

ROTHESAY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

ROTHESAY

DECEMBER 31, 2015

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TEED SAUNDERS DOYLE & CO.

Chartered Professional Accountants

An Independent Member of
DFK Canada Inc. and DFK International

INDEPENDENT AUDITORS' REPORT

To His Worship The Mayor and Members of Council
Rothesay, New Brunswick

We have audited the consolidated statement of financial position of Rothesay as at December 31, 2015, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Saint John Partners
Andrew P. Logan Peter L. Logan
Jean-Marc Poirier

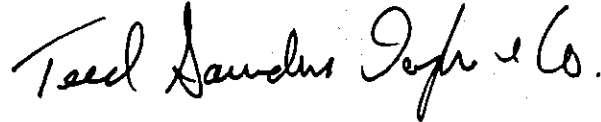


Fredericton Partners
John H. Landry Jeffrey E. Saunders
T.J. Smith Kenneth H. Kyle

Independent Auditors' Report to His Worship The Mayor and Members of Council of Rothesay (cont'd)

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Rothesay as at December 31, 2015, and the results of its operations and changes in net debt for the year then ended in accordance with Canadian public sector accounting standards.



CHARTERED PROFESSIONAL ACCOUNTANTS

Saint John, NB
April 11, 2016

ROTHESAY

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015 Budget (Note 27)	2015 Actual	2014 Actual
REVENUE (Note 2)			
Property tax warrant	\$ 14,718,978	\$ 14,718,978	\$ 14,246,281
Unconditional grant	116,262	116,262	209,568
Conditional government transfers (Note 28)	1,096,500	1,120,193	1,336,347
Services other governments	66,306	78,237	80,903
Sale of services (Note 28)	384,700	320,036	334,691
Other own source (Note 28)	135,729	566,748	207,680
Water and sewer user fees	2,491,800	2,512,438	2,412,895
Sundry income	<u>200,308</u>	<u>353,582</u>	<u>307,730</u>
	<u>19,210,583</u>	<u>19,786,474</u>	<u>19,136,095</u>
EXPENDITURE (Notes 2 and 28)			
General government services	1,880,540	1,656,609	1,598,344
Protective services	4,569,897	4,359,563	4,254,824
Transportation services	5,039,726	5,145,979	5,859,229
Environmental health services	633,000	659,525	710,520
Environmental development services	619,122	493,057	426,342
Recreation and cultural services	2,405,409	2,425,631	2,215,255
Water and sewer services	<u>2,471,021</u>	<u>2,722,677</u>	<u>2,432,314</u>
	<u>17,618,715</u>	<u>17,463,041</u>	<u>17,496,828</u>
ANNUAL SURPLUS FOR THE YEAR	<u>\$ 1,591,868</u>	2,323,433	1,639,267
ACCUMULATED SURPLUS - BEGINNING OF YEAR		63,933,223	62,292,543
CHANGE IN PERCENTAGE OWNERSHIP OF CONTROLLED ENTITIES		-	<u>1,413</u>
ACCUMULATED SURPLUS - END OF YEAR		<u>\$ 66,256,656</u>	<u>\$ 63,933,223</u>

ROTHESAY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION


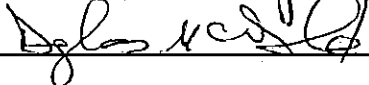
AS AT DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 7,970,752	\$ 7,650,318
Accounts receivable (Notes 2, 3 and 5)	1,468,605	1,437,352
Investments (Notes 2, 3 and 10)	<u>312,645</u>	<u>305,921</u>
	<u>\$ 9,752,002</u>	<u>\$ 9,393,591</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 2, 3 and 9)	\$ 2,709,821	\$ 2,172,721
Deferred revenue (Note 8)	3,699,330	2,961,974
Long term debt (Notes 2, 3 and 11)	15,276,092	13,897,239
Accrued pension obligation (Notes 2 and 16)	1,051,258	1,300,753
Accrued sick leave (Notes 2 and 15)	305,786	287,523
Accrued retirement allowance (Notes 2 and 16)	<u>798,902</u>	<u>756,995</u>
	<u>23,841,189</u>	<u>21,377,205</u>
NET DEBT	<u>(14,089,187)</u>	<u>(11,983,614)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2 and 21)	124,340,605	116,624,404
Accumulated amortization (Notes 2 and 21)	<u>(44,062,668)</u>	<u>(40,771,966)</u>
	80,277,937	75,852,438
Inventory (Note 2)	18,624	23,881
Prepaid expenses	44,652	37,640
Unamortized debenture costs	<u>4,630</u>	<u>2,878</u>
	<u>80,345,843</u>	<u>75,916,837</u>
ACCUMULATED SURPLUS	<u>\$ 66,256,656</u>	<u>\$ 63,933,223</u>

CONTINGENT LIABILITY (Note 17)

COMMITMENT (Note 18)

APPROVED BY:


 _____ Mayor

 _____ Town Treasurer

ROTHESAY

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
Annual surplus	\$ 2,323,433	\$ 1,639,267
Acquisition of tangible capital assets	(8,340,921)	(8,259,823)
Proceeds on disposal of tangible capital assets	2,167	585,965
Amortization of tangible capital assets	3,727,912	3,488,481
Change in percentage ownership of tangible capital assets	-	(1,749)
Loss on disposal of tangible capital assets	<u>185,343</u>	<u>1,029,683</u>
	(2,102,066)	(1,518,176)
Acquisition of inventories	(18,624)	(23,881)
Acquisition of prepaid assets	(44,652)	(37,640)
Acquisition of unamortized debenture costs	(4,630)	(2,878)
Consumption of inventories	23,881	22,476
Use of prepaid assets	37,640	24,039
Consumption of unamortized debenture costs	<u>2,878</u>	<u>2,204</u>
	(2,105,573)	(1,533,856)
Change in percentage ownership	<u>-</u>	<u>1,413</u>
Increase in net debt	(2,105,573)	(1,532,443)
Net debt - beginning of year	<u>(11,983,614)</u>	<u>(10,451,171)</u>
Net debt - end of year	<u>\$ (14,089,187)</u>	<u>\$ (11,983,614)</u>

APPROVED BY:

W. J. Bishop Mayor

Dylan McLeod Town Treasurer

ROTHESAY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING TRANSACTIONS		
Annual surplus	\$ 2,323,433	\$ 1,639,267
Loss on disposal of tangible capital assets	185,343	1,029,683
Amortization of tangible capital assets	3,727,912	3,488,481
Accounts receivable	(31,253)	639,405
Accounts payable and accrual liabilities	537,100	274,515
Deferred revenue	737,356	(29,826)
Accrued sick leave	18,263	4,326
Change in accrued pension obligation	(249,495)	(189,186)
Change in accrued retirement allowance	41,907	28,572
Change in inventory/prepaid expenses/unamortized debenture costs	<u>(3,507)</u>	<u>(15,680)</u>
	<u>7,287,059</u>	<u>6,869,557</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(8,340,921)	(8,259,823)
Change in percentage ownership of capital assets	-	(1,749)
Proceeds on disposal of tangible capital assets	<u>2,167</u>	<u>585,965</u>
	<u>(8,338,754)</u>	<u>(7,675,607)</u>
FINANCING TRANSACTION		
Long term debt (net)	<u>1,378,853</u>	<u>2,737,242</u>
INVESTING TRANSACTION		
Increase in investments	<u>(6,724)</u>	<u>(57,131)</u>
CHANGE IN PERCENTAGE OWNERSHIP	<u>-</u>	<u>1,413</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	320,434	1,875,474
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,650,318</u>	<u>5,774,844</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,970,752</u>	<u>\$ 7,650,318</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. PURPOSE OF THE ORGANIZATION

Rothesay ("the Town") was incorporated as a town by the Province of New Brunswick Municipalities Act on January 1, 1998 and was approved for status as a Municipality effective January 1, 1998 by an amendment of New Brunswick Regulation 85-6 under the Municipalities Act. As a municipality, Rothesay is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 the Chartered Professional Accountants of Canada.

