

AGENDA
SPECIAL MEETING
ST. STEPHEN TOWN COUNCIL
73 MILLTOWN BLVD., SUITE 112
WEDNESDAY, JULY 31, 2019 @ 4:30 P.M.

1. RECORDING OF ATTENDANCE

2. APPROVAL OF AGENDA

3. CONFLICT OF INTEREST

4. READING OF PETITIONS/PRESENTATIONS/PROCLAMATIONS
 - (i) Teed Saunders Doyle & Co. – Presentation of 2018 Audited Financial Statements.

5. NEW BUSINESS
 - (i) 2018 Audited Financial Statements

6. ADJOURNMENT

RESOLUTION NO.: _____

DATE: July 31, 2019

MOVED BY: _____

SECONDED BY: _____

AGENDA

THAT the Agenda be approved as circulated.

TOWN OF ST. STEPHEN
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

DRAFT

TOWN OF ST. STEPHEN

DECEMBER 31, 2018

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DRAFT

INDEPENDENT AUDITORS' REPORT

To His Worship The Mayor and Members of Council
Town of St. Stephen, New Brunswick

Opinion

We have audited the consolidated financial statements of the Town of St. Stephen, which comprise the statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

(continues)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CHARTERED PROFESSIONAL ACCOUNTANTS

Saint John, NB
July 31, 2019

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u> Under (Over)	<u>2018</u> Budget (Note 21)	<u>2018</u> Actual	<u>2017</u> Actual
REVENUE				
Property tax warrant	\$ -	\$ 5,356,765	\$ 5,356,765	\$ 5,376,249
Services provided to other governments (Note 22)	1,220	273,708	272,488	243,443
Sale of services (Note 22)	(5,095)	585,134	590,229	602,014
Other revenue from own sources (Note 22)	(64,304)	189,817	254,121	284,225
Unconditional grant	(29,649)	1,346,826	1,376,475	1,665,046
Unconditional transfers from other governments	-	95,785	95,785	-
Conditional transfers	(1,203,669)	4,200	1,207,869	4,789,230
Other transfers	-	-	-	-
Water and sewer user fees	37,303	2,065,570	2,028,267	1,983,133
Interest	(59,821)	81,325	141,146	107,786
Other	(11,077)	-	11,077	13,990
	<u>(1,335,092)</u>	<u>9,999,130</u>	<u>11,334,222</u>	<u>15,065,116</u>
EXPENDITURE (Note 22)				
General government services	7,951	776,207	768,256	749,858
Protective services	76,878	2,171,645	2,094,767	2,307,813
Transportation services	41,816	2,023,946	1,982,130	1,890,982
Environmental health services	(2,551)	247,794	250,345	244,738
Environmental development services	31,052	304,927	273,875	326,040
Recreation and cultural services	(39,346)	2,765,831	2,805,177	2,660,892
Water and sewer services	14,961	2,412,401	2,397,440	2,455,736
	<u>130,761</u>	<u>10,702,751</u>	<u>10,571,990</u>	<u>10,636,059</u>
ANNUAL SURPLUS				
FOR THE YEAR (Note 19)	<u>\$ (1,465,853)</u>	(703,621)	762,232	4,429,057
ACCUMULATED SURPLUS - BEGINNING OF YEAR				
		-	<u>45,392,421</u>	<u>40,963,364</u>
ACCUMULATED SURPLUS - END OF YEAR				
		<u>\$ (703,621)</u>	<u>\$ 46,154,653</u>	<u>\$ 45,392,421</u>

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (Note 4)	\$ 3,799,017	\$ 3,073,746
Accounts receivable		
General	1,317,006	1,368,660
Private Developer	400,000	-
Federal Government and its agencies (Note 5)	615,106	2,423,380
Province of New Brunswick (Note 6)	<u>165,855</u>	<u>1,206,176</u>
	<u>\$ 6,296,984</u>	<u>\$ 8,071,962</u>
LIABILITIES		
Short term financing (Note 13)	\$ 2,563,376	\$ 3,214,491
Accounts payable and accrued liabilities	2,803,906	4,261,073
Deferred revenue (Note 7)	104,670	97,681
Long term debt (Note 8)	6,750,000	7,483,000
Accrued sick leave (Note 9)	237,900	259,100
Post employment benefits payable (Note 10)	<u>644,700</u>	<u>777,500</u>
	<u>13,104,552</u>	<u>16,092,845</u>
NET DEBT	<u>(6,807,568)</u>	<u>(8,020,883)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	78,721,157	77,356,029
Accumulated amortization (Note 17)	<u>(26,177,264)</u>	<u>(24,356,444)</u>
	52,543,893	52,999,585
Inventory	202,452	182,134
Prepaid expenses	143,854	151,073
Deferred expenses	<u>72,022</u>	<u>80,512</u>
	<u>52,962,221</u>	<u>53,413,304</u>
ACCUMULATED SURPLUS	<u>\$ 46,154,653</u>	<u>\$ 45,392,421</u>
CONTINGENT LIABILITY (Note 11)		
COMMITMENTS (Note 12)		

APPROVED BY:

_____ Mayor

_____ Treasurer

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
Annual surplus	\$ 762,232	\$ 4,429,057
Acquisition of tangible capital assets	(1,485,927)	(6,865,121)
Proceeds on disposal of tangible capital assets	3,200	3,001
Amortization of tangible capital assets	1,924,829	1,730,834
Loss on disposal of tangible capital assets	<u>13,590</u>	<u>114,111</u>
	1,217,924	(588,118)
Acquisition of inventories	(202,452)	(182,134)
Acquisition of prepaid expenses	(143,854)	(151,073)
Acquisition of deferred expenses	(72,022)	(80,512)
Consumption of inventories	182,134	126,812
Use of prepaid expenses	151,073	161,015
Use of deferred expenses	<u>80,512</u>	<u>86,518</u>
Decrease (increase) in net debt	1,213,315	(627,492)
Net debt - beginning of year	<u>(8,020,883)</u>	<u>(7,393,391)</u>
Net debt - end of year	\$ <u>(6,807,568)</u>	\$ <u>(8,020,883)</u>

APPROVED BY:

_____ Mayor

_____ Treasurer

TOWN OF ST. STEPHEN

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING TRANSACTIONS		
Annual surplus	\$ 762,232	\$ 4,429,057
Loss on disposal of tangible capital assets	13,590	114,111
Amortization of tangible capital assets	1,924,829	1,730,834
Receivable - General	51,654	(68,932)
Receivable - Private Developer	(400,000)	-
Receivable - Federal Government and its agencies	1,808,274	(1,603,406)
Receivable - Province of New Brunswick	1,040,321	(819,450)
Accounts payable and accrued liabilities	(1,457,167)	2,552,099
Deferred revenue	6,989	(3,010)
Accrued sick leave	(21,200)	-
Post employment benefits payable	(132,800)	(73,200)
Change in inventory/prepaid expenses/deferred expenses	<u>(4,609)</u>	<u>(39,374)</u>
	<u>3,592,113</u>	<u>6,218,729</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(1,485,927)	(6,865,121)
Proceeds on disposal of tangible capital assets	<u>3,200</u>	<u>3,001</u>
	<u>(1,482,727)</u>	<u>(6,862,120)</u>
FINANCING TRANSACTION		
Long term debt	<u>(733,000)</u>	<u>(560,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,376,386	(1,203,391)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>(140,745)</u>	<u>1,062,646</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,235,641</u>	<u>\$ (140,745)</u>
CASH CONSISTS OF:		
Cash	\$ 3,799,017	\$ 3,073,746
Short term financing	<u>(2,563,376)</u>	<u>(3,214,491)</u>
	<u>\$ 1,235,641</u>	<u>\$ (140,745)</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. PURPOSE OF THE ORGANIZATION

