

**Greater Moncton
Wastewater Commission**

Financial Statements
December 31, 2015



February 19, 2016

Independent Auditor's Report

To the Chairman and Members of Greater Moncton Wastewater Commission

We have audited the accompanying financial statements of **Greater Moncton Wastewater Commission** which comprise the statement of financial position as at December 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise 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 financial statements in accordance with Canadian generally accepted accounting principles, 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 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 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 financial statements present fairly, in all material respects, the financial position of Greater Moncton Wastewater Commission as at December 31, 2015 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
633 Main Street, Suite 450, Moncton, New Brunswick, Canada E1C 9X9
T: +1 (506) 859 8822, F: +1 (506) 859 8829

Greater Moncton Wastewater Commission

Statement of Financial Position

As at December 31, 2015

	2015 \$	2014 \$
Financial assets		
Cash		
Operating	3,920,946	5,475,082
Reserve funds (schedule II)	5,440,726	4,239,045
Accounts receivable		
General	30,604	24,686
Federal government and its agencies (note 3)	33,359	55,049
Accrued interest receivable (schedule II)	108,065	89,765
Investments (note 4 and schedule II)	30,075,000	23,000,000
	<u>39,608,700</u>	<u>32,883,627</u>
Financial liabilities		
Accounts payable and accrued liabilities	756,269	1,090,349
Holdbacks payable	–	94,491
	<u>756,269</u>	<u>1,184,840</u>
Net financial assets	<u>38,852,431</u>	<u>31,698,787</u>
Non-financial assets		
Tangible capital assets (note 8)	41,556,809	42,476,185
Prepaid expenses and deposits	112,561	145,511
	<u>41,669,370</u>	<u>42,621,696</u>
Accumulated surplus	<u>80,521,801</u>	<u>74,320,483</u>

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these financial statements.

Greater Moncton Wastewater Commission

Statement of Operations and Accumulated Surplus

For the year ended December 31, 2015

	2015 Budget \$	2015 Actual \$	2014 Actual \$
Revenue			
User fees			
City of Moncton	8,106,516	8,106,520	7,685,419
Town of Riverview	1,636,716	1,636,720	1,583,055
City of Dieppe	2,280,420	2,280,420	2,274,739
	<u>12,023,652</u>	<u>12,023,660</u>	<u>11,543,213</u>
Septic hauler and compost income	215,000	294,836	380,606
Interest income (schedule II)	470,850	600,329	539,101
	<u>12,709,502</u>	<u>12,918,825</u>	<u>12,462,920</u>
Expenses			
Plant and operating expenses			
Easement and property taxes	336,444	629,039	325,753
Salaries and benefits	1,694,125	1,471,431	1,530,840
Amortization of tangible capital assets	1,689,996	1,750,526	1,632,295
Electricity	598,425	552,890	564,950
Telephone	35,556	29,462	33,400
Insurance	188,062	184,470	180,878
Maintenance and operating	1,612,102	1,373,146	1,443,068
Consulting services	394,070	394,768	84,090
Vehicle expense	35,160	16,649	25,190
Miscellaneous	2,900,004	-	-
	<u>9,483,944</u>	<u>6,402,381</u>	<u>5,820,464</u>
General expenses			
Marketing and communications	100,344	47,797	135,443
Office expenses	24,429	22,861	18,304
Travel, training and education	58,252	36,839	32,239
Governance	72,492	19,930	19,694
Interest and bank charges	4,770	1,835	3,994
Professional fees and consulting	208,075	185,864	121,910
	<u>468,632</u>	<u>315,126</u>	<u>331,584</u>
Total expenses	<u>9,952,306</u>	<u>6,717,507</u>	<u>6,152,048</u>
Annual surplus	<u>2,757,196</u>	<u>6,201,318</u>	<u>6,310,872</u>
Accumulated surplus – beginning of year		<u>74,320,483</u>	<u>68,009,611</u>
Accumulated surplus – end of year		<u>80,521,801</u>	<u>74,320,483</u>

The accompanying notes are an integral part of these financial statements.