The focus of Public Sector Accounting Standard ('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 and its jointly controlled entities.

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 jointly controlled by the Town.

The entities included in the consolidated financial statements are as follows:

- Rothesay
- Kennebecasis Regional Joint Board of Police Commissioners (KRJPC)
- Kennebecasis Valley Fire Department Inc. (KVFD)
- Kennebecasis Public Library

Interdepartmental and organizational transactions and balances are eliminated.

The jointly controlled entities have been proportionately consolidated at the following rates:

	<u>2015</u>	<u>2014</u>
Kennebecasis Regional Joint Board of Police Commissioners	41.02%	41.02%
Kennebecasis Valley Fire Department Inc.	41.65%	41.65%
Kennebecasis Public Library	40.05%	40.05%

Changes in ownership percentages have been accounted for as an adjustment to accumulated surplus (deficit).

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

Budget

The budget figures contained in these consolidated financial statements were approved by Council on December 15, 2014 and the Director of Community Finances on January 13, 2015.

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 losses reported in income. All other financial instruments are reported at amortized costs, and tested for impairment at each reporting date. Transactions 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 and short term deposits with original maturities of three months or less.

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 expenses 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 financial statements and the reported amount of revenues and expenses 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:

- the 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
- post employment benefits liability.

Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined on the first in, first out basis.

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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

Capital Reserves

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

Operating Reserves

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

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	10-75 years
Buildings	20-40 years
Vehicles	3-25 years
Machinery and equipment	3-20 years
Roads and streets	5-75 years
Storm sewer	25-60 years
Water and wastewater networks	30-60 years

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

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.

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 arena, parks and playgrounds and other recreational and cultural facilities.

Water and Sewer Services

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 23.

Post Employment Benefits

The Town recognizes its obligations under post employment benefit plans and the related costs, net of plan assets. The Town has a sick leave benefit as documented in Note 15 and a pension plan and retirement allowance as documented in Note 16.

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, 2015:

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 minimizes credit risk through ongoing credit management.

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 company'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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 not exposed to interest rate risk as its long term debt does not have a variable interest rate.

4. CASH

	2015	2014
Unrestricted	\$ 549,441	\$ 2,514,768
Restricted - reserve funds	7,281,210	5,003,813
Restricted - controlled entities	<u>140,101</u>	<u>131,737</u>
	<u>\$ 7,970,752</u>	<u>\$ 7,650,318</u>

5. ACCOUNTS RECEIVABLE

	2015	2014
Due from the Federal Government and its agencies (Note 6)	\$ 504,041	\$ 850,601
Due from the Province of New Brunswick (Note 7)	356,627	10,037
Water and sewer	542,526	484,063
Arena	32,004	37,564
Other	<u>33,407</u>	<u>55,087</u>
	<u>\$ 1,468,605</u>	<u>\$ 1,437,352</u>

6. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	2015	2014
Canada Revenue Agency (HST refund)	\$ 504,041	\$ 450,147
Canada-New Brunswick Gas Tax	<u>-</u>	<u>400,454</u>
	<u>\$ 504,041</u>	<u>\$ 850,601</u>

7. DUE FROM PROVINCE OF NEW BRUNSWICK

	2015	2014
Regional Development Corporation	\$ 356,627	\$ -
Department of Transportation	<u>-</u>	<u>10,037</u>
	<u>\$ 356,627</u>	<u>\$ 10,037</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

8. DEFERRED REVENUE

	2015	2014
Government transfers - Gas Tax	\$ 3,640,193	\$ 2,939,285
Deferred revenue - Quispamsis	37,783	-
Deferred revenue - K-Park Levy (Note 14)	<u>21,354</u>	<u>22,689</u>
	<u>\$ 3,699,330</u>	<u>\$ 2,961,974</u>

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	2015	2014
Accounts payable - trade	\$ 2,303,265	\$ 1,710,918
Bid deposits	20,721	21,721
Accrued interest	59,474	61,674
Accrued liabilities	244,871	215,614
Accounts payable - other	<u>81,490</u>	<u>162,794</u>
	<u>\$ 2,709,821</u>	<u>\$ 2,172,721</u>

10. INVESTMENTS

The investments represent the Town's proportionate share of the investments of the KRJPC. The investments consist of short term notes, Canadian equities and foreign equities and are recorded at fair market value. The unrealized gain (loss) on the investments at December 31, 2015 was \$(1,454) (2014 - \$13,507). The investments are restricted for future payment of retirement benefits.

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

11. LONG TERM DEBT

(a) General Capital Fund

	Balance January 1, 2015	Issued during year	Redeemed during year	Balance December 31, 2015
New Brunswick Municipal Financing Corporation				
Debtures:				
BD24 1.05% - 2.50%, due 2015, OIC # 99-22	\$ 85,000	\$ -	\$ 85,000	\$ -
BF22 1.35% - 2.2%, due 2016, OIC # 00-18	144,000	-	71,000	73,000
BA17 0.95% - 5.00%, due 2019, OIC # 08-03, 08-63	534,000	-	98,000	436,000
BB26 1.00% - 4.50%, due 2019, OIC # 08-63, 08-82	714,000	-	132,000	582,000
BG18 1.65% - 3.80%, due 2027, OIC # 10-12, 11-71, 99-77	996,000	-	112,000	884,000
BL26 1.2% - 3.7%, due 2034, OIC # 03-88, 11-71, 13-08	3,453,000	-	171,000	3,282,000
BN17 1.05% - 3.15%, due 2025, OIC # 10-12, 13-08	-	2,150,000	-	2,150,000
	<u>\$ 5,926,000</u>	<u>\$ 2,150,000</u>	<u>\$ 669,000</u>	<u>\$ 7,407,000</u>

Principal payments required during the next five years for the General Capital Fund are as follows:

2016 - \$830,000; 2017 - \$774,000; 2018 - \$794,000; 2019 - \$815,000; 2020 - \$556,000

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

11. LONG TERM DEBT (cont'd)

	Balance January 1, <u>2015</u>	Issued during year	Redeemed during year	Balance December 31, <u>2015</u>
<u>(b) Water and Sewer Capital Fund</u>				
New Brunswick Municipal Financing Corporation				
Debtures:				
AY18 3.30% - 4.85%, due 2018, OIC # 96-60, 96-72	\$ 240,000	\$ -	\$ 13,000	\$ 227,000
AZ29 2.10 - 4.95%, due 2018, OIC # 03-0092	504,000	-	118,000	386,000
BF23 1.35% - 3.45%, due 2021, OIC # 00-18	1,510,000	-	73,000	1,437,000
BG19 1.65 - 3.80%, due 2027, OIC # 11-0045	478,000	-	11,000	467,000
BH23 1.35 - 3.80%, due 2032, OIC # 00-0018	657,000	-	29,000	628,000
BL27 1.2% - 3.7%, due 2034, OIC # 11-0045	1,000,000	-	22,000	978,000
BN18 1.05% - 3.15%, due 2025, OIC # 15-38	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>
	<u>4,389,000</u>	<u>350,000</u>	<u>266,000</u>	<u>4,473,000</u>
Canada Mortgage and Housing Corporation				
CMHC 3.70%, due 2030 OIC # 09-119, 09-139, 10-012	<u>2,987,449</u>	<u>-</u>	<u>140,205</u>	<u>2,847,244</u>
	<u>\$ 7,376,449</u>	<u>\$ 350,000</u>	<u>\$ 406,205</u>	<u>\$ 7,320,244</u>

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

The Water and Sewer Capital Fund contains long term debt of \$616,054 (2014 - \$639,436) issued to fund local improvement projects. The debt will be repaid over a period of time through the collection of local improvement levies.

