



Consolidated Financial Statements

Town of Shediac

December 31, 2012

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Independent auditors' report

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To His Worship the Mayor
And Members of Town Council

We have audited the consolidated statement of financial position of the Town of Shediac as at December 31, 2012, December 31, 2011 and January 1, 2011 and the consolidated statement of operations and accumulated surplus, the consolidated statement of changes in net debt and the consolidated statement of cash flows for the years 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Town'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 Town's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Shediac as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations, change in net debt and cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

The Department of Environment and Local Government of New Brunswick has requested some additional disclosures based on the Municipal Financial Reporting Manual dated December 16, 2012. The Town has added notes 10, 11 and 12 and schedules 5, 6 and 7 to their consolidated financial statements to comply with these requirements.

Comparative information

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes that the Town of Shediac adopted Canadian public sector accounting standards on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these consolidated financial statements, including the consolidated statements of financial position as at December 31, 2011 and January 1, 2011 and the consolidated statements of operations, changes in net debt and cash flows for the years ended December 31, 2011 and January 1, 2011.



Moncton, New Brunswick

September 30, 2013

Chartered Accountants

Town of Shediac
Consolidated Statement of Financial Position

Year Ended December 31

2012

2011

January 1,
2011

Financial assets

Cash and cash equivalents	\$ 3,505,346	\$ 1,444,450	\$ 3,051,983
Receivables (Note 3)	461,384	697,621	487,840
Receivable from Shediac Municipal Marina Inc.	-	-	89,349
Mortgage receivable (Note 4)	81,020	99,330	118,751
Unamortized debenture discounts	51,744	45,443	52,542
	<u>4,099,494</u>	<u>2,286,844</u>	<u>3,800,465</u>

Liabilities

Bank loans (Note 5)	2,055,000	1,271,000	1,697,000
Payables and accruals (Note 6)	1,698,092	1,317,395	1,903,295
Long-term debt (Note 7)	6,134,760	4,859,760	5,925,132
	<u>9,887,852</u>	<u>7,448,155</u>	<u>9,525,427</u>

Net debt (5,788,358) (5,161,311) (5,724,962)

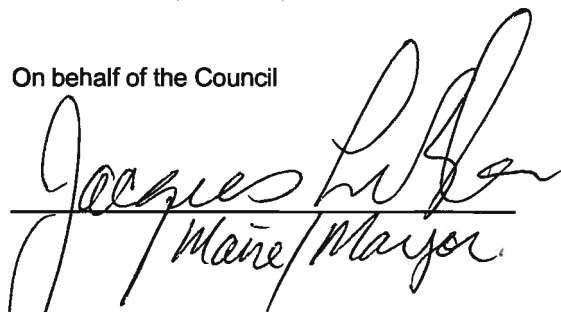
Non-financial assets


Tangible capital assets (Note 9)	25,434,849	23,363,223	20,060,562
Security deposit	75,000	75,000	75,000
Inventory of supplies	19,668	18,400	18,400
Prepays	6,354	6,731	7,970
	<u>25,535,871</u>	<u>23,463,354</u>	<u>20,161,932</u>

Accumulated surplus \$ 19,747,513 \$ 18,302,043 \$ 14,436,970

Commitments (Notes 13)

On behalf of the Council


 Jacques LeBlond
 Mayor


 Treasurer

See accompanying notes and schedules to the consolidated financial statements.

Town of Shediac

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31

2012

2011

	PSAB (Budget)	<u>Actual</u>	<u>Actual</u>
Revenue			
Warrant of assessment	\$ 7,728,686	\$ 7,728,686	\$ 6,945,859
Unconditional transfers from Provincial Government	607,866	607,866	620,268
Other contributions and government transfers (Page 16)	-	958,046	3,344,102
Other revenue from own sources (Page 16)	804,239	927,007	844,163
Water services	1,253,288	1,342,645	1,288,998
Interest	25,000	73,505	95,428
	<u>10,419,079</u>	<u>11,637,755</u>	<u>13,138,818</u>
Expenditures (Pages 17-21)			
General government services	1,712,796	1,864,772	1,377,687
Protection services	1,799,633	1,751,095	1,673,272
Transportation services	2,875,957	2,541,204	2,786,268
Environmental health and development services	1,389,940	1,494,032	1,228,405
Recreation and cultural services	2,015,974	1,926,847	1,535,205
Water services	638,112	614,335	595,010
Loss on disposal of tangible capital asset	-	-	77,898
	<u>10,432,412</u>	<u>10,192,285</u>	<u>9,273,745</u>
Annual surplus (deficit)	\$ (13,333)	1,445,470	3,865,073
Accumulated surplus, beginning of year		<u>18,302,043</u>	<u>14,436,970</u>
Accumulated surplus, end of year		<u>\$ 19,747,513</u>	<u>\$ 18,302,043</u>

See accompanying notes and schedules to the consolidated financial statements.

