



St. Stephen Town Council to be held on the
NOVEMBER 5TH, 2020 at 5:00pm
in the Moosehead Room at the Garcelon Civic Center,
22 Budd Avenue, St. Stephen, New Brunswick

DUE TO COVID RESTRICTIONS, PUBLIC PARTICIPATION SHALL BE VIA FACEBOOK LIVE

SPECIAL MEETING AGENDA

A. CALL TO ORDER

B. MOMENT OF REFLECTION

C. ADDITION OF LATE ITEMS

D. ADOPTION OF AGENDA

"That the Agenda be approved as presented"

E. MAYOR'S COMMENTS/PROCLAMATIONS

F. DISCLOSURE OF INTEREST

G. PUBLIC AND/OR STATUTORY HEARINGS

- i) Presentation of the 2019 Audited Financial Statements
 - Presented by Mr. Peter Logan, CPA., of Teed Saunders Doyle. (via Zoom)

H. ADOPTION OF MINUTES

I. UNFINISHED BUSINESS FROM PREVIOUS MEETINGS

- i) Request from Canada First Basketball Inc.

MOTION:

"That a 2020 Community Grant in the amount of \$10,000 be awarded to Canada First Basketball to fund the development of draft concepts and renderings necessary to support the fundraising efforts related to the Experience Center."

J. CORRESPONDENCE

Requiring Action:

For Information:

K. BYLAWS, PERMITS, AND POLICIES

Bylaws for Third and Final Reading:

Bylaws for First and/or Second Reading:

L. NEW BUSINESS

- i) Adoption of the 2019 Financial Statements

MOTION:

"That the 2019 Audited Financial Statements be approved as presented."

M. QUESTION PERIOD

N. MAYOR AND COUNCILLOR ITEMS

O. NOTICE OF CLOSED MEETING

P. RECONVENE TO REGULAR MEETING

Q. ADJOURNMENT

TOWN OF ST. STEPHEN
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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TOWN OF ST. STEPHEN

DECEMBER 31, 2019



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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, 2019, 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, 2019, 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)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2017 and resulted in an overall NBMEPP accrued benefit obligation of \$122,959,100 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, 2018:

- 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%;
- retirement age varies by age and employment category; and
- estimated average remaining service life (EARSL) is 13.0 years (prior 14.0 years).

The actuarial valuation prepared as at December 31, 2017 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 surplus of \$43,100, a change of \$297,900 from the December 31, 2016 deficit of \$254,800. Based on the assumptions as at December 31, 2017, 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, 2017, the NBMEPP provides benefits for 236 retirees. Total benefits payments to retirees and terminating employees during 2019 are estimated to be approximately \$3,932,100 (actual 2018, \$5,502,500) 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 2019 are estimated to be approximately \$6,713,200 (actual 2018, \$6,532,500) 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 49.3;
- Benefit payments were \$304,600 in 2018 and are estimated to be \$247,800 in 2019; and
- Combined contributions were \$328,400 in 2018 and were estimated to be \$336,200 in 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2017 and December 31, 2018, NBMEPP's actuary performed an extrapolation of the December 31, 2018 accounting valuation to determine the estimated position as at December 31, 2019. The extrapolation assumes assumptions used as at December 31, 2019 remain unchanged from December 31, 2018. 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, 2019 to Dec 31, 2019	Jan 1, 2018 to Dec 31, 2018
Accrued Benefit Liability		
Accrued benefit liability at beginning of period	\$ 532,100	\$ 584,200
Pension expense for the year	181,500	111,100
Employer contributions	<u>(168,100)</u>	<u>(163,200)</u>
Accrued benefit liability at end of period	<u>\$ 545,500</u>	<u>\$ 532,100</u>

In summary, the accrued benefit liability as it related to the Town of St. Stephen is estimated to be \$545,500 as at December 31, 2019. The December 31, 2018 liability was estimated in the prior year to be \$529,600. The actual liability was calculated to be \$532,100. The difference of \$2,500 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, 2019 to Dec 31, 2019	Jan 1, 2018 to Dec 31, 2018
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 7,571,200	\$ 7,136,700
Plan assets	<u>(6,794,900)</u>	<u>(6,354,600)</u>
Plan deficit	776,300	782,100
Unamortized experience losses	<u>(230,800)</u>	<u>(250,000)</u>
Accrued benefit liability at end of period	<u>\$ 545,500</u>	<u>\$ 532,100</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019 to Dec 31, 2019	Jan 1, 2018 to Dec 31, 2018
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 7,136,700	\$ 6,635,600
Current service cost	288,700	284,500
Benefit payments	(247,800)	(304,600)
Interest for period	393,600	364,400
Experience loss during period	<u> -</u>	<u>156,800</u>
Accrued benefit obligation at end of period	<u>\$ 7,571,200</u>	<u>\$ 7,136,700</u>

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

	Estimated Jan 1, 2019 to Dec 31, 2019	Jan 1, 2018 to Dec 31, 2018
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 6,354,600	\$ 6,361,200
Employer contributions	168,100	163,200
Employee contributions	168,100	165,200
Benefit payments	(247,800)	(304,600)
Expected interest for period	<u>351,900</u>	<u>(30,400)</u>
Plan assets at end of period	<u>\$ 6,794,900</u>	<u>\$ 6,354,600</u>

Total expense related to pensions include the following components:

	Estimated Jan 1, 2019 to Dec 31, 2019	Jan 1, 2018 to Dec 31, 2018
Pension Expense		
Employer current service cost	\$ 120,600	\$ 119,300
Interest on accrued benefit obligation	393,600	364,400
Expected return on assets	<u>(351,900)</u>	<u>(350,500)</u>
	<u>162,300</u>	<u>133,200</u>
Amortization of unrecognized balances		
Experience gain	<u>19,200</u>	<u>(22,100)</u>
Pension expense	<u>\$ 181,500</u>	<u>\$ 111,100</u>

The pension expense is included in the statement of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 \$40,000 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 \$126,340 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 to ten year period commencing one year from substantial completion. The development was complete in 2019 excluding the hotel. The Town has paid \$0 to date.

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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	761,000
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 # 18-0024	<u>204,000</u>
	<u>\$ 8,655,000</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 2019, 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>2019</u>	<u>2018</u>
2019 Deficit	\$ (138,099)	\$ -
2018 Deficit	\$ (67,469)	\$ (67,469)
2017 Deficit	(10,573)	(15,860)
2016 Surplus	30,973	61,947
2015 Surplus	-	58,547
2014 Deficit	<u>-</u>	<u>(48,811)</u>
	<u>\$ (185,168)</u>	<u>\$ (11,646)</u>

TOWN OF ST. STEPHEN



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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:

	2019	2018
2019 Surplus	\$ 466,658	\$ -
2018 Surplus	280,156	280,156
2017 Surplus	<u>-</u>	<u>365,267</u>
	<u>\$ 746,814</u>	<u>\$ 645,423</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, 2019, there was \$19,454 (2018 - \$9,122) 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, 2019

