

TOWN OF GRAND FALLS

2018 ANNUAL REPORT

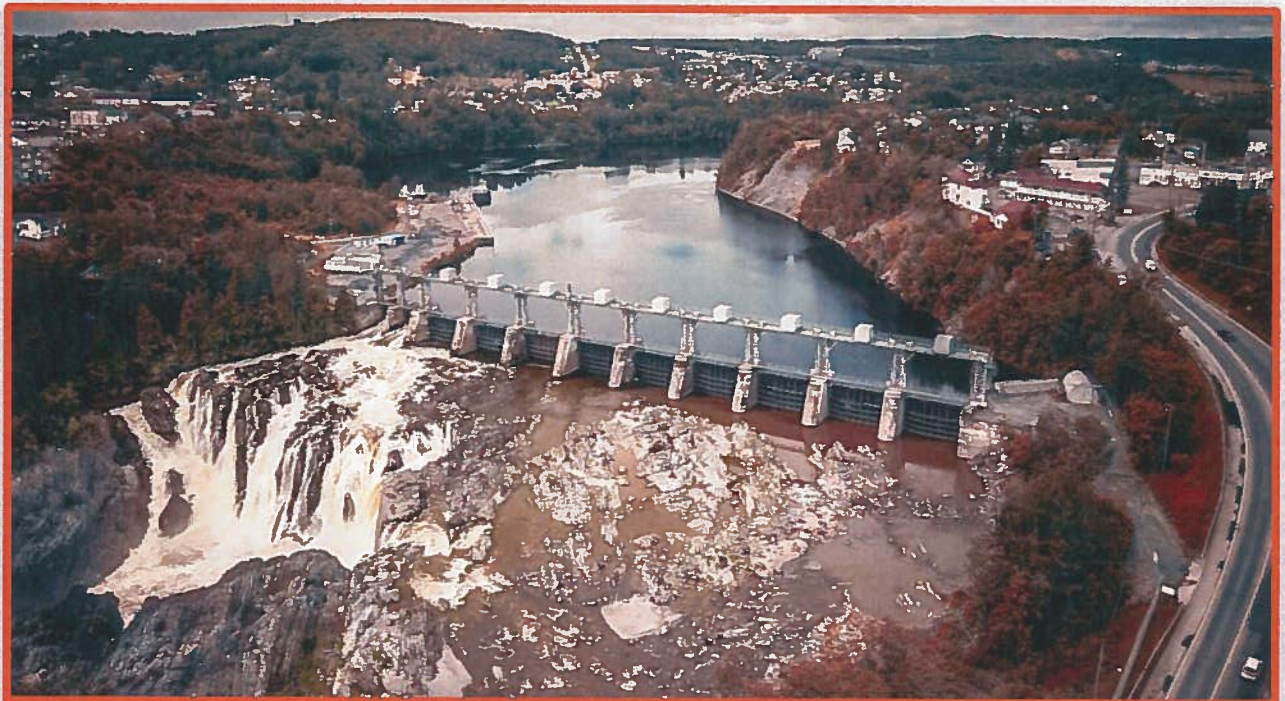


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MAYOR'S MESSAGE

This annual report, prepared for the year 2018, is an informative tool for all our citizens as well as any other individual interested in our beautiful town.

In these next few pages, you will find an excellent source of information regarding Council and its meetings, budgets and municipal services as well as 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 have worked and contributed to make 2018 one of our best years yet.

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

Marcel Deschênes



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 2018 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 Jeux de l'Acadie Golf



The meetings held in 2018 are as follows:

Regular monthly meetings: 9

Special meetings: 7

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
January 30	Special – municipal plan amendment	X	X	X	X	X	X	X
February 13	Regular	X	X	X	X	X	X	X
March 6	Special – capital budget	--	X	X	X	X	X	--
March 13	Regular	X	X	X	X	X	X	X
March 27	Special - debentures	X	--	X	X	X	X	--
April 10	Regular	X	X	X	X	X	X	--
April 17	Special zoning and municipal plan amendment	X	X	X	X	X	X	X
May 8	Regular	X	X	X	X	X	--	X
June 12	Regular	X	X	X	X	X	--	X
July 10	Regular	X	X	X	--	X	X	X
August 28	Special Capital budget \$2,416,000	X	X	X	X	--	X	X
September 11	Regular	X	--	X	X	X	X	--
September 18	Special tender award - track and field	X	X	--	X	X	X	X
October 15	Special GFCBDC budget	X	X	X	X	--	X	--
November 13	Regular	X	X	X	X	X	X	X
December 18	Regular	X	X	X	X	X	X	X

Closed meetings: 37

Meeting dates: January 16, 30
 February 13, 27
 March 6,13,20,27
 April 10,17,24
 May 1,8,15, 29
 June 5, 12, 19, 26
 July 10, 24, 31
 August 14, 21, 28
 September 11, 18, 25
 October 2, 15, 23, 30
 November 13, 20 27
 December 4, 18

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	\$25,912.70	\$12,600	\$13,421.79	\$51,934.49
Denise Lagacé Rioux, Deputy Mayor	\$12,996	\$787.50	\$1,212.35	\$14,995.85
Renaud Ouellette, Councilor	\$11,653.44	\$600	\$0	\$12,253.44
Rino Long, Councilor	\$11,653.44	\$1,761.42	\$50	\$13,464.86
Jean Réal Michaud, Councilor	\$11,653.44	\$1,200	\$1,215.19	\$14,068.63
Michel Ouellette, Councilor	\$11,653.44	\$375	\$235.59	\$12,264.03
Jean Maurice Gagnon, Councilor	\$11,653.44	\$450	\$678.18	\$12,781.62

