



Consolidated financial statements

Village of New Maryland

December 31, 2016

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Independent auditors' report

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Her Worship the Mayor, and Members of Council
Village of New Maryland

We have audited the accompanying consolidated financial statements of the Village of New Maryland, which comprise the consolidated financial position as at December 31, 2016 and the consolidated results of operations and accumulated surplus, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Village of New Maryland as at December 31, 2016 and the consolidated results of its operations and accumulated surplus, changes in net assets, and its cash flows for the year ended December 31, 2016 in accordance with Canadian public sector accounting standards.

Other matter

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. Schedules 5, 6, and 8 on pages 24, 25, and 27 are presented for purposes of additional information and are not a required part of the consolidated financial statements.

Fredericton, Canada
May 10, 2017

Grant Thornton LLP

Grant Thornton LLP
Chartered Professional Accountants

Village of New Maryland

Consolidated statement of operations and accumulated surplus

Year Ended December 31

2016

2015

	(schedule 7) Budget	Actual	Actual
Revenue (schedule 4)			
Property tax warrant	\$ 4,128,403	\$ 4,135,707	\$ 4,148,860
Services to other governments (schedule 2)	115,401	115,401	112,401
Other revenue from own source (schedule 2)	150,280	228,570	209,358
Unconditional grant	6,145	6,145	6,108
Other government transfers	592,638	177,165	797,291
Water and sewer user fees (schedule 2)	1,021,501	1,019,810	979,837
Interest	12,000	80,384	61,002
Loss on disposal of tangible capital assets	-	(13,869)	(206,775)
Donated capital assets	-	771,740	-
	<u>6,026,368</u>	<u>6,521,053</u>	<u>6,108,082</u>
Expenses (schedules 3 & 4)			
General government services	964,122	859,337	871,576
Protective services	958,697	942,726	966,955
Transportation services	1,222,025	1,260,606	1,212,697
Environmental health services	258,400	244,358	254,585
Environmental development services	157,678	157,165	157,630
Recreation and cultural services	771,853	701,539	731,588
Water and sewer	<u>1,161,353</u>	<u>1,194,566</u>	<u>1,164,479</u>
	<u>5,494,128</u>	<u>5,360,297</u>	<u>5,359,510</u>
Annual surplus (schedule 6)	\$ <u>532,240</u>	\$ <u>1,160,756</u>	\$ <u>748,572</u>
Accumulated surplus, beginning of year		<u>37,354,512</u>	<u>36,605,940</u>
Accumulated surplus, end of year		<u>\$ 38,515,268</u>	<u>\$ 37,354,512</u>

See accompanying notes to the consolidated financial statements.

Village of New Maryland

Consolidated statement of financial position

Year Ended December 31

2016

2015

Financial assets

Cash and cash equivalents	\$ 9,530,596	\$ 8,485,917
Receivables		
General	323,338	306,632
Federal Government and its agencies (note 3)	21,986	69,201
Province of New Brunswick (note 4)	6,085	4,683
Pension asset (note 9)	83,100	33,500

9,965,105 8,899,933

Liabilities

Bank indebtedness (note 5)	90,000	964,134
Payables and accruals (note 6)	475,885	460,408
Deferred revenue (note 7)	813,965	659,146
Long term debt (note 8)	6,297,000	6,150,000
Accrued sick leave obligation (note 10)	140,700	147,500

7,817,550 8,381,188

Net assets

2,147,555 518,745

Non-financial assets

Tangible capital assets (schedule 1)	36,303,997	36,776,442
Prepaid expenses	63,716	59,325

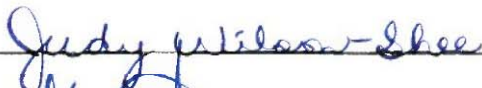

36,367,713 36,835,767

Accumulated surplus

\$ 38,515,268 \$ 37,354,512

Commitments and contingency (note 11)

On behalf of the Council

See accompanying notes to the consolidated financial statements.

Village of New Maryland

Consolidated statement of changes in net assets

Year Ended December 31

2016

2015

	(schedule 7) Budget	Actual	Actual
Annual surplus	\$ 532,240	\$ 1,160,756	\$ 748,572
Acquisition of tangible capital assets	(1,179,659)	(822,529)	(805,818)
Amortization of tangible capital assets	1,281,105	1,281,105	1,286,219
Loss on sale of tangible capital assets	-	13,869	206,775
	<u>633,686</u>	<u>1,633,201</u>	<u>1,435,748</u>
Acquisition of prepaid assets	-	(63,716)	(59,325)
Use of prepaid assets	-	59,325	57,612
	-	(4,391)	(1,713)
Increase in net assets	633,686	1,628,810	1,434,035
Net assets, beginning of year	<u>518,745</u>	<u>518,745</u>	<u>(915,290)</u>
Net assets, end of year	<u>\$ 1,152,431</u>	<u>\$ 2,147,555</u>	<u>\$ 518,745</u>

See accompanying notes to the consolidated financial statements.

