



Consolidated Financial Statements

City of Miramichi

December 31, 2015

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 – 17
Schedule 1: Consolidated Schedule of Revenues	18
Schedule 2: Consolidated Schedule of Expenditures	19 - 23
Schedule 3: Schedule of Segment Disclosure	24
Schedule 4: Schedule of Reserve Funds	25
Schedule 5: Schedule of Reconciliation of Annual Surplus	26
Schedule 6: Schedule of Operating Budget to PSA Budget	27
Schedule 7: Reconciliation of Funding Deficit	28

Independent auditors' report

Grant Thornton LLP
135 Henry Street
Miramichi, NB
E1V 2N5
T +1 506 622 0637
F +1 506 622 5174
www.GrantThornton.ca
www.GrantThornton.ca

To His Worship the Mayor
And Members of City Council

We have audited the consolidated statement of financial position of the City of Miramichi as at December 31, 2015 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 consolidated 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 Miramichi as at December 31, 2015 and the results of its operations, change in net debt and cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

The Department of Environment and Local Government of New Brunswick has requested some additional disclosures based on the Municipal Financial Reporting Manual dated December 16th 2011. The City has added notes 10, 11 and 12 and schedules 5, 6 and 7 to their consolidated financial statements to comply with these requirements.

Miramichi, New Brunswick



May 2, 2016

Chartered Professional Accountants

City of Miramichi

Consolidated Statement of Financial Position

Year Ended December 31

2015

2014

Financial assets

Cash and cash equivalents	\$ 15,046,389	\$ 11,554,893
Restricted cash (Note 2)	557,909	544,692
Trust deposits	17,235	17,235
Receivables (Note 3)	<u>2,562,188</u>	<u>4,030,868</u>
	<u>18,183,721</u>	<u>16,147,688</u>

Liabilities

Bank loans (Note 4)	5,255,000	8,531,000
Trust deposits payable	17,235	17,235
Payables and accruals (Note 5)	3,577,887	3,168,303
Deferred government funding	195,079	95,261
Long-term debt (Note 6)	25,835,000	26,361,000
Funds held in trust – Covey Estate - David Saddler Scholarship	476,331	476,784
Accrued pension liability (Note 7)	74,000	1,028,700
Other post employment liabilities (Note 8)	<u>3,285,000</u>	<u>3,281,200</u>
	<u>38,715,532</u>	<u>42,959,483</u>

Net debt

(20,531,811) (26,811,795)

Non-financial assets

Tangible capital assets (Note 9)	124,412,075	122,673,979
Inventory of supplies	91,835	97,137
Prepays	<u>-</u>	<u>27,445</u>
	<u>124,503,910</u>	<u>122,798,561</u>

Accumulated surplus

\$ 103,972,099 \$ 95,986,766

Contingency (Note 14)

On behalf of the Council

See accompanying notes to the consolidated financial statements.

City of Miramichi

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31 2015 2014

	PSAB (Budget)	<u>Actual</u>	<u>Actual</u>
Revenue			
Warrant of assessment	\$ 23,917,395	\$ 23,917,395	\$ 23,334,978
Unconditional transfers from			
Provincial Government	5,609,502	5,609,502	4,098,295
Services to other governments (Page 18)	943,408	965,097	935,614
Other contributions and government transfers (Page 18)	1,426,412	1,426,412	1,894,418
Other revenue from own sources (Page 18)	1,086,050	1,330,673	1,172,618
Water and sewerage revenue (Page 18)	4,787,867	4,719,157	4,542,353
Interest	80,000	177,430	126,609
	<u>37,850,634</u>	<u>38,145,666</u>	<u>36,104,885</u>
Expenditures (Pages 19 - 23)			
General government services	3,993,528	3,325,790	2,954,847
Protection services	9,776,137	9,089,940	8,942,560
Transportation services	10,325,321	9,420,856	9,501,727
Environmental health and development	2,319,928	2,329,512	2,349,896
Recreation and cultural services	4,306,046	4,019,630	3,864,287
Water sewerage services	5,058,862	4,970,518	4,801,861
	<u>35,779,822</u>	<u>33,156,246</u>	<u>32,415,178</u>
Annual surplus	2,070,812	4,989,420	3,689,707
Accumulated surplus, beginning of year	-	95,986,766	92,297,059
Acquisition of French Fort Cove Eco Center Inc. (Note 13)	-	<u>2,995,913</u>	-
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ 103,972,099</u>	<u>\$ 95,986,766</u>

See accompanying notes to the consolidated financial statements.

City of Miramichi

Consolidated Statement of Changes in Net Debt

Year Ended December 31

2015

2014

	PSA (Budget)	<u>Actual</u>	<u>Actual</u>
Annual surplus	\$ 2,070,812	\$ 4,989,420	\$ 3,689,707
Acquisition of tangible capital assets	(6,908,400)	(4,656,791)	(5,627,920)
Proceeds on disposal of tangible capital assets	-	207,432	219,875
Amortization of tangible capital assets	5,798,788	5,798,788	5,714,023
Other adjustment to tangible capital assets	-	-	6,001
(Gain) loss on disposal of tangible capital assets	-	(91,612)	(120,160)
	<u>961,200</u>	<u>1,257,817</u>	<u>191,819</u>
Change in prepaid expenses	-	27,445	(27,445)
Change in inventory	-	5,302	(7,015)
	-	<u>32,747</u>	<u>(34,460)</u>
Decrease in net debt	961,200	6,279,984	3,847,066
Net debt, beginning of year	<u>(26,811,795)</u>	<u>(26,811,795)</u>	<u>(30,658,861)</u>
Net debt, end of year	<u>\$ (25,850,595)</u>	<u>\$ (20,531,811)</u>	<u>\$ (26,811,795)</u>

See accompanying notes to the consolidated financial statements.

