,347</u>
	<u>\$ 16,795,785</u>	<u>\$ 16,237,825</u>	<u>\$ 15,356,305</u>
Water and wastewater expenses			
Water supply			
Administration	\$ 3,736,717	\$ 4,283,310	\$ 4,161,050
Bad debt expense	-	-	134,110
Interest	1,565,858	1,583,603	1,627,423
Transmission and distribution	3,877,187	3,394,427	3,452,305
Purification and source of supply	718,932	785,430	1,533,105
Power and pumping	615,667	646,491	593,764
Water treatment charges	<u>4,559,827</u>	<u>4,653,558</u>	<u>4,524,757</u>
	<u>\$ 15,074,188</u>	<u>\$ 15,346,819</u>	<u>\$ 16,026,514</u>
Wastewater collection and disposal			
Administration	\$ 1,436,125	\$ 1,548,625	\$ 1,577,510
Interest	695,374	765,897	691,441
Maintenance	1,168,401	984,341	949,473
Wastewater treatment charges	<u>8,278,410</u>	<u>8,278,410</u>	<u>8,462,790</u>
	<u>11,690,810</u>	<u>11,577,273</u>	<u>11,681,214</u>
Total water and wastewater	<u>\$ 26,994,498</u>	<u>\$ 26,924,092</u>	<u>\$ 27,707,728</u>

City of Moncton

Schedule 3: Schedule of Segment Disclosure

December 31, 2018

	General Government	Protection	Transportation	Environmental Health & Development	Recreation and cultural	Water & Wastewater	MID	2018 Consolidated	2017 Consolidated
Revenues									
Warrant of assessment *	\$ 132,990,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,990,661	\$133,327,510
Community Funding and Equalization Grant from Provincial Government *	7,006,108	-	-	-	-	-	-	7,006,108	3,227,655
Federal grant in lieu	1,941	-	-	-	-	-	-	1,941	(33,179)
Government transfers for operating	-	847,664	680,034	-	242,498	-	-	1,770,196	1,996,165
Other revenue from own sources	3,409,175	87	6,442,597	2,095,771	938,806	35,932	596,084	13,518,452	12,727,938
Water and wastewater user fees	-	-	-	-	-	34,481,930	-	34,481,930	32,960,263
Interest	1,709,072	-	-	-	-	445,470	-	2,154,542	1,689,217
	145,116,957	847,751	7,122,631	2,095,771	1,181,304	34,963,332	596,084	191,923,830	185,896,569
Expenses									
Salaries and benefits	10,951,093	15,965,133	16,551,961	3,684,271	6,450,413	3,376,644	220,262	57,199,777	55,316,623
Goods and services	3,460,147	23,686,332	12,672,061	6,435,888	9,787,412	21,197,948	1,369,195	78,608,983	79,266,331
Amortization*	31,746,179	-	-	-	-	-	519	31,746,698	28,905,508
Interest	2,386,274	-	-	-	-	2,349,500	181,044	4,916,818	4,642,741
Pension**	(7,593,500)	-	-	-	-	-	-	(7,593,500)	(4,075,600)
Deferred facility and energy maintenance cost	223,000	-	-	-	-	-	-	223,000	247,182
Contaminated sites expense	360,354	-	-	-	-	-	-	360,354	(395,960)
Post-retirement liabilities**	1,112,279	-	-	-	-	-	-	1,112,279	1,038,284
	42,645,826	39,651,465	29,224,022	10,120,159	16,237,825	26,924,092	1,771,020	166,574,409	164,945,109
Annual surplus (deficit) before capital contributions	102,471,131	(38,803,714)	(22,101,391)	(8,024,388)	(15,056,521)	8,039,240	(1,174,936)	25,349,421	20,950,460
Other contributions for capital*	11,613,955	-	-	-	-	-	-	11,613,955	6,148,313
Government transfers for capital*	15,664,648	-	-	-	-	-	-	15,664,648	19,063,772
Annual surplus (deficit) for the year	\$ 129,749,734	\$ (38,803,714)	\$ (22,101,391)	\$ (8,024,388)	\$ (15,056,521)	\$ 8,039,240	\$ (1,174,936)	\$ 52,628,024	\$46,162,545

*The warrant of assessment, unconditional transfers from Provincial Government, amortization, disposals and transfers, other contributions for capital and government transfers have been reported under General Government for segment disclosure.

