MUNICIPALITY OF SALISBURY

FINANCIAL STATEMENTS

Year ended December 31, 2019

MUNICIPALITY OF SALISBURY

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INDEPENDENT AUDITOR'S REPORT

To His Worship the Mayor and Members of Council of the
Municipality of Salisbury

Opinion

We have audited the financial statements of the MUNICIPALITY OF SALISBURY (the Municipality), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 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.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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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 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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Ernst & Young LLP

Dieppe, Canada
May 25, 2020

Chartered Professional Accountants

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STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended December 31,

	Schedule	2019 Budget (note 3)	**2019 Actual**	2018 Actual
REVENUE				
Warrant of assessment		$ 1,777,046	**$ 1,777,046**	$ 1,731,083
Services to other governments	A	131,255	**133,732**	124,204
Sale of services	B	391,265	**421,689**	423,732
Other revenue from own sources	C	7,500	**51,044**	141,202
Community funding and equalization grant		175,941	**179,856**	176,700
Conditional grants	D	-	**1,004,216**	226,971
Contributed assets (note 12)		-	**8,854**	-
		2,483,007	**3,576,437**	2,823,892
EXPENSES				
General government services	E	326,780	**321,103**	352,265
Protective services	F	577,511	**658,038**	591,042
Transportation services	G	730,652	**1,050,924**	773,604
Environmental health services	H	119,295	**113,354**	115,591
Public health services	I	6,000	**3,000**	-
Environmental development services	J	96,106	**78,811**	84,756
Recreation and cultural services	K	268,201	**286,196**	364,118
Sewerage	L	139,300	**304,089**	242,108
		2,263,845	**2,815,515**	2,523,484
ANNUAL SURPLUS (note 4)		$ 219,162	**760,922**	300,408
ACCUMULATED SURPLUS, BEGINNING OF YEAR		N/A	**10,450,825**	10,150,417
ACCUMULATED SURPLUS, END OF YEAR		N/A	**$ 11,211,747**	$ 10,450,825

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGE IN NET DEBT

Year ended December 31,

	2019	2018
ANNUAL SURPLUS	**$ 760,922**	$ 300,408
RELATING TO TANGIBLE CAPITAL ASSETS		
Acquisition of tangible capital assets	**(1,206,746)**	(875,878)
Amortization of tangible capital assets	**454,927**	421,488
Loss on disposition of tangible capital assets	**73,652**	-
	(678,167)	(454,390)
RELATING TO OTHER NON-FINANCIAL ASSETS		
Acquisition of prepaid expenses	**(7,407)**	-
NET CHANGE IN NET DEBT	**75,348**	(153,982)
NET DEBT, BEGINNING OF YEAR	**(549,410)**	(395,428)
NET DEBT, END OF YEAR	**$ (474,062)**	$ (549,410)

The accompanying notes are an integral part of the financial statements.

MUNICIPALITY OF SALISBURY

STATEMENT OF FINANCIAL POSITION
December 31,

	2019	2018
FINANCIAL ASSETS		
Cash (note 5)	$ **408,131**	$ 500,976
Accounts receivable (note 6)	**675,827**	751,234
Investments (note 7)	**420,367**	414,001
	$ **1,504,325**	$ 1,666,211
LIABILITIES		
Accounts payable and accrued charges (note 8)	$ **319,611**	$ 265,296
Deposits	**67,382**	68,382
Deferred revenue	**188,018**	363,567
Short-term debt	**-**	440,000
Restricted for land for public purposes	**42,076**	42,076
Long-term debt (note 9)	**1,314,000**	988,000
Accrued benefit liability (note 11)	**47,300**	48,300
	1,978,387	2,215,621
NET DEBT	**(474,062)**	(549,410)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	**11,678,402**	11,000,235
Prepaid expenses	**7,407**	-
	11,685,809	11,000,235
ACCUMULATED SURPLUS	$ **11,211,747**	$ 10,450,825

COMMITMENTS (note 15)

The accompanying notes are an integral part of the financial statements.