City of Miramichi

Consolidated Statement of Cash Flows

Year Ended December 31

2015

2014

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

Operating activities

Annual surplus	\$ 4,989,420	\$ 3,689,707
Items not affecting cash:		
Amortization	5,798,788	5,714,023
(Gain) loss on sale of tangible capital assets	(91,612)	(120,160)
Other adjustment to tangible capital assets	-	6,001
Change in accrued pension liability	(954,700)	(515,100)
Change in other post employment benefits	3,800	(199,800)
Changes in non-cash working capital:		
Change in receivables	1,468,680	419,745
Change in payables and accruals	409,584	(487,045)
Change in unearned revenue	99,818	27,133
Change in Trust Deposits	(453)	680
Change in supplies inventory	5,302	(7,015)
Change in prepaid expenses	27,445	(27,445)
Net cash provided by operating activities	<u>11,756,072</u>	<u>8,500,724</u>

Capital activities

Acquisition of tangible capital assets	(4,656,791)	(5,627,920)
Proceeds on sale of tangible capital assets	207,432	219,875
Net cash used for capital activities	<u>(4,449,359)</u>	<u>(5,408,045)</u>

Financing activities

Issuance of long-term debt	2,482,000	3,433,000
Proceeds (repayment) of bank loans, net	(3,276,000)	3,199,000
Repayment of long-term debt	(3,008,000)	(5,589,000)
Net cash used for financing activities	<u>(3,802,000)</u>	<u>1,043,000</u>

Increase in cash and cash equivalents 3,504,713 4,135,679

Cash and cash equivalents at beginning of year 12,099,585 7,963,906

Cash and cash equivalents at end of year **\$ 15,604,298** **\$ 12,099,585**

Summary of cash and cash equivalents:

Cash	\$ 15,046,389	\$ 11,554,893
Restricted cash	<u>557,909</u>	<u>544,692</u>
Cash and cash equivalents at end of year	<u>\$ 15,604,298</u>	<u>\$ 12,099,585</u>

See accompanying notes to the consolidated financial statements.

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

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

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

1. Summary of significant accounting policies

The consolidated financial statements of the Corporation of the City of Miramichi are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants. The consolidated financial statements include the additional disclosure requirements by the Department of Environment and Local Government of New Brunswick. The City has added notes 10, 11 and 12 and Schedules 5, 6, and 7 to comply with these requirements.

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

Significant aspects of the accounting policies adopted by the City of Miramichi 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 Miramichi 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 French Fort Cove Eco-Center Inc.

Inter-departmental and organizational transactions and balances are eliminated.

b) **Government transfers**

Government transfers are recognized in the consolidated 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.

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

1. Summary of significant accounting policies (continued)

d) Non-financial assets

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

e) i) Tangible capital assets

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

Asset type	Years
Land improvements	10-30 years
Buildings and leasehold improvements	10-60 years
Machinery and equipment	10-20 years
Fleet	2-20 years
Roads, streets, sidewalks and culverts	15-60 years
Water and wastewater networks	20-80 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.

f) Inventories of Materials and Supplies

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

g) 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.

h) Employee future benefits

The City and its employees contribute to the City of Miramichi 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).

In addition to the Municipal Pension Plan, post-retirement benefits, and severance benefits also accrue to the City's employees. 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 benefits 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.

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

1. Summary of significant accounting policies (continued)

i) Budget

The budget figures contained in these consolidated financial statements were approved by Council on December 16, 2014 and the Minister of Environment and Local Government approved the General Operating Budget on January 15, 2015, Capital Budget on March 9, 2015 and Utility Operating Budget on January 15, 2015.

j) Reserves and funds

Certain amounts, as approved by City Council, are set aside in reserves and reserves 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 water 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 and 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.

k) Segmented information

The City of Miramichi 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 City. This includes council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.

Protective services

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

Transportation services

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

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

1. **Summary of significant accounting policies** (continued)

k) **Segmented information** (continued)

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 sewer 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) **Revenue recognition**

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

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

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

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

m) **Expense recognition**

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

n) **Trust funds**

The City maintains trust funds for the Saddle Scholarship. The funds are restricted for this use only.

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

1. Summary of significant accounting policies (continued)

o) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

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

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

p) Use of estimates

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

p) Change in accounting policy

On January 1, 2015, the City adopted PS 3260 – Liability for contaminated sites. There was no significant liability required to be recorded in result of the adoption of this section. The change in accounting policy has been applied prospectively.

2. Restricted cash

Restricted cash is comprised of the following:

	<u>2015</u>	<u>2014</u>
French Fort Cove capital fund bank account	\$ 81,578	\$ 67,908
Cash held for Sadler scholarship fund	<u>476,331</u>	<u>476,784</u>
	<u>\$ 557,909</u>	<u>\$ 544,692</u>

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

3. Receivables	<u>2015</u>	<u>2014</u>
Water and sewer receivables	\$ 1,702,097	\$ 1,668,495
Receivable from Province of New Brunswick Gas Tax	-	1,514,533
Receivable from Province of New Brunswick	26,039	117,439
Other receivables	413,241	243,534
Sales tax receivable	<u>420,811</u>	<u>486,867</u>
	<u>\$ 2,562,188</u>	<u>\$ 4,030,868</u>

4. Bank loans

The bank loans represent temporary financing of capital expenditures for the General Capital Fund and for the Water and Sewerage Capital Fund and will be replaced by debenture issues as well as a working capital component. The total amount for Capital Funds are within the budget limit of 50% of operating funds expenditures as required by the Municipalities Act. The interest rates on these loans are at prime rate.