Town of Shediac
Consolidated Statement of Changes in Net Debt

Year Ended December 31

2012

2011

Annual surplus, before restatement	\$ 1,445,470	\$ 5,150,514
Prior period adjustment (amortization)	-	(1,701,333)
Prior period adjustment (donated assets)	-	389,716
Prior period adjustment (post employment expenses)	-	26,176
Annual surplus, as restatement	<u>1,445,470</u>	<u>3,865,073</u>
Acquisition of tangible capital assets	(3,925,566)	(5,128,902)
Proceeds on disposal of tangible capital assets	-	47,010
Amortization of tangible capital assets	1,853,940	1,701,333
Loss on sale of tangible capital assets	-	77,898
	<u>(2,071,626)</u>	<u>(3,302,661)</u>
Change in prepaid expenses	377	1,239
Change in inventory	<u>(1,268)</u>	-
	<u>(891)</u>	<u>1,239</u>
(Increase) decrease in net debt	(627,047)	563,651
Net debt, beginning of year	<u>(5,161,311)</u>	<u>(5,724,962)</u>
Net debt, end of year	<u>\$ (5,788,358)</u>	<u>\$ (5,161,311)</u>

See accompanying notes and schedules to the consolidated financial statements.

Town of Shediac

Consolidated Statement of Cash Flows

Year Ended December 31

2012

2011

Net cash inflow (outflow) related to the following activities:

Operating activities

Annual surplus	\$ 1,445,470	\$ 3,865,073
Items not affecting cash:		
Amortization of tangible capital assets	1,853,940	1,701,333
Loss on sale of tangible capital assets	-	77,898
Changes in non-cash working capital:		
Change in receivables	236,237	(209,781)
Change in payables and accruals	380,697	(585,900)
Change in mortgage receivable	18,310	19,421
Change in receivable from Shediac Municipal Marina	-	89,349
Change in supplies inventory	(1,268)	-
Change in prepaid expenses	377	1,239
Change in debenture discounts	(6,301)	7,099
Net cash provided by operating activities	<u>3,927,462</u>	<u>4,965,731</u>

Capital activities

Acquisition of tangible capital assets	(3,925,566)	(5,128,902)
Proceeds on sale of tangible capital assets	-	47,010
Net cash used for capital activities	<u>(3,925,566)</u>	<u>(5,081,892)</u>

Financing activities

Issuance of long-term debt	2,306,000	-
Advance (repayment) of bank loans	784,000	(426,000)
Repayment of long-term debt	(1,031,000)	(1,065,372)
Net cash used for financing activities	<u>2,059,000</u>	<u>(1,491,372)</u>

Increase (decrease) in cash and cash equivalents	2,060,896	(1,607,533)
Cash and cash equivalents at beginning of year	<u>1,444,450</u>	<u>3,051,983</u>
Cash and cash equivalents at end of year	<u>\$ 3,505,346</u>	<u>\$ 1,444,450</u>

See accompanying notes and schedules to the consolidated financial statements.

Town of Shediac

Notes to the Consolidated Financial Statements

December 31, 2012

The Corporation of the Town of Shediac (the "Town") is incorporated and operates under the provisions of the Province of New Brunswick Municipalities Act.

1. Change in accounting policy

Effective January 1, 2012, the Town of Shediac has restated its financial statements to adopt the Public Sector Accounting standards (PSA). The changes made were to comply with the provisions of Section 3150, Tangible Capital Assets and to adopt full accrual accounting. Section 3150 has established standards on how to account for and report tangible capital assets. Tangible capital assets are a significant economic resource managed by government and a key component in the delivery of many government programs. The standard requires these assets to be recorded at historical cost on the balance sheet and their costs allocated to future accounting periods through annual amortization expenses based on the tangible capital assets estimated useful lives of the assets. The Town was required to record the historical cost of their tangible capital assets and accumulated amortization on a retroactive basis with restatement of prior years.

Section PS 2125, First-time Adoption by Government Organization, contains exemptions to full retrospective application which the Town may use upon transition. The Town did not apply any optional exemptions.

The Town determined historical cost based on historical accounting records, and discounted replacement costs. If historical cost could not be determined, the asset was recorded at a nominal value.

The Town calculated and recorded liabilities for its sick accrual under section PS 3255, post-employment benefits, compensated absences and termination benefits.

The December 31, 2011 figures presented for comparative purposes have been restated from those previously reported. The following adjustments were made to the prior periods:

Adjustments to annual surplus

Annual surplus, as previously reported in the operating fund	\$ 17,365
Annual surplus of other funds	5,170,621
Less: second previous year surplus	(37,472)
Less: post-employment benefits	26,176
Add: donated assets	389,716
Less: net amortization on tangible capital assets	<u>(1,701,333)</u>
Annual surplus, as restated	<u>\$ 3,865,073</u>

Adjustments for net book value of tangible capital assets

As previously reported, December 31, 2011	\$ 40,737,129
Adjustment to historical cost of tangible capital assets, net	(2,307,792)
Accumulated amortization expense recorded	<u>(15,066,114)</u>
Adjusted net book value as at December 31, 2011	<u>\$ 23,363,223</u>

See Page 24 for the reconciliation of accumulated surplus (deficit).

Town of Shediac

Notes to the Consolidated Financial Statements

December 31, 2012

2. Summary of significant accounting policies

The consolidated financial statements of the Corporation of the Town of Shediac are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. The consolidated financial statements include the additional disclosure requirements by the Department of Environment and Local Government of New Brunswick. The Town has added notes 10, 11 and 12 and schedules 5, 6 and 7 to comply with these requirements. Significant aspects of the accounting policies adopted by the Town of Shediac are as follows:

a) **Reporting entity**

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures, changes in fund balances and change in financial position of the reporting entity. The Town is comprised of all organizations accountable for the administration of their financial affairs and resources to the Town, and which are owned or controlled by the Town.