Greater Moncton Wastewater Commission

Statement of Changes in Net Financial Assets

For the year ended December 31, 2015

	2015 Budget \$	2014 \$	2014 \$
Annual surplus	2,757,196	6,201,318	6,310,872
Acquisition of tangible capital assets	(13,713,727)	(831,150)	(2,139,899)
Amortization of tangible capital assets	1,689,996	1,750,526	1,632,295
Loss on sale of tangible capital assets	–	–	39,706
Proceeds on sale of tangible capital assets	–	–	115,619
	<u>(12,023,731)</u>	<u>919,376</u>	<u>(352,279)</u>
Change in prepaid expenses	<u>(3,555)</u>	<u>32,950</u>	<u>(59,031)</u>
Change in net financial assets	(9,270,090)	7,153,644	5,899,562
Net financial assets – Beginning of year	<u>31,698,787</u>	<u>31,698,787</u>	<u>25,799,225</u>
Net financial assets – End of year	<u>22,428,697</u>	<u>38,852,431</u>	<u>31,698,787</u>

The accompanying notes are an integral part of these financial statements.

Greater Moncton Wastewater Commission

Statement of Cash Flows

For the year ended December 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Annual surplus	6,201,318	6,310,872
Charges (credits) to income not involving cash		
Amortization of tangible capital assets	1,750,526	1,632,295
Loss on sale of tangible capital assets	–	39,706
	<hr/> 7,951,844	<hr/> 7,982,873
Non-change in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(2,528)	377,968
Decrease (increase) in prepaid expenses	32,950	(59,031)
Increase (decrease) in accounts payable and accrued liabilities	(334,080)	434,256
Decrease in holdback payable	(94,491)	(40,904)
Decrease in deferred revenue	–	(2,789,963)
	<hr/> 7,553,695	<hr/> 5,905,199
Investing activities		
Purchase of investments, net of maturities	(7,075,000)	(4,800,000)
Proceeds on sale of tangible capital assets	–	115,619
Cash used to acquire tangible capital assets	(831,150)	(2,139,899)
	<hr/> (7,906,150)	<hr/> (6,824,280)
Net change in cash during the year	(352,455)	(919,081)
Cash and cash equivalents – Beginning of year	<hr/> 9,714,127	<hr/> 10,633,208
Cash and cash equivalents – End of year	<hr/> 9,361,672	<hr/> 9,714,127
Cash consist of:		
Cash in bank – operating	3,920,946	5,475,082
Cash in bank – reserve funds	5,440,726	4,239,045
	<hr/> 9,361,672	<hr/> 9,714,127

The accompanying notes are an integral part of these financial statements.

Greater Moncton Wastewater Commission

Notes to Financial Statements

For the year ended December 31, 2015

1 Purpose of organization

The Greater Moncton Wastewater Commission (the “Commission”) is incorporated and operates under the provisions of the Province of New Brunswick Municipalities Act and the Clean Environment Act. As a municipality, the Commission is exempt from income tax under section 149(1)(c) of the Income Tax Act of Canada.

The Commission operates a wastewater treatment plant, wastewater collection system and composting facility in the greater Moncton region and provides wastewater treatment for the cities of Moncton and Dieppe and the town of Riverview.

2 Summary of significant accounting policies

The financial statements of the Commission are prepared in accordance with Canadian public sector accounting standards (PSAS) and reflect the accounting policies enumerated below.

The focus of PSAS financial statements is on the financial position of the Commission and the changes thereto. The Statement of Financial Position includes all of the assets and liabilities of the Commission.

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Commission and which are owned or controlled by the Commission.

Budget

The budget figures contained in these financial statements were approved by the Commission on December 11, 2014 and submitted to the Minister of Local Government. Certain budget figures have been reclassified to conform with the financial presentation adopted for the current year.

Revenue recognition

The Commission recognizes revenues from user fees, septic hauler and compost income as the services are rendered or the goods are sold, the price is fixed or determinable and collection is reasonably assured. Interest income is recognized on an accrual basis and recorded in the statement of reserve fund balances as a direct increase to the reserve fund.

Greater Moncton Wastewater Commission

Notes to Financial Statements

For the year ended December 31, 2015

2 Summary of significant accounting policies (continued)

Use of estimates

The preparation of the financial statements in conformity with PSAS requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Financial instruments

The Commission's financial assets and liabilities are initially measured at fair value and subsequently carried at amortized cost with interest recorded in the statement of operations as earned.

Credit risk

Credit risk arises from the potential that a debtor will be unable to meet its obligations. The Commission conducts a thorough assessment of its debtors prior to granting credit and actively monitors the financial health of its debtors on a continuous basis. Credit risk arises primarily from cash, accounts receivable and investments. There are no significant concentrations of credit risk.

Cash

Cash includes cash on hand and cash in banks not subject to other restrictions.