Village of New Maryland

Consolidated statement of cash flows

Year Ended December 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating activities

Annual surplus	\$ 1,160,756	\$ 748,572
Amortization of tangible capital assets	1,281,105	1,286,219
Loss on disposal of tangible capital assets	13,869	206,775
Change in receivables:		
General	(16,706)	(27,925)
Federal government and its agencies	47,215	(15,138)
Province of New Brunswick	(1,402)	141,854
Change in payables and accruals	15,477	(9,976)
Change in deferred revenue	154,819	(492,167)
Change in pension obligation	(49,600)	(24,700)
Change in accrued sick leave	(6,800)	16,400

Net cash provided by operating activities 2,598,733 1,829,914

Capital activities

Acquisition of tangible capital assets	(822,529)	(805,818)
Change in prepaid expenses	(4,391)	(1,713)

Net cash used for capital activities (826,920) (807,531)

Financing activities

Bank loan (repayment) proceeds	(874,134)	592,809
Long-term debt proceeds	624,000	2,257,000
Long-term debt repayment	(477,000)	(2,255,000)

Net cash (used) provided for financing activities (727,134) 594,809

Increase in cash and cash equivalents 1,044,679 1,617,192

Cash and cash equivalents at beginning of year 8,485,917 6,868,725

Cash and cash equivalents at end of year \$ 9,530,596 \$ 8,485,917

See accompanying notes to the consolidated financial statements.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

1. Purpose of the organization

The municipality was incorporated as a Village by the Province of New Brunswick Municipalities Act on June 1, 1991. As a municipality, the Village of New Maryland is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act.

2. Summary of significant accounting policies

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

Management maintains a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The focus of Public Sector Accounting (PSA) 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.

Significant aspects of the accounting policies adopted by the Municipality are as follows:

a) **Reporting entity**

These consolidated financial statements reflect the assets, liabilities, revenues, expenses, changes in net debt and cash flows of the reporting entity. The Village of New Maryland is comprised of all organizations accountable for the administration of their financial affairs and resources to the Village of New Maryland, and which are controlled by the Village of New Maryland.

Interdepartmental and organizational transactions and balances are eliminated.

b) **Budget**

The budget figures contained in these financial statements were approved by Council on January 25, 2016, and the Minister of Local Government on January 29, 2016.

c) **Revenue recognition**

Taxation Revenue represents the annual levy administered and collected by the Province of New Brunswick on behalf of all New Brunswick Municipalities for municipal services. They are recorded as warrant of assessment as the funds are received by the Village.

Fee and charge revenue for building permits, water and wastewater, and transportation are recorded on the accrual basis and recognized as earned, which is usually when services are provided or facilities are utilized.

Other revenues are recorded when it is earned, and collection is reasonably assured.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

2. Summary of significant accounting policies (continued)

d) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

e) Expense recognition

Expenses are recognized in the period that the goods and services were acquired and a liability was incurred. Expenses are recorded on an accrual basis. Outstanding commitments for goods and services relating to the current year are accrued at the balance sheet date.

f) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

i) Tangible capital assets

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful lives as follows:

Asset type	Years
Buildings and structures	10-50 years
Vehicles and equipment	5-25 years
Roads, streets, sidewalks and culverts	15-80 years
Parks and playgrounds	10-20 years
Water and wastewater networks	40-80 years

Amortization is not recognized in the year assets are acquired.

ii) Assets under construction

Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories.

iii) Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

f) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

2. Summary of significant accounting policies (continued)

g) Post-employment benefits

The Village 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 of New Brunswick. The Plan provides for service pensions based on length of service and best average earnings.

In addition to the Municipal Pension Plan, the Village allows a portion of unused sick benefits which have vested to be paid to employees upon retirement or resignation. The costs of these benefits are actuarially determined based on service and best estimate of retirement ages and expected salary increases.

h) Reserve funds

Certain amounts, as approved by Village Council, are set aside in reserve funds for future operating and capital purposes. Transfers to and from reserve funds are recorded as an adjustment within accumulated surplus. Schedule 5 to the consolidated financial statements is included to show the reserve fund balances as supplementary information.

i) Segmented information

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

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 and development services

This department is responsible for the provision of waste collection and disposal, 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 arenas, parks and playgrounds, and other recreational and cultural facilities.

Water and sewer

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.

