



Consolidated financial statements

Municipality of the County of Inverness

March 31, 2016

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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 statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and supplementary 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 are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting 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 preparation of the consolidated financial statements.

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

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Municipality of the County of Inverness 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 Municipality of the County of Inverness

Chief Administrative Officer

Director of Finance

Independent auditor's report

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To the Warden and Council of the
Municipality of the County of Inverness

We have audited the accompanying consolidated financial statements of the Municipality of the County of Inverness which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of financial activities, changes in net debt and cash flow 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 Municipality of the County of Inverness as at March 31, 2016, the consolidated results of its financial activities, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on Pages 19 to 23 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of consolidated financial statements taken as a whole.

Grant Thornton LLP

Port Hawkesbury, Canada
September 30, 2016

Chartered Professional Accountants

Municipality of the County of Inverness

Consolidated statement of financial position

March 31

2016

2015

Financial assets

Cash and temporary investments	\$ 15,917,206	\$ 15,102,782
Taxes receivable (Note 2)	1,777,188	1,815,875
User charges receivable (Note 3)	472,701	506,681
Receivable from governments (Note 4)	835,740	1,394,936
Other receivables	<u>729,622</u>	<u>455,647</u>
	<u>19,732,457</u>	<u>19,275,921</u>

Liabilities

Payables and accruals	3,567,586	3,683,039
Deferred revenue	3,259,719	2,553,353
Tax sale surplus	454,060	445,185
Unfunded retirement benefits (Note 7)	6,159,800	5,974,300
Long term debt (Page 19)	<u>36,087,169</u>	<u>37,409,328</u>
	<u>49,528,334</u>	<u>50,065,205</u>

Net debt

(29,795,877) (30,789,284)

Non-financial assets

Tangible capital assets (Pages 20 -21)	56,121,982	57,009,113
Tax sale properties	162,973	154,631
Prepays	3,116	3,210
Inventory	<u>127,884</u>	<u>138,156</u>
	<u>56,415,955</u>	<u>57,305,110</u>

Accumulated surplus

\$ 26,620,078 \$ 26,515,826

Commitments and contingencies (Note 7)

Approved by:

_____ Warden _____ CAO

See accompanying notes to the consolidated financial statements.

Municipality of the County of Inverness

Consolidated statement of financial activities

March 31

2016

2015

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Municipal taxation	8,511,244	8,761,867	8,539,866
Grants-in-lieu	386,182	398,621	427,289
Services provided to other governments	138,000	147,822	285,832
Conditional transfers from other governments	83,000	114,787	108,573
Unconditional transfers from other governments	490,100	539,400	489,541
Sale of services	215,055	14,958,623	14,807,712
Water utility operating revenues	570,400	521,634	497,375
Other revenue from own sources	323,530	485,892	587,003
Capital grants	-	804,826	1,105,432
	<u>10,717,511</u>	<u>26,733,472</u>	<u>26,848,623</u>
Expenditures			
General government services	2,290,327	2,683,920	2,760,289
Protective services	2,449,946	2,353,218	2,523,982
Transportation services	935,740	1,067,586	957,714
Environmental health services	2,395,165	2,915,416	2,844,970
Environmental development services	771,085	841,224	641,404
Public health and welfare services	-	15,350,703	15,912,511
Recreation and cultural services	685,845	658,044	638,825
Water treatment and distribution	748,300	759,109	800,023
	<u>10,276,408</u>	<u>26,629,220</u>	<u>27,079,718</u>
Annual surplus (deficit)	<u>\$ 441,103</u>	<u>\$ 104,252</u>	<u>\$ (231,095)</u>
Accumulated surplus, beginning of year		\$ 26,515,826	\$ 26,746,921
Annual surplus (deficit)		<u>104,252</u>	<u>(231,095)</u>
Accumulated surplus, end of year		<u>\$ 26,620,078</u>	<u>\$ 26,515,826</u>

See accompanying notes to the consolidated financial statements.