The Town of St. Stephen (the "Town") was incorporated by the Province of New Brunswick on May 17, 1871. As a municipality, the Town is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act. The Town has the following vision statement, "the Town of St. Stephen will strive to increase its population and prosperity through proactively pursuing boundary expansion, economic development and diversification, and revitalization of its downtown and infrastructure all while capitalizing on its location and quality of life."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local government, as recommended by the Public Sector Accounting Board ("PSAB") of CPA Canada.

The focus of Public Sector Accounting Standards ("PSAS") financial statements is on the financial position of the Town and the changes thereto. The consolidated statement of financial position includes all of the assets and liabilities of the Town.

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

Reporting Entity

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

Interdepartmental and organizational transactions and balances are eliminated.

The St. Croix Public Library has been consolidated into these financial statements.

Budget

The budget figures contained in these consolidated financial statements were approved by Council on January 22, 2018 and the Director of Community Finances on January 28, 2018 for the General Operating Fund.

The Utility Operating Fund budget was approved by Council on January 22, 2018 and the Director of Community of Finances on January 28, 2018.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments with actively traded markets are reported at fair value, with any unrealized gains and losses reported in annual surplus. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Other revenue is recorded when it is earned.

Expenditure Recognition

Expenditures are recorded on an accrual basis.

Measurement Uncertainty

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenditures during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results may differ from those estimates.

Examples of significant estimates include:

- allowance for doubtful accounts;
- providing for amortization of tangible capital assets;
- the estimated useful lives of tangible capital assets;
- the recoverability of tangible capital assets; and
- sick leave and post employment benefits liability.

Inventory

Inventory consists of sand, salt, civic center canteen merchandise and various other items and is valued at the lower of cost and net realizable value using a first in first out ("FIFO") inventory method.

Capital Reserves

The use of the Capital Reserve Funds is restricted to capital expenditures. The intention is to use these funds for future expenditures and reduce future borrowing requirements.

Operating Reserves

The use of these funds is restricted to payment of operating expenditures.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 of the tangible capital asset, less any residual value when applicable, is amortized on a straight-line basis over the estimated useful lives as follows:

<u>Asset Type</u>	<u>Estimated Useful Life</u>
Land improvements	10-25 years
Buildings and leasehold improvements	25-40 years
Light vehicles	5 years
Machinery and equipment	5-25 years
Road and streets	15-60 years
Water and sewer	30-60 years
Treatment facilities	15-100 years
Marine structures	30 years

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

The Town regularly reviews its capital assets to eliminate obsolete items.

Segmented Information

The Town is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Town'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 Town. This includes council functions, general and financial management, legal matters and compliance with legislation, as well as civic relations.

Protective Services

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

Transportation Services

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

Environmental Health Services

This department is responsible for the provision of waste collection and disposal.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Segmented Information (cont'd)

Environmental Development Services

This department is responsible 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, civic center, 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.

The Town has documented a schedule of segmented disclosure in Note 18.

Sick Leave and Post Employment Benefits

The Town recognizes its obligations under sick leave and post employment benefit plans and the related costs, net of plan assets. The Town has a sick leave benefit (Note 9), a retirement allowance and pension plan (Note 10). The Town has restricted \$556,346 to assist in the funding of these benefits as at December 31, 2018 (2017 - \$547,640).

3. FINANCIAL INSTRUMENTS

The Town is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Town's risk exposure and concentration as of December 31, 2018:

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Town is exposed to credit risk from its accounts receivable. The Town's credit risk is mitigated by the fact that its accounts receivable consist primarily of funds due from the Federal Government and the Province of New Brunswick. The other accounts receivable consists of many customers, therefore there is not a large concentration of risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt, accounts payable and accrued liabilities and other obligations.

Currency Risk

Currency risk is the risk to the Town's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Town is not exposed to foreign currency risk as it does not hold foreign currencies.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

3. FINANCIAL INSTRUMENTS (cont'd)

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk as its interim borrowing has a variable interest rate.

4. CASH

	<u>2018</u>	<u>2017</u>
Cash - unrestricted	\$ 707,512	\$ 779,440
Cash - restricted - reserves (Note 20)	2,535,159	1,746,666
Cash - restricted - retirement allowance (Notes 2, 3 and 10)	216,975	213,579
Cash - restricted - accrued sick leave (Notes 2, 3 and 9)	<u>339,371</u>	<u>334,061</u>
	<u>\$ 3,799,017</u>	<u>\$ 3,073,746</u>

5. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	<u>2018</u>	<u>2017</u>
Canada Revenue Agency (HST refund)	\$ 432,360	\$ 1,156,435
Clean Water and Wastewater Fund	182,746	1,195,838
Small Communities Fund	-	10,000
Atlantic Canada Opportunities Agency	<u>-</u>	<u>61,107</u>
	<u>\$ 615,106</u>	<u>\$ 2,423,380</u>

6. DUE FROM PROVINCE OF NEW BRUNSWICK

	<u>2018</u>	<u>2017</u>
Regional Development Corporation	\$ 9,700	\$ 232,194
Small Communities Fund	-	10,000
Designated Highway Fund	8,473	366,063
Clean Water and Wastewater Fund	91,373	597,919
Dennis Weston LSD	<u>56,309</u>	<u>-</u>
	<u>\$ 165,855</u>	<u>\$ 1,206,176</u>

7. DEFERRED REVENUE

Deferred revenue consists of flat rate water fees collected in advance, and civic centre passes and gift cards that relate to 2019.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