APPROVED BY

....., Mayor

....., Clerk

MUNICIPALITY OF SALISBURY

STATEMENT OF CASH FLOW
Year ended December 31,

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	$ **760,922**	$ 300,408
Items not affecting cash and cash equivalents:		
Contributed assets	**(8,854)**	-
Loss on disposition of tangible capital assets	**73,652**	-
Amortization of tangible capital assets	**454,927**	421,488
Pension expense	**(1,000)**	(4,000)
	1,279,647	717,896
Net change in non-cash items:		
Accounts receivable	**75,407**	537,988
Prepaid expenses	**(7,407)**	-
Accounts payable and accrued charges	**54,315**	(49,813)
Deposits	**(1,000)**	(2,000)
Deferred revenue	**(175,549)**	159,892
	1,225,413	1,363,963
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	**(1,197,892)**	(875,878)
INVESTING ACTIVITIES		
Acquisition of investments	**(6,366)**	(4,709)
FINANCING ACTIVITIES		
Issuance of temporary financing	**-**	440,000
Repayment of temporary financing	**(440,000)**	(742,000)
Issuance of long-term debt	**440,000**	297,000
Repayment of long-term debt	**(114,000)**	(97,000)
	(114,000)	(102,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(92,845)**	381,376
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**458,900**	77,524
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **366,055**	$ 458,900
Cash and cash equivalents consist of the following items:		
Cash (note 5)	$ **408,131**	$ 500,976
Less: Externally restricted cash (note 5)	**(42,076)**	(42,076)
	$ **366,055**	$ 458,900

Additional information on the statement of cash flow (note 16)

The accompanying notes are an integral part of the financial statements.

1. STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

The Municipality of Salisbury (the Municipality) was incorporated as a village in 1966 under the *Municipalities Act* (New Brunswick). As a municipality, it is exempt from income tax under the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian public sector accounting standards (PSAS) as set out in the Public Sector Accounting Handbook (Handbook) of the Chartered Professional Accountants of Canada (CPA Canada), which constitute generally accepted accounting principles for local governments. The Municipality also complies with the Municipal Financial Reporting Manual (MFRM) of the Province of New Brunswick (PNB). The MFRM does not conflict with the Handbook for the preparation of the financial statements but requires some additional disclosures and prescribes a different basis for the preparation of the Municipality's budget.

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and accumulated surplus of the reporting entity. The reporting entity is comprised of all funds of the Municipality's operations. Interfund balances and transactions have been eliminated.

Budget

The budget figures contained in the financial statements were approved by Council on December 28, 2018 and January 9, 2019 and by the Minister of Local Government on January 10, 2019.

Use of estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant sources of estimates for the Municipality are the amortization of tangible capital assets and the calculation of the accrued benefit liability.

Revenue recognition

Revenue is recorded using the accrual basis of accounting. Revenue received prior to being earned is recorded as deferred revenue until it is earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recorded using the accrual basis of accounting, as they are incurred and measurable based on receipt of goods or services and/or obligation to pay.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and bank overdrafts. Externally restricted cash has been received for specific purposes and cannot be used to fund the Municipality's operations.

Employee sick leave benefits

The Municipality provides sick leave benefits that can accumulate up to a maximum but do not vest. An accrued liability is recorded based on the Municipality's best estimate of the obligation for these employee future benefits. This liability is included in the accrued charges.

Pension plan

The Municipality participates in the New Brunswick Municipal Employees Pension Plan, a multiple-employer defined benefit plan. The Municipality applies defined benefit plan accounting to this plan.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the normal course of operations.

Tangible capital assets

Tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of receipt. Assets under construction are not amortized until the asset is available for use. Amortization is calculated using the straight-line method over the following estimated useful lives:

Land improvements	15 to 30 years
Buildings	20 to 60 years
Machinery and equipment	10 to 30 years
Vehicles	7 to 20 years
Engineering structures	10 to 80 years
Sewerage infrastructure	10 to 80 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

All financial instruments are recorded initially at fair value and subsequently at amortized cost.

Segment information

The Municipality is a diversified municipal government that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations are broken into segments. The segments are 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.

Transportation services
This department is responsible for common services, road and street maintenance, street lighting, traffic services and other transportation-related functions.

Environmental health services
This department is responsible for garbage collection and disposal.

Public health services
This department is responsible for providing public health services in the community.

