



Grant Thornton

Consolidated Financial Statements

City of Moncton

December 31, 2011

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 - 19
Schedule 1: Consolidated Schedule of Revenues	20
Schedule 2: Consolidated Schedule of Expenditures	21 - 22
Schedule 3: Schedule of Segment Disclosure	23
Schedule 4: Schedule of Reserve Funds	24
Schedule 5: Schedule of Operating Budget to PSAB budget	25



Grant Thornton

Independent auditors' report

To His Worship the Mayor
And Members of City Council

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We have audited the consolidated statement of financial position of the City of Moncton as at December 31, 2011 and December 31, 2010 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 years 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City'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 City'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, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Moncton's as at December 31, 2011 and December 31, 2010 and the results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes that the City of Moncton adopted Canadian public sector accounting standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statements of financial position as at December 31, 2010 and the consolidated statements of operations, changes in net debt and cash flows for the years ended December 31, 2010.



Moncton, New Brunswick

July 16, 2012

Chartered Accountants

City of Moncton

Consolidated Statement of Financial Position

Year Ended December 31

2011

2010

Financial assets

Receivables (Note 4)	\$ 33,899,100	\$ 25,846,910
Mortgage receivable (Note 5)	1	1
Long-term investments (Note 6)	2,271,134	1,984,648
Unamortized debenture discounts	<u>1,116,443</u>	<u>1,042,646</u>
	<u>37,286,678</u>	<u>28,874,205</u>

Liabilities

Bank indebtedness (Note 7)	5,611,301	3,331,377
Payables and accruals (Note 8)	28,195,663	30,448,185
Deferred government transfers (Note 9)	2,096,287	149,700
Long-term debt (Note 10)	144,042,548	136,875,184
Accrued pension liability (Note 11)	3,554,700	4,482,800
Other post employment liabilities (Note 12)	<u>8,677,605</u>	<u>8,230,707</u>
	<u>192,178,104</u>	<u>183,517,953</u>

Net debt

(154,891,426) (154,643,748)

Non-financial assets

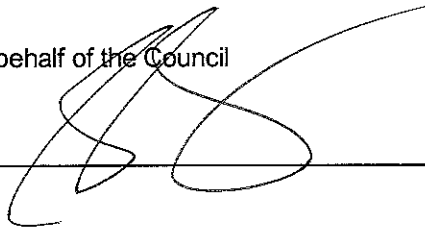

Tangible capital assets (Note 13)	548,412,136	549,358,457
Land and land development	18,263,988	15,889,199
Inventory of supplies	2,021,153	2,055,068
Prepays	<u>781,650</u>	<u>880,669</u>
	<u>569,478,927</u>	<u>568,183,393</u>

Accumulated surplus

\$ 414,587,501 \$ 413,539,645

Commitments and contingencies (Notes 14)

On behalf of the Council

See accompanying notes to the consolidated financial statements.

City of Moncton
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31 2011 2010

	PSAB (Unaudited Budget)	Actual	Actual
Revenue			
Warrant of assessment	\$ 103,183,109	\$ 103,183,109	\$ 97,269,571
Unconditional transfers from Provincial Government	11,477,186	11,477,186	11,593,117
Other contributions and government transfers (Page 20)	7,705,535	17,319,079	30,714,748
Other revenue from own sources (Page 20)	11,845,003	13,469,138	12,381,466
Water and sewer revenue (Page 20)	27,060,064	26,724,011	24,437,427
Interest	524,000	1,155,543	1,039,779
	<u>161,794,897</u>	<u>173,328,066</u>	<u>177,436,108</u>
Expenditures (Pages 21 & 22)			
General government services	65,605,287	66,756,009	40,138,161
Protection services	33,038,577	32,344,639	31,637,387
Transportation services	24,523,031	26,128,901	21,798,833
Environmental health and development services	4,944,941	4,920,494	5,482,192
Recreation and cultural services	18,362,297	19,483,854	17,788,508
Water and sewer	24,098,102	22,646,313	22,959,342
	<u>170,572,235</u>	<u>172,280,210</u>	<u>139,804,423</u>
Annual surplus	(8,777,338)	1,047,856	37,631,685
Accumulated surplus, beginning of year	-	413,539,645	375,907,960
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 414,587,501</u>	<u>\$ 413,539,645</u>

See accompanying notes to the consolidated financial statements.