8. LONG TERM DEBT

	Balance January 1, 2018	Issued during year	Redeemed during year	Balance December 31, 2018
New Brunswick Municipal Financing Corporation				
Debtures:				
BQ - 26 1.20% - 1.85% series, due 2022	\$ 171,000	\$ -	\$ 33,000	\$ 138,000
BR - 24 1.65% - 2.90% series, due 2027	200,000	-	18,000	182,000
AZ - 31 2.10% - 4.95% series, due 2018	28,000	-	28,000	-
BA - 26 0.95% - 5.00% series, due 2019	108,000	-	54,000	54,000
BC - 20 1.50% - 4.55% series, due 2020	178,000	-	57,000	121,000
BD - 29 1.50% - 3.85% series, due 2020	50,000	-	16,000	34,000
BH - 30 1.35% - 3.80% series, due 2032	304,000	-	32,000	272,000
BK - 16 1.15% - 3.45% series, due 2024	256,000	-	34,000	222,000
BP - 24 1.20% - 3.80% series, due 2036	3,649,000	-	153,000	3,496,000
AZ - 32 2.10% - 4.95% series, due 2018	19,000	-	19,000	-
BA - 27 0.95% - 5.00% series, due 2019	1,129,000	-	79,000	1,050,000
BC - 21 1.50% - 4.55% series, due 2020	158,000	-	51,000	107,000
BI - 27 1.35% - 3.25% series, due 2023	65,000	-	10,000	55,000
BK - 17 1.15% - 3.45% series, due 2024	923,000	-	122,000	801,000
BM - 26 0.95% - 2.80% series, due 2025	184,000	-	21,000	163,000
BO - 29 1.45% - 2.90% series, due 2026	37,000	-	4,000	33,000
BQ - 27 1.20% - 2.70% series, due 2027	24,000	-	2,000	22,000
	<u>\$ 7,483,000</u>	<u>\$ -</u>	<u>\$ 733,000</u>	<u>\$ 6,750,000</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

8. LONG TERM DEBT (cont'd)

Approval of the Municipal Capital Borrowing Board has been obtained for the long term debt.

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

2019	\$ 1,672,000
2020	578,000
2021	456,000
2022	467,000
2023	419,000

In 2019, debenture BA - 27 will mature with a final amount due of \$1,050,000, however \$970,000 of this payment is expected to be refinanced during that year.

9. ACCRUED SICK LEAVE

The Town provides sick leave that accumulates at 1.5 days per month for all full-time employees. All employees can accumulate a maximum of 210 sick leave days. An employee can take a leave with pay for an amount of time equal to the accumulated sick leave. Upon retirement, due to age or disability, or upon death, the plan provides to the unionized employees who are members of the New Brunswick Municipal Employee Pension Plan, a payout of any accumulated sick days at the then current rate of pay.

An actuarial valuation was performed on the 36 unionized and 14 non-unionized employees plan in accordance with PS 3255 as at December 31, 2017 (valuations are completed every three years). The actuarial method used was the Projected Unit Credit pro-rated on service to expected usage (non-unionized) and Projected Unit Credit pro-rated on service to retirement (unionized). 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 Town's best estimates.

The following summarizes the major assumptions in the valuation:

- annual salary increase is 3%;
- the discount rate used to determine the accrued benefit obligations is 3.07%;
- retirement age is 60 or one year after the valuation date if employee is already over 60 years old;
- estimated net excess utilization of rate of sick leave for non-unionized employees is 2.17 days per employee per year; and
- estimated net excess utilization of rate of sick leave for unionized employees is assumed to be zero.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

9. ACCRUED SICK LEAVE (cont'd)

The liability was estimated to be \$237,900 on December 31, 2018 (2017 - \$259,100). The Town has restricted \$339,371 (2017 - \$334,061) in cash to fund this future liability (Note 4).

10. POST EMPLOYMENT BENEFITS PAYABLE

The post employment benefits payable consists of the following:

	<u>Estimated</u> <u>2018</u>	<u>2017</u>
Retirement allowance and other	\$ 115,100	\$ 162,200
Pension obligation - NBMEPP	<u>529,600</u>	<u>615,300</u>
	<u>\$ 644,700</u>	<u>\$ 777,500</u>

Retirement Allowance and Other

Retirement allowance benefit is for the Town management employees after attaining at least 10 years of continuous service. The benefit is equal to ten days' pay for each full year of continuous service. The number of days should not exceed 260 days, and is paid at the employee's regular rate of total compensation at retirement. A severance gift is also provided for the Town employees paid upon retirement. The gift is \$1,000 for management employees, \$500 for unionized employees and \$50 to \$1,000 for volunteer firefighters depending on years of service at severance. Finally, management employees have 50% of their health and life insurance premiums paid by the Town upon retirement up to age 65 to a maximum coverage period of 5 years.

An actuarial valuation was performed on the plan for 36 unionized employees, 14 non-unionized employees and 28 volunteer firefighters in accordance with PS 3250 as at December 31, 2017 (valuations are completed every three years). The actuarial method used was the Projected Unit Credit method.

The actuarial valuation for accounting purposes 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 management's best estimates. The following summarizes the major assumptions in the valuation as at December 31, 2017:

- the discount rate used to determine the accrued benefit obligation is 3.07%;
- salary increase rate of 3% per annum;
- life insurance premiums increase by 3% per year; and
- health insurance premiums increase by 5% per annum.

The Town has restricted \$216,975 (2017 - \$213,579) in cash to fund this future liability (Note 4).

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

10. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

Pension Obligation

The Town and its employees participate in the New Brunswick Municipal Employees Pension Plan ("NBMEPP"). The NBMEPP is a multiple-employer defined benefit pension plan administered by a board elected by the members under the provisions of the Municipalities Act of New Brunswick. The NBMEPP provides pensions based on length of service and best average earnings.

Actuarial valuations for funding purposes are performed either annually or triennially depending on the financial position of the NBMEPP (currently annually). In turn, the actuarial valuations for accounting purposes are based on these figures (with adjustments). The most recent actuarial valuation was prepared as at December 31, 2016 and resulted in an overall NBMEPP accrued benefit obligation of \$115,347,700 based on the accounting basis.

The actuarial valuation for accounting purposes 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 management's best estimates. The following summarizes the major assumptions in the valuation as at December 31, 2017:

- the expected inflation rate is 2.25% (prior 2.25%);
- the discount rate used to determine the accrued benefit obligation is 5.5% (prior 5.6%);
- the expected rate of return on assets is 5.5% (prior 5.6%);
- retirement age varies by age and employment category; and
- estimated average remaining service life (EARSLS) is 14.0 years (prior 14.0 years).

The actuarial valuation prepared as at December 31, 2016 indicated that the present value of the accumulated plan benefits exceeded the market value of the net assets available for these benefits. The pension plan has been granted a solvency deficiency exemption by the Province of New Brunswick. On a going concern valuation basis, the actuarial valuation indicated a plan deficit of \$254,800, a change of \$1,005,400 from the December 31, 2015 deficit of \$1,260,200. Based on the assumptions as at December 31, 2016, the actuary expected the level of employer and employee contributions to be sufficient to fund the deficit in less than fifteen years, as allowed by the Pensions Benefits Act.

As at December 31, 2016, the NBMEPP provides benefits for 233 retirees. Total benefits payments to retirees and terminating employees during 2018 are estimated to be approximately \$3,508,400 (actual 2017, \$4,638,400) in totality for the NBMEPP.

