
ROTHESAY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017



ROTHESAY

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To Her 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, 2017, 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.

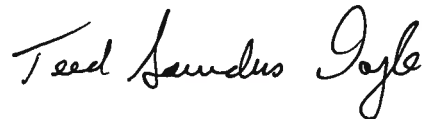
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or 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.

Independent Auditors' Report to Her 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, 2017, 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 9, 2018

ROTHESAY

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Budget (Note 27)	2017 Actual	2016 Actual
REVENUE			
Property tax warrant	\$ 15,331,622	\$ 15,331,620	\$ 14,961,842
Unconditional grant	119,968	119,970	118,987
Conditional government transfers (Note 28)	761,500	2,840,868	2,403,277
Services other governments	60,000	81,520	89,243
Sale of services (Note 28)	339,700	390,576	328,058
Other own source (Note 28)	87,180	821,599	991,255
Water and sewer user fees	2,700,965	2,778,345	2,696,571
Sundry income	<u>210,414</u>	<u>351,075</u>	<u>472,423</u>
	<u>19,611,349</u>	<u>22,715,573</u>	<u>22,061,656</u>
EXPENDITURE (Note 28)			
General government services	1,806,794	1,749,855	1,754,506
Protective services	4,658,123	4,517,766	4,453,699
Transportation services	5,099,816	5,153,494	5,256,137
Environmental health services	620,000	609,255	612,386
Environmental development services	633,947	471,203	547,891
Recreation and cultural services	2,804,775	2,768,742	2,872,432
Water and sewer services	<u>2,813,857</u>	<u>3,275,838</u>	<u>2,744,280</u>
	<u>18,437,312</u>	<u>18,546,153</u>	<u>18,241,331</u>
ANNUAL SURPLUS FOR THE YEAR	\$ <u>1,174,037</u>	4,169,420	3,820,325
ACCUMULATED SURPLUS - BEGINNING OF YEAR		70,073,653	66,256,656
CHANGE IN OWNERSHIP OF CONTROLLED ENTITIES (Note 2)		<u>(2,022)</u>	<u>(3,328)</u>
ACCUMULATED SURPLUS - END OF YEAR		<u>\$ 74,241,051</u>	<u>\$ 70,073,653</u>

ROTHESAY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

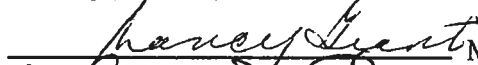
AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 4)	\$ 9,229,743	\$ 7,265,807
Accounts receivable (Note 5)	1,660,861	3,537,258
Investments (Note 10)	<u>337,497</u>	<u>348,830</u>
	<u>\$ 11,228,101</u>	<u>\$ 11,151,895</u>
LIABILITIES		
Bank loan (Note 19)	\$ -	\$ 700,000
Accounts payable and accrued liabilities (Note 9)	2,432,854	2,105,498
Deferred revenue (Note 8)	4,210,998	4,169,546
Long term debt (Note 11)	16,962,967	17,191,733
Accrued pension obligation (Note 16)	574,570	773,467
Accrued sick leave (Note 15)	325,589	315,154
Accrued retirement allowance (Note 16)	<u>822,036</u>	<u>806,758</u>
	<u>25,329,014</u>	<u>26,062,156</u>
NET DEBT	<u>(14,100,913)</u>	<u>(14,910,261)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 21)	138,915,304	132,032,840
Accumulated amortization (Note 21)	<u>(50,621,119)</u>	<u>(47,114,741)</u>
	88,294,185	84,918,099
Inventory	27,524	32,648
Prepaid expenses	16,604	29,022
Unamortized debenture costs	<u>3,651</u>	<u>4,145</u>
	<u>88,341,964</u>	<u>84,983,914</u>
ACCUMULATED SURPLUS	<u>\$ 74,241,051</u>	<u>\$ 70,073,653</u>

CONTINGENT LIABILITY (Note 17)

COMMITMENT (Note 18)

APPROVED BY:

 Mayor

 Town Treasurer

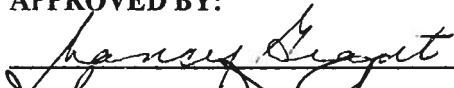
ROTHESAY

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

AS AT DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Annual surplus	\$ 4,169,420	\$ 3,820,325
Acquisition of tangible capital assets	(7,746,787)	(9,095,076)
Proceeds on disposal of tangible capital assets	66,526	4,108
Amortization of tangible capital assets	4,127,948	3,885,389
Change in percentage ownership of tangible capital assets	5,526	7,281
Loss on disposal of tangible capital assets	<u>170,701</u>	<u>558,134</u>
	793,334	(819,839)
Acquisition of inventories	(27,524)	(32,648)
Acquisition of prepaid assets	(16,604)	(29,022)
Acquisition of unamortized debenture costs	(3,651)	(4,145)
Consumption of inventories	32,648	18,626
Use of prepaid assets	29,022	44,652
Consumption of unamortized debenture costs	<u>4,145</u>	<u>4,630</u>
	811,370	(817,746)
Change in percentage ownership	<u>(2,022)</u>	<u>(3,328)</u>
Decrease (increase) in net debt	809,348	(821,074)
Net debt - beginning of year	<u>(14,910,261)</u>	<u>(14,089,187)</u>
Net debt - end of year	<u>\$ (14,100,913)</u>	<u>\$ (14,910,261)</u>

APPROVED BY:


 _____ Mayor


 _____ Town Treasurer

ROTHESAY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATING TRANSACTIONS		
Annual surplus	\$ 4,169,420	\$ 3,820,325
Loss on disposal of tangible capital assets	170,701	558,134
Amortization of tangible capital assets	4,127,948	3,885,389
Accounts receivable	1,876,397	(2,068,653)
Accounts payable and accrual liabilities	327,356	(604,323)
Deferred revenue	41,452	470,216
Accrued sick leave	10,435	9,368
Change in accrued pension obligation	(198,897)	(277,791)
Change in accrued retirement allowance	15,278	7,856
Change in inventory/prepaid expenses/unamortized debenture costs	<u>18,036</u>	<u>2,093</u>
	<u>10,558,126</u>	<u>5,802,614</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(7,746,787)	(9,095,076)
Change in percentage ownership of capital assets	5,526	7,281
Proceeds on disposal of tangible capital assets	<u>66,526</u>	<u>4,108</u>
	<u>(7,674,735)</u>	<u>(9,083,687)</u>
FINANCING TRANSACTION		
Bank loan	(700,000)	700,000
Long term debt (net)	<u>(228,766)</u>	<u>1,915,641</u>
	<u>(928,766)</u>	<u>2,615,641</u>
INVESTING TRANSACTION		
Decrease (increase) in investments	<u>11,333</u>	<u>(36,185)</u>
CHANGE IN PERCENTAGE OWNERSHIP	<u>(2,022)</u>	<u>(3,328)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,963,936	(704,945)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>7,265,807</u>	<u>7,970,752</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,229,743</u>	<u>\$ 7,265,807</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 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 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>2017</u>	<u>2016</u>
Kennebecasis Regional Joint Board of Police Commissioners	40.82%	40.98%
Kennebecasis Valley Fire Department Inc.	41.39%	41.45%
Kennebecasis Public Library	40.05%	40.05%

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

Ownership percentages on any dissolution of the controlled entity may vary from the above depending upon the terms of the agreements.

ROTHERSAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Budget

The budget figures contained in these consolidated financial statements were approved by Council on December 12, 2016. The General Fund budget was approved on January 15, 2017 and the Utility Fund budget was approved on December 29, 2016 by the Director of Community Finances.

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 annual surplus. 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, 2017

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 and leasehold improvements	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, 2017

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, 2017:

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.

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

	2017	2016
Unrestricted	\$ 1,846,813	\$ 430,353
Restricted - reserve funds (Note 25)	7,243,801	6,706,913
Restricted - controlled entities	<u>139,129</u>	<u>128,541</u>
	<u>\$ 9,229,743</u>	<u>\$ 7,265,807</u>

5. ACCOUNTS RECEIVABLE

	2017	2016
Due from the Federal Government and its agencies (Note 6)	\$ 483,650	\$ 1,454,830
Due from the Province of New Brunswick (Note 7)	-	1,307,973
Water and sewer	774,526	698,611
Arena	72,288	48,705
Other	<u>330,397</u>	<u>27,139</u>
	<u>\$ 1,660,861</u>	<u>\$ 3,537,258</u>

6. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	2017	2016
Canada Revenue Agency (HST refund)	\$ 337,971	\$ 821,447
Canada 150 grant	145,679	-
Small Communities Fund	<u>-</u>	<u>633,383</u>
	<u>\$ 483,650</u>	<u>\$ 1,454,830</u>

7. DUE FROM PROVINCE OF NEW BRUNSWICK

	2017	2016
Department of Transportation	\$ -	\$ 674,590
Small Communities Fund	<u>-</u>	<u>633,383</u>
	<u>\$ -</u>	<u>\$ 1,307,973</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

8. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
Government transfers - Gas Tax	\$ 4,192,313	\$ 4,081,145
Deferred revenue - Quispamsis	-	70,395
Deferred revenue - K-Park Levy (Note 14)	<u>18,685</u>	<u>18,006</u>
	<u>\$ 4,210,998</u>	<u>\$ 4,169,546</u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Accounts payable - trade	\$ 1,984,464	\$ 1,636,505
Bid deposits	72,772	71,824
Accrued interest	50,159	53,327
Accrued liabilities	242,973	223,032
Accounts payable - other	<u>82,486</u>	<u>120,810</u>
	<u>\$ 2,432,854</u>	<u>\$ 2,105,498</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 on the investments at December 31, 2017 was \$26,454 (2016 - \$18,710). The investments are restricted for future payment of retirement benefits.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. LONG TERM DEBT

(a) General Capital Fund

	Balance January 1, 2017	Issued during year	Redeemed during year	Balance December 31, 2017
New Brunswick Municipal Financing Corporation				
Debtentures:				
BA17 0.95% - 5.00%, due 2019, OIC # 08-03, 08-63	\$ 333,000	\$ -	\$ 107,000	\$ 226,000
BB26 1.00% - 4.50%, due 2019, OIC # 08-63, 08-82	445,000	-	142,000	303,000
BG18 1.65% - 3.80%, due 2027, OIC # 10-12, 11-71, 99-77	769,000	-	117,000	652,000
BL26 1.2% - 3.7%, due 2034, OIC # 03-88, 11-71, 13-08	3,109,000	-	176,000	2,933,000
BN17 1.05% - 3.15%, due 2025, OIC # 10-12, 13-08	1,921,000	-	232,000	1,689,000
B019 1.45% - 3.50%, due 2031, OIC # 13-08	<u>2,400,000</u>	<u>-</u>	<u>211,000</u>	<u>2,189,000</u>
	<u>\$ 8,977,000</u>	<u>\$ -</u>	<u>\$ 985,000</u>	<u>\$ 7,992,000</u>

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

2018 - \$1,009,000; 2019 - \$1,033,000; 2020 - \$778,000; 2021 - \$735,000; 2022 - \$715,000

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. LONG TERM DEBT (cont'd)

(b) Water and Sewer Capital Fund

	Balance January 1, 2017	Issued during year	Redeemed during year	Balance December 31, 2017
New Brunswick Municipal Financing Corporation				
Debentures:				
AY18 3.30% - 4.85%, due 2018, OIC # 96-60, 96-72	\$ 214,000	\$ -	\$ 14,000	\$ 200,000
AZ29 2.10 - 4.95%, due 2018, OIC # 03-0092	263,000	-	128,000	135,000
BF23 1.35% - 3.45%, due 2021, OIC # 00-18	1,362,000	-	77,000	1,285,000
BG19 1.65 - 3.80%, due 2027, OIC # 11-0045	455,000	-	12,000	443,000
BH23 1.35 - 3.80%, due 2032, OIC # 00-0018	599,000	-	30,000	569,000
BL27 1.2% - 3.7%, due 2034, OIC # 11-0045	956,000	-	23,000	933,000
BN18 1.05% - 3.15%, due 2025, OIC # 15-38	318,000	-	33,000	285,000
BP21 1.20% - 3.80%, due 2036, OIC # 18-0020	850,000	-	19,000	831,000
BR22 1.65% - 3.30%, due 2037, OIC # 15-0069	-	1,298,000	-	1,298,000
	<u>5,017,000</u>	<u>1,298,000</u>	<u>336,000</u>	<u>5,979,000</u>
Canada Mortgage and Housing Corporation				
CMHC 3.70%, due 2030 OIC # 09-119, 09-139, 10-012	<u>2,701,851</u>	-	<u>150,773</u>	<u>2,551,078</u>
	<u>\$ 7,718,851</u>	<u>\$ 1,298,000</u>	<u>\$ 486,773</u>	<u>\$ 8,530,078</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 \$565,254 (2016 - \$591,351) 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:

2018 - \$716,352; 2019 - \$391,137; 2020 - \$405,136; 2021 - \$1,288,357; 2022 - \$343,808

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. In 2021, debenture BF23 will mature with a final amount due of \$1,042,000, however it is expected that \$956,000 of this payment will be refinanced during that year for an additional ten years.

