

TOWN OF GRAND FALLS

2019 ANNUAL REPORT



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MAYOR'S MESSAGE

We are happy and proud to present the Town of Grand Falls 2019 annual report. Contained herein, I trust that you will find varied and interesting information.

This report is intended as an excellent source of information regarding Council and its meetings, budgets and municipal services. We have also included miscellaneous grants and financial aid that we have provided to community organizations and to our volunteers as well as for economic development purposes.

Thanks to all our employees and to the many volunteers who, as always, have contributed their time and efforts to make our community a place where living is easy.

Together we are one team, one family with one vision.

Marcel Deschênes
Mayor of Grand Falls

FOREWORD

This report is prepared pursuant to section 105 of the Local Governance Act and Regulation 2018-54.

It contains general information about the town of Grand Falls such as detailed information regarding Town Council, the provision of grants as well as the type and cost of the services we provide. The 2019 audited financial statements are appended as Appendix A.



COMMUNITY PROFILE

The Town of Grand Falls or Grand-Sault, as both names are official, is a picturesque town settled on either side of the Saint John River where the counties of Madawaska and Victoria meet. The Town is situated in Midwestern New Brunswick, bordering Maine, USA and is 85 kilometers from the Quebec border.

Grand Falls is a friendly and welcoming community that is known for its quality of life and progressive spirit. The Town is mainly French with 80% of the population speaking French at home. However, most residents have working knowledge of both official languages.

Vision: a bilingual town that has built on its rich history, natural beauty, and community spirit to become a full-service and accessible town with an innovative economy and excellent quality of life.

Mission: In collaboration with our community, Council and municipal staff provide leadership along with efficient and effective programs, services, and infrastructure in support of the Town's Vision.

“Vision Grand-Sault / Grand Falls – Sustainable Community Plan”



MUNICIPAL COUNCIL

MUNICIPAL COUNCIL

Here is the list of Council members and their responsibilities

Name	Committee(s)	Other responsibilities
Marcel Deschênes, Mayor	Emergency measures Economic development	AFMNB / UMN NWRSC
Denise Lagacé Rioux Deputy Mayor	Finances	Downtown development
Renaud Ouellette	Public Works Environment Planning	
Rino Long	Human resources Administration	Committee for Community Health
Jean Réal Michaud	Police	Library
Jean Maurice Gagnon	Recreation, Tourism, Culture	Chamber of Commerce Festival
Michel "Rocky" Ouellette	Fire	Farmers' Market Golf



The meetings held in 2019 are as follows:

Regular monthly meetings: 10

Special meetings: 4

Presence of each member of Council:

Date	Meeting	M. Deschênes	D. Lagacé-Rioux	J. R. Michaud	R. Long	R. Ouellette	M. Ouellette	J. M. Gagnon
February 12	Regular	X	X	X	X	X	X	--
March 12	Regular	X	X	X	X	--	X	X
April 2	Special Amendment to the municipal plan and zoning. Request for financing.	X	X	X	X	X	X	--
April 9	Regular	X	--	X	X	X	X	--
April 16	Special Amendment to the municipal plan and zoning. Adoption of tenders and amendment to the Gaz Tax Plan	X	--	--	X	X	X	--
May 14	Regular	X	X	X	X	X	X	X
May 21	Special Amendment to the municipal plan and zoning	X	X	X	X	X	X	--
May 28	Special Municipal plan and zoning amendment	X	X	X	X	X	X	--
June 11	Regular	--	X	X	X	X	--	X
July 9	Regular	X	X	X	X	X	X	X
September 10	Regular	X	--	X	X	X	X	--
October 8	Regular	X	X	X	X	--	X	X
November 13	Regular	X	X	X	X	X	--	--
December 17	Regular	X	X	X	X	X	X	--

Closed meetings: 43

Meeting dates: January 8, 15 and 29
February 5, 12, 20 and 26
March 5, 12 and 19
April 2, 9 16 and 30
May 7, 14, 21 and 28
June 4, 8, 18 and 25
July 9, 16, 23 and 30
August 13, 20 and 27
September 10, 17 and 25
October 1, 8, 16, 22 and 29
November 5, 13 and 26
December 3, 10 and 17

General topics discussed at these meetings:

Pending acquisition or disposition of land;
Information concerning litigation or potential litigation;
Labour and employment matters.

Council remuneration

Name	Salary	Per Diem	Expenses	Total
Marcel Deschênes, Mayor	\$ 21,473.42	\$ 21,211	\$13,404.01	\$56,088.43
Denise Lagacé Rioux, Deputy Mayor	\$ 15,191.28	\$ 1,185.93	\$0	\$16,377.21
Renaud Ouellette, Councilor	\$ 13,621.92	\$ 437.50	\$85.10	\$14,144.52
Rino Long, Councilor	\$ 13,621.92	\$ 2,446.39	\$938.36	\$17,006.67
Jean Réal Michaud, Councilor	\$ 13,621.92	\$ 175	\$0	\$13,796.92
Michel Ouellette, Councilor	\$ 13,621.92	\$0	\$0	\$ 13,621.92
Jean Maurice Gagnon, Councilor	\$ 13,621.92	\$ 87.50	\$ 91.36	\$ 13,800.78

GRANTS

GRANTS – SOCIAL / ENVIRONMENTAL

- Grand Falls Cataract Baseball: \$2,500, non-refundable. Conditions: submit budgets for the previous and current years.
- Jr. A hockey, Rapids: \$10,000 for ice rental. Non-refundable.
- Visual Arts Symposium: \$1,000, non-refundable.
- Les Chutes regional cultural society: \$10,000, non-refundable. General operation of the organization.
- Polyvalente Thomas-Albert: \$1,000 bursary, non-refundable.
- John Caldwell School: \$1,000 bursary, non-refundable.
\$1,303.57 for signs (Drug Free Zone). Non-refundable.
- Drummond Soap Box Derby: \$950, non-refundable.
- Food bank: \$5000, non-refundable
- Canadian Mental Health Association: \$1,000, non-refundable. 5-year agreement for the funding of a new van.
- Miss Grand Falls Pageant: \$600, non-refundable, crown.
- Projet Rouge: \$600, non-refundable.
- Air Cadets: \$782, non-refundable, towards the hall rental.
- Caswell Bike Club: \$6,287.62, non-refundable.
- Falls Beer Fest: \$1,000, non-refundable, (+\$741.86 for hall rental, non-refundable).
- Acanthus Art Gallery: \$2,500, non-refundable. 10-year financing agreement.
- Regional Potato Festival: \$1,728, non-refundable.
- Tree of Hope: \$500, non-refundable. Fundraising. Christmas tree expo.
\$5000. Fundraising. non-refundable
- Rotary Club: \$2,448.45 non-refundable. Family Day
- NB Youth Orchestra: \$500 non-refundable.
- Mad-Vic ATV Club: \$1,600, non-refundable.
- Jeux de l'Acadie: \$1,000 non-refundable.
- Moncton University : \$1,500 non-refundable. 10-year financing agreement.
- Relay for life: \$1,500 non-refundable. Fundraising
\$1,538.22 for hall rental. Non-refundable.

The majority of these grants are provided to help our many organizations financially. Unless otherwise indicated, no conditions were imposed. Some are financing agreements such as the Acanthus Gallery (10 yrs) and the Canadian Mental Health Association (5 yrs). The fact that these groups continue to flourish and to provide great services to the young and not so young of our community and region is a great advantage to the Town.