Employees make contributions using rates that vary by earnings level and employment category, with an overall average contribution rate of approximately 7.99%. Each municipality contributes an amount that equals their employees contributions amounts. Pension fund assets are invested in short term securities, bonds, Canadian equities and foreign equities. Combined employees and municipalities contributions for 2018 are estimated to be approximately \$6,377,000 (actual 2017, \$6,196,600) in totality for the NBMEPP.

The following summarizes the NBMEPP data as it relates to the Town of St. Stephen:

- The average age of the 41 active employees covered by the NBMEPP is 49.4;
- Benefit payments were \$252,800 in 2017 and are estimated to be \$195,100 in 2018; and
- Combined contributions were \$319,200 in 2017 and were estimated to be \$328,800 in 2018.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

10. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

In addition to determining the position of the NBMEPP as it relates to the Town of St. Stephen as at December 31, 2016 and December 31, 2017, NBMEPP's actuary performed an extrapolation of the December 31, 2017 accounting valuation to determine the estimated position as at December 31, 2018. The extrapolation assumes assumptions used as at December 31, 2018 remain unchanged from December 31, 2017. The extrapolation also assumes assets return 5.5% net of all fees and expenses. If experience is different than assumed, amounts will be adjusted to reflect actual experience. Results of the extrapolation are as follows:

	Estimated Jan 1, 2018 to Dec 31, 2018	Jan 1, 2017 to Dec 31, 2017
Accrued Benefit Liability		
Accrued benefit liability at beginning of period	\$ 584,200	\$ 665,900
Pension expense for the year	109,800	77,900
Employer contributions	<u>(164,400)</u>	<u>(159,600)</u>
Accrued benefit liability at end of period	<u>\$ 529,600</u>	<u>\$ 584,200</u>

In summary, the accrued benefit liability as it related to the Town of St. Stephen is estimated to be \$529,600 as at December 31, 2018. The December 31, 2017 liability was estimated in the prior year. The actual liability was calculated to be \$584,200. The difference of \$31,100 has been recorded in the current year. This amount is included in the post employment benefits payable on the consolidated statement of financial position.

The financial position as it relates to the accrued benefit liability is shown as follows and illustrates the unamortized amounts being recognized in pension expense over time:

	Estimated Jan 1, 2018 to Dec 31, 2018	Jan 1, 2017 to Dec 31, 2017
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 7,090,300	\$ 6,635,600
Plan assets	<u>(6,848,400)</u>	<u>(6,361,200)</u>
Plan deficit	241,900	274,400
Unamortized experience losses	<u>(287,700)</u>	<u>(309,800)</u>
Accrued benefit liability at end of period	<u>\$ 529,600</u>	<u>\$ 584,200</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

10. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

The following illustrates the reconciliation of accrued benefit obligation from the beginning of period to the end of period:

	Estimated Jan 1, 2018 to Dec 31, 2018	Jan 1, 2017 to Dec 31, 2017
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 6,635,600	\$ 6,397,800
Current service cost	282,400	248,700
Benefit payments	(195,100)	(252,800)
Interest for period	367,400	358,200
Experience loss during period	<u> -</u>	<u> (116,300)</u>
Accrued benefit obligation at end of period	<u>\$ 7,090,300</u>	<u>\$ 6,635,600</u>

The following illustrates the reconciliation of plan assets from the beginning of period to the end of period:

	Estimated Jan 1, 2018 to Dec 31, 2018	Jan 1, 2017 to Dec 31, 2017
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 6,361,200	\$ 6,097,500
Employer contributions	164,400	159,600
Employee contributions	164,400	159,600
Benefit payments	(195,100)	(252,800)
Expected interest for period	<u>353,500</u>	<u>197,300</u>
Plan assets at end of period	<u>\$ 6,848,400</u>	<u>\$ 6,361,200</u>

Total expense related to pensions include the following components:

	Estimated Jan 1, 2018 to Dec 31, 2018	Jan 1, 2017 to Dec 31, 2017
Pension Expense		
Employer current service cost	\$ 118,000	\$ 89,100
Interest on accrued benefit obligation	367,400	358,200
Expected return on assets	<u>(353,500)</u>	<u>(343,300)</u>
	<u>131,900</u>	<u>104,000</u>
Amortization of unrecognized balances		
Experience gain	<u>(22,100)</u>	<u>(26,100)</u>
Pension expense	<u>\$ 109,800</u>	<u>\$ 77,900</u>

The pension expense is included in the statement of operations.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

11. CONTINGENT LIABILITY

In the normal course of operations, the Town becomes involved in various claims and legal proceedings. The Town maintains insurance coverage in amounts considered appropriate to cover applicable claims.

12. COMMITMENTS

Developers Incentive - Multi-Residential Development

In 2009, the Town committed \$48,000 to a local developer to aid in the cost of expanding a multi-residential building. The commitment is payable in annual contributions of \$4,000 over a twelve year period commencing upon completion of construction. In 2010, the project was completed and the Town has paid \$36,000 to date.

Developers Incentive - Retirement Community Apartment Complex

In 2010, the Town committed \$185,160 to a local developer to aid in the cost of construction of a thirty-five unit senior housing complex. The commitment is for waived building permit fees, a lump sum payment of \$27,500 in the year following the completion of the project, and \$353 per unit for twelve years. In 2011, the project was completed and the Town has paid \$113,985 to date.

Developers Incentive - Manufacturing Company

In 2014, the Town committed \$200,000 under its "Major Industry and Economic Incentive Policy No 57-A" to a local manufacturing company to aid with developmental capital and operating expenses. The commitment is conditionally payable in annual contributions of \$10,000 over a twenty year period. The Town has paid \$30,000 to date.

Developers Incentive - Retail and Hotel Development

In 2018, the Town committed \$495,899 under its "Major Industry and Economic Incentive Policy No 57-A" to a developer, to aid with developmental capital and operating expenses of lands for commercial uses including retail operations and a hotel. The commitment is conditionally payable in annual contributions over a five year period (Year 1 - \$116,000; Year 2 - \$111,800; Year 3 - \$107,390; Year 4 - \$102,759 and Year 5 - \$57,950) commencing one year from substantial completion. The project is not yet complete and the Town has paid \$0 to date.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

13. SHORT TERM BORROWING

Interim Borrowing Capital Funds

The Town has arranged a revolving operating facility bearing interest at prime less 0.50% for the General Fund and Water and Sewerage Fund. The facility is used to provide interim financing for capital expenditures.

The Town has remaining outstanding authority for short-term borrowings as follows:

General Capital Fund, OIC # 08-0028	\$ 153,000
General Capital Fund, OIC # 17-0031	2,702,000
General Capital Fund, OIC # 14-0060	1,000,000
General Capital Fund, OIC # 15-0095	655,000
General Capital Fund, OIC # 18-0024	1,105,000
Water and Sewerage Capital Fund, OIC # 17-0031	3,730,000
Water and Sewerage Capital Fund, OIC # 15-0095	276,000
Water and Sewerage Capital Fund, OIC # 18-0024	<u>204,000</u>
	<u>\$ 9,825,000</u>

13. SHORT TERM BORROWING

Operating Borrowing

As prescribed in the Local Governance Act, borrowing to finance General Operating Fund operations is limited to 4% of the Municipality's budget. Borrowing to finance Water and Sewer Fund operations is limited to 50% of the operating budget for the year. In 2018, the Town has complied with these restrictions.

