

Consolidated Financial Statements of

TOWN OF STRATFORD

Year ended December 31, 2017

Town of Stratford Management's Responsibility for Financial Reporting

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these consolidated financial statements and schedules are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgemental, particularly when transactions affecting the current period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining 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 the preparation of consolidated financial statements.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on consolidated financial statements. The external auditors have full and free access to the financial management of the Town of Stratford and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Town of Stratford:

_____ Mayor

_____ Chief Administrative Officer



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INDEPENDENT AUDITOR'S REPORT

To His Worship the Mayor and the Members of Town Council of Town of Stratford

We have audited the accompanying consolidated financial statements of Town of Stratford which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 the 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 financial position of Town of Stratford as at December 31, 2017 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Charlottetown, Prince Edward Island
May 3, 2018

TOWN OF STRATFORD

Consolidated Statement of Financial Position

December 31, 2017, with comparative figures for 2016

	2017	2016
Financial Assets		
Cash	\$ -	\$ 205,998
Accounts receivable (note 2)	2,767,857	1,681,029
Temporary investments (note 3)	1,337,941	800,557
Inventory held for resale	6,049	8,203
Leases, loans and contributions receivable (note 4)	268,984	187,191
Land held for resale, at cost	569,429	885,036
Long-term investments (note 5)	132,500	132,500
	<u>5,082,760</u>	<u>3,900,514</u>
Liabilities		
Bank indebtedness (note 6)	899,295	1,040,236
Accounts payable and accrued liabilities (note 7)	2,945,860	825,606
Deferred revenue (note 8)	119,602	1,000
Employee benefits payable (note 9)	153,742	147,620
Long-term debt (note 10)	9,071,233	9,534,648
	<u>13,189,732</u>	<u>11,549,110</u>
Net debt	(8,106,972)	(7,648,596)
Non-financial Assets		
Prepaid expenses	33,799	32,221
Tangible capital assets (page 20)	46,253,841	42,062,163
	<u>46,287,640</u>	<u>42,094,384</u>
Accumulated surplus	\$ 38,180,668	\$ 34,445,788

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

On Behalf of the Council:

_____ Mayor

_____ Chief Administrative Officer

TOWN OF STRATFORD

Consolidated Statement of Operations

Year ended December 31, 2017, with comparative figures for 2016

	2017 Budget	2017 Actual	2016 Actual
Revenue:			
Property taxes (note 11)	\$ 3,575,500	\$ 3,562,545	\$ 3,433,296
Government transfers			
-provincial municipal support	1,044,100	982,172	912,563
Rental	243,300	224,962	214,019
Third party revenue	223,000	226,289	231,679
Interest	900	41,813	35,056
Stratford Utility Corporation	2,254,000	2,479,693	2,295,986
Stratford Business Park	-	518,947	-
	<u>7,340,800</u>	<u>8,036,421</u>	<u>7,122,599</u>
Expenses:			
Amortization	560,000	518,095	505,233
Finance	530,800	478,073	502,068
General government	2,301,800	2,316,890	2,127,042
Planning	324,400	307,779	297,357
Public Works	731,600	733,496	686,626
Recreation	696,800	671,049	652,817
Stratford Business Park	-	373,734	22,635
Stratford Utility Corporation	2,178,800	2,027,928	2,123,008
	<u>7,324,200</u>	<u>7,427,044</u>	<u>6,916,786</u>
Excess of revenue over expenses before the undernoted	16,600	609,377	205,813
Government transfers for infrastructure (note 12)	11,704,600	3,125,503	1,679,513
Annual surplus	11,721,200	3,734,880	1,885,326
Accumulated surplus, beginning of the year	34,445,788	34,445,788	32,560,462
Accumulated surplus, end of the year	\$ 46,166,988	\$ 38,180,668	\$ 34,445,788