5. Payables and accruals	<u>2015</u>	<u>2014</u>
Accounts payable and accrued charges	\$ 3,430,680	\$ 2,975,370
Accrued interest on long-term debt	93,176	78,031
Holdbacks payable	<u>54,031</u>	<u>114,902</u>
	<u>\$ 3,577,887</u>	<u>\$ 3,168,303</u>

6. Long-term debt

New Brunswick Municipal Financing Corporation

Debentures:

3.75%-4.375% series due 2015 (OIC 03-43,04-35,05-01,02-32,04-54,01-29)	\$ -	\$ 310,000
4.15%-4.45% series due 2016 (OIC 04-35,05-01,05-53)	140,000	274,000
4.45%-4.85% series due 2017 (OIC 05-53)	104,000	153,000
2.1%-4.95% series due 2018 (OIC 05-88,07-27,07-68)	405,000	528,000
1.0%-4.5% series due 2019 (OIC 05-88, 06-40,07-27,07-68,08-32)	384,000	471,000
1.50%-4.55% series due 2020 (OIC 07-27,07-68,08-32,09-28,09-96,99-18)	2,266,000	2,545,000
1.65%-4.25% series due 2021 (OIC 00-58,99-18)	790,000	926,000
1.35%-3.45% series due 2021 (OIC 06-32,09-28,09-96,09-23,09-26,10-33)	1,435,000	1,645,000
1.65%-3.8% series due 2027 (OIC 09-0028,09-0096,10-0011)	1,398,000	1,469,000
1.35%-3.8% series due 2032 (OIC 09-0096,09-0126,10-0011,10-0033,12-0026)	794,000	894,000
1.35%-4.0% series due 2033 (OIC 01-77, 10-0011,12-0026)	1,071,000	1,137,000
1.25%-1.45% series due 2033 (OIC 10-0011, 10-0033, 11-0084)	1,366,000	1,429,000
1.15%-4.15% series, due 2034 (OIC 01-0077, 02-0032, 11-0084, 12-0002, 12-0026)	989,000	1,060,000
3.75%-4.375% series due 2015 (OIC 03-43,99-18,02-32,04-35,04-54)	-	3,298,000
0.95%-3.50% series, due 2035 (OIC 12-0002, 13-0018, 13-0018, 14-001, 01-0013)	1,385,000	-
4.15%-4.45% series due 2016 (OIC 04-35,05-01,05-53)	469,000	515,000
4.45%-4.85% series due 2017 (OIC 96-44,05-53,05-88,06-40)	610,000	778,000
2.1%-5.55% series due 2023 (OIC 06-40,07-27,07-68)	912,000	974,000
1.0%-4.5% series due 2019 (OIC 07-27,07-68,08-32)	577,000	612,000
1.50%-3.5% series due 2015 (OIC 09-0028,99-0018)	-	124,000
1.65%-3.15% series due 2016 (OIC 99-0018)	13,000	26,000
1.35%-3.45% series due 2021 (OIC 07-0027,09-0028,09-0096,09-0110,09-0126)	941,000	989,000

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

6. Long-term debt (continued)

1.65%-3.8% series due 2027 (OIC 07-0027, 09-0028, 10-0033, 99-0018)	640,000	731,000
1.35%-3.8% series due 2032 (OIC 09-0028, 10-0033, 11-0060)	270,000	282,000
1.35%-4.0% series due 2033 (OIC 02-0032, 10-0033, 12-0026, 99-0018)	2,120,000	2,359,000
1.25%-4.4% series due 2033 (OIC 11-0060, 12-0026)	441,000	459,000
1.15%-3.45% series due 2024 (OIC 02-0032, 03-0043, 99-0018)	2,154,000	2,373,000
1.05%-3.15% series due 2025 (OIC 02-0032, 03-0043, 04-0035, 04-0054, 99-0018)	3,064,000	-
0.95%-3.50% series due 2035 (OIC 13-0018, 14-0011)	1,097,000	-
	<u>\$ 25,835,000</u>	<u>\$ 26,361,000</u>

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

2016	\$ 3,177,000	2019	\$ 2,616,000
2017	2,820,000	2020	3,281,000
2018	2,317,000		

Approval of the Municipal Capital Borrowing Board has been obtained for the debenture debt reported and all the long-term debt has been approved by an Order-in-Council of the Provincial Legislature. At December 31, 2015, the City has all authority to borrow and additional \$6,698,000.

7. Pension liability

Pension benefits are provided to employees of The City of Miramichi under the Pension Plan for the Employees of the City of Miramichi ascended to July 1, 1996. Employees contribute to the plan, which provides for service pensions based on length of service and rate of pay (a defined benefit plan).