Inter-fund Borrowing

The Municipal Financing 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.

14. WATER AND SEWER FUND SURPLUS (DEFICIT)

The Local Governance 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 ensuing year; the balance of the surplus (deficit) at the end of the year consists of:

	<u>2018</u>	<u>2017</u>
2018 Deficit	\$ (67,469)	\$ -
2017 Deficit	(15,860)	(15,860)
2016 Surplus	61,947	92,921
2015 Surplus	58,547	117,094
2014 Deficit	<u>(48,811)</u>	<u>(97,623)</u>
	<u>\$ (11,646)</u>	<u>\$ 96,532</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

15. GENERAL FUND SURPLUS

The Municipalities Act requires the General Fund surplus amounts to be absorbed into the Operating Budgets of the second ensuing year; the balance of the surplus at the end of the year consists of:

	<u>2018</u>	<u>2017</u>
2018 Surplus	\$ 280,156	\$ -
2017 Surplus	365,267	365,267
2016 Surplus	<u>-</u>	<u>593,453</u>
	<u>\$ 645,423</u>	<u>\$ 958,720</u>

16. CHARLES F. TODD TRUST

The Charles F. Todd Trust consists of annual payments to the Town from the Estate of Charles F. Todd. By virtue of a court order dated June 7, 2004, the annual payment from the Trust is to be disbursed as follows: \$200 to the Poppy Fund of the Milltown Branch No. 48 of the Royal Canadian Legion; Fifty percent of the remaining funds to the Volunteer Centre of Charlotte County Inc; the remaining balance awarded in two scholarships to students of St. Stephen High School.

As of December 31, 2018, there was \$9,122 (2017 - \$8,200) remaining in the trust.

The activity of the Charles F. Todd Trust has been excluded from these financial statements.

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

17. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Roads and Streets	Infrastructure			Assets Under Construction	2018 Total	2017 Total
							Treatment Facilities	Water and Sewer	Marine Structures			
COST												
Balance - beginning of year	\$ 1,941,034	\$ 940,860	\$ 25,139,638	\$ 652,337	\$ 4,534,653	\$ 17,473,658	\$ 5,919,650	\$ 19,913,965	\$ 840,235	\$ 77,356,030	\$ 71,389,426	
Add: net additions during the year	136	88,956	28,986	11,576	83,083	294,678		369,817		608,695	1,485,927	6,865,121
Less: disposals during the year	(5,891)	(51,930)	(14,828)	(19,233)	(611)	(22,513)		(5,794)		(120,800)	(898,518)	
Balance - end of year	<u>1,935,279</u>	<u>977,886</u>	<u>25,153,796</u>	<u>644,680</u>	<u>4,617,125</u>	<u>17,745,823</u>	<u>5,919,650</u>	<u>20,277,988</u>	<u>840,235</u>	<u>608,695</u>	<u>78,721,157</u>	<u>77,356,029</u>
ACCUMULATED AMORTIZATION												
Balance - beginning of year												
Add: amortization during the year		36,008	607,279	46,840	251,121	549,953	111,595	322,033			1,924,829	1,730,834
Less: accumulated amortization on disposals		(51,930)	(5,042)	(19,233)	(611)	(21,398)		(5,794)			(104,008)	(781,407)
Balance - end of year		<u>399,144</u>	<u>4,785,938</u>	<u>580,591</u>	<u>3,370,458</u>	<u>8,458,114</u>	<u>1,852,955</u>	<u>5,889,829</u>	<u>840,235</u>		<u>26,177,264</u>	<u>24,356,444</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,935,279</u>	<u>\$ 578,742</u>	<u>\$ 20,367,858</u>	<u>\$ 64,089</u>	<u>\$ 1,246,667</u>	<u>\$ 9,287,709</u>	<u>\$ 4,066,695</u>	<u>\$ 14,388,159</u>	<u>\$ -</u>	<u>\$ 608,695</u>	<u>\$ 52,543,893</u>	<u>\$ 52,999,585</u>
Consists of:												
General Fund Assets												
Water & Sewer Fund Assets	\$ 1,863,827	\$ 578,742	\$ 20,367,858	\$ 30,859	\$ 1,106,120	\$ 9,287,709	\$ -	\$ -	\$ -	\$ 120,302	\$ 33,355,417	\$ 34,278,866
St. Croix Public Library Assets	71,452			33,230	125,425		4,066,695	14,388,159		488,393	19,173,354	18,720,719
					<u>15,122</u>					<u>15,122</u>		
	<u>\$ 1,935,279</u>	<u>\$ 578,742</u>	<u>\$ 20,367,858</u>	<u>\$ 64,089</u>	<u>\$ 1,246,667</u>	<u>\$ 9,287,709</u>	<u>\$ 4,066,695</u>	<u>\$ 14,388,159</u>	<u>\$ -</u>	<u>\$ 608,695</u>	<u>\$ 52,543,893</u>	<u>\$ 52,999,585</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

18. SCHEDULE OF SEGMENT DISCLOSURE

	<u>General</u>	<u>Protective</u>	<u>Transportation</u>	<u>Environmental Health</u>	<u>Environmental Development</u>	<u>Recreation and Culture</u>	<u>Water and Sewer</u>	<u>2018 Consolidated</u>	<u>2017 Consolidated</u>
REVENUE									
Property tax warrant	\$ 503,436	\$ 1,372,695	\$ 1,298,886	\$ 164,051	\$ 179,470	\$ 1,838,226	\$ -	\$ 5,356,764	\$ 5,376,249
Services provided to other governments	-	181,456	71,032	-	-	20,000	-	272,488	243,443
Sale of services	-	42,505	-	-	-	547,724	-	590,229	602,014
Other revenue from own sources	51,815	202,306	-	-	-	-	-	254,121	284,225
Unconditional grant	129,363	352,728	333,762	42,154	46,117	472,352	-	1,376,476	1,665,046
Unconditional transfers from other governments	95,785	-	-	-	-	-	-	95,785	-
Conditional transfers	62,949	-	-	-	-	25,704	-	1,207,869	4,789,230
Other transfers	-	-	-	-	-	-	-	-	-
Water and sewer user fees	-	-	-	-	-	-	2,028,267	2,028,267	1,983,133
Interest	53,345	-	-	-	-	-	87,801	141,146	107,786
Other	-	-	-	-	-	11,077	-	11,077	13,990
	<u>737,959</u>	<u>2,151,690</u>	<u>1,703,680</u>	<u>206,205</u>	<u>225,587</u>	<u>2,915,083</u>	<u>3,235,284</u>	<u>11,334,222</u>	<u>15,065,116</u>
EXPENDITURE									
Salaries and benefits	343,182	637,821	628,576	-	-	887,963	784,679	3,282,221	3,214,873
Goods and services	420,087	1,398,365	619,958	250,345	258,930	1,044,252	979,219	4,971,156	5,202,208
Interest	3,525	3,114	72,604	-	78	134,300	148,037	361,658	329,193
Other (recovery)	(8,578)	-	1,115	-	(775)	17,689	22,675	32,126	158,951
Amortization	10,040	55,467	659,877	-	15,642	720,973	462,830	1,924,829	1,730,834
	<u>768,256</u>	<u>2,094,767</u>	<u>1,982,130</u>	<u>250,345</u>	<u>273,875</u>	<u>2,805,177</u>	<u>2,397,440</u>	<u>10,571,990</u>	<u>10,636,059</u>
Surplus (deficit) for the year	<u>\$ (30,297)</u>	<u>\$ 56,923</u>	<u>\$ (278,450)</u>	<u>\$ (44,140)</u>	<u>\$ (48,288)</u>	<u>\$ 109,906</u>	<u>\$ 837,844</u>	<u>\$ 762,232</u>	<u>\$ 4,429,057</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

