

Consolidated Financial Statements

City of Moncton

December 31, 2017

Contents

	Page
Independent Auditors' Report	1, 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations and Accumulated Surplus	4
Consolidated Statement of Changes in Net Debt	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 21
Schedule 1: Consolidated Schedule of Revenues	22
Schedule 2: Consolidated Schedule of Expenses	23 - 24
Schedule 3: Schedule of Segment Disclosure	25
Schedule 4: Schedule of Reserve Funds	26
Schedule 5: Schedule of Operating Budget to PSA budget	27
Schedule 6: Schedule of Reconciliation of Annual Surplus	28
Schedule 7: Schedule of Government Transfers	29
Schedule 8: Schedule of Statement of Controlled Entity	30
Schedule 9: Reconciliation of Funding Deficit	31



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Independent auditor's report

To Her Worship the Mayor

And Members of City Council

We have audited the consolidated statement of financial position of the City of Moncton as at December 31, 2017 and the consolidated statement of operations and accumulated surplus, the consolidated statement of changes in net debt and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 City of Moncton as at December 31, 2017, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The Department of Local Government of New Brunswick has requested some additional disclosures based on the Municipal Financial Reporting, Manual dated December 16, 2011. The City has added notes 13, 14 and 15 and schedules 8 and 9 to their consolidated financial statements to comply with these requirements.

Moncton, Canada
April 3, 2018

Grant Thornton LLP

Chartered professional accountants

City of Moncton

Consolidated Statement of Financial Position

Year Ended December 31

	<u>2017</u>	<u>2016</u>
Financial assets		
Cash and cash equivalents	\$ 17,852,307	\$ 11,995,452
Restricted cash (Note 2)	3,610,101	2,049,527
Receivables (Note 3)	30,857,751	26,367,476
Mortgage receivable (Note 4)	1	1
Long-term investments (Note 5)	4,793,203	4,254,292
Land and land development (Note 6)	19,012,280	17,934,314
Unamortized debenture discounts	1,088,669	1,147,052
Accrued pension asset (Note 10)	<u>11,419,100</u>	<u>7,343,500</u>
	<u>88,633,412</u>	<u>71,091,614</u>
Liabilities		
Payables and accruals (Note 8)	35,574,307	26,511,248
Long-term debt (Note 9)	126,723,332	135,544,070
Other post employment liabilities (Note 11)	<u>10,547,000</u>	<u>10,076,700</u>
	<u>172,844,639</u>	<u>172,132,018</u>
Net debt	<u>(84,211,227)</u>	<u>(101,040,404)</u>
Non-financial assets		
Tangible capital assets (Note 12)	722,328,809	693,137,422
Inventory of supplies	2,603,653	2,656,522
Prepays	<u>578,641</u>	<u>383,791</u>
	<u>725,511,103</u>	<u>696,177,735</u>
Accumulated surplus	<u>\$ 641,299,876</u>	<u>\$ 595,137,331</u>

Commitments and contingencies (Note 16)

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 (page 27)	2017 Actual	2016 Actual
Revenue			
Warrant of assessment	\$ 133,327,510	\$ 133,327,510	\$ 128,545,660
Community Funding and Equalization Grant from Provincial Government and Federal Grant	3,184,855	3,194,476	5,200,381
Government transfers for operating (Page 22)	1,491,384	1,996,165	1,520,085
Other revenue from own sources (Page 22)	12,231,542	12,727,938	13,702,788
Water and wastewater revenue (Page 22)	32,598,726	32,960,263	34,346,521
Interest	467,000	1,689,217	1,386,179
	<u>183,301,017</u>	<u>185,895,569</u>	<u>184,701,614</u>
Expenses (Pages 23-24)			
General government services	47,448,713	45,511,643	46,890,198
Protection services	38,645,071	38,471,347	37,515,089
Transportation services	28,258,687	27,994,541	27,865,800
Environmental health and development services	10,015,047	9,903,545	9,945,853
Recreation and cultural services	15,955,162	15,356,305	14,962,309
Water and wastewater	27,254,413	27,707,728	26,728,526
	<u>167,577,093</u>	<u>164,945,109</u>	<u>163,907,775</u>
Annual surplus before capital contributions	15,723,924	20,950,460	20,793,839
Other contributed assets for capital (Page 22)	-	6,148,313	4,245,508
Government transfers for capital (Page 22)	18,075,701	19,063,772	15,258,028
Annual surplus	33,799,625	46,162,545	40,297,375
Accumulated surplus, beginning of year	595,137,331	595,137,331	554,839,956
Accumulated surplus, end of year	<u>\$ 628,936,956</u>	<u>\$ 641,299,876</u>	<u>\$ 595,137,331</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

2017

2016

		PSA Budget	
Annual surplus	\$ 33,799,625	\$ 46,162,545	\$ 40,297,375
Acquisition of tangible capital assets	(50,319,072)	(59,098,908)	(50,931,163)
Proceeds on disposal of tangible capital assets	-	88,104	125,749
Amortization of tangible capital assets	28,905,508	28,905,508	27,668,888
Loss (gain) on sale and write-off of tangible capital assets	-	913,909	(57,464)
	<u>(21,413,564)</u>	<u>(29,191,387)</u>	<u>(23,193,990)</u>
Change in prepaid expenses	-	(194,850)	107,899
Change in supplies inventory	-	52,869	(10,787)
	-	(141,981)	97,112
Decrease in net debt	12,386,061	16,829,177	17,200,497
Net debt, beginning of year	<u>(101,040,404)</u>	<u>(101,040,404)</u>	<u>(118,240,901)</u>
Net debt, end of year	<u>\$ (88,654,343)</u>	<u>\$ (84,211,227)</u>	<u>\$(101,040,404)</u>

See accompanying notes and schedules to the consolidated financial statements.