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. LONG TERM DEBT (cont'd)

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

	Balance January 1, 2017	Issued during year	Redeemed during year	Balance December 31, 2017
New Brunswick Municipal Financing Corporation				
Debentures:				
BL45 1.2% - 3.1%, due 2024, OIC # 02-66, 03-53	\$ 164,747	\$ -	\$ 19,825	\$ 144,922
BN35 1.05% - 3.15%, due 2025, OIC# 03-53	<u>331,135</u>	<u>-</u>	<u>35,168</u>	<u>295,967</u>
	<u>\$ 495,882</u>	<u>\$ -</u>	<u>\$ 54,993</u>	<u>\$ 440,889</u>

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

2018 - \$53,886; 2019 - \$55,111; 2020 - \$56,336; 2021 - \$57,560; 2022 - \$58,785

Total Long term debt:

	2017	2016
General Capital Fund	\$ 7,992,000	\$ 8,977,000
Water and Sewer Capital Fund	8,530,078	7,718,851
Jointly Controlled Entity - KRJPC	<u>440,889</u>	<u>495,882</u>
	<u>\$ 16,962,967</u>	<u>\$ 17,191,733</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, 2017, the balance in this reserve was \$219,305 (2016 - \$202,861).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 65 for Rothesay and 60 for KVFD; 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 2017	2016
Rothesay	\$ 15,701	\$ 13,300
KRJPC	5,429	5,450
KVFD	<u>304,459</u>	<u>296,404</u>
	<u>\$ 325,589</u>	<u>\$ 315,154</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 60.

The accrued liability is based on an actuarial valuation as at December 31, 2016, which used a discount rate of 3.3% 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, 2016, which used a discount rate of 2.86% and an annual salary increase rate of 3%.

The consolidated unfunded liability consist of:

	<u>2017</u>	<u>2016</u>
Rothesay	\$ 355,325	\$ 346,100
KVFD	150,924	142,040
KRJPC	<u>315,787</u>	<u>318,618</u>
Balance at end of year	<u>\$ 822,036</u>	<u>\$ 806,758</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, 2015 and resulted in an overall NBMEPP accrued benefit obligation of \$106,639,900 based on the accounting basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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, 2016:

- the expected inflation rate is 2.25% (prior 2.25%);
- the discount rate used to determine the accrued benefit obligation is 5.60% (prior 5.85%);
- the expected rate of return on assets is 5.60% (prior 5.85%);
- 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, 2015 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 \$1,260,200, a change of \$2,501,800 from the December 31, 2014 surplus of \$1,241,600. Based on the assumptions as at December 31, 2015, 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, 2015, the NBMEPP provides benefits for 218 retirees. Total benefits payments to retirees and terminating employees during 2017 are estimated to be approximately \$3,125,100 (actual 2016, \$3,930,300) 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 2017 are estimated to be approximately \$6,303,400 (actual 2016, \$6,187,400) in totality for the NBMEPP.

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

- The average age of the 46 active employees covered by the NBMEPP is 46.4 (as at Dec 31, 2015);
- benefit payments were \$181,700 in 2016 and were estimated to be \$71,900 in 2017; and
- combined contributions were \$427,000 in 2016 and were estimated to be \$437,800 in 2017.

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

- The average age of the 40 active employees covered by the NBMEPP is 43.1 (2016 - 43.1);
- benefit payments were \$385,000 in 2016 and were estimated to be \$394,100 in 2017; and
- combined contributions were \$523,000 in 2016 and were estimated to be \$538,600 in 2017.

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

- The average age of the 42 active employees covered by the NBMEPP is 42.5 (2016 - 41.7);
- benefit payments were \$437,200 in 2016 and were estimated to be \$176,200 in 2017; and
- combined contributions were \$664,800 in 2016 and were estimated to be \$684,800 in 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2015 and December 31, 2016, NBMEPP's actuary performed an extrapolation of the December 31, 2016 accounting valuation to determine the estimated position as at December 31, 2017. The extrapolation assumes assumptions used as at December 31, 2017 remain unchanged from December 31, 2016. The extrapolation also assumes assets return 5.60%, 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, 2017 to	Jan 1, 2016 to
	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>
Accrued Benefit Liability		
Accrued benefit liability at beginning of period	\$ 773,467	\$ 1,035,979
Change in ownership percentage	(1,621)	(2,441)
Adjustment to actual	(12,629)	(9,671)
Pension expense for the year	285,494	210,364
Employer contributions	<u>(470,141)</u>	<u>(460,764)</u>
Accrued benefit liability at end of period	<u>\$ 574,570</u>	<u>\$ 773,467</u>

In summary, the consolidated accrued benefit liability is estimated to be \$574,570 as at December 31, 2017. The December 31, 2016 liability was estimated in the prior year. The actual liability was calculated to be \$760,838. The difference of \$12,629 has been recorded in the current year. This amount is included in the post employment benefits payable on the consolidated statement of financial position.

	Estimated	
	Jan 1, 2017 to	Jan 1, 2016 to
	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>
Rothesay	\$ 66,300	\$ 142,000
KVFD	281,825	324,471
KRJPC	<u>226,445</u>	<u>306,996</u>
	<u>\$ 574,570</u>	<u>\$ 773,467</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:

	Estimated	
	Jan 1, 2017 to	Jan 1, 2016 to
	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 16,319,683	\$ 15,088,041
Plan assets	<u>(15,678,980)</u>	<u>(14,256,352)</u>
Plan deficit	640,703	831,689
Unamortized experience losses	<u>(66,133)</u>	<u>(70,851)</u>
Accrued benefit liability at end of period	<u>\$ 574,570</u>	<u>\$ 760,838</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017 to Dec 31, 2017	Jan 1, 2016 to Dec 31, 2016
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 15,088,041	\$ 13,401,075
Change in ownership percentage	(26,629)	(24,252)
Current service cost	710,477	652,026
Benefits payments	(306,948)	(520,456)
Interest for period	854,742	786,351
Experience loss during period	<u>-</u>	<u>793,297</u>
Accrued benefit obligation at end of period	<u>\$ 16,319,683</u>	<u>\$ 15,088,041</u>