Municipality of the County of Inverness

Consolidated statement of changes in net debt

Year ended March 31

2016

2015

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual surplus (deficit)	\$ 441,103	\$ 104,252	\$ (231,095)
Acquisition of tangible capital assets, net	-	(1,607,664)	(2,690,779)
Amortization of tangible capital assets	-	2,494,795	2,637,180
	-	991,383	(284,694)
Change in tax sale properties and other non-financial assets	-	2,025	(22,341)
Change in net debt	<u>\$ 441,103</u>	993,408	(307,035)
-			
Net debt, beginning of year		(30,789,284)	(30,482,249)
Net debt, end of year		\$29,795,876	\$ (30,789,284)

Municipality of the County of Inverness

Consolidated statement of cash flow

Year ended March 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating activities		
Annual surplus (deficit)	\$ 104,252	\$ (231,095)
Amortization of tangible capital assets	<u>2,494,795</u>	<u>2,637,180</u>
	2,599,047	2,406,085
Tax sale properties and other non-financial assets	2,025	(22,341)
Taxes receivable	38,685	306,889
User charges receivable	33,980	67,725
Receivables from governments	559,196	(216,265)
Other receivables	(273,975)	279,060
Payables and accruals	(115,453)	(646,981)
Deferred revenue	706,367	311,730
Tax sale surplus	8,875	62,851
Unfunded retirement benefits	<u>185,500</u>	<u>226,900</u>
	<u>3,744,247</u>	<u>2,775,653</u>
Financing activities		
Repayment of long term debt	<u>(1,322,159)</u>	<u>(1,295,577)</u>
Investing activities		
Acquisition of tangible capital assets	<u>(1,607,664)</u>	<u>(2,690,779)</u>
Net increase (decrease) in cash and cash equivalents	814,424	(1,210,703)
Cash and cash equivalents		
Beginning of year	<u>15,102,782</u>	<u>16,313,485</u>
End of year	<u>\$ 15,917,206</u>	<u>\$ 15,102,782</u>

See accompanying notes to the consolidated financial statements.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies

The consolidated financial statements of the Municipality of the County of Inverness are the representations of management prepared in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSAB 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:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality. In addition to general government tax-supported operations and the water utility operations, they include the following:

County of Inverness Municipal Housing Corporation

Also consistent with generally accepted accounting principles for government partnerships, the following organizations are also included and are accounted for using the proportionate consolidation method:

Eastern District Planning Commission – 23% (2015 – 23%)

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by Council on June 10, 2015, in its original fiscal plan; they also include budgets prepared and approved by controlled entities and are adjusted for amortization in accordance with Public Sector requirements.

Revenue recognition

- (a) All non-government contributions or grant revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted revenue received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Unrestricted revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

- (b) Federal and/or provincial transfers for operating and capital purposes are recognized in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from the Federal government and/or the Province of Nova Scotia is authorized.
- (c) Other revenue is recognized when goods or services have been provided, amounts can be reasonably estimated and collection is reasonably assured.

Expenses

- (a) Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation.
- (b) Government transfers made to a recipient by the Municipality are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Cash and cash equivalents

Cash and cash equivalents include unrestricted cash on hand and balances with banks.

Tax sale

Annually, the Municipality hosts a tax sale for properties whose owners are not up to date on their tax payments. The amounts from the proceeds of sale in excess of tax owing must be held for a period of 20 years. After the 20 year period of holding these funds in trust has expired, the cash will be transferred to the capital reserve. In 2016 and 2015, there were no transfers made from the tax sale amounts to the capital reserve.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized using the following rates and basis:

Buildings	3.33%, straight line (30 years), 4% declining balance
Engineered structures	5%, straight line (20 years)
Automotive equipment	16.67%, straight line (6 years), 30% declining balance
Machinery and equipment	6.67 - 10%, straight line (10 – 15 years), 20% declining balance
Sewer lines	2%, straight line (50 years)
Paving and water systems	8%, declining balance
Streets and lighting	4%, straight line (25 years)
Computer equipment	30%, declining balance
Website development	10%, straight line (10 years)
Other equipment	10 - 35%, declining balance
Utility plant in service	2 - 20%, straight-line

A full year of amortization is charged in the year after acquisition. Assets under construction are not amortized until the asset is available for productive use. The Municipality does not capitalize interest as part of the costs of its capital assets.