Amounts that are directly attributable to a number of segments have been allocated on a reasonable basis. Taxation, unconditional grant, fees and user charges are allocated to those segments that are funded by these amounts based on percent of budgeted expense.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

2. Summary of significant accounting policies (continued)

j) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian public sector standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates reported in these financial statements include amortization of tangible capital assets, the pension asset/obligation, and the accrued sick leave obligation. Actual results may differ from those estimates.

k) Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Town is directly responsible, or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. Due from federal government and its agencies

	<u>2016</u>	<u>2015</u>
Canada Revenue Agency (HST rebate)	\$ <u>21,986</u>	\$ <u>69,200</u>

4. Due from Province of New Brunswick

	<u>2016</u>	<u>2015</u>
New Brunswick Department of Transportation	\$ <u>6,085</u>	\$ 4,682
Gas Tax funding	<u>-</u>	<u>-</u>
	<u>\$ 6,085</u>	<u>\$ 4,682</u>

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

5. Bank indebtedness

Bank indebtedness for operating purposes is within the limit prescribed by the Municipalities Act, and the Municipal Capital Borrowing Board has approved the short-term borrowing outstanding in the General Capital Fund at the end of the year. The credit facility with the Municipality's bank has a combined borrowing limit of \$500,000 for the Municipality's operations.

6. Payables and accruals	<u>2016</u>	<u>2015</u>
Trade payables and accruals	\$ 255,907	\$ 222,610
Payable to the Policing Authority	134,365	146,958
Interest on long-term debt	29,319	29,781
Local improvement deposits	<u>56,294</u>	<u>61,059</u>
	<u>\$ 475,885</u>	<u>\$ 460,408</u>

7. Deferred revenue	<u>2016</u>	<u>2015</u>
Gas Tax funding – Province of New Brunswick	<u>\$ 813,965</u>	<u>\$ 659,146</u>

8. Long-term debt	<u>2016</u>	<u>2015</u>
<u>New Brunswick Municipal Financing Corporation Debentures</u>		
BP33 1.20% - 3.55%, due 2031, OIC #15-0032	\$ 624,000	\$ -
BM38 0.95%-2.8%, due 2025, OIC #04-0005	1,649,000	1,819,000
BN30 1.05%-3.65%, due 2030, OIC #14-0032	413,000	438,000
BA43 0.95% - 5.00%, due 2019, OIC #08-0067	113,000	125,000
BE25 1.65% - 4.25%, due 2021, OIC #09-0024	1,435,000	1,554,000
BE26 1.65% - 4.25%, due 2021, OIC #09-0048	805,000	846,000
BG42 1.65% - 3.80%, due 2017, OIC #98-0083	30,000	60,000
BH38 1.35% - 3.80%, due 2027, OIC #09-0024	760,000	819,000
BI42 1.35% - 4.00%, due 2033, OIC #09-0048	<u>468,000</u>	<u>489,000</u>
	<u>\$ 6,297,000</u>	<u>\$ 6,150,000</u>

In 2019, debenture BA43 will mature with a final amount due of \$87,000, however \$74,000 of this payment is expected to be refinanced during that year. In 2021, debentures BE25 and BE26 will mature with final amounts due of \$914,000 and \$625,000 respectively. These debentures will be refinanced for \$773,000 and \$577,000 respectively during that year.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

8. Long-term debt (continued)

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

2017	\$ 549,000
2018	532,000
2019	617,000
2020	545,000
2021	1,905,000

Approval of the Municipal Capital Borrowing Board has been obtained for the debenture debt reported and all the long-term debt has been approved by an Order-in-Council of the Provincial Legislature.

9. Pension asset

The Village 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 of New Brunswick. The Plan provides for service 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. 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, 2014 and resulted in an overall NB MEPP accrued benefit obligation of \$96,849,500 based on the accounting basis.

The actuarial valuation for accounting purposes was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimates. The following summarizes the major assumptions in the valuation as at December 31, 2014:

- The expected inflation rate is 2.25%
- The discount rate used to determine the accrued benefit obligation is 5.85%
- Retirement age varies by age and employment category
- Estimated average remaining service life (EARSL) is 14.0 years

Mortality - CPM-2014 Blended Table projected with improvement scale B with adjustment factors of 115% for males and 110% for females.

The actuarial valuation prepared as at December 31, 2014 indicated that the market value of the net assets available for the accumulated plan benefits exceeded the present value of these benefits. The pension plan has been granted a solvency deficiency exemption by the Province of New Brunswick. On a going concern valuation basis, the actuarial valuation indicated a plan surplus of \$1,241,600, a change of \$6,412,900 from the December 31, 2013 deficit of \$5,171,300. Based on the assumptions as at December 31, 2014, the actuary expected the level of employer and employee contributions to be sufficient to fund the deficit in less than fifteen years, as allowed by the Pension Benefits Act.

As at December 31, 2014, the NB MEPP provides benefits for 206 retirees. Total benefit payments to retirees and terminating employees during 2016 are estimated to be approximately \$2,799,500 (actual 2015 was \$3,806,600) in totality for the NB MEPP.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

9. Pension asset (continued)

Employees make contributions using rates that may vary by earnings level and employment category, with an overall average contribution rate of approximately 7.6%. Each municipality contributes an amount that equals their employee's contribution amounts. Pension Fund Assets are invested in Short Term Securities, Bonds, Canadian Equities and Foreign Equities. Combined employees and municipalities contributions for 2016 are estimated to be approximately \$5,959,800 (actual 2015 was \$5,786,400) in totality for the NB MEPP.