City of Moncton

Consolidated Statement of Cash Flows

Year Ended December 31

2017

2016

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

Operating activities

Annual surplus	\$ 46,162,545	\$ 40,297,375
Items not affecting cash:		
Amortization of tangible capital assets	28,905,508	27,668,888
Loss (gain) on sale of tangible capital assets	913,909	(57,464)
Donated infrastructure	(5,322,654)	(3,566,999)
Change in accrued pension asset	(4,075,600)	(2,712,300)
Change in other post employment benefits	470,300	571,900
Change in unamortized debenture discounts	58,383	117,617
Changes in non-cash working capital:		
Change in receivables	(4,490,275)	(9,098,005)
Change in payables and accruals	9,063,059	(445,238)
Change in supplies inventory	52,869	(10,787)
Change in prepaid expenses	(194,850)	107,899
Change in land and land development, net of disposals	(1,077,966)	(997,730)
Net cash provided by operating activities	<u>70,465,228</u>	<u>51,875,156</u>
Capital activities		
Acquisition of tangible capital assets	(53,776,254)	(47,364,164)
Proceeds on sale of tangible capital assets	88,104	125,749
Net cash used for capital activities	<u>(53,688,150)</u>	<u>(47,238,415)</u>
Financing activities		
Issuance of long-term debt	15,385,000	14,196,000
Repayment of long-term debt	(24,205,738)	(26,358,728)
Net cash used for financing activities	<u>(8,820,738)</u>	<u>(12,162,728)</u>
Investing activities		
Change in investments	(538,911)	(483,989)
Net cash used for investing activities	<u>(538,911)</u>	<u>(483,989)</u>
Increase / (decrease) in cash and cash equivalents	7,417,429	(8,009,976)
Cash and cash equivalents at beginning of year	<u>14,044,979</u>	<u>22,054,955</u>
Cash and cash equivalents at end of year	<u>\$ 21,462,408</u>	<u>\$ 14,044,979</u>
Summary of cash and cash equivalents:		
Cash	\$ 17,852,307	\$ 11,995,452
Restricted cash	3,610,101	2,049,527
Cash and cash equivalents at end of year	<u>\$ 21,462,408</u>	<u>\$ 14,044,979</u>

See accompanying notes and schedules to the consolidated financial statements.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

The Corporation of the City of Moncton (the "City") is incorporated and operates under the provisions of the Province of New Brunswick Municipalities 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

The consolidated financial statements of the Corporation of the City of Moncton are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants. These consolidated financial statements include the additional disclosure requirements by the Department of Local Government of New Brunswick. The City has added notes 13, 14 and 15 and schedules 8 and 9 to comply with these requirements.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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.

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

a) **Reporting entity**

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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

1. Summary of significant accounting policies (continued)

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.

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 materials and 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 inventory and development costs

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 being amortized against the 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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

1. Summary of significant accounting policies (continued)

i) Long-term debt

Long-term debt is recorded net of any related sinking fund balances. Debt service charges, including principal and interest, are charged against current revenue in the period in which they occur.

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 19, 2016 and the Minister of Local Government approved the General Operating Budget on January 29, 2017, Capital Budget on March 13, 2017 and Utility Operating Budget on February 2, 2017.

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 Municipalities 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, 2017

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, 2017

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 and 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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

2. Restricted cash

Restricted cash is comprised of the following:

	<u>2017</u>	<u>2016</u>
Deposits on program funding – Transportation Discovery Centre	\$ 357,653	\$ 352,802
Deposit on Gas Tax program funding	2,069,597	954,488
Deposits on hand - MID	506,759	261,159
Cash held to pay performance rebates on land sales - MID	676,092	481,078
	<u>\$ 3,610,101</u>	<u>\$ 2,049,527</u>

3. Receivables

	<u>2017</u>	<u>2016</u>
Capital receivables		
Federal/Provincial government - capital and operating contributions	\$13,809,764	\$ 11,015,694
Théâtre Capitol Theatre Inc.	701,896	-
Town of Riverview	319,559	-
City of Dieppe	639,118	-
Private Capital Contribution	116,099	-
Field of Dream Committee	68,548	-
Transaqua	43,700	318,736
	<u>15,698,684</u>	<u>11,334,430</u>
Operating receivables		
Federal/Provincial government - HST	2,214,877	2,115,745
Operating fund receivables	754,394	740,200
Curl Moncton	679,639	190,400
Local improvements	505,158	159,497
Moncton Arena Partners	329,890	200,148
City of Dieppe	233,400	99,929
Town of Riverview	219,565	111,357
Friends of the Zoo	193,082	250,000
Harrison Trimble High School- Woody Hayes Field Committee	162,279	201,239
Moncton Football Assoc Incorporated	155,124	193,905
Food Depot Alimentaire	149,998	199,999
Moncton Squash Club	141,672	151,672
Magic Mountain Water Park Ltd.	77,872	57,500
Théâtre Capitol Theatre Inc.	75,204	114,121
Beausejour Gymnos	47,455	83,888
Moncton Wildcats Junior Hockey Club Limited	23,602	25,282
Sewer construction improvements	10,765	12,399
Indoor Sports Management	7,092	9,407
Universite de Moncton	758	1,300
Bernice MacNaughton High School Field of Dreams Committee	-	34,629
Jeux de Commerce	-	25,000
Water and wastewater receivables	9,136,196	9,955,765
Moncton Industrial Development Limited receivables	41,045	99,664
	<u>\$30,857,751</u>	<u>\$ 26,367,476</u>

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

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 \$4,793,203 represents amounts deposited for the benefit of the City with Maritime Life Assurance Company 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. The interest rate being applied is 10.135% and is fixed for the entire 25 years.

6. Land and land development

The land and land development before accumulated amortization of \$45,575,377 consist of assets of Caledonia Industrial Park of \$30,666,129, Moncton Industrial Park of \$10,864,641, West TCH \$767,706 and the New Business Park Development of \$3,276,901. Land and land development costs net of amortization totals \$19,012,280.

7. Bank indebtedness

Bank indebtedness for operating purposes is within the limit prescribed by the Municipalities 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.