Principal payments required during the next five years for the Water and Sewer Capital Fund are as follows:

2016 - \$451,393; 2017 - \$467,773; 2018 - \$668,352; 2019 - \$343,137; 2020 - \$355,136

In 2018, debenture AY18 will mature with a final amount due of \$200,000, however it is expected that \$185,000 of this payment will be refinanced during that year for an additional ten years.

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

11. LONG TERM DEBT (cont'd)

(c) Jointly Controlled Entity - KRJPC (proportionate share)

	Balance January 1, 2015	Issued during year	Redeemed during year	Balance December 31, 2015
New Brunswick Municipal Financing Corporation				
Debtures:				
AT63 3.75% - 4.375%, due 2015, OIC # 03-53	\$ 392,561	\$ -	\$ 392,561	\$ -
BL45 1.2% - 3.1%, due 2024, OIC # 02-66, 03-53	202,229	-	18,459	183,770
BN35 1.05% - 3.15%, due 2025, OIC# 03-53	-	365,078	-	365,078
	<u>\$ 594,790</u>	<u>\$ 365,078</u>	<u>\$ 411,020</u>	<u>\$ 548,848</u>

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

2016 - \$52,506; 2017 - \$53,326; 2018 - \$54,146; 2019 - \$55,377; 2020 - \$56,608

Total Long term debt:

	2015	2014
General Capital Fund	\$ 7,407,000	\$ 5,926,000
Water and Sewer Capital Fund	7,320,244	7,376,449
Jointly Controlled Entity - KRJPC	<u>548,848</u>	<u>594,790</u>
	<u>\$ 15,276,092</u>	<u>\$ 13,897,239</u>

12. LAND FOR PUBLIC PURPOSES

In accordance with the Community Planning Act, the Town has the authority to set aside up to 10% of any land subdivided, or up to 8% of the monetary value of such land, as a reserve. As well, any proceeds on the sale of public lands must be reserved. These funds can only be used for the purchase or development of public lands and are included in the Reserve Funds (Note 25).

13. SEWER OUTFALL RESERVE

In accordance with an agreement with the Municipality of Quispamsis, Rothesay and the Municipality of Quispamsis are required to fund, on an annual basis, an amount to cover the operating and maintenance costs associated with the shared sewer effluent line and outfall pipe. The contributions are made on a per unit basis, with Rothesay contributing \$1 per unit and the Municipality of Quispamsis contributing \$2 per unit. Any accumulated amounts are transferred to the Water and Sewer Capital Reserve Fund for future capital expenditures. At December 31, 2015, the balance in this reserve was \$244,282 (2014 - \$228,026).

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. DEFERRED REVENUE

In 2002, the Town issued a special warrant of assessment to the residents of Kennebecasis Park for local improvements made to the area. The assessment will be invoiced annually over a period of 30 years. A number of residents paid the entire levy amount in the first year, and as a result, the prepayment has been recorded as deferred revenue to be amortized over 29 years.

15. ACCRUED SICK LEAVE

Rothesay provides sick leave that accumulates at a rate of 18 hours per month. All employees can accumulate to a maximum of 2,400 hours and can take leave with pay for an amount of time equal to the accumulated sick leave.

KVFD provides sick leave that accumulates at a rate of 18 hours per month while the employees sick bank is below 1,000 hours, and at 13.5 hours per month while the sick bank is above 1,000 hours. All employees can accumulate to a maximum of 2,184 sick leave hours and can take leave with pay for an amount of time equal to the accumulated sick leave.

An actuarial valuation in accordance with PSA 3255, was performed for each plan, the 44 employee plan for Rothesay and the 36 employee plan for KVFD. The actuarial method used was the Projected Unit Credit pro-rated on service to expected usage. 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 and KVFD'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 3.17%;
- retirement age is 60; and
- estimated net excess utilization of rate of sick leave varies with age.

The sick leave is an unfunded benefit and as such, there are no applicable assets. Benefits are paid out of general revenue as they come due.

The consolidated unfunded liability consist of:

	Estimated 2015	2014
Rothesay	\$ 17,700	\$ 9,000
KRJPC	5,455	5,455
KVFD	<u>282,631</u>	<u>273,068</u>
	<u>\$ 305,786</u>	<u>\$ 287,523</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. POST EMPLOYMENT BENEFITS PAYABLE

Retirement Allowance Program

Rothesay's retiring employees are entitled to four weeks' regular salary for every five years of employment to a maximum of 26 weeks. The employee must be 55 years of age to receive the benefit.

The accrued liability is based on an actuarial valuation as at December 31, 2014, which used a discount rate of 3.17% and an annual salary increase rate of 3%. The liability was determined using the projected unit credit method pro-rated on service to the date the maximum benefit is earned.

KVFD's retiring employees are entitled to four weeks' regular salary for every five years of employment to a maximum of 24 weeks based on a minimum of ten years service. The employee must be of retirement age of 55.

The accrued liability is based on an actuarial valuation as at December 31, 2013, which used a discount rate of 4.1% and an annual salary increase rate of 3%.

KRJPC's retiring employees are entitled to accumulate the greater of fifty percent of unused sick leave credits or one month's standard salary for every five years, or any part thereof, of service to a maximum of 6 months.

The accrued liability is based on an actuarial valuation as at July 31, 2013, which used a discount rate of 6% and an annual salary increase rate of 3%.

The consolidated unfunded liability consist of:

	2015	2014
Rothesay	\$ 311,200	\$ 306,000
KVFD	153,339	146,150
KRJPC	<u>334,363</u>	<u>304,845</u>
Balance at end of year	<u>\$ 798,902</u>	<u>\$ 756,995</u>

KVFD and KRJPC have internally restricted funds for their liabilities

Pension Obligation

Employees of Rothesay, KVFD and KRJPC 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, 2013 and resulted in an overall NBMEPP accrued benefit obligation of \$89,646,600 based on the accounting basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

16. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

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, 2014:

- the expected inflation rate is 2.25% (prior 2.35%);
- the discount rate used to determine the accrued benefit obligation is 5.9% (prior 5.6%);
- the expected rate of return on assets is 5.9% (prior 5.6%);
- retirement age varies by age and employment category; and
- estimated average remaining service life (EARSL) is 14.0 years (prior 14.0 years).

The actuarial valuation prepared as at December 31, 2013 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 \$5,171,300, a decrease of \$6,410,600 from the December 31, 2012 deficit of \$11,581,900. Based on the assumptions as at December 31, 2013, 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, 2013, the NBMEPP provides benefits for 189 retirees. Total benefits payments to retirees and terminating employees during 2015 are estimated to be approximately \$3,111,400 (actual 2014, \$3,042,900) 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 7.6%. 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 2015 are estimated to be approximately \$5,645,200 (actual 2014, \$5,499,700) in totality for the NBMEPP.