City of Moncton

Consolidated Statement of Changes in Net Debt

Year Ended December 31

2011

2010

Annual surplus, before restatement	\$ 1,047,856	\$ 55,820,305
Prior period adjustment (amortization)	-	(17,844,267)
Prior period adjustment (pension)	-	(169,800)
Prior period adjustment (post employment expenses)	-	(174,553)
Annual surplus, as restatement	<u>1,047,856</u>	<u>37,631,685</u>
Acquisition of tangible capital assets	(45,235,043)	(55,579,808)
Proceeds on disposal of tangible capital assets	23,002	129,130
Amortization and transfer of tangible capital assets	45,695,408	20,244,059
Loss on sale of tangible capital assets	<u>462,954</u>	<u>33,184</u>
	<u>946,321</u>	<u>(35,173,435)</u>
Change in prepaid expenses	99,019	(169,779)
Change in land and land development	(2,374,789)	(2,616,119)
Change in inventory	<u>33,915</u>	<u>(183,532)</u>
	<u>(2,241,855)</u>	<u>(2,969,430)</u>
Increase in net debt	(247,678)	(511,180)
Net debt, beginning of year	<u>(154,643,748)</u>	<u>(154,132,568)</u>
Net debt, end of year	<u>\$(154,891,426)</u>	<u>\$(154,643,748)</u>

See accompanying notes to the consolidated financial statements.

City of Moncton

Consolidated Statement of Cash Flows

Year Ended December 31

2011

2010

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

Operating activities

Annual surplus	\$ 1,047,856	\$ 37,631,685
Items not affecting cash:		
Amortization and transfer of tangible capital assets	45,695,408	20,244,059
Loss on sale of tangible capital assets	462,954	33,184
Change in accrued pension liability	(928,100)	169,800
Change in other post employment benefits	446,898	499,502
Changes in non-cash working capital:		
Change in receivables	(8,052,190)	(5,780,609)
Change in payables and accruals	(2,252,522)	2,752,849
Change in notes receivable	-	234,833
Change in supplies inventory	33,915	(183,532)
Change in prepaid expenses	99,019	(169,779)
Change in land and land development	(2,374,789)	(2,616,119)
Change in debenture discounts	(73,797)	(173,904)
Net cash provided by operating activities	<u>34,104,652</u>	<u>52,641,969</u>
Capital activities		
Acquisition of tangible capital assets	(45,235,043)	(55,579,808)
Change in deferred government transfers	1,946,587	(6,592,726)
Proceeds on sale of tangible capital assets	23,002	129,130
Net cash used for capital activities	<u>(43,265,454)</u>	<u>(62,043,404)</u>
Financing activities		
Issuance of long-term debt	27,979,000	31,360,000
Repayment of long-term debt	(20,811,636)	(18,550,570)
Net cash used for financing activities	<u>7,167,364</u>	<u>12,809,430</u>
Investing activities		
Change in investments	(286,486)	(255,155)
Net cash used for investing activities	<u>(286,486)</u>	<u>(255,155)</u>
(Decrease) increase in cash and cash equivalents	(2,279,924)	3,152,840
Cash and cash equivalents (deficiency) at beginning of year	<u>(3,331,377)</u>	<u>(6,484,217)</u>
Cash and cash equivalents (deficiency) at end of year	<u>\$ (5,611,301)</u>	<u>\$ (3,331,377)</u>

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

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. Change in accounting policy

Effective January 1, 2011, the City of Moncton has restated its consolidated financial statements to adopt the Public Sector Accounting standards (PSA). The changes made were to comply with the provisions of Section 3150, Tangible Capital Assets and to adopt full accrual accounting. Section 3150 has established standards on how to account for and report tangible capital assets. Tangible capital assets are a significant economic resource managed by government and a key component in the delivery of many government programs. The standard requires these assets to be recorded at historical cost on the statement of financial position and their costs allocated to future accounting periods through annual amortization expenses based on the tangible capital assets estimated useful lives of the assets. The Municipality was required to record the historical cost of their tangible capital assets and accumulated amortization on a retroactive basis with restatement of prior years.

The Municipality determined historical cost based on historical accounting records, and discounted replacement costs. If historical cost could not be determined, the asset was recorded at a nominal value.

The Municipality calculated and recorded liabilities for its sick accrual, defined benefit pension plan and other post-employment benefits.

The December 31, 2010 figures presented for comparative purposes have been restated from those previously reported. The following adjustments were made to the prior periods:

Adjustments to annual surplus

Annual surplus, as previously reported in the operating fund	\$ 788,599
Annual surplus of other funds	53,832,216
Annual surplus of Moncton Industrial Development Limited	1,544,185
Less: second previous year surplus	(182,381)
Less: pension	(169,800)
Less: other post employment benefits	(174,553)
Less: disposal of tangible capital assets	(162,314)
Less: net amortization on tangible capital assets	<u>(17,844,267)</u>
Annual surplus, as restated	<u>\$ 37,631,685</u>

Adjustments for net book value of tangible capital assets

As previously reported, December 31, 2010	\$ 663,330,955
Adjustment to historical cost of tangible capital assets, net	162,353,769
Amortization expense recorded	<u>(276,326,267)</u>
Adjusted net book value as at December 31, 2010	<u>\$ 549,358,457</u>

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

2. 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 Accountants. 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, expenditures, changes in fund balances 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 received for which expenses are not yet incurred are included in deferred revenue.

c) **Deferred revenue**

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

d) **Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

e) i) **Tangible capital assets**

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

Asset type	<u>Years</u>
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

ii) **Assets under construction**

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

iii) **Contribution of tangible capital assets**

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

iv) **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.

v) **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. 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.

f) **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.

g) **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.

h) **Employee future benefits**

The City and its employees contribute to the City of Moncton Municipal Pension Plan, a jointly trusteed pension plan. The Plan provides for service pensions based on length of service and rate of pay (a defined benefit plan).