GRANTS – ECONOMIC DEVELOPMENT

Chamber of Commerce: \$500, non-refundable. Gala
Chamber of Commerce: \$8,550, non-refundable. Membership
CBDC: \$500, non-refundable. Gala

ECONOMIC DEVELOPMENT PROGRAMS

Incentive measures, new constructions: 12 grants for a total amount of \$ 22,542. Non-refundable.

Incentive measures, renovations: 25 grants for a total amount of \$ 30,601, non-refundable.

Incentive measures, new commercial, industrial or institutional constructions: \$0.



CORPORATIONS



The Corporations incorporated by the Town of Grand Falls are the Grand Falls Golf Club Inc., the Grand Falls Central Business Development Corp. Inc. (GFCBDC), and the Falls and Gorge Commission Inc.

The Golf club was incorporated to manage the golf course. Financial statements are consolidated to the Town's which can be found at Appendix A.

The GFCBDC was incorporated to manage the downtown business improvement zone established in the Grand Falls downtown area. Its financial statements are consolidated to the Town's which can be found at Appendix A.

The Falls and Gorge Commission was incorporated to develop and manage tourist attractions in the municipality. Its financial statements are consolidated to the Town's which can be found at Appendix A.



SERVICES

SERVICES

Local government budgets and services are established in accordance with a standardized classification system. In 2019, the Council adopted a general operating budget of \$ 11,024,771. Actual revenues totaled \$11,329,966 while expenditures totaled \$11,304,003 resulting in a surplus of \$25,963.

The Town also has a Utility Operating Budget for water and wastewater disposal services. The approved budget in 2019 was \$1,882,487. Actual revenues totaled \$1,941,474 while expenditures totaled \$1,914,872 resulting in a surplus for the year of \$26,600.

GENERAL SERVICES

Total expenditures: \$11,294,441

General Government Services

Total expenditure \$1,504,517

This category includes expenditures relating to administering the town, e.g. mayor and councilor salaries and expenses (\$170,485); salaries and benefits to office staff (\$535,337); office building expenses (\$342,717); legal and auditing fees (\$92,227); cost of assessment (\$106,523); grants to organizations (\$94,168) and other financial management / misc. (\$163,060).

Protective Services

Total expenditure \$2,587,975

These services include policing services (\$2,168,280); fire protection (\$414,724) and animal control (\$4,971).

Our municipal police force is comprised of one chief and one deputy chief, two administrative assistants and 14 officers (full and part time).

Our volunteer Fire Department includes one chief, one deputy chief, three captains and one secretary, plus 23 volunteer firefighters. The Town is currently in the process of planning for a new fire station. Expenses include dispatch fees with Edmundston in the amount of \$31,147.

Transportation Services

Total expenditure \$1,849,540

This category includes expenditures related to public works administration and garage salaries and benefits (\$747,185); general equipment (\$205,754); street maintenance (\$347,232); snow removal (\$218,961); street lighting and traffic (\$158,284); building operations (\$81,548) and miscellaneous other operating expenses (\$90,576).

Our staff includes 4 administrative positions as well as full-time unionized workers.

Environmental Health Services
Total expenditure \$284,529

These services include expenditures related to solid waste collection and disposal. The Town has a contract with Northwest Sanitation for the collection of waste and the disposal is done at the Northwest Regional Services Commission facility. The tipping fee was set at \$63 per ton in 2019.

Environmental Development Services
Total expenditure \$1,079,645

These services include environmental planning (\$72,256); environmental development services (\$294,556); economic development services (\$155,165); downtown development (\$89,677); BIA (\$48,822); tourism center (\$400,115); Farmers' Market (\$19,054).

Recreation & Cultural Services
Total expenditure \$1,935,399

This category includes expenses for the administration of the services by all of our recreational staff (\$615,464); operating expenses for our CEPSC (\$685,191); swimming pool (\$75,188); golf club (\$355,152); sports complex, tube lift and splash pad (\$48,047); parks and playgrounds (\$116,536); museum (\$6,971) and library (\$32,850).

Recreational programs include skating, hockey, curling, skiing, figure skating, dancing, gymnastics, volleyball, ball hockey, baseball, softball, soccer, frolic, swimming, tennis, golf etc.

Fiscal services
Total expenditures \$2,052,836

This category includes principal repayments of \$1,100,000 and interest payments of \$255,207. Capital out of operations expenses in the amount of \$589,385 include \$7,483 for policing Services; \$93,390 for fire protection; \$24,744 for Transportation and \$452,080 for Recreation Services; \$11,688 for land planning and \$108,244 for others.

WATER & WASTEWATER UTILITY

Total expenditures \$1,913,759

Water Service
Total expenditures \$805,481

Expenditures include costs of administration and personnel (\$378,882); purification & treatment (\$39,868); transmission & distribution (\$116,107); power and pumping (\$207,343); billing, collection & others (\$63,282).

Wastewater Disposal Service
Total expenditures \$431,073

Expenditures include costs of administration (\$187,181); sewage collection system (\$56,985); sewage lift stations (\$124,503); and sewage treatment and disposal (\$62,404).

Annual water & sewer rate for 2019 was \$552 per unit.

Fiscal services
Total expenditures \$677,205

This includes interest on short-term and long-term loans, principal repayment, transfer to reserve funds and bank charges.

In 2019, principal repayments were \$384,000 and interest payments were \$120,239. An amount of \$45,000 was transferred to the reservoir reserve fund. A total of \$67,441 were spent on capital expenditures in 2019 while bank charges and bad debts totaled \$17,639 and other fiscal expenses amounted to \$42,887.



APPENDIX A



2019 Audited
financials signed.pdf

GRAND FALLS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2019

GRAND FALLS

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Year ended December 31, 2019

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INDEPENDANT AUDITORS' REPORT

To His Worship The Mayor
and Members of Council

Opinion

We have audited the consolidated financial statements of Grand Falls (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operation, changes in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2019, and the results of its consolidated operation, change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Matter

Without modifying our opinion, we draw attention to the fact that the Municipality includes in its financial statements certain financial information not required under Canadian public sector accounting standards. This information is prepared according to the form prescribed by the Department of Environment and Local Government of the Province of New Brunswick.

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

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



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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



Nadeau Picard & Associés, CPA

Comptables professionnels agréés
Chartered Professional Accountants

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Municipality's audit. We remain solely responsible for our audit opinion.