The following summarizes the NBMEPP data as it relates to Rothesay:

- The average age of the 45 active employees covered by the NBMEPP is 46.2 (as at Dec 31, 2013);
- benefit payments were \$127,100 in 2014 and were estimated to be \$133,700 in 2015; and
- combined contributions were \$383,400 in 2014 and were estimated to be \$395,000 in 2015.

The following summarizes the NBMEPP data as it relates to KVFD:

- The average age of the 38 active employees covered by the NBMEPP is 45.4 (2014 - 45.9);
- benefit payments were \$296,800 in 2014 and were estimated to be \$302,100 in 2015; and
- combined contributions were \$446,300 in 2014 and were estimated to be \$454,800 in 2015.

The following summarizes the NBMEPP data as it relates to KRJPC:

- The average age of the 41 active employees covered by the NBMEPP is 41.7;
- benefit payments were \$321,100 in 2014 and were estimated to be \$327,900 in 2015; and
- combined contributions were \$590,100 in 2014 and were estimated to be \$606,000 in 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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16. POST EMPLOYMENT BENEFITS PAYABLE (cont'd)

In addition to determining the position of the NBMEPP as it relates to Rothesay and the other controlled entities as at December 31, 2013 and December 31, 2014, NBMEPP's actuary performed an extrapolation of the December 31, 2014 accounting valuation to determine the estimated position as at December 31, 2015. The extrapolation assumes assumptions used as at December 31, 2015 remain unchanged from December 31, 2014. The extrapolation also assumes assets return 5.9%, 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:

	<u>Estimated Jan 1, 2015 to Dec 31, 2015</u>	<u>Jan 1, 2014 to Dec 31, 2014</u>
Accrued Benefit Liability		
Accrued benefit liability at beginning of period	\$ 1,300,753	\$ 1,489,991
Change in ownership percentage	-	380
Adjustment to actual	(4,076)	(38,170)
Pension expense for the year	171,084	250,936
Employer contributions	<u>(416,503)</u>	<u>(402,384)</u>
Accrued benefit liability at end of period	<u>\$ 1,051,258</u>	<u>\$ 1,300,753</u>

In summary, the consolidated accrued benefit liability is estimated to be \$1,051,258 as at December 31, 2015. The December 31, 2014 liability was estimated in the prior year. The actual liability was calculated to be \$1,296,676. The difference of \$4,077 has been recorded in the current year. This amount is included in the post employment benefits payable on the consolidated statement of financial position.

	<u>Estimated Jan 1, 2015 to Dec 31, 2015</u>	<u>Jan 1, 2014 to Dec 31, 2014</u>
Rothesay	\$ 239,100	\$ 345,200
KVFD	436,784	487,597
KRJPC	<u>375,374</u>	<u>467,956</u>
	<u>\$ 1,051,258</u>	<u>\$ 1,300,753</u>

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:

	<u>Estimated Jan 1, 2015 to Dec 31, 2015</u>	<u>Jan 1, 2014 to Dec 31, 2014</u>
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 13,081,049	\$ 12,144,900
Plan assets	<u>(12,667,344)</u>	<u>(11,534,847)</u>
Plan deficit	413,705	610,053
Unamortized experience losses	<u>637,553</u>	<u>686,623</u>
Accrued benefit liability at end of period	<u>\$ 1,051,258</u>	<u>\$ 1,296,676</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

16. 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, 2015 to Dec 31, 2015	Jan 1, 2014 to Dec 31, 2014
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 12,144,900	\$ 11,395,685
Change in ownership percentage	-	2,052
Current service cost	607,335	601,608
Benefits payments	(394,029)	(382,432)
Interest for period	722,842	644,411
Experience loss during period	<u>-</u>	<u>(116,424)</u>
Accrued benefit obligation at end of period	<u>\$ 13,081,048</u>	<u>\$ 12,144,900</u>

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

	Estimated Jan 1, 2015 to Dec 31, 2015	Jan 1, 2014 to Dec 31, 2014
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 11,534,847	\$ 10,110,901
Change in ownership percentage	-	1,849
Employer contributions	416,503	405,041
Employee contributions	416,503	406,302
Benefit payments	(394,029)	(382,432)
Return on plan assets during period	<u>693,520</u>	<u>993,186</u>
Plan assets at end of period	<u>\$ 12,667,344</u>	<u>\$ 11,534,847</u>

Total expense related to pensions include the following components:

	Estimated Jan 1, 2015 to Dec 31, 2015	Actual Jan 1, 2014 to Dec 31, 2014
Pension Expense		
Employer current service cost	\$ 190,833	\$ 195,307
Interest on accrued benefit obligation	722,842	644,411
Expected return on assets	(693,520)	(578,298)
Amortization of unrecognized balances		
Prior service savings	(3,700)	6,100
Experience loss	<u>(45,370)</u>	<u>(10,579)</u>
Pension expense	<u>\$ 171,085</u>	<u>\$ 256,941</u>

The pension expense is included in the statement of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

17. CONTINGENT LIABILITY

In the normal course of operations, the Town becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 2015 cannot be predicted with certainty, it is the opinion of management and council that resolution of these matters will not have a material adverse effect.

18. COMMITMENTS

Solid Waste Collection and Transportation Services

In 2014, the Town entered into a contract for solid waste collection and transportation services from January 2015 to December 2018. The Town reserves the right to extend contract for an additional two years. The following are minimum annual payments for the next three years.

2016	\$249,500
2017	249,500
2018	249,500

19. SHORT TERM BORROWING

Operating Borrowing

As prescribed in the Municipalities 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 2015, the Town has complied with these restrictions.

Capital Funds

At December 31, 2015, there were short-term funds totaling \$1,360,762 (2014 - \$nil) borrowed from other funds and no short-term funds (2014 - nil) borrowed from a financial institution to provide interim funding for capital projects in the General Capital Fund.

At December 31, 2015, there were short-term funds totaling \$47,077 (2014 - \$67,077) borrowed from other funds and no short-term funds (2014 - nil) borrowed from a financial institution to provide interim funding for capital projects in the Water and Sewer Capital Fund.

Interim Borrowing Capital Funds

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

General Capital Fund, OIC # 10-0012	\$ 1,130,000
General Capital Fund, OIC # 13-0008	<u>2,400,000</u>
	<u>\$ 3,530,000</u>
Water and Sewer Capital Fund, OIC # 15-0069	\$ 2,500,000
Water and Sewer Capital Fund, OIC # 15-0069 - interim financing	<u>5,000,000</u>
	<u>\$ 7,500,000</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

19. SHORT TERM BORROWING (cont'd)

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.

Amounts outstanding at year end are inter fund regular payables or in some cases, a short term loan may exist from the reserve account. Where a loan is in place, interest is paid to the reserve account at a rate that equates what the account would have earned had it been in the bank. These loan amounts are paid off within the following year and council is given a summary at year end to be fully informed of these transactions.