GRANTS

GRANTS – SOCIAL / ENVIRONMENTAL

- Grand Falls Little Rock Curling: \$500, non-refundable for the curling program.
- Grand Falls Cataract Baseball: \$2,500, non-refundable. Conditions: make the request yearly, submit budgets for the previous and current years.
- Jr. A hockey, Rapids: \$10,000 in kind.
- 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.
- Drummond Soap Box Derby: \$1,000, non-refundable.
- Food bank: \$4,500, non-refundable
- Committee on community health: \$500, non-refundable. Office material for 2018.
- Women for 50+: \$500, 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: \$730, non-refundable, in kind.
- Réjean Landry: \$500, non-refundable.
- Caswell Bike Club: \$6000, non-refundable, construction of circuit. Conditions: that the club obtain matching funds, proof of insurance and sign an agreement with the landowners.
- Falls Beer Fest: \$1,000, non-refundable, (+\$651.79 in kind).
- Taekwondo NO: \$500, non-refundable, competitions.
- Kahoutek cross-country ski club: \$500, non-refundable, trail grooming.
- COFJA 2019: \$10,000, non-refundable. Jeux de l'Acadie.
- Acanthus Art Gallery: \$2,500, non-refundable. 10-year financing agreement.
- Regional Potato Festival: \$1,728, non-refundable.
- Grand Falls Historical Society: \$1,000, non-refundable.
- Tree of Hope: \$5,00, non-refundable. Fundraising.

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: \$4,500, non-refundable. Membership
Chamber of Commerce: \$26,100, non-refundable. Economic development officer
CBDC: \$500, non-refundable. Gala

ECONOMIC DEVELOPMENT PROGRAMS

Incentive measures, new constructions: 13 grants for a total amount of \$18,083,35. Non-refundable.
Incentive measures, renovations: 31 grants for a total amount of \$28,096,38, non-refundable.

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 2018, the Council adopted a general operating budget of \$10,670,611. Actual revenues totaled \$12,012,826 while expenditures totaled \$11,999,514 resulting in a surplus of \$13,312.

The Town also has a Utility Operating Budget for water and wastewater disposal services. The approved budget in 2018 was \$1,815,494. Actual revenues totaled \$1,753,719 while expenditures totaled \$1,728,593 resulting in a surplus for the year of \$25,126.

GENERAL SERVICES

Total expenditures: \$11,999,514

General Government Services

Total expenditure \$1,463,726

This category includes expenditures relating to administering the town, e.g. mayor and councilor salaries and expenses (\$146,991); salaries and benefits to office staff (\$571,820); office building expenses (\$343,130); legal and auditing fees (\$81,575); cost of assessment (\$104,328); grants to organizations (\$77,781) and other financial management / misc. (\$138,100).

Protective Services

Total expenditure \$2,404,855

These services include policing services (\$2,039,546); fire protection (\$360,527) and animal control (\$4,782).

Our municipal police force is comprised of one chief and one deputy chief, two administrative assistants and 17 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 \$29,015.

Transportation Services

Total expenditure \$1,898,371

This category includes expenditures related to public works administration and garage salaries and benefits (\$708,464); general equipment (\$212,318); street maintenance (\$398,707); snow removal (\$232,926); street lighting and traffic (\$180,824); building operations (\$95,096) and miscellaneous other operating expenses (\$67,078). Our staff includes 4 administrative positions as well as full-time unionized workers.

Environmental Health Services
Total expenditure \$272,699

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 is set at \$55 per ton in 2018.

Environmental Development Services
Total expenditure \$1,009,082

These services include environmental planning (\$67,433); environmental development services (\$221,714); economic development services (\$147,118); downtown development (\$95,603); BIA \$62,019; Tourism bureau (\$395,706); Farmers' Market (\$17,819).

Recreation & Cultural Services
Total expenditure \$1,801,756

This category includes expenses for the administration of the services by all of our recreational staff (\$539,998); operating expenses for our CEPSC (\$587,121); swimming pool (\$65,759); golf club (\$401,233); sports complex, tube lift and splash pad (\$55,143); parks and playgrounds (\$112,949); museum (\$9,519) and library (\$31,424).

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 \$3,149,025

This category includes principal repayments of \$1,197,000 and interest payments of \$297,571. Capital out of operations expenses in the amount of \$1,527,747 include \$15,214 for General Government Services, \$44,249 for Police, \$75,202 for Transportation and \$1,367,728 for Recreation Services of which \$1,138,877 was for the Jeux de l'Acadie facilities.

WATER & WASTEWATER UTILITY

Total expenditures \$1,728,593

Water Service
Total expenditures \$735,466

Expenditures include costs of administration and personnel (\$345,696); purification & treatment (\$31,758); transmission & distribution (\$91,128); power and pumping (\$208,604; billing, collection & others (\$58,282).

Wastewater Disposal Service

Total expenditures \$456,303

Expenditures include costs of administration (\$210,586); sewage collection system (\$69,171); sewage lift stations (\$104,831); and sewage treatment and disposal (\$71,715).

Annual water & sewer rate for 2018 was \$528 per unit.

Fiscal services

Total expenditures \$536,824

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

In 2018, principal repayments were \$280,000 and interest payments were \$131,152. An amount of \$45,000 was transferred to the reservoir reserve fund. A total of \$66,482 were spent on capital expenditures in 2018 while bank charges and bad debts totaled \$14,190.