Inter-departmental and organizational transactions and balances are eliminated.

b) **Government transfers**

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers received for which expenses are not yet incurred are included in deferred revenue.

c) **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.

d) **Revenue Recognition**

Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Other revenue is recorded when it is earned, and collection is reasonably assured.

Town of Shediac

Notes to the Consolidated Financial Statements

December 31, 2012

2. Summary of significant accounting policies (continued)

e) i) **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, 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 leasehold improvements	20-40 years
Vehicles and equipment	5-20 years
Computer hardware & software	5-10 years
Land improvements	5-20 years
Roads, streets, sidewalks & culvert	15-60 years
Water buildings and leasehold improvements	30 years
Water systems	10-40 years

ii) **Assets under construction**

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

iii) **Contribution of tangible capital assets**

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

iv) **Inventories of materials and supplies**

Inventories of materials and supplies consist mainly of parts and road maintenance materials and are valued at the lower of cost and net realizable value.

f) **Cash and cash equivalents**

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

g) **Bank loans**

Bank loans are recorded net of any related sinking fund balances. Loan service charges, including principal and interest, are charged against current revenue in the period in which they occur.

h) **Long-term debt**

Long-term debt is recorded net of any related sinking fund balances. Debt service charges, including principal and interest, are charged against current revenue in the period in which they occur.

i) **Employee future benefits**

The Town 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 future salary increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. The Town also provides continuation of unused sick banks which do not vest to be used during the employees' period of employment. The Town has concluded this is a non-significant balance and therefore have not recorded it.

Town of Shediac

Notes to the Consolidated Financial Statements

December 31, 2012

2. Summary of significant accounting policies (continued)

j) Budget

The budget figures contained in these consolidated financial statements were approved by Council on December 12, 2011 and the Minister of Environment and Local Government approved the General Operating Budget on January 19, 2012, Capital Budget on February 3, 2012 and Utility Operating Budget on January 19, 2012.

k) Reserves and funds

Certain amounts, as approved by Town Council, are set aside in reserves and reserves funds for future operating and capital purposes. Transfers to and/from reserves and reserve funds are recorded as an adjustment within accumulated surplus. Schedule 4 "Schedule of Reserve Funds" to the consolidated financial statements is included to show the reserve fund balances as supplementary information.

i. Operating funds

Operating Funds are established for general, and water operations of the Town. Operating Funds are used to record the costs associated with providing Town services.

ii. Capital funds

Capital Funds are established for general and water capital. Capital Funds track the acquisition cost of various capital assets and the financing of those assets, including related debt.

iii. Reserve funds

Under the *Municipalities Act* of New Brunswick, Council may establish discretionary reserves for each fund listed above.

l) Segmented information

The Town is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Town's operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments as follows:

General government services

This department is responsible for the overall governance and financial administration of the Town. This includes council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.

Protective services

This department is responsible for the provision of policing services, fire protection, emergency measures, animal control and other protective measures.

Transportation services

This department is responsible for common services, roads and streets maintenance, street lighting, traffic services, parking and other transportation related functions.

Town of Shediac

Notes to the Consolidated Financial Statements

December 31, 2012

2. Summary of significant accounting policies (continued)

l) Segmented information (continued)

Environmental health services and development services

This department is responsible for the provision of waste collection and disposal 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 systems

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

m) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles 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 expenditures during the reporting period. As such, actual results could differ from the estimates. Areas requiring the greatest degree of estimation include provision for future employee benefits, valuation of donated capital assets, assessment of contingency liabilities, and allowance for doubtful accounts receivable.

3. Receivables	<u>2012</u>	<u>2011</u>
Accounts receivable	\$ 443,555	\$ 657,263
Sales tax receivable	<u>17,829</u>	<u>40,358</u>
	<u>\$ 461,384</u>	<u>\$ 697,621</u>

4. Mortgage receivable	<u>2012</u>	<u>2011</u>
Mortgage receivable, recoverable in monthly installments of \$1,128 including principal and interest at the rate of 6.25% until October 2010, monthly installments increasing to \$2,000 thereafter, until maturity in October 2016. Secured by the old Town Library building at 337A Main Street in Shediac NB.	<u>\$ 81,020</u>	<u>\$ 99,330</u>

Town of Shediac

Notes to the Consolidated Financial Statements

December 31, 2012

5. Bank loans

The bank loans represent temporary financing of capital expenditures for the General Capital Fund, for the Water Operating Fund and for the Water Capital Fund and will be replaced by debenture issues as well as a working capital component. The total amount for Capital Funds are within the budget limit of 50% of operating funds expenditures as required by the *Municipalities Act*. The interest rate on these loans are at prime rate.