8. Payables and accruals

	<u>2017</u>	<u>2016</u>
Accounts payable and commitments	\$ 20,049,868	\$ 14,438,183
Payable to the Policing Authority	9,389,024	7,023,379
Contractors' holdbacks	4,182,762	3,456,298
Interest on long-term debt	341,987	403,066
Moncton Industrial Development Limited payables, accruals and deposit on land	1,575,405	1,155,061
Local improvement deposits	<u>35,261</u>	<u>35,261</u>
	<u>\$ 35,574,307</u>	<u>\$ 26,511,248</u>

Payables and accruals include an amount for contaminated sites of \$179,646 (2016 - \$890,000). The amount is an estimate done by the internal environmental engineers.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

9. Long-term debt		<u>2017</u>	<u>2016</u>
New Brunswick Municipal Financing Corporation			
Debentures:			
AW1	4.3% - 4.55%, due 2016, OIC #00-0018, #03-0017, #04-0010, #05-0016 #06-0019	\$ -	\$ 1,450,000
AX12	4.45% - 4.85%, due 2017, OIC #06-0019	-	866,000
AY5	3.3% - 4.85%, due 2018, OIC #05-0016, #06-0019, #07-0015, #07-0093	1,450,000	2,854,000
AY6	3.3% - 4.85%, due 2018, OIC #05-0016	886,000	1,743,000
AZ10	2.1% - 5.55%, due 2018, OIC #04-0010, #05-0016	721,000	1,409,000
BA7	0.95% - 5%, due 2019, OIC #05-0016, #06-0019, #07-0015, #08-0014	3,058,000	4,507,000
BA8	0.95% - 5%, due 2019, OIC #06-0019	691,000	1,019,000
BC5	1.5% - 4.55%, due 2020, OIC #07-0015, #08-0014, #09-0025	5,216,000	6,826,000
BC6	1.5% - 4.55%, due 2020, OIC #07-0015	1,598,000	2,092,000
BD11	1.5% - 3.85%, due 2020, OIC #07-0015, #08-0014	3,152,000	4,136,000
BE21	1.65% - 4.25%, due 2021, OIC #08-0014, #09-0025, #10-0018	6,102,000	7,497,000
BE22	1.65% - 4.25%, due 2021, OIC #09-0025, #10-0018	2,344,000	2,880,000
BF9	1.35% - 3.45%, due 2021, OIC #09-0025, #10-0018	2,723,000	3,357,000
BG10	1.65% - 3.4% due 2022, OIC #06-19, #08-14, #09-0025, #10-0018, #10-0068, #11-0038, #11-0100	7,159,000	8,882,000
BH12	1.35% - 3.1% due 2022, OIC #06-19, #08-14, #09-0025, #09-0072, #10-0018, #11-0038, #12-0016	971,000	1,393,000
BH13	1.35% - 3.1% due 2022 OIC #06-19, #07-15, #08-14, #09-0025, #10-0018, #11-0038	4,946,000	5,930,000
BI9	1.35% - 3.25%, due 2023, OIC #09-0025, #10-0018, #11-0038, #12-0016	4,249,000	5,192,000
BI10	1.35% - 3.25%, due 2023, OIC #09-0025, #12-0016	977,000	1,127,000
BJ10	1.25% - 3.70%, due 2023, OIC #09-0025, #10-0018, #10-0068, #11-0038 #12-0016, #13-0010	6,444,000	7,726,000
BJ11	1.25% - 3.70%, due 2023, OIC #06-0019, #08-0014, #09-0025, #10-0018 #11-0038, #12-0016	2,256,000	2,599,000
BK6	1.15% - 3.45%, due 2024, OIC #06-0019, #09-0025, #10-0018, #11-0038, #12-0016, #13-0010, #13-0012	2,494,000	3,052,000
BK7	1.15% - 3.45%, due 2024, OIC #08-0014, #09-0025, #10-0018, #11-0038, #12-0016, #13-0010	2,136,000	2,421,000
BL8	1.20% - 3.10%, due 2024, OIC #10-0018, #11-0038, #12-0016, #13-0010 #14-0019	2,470,000	2,968,000
BL9	1.20% - 3.70%, due 2034, OIC #05-0016, #06-0019, #07-0015, #09-0025, #10-0018, #11-0038, #13-0010, #14-0019	17,838,000	18,697,000
BM8	0.95% - 2.80%, due 2025, OIC #08-0014, #09-0025, #09-0072, #10-0018, #11-0038, #12-0016, #13-0012, #14-0019	7,481,000	8,605,000
BL9	1.20% - 3.70%, due 2035, OIC #05-0016, #06-0019, #07-0015, #09-0025, #10-0018, #11-0038, #13-0010, #14-0019	8,166,000	9,123,000
BO8	1.45% - 2.90%, due 2026, OIC #09-0025, #11-0038, #12-0016, #13-0010, #13-0012, #14-0019, #15-0020, #15-0041	6,132,000	6,962,000
BP8	1.20% - 2.95%, due 2026, OIC #10-0018, #11-0038, #12-0016, #13-0010, #14-0019, #15-0020, #16-0018	6,505,000	7,234,000
BQ8	1.20% - 2.70%, due 2027, OIC #12-0016, #13-0010, #14-0019, #15-0020, #15-0041, #16-0018, #16-0027	5,978,000	-
BR6	1.65% - 2.90%, due 2027, OIC #12-0016, #13-0010, #14-0019, #15-0020 #16-0018, #17-0008	9,407,000	-
		\$ 123,550,000	\$ 132,547,000

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

9. Long-term debt (continued)	<u>2017</u>	<u>2016</u>
<u>Maritime Life Assurance Company</u>		
Mortgage payable, 8.186%, due 2019	308,521	456,816

Scotiabank Bankers Acceptance - Moncton Industrial Development Limited

Scotiabank credit facility, at banker's acceptance rate per annum	<u>2,864,811</u>	<u>2,540,254</u>
	<u>\$ 126,723,332</u>	<u>\$ 135,544,070</u>

The loan with Maritime Life Assurance Company is amortized over twenty-three and three quarter years and matures on November 1, 2019. The loan bears a fixed rate of interest of 8.186% and is secured by leaseholds and a collateral mortgage on certain lands adjacent to City Hall.

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

2018	\$ 23,727,684	2021	\$ 14,701,000
2019	20,430,838	2022	11,555,000
2020	18,244,000		

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, 2017, the City has an approval to borrow an additional \$141,062,000 for committed capital projects, which includes \$125,922,000 for General fund and \$15,140,000 for the Utility fund. The General Fund approved borrowings includes funds related to the Downtown Centre.