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

Nadeau Picard & Associés, CPA

Nadeau Picard & Associés, CPA
Chartered Professional Accountants

Grand Falls, New Brunswick
March 17, 2020

GRAND FALLS
CONSOLIDATED STATEMENT OF OPERATION
Year ended December 31,

	<u>2019</u>		<u>2018</u>
	(Unaudited) Budget (Note 22)	Actual (Note 18)	Actual (Note 18)
REVENUES			
Property tax warrant	\$ 8,230,583	\$ 8,230,581	\$ 8,007,373
Services provided to other governments (note 23)	763,803	808,340	689,698
Sale of services, fines and other fees	1,040,085	1,136,660	1,116,241
Unconditional grant	734,625	750,049	782,691
Other government transfers (note 23)	38,500	1,075,044	1,825,804
Water and sewer user fees	1,667,261	1,699,525	1,607,456
Interest	16,650	99,414	92,084
Donations & others	-	176,276	70,155
Gain on disposal of tangible capital assets	15,000	31,488	75,000
	<u>12,506,507</u>	<u>14,007,377</u>	<u>14,266,502</u>
EXPENDITURES (note 23)			
General government services	1,577,530	1,623,005	1,602,091
Protective services	2,428,648	2,708,522	2,421,232
Transportation services	2,694,909	2,650,700	2,742,298
Environmental health services	323,910	284,529	272,699
Environmental development and tourism services	1,336,615	1,244,450	1,180,633
Recreational and cultural services	2,926,247	2,986,071	2,825,752
Water and sewer	2,090,895	2,118,362	2,077,293
	<u>13,378,754</u>	<u>13,615,639</u>	<u>13,121,998</u>
Annual surplus (deficit)	\$ <u>(872,247)</u>	<u>391,738</u>	<u>1,144,504</u>
Accumulated surplus, beginning of year, as previously reported		40,146,587	39,002,083
Prior year adjustment to accrued sick leave liability (note 3)		<u>(1,146,513)</u>	<u>(1,146,513)</u>
Accumulated surplus, beginning of year, as restated		<u>39,000,074</u>	<u>37,855,570</u>
Accumulated surplus, end of year		\$ <u>39,391,812</u>	\$ <u>39,000,074</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRAND FALLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash (Note 4)	\$ 2,316,147	\$ 2,690,678
Receivables		
General	302,060	382,525
Federal government and its agencies (Note 5)	125,197	261,517
Province of New Brunswick (Note 6)	-	176,959
Investments (Note 7)	<u>2,451,708</u>	<u>2,403,636</u>
	<u>5,195,112</u>	<u>5,915,315</u>
LIABILITIES		
Bank loan	39,591	839,210
Payables and accruals	1,162,258	965,959
Unearned revenues - Gas Tax Fund	575,885	784,926
Long term debt (Note 9)	10,068,000	11,262,000
Accrued sick leave (Note 10)	1,145,725	1,289,616
Accrued retirement benefits	200,000	78,690
Post employment benefits (Note 11)	<u>600,700</u>	<u>535,600</u>
	<u>13,792,159</u>	<u>15,756,001</u>
NET DEBT	<u>(8,597,047)</u>	<u>(9,840,686)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	90,630,938	89,271,475
Accumulated amortization	<u>(43,273,965)</u>	<u>(41,036,987)</u>
	47,356,973	48,234,488
Inventory of supplies	618,792	595,961
Prepaid expenses	<u>13,094</u>	<u>10,311</u>
	<u>47,988,859</u>	<u>48,840,760</u>
ACCUMULATED SURPLUS	<u>\$ 39,391,812</u>	<u>\$ 39,000,074</u>

Approved by,

Mayor

Treasurer

The accompanying notes are an integral part of these consolidated financial statements.

GRAND FALLS
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
Year ended December 31

	<u>2019</u>	<u>2018</u>
Annual surplus	\$ 391,738	\$ 1,144,504
Acquisition of tangible capital assets	(1,893,460)	(2,982,632)
Proceeds on disposal of tangible capital assets	47,678	75,000
Amortization of tangible capital assets	2,754,785	2,728,678
Gain on sale of tangible capital assets	<u>(31,488)</u>	<u>(75,000)</u>
	<u>1,269,253</u>	<u>890,550</u>
Acquisition of inventories	(618,792)	(595,958)
Acquisition of prepaid assets	(13,094)	(10,311)
Consumption of inventories	595,958	280,407
Use of prepaid assets	<u>10,314</u>	<u>15,198</u>
	<u>(25,614)</u>	<u>(310,664)</u>
Decrease in Net Debt	1,243,639	579,886
Net Debt, beginning of the year	<u>(9,840,686)</u>	<u>(10,420,572)</u>
Net Debt, end of the year	\$ <u>(8,597,047)</u>	\$ <u>(9,840,686)</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRAND FALLS
CONSOLIDATED STATEMENT OF CASH FLOW
Year ended December 31

	<u>2019</u>	<u>2018</u>
(Indirect method)		
Operation transactions		
Annual surplus (Note 18)	\$ 391,738	\$ 1,144,504
Items not affecting cash:		
Gain on disposal of tangible capital assets	(31,488)	(75,000)
Amortization of tangible capital assets	<u>2,754,785</u>	<u>2,728,678</u>
	<u>3,115,035</u>	<u>3,798,182</u>
Net changes in non-cash working capital items:		
Receivable - General	80,465	(107,634)
Receivable - Federal Government and its agencies	136,320	192,425
Receivable - Province of New Brunswick	176,959	774,971
Payables and accruals	196,299	(656,816)
Unearned revenues - Gas Tax Fund	(209,041)	153,526
Accrued sick leave	(143,891)	99,203
Accrued retirement benefits	121,310	(91,773)
Post employment benefits payable	65,100	(103,500)
Change in inventory/prepaid expenses	<u>(25,614)</u>	<u>(310,664)</u>
	<u>397,907</u>	<u>(50,262)</u>
	<u>3,512,942</u>	<u>3,747,920</u>
Capital transactions		
Acquisition of tangible capital assets	(1,893,460)	(2,982,632)
Proceeds on sale of tangible capital assets	<u>47,678</u>	<u>75,000</u>
	<u>(1,845,782)</u>	<u>(2,907,632)</u>
Financing transactions		
Bank loan	(799,619)	(345,978)
Additional financing	290,000	745,000
Long-term debt	<u>(1,484,000)</u>	<u>(1,477,000)</u>
	<u>(1,993,619)</u>	<u>(1,077,978)</u>
Investing transactions		
Investments	<u>(48,072)</u>	<u>107,708</u>
Net decrease in cash and cash equivalents	(374,531)	(129,982)
Cash, beginning of year	<u>2,690,678</u>	<u>2,820,660</u>
Cash, end of year	\$ <u>2,316,147</u>	\$ <u>2,690,678</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

1. STATUS AND PURPOSE OF THE ORGANIZATION

The Municipality was incorporated as a town by the Province of New Brunswick Municipalities Act on April 23, 1890 and was approved for status as a Municipality Effective January 28, 1985 by an amendment of New Brunswick Regulation 85-45 under the Municipalities Act. As a municipality, Grand Falls is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act. The Municipality has the following vision statement, "A bilingual town that has built on its rich history, natural beauty and community spirit to become a full-service and accessible town with an innovative economy and excellent quality of life".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The focus of Public Sector Accounting Standards' financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the Municipality.

The entities included in the financial statements are as follows:

Grand Falls Golf Club Inc.
Société de développement du centre des affaires
Falls & Gorge Commission

Significant aspects of the accounting policies adopted by the Municipality 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 Municipality which are owned or controlled by the Municipality.

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budgets figures contained in these financial statements were approved by Council on December 18, 2018 and the Minister of Environment and Local Government on January 22, 2019.

Government transfers

Government transfers are accounted for in the financial statements as revenues during the period the activities giving rise to the transfer occurred provided that transfers are authorized, that the eligibility criterias are met and reasonable estimates of the amounts can be made. Transfers received for which expenses have not yet occurred are included in deferred income.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

- a) 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.
- b) Other revenue is recorded when it is earned.
- c) Grants and donations received from a third party to assist with the construction or purchase of a capital asset owned by the Municipality are recognized as revenue at the fair market value.