**Annual cash payments made by the City for pension plan contributions and post-retirement benefits are recorded in salaries and benefits costs in each of the departments. The change in the obligations is recorded in the general government department.

City of Moncton

Schedule 4: Schedule of Reserve Funds

December 31, 2018

	General Operating Reserve	General Capital Reserve	W&S Operating Reserve	W&S Capital Reserve	Reserve for Land Develop Fund	2018 Total	2017 Total
Accumulated surplus, beginning of year	\$ 8,722,557	\$ 25,112,177	\$ 1,142,443	\$ 8,455,494	\$ 4,720	\$ 43,437,391	\$ 32,491,915
Allocation from City of Moncton revenue fund	-	82,464	-	-	-	82,464	82,464
Appropriation from Utility Operating fund	-	-	-	485,000	-	485,000	385,000
Appropriation from General Operating fund	3,555,920	701,857	-	-	-	4,257,777	4,228,844
Appropriation from General Operating fund for equipment purchases	-	1,816,575	-	-	-	1,816,575	1,851,575
Appropriation from General Operating fund for capital purchases	-	7,666,990	-	-	-	7,666,990	2,720,659
Transfer to General Capital fund for:							
Lifecycle maintenance improvements	-	(56,414)	-	-	-	(56,414)	(367,316)
Capital purchases	(1,081,896)	(1,736,219)	-	-	-	(1,736,219)	(1,524,074)
Downtown Centre Plaza	-	(5,575,000)	-	-	-	(5,575,000)	-
Deferred maintenance	-	(223,000)	-	-	-	(223,000)	(247,182)
Energy management	19,778	-	-	-	-	19,778	-
Transfer from General Operating for							
Tourism Master Plan and Major Events	-	-	-	-	-	(1,081,896)	200,000
Transfer from General Operating Reserve fund	(5,142,926)	5,142,926	-	-	-	-	-
Transfer from General Operating for user fee's	-	-	-	-	-	-	(25,000)
Transfer to General Capital for unused fleet purchases	-	-	-	-	-	-	2,643
Transfer to General Capital for equipment	-	-	-	-	-	-	40,000
Transfer to General Utility fund for meter maintenance	-	-	-	(473,000)	-	(473,000)	(510,000)
Transfer to Superior Propane for Capital Renovations	-	(300,000)	-	-	-	(300,000)	-
Transfer to Utility Operating Reserve for rate stabilization	-	-	10,000	-	-	10,000	150,000
Transfer surplus from Operating fund	-	850,000	-	250,000	-	1,100,000	3,160,000
	(2,649,124)	8,370,179	10,000	262,000	-	5,993,055	10,147,613
Interest	190,801	1,226,910	30,573	232,456	2,957	1,683,697	1,112,196
Proceeds on sale of assets	-	124,090	-	-	-	124,090	88,104
Proceeds on sale of land	-	259,799	-	-	-	259,799	10,000
Cash paid for development costs	-	-	-	-	152,814	152,814	(416,914)
Annual surplus (deficit)	(2,458,323)	9,980,978	40,573	494,456	155,771	8,213,455	10,945,476
Accumulated surplus, end of year	\$ 6,264,234	\$ 35,093,155	\$ 1,183,016	\$ 8,949,950	\$ 160,491	51,650,846	\$ 51,650,846

