
Financial statements of Greater Moncton Wastewater Commission

December 31, 2018

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Independent Auditor's Report

To the Chairman and Members of
Greater Moncton Wastewater Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Greater Moncton Wastewater Commission (the "Commission") which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Greater Moncton Wastewater Commission as at December 31, 2018 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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.

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 PSAS, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Commission'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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Commission 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

A handwritten signature in black ink that reads "DELOITTE LLP". The signature is written in a cursive, slightly slanted style.

Chartered Professional Accountants
Moncton, New Brunswick
February 15, 2019

Greater Moncton Wastewater Commission

Statement of financial position

As at December 31, 2018

	Notes/Schedule	2018 \$	2017 \$
Assets			
Cash			
Operating		15,521,005	7,646,240
Reserve funds	Sch 2	12,027	1,461,579
Accounts receivable			
General		4,235,319	3,963,226
Harmonized Sales Tax receivable		186,073	359,436
Accrued interest receivable	Sch 2	271,287	380,470
Investments	3 & Sch 2	30,963,063	35,150,000
		51,188,774	48,960,951
Liabilities			
Accounts payable and accrued liabilities		4,912,296	3,269,331
Holdbacks payable		2,141,776	929,912
		7,054,072	4,199,243
Net assets		44,134,702	44,761,708
Non-financial assets			
Tangible capital assets	7	63,874,186	49,959,901
Prepaid expenses and deposits		261,601	183,560
		64,135,787	50,143,461
Accumulated surplus	5	108,270,489	94,905,169

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

Approved by the board and management

David Muir, Chair

Jennifer Dingman, Treasurer

Kevin Rice, General Manager

Jennifer Langille, Director of Finance

Greater Moncton Wastewater Commission
Statement of operations and accumulated surplus

Year ended December 31, 2018

Schedule	Budget (Unaudited) \$	2018 Actual \$	2017 Actual \$
Revenue			
User fees			
City of Moncton	8,278,410	8,278,410	8,462,790
City of Dieppe	2,443,269	2,443,269	2,341,687
Town of Riverview	1,689,698	1,689,698	1,668,870
	12,411,377	12,411,377	12,473,347
Grants	8,563,702	6,955,399	2,282,884
Interest income	687,855	707,758	807,935
Septic hauler and compost income	257,146	298,899	285,973
	21,920,080	20,373,433	15,850,139
Expenses			
Plant and operating expenses			
Amortization of tangible capital assets	2,078,997	1,893,420	1,802,546
Salaries and benefits	1,847,284	1,778,641	1,727,948
Maintenance and operating	1,530,820	1,622,497	1,396,069
Electricity	622,942	667,543	572,593
Easement and property taxes	685,200	496,808	488,831
Insurance	174,583	175,996	158,877
Consulting services	60,000	47,538	1,677
Telephone	32,030	31,265	32,100
Vehicle expense	6,570	8,762	13,957
Cost sharing	485,000	—	—
	7,523,426	6,722,470	6,194,598
General expenses			
Professional fees and consulting	138,898	109,547	78,848
Travel, training and education	63,689	76,764	50,732
Office expenses	38,564	46,632	43,643
Marketing and communications	85,500	28,875	19,400
Governance	65,463	23,992	48,778
Interest and bank charges	3,610	3,259	3,084
Foreign exchange gain	—	(3,426)	(10,892)
	395,724	285,643	233,593
Total expenses	7,919,150	7,008,113	6,428,191
Annual surplus	14,000,930	13,365,320	9,421,948
Accumulated surplus, beginning of year	—	94,905,169	85,483,221
Accumulated surplus, end of year	—	108,270,489	94,905,169

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

Greater Moncton Wastewater Commission
Statement of changes in net financial assets
Year ended December 31, 2018

	Budget (Unaudited)	2018 Actual	2017 Actual
	\$	\$	\$
Annual surplus	14,000,930	13,365,320	9,421,948
Acquisition of tangible capital assets	(10,421,249)	(16,113,662)	(9,448,808)
Amortization of tangible capital assets	2,078,997	1,893,420	1,802,546
Loss on disposal of tangible capital assets	—	266,148	75,272
Proceeds on sale of tangible capital assets	—	39,809	11,575
	(8,342,252)	(13,914,285)	(7,559,415)
Change in prepaid expenses	(26,935)	(78,041)	(105,257)
	(8,369,187)	(13,992,326)	(7,664,672)
Change in net financial assets	5,631,743	(627,006)	1,757,276
Net financial assets, beginning of year	38,852,431	44,761,708	43,004,432
Net financial assets, end of year	44,484,174	44,134,702	44,761,708