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

h) Employee future benefits (continued)

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.

i) Budget

The budget figures contained in these consolidated financial statements were approved by Council on December 20, 2010 and the Minister of Local Government approved the General Operating Budget on February 7, 2011, Capital Budget on May 2, 2011 and Utility Operating Budget on July 18, 2011.

j) 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 sewer 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 sewer 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.

k) 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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

k) Segmented information (continued)

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 sewer services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

l) 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 expenditures 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, 2011

4. Receivables	<u>2011</u>	<u>2010</u>
Kay Community Centre Foundation Inc.	\$ -	\$ 50,000
Sewer construction improvements	53,783	106,994
Local improvements	124,865	265,684
Federal/Provincial government - capital and operating contributions	18,336,999	11,420,107
Federal/Provincial government - HST	1,620,363	1,410,598
Beausejour Gymnos	37,328	107,453
Canadian Football League	131,331	-
Canadian Olympic Committee	50,000	-
Magic Mountain Water Park Ltd.	81,500	56,500
Théâtre Capitol Theatre Inc.	212,550	211,675
Moncton Wildcats Junior Hockey Club Limited	28,281	29,534
Friends of the Zoo Inc.	37,120	67,120
Moncton Arena Partners	342,478	214,698
Rotary Club of Moncton, New Brunswick Inc.	120,000	120,000
Moncton Squash Club	113,172	128,172
Indoor Sports Management	130,056	214,733
Santa Claus Parade	3,815	7,043
Moncton Football Assoc Incorporated	387,808	426,588
Universite de Moncton	-	410,000
Moncton 2010 Inc.	-	700,000
Atlantic Nationals Automotive Extravaganza Ltd.	30,000	30,000
Touchdown Atlantic	43,759	60,980
Other - various general fund receivables (net of allowances)	1,088,961	710,023
Water and sewer receivables	10,588,149	8,966,733
Moncton Industrial Development Limited receivables	336,782	132,275
	<u>\$ 33,899,100</u>	<u>\$ 25,846,910</u>

5. 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.

6. Long-term investments

The long-term investment of \$2,271,134 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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

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.

Restricted cash of \$607,527 (2010 - \$1,332,782) is netted off the bank indebtedness amount.

8. Payables and accruals	<u>2011</u>	<u>2010</u>
Accounts payable and commitments	\$ 16,606,630	\$ 12,890,918
Payable to the Policing Authority	6,106,325	10,356,580
Contractors' holdbacks	3,648,936	5,426,059
Interest on long-term debt	603,624	671,567
Moncton Industrial Development Limited payables, accruals and deposit on land	1,194,887	1,054,198
Local improvement deposits	<u>35,261</u>	<u>48,863</u>
	<u>\$ 28,195,663</u>	<u>\$ 30,448,185</u>

9. Deferred government transfers

Deferred government transfers represent gas tax amounts held at year end to be applied to approved projects. These deferred contributions consist of Gas Tax Funds of \$2,096,287 (2010 - \$149,700).

10. Long-term debt

	<u>2011</u>	<u>2010</u>
<u>New Brunswick Municipal Financing Corporation</u>		
Debentures:		

AK4 4.45% - 6.2%, due 2011, OIC #99-0011	\$ -	\$ 1,230,100
AL9 2.45% - 5.5%, due 2011, OIC #99-0011	-	469,000
AL10 2.45% - 5.5%, due 2011, OIC #99-0011	-	405,000
AM5 3.375% - 5.75%, due 2012, OIC #00-0015, #00-0056, #01-0015	605,100	1,178,000
AN8 3.1% - 5.6%, due 2012, OIC #00-15	368,000	717,000
AN7 3.1% - 5.6%, due 2012, OIC #01-15	610,000	1,188,000
AO3 3.05% - 5.0%, due 2013, OIC #01-0015	1,598,000	2,343,000
AP11 2.75% - 5.125%, due 2013, OIC #01-0015, #02-0018	1,558,000	2,283,000
AP12 2.75% - 5.125%, due 2013, OIC #01-0015	1,119,000	1,639,000
AQ1 2.75% - 5.5%, due 2014, OIC #02-0018	2,725,000	3,545,000
AR9 2.75% - 4.8%, due 2014, OIC #02-0018, #03-0017	2,616,000	3,414,000
AR10 2.75% - 4.8%, due 2014, OIC #02-0018	1,178,000	1,537,000
AS1 2.85% - 4.35%, due 2015, OIC #03-0017, #03-0020, #04-0010	3,469,000	4,255,000
AT12 3.75% - 4.375%, due 2015, OIC #03-0017, #04-0010	3,418,000	4,188,000
AT13 3.75% - 4.375%, due 2015, OIC #03-0017	1,583,000	1,940,000
AU1 4.15% - 4.7%, due 2015, OIC #04-0010, #05-0016	6,584,000	7,762,000
AV13 4.15% - 4.45%, due 2015, OIC #05-0016	1,999,000	2,351,000