6. Payables and accruals

	<u>2012</u>	<u>2011</u>
Accounts payable and accrued charges	\$ 1,382,266	\$ 957,112
Employee benefit obligations	311,500	355,300
Accrued interest on long-term debt	<u>4,326</u>	<u>4,983</u>
	<u>\$ 1,698,092</u>	<u>\$ 1,317,395</u>

7. Long-term debt

	<u>2012</u>	<u>2011</u>
<u>New Brunswick Municipal Financing Corporation</u>		
Debentures:		
AM18 3.375% - 5.75%, due 2012	\$ -	\$ 31,000
AN24 3.1% - 5.6%, due 2012	-	110,000
AP27 2.75% - 5.125%, due 2013	115,000	225,000
AR29 2.75% - 4.8%, due 2014	160,000	235,000
AU13 4.15% - 4.7%, due 2016	143,000	175,000
AX27 4.45% - 4.85%, due 2017	948,000	1,136,000
BA21 .95% - 5%, due 2019	531,000	627,000
BC16 1.5% - 4.55%, due 2020	435,000	482,000
BG22 1.65% - 3.8%, due 2027	1,801,000	-
BH28 1.35% - 3.1%, due 2022	285,000	-
AM19 3.375% - 5.75%, due 2012	-	13,000
AN25 3.1% - 5.6%, due 2012	-	4,000
AU14 4.15% - 4.7%, due 2016	334,000	408,000
AX26 4.45% - 4.85%, due 2017	323,000	379,000
BA22 .95% - 3.4%, due 2014	111,000	164,000
BC17 1.5% - 2.5%, due 2015	192,000	254,000
BD28 1.5% - 2.5%, due 2015	109,000	121,000
BF28 1.35% - 2.2%, due 2016	283,000	351,000
BH29 1.35% - 3.1%, due 2022	<u>220,000</u>	<u>-</u>
	<u>5,990,000</u>	<u>4,715,000</u>
<u>608402 NB Ltd.</u>		
Loan payable, 0% due 2016	<u>144,760</u>	<u>144,760</u>
	<u>\$ 6,134,760</u>	<u>\$ 4,859,760</u>

Town of Shediac

Consolidated Statement Notes to the Financial Statements

December 31, 2012

7. Long-term debt (continued)

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

2013	\$ 1,041,000	2016	\$ 763,000
2014	956,000	2017	587,000
2015	803,000		

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. At December 31, 2012, the Town has an authority to borrow an additional \$4,913,000.

8. Other post employment liabilities

The Town provides various groups of employees in accordance with applicable collective agreements the ability to accumulate sick bank benefits payable either upon retirement or resignation.

	<u>2012</u>	<u>2011</u>
Employee benefit obligations:		
Vested benefits	\$ 329,100	\$ 374,400
Unamortized actuary losses	<u>(17,600)</u>	<u>(19,100)</u>
Accrued employee benefit obligation	<u>\$ 311,500</u>	<u>\$ 355,300</u>
Accrued employee benefit obligation	\$ 311,500	\$ 355,300
Less funded amount	<u>(260,888)</u>	<u>(302,894)</u>
Vested benefits to be funded from future revenue	<u>\$ 50,612</u>	<u>\$ 52,406</u>
Benefit expense in the year	<u>\$ 34,000</u>	<u>\$ 35,800</u>

Vested benefits represent the Town's liability for future employee benefits including sick leave banks and lump sum retirement payments in the year of retirement or resignation which are contractually required to be paid to an employee independent of his or her further employment.

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 Town'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 3.38%;
- retirement age is 60; and
- estimated net excess utilization of rate of sick leave varies with age.

The sick leave is an unfunded benefit. Benefits are paid out of general revenue as they come due.

Town of Shediac
Notes to the Consolidated Financial Statements
December 31, 2012

9. Tangible capital assets

	General Capital Assets							Water Assets			2012	2011	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer, Hardware and Software	Land Improvements	Asset under Construction	Parking Lots	Road, Streets, Sidewalks, Culverts	Land	Buildings and Leasehold Improvements			Water Systems
Cost													
Opening cost	\$ 1,822,670	\$ 4,834,808	\$ 2,972,505	\$ 182,881	\$ 1,448,152	\$ -	\$ -	\$ 20,056,080	\$ 76,681	\$ 1,069,512	\$ 5,966,047	\$ 38,429,336	\$ 33,425,342
Additions	4,789	1,884,555	295,876	3,750	108,216	-	-	1,348,802	-	-	279,578	3,925,566	5,128,902
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	(124,908)
Closing cost	1,827,459	6,719,363	3,268,381	186,631	1,556,368	-	-	21,404,882	76,681	1,069,512	6,245,625	42,354,902	38,429,336
Accumulated amortization													
Opening accumulated Amortization	-	1,079,121	1,572,608	163,093	284,213	-	-	9,131,057	-	543,048	2,292,973	15,066,113	13,364,780
Amortization	-	283,138	223,122	5,298	102,243	-	-	986,377	-	28,906	244,856	1,853,940	1,701,333
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing accumulated amortization	-	1,342,259	1,795,730	168,391	386,456	-	-	10,117,434	-	571,954	2,537,829	16,920,053	15,066,113
Asset net book value	\$ 1,827,459	\$ 5,377,104	\$ 1,472,651	\$ 18,240	\$ 1,169,912	\$ -	\$ -	\$ 11,287,448	\$ 76,681	\$ 497,558	\$ 3,707,796	\$ 25,434,849	\$ 23,363,223

Town of Shediac

Consolidated Statement Notes to the Financial Statements

December 31, 2012

10. Short-term borrowings compliance

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 water services is limited to 50% of the operating budget for the year. In 2012, the Town 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 amounts payable between Funds are in compliance with the requirements.