The following summarizes the NB MEPP data as it relates to the Village of New Maryland:

- The average age of the 17 active employees covered by the NB MEPP is 45 (as at December 31, 2014)
- Benefit Payments were \$39,700 in 2015 and were estimated to be \$12,100 in 2016
- Combined Contributions were \$145,800 in 2015 and were estimated to be \$150,200 in 2016

In addition to determining the position of the NB MEPP as it relates to the Village of New Maryland as at December 31, 2014 and December 31, 2015, NB MEPP's actuary performed an extrapolation of the December 31, 2015 accounting valuation to determine the estimated position as at December 31, 2016. The extrapolation assumes assumptions used as at December 31, 2016 remain unchanged from December 31, 2015. The extrapolation also assumes assets return 5.85% 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:

Accrued benefit (asset)	<u>2016</u>	<u>2015</u>
Accrued benefit (asset) liability at beginning of period	\$ (33,500)	\$ (8,800)
Pension expense for the year	25,500	43,500
Less: Employer contributions	<u>(75,100)</u>	<u>(68,200)</u>
Accrued benefit (asset) at end of period	<u>\$ (83,100)</u>	<u>\$ (33,500)</u>

In summary, the Accrued Benefit Liability as it relates to the Village of New Maryland is estimated to be \$83,100 as at December 31, 2016. This compares to a liability of \$33,500 as at December 31, 2015. This amount is included on the Consolidated Statement of Financial Position.

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

Reconciliation of funded status at end of period	<u>2016</u>	<u>2015</u>
Accrued benefit obligation	\$ 1,270,500	\$ 1,050,700
Plan assets	<u>1,215,800</u>	<u>989,700</u>
Plan deficit / (surplus)	54,700	61,000
Unamortized experience losses / (gains)	<u>137,800</u>	<u>94,500</u>
Accrued benefit (asset) at end of period	<u>\$ (83,100)</u>	<u>\$ (33,500)</u>

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

9. Pension asset (continued)

Total expenses related to pensions include the following components:

Pension expense	2016	2015
Employer current service cost	\$ 20,100	\$ 28,200
Interest on accrued benefit obligation	67,900	56,700
Expected return on assets	(63,400)	(52,200)
Experience loss	<u>900</u>	<u>10,800</u>
Pension expense	<u>\$ 25,500</u>	<u>\$ 43,500</u>

The pension expense is included in the statement of operations.

10. Accrued sick leave obligation

The Village of New Maryland provides employees the ability to accumulate sick leave benefits payable either upon retirement or resignation.

	2016	2015
Accrued employee benefit obligation:		
Opening balance	\$ 147,500	\$ 131,100
Current period service cost	19,000	16,800
Accrued interest	-	4,000
Experience (gain) loss	-	23,200
Benefit payments	<u>(25,800)</u>	<u>(27,600)</u>
Accrued employee benefit obligation	<u>\$ 140,700</u>	<u>\$ 147,500</u>
Unfunded obligation:		
Accrued employee benefit obligation	\$ 140,700	\$ 147,500
Less: funded amount	<u>(140,700)</u>	<u>(147,500)</u>
Unfunded accrued employee benefit obligation	<u>\$ -</u>	<u>-</u>

The accrued sick leave liabilities were valued based on an actuarial calculation as of December 31, 2014, extrapolated to December 31, 2016. The actuarial method used was the projected benefit method prorated on service to calculate the accrued benefit obligation. The valuation was based on a number of assumptions about future events, such as interest rates, wage and salary increases and employee turnover and retirement. The assumptions used reflect the Village's best estimates.

The following summarizes the major assumptions in the valuation:

- Annual salary increase is 3.0%;
 - The discount rate used to determine the accrued benefit obligation is 3.17%;
 - Retirement age is 60; and,
 - Estimated average remaining service life (EARSL) is 14.2 years.
-

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

11. Commitments and contingency

- a) The Village has entered into an agreement for solid waste collection at an annual cost of \$159,320 (including HST). The agreement expires December 31, 2017.
 - b) The Village has entered into an agreement for animal control services at an annual cost of \$6,000 (including HST). The agreement expires November 30, 2019.
 - c) The Village has entered into two agreements for snow and ice control at an annual cost for 2016 of \$226,632 (including HST). The agreement expires October 2017.
 - d) The Village has entered into an agreement for recreational services at a variable annual cost based on a percentage of the municipal tax base. The estimated annual cost for 2017 is \$136,796 (including HST). The agreement expires 31 December 2027, but either Party may terminate the agreement, at the end of the calendar year following the year in which the written notice is given.
 - e) In the normal course of the Village's activities, the Village is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. The Village intends to defend and negotiate such claims and litigation. The eventual outcome of these claims and litigation is not determinable at year end.
-

12. Short-term borrowing compliance

Capital Funds

The Village has outstanding authority for short term borrowing as follows:

General Capital Fund			
Ministerial Approval	15-0032	\$	<u>76,000</u>
Water and Sewer Capital Fund			
Ministerial Approval	09-0048	\$	<u>170,000</u>

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 2016, 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 the next year unless the borrowing is for a capital project. Certain amounts payable between Funds are not in compliance with the requirements, but the municipality intends on eliminating these balances in the next year.