Environmental development services
This department is responsible for community planning, administration and tree services.

Recreation and cultural services
This department is responsible for community liaison and for the maintenance and operation of recreational and cultural facilities including parks and playgrounds, historic sites and the library.

Sewerage
This department is responsible for the provision of sewer services, including the maintenance and operation of the underground networks and lagoons.

3. RECONCILIATION OF BUDGET

The budgets for the General and Utility Operating Funds are prepared on the basis required by the MFRM of the PNB. The following is a reconciliation of these budgets with the budget prepared in accordance with PSAS that is presented on the statement of operations and accumulated surplus.

	General Operating budget	Utility Operating budget	Amortization of tangible capital assets	Interfund transfers	Other	Total per PSAS
Revenue						
Warrant of assessment	$ 1,777,046	$ -	$ -	$ -	$ -	$ 1,777,046
Services to other governments	131,255	-	-	-	-	131,255
Sale of services	-	391,265	-	-	-	391,265
Other revenue from own sources	7,500	-	-	-	-	7,500
Community funding and equalization grant	175,941	-	-	-	-	175,941
Transfer from Utility Operating Fund	150,000	-	-	(150,000)	-	-
	2,241,742	391,265	-	(150,000)	-	2,483,007
Expenses						
General government services	326,780	-	-	-	-	326,780
Protective services	573,929	-	-	-	3,582	577,511
Transportation services	719,234	-	-	-	11,418	730,652
Environmental health services	119,295	-	-	-	-	119,295
Public health services	6,000	-	-	-	-	6,000
Environmental development services	96,106	-	-	-	-	96,106
Recreation and cultural services	268,201	-	-	-	-	268,201
Sewerage	-	279,819	-	(150,000)	9,481	139,300
Fiscal services						
Long-term debt repayments	64,000	50,000	-	(114,000)	-	-
Interest on long-term debt	15,000	9,481	-	-	(24,481)	-
Transfer to the Utility Capital Reserve Fund	-	30,000	-	(30,000)	-	-
Transfer to the General Capital Fund	25,000	-	-	(25,000)	-	-
Previous years' deficits	28,197	21,965	-	-	(50,162)	-
	2,241,742	391,265	-	(319,000)	(50,162)	2,263,845
Annual surplus	$ -	$ -	$ -	$ 169,000	$ 50,162	$ 219,162

The other reconciling items above represent the reclassifications of the various elements of fiscal services as well as the elimination of the previous years' deficits. The amortization of tangible capital assets was not budgeted in 2019.

4. RECONCILIATION OF ANNUAL SURPLUS

	General Capital Fund	General Operating Fund	Utility Capital Fund	Utility Operating Fund	General Capital Reserve Fund	Utility Capital Reserve Fund	Total
Annual surplus (deficit)	$ 528,883	$ 108,405	$ (126,943)	$ 244,543	$ 1,388	$ 4,646	$ 760,922
Adjustments to annual surplus (deficit) for PNB requirements							
Tangible capital assets - amortization and dispositions	251,757	-	119,183	-	-	-	370,940
Contributed assets	(8,854)	-	-	-	-	-	(8,854)
Pension plan	-	(1,000)	-	-	-	-	(1,000)
Previous years' deficits	-	(28,197)	-	(21,965)	-	-	(50,162)
Interfund transfers							
Capital expenditures	177,384	(177,384)	35,966	(35,966)	-	-	-
Long-term debt repayment	64,000	(64,000)	50,000	(50,000)	-	-	-
Reserve funds	-	-	-	(10,000)	-	10,000	-
Other transfers	-	150,000	-	(150,000)	-	-	-
Net adjustments to annual surplus (deficit)	484,287	(120,581)	205,149	(267,931)	-	10,000	310,924
Annual surplus (deficit) in accordance with PNB requirements	$ 1,013,170	$ (12,176)	$ 78,206	$ (23,388)	$ 1,388	$ 14,646	$ 1,071,846

5. CASH

	2019	2018
Cash - unrestricted	$ **366,035**	$ 458,880
Cash - designated as reserves (note 13)	**20**	20
Cash - externally restricted for land for public purposes	**42,076**	42,076
	$ **408,131**	$ 500,976

6. ACCOUNTS RECEIVABLE

	2019	2018
Trade	$ **338,214**	$ 410,182
Contributions receivable	**192,918**	206,223
Sales tax receivable	**142,346**	132,148
Accrued interest receivable	**2,349**	2,681
	$ **675,827**	$ 751,234

7. INVESTMENTS

	2019	2018
Term deposits - designated as reserves (note 13)	$ **420,367**	$ 414,001

The term deposits bear interest at rates ranging from 0.55% to 1.80% and have maturities ranging from February 2020 to December 2020.

8. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2019	2018
Trade and accrued charges	$ **315,503**	$ 262,182
Accrued interest payable	**4,108**	3,114
	$ **319,611**	$ 265,296

9. LONG-TERM DEBT

	2019	2018
General		
Debentures, New Brunswick Municipal Finance Corporation		
0.95% to 2.80%, due in 2020, OIC #04-0077	$ **21,800**	$ 43,600
0.95% to 2.80%, due in 2025, OIC #14-0046	**81,200**	94,400
1.45% to 2.90%, due in 2026, OIC #15-0060	**108,000**	122,000
2.10% to 3.70%, due in 2038, OIC #16-0079 and 17-0080	**282,000**	297,000
2.05% to 2.85%, due in 2029, OIC #17-0101	**440,000**	-
	933,000	557,000
Sewerage		
Debenture, New Brunswick Municipal Finance Corporation		
1.45% to 2.90%, due in 2026, OIC #03-0070	**381,000**	431,000
	$ **1,314,000**	$ 988,000

Long-term debt principal repayments for the next five years and thereafter are as follows:

2020 - $157,000
2021 - $137,000
2022 - $138,000
2023 - $142,000
2024 - $147,000
Thereafter - $593,000

Approval of the Municipal Capital Borrowing Board has been obtained for the debentures.

10. BORROWINGS COMPLIANCE

Operating borrowing

As prescribed by 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. During the year, the Municipality did not borrow to finance General or Utility Fund operations.

Interfund borrowing

The MFRM requires that interfund balances be repaid in the next year unless the borrowing is for a capital project. All interfund balances are in compliance with this requirement.

11. ACCRUED BENEFIT LIABILITY

The Municipality and its employees participate in the New Brunswick Municipal Employees Pension Plan (NB MEPP). The NB MEPP is a multiple-employer defined benefit pension plan administered by a board elected by the members under the provisions of the *Municipalities Act*. The NB MEPP provides pensions based on length of service and best average earnings.

Actuarial valuations for funding purposes are performed either annually or triennially depending on the financial position of the NB MEPP (currently annually). In turn, the actuarial valuations for accounting purposes are based on these figures (with adjustments). The most recent actuarial valuation was prepared as at December 31, 2018.

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

	2019	2018
Rate of salary increases	**3.00%**	3.00%
Long-term inflation rate	**2.25%**	2.25%
Discount rate for the obligation	**5.50%**	5.50%
Expected rate of return on plan assets	**5.50%**	5.50%
Estimated average remaining service life (EARSL)	**13 years**	14 years

The EARSL is the amortization period for the actuarial gains and losses.

The NB MEPP actuarial valuation for funding purposes prepared as at December 31, 2018 indicated that the present value of the accumulated plan benefits exceeded the market value of the net assets available for these benefits. On a going concern valuation basis, the actuarial valuation indicated a plan deficit of $7,538,000; on a solvency basis, it indicated a plan deficit of $47,955,400. The pension plan has been granted a solvency deficiency exemption by the PNB. Based on the assumptions as at December 31, 2018, the actuary expected the level of employer and employee contributions to be sufficient to fund the deficit in less than 15 years, as allowed by the *Pension Benefits Act* (New Brunswick).

Employees make contributions equal to 7.41% (2018 - 7.41%) of their earnings under the year's maximum pensionable earnings of $57,400 (2018 - $55,900) and 9.88% (2018 - 9.88%) of their earnings in excess of the year's maximum pensionable earnings. The Municipality contributes an amount that equals its employees' contribution amounts.

Plan assets are invested in short-term securities, bonds, Canadian equities and foreign equities.