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

10. Long-term debt (continued)	<u>2011</u>	<u>2010</u>
AV14 4.15% - 4.45%, due 2015, OIC #04-0010	4,840,000	5,694,000
AW1 4.3% - 4.55%, due 2016, OIC #00-0018, #03-0017, #04-0010, #05-0016, #06-0019	7,810,000	8,927,000
AX12 4.45% - 4.85%, due 2017, OIC #06-0019	4,664,000	5,343,000
AY5 3.3% - 4.85%, due 2018, OIC #05-0016, #06-0019, #07-0015, #07-0093	9,135,000	10,281,000
AY6 3.3% - 4.85%, due 2018, OIC #05-0016	5,501,000	6,163,000
AZ10 2.1% - 5.55%, due 2018, OIC #04-0010, #05-0016	4,486,000	5,051,000
BA7 0.95% - 5%, due 2019, OIC #05-0016, #06-0019, #07-0015, #08-0014	12,572,000	14,270,000
BA8 0.95% - 5%, due 2019, OIC #06-0019	2,524,000	2,807,000
BC5 1.5% - 4.55%, due 2020, OIC #07-0015, #08-0014, #09-0025	14,294,000	15,685,000
BC6 1.5% - 4.55%, due 2020, OIC #07-0015	4,314,000	4,725,000
BD11 1.5% - 3.85%, due 2020, OIC #07-0015, #08-0014	8,850,000	9,750,000
BE21 1.65% - 4.25%, due 2021, OIC #08-0014, #09-0025, #10-0018	16,079,000	-
BE22 1.65% - 4.25%, due 2021, OIC #09-0025, #10-0018	5,340,000	-
BF9 1.35% - 3.45%, due 2021, OIC #09-0025, #10-0018	6,360,000	-
	<u>136,199,100</u>	<u>129,140,100</u>
 <u>Maritime Life Assurance Company</u>		
Mortgage payable, 8.186%, due 2019	1,043,448	1,135,084
 <u>Scotiabank Bankers Acceptance - Moncton Industrial Development Limited</u>		
Five year arrangement, 4.54%, due 2013, secured by land under development, repayable based on lot sales	<u>6,800,000</u>	<u>6,600,000</u>
	<u>\$ 144,042,548</u>	<u>\$ 136,875,184</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:

2012	\$ 22,093,000	2015	\$ 17,465,000
2013	21,237,000	2016	15,691,000
2014	19,664,000		

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.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

11. Pension liability

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 January 2007, the City's contribution limit was increased to 9% of employee earnings.

Employees make contributions equal to 9% of earnings, and the City contributes an equal amount. The contribution by the City in 2011 was \$3,036,200 (2010 - \$2,883,800). Total benefit payments to retirees during the year were \$8,539,700 (2010 - \$8,006,900). A separate pension fund is maintained. The City is in a net funded position at December 31, 2011, as follows:

	<u>2011</u>	<u>2010</u>
Fair market value of plan assets	\$ 169,988,900	\$ 165,634,400
Accrued benefit obligation	<u>(169,990,200)</u>	<u>(162,780,800)</u>
Funded status	(1,300)	2,853,600
Unamortized actuarial gains	<u>3,553,400</u>	<u>7,336,400</u>
Accounting pension liability	<u>\$ 3,554,700</u>	<u>\$ 4,482,800</u>

Actuarial valuations for accounting purposes are performed triennially using the projected benefit method prorated on services. The most recent evaluation of the Pension Plan by the City's actuaries, William M. Mercer Limited, was carried out effective June 30, 2011. The accrued benefit obligation shown for 2010 is based on an extrapolation of the 2011 valuation. There is a net unamortized actuarial loss to be amortized on a straight-line basis over the expected average remaining service life of the employee group (13 years).

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>2011</u>	<u>2010</u>
(a) Discount rate	6.7%	6.7%
(b) Rate of compensation increases	3.25%	3.25%
(c) Rate of inflation	2.50%	2.50%

(a) Mortality	Group annuitants. Mortality 1994 projected using scale AA.	
Retirement age	60% at earliest retirement age without reduction and remainder at age 65.	