Employees make contributions equal to 9% of earnings, and the City contributes an equal amount. The contribution by the City in 2015 was \$2,381,500 (2014 - \$2,304,300) including special payments of \$1,636,500 (2014 - \$1,555,700). Total benefit payments to retirees during the year were \$1,663,900 (2014 - \$1,656,100). A separate pension fund is maintained. The City is in a net deficit position at December 31, 2015, as follows:

	<u>2015</u>	<u>2014</u>
Smoothed market value of plan assets	\$ 45,422,600	\$ 40,481,500
Accrued benefit obligation	(50,019,900)	(45,811,600)
Funded status	(4,597,300)	(5,330,100)
Unamortized actuarial losses	(4,523,300)	(4,301,400)
Accounting pension liability	<u>\$ (74,000)</u>	<u>\$ (1,028,700)</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, Standard Life Assurance Company of Canada, was carried out effective December 31, 2013. The accrued benefit obligation shown for 2015 is based on an extrapolation of the 2013 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).

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

7. Pension liability (continued)

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

	<u>2015</u>	<u>2014</u>
(a) Discount rate	5.75%	5.75%
(b) Rate of compensation increases	3.25%	3.25%
(c) Rate of inflation	3.00%	3.00%

Mortality CPM 2014 mortality table after retirement only, in combination with the CPM-B improvement scale

Retirement age Police and fire at age 61
Other members at age 62
Members older than the assumed retirement ages are assumed to retire one year after the valuation date.

	<u>2015</u>	<u>2014</u>
Current period benefit cost	\$ 1,453,500	\$ 1,524,600
Amortization of actuarial losses	418,100	611,400
	<u>1,871,600</u>	<u>2,136,000</u>
Less: Employee contributions	(745,000)	(748,600)
Pension expense	<u>1,126,600</u>	<u>1,387,400</u>
Interest cost on the average accrued benefit obligation	<u>300,200</u>	<u>401,800</u>
Total expenses related to pension	<u>\$ 1,426,800</u>	<u>\$ 1,789,200</u>

The employer contribution expense of \$2,381,500 is included in the statement of operations as a component of department expenses. The change in pension liability of \$954,700 is included in post-retirement liabilities expense in the segment to which it relates.

Percentage of Plan Assets

Benefit plan assets consist of:	<u>2015</u>	<u>2014</u>
Bonds	27.33%	26.52%
Canadian equities	27.01%	28.40%
International equities	33.26%	33.31%
Real estate	10.09%	9.30%
Short-term investments	<u>2.31%</u>	<u>2.47%</u>
	<u>100.0%</u>	<u>100.0%</u>

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

8. Other post-employment liabilities

The City of Miramichi provides various groups of employees in accordance with applicable collective agreements severance, post-retirement benefits, and non-vesting sick time.

	<u>2015</u>	<u>2014</u>
Employee benefit obligations:		
Vested benefits	\$ 2,075,600	\$ 1,999,500
Unamortized actuarial gains (losses)	331,600	383,700
Non-vested benefits	821,200	837,000
Unamortized actuarial gains (losses)	<u>56,600</u>	<u>61,000</u>
Accrued employee benefit obligation	<u>\$ 3,285,000</u>	<u>\$ 3,281,200</u>
Accrued employee benefit obligation	\$ 3,285,000	\$ 3,281,200
Less funded amount	<u>(2,110,232)</u>	<u>(1,804,651)</u>
Unfunded employee benefit obligation	1,174,768	1,476,549
Less non-vested benefits	<u>(877,800)</u>	<u>(898,000)</u>
Vested benefits to be funded from future revenue	<u>\$ 296,968</u>	<u>\$ 578,549</u>
Total expenses (recovery) related to other post-employment liabilities	<u>\$ 197,500</u>	<u>\$ 204,700</u>

Vested benefits represent the City's liability for future employee 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. It also includes non-pension post retirement benefit to retirees to age 65 related to healthcare benefits including medical, dental, drugs, vision and hospital. Non vested benefits represent the City's estimated liability of future costs related to sick leave benefits that are conditional on his or her future employment.

The other post-employment liabilities were valued based on an actuarial calculation as of December 31, 2013, extrapolated to December 31, 2015. 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 for:

- Annual salary increase is 3.25%;
- the discount rate used to determine the accrued benefit obligation range from 3.00% to 3.75%;
- retirement age is 61 for fire and police, members older than the assumed retirement ages are assumed to retire one year after the valuation date;
- Estimated net excess utilization of rate of sick leave by employee group.

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

The funded amount included in the note above \$2,110,232 (2014 - \$1,804,651) is included in cash and cash equivalents in the statement of financial position.