20. WATER AND SEWER FUND DEFICIT

The Municipalities Act requires Water and Sewer Fund 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>2015</u>	<u>2014</u>
2015 Surplus	\$ 28,535	\$ -
2014 Deficit	(163,645)	(163,645)
2013 Deficit	<u>-</u>	<u>(73,776)</u>
	<u>\$ (135,110)</u>	<u>\$ (237,421)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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21. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Infrastructure				Subtotal	Assets Under Construction	2015 Total	2014 Total
						Roads and Streets	Storm Sewer	Water	Sewer				
COST													
Balance - beginning of year	\$ 3,638,910	\$ 5,871,290	\$ 7,963,894	\$ 3,096,523	\$ 2,170,579	\$ 35,007,469	\$ 16,873,829	\$ 24,396,875	\$ 15,920,217	\$ 114,939,586	\$ 1,684,818	\$ 116,624,404	\$ 111,282,962
Change in percentage ownership	-	-	-	-	-	-	-	-	-	-	-	-	2,784
Add: Net additions during the year	1,184,699	492,709	2,276,011	154,996	899,607	969,943	1,183,030	806,005	130,537	8,097,537	1,448,929	9,546,466	8,259,823
Less: Disposals during the year	-	-	(46,740)	(28,006)	-	(526,956)	(1,516)	-	(21,502)	(624,720)	(1,205,545)	(1,830,265)	(2,921,165)
Balance - end of year	<u>4,823,609</u>	<u>6,363,999</u>	<u>10,193,165</u>	<u>3,223,513</u>	<u>3,070,186</u>	<u>35,450,456</u>	<u>18,055,343</u>	<u>25,202,880</u>	<u>16,029,252</u>	<u>122,412,403</u>	<u>1,928,202</u>	<u>124,340,605</u>	<u>116,624,404</u>
ACCUMULATED AMORTIZATION													
Balance - beginning of year	-	1,883,758	2,954,104	1,458,201	800,542	15,790,375	5,533,575	5,244,366	7,107,045	40,771,966	-	40,771,966	38,587,967
Change in percentage ownership	-	-	-	-	-	-	-	-	-	-	-	-	1,035
Add: Amortization during the year	-	326,038	244,425	256,718	211,189	1,655,319	316,800	477,869	239,554	3,727,912	-	3,727,912	3,488,481
Less: Accumulated amortization on disposals	-	-	(27,508)	(25,544)	-	(377,316)	(467)	-	(6,375)	(437,210)	-	(437,210)	(1,305,517)
Balance - end of year	-	<u>2,209,796</u>	<u>3,171,021</u>	<u>1,689,375</u>	<u>1,011,731</u>	<u>17,068,378</u>	<u>5,849,908</u>	<u>5,722,235</u>	<u>7,340,224</u>	<u>44,062,668</u>	-	<u>44,062,668</u>	<u>40,771,966</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,823,609</u>	<u>\$ 4,154,203</u>	<u>\$ 7,022,144</u>	<u>\$ 1,534,138</u>	<u>\$ 2,058,455</u>	<u>\$ 18,382,078</u>	<u>\$ 12,205,435</u>	<u>\$ 19,480,645</u>	<u>\$ 8,689,028</u>	<u>\$ 78,349,735</u>	<u>\$ 1,928,202</u>	<u>\$ 80,277,937</u>	<u>\$ 75,852,438</u>
Consists of:													
General Fund													
Assets	\$ 4,405,177	\$ 4,060,325	\$ 2,740,391	\$ 748,336	\$ 1,723,073	\$ 18,382,078	\$ 12,205,435	\$ -	\$ -	\$ 44,264,815	\$ 1,682,466	\$ 45,947,281	\$ 42,040,475
Water & Sewer Fund													
Assets	178,555	-	1,255,310	-	40,561	-	-	19,480,645	8,689,028	29,644,099	245,736	29,889,835	29,211,277
Controlled Entities	<u>239,877</u>	<u>93,878</u>	<u>3,026,443</u>	<u>785,802</u>	<u>294,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,440,821</u>	<u>-</u>	<u>4,440,821</u>	<u>4,600,686</u>
	<u>\$ 4,823,609</u>	<u>\$ 4,154,203</u>	<u>\$ 7,022,144</u>	<u>\$ 1,534,138</u>	<u>\$ 2,058,455</u>	<u>\$ 18,382,078</u>	<u>\$ 12,205,435</u>	<u>\$ 19,480,645</u>	<u>\$ 8,689,028</u>	<u>\$ 78,349,735</u>	<u>\$ 1,928,202</u>	<u>\$ 80,277,937</u>	<u>\$ 75,852,438</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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22. SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR JOINTLY CONTROLLED ENTITIES

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Machinery and Equipment</u>	<u>Assets Under Construction</u>	<u>2015 Total</u>	<u>2014 Total</u>
COST								
Balance - beginning of year	\$ 239,877	\$ 123,271	\$ 3,914,473	\$ 1,352,501	\$ 473,607	\$ -	\$ 6,103,729	\$ 5,991,022
Change in percentage ownership	-	-	-	-	-	-	-	2,784
Add: Net additions during the year	-	-	-	77,782	72,548	-	150,330	122,950
Less: Disposals during the year	-	-	-	(28,006)	-	-	(28,006)	(13,027)
Balance - end of year	<u>239,877</u>	<u>123,271</u>	<u>3,914,473</u>	<u>1,402,277</u>	<u>546,155</u>	<u>-</u>	<u>6,226,053</u>	<u>6,103,729</u>
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	21,557	748,788	546,488	186,210	-	1,503,043	1,258,600
Change in percentage ownership	-	-	-	-	-	-	-	1,035
Add: Amortization during the year	-	7,836	139,242	95,531	65,124	-	307,733	254,794
Less: Accumulated amortization on disposals	-	-	-	(25,544)	-	-	(25,544)	(11,386)
Balance - end of year	<u>-</u>	<u>29,393</u>	<u>888,030</u>	<u>616,475</u>	<u>251,334</u>	<u>-</u>	<u>1,785,232</u>	<u>1,503,043</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 239,877</u>	<u>\$ 93,878</u>	<u>\$ 3,026,443</u>	<u>\$ 785,802</u>	<u>\$ 294,821</u>	<u>\$ -</u>	<u>\$ 4,440,821</u>	<u>\$ 4,600,686</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

23. 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>2015 Consolidated</u>	<u>2014 Consolidated</u>
REVENUE									
Property tax warrant	\$ 1,648,527	\$ 4,356,817	\$ 5,136,923	\$ 662,354	\$ 485,726	\$ 2,428,631	\$ -	\$ 14,718,978	\$ 14,246,281
Sale of service	35,085	-	-	-	-	284,951	-	320,036	334,691
Services provided to other governments	-	-	78,237	-	-	-	-	78,237	80,903
Other own source	370,374	54,516	-	-	141,858	-	-	566,748	207,680
Unconditional grant	13,021	34,414	40,575	5,232	3,837	19,183	-	116,262	209,568
Conditional government transfers	40,713	-	-	-	-	979,480	100,000	1,120,193	1,336,347
Water and sewer user fees	-	-	-	-	-	-	2,512,438	2,512,438	2,412,895
Sundry and interest	<u>77,730</u>	<u>213,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,262</u>	<u>57,417</u>	<u>353,582</u>	<u>307,730</u>
	<u>2,185,450</u>	<u>4,658,920</u>	<u>5,255,735</u>	<u>667,586</u>	<u>631,421</u>	<u>3,717,507</u>	<u>2,669,855</u>	<u>19,786,474</u>	<u>19,136,095</u>
EXPENDITURE									
Salaries and benefits	829,579	3,403,198	1,095,793	-	329,214	626,831	582,738	6,867,353	6,811,849
Goods and services	743,086	744,738	1,596,146	659,525	163,843	1,161,191	1,120,516	6,189,045	5,689,583
Interest	2,756	26,306	56,075	-	-	118,236	263,652	467,025	434,866
Other	26,363	295	169,921	-	-	-	15,127	211,706	1,072,049
Amortization	<u>54,825</u>	<u>185,026</u>	<u>2,228,044</u>	<u>-</u>	<u>-</u>	<u>519,373</u>	<u>740,644</u>	<u>3,727,912</u>	<u>3,488,481</u>
	<u>1,656,609</u>	<u>4,359,563</u>	<u>5,145,979</u>	<u>659,525</u>	<u>493,057</u>	<u>2,425,631</u>	<u>2,722,677</u>	<u>17,463,041</u>	<u>17,496,828</u>
Surplus (deficit) for the year	<u>\$ 528,841</u>	<u>\$ 299,357</u>	<u>\$ 109,756</u>	<u>\$ 8,061</u>	<u>\$ 138,364</u>	<u>\$ 1,291,876</u>	<u>\$ (52,822)</u>	<u>\$ 2,323,433</u>	<u>\$ 1,639,267</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