Deferred revenues

Deferred revenues consist of grants, contributions and other amounts received from a third party under legislature, regulations and agreements that can only be used for certain programs, for the completion of particular projects or for the purchase of capital assets. Revenues are recognized in the period in which the related expenses are incurred. Furthermore, all funds from external sources and revenues limited by agreement or legislation are accounted for as deferred revenues until they are utilized for the specified purposes.

Use of estimates

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

The main estimates relate to the useful life of tangible capital assets and employee future benefits.

Financial instruments

The Municipality's financial instruments consist of cash, investments, receivables, bank loan, payables and accruals, post employment benefits and long-term debt. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Municipality is exposed to credit risk through accounts receivable. The Municipality minimizes credit risk through ongoing credit management.

The Municipality is also exposed to interest rate risk on its fixed-rate and variable rate financial instruments.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is amortized on a straight line basis over the estimated useful life as follows:

Asset type	Years
Land improvements	20-25 years
Buildings	15-40 years
Vehicles	3-5 years
Machinery and equipment	5-40 years
Heavy equipment	12-15 years
Computer hardware & software & communication equipment	3-5 years
Furniture & fixtures	5 years
Road surface	10 years
Lighting / traffic lights	15 years
Water and wastewater networks	15-60 years
Dams and water structures	10-15 years
Leasehold improvements	Over the term of the lease

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

Impairment

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to operations during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Segmented information

The Municipality is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Municipality'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 Municipality. 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.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmented information (continued)

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.

Environmental development services

This department is responsible for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and cultural services

This department is responsible for the maintenance and operation of recreational and cultural facilities, including the swimming pool, arena, parks and playgrounds and other recreational and cultural facilities.

Water and Wastewater Systems

This department is responsible for the provision of water and sewer services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

Inventory of supplies

Inventory is valued at the lower of cost and net replacement cost with cost being determined on the first-in, first out basis.

Post Employment Benefits

The Municipality recognizes its obligations under post employment benefit plans and the related costs, net of plan assets. The Municipality has a sick leave benefit as documented in Note 10 and a long-term service award and pension plan as documented in Note 11.

3. PRIOR PERIOD ADJUSTMENT

During the year, the Municipality realized that the accrued sick leave liability for the years 2011 to 2017 has been mistakenly reduced by the sick leave asset reserve. Therefore, the January 1st, 2018 accumulated surplus as well as the accrued sick leave liability have been restated by an amount of \$1,146,513 to reflect the necessary adjustment.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

4. CASH	2019	2018
Cash - restricted (note 20) *	\$ 1,100,888	\$ 1,422,740
Cash - unrestricted	<u>1,215,259</u>	<u>1,267,938</u>
	\$ 2,316,147	\$ 2,690,678

* Restricted cash amount consist of cash in the General capital reserve fund and Water & Sewer capital reserve fund.

5. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES	2019	2018
Canada Revenue Agency (HST refund)	\$ 125,197	\$ 247,874
Clean Water and Wastewater Fund	<u>-</u>	<u>13,643</u>
	\$ 125,197	\$ 261,517

6. DUE FROM PROVINCE OF NEW BRUNSWICK	2019	2018
Small Communities Fund	\$ -	\$ 115,120
Regional Development Corporation	<u>-</u>	<u>61,839</u>
	\$ -	\$ 176,959

7. INVESTMENTS

The investments consist of guaranteed investment certificates as follows:

<u>Name of Investment</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
Term GIC	\$ 573 689	2.0%	June 4, 2020
Term GIC	\$ 16 236	2.0%	June 4, 2020
Term GIC	\$ 541 216	2.0%	June 4, 2020
Term GIC	\$ 54 122	2.0%	June 4, 2020
Term GIC	\$ 43 297	2.0%	June 4, 2020
Term GIC	\$ 32 473	2.0%	June 4, 2020
Term GIC	\$ 649 459	2.0%	June 4, 2020
Term GIC	\$ 541 216	2.0%	June 4, 2020

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

8. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land improvements	Buildings and leasehold improvements	Vehicles	Machinery and equipment	Roads and streets	Infrastructure Treatment facilities	Water and sewer	Assets under construction	2019 Total	2018 Total
Cost											
Balance, beginning of year	\$ 6,010,687	\$ 4,670,839	\$ 27,543,229	\$ 1,869,026	\$ 8,143,164	\$ 9,679,441	\$ 6,824,568	\$ 24,445,420	\$ 86,754	\$ 89,271,475	\$ 86,288,843
Add:											
Net additions during the year	17,843	69,220	135,131	40,271	746,420	752,495	-	58,546	73,534	1,893,460	2,982,632
Less:											
Disposals during the year	(16,190)	-	-	-	-	(517,807)	-	-	-	(533,997)	-
Balance, end of year	6,010,687	4,740,059	27,678,360	1,909,297	8,889,584	9,914,129	6,824,568	24,503,966	160,288	90,630,938	89,271,475
Accumulated Amortization											
Balance, beginning of year	-	2,551,417	10,945,717	1,559,495	4,481,328	6,984,388	2,602,354	11,912,288	-	41,036,987	38,308,309
Add:											
Amortization during the year	-	163,410	877,384	117,445	450,159	391,719	108,354	646,314	-	2,754,785	2,728,678
Less:											
Accumulated amortization on disposition	-	-	-	-	-	(517,807)	-	-	-	(517,807)	-
Balance, end of year	-	2,714,827	11,823,101	1,676,940	4,931,487	6,858,300	2,710,708	12,558,602	-	43,273,965	41,036,987
Net book value	\$ 6,010,687	\$ 2,025,232	\$ 15,855,259	\$ 232,357	\$ 3,958,097	\$ 3,055,829	\$ 4,113,860	\$ 11,945,364	\$ 160,288	\$ 47,356,973	\$ 48,234,488
Consist of:											
General Fund Assets	\$ 5,661,800	\$ 1,938,862	\$ 15,580,157	\$ 173,983	\$ 3,635,479	\$ 3,055,829	\$ 4,113,860	\$ -	\$ 160,288	\$ 34,320,048	\$ 34,571,820
Water & Sewer Fund Assets	349,097	86,370	275,102	58,374	322,618	-	-	11,945,364	-	13,036,925	13,662,668
	\$ 6,010,687	\$ 2,025,232	\$ 15,855,259	\$ 232,357	\$ 3,958,097	\$ 3,055,829	\$ 4,113,860	\$ 11,945,364	\$ 160,288	\$ 47,356,973	\$ 48,234,488