10. 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 \$4,267,300 (2016 - \$4,102,300). Total benefit payments to retirees during the year were \$10,686,700 (2016 - \$10,276,900). A separate pension fund is maintained. The City is in a net funded position at December 31, 2017, as follows:

	<u>2017</u>	<u>2016</u>
Fair market value of plan assets	\$ 273,346,800	\$ 249,854,000
Accrued benefit obligation	<u>(224,915,800)</u>	<u>(225,845,400)</u>
Funded status	48,431,000	24,008,600
Unamortized actuarial gain	<u>37,011,900</u>	<u>16,665,100</u>
Accounting pension asset	<u>\$ 11,419,100</u>	<u>\$ 7,343,500</u>

The most recent evaluation of the Pension Plan by the City's actuaries, William M. Mercer Limited, was carried out effective December 31, 2016. The next valuation is required for December 31, 2017. The 2017 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 14.1 years of the employee group.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

10. 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>2017</u>	<u>2016</u>
(a) Discount rate	6.25%	5.90%
(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 CPM-B projections scale	
Retirement age	60% at earliest retirement age without reduction and remainder at age 65.	
	<u>2017</u>	<u>2016</u>
Current period benefit cost	\$ 7,524,100	\$ 7,885,100
Amortization of actuarial (gains) losses	<u>(1,612,100)</u>	<u>(1,294,000)</u>
	5,912,000	6,591,100
Less: employee contributions	<u>(4,267,300)</u>	<u>(4,102,300)</u>
Retirement benefit expense	1,644,700	2,488,800
Interest cost on the average accrued benefit obligation	<u>(1,453,000)</u>	<u>(1,098,800)</u>
Total expenses related to pension	\$ <u>191,700</u>	\$ <u>1,390,000</u>

The employer contribution expense of \$4,267,300 is included in the statement of operations as a component of department expenses. The change in pension asset of \$4,075,600 is recorded in the general government services.

	Percentage of Plan Assets	
	<u>2017</u>	<u>2016</u>
Benefits plan assets consist of:		
Bonds	35.33%	34.64%
Canadian and foreign equities	49.73%	60.14%
Infrastructure	8.09%	4.98%
Hedge Fund	6.60%	-
Receivables	0.15%	0.05%
Cash	<u>0.10%</u>	<u>0.19%</u>
	<u>100%</u>	<u>100%</u>

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

11. 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 resignation.

	<u>2017</u>	<u>2016</u>
Employee benefits obligations:		
Vested benefits	\$ 7,604,500	\$ 7,315,800
Unamortized actuarial gains	519,700	659,200
Non-vested benefits	4,287,000	4,001,400
Unamortized actuarial losses non-vested	<u>(1,864,200)</u>	<u>(1,899,700)</u>
Accrued employee benefit obligation	<u>\$ 10,547,000</u>	<u>\$ 10,076,700</u>
Accrued employee benefit obligation	\$ 10,547,000	\$ 10,076,700
Less funded amount	<u>(4,553,144)</u>	<u>(3,889,556)</u>
Unfunded employee benefit obligation	5,993,856	6,187,144
Less non-vested benefits	<u>(2,422,800)</u>	<u>(2,101,700)</u>
Vested benefits to be funded from future revenue	<u>\$ 3,571,056</u>	<u>\$ 4,085,444</u>
Benefit expense in the year	<u>\$ 1,300,600</u>	<u>\$ 1,206,500</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 3.00%;
- 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, 2017

12. Consolidated tangible capital assets

	General Capital Assets					Water and Wastewater Assets							
	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 Construction	Assets under Construction	2017	2016
Cost													
Opening cost	\$ 32,829,455	\$ 96,564,103	\$ 50,150,751	\$ 10,154,120	\$ 49,389,200	\$ 10,863,033	\$ 12,473,708	\$ 307,633,846	\$ 95,568,427	\$ 422,045,232	\$ 11,992,662	\$ 1,099,664,537	\$ 1,050,902,880
Additions and transfers	693,471	731,495	12,310,244	1,200,006	1,274,795	3,600,688	-	16,155,864	1,787,459	28,300,359	(6,965,473)	69,098,908	50,931,163
Disposals and transfers	(11,345)	-	(525,468)	-	-	-	-	(803,794)	-	(1,334,419)	-	(2,675,026)	(2,169,506)
Closing cost	33,511,681	97,295,698	61,935,527	11,354,126	50,663,995	14,463,721	12,473,708	322,986,916	97,365,886	449,011,172	5,027,189	1,156,088,419	1,099,664,537
Accumulated amortization													
Opening accumulated Amortization	-	37,940,626	35,284,524	8,849,323	23,241,236	-	7,162,039	133,008,052	32,878,295	128,163,020	-	406,527,115	(380,959,448)
Amortization	-	2,685,466	3,492,717	613,171	2,614,988	-	369,115	9,699,094	3,014,855	6,416,102	-	28,905,608	(27,668,888)
Disposals and transfers	-	-	(525,468)	-	-	-	-	(578,035)	-	(569,510)	-	(1,673,013)	2,101,221
Closing accum'd amortization	-	40,626,092	38,251,773	9,462,494	25,856,224	-	7,531,154	142,129,111	36,893,150	134,009,612	-	433,769,610	(406,527,115)
Asset net book value	\$ 33,511,681	\$ 56,669,606	\$ 23,683,754	\$ 1,891,632	\$ 24,807,771	\$ 14,463,721	\$ 4,942,554	\$ 180,856,805	\$ 61,472,736	\$ 315,001,560	\$ 5,027,189	\$ 722,328,809	\$ 693,137,422

*During the year, the City received donated infrastructure of \$5,322,654 from subdivision developers.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

13. Short-term borrowings compliance

Operating borrowing

As prescribed in the *Municipalities 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 2017, 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.