11. Water Services surplus/deficit

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

	<u>2012</u>	<u>2011</u>
2012 Surplus	\$ 16,000	\$ -
2011 Surplus	20,641	20,641
2010 Surplus	43,443	43,443
2009 Surplus	3,836	3,836
2008 Deficit	<u>-</u>	<u>(967)</u>
	<u>\$ 83,920</u>	<u>\$ 66,953</u>

12. Water cost transfer

The Town'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.

13. Commitments and contingency

The Town has lease commitments until 2021 for the rental of equipment, vehicles, office space and other premises. The balance of the commitments under such leases excluding property taxes and other escalator clauses is \$1,952,417. Minimum payments payable over the next five years are as follows:

2013	\$ 237,577	2016	\$ 235,870
2014	235,870	2017	235,870
2015	235,870		

Subsequent to the fiscal year end, the Town has provided for a legal accrual in the amount of \$100,000 related to current legal activity. The settlement accrual has been recorded in other general government services.

14. Pension Plan

The Town has a contributory pension plan for its employees and its share of the pension plan contributions for 2012 were \$67,545 (2011 - \$68,594).

Town of Shediac**Schedule 1: Consolidated Schedule of Revenues**

Year ended December 31

2012

2012

2011

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Other contributions and government transfers			
Federal government	\$ -	\$ -	\$ 1,600,000
Provincial government	-	23,495	500,000
Donated assets – developers	-	507,358	389,716
Gas tax program	-	427,193	854,386
	<u>\$ -</u>	<u>\$ 958,046</u>	<u>\$ 3,344,102</u>
Other revenue from own sources			
Firefighting services	\$ 274,220	\$ 276,967	\$ 251,687
Recreation	33,000	71,660	38,294
Arena	180,875	186,074	184,776
Multipurpose centre	48,000	86,208	11,570
Licenses and permits	1,000	1,095	829
Building permits	75,000	61,307	99,261
Fines	25,800	28,160	27,976
Grant	-	15,052	5,600
Road maintenance	53,326	53,297	53,297
Rent	67,993	63,092	66,920
Allocation for green space	-	14,749	6,100
Sundry	45,025	69,346	97,853
	<u>\$ 804,239</u>	<u>\$ 927,007</u>	<u>\$ 844,163</u>

Town of Shediac

Schedule 2: Consolidated Schedule of Expenditures

Year Ended December 31	2012	2012	2011
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Mayor	\$ 17,457	\$ 17,398	\$ 16,804
Mayor – other	8,900	14,329	9,618
Councilors	69,468	67,222	64,726
Councilors – other	18,100	19,564	11,507
Development seminars	40,000	34,744	44,837
Other	10,000	20,285	12,215
	<u>163,925</u>	<u>173,542</u>	<u>159,707</u>
Administrative			
Salaries and fringe benefits	448,700	468,100	467,247
Building – rent and maintenance	309,000	327,955	285,427
Equipment rental	20,800	10,239	18,092
Telecommunications	23,000	24,907	22,420
External audit and other professional fees	40,000	38,160	35,743
Legal and collection fees	40,000	51,288	35,650
Computer systems	40,000	37,598	37,276
Advertising and promotion	10,000	14,302	15,423
Association fees	10,000	9,613	8,830
Office and postage expenses	45,000	45,572	36,027
Cost of assessment	101,418	101,418	91,146
Simultaneous translation	50,400	50,401	14,236
	<u>1,138,318</u>	<u>1,179,553</u>	<u>1,067,517</u>
Other general government services			
Conventions	5,000	9,666	3,549
Public liability insurance	52,000	44,212	50,319
Provision of settlement accrual	-	100,000	-
Grant	211,900	219,207	64,006
By-law	50,000	45,377	25,133
Consultants	60,000	59,628	5,676
Property taxes	9,000	9,595	8,661
Post-retirement liabilities	(1,794)	(1,794)	(26,176)
Interest on bonds	1,949	1,623	1,640
Bond discounts	6,200	5,969	6,131
Bank charges	11,000	7,427	9,501
Bad debts (recovery)	-	5,469	(2,525)
	<u>405,255</u>	<u>506,379</u>	<u>145,915</u>
Amortization	<u>5,298</u>	<u>5,298</u>	<u>4,548</u>
	<u>\$ 1,712,796</u>	<u>\$ 1,864,772</u>	<u>\$ 1,377,687</u>

Town of Shediac
Schedule 2: Consolidated Schedule of Expenditures
(continued)

Year Ended December 31	2012	2012	2011
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Protection services			
Police			
Contract	\$ 1,140,000	\$ 1,140,000	\$ 1,085,000
Sundry	<u>32,200</u>	<u>20,617</u>	<u>11,869</u>
	<u>1,172,200</u>	<u>1,160,617</u>	<u>1,096,869</u>
Fire			
Vehicles	30,800	28,241	24,575
Firefighting association	32,700	32,700	32,700
Fees	161,706	161,293	156,568
Firefighting equipment	69,200	51,195	50,189
Vaccine	1,000	455	-
Garment	23,900	20,539	20,585
Travel	7,100	5,035	4,090
Fire prevention	3,000	2,491	2,652
Secretarial work	53,700	57,501	72,729
Fire alarm system	35,500	30,302	20,914
Workers compensation and group insurance	36,000	35,382	35,609
Training	5,100	4,968	4,353
Sundry	7,200	6,665	5,657
Building – repair and maintenance	<u>51,400</u>	<u>43,025</u>	<u>48,506</u>
	<u>518,306</u>	<u>479,792</u>	<u>479,127</u>
Other protection services			
Animal and pest control	<u>26,000</u>	<u>29,136</u>	<u>21,005</u>
Interest on bonds	<u>9,592</u>	<u>8,015</u>	<u>8,070</u>
Amortization	<u>73,535</u>	<u>73,535</u>	<u>68,201</u>
	<u>\$ 1,799,633</u>	<u>\$ 1,751,095</u>	<u>\$ 1,673,272</u>