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

9. Tangible capital assets

	General Capital Assets							Water and Sewer Assets			2015	2014	
	Land	Buildings and Leasehold Improvements	Machinery and Equipment	Land Improvements	Asset under Construction	Fleet	Road, Streets, Sidewalks, Culverts	Water and Sewer Buildings and Leasehold Improvements	Water and Sewer Systems	Assets under Construction			
Cost													
Opening cost	\$ 1,060,278	\$ 16,201,442	\$ 1,791,401	\$ 4,126,889	\$ 20,679	\$ 9,158,145	\$108,610,961	\$ 20,002,204	\$ 68,543,696	\$ 9,037	\$229,524,732	\$ 224,666,873	
Additions and transfers	7,200	3,351,044	150,723	176,903	7,202	645,622	2,599,828	49,460	470,622	214,779	7,673,383	6,009,275	
Disposals and transfers	(12,323)	-	-	-	(20,679)	(506,113)	(52,841)	(250,742)	(11,027)	-	(853,725)	(1,151,416)	
Closing cost	1,055,155	19,552,486	1,942,124	4,303,792	7,202	9,297,654	111,157,948	19,800,922	69,003,291	223,816	236,344,390	229,524,732	
Accumulated amortization													
Opening accumulated amortization	-	(8,127,698)	(723,093)	(2,277,128)	-	(4,695,765)	(62,197,645)	(11,347,779)	(17,481,645)	-	(106,850,753)	(101,801,073)	
Amortization	-	(579,694)	(144,388)	(180,982)	-	(471,377)	(2,952,962)	(520,133)	(949,252)	-	(5,798,788)	(5,714,023)	
Disposals	-	-	-	-	-	506,113	33,150	166,935	11,028	-	717,226	664,343	
Closing accumulated amortization	-	(8,707,392)	(867,481)	(2,458,110)	-	(4,661,029)	(65,117,457)	(11,700,977)	(18,419,869)	-	(111,932,315)	(106,850,753)	
Net book value	\$ 1,055,155	\$ 10,845,094	\$ 1,074,643	\$ 1,845,682	\$ 7,202	\$ 4,636,625	\$ 46,040,491	\$ 8,099,945	\$ 50,583,422	\$ 223,816	\$ 124,412,075	\$ 122,673,979	

City of Miramichi

Notes to the Consolidated Financial Statements

December 31, 2015

10. Short-term borrowings compliance

Operating borrowing

As prescribed in the *Municipalities Act*, borrowing to finance General Fund operations is limited to 4% of the Municipality's operating budget. Borrowing to finance Utility Fund operations is limited to 50% of the operating budget for the year. In 2015, the Municipality 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 for a capital project. The amounts payable between Funds are in compliance with the requirements.

11. Water and Sewer Fund Surplus/Deficit

The *Municipalities Act* requires Water and Sewer Fund surplus/deficit amounts to be absorbed into one or more of four Operating Budgets commencing with the second next ensuring year: the balance of the surplus/deficit at the end of the year consists of:

	<u>2015</u>	<u>2014</u>
2015 Surplus	\$ 264	\$ -
2014 Surplus	680	680
2013 Surplus	<u>-</u>	<u>271</u>
	<u>\$ 944</u>	<u>\$ 951</u>

12. Water cost transfer

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

13. Acquisition of control French Fort Cove Eco Center Inc.

On March 23, 2015, members of management and council for the City of Miramichi became the President, Treasurer, and the Board of Directors for the French Fort Cove Eco Center Inc. therefore the City directs the strategic operating, investing, and financing policies of the organization. There was no consideration exchanged. The City has received a building with a net book value of \$2,995,913 which has resulted in an increase to the accumulated surplus of the same amount.

14. Contingency

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. As a result there are no accruals in the financial statements related to legal contingencies.

City of Miramichi

Schedule 1: Consolidated Schedule of Revenues

Year ended December 31	2015	2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Services to other governments			
Province			
Fire, including dispatch	\$ 453,545	\$ 453,200	\$ 434,992
Roads and streets	259,089	259,059	259,119
PSAP dispatching	151,502	171,502	160,806
Fine revenue	79,272	81,336	80,697
	<u>\$ 943,408</u>	<u>\$ 965,097</u>	<u>\$ 935,614</u>
Other contributions and government transfers			
Gas tax program	\$ 1,194,040	\$ 1,194,040	\$ 1,514,533
Regional Development Corporation	43,730	43,730	28,392
ACOA	115,298	115,298	147,015
Canadian Heritage	-	-	30,000
Federal Provincial government	-	-	171,614
Payment in lieu of taxes	26,423	26,423	2,864
Donations and recoveries	46,921	46,921	-
	<u>\$ 1,426,412</u>	<u>\$ 1,426,412</u>	<u>\$ 1,894,418</u>
Other revenue from own sources			
Licenses and permits	\$ 161,500	\$ 374,400	\$ 211,049
Interest on investments	50,000	77,202	80,469
Miscellaneous	21,220	24,167	17,698
Police	43,000	49,884	42,457
Building rental - Miratech	72,628	73,161	71,103
Recreation	653,702	626,596	680,460
Water and sewer other revenue	84,000	105,263	69,382
	<u>\$ 1,086,050</u>	<u>\$ 1,330,673</u>	<u>\$ 1,172,618</u>
Water and sewerage revenue			
Water	1,796,018	1,740,455	1,541,628
Sewer	2,956,849	2,931,227	2,944,233
Connections	35,000	47,475	56,492
	<u>\$ 4,787,867</u>	<u>\$ 4,719,157</u>	<u>\$ 4,542,353</u>

City of Miramichi

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31	2015	2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Mayor	\$ 60,868	\$ 49,962	\$ 51,131
Councillors	<u>226,582</u>	<u>188,325</u>	<u>155,297</u>
	<u>287,450</u>	<u>238,287</u>	<u>206,428</u>
Administrative			
Manager	289,095	302,090	298,094
Clerk	414,490	280,267	329,301
City Hall	234,688	218,983	237,542
Solicitor	40,000	72,491	116,792
Finance	481,672	364,521	362,460
Human resources	310,547	287,963	305,139
System administration	346,295	280,344	279,051
Cost of assessment	<u>268,222</u>	<u>268,222</u>	<u>261,691</u>
	<u>2,385,009</u>	<u>2,074,881</u>	<u>2,190,070</u>
Civic relations	<u>149,000</u>	<u>115,100</u>	<u>82,232</u>
Other general government services			
Special projects	986,980	759,090	239,397
Bank charges	3,000	4,720	2,671
Bad debts	-	18,186	22,921
	<u>989,980</u>	<u>781,996</u>	<u>264,989</u>
Interest	<u>70,016</u>	<u>29,596</u>	<u>33,019</u>
Amortization and disposal	<u>38,229</u>	<u>38,229</u>	<u>97,801</u>
Post-retirement liabilities	<u>73,844</u>	<u>47,701</u>	<u>80,308</u>
	<u>\$ 3,993,528</u>	<u>\$ 3,325,790</u>	<u>\$ 2,954,847</u>