14. Water and wastewater fund surplus/deficit

The Municipalities Act requires Water and Wastewater Fund surplus/deficit amounts to be absorbed on a quadrennial basis. The City includes the surplus/deficit from the second previous year in its current Water and Wastewater budget. The balance of the surplus/deficit at the end of the year is disclosed below:

	<u>Budget</u>	<u>Actual</u>
2016	(433,948)	(387,251)
2017	-	(149,928)
	<u>\$(433,948)</u>	<u>\$ (537,179)</u>

15. Water cost transfer

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

16. Commitments and contingencies

Commitments

- (a) In 1996, the City entered into a new long-term lease agreement to lease the new 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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

16. Commitments and contingencies (continued)

- (b) Under the terms of a lease for the City library and now assigned to Slate Asset Management (SOT NLNB Inc.), the City is responsible for the proportionate share of the common area operating costs. In 2017 this approximated \$551,774 and approximately 55% was recovered from the Province under a sub-lease for its proportionate share of the costs. The lease expires in 2053.
- (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, starting in 2002, with a ten year renewal option. The City also has the ability to exercise purchase options after twenty and after thirty years.
- (d) During the 2017 budget approval process, City Council has approved total commitments of \$2,167,000 to community organizations.
- (e) 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 \$5,291, for a total projected operating cost of \$634,897, plus HST at 15%.
- (f) On September 23, 2015, the City entered into a project agreement for the design, construction and interim financing of a multi-use sport and entertainment facility in Downtown Moncton (the "Project") with Bird Capital MDC Project Co Inc., requiring a substantial completion payment of \$90.768M (before HST) to be paid on June 30, 2018. The Project's funding includes a provincial loan and federal and provincial indirect funding, debenture debt, reserve draws, fundraising campaign and sale of ancillary lands at the site. The Municipal Capital Borrowing Board approved borrowings of \$95.4M to support the issuance of the contract. In addition, on March 21, 2016, City Council approved a \$7.2M contingency for the Plaza and other related infrastructure to support the Downtown Centre Project.

On September 23, 2015, the City also entered into a 20 year operation and maintenance agreement for the multi-use sport and entertainment facility in Downtown Moncton with SMG Canada ULC, entitling the City to receive annual payment from SMG from their operations.
- (g) City has entered into a number of multi year contracts for the delivery of services, the construction of assets, and operating leases. These contract obligation will become liabilities in the future when the terms of the contract are met.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2017

16. Commitments and contingencies (continued)

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, 2017, 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.

17. Reserve funds

The Municipal Financial Reporting Manual requires that statement of reserves comply with Regulations 97-145 of the Municipalities Act and 96-11 of the Clean Environment Act. At December 31, 2017 the City's general operating reserve was over the provincial limit by \$1.3M. A resolution to transfer the excess to capital reserves is planned for 2018 to move the general operating reserve into compliance with the regulations. All other reserves are in compliance with the requirements as shown in Schedule 4 – Schedule of Reserve Funds.

City of Moncton

Schedule 1: Consolidated Schedule of Revenues

Year ended December 31, 2017

	2017	2017	2016
	<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	50,000
Global Affairs Canada	-	22,314	-
Environmental Trust Fund – Provincial	-	-	40,000
Regional Development Corporation	-	9,108	-
Protection - Other Local Governments	684,534	679,891	746,852
Provincial Contributions			
- Transportation- designated highway recovery	746,850	813,244	683,233
	<u>\$ 1,491,384</u>	<u>\$ 1,996,165</u>	<u>\$ 1,520,085</u>
Other revenue from own sources			
Public transit	\$ 4,024,887	\$ 4,111,827	\$ 3,932,333
Licenses and permits - building permits	1,161,740	1,773,488	997,859
- other	832,184	863,558	788,185
Parking	2,141,633	2,211,890	2,329,840
Magnetic Hill Zoo	1,782,209	1,925,731	1,948,483
Magnetic Hill Park	163,032	192,349	167,302
Fines and fees	339,000	289,234	344,253
Other recreational	657,065	503,472	518,576
Coliseum - Agrena	660,119	376,210	582,612
General fund other revenues	392,533	521,152	449,528
(Loss) gain on sale and write-off of tangible assets	-	(913,909)	57,464
Cash received in lieu	-	14,477	150,073
Water and wastewater other revenue	77,140	23,773	85,219
Moncton Industrial Development Limited –land and other	-	834,686	1,351,061
	<u>\$ 12,231,542</u>	<u>\$ 12,727,938</u>	<u>\$ 13,702,788</u>
Water and wastewater revenue			
Water user charges	\$ 18,102,316	\$ 18,314,282	\$ 17,723,525
Wastewater user charges	6,033,620	6,127,370	5,994,115
Wastewater user charges – other	-	-	2,092,282
Wastewater treatment levy	8,462,790	8,518,611	8,536,599
	<u>\$ 32,598,726</u>	<u>\$ 32,960,263</u>	<u>\$ 34,346,521</u>
Other contributions for capital			
Donated assets - developers	\$ -	\$ 5,322,654	\$ 3,566,999
Organizations and individuals	-	742,639	659,812
Local improvement and branch sewer recoveries	-	83,020	18,697
	<u>\$ -</u>	<u>\$ 6,148,313</u>	<u>\$ 4,245,508</u>
Government Transfers for Capital			
Department of Transportation and Infrastructure	\$ 1,814,717	\$ 3,221,307	\$ 815,699
Infrastructure Canada – gas tax funding	4,983,000	4,924,705	4,868,990
ACOA -Infrastructure program	216,667	148,092	56,252
Regional Development Corporation	-	-	197,000
Public Safety Canada	-	-	201,500
Build Canada Fund (Small Communities Fund)			
- Federal	7,002,190	5,486,494	4,896,137
- Provincial	2,888,606	4,030,277	4,122,450
Other Government	993,000	-	-
Provincial contributions - MID	177,521	232,477	-
Federal/Provincial contributions - water and wastewater	-	1,020,420	100,000
	<u>\$ 18,075,701</u>	<u>\$ 19,063,772</u>	<u>\$ 15,258,028</u>