17. SCHEDULE OF TANGIBLE CAPITAL ASSETS

COST	Land	Land Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Roads and Streets	Infrastructure Treatment Facilities	Water and Sewer	Marine Structures	Assets Under Construction	2019	2018
											Total	Total
Balance - beginning of year	\$ 1,935,279	\$ 977,886	\$ 25,153,796	\$ 644,680	\$ 4,617,125	\$ 17,745,823	\$ 5,919,650	\$ 20,277,988	\$ 840,235	\$ 608,695	\$ 78,721,157	\$ 77,356,030
Add: net additions during the year	11,508	-	5,176	51,760	462,868	270,416	-	1,298,801	925,593	543,394	3,569,516	1,485,927
Less: disposals during the year	(131,408)	-	-	-	-	-	-	-	(462,130)	(596,868)	(1,190,406)	(120,800)
Balance - end of year	<u>1,815,379</u>	<u>977,886</u>	<u>25,158,972</u>	<u>696,440</u>	<u>5,079,993</u>	<u>18,016,239</u>	<u>5,919,650</u>	<u>21,576,789</u>	<u>1,303,698</u>	<u>555,221</u>	<u>81,100,267</u>	<u>78,721,157</u>
ACCUMULATED AMORTIZATION												
Balance - beginning of year	-	399,144	4,785,938	580,591	3,370,458	8,458,114	1,852,954	5,889,829	840,235	-	26,177,263	24,356,443
Add: amortization during the year	-	39,555	598,331	31,452	266,533	561,506	110,902	332,568	-	-	1,940,847	1,924,829
Less: accumulated amortization on disposals	-	-	-	-	-	-	-	-	(462,130)	-	(462,130)	(104,008)
Balance - end of year	<u>-</u>	<u>438,699</u>	<u>5,384,269</u>	<u>612,043</u>	<u>3,636,991</u>	<u>9,019,620</u>	<u>1,963,856</u>	<u>6,222,397</u>	<u>378,105</u>	<u>-</u>	<u>27,655,980</u>	<u>26,177,264</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 1,815,379</u>	<u>\$ 539,187</u>	<u>\$ 19,774,703</u>	<u>\$ 84,397</u>	<u>\$ 1,443,002</u>	<u>\$ 8,996,619</u>	<u>\$ 3,955,794</u>	<u>\$ 15,354,392</u>	<u>\$ 925,593</u>	<u>\$ 555,221</u>	<u>\$ 53,444,287</u>	<u>\$ 52,543,893</u>
Consists of:												
General Fund Assets	\$ 1,743,927	\$ 539,187	\$ 19,769,527	\$ 64,288	\$ 1,274,411	\$ 8,996,619	\$ -	\$ -	\$ 925,593	\$ 521,851	\$ 33,835,403	\$ 33,355,417
Water & Sewer Fund Assets	71,452	-	5,176	20,108	152,804	-	3,955,794	15,354,392	-	33,370	19,593,096	19,173,354
St. Croix Public Library Assets	-	-	-	-	15,788	-	-	-	-	-	15,788	15,122
	<u>\$ 1,815,379</u>	<u>\$ 539,187</u>	<u>\$ 19,774,703</u>	<u>\$ 84,396</u>	<u>\$ 1,443,003</u>	<u>\$ 8,996,619</u>	<u>\$ 3,955,794</u>	<u>\$ 15,354,392</u>	<u>\$ 925,593</u>	<u>\$ 555,221</u>	<u>\$ 53,444,287</u>	<u>\$ 52,543,893</u>

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

18. SCHEDULE OF SEGMENT DISCLOSURE

	General	Protective	Transportation	Environmental Health	Environmental Development	Recreation and Culture	Water and Sewer	2019 Consolidated	2018 Consolidated
REVENUE									
Property tax warrant	\$ 530,551	\$ 1,380,451	\$ 1,305,739	\$ 151,572	\$ 259,796	\$ 1,722,070	\$ -	\$ 5,350,179	\$ 5,356,765
Services provided to other governments	-	151,075	72,779	-	-	20,000	-	243,854	272,488
Sale of services	-	42,231	209	-	-	504,814	-	547,254	590,229
Other revenue from own sources	57,167	212,692	-	-	-	-	-	269,859	254,121
Unconditional grant	162,299	422,288	399,433	46,367	79,473	526,792	-	1,636,652	1,376,475
Unconditional transfers from other governments	-	-	-	-	-	-	-	-	95,785
Conditional transfers	151,348	-	557,716	-	-	64,421	919,871	1,693,356	1,207,869
Water and sewer user fees	-	-	-	-	-	-	1,954,648	1,954,648	2,028,267
Interest	74,539	-	-	-	-	-	85,491	160,030	141,146
Other	-	-	-	-	-	11,734	-	11,734	11,077
	<u>824,556</u>	<u>2,208,737</u>	<u>2,335,876</u>	<u>197,939</u>	<u>339,269</u>	<u>2,849,831</u>	<u>2,960,010</u>	<u>11,867,566</u>	<u>11,334,222</u>
EXPENDITURE									
Salaries and benefits	456,941	734,103	656,122	-	-	795,780	749,193	3,392,139	3,282,221
Goods and services	373,995	1,389,901	690,067	241,028	314,776	1,096,281	1,062,032	5,168,080	4,971,156
Interest	4,161	1,485	70,845	-	6	121,910	147,136	345,543	361,658
Other (recovery)	(1,462)	-	10,911	-	-	(1,538)	15,343	23,254	32,126
Loss on disposal of capital assets	-	-	-	-	82,701	-	-	82,701	-
Amortization	10,040	69,686	648,424	-	15,642	725,981	471,073	1,940,846	1,924,829
	<u>843,675</u>	<u>2,195,175</u>	<u>2,076,369</u>	<u>241,028</u>	<u>413,125</u>	<u>2,738,414</u>	<u>2,444,777</u>	<u>10,952,563</u>	<u>10,571,990</u>
Surplus (deficit) for the year	\$ <u>(19,119)</u>	\$ <u>13,562</u>	\$ <u>259,507</u>	\$ <u>(43,089)</u>	\$ <u>(73,856)</u>	\$ <u>111,417</u>	\$ <u>515,233</u>	\$ <u>915,003</u>	\$ <u>762,232</u>

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TOWN OF ST. STEPHEN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

19. RECONCILIATION OF ANNUAL SURPLUS

	<u>General Operating Fund</u>	<u>General Capital Fund</u>	<u>General Operating Reserve Fund</u>	<u>General Capital Reserve Fund</u>	<u>Water and Sewer Operating Fund</u>	<u>Water and Sewer Capital Fund</u>	<u>Water and Sewer Oper/Capital Reserve Fund</u>	<u>St. Croix Public Library</u>	<u>Total</u>
2019 annual surplus (deficit)	\$ 673,795	\$ (306,805)	\$ 4,385	\$ 38,845	\$ (310,184)	\$ 860,391	\$ (23,960)	\$ (21,464)	\$ 915,003
Adjustments to annual surplus (deficit) for funding requirements									
Second previous year's surplus	365,267				35,423				400,690
Transfers between funds									
Transfers from general operating fund to general capital reserve fund				159,751					
Transfer from general operating reserve fund to general capital fund	(159,751)								
Transfer from general operating fund to general operating reserve fund		766,770		(766,770)					
Transfers to general operating fund	(10,000)		10,000						
Transfers to general operating fund from general operating reserve fund									
Transfer from water and sewer operating fund to water and sewer capital fund	27,684		(27,684)						
Transfers from water and sewer capital reserve fund to water and sewer capital fund					(40,000)		40,000		
Transfer from water and sewer operating fund to water and sewer capital reserve fund						26,540	(26,540)		
Long term debt principal repayment	(406,000)	406,000							
Revenue adjustment	(38,647)				(296,000)	296,000			
Post employment benefits recovery	14,310							34,003	(4,644)
Accumulated amortization on disposal of capital assets					1,590				15,900
Amortization expense		(462,130)							(462,130)
		1,469,775			471,072				1,940,847
Total adjustments to 2019 annual surplus (deficit)	(207,137)	2,180,415	(17,684)	(607,019)	172,085	296,000	40,000	34,003	1,890,663
2019 annual surplus (deficit)	\$ 466,658	\$ 1,873,610	\$ (13,299)	\$ (568,174)	\$ (138,099)	\$ 1,156,391	\$ 16,040	\$ 12,539	\$ 2,805,666