City of Miramichi

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31	2015	2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Protection services			
Police			
Administration	\$ 728,732	\$ 731,813	\$ 691,833
Crime control	598,007	587,585	561,052
Traffic activities	2,992,676	2,841,689	2,883,198
Training and development	20,000	19,732	16,134
Building & jail	262,235	253,423	257,334
Automotive equipment	214,723	192,636	221,231
Communication	821,408	829,765	780,297
Community relations	119,956	115,968	118,533
CID - Dog services	8,320	6,302	7,924
Detention and custody	80,064	93,381	73,154
	<u>5,846,121</u>	<u>5,672,294</u>	<u>5,610,690</u>
Fire			
Administration	309,893	278,036	257,362
Fighting force	1,954,452	1,814,800	1,661,515
Training and development	61,450	58,141	54,994
Station	144,868	139,759	126,401
Fire fighting equipment	198,492	224,392	184,215
	<u>2,669,155</u>	<u>2,515,128</u>	<u>2,284,487</u>
Other protection services			
Animal control	49,612	48,418	49,562
Interest	376,250	159,042	168,283
Amortization and disposal	439,727	439,727	406,681
Post-retirement liabilities	395,272	255,331	422,857
	<u>\$ 9,776,137</u>	<u>\$ 9,089,940</u>	<u>\$ 8,942,560</u>

City of Miramichi

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31	2015	2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Transportation services			
Common services			
Administration	\$ 405,433	\$ 429,565	\$ 396,606
Engineering	449,956	369,825	366,235
General equipment	897,878	818,554	810,913
Workshops, yards, and buildings	432,567	397,995	370,021
	<u>2,185,834</u>	<u>2,015,939</u>	<u>1,943,775</u>
Roads and streets			
Summer maintenance	1,282,128	1,013,313	1,074,867
Storm sewers	95,944	80,802	83,813
Snow and ice removal	1,683,990	1,713,800	1,637,775
	<u>3,062,062</u>	<u>2,807,915</u>	<u>2,796,455</u>
Street lighting	<u>548,500</u>	<u>548,972</u>	<u>529,813</u>
Traffic services			
Street signs	20,000	18,543	17,317
Traffic lanemarking	23,900	39,835	10,355
Traffic signals	36,154	32,040	27,504
	<u>80,054</u>	<u>90,418</u>	<u>55,176</u>
Off street parking	<u>16,033</u>	<u>17,520</u>	<u>16,803</u>
Transit commission	<u>306,718</u>	<u>306,651</u>	<u>312,041</u>
Interest	<u>771,161</u>	<u>325,972</u>	<u>359,887</u>
Amortization and disposal	<u>3,220,819</u>	<u>3,220,819</u>	<u>3,345,423</u>
Post-retirement liabilities	<u>134,140</u>	<u>86,650</u>	<u>142,354</u>
	<u>\$ 10,325,321</u>	<u>\$ 9,420,856</u>	<u>\$ 9,501,727</u>

City of Miramichi

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31	2015	2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Environmental health and development services			
Environmental health services			
Collection	\$ 761,706	\$ 805,393	\$ 747,171
Disposal	459,513	446,210	455,177
Former train station	419	469	419
	<u>1,221,638</u>	<u>1,252,072</u>	<u>1,202,767</u>
Environmental development services			
Development			
Community planning	374,449	374,449	431,792
Administration	239,893	195,082	247,270
Economic development	258,039	254,458	242,763
	<u>872,381</u>	<u>823,989</u>	<u>921,825</u>
Tourism			
Visitor information	33,968	69,910	32,204
Tourism promotion	174,173	172,849	176,523
	<u>208,141</u>	<u>242,759</u>	<u>208,727</u>
	<u>1,080,522</u>	<u>1,066,748</u>	<u>1,130,552</u>
Interest	<u>3,617</u>	<u>1,529</u>	<u>677</u>
Amortization	<u>61</u>	<u>61</u>	<u>61</u>
Post-retirement liabilities	<u>14,090</u>	<u>9,102</u>	<u>15,839</u>
	<u>\$ 2,319,928</u>	<u>\$ 2,329,512</u>	<u>\$ 2,349,896</u>
Recreation and cultural services			
Administration	\$ 297,317	\$ 280,887	\$ 267,892
Community Centres	583,817	505,418	613,448
Swimming pools	425,328	384,673	372,581
Rinks and arenas	790,488	769,455	779,529
Parks and playgrounds	1,254,248	1,220,550	1,077,314
Program administration	83,102	80,713	77,912
Seniors	3,000	2,550	3,194
Special population programs	9,317	5,443	7,382
Youth programs	74,693	73,526	87,655
Special events	9,000	8,465	7,004
Libraries	171,694	152,379	144,870
	<u>3,702,004</u>	<u>3,484,059</u>	<u>3,438,781</u>
Interest	<u>44,521</u>	<u>18,819</u>	<u>20,239</u>
Amortization and disposals	<u>438,717</u>	<u>438,717</u>	<u>277,446</u>
Post-retirement liabilities	<u>120,804</u>	<u>78,035</u>	<u>127,821</u>
	<u>\$ 4,306,046</u>	<u>\$ 4,019,630</u>	<u>\$ 3,864,287</u>