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. The Commission provides for amortization at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. Annually, amortization is calculated using the straight-line method over the estimated useful lives as follows:

Operations centre	10 - 60 years
Treatment facilities	5 - 60 years
Collection System	10 - 75 years
Fleet	5 - 20 years
Computer hardware and software	3 - 5 years

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

Greater Moncton Wastewater Commission

Notes to Financial Statements

For the year ended December 31, 2015

2 Summary of significant accounting policies (continued)

Accrued sick leave

The Commission provides for sick leave that accumulates at 1.25 days per month worked for full-time employees. The employees can accumulate up to a maximum of 120 days. On retirement or resignation after being employed for at least 60 months, any employee having accrued sick leave will receive an allowance equal to fifty percent of the value at a rate of pay effective immediately prior to retirement or resignation.

The sick leave is an unfunded benefit. As such, there are no applicable assets. Benefits are paid out of general revenue as they come due. The unfunded liability at December 31, 2015 of \$147,571 (2014 - \$133,406) is recorded in accounts payable and accrued liabilities.

3 Due from Federal government and its agencies

	2015 \$	2014 \$
Canada Revenue Agency (HST refund)	33,359	55,049

4 Investments

The details of the investments held by the Commission are as follows:

	2015 \$	2014 \$
Guaranteed investment certificate (2.14%, maturing November 2015)	-	10,000,000
Guaranteed investment certificate (2.14%, maturing November 2015)	-	5,000,000
Guaranteed investment certificate (1.50%, maturing October 2015)	-	4,995,000
Guaranteed investment certificate (1.60%, maturing July 2015)	-	3,000,000
Guaranteed investment certificate (1.50%, maturing October 2015)	-	5,000
Guaranteed investment certificate (1.85%, maturing July 2018)	5,000,000	-
Guaranteed investment certificate (2.04%, maturing November 2017)	15,000,000	-
Guaranteed investment certificate (1.60%, maturing October 2016)	5,075,000	-
Guaranteed investment certificate (1.82%, maturing May 2017)	5,000,000	-
	<u>30,075,000</u>	<u>23,000,000</u>

Greater Moncton Wastewater Commission

Notes to Financial Statements

For the year ended December 31, 2015

5 Short-term borrowings and compliance

Short-term borrowings outstanding

The Commission has obtained credit in the amount of \$50,000 for a credit card held with Bank of Montreal. The Commission has set the limit on the credit card at \$10,000. This credit card is unsecured and has interest at a rate of 18.4%. The Commission pays the balance owing on the credit card on a monthly basis.

Short-term borrowings compliance

As of December 31, 2015, the Commission had no borrowings outstanding. As a result, the Commission was in compliance with all required municipal ratios noted below.

Interim borrowing for capital

The Commission does not have any short term borrowing in excess of cash as of December 31, 2015.

Operating borrowing

As prescribed in the Municipalities Act, the borrowing to finance its utility operations is limited to 50% of the Commission's operating budget. In 2015, the Commission has complied with these restrictions.

Inter-fund borrowing

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

6 Post-employment benefits payable

The Commission sponsors an RRSP plan for substantially all its employees. The plan allows for RRSP contributions of 7% of employee salaries. The employee is not required to pay into the RRSP plan in order to obtain this benefit. There is no unfunded liability associated with this post-employment benefits payable.

7 Accumulated surplus

The accumulated surplus noted on the statement of financial position is the result of the excess of revenue over expenditures from the commencement of the Commission's operations to the date of financial position. The accumulated surplus is made up of the following:

	2015 \$	2014 \$
Net financial assets	38,852,431	31,698,787
Non-financial assets	41,669,370	42,621,696
	<u>80,521,801</u>	<u>74,320,483</u>

The net financial assets consist of cash flows necessary for day-to-day operations and reserve funds held for future capital expenditures. The non-financial assets consist of tangible capital assets and prepaid expenses that the Commission has purchased or had constructed as of the end of the year.