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

20. STATEMENT OF RESERVES

	General Operating Reserve	General Capital Reserve	Water and Sewer Operating Reserve	Water and Sewer Capital Reserve	2019 Total	2018 Total
ASSETS						
Cash	\$ 219,672	\$ 1,518,529	\$ 15,226	\$ 216,299	\$ 1,969,726	\$ 2,535,159
TOTAL ASSETS	<u>\$ 219,672</u>	<u>\$ 1,518,529</u>	<u>\$ 15,226</u>	<u>\$ 216,299</u>	<u>\$ 1,969,726</u>	<u>\$ 2,535,159</u>
ACCUMULATED SURPLUS	<u>\$ 219,672</u>	<u>\$ 1,518,529</u>	<u>\$ 15,226</u>	<u>\$ 216,299</u>	<u>\$ 1,969,726</u>	<u>\$ 2,535,159</u>
REVENUE						
Transfer from Water and Sewage Operating Fund	-	-	-	40,000	\$ 40,000	\$ 30,674
Transfers from General Operating Funds	10,000	159,751	-	-	169,751	760,123
Interest	4,385	38,845	182	2,398	45,810	26,612
	<u>14,385</u>	<u>198,596</u>	<u>182</u>	<u>42,398</u>	<u>255,561</u>	<u>817,409</u>
EXPENDITURE						
Transfer to Water and Sewage Operating Fund	-	-	-	-	-	-
Transfer to Water and Sewer Capital Fund	-	-	-	26,540	26,540	-
Transfer to General Operating Fund	27,684	-	-	-	27,684	28,986
Transfer to General Capital Fund	-	766,770	-	-	766,770	-
	<u>27,684</u>	<u>766,770</u>	<u>-</u>	<u>26,540</u>	<u>820,994</u>	<u>28,986</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (13,299)</u>	<u>\$ (568,174)</u>	<u>\$ 182</u>	<u>\$ 15,858</u>	<u>\$ (565,433)</u>	<u>\$ 788,423</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 \$10,000 (ten thousand) be transferred from the General Operating Fund to the General Operating Reserve Fund.

Moved by Deputy Mayor Carr and Seconded by Councillor Hyslop that the amount of \$418.57 (four hundred and eighteen dollars and fifty seven cents) and be transferred from the General Operating Reserve Fund to the General Operating Fund.

Moved by Councillor Hyslop and Seconded by Councillor Harding that the amount of \$14,251.41 (fourteen thousand, two hundred and fifty-one dollars and forty one cents) be transferred from the General Operating Fund to the General Capital Reserve Fund.

Moved by Councillor Hyslop and Seconded by Deputy Mayor Carr that the amount of \$145,500 (one hundred and forty five thousand, five hundred dollars) be transferred from the General Operating Fund to the General Capital Reserve Fund.

Moved by Councillor Wheaton and Seconded by Councillor Harding that the amount of \$40,000 (forty thousand dollars) be transferred from the Water and Sewerage Operating Fund to the Water and Sewerage Capital Reserve Fund .

Moved by Councillor Hyslop and Seconded by Councillor Parker that the amount of \$3,580 (three thousand, five hundred and eighty dollars) be transferred from the General Operating Reserve Fund to the General Operating Fund.

Moved by Deputy Mayor Carr and Seconded by Councillor Wheaton that the amount of \$3,685 (three thousand, six hundred and eighty five dollars) be transferred from the General Operating Reserve Fund to the General Operating Fund.

Moved by Deputy Mayor Carr and Seconded by Councillor Harding that the amount of \$245,000 (two hundred and forty-five thousand dollars) be transferred from the General Capital Reserve Fund to the General Capital Fund for the Town Hall Relocation to Garcelon Civic Center - Design and Construction.

Moved by Councillor Parker and Seconded by Councillor Hyslop that the amount of \$279,000 (two hundred and seventy-nine thousand dollars) be transferred from the General Capital Reserve Fund to the General Capital Fund for the Waterfront Revitalization Project.

Moved by Councillor Wheaton and Seconded by Councillor Chisholm that the amount of \$15,000 (fifteen thousand dollars) be transferred from the Water and Sewerage Capital Reserve Fund to the Water and Sewerage Capital Fund for the purchase of a new pump motor at Maxwell Crossing.

Moved by Councillor Hyslop and Seconded by Councillor Chisholm that the amount of \$4,066.80 (four thousand, sixty-six dollars and eighty cents) be transferred from the Water and Sewerage Capital Reserve Fund to the Water and Sewerage Capital Fund for work on well housing.

Moved by Councillor Harding and Seconded by Deputy Mayor Carr that the amount of \$7,473.03 (seven thousand, four hundred and seventy-three dollars and three cents) be transferred from the Water and Sewerage Capital Reserve Fund to the Water and Sewerage Capital Fund for de-chlorination building repairs.

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

20. STATEMENT OF RESERVES (cont'd)

Moved by Councillor Hyslop and Seconded by Councillor Wheaton that the amount of \$20,000 (twenty thousand dollars) be transferred from the General Operating Reserve Fund to the General Operating Fund.

Moved by Councillor Harding and Seconded by Councillor Chisholm that the amount of \$191,010.15 (one hundred and ninety-one thousand, ten dollars and fifteen cents) be transferred from the General Capital Reserve Fund to the General Capital Fund for the purchase of self-contained breathing apparatus equipment for the St. Stephen Fire Department.

Moved by Councillor Wheaton and Seconded by Deputy Mayor Carr that the amount of \$51,759.75 (fifty-one thousand, seven hundred and fifty-nine dollars and seventy five cents) be transferred from the General Capital Reserve Fund to the General Capital Fund for the purchase of a 2019 3/4 ton 4 wheel drive HD 8' long box truck for the St. Stephen Fire Department.

I hereby certify that the above are true copies of resolutions adopted at the regular meetings of Council on July 22, 2019 and December 16, 2019.