City of Miramichi

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31	2015	2015	2014
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Water and sewerage services			
Water supply			
Administration	\$ 156,683	\$ 68,393	\$ 147,095
Interest	405,957	271,409	247,057
Treatment	454,184	432,675	406,377
Transmission and distribution	611,169	665,529	585,174
Power and pumping	332,135	276,732	297,065
Billing and collection	253,235	232,302	229,220
	<u>2,213,363</u>	<u>1,947,040</u>	<u>1,911,988</u>
Sewer collection and disposal			
Collection system	259,713	239,419	203,662
Interest	399,411	321,261	412,812
Lift stations	304,302	311,657	292,326
Treatment and disposal	406,725	386,380	343,004
	<u>1,370,151</u>	<u>1,258,717</u>	<u>1,251,804</u>
Bad debts	-	163,500	96,679
Special project	-	145,000	-
Amortization and disposals	1,421,435	1,421,435	1,478,400
Post-retirement liabilities	53,913	34,826	62,990
	<u>\$ 5,058,862</u>	<u>\$ 4,970,518</u>	<u>\$ 4,801,861</u>

City of Miramichi

Schedule 3: Schedule of Segment Disclosure

December 31, 2015

	General Government	Protection	Transportation	Environmental Health & Development	Recreation and cultural	Water and Sewer Services	2015 Consolidated	2014 Consolidated
Revenues								
Property tax warrant	\$ 7,913,532	\$ 6,765,994	\$ 4,755,383	\$ 912,030	\$ 3,570,456	\$ -	\$ 23,917,395	\$ 23,334,978
Other revenue from own sources	101,368	49,884	73,161	374,400	626,597	105,263	1,330,673	1,172,618
Unconditional transfers from Provincial Government	1,856,012	1,586,873	1,115,311	213,904	837,402	-	5,609,502	4,098,295
Services to other government	-	706,037	259,060	-	-	-	965,097	935,614
Other contributions and government transfers	41,762	-	86,144	-	159,028	1,139,478	1,426,412	1,894,418
Water and sewer user fees	-	-	-	-	-	4,719,157	4,719,157	4,542,353
Interest	15,229	-	32,385	-	-	129,816	177,430	126,609
	<u>9,927,903</u>	<u>9,108,788</u>	<u>6,321,444</u>	<u>1,500,334</u>	<u>5,193,483</u>	<u>6,093,714</u>	<u>38,145,666</u>	<u>36,104,885</u>
Expenses								
Salaries and benefits	1,311,774	7,021,684	2,386,761	250,017	2,143,522	956,628	14,070,386	13,555,605
Goods and services	1,116,494	1,214,156	3,400,654	2,068,803	1,340,537	1,656,459	10,797,103	11,159,617
Amortization & disposal	38,229	439,727	3,220,819	61	438,717	1,421,435	5,558,988	5,605,812
Interest	29,596	159,042	325,972	1,529	18,819	592,670	1,127,628	1,241,975
Post-retirement liabilities*	47,701	255,331	86,650	9,102	78,035	34,826	511,645	852,169
Other	781,996	-	-	-	-	308,500	1,090,496	-
	<u>3,325,790</u>	<u>9,089,940</u>	<u>9,420,856</u>	<u>2,329,512</u>	<u>4,019,630</u>	<u>4,970,518</u>	<u>33,156,246</u>	<u>32,415,178</u>
Surplus (deficit) for the year	\$ 6,602,113	\$ 18,848	\$ (3,099,412)	\$ (829,178)	\$ 1,173,853	\$ 1,123,196	\$ 4,989,420	\$ 3,689,707

*Post retirement liabilities include special payments for severance, and pension as well as PSAB adjustments for pension, severance, post-retirement benefits, and non-vesting sick time.

City of Miramichi

Schedule 4: Schedule of Reserve Funds

December 31, 2015

	General Operating Reserve	General Capital Reserve	Water and Sewer Operating Reserve	Water and Sewer Capital Reserve	2015 Total	2014 Total
Accumulated surplus, beginning of year	\$ 1,401,136	\$ 2,760,094	\$ 270,645	\$ 387,176	\$ 4,819,051	\$ 2,935,254
Transfers to/from Water and Sewer and General Operating Funds						
Allocation from General Operating Fund	70,000	2,613,943	-	-	2,683,943	1,719,345
Allocation from Water and Sewer Operating Fund	-	-	-	240,787	240,787	181,071
Allocation to General Capital Fund	-	12,839	(2,908)	2,908	12,839	(54,659)
Allocation to General Operating Fund	-	-	-	-	-	(1,111)
	70,000	2,626,782	(2,908)	243,695	2,937,569	1,844,646
Interest	15,229	32,384	2,978	4,174	54,765	39,151
Annual surplus	85,229	2,659,166	70	247,869	2,992,334	1,883,797
Accumulated surplus, end of year	\$ 1,486,365	\$ 5,419,260	\$ 270,715	\$ 635,045	\$ 7,811,385	\$ 4,819,051