19. RECONCILIATION OF ANNUAL SURPLUS

	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 Oper/Capital Reserve Fund	St. Croix Public Library	<u>Total</u>
2018 annual surplus (deficit)	\$ 1,047,420	\$ (937,326)	\$ (25,402)	\$ 21,567	\$ (214,001)	\$ 893,466	\$ 1,473	\$ (24,958)	\$ 762,232
Adjustments to annual surplus (deficit) for funding requirements									
Second previous year's surplus	593,453				40,709				634,162
Transfers between funds									
Transfer from general operating fund to general capital fund									
Transfer from general operating fund to general capital reserve fund	(738,902)			738,902					
Transfer from general operating reserve fund to general capital fund	28,986		(28,986)						
Transfer from general operating fund to general operating reserve fund	(21,221)		21,221						
Transfer from water and sewer operating fund to water and sewer capital reserve fund					(30,674)		30,674		
Long term debt principal repayment	(425,000)	425,000			(308,000)	308,000			
Revenue adjustment	(39,927)							39,927	
Post employment benefits recovery	(135,667)				(18,333)				(154,000)
Accumulated amortization on disposal of capital assets		(78,981)							(104,008)
Amortization expense		1,461,999			462,830	(25,027)			1,924,829
Total adjustments to 2018 annual surplus (deficit)	<u>(767,264)</u>	<u>1,808,018</u>	<u>21,221</u>	<u>738,902</u>	<u>146,532</u>	<u>282,973</u>	<u>30,674</u>	<u>39,927</u>	<u>2,300,983</u>
2018 annual surplus (deficit)	<u>\$ 280,156</u>	<u>\$ 870,692</u>	<u>\$ (4,188)</u>	<u>\$ 760,469</u>	<u>\$ (67,469)</u>	<u>\$ 1,176,439</u>	<u>\$ 32,147</u>	<u>\$ 14,969</u>	<u>\$ 3,063,215</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

20. STATEMENT OF RESERVES

	<u>General Operating Reserve</u>	<u>General Capital Reserve</u>	<u>Water and Sewer Operating Reserve</u>	<u>Water and Sewer Capital Reserve</u>	<u>2018 Total</u>	<u>2017 Total</u>
ASSETS						
Cash	\$ 232,971	\$ 2,086,703	\$ 15,044	\$ 200,441	\$ 2,535,159	\$ 1,746,666
Due from General Operating Fund	-	-	-	-	-	70
TOTAL ASSETS	<u>\$ 232,971</u>	<u>\$ 2,086,703</u>	<u>\$ 15,044</u>	<u>\$ 200,441</u>	<u>\$ 2,535,159</u>	<u>\$ 1,746,736</u>
ACCUMULATED SURPLUS	<u>\$ 232,971</u>	<u>\$ 2,086,703</u>	<u>\$ 15,044</u>	<u>\$ 200,441</u>	<u>\$ 2,535,159</u>	<u>\$ 1,746,736</u>
REVENUE						
Transfer from Water and Sewage Operating Fund	\$ -	\$ -	\$ -	\$ 30,674	\$ 30,674	\$ -
Transfers from General Operating Funds	21,221	738,902	-	-	760,123	510,279
Interest	3,577	21,562	126	1,347	26,612	14,072
	<u>24,798</u>	<u>760,464</u>	<u>126</u>	<u>32,021</u>	<u>817,409</u>	<u>524,351</u>
EXPENDITURE						
Transfer to Water and Sewage Operating Fund	-	-	-	-	-	32,731
Transfer to Water and Sewer Capital Fund	-	-	-	-	-	51,111
Transfer to General Operating Fund	28,986	-	-	-	28,986	150,211
Transfer to General Capital Fund	-	-	-	-	-	455,554
	<u>28,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,986</u>	<u>689,607</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (4,188)</u>	<u>\$ 760,464</u>	<u>\$ 126</u>	<u>\$ 32,021</u>	<u>\$ 788,423</u>	<u>\$ (165,256)</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

20. STATEMENT OF RESERVES (cont'd)

Council Resolutions regarding transfers to and from reserves:

Moved by Councillor Wheaton and Seconded by Councillor Chisholm that the amount of \$28,986.00 (twenty-eight thousand, nine hundred and eighty-six dollars) be transferred from the General Operating Reserve Fund to the General Operating Fund.

Moved by Councillor Wheaton and Seconded by Councillor Chisholm that the amount of \$30,674 (thirty thousand, six hundred and seventy-four dollars) be transferred from the Water and Sewerage Operating Fund to the Water and Sewerage Capital Reserve Fund.

Moved by Councillor Harding and Seconded by Councillor Chisholm that the amount of \$11,221 (eleven thousand, two hundred and twenty-one dollars) be transferred from the General Operating Fund to the General Operating Reserve Fund.

Moved by Deputy Mayor Carr and Seconded by Councillor Parker that the amount of \$10,000 (ten thousand dollars) be transferred from the General Operating Fund to the General Operating Reserve Fund.

Moved by Councillor Harding and Seconded by Councillor Hyslop that the amount of \$375,352 (three hundred and seventy-five thousand, three hundred and fifty-two dollars) be transferred from the General Operating Fund to the General Capital Reserve Fund.

Moved by Councillor Wheaton and Seconded by Deputy Mayor Carr that the amount of \$363,550 (three hundred and sixty-three thousand, five hundred and fifty dollars) be transferred from the General Operating Fund to the General Capital Reserve Fund.

I hereby certify that the above are true copies of resolutions adopted at the regular meetings of Council on July 23, 2018 and December 17, 2018.