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

	Estimated Jan 1, 2017 to Dec 31, 2017	Jan 1, 2016 to Dec 31, 2016
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 14,256,352	\$ 12,624,450
Change in ownership percentage	(25,367)	(23,119)
Employer contributions	470,141	457,116
Employee contributions	470,141	459,116
Benefit payments	(306,948)	(520,456)
Return on plan assets during period	<u>814,661</u>	<u>1,259,245</u>
Plan assets at end of period	<u>\$ 15,678,980</u>	<u>\$ 14,256,352</u>

Total expense related to pensions include the following components:

	Estimated Jan 1, 2017 to Dec 31, 2017	Actual Jan 1, 2016 to Dec 31, 2016
Pension Expense		
Employer current service cost	\$ 240,335	\$ 192,911
Interest on accrued benefit obligation	854,742	786,351
Expected return on assets	(814,661)	(748,733)
Amortization of unrecognized balances		
Prior service savings	17,200	8,700
Experience loss	<u>(12,122)</u>	<u>(15,378)</u>
Pension expense	<u>\$ 285,494</u>	<u>\$ 223,851</u>

The pension expense is included in the statement of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017 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. COMMITMENT

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 minimum annual payments next year is \$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 2017, the Town has complied with these restrictions.

Capital Funds

At December 31, 2017, there were short-term funds totaling \$660,000 (2016 - \$700,000) borrowed from other funds and no short-term funds (2016 - \$700,000) borrowed from a financial institution to provide interim funding for capital projects in the General Capital Fund.

At December 31, 2017, there were short-term funds totaling \$674,040 (2016 - \$625,000) borrowed from other funds and no short-term funds (2016 - 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:

Water and Sewer Capital Fund, OIC # 15-0069	\$ 1,202,000
Water and Sewer Capital Fund, OIC # 15-0069 - interim financing	<u>5,000,000</u>
	\$ <u>6,202,000</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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. UTILITY FUND SURPLUS

The Municipalities Act requires Utility Fund surplus amounts to be absorbed into one or more of four Operating Budgets commencing with the second next ensuing year; the balance of the surplus at the end of the year consists of:

	<u>2017</u>	<u>2016</u>
2017 Surplus	\$ 11,713	\$ -
2016 Surplus	21,125	21,125
2015 Surplus	<u>-</u>	<u>28,535</u>
	<u>\$ 32,838</u>	<u>\$ 49,660</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

21. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land Improvements	Buildings and Leasehold Improvements	Vehicles	Machinery and Equipment	Infrastructure			Sewer	Subtotal	Assets Under Construction		
						Roads and Streets	Storm Sewer	Water			2017 Total	2016 Total	
COST													
Balance - beginning of year	\$ 4,823,415	\$ 7,972,702	\$ 10,764,378	\$ 3,388,521	\$ 3,853,510	\$ 37,271,044	\$ 18,624,605	\$ 26,000,317	\$ 16,683,991	\$ 129,382,483	\$ 2,650,357	\$ 132,032,840	\$ 124,340,604
Change in ownership	(345)	(89)	(5,011)	(2,709)	(1,243)	-	-	-	-	(9,397)	-	(9,397)	(12,571)
Add: Net additions during the year	-	-	220,763	1,257,751	331,617	1,492,272	320,869	760,657	112,720	4,496,649	3,250,138	7,746,787	10,666,358
Less: Disposals during the year	(58,584)	-	-	(198,560)	(105,107)	(458,342)	(17,925)	-	(16,408)	(854,926)	-	(854,926)	(2,961,551)
Balance - end of year	<u>4,764,486</u>	<u>7,972,613</u>	<u>10,980,130</u>	<u>4,445,003</u>	<u>4,078,777</u>	<u>38,304,974</u>	<u>18,927,549</u>	<u>26,760,974</u>	<u>16,780,303</u>	<u>133,014,809</u>	<u>5,900,495</u>	<u>138,915,304</u>	<u>132,032,840</u>
ACCUMULATED AMORTIZATION													
Balance - beginning of year	-	2,586,338	3,485,418	1,925,209	1,277,628	17,971,417	6,174,906	6,122,510	7,571,315	47,114,741	-	47,114,741	44,062,668
Change in ownership	-	(53)	(1,895)	(1,305)	(618)	-	-	-	-	(3,871)	-	(3,871)	(5,290)
Add: Amortization during the year	-	422,096	332,517	394,485	317,027	1,579,542	335,061	499,104	248,116	4,127,948	-	4,127,948	3,885,389
Less: Accumulated amortization on disposals	-	-	-	(165,701)	(98,233)	(333,410)	(12,466)	-	(7,889)	(617,699)	-	(617,699)	(828,026)
Balance - end of year	<u>-</u>	<u>3,008,381</u>	<u>3,816,040</u>	<u>2,152,688</u>	<u>1,495,804</u>	<u>19,217,549</u>	<u>6,497,501</u>	<u>6,621,614</u>	<u>7,811,542</u>	<u>50,621,119</u>	<u>-</u>	<u>50,621,119</u>	<u>47,114,741</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS													
	<u>\$ 4,764,486</u>	<u>\$ 4,964,232</u>	<u>\$ 7,164,090</u>	<u>\$ 2,292,315</u>	<u>\$ 2,582,973</u>	<u>\$ 19,087,425</u>	<u>\$ 12,430,048</u>	<u>\$ 20,139,360</u>	<u>\$ 8,968,761</u>	<u>\$ 82,393,690</u>	<u>\$ 5,900,495</u>	<u>\$ 88,294,185</u>	<u>\$ 84,918,099</u>

Consists of:

General Fund Assets	\$ 4,405,177	\$ 4,885,931	\$ 3,013,308	\$ 1,547,710	\$ 2,218,102	\$ 18,877,686	\$ 12,430,048	\$ -	\$ -	\$ 47,377,962	\$ 145,678	\$ 47,523,640	\$ 49,969,325
Utility Fund Assets	119,971	-	1,380,488	74,622	117,221	209,739	-	20,139,360	8,968,761	31,010,162	5,754,817	36,764,979	30,710,645
Controlled Entities	239,338	78,301	2,770,294	669,983	247,650	-	-	-	-	4,005,566	-	4,005,566	4,238,129
	<u>\$ 4,764,486</u>	<u>\$ 4,964,232</u>	<u>\$ 7,164,090</u>	<u>\$ 2,292,315</u>	<u>\$ 2,582,973</u>	<u>\$ 19,087,425</u>	<u>\$ 12,430,048</u>	<u>\$ 20,139,360</u>	<u>\$ 8,968,761</u>	<u>\$ 82,393,690</u>	<u>\$ 5,900,495</u>	<u>\$ 88,294,185</u>	<u>\$ 84,918,099</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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>2017 Total</u>	<u>2016 Total</u>
COST									
Balance - beginning of year	\$	239,683	\$ 123,250	\$ 3,916,326	\$ 1,426,077	\$ 605,661	\$ -	\$ 6,310,997	\$ 6,226,053
Change in percentage ownership		(345)	(89)	(5,011)	(2,709)	(1,243)	-	(9,397)	(12,571)
Add: Net additions during the year		-	-	21,577	39,001	56,220	-	116,798	134,068
Less: Disposals during the year		-	-	-	(48,055)	(12,521)	-	(60,576)	(36,553)
Balance - end of year		<u>239,338</u>	<u>123,161</u>	<u>3,932,892</u>	<u>1,414,314</u>	<u>648,117</u>	<u>-</u>	<u>6,357,822</u>	<u>6,310,997</u>
ACCUMULATED AMORTIZATION									
Balance - beginning of year		-	37,149	1,025,053	683,505	327,161	-	2,072,868	1,785,232
Change in percentage ownership		-	(53)	(1,895)	(1,305)	(618)	-	(3,871)	(5,290)
Add: Amortization during the year		-	7,764	139,440	96,890	79,719	-	323,813	327,020
Less: Accumulated amortization on disposals		-	-	-	(34,752)	(5,795)	-	(40,554)	(34,094)
Balance - end of year		<u>-</u>	<u>44,860</u>	<u>1,162,598</u>	<u>744,331</u>	<u>400,467</u>	<u>-</u>	<u>2,352,256</u>	<u>2,072,868</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS		<u>\$ 239,338</u>	<u>\$ 78,301</u>	<u>\$ 2,770,294</u>	<u>\$ 669,983</u>	<u>\$ 247,650</u>	<u>\$ -</u>	<u>\$ 4,005,566</u>	<u>\$ 4,238,129</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

23. SCHEDULE OF SEGMENT DISCLOSURE

	General	Protective	Transportation	Environmental Health	Environmental Development	Recreation and Culture	Water and Sewer	2017 Consolidated	2016 Consolidated
REVENUE									
Property tax warrant	\$ 1,749,951	\$ 4,518,228	\$ 5,213,824	\$ 609,279	\$ 471,294	\$ 2,769,044	\$ -	\$ 15,331,620	\$ 14,961,842
Sale of service	66,500	-	-	-	-	324,076	-	390,576	328,058
Services provided to other governments	-	-	81,520	-	-	-	-	81,520	89,243
Other own source	115,946	-	232,700	-	116,921	-	356,032	821,599	991,255
Unconditional grant	13,693	35,355	40,798	4,768	3,688	21,668	-	119,970	118,987
Conditional government transfers	-	-	740,000	-	-	182,138	1,918,730	2,840,868	2,403,277
Water and sewer user fees	-	-	-	-	-	-	2,778,345	2,778,345	2,696,571
Sundry and interest	92,465	173,945	-	-	-	7,495	77,170	351,075	472,423
	<u>2,038,555</u>	<u>4,727,528</u>	<u>6,308,842</u>	<u>614,047</u>	<u>591,903</u>	<u>3,304,421</u>	<u>5,130,277</u>	<u>22,715,573</u>	<u>22,061,656</u>
EXPENDITURE									
Salaries and benefits	845,813	3,734,581	1,043,494	-	293,495	611,156	582,738	7,111,277	7,206,163
Goods and services	813,747	555,633	1,603,469	609,255	177,708	1,329,258	1,475,091	6,564,161	6,131,549
Interest	1,995	19,552	70,066	-	-	154,133	297,207	542,953	510,675
Other	34,159	8,316	90,236	-	-	-	67,103	199,814	507,595
Amortization	54,141	199,684	2,346,229	-	-	674,195	853,699	4,127,948	3,885,349
	<u>1,749,855</u>	<u>4,517,766</u>	<u>5,153,494</u>	<u>609,255</u>	<u>471,203</u>	<u>2,768,742</u>	<u>3,275,838</u>	<u>18,546,153</u>	<u>18,241,331</u>
Surplus (deficit) for the year	\$ <u>288,700</u>	\$ <u>209,762</u>	\$ <u>1,155,348</u>	\$ <u>4,792</u>	\$ <u>120,700</u>	\$ <u>535,679</u>	\$ <u>1,854,439</u>	\$ <u>4,169,420</u>	\$ <u>3,820,325</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

24. RECONCILIATION OF ANNUAL SURPLUS

	General Operating Fund	General Capital Fund	Utility Operating Fund	Utility Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Utility Operating Reserve Fund	Utility Capital Reserve Fund	Jointly Controlled Entities	Total
2017 annual surplus (deficit)	\$ 4,575,945	\$ (2,714,267)	\$ 1,090,224	\$ 1,182,817	\$ 7,560	\$ 42,182	\$ 816	\$ 7,987	\$ (23,844)	\$ 4,169,420
Adjustments to annual surplus (deficit) for funding requirements										
Second previous year's surplus	10,030	-	28,535	-	-	-	-	-	69,464	108,029
Transfers between funds										
Transfer elimination	(600,000)	-	-	-	-	600,000	-	-	-	-
Transfer elimination	(851,168)	-	-	-	-	851,168	-	-	-	-
Transfer elimination	-	744,106	-	-	(744,106)	-	-	-	-	-
Transfer elimination	(15,444)	-	-	-	15,444	-	-	-	-	-
Transfer elimination	2,142	-	-	-	(2,142)	-	-	-	-	-
Transfer elimination	-	-	(68,000)	-	-	-	-	68,000	-	-
Transfer elimination	-	-	-	300,000	-	(300,000)	-	-	-	-
Transfer elimination	-	-	(4,000)	-	-	-	-	4,000	-	-
Transfer elimination	-	-	(10,768)	-	-	-	-	10,768	-	-
Transfer elimination	(2,171,447)	2,171,447	(537,505)	537,505	-	-	-	-	-	-
Long term debt principal repayment	(985,000)	985,000	(486,773)	486,773	-	-	-	-	-	-
Provision for retirement allowance	-	-	-	-	-	-	-	-	(42,176)	(42,176)
Provision for pension liability	(75,700)	-	-	-	-	-	-	-	(80,764)	(156,464)
Provision for sick leave accrual	-	-	-	-	-	-	-	-	8,485	8,485
Accumulated amortization on disposal of capital assets	-	(577,145)	-	-	-	-	-	-	(40,554)	(617,699)
Revenue adjustment	480	-	-	-	-	-	-	-	-	480
Deferred Gas tax revenue	111,168	-	-	-	-	-	-	-	-	111,168
Unrealized loss on investments	-	-	-	-	-	-	-	-	(7,816)	(7,816)
Amortization expense	-	2,950,436	-	853,699	-	-	-	-	323,813	4,127,948
Total adjustments to 2017 annual surplus (deficit)	(4,574,939)	6,273,844	(1,078,511)	2,177,977	13,302	707,062	-	(217,232)	230,452	3,531,955
2017 annual surplus (deficit) for funding requirements	\$ 1,006	\$ 3,559,577	\$ 11,713	\$ 3,360,794	\$ 20,862	\$ 749,244	\$ 816	\$ (209,245)	\$ 206,608	\$ 7,701,375