24. RECONCILIATION OF ANNUAL SURPLUS

	General Operating Fund	General Capital Fund	Water and Sewer Operating Fund	Water and Sewer Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Water and Sewer Operating Reserve Fund	Water and Sewer Capital Reserve Fund	Jointly Controlled Entities	Total
2015 annual surplus (deficit)	\$ 3,776,991	\$ (1,966,081)	\$ 999,721	\$ (661,213)	\$ 5,413	\$ 131,319	\$ 513	\$ 11,590	\$ 25,180	\$ 2,323,433
Adjustments to annual surplus										
(deficit) for funding requirements										
Second previous year's surplus (deficit)	84,025	-	(73,777)	-	-	-	-	-	49,600	59,848
Transfers between funds										
Transfer elimination	1,500	-	-	-	(1,500)	-	-	-	-	-
Transfer elimination	-	100,000	-	350,000	-	(100,000)	-	(350,000)	-	-
Transfer elimination	(1,695,736)	1,695,736	(388,856)	388,856	-	-	-	-	-	-
Transfer elimination	(1,381,304)	-	(102,348)	-	171,304	1,210,000	-	102,348	-	-
Long term debt principal repayment	(669,000)	669,000	(406,205)	406,205	-	-	-	-	-	-
Provision for pension liability	(106,100)	-	-	-	-	-	-	-	(143,395)	(249,495)
Provision for sick leave accrual	-	-	-	-	-	-	-	-	9,564	9,564
Provision for retirement										
Accumulated amortization on disposal of capital assets	-	(411,666)	-	-	-	-	-	-	(25,544)	(437,210)
Deferred Gas tax revenue	-	-	-	-	-	700,908	-	-	-	700,908
Unrealized loss on investments	-	-	-	-	-	-	-	-	14,962	14,962
Amortization expense	-	2,679,534	-	740,644	-	-	-	-	307,734	3,727,912
Total adjustments to 2015 annual surplus (deficit)	(3,766,615)	4,732,604	(971,186)	1,885,705	169,804	1,810,908	-	(247,652)	212,921	3,826,489
2015 annual surplus (deficit) for funding requirements	\$ 10,376	\$ 2,766,523	\$ 28,535	\$ 1,224,492	\$ 175,217	\$ 1,942,227	\$ 513	\$ (236,062)	\$ 238,101	\$ 6,149,922

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

25. 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>Land for Public Purpose</u>	<u>2015 Total</u>	<u>2014 Total</u>
ASSETS							
Cash and short term investments	\$ 787,397	\$ 5,181,569	\$ -	\$ 1,312,244	\$ -	\$ 7,281,210	\$ 5,003,813
Accounts receivable from other funds	<u>5,463</u>	<u>(89,327)</u>	<u>98,099</u>	<u>(98,099)</u>	<u>88,295</u>	<u>4,431</u>	<u>399,933</u>
	<u>\$ 792,860</u>	<u>\$ 5,092,242</u>	<u>\$ 98,099</u>	<u>\$ 1,214,145</u>	<u>\$ 88,295</u>	<u>\$ 7,285,641</u>	<u>\$ 5,403,746</u>
ACCUMULATED SURPLUS	<u>\$ 792,860</u>	<u>\$ 5,092,242</u>	<u>\$ 98,099</u>	<u>\$ 1,214,145</u>	<u>\$ 88,295</u>	<u>\$ 7,285,641</u>	<u>\$ 5,403,746</u>
REVENUE							
Other government transfers	\$ -	\$ 800,908	\$ -	\$ -	\$ -	\$ 800,908	\$ 800,908
Transfers from Operating Funds	170,000	1,210,000	-	102,348	1,304	1,483,652	136,338
Interest	<u>4,952</u>	<u>31,319</u>	<u>513</u>	<u>11,590</u>	<u>461</u>	<u>48,835</u>	<u>69,082</u>
	<u>174,952</u>	<u>2,042,227</u>	<u>513</u>	<u>113,938</u>	<u>1,765</u>	<u>2,333,395</u>	<u>1,006,328</u>
EXPENDITURES							
Transfers to General Operating Fund	-	-	-	-	1,500	1,500	150,000
Transfer to General Capital Fund	-	-	-	-	-	-	2,024,246
Transfers to Water and Sewer Capital Fund	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>450,000</u>	<u>410,000</u>
	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>350,000</u>	<u>1,500</u>	<u>451,500</u>	<u>2,584,246</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 174,952</u>	<u>\$ 1,942,227</u>	<u>\$ 513</u>	<u>\$ (236,062)</u>	<u>\$ 265</u>	<u>\$ 1,881,895</u>	<u>\$ (1,577,918)</u>

<u>Name of Investment</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
Cashable GIC	\$ 404,895	1.15%	January 14, 2016
Cashable GIC	401,803	0.75%	January 21, 2016
Cashable GIC	599,405	0.05%	September 26, 2016
Cashable GIC	2,380,790	0.76%	December 21, 2016

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

25. STATEMENT OF RESERVES (cont'd)

Council Resolutions regarding transfers to and from reserves:

Moved by Council. MacDonald and seconded by Council. Alexander that the sum of \$1,200,000 be transferred from the General Operating Fund to the General Capital Reserve Fund to cover the costs of future Capital projects. CARRIED.

Moved by Council. MacDonald and seconded by Council. Lewis that the sum of \$170,000 be transferred from the General Operating Fund to the General Operating Reserve Fund to cover future operating costs. CARRIED.

Moved by Council. MacDonald and seconded by Council. Alexander that the sum of \$10,000 be transferred from the General Operating Fund to the Capital Reserve Fund (Town Hall) for the year 2015. CARRIED

Moved by Council. MacDonald and seconded by Council. McGuire that Gas Tax Funding in the amount of \$800,908 for the year 2015, be transferred to the General Capital Reserve Fund (Gas Tax). CARRIED.

Moved by Council. MacDonald and seconded by Council. Wells that the sum of \$1,303.56 be transferred from the General Operating Fund to the Land for Public Purposes Reserve Fund for external contributions. CARRIED.

Moved by Council. MacDonald and seconded by Council. Wells that the sum of \$1,500.00 be transferred from the Land for Public Purposes Reserve Fund to the General Operating Fund to cover costs of refunds. CARRIED.

Moved by Council. MacDonald and seconded by Council. Wells that \$88,320 be transferred from the Utility Operating Fund to the Utility Capital Reserve Fund for water and sewer connection fees. CARRIED.