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

TOWN OF STRATFORD

Consolidated Statement of Change in Net Debt

Year ended December 31, 2017, with comparative figures for 2016

	2017 Budget	2017 Actual	2016 Actual
Annual surplus	\$ 11,721,200	\$ 3,734,880	\$ 1,885,326
Acquisition of tangible capital assets	(3,569,200)	(5,589,992)	(2,451,572)
Amortization of tangible capital assets	1,370,000	1,398,314	1,298,579
	(2,199,200)	(4,191,678)	(1,152,993)
Acquisition (use) of prepaid expenses	-	(1,578)	4,011
Change in net debt	9,522,000	(458,376)	736,344
Net debt, beginning of the year	(7,648,596)	(7,648,596)	(8,384,940)
Net debt, end of the year	\$ 1,873,404	\$ (8,106,972)	\$ (7,648,596)

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

TOWN OF STRATFORD

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Cash flows from operating activities		
Annual surplus	\$ 3,734,880	\$ 1,885,326
Item not involving cash:		
Amortization	1,398,314	1,298,579
	<u>5,133,194</u>	<u>3,183,905</u>
Change in non-cash working capital		
Accounts receivable	(1,086,828)	(863,113)
Leases, loans and contributions receivable (payable)	(81,793)	4,816
Prepaid expenses	(1,578)	4,011
Inventories held for resale	2,154	322
Land held for resale	315,607	153,179
Payables, accruals and deferred revenue	2,244,977	(169,564)
	<u>1,392,539</u>	<u>(870,349)</u>
Cash flows from capital activities		
Purchase of tangible capital assets	(5,589,992)	(2,451,572)
Cash flows from financing activities		
Decrease in bank indebtedness	(140,941)	(38,446)
Proceeds from long-term debt	519,600	637,200
Repayment of long-term debt - Town	(408,473)	(390,765)
Repayment of long-term debt - Utility	(574,541)	(556,536)
	<u>(604,355)</u>	<u>(348,547)</u>
Cash flows from investing activities		
Decrease (increase) in temporary investments	(537,384)	278,536
	<u>(205,998)</u>	<u>(208,027)</u>
Decrease in cash position		
	(205,998)	(208,027)
Cash, beginning of the year	205,998	414,025
Cash, end of the year	<u>\$ -</u>	<u>\$ 205,998</u>

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

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated financial statements of the Town of Stratford (the Town) have been prepared in accordance with Canadian public sector accounting standards.

(b) Basis of consolidation:

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and boards which are owned or controlled by the Town. The following entities have been consolidated:

Stratford Utility Corporation
Stratford Business Park Corporation Inc.
One Governance Foundation

All inter-entity transactions and balances have been eliminated.

The financial activities of a certain entity associated with the Town of Stratford is considered to be a separate organizational entity and is not consolidated. The Town's transactions with this entity are recorded in the consolidated statement of operations. The following entity has not been consolidated:

Stratford Community Seniors' Complex Ltd.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts directly attributable to acquisition or construction of the tangible capital asset. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is available for productive use as follows:

Asset	Rate
General:	
Multi purpose facility	40 years
Buildings	40 years
Sidewalks, parks and paving	25 years
Vehicles	7 years
Machinery and equipment	10 years
Small equipment	5 years
Computer hardware and software	4 years
Other assets	10 - 50 years
Sewer and Water Utility:	
Sewer systems	50 years
Water systems	50 years
Computer software	4 years
Machinery and equipment	10 years
Small equipment	5 years
Vehicles	7 years

During the year, the Town received contributions of utility infrastructure from developers valued at \$ 146,125. (2016 - \$ 241,123.). This amount is included in Stratford Utility Corporation revenue.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(d) Budget:

The budget figures contained in these financial statements were approved by Council on February 8, 2017 in its original fiscal plan.

(e) Revenue recognition:

Property tax billings are received directly from the Province of Prince Edward Island. Taxes are billed based on the assessment rolls provided by the Province of Prince Edward Island at rates set by the Town. Taxation revenue is recorded as it is received in monthly installments from the Province of Prince Edward Island. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized.

Utility revenues are recognized when the significant risks and rewards of the service are transferred to the customer, which generally coincides with the time of billing, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

Rent becomes due each month and is recognized on a monthly basis as paid. Price is fixed based on the contract signed for each year, and significant risks and rewards have been transferred.