Clerk,
Town of St. Stephen

Date

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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	\$ 5,350,179	\$ -	\$ -	\$ -	\$ -	\$ 5,350,179
Services provided to other governments	222,218	-	-	-	20,000	242,218
Sales of services, fines and other fees	561,000	-	-	-	(20,000)	541,000
Other revenue from own sources	197,656	126,200	-	-	(125,000)	198,856
Unconditional grant	1,595,353	-	-	-	-	1,595,353
Conditional transfers	4,200	-	-	-	-	4,200
Other transfers	942,727	-	-	-	(942,727)	-
Water and sewer user fees	-	2,034,570	-	-	-	2,034,570
Interest	10,000	82,102	-	-	-	92,102
Other	-	-	-	38,647	(38,647)	-
Surplus of second previous year	365,267	89,521	-	-	(454,788)	-
	<u>9,248,600</u>	<u>2,332,393</u>	-	<u>38,647</u>	<u>(1,561,162)</u>	<u>10,058,478</u>
EXPENDITURE						
General government services	1,060,813	-	10,040	-	(226,403)	844,450
Protective services	2,295,612	-	69,686	-	(121,130)	2,244,168
Transportation services	2,096,199	-	648,424	-	(590,817)	2,153,806
Environmental health services	230,625	-	-	-	-	230,625
Environmental development services	322,448	-	15,642	-	801	338,891
Recreation and cultural services	2,023,621	-	725,980	-	124,319	2,912,567
Fiscal services	-	-	-	38,647	-	-
Short term interest and bank charges	116,850	71,320	-	-	(188,170)	-
Interest on long term debt	139,432	82,754	-	-	(222,186)	-
Principal payments on long term debt	406,000	296,000	-	-	(702,000)	-
Transfer from General Operating Fund to General Capital Reserve Fund	196,000	-	-	-	(196,000)	-
Transfer from General Operating Fund to General Capital Fund	343,000	-	-	-	(343,000)	-
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	-	40,000	-	-	(40,000)	-
Water and Sewer	-	1,787,221	-	-	156,665	2,414,957
Deficit of second previous year	-	54,098	-	-	(54,098)	-
Other	8,000	1,000	-	-	(9,000)	-
	<u>9,248,600</u>	<u>2,332,393</u>	<u>1,940,843</u>	<u>38,647</u>	<u>(2,421,019)</u>	<u>11,139,464</u>
Surplus (deficit)	\$ -	\$ -	\$ (1,940,843)	\$ -	\$ 859,857	\$ (1,080,986)

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

22. REVENUE AND EXPENDITURE SUPPORT

	2019 Under (Over)	2019 Budget	2019 Actual	2018 Actual
REVENUE				
Services provided to other governments				
Fire protection	\$ 1	\$ 151,076	\$ 151,075	\$ 181,456
Roads and streets	(1,637)	71,142	72,779	71,032
Recreation	-	20,000	20,000	20,000
	<u>\$ (1,636)</u>	<u>\$ 242,218</u>	<u>\$ 243,854</u>	<u>\$ 272,488</u>
Sale of services				
Fire	\$ (7,731)	\$ 34,500	\$ 42,231	\$ 42,505
Roads and streets	(109)	100	209	-
Recreation - Civic Centre	4,429	503,800	499,371	546,987
Recreation - outside	(2,843)	2,600	5,443	737
	<u>\$ (6,254)</u>	<u>\$ 541,000</u>	<u>\$ 547,254</u>	<u>\$ 590,229</u>
Other revenue from own sources				
Animal licenses	\$ (35)	\$ 500	\$ 535	\$ 625
Construction permits	(18,224)	15,150	33,374	23,102
Other permits and licenses	(475)	800	1,275	475
Fines	175	1,000	825	2,400
Building rentals	(1,977)	174,706	176,683	174,604
Hydrant and sprinkler system rental	1,100	1,100	-	1,100
Miscellaneous	(51,567)	5,600	57,167	51,815
	<u>\$ (71,003)</u>	<u>\$ 198,856</u>	<u>\$ 269,859</u>	<u>\$ 254,121</u>
EXPENDITURE (RECOVERY)				
General government services				
Legislative				
Mayor	\$ 248	\$ 19,300	\$ 19,052	\$ 14,048
Councillors	639	53,500	52,861	39,218
Other	3,390	8,500	5,110	5,076
	<u>4,277</u>	<u>81,300</u>	<u>77,023</u>	<u>58,342</u>
Administrative				
Chief Administrative Officer's office	(738)	119,937	120,675	108,916
Clerk's office	3,816	63,047	59,231	27,859
Treasurer's office	12,446	209,675	197,229	173,732
Office building	(14,774)	45,500	60,274	59,642
Solicitor	(17,559)	10,000	27,559	29,197
Other	19,595	90,760	71,165	128,046
	<u>2,786</u>	<u>538,919</u>	<u>536,133</u>	<u>527,392</u>
Financial management				
Audit	(1,006)	13,000	14,006	12,936

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2019</u> Under (Over)	<u>2019</u> Budget	<u>2019</u> Actual	<u>2018</u> Actual
General government services (cont'd)				
Other				
Common services - conventions	107	2,600	2,493	795
Common services - liability insurance	(6,924)	66,666	73,590	64,495
Common services - grants	(7,218)	52,000	59,218	59,203
Sick leave and post employment benefits	-	2,783	2,783	(25,667)
Cost of assessment	-	65,692	65,692	65,773
Interest on temporary borrowing	(711)	3,450	4,161	3,525
Other services	9,464	8,000	(1,464)	(8,578)
Amortization	<u>-</u>	<u>10,040</u>	<u>10,040</u>	<u>10,040</u>
	<u>(5,282)</u>	<u>211,231</u>	<u>216,513</u>	<u>169,586</u>
	<u>\$ 775</u>	<u>\$ 844,450</u>	<u>\$ 843,675</u>	<u>\$ 768,256</u>
Protective services				
Fire				
Fire fighting force	\$ (224)	\$ 672,005	\$ 672,229	\$ 598,938
Fire administration	4,761	12,600	7,839	13,340
Fire alarm system	6,801	20,350	13,549	11,294
Fire training	7,710	20,000	12,290	17,084
Fire station and buildings	1,233	37,500	36,267	34,003
Fire fighting equipment	<u>20,800</u>	<u>77,063</u>	<u>56,263</u>	<u>67,660</u>
	<u>41,081</u>	<u>839,518</u>	<u>798,437</u>	<u>742,319</u>
Police				
Administration and crime control	-	1,166,154	1,166,154	1,159,035
Station and building	<u>2,735</u>	<u>35,400</u>	<u>32,665</u>	<u>31,090</u>
	<u>2,735</u>	<u>1,201,554</u>	<u>1,198,819</u>	<u>1,190,125</u>