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

25. STATEMENT OF RESERVES

	<u>General Operating Reserve</u>	<u>General Capital Reserve</u>	<u>Utility Operating Reserve</u>	<u>Utility Capital Reserve</u>	<u>Land for Public Purpose</u>	<u>2017 Total</u>	<u>2016 Total</u>
ASSETS							
Cash and short term investments	\$ 797,471	\$ 5,576,054	\$ -	\$ 870,276	\$ -	\$ 7,243,801	\$ 6,706,913
Due from (to) other funds	<u>7,646</u>	<u>324,509</u>	<u>101,033</u>	<u>(100,940)</u>	<u>107,431</u>	<u>439,679</u>	<u>414,890</u>
	<u>\$ 805,117</u>	<u>\$ 5,900,563</u>	<u>\$ 101,033</u>	<u>\$ 769,336</u>	<u>\$ 107,431</u>	<u>\$ 7,683,480</u>	<u>\$ 7,121,803</u>
ACCUMULATED SURPLUS	<u>\$ 805,117</u>	<u>\$ 5,900,563</u>	<u>\$ 101,033</u>	<u>\$ 769,336</u>	<u>\$ 107,431</u>	<u>\$ 7,683,480</u>	<u>\$ 7,121,803</u>
REVENUE							
Other government transfers	\$ -	\$ 851,168	\$ -	\$ 10,768	\$ -	\$ 861,936	\$ 840,952
Transfers from Operating Funds	-	600,000	-	72,000	15,444	687,444	150,619
Interest	<u>6,928</u>	<u>42,182</u>	<u>816</u>	<u>7,987</u>	<u>632</u>	<u>58,545</u>	<u>54,946</u>
	<u>6,928</u>	<u>1,493,350</u>	<u>816</u>	<u>90,755</u>	<u>16,076</u>	<u>1,607,925</u>	<u>1,046,517</u>
EXPENDITURES							
Transfers to General Operating Fund	-	-	-	-	2,142	2,142	-
Transfer to General Capital Fund	-	744,106	-	-	-	744,106	821,669
Transfers to Water and Sewer Capital Fund	-	-	-	300,000	-	300,000	388,686
	-	<u>744,106</u>	-	<u>300,000</u>	<u>2,142</u>	<u>1,046,248</u>	<u>1,210,355</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 6,928</u>	<u>\$ 749,244</u>	<u>\$ 816</u>	<u>\$ (209,245)</u>	<u>\$ 13,934</u>	<u>\$ 561,677</u>	<u>\$ (163,838)</u>

<u>Name of Investment</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
Cashable GIC	\$ 3,848,757	1.10%	October 26, 2018
Cashable GIC	100,031	1.12%	December 22, 2018

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

25. STATEMENT OF RESERVES (cont'd)

Council Resolutions regarding transfers to and from reserves:

Moved by Council. Brenan and seconded by Council. Shea the sum of \$600,000.00 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. Brenan and seconded by Council. Lewis Gas Tax Funding in the amount of \$840,952.00 for the year 2017, be transferred to the General Capital Reserve Fund (Gas Tax).

CARRIED.

Moved by Council. Brenan and seconded by Council. McGuire the sum of \$744,105.57 be transferred from the General Capital Reserve (Gas Tax) to the General Operating Fund to cover the costs of Capital projects.

CARRIED.

Moved by Council. Brenan and seconded by Council. McGuire the sum of \$15,444.00 be transferred from the General Operating Fund to the Land for Public Purposes Reserve Fund for external contributions.

CARRIED.

Moved by Council. Brenan and seconded by Deputy Mayor Alexander \$2,142.03 be transferred from the Land for Public Purposes Reserve Fund to the General Operating Fund for capital expenditures.

CARRIED.

Moved by Council. Brenan and seconded by Deputy Mayor Alexander the sum of \$68,000.00 be transferred from the Utility Operating Fund to the Utility Capital Reserve Fund for water and sewer connection fees.

CARRIED.

Moved by Council. Brenan and seconded by Council. McGuire \$300,000.00 be transferred from the Utility Capital Reserve Fund to the Utility Operating Fund to cover the costs of Capital projects.

CARRIED.


Moved by Council. Brenan and seconded by Deputy Mayor Alexander the sum of \$4,000 be transferred from the Utility Operating Fund to the Utility Sewage Outfall Reserve Fund for Rothesay's contribution to the Sewage Outfall Reserve.

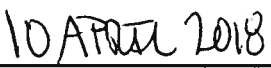
CARRIED.

Moved by Council. Brenan and seconded by Deputy Mayor Alexander the sum of \$10,768.00 received from Quispamsis for Sewage Outfall be transferred from the Utility Operating Fund to the Utility Sewage Outfall Reserve Fund.

CARRIED.

I hereby certify that the above are true and exact copies of resolutions adopted at the regular meeting of Council on December 11, 2017.