APPENDIX A

GRAND FALLS

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

GRAND FALLS

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Year ended December 31, 2018

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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, 2018, 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, 2018, 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
April 9, 2019

GRAND FALLS
CONSOLIDATED STATEMENT OF OPERATION
Year ended December 31,

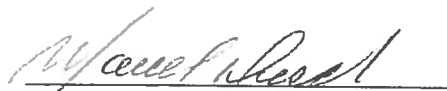
	2018		2017
	(Unaudited) Budget (Note 21)	Actual (Note 17)	Actual (Note 17)
REVENUES			
Property tax warrant	\$ 8,007,373	\$ 8,007,373	\$ 7,827,622
Services provided to other governments (note 22)	657,900	689,698	691,505
Sale of services, fines and other fees	1,120,488	1,116,241	1,157,022
Unconditional grant	769,875	782,691	1,014,888
Other government transfers (note 22)	73,479	1,825,804	3,104,702
Water and sewer user fees	1,577,250	1,607,456	1,596,401
Interest	21,400	92,084	94,991
Donations & others	-	70,155	793,364
Gain on disposal of tangible capital assets	10,000	75,000	20,696
	<u>12,237,765</u>	<u>14,266,502</u>	<u>16,301,191</u>
EXPENDITURES (note 22)			
General government services	1,538,759	1,602,091	1,551,059
Protective services	2,401,610	2,421,232	2,454,248
Transportation services	2,628,861	2,742,298	2,460,057
Environmental health services	276,530	272,699	273,045
Environmental development and tourism services	1,224,289	1,180,633	1,165,494
Recreational and cultural services	2,857,187	2,825,752	2,765,122
Water and sewer	2,130,146	2,077,293	2,041,285
	<u>13,057,382</u>	<u>13,121,998</u>	<u>12,710,310</u>
Annual surplus (deficit)	\$ <u>(819,617)</u>	1,144,504	3,590,881
Accumulated surplus, beginning of year		<u>39,002,083</u>	<u>35,411,202</u>
Accumulated surplus, end of year		\$ <u>40,146,587</u>	\$ <u>39,002,083</u>

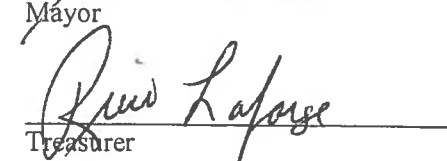
The accompanying notes are an integral part of these consolidated financial statements.

GRAND FALLS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 2,690,678	\$ 2,820,660
Receivables		
General	382,525	274,891
Federal government and its agencies (Note 4)	261,517	453,942
Province of New Brunswick (Note 5)	176,959	951,930
Investments (Note 6)	<u>2,403,636</u>	<u>2,511,344</u>
	<u>5,915,315</u>	<u>7,012,767</u>
LIABILITIES		
Bank loan	839,210	1,185,188
Payables and accruals	965,959	1,622,775
Unearned revenues - Gas Tax Fund	784,926	631,400
Long term debt (Note 8)	11,262,000	11,994,000
Accrued sick leave (Note 9)	143,103	43,900
Accrued retirement benefits	78,690	170,463
Post employment benefits (Note 10)	<u>535,600</u>	<u>639,100</u>
	<u>14,609,488</u>	<u>16,286,826</u>
NET DEBT	<u>(8,694,173)</u>	<u>(9,274,059)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	89,271,475	86,288,843
Accumulated amortization	<u>(41,036,987)</u>	<u>(38,308,309)</u>
	48,234,488	47,980,534
Inventory of supplies	595,961	280,410
Prepaid expenses	<u>10,311</u>	<u>15,198</u>
	<u>48,840,760</u>	<u>48,276,142</u>
ACCUMULATED SURPLUS	<u>\$ 40,146,587</u>	<u>\$ 39,002,083</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>2018</u>	<u>2017</u>
Annual surplus	\$ 1,144,504	\$ 3,590,881
Acquisition of tangible capital assets	(2,982,632)	(6,835,388)
Proceeds on disposal of tangible capital assets	75,000	37,793
Amortization of tangible capital assets	2,728,678	2,564,739
Gain on sale of tangible capital assets	<u>(75,000)</u>	<u>(20,696)</u>
	<u>890,550</u>	<u>(662,671)</u>
Acquisition of inventories	(595,958)	(280,407)
Acquisition of prepaid assets	(10,311)	(15,198)
Consumption of inventories	280,407	290,578
Use of prepaid assets	<u>15,198</u>	<u>6,184</u>
	<u>(310,664)</u>	<u>1,157</u>
Decrease (increase) in Net Debt	579,886	(661,514)
Net Debt, beginning of the year	<u>(9,274,059)</u>	<u>(8,612,545)</u>
Net Debt, end of the year	\$ <u>(8,694,173)</u>	\$ <u>(9,274,059)</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>2018</u>	<u>2017</u>
(Indirect method)		
Operation transactions		
Annual surplus (Note 17)	\$ 1,144,504	\$ 3,590,881
Items not affecting cash:		
Gain on disposal of tangible capital assets	(75,000)	(20,696)
Amortization of tangible capital assets	<u>2,728,678</u>	<u>2,564,739</u>
	<u>3,798,182</u>	<u>6,134,924</u>
Net changes in non-cash working capital items:		
Receivable - General	(107,634)	(64,365)
Receivable - Federal Government and its agencies	192,425	(299,147)
Receivable - Province of New Brunswick	774,971	(941,027)
Payables and accruals	(656,816)	846,274
Unearned revenues - Gas Tax Fund	153,526	(79,305)
Accrued sick leave	99,203	(5,621)
Accrued retirement benefits	(91,773)	170,463
Post employment benefits payable	(103,500)	(103,000)
Change in inventory/prepaid expenses	<u>(310,664)</u>	<u>1,154</u>
	<u>(50,262)</u>	<u>(474,574)</u>
	<u>3,747,920</u>	<u>5,660,350</u>
Capital transactions		
Acquisition of tangible capital assets	(2,982,632)	(6,835,388)
Proceeds on sale of tangible capital assets	<u>75,000</u>	<u>37,793</u>
	<u>(2,907,632)</u>	<u>(6,797,595)</u>
Financing transactions		
Bank loan	(345,978)	728,663
Additional financing	745,000	1,898,000
Long-term debt	<u>(1,477,000)</u>	<u>(1,558,000)</u>
	<u>(1,077,978)</u>	<u>1,068,663</u>
Investing transactions		
Investments	<u>107,708</u>	<u>(48,641)</u>
Net decrease in cash and cash equivalents	(129,982)	(117,223)
Cash, beginning of year	<u>2,820,660</u>	<u>2,937,883</u>
Cash, end of year	\$ <u>2,690,678</u>	\$ <u>2,820,660</u>

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

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

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 19, 2017 and the Minister of Environment and Local Government on January 11, 2018.