Greater Moncton Wastewater Commission

Notes to Financial Statements

For the year ended December 31, 2015

8 Tangible capital assets

	Land \$	Operations centre \$	Treatment facilities \$	Collection system \$	Fleet \$	Computer hardware and software \$	Assets under construction \$	Total \$
Cost								
Balance – Beginning of year	517,785	2,743,575	48,032,918	33,499,545	1,591,732	68,997	2,468,348	88,922,900
Net additions during the year	400	–	88,701	–	125,243	4,766	612,040	831,150
Disposals during the year	–	–	–	–	(34,022)	–	–	(34,022)
Balance – End of year	518,185	2,743,575	48,121,619	33,499,545	1,682,953	73,763	3,080,388	89,720,028
Accumulated amortization								
Balance – Beginning of year	–	2,271,852	30,947,884	12,626,274	593,806	6,899	–	46,446,715
Amortization during the year	–	49,267	1,105,703	472,241	108,863	14,452	–	1,750,526
Accumulated amortization disposals	–	–	–	–	(34,022)	–	–	(34,022)
Balance – End of year	–	2,321,119	32,053,587	13,098,515	668,647	21,351	–	48,163,219
Net book value of tangible capital assets 2014	517,785	471,723	17,085,034	20,873,271	997,926	62,098	2,468,348	42,476,185
Net book value of tangible capital assets 2015	518,185	422,456	16,068,032	20,401,030	1,014,306	52,412	3,080,388	41,556,809

9 Comparative figures

Certain comparative figures have been reclassified to conform with the financial position adopted for the current year.

Greater Moncton Wastewater Commission

Schedule of Regulatory Reporting Requirements

For the year ended December 31, 2015

The Department of Local government of New Brunswick has requested disclosures in addition to Canadian public sector accounting standards for monitoring purposes. The Commission has provided these disclosure requirements in the following pages.

I. Reconciliation of annual surplus

	General fund \$	Capital fund \$	Reserve fund \$	Total \$
2015 annual surplus	7,417,818	(1,750,526)	534,026	6,201,318
Adjustments to annual surplus for funding requirements				
Second previous year surplus	5,063,164	–	–	5,063,164
Transfer from operating to capital	(831,150)	831,150	–	–
Transfer from operating to reserve	(7,760,955)	–	7,760,955	–
Amortization expense	–	1,750,526	–	1,750,526
Total adjustments to 2015 annual surplus	(3,528,941)	2,581,676	7,760,955	6,813,690
2015 annual fund surplus	3,888,877	831,150	8,294,981	13,015,008

II. Statement of reserve

	2015 \$	2014 \$
Capital reserve		
<u>Assets</u>		
Cash	5,440,726	4,239,045
Accrued interest receivable	108,065	89,765
Investments	30,075,000	23,000,000
Accumulated surplus	35,623,791	27,328,810
<u>Revenue</u>		
Interest	534,026	490,406
Transfers from operating funds	7,760,955	–
Annual surplus	8,294,981	490,406

Greater Moncton Wastewater Commission

Schedule of Regulatory Reporting Requirements

For the year ended December 31, 2015

III. Operating budget to public sector accounting

	Operating \$	2014 \$	Transfers \$	Total \$
Revenue				
User fees	12,023,652	–	–	12,023,652
Interest and miscellaneous	685,850	–	–	685,850
	<u>12,709,502</u>	<u>–</u>	<u>–</u>	<u>12,709,502</u>
Expenses				
Plant and Operating Expense				
Easement and property taxes	336,444	–	–	336,444
Salaries and benefits	1,694,125	–	–	1,694,125
Amortization of tangible capital assets	–	1,689,996	–	1,689,996
Electricity	598,425	–	–	598,425
Telephone	35,556	–	–	35,556
Insurance	188,062	–	–	188,062
Maintenance and operating	1,612,102	–	–	1,612,102
Consulting services	394,070	–	–	394,070
Vehicle expense	35,160	–	–	35,160
Miscellaneous	2,900,004	–	–	2,900,004
	<u>7,793,948</u>	<u>1,689,996</u>	<u>–</u>	<u>9,483,944</u>
General				
Marketing and communications	100,344	–	–	100,344
Office expenses	24,429	–	–	24,429
Travel, training and education	58,252	–	–	58,252
Governance	72,492	–	–	72,492
Interest and bank charges	4,770	–	–	4,770
Professional fees and consulting	208,075	–	–	208,075
	<u>468,362</u>	<u>–</u>	<u>–</u>	<u>468,362</u>
Fiscal services				
Transfer from operating fund to capital fund	13,713,732	–	13,713,732	–
Transfer from operating fund to reserve fund	(4,203,376)	–	(4,203,376)	–
Second previous surplus	(5,063,164)	–	(5,063,164)	–
	<u>4,447,192</u>	<u>–</u>	<u>4,447,192</u>	<u>–</u>
	<u>12,709,502</u>	<u>1,689,996</u>	<u>4,447,192</u>	<u>9,952,306</u>
Annual surplus	<u>–</u>	<u>(1,689,996)</u>	<u>4,447,192</u>	<u>2,757,196</u>