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	2019	2019	2019	2018
	Under (Over)	Budget	Actual	Actual
Protective services (cont'd)				
Other				
Bylaw officer and building inspector	3,541	85,100	81,559	83,639
Animal and pest control	544	18,790	18,246	17,745
Crosswalk guards	1,092	25,650	24,558	24,358
Sick leave and post employment benefits	-	2,385	2,385	(22,000)
Interest on long term debt	-	1,485	1,485	3,114
Amortization	<u>-</u>	<u>69,686</u>	<u>69,686</u>	<u>55,467</u>
	<u>5,177</u>	<u>203,096</u>	<u>197,919</u>	<u>162,323</u>
	<u>\$ 48,993</u>	<u>\$ 2,244,168</u>	<u>\$ 2,195,175</u>	<u>\$ 2,094,767</u>
Transportation services				
Common				
Administration	\$ 79,723	\$ 730,124	\$ 650,401	\$ 664,609
General equipment	(22,705)	228,309	251,014	211,878
Work shop	<u>9,110</u>	<u>106,800</u>	<u>97,690</u>	<u>91,816</u>
	66,128	1,065,233	999,105	968,303
Roadway surfaces	(4,527)	60,500	65,027	44,900
Storm sewers	2,805	5,000	2,195	5,552
Snow and ice removal	4,394	80,000	75,606	95,914
Street lighting	(9,265)	128,000	137,265	135,709
Street signs	(148)	4,000	4,148	3,044
Traffic signals	(115)	5,600	5,715	3,680
Airport	12,622	65,775	53,153	28,099
Sick leave and post employment benefits	-	3,975	3,975	(36,667)
Interest on temporary borrowing	26,890	63,400	36,510	41,516
Interest on long term debt	(10,436)	23,899	34,335	31,088
Other services	<u>(10,911)</u>	<u>-</u>	<u>10,911</u>	<u>-</u>
	<u>77,437</u>	<u>1,505,382</u>	<u>1,427,945</u>	<u>1,321,138</u>

TOWN OF ST. STEPHEN

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2019</u> Under (Over)	<u>2019</u> Budget	<u>2019</u> Actual	<u>2018</u> Actual
Transportation services (cont'd)				
Loss on disposal of capital assets	-	-	-	1,115
Amortization	<u>-</u>	<u>648,424</u>	<u>648,424</u>	<u>659,877</u>
	<u>-</u>	<u>648,424</u>	<u>648,424</u>	<u>660,992</u>
	<u>\$ 77,437</u>	<u>\$ 2,153,806</u>	<u>\$ 2,076,369</u>	<u>\$ 1,982,130</u>
Environmental health services				
Landfill costs	\$ 7	\$ 325	\$ 318	\$ 322
Regional landfill and waste pickup	<u>(10,410)</u>	<u>230,300</u>	<u>240,710</u>	<u>250,023</u>
	<u>\$ (10,403)</u>	<u>\$ 230,625</u>	<u>\$ 241,028</u>	<u>\$ 250,345</u>
Environmental development services				
Community development	\$ 23,682	\$ 268,148	\$ 244,466	\$ 199,869
Tourist promotion	(2,146)	15,150	17,296	13,592
Beautification and land rehabilitation	(13,864)	39,150	53,014	45,469
Sick leave and post employment benefits	-	795	795	(3,667)
Interest on long term debt	-	6	6	78
Provision (recovery)for doubtful accounts	9,502	-	(9,502)	-
Loss on disposal of capital assets	(91,408)	-	91,408	2,892
Amortization	<u>-</u>	<u>15,642</u>	<u>15,642</u>	<u>15,642</u>
	<u>\$ (74,234)</u>	<u>\$ 338,891</u>	<u>\$ 413,125</u>	<u>\$ 273,875</u>
Recreation and cultural services				
Outside Recreation				
Administration	\$ (6,092)	\$ 12,950	\$ 19,042	\$ 166,515
Swimming pool	24,059	116,756	92,697	92,736
Parks and playgrounds	<u>19,169</u>	<u>335,154</u>	<u>315,985</u>	<u>320,104</u>
	<u>37,136</u>	<u>464,860</u>	<u>427,724</u>	<u>579,355</u>
Recreational Facilities				
Arena	5,038	11,000	5,962	7,186
Civic Center	<u>80,446</u>	<u>1,484,314</u>	<u>1,403,868</u>	<u>1,339,294</u>
	<u>85,484</u>	<u>1,495,314</u>	<u>1,409,830</u>	<u>1,346,480</u>

TOWN OF ST. STEPHEN

DRAFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

22. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	2019	2019	2019	2018
	Under (Over)	Budget	Actual	Actual
Recreation and cultural services (cont'd)				
Libraries	7,864	57,998	50,134	54,048
Sick leave and post employment benefits	-	4,373	4,373	(47,667)
Interest on temporary borrowing	45,939	50,000	4,061	17,640
Interest on long term debt	(3,808)	114,042	117,850	116,660
Other services	(828)	-	828	-
Loss of disposal of capital assets	-	-	-	9,786
Provision (recovery) for doubtful accounts	2,366	-	(2,366)	7,903
Amortization	-	725,980	725,980	720,972
	<u>\$ 174,153</u>	<u>\$ 2,912,567</u>	<u>\$ 2,738,414</u>	<u>\$ 2,805,177</u>
Water and sewer services				
Water system				
Administration	\$ (1,275)	\$ 155,817	\$ 157,092	\$ 183,249
Transmission and distribution	30,315	681,367	651,052	641,054
Power and pumping	(23,083)	229,735	252,818	259,571
Billing and collection	105	3,405	3,300	3,404
Interest on temporary borrowing	802	35,660	34,858	25,985
Interest on long term debt	6,169	53,923	47,754	62,748
Sick leave and post employment benefits	-	1,193	1,193	(11,000)
Amortization	-	251,731	251,731	242,259
	<u>13,033</u>	<u>1,412,831</u>	<u>1,399,798</u>	<u>1,407,270</u>
Sewer system				
Administration	36	155,813	155,777	180,916
Collection system	(1,384)	41,300	42,684	43,371
Lift stations	182	114,000	113,818	108,494
Treatment and disposal	(27,415)	402,379	429,794	358,769
Billing and collection	105	3,405	3,300	3,404
Interest on temporary borrowing	806	35,660	34,854	25,985
Interest on long term debt	(840)	28,831	29,671	33,319
Sick leave and post employment benefits	-	398	398	(7,333)
Amortization	-	219,340	219,340	220,570
	<u>(28,510)</u>	<u>1,001,126</u>	<u>1,029,636</u>	<u>967,495</u>
Provision for doubtful accounts	(14,343)	1,000	15,343	22,875
Loss (gain) on disposal of capital assets	-	-	-	(200)
	<u>(14,343)</u>	<u>1,000</u>	<u>15,343</u>	<u>22,675</u>
	<u>\$ (29,820)</u>	<u>\$ 2,414,957</u>	<u>\$ 2,444,777</u>	<u>\$ 2,397,440</u>