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, 2018

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, 2018

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, 2018

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 9 and a long-term service award and pension plan as documented in Note 10.

3. CASH	2018	2017
Cash - restricted (note 19) *	\$ 1,422,740	\$ 1,339,065
Cash - unrestricted	<u>1,267,938</u>	<u>1,481,595</u>
	\$ 2,690,678	\$ 2,820,660

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

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

4. DUE FROM FEDERAL GOVERNMENT AND ITS AGENCIES

	2018	2017
Canada Revenue Agency (HST refund)	\$ 247,874	\$ 365,982
Atlantic Canada Opportunities Agency	-	48,415
Clean Water and Wastewater Fund	<u>13,643</u>	<u>39,545</u>
	<u>\$ 261,517</u>	<u>\$ 453,942</u>

5. DUE FROM PROVINCE OF NEW BRUNSWICK

	2018	2017
Small Communities Fund	\$ 115,120	\$ 861,265
Regional Development Corporation	<u>61,839</u>	<u>90,665</u>
	<u>\$ 176,959</u>	<u>\$ 951,930</u>

6. INVESTMENTS

The investments consist of guaranteed investment certificates with date of maturity of June 4, 2020 with interest rates of 2%.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

7. SCHEDULE OF TANGIBLE CAPITAL ASSETS

	Land	Land improvements	Buildings and leasehold improvements	Vehicles	Machinery and equipment	Infrastructure		Assets under construction	2018 Total	2017 Total
						Roads and streets	Treatment facilities	Water and sewer		
Cost										
Balance, beginning of year	\$ 5,999,034	\$ 4,576,086	\$ 26,451,411	\$ 1,829,951	\$ 7,868,016	\$ 8,802,551	\$ 6,627,046	\$ 24,134,748	\$ -	\$ 86,288,843
Add:										
Net additions during the year	10,000	94,753	1,178,572	39,075	275,148	876,890	197,522	310,672	-	2,982,632
Less:										
Disposals during the year	-	-	-	-	-	-	-	-	-	(131,326)
Balance, end of year	6,009,034	4,670,839	27,629,983	1,869,026	8,143,164	9,679,441	6,824,568	24,445,420	-	89,271,475
Accumulated Amortization										
Balance, beginning of year	-	2,388,010	10,065,786	1,452,650	4,057,708	6,586,226	2,493,068	11,270,861	-	38,308,309
Add:										
Amortization during the year	-	163,407	879,931	106,845	429,620	398,162	109,286	641,427	-	2,728,678
Less:										
Accumulated amortization on disposition	-	-	-	-	-	-	-	-	-	(114,229)
Balance, end 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
Net book value	\$ 6,009,034	\$ 2,119,422	\$ 16,684,266	\$ 309,531	\$ 3,661,836	\$ 2,695,053	\$ 4,222,214	\$ 12,533,132	\$ -	\$ 48,234,488
Consist of:										
General Fund Assets	\$ 5,659,937	\$ 2,027,163	\$ 16,398,738	\$ 262,688	\$ 3,306,027	\$ 2,695,053	\$ 4,222,214	\$ -	\$ -	\$ 34,571,820
Water & Sewer Fund Assets	349,097	92,259	285,528	46,843	355,809	-	-	12,533,132	-	13,662,668
	\$ 6,009,034	\$ 2,119,422	\$ 16,684,266	\$ 309,531	\$ 3,661,836	\$ 2,695,053	\$ 4,222,214	\$ 12,533,132	\$ -	\$ 48,234,488

During the year, land in the amount of \$36,000 was received as a contribution.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