Clerk,
Rothesay


Date

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

26. STATEMENT OF JOINTLY CONTROLLED ENTITIES OPERATIONS

	<u>KV Fire</u>	<u>Police</u>	<u>Library</u>	<u>2017 Total</u>	<u>2016 Total</u>
ASSETS	\$ <u>1,495,800</u>	\$ <u>1,524,054</u>	\$ <u>1,940,958</u>	\$ <u>4,960,812</u>	\$ <u>5,148,789</u>
LIABILITIES	\$ <u>833,435</u>	\$ <u>1,153,875</u>	\$ <u>10,659</u>	\$ <u>1,997,969</u>	\$ <u>2,160,080</u>
ACCUMULATED SURPLUS	\$ <u>662,365</u>	\$ <u>370,179</u>	\$ <u>1,930,299</u>	\$ <u>2,962,843</u>	\$ <u>2,988,709</u>
REVENUE	\$ 1,995,298	\$ 2,553,580	\$ 93,876	\$ 4,642,754	\$ 4,612,005
EXPENDITURES	<u>2,003,099</u>	<u>2,453,078</u>	<u>210,421</u>	<u>4,666,598</u>	<u>4,584,121</u>
	(7,801)	100,502	(116,545)	(23,844)	27,884
CHANGE IN PERCENTAGE OWNERSHIP	<u>(972)</u>	<u>(1,050)</u>	<u>-</u>	<u>(2,022)</u>	<u>(3,328)</u>
ANNUAL SURPLUS (DEFICIT)	\$ <u>(8,773)</u>	\$ <u>99,452</u>	\$ <u>(116,545)</u>	\$ <u>(25,866)</u>	\$ <u>24,556</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, 2017

27. OPERATING BUDGET TO PSA BUDGET

	Operating Budget General	Operating Budget Water and Sewer	Amortization TCA	Controlled Entities	Transfers	Total
REVENUE						
Property tax warrant	\$ 15,331,622	\$ -	\$ -	\$ -	\$ -	\$ 15,331,622
Unconditional transfers from other governments	119,968	-	-	-	-	119,968
Conditional transfers from Federal or Provincial governments	21,500	-	-	-	740,000	761,500
Services other governments	60,000	-	-	-	-	60,000
Other own source	87,180	-	-	-	-	87,180
Sale of services	339,700	-	-	-	-	339,700
Other transfers	920,000	-	-	-	(920,000)	-
Water and sewer user fees	-	3,113,965	-	-	(413,000)	2,700,965
Sundry income	5,000	47,500	-	157,914	-	210,414
Surplus (deficit) of second previous year	10,030	28,532	-	-	(38,562)	-
	<u>16,895,000</u>	<u>3,190,000</u>	<u>-</u>	<u>157,914</u>	<u>(631,562)</u>	<u>19,611,349</u>
EXPENDITURES						
General government services	2,039,246	-	50,000	-	(282,452)	1,806,794
Protective services	4,785,048	-	164,891	4,435,857	(4,727,673)	4,658,123
Transportation services	3,329,876	-	2,350,000	-	(580,060)	5,099,816
Environmental health services	620,000	-	-	-	-	620,000
Environmental development services	633,947	-	-	-	-	633,947
Recreation and cultural services	1,991,932	-	674,129	88,338	50,376	2,804,775
Fiscal services						
Long term debt repayments	985,000	486,773	-	-	(1,471,773)	-
Interest	252,951	339,177	-	-	(592,128)	-
Transfer from General Operating Fund to General Capital Reserve Fund	10,000	-	-	-	(10,000)	-
Transfer from General Operating Fund to General Capital Fund	2,247,000	-	-	-	(2,247,000)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Capital Reserve Fund	-	140,000	-	-	(140,000)	-
Transfer from Water and Sewer Operating Fund to Water and Sewer Operating Capital Fund	-	600,000	-	-	(600,000)	-
Water and Sewer	-	1,624,050	850,000	-	339,807	2,813,857
	<u>16,895,000</u>	<u>3,190,000</u>	<u>4,089,020</u>	<u>4,524,192</u>	<u>(10,260,903)</u>	<u>18,437,312</u>
Surplus (deficit)	\$ -	\$ -	\$ (4,089,020)	\$ (4,366,281)	\$ 9,629,338	\$ 1,174,037