City of Moncton

Schedule 2: Consolidated Schedule of Expenses

Year Ended December 31

	2017	2017	2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Mayor and Councillors	\$ 656,163	\$ 630,955	\$ 613,523
City Manager and Internal Audit	370,107	400,136	312,567
Corporate services	279,957	283,552	137,705
Finance and administration	2,090,494	1,928,240	1,958,829
Information systems	1,975,501	1,920,625	1,810,189
Human resources	1,284,137	1,246,216	1,182,641
Legislative services	898,610	894,125	816,971
City Hall building	1,885,653	1,912,570	1,792,822
Corporate communications	936,628	857,022	927,151
Other general administration	3,804,195	3,497,240	3,319,762
Grants	1,285,760	1,386,473	1,334,059
Corporate planning and policy development	320,297	313,811	338,592
Moncton Industrial Development Limited	<u>774,004</u>	<u>787,282</u>	<u>728,274</u>
	16,561,506	16,058,247	15,273,085
Amortization of tangible assets	28,905,508	28,905,508	27,668,888
Amortization of development costs - MID	1,410,106	1,410,106	1,239,400
Interest	2,950,620	2,323,876	2,632,800
Pension	(4,075,600)	(4,075,600)	(2,712,300)
Post-retirement liabilities	1,231,573	1,038,284	1,024,902
Contaminated sites expense	-	(395,960)	825,976
Deferred facility and energy maintenance cost	<u>465,000</u>	<u>247,182</u>	<u>937,447</u>
	<u>\$ 47,448,713</u>	<u>\$ 45,511,643</u>	<u>\$ 46,890,198</u>
Protection services			
Police	\$ 20,860,781	\$ 20,824,350	\$ 20,578,982
Fire	14,446,680	14,643,919	14,064,131
Building inspection	1,821,975	1,659,918	1,475,831
Other protective services	<u>1,515,635</u>	<u>1,343,160</u>	<u>1,396,145</u>
	<u>\$ 38,645,071</u>	<u>\$ 38,471,347</u>	<u>\$ 37,515,089</u>
Transportation services			
Engineering administration	\$ 1,713,051	\$ 1,626,745	\$ 1,599,654
Facilities	1,175,910	1,247,751	1,003,618
Roads, streets and equipment	9,855,749	9,873,543	10,100,292
Street lighting	2,470,769	2,474,404	2,424,080
Traffic and parking	1,876,738	1,869,594	1,890,887
Public transit	10,433,955	10,282,546	10,257,334
Other transportation	<u>732,515</u>	<u>619,958</u>	<u>589,935</u>
	<u>\$ 28,258,687</u>	<u>\$ 27,994,541</u>	<u>\$ 27,865,800</u>
Environmental health and development services			
Garbage and waste collection	\$ 3,171,657	\$ 3,079,072	\$ 3,168,946
Planning commission grant	45,145	45,145	40,527
Development	3,031,289	3,094,177	3,174,434
Magnetic Hill Zoo	2,749,238	2,794,732	2,724,878
Magnetic Hill Park and Magnetic Hill Concert Site	385,800	331,786	331,541
Tourism	<u>631,918</u>	<u>558,633</u>	<u>505,527</u>
	<u>\$ 10,015,047</u>	<u>\$ 9,903,545</u>	<u>\$ 9,945,853</u>

City of Moncton

Schedule 2: Consolidated Schedule of Expenses

Year Ended December 31

2017

2017

2016

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Recreation and cultural services			
Parks and Leisure services	\$ 6,912,015	\$ 6,658,383	\$ 6,464,637
Library	416,208	395,981	402,645
Capitol Theatre grant	449,335	425,204	619,770
Senior's Citizens	102,021	85,856	91,752
Events and venues	1,678,145	1,794,363	1,446,862
Museum	1,201,132	1,092,506	1,110,407
Arenas	2,310,917	2,218,850	2,219,979
Moncton Stadium	90,163	114,469	21,426
William House / Treitz Haus	140,673	112,507	109,959
Coliseum - Agrena	2,339,772	2,162,332	2,200,577
Immigration	118,876	120,507	114,335
Other cultural programs and services	<u>195,905</u>	<u>175,347</u>	<u>159,960</u>
	<u>\$ 15,955,162</u>	<u>\$ 15,356,305</u>	<u>\$ 14,962,309</u>
Water and wastewater expenses			
Water supply			
Administration	\$ 4,043,317	\$ 4,161,050	\$ 4,008,550
Bad debt expense	-	134,110	149,423
Interest	1,711,639	1,627,423	1,661,603
Transmission and distribution	3,761,088	3,452,305	3,632,983
Purification and source of supply	525,281	1,533,105	448,602
Power and pumping	721,943	593,764	562,213
Water treatment charges	<u>4,580,973</u>	<u>4,524,757</u>	<u>4,539,898</u>
	<u>\$ 15,344,241</u>	<u>\$ 16,026,514</u>	<u>\$ 15,003,272</u>
Wastewater collection and disposal			
Administration	\$ 1,577,508	\$ 1,577,510	\$ 1,594,932
Interest	733,872	691,441	695,125
Maintenance	1,136,002	949,473	1,066,067
Wastewater treatment charges	<u>8,462,790</u>	<u>8,462,790</u>	<u>8,369,130</u>
	<u>11,910,172</u>	<u>11,681,214</u>	<u>11,725,254</u>
Total water and wastewater	<u>\$ 27,254,413</u>	<u>\$ 27,707,728</u>	<u>\$ 26,728,526</u>