Clerk,
Town of St. Stephen

Date

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

21. OPERATING BUDGET TO PSAS BUDGET

	Operating Budget General	Operating Budget Water and Sewer	Amortization and Long Term Accruals	Controlled Entities	Transfers	Total
REVENUE						
Property tax warrant	\$ 5,356,765	\$ -	\$ -	\$ -	\$ -	\$ 5,356,765
Services provided to other governments	253,708	-	-	-	20,000	273,708
Sales of services, fines and other fees	605,134	-	-	-	(20,000)	585,134
Other revenue from own sources	188,617	126,200	-	-	(125,000)	189,817
Unconditional grant	1,442,611	-	-	-	-	1,442,611
Other government transfers	4,200	-	-	-	-	4,200
Conditional transfers	899,084	-	-	-	(899,084)	-
Other transfers	-	2,065,570	-	-	-	2,065,570
Water and sewer user fees	-	74,100	-	-	-	74,100
Interest	7,225	-	-	-	(39,927)	(32,702)
Other	-	-	-	39,927	(682,974)	(643,047)
Surplus of second previous year	593,453	89,521	-	-	-	682,974
	<u>9,350,797</u>	<u>2,355,391</u>	<u>-</u>	<u>39,927</u>	<u>(1,746,985)</u>	<u>9,999,130</u>
EXPENDITURE						
General government services	1,044,472	-	(15,627)	-	(252,638)	776,207
Protective services	2,260,064	-	33,467	-	(121,886)	2,171,645
Transportation services	1,938,884	-	623,210	-	(538,148)	2,023,946
Environmental health services	247,794	-	-	-	-	247,794
Environmental development services	292,874	-	11,975	-	78	304,927
Recreation and cultural services	1,929,757	-	673,305	39,927	122,842	2,765,831
Fiscal services	-	-	-	-	-	-
Short term interest and bank charges	119,210	62,405	-	-	(181,615)	-
Interest on long term debt	150,940	96,067	-	-	(247,007)	-
Principal payments on long term debt	425,000	308,000	-	-	(733,000)	-
Transfer from General Operating Fund to General Capital Reserve Fund	485,277	-	-	-	(485,277)	-
Transfer from General Operating Fund to General Capital Fund	438,525	-	-	-	(438,525)	-
Transfer from General Operating Fund to General Operating Reserve Fund	10,000	-	-	-	(10,000)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Capital Reserve Fund	-	30,674	-	-	(30,674)	-
Water and Sewer	-	1,808,433	444,496	-	159,472	2,412,401
Deficit of second previous year	-	48,812	-	-	(48,812)	-
Other	8,000	1,000	-	-	(9,000)	-
	<u>9,350,797</u>	<u>2,355,391</u>	<u>1,770,826</u>	<u>39,927</u>	<u>(2,814,190)</u>	<u>10,702,751</u>
Surplus (deficit)	\$ -	\$ -	\$ (1,770,826)	\$ -	\$ 1,067,205	\$ (703,621)

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

22. REVENUE AND EXPENDITURE SUPPORT

	<u>2018</u>	<u>2018</u>	<u>2018</u>	<u>2017</u>
	Under (Over)	Budget	Actual	Actual
REVENUE				
Services provided to other governments				
Fire protection	\$ -	\$ 181,456	\$ 181,456	\$ 151,668
Roads and streets	1,220	72,252	71,032	71,775
Recreation	-	20,000	20,000	20,000
	<u>\$ 1,220</u>	<u>\$ 273,708</u>	<u>\$ 272,488</u>	<u>\$ 243,443</u>
Sale of services				
Fire	\$ (766)	\$ 41,739	\$ 42,505	\$ 44,479
Roads and streets	100	100	-	-
Recreation - Civic Centre	(7,287)	539,700	546,987	554,452
Recreation - outside	2,858	3,595	737	3,083
	<u>\$ (5,095)</u>	<u>\$ 585,134</u>	<u>\$ 590,229</u>	<u>\$ 602,014</u>
Other revenue from own sources				
Animal licenses	\$ 255	\$ 880	\$ 625	\$ 690
Construction permits	(9,427)	13,675	23,102	16,180
Other permits and licenses	400	875	475	1,100
Fines	(2,125)	275	2,400	475
Building rentals	(2,392)	172,212	174,604	162,376
Hydrant and sprinkler system rental	-	1,100	1,100	1,100
Miscellaneous	(51,015)	800	51,815	102,304
	<u>\$ (64,304)</u>	<u>\$ 189,817</u>	<u>\$ 254,121</u>	<u>\$ 284,225</u>
EXPENDITURE (RECOVERY)				
General government services				
Legislative				
Mayor	\$ 478	\$ 14,526	\$ 14,048	\$ 14,159
Councillors	1,541	40,759	39,218	38,102
Other	4,729	9,805	5,076	7,738
	<u>6,748</u>	<u>65,090</u>	<u>58,342</u>	<u>59,999</u>
Administrative				
Chief Administrative Officer's office	(1,867)	107,049	108,916	97,824
Clerk's office	(4,834)	23,025	27,859	25,039
Treasurer's office	5,218	178,950	173,732	128,170
Office building	798	60,440	59,642	59,139
Solicitor	(9,197)	20,000	29,197	22,964
Other	(11,511)	116,535	128,046	112,990
	<u>(21,393)</u>	<u>505,999</u>	<u>527,392</u>	<u>446,126</u>
Financial management				
Audit	(166)	12,770	12,936	12,519

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2018</u> Under (Over)	<u>2018</u> Budget	<u>2018</u> Actual	<u>2017</u> Actual
General government services (cont'd)				
Other				
Common services - conventions	705	1,500	795	-
Common services - liability insurance	-	64,495	64,495	65,507
Common services - grants	5,694	64,897	59,203	106,005
Sick leave and post employment benefits	-	(25,667)	(25,667)	(12,258)
Cost of assessment	-	65,773	65,773	66,012
Interest on temporary borrowing	(215)	3,310	3,525	3,464
Other services	16,578	8,000	(8,578)	811
Amortization	-	10,040	10,040	1,673
	<u>22,762</u>	<u>192,348</u>	<u>169,586</u>	<u>231,214</u>
	<u>\$ 7,951</u>	<u>\$ 776,207</u>	<u>\$ 768,256</u>	<u>\$ 749,858</u>
Protective services				
Fire				
Fire fighting force	\$ 50,603	\$ 649,541	\$ 598,938	\$ 693,447
Fire administration	(140)	13,200	13,340	14,218
Fire alarm system	10,396	21,690	11,294	22,583
Fire training	2,916	20,000	17,084	8,946
Fire station and buildings	5,552	39,555	34,003	52,275
Fire fighting equipment	<u>6,901</u>	<u>74,561</u>	<u>67,660</u>	<u>110,212</u>
	<u>76,228</u>	<u>818,547</u>	<u>742,319</u>	<u>901,681</u>
Police				
Administration and crime control	-	1,159,035	1,159,035	1,184,972
Station and building	<u>465</u>	<u>31,555</u>	<u>31,090</u>	<u>31,529</u>
	<u>465</u>	<u>1,190,590</u>	<u>1,190,125</u>	<u>1,216,501</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	2018 Under (Over)	2018 Budget	2018 Actual	2017 Actual
Protective services (cont'd)				
Other				
Bylaw officer and building inspector	(2,189)	81,450	83,639	86,430
Animal and pest control	1,785	19,530	17,745	18,297
Crosswalk guards	589	24,947	24,358	22,525
Sick leave and post employment benefits	-	(22,000)	(22,000)	(10,507)
Interest on long term debt	-	3,114	3,114	4,635
	185	107,041	106,856	121,380
Loss on disposal of capital assets	-	-	-	1,054
Amortization	-	55,467	55,467	67,197
	-	55,467	55,467	68,251
	\$ 76,878	\$ 2,171,645	\$ 2,094,767	\$ 2,307,813
Transportation services				
Common				
Administration	\$ 36,187	\$ 700,796	\$ 664,609	\$ 651,252
General equipment	2,548	214,426	211,878	212,026
Work shop	11,454	103,270	91,816	86,502
	50,189	1,018,492	968,303	949,780
Roadway surfaces	12,600	57,500	44,900	65,755
Storm sewers	(1,552)	4,000	5,552	(1,273)
Snow and ice removal	(25,914)	70,000	95,914	65,904
Street lighting	(12,309)	123,400	135,709	137,506
Street signs	956	4,000	3,044	2,436
Traffic signals	(210)	3,470	3,680	9,389
Airport	(5,213)	22,886	28,099	53,784
Sick leave and post employment benefits	-	(36,667)	(36,667)	(15,761)
Interest on temporary borrowing	24,384	65,900	41,516	26,043
Interest on long term debt	-	31,088	31,088	35,391
Provision for doubtful accounts	-	-	-	166
	42,931	1,364,069	1,321,138	1,329,120