13. Capital funds

Current assets exceed current liabilities at December 31, 2016 in both the General Capital Fund and the Water and Sewer Capital Fund. This excess amount represents funds for future capital projects.

Village of New Maryland

Notes to the consolidated financial statements

December 31, 2016

14. 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 expenses for the population.

15. Water and sewer fund surplus / deficit

The Municipalities Act required 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/deficit at the end of the year consists of:

	<u>2016</u>	<u>2015</u>
2016 Surplus	\$ 4,152	\$ -
2015 Surplus	1,212	1,212
2014 Surplus	<u>-</u>	<u>2,943</u>
	<u>\$ 5,364</u>	<u>\$ 4,155</u>

16. Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation used in the current year. The changes do not affect prior year annual surplus.

Village of New Maryland

Schedule 1: tangible capital assets

December 31, 2016

	General capital assets						Water and sewer assets				2016	2015
	Land	Buildings and structures	Parks and playgrounds	Assets under construction	Vehicles and equipment	Road, streets, sidewalks, culverts	Land	W&S buildings	Water and sewer mains	Assets under construction		
Cost												
Opening cost	\$ 1,875,235	3,041,502	1,835,647	58,869	1,810,057	18,453,614	622,519	8,771,198	14,638,388	-	\$ 51,107,029	\$ 50,746,888
Additions and transfers*	-	-	-	12,726	34,273	479,112	-	-	296,418	-	822,529	805,818
Disposals and transfers	-	-	-	-	-	(25,973)	-	-	-	-	(25,973)	(445,677)
Closing cost	1,875,235	3,041,502	1,835,647	71,595	1,844,330	18,906,753	622,519	8,771,198	14,934,806	-	\$ 51,903,585	\$ 51,107,029
Accumulated amortization												
Opening accumulated Amortization	\$ -	\$ 1,204,032	\$ 922,272	\$ -	\$ 1,090,131	\$ 5,347,963	\$ -	\$ 2,222,532	\$ 3,543,657	\$ -	\$ 14,330,587	\$ 13,283,270
Amortization	-	124,753	66,933	-	113,751	495,437	-	263,839	216,392	-	1,281,105	1,286,219
Disposals	-	-	-	-	-	(12,104)	-	-	-	-	(12,104)	(238,902)
Closing accum'd amortization	\$ -	\$ 1,328,785	\$ 989,205	\$ -	\$ 1,203,882	\$ 5,831,296	\$ -	\$ 2,486,371	\$ 3,760,049	\$ -	\$ 15,599,588	\$ 14,330,587
Asset net book value	\$ 1,875,235	\$ 1,712,717	\$ 846,442	\$ 71,595	\$ 640,448	\$ 13,075,457	\$ 622,519	\$ 6,284,827	\$ 11,174,757	\$ -	\$ 36,303,997	\$ 36,776,442

*During the year, the Village received donated infrastructure of \$771,740 from subdivision developers.

Village of New Maryland

Schedule 2: consolidated schedule of revenues

Year ended December 31, 2016

	2016	2016	2015
	(schedule 7)		
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Services to other governments			
Fire protection	\$ 115,401	\$ 115,401	\$ 112,401
Other revenue from own sources			
Building rentals	\$ 12,000	\$ 12,923	\$ 18,376
Permits and fines	21,000	30,783	47,138
Recreation	102,000	120,313	109,529
Hookup and surcharges	13,280	10,758	9,018
Water meter fee	-	13,429	13,255
Other	2,000	40,364	12,042
	<u>\$ 150,280</u>	<u>\$ 228,570</u>	<u>\$ 209,358</u>
Water and sewer user fees			
Water user charges	\$ 281,107	\$ 274,601	\$ 262,440
Sewer user charges	740,394	745,209	717,397
	<u>\$ 1,021,501</u>	<u>\$ 1,019,810</u>	<u>\$ 979,837</u>