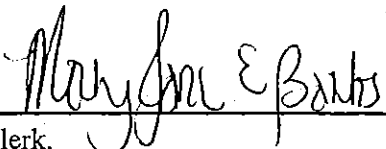
Moved by Council. MacDonald and seconded by Council. Wells that \$100,000 be transferred from the General Capital Reserve Fund (Gas Tax) to the Utility Capital Fund to cover project costs. CARRIED.

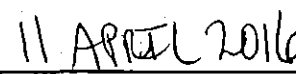
Moved by Council. MacDonald and seconded by Council. Wells that \$350,000 be transferred from the Utility Capital Reserve Fund to the Utility Capital Fund to cover project costs. CARRIED.

Moved by Council. MacDonald and seconded by Council. Wells that \$4,000 be transferred from the Utility Operating Fund to the Utility Capital Reserve Fund for Rothesay's contribution to the Sewage Outfall Reserve. CARRIED.

Moved by Council. MacDonald and seconded by Council. Lewis that \$10,416 received from Quispamsis for Sewage Outfall be transferred to the Utility Capital Reserve Fund. CARRIED.

I hereby certify that the above are true and exact copies of resolutions adopted at a special meeting of Council on December 14, 2015.


Clerk,
Rothesay


Date

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

26. STATEMENT OF JOINTLY CONTROLLED ENTITIES OPERATIONS

	<u>KV Fire</u>	<u>Police</u>	<u>Library</u>	<u>2015 Total</u>	<u>2014 Total</u>
ASSETS	\$ <u>1,611,596</u>	\$ <u>1,503,186</u>	\$ <u>2,186,797</u>	\$ <u>5,301,579</u>	\$ <u>5,496,287</u>
LIABILITIES	\$ <u>942,847</u>	\$ <u>1,377,058</u>	\$ <u>17,521</u>	\$ <u>2,337,426</u>	\$ <u>2,558,590</u>
ACCUMULATED SURPLUS	\$ <u>668,749</u>	\$ <u>126,128</u>	\$ <u>2,169,276</u>	\$ <u>2,964,153</u>	\$ <u>2,937,697</u>
REVENUE	\$ 1,914,932	\$ 2,488,983	\$ 79,434	\$ 4,483,349	\$ 4,365,053
EXPENDITURES	<u>1,910,993</u>	<u>2,345,823</u>	<u>200,077</u>	<u>4,456,893</u>	<u>4,275,944</u>
	3,939	143,160	(120,643)	26,456	89,109
CHANGE IN PERCENTAGE OWNERSHIP	-	-	-	-	1,413
ANNUAL SURPLUS (DEFICIT)	\$ <u>3,939</u>	\$ <u>143,160</u>	\$ <u>(120,643)</u>	\$ <u>26,456</u>	\$ <u>90,522</u>

The above noted entities are included in the consolidated financial statements. The above figures do not include the eliminating adjustments and represent Rothesay's proportionate share.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

27. OPERATING BUDGET TO PSA BUDGET

	Operating Budget General	Operating Budget Water and Sewer	Amortization TCA	Controlled Entities	Transfers	Total
REVENUE						
Property tax warrant	\$ 14,718,978	\$ -	\$ -	\$ -	\$ -	\$ 14,718,978
Unconditional transfers from other governments	164,262	-	-	-	(48,000)	116,262
Conditional transfers from Federal or Provincial governments	26,500	-	-	-	1,070,000	1,096,500
Services other governments	66,306	-	-	-	-	66,306
Other own source	87,729	-	-	-	48,000	135,729
Sale of services	384,700	-	-	-	-	384,700
Other transfers	810,000	-	-	-	(810,000)	-
Water and sewer user fees	-	2,873,800	-	-	(382,000)	2,491,800
Sundry income	5,000	35,000	-	160,308	-	200,308
Surplus (deficit) of second previous year	84,025	(73,776)	-	-	(10,249)	-
	<u>16,347,500</u>	<u>2,835,024</u>	<u>-</u>	<u>160,308</u>	<u>(132,249)</u>	<u>19,210,583</u>
EXPENDITURES						
General government services	2,053,519	-	35,000	-	(207,979)	1,880,540
Protective services	4,567,051	-	185,026	4,196,998	(4,379,178)	4,569,897
Transportation services	3,355,933	-	2,247,000	-	(563,207)	5,039,726
Environmental health services	633,000	-	-	-	-	633,000
Environmental development services	619,122	-	-	-	-	619,122
Recreation and cultural services	1,791,344	-	519,708	76,975	17,382	2,405,409
Fiscal services						
Long term debt repayments	669,000	416,705	-	-	(1,085,705)	-
Interest	186,031	269,063	-	-	(455,094)	-
Transfer from General Operating Fund to General Capital Reserve Fund	432,500	-	-	-	(432,500)	-
Transfer from General Operating Fund to General Capital Fund	2,040,000	-	-	-	(2,040,000)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Capital Reserve Fund	-	188,298	-	-	(188,298)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Operating Capital Fund	-	500,000	-	-	(500,000)	-
Water and Sewer	<u>-</u>	<u>1,460,958</u>	<u>741,000</u>	<u>-</u>	<u>269,063</u>	<u>2,471,021</u>
	<u>16,347,500</u>	<u>2,835,024</u>	<u>3,727,734</u>	<u>4,273,973</u>	<u>(9,565,516)</u>	<u>17,618,715</u>
Surplus (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,727,734)</u>	<u>\$ (4,113,665)</u>	<u>\$ 9,433,267</u>	<u>\$ 1,591,868</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