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

9. LONG-TERM DEBT

	2019	2018
<u>New Brunswick Municipal Financing Corporation</u>		
Debtures:		
Repaid during the year	\$ -	\$ 2,803,000
BD-16 1.50% - 3.85%, due 2020, OIC #00-01, #07-29, #07-47, #09-47, #10-17, #99-61 and #99-73	121,000	182,000
BD-17 1.50% - 3.85%, due 2020, OIC #09-41	334,000	346,000
BM-11 0.95% - 1.8%, due 2020, OIC #04-26 and 01-79	21,000	42,000
BF-13 1.35% - 3.45%, due 2021, OIC #09-47, #10-17, #11-46 and #11-65	153,000	190,000
BF-14 1.35% - 3.45%, due 2021, OIC #09-41	190,000	197,000
BI-17 1.35% - 3.25%, due 2023, OIC #11-0046	64,000	79,000
BL-19 1.2% - 3.1%, due 2024, OIC OIC #03-28 and #04-26	160,000	238,000
BO-15 1.45% - 2.9%, due 2026, OIC #06-21	98,000	111,000
BO-14 1.45% - 2.9%, due 2026, OIC #05-61 and 05-89	250,000	337,000
BP-14 1.2% - 2.95%, due 2026, OIC #15-21	82,000	93,000
BT-13 2.10% - 3.45%, due 2028, OIC #15-56, #17-18 and #17-25	383,000	420,000
BU-14 2.55% - 3.40%, due 2028, OIC #15-56 and # 18-20	285,000	325,000
BW-21 1.95% - 2.45%, due 2029, OIC #09-47, #09-81, #18-20, #18-68 and #19-43	1,186,000	-
BW-22 1.95% - 2.45%, due 2029, OIC #09-19 and #09-41	484,000	-
BV-13 2.05% - 2.85%, due 2029, OIC #08-76, #08-77 and #15-56	931,000	-
BH-20 1.35% - 3.8%, due 2032, OIC #09-47 and #10-17	187,000	217,000
BR-14 1.65% - 3.2%, due 2032, OIC #15-56 and #17-18	1,527,000	1,665,000
BQ-13 1.2% - 3.3%, due 2032, OIC #15-56	86,000	92,000
BI-18 1.35% - 4.0%, due 2033, OIC #01-79 and #09-41	200,000	211,000
BJ-15 1.25% - 4.4%, due 2033, OIC #11-0115	642,000	677,000
BL-20 1.2% - 3.7%, due 2034, OIC #01-79, #03-64, #03-83 and #04-26	680,000	732,000
BM-12 0.95% - 3.5%, due 2035, OIC #01-79 and #04-26	915,000	988,000
BN-13 1.05% - 3.9%, due 2035, OIC #04-26, #05-25, #05-61, #14-34, #14-40, #14-41 and #15-21	580,000	761,000
BN-14 1.05% - 3.9%, due 2035, OIC #04-26 and #05-25	362,000	380,000
BP-15 1.2% - 3.8%, due 2036, OIC #06-25	147,000	176,000
	<u>\$ 10,068,000</u>	<u>\$ 11,262,000</u>

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

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

9. LONG-TERM DEBT (continued)

Principal repayments and refinancing required during the next five years are as follows:

	<u>Repayments</u>	<u>Refinancing</u>
2020	\$1,210,000	\$379,000
2021	\$1,001,000	\$250,000
2022	\$857,000	\$0
2023	\$828,000	\$0
2024	\$831,000	\$0

In 2020, debenture BD-16 and BB-17 will mature and will be refinanced for \$57,000 and \$322,000 respectively. In 2021, debenture BF-13 and BF-14 will mature and will be refinanced for \$74,000 and \$176,000 respectively.

10. ACCRUED SICK LEAVE

The Municipality provides sick leave that accumulates at a rate of 1.25 days per month. All employees can accumulate a maximum of 250 days. An employee can take a leave with pay for an amount of time equal to the accumulated sick leave. Upon termination or retirement, employees receive an amount equal to the number of unused sick days accumulated at the then current rate of pay.

An actuarial valuation was performed in 2017 on the 64 employee plan in accordance with Public Sector Accounting Standards 3255. The actuarial method used was the Projected Unit Credit pro-rated on service to the date when the maximum number of hours is reached. 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 use reflect the Municipality'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 obligation is 2.5%;
- expected return on assets is 2.5%;
- retirement age is 60; and
- estimated net excess utilization of rate of sick leave varies with age.

The sick leave is a funded benefit. As such, the applicable asset was \$1,040,981 on December 31, 2019 and \$1,137,013 on December 31, 2018.

The unfunded liability was \$104,744 on December 31, 2019 and \$152,603 on December 31, 2018. The sick leave benefit will be funded over the next year.

11. POST EMPLOYMENT BENEFITS PAYABLE

Pension Obligation

Defined benefit pension plan

The Municipality sponsors a contributory defined pension plan for substantially all of its employees. The New Brunswick Municipal Employees Pension Plan (NBMEPP) provides employees of participating municipalities with a defined benefit pension arrangement. These defined pension benefit arrangements are governed by the New Brunswick Pension Benefits Act and the Income Tax Act. The average age of the 60 active employees covered by the plan is 45.9.

Employees make contributions using rates that vary by earnings level and employment category, with an overall average contribution rate of approximately 7.99%. The Municipality matches the amounts contributed by its employees. Total benefit payments to retirees during the year was approximately \$270,500 (2018 - \$471,700).

Pensions fund assets are invested in Short Term Securities, Bonds Canadian Equities and Foreign Equities.

Actuarial valuations for accounting purposes are performed triennially using the Projected Unit Credit method (also known as the Projected Accrued Benefit method). The most recent actuarial valuation was prepared as at December 31, 2017 and at that time the pension plan had an accrued benefit obligation of \$613,000.

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

The following summarizes the major assumptions in the valuation:

- the expected inflation rate is 2.25% per annum;
- the discount rate used to determine the accrued benefit obligation is 5.5% per annum;
- the expected rate of return is 5.5% per annum;
- retirement age varies; assumptions used were:
 - ⇒ Regular employees - 5% retire at ages 55 to 59, 9% retire at ages 60 to 64 and 30% retire at age 65.
 - ⇒ Police and fire - 5% retire at ages 50 to 54, 9% retire at ages 55 to 59 and 30% retire at age 60;
 - ⇒ Members on long term disability - Retire at earliest unreduced age.
- estimated average remaining service life is 13.0 years.

Combined employer and employee contributions during the year were \$557,200 (2018 - \$541,000).

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

11. POST EMPLOYMENT BENEFITS PAYABLE (continued)

In addition to determining the position of the NB MEPP as it relates to Grand Falls as at December 31, 2017 and December 31, 2018, NB MEPP's actuary performed an extrapolation of the December 31, 2018 accounting valuation to determine the estimated position as at December 31, 2019. The extrapolation assumes assumptions used as at December 31, 2019 remain unchanged from December 31, 2018. The extrapolation also assumes assets return 5.50% 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:

	As at <u>December 31, 2019</u>	As at <u>December 31, 2018</u>
Accrued Benefit Liability/(Asset)		
Accrued benefit liability/(asset) at beginning of period	\$ 535,600	\$ 613,000
Pension expense for the year	344,200	192,900
Less employer contributions	(278,600)	(270,300)
Adjustment to prior year liability	(500)	-
Accrued benefit liability/(asset) at end of period	<u>\$ 600,700</u>	<u>\$ 535,600</u>

In summary, the Accrued Benefit Liability as it relates to Grand Falls is estimated to be \$600,700 as at December 31, 2019. This compares to \$613,000 as at January 1, 2018 and \$535,100 as at December 31, 2019. This amounts is included in the Post Employment Benefits Payable on the Consolidated Statement of Financial Position.