City of Moncton

Schedule 5: Schedule of Operating Budget to PSA budget

December 31, 2018

	Operating Budget General	Operating Budget Water & Wastewater	Capital Fund Budget	MID	Amortization & Pension & Post Employment Adjustments	Transfers	Total
Revenue							
Grant from City of Moncton	\$ -	\$ -	\$ -	\$ 320,000	\$ -	\$ (320,000)	\$ -
Province of New Brunswick							
Warrant for property taxes	132,990,664	-	-	-	-	-	132,990,664
Community Funding and Equalization Grant	6,909,841	-	-	-	-	-	6,909,841
Federal grant in lieu	1,941	-	-	-	-	-	1,941
Government transfers for operating	1,506,709	-	-	-	-	-	1,506,709
Government transfers for capital	-	-	29,019,300	472,604	-	-	29,491,904
Other contributions and transfers for capital	-	-	38,097,380	-	-	(38,097,380)	-
Other revenue from own sources	12,554,643	40,517	-	-	-	-	12,595,160
Water and wastewater rates	-	33,878,181	-	-	-	-	33,878,181
Water supply for fire protection	-	3,666,629	-	-	-	(3,666,629)	-
Interest	7,500	490,000	-	-	-	-	497,500
Deficit - previous year's deficit	(87,437)	(387,251)	-	-	-	474,688	-
	153,883,861	37,688,076	67,116,680	792,604	-	(41,609,321)	217,871,900
Expenses							
General government services	17,942,721	-	-	792,604	24,153,198	4,256,543	47,145,066
Protective services	43,242,110	-	-	-	-	(3,666,629)	39,575,481
Transportation services	34,920,034	-	-	-	-	(6,522,000)	28,398,034
Environmental health & development services	11,640,333	-	-	-	-	(1,521,556)	10,118,777
Recreation and cultural services	16,839,977	-	-	-	-	(44,192)	16,795,785
Water and wastewater	-	25,108,266	-	-	-	1,886,232	26,994,498
Fiscal services							
Long-term debt repayments	12,749,554	9,823,578	-	-	-	(22,573,132)	-
Interest	4,491,543	2,261,232	-	-	-	(6,752,775)	-
Transfer from the General Operating fund to the General Operating Reserve	2,574,024	-	-	-	-	(2,574,024)	-
Transfer from the General Operating fund to the General Capital Reserve	7,666,990	-	-	-	-	(7,666,990)	-
Funding current year's capital projects – general	1,816,575	-	-	-	-	(1,816,575)	-
Transfer from the Water and Wastewater Operating fund to the Water and Wastewater Capital fund	-	495,000	-	-	-	(495,000)	-
	153,883,861	37,688,076	-	792,604	24,153,198	(47,490,098)	169,027,641
Surplus (deficit) for the year	\$ -	\$ -	\$ 67,116,680	\$ -	\$ (24,153,198)	\$ 5,880,777	\$ 48,844,259

City of Moncton

Schedule 6: Schedule of Reconciliation of Annual Surplus

December 31, 2018

	General Fund	General Capital Fund	General Reserve Funds	W & S Current Fund	W & S Capital Fund	Capital Reserve Funds	W & S Cap. Reserve Fund	W & S General Op. Funds	Reserve for Land Develop Fund	MID	Total All Funds
2018 annual surplus (deficit) per Local Governance Act	\$ 171,570	\$ 52,886,959	\$ (2,458,323)	\$ 239,586	\$ 13,381,363	\$ 9,980,978	\$ 494,457	\$ 40,573	\$ 155,771	\$ 613,541	75,506,475
Adjustment to annual surplus (deficit) for funding Requirements											
Second previous year's deficit	87,437	-	-	387,251	-	-	-	-	-	-	474,688
MID - Grant	1,568,171	-	-	-	-	-	-	-	-	(1,568,171)	-
Transfer of fire watercosts	3,618,596	-	-	(3,618,596)	-	-	-	-	-	-	-
Transfer of City Hall interest on investment	82,464	-	-	-	-	(82,464)	-	-	-	-	-
Transfer of capital from operating	7,222,000	(7,222,000)	-	375,000	(375,000)	-	-	-	-	-	-
Transfer of capital from operating library	44,192	(44,192)	-	-	-	-	-	-	-	-	-
Capital Theatre	(2,032)	-	-	-	-	-	-	-	-	-	(2,032)
Long-term debt principal repayment	13,816,683	(13,816,683)	-	9,910,999	(9,910,999)	-	-	-	-	-	-
Adjust liability for contaminated sites	360,354	-	-	-	-	-	-	-	-	-	360,354
Reallocate fixed assets not yet received at year end	(20,119)	-	-	-	-	-	-	-	-	-	(20,119)
Reallocate fixed assets purchased through operating fund	400,573	-	-	-	-	-	-	-	-	-	400,573
Loss from disposal of tangible capital assets	-	(308,010)	-	-	-	-	-	-	-	-	(308,010)
Provision for retirement liability	369,294	-	-	-	-	-	-	-	-	-	369,294
Amortization expense	-	(22,315,222)	-	-	(9,430,957)	-	-	-	-	(519)	(31,746,698)
Pension expense	7,593,500	-	-	-	-	-	-	-	-	-	7,593,500
Total Adjustments to 2018 annual surplus (deficit)	35,141,113	(43,706,107)	-	7,054,654	(19,716,956)	(82,464)	-	-	-	(1,568,690)	(22,878,450)
2018 annual Surplus (deficit) per PSAB for the year	\$ 35,312,683	\$ 9,180,852	\$ (2,458,323)	\$ 7,294,240	\$ (6,335,593)	\$ 9,898,514	\$ 494,457	\$ 40,573	\$ 155,771	\$ (955,149)	\$ 52,628,025