11. ACCRUED BENEFIT LIABILITY (continued)

The following presents the change in the accrued benefit liability for the Municipality:

	2019	2018
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ **1,009,000**	$ 970,600
Adjustment to opening balance	**(33,300)**	(15,800)
Current benefit cost	**21,700**	28,500
Benefits paid	**(50,200)**	(26,900)
Interest expense	**52,900**	52,600
Accrued benefit obligation, end of year	**1,000,100**	1,009,000
Plan assets		
Plan assets, beginning of year	**986,800**	942,600
Adjustment to opening balance	**(101,600)**	(15,100)
Employer contributions	**16,600**	17,500
Employee contributions	**16,600**	17,500
Benefits paid	**(50,200)**	(26,900)
Expected return on plan assets	**48,200**	51,200
Plan assets, end of year	**916,400**	986,800
Plan deficit	**83,700**	22,200
Unamortized actuarial gains (losses)	**(36,400)**	26,100
Accrued benefit liability	$ **47,300**	$ 48,300

11. ACCRUED BENEFIT LIABILITY (continued)

The total expense related to the pension plan for the Municipality includes the following components:

	2019	2018
Employer current benefit cost	$ **5,100**	$ 11,000
Adjustments to opening balances	**2,800**	3,100
Interest expense	**52,900**	52,600
Expected return on plan assets	**(48,200)**	(51,200)
Amortization of actuarial losses (gains)	**3,000**	(2,000)
Pension expense	$ **15,600**	$ 13,500

12. TANGIBLE CAPITAL ASSETS

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Engineering structures	Sewerage infrastructure	2019 Total	2018 Total
Cost									
Balance, beginning of year	$ 267,765	$ 376,720	$ 512,853	$ 362,005	$ 1,020,057	$ 9,242,559	$ 5,515,242	$ 17,297,201	$ 16,450,871
Acquisitions	5,000	-	34,870	25,014	64,635	1,054,316	22,911	1,206,746	875,878
Dispositions	-	-	-	(12,343)	-	(155,296)	-	(167,639)	(29,548)
Balance, end of year	272,765	376,720	547,723	374,676	1,084,692	10,141,579	5,538,153	18,336,308	17,297,201
Accumulated amortization									
Balance, beginning of year	-	(101,216)	(351,259)	(130,036)	(486,191)	(2,966,211)	(2,262,053)	(6,296,966)	(5,905,026)
Amortization	-	(19,438)	(13,501)	(28,168)	(50,649)	(223,914)	(119,257)	(454,927)	(421,488)
Dispositions	-	-	-	12,343	-	81,644	-	93,987	29,548
Balance, end of year	-	(120,654)	(364,760)	(145,861)	(536,840)	(3,108,481)	(2,381,310)	(6,657,906)	(6,296,966)
Net book value of tangible capital assets	$ 272,765	$ 256,066	$ 182,963	$ 228,815	$ 547,852	$ 7,033,098	$ 3,156,843	$ 11,678,402	$ 11,000,235
Consists of:									
General	$ 272,765	$ 256,066	$ 182,963	$ 213,008	$ 520,376	$ 7,033,098	$ -	$ 8,478,276	$ 7,709,131
Sewerage	-	-	-	15,807	27,476	-	3,156,843	3,200,126	3,291,104
	$ 272,765	$ 256,066	$ 182,963	$ 228,815	$ 547,852	$ 7,033,098	$ 3,156,843	$ 11,678,402	$ 11,000,235
2018 net book value	$ 267,765	$ 275,504	$ 161,594	$ 231,969	$ 533,866	$ 6,276,348	$ 3,253,189	N/A	$ 11,000,235

12. TANGIBLE CAPITAL ASSETS (continued)

During the year, the Municipality received $8,854 (2018 - $0) of machinery and equipment as a contribution. This amount has been recognized in the financial statements.

Fully amortized assets with a total cost of $1,440,963 (2018 - $1,160,667) are included in land improvements, buildings, machinery and equipment, vehicles, engineering structures and sewerage infrastructure because they are still in use.