28. REVENUE AND EXPENDITURES SUPPORT

	2015 Budget	2015 Actual	2014 Actual
REVENUE			
Sale of services			
Community Centre	\$ 91,600	\$ 27,351	\$ 29,573
Rental revenue	12,100	8,574	25,339
Recreational programs	<u>281,000</u>	<u>284,111</u>	<u>279,779</u>
	<u>\$ 384,700</u>	<u>\$ 320,036</u>	<u>\$ 334,691</u>
Other own source			
Permits and fines	\$ 128,000	\$ 196,404	\$ 158,248
Miscellaneous	<u>7,729</u>	<u>370,344</u>	<u>49,432</u>
	<u>\$ 135,729</u>	<u>\$ 566,748</u>	<u>\$ 207,680</u>
Conditional government transfers			
Canada Day grants	\$ 1,500	\$ 2,500	\$ -
ACOA Grant	-	-	83,213
Province of New Brunswick	970,000	976,980	365,103
Gas Tax revenue	100,000	100,000	830,000
Other government grants	<u>25,000</u>	<u>40,713</u>	<u>58,031</u>
	<u>\$ 1,096,500</u>	<u>\$ 1,120,193</u>	<u>\$ 1,336,347</u>
EXPENDITURE			
General government services			
Legislative			
Mayor	\$ 35,600	\$ 33,079	\$ 31,701
Councilors	104,000	103,459	96,902
Fundy Regional Service Commission	7,235	6,983	9,095
Other	<u>17,000</u>	<u>5,789</u>	<u>6,368</u>
	<u>163,835</u>	<u>149,310</u>	<u>144,066</u>
Administrative			
Administration	772,500	674,607	619,245
Office building	182,000	128,526	163,198
Solicitor	35,000	33,645	20,562
Supplies	104,900	30,085	30,363
Other	<u>76,161</u>	<u>117,984</u>	<u>108,398</u>
	<u>1,170,561</u>	<u>984,847</u>	<u>941,766</u>
Financial management			
Professional fees	<u>50,000</u>	<u>27,450</u>	<u>38,547</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2015</u> Budget	<u>2015</u> Actual	<u>2014</u> Actual
General government services (cont'd)			
Other			
Civic relations	7,000	3,109	3,125
Community communications	9,000	5,513	5,085
Insurance	146,166	145,993	142,726
Property tax - land for public purposes	10,000	7,537	8,295
Grants to organizations	38,500	37,312	32,328
Cultural support	10,000	-	6,000
Cost of assessment	237,957	237,957	232,250
Interest	2,521	2,756	11,117
Loss on disposal of tangible capital assets	-	-	(1,321)
Amortization	<u>35,000</u>	<u>54,825</u>	<u>34,360</u>
	<u>496,144</u>	<u>495,002</u>	<u>473,965</u>
	<u>\$ 1,880,540</u>	<u>\$ 1,656,609</u>	<u>\$ 1,598,344</u>
Protective services			
Fire			
Administration	\$ 257,937	\$ 263,803	\$ 245,546
Firefighting force	1,358,518	1,340,616	1,381,223
Telecommunications	8,130	7,381	6,088
Insurance	14,369	13,219	13,535
Prevention and training	18,534	16,792	12,967
Facilities	88,458	85,461	94,044
Fleet	43,785	36,896	39,550
Operations	18,326	19,840	21,617
Water costs	11,240	11,240	10,883
Retirement allowance	19,551	19,551	17,197
Other	833	694	2,237
Amortization	<u>108,172</u>	<u>108,172</u>	<u>103,465</u>
	<u>1,947,853</u>	<u>1,923,665</u>	<u>1,948,352</u>
Crimestoppers	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>
Police			
Crime Control	1,650,613	1,505,861	1,567,984
Vehicle Fleet	133,301	92,469	91,246
Property	96,203	97,385	101,449
Administration	303,009	292,918	296,655
Retirement allowance	29,906	29,518	26,991
Communications	129,028	129,067	125,668
Other	14,962	14,962	(9,919)
Loss on disposal of tangible capital assets	295	295	738
Amortization	<u>76,854</u>	<u>76,854</u>	<u>60,932</u>
	<u>2,434,171</u>	<u>2,239,329</u>	<u>2,261,744</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2015</u> Budget	<u>2015</u> Actual	<u>2014</u> Actual
Protective services (cont'd)			
Other			
Emergency measures	144,010	131,405	-
Animal control	12,000	6,662	11,736
Interest	24,063	26,306	24,954
Other	<u>5,000</u>	<u>29,396</u>	<u>5,238</u>
	<u>185,073</u>	<u>193,769</u>	<u>41,928</u>
	<u>\$ 4,569,897</u>	<u>\$ 4,359,563</u>	<u>\$ 4,254,824</u>
Transportation services			
Common			
Wages and benefits	\$ 1,158,253	\$ 1,095,793	\$ 1,081,375
Workshop, yard and equipment maintenance	578,500	536,924	611,779
Engineering	<u>15,000</u>	<u>5,215</u>	<u>6,234</u>
	<u>1,751,753</u>	<u>1,637,932</u>	<u>1,699,388</u>
Roads and Streets			
Roadway surfaces	83,000	142,872	73,192
Crosswalks and sidewalks	18,000	15,052	13,186
Culverts and drainage ditches	40,000	28,191	15,388
Storm sewers	40,000	20,816	29,924
Street cleaning	35,000	41,634	6,954
Snow and ice removal	459,000	505,313	489,690
Street lighting	147,680	138,585	141,886
Street signs	10,000	13,233	5,777
Traffic lane marking	24,000	20,038	17,936
Traffic signals and signs	18,000	26,361	39,604
Railway crossing signals	24,000	18,317	20,970
Public transit - Comex Service	88,500	81,095	85,500
KV committee for the disabled	2,500	2,500	-
Interest	51,293	56,075	86,592
Loss on disposal of tangible capital assets	-	169,921	1,027,318
Amortization	<u>2,247,000</u>	<u>2,228,044</u>	<u>2,105,924</u>
	<u>3,287,973</u>	<u>3,508,047</u>	<u>4,159,841</u>
	<u>\$ 5,039,726</u>	<u>\$ 5,145,979</u>	<u>\$ 5,859,229</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	2015 Budget	2015 Actual	2014 Actual
Environmental health services			
Solid waste disposal	\$ 230,000	\$ 205,642	\$ 222,235
Solid waste compost	28,000	27,447	27,407
Solid waste collection	270,000	258,055	425,489
Curbside recycling	70,000	113,907	-
Clean up campaign	<u>35,000</u>	<u>54,474</u>	<u>35,389</u>
	<u>\$ 633,000</u>	<u>\$ 659,525</u>	<u>\$ 710,520</u>
Environmental development services			
Environmental planning and zoning	\$ 529,500	\$ 403,531	\$ 338,891
Greater Saint John Economic Development Agency, Inc.	86,422	86,423	84,348
Tourism	<u>3,200</u>	<u>3,103</u>	<u>3,103</u>
	<u>\$ 619,122</u>	<u>\$ 493,057</u>	<u>\$ 426,342</u>
Recreation and cultural services			
Administration	\$ 218,800	\$ 245,872	\$ 260,842
Beaches	60,800	51,040	47,133
Rothesay Arena	263,500	281,984	199,552
Memorial Centre	63,000	57,623	53,115
Summer programs	176,500	189,857	202,124
Rothesay Common	-	9,940	-
Parks and gardens	531,000	489,162	471,746
Regional Facilities Commission	350,472	350,472	309,324
Kennebecasis Public Library Inc	76,975	74,035	96,224
Special events	31,500	35,053	28,515
Big Rothesay read	1,000	1,868	-
Living museum	4,000	996	1,543
Apartment buildings	-	120	46,946
Loss on disposal of capital assets	-	-	(5,806)
Interest	108,154	118,236	55,740
Amortization	<u>519,708</u>	<u>519,373</u>	<u>448,257</u>
	<u>\$ 2,405,409</u>	<u>\$ 2,425,631</u>	<u>\$ 2,215,255</u>
Water and sewer services			
Water System			
Administration	\$ 274,000	\$ 257,635	\$ 247,194
Purification maintenance and treatment	262,348	359,128	232,276
Source of supply - purchase of water	1,200	388	1,365
Transmission and distribution	87,000	199,948	103,064
Power and pumping	48,000	46,010	37,506
Billing and collecting	<u>3,000</u>	<u>4,303</u>	<u>1,323</u>
	<u>675,548</u>	<u>867,412</u>	<u>622,728</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	2015 Budget	2015 Actual	2014 Actual
Sewer System			
Administration	606,360	580,671	603,983
Sewer collection system	85,800	176,867	100,825
Sewer lift stations	19,000	26,184	27,669
Treatment and disposal	74,250	52,120	76,348
Loss on disposal of tangible capital asset	<u>-</u>	<u>15,127</u>	<u>8,754</u>
	<u>785,410</u>	<u>850,969</u>	<u>817,579</u>
Interest	269,063	263,652	256,463
Amortization	<u>741,000</u>	<u>740,644</u>	<u>735,544</u>
	<u>1,010,063</u>	<u>1,004,296</u>	<u>992,007</u>
	<u>\$ 2,471,021</u>	<u>\$ 2,722,677</u>	<u>\$ 2,432,314</u>