8. LONG-TERM DEBT

	2018	2017
<u>New Brunswick Municipal Financing Corporation</u>		
Debentures:		
Repaid during the year	\$ -	\$ 204,000
BA-13 0.95% - 5.0%, due 2019, OIC #08-37, #08-76, #08-77, #98-5 and #98-74	1,057,000	1,237,000
BA-14 0.95% - 5.0%, due 2019, OIC #06-83, #07-47 and #08-37	111,000	142,000
BB-21 1.0% - 4.50%, due 2019, OIC #08-37, #09-47, #09-81, #98-74 and #99-51	1,093,000	1,227,000
BB-22 1.0% - 4.50%, due 2019, OIC #08-37, #09-19 and #09-41	542,000	562,000
BD-16 1.50% - 3.85%, due 2020, OIC #00-01, #07-29, #07-47, #09-47, #10-17, #99-61 and #99-73	182,000	242,000
BD-17 1.50% - 3.85%, due 2020, OIC #09-41	346,000	357,000
BM-11 0.95% - 1.8%, due 2020, OIC #04-26 and 01-79	42,000	62,000
BF-13 1.35% - 3.45%, due 2021, OIC #09-47, #10-17, #11-46 and #11-65	190,000	227,000
BF-14 1.35% - 3.45%, due 2021, OIC #09-41	197,000	203,000
BI-17 1.35% - 3.25%, due 2023, OIC #11-0046	79,000	94,000
BL-19 1.2% - 3.1%, due 2024, OIC OIC #03-28 and #04-26	238,000	314,000
BO-15 1.45% - 2.9%, due 2026, OIC #06-21	111,000	124,000
BO-14 1.45% - 2.9%, due 2026, OIC #05-61 and 05-89	337,000	423,000
BP-14 1.2% - 2.95%, due 2026, OIC #15-21	93,000	104,000
BT-13 2.10% - 3.45%, due 2028, OIC #15-56, #17-18 and #17-25	420,000	-
BU-14 2.55% - 3.40%, due 2028, OIC #15-56 and # 18-20	325,000	-
BH-20 1.35% - 3.8%, due 2032, OIC #09-47 and #10-17	217,000	246,000
BR-14 1.65% - 3.2%, due 2032, OIC #15-56 and #17-18	1,665,000	1,800,000
BQ-13 1.2% - 3.3%, due 2032, OIC #15-56	92,000	98,000
BI-18 1.35% - 4.0%, due 2033, OIC #01-79 and #09-41	211,000	235,000
BJ-15 1.25% - 4.4%, due 2033, OIC #11-0115	677,000	711,000
BL-20 19 1.2% - 3.7%, due 2034, OIC #01-79, #03-64, #03-83 and #04-26	732,000	782,000
BM-12 0.95% - 3.5%, due 2035, OIC #01-79 and #04-26	988,000	1,059,000
BN-13 1.05% - 3.9%, due 2035, OIC #04-26, #05-25, #05-61, #14-34, #14-40, #14-41 and #15-21	761,000	939,000
BN-14 1.05% - 3.9%, due 2035, OIC #04-26 and #05-25	380,000	397,000
BP-15 1.2% - 3.8%, due 2036, OIC #06-25	176,000	205,000
	\$ 11,262,000	\$ 11,994,000

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

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

8. LONG-TERM DEBT (continued)

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

	<u>Repayments</u>	<u>Refinancing</u>
2019	\$1,406,000	\$2,389,000
2020	\$961,000	\$379,000
2021	\$746,000	\$250,000
2022	\$598,000	\$0
2023	\$564,000	\$0

In 2019, debentures BA-13, BB-21, BA-14 and BB-22 will mature and will be refinanced for \$875,000, \$952,000, \$78,000 and \$484,000 respectively. 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.

9. ACCRUED SICK LEAVE

The Municipality provides sick leave that accumulates at a rate of 1.5 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 \$1,137,013 on December 31, 2018 and \$1,206,280 on December 31, 2017.

The unfunded liability was \$143,103 on December 31, 2018 and \$43,900 on December 31, 2017. The sick leave benefit will be funded over the next year.

10. 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 \$284,100 (2017 - \$396,100).

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 14.0 years.

Combined employer and employee contributions during the year were \$540,600 (2017 - \$524,800).

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

10. 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, 2016 and December 31, 2017, NB MEPP's actuary performed an extrapolation of the December 31, 2017 accounting valuation to determine the estimated position as at December 31, 2018. The extrapolation assumes assumptions used as at December 31, 2018 remain unchanged from December 31, 2017. The extrapolation also assumes assets return 5.50% 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, 2018</u>	As at <u>December 31, 2017</u>
Accrued Benefit Liability/(Asset)		
Accrued benefit liability/(asset) at beginning of period	\$ 613,000	\$ 732,400
Pension expense for the year	192,900	143,000
Less employer contributions	<u>(270,300)</u>	<u>(262,400)</u>
Accrued benefit liability/(asset) at end of period	<u>\$ 535,600</u>	<u>\$ 613,000</u>

In summary, the Accrued Benefit Liability as it relates to Grand Falls is estimated to be \$535,600 as at December 31, 2018. This compares to \$732,400 as at January 1, 2017 and \$613,000 as at December 31, 2017. 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, 2018</u>	As at <u>December 31, 2017</u>
Reconciliation of Funded Status at End of Period		
Accrued benefit obligation	\$ 11,153,900	\$ 10,407,300
Plan assets	<u>10,778,100</u>	<u>9,966,400</u>
Plan deficit/(surplus)	375,800	440,900
Unamortized experience gains/(losses)	<u>159,800</u>	<u>172,100</u>
Accrued benefit liability/(asset) at end of period	<u>\$ 535,600</u>	<u>\$ 613,000</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, 2018</u>	As at <u>December 31, 2017</u>
Reconciliation of Accrued Benefit Obligation		
Accrued benefit obligation at beginning of period	\$ 10,407,300	\$ 9,474,300
Current service cost	453,600	400,500
Benefit payments	(284,100)	(396,100)
Interest for period	577,100	530,700
Experience loss/(gain) during period	<u>-</u>	<u>397,900</u>
Accrued benefit obligation at end of period	<u>\$ 11,153,900</u>	<u>\$ 10,407,300</u>

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

10. 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, 2018</u>	As at <u>December 31, 2017</u>
Reconciliation of Plan Assets		
Plan assets at beginning of period	\$ 9,966,400	\$ 8,997,900
Employer contributions	270,300	262,400
Employee contributions	270,300	262,400
Benefit payments	(284,100)	(396,100)
Return on plan assets during period	<u>555,200</u>	<u>839,800</u>
Plan assets at end of period	<u>\$ 10,778,100</u>	<u>\$ 9,966,400</u>

Total estimated expenses related to pensions include the following components:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Pension Expense		
Employer current service cost	\$ 183,300	\$ 138,100
Interest on accrued benefit obligation	577,100	530,700
Expected return on assets	(555,200)	(507,500)
Experience loss/(gain)	<u>(12,300)</u>	<u>(18,300)</u>
Pension expense	<u>\$ 192,900</u>	<u>\$ 143,000</u>

The pension expense is included in the statements of operations.