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
November 5, 2020

TOWN OF ST. STEPHEN

DRAFT

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Under (Over)	2019 Budget <small>(Note 21)</small>	2019 Actual	2018 Actual
REVENUE				
Property tax warrant	\$ -	\$ 5,350,179	\$ 5,350,179	\$ 5,356,765
Services provided to other governments (Note 22)	(1,636)	242,218	243,854	272,488
Sale of services (Note 22)	(6,254)	541,000	547,254	590,229
Other revenue from own sources (Note 22)	(71,003)	198,856	269,859	254,121
Unconditional grant	(41,299)	1,595,353	1,636,652	1,376,475
Unconditional transfers from other governments	-	-	-	95,785
Conditional transfers	(1,689,156)	4,200	1,693,356	1,207,869
Water and sewer user fees	79,922	2,034,570	1,954,648	2,028,267
Interest	(67,928)	92,102	160,030	141,146
Other	<u>(11,734)</u>	<u>-</u>	<u>11,734</u>	<u>11,077</u>
	<u>(1,809,088)</u>	<u>10,058,478</u>	<u>11,867,566</u>	<u>11,334,222</u>
EXPENDITURE (Note 22)				
General government services	775	844,450	843,675	768,256
Protective services	48,993	2,244,168	2,195,175	2,094,767
Transportation services	77,437	2,153,806	2,076,369	1,982,130
Environmental health services	(10,403)	230,625	241,028	250,345
Environmental development services	(74,234)	338,891	413,125	273,875
Recreation and cultural services	174,153	2,912,567	2,738,414	2,805,177
Water and sewer services	<u>(29,820)</u>	<u>2,414,957</u>	<u>2,444,777</u>	<u>2,397,440</u>
	<u>186,901</u>	<u>11,139,464</u>	<u>10,952,563</u>	<u>10,571,990</u>
ANNUAL SURPLUS				
FOR THE YEAR (Note 19)	<u>\$ (1,995,989)</u>	(1,080,986)	915,003	762,232
ACCUMULATED SURPLUS - BEGINNING OF YEAR				
		<u>-</u>	<u>46,154,653</u>	<u>45,392,421</u>
ACCUMULATED SURPLUS - END OF YEAR				
		<u>\$ (1,080,986)</u>	<u>\$ 47,069,656</u>	<u>\$ 46,154,653</u>

TOWN OF ST. STEPHEN**DRAFT****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2019**

	2019	2018
FINANCIAL ASSETS		
Cash (Note 4)	\$ 3,808,436	\$ 3,799,017
Accounts receivable		
General	1,282,072	1,317,006
Private Developer	196,566	400,000
Federal Government and its agencies (Note 5)	911,556	615,106
Province of New Brunswick (Note 6)	<u>385,384</u>	<u>165,855</u>
	<u>\$ 6,584,014</u>	<u>\$ 6,296,984</u>
LIABILITIES		
Short term financing (Note 13)	\$ 1,666,014	\$ 2,563,376
Accounts payable and accrued liabilities	3,504,076	2,803,906
Deferred revenue (Note 7)	107,292	104,670
Long term debt (Note 8)	7,218,000	6,750,000
Accrued sick leave (Note 9)	237,900	237,900
Post employment benefits payable (Note 10)	<u>660,600</u>	<u>644,700</u>
	<u>13,393,882</u>	<u>13,104,552</u>
NET DEBT	<u>(6,809,868)</u>	<u>(6,807,568)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	81,100,267	78,721,157
Accumulated amortization (Note 17)	<u>(27,655,980)</u>	<u>(26,177,264)</u>
	53,444,287	52,543,893
Inventory	199,924	202,452
Prepaid expenses	153,800	143,854
Deferred expenses	<u>81,513</u>	<u>72,022</u>
	<u>53,879,524</u>	<u>52,962,221</u>
ACCUMULATED SURPLUS	<u>\$ 47,069,656</u>	<u>\$ 46,154,653</u>

CONTINGENT LIABILITY (Note 11)**COMMITMENTS** (Note 12)**APPROVED BY:**

_____ Mayor

_____ Treasurer

TOWN OF ST. STEPHEN

DRAFT

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

AS AT DECEMBER 31, 2019

	2019	2018
Annual surplus	\$ 915,003	\$ 762,232
Acquisition of tangible capital assets	(2,972,649)	(1,485,927)
Proceeds on disposal of tangible capital assets	40,000	3,200
Amortization of tangible capital assets	1,940,847	1,924,829
Loss on disposal of tangible capital assets	<u>91,408</u>	<u>13,590</u>
	14,609	1,217,924
Acquisition of inventories	(199,924)	(202,452)
Acquisition of prepaid expenses	(153,800)	(143,854)
Acquisition of deferred expenses	(81,513)	(72,022)
Consumption of inventories	202,452	182,134
Use of prepaid expenses	143,854	151,073
Use of deferred expenses	<u>72,022</u>	<u>80,512</u>
Decrease (increase) in net debt	(2,300)	1,213,315
Net debt - beginning of year	<u>(6,807,568)</u>	<u>(8,020,883)</u>
Net debt - end of year	<u>\$ (6,809,868)</u>	<u>\$ (6,807,568)</u>

APPROVED BY:

_____ Mayor

_____ Treasurer

TOWN OF ST. STEPHEN

DRAFT

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING TRANSACTIONS		
Annual surplus	\$ 915,003	\$ 762,232
Loss on disposal of tangible capital assets	91,408	13,590
Amortization of tangible capital assets	1,940,847	1,924,829
Receivable - General	34,934	51,654
Receivable - Private Developer	203,434	(400,000)
Receivable - Federal Government and its agencies	(296,450)	1,808,274
Receivable - Province of New Brunswick	(219,529)	1,040,321
Accounts payable and accrued liabilities	700,170	(1,457,167)
Deferred revenue	2,622	6,989
Accrued sick leave	-	(21,200)
Post employment benefits payable	15,900	(132,800)
Change in inventory/prepaid expenses/deferred expenses	<u>(16,909)</u>	<u>(4,609)</u>
	<u>3,371,430</u>	<u>3,592,113</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,972,649)	(1,485,927)
Proceeds on disposal of tangible capital assets	<u>40,000</u>	<u>3,200</u>
	<u>(2,932,649)</u>	<u>(1,482,727)</u>
FINANCING TRANSACTION		
Long term debt	<u>468,000</u>	<u>(733,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	906,781	1,376,386
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,235,641</u>	<u>(140,745)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,142,422</u>	<u>\$ 1,235,641</u>
CASH CONSISTS OF:		
Cash	\$ 3,808,436	\$ 3,799,017
Short term financing	<u>(1,666,014)</u>	<u>(2,563,376)</u>
	<u>\$ 2,142,422</u>	<u>\$ 1,235,641</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 21, 2019 and the Director of Community Finances on January 24, 2019 for the General Operating Fund.

The Utility Operating Fund budget was approved by Council on January 21, 2019 and the Director of Community of Finances on January 24, 2019.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 \$567,272 to assist in the funding of these benefits as at December 31, 2019 (2018 - \$556,346).

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, 2019:

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

	2019	2018
Cash - unrestricted	\$ 1,271,438	\$ 707,512
Cash - restricted - reserves (Note 20)	1,969,726	2,535,159
Cash - restricted - retirement allowance (Notes 2, 3 and 10)	221,236	216,975
Cash - restricted - accrued sick leave (Notes 2, 3 and 9)	<u>346,036</u>	<u>339,371</u>
	<u>\$ 3,808,436</u>	<u>\$ 3,799,017</u>

5. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	2019	2018
Canada Revenue Agency (HST refund)	\$ 523,934	\$ 432,360
Clean Water and Wastewater Fund	270,225	182,746
Small Communities Fund	<u>117,397</u>	<u>-</u>
	<u>\$ 911,556</u>	<u>\$ 615,106</u>

6. DUE FROM PROVINCE OF NEW BRUNSWICK

	2019	2018
Regional Development Corporation	\$ -	\$ 9,700
Small Communities Fund	117,397	-
Designated Highway Fund	-	8,473
Clean Water and Wastewater Fund	135,113	91,373
Dennis Weston LSD	<u>132,874</u>	<u>56,309</u>
	<u>\$ 385,384</u>	<u>\$ 165,855</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 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