13. RESERVE FUNDS

	General Capital Reserve Fund	Utility Capital Reserve Fund	2019 Total	2018 Total
Assets				
Cash	$ -	$ 20	$ 20	$ 20
Accrued interest receivable	586	1,763	2,349	2,681
Investments	109,947	310,420	420,367	414,001
Due from Utility Operating Fund	-	444,275	444,275	434,275
	$ 110,533	$ 756,478	$ 867,011	$ 850,977
Liabilities				
Due to General Operating Fund	$ 27,060	$ -	$ 27,060	$ 27,060
Accumulated surplus				
Balance, beginning of year	82,085	741,832	823,917	758,634
Return on investments - interest	1,388	4,646	6,034	5,283
Transfer from Utility Operating Fund	-	10,000	10,000	60,000
	$ 110,533	$ 756,478	$ 867,011	$ 850,977

13. RESERVE FUNDS (continued)

The General Capital Reserve Fund was established for the payment of general capital expenditures. The Utility Capital Reserve Fund was established for the payment of capital expenditures incurred in the provision of sewerage services. All transfers to and from these reserve funds must be made by a resolution of Council.

Transfers to/from reserve funds

The transfer to the Utility Capital Reserve Fund was authorized by Council through a resolution dated December 23, 2019.

Investments

The investments designated as reserves include the following:

		2019
Savings account, 1.35%	$	**79,751**
Term deposit, 1.75%, maturing December 23, 2020		**41,722**
Term deposit, 1.75%, maturing May 26, 2020		**35,892**
Term deposit, 1.75%, maturing July 8, 2020		**34,497**
Term deposit, 1.80%, maturing September 14, 2020		**31,898**
Term deposit, 0.55%, maturing February 3, 2020		**22,292**
Term deposit, 1.60%, maturing August 28, 2020		**55,758**
Term deposit, 1.00%, maturing February 28, 2020		**92,914**
Term deposit, 1.60%, maturing April 7, 2020		**25,643**
	$	**420,367**

14. PREVIOUS YEARS' SURPLUS/DEFICIT

The *Municipalities Act* requires that the surplus or deficit in the General Operating Fund for a given fiscal year be included in the budget of the second ensuing year and that the surplus or deficit in the Utility Operating Fund be absorbed into one or more of four operating budgets commencing with the second ensuing year. For the Utility Operating Fund, the Municipality has decided to absorb the surplus/deficit into the third subsequent year's budget (note 3). The balance of the Utility Operating Fund's deficit at the end of the year consists of:

	2019	2018
2016	**$ -**	$ (21,965)
2017	**(7,037)**	(7,037)
2018	**23,944**	23,944
2019	**(23,388)**	-
	$ (6,481)	$ (5,058)

15. COMMITMENTS

The Municipality has contract commitments until 2021 for garbage collection and until 2024 for winter maintenance. The balance of the commitments under these contracts is $463,696. Minimum payments payable over the next five years are as follows:

2020 - $134,038
2021 - $135,906
2022 - $ 71,760
2023 - $ 71,760
2024 - $ 50,232

16. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOW

Cash flows related to operating activities include the following elements:

		2019		2018
Interest paid	$	**43,589**	$	44,186

17. FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality's main credit risk relates to its trade accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is exposed to interest rate risk on its fixed and floating interest rate financial instruments. The term deposits and the long-term debt subject the Municipality to a fair value risk.

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of its accounts payable and accrued charges and long-term debt.

18. SUBSEQUENT EVENT

Subsequent to year-end, the outbreak of the Coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to entities globally, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Municipality in future periods. The impact of COVID-19 that is likely to be the most significant to the Municipality is the lost interest on sale of services revenue because the Municipality has waived interest on overdue sewer receivables starting in mid-March 2020, though the Municipality does not believe that the impact will be significant.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