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2018</u> Under (Over)	<u>2018</u> Budget	<u>2018</u> Actual	<u>2017</u> Actual
Transportation services (cont'd)				
Loss on disposal of capital assets	(1,115)	-	1,115	30,664
Amortization	<u>-</u>	<u>659,877</u>	<u>659,877</u>	<u>531,198</u>
	<u>(1,115)</u>	<u>659,877</u>	<u>660,992</u>	<u>561,862</u>
	<u>\$ 41,816</u>	<u>\$ 2,023,946</u>	<u>\$ 1,982,130</u>	<u>\$ 1,890,982</u>
Environmental health services				
Landfill costs	\$ (7)	\$ 315	\$ 322	\$ 315
Regional landfill and waste pickup	<u>(2,544)</u>	<u>247,479</u>	<u>250,023</u>	<u>244,423</u>
	<u>\$ (2,551)</u>	<u>\$ 247,794</u>	<u>\$ 250,345</u>	<u>\$ 244,738</u>
Environmental development services				
Community development	\$ 39,120	\$ 238,989	\$ 199,869	\$ 241,132
Tourist promotion	1,258	14,850	13,592	13,887
Beautification and land rehabilitation	(6,434)	39,035	45,469	48,990
Sick leave and post employment benefits	-	(3,667)	(3,667)	(1,751)
Interest on long term debt	-	78	78	216
Provision for doubtful accounts	-	-	-	18,314
Loss (gain) on disposal of capital assets	(2,892)	-	2,892	(3,000)
Amortization	<u>-</u>	<u>15,642</u>	<u>15,642</u>	<u>8,252</u>
	<u>\$ 31,052</u>	<u>\$ 304,927</u>	<u>\$ 273,875</u>	<u>\$ 326,040</u>
Recreation and cultural services				
Outside Recreation				
Administration	\$ (68,293)	\$ 98,222	\$ 166,515	\$ 96,705
Swimming pool	17,864	110,600	92,736	76,539
Parks and playgrounds	<u>2,690</u>	<u>322,794</u>	<u>320,104</u>	<u>323,084</u>
	<u>(47,739)</u>	<u>531,616</u>	<u>579,355</u>	<u>496,328</u>
Recreational Facilities				
Arena	7,814	15,000	7,186	9,086
Civic Center	<u>(17,550)</u>	<u>1,321,744</u>	<u>1,339,294</u>	<u>1,261,361</u>
	<u>(9,736)</u>	<u>1,336,744</u>	<u>1,346,480</u>	<u>1,270,447</u>

TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	2018 Under (Over)	2018 Budget	2018 Actual	2017 Actual
Recreation and cultural services (cont'd)				
Libraries	3,458	57,506	54,048	58,423
Sick leave and post employment benefits	-	(47,667)	(47,667)	(22,415)
Interest on temporary borrowing	32,360	50,000	17,640	13,120
Interest on long term debt	-	116,660	116,660	119,252
Loss of disposal of capital assets	(9,786)	-	9,786	-
Provision for doubtful accounts	(7,903)	-	7,903	13,570
Amortization	-	720,972	720,972	712,167
	<u>\$ (39,346)</u>	<u>\$ 2,765,831</u>	<u>\$ 2,805,177</u>	<u>\$ 2,660,892</u>
Water and sewer services				
Water system				
Administration	\$ (7,866)	\$ 175,383	\$ 183,249	\$ 170,469
Transmission and distribution	72,369	713,423	641,054	622,158
Power and pumping	(69,999)	189,572	259,571	349,118
Billing and collection	1	3,405	3,404	3,585
Interest on temporary borrowing	16,135	42,120	25,985	10,501
Interest on long term debt	-	62,748	62,748	68,786
Sick leave and post employment benefits	-	(11,000)	(11,000)	(7,005)
Amortization	-	242,259	242,259	208,307
	<u>10,640</u>	<u>1,417,910</u>	<u>1,407,270</u>	<u>1,425,919</u>
Sewer system				
Administration	(5,533)	175,383	180,916	167,511
Collection system	20,753	64,124	43,371	32,782
Lift stations	(3,144)	105,350	108,494	91,945
Treatment and disposal	19,619	378,388	358,769	388,557
Billing and collection	1	3,405	3,404	3,585
Interest on temporary borrowing	(5,700)	20,285	25,985	10,501
Interest on long term debt	-	33,319	33,319	37,285
Sick leave and post employment benefits	-	(7,333)	(7,333)	(3,502)
Amortization	-	220,570	220,570	202,038
	<u>25,996</u>	<u>993,491</u>	<u>967,495</u>	<u>930,702</u>
Provision for doubtful accounts	(21,875)	1,000	22,875	13,722
Loss (gain) on disposal of capital assets	200	-	(200)	85,393
	<u>(21,675)</u>	<u>1,000</u>	<u>22,675</u>	<u>99,115</u>
	<u>\$ 14,961</u>	<u>\$ 2,412,401</u>	<u>\$ 2,397,440</u>	<u>\$ 2,455,736</u>

RESOLUTION NO.: _____

DATE: July 31, 2019

MOVED BY: _____

SECONDED BY: _____

2018 AUDITED FINANCIAL STATEMENTS

THAT the 2018 Audited Financial Statements be approved as presented.

RESOLUTION NO.: _____

DATE: July 31, 2019

MOVED BY: _____

SECONDED BY: _____

ADJOURNMENT
THAT the meeting adjourn.