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

28. REVENUE AND EXPENDITURES SUPPORT

	<u>2017</u> Budget	<u>2017</u> Actual	<u>2016</u> Actual
REVENUE			
Sale of services			
Community Centre	\$ 31,500	\$ 39,470	\$ 26,173
Rental revenue	10,000	28,130	8,514
Recreational programs	<u>298,200</u>	<u>322,976</u>	<u>293,371</u>
	<u>\$ 339,700</u>	<u>\$ 390,576</u>	<u>\$ 328,058</u>
Other own source			
Permits and fines	\$ 85,000	\$ 117,071	\$ 116,066
Developers contributions	-	612,802	829,848
Miscellaneous	<u>2,180</u>	<u>91,726</u>	<u>45,341</u>
	<u>\$ 87,180</u>	<u>\$ 821,599</u>	<u>\$ 991,255</u>
Conditional government transfers			
Government of Canada	\$ -	\$ 986,574	\$ 633,383
Province of New Brunswick	-	1,077,156	1,307,973
Gas Tax revenue	740,000	740,000	400,000
Canada Day grants	1,500	2,500	2,500
Other government grants	<u>20,000</u>	<u>34,638</u>	<u>59,421</u>
	<u>\$ 761,500</u>	<u>\$ 2,840,868</u>	<u>\$ 2,403,277</u>
EXPENDITURE			
General government services			
Legislative			
Mayor	\$ 37,100	\$ 34,554	\$ 33,252
Councilors	106,343	104,807	102,690
Fundy Regional Service Commission	4,291	4,291	5,046
NMNB-FCM Local Government for Sustainability	9,000	9,000	-
Other	<u>13,000</u>	<u>6,505</u>	<u>6,394</u>
	<u>169,734</u>	<u>159,157</u>	<u>147,382</u>
Administrative			
Administration	670,800	662,269	586,450
Office building	142,700	172,007	130,048
Solicitor	50,000	40,739	85,251
Supplies	133,900	30,477	34,036
Other	<u>84,724</u>	<u>152,411</u>	<u>210,067</u>
	<u>1,082,124</u>	<u>1,057,903</u>	<u>1,045,852</u>
Financial management			
Professional fees	<u>30,000</u>	<u>14,560</u>	<u>38,811</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2017</u> Budget	<u>2017</u> Actual	<u>2016</u> Actual
General government services (cont'd)			
Other			
Civic relations	4,000	2,182	5,858
Community communications	8,000	5,189	5,610
Insurance	167,090	162,011	162,197
Property tax - land for public purposes	8,000	7,799	7,681
Grants to organizations	42,000	41,120	51,440
Cost of assessment	243,798	243,798	239,884
Interest	2,048	1,995	7,037
Amortization	<u>50,000</u>	<u>54,141</u>	<u>42,754</u>
	<u>524,936</u>	<u>518,235</u>	<u>522,461</u>
	<u>\$ 1,806,794</u>	<u>\$ 1,749,855</u>	<u>\$ 1,754,506</u>
Protective services			
Fire			
Administration	\$ 269,453	\$ 268,038	\$ 278,014
Firefighting force	1,451,868	1,426,253	1,363,882
Telecommunications	7,496	3,613	4,867
Insurance	13,790	14,217	13,673
Prevention and training	19,867	12,435	17,171
Facilities	84,499	81,858	81,429
Fleet	36,651	40,715	41,734
Operations	20,902	20,622	21,100
Water costs	11,881	11,881	11,559
Retirement allowance	19,285	23,344	19,592
Other	1,200	981	893
Loss on disposal of tangible capital assets	-	5,045	-
Amortization	<u>108,924</u>	<u>108,924</u>	<u>112,480</u>
	<u>2,045,816</u>	<u>2,017,926</u>	<u>1,966,394</u>
Crimestoppers	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>
Police			
Crime Control	1,773,572	1,664,804	1,705,367
Vehicle Fleet	123,351	73,694	75,857
Property	82,240	77,329	76,850
Administration	344,527	375,486	346,381
Retirement allowance	32,352	26,762	25,947
Communications	2,671	1,301	996
Other	(7,817)	(7,817)	(20,163)
Loss on disposal of tangible capital assets	8,316	8,316	249
Amortization	<u>55,967</u>	<u>90,761</u>	<u>91,201</u>
	<u>2,415,179</u>	<u>2,310,636</u>	<u>2,302,685</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2017</u> Budget	<u>2017</u> Actual	<u>2016</u> Actual
Protective services (cont'd)			
Other			
Emergency measures	154,753	140,392	141,202
Animal control	9,500	8,563	8,834
Interest	20,075	19,552	23,178
Other	<u>10,000</u>	<u>17,897</u>	<u>8,606</u>
	<u>194,328</u>	<u>186,404</u>	<u>181,820</u>
	<u>\$ 4,658,123</u>	<u>\$ 4,517,766</u>	<u>\$ 4,453,699</u>
Transportation services			
Common			
Wages and benefits	\$ 1,182,278	\$ 1,043,494	\$ 1,163,291
Workshop, yard and equipment maintenance	535,245	596,658	569,602
Engineering	<u>7,500</u>	<u>46,102</u>	<u>59,628</u>
	<u>1,725,023</u>	<u>1,686,254</u>	<u>1,792,521</u>
Roads and Streets			
Roadway surfaces	75,000	61,138	78,785
Crosswalks and sidewalks	14,353	29,096	20,661
Culverts and drainage ditches	33,000	33,791	10,004
Storm sewers	27,000	27,357	49,230
Street cleaning	40,000	37,699	34,838
Snow and ice removal	470,000	475,201	420,350
Street lighting	146,000	141,256	136,545
Street signs	15,000	19,493	4,612
Traffic lane marking	20,000	25,657	21,875
Traffic signals and signs	25,000	20,844	18,059
Railway crossing signals	20,000	20,049	20,918
Public transit - Comex Service	64,500	66,128	63,237
KV committee for the disabled	3,000	3,000	-
Interest	71,940	70,066	75,530
Loss on disposal of tangible capital assets	-	90,236	367,563
Amortization	<u>2,350,000</u>	<u>2,346,229</u>	<u>2,141,409</u>
	<u>3,374,793</u>	<u>3,467,240</u>	<u>3,463,616</u>
	<u>\$ 5,099,816</u>	<u>\$ 5,153,494</u>	<u>\$ 5,256,137</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2017</u> Budget	<u>2017</u> Actual	<u>2016</u> Actual
Environmental health services			
Solid waste disposal	\$ 190,000	\$ 192,265	\$ 186,817
Solid waste compost	25,000	24,267	25,240
Solid waste collection	260,000	262,461	260,635
Curbside recycling	90,000	93,598	92,134
Clean up campaign	<u>55,000</u>	<u>36,664</u>	<u>47,560</u>
	<u>\$ 620,000</u>	<u>\$ 609,255</u>	<u>\$ 612,386</u>
Environmental development services			
Environmental planning and zoning	\$ 544,325	\$ 381,652	\$ 458,366
Greater Saint John Economic Development Agency, Inc.	86,422	86,422	86,422
Tourism	<u>3,200</u>	<u>3,129</u>	<u>3,103</u>
	<u>\$ 633,947</u>	<u>\$ 471,203</u>	<u>\$ 547,891</u>
Recreation and cultural services			
Administration	\$ 221,746	\$ 232,881	\$ 269,403
Beaches	53,400	41,044	49,413
Rothesay Arena	313,080	330,823	271,221
Memorial Centre	65,000	51,926	61,874
Summer programs	58,944	55,377	60,292
Rothesay Common	48,401	49,175	57,405
Parks and gardens	568,400	541,815	554,647
Regional Facilities Commission	397,780	397,780	390,133
Kennebecasis Public Library Inc	88,338	86,283	97,835
Special events	44,500	40,636	36,169
Big Rothesay read	300	-	-
Playgrounds and fields	110,000	103,603	99,465
Living museum	2,500	1,571	1,978
PRO Kids	-	7,500	-
Loss on disposal of capital assets	-	-	111,184
Interest	158,257	154,133	138,559
Amortization	<u>674,129</u>	<u>674,195</u>	<u>672,854</u>
	<u>\$ 2,804,775</u>	<u>\$ 2,768,742</u>	<u>\$ 2,872,432</u>
Water and sewer services			
Water System			
Administration	\$ 401,000	\$ 392,201	\$ 278,275
Purification maintenance and treatment	310,000	317,422	272,266
Source of supply - purchase of water	1,000	667	621
Transmission and distribution	92,300	76,884	201,789
Power and pumping	48,000	42,186	40,264
Billing and collecting	<u>3,000</u>	<u>4,881</u>	<u>1,170</u>
	<u>855,300</u>	<u>834,241</u>	<u>794,385</u>

ROTHESAY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

28. REVENUE AND EXPENDITURE SUPPORT (cont'd)

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Sewer System			
Administration	586,500	579,639	637,954
Sewer collection system	87,800	305,507	64,375
Sewer lift stations	29,000	20,882	16,874
Treatment and disposal	65,450	43,233	60,533
Infiltration study	-	274,327	-
Loss on disposal of tangible capital asset	<u>-</u>	<u>67,103</u>	<u>79,138</u>
	<u>768,750</u>	<u>1,290,691</u>	<u>858,874</u>
Interest	339,807	297,207	266,371
Amortization	<u>850,000</u>	<u>853,699</u>	<u>824,650</u>
	<u>1,189,807</u>	<u>1,150,906</u>	<u>1,091,021</u>
	<u>\$ 2,813,857</u>	<u>\$ 3,275,838</u>	<u>\$ 2,744,280</u>