	<u>2011</u>	<u>2010</u>
Current period benefit cost	\$ 5,951,000	\$ 5,652,300
Amortization of actuarial gain/losses	<u>(611,400)</u>	-
	5,339,600	5,652,300
Less: Employee contributions	<u>(3,036,200)</u>	<u>(2,883,800)</u>
Pension expense	2,303,400	2,768,500
Interest cost on the average accrued benefit obligation	<u>(195,300)</u>	<u>285,100</u>
Total expenses related to pension	<u>\$ 2,108,100</u>	<u>\$ 3,053,600</u>

The employer contribution expense of \$3,036,200 is included in the statement of operations as a component of department expenses. The change in pension liability of \$928,100 is recorded in the general government services.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

12. 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>2011</u>	<u>2010</u>
Employee benefit obligations:		
Vested benefits	\$ 8,782,100	\$ 7,767,500
Unamortized actuarial losses	(567,600)	-
Non-vested benefits	<u>463,105</u>	<u>463,207</u>
Accrued employee benefit obligation	<u>\$ 8,677,605</u>	<u>\$ 8,230,707</u>
Accrued employee benefit obligation	\$ 8,677,605	\$ 8,230,707
Less funded amount	<u>(1,173,200)</u>	<u>(876,949)</u>
Unfunded employee benefit obligation	<u>7,504,405</u>	<u>7,353,758</u>
Less non-vested benefits	<u>(463,105)</u>	<u>(463,207)</u>
Vested benefits to be funded from future revenue	<u>\$ 7,041,300</u>	<u>\$ 6,890,551</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 3.25%;
- the discount rate used to determine the accrued benefit obligation is 4.25%;
- retirement age is 60; 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.

The unfunded liability was \$7,268,100 on January 1, 2010 and was recorded as a prior period adjustment on the adoption of PSAB.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

13. Tangible capital assets

	General Capital Assets						Water and Sewer Assets						
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer, Hardware and Software	Land Improvements	Construction	Parking Lots	Road, Streets, Sidewalks, Culverts	W&S Buildings and Leasehold Improvements	Water and Sewer Construction	Assets under Construction		
Cost													
Opening cost	\$ 14,584,254	\$ 53,954,688	\$ 42,506,190	\$ 6,999,784	\$ 27,086,659	\$ 49,377,850	\$ 11,617,181	\$ 222,813,040	\$ 45,966,662	\$ 346,907,462	\$ 3,870,954	\$ 825,684,724	\$ 771,716,491
Additions and transfers	3,833,244	18,514,007	4,022,037	165,644	5,165,273	(9,925,148)	8,237	10,934,659	12,625	4,487,690	8,016,775	45,235,043	55,579,809
Disposals and transfers	-	(1,998,089)	(540,527)	-	-	(24,378,320)	-	(357,079)	-	(58,038)	-	(27,332,053)	(1,611,576)
Closing cost	18,417,498	70,470,606	45,987,700	7,165,428	32,251,932	15,074,382	11,625,418	233,390,620	45,979,287	351,337,114	11,887,729	843,587,714	825,684,724
Accumulated amortization													
Opening accumulated Amortization	-	(26,550,472)	(24,770,564)	(4,911,657)	(9,901,370)	-	(4,931,355)	(87,746,415)	(21,665,296)	(95,849,138)	-	(276,326,267)	(257,531,470)
Amortization	-	(1,804,692)	(3,308,323)	(705,470)	(1,810,180)	-	(379,272)	(7,090,022)	(1,112,510)	(5,106,619)	-	(21,317,088)	(20,244,059)
Disposals	-	1,552,801	540,527	-	-	-	-	320,812	-	53,637	-	2,467,777	1,449,262
Closing accum'd amortization	26,802,363	27,538,360	27,538,360	5,617,127	(11,711,550)	5,310,627	(94,515,625)	(22,777,806)	(100,902,120)	(295,175,578)	(276,326,267)	(295,175,578)	(276,326,267)
Asset net book value	\$ 18,417,498	\$ 43,668,243	\$ 18,449,340	\$ 1,548,301	\$ 20,540,382	\$ 15,074,382	\$ 6,314,791	\$ 138,874,995	\$ 23,201,481	\$ 250,434,994	\$ 11,887,729	\$ 548,412,136	\$ 549,358,457

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

14. 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 payment is \$1,389,400 in 2012, 2013, 2014 & 2015.

In addition, an amount approximating \$68,000 per year is being allocated to the General Capital Reserve (formerly the City Hall Development Fund) and invested through an arrangement under the lease. These funds would be available under the lease agreement for the City to exercise various options at its discretion.