Other revenues are recognized when the significant risks and rewards are transferred to the customer, collectability is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

(f) Government transfers:

When the organization is the recipient, government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

When the organization is the transferor, government transfers are recognized as an expense in the consolidated statement of operations when they are authorized and all eligibility criteria have been met by the recipient.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

1. Significant accounting policies (continued):

(g) Land held for sale:

Inventories of land are valued at original cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for the 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 revenue over expenses, provides the consolidated change in net debt for the year.

(i) Use of estimates:

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Management provides estimates on the depreciation of tangible capital assets and employee benefits payable.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

2. Accounts receivable:

	2017	2016
Trade	\$ 348,409	\$ 904,404
HST	157,251	71,657
Government transfers	2,246,423	676,741
Due from Stratford Community Seniors' Complex Ltd.	15,774	28,227
	<u>\$ 2,767,857</u>	<u>\$ 1,681,029</u>

3. Temporary investments:

The Town receives New Deal Gas Tax funding which is only available to be used for eligible infrastructure and capacity building projects. The funds are being held in a separate deposit receipt account that bears interest at a rate of 0.50%.

4. Leases, loans and contributions receivable:

	2017	2016
CHANCES Inc., 5.48% capital lease, receivable in equal monthly installments of \$ 1,020. including interest	\$ 8,974	\$ 20,381
Donald Baker, Bakeridge Properties Inc., George Bagnall and K-Right Communications Limited, non-interest bearing until April 2016, at which time interest began to accrue at a rate equal to the Town's cost of borrowing, repayable at the earlier of any sale, transfer or development of certain property, at cost	125,000	125,000
Capital contributions receivable	135,010	41,810
	<u>\$ 268,984</u>	<u>\$ 187,191</u>

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

5. Long-term investments, at cost:

	2017	2016
Charlottetown Area Development Corporation (CADC), 50 common shares	\$ 132,500	\$ 132,500

6. Bank indebtedness and short-term borrowings:

The Town of Stratford has total authorized operating lines of credit as follows:

- \$ 750,000. authorized with an interest rate of 3.2%, of which \$ 180,849. was used at December 31, 2017 (2016 - \$ 315,851.);
- \$ 2,000,000. authorized with an interest rate of 3.2%, of which \$ 609,594. was used at December 31, 2017 (2016 - \$ Nil.); and
- \$ 1,500,000. (2016 - \$ 800,000.) authorized with an interest rate of 3.2%, of which \$ 86,365. was used at December 31, 2017 (2016 - \$ 637,328.). This line of credit held by the Stratford Business Park Corporation Inc. is guaranteed by the Town.

7. Accounts payable and accrued liabilities:

	2017	2016
Trade	\$ 621,976	\$ 649,014
Tangible capital assets	1,760,719	94,826
Holdbacks	563,165	81,766
	\$ 2,945,860	\$ 825,606

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

8. Deferred revenue:

During the year, the Town was allocated \$ 816,580. (2016 - \$ 816,580.) under the New Deal Gas Tax Funding for Incorporated Communities agreement. Total proceeds of \$ 822,320. received by the Town as at December 31, 2017 is comprised of \$ 816,580. plus interest of \$ 5,740. The Town must use their allocation of the New Deal Gas Tax funds for eligible infrastructure and capacity building projects.

The Town also received \$ 6,000. (2016 - \$ 1,000.) from Royal Bank of Canada for the water audit and conference in 2018.

The Town also has deferred capital contributions of \$ 113,602. for Hopeton Road, Eastern Realities Phase I and Eastern Realities Phase II projects.

	2017	2016
Deferred, beginning of the year	\$ 1,000	\$ -
Received	119,602	1,000
Recognized	(1,000)	-
Deferred, end of the year	\$ 119,602	\$ 1,000

Under the Agreement on the Transfer of Federal Gas Tax Revenues through the New Deal for Cities and Communities, the Town has received revenues which are restricted for expenditures on eligible projects. During the year, \$ 1,134,367. (2016 - \$ 722,089.) was spent on eligible projects. The Town has prepared, and the governmental regulating body has accepted, a Capital Investment Plan which details anticipated expenditures.