8. LONG TERM DEBT

	Balance January 1, 2019	Issued during year	Redeemed during year	Balance December 31, 2019
New Brunswick Municipal Financing Corporation				
Debtures:				
BQ - 26 1.20% - 1.85% series, due 2022	\$ 138,000	\$ -	\$ 34,000	\$ 104,000
BR - 24 1.65% - 2.90% series, due 2027	182,000	-	18,000	164,000
BV- 22 2.05% - 3.35% series, due 2039	-	894,000	-	894,000
BA - 26 0.95% - 5.00% series, due 2019	54,000	-	54,000	-
BC - 20 1.50% - 4.55% series, due 2020	121,000	-	60,000	61,000
BD - 29 1.50% - 3.85% series, due 2020	34,000	-	17,000	17,000
BH - 30 1.35% - 3.80%, series, due 2032	272,000	-	33,000	239,000
BK - 16 1.15% - 3.45% series, due 2024	222,000	-	35,000	187,000
BP - 24 1.20% - 3.80% series, due 2036	3,496,000	-	155,000	3,341,000
BV-23 2.05% - 2.85% series, due 2029	-	1,246,000	-	1,246,000
BA - 27 0.95% - 5.00% series, due 2019	1,050,000	-	1,050,000	-
BC - 21 1.50% - 4.55% series, due 2020	107,000	-	53,000	54,000
BI - 27 1.35% - 3.25% series, due 2023	55,000	-	10,000	45,000
BK - 17 1.15% - 3.45% series, due 2024	801,000	-	125,000	676,000
BM - 26 0.95% -2.80% series, due 2025	163,000	-	22,000	141,000
BO - 29 1.45% - 2.90% series, due 2026	33,000	-	4,000	29,000
BQ - 27 1.20% - 2.70% series, due 2027	22,000	-	2,000	20,000
	<u>\$ 6,750,000</u>	<u>\$ 2,140,000</u>	<u>\$ 1,672,000</u>	<u>\$ 7,218,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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:

2020		\$ 759,000
2021		640,000
2022		656,000
2023		612,000
2024		612,000

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

9. ACCRUED SICK LEAVE (cont'd)

The liability was estimated to be \$237,900 on December 31, 2019 (2018 - \$237,900). The Town has restricted \$346,036 (2018 - \$339,371) in cash to fund this future liability (Note 4).

10. POST EMPLOYMENT BENEFITS PAYABLE

The post employment benefits payable consists of the following:

	Estimated 2019	2018
Retirement allowance and other	\$ 115,100	\$ 115,100
Pension obligation - NBMEPP	<u>545,500</u>	<u>529,600</u>
	<u>\$ 660,600</u>	<u>\$ 644,700</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 \$221,236 (2018 - \$216,975) in cash to fund this future liability (Note 4).

Canada First Basketball Experience Centre Briefing Note and Update

Some St. Stephen Basketball History:

Basketball was invented in 1891 by James Naismith, an Ontario native, at the International YMCA College in Massachusetts. As a student, Lyman Archibald (a native of Truro, Nova Scotia) played on this first basketball team. Subsequently Archibald moved to St. Stephen, became the General Secretary of the St. Stephen YMCA, and introduced the game here. The original basketball court floor still exists in the former St. Stephen YMCA building on King St.

The Opportunity & the Project:

The oldest existing basketball court *in the world* is in downtown St. Stephen; there is documented proof of this claim. The building housing the court is deteriorating. There is limited time to restore the court else it will be lost forever.

The existence of the floor is unique. It is clearly an asset that can be used to leverage partnerships and attract visitors. Other facilities have used similar features to build their concepts. The floor can become a center piece for the development of a museum and hall of fame that incorporates and showcases the basketball history of the facility, honours the development of the game in Canada, and incorporates a new build housing world class interactive hands-on basketball themed activities.

Preliminary work to accomplish this goal is has already started:

1. A condition report on the building has been completed and concluded that the building is in fair condition and that restoration is a practical possibility.
2. A feasibility study and business plan framework (The "Pinfold Report" – copy attached) has been completed. This work investigated the operation of other Halls of Fame and Sports Museums, and presented a concept whereby:
 - The original YMCA building be acquired, restored and the court preserved.
 - The original court becomes a center piece involving relocation of the Canadian Basketball Museum and Hall of Fame to St. Stephen and housed in an integration of the original YMCA building.
 - A new facility adjacent to the existing structure will provide a world class theme "park" where visitors can experience the history of the game and what the game offers in terms of thrills and excitement through interactive multimedia displays and hands on activities.

3. A business case was commissioned to determine the capital required as well as the expected annual revenue and costs for the proposed facility. The business case demonstrated that the proposed facility requires an expenditure currently estimated at \$15M to \$20M.
4. Discussions have been held with Canada Basketball (the national governing body for basketball in Canada). A Memorandum of Understanding has been reached with Canada Basketball to explore the potential to locate the Canadian Basketball Hall of Fame to St. Stephen as well as other ways of promoting the past and future of the game. I will be updating Canada Basketball on the significant progress is currently scheduled for October 17 in Toronto.
5. Maple Leaf Sports and Entertainment – owners of the NBA world champion Toronto Raptors have been approached to gauge their interest in the project.
6. Discussions with a consulting firm with expertise in interpretive and exhibit planning and design have been initiated in order to provide design concepts that will be important to ongoing discussions with partners such as Canada Basketball as well as serving the basis for development of pitch materials for the fund-raising campaign.

Project Rationale

The objective is to establish an educational and immersive new destination tourism product for St. Stephen, Charlotte County and New Brunswick. The facility will be designed to attract local, national, and international basketball fans. St. Stephen is a border town within a one-day drive of 14 million people including New York City and New Jersey.

When completed, the Canada First Basketball Experience Centre will be an innovative, immersive, differentiated product; an experience that will drive interest, and ultimately visitation and spending, in New Brunswick. The project will enable partnerships with the sports industry as well as the Basketball Hall of Fame and Naismith Museum in Springfield Massachusetts, further expanding our reach into the target NE USA market.

In addition to providing a new tourism product for New Brunswick, the project will:

- Further the recognised success at renewed economic activity and population growth that St. Stephen has achieved in the recent past.
- Utilize the Garcelon Civic Center as the location for complementary marquee events associated with the Museum such as the annual Basketball Hall of Fame Induction gala.
- Complement existing tourist attractions such as the Chocolate Museum as well as others in Charlotte County such as The Algonquin, Ministers Island, and Roosevelt Cottage. This increases the amount of time spent in the area. It is commonly accepted in the tourism industry that if there are three hours' worth of interesting attractions, there is a strong likelihood of visitors staying overnight in the area. This further strengthens the business case for the proposed new hotel to be built in St. Stephen.

Fund Raising Campaign:

Valuable advice has been obtained through discussions with UNB fund-raising staff. The campaign will focus on high level donors with interest/participation in the sport. An honorary campaign chair with prominence in the sport will be required. Because the facility will be an important tourism destination, strong collaboration with NB Tourism will be important.