- (b) Under the terms of a lease for the City library and now assigned to Fortis Properties Inc., the City is responsible for the proportionate share of the common area operating costs including property taxes. In 2011 this approximated \$680,003 and approximately 25% was recovered from the Province under a sub-lease for its proportionate share of the costs. The lease expires in 2053.
- (c) Under a lease agreement for computers with Dell Financial Services Canada Limited, the City is committed to lease payments totaling \$176,454 in 2012, \$111,357 in 2013, \$37,666 in 2014 plus HST.
- (d) The City is committed under an agreement with Moncton 4Ice Sports Inc. (the Service Provider) to pay a service fee of \$119,430 per month for a total of \$1.433 million annually to provide and operate the 4Plex facility for the benefit of the citizens of Moncton. The initial term of the agreement is for twenty years with a ten year renewal option. The City also has the ability to exercise purchase options after twenty and after thirty years.
- (e) A commitment has been made to the University of Moncton for \$2 million, payable in equal annual instalments of \$200,000 over a ten-year period. At year end, \$400,000 remains to be paid.
- (f) The City has committed to Crandall University to providing \$750,000, payable in equal annual instalments of \$150,000 over five years. At year end, \$600,000 remains to be paid.
- (g) A commitment has been made to the Atlantic Cancer Research Institute for \$200,000, payable in equal annual instalments of \$40,000 over a five year period from 2008 to 2012 inclusive.
- (h) The City is committed to provide \$500,000 to the Atlantic Ballet Theatre of Canada over a ten year period of \$50,000 per year. At December 31, 2011, 5 installments remain.
- (i) A commitment has been made to the Centre Culturel Aberdeen for \$170,000, payable in equal annual instalments of \$57,000 over a three year period from 2010 to 2012 inclusive.

Contingencies

- a) City Council has approved the extension of a \$150,000 loan guarantee for the Atlantic Ballet Theatre of Canada expiring on December 31, 2013. This guarantee will reduce by \$30,000 per year commencing on January 1, 2010 and on the first day in each year thereafter until the expiry of the guarantee on December 31, 2013. At December 31, the guarantee stands at \$90,000.
- b) The City has an outstanding claim against it for approximately \$8.9 million for additional compensation for the expropriation of approximately 600 acres of wooded land on Berry Mills Road. The eventual outcome of this claim is not determinable at year end.

City of Moncton

Notes to the Consolidated Financial Statements

December 31, 2011

14. Commitments and contingencies (continued)

- 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.
-

15. Regulatory reporting

The Department of Local Government of New Brunswick has requested some disclosures in addition to Canadian Public Sector Accounting Standards for monitoring purposes. The City has provided these disclosure requirements in the consolidated financial statements provided to the Department of Local Government of New Brunswick.

City of Moncton

Schedule 1: Consolidated Schedule of Revenues

Year ended December 31, 2011

2011

2011

2010

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Other contributions and government transfers			
Infrastructure program	\$ 600,000	\$ 2,298,185	\$ 8,595,523
Gas tax program	4,976,000	3,037,046	7,001,000
Regional Development Corporation	-	2,612,119	4,262,881
Donated assets - developers	-	4,806,060	4,922,726
Department of Transportation	-	624,434	2,867,863
Organizations and individuals	110,000	495,329	-
Local improvement and branch sewer recoveries	-	81,300	841,677
Designated highway recoveries	1,250,000	1,250,000	310,130
Department of Supply and Services	466,000	457,888	248,856
Canadian Heritage	-	200,000	189,950
Federal contributions - water and sewer	-	1,237,912	418,418
Moncton Industrial Development Limited - grants	<u>303,535</u>	<u>218,806</u>	<u>1,055,724</u>
	<u>\$ 7,705,535</u>	<u>\$ 17,319,079</u>	<u>\$ 30,714,748</u>
Other revenue from own sources			
Licenses and permits - building permits	\$ 980,000	\$ 1,157,458	\$ 1,376,409
- other	414,545	484,127	456,523
Fines and fees	525,042	402,543	481,893
Parking	2,061,252	2,036,978	1,964,321
Rent	145,569	145,994	151,125
Miscellaneous	209,860	221,696	249,126
Protection	333,302	181,806	301,277
Transportation - designated highway recovery	705,437	697,358	706,113
- other	283,100	262,253	252,545
Public transit	3,470,600	3,561,310	3,247,818
Magnetic Hill Zoo	1,095,000	1,182,114	1,062,690
Magnetic Hill Park	140,000	604,959	145,536
Other recreational	332,520	342,074	318,554
Coliseum - Agrena	1,127,306	964,513	1,095,226
Loss on sale of assets	-	(462,954)	(33,184)
Cash received in lieu	-	56,136	52,457
Water and sewer other revenue	21,470	9,009	28,042
Moncton Industrial Development Limited - land sales	-	1,560,141	524,848
Moncton Industrial Development Limited - other	<u>-</u>	<u>61,623</u>	<u>147</u>
	<u>\$11,845,003</u>	<u>\$ 13,469,138</u>	<u>\$ 12,381,466</u>
Water and sewerage revenue			
Water user charges	\$16,365,771	\$ 16,001,171	\$ 14,980,879
Sewer user charges	4,377,603	4,310,785	3,938,031
Sewer treatment levy	<u>6,316,690</u>	<u>6,412,055</u>	<u>5,518,517</u>
	<u>\$27,060,064</u>	<u>\$ 26,724,011</u>	<u>\$ 24,437,427</u>