9. Employee benefits:

Employees accumulate sick leave at a rate of 1.25 days per month. Employees who reach the age of 60 may take a lump sum payment of half of their accumulated sick leave credits up to a maximum of 75 days' payment at retirement. At December 31, 2017, the liability for unused sick leave, that is required to be paid out upon severance or retirement, amounted to \$ 75,607. (2016 - \$ 63,061.). No actuarial valuation has been performed pertaining to this liability.

Employees accumulate vacation time based on their years of experience. Employees are required to use their vacation time within 12 months of being earned. Employees who leave the organization are paid out for their total accrued vacation time. At December 31, 2017, the liability for unused vacation time that is required to be paid out upon an employee leaving the organization amounted to \$ 78,135. (2016 - \$ 84,559.). No actuarial valuation has been performed pertaining to this liability.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

9. Employee benefits (continued):

The Town has a defined contribution pension plan for employees consisting of a registered retirement pension plan (RRSP) matching program. The Town's pension costs are charged to operations as contributions are due. The Town matches employees' contributions to a maximum of 6% of their annual salary. During the year, there was \$ 76,813. (2016 - \$ 76,058.) contributed to RRSP plans. This represents both the Town's and the employees' portion of the contribution.

10. Long-term debt:

	2017	2016
Town of Stratford:		
4.67% Bank of Montreal loan payable in equal monthly installments of \$ 2,685. including interest, maturing in December 2022	\$ 119,317	\$ 145,435
4.45% Royal Bank loan payable in equal monthly installments of \$ 24,903. including interest, maturing in May 2018, amortized to May 2023	1,436,459	1,665,795
2.31% Royal Bank loan payable in equal monthly installments of \$ 11,410. including interest, maturing in March 2018, amortized to March 2023	676,456	796,242
2.66% Toronto Dominion loan payable in equal monthly installments of \$ 3,418. including interest, maturing in May 2025, amortized to May 2025	275,962	309,196
	<u>\$ 2,508,194</u>	<u>\$ 2,916,668</u>

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

10. Long-term debt (continued):

	2017	2016
Stratford Utility Corporation:		
5.18% Bank of Montreal loan payable in equal monthly installments of \$ 1,859. including interest, maturing in April 2020, amortized to April 2030	\$ 204,649	\$ 216,132
3.03% Bank of Montreal loan payable in equal monthly installments of \$ 2,708. including interest, maturing in March 2023, amortized to March 2023	160,239	187,510
3.77% Bank of Montreal loan payable in equal monthly installments of \$ 3,546. including interest, maturing in July 2021, amortized to July 2021	145,957	182,405
Bank of Montreal, repaid in the year	-	60,137
5.01% Royal Bank loan payable in equal monthly installments of \$ 6,830. including interest, maturing in December 2017, amortized to December 2027	644,009	692,376
4.87% Royal Bank loan payable in equal monthly installments of \$ 3,303. including interest, maturing in April 2019, amortized to April 2029	345,015	367,164
4.63% Royal Bank loan payable in equal monthly installments of \$ 3,205. including interest, maturing in January 2019, amortized to December 2023	203,581	231,928
3.92% CMHC loan payable in equal annual installments of \$ 53,878. including interest, maturing in March 2026, amortized to March 2026	415,195	453,072
3.98% CMHC loan payable in equal annual installments of \$ 19,054. including interest, maturing in February 2025, amortized to February 2025	133,073	146,972