The financial position as it relates to the estimated Accrued Benefit Liability is shown as follows and illustrates the unamortized amounts being recognized in Pension Expense over time:

	As at <u>December 31, 2019</u>	As at <u>December 31, 2018</u>
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 11,948,800	\$ 11,153,900
Plan assets	<u>10,676,500</u>	<u>10,778,100</u>
Plan deficit/(surplus)	1,272,300	375,800
Prior year liability adjustment	-	500
Unamortized experience gains/(losses)	<u>671,600</u>	<u>159,800</u>
Accrued benefit liability/(asset) at end of period	<u>\$ 600,700</u>	<u>\$ 535,100</u>

The following illustrates the reconciliation of the estimated Accrued Benefit Obligation from the beginning of period to the end of period:

	As at <u>December 31, 2019</u>	As at <u>December 31, 2018</u>
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 11,103,400	\$ 10,407,300
Adjustment to prior year estimate	498,900	(50,500)
Current service cost	(270,500)	453,600
Benefit payments	617,000	(284,100)
Interest for period	-	577,100
Accrued benefit obligation at end of period	<u>\$ 11,948,800</u>	<u>\$ 11,103,400</u>

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

11. POST EMPLOYMENT BENEFITS PAYABLE (continued)

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

	As at <u>December 31, 2019</u>	As at <u>December 31, 2018</u>
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 9,840,700	\$ 9,966,400
Adjustment to prior year estimate	-	(937,400)
Employer contributions	278,600	270,300
Employee contributions	278,600	270,300
Benefit payments	(270,500)	(284,100)
Return on plan assets during period	<u>549,100</u>	<u>555,200</u>
Plan assets at end of period	<u>\$ 10,676,500</u>	<u>\$ 9,840,700</u>

Total estimated expenses related to pensions include the following components:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Pension Expense		
Employer current service cost	\$ 220,300	\$ 183,300
Adjustment to prior year estimate	-	(300)
Interest on accrued benefit obligation	617,000	577,100
Expected return on assets	(549,100)	(555,200)
Experience loss/(gain)	<u>56,000</u>	<u>(12,300)</u>
Pension expense	<u>\$ 344,200</u>	<u>\$ 192,600</u>

The pension expense is included in the statements of operations.

12. CONTINGENCIES

In the normal course of operations, the Municipality becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 2019 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 as the Municipality maintains insurance coverage in amounts considered appropriate.

An employee that was dismissed for cause is claiming for wrongful dismissal. No amounts have been recorded. If ever a settlement is reached, the amount would be recorded in the year of settlement.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

13. COMMITMENTS

- i) The Municipality is committed, following an agreement with the Province of New Brunswick under the Canada / New Brunswick Infrastructure Program, to transfer to a distinct Water and Sewerage Capital Reserve Fund, an amount of \$27,652 per year for a minimum period of 30 years, or until a total amount of \$829,560 is accumulated. As at December 31, 2019, the accumulated amount was \$619,602.
- ii) Under the Canada - New Brunswick Building Canada Fund, the Municipality is committed to transfer to a distinct Water and Sewerage Capital Replacement Reserve Fund, an amount of \$17,348 per year for a minimum period of 10 years, or until a total amount of \$173,480 is accumulated. As at December 31, 2019, the accumulated amount was \$193,046.

14. SHORT-TERM BORROWINGS COMPLIANCE

Interim borrowing for capital

The Municipality has arranged a revolving operating facility bearing interest at prime rate for the Water and Sewer capital fund and the General capital fund. The facility is used to provide interim financing for capital expenditures.

The Municipality has ministerial authority for short-term borrowing as follows:

General Capital Fund, M.O. #15-0056	\$	30,000
General Capital Fund, M.O. #18-0020	\$	166,000
General Capital Fund, M.O. #18-0068	\$	702,000
General Capital Fund, M.O. #19-0043	\$	563,000
General Capital Fund, M.O. #19-0059	\$	75,000
General Capital Fund, M.O. #19-0069	\$	4,500,000

Operating borrowing

As prescribed in the Municipalities Act, borrowing to finance General Fund operations is limited to 4% of the Municipality's operating budget. Borrowing to finance Utility Fund operations is limited to 50% of the operating budget for the year. In 2019, the Municipality has complied with these restrictions.

Inter-fund borrowing

The Municipal Financial Reporting Manual requires that short-term inter-fund borrowings be repaid in next the year unless the borrowing is for a capital project. The municipality is in compliance with the requirements.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

15. WATER AND SEWER FUND SURPLUS/DEFICIT

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

	2019	2018
2019 surplus	\$ 26,600	\$ -
2018 surplus	25,126	25,126
2017 surplus	-	25,226
	<u>\$ 51,726</u>	<u>\$ 50,352</u>

16. WATER COST TRANSFER

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

17. REGULATORY REPORTING

The Department of Local Government of New Brunswick has requested some disclosures in addition to Canadian Public Sector Accounting Standards for monitoring purposes. The Town has provided these disclosure requirements in the consolidated financial statements provided to the Department of Local Government of New Brunswick.

According to the Local Governance Act section 84(1), municipalities need to provide, by by-law, for the annual bonding of its officers and employees. The Town is in compliance with this regulation.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

18. SCHEDULE OF SEGMENT DISCLOSURE

	General	Protective	Transportation	Environmental health	Environmental development and tourism	Recreation and culture	Water and sewer	2019 Consolidated	2018 Consolidated
Revenues									
Property tax warrant *	\$ 1,082,953	\$ 2,183,317	\$ 2,252,690	\$ 296,858	\$ 871,666	\$ 1,543,097	\$ -	\$ 8,230,581	\$ 8,007,373
Services provided to other governments	402,970	160,639	110,163	-	134,568	-	-	808,340	689,698
Sale of service, lines and other fee	64,604	3,289	-	-	277,925	790,842	-	1,136,660	1,116,241
Unconditional grant *	98,689	198,965	205,287	27,052	79,434	140,622	-	750,049	782,691
Other government transfers	78,258	-	752,496	134,685	7,174	46,791	55,640	1,075,044	1,825,804
Water and sewer use fees	-	-	-	-	-	-	1,695,525	1,699,525	1,607,456
Interest	47,988	-	-	-	2,609	38	48,779	99,414	92,084
Donations and others	2,650	-	-	-	2,000	171,626	-	176,276	70,155
Gain on disposal of capital assets	-	-	-	-	-	31,488	-	31,488	75,000
	1,778,112	2,546,210	3,320,636	458,595	1,375,376	2,693,016	1,803,944	14,007,377	14,266,502
Expenditures									
Salaries and benefits	748,692	2,123,112	736,604	-	578,140	906,669	501,209	5,594,426	5,165,753
Goods and services	512,927	474,711	1,102,881	284,529	484,468	1,004,795	729,258	4,593,569	4,540,672
Amortization	117,272	104,693	719,684	-	127,999	935,119	750,017	2,754,784	2,728,680
Interest	13,404	6,006	91,531	-	43,517	100,750	134,358	389,566	458,249
Other	230,710	-	-	-	10,326	38,738	3,520	283,294	228,644
	1,623,005	2,708,522	2,650,700	284,529	1,244,450	2,986,071	2,118,362	13,615,639	13,121,998
Surplus (deficit) for the year	\$ 155,107	\$ (162,312)	\$ 669,936	\$ 174,066	\$ 130,926	\$ (293,055)	\$ (314,418)	\$ 391,738	\$ 1,144,504