City of Moncton Schedule 3: Schedule of Segment Disclosure

December 31, 2017

	General Government	Protection	Transportation	Environmental Health & Development	Recreation and cultural	Water & Wastewater	MID	2017 Consolidated	2016 Consolidated
Revenues									
Warrant of assessment *	\$ 133,327,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,327,510	\$ 128,545,660
Community Funding and Equalization Grant from Provincial Government and Federal Grant *	3,194,476	679,891	813,244	-	503,030	-	-	3,194,476	5,200,381
Government transfers for operating	-	1,976	6,429,987	2,118,080	904,682	23,773	834,686	1,996,165	1,520,085
Other revenue from own sources	2,414,754	-	-	-	-	32,960,263	-	12,727,938	13,702,788
Water and wastewater user fees	-	-	-	-	-	563,228	-	32,960,263	34,346,521
Interest	1,125,989	-	-	-	-	-	-	1,689,217	1,386,179
	140,062,729	681,867	7,243,231	2,118,080	1,407,712	33,547,264	834,686	185,895,569	184,701,614
Expenses									
Salaries and benefits	10,954,614	15,102,932	15,568,067	3,682,371	6,389,417	3,370,572	248,650	55,316,623	53,583,386
Goods and services	4,316,351	23,368,415	12,426,474	6,221,174	8,966,888	22,018,291	1,948,738	79,266,331	77,589,948
Amortization*	28,904,592	-	-	-	-	-	916	28,905,508	27,668,888
Interest	2,216,856	-	-	-	-	2,318,865	107,020	4,642,741	4,989,528
Pension**	(4,075,600)	-	-	-	-	-	-	(4,075,600)	(2,712,300)
Deferred facility and energy maintenance cost	247,182	-	-	-	-	-	-	247,182	937,447
Contaminated sites expense	(395,960)	-	-	-	-	-	-	(395,960)	825,976
Post-retirement liabilities**	1,038,284	-	-	-	-	-	-	1,038,284	1,024,902
	43,206,319	38,471,347	27,994,541	9,903,545	15,356,305	27,707,728	2,305,324	164,945,109	163,907,775
Annual surplus (deficit) before capital contributions	96,856,410	(37,789,480)	(20,751,310)	(7,785,465)	(13,948,593)	5,839,536	(1,470,638)	20,950,460	20,793,839
Other contributions for capital*	6,148,313	-	-	-	-	-	-	6,148,313	4,245,508
Government transfers for capital*	19,063,772	-	-	-	-	-	-	19,063,772	15,258,028
Annual surplus (deficit) for the year	\$ 122,068,495	\$ (37,789,480)	\$ (20,751,310)	\$ (7,785,465)	\$ (13,948,593)	\$ 5,839,536	\$ (1,470,638)	\$ 46,162,545	\$ 40,297,375

*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 contributions made by the City are recorded in salaries and benefits costs in each of the department. The change in the obligation is recorded in the general government department.

City of Moncton

Schedule 4: Schedule of Reserve Funds

December 31, 2017

	General Operating Reserve	General Capital Reserve	W&S Operating Reserve	W&S Capital Reserve	Reserve for Land Develop Fund	2017 Total	2016 Total
Accumulated surplus, beginning of year	\$ 4,415,601	\$ 18,272,721	\$ 973,408	\$ 8,413,384	\$ 416,801	\$ 32,491,915	\$ 22,375,143
Allocation from City of Moncton revenue fund	-	82,464	-	-	-	82,464	79,224
Appropriation from Utility Operating fund	-	-	-	385,000	-	385,000	228,885
Appropriation from General Operating fund	4,228,844	-	-	-	-	4,228,844	2,832,000
Appropriation from General Operating fund for equipment purchases	-	1,851,575	-	-	-	1,851,575	1,928,697
Appropriation from General Operating fund for capital purchases	-	2,720,659	-	-	-	2,720,659	2,648,683
Transfer to General Capital fund for Lifecycle maintenance improvements for capital purchases	-	(367,316)	-	-	-	(367,316)	-
for Downtown Centre Land Purchase	-	(1,524,074)	-	-	-	(1,524,074)	(439,701)
Transfer from General Operating for Tourism Master Plan and Major Events	200,000	-	-	-	-	200,000	-
Transfer to General Operating fund for user fee's	(25,000)	-	-	-	-	(25,000)	(997,122)
for deferred maintenance	(247,182)	-	-	-	-	(247,182)	(937,447)
Transfer to General Utility fund for meter maintenance	-	-	-	(510,000)	-	(510,000)	(361,323)
Transfer to Utility Capital Reserve and accessory purchases	-	2,643	-	-	-	2,643	-
Transfer to General Capital for unused fleet	-	40,000	-	-	-	40,000	-
Transfer for equipment	-	-	150,000	-	-	150,000	620,000
Transfer surplus from Utility Operating fund	-	3,160,000	-	-	-	3,160,000	2,700,000
Transfer surplus from General Operating fund	-	-	-	-	-	-	-
	4,156,662	5,965,951	150,000	(125,000)	-	10,147,613	8,997,533
Interest	150,294	775,401	19,035	167,110	356	1,112,196	844,813
Proceeds on sale of assets	-	88,104	-	-	-	88,104	125,749
Proceeds on sale of land	-	10,000	-	-	-	10,000	81,764
Cash paid for development costs	-	-	-	-	(416,914)	(416,914)	(1,396)
Cash received in lieu of land	-	-	-	-	4,477	4,477	68,309
Annual surplus (deficit)	4,306,956	6,839,456	169,035	42,110	(412,081)	10,945,476	10,116,772
Accumulated surplus, end of year	\$ 8,722,557	\$ 25,112,177	\$ 1,142,443	\$ 8,455,494	\$ 4,720	\$ 43,437,391	\$ 32,491,915

City of Moncton Schedule 5: Schedule of Operating Budget to PSA budget

December 31, 2017

	Operating Budget General	Operating Budget Water & Wastewater	Capital Fund Budget	MID	Amortization & Pension & Post Employment Adjustments	Transfers	Total
Revenue							
Grant from City of Moncton	\$ -	\$ -	\$ -	311,000	\$ -	\$ (311,000)	-
Province of New Brunswick							
Warrant for property taxes	133,327,510						133,327,510
Community Funding and Equalization Grant and Federal Grant	3,184,855						3,184,855
Government transfers for operating	1,491,384						1,491,384
Government transfers for capital			17,898,180	177,521			18,075,701
Other contributions and transfers for capital			7,972,192			(7,972,192)	-
Other revenue from own sources	12,154,402	77,140					12,231,542
Water and wastewater rates		32,598,726					32,598,726
Water supply for fire protection		3,455,093				(3,455,093)	-
Interest	7,500	459,500					467,000
Second previous year's deficit	(393,933)	(26,596)				420,529	-
	149,771,718	36,563,863	25,870,372	498,521		(11,317,756)	201,376,718
Expenses							
General government services	17,819,075			774,004		2,698,084	47,448,713
Protective services	42,100,164				26,157,550	(3,455,093)	38,645,071
Transportation services	34,780,687					(6,522,000)	28,258,687
Environmental health & development services	11,535,982					(1,520,935)	10,015,047
Recreation and cultural services	15,999,354					(44,192)	15,955,162
Water and wastewater		25,058,902				2,195,511	27,254,413
Fiscal services							
Long-term debt repayments	15,702,294					(24,376,744)	-
Interest	3,033,084	8,674,450				(5,478,595)	-
Transfer from the General Operating fund to the General Operating Reserve	4,228,844					(4,228,844)	-
Transfer from the General Operating fund to the General Capital Reserve	2,720,659					(2,720,659)	-
Funding current year's capital projects - general	1,851,575					(1,851,575)	-
Transfer from the Water and Wastewater Operating fund to the Water and Wastewater Capital fund		385,000				(385,000)	-
	149,771,718	36,563,863	25,870,372	774,004	26,157,550	(45,690,042)	167,577,093
Surplus (deficit) for the year	\$ -	\$ -	\$ 25,870,372	\$ (285,483)	\$ (26,157,550)	\$ 34,372,286	\$ 33,799,625