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

10. Long-term debt (continued):

3.31% Toronto Dominion loan payable in equal monthly installments of \$ 6,180. including interest, maturing in May 2035, amortized to May 2035	982,649	1,023,778
3.45% Toronto Dominion loan payable in equal monthly installments of \$ 4,943. including interest, maturing in May 2034, amortized to May 2034	744,137	777,342
3.20% Toronto Dominion loan payable in equal monthly installments of \$ 3,598. including interest, maturing in June 2036, amortized to June 2036	602,268	625,760
3.30% Toronto Dominion loan payable in equal monthly installments of \$ 2,960. including interest, maturing in June 2037, amortized to June 2037	510,373	-
2.57% Toronto Dominion loan payable in equal monthly installments of \$ 4,081. including interest, maturing in June 2027, amortized to June 2027	412,471	438,293
2.63% Toronto Dominion loan payable in equal monthly installments of \$ 4,335. including interest, maturing in January 2026, amortized to January 2026	378,461	419,968
2.86% Toronto Dominion loan payable in equal monthly installments of \$ 3,077. including interest, maturing in December 2024, amortized to December 2024	234,115	263,940
1.90% Toronto Dominion loan payable in equal monthly installments of \$ 3,025. including interest, maturing in January 2021, amortized to January 2021	108,619	142,510
4.63% VersaBank loan payable in equal monthly installments of \$ 5,617. including interest, maturing in October 2018, amortized to August 2023	338,228	388,693
	<u>\$ 6,563,039</u>	<u>\$ 6,617,980</u>
Total debt	<u>\$ 9,071,233</u>	<u>\$ 9,534,648</u>

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

10. Long-term debt (continued):

Based on the current repayment amounts, principal repayments in each of the next five years are as follows:

	General	Utility	Total
2018	\$ 423,661	\$ 551,419	\$ 975,080
2019	439,630	562,443	1,002,073
2020	456,245	624,320	1,080,565
2021	475,908	570,285	1,046,193
2022	458,730	559,827	1,018,557
	\$ 2,254,174	\$ 2,868,294	\$ 5,122,468

11. Property taxes:

	2017	2016
Commercial property tax	\$ 282,869	\$ 272,949
Non-commercial property tax	3,283,008	3,160,347
Prior year adjustments regarding appeals to property tax bills	(3,332)	-
	\$ 3,562,545	\$ 3,433,296

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

12. Government transfers for infrastructure:

	2017	2016
Province of P.E.I.:		
Gas Tax - Capital Investment Plan	\$ 816,580	\$ 816,580
Clean Water Wastewater Fund	1,738,624	-
Municipal Capital Expenditure Grant	507,799	-
Provincial Infrastructure Fund	62,500	87,500
Infrastructure - Build Canada Fund	-	647,271
Gas Tax - Municipal Strategic Component	-	87,200
Federal Government:		
Atlantic Canada Opportunities Agency	-	40,962
	<u>\$ 3,125,503</u>	<u>\$ 1,679,513</u>

13. Robert L. Cotton Memorial Park:

During 1998, the Town received from the Province of Prince Edward Island, for a nominal fee of \$ 1., the land and buildings currently known as the Robert L. Cotton Memorial Park. The purchase agreement with the Province stipulates that no income can be generated from this property and the property cannot be sold in part or as a whole. The property must be returned to the Province for the same nominal fee of \$ 1. should the Town no longer desire to own the property.

14. Commitments:

As part of an agreement dated November 28, 2002, the Town agreed to provide fixed capital funding to Capital Area Recreation Inc. (CARI) for the construction of an aquatic facility. As part of the agreement, CARI shall submit an annual business plan and budget for approval by the Town relating to the Town's recreation programs to include scheduling, rates and subsidies. As part of the agreement, the Town can appoint a member to the Board of Directors of CARI.

The Town has made a commitment to CARI to fund 8% of the aquatic facility's operational shortfall to a maximum of \$ 3,000. per year, as well as contributing 8% to the capital replacement sinking fund to a maximum of \$ 6,582. per year, adjusted for inflation.

During 2012, the Town signed a 20-year contract with the RCMP, which can be opted out of with two years' notice. The annual cost of the commitment varies as it is based on costs incurred by the RCMP. Expenses paid by the Town under this contract in 2017 were \$ 813,484. (2016 - \$ 728,953.).

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

14. Commitments (continued):

On November 22, 2017, the Town signed a 20-year agreement with the City of Charlottetown to use the City's wastewater treatment plant for the treatment of the Town's wastewater. The Town is required to pay an annual fee to the City which is a combination of the flow fee and the admin fee. The infrastructure cost for the project is estimated at \$ 10,925,000., of which 67% is to be funded by the Federal and Provincial governments.