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

Greater Moncton Wastewater Commission

Statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Annual surplus	13,365,320	9,421,948
Charges to income not involving cash		
Amortization of tangible capital assets	1,893,420	1,802,546
Loss on disposal of tangible capital assets	266,148	75,272
	15,524,888	11,299,766
Change in non-cash assets and liabilities		
Accounts receivable	10,453	(4,061,939)
Prepaid expenses and deposits	(78,041)	(105,257)
Accounts payable and accrued liabilities	1,642,965	1,778,126
Holdbacks payable	1,211,864	893,430
	18,312,129	9,804,126
Investing activities		
Proceeds from investments, net of maturities	4,186,937	—
Proceeds on sale of tangible capital assets	39,809	11,575
Acquisitions of tangible capital assets	(16,113,662)	(9,448,808)
	(11,886,916)	(9,437,233)
Net change in cash during the year	6,425,213	366,893
Cash, beginning of year	9,107,819	8,740,926
Cash, end of year	15,533,032	9,107,819
Cash consist of		
Cash in bank, operating	15,521,005	7,646,240
Cash in bank, reserve funds	12,027	1,461,579
	15,533,032	9,107,819

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

Greater Moncton Wastewater Commission

Notes to the financial statements

Year ended December 31, 2018

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.

Budget

The budget figures contained in these financial statements were approved by the Commission on November 16, 2017 and submitted to the Minister of Local Government. Certain budget figures have been reclassified to conform with PSAS financial statement presentation.

Fund accounting

Funds within the financial statements consist of general, capital and reserve funds. The Commission approves certain amounts to be set aside in reserve funds for future operating and capital purposes.

Transfers between funds are recorded as adjustments to the appropriate fund balance.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Non-financial assets are acquired assets that do not normally provide resources to discharge existing liabilities, but instead are employed to deliver government services, may be consumed in the normal course of operations and are not for resale. Non-financial assets include prepaid expenses.

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.

Government transfers are recognized in the period in which the events giving rise to the transfer occur, providing transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Greater Moncton Wastewater Commission

Notes to the financial statements

Year ended December 31, 2018

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 and accumulated surplus as earned.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash in banks not subject to other restrictions and with a term to maturity of three months or less at date of acquisition.

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 center	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.

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 150 days. On retirement, 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.

The sick leave is an unfunded benefit. As such, there are no applicable assets. Benefits are paid out of accumulated surplus as they come due. The unfunded liability at December 31, 2018 of \$202,381 (\$175,361 in 2017) is recorded in accounts payable and accrued liabilities.

Greater Moncton Wastewater Commission

Notes to the financial statements

Year ended December 31, 2018

3. Investments

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

	2018	2017
	\$	\$
Guaranteed investment certificate (2.75%, maturing November 2020)	5,053,699	5,000,000
Guaranteed investment certificate (2.75%, maturing November 2020)	5,053,699	15,000,000
Guaranteed investment certificate (2.75%, maturing November 2020)	5,053,699	5,000,000
Guaranteed investment certificate (2.90%, maturing May 2022)	5,074,660	—
Guaranteed investment certificate (2.85%, maturing September 2021)	5,113,653	5,075,000
Guaranteed investment certificate (2.85%, maturing September 2021)	5,613,653	5,075,000
	30,963,063	35,150,000

4. Post-employment benefits

The Commission sponsors an RRSP plan for substantially all its employees. The plan allows for RRSP contributions of 7% of employee salaries. Prior to December 31, 2016, the employees were not required to pay into the RRSP plan in order to obtain this benefit. Subsequently, in accordance with the collective agreement signed between the Commission and Canadian Union of Public Employees Local 5217 on May 20, 2016, each employee will contribute a minimum percentage of salary each year (2% in 2017, 4% in 2018, 6% in 2019, thereafter 7%). There is no unfunded liability associated with this post-employment benefits payable.

5. 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:

	2018	2017
	\$	\$
Net financial assets	44,134,702	44,761,708
Non-financial assets	64,135,787	50,143,461
	108,270,489	94,905,169

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 constructed.

Greater Moncton Wastewater Commission

Notes to the financial statements

Year ended December 31, 2018

6. Financial instruments and risk management

Market risk

Market risk is the risk that the fair value or future cash flows of the Commission's financial instruments will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Commission does not consider itself exposed to these risks.

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.

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2018, the most significant financial liabilities are accounts payable and accrued liabilities, and holdbacks payable.