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

11. 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, 2018 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.

12. 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, 2018, the accumulated amount was \$580,510.
- 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, 2018, the accumulated amount was \$172,305.

13. 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	\$ 2,827,070
General Capital Fund, M.O. #17-0025	\$ 240,000

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 2018, 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, 2018

14. 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:

	2018	2017
2018 surplus	\$ 25,126	\$ -
2017 surplus	25,226	25,226
2016 surplus	-	22,417
	<u>\$ 50,352</u>	<u>\$ 47,643</u>

15. 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.

16. 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, 2018

17. SCHEDULE OF SEGMENT DISCLOSURE

	General	Protective	Transportation	Environmental health	Environmental development and tourism	Recreation and culture	Water and sewer	2018 Consolidated	2017 Consolidated
Revenues									
Property tax warrant *	\$ 1,379,583	\$ 2,143,246	\$ 2,137,148	\$ 251,907	\$ 840,752	\$ 1,254,737	\$ -	\$ 8,007,373	\$ 7,827,622
Services provided to other governments	396,815	163,713	110,163	-	19,007	-	-	689,698	691,505
Sale of service, fines and other fees	104,535	3,967	-	-	231,181	776,558	-	1,116,241	1,157,022
Unconditional grant *	134,850	209,494	208,898	24,623	82,180	122,646	-	782,691	1,014,888
Other government transfers	87,865	-	634,310	-	818,310	-	285,319	1,825,804	3,104,702
Water and sewer user fees	-	-	-	-	-	-	1,607,456	1,607,456	1,596,401
Interest	47,585	-	-	-	-	-	42,692	92,084	94,991
Donations and others	3,004	-	-	-	1,807	64,275	-	70,155	793,364
Gain on disposal of capital assets	75,000	-	-	-	2,876	-	-	75,000	20,696
	2,229,237	2,520,420	3,090,519	276,530	1,996,113	2,218,216	1,935,467	14,266,502	16,301,191
Expenditures									
Salaries and benefits	760,963	1,842,876	710,580	-	510,210	864,613	476,511	5,165,753	5,109,601
Goods and services	480,278	479,074	1,167,921	272,699	493,922	931,916	714,862	4,540,672	4,366,304
Amortization	109,782	92,233	742,633	-	126,830	916,624	740,578	2,728,680	2,564,740
Interest	34,257	7,049	12,164	-	45,146	105,291	145,342	458,249	465,469
Other	216,811	-	-	-	4,525	7,308	-	228,644	204,196
	1,602,091	2,421,232	2,742,298	272,699	1,180,633	2,825,752	2,077,293	13,121,998	12,710,310
Surplus (deficit) for the year	\$ 627,146	\$ 99,188	\$ 348,221	\$ 3,831	\$ 815,480	\$ (607,536)	\$ (141,826)	\$ 1,144,504	\$ 3,590,881

* 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, 2018

18. 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
2018 annual surplus (deficit)	\$ 1,717,577 \$	(479,440)\$	304,588 \$	(470,887)\$	5,383 \$	36,858 \$	1,545 \$	28,880 \$	1,144,504
Adjustments to annual surplus for funding requirements									
Second previous year's surplus	45,923	-	22,417	-	-	-	-	-	68,340
Transfers between funds									
Transfer from water & sewer operating fund to the water capital fund	-	-	(66,482)	66,482	-	-	-	-	-
Transfer from water & sewer capital reserve fund to the general operating fund	-	-	(45,000)	-	-	-	-	45,000	-
Transfer from general operating fund to the general capital fund	(456,821)	456,821	-	-	-	-	-	-	-
Long-term debt principal repayment	89,306	300,000	-	-	-	(389,306)	-	-	-
Increase of provision for sick leave accrual	(90,000)	-	90,000	-	-	-	-	-	-
Provision for retirement allowance	(1,197,000)	1,197,000	(280,000)	280,000	-	-	-	-	-
Amortization expense	90,043	-	9,160	-	-	-	-	-	99,203
Reduction in amount recorded under PSA for defined benefit liability	(91,773)	-	-	-	-	-	-	-	(91,773)
	-	1,988,102	-	740,578	-	-	-	-	2,728,680
	(93,943)	-	(9,557)	-	-	-	-	-	(103,500)
Total adjustments to 2018 annual surplus (deficit)	(1,704,265)	3,941,923	(279,462)	1,087,060	-	(389,306)	-	45,000	2,700,950
2018 annual funds surplus (deficit)	\$ 13,312 \$	3,462,483 \$	25,126 \$	616,173 \$	5,383 \$	(352,448)\$	1,545 \$	73,880 \$	3,845,454

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

19. STATEMENT OF RESERVES

	General Operating Reserve	General Capital Reserve	Water & Sewer Operating Reserve	Water & Sewer Capital Reserve	2018 Total	2017 Total
<u>Assets</u>						
Cash	\$ 366,199	\$ 941,088	\$ 35,575	\$ 481,652	\$ 1,824,514	\$ 1,580,607
Investments	47,754	1,167,329	53,060	1,135,493	2,403,636	2,511,344
Accrued interest	550	13,434	611	13,066	27,661	28,542
Receivable from Water & Sewer Operating Fund	-	-	-	45,000	45,000	64,655
	414,503	2,121,851	89,246	1,675,211	4,300,811	4,185,148
<u>Liabilities</u>						
Payable to General Operating Fund	-	389,303	-	-	389,303	2,000
	414,503	1,732,548	89,246	1,675,211	3,911,508	4,183,148
<u>Accumulated Surplus</u>						
	\$ 414,503	\$ 1,732,548	\$ 89,246	\$ 1,675,211	\$ 3,911,508	\$ 4,183,148
<u>Revenues</u>						
Other revenues	\$ 350	\$ -	\$ -	\$ -	\$ 350	\$ 1,050
Transfers from Water & Sewer Operating Fund	-	-	-	45,000	45,000	64,655
Interest	6,072	35,819	1,545	28,880	72,316	68,958
	6,422	35,819	1,545	73,880	117,666	134,663
<u>Expenditures</u>						
Transfers to Water Operating Fund	-	-	-	-	-	5,839
Transfers to Water & Sewer Capital Fund	-	-	-	-	-	993
Transfers to General Operating Fund	-	389,306	-	-	389,306	-
	-	389,306	-	-	389,306	6,832
<u>Annual Surplus (deficit)</u>						
	\$ 6,422	\$ (353,487)	\$ 1,545	\$ 73,880	\$ (271,640)	\$ 127,831
<u>Name of Investment</u>						
Term GIC	\$ 2 403 636	Interest Rate 2.0%	Date of Maturity June 4, 2020			