Town of Shediac
Schedule 2: Consolidated Schedule of Expenditures
(continued)

Year Ended December 31	2012	2012	2011
	Budget	Actual	Actual
Transportation services			
Common services			
Salaries and fringe benefits	\$ 668,100	\$ 484,821	\$ 572,356
Overtime	120,000	116,907	137,129
General supplies			
Gas and oil	80,000	75,245	82,352
Repair and maintenance	120,000	97,712	176,340
Insurance and licenses	23,000	21,171	21,963
Shop, yard and building			
Repair and maintenance	15,600	12,844	17,960
Heat and light	23,200	17,279	28,679
Municipal taxes, sewer and insurance	6,800	6,772	6,658
Supplies	10,100	15,774	8,844
Communication services	8,800	6,368	9,600
Engineering services	40,000	30,543	29,414
	<u>1,115,600</u>	<u>885,436</u>	<u>1,091,295</u>
Road transportation			
Roads and streets	240,000	227,583	232,983
Snow and ice removal	96,200	53,688	127,270
Street lighting	150,000	151,181	148,545
Traffic services	36,000	23,645	24,089
	<u>522,200</u>	<u>456,097</u>	<u>532,887</u>
Interest			
Interest on short-term borrowing	33,699	16,887	10,928
Interest on bonds	132,049	110,375	111,092
	<u>165,748</u>	<u>127,262</u>	<u>122,020</u>
Amortization	<u>1,072,409</u>	<u>1,072,409</u>	<u>1,040,066</u>
	<u>\$ 2,875,957</u>	<u>\$ 2,541,204</u>	<u>\$ 2,786,268</u>
Environmental health and development services			
Environmental health services			
Garbage and waste collection	\$ 175,312	\$ 207,673	\$ 202,383
Solid waste disposal WASWC	123,150	123,150	117,757
	<u>298,462</u>	<u>330,823</u>	<u>320,140</u>
Environmental development services			
Town planning	221,502	221,381	205,505
Economic development	264,400	313,700	105,682
Salaries and fringe benefits	221,900	253,845	266,893
Tourism and municipal development	253,700	272,522	276,549
Interpretation centre	-	-	5,930
Pascal Poirier Historical House	100,400	67,679	18,893
Former train station	9,200	13,918	8,643
	<u>1,071,102</u>	<u>1,143,045</u>	<u>888,095</u>
Interest on bonds	<u>1,299</u>	<u>1,087</u>	<u>1,093</u>
Amortization	<u>19,077</u>	<u>19,077</u>	<u>19,077</u>
	<u>\$ 1,389,940</u>	<u>\$ 1,494,032</u>	<u>\$ 1,228,405</u>

Town of Shediac

Schedule 2: Consolidated Schedule of Expenditures

(continued)

Year Ended December 31	2012	2012	2011
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Recreation and cultural services			
Arena			
Salaries and fringe benefits	\$ 113,800	\$ 104,406	\$ 108,383
Overtime	17,700	23,452	18,950
Part time	24,800	28,879	25,095
Buildings			
Property taxes and insurance	10,500	10,343	10,111
Electricity	104,000	95,428	104,858
General maintenance	77,400	82,595	70,514
Telecommunication	2,500	2,959	2,257
Office supplies	3,000	509	3,083
Sundry	3,000	1,177	2,237
	<u>356,700</u>	<u>349,748</u>	<u>345,488</u>
Parks and playgrounds			
Salaries and fringe benefits	146,600	107,439	134,711
Consultants	10,000	34,690	8,407
Equipment maintenance	80,200	57,281	65,501
Parks and playground maintenance	97,710	93,463	67,875
Training	3,000	8,216	111
Building – repair and maintenance	5,000	878	3,283
Telecommunications	4,800	6,132	4,426
	<u>347,310</u>	<u>308,099</u>	<u>284,314</u>
Community services			
Salaries and fringe benefits	233,700	241,595	227,994
Multipurpose Centre	310,100	285,487	93,376
Conventions	2,000	815	1,213
Web site	7,000	8,080	1,222
Advertising and promotion	48,000	53,037	32,628
Activities	56,600	53,450	47,436
Special events	142,700	140,417	121,380
	<u>800,100</u>	<u>782,881</u>	<u>525,249</u>
Library			
General maintenance	2,600	2,855	2,981
Supplies	14,820	14,914	21,623
Telecommunications	2,100	1,710	1,538
	<u>19,520</u>	<u>19,479</u>	<u>26,142</u>
Interest			
Interest on short-term borrowing	36,301	18,191	11,772
Interest on bonds	46,184	38,590	38,853
	<u>82,485</u>	<u>56,781</u>	<u>50,625</u>
Amortization	<u>409,859</u>	<u>409,859</u>	<u>303,387</u>
	<u>\$ 2,015,974</u>	<u>\$ 1,926,847</u>	<u>\$ 1,535,205</u>