City of Moncton Schedule 6: Schedule of Reconciliation of Annual Surplus

December 31, 2017

	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
2017 annual surplus (deficit) for the year	\$ (40,759)	\$ 46,929,479	\$ 4,306,956	\$ (149,928)	\$ 13,014,537	\$ 6,839,455	\$ 42,110	\$ 169,035	\$ (412,082)	\$ 261,755	\$ 70,960,668
Adjustment to annual surplus (deficit) for funding Requirements											
Second previous year's deficit	393,933			26,596						(1,499,000)	420,529
MID - grant	1,499,000										
Transfer of fire watercosts	3,650,132			(3,650,132)							
Transfer of City Hall interest on investment	82,464					(82,464)					
Transfer of capital from operating	7,222,000				(7,222,000)						
Transfer of capital from operating library	44,192				(44,192)						
Transfer from general operating fund - IS upgrades	100,000				(100,000)						
Capitol Theatre	24,130										24,130
Long term debt principal repayment	15,702,295			8,828,000			(8,828,000)				
Adjustment - estimated liability for contaminated sites	395,960										395,960
Loss from disposal of tangible capital assets	193,289										(1,002,013)
Provision for retirement liability	193,289										193,289
Amortization expense	(19,473,635)						(9,430,957)			(916)	(28,905,608)
Pension expense	4,075,600										4,075,600
Total Adjustments to 2017 annual surplus (deficit)	33,342,236	(43,544,135)	-	5,204,464	(18,258,957)	(82,464)	-	-	-	(1,499,916)	(24,798,013)
2017 annual surplus (deficit) per PSAB for the year	\$ 33,342,236	\$ 3,385,344	\$ 4,306,956	\$ 5,064,536	\$ (5,244,420)	\$ 6,756,991	\$ 42,110	\$ 169,035	\$ (412,082)	\$ (1,238,161)	\$ 46,162,645

City of Moncton

Schedule 7: Schedule of Government Transfers

December 31, 2017

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
TRANSFERS FOR OPERATING:			
Atlantic Canada Opportunity Agency	\$ -	\$ 9,108	-
Canada Heritage	-	402,500	-
Canadian Museum Association – Provincial	60,000	60,000	50,000
Global Affairs Canada	-	22,314	-
Environmental Trust Fund – Province of New Brunswick	-	-	40,000
Protection – Other Local Governments	684,534	679,891	683,233
Regional Development Corporation	-	9,108	-
Provincial Contributions - Transportation - Designated Highway Recovery	<u>746,850</u>	<u>813,244</u>	<u>746,852</u>
	<u>\$ 1,491,384</u>	<u>\$ 1,996,165</u>	<u>\$ 1,520,085</u>
TRANSFERS FOR CAPITAL:			
Government Transfers for Capital			
Department of Transportation and Infrastructure	\$ 1,814,717	\$ 3,221,307	\$ 815,699
Infrastructure Canada – gas tax funding	4,983,000	4,924,705	4,868,990
ACOA -Infrastructure program	216,667	148,092	56,252
Regional Development Corporation	-	-	197,000
Public Safety Canada	-	-	201,500
Build Canada Fund (Small Communities Fund)			
- Federal	7,002,190	9,516,771	4,896,137
- Provincial	2,888,606	-	4,122,450
Other Government	993,000	-	-
Provincial contributions - MID	177,521	232,477	-
Federal/Provincial contributions - water and wastewater	-	<u>1,020,420</u>	<u>100,000</u>
	<u>\$18,075,701</u>	<u>\$19,063,772</u>	<u>\$ 15,258,028</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$19,567,085</u>	<u>\$21,059,937</u>	<u>\$ 16,778,113</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, 2017

Statement of controlled entity, Moncton Industrial Development Limited

	<u>2017</u>	<u>2016</u>
Financial assets	\$ 20,627,857	\$ 19,094,131
Liabilities	<u>(5,704,216)</u>	<u>(4,421,411)</u>
Net debt	14,923,641	14,672,720
Non-financial assets	<u>24,920</u>	<u>15,002</u>
Accumulated surplus	\$ <u>14,948,561</u>	\$ <u>14,687,722</u>
Revenue	\$ 2,566,163	\$ 3,330,558
Expenses	<u>(2,305,324)</u>	<u>(2,183,365)</u>
Annual surplus	\$ <u>260,839</u>	\$ <u>1,147,193</u>

City of Moncton
Schedule 9: Reconciliation of Funding Deficit

December 31, 2017

Reconciliation of Funding Deficit – Vested Post-Employment Benefits.

	<u>2017</u>	<u>2016</u>
Liability at December 31, 2017	\$ 8,124,200	\$ 7,975,000
Amount of December 31, 2017 liability funded in the current year	(663,588)	(778,572)
Amounts funded in prior years	<u>(3,889,556)</u>	<u>(3,110,984)</u>
Balance to be funded in future years	<u>\$ 3,571,056</u>	<u>\$ 4,085,444</u>

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

Pension Funding:

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 77.7%. The going concern valuation is in a funding surplus.