Greater Moncton Wastewater Commission

Notes to the financial statements

Year ended December 31, 2018

7. Tangible capital assets

	Land	Operations centre	Treatment facilities	Collection system	Fleet	Computer hardware and software	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, beginning of year	558,367	2,516,145	51,843,768	34,292,128	1,911,885	187,474	9,233,103	100,542,870
Net additions during the year	—	1,900,385	4,546,300	46,221	41,090	33,645	9,546,021	16,113,662
Disposals during the year	—	(742,791)	(989,373)	—	(18,238)	(465)	(184,147)	(1,935,014)
Balance, end of year	558,367	3,673,739	55,400,695	34,338,349	1,934,737	220,654	18,594,977	114,721,518
Accumulated amortization								
Balance, beginning of year	—	1,863,123	33,873,941	13,985,721	757,420	102,761	—	50,582,966
Amortization during the year	—	96,534	1,094,672	490,405	154,201	57,608	—	1,893,420
Accumulated amortization disposals	—	(742,791)	(871,090)	—	(14,894)	(279)	—	(1,629,054)
Balance, end of year	—	1,216,866	34,097,523	14,476,126	896,727	160,090	—	50,847,332
Net book value of tangible capital assets								
2017	558,367	653,022	18,441,460	20,306,411	1,154,412	84,714	8,761,515	49,959,901
2018	558,367	2,456,873	21,303,172	19,862,223	1,038,010	60,564	18,594,977	63,874,186

8. Supplemental schedules

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.

9. Contingencies

The Company is involved in a claim resolution process with one of its contractors. Based on information currently known to the Commission and after consultation with outside legal counsel, it is management's opinion that the eventual outcome of the proceedings will not have a material effect on the Commission's financial statements. Any amounts awarded as a result of this action will be reflected when known.

Greater Moncton Wastewater Commission**Schedule of annual surplus – Schedule 1**

Year ended December 31, 2018 (Unaudited)

	Operating fund	Capital fund	Reserve fund	Total
	\$	\$	\$	\$
2018 annual surplus	14,550,982	(1,893,420)	707,758	13,365,320
Adjustments to annual surplus for funding requirements				
Second previous year surplus	4,961,420	-	-	4,961,420
Transfer from operating to capital	(16,113,662)	16,113,662	-	-
Amortization expense	-	1,893,420	-	1,893,420
Total adjustments to 2018 annual surplus	(11,152,242)	18,007,082	-	6,854,840
2018 annual fund surplus	3,398,740	16,113,662	707,758	20,220,160

Greater Moncton Wastewater Commission

Schedule of reserves – Schedule 2

Year ended December 31, 2018 (Unaudited)

	2018	2017
	\$	\$
Reserve fund		
Assets		
Cash	12,027	1,461,579
Accrued interest receivable	271,287	380,470
Investments	30,963,063	35,150,000
Accumulated surplus	31,246,377	36,992,049
Revenue		
Interest	707,758	807,938
Annual surplus	707,758	807,938

Greater Moncton Wastewater Commission

Schedule of operating budget to public sector accounting – Schedule 3

Year ended December 31, 2018 (Unaudited)

	Operating \$	Amortization \$	Transfers \$	Total \$
Revenue				
User fees	12,411,377	—	—	12,411,377
Grant	8,563,702	—	—	8,563,702
Interest and miscellaneous	945,001	—	—	945,001
	21,920,080	—	—	21,920,080
Expenses				
Plant and operating expenses				
Easement and property taxes	685,200	—	—	685,200
Salaries and benefits	1,847,284	—	—	1,847,284
Amortization of tangible capital assets	—	2,078,997	—	2,078,997
Electricity	622,942	—	—	622,942
Telephone	32,030	—	—	32,030
Insurance	174,583	—	—	174,583
Maintenance and operating	1,530,820	—	—	1,530,820
Consulting services	60,000	—	—	60,000
Vehicle expense	6,570	—	—	6,570
Miscellaneous	485,000	—	—	485,000
	5,444,429	2,078,997	—	7,523,426
General				
Marketing and communications	85,500	—	—	85,500
Office expenses	38,564	—	—	38,564
Travel, training and education	63,689	—	—	63,689
Governance	65,463	—	—	65,463
Interest and bank charges	3,610	—	—	3,610
Professional fees and consulting	138,898	—	—	138,898
	395,724	—	—	395,724
Fiscal services				
Transfers from operating fund to capital fund	10,421,249	—	10,421,249	—
Transfers from operating fund to reserve fund	687,855	—	687,855	—
Second previous surplus	(4,961,420)	—	(4,961,420)	—
	6,147,684	—	6,147,684	—
	11,987,837	2,078,997	6,147,684	7,919,150
Annual surplus	9,932,243	(2,078,997)	6,147,684	14,000,930