Village of New Maryland

Schedule 3: consolidated schedule of expenses

Year Ended December 31	2016	2016	2015
	(schedule 7)		
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Mayor's remuneration and expenses	\$ 17,129	\$ 17,342	\$ 16,928
Councillors' remuneration and expenses	38,353	39,662	39,455
Development seminars	10,000	4,882	9,141
	<u>65,482</u>	<u>61,886</u>	<u>65,524</u>
Administrative			
Manager and clerks	203,776	173,112	175,322
Office building	49,260	46,128	47,066
Solicitor	10,000	2,517	1,986
Other	155,432	156,930	140,586
	<u>418,468</u>	<u>378,687</u>	<u>364,960</u>
Financial management			
Administration personnel	275,859	254,670	247,843
External audit	30,000	29,427	28,929
Accounting and consulting	4,000	1,945	937
Donations and grants	4,200	17,750	3,654
Cost of assessment	66,344	66,344	66,673
	<u>380,403</u>	<u>370,136</u>	<u>348,036</u>
Other general government services			
Hurricane Arthur cleanup	-	-	488
Public liability insurance	23,774	23,990	23,052
Pension and sick accrual adjustment	-	(50,815)	(9,787)
Interest	1,500	958	1,557
Amortization	74,495	74,495	77,746
	<u>99,769</u>	<u>48,628</u>	<u>93,056</u>
	<u>\$ 964,122</u>	<u>\$ 859,337</u>	<u>\$ 871,576</u>

Village of New Maryland

Schedule 3: consolidated schedule of expenses

Year Ended December 31	2016	2016	2015
	(schedule 7)		
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Protective services			
RCMP	\$ 542,456	\$ 542,457	\$ 592,833
Fire			
Administration	41,711	40,316	42,021
Fire department – personnel	149,887	142,383	137,063
Training	10,800	8,691	6,436
Building maintenance	29,768	30,400	30,376
Equipment	17,300	18,649	15,603
Vehicle maintenance	22,315	18,108	19,938
	<u>271,781</u>	<u>258,547</u>	<u>251,437</u>
Other			
Animal and pest control	11,350	7,443	6,841
Building inspections	61,360	65,974	43,915
Emergency measures	11,019	7,574	10,278
Amortization	60,731	60,731	61,651
	<u>144,460</u>	<u>141,722</u>	<u>122,685</u>
	<u>\$ 958,697</u>	<u>\$ 942,726</u>	<u>\$ 966,955</u>

Village of New Maryland

Schedule 3: consolidated schedule of expenses

Year Ended December 31,	2016	2016	2015
	(schedule 7)		
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Transportation services			
Common services			
Administration	\$ 155,736	\$ 139,794	\$ 130,292
Engineering services personnel fees	15,000	31,980	5,852
Vehicle expense	38,725	26,396	28,900
Other	<u>1,550</u>	<u>8,406</u>	<u>4,541</u>
	<u>211,011</u>	<u>206,576</u>	<u>169,585</u>
Road transport			
Culverts and drainage ditches	24,000	26,420	15,331
Sidewalks	1,000	2,275	956
Storm sewers	5,000	46,101	69,327
Street cleaning	15,000	14,545	13,963
Snow and ice removal	196,305	197,950	202,132
Summer maintenance	<u>46,759</u>	<u>39,587</u>	<u>39,416</u>
	<u>288,064</u>	<u>326,878</u>	<u>341,125</u>
Street lighting	<u>66,000</u>	<u>61,428</u>	<u>61,703</u>
Traffic services			
Street signs	2,000	4,570	2,094
Crosswalks	4,500	4,715	4,141
Other	<u>18,800</u>	<u>3,930</u>	<u>4,815</u>
	<u>25,300</u>	<u>13,215</u>	<u>11,050</u>
Other			
Interest	102,314	123,173	110,455
Amortization	<u>529,336</u>	<u>529,336</u>	<u>518,779</u>
	<u>631,650</u>	<u>652,509</u>	<u>629,234</u>
	<u>\$ 1,222,025</u>	<u>\$ 1,260,606</u>	<u>\$ 1,212,697</u>
Environmental health services			
Garbage and waste collection	<u>\$ 258,400</u>	<u>\$ 244,358</u>	<u>\$ 254,585</u>
Environmental development services			
Beautification and land rehabilitation	\$ 37,000	\$ 32,807	\$ 24,240
Research and planning	<u>120,678</u>	<u>124,358</u>	<u>133,390</u>
	<u>\$ 157,678</u>	<u>\$ 157,165</u>	<u>\$ 157,630</u>

Village of New Maryland

Schedule 3: consolidated schedule of expenses

Year Ended December 31,	2016	2016	2015
	(schedule 7) Budget	Actual	Actual
Recreation and cultural services			
Administration	\$ 84,924	\$ 59,854	\$ 58,289
Gym, Day Camp & Vehicles	43,823	69,006	78,833
New Maryland Centre	169,626	112,392	139,183
Rinks and arenas	2,114	1,377	2,341
Parks and playgrounds	125,961	107,183	114,660
Special events	58,150	51,235	45,432
Other recreation facilities	150,943	164,180	151,175
Amortization	136,312	136,312	141,675
	<u>\$ 771,853</u>	<u>\$ 701,539</u>	<u>\$ 731,588</u>
Water and sewer			
Water supply			
Administration	\$ 173,991	\$ 138,634	\$ 136,875
Transmission and distribution	21,100	16,272	24,750
Purification	16,250	20,244	14,746
Power and pumping	37,100	25,817	25,540
Repairs and maintenance	1,850	27,456	11,034
Well exploration	-	126,195	51,785
Interest	53,077	51,979	53,925
Amortization	182,745	182,745	182,538
	<u>486,113</u>	<u>589,342</u>	<u>501,193</u>
Sewer collection and disposal			
Administration	\$ 193,403	\$ 146,824	\$ 145,893
Sewer collection system	15,850	14,854	7,273
Sewer lift stations	52,350	52,151	64,753
Sewer treatment and disposal	80,300	58,658	80,054
Interest	85,746	35,251	61,483
Amortization	297,486	297,486	303,830
	<u>725,135</u>	<u>605,224</u>	<u>663,286</u>
	<u>\$ 1,211,248</u>	<u>\$ 1,194,566</u>	<u>\$ 1,164,479</u>