15. Segment disclosures:

The Town is a diversified municipal unit that provides a range of services to its citizens. For management reporting purposes, the Town's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Town services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General Government

This department is responsible for the overall local government administration.

Finance

This department is responsible for the overall financial information of the Town. Its tasks include accounts payable and receivable, budgets and financial statements.

Recreation

This department is responsible for promoting and offering recreation opportunities and activities to the Town's residents.

Public Works

This department is responsible for road maintenance and infrastructure projects for the Town.

Planning

This department is responsible for the overall planning of the Town.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

15. Segment disclosures (continued):

Stratford Utility Corporation

This department is responsible for the maintenance and operations of the water and sewer services provided to residents and other customers.

Stratford Business Park

This department is responsible for the maintenance and operations of the Stratford Business Park.

Internally generated revenues and expenses are eliminated on a consolidated basis.

TOWN OF STRATFORD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

16. Accumulated surplus:

	2017	2016
Municipal position		
Reserve funds	\$ 1,728,688	\$ 1,985,866
Operating fund	36,451,980	32,459,922
	\$ 38,180,668	\$ 34,445,788
Reserve funds		
Balance, beginning of the year	\$ 1,985,866	\$ 2,160,283
Net allocations from reserves	(257,178)	(174,417)
Balance, end of the year	\$ 1,728,688	\$ 1,985,866
Comprising of:		
Town:		
Dedication fees	\$ 103,163	\$ 103,078
Election	23,860	30,360
Utility capital contribution	131,286	131,286
Town capital project	135,803	135,803
Heritage grant reserve	15,198	17,198
Pondside Park dredging	42,000	35,000
Stratfords of the World	4,570	3,570
New Deal Gas Tax funds	488,511	800,557
RCMP building	249,721	249,721
RCMP vehicle	30,000	15,000
Recreation/Go PEI	6,003	-
Utility:		
Water supply capital contribution	498,573	464,293
	\$ 1,728,688	\$ 1,985,866

TOWN OF STRATFORD

Schedule of Tangible Capital Assets

Year ended December 31, 2017, with comparative figures for 2016

	Cost Beginning of Year	Additions	Disposals and Write Downs	Cost End of Year	Accumulated		Disposals and Write Downs	Accumulated Amortization End of Year	Net Book Value 2017	Net Book Value 2016
					Amortization Beginning of Year	Amortization Year				
Town:										
Land	\$ 1,274,899	\$ -	\$ -	\$ 1,274,899	\$ -	\$ -	\$ -	\$ -	\$ 1,274,899	\$ 1,274,899
Buildings and facility	7,522,471	121,378	-	7,643,849	3,071,921	184,860	-	3,256,781	4,387,068	4,450,550
Computer and equipment	1,374,068	77,792	-	1,451,860	1,156,491	42,384	-	1,198,875	252,985	217,577
Vehicle	1,122,215	16,812	-	1,139,027	1,094,343	7,378	-	1,101,721	37,306	27,872
Parks and other	2,268,581	508,274	-	2,776,855	1,622,147	22,386	-	1,644,533	1,132,322	646,434
Active transportation	5,929,353	587,195	-	6,516,548	2,071,171	263,309	-	2,334,480	4,182,068	3,858,182
Sewer utility:										
Land	783,759	-	-	783,759	-	-	-	-	783,759	783,759
Computer and equipment	140,147	620,298	-	760,445	127,805	22,333	-	150,138	610,307	12,342
Vehicle	184,713	-	-	184,713	130,957	26,388	-	157,345	27,368	53,756
Sewer	24,552,509	97,533	-	24,650,042	6,339,407	486,895	-	6,826,302	17,823,740	18,213,102
Water	15,193,128	3,560,710	-	18,753,838	2,669,438	342,381	-	3,011,819	15,742,019	12,523,690
	\$ 60,345,843	\$ 5,589,992	\$ -	\$ 65,935,835	\$ 18,283,680	\$ 1,398,314	\$ -	\$ 19,681,994	\$ 46,253,841	\$ 42,062,163