20. SEGMENT INFORMATION AND EXPENSES BY OBJECT

	General government	Protective	Transportation	Environmental health	Public health	Environmental development	Recreation and cultural	Sewerage	2019 Total	2018 Total
Revenue										
Warrant of assessment	$ 254,754	$ 437,992	$ 638,805	$ 108,548	$ 5,459	$ 80,169	$ 251,319	$ -	$ 1,777,046	$ 1,731,083
Services to other governments	-	128,456	5,276	-	-	-	-	-	133,732	124,204
Sale of services	-	-	-	-	-	-	-	421,689	421,689	423,732
Other revenue from own sources	120	7,515	5,363	-	-	-	33,400	4,646	51,044	141,202
Community funding and equalization grant	25,784	44,329	64,654	10,986	553	8,114	25,436	-	179,856	176,700
Conditional grants	1,941	-	970,979	-	-	-	31,296	-	1,004,216	226,971
Contributed assets	-	8,854	-	-	-	-	-	-	8,854	-
	282,599	627,146	1,685,077	119,534	6,012	88,283	341,451	426,335	3,576,437	2,823,892
Expenses										
Salaries and benefits	137,482	-	196,414	-	-	-	100,935	-	434,831	419,506
Goods and services	183,279	579,602	531,248	113,354	3,000	78,811	103,466	136,737	1,729,497	1,592,561
Amortization	342	57,059	238,238	-	-	-	32,345	126,943	454,927	421,488
Interest on debt	-	21,377	11,372	-	-	-	-	9,478	42,227	42,437
Other	-	-	73,652	-	-	-	49,450	30,931	154,033	47,492
	321,103	658,038	1,050,924	113,354	3,000	78,811	286,196	304,089	2,815,515	2,523,484
Annual surplus (deficit)	$ (38,504)	$ (30,892)	$ 634,153	$ 6,180	$ 3,012	$ 9,472	$ 55,255	$ 122,246	$ 760,922	$ 300,408

SCHEDULES A AND B - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
A - SERVICES TO OTHER GOVERNMENTS			
Province of New Brunswick			
Fire	$ 128,455	**$ 128,456**	$ 118,928
Lanemarking	2,800	**5,276**	5,276
	$ 131,255	**$ 133,732**	$ 124,204
B - SALE OF SERVICES			
Sewerage	$ 368,135	**$ 345,412**	$ 347,359
Interest on sale of services	22,130	**75,967**	75,993
Other	1,000	**310**	380
	$ 391,265	**$ 421,689**	$ 423,732

SCHEDULES C AND D - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
C - OTHER REVENUE FROM OWN SOURCES			
Building and other permits	$ 4,000	**$ 3,975**	$ 3,151
Return on investments - interest	-	**6,034**	7,305
Fundraising	-	**1,469**	5,932
Registration fees	-	**25,615**	30,626
Miscellaneous	3,500	**13,951**	94,188
	$ 7,500	**$ 51,044**	$ 141,202
D - CONDITIONAL GRANTS			
Operating			
Province of New Brunswick			
Employment	$ -	**$ 4,484**	$ 7,011
Gas Tax Fund	-	**60,000**	-
Government of Canada			
Employment	-	**18,067**	14,255
	-	**82,551**	21,266
Capital			
Province of New Brunswick			
Gas Tax Fund	-	**435,008**	-
Transportation	-	**156,679**	68,568
Government of Canada			
Transportation	-	**313,358**	137,137
Not-for-profit organizations and other			
Recreation and cultural	-	**16,620**	-
	-	**921,665**	205,705
	$ -	**$ 1,004,216**	$ 226,971

SCHEDULE E - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
E - GENERAL GOVERNMENT SERVICES			
Legislative			
Mayor	$ 13,000	$ **10,358**	$ 9,192
Councillors	37,200	**31,702**	33,822
	50,200	**42,060**	43,014
Administrative			
Clerk	116,801	**140,304**	132,511
Office building	50,000	**26,740**	17,576
Solicitor	15,000	**22,106**	26,890
	181,801	**189,150**	176,977
Financial management			
External audit	18,000	**19,552**	19,056
Common services			
Civic relations	12,000	**10,850**	5,555
Cost of assessment	34,779	**34,779**	34,067
	46,779	**45,629**	39,622
Other general government services			
Public liability insurance	10,000	**16,873**	14,520
Other general services	20,000	**5,499**	56,885
Interest and bank charges	-	**1,998**	1,922
Amortization of tangible capital assets	-	**342**	269
	30,000	**24,712**	73,596
	$ 326,780	$ **321,103**	$ 352,265