City of Moncton

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31 2011 2011 2010

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Mayor and Councillors	\$ 555,281	\$ 526,047	\$ 554,338
City Manager	486,601	475,010	960,033
Finance and administration	2,055,842	1,931,271	1,832,698
Information systems	1,724,494	1,744,423	1,168,539
Human resources	1,267,741	1,313,099	1,406,159
Solicitor	985,931	921,633	568,500
City Hall building	1,660,661	1,686,074	1,582,092
Corporate communications	816,610	804,016	674,204
Other general administration	3,924,794	3,136,086	2,989,553
Grants	1,316,126	1,311,523	1,766,615
Corporate planning and policy development	362,455	356,333	302,460
Moncton Industrial Development Limited	<u>573,535</u>	<u>2,147,497</u>	<u>1,056,513</u>
	15,730,071	16,353,012	14,861,704
Amortization and transfer of tangible assets	45,695,408	45,695,408	20,244,059
Interest	4,357,759	4,365,801	4,363,096
Pension	(928,100)	(928,100)	169,800
Post-retirement liabilities	750,149	750,149	499,502
Maintenance facilities	<u>-</u>	<u>519,739</u>	<u>-</u>
	<u>\$ 65,605,287</u>	<u>\$ 66,756,009</u>	<u>\$ 40,138,161</u>
Protection services			
Police	\$ 18,808,594	\$ 18,732,850	\$ 18,805,249
Fire	12,159,819	11,591,390	11,062,428
Building inspection	1,613,281	1,563,450	1,303,412
Other protective services	<u>456,883</u>	<u>456,949</u>	<u>466,298</u>
	<u>\$ 33,038,577</u>	<u>\$ 32,344,639</u>	<u>\$ 31,637,387</u>
Transportation services			
Engineering administration	\$ 1,897,596	\$ 1,615,064	\$ 1,787,030
Roads, streets and equipment	8,853,308	10,986,875	7,948,277
Street lighting	2,247,092	2,279,892	2,250,827
Traffic and parking	2,122,453	2,018,346	1,894,466
Public transit	8,953,501	8,779,557	7,580,766
Other transportation	<u>449,081</u>	<u>449,167</u>	<u>337,467</u>
	<u>\$ 24,523,031</u>	<u>\$ 26,128,901</u>	<u>\$ 21,798,833</u>
Environmental health and development services			
Garbage and waste collection	\$ 3,259,459	\$ 3,307,882	\$ 3,079,420
Planning commission grant	567,860	567,860	536,594
Development	768,725	743,247	999,082
Tourism	<u>348,897</u>	<u>301,505</u>	<u>867,096</u>
	<u>\$ 4,944,941</u>	<u>\$ 4,920,494</u>	<u>\$ 5,482,192</u>

City of Moncton Schedule 3: Schedule of Segment Disclosure

December 31, 2011

	General Government	Protection	Transportation	Environmental Health & Development	Recreation and cultural	Water & Sewer	MID Consolidated	2011 Consolidated	2010 Consolidated
Revenues									
Warrant of assessment *	\$ 103,183,109	\$	\$	\$	\$	\$	\$	\$ 103,183,109	\$ 97,269,571
Other revenue from own sources	363,415	1,823,391	6,557,899	3,093,660	9,009	1,621,764	13,469,138	12,381,466	
Unconditional transfers from Provincial Government *	11,477,186						11,477,186	11,593,117	
Other contributions and government transfers	14,582,684							17,319,079	30,714,748
Water and sewer user fees						26,724,011	218,806	26,724,011	24,437,427
Interest	358,994					791,521	5,028	1,155,543	1,039,779
	<u>129,965,388</u>	<u>1,823,391</u>	<u>6,557,899</u>	<u>3,093,660</u>	<u>30,042,130</u>	<u>1,845,598</u>	<u>173,328,066</u>	<u>177,436,108</u>	
Expenses									
Salaries and benefits	9,007,677	15,273,433	11,974,809	2,406,987	7,362,865	2,779,616	48,805,387	43,418,090	
Goods and services	6,020,828	17,071,206	14,154,092	2,513,507	12,120,989	17,708,638	71,736,757	69,110,074	
Amortization, disposals and transfers	45,695,408						45,695,408	20,244,059	
Interest	3,988,060						6,523,860	6,362,898	
Pension*	(928,100)					377,741	(928,100)	169,800	
Post-retirement liabilities*	446,898						446,898	499,502	
	<u>64,230,771</u>	<u>32,344,639</u>	<u>26,128,901</u>	<u>4,920,494</u>	<u>19,483,854</u>	<u>22,646,313</u>	<u>172,280,210</u>	<u>139,804,423</u>	
Surplus (deficit) for the year	\$ 65,734,617	\$ (30,521,248)	\$ (19,571,002)	\$ (4,920,494)	\$ (16,390,194)	\$ 7,395,817	\$ 1,047,856	\$ 37,631,685	

*The warrant of assessment, unconditional transfers from Provincial Government, change pension liability and post-retirement liabilities have been reported under General Government for segment disclosure.