City of Moncton

Schedule 7: Schedule of Government Transfers

December 31, 2018

	Budget	<u>2018</u>	<u>2017</u>
TRANSFERS FOR OPERATING:			
Atlantic Canada Opportunity Agency	\$ -	\$ 80,064	\$ 9,108
Canada Heritage	-	-	402,500
Canadian Museum Association – Provincial	60,000	60,000	60,000
Global Affairs Canada	-	-	22,314
Immigration, Refugees and Citizenship Canada	-	102,434	-
Provincial Contributions – Designated Highways	767,175	847,664	679,891
Other Local Governments – Fire LSD Contract	679,534	680,034	813,244
	<u>\$ 1,506,709</u>	<u>\$ 1,770,196</u>	<u>\$ 1,996,165</u>
TRANSFERS FOR CAPITAL:			
Government Transfers for Capital			
Department of Transportation and Infrastructure	\$ 800,000	\$ -	\$ 3,221,307
Infrastructure Canada – gas tax funding	4,983,000	5,131,793	4,924,705
ACOA -Infrastructure program	-	163,562	148,092
Build Canada Infrastructure Program Funding (Provincial & Federal)	12,291,654	4,314,567	9,516,771
Province of New Brunswick – Forgivable Loan	10,944,646	5,497,323	-
Provincial contributions - MID	472,604	219,788	232,477
Federal/Provincial contributions - water and wastewater	-	337,615	1,020,420
	<u>\$29,491,904</u>	<u>\$15,664,648</u>	<u>\$ 19,063,772</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$30,998,613</u>	<u>\$17,434,844</u>	<u>\$ 21,059,937</u>

Government transfers do not include grants in lieu of taxes received from the Federal and Provincial governments.

City of Moncton

Schedule 8: Schedule of Statement of Controlled Entity

December 31, 2018

Statement of controlled entity, Moncton Industrial Development Limited

	<u>2018</u>	<u>2017</u>
Financial assets	\$ 26,349,006	\$ 20,627,857
Liabilities	<u>(10,816,917)</u>	<u>(5,704,216)</u>
Net debt	15,532,089	14,923,641
Non-financial assets	<u>29,494</u>	<u>24,920</u>
Accumulated surplus	<u>\$ 15,561,583</u>	<u>\$ 14,948,561</u>
Revenue	\$ 2,384,043	\$ 2,566,163
Expenses	<u>(1,771,021)</u>	<u>(2,305,324)</u>
Annual surplus	<u>\$ 613,022</u>	<u>\$ 260,839</u>

City of Moncton

Schedule 9: Reconciliation of Funding Deficit

December 31, 2018

Reconciliation of Funding Deficit – Vested Post-Employment Benefits.

	<u>2018</u>	<u>2017</u>
Liability at December 31, 2018	\$ 8,077,700	\$ 8,124,200
Amount of December 31, 2018 liability funded in the current year	(703,493)	(663,588)
Amounts funded in prior years	<u>(4,553,144)</u>	<u>(3,889,556)</u>
Balance to be funded in future years	<u>\$ 2,821,063</u>	<u>\$ 3,571,056</u>

Based on the latest actuarial valuation for the defined benefit pension plan conducted as at December 31, 2016, the City has no requirement under the *New Brunswick Pension Benefits Act and Regulations* to fund the solvency deficit which has a solvency ratio of 78.1%. The going concern valuation is in a funding surplus.

The City has an unfunded vesting post-employment liability of **\$2,821,063** (2017 - \$3,571,056). There is presently no agreement between the City and the Province of the funding of this liability.