City of Miramichi

Schedule 5: Schedule of Reconciliation of Annual Surplus

December 31, 2015

	General Operating Fund	General Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Water and Sewer Operating Fund	Water and Sewer Capital Fund	Water and Sewer Operating Reserve Fund	Water and Sewer Capital Reserve Fund	Total All Fund
2015 annual fund surplus (deficit)*	\$ 526	\$ 3,404,925	\$ 85,229	\$ 2,659,166	\$ 263	\$ 2,547,663	\$ 70	\$ 247,869	\$ 8,945,711
Adjustment to annual surplus (deficit) for funding requirements									
Second previous year's surplus	(590)	-	-	-	(271)	-	-	-	(861)
Long-term debt principal repayment	1,699,000	(1,699,000)	-	-	-	-	-	-	-
Long-term debt principal repayment	-	-	-	-	1,309,000	(1,309,000)	-	-	-
Adjustments to tangible assets	138,689	549,384	-	-	-	-	-	-	688,073
Capital expenditures paid out of operating expense	(1,858,250)	1,858,250	-	-	14,211	(14,211)	-	-	-
Gas Tax revenues adjustment	-	(84,973)	-	-	-	-	-	-	(84,973)
Provision for retirement liability	281,243	-	-	-	20,542	-	-	-	301,785
Amortization expense	-	(4,310,980)	-	-	-	(1,487,808)	-	-	(5,798,788)
Provision for vacation pay	(16,227)	-	-	-	-	-	-	-	(16,227)
Provision for pension	889,716	-	-	-	64,984	-	-	-	954,700
Total adjustments to 2015 annual surplus (deficit)	1,133,581	(3,687,319)	-	-	1,408,466	(2,811,019)	-	-	(3,956,291)
2015 annual surplus (deficit) per PSAB for the year	\$ 1,134,107	\$ (282,394)	\$ 85,229	\$ 2,659,166	\$ 1,408,729	\$ (263,356)	\$ 70	\$ 247,869	\$ 4,989,420

*The annual fund surplus includes all of the interfund transfers.

City of Miramichi

Schedule 6: Schedule of Operating Budget to PSA Budget

December 31, 2015

	Operating Budget General	Operating Budget Water and Sewer	Capital Budget	Amortization Pension & Post Employment adjustments	Interest Reallocations	Transfers	Total
Revenue							
Province of New Brunswick:							
Grant from City of Miramichi							
Warrant for property taxes	\$ 23,917,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,917,395
Unconditional grant	5,609,502	-	-	-	-	-	5,609,502
Services to other governments	563,730	-	1,399,989	-	-	(537,307)	1,426,412
Other government contributions and transfers	943,408	-	-	-	-	-	943,408
Other revenue from own sources	1,002,050	254,500	-	-	-	(170,500)	1,086,050
Water and sewer rates	-	4,787,867	-	-	-	-	4,787,867
Water supply for fire protection	-	497,970	-	-	-	(497,970)	-
Interest	-	80,000	-	-	-	-	80,000
Second previous year's surplus	590	271	-	-	-	(861)	-
	32,036,675	5,620,608	1,399,989	-	-	(1,206,638)	37,850,634
Expenditure							
General government services	3,811,439	-	-	112,073	70,016	-	3,993,528
Protective services	9,062,858	-	-	834,999	376,250	(497,970)	9,776,137
Transportation services	6,369,701	-	-	3,354,959	771,161	(170,500)	10,325,321
Environmental health & development services	2,302,160	-	-	14,151	3,617	-	2,319,928
Recreation and cultural services	3,702,004	-	-	559,521	44,521	-	4,306,046
Water and Sewer	-	3,315,453	-	1,475,348	805,368	(537,307)	5,058,862
Fiscal services							
Long-term debt repayments	1,699,000	1,309,000	-	-	-	(3,008,000)	-
Interest	1,265,565	805,368	-	-	(2,070,933)	-	-
Severance	170,448	-	-	(170,448)	-	-	-
Post-retirement benefits	78,100	-	-	(78,100)	-	-	-
Pension	1,800,000	-	-	(1,800,000)	-	-	-
Transfer from the General Operating Fund to the General Capital Fund	650,000	-	-	-	-	(650,000)	-
Funding current year's capital projects- general	1,125,400	-	-	-	-	(1,125,400)	-
Funding General Capital Fund	-	15,000	-	-	-	(15,000)	-
Transfer from the Water and Sewer Operating Fund to the Water & Sewer Capital Fund	-	175,787	-	-	-	(175,787)	-
	32,036,675	5,620,608	-	4,302,503	-	(6,179,964)	35,779,822
Surplus (deficit) for the year	\$ -	\$ -	\$ 1,399,989	\$ (4,302,503)	\$ -	\$ 4,973,326	\$ 2,070,812

City of Miramichi

Schedule 7: Reconciliation of Funding Deficit

Year ended December 31, 2015

Reconciliation of Funding Deficit

	<u>Vested Post Employment Benefits</u>
Liability at December 31, 2015	\$ 2,407,200
Amount of December 31, 2015 liability funded in the current year	(305,581)
Amounts funded in prior years	<u>(1,804,651)</u>
Balance to be funded in future years	<u>\$ 296,968</u>

Special payments are being made on the pension plan in accordance with the regulatory filings with the Province of New Brunswick.

The City has an unfunded vesting post-employment liability of \$296,968. There is presently no agreement between the City and the Province for the funding of this liability.