Town of Shediac
Schedule 2: Consolidated Schedule of Expenditures
(continued)

Year Ended December 31	2012	2012	2011
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Water services			
Electricity	\$ 91,000	\$ 84,637	\$ 83,883
Amortization and disposal	273,762	273,762	266,054
Repairs and maintenance	97,000	60,435	58,459
Interest on long-term debt	55,850	55,192	79,056
Bond discounts	6,500	10,061	3,348
Interim financing	25,000	5,447	10,381
Sundry	39,000	28,347	33,910
Water testing	15,000	12,329	13,125
Insurance	15,000	14,318	13,606
Bad debts	20,000	69,807	33,188
	<u>\$ 638,112</u>	<u>\$ 614,335</u>	<u>\$ 595,010</u>

Town of Shediac
Schedule 3: Schedule of Segment Disclosure
December 31, 2012

	General Government	Protection	Transportation	Environmental Health & Development	Recreation and cultural	Water Services	2012 Consolidated	2011 Consolidated
Revenues								
Property tax warrant	\$ 2,449,486	\$ 1,503,280	\$ 1,468,993	\$ 1,200,190	\$ 1,106,737	\$ -	\$ 7,728,686	\$ 6,945,859
Other revenue from own sources	100,512	305,127	53,297	61,037	407,034	-	927,007	844,163
Unconditional transfers from Provincial Government	192,751	118,206	115,511	94,373	87,025	-	607,866	620,268
Other contributions and government transfers	-	-	507,358	-	425,216	25,472	958,046	3,344,102
Water and sewer user fees	-	-	-	-	-	1,342,645	1,342,645	1,288,998
Interest	12,238	-	-	-	-	61,267	73,505	95,428
	<u>2,754,987</u>	<u>1,926,613</u>	<u>2,145,159</u>	<u>1,355,600</u>	<u>2,026,012</u>	<u>1,429,384</u>	<u>11,637,755</u>	<u>13,138,818</u>
Expenses								
Salaries and benefits	468,100	254,176	601,728	487,015	639,057	-	2,450,076	2,422,510
Goods and services	1,384,118	1,415,369	739,805	986,853	821,150	279,934	5,527,229	4,815,794
Amortization & disposal	5,298	73,535	1,072,409	19,077	409,859	273,762	1,853,940	1,701,333
Loss on disposal	-	-	-	-	-	-	-	77,898
Interest	9,050	8,015	127,262	1,087	56,781	60,639	262,834	282,386
Post-retirement liabilities*	(1,794)	-	-	-	-	-	(1,794)	(26,176)
	<u>1,864,772</u>	<u>1,751,095</u>	<u>2,541,204</u>	<u>1,494,032</u>	<u>1,926,847</u>	<u>614,335</u>	<u>10,192,285</u>	<u>9,273,745</u>
Surplus (deficit) for the year	\$ 890,215	\$ 175,518	\$ (396,045)	\$ (138,432)	\$ 99,165	\$ 815,049	\$ 1,445,470	\$ 3,865,073

*The post-retirement liabilities have been reported under General Government for segment disclosure.

Town of Shediac
Schedule 4: Schedule of Reserve Funds

December 31, 2012

	General Operating Reserve	General Capital Reserve	Water Operating Reserve	Water Capital Reserve	2012 Total	2011 Total
Accumulated surplus, beginning of year	\$ 431,974	\$ 925,384	\$ 72,050	\$ 100,000	\$ 1,529,408	\$ 1,269,537
Transfers to/from Water and General Operating Funds						
Allocation from General Operating Fund	-	-	-	-	-	107,028
Allocation from Water Operating Fund	-	-	-	150,000	150,000	121,050
	-	-	-	150,000	150,000	228,078
Interest	3,329	7,638	518	753	12,238	25,693
Allocation for green spaces	-	14,749	-	-	14,749	6,100
	3,329	22,387	518	753	26,987	31,793
Annual surplus	3,329	22,387	518	150,753	176,987	259,871
Accumulated surplus, end of year	\$ 435,303	\$ 947,771	\$ 72,568	\$ 250,753	\$ 1,706,395	\$ 1,529,408

Town of Shediac

Schedule 5: Schedule of Accumulated Surplus Reconciliation to Public Sector Accounting Board Requirements