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

19. STATEMENT OF RESERVES (Continued)

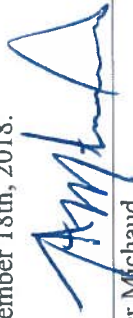
Council Resolutions regarding transfers to and from reserves;

Moved by Denise Lagacé Rioux, seconded by Jean Réal Michaud, that the amount of \$300,000 be transferred from the general capital reserve for equipment to the general operating fund to help pay for the cost of the Jeux de l'Acadie infrastructure.

Moved by Denise Lagacé Rioux, seconded by Rino Long, 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 reservoir.

Moved by Denise Lagacé Rioux, seconded by Jean Réal Michaud, that the amount of \$89,306 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 2018.

I hereby certify that the above are true and exact copies of resolutions adopted at a special meeting of Council on October 13th, 2018 and December 18th, 2018.



Peter Michaud
Chief Administrative Officer / Clerk
Town of Grand Falls

April 10, 2019

Date

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

20. STATEMENT OF CONTROLLED ENTITIES OPERATIONS

	Grand Falls Golf Club Inc	Société de développement du centre des affaires	Falls & Gorge Commission	2018 Total	2017 Total
Assets					
Liabilities	\$ 710,580	\$ 141,917	\$ 24,269	\$ 876,766	\$ 924,404
	1,307,210	-	1,772,362	3,079,572	2,778,076
Accumulated Surplus (Deficit)	\$ (596,630)	\$ 141,917	\$ (1,748,093)	\$ (2,202,806)	\$ (1,853,672)
Revenues	\$ 279,536	\$ 58,200	\$ 212,500	\$ 550,236	\$ 639,217
Expenditures	459,389	62,019	377,962	899,370	961,194
Surplus (Deficit) from operations	(179,853)	(3,819)	(165,462)	(349,134)	(321,977)
Gain on disposal of capital assets	-	-	-	-	1,075
Surplus (Deficit)	\$ (179,853)	\$ (3,819)	\$ (165,462)	\$ (349,134)	\$ (320,902)

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

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

21. OPERATING BUDGET TO PSA BUDGET

	Operating Budget General	Operating Budget Water & Sewer	Amortization TCA	Transfers	Total
Revenues					
Property tax warrant	\$ 8,007,373	\$ -	\$ -	\$ -	\$ 8,007,373
Services provided to other governments	657,900	-	-	-	657,900
Sales of services, fines and other fees	1,120,488	-	-	-	1,120,488
Unconditional grant	769,875	-	-	-	769,875
Other government transfers	47,652	25,827	-	-	73,479
Other transfers	-	180,000	-	(180,000)	-
Water and sewer user fees	-	1,577,250	-	-	1,577,250
Interest	11,400	10,000	-	-	21,400
Gain on disposal of capital assets	10,000	-	-	-	10,000
Surplus/deficit of second previous year	45,923	22,417	-	(68,340)	-
	10,670,611	1,815,494	-	(248,340)	12,237,765
Expenditures					
General government services	1,398,705	-	109,782	30,272	1,538,759
Protective services	2,482,120	-	92,233	(172,743)	2,401,610
Transportation services	1,766,207	-	742,633	120,021	2,628,861
Environmental health services	276,530	-	-	-	276,530
Environmental development and tourism services	1,054,789	-	126,830	42,670	1,224,289
Recreational cultural services	1,837,148	-	916,624	103,415	2,857,187
Fiscal services					
Long-term debt repayments	1,197,000	280,000	-	(1,477,000)	-
Interest	303,635	145,047	-	(448,682)	-
Transfer from the General Operating Fund to the General Capital Fund	9,700	-	-	(9,700)	-
General Capital Reserve Fund	135,846	-	-	(135,846)	-
General Operating Reserve Fund	208,931	-	-	(208,931)	-
Transfer from the Water and Sewer Operating Fund to the Water and Sewer Capital Fund	-	72,609	-	(72,609)	-
to the Water and Sewer Operating Reserve Fund	-	7,500	-	(7,500)	-
to the Water and Sewer Capital Reserve Fund	-	65,817	-	(65,817)	-
Water and Sewer services	-	1,244,521	740,578	145,047	2,130,146
	10,670,611	1,815,494	2,728,680	(2,157,403)	13,057,382
Deficit	\$ -	\$ -	\$ (2,728,680)	\$ 1,909,063	\$ (819,617)