City of Moncton Schedule 4: Schedule of Reserve Funds

December 31, 2011

	General Operating Reserve	General Capital Reserve	W&S Operating Reserve	W&S Capital Reserve	Reserve for Land Develop Fund	2011 Total	2010 Total
Accumulated surplus, beginning of year	\$ 4,002,136	\$ 7,192,427	\$ -	\$ 2,658,978	\$ 334,701	\$ 14,188,242	\$ 9,931,870
Transfers to/from Water and General Operating Funds							
Allocation from City of Moncton revenue fund		71,758				71,758	67,656
Appropriation from General Operating fund	625,000		400,000	200,000		1,225,000	2,435,000
Appropriation from General Operating fund for equipment purchases							
Appropriation from General Operating fund for capital purchases		2,161,612				2,161,612	1,828,309
Transfer to General Capital fund for Stadium		586,494				586,494	491,451
Transfer to General Capital fund for Codiac facility		(750,000)				(750,000)	-
Transfer to General Capital fund for Equipment purchases		(2,114,125)				(2,114,125)	-
Transfer to General Operating fund to fund capital projects	(450,000)	(2,619,865)				(2,619,865)	(1,076,421)
Transfer to General Operating fund for deferred maintenance	(519,739)					(519,739)	-
Transfer to General Operating fund to fund deficit	(2,000,000)					(2,000,000)	-
	<u>(2,344,739)</u>	<u>(2,664,126)</u>	<u>400,000</u>	<u>200,000</u>	<u>-</u>	<u>(4,408,865)</u>	<u>3,745,995</u>
Interest	78,802	273,241	263	52,552	6,951	411,809	328,790
Proceeds on sale of assets		23,002				23,002	129,130
Cash received in lieu of land					56,136	56,136	52,457
Annual surplus (deficit)	<u>(2,265,937)</u>	<u>(2,367,883)</u>	<u>400,263</u>	<u>252,552</u>	<u>63,087</u>	<u>(3,917,918)</u>	<u>4,256,372</u>
Accumulated surplus, end of year	\$ 1,736,199	\$ 4,824,544	\$ 400,263	\$ 2,911,530	\$ 397,788	\$ 10,270,324	\$ 14,188,242

City of Moncton

Schedule 5: Schedule of Operating Budget to PSAB budget

December 31, 2011

	Operating Budget General	Operating Budget Water & Sewer	Capital Budget	MID	Amortization & Pension & Post Employment Adjustments	Transfers	Total
Revenue							
Province of New Brunswick:							
Grant from City of Moncton	\$ 103,183,109			\$ 270,000	\$ -	\$ (270,000)	\$ 103,183,109
Warrant for property taxes	11,477,186						11,477,186
Unconditional grant			12,936,000			(5,534,000)	7,402,000
Other government contributions and transfers	11,823,533	21,470		303,535			11,845,003
Other revenue from own sources		27,060,064					27,060,064
Water and sewerage rates		2,996,429				(2,996,429)	
Water supply for fire protection		524,000					524,000
Interest	954,212	(1,007,522)					
Second previous year's surplus	127,438,040	29,594,441	12,936,000	573,535	-	(8,747,119)	161,794,897
Expenditure							
General government services	15,156,536			573,535	45,517,457	4,357,759	65,605,287
Protective services	36,035,006					(2,996,429)	33,038,577
Transportation services	28,857,031					(4,334,000)	24,523,031
Environmental health & development services	6,145,567					(1,200,626)	4,944,941
Recreation and cultural services	18,362,297					2,524,607	18,362,297
Water and sewer		21,573,495					21,573,495
Fiscal services							
Long-term debt repayments	15,150,738					(20,815,738)	
Interest	4,357,759					(6,882,366)	
Transfer from the General Operating fund to the General Capital fund	625,000					(625,000)	
Funding current year's capital projects – general	2,161,612					(2,161,612)	
Funding General Capital fund	586,494					(586,494)	
Transfer from the Water and Sewer Operating fund to the Water and Sewer Capital fund		200,000				(200,000)	
	127,438,040	29,963,102		573,535	45,517,457	(32,919,899)	170,572,235
Surplus (deficit) for the year	\$ -	\$ (368,661)	\$ 12,936,000	\$ -	\$ (45,517,457)	\$ 24,172,780	\$ (8,777,338)