December 31, 2012

	General Operating Fund	General Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Water Operating Fund	Water Capital Fund	Water Operating Reserve Fund	Water Capital Reserve Fund	Total All Funds
2011 annual fund surplus ¹	\$ 17,365	\$ 3,653,776	\$ 15,657	\$ 122,164	\$ 20,641	\$ 1,236,334	\$ 22,050	\$ 100,000	\$ 5,187,987
Adjustment to 2011 annual surplus for PSAB Requirements									
Second previous year's surplus	(33,636)	-	-	-	(3,837)	-	-	-	(37,473)
Long-term debt principal repayment	738,372	(738,372)	-	-	-	-	-	-	-
Long-term debt principal repayment	-	-	-	-	327,000	(327,000)	-	-	-
Post-retirement liabilities	26,176	-	-	-	-	-	-	-	26,176
Amortization expense	-	(1,435,279)	-	-	(266,054)	-	-	-	(1,701,333)
Donated assets	-	304,255	-	-	-	85,461	-	-	389,716
Capital expenditures paid out of operating funds	940,312	(940,312)	-	-	54,948	(54,948)	-	-	-
Total adjustments to 2011 annual surplus	1,671,224	(2,809,708)	-	-	112,057	(296,487)	-	-	(1,322,914)
2011 annual surplus per PSAB for the year	1,688,589	844,068	15,657	122,164	132,698	939,847	22,050	100,000	3,865,073
Accumulated surplus before PPA, beginning of year	46,624	19,355,918	416,317	803,220	47,279	6,440,274	50,000	-	27,159,632
Accumulated surplus before PPA, end of year	1,735,213	20,199,986	431,974	925,384	179,977	7,380,121	72,050	100,000	31,024,705
Prior period adjustments (PPA) ²	(78,582)	(7,785,882)	-	-	-	(4,858,198)	-	-	(12,722,662)
Accumulated surplus per PSAB requirements, end of year	\$ 1,656,631	\$ 12,414,104	\$ 431,974	\$ 925,384	\$ 179,977	\$ 2,521,923	\$ 72,050	\$ 100,000	\$ 18,302,043

¹ The annual surplus includes all of the interfund transfers.

² The PPA includes the other post employment liabilities in the general fund and tangible capital assets adjustments in the capital funds.

Town of Shediac Schedule 6: Schedule of Reconciliation of Annual Surplus

December 31, 2012

	General Operating Fund	General Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Water Operating Fund	Water Capital Fund	Water Operating Reserve Fund	Water Capital Reserve Fund	Total All Fund
2012 annual fund surplus (deficit) ^{1 2}	\$ (56,452)	\$ 2,220,715	\$ 3,329	\$ 22,387	\$ 16,000	\$ 489,439	\$ 518	\$ 150,753	\$ 2,846,689
Adjustment to annual surplus (deficit) for funding requirements									
Second previous year's surplus	(12,989)	-	-	-	(43,442)	-	-	-	(56,431)
Long-term debt principal repayment	689,000	(689,000)	-	-	-	-	-	-	-
Long-term debt principal repayment	-	-	-	-	342,000	(342,000)	-	-	-
Donated assets developers	-	409,483	-	-	-	97,875	-	-	507,358
Provision for sick leave	1,794	-	-	-	-	-	-	-	1,794
Amortization of tangible assets	(1,853,940)	-	-	-	-	-	-	-	(1,853,940)
Capital expenditures paid out of operating funds	1,106,499	(1,106,499)	-	-	121,967	(121,967)	-	-	-
Total adjustments to 2012 annual surplus	(69,636)	(1,396,016)	-	-	420,525	(366,092)	-	-	(1,401,219)
2012 annual surplus per PSAB for the year	\$ (126,088)	\$ 834,699	\$ 3,329	\$ 22,387	\$ 436,525	\$ 123,347	\$ 518	\$ 150,753	\$ 1,445,470

1 The annual fund surplus includes all of the interfund transfers.

2 Refer to contingency note accrual (Note 13)

Town of Shediac
Schedule 7: Schedule of Operating Budget to PSAB budget
December 31, 2012

	Operating Budget General	Operating Budget Water	Reallocation of Interest	Amortization Pension & Post Employment adjustments	Transfers	Total
Revenue						
Province of New Brunswick:						
Warrant for property taxes	\$ 7,728,686	\$ -	\$ -	\$ -	\$ -	\$ 7,728,686
Unconditional grant	607,866	-	-	-	-	607,866
Other government contributions and transfers	-	-	-	-	-	-
Other revenue from own sources	797,239	7,000	-	-	-	804,239
Water rates	-	1,253,288	-	-	-	1,253,288
Recovery from water operating fund	691,000	-	-	-	(691,000)	-
Water supply for fire protection	-	205,000	-	-	(205,000)	-
Interest	-	25,000	-	-	-	25,000
Second previous year's surplus	12,989	43,443	-	-	(56,432)	-
	<u>9,837,780</u>	<u>1,533,731</u>	<u>-</u>	<u>-</u>	<u>(952,432)</u>	<u>10,419,079</u>
Expenditure						
General government services	1,690,143	-	19,149	3,504	-	1,712,796
Protective services	1,921,506	-	9,592	73,535	(205,000)	1,799,633
Transportation services	1,637,800	-	165,748	1,072,409	-	2,875,957
Environmental health & development services	1,369,564	-	1,299	19,077	-	1,389,940
Recreation and cultural services	1,523,630	-	82,485	409,859	-	2,015,974
Water services	-	277,000	87,350	273,762	-	638,112
Fiscal services						
Long-term debt repayments	689,000	342,000	-	-	(1,031,000)	-
Interest	278,273	87,350	(365,623)	-	-	-
Transfers from the General Operating Fund	727,864	-	-	-	(727,864)	-
Transfer to the General Operating Fund	-	691,000	-	-	(691,000)	-
Transfers from the Operating Water Fund	-	136,381	-	-	(136,381)	-
Transfer from the Water and Sewer Operating Fund to the Water & Sewer Capital Fund	-	-	-	-	-	-
	<u>9,837,780</u>	<u>1,533,731</u>	<u>-</u>	<u>1,852,146</u>	<u>(2,791,245)</u>	<u>10,432,412</u>
Surplus (deficit) for the year	\$ -	\$ -	\$ -	\$ (1,852,146)	\$ 1,838,813	\$ (13,333)