It is anticipated that fund raising will require two campaigns:

1. Raise sufficient "kick-starter" funds to acquire the real estate, stabilize the building, complete conceptual design, establish the fund-raising resources & organization, and develop presentation materials for major fund-raising phase. The goal for this campaign would be \$1.7M. There is an urgency to this phase since the building itself requires immediate repairs to the roof to stop water ingress from damaging the court.
2. Implement the second phase of the fund-raising campaign to raise the remainder of the required funds.

Furthermore, the need for high level pitch material and ongoing communication to donors is recognized. The project has been discussed with the leadership at Brainworks. They immediately recognized the significance of the project and the potential as a visitor destination. Brainworks have stressed the need for professional pitch material including video and continue to advise on the development of the promotional and communications aspects.

Canada 1st Basketball Inc. Vision

A modern and exciting interactive experience centre that:

- Showcases and celebrates Canada's contributions to the sport
- Permanent home for Canada Basketball Hall of Fame
- Immersive interactive basketball experience

A world-class tourism destination.

How?

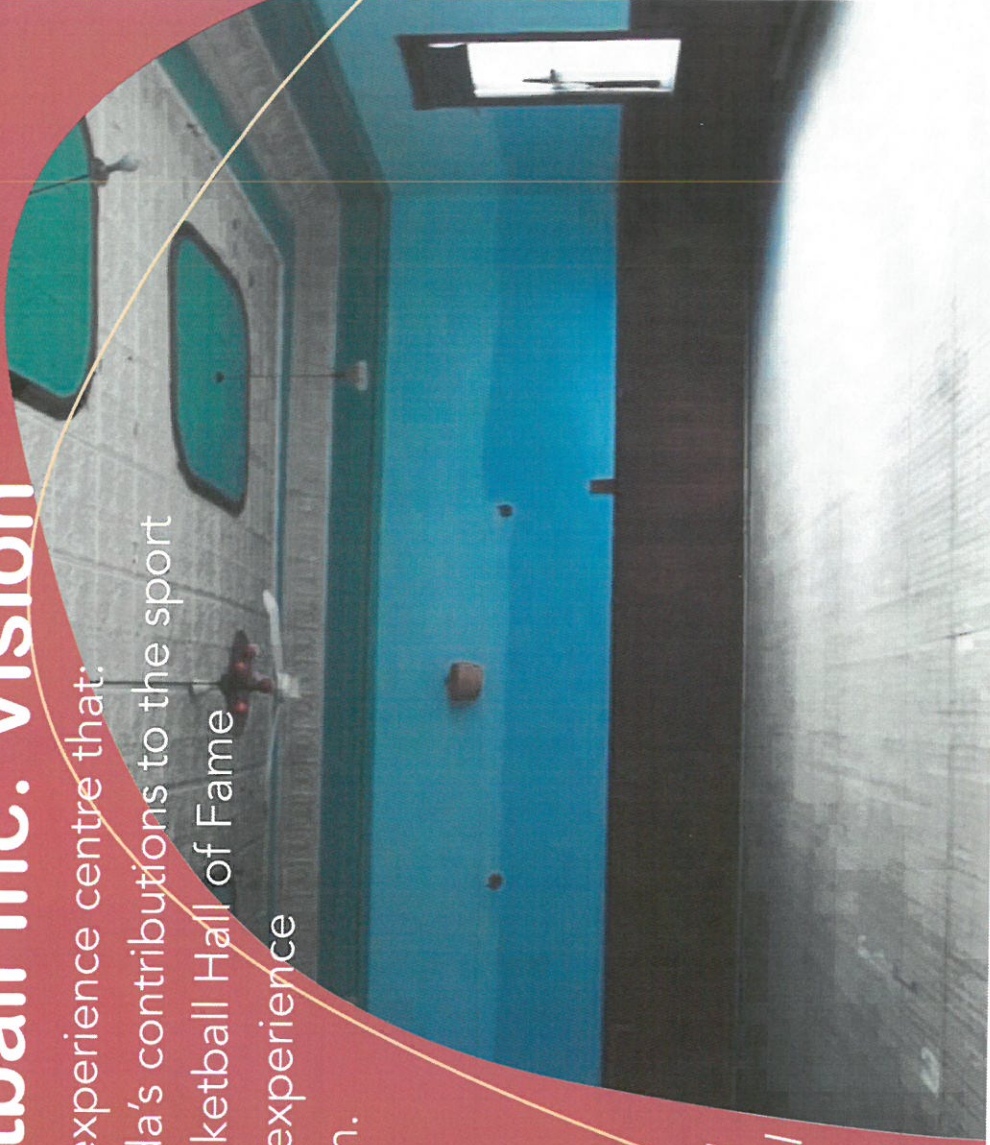
Leverage -worlds oldest court

Collaborate -Canada Basketball

Fundraise -spectacular, targeted

Investment -Canada, international

Destination -history + interactive



Time for Update to Council on Project

Much recent progress

- Significant momentum; Working Group established
- Positive discussion; most from outside Town (Frank McKenna, Canada Basketball, UNB, Brainworks, Sperry Design)
- Universal recognition of project potential
- Canada Basketball partnership – Continual engagement
- Establish ground work fund-raising success – provincial/federal gov't; external investors
- Next steps: Economic impact analysis; Concepts and visuals; Fundraising materials

Council Dilemma

Control spending with reduced revenue

- Assessment up but municipal grant revenue down

Town recognized in NB for being “Entrepreneurial”

- Think collaboratively
- Make the most of opportunities – e.g., Five Kings
- Tap into strategically placed entrepreneurs or champions - FSS
- Embrace innovation & change

Increased assessment direct result of Council strategic action:

- The Beacon, Five Kings, Giant Tiger, Downeys
- Better position; Reduced assessments elsewhere
- Without strategic action?

Fundraising

Biggest challenge

- Create big tourism draw requires amazing facility

Biggest opportunity

- Attract big investment from the biggest interests in basketball
- Sports business; basketball players & fans

Urgent

- Acquire and protect the asset

Fundraising

Different than grass roots local program:

- Small targeted group; high net worth basketball businesses, players & fans/enthusiasts
- Requires sophisticated “slick” approach targeted investors
- Took time to determine key elements for success
- Demonstrated successes: UNB, Shediac Women's Centre

All who helped us understand the fundraising dynamic were very enthused

Seed Money

- Two phases of fund raising: ø 1 = \$2M & ø 2 = \$16M
 - ø One - \$2M to
 - ✓ Acquire & stabilize the infrastructure,
 - ✓ Complete the preliminary and final design work,
 - ✓ Create high quality marketing materials,
 - ✓ Create the project management and fund raising organisation
- Prerequisites for ø 1 campaign requires:
 - Financial analysis demonstrating benefit to Town and Tourism
 - ✓ Required to obtain provincial and federal support
 - ✓ Gardner Pinfold - \$6,000 + HST
 - Marketing materials to engage the ø 1 donors
 - ✓ High quality to pitch to sophisticated target donors
 - ✓ Sperry Design and Brainworks \$17,000 + HST

Conclusion

Project key stage – Seed \$ required

- Vast majority of investment to come from outside community
- Town will be major benefactor of investment
- Prospective donor “asks” requires sophisticated campaign materials
- Prospective donors will question Town’s commitment

Momentum; needs small kick-start relative to capital investment

- \$28,560 raised locally for earlier studies; local commitments made for seed money

Transformative project: Leverage the “court” asset & history to create world class tourism destination