* The property tax warrant and the unconditional grant have been reported on the basis of the budgeted expenses for segment disclosure.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

19. RECONCILIATION OF ANNUAL SURPLUS (DEFICIT)

	General Operating Fund	General Capital Fund	Water & Sewer Operating Fund	Water & Sewer Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Water & Sewer Operating Reserve Fund	Water & Sewer Capital Reserve Fund	Total
2019 annual surplus (deficit)	\$ 1,577,804 \$	(915,687) \$	345,016 \$	(694,377) \$	8,171 \$	35,869 \$	1,773 \$	33,169 \$	391,738
Adjustments to annual surplus for funding requirements									
Second previous year's surplus	12,330	-	25,226	-	-	-	-	-	37,556
Transfers between funds									
Transfer from water & sewer operating fund to the water capital fund	-	-	(67,441)	67,441	-	-	-	-	-
Transfer from water & sewer capital reserve fund to water & sewer operating fund	-	-	(87,887)	-	-	-	-	87,887	-
Transfer from water & sewer operating reserve fund to water & sewer capital reserve fund	-	-	42,887	-	-	-	-	(42,887)	-
Transfer from general operating fund to the general capital fund	(429,916)	429,916	-	-	-	-	-	-	-
Transfer from general capital reserve fund to general operating reserve fund	76,025	-	-	-	-	(76,025)	-	-	-
Long-term debt principal repayment	(160,000)	-	160,000	-	-	-	-	-	-
Decrease of provision for sick leave accrual	(1,100,000)	1,100,000	(384,000)	384,000	-	-	-	-	-
Provision for retirement allowance	(130,740)	-	(13,151)	-	-	-	-	-	-
Amortization expense	121,310	-	-	-	-	-	-	-	(143,891)
Reduction in amount recorded under PSA for defined benefit liability	-	2,004,768	-	750,017	-	-	-	-	121,310
	59,150	-	5,950	-	-	-	-	-	2,754,785
									65,100
Total adjustments to 2018 annual surplus (deficit)	(1,551,841)	3,534,684	(318,416)	1,201,458	-	(76,025)	-	45,000	2,834,860
2019 annual funds surplus (deficit)	\$ 25,963 \$	\$ 2,618,997 \$	\$ 26,600 \$	\$ 507,081 \$	\$ 8,171 \$	\$ (40,156) \$	\$ 1,773 \$	\$ 78,169 \$	\$ 3,226,598

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

20. STATEMENT OF RESERVES

	General Operating Reserve	General Capital Reserve	Water & Sewer Operating Reserve	Water & Sewer Capital Reserve	2019 Total	2018 Total
<u>Assets</u>						
Cash	\$ 373,404	\$ 564,038	\$ 36,275	\$ 536,850	\$ 1,510,567	\$ 1,824,514
Investments (note 7)	48,709	1,190,675	54,122	1,158,202	2,451,708	2,403,636
Accrued interest	560	13,705	623	13,327	28,215	27,661
Receivable from Water & Sewer Operating Fund	-	-	-	45,000	45,000	45,000
	422,673	1,768,418	91,020	1,753,379	4,035,490	4,300,811
<u>Liabilities</u>						
Payable to General Operating Fund	-	76,025	-	-	76,025	389,303
	\$ 422,673	\$ 1,692,393	\$ 91,020	\$ 1,753,379	\$ 3,959,465	\$ 3,911,508
<u>Accumulated Surplus</u>						
<u>Revenues</u>						
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350
Transfers from Water & Sewer Operating Fund	-	-	-	87,887	87,887	45,000
Interest	8,171	35,869	1,773	33,169	78,982	72,316
	8,171	35,869	1,773	121,056	166,869	117,666
<u>Expenditures</u>						
Transfers to Water Operating Fund	-	-	-	42,887	42,887	-
Transfers to General Operating Fund	-	76,025	-	-	76,025	389,306
	-	76,025	-	42,887	118,912	389,306
<u>Annual Surplus (deficit)</u>	\$ 8,171	\$ (40,156)	\$ 1,773	\$ 78,169	\$ 47,957	\$ (271,640)

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

20. STATEMENT OF RESERVES (Continued)

Council Resolutions regarding transfers to and from reserves;

Moved by Denise Lagacé Rioux, seconded by Jean Réal Michaud, that the amount of \$45,000 be transferred from the water and sewer operating fund to the water and sewer capital reserve fund for the water tower.

Moved by Denise Lagacé Rioux, seconded by Renaud Ouellette, that the amount of \$42,886.89 be transferred from the water operating fund to the capital reserve fund for equipment.

Moved by Denise Lagacé Rioux, seconded by Jean Réal Michaud, that the amount of \$76,024.52 be transferred from the capital reserve fund - future employee benefits not earned, to the general operating fund to help pay the cost of sick days paid in 2019.

Moved by Denise Lagacé Rioux, seconded by Jean Réal Michaud, that the amount of \$42,886.89 be transferred from the water capital reserve - future employee benefits not earned, to the water operating fund to help pay the cost of sick days paid in 2019.

I hereby certify that the above are true and exact copies of resolutions adopted at a special meeting of Council on December 17th, 2019.



Peter Michaud
Chief Administrative Officer / Clerk
Town of Grand Falls

June 10, 2020

Date

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

21. STATEMENT OF CONTROLLED ENTITIES OPERATIONS

	Grand Falls Golf Club Inc	Société de développement du centre des affaires	Falls & Gorge Commission	2019 Total	2018 Total
Assets					
Liabilities	\$ 710,580	\$ 152,028	\$ 25,505	\$ 888,113	\$ 876,766
	1,401,665	-	1,929,018	3,330,683	3,079,572
Accumulated Surplus (Deficit)	\$ (691,085)	\$ 152,028	\$ (1,903,513)	\$ (2,442,570)	\$ (2,202,806)
Revenues					
Expenditures	\$ 313,367	\$ 58,933	\$ 244,696	\$ 616,996	\$ 550,236
	415,380	48,822	400,115	864,317	899,370
Surplus (Deficit) from operations	(102,013)	10,111	(155,419)	(247,321)	(349,134)
Gain on disposal of capital assets	7,557	-	-	7,557	-
Surplus (Deficit)	\$ (94,456)	\$ 10,111	\$ (155,419)	\$ (239,764)	\$ (349,134)

The above noted entities are included in the consolidated financial statements.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