SCHEDULE F - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
F - PROTECTIVE SERVICES			
Police			
RCMP	$ 416,929	**$ 416,929**	$ 409,529
Interest on long-term debt	898	**703**	1,085
	417,827	**417,632**	410,614
Fire			
Firefighting force	30,000	**42,868**	34,699
Fire alarm system	14,500	**10,697**	8,495
Station and building	31,500	**12,333**	13,664
Firefighting equipment	51,000	**79,163**	56,890
Training	16,000	**2,178**	3,693
Interest on temporary borrowing	-	**7,809**	5,760
Interest on long-term debt	2,684	**12,865**	2,902
Amortization of tangible capital assets	-	**57,059**	42,698
	145,684	**224,972**	168,801
Emergency measures			
Training and disaster control	8,000	**9,964**	6,693
Other			
Animal and pest control	6,000	**5,470**	4,934
	$ 577,511	**$ 658,038**	$ 591,042

SCHEDULE G - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
G - TRANSPORTATION SERVICES			
Common services			
Personnel	$ 182,801	**$ 174,532**	$ 167,732
General equipment and building	50,000	**120,880**	106,161
Amortization of tangible capital assets	-	**26,317**	23,936
	232,801	**321,729**	297,829
Roads and streets			
Sidewalks	78,000	**119**	77
Culverts and drainage ditches	20,000	**81,639**	27,978
Storm sewers	3,000	**751**	863
Street cleaning and flushing	6,000	**6,935**	5,110
Snow and ice removal	87,133	**100,583**	83,358
Other	15,000	**21,882**	23,476
Interest on temporary borrowing	-	**-**	11,733
Interest on long-term debt	11,418	**11,372**	10,689
Amortization of tangible capital assets	-	**210,759**	198,354
Loss on disposition of tangible capital assets	-	**73,652**	-
	220,551	**507,692**	361,638
Street lighting	63,000	**60,519**	59,303
Traffic services			
Street signs and traffic lanemarking	9,000	**9,728**	8,396
Railway crossing signals	3,300	**3,206**	2,720
Crosswalks	9,000	**11,211**	11,605
Other transportation	193,000	**135,677**	31,313
Amortization of tangible capital assets	-	**1,162**	800
	214,300	**160,984**	54,834
	$ 730,652	**$ 1,050,924**	$ 773,604

SCHEDULES H, I AND J - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
H - ENVIRONMENTAL HEALTH SERVICES			
Solid waste collection	$ 66,677	**$ 60,676**	$ 60,411
Solid waste disposal site	52,618	**52,678**	55,180
	$ 119,295	**$ 113,354**	$ 115,591
I - PUBLIC HEALTH SERVICES			
Public health	$ 6,000	**$ 3,000**	$ -
J - ENVIRONMENTAL DEVELOPMENT SERVICES			
Community planning	$ 62,606	**$ 61,177**	$ 59,624
Administration	4,000	**7,235**	-
Tree removal and planting	10,500	**10,399**	9,132
Research and planning	5,000	**-**	16,000
Tourism	10,000	**-**	-
Other	4,000	**-**	-
	$ 96,106	**$ 78,811**	$ 84,756

SCHEDULES K AND L - OTHER INFORMATION
Year ended December 31,

	2019 Budget (note 3)	**2019 Actual**	2018 Actual
K - RECREATION AND CULTURAL SERVICES			
Personnel	$ 113,401	**$ 100,935**	$ 93,875
Grants - recreation organizations	26,000	**30,578**	29,782
Parks, playgrounds and sports	90,000	**66,247**	147,605
Building	-	**21,236**	20,030
Training	-	**843**	2,126
Library	22,800	**15,140**	22,215
Other	16,000	**18,872**	17,710
Amortization of tangible capital assets	-	**32,345**	30,775
	$ 268,201	**$ 286,196**	$ 364,118
L - SEWERAGE			
Sewerage collection and disposal	$ 59,819	**$ 110,492**	$ 83,281
Administration and general	70,000	**25,887**	23,500
Bad debt expense	-	**30,931**	-
Interest and bank charges	-	**358**	403
Interest on long-term debt	9,481	**9,478**	10,268
Amortization of tangible capital assets	-	**126,943**	124,656
	$ 139,300	**$ 304,089**	$ 242,108