Village of New Maryland

Schedule 4: schedule of segment disclosure

December 31, 2016

	General government	Protection	Transportation	Environmental health & development	Recreation and cultural	Water & sewer	2016 Consolidated	2015 Consolidated
Revenues								
Property tax warrant	\$ 874,427	\$ 1,122,020	\$ 1,089,883	\$ 408,969	\$ 640,408	\$ -	\$ 4,135,707	\$ 4,148,860
Services provided to other governments	-	115,401	-	-	-	-	115,401	112,401
Other revenue from own sources	41,287	7,555	23,228	-	120,313	36,187	228,570	209,358
Unconditional grant	1,299	1,667	1,619	608	952	-	6,145	6,108
Other government grants	32,691	-	1,402	-	-	143,072	177,165	797,291
Water and sewer user fees	-	-	-	-	-	1,019,810	1,019,810	979,837
Loss on disposal	-	-	(13,869)	-	-	-	(13,869)	(206,775)
Contribution of donated assets	-	-	491,763	-	-	279,977	771,740	-
Interest	32,822	-	-	-	-	47,562	80,384	61,002
	<u>982,526</u>	<u>1,246,643</u>	<u>1,594,026</u>	<u>409,577</u>	<u>761,673</u>	<u>1,526,608</u>	<u>6,521,053</u>	<u>6,108,082</u>
Expenses								
Salaries and benefits	461,295	209,475	168,045	88,440	269,097	184,874	1,381,225	1,342,366
Goods and services	373,404	672,520	440,052	313,083	296,130	316,036	2,411,226	2,460,019
Amortization	74,495	60,731	529,336	-	136,312	480,231	1,281,105	1,286,219
Interest	958	-	123,173	-	-	87,230	211,361	227,421
Pension obligation*	(44,015)	-	-	-	-	-	(44,015)	(24,700)
Accrued sick leave*	(6,800)	-	-	-	-	-	(6,800)	16,400
Well exploration and testing	-	-	-	-	-	126,195	126,195	51,785
	<u>859,337</u>	<u>942,726</u>	<u>1,260,606</u>	<u>401,523</u>	<u>701,539</u>	<u>1,194,566</u>	<u>5,360,297</u>	<u>5,359,510</u>
Surplus for the year	<u>\$ 123,189</u>	<u>\$ 303,917</u>	<u>\$ 333,420</u>	<u>\$ 8,054</u>	<u>\$ 60,134</u>	<u>\$ 332,042</u>	<u>\$ 1,160,756</u>	<u>\$ 748,572</u>

*Annual cash contributions made by the Village are recorded in salaries and benefits costs in each of the departments. The change in the obligations is recorded in the general government department.

Village of New Maryland

Schedule 5: schedule of reserve funds

December 31, 2016

	General Operating Reserve	General Capital Reserve	W&S Operating Reserve	W&S Capital Reserve	2016 Total	2015 Total
Accumulated surplus, beginning of year	\$ 169,379	\$ 1,425,278	\$ 37,171	\$ 2,913,798	\$ 4,545,626	\$ 4,115,129
Transfers (to) from General Operating Fund	(16,046)	432,060	-	-	416,014	310,441
Transfers from General Capital Fund	-	1,450	-	-	1,450	-
Transfers from Water and Sewer Operating Fund	-	-	-	213,162	213,162	83,160
Transfers from Water and Sewer Capital Reserve Fund	-	-	10,000	-	10,000	-
Transfers to Water and Sewer Operating Reserve Fund	-	-	-	(10,000)	(10,000)	-
Interest	1,162	9,015	331	32,744	43,252	36,896
Annual surplus (deficit)	(14,884)	442,525	10,331	235,906	673,878	430,497
Accumulated surplus, end of year	\$ 154,495	\$ 1,867,803	\$ 47,502	\$ 3,149,704	\$ 5,219,504	\$ 4,545,626