22. OPERATING BUDGET TO PSA BUDGET

	Operating Budget General	Operating Budget Water & Sewer	Amortization TCA	Transfers	Total
Revenues					
Property tax warrant	\$ 8,230,583	\$ -	\$ -	\$ -	\$ 8,230,583
Services provided to other governments	763,803	-	-	-	763,803
Sales of services, fines and other fees	1,040,085	-	-	-	1,040,085
Unconditional grant	734,625	-	-	-	734,625
Other government transfers	38,500	-	-	-	38,500
Other transfers	-	180,000	-	(180,000)	-
Water and sewer user fees	-	1,667,261	-	-	1,667,261
Interest	6,650	10,000	-	-	16,650
Gain on disposal of capital assets	15,000	-	-	-	15,000
Surplus/deficit of second previous year	12,330	25,226	-	(37,556)	-
	10,841,576	1,882,487	-	(217,556)	12,506,507
Expenditures					
General government services	1,445,228	-	117,272	15,030	1,577,530
Protective services	2,497,798	-	104,693	(173,843)	2,428,648
Transportation services	1,880,458	-	719,685	94,766	2,694,909
Environmental health services	323,910	-	-	-	323,910
Environmental development and tourism services	1,165,110	-	127,999	43,506	1,336,615
Recreational cultural services	1,884,861	-	935,119	106,267	2,926,247
Fiscal services	-	-	-	-	-
Long-term debt repayments	1,100,000	384,000	-	(1,484,000)	-
Interest	265,728	135,820	-	(401,548)	-
Transfer from the General Operating Fund to the General Capital Fund	167,270	-	-	(167,270)	-
General Capital Reserve Fund	2,130	-	-	(2,130)	-
General Operating Reserve Fund	109,083	-	-	(109,083)	-
Transfer from the Water and Sewer Operating Fund to the Water and Sewer Capital Fund	-	112,609	-	(112,609)	-
to the Water and Sewer Capital Reserve Fund	-	45,000	-	(45,000)	-
Water and Sewer services	-	1,205,058	750,017	135,820	2,090,895
	10,841,576	1,882,487	2,754,785	(2,100,094)	13,378,754
Deficit	\$ -	\$ -	\$ (2,754,785)	\$ 1,882,538	\$ (872,247)

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

23. REVENUES AND EXPENDITURES SUPPORT

	2019		2018	
	(Unaudited) Budget	Actual	Actual	
Revenues				
Services to other Governments				
Fire	\$ 36,307	\$ 36,306	\$ 43,001	
Transportation	109,811	110,163	110,163	
Environment Development	134,568	134,568	19,007	
Police	124,333	124,333	120,712	
Rentals	358,784	402,970	396,815	
Total - Services to other Governments	\$ 763,803	\$ 808,340	\$ 689,698	
Other government transfers				
Atlantic Canada Opportunities Agency	\$ -	\$ -	\$ -	
Small Communities Fund	-	-	25,107	
Regional Development Corporation	-	-	810,350	
Gas Tax Fund	-	1,002,283	268,518	
Department of Transportation	-	-	601,577	
Clean Water and Wastewater Fund	-	-	24,426	
Environmental Project	-	1,793	-	
Employment projects	38,500	70,968	95,826	
Total - Other government transfers	\$ 38,500	\$ 1,075,044	\$ 1,825,804	
Expenditures				
General government services				
Legislative				
Mayor	\$ 23,838	\$ 23,257	\$ 20,567	
Councilors	84,167	86,532	72,951	
Other	54,000	60,697	53,472	
	162,005	170,486	146,990	
Administrative				
Manager	136,559	138,197	134,768	
Clerk	210,896	210,541	205,707	
Accounting	237,995	217,657	274,294	
Office building	345,000	342,717	343,130	
Solicitor	30,000	47,668	32,952	
Grants	81,600	94,168	77,781	
Other	38,000	46,913	31,547	
	1,080,050	1,097,861	1,100,179	
Other				
Office expense	61,648	68,751	54,581	
Delegations and training	10,000	6,767	5,629	
Amortization	117,272	117,272	109,782	
Interest	15,032	13,404	29,788	
Cost of assessment	131,523	148,464	150,572	
Other	-	-	4,470	
	335,475	354,658	354,922	
Total - General government services	\$ 1,577,530	\$ 1,623,005	\$ 1,602,091	

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

23. REVENUES AND EXPENDITURES SUPPORT (continued)

	2019		2018
	(Unaudited) Budget	Actual	Actual
Protective services			
Fire			
Administration	\$ 48,495	\$ 41,744	\$ 39,793
Forces	25,000	22,285	34,236
Training	20,000	15,517	14,516
Station	42,800	40,919	41,877
Amortization	104,693	104,693	92,233
Interest	6,157	6,006	7,048
Supplies	78,600	61,740	69,207
Other	71,200	72,519	70,898
	396,945	365,423	369,808
Police			
Administration	264,127	499,832	265,441
Forces	1,555,276	1,659,621	1,583,954
Training	35,000	14,149	37,573
Station	80,000	79,048	78,994
Vehicles	53,000	50,044	51,666
Jail	20,000	17,729	13,889
Other	18,300	17,705	15,125
	2,025,703	2,338,128	2,046,642
Other			
Animal control	6,000	4,971	4,782
Total - Protective services	\$ 2,428,648	\$ 2,708,522	\$ 2,421,232
Transportation services			
Common			
Administration	\$ 812,881	\$ 733,523	\$ 718,978
General equipment	167,000	205,754	212,318
Workshop and sundry	157,077	149,195	153,259
	1,136,958	1,088,472	1,084,555
Street maintenance	378,500	346,228	398,707
Culverts	5,000	1,004	767
Salvage removal	175,000	218,961	232,926
Street lighting	155,000	158,284	135,519
Traffic signals	5,000	4,402	3,853
Traffic lane marking	25,000	22,133	22,164
Amortization	719,685	719,685	742,633
Interest	94,766	91,531	121,164
Total - Transportation services	\$ 2,694,909	\$ 2,650,700	\$ 2,743,298

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

23. REVENUES AND EXPENDITURES SUPPORT (continued)

	2019		2018	
	(Unaudited) Budget	Actual	Actual	
Environmental health services				
Collection	\$ 323,880	\$ 284,499	\$ 272,670	
Other	30	30	29	
Total - Environmental health services	\$ 323,910	\$ 284,529	\$ 272,699	
Environmental development and tourism services				
Community planning	\$ 536,505	\$ 456,490	\$ 384,750	
Tourism promotion	541,640	538,343	537,677	
Amortization	127,999	127,999	126,830	
Interest	43,506	43,517	45,145	
Community development	86,965	78,101	86,231	
Total - Environmental development services	\$ 1,336,615	\$ 1,244,450	\$ 1,180,633	
Recreation and cultural services				
Administration	\$ 608,876	\$ 602,437	\$ 539,278	
Swimming pool	73,500	75,188	65,759	
Arena	622,800	674,757	587,038	
Golf	364,879	353,896	397,022	
Parks and playgrounds	54,000	44,178	51,209	
Sports Complex	7,500	16,189	14,045	
Tube lift	32,650	37,236	42,563	
Splash park	5,000	2,063	4,156	
Day camps	40,000	40,594	33,742	
Library	33,606	32,850	31,424	
Museum	6,050	6,971	9,519	
Amortization	935,119	935,120	916,624	
Interest	106,267	100,750	105,292	
Other	36,000	63,842	28,081	
Total - Recreation and cultural services	\$ 2,926,247	\$ 2,986,071	\$ 2,825,752	
Water and Sewer				
Water supply				
Administration	\$ 325,099	\$ 375,281	\$ 345,498	
Transmission and distribution	392,216	380,928	348,708	
Amortization	483,606	483,606	477,165	
Interest	114,437	108,519	115,865	
Other	66,500	63,310	55,253	
Total - Water supply	1,381,858	1,411,644	1,345,489	
Sewer collection and disposal				
Administration	195,243	183,581	210,388	
Collection system	235,500	245,005	245,716	
Amortization	266,412	266,412	267,413	
Interest	11,882	11,720	12,287	
Total - Sewer collection and disposal	709,037	706,718	731,504	
Total - Water and Sewer	\$ 2,090,895	\$ 2,118,362	\$ 2,077,293	