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

22. REVENUES AND EXPENDITURES SUPPORT

	2018		2017	
	(Unaudited) Budget	Actual	Actual	
Revenues				
Services to other Governments				
Fire	\$ 48,521	\$ 43,001	\$ 43,000	
Transportation	110,317	110,163	110,669	
Environment Development	19,566	19,007	19,182	
Police	120,712	120,712	117,196	
Rentals	358,784	396,815	401,458	
Total - Services to other Governments	\$ 657,900	\$ 689,698	\$ 691,505	
Other government transfers				
Atlantic Canada Opportunities Agency	\$ -	\$ -	\$ 160,000	
Small Communities Fund	-	25,107	1,965,646	
Regional Development Corporation	-	810,350	137,139	
Gas Tax Fund	-	268,518	487,557	
Department of Transportation	-	601,577	-	
Clean Water and Wastewater Fund	25,827	24,426	204,859	
Other projects	-	-	2,000	
Environmental Project	-	-	2,649	
Employment projects	47,652	95,826	144,852	
Total - Other government transfers	\$ 73,479	\$ 1,825,804	\$ 3,104,702	
Expenditures				
General government services				
Legislative				
Mayor	\$ 20,692	\$ 20,567	\$ 23,777	
Councilors	73,263	72,951	71,989	
Other	49,000	53,472	63,844	
	142,955	146,990	159,610	
Administrative				
Manager	134,156	134,768	131,965	
Clerk	205,234	205,707	203,253	
Accounting	237,380	274,294	211,947	
Office building	337,802	343,130	334,741	
Solicitor	30,000	32,952	21,322	
Grants	81,600	77,781	92,807	
Other	31,600	31,547	27,393	
	1,057,772	1,100,179	1,023,428	
Other				
Office expense	59,650	54,581	65,262	
Delegations and training	14,000	5,629	13,045	
Amortization	109,782	109,782	108,124	
Interest	30,272	29,788	40,680	
Cost of assessment	124,328	150,672	141,162	
Other	-	4,470	(252)	
	338,032	354,922	368,021	
Total - General government services	\$ 1,538,759	\$ 1,602,091	\$ 1,551,059	

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

22. REVENUES AND EXPENDITURES SUPPORT (continued)

	2018		2017	
	(Unaudited) Budget	Actual	Actual	
Protective services				
Fire				
Administration	\$ 47,986	\$ 39,793	\$ 38,011	
Forces	20,000	34,236	21,544	
Training	27,000	14,516	9,328	
Station	40,712	41,877	37,994	
Amortization	92,233	92,233	74,223	
Interest	7,257	7,048	7,861	
Supplies	67,100	69,207	61,790	
Other	74,481	70,898	70,127	
	376,769	369,808	320,878	
Police				
Administration	263,821	265,441	529,534	
Forces	1,574,520	1,583,954	1,422,552	
Training	13,000	37,573	14,806	
Station	75,500	78,994	76,801	
Vehicles	46,000	51,666	47,734	
Jail	20,000	13,889	14,800	
Other	26,000	15,125	22,090	
	2,018,841	2,046,642	2,128,317	
Other				
Animal control	6,000	4,782	5,053	
Total - Protective services	\$ 2,401,610	\$ 2,421,232	\$ 2,454,248	
Transportation services				
Common				
Administration	\$ 834,807	\$ 718,978	\$ 718,749	
General equipment	158,500	212,318	154,530	
Workshop and sundry	155,900	153,259	128,123	
	1,149,207	1,084,555	1,001,402	
Street maintenance	269,500	398,707	318,616	
Culverts	5,000	767	438	
Snow removal	157,500	232,926	144,449	
Street lighting	155,000	135,529	152,743	
Traffic signals	5,000	3,853	2,605	
Traffic lane marking	25,000	22,164	20,712	
Amortization	742,633	742,633	704,601	
Interest	120,021	121,164	114,491	
Total - Transportation services	\$ 2,628,861	\$ 2,742,298	\$ 2,460,057	

GRAND FALLS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

22. REVENUES AND EXPENDITURES SUPPORT (continued)

	2018		2017
	(Unaudited) Budget	Actual	Actual
Environmental health services			
Collection	\$ 276,500	\$ 272,670	\$ 273,016
Other	30	29	29
Total - Environmental health services	\$ 276,530	\$ 272,699	\$ 273,045
Environmental development and tourism services			
Community planning	\$ 429,596	\$ 384,750	\$ 391,965
Tourism promotion	537,178	537,677	534,706
Amortization	126,830	126,830	128,938
Interest	42,670	45,145	39,873
Community development	88,015	86,231	70,012
Total - Environmental development services	\$ 1,224,289	\$ 1,180,633	\$ 1,165,494
Recreation and cultural services			
Administration	\$ 548,542	\$ 539,278	\$ 530,913
Swimming pool	69,700	65,759	67,267
Arena	596,550	587,038	604,286
Golf	456,022	397,022	448,836
Parks and playgrounds	44,900	51,209	50,223
Sports Complex	9,500	14,045	15,413
Tube lift	-	42,563	2,630
Splash park	-	4,156	-
Day camps	40,000	33,742	38,149
Library	31,934	31,424	27,598
Museum	4,000	9,519	4,076
Amortization	916,624	916,624	829,377
Interest	103,415	105,292	104,724
Other	36,000	28,081	41,630
Total - Recreation and cultural services	\$ 2,857,187	\$ 2,825,752	\$ 2,765,122
Water and Sewer			
Water supply			
Administration	\$ 353,541	\$ 345,498	\$ 323,556
Transmission and distribution	393,916	348,708	409,431
Amortization	477,165	477,165	460,502
Interest	122,127	118,865	126,994
Other	65,500	55,253	48,686
Total - Water supply	1,412,249	1,345,489	1,369,169
Sewer collection and disposal			
Administration	184,822	210,388	203,892
Collection system	257,242	245,716	196,257
Amortization	263,414	263,413	258,975
Interest	12,419	12,287	12,992
Total - Sewer collection and disposal	717,897	731,804	672,116
Total - Water and Sewer	\$ 2,130,146	\$ 2,077,293	\$ 2,041,285