Village of New Maryland

Schedule 6: schedule of reconciliation of annual surplus

December 31, 2016

	General Operating Fund	General Capital Fund	W&S Operating Fund	W&S Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	W&S Operating Reserve Fund	W&S Capital Reserve Fund	Total All Funds
2016 annual surplus (deficit) per PSAB for the year	\$ (814,900)	\$ (934,136)	\$ (540,109)	\$ 2,171,907	\$ (30,930)	\$ 849,526	\$ 20,331	\$ 439,067	\$ 1,160,756
Adjustment to annual surplus for funding requirements									
Second previous year's surplus	3,651	-	2,943	-	-	-	-	-	6,594
Long-term debt principal repayment	215,000	(215,000)	262,000	(262,000)	-	-	-	-	-
Water cost transfer	(104,178)	-	104,178	-	-	-	-	-	-
Interfund transfers	742,026	528,505	175,140	(841,555)	16,046	(407,000)	(10,000)	(203,162)	-
Pension expense	(44,015)	-	-	-	-	-	-	-	(44,015)
Loss on disposal of tangible assets	-	13,869	-	-	-	-	-	-	13,869
Other	1,834	-	-	-	-	-	-	-	1,834
Amortization of tangible assets	-	800,873	-	480,232	-	-	-	-	1,281,105
Total adjustments	814,318	1,128,247	544,261	(623,323)	16,046	(407,000)	(10,000)	(203,162)	1,259,387
2016 annual fund surplus (deficit)	\$ (582)	\$ 194,111	\$ 4,152	\$ 1,548,584	\$ (14,884)	\$ 442,526	\$ 10,331	\$ 235,905	\$ 2,420,143

Village of New Maryland

Schedule 7: schedule of operating and capital budgets to PSAB budget

December 31, 2016

	General operating budget	Water & sewer operating budget	Capital budget	Allocate fiscal services	Amortization of TCA	Elimination of 2 nd previous years' surplus	Elimination of interfund transfers	Total
Revenue								
Property tax warrant	\$ 4,128,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,128,403
Services to other governments	115,401	-	-	-	-	-	-	115,401
Other revenue from own source	137,000	126,839	-	-	-	-	(113,559)	150,280
Unconditional grant	6,145	-	-	-	-	-	-	6,145
Other government transfers	25,000	-	567,638	-	-	-	-	592,638
Water and sewer user fees	-	1,021,501	-	-	-	-	-	1,021,501
Interest	7,000	5,000	-	-	-	-	-	12,000
Second previous years' surplus	3,651	2,943	-	-	-	(6,594)	-	-
	<u>\$ 4,422,600</u>	<u>\$ 1,156,283</u>	<u>\$ 567,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,594)</u>	<u>\$ (113,559)</u>	<u>\$ 6,026,368</u>
Expenditure								
General government services	\$ 888,127	\$ -	\$ -	\$ 1,500	\$ 74,495	\$ -	\$ -	\$ 964,122
Protective services	1,011,525	-	-	-	60,731	-	(113,559)	958,697
Transportation services	590,375	-	-	102,314	529,336	-	-	1,222,025
Environmental health services	258,400	-	-	-	-	-	-	258,400
Environmental and cultural services	157,678	-	-	-	-	-	-	157,678
Recreation and cultural services	635,541	-	-	-	136,312	-	-	771,853
Water and sewer	-	592,194	-	88,928	480,231	-	-	1,161,353
Fiscal services	398,814	350,928	-	-	-	-	(749,742)	-
Second previous years' deficit	-	-	-	-	-	-	-	-
Transfer to water and sewer capital reserve fund	-	83,280	-	-	-	-	(83,280)	-
Transfer to general capital fund	482,140	-	(482,140)	-	-	-	-	-
Transfer to water and sewer capital fund	-	129,881	(129,881)	-	-	-	-	-
	<u>\$ 4,422,600</u>	<u>\$ 1,156,283</u>	<u>\$ (612,021)</u>	<u>\$ 192,742</u>	<u>\$ 1,281,105</u>	<u>\$ -</u>	<u>\$ (945,581)</u>	<u>\$ 5,494,128</u>
Surplus (deficit) for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,659</u>	<u>\$ (192,742)</u>	<u>\$ (1,281,105)</u>	<u>\$ (6,594)</u>	<u>\$ 833,022</u>	<u>\$ 532,240</u>

Village of New Maryland

Schedule 8: reconciliation of funding deficit

December 31, 2016

Reconciliation of funding deficit:

	<u>Vested post employment benefits</u>
Liability at December 31, 2016	\$ 140,700
Amounts funded in prior years	<u>(140,700)</u>
Balance to be funded in future years	<u>\$ -</u>

The Village has a vesting post-employment liability of \$140,700 that is fully funded at December 31, 2016.

The pension plan has been granted a solvency deficiency exemption by the Province of New Brunswick. On a going concern valuation basis, the actuarial valuation indicated a plan surplus of \$1,241,600, a change of \$6,412,900 from the December 31, 2013 deficit of \$5,171,300. Based on the assumptions as at December 31, 2014, the actuary expected the level of employer and employee contributions to be sufficient to fund the deficit in less than fifteen years, as allowed by the Pension Benefits Act.