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

School assets

All school buildings on hand remain assets of the Municipality but are under the operational control of the school board until such time as the board no longer requires the asset for school purposes. At that time, control will revert back to the Municipality.

School buildings have not been recorded as tangible capital assets, as they are not currently under the control of the Municipality.

Liability for contaminated sites

Effective for the fiscal period beginning on April 1, 2014, the Municipality of the County of Inverness was required to adopt Public Sector Accounting Section 3260 Liability for Contaminated Sites, which establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with the remediation of contaminated sites.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Liability for contaminated sites (continued)

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 all the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Municipality:
 - is directly responsible; or
 - accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

Management has reviewed all potential sites that are owned for application to this section and has concluded there is no known liability at this time.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates that effect the amounts recorded in the financial statements. Management reviews the carrying amounts of items in the financial statements at each fiscal year end date to assess the need for revisions. Items in preparation of these consolidated financial statements require management's best estimate based on assumptions that reflect the most probably set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to annual surplus as appropriate in the year they become known.

Significant items subject to management estimates include:

<u>Financial statement element</u>	<u>Management estimate</u>
Taxes receivable	Allowance for doubtful accounts
Payables and accruals	Accrued liability
Tangible capital assets	Useful lives

2. Taxes receivable	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,550,086	\$ 2,711,041
Levy	12,857,345	12,224,417
Interest	<u>252,821</u>	<u>271,485</u>
	15,660,252	15,206,943
Collections	<u>12,769,864</u>	<u>12,381,185</u>
	2,890,388	2,825,758
Write offs, adjustments, and exemptions	<u>327,615</u>	<u>320,410</u>
	2,562,773	2,505,348
Valuation allowance	<u>785,585</u>	<u>689,473</u>
Balance, end of year	<u>\$ 1,777,188</u>	<u>\$ 1,815,875</u>

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

3. User charges receivable	<u>2016</u>	<u>2015</u>
Capital charges	\$ 223,227	\$ 282,526
Water rates	<u>249,474</u>	<u>224,155</u>
	<u>\$ 472,701</u>	<u>\$ 506,681</u>

4. Receivable from governments	<u>2016</u>	<u>2015</u>
Federal government	\$ 449,248	\$ 1,134,733
Provincial government	<u>386,492</u>	<u>260,203</u>
	<u>\$ 835,740</u>	<u>\$ 1,394,936</u>

5. Schools

On January 1, 1982, the Municipality of the County of Inverness joined with the Town of Port Hawkesbury to form the Inverness District School Board. Under the agreement, all school buildings on hand at December 31, 1981, will remain assets of the Municipality but will be under the operational control of the District School Board until such time as the Board no longer requires the asset for school purposes. At that time, control will revert back to the Municipality.

6. Contributions to boards and commissions

Boards and commissions in which the Municipality has less than a 100% interest. The Municipality is required to finance the operations of various boards and commissions, along with the other local municipal units to the extent of its participation based on assessment, population or prescribed formulae.

In addition to any budgeted contributions, the municipal units share in the deficits or surpluses of these boards based on their sharing percentages. A municipal unit's share of any deficit must be paid in the next fiscal year while a surplus may be taken into the next year's estimates. Alternatively, the Municipality may provide for its share of the surplus or deficit in the current year.

Details of contributions to these boards and commissions are as follows:

	<u>2016</u>	<u>2015</u>
Cape Breton Island Housing Authority	\$ 169,507	\$ 164,067
Eastern Counties Regional Library	\$ 105,400	\$ 103,000

The Municipality has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2016.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

7. Commitments and contingencies

(a) Pension costs and obligations

Defined Contribution Pension Plan

During the year, the Municipality matched employee contributions to a money-purchase pension plan for full-time employees to a maximum percentage of each participating employee's gross pay depending on years of service. The graduated rates for employee and employer contributions are as follows:

Under 10 years	5%
10 to 20 years	7%
Over 20 years	9%

Contributions totalling \$106,978 in 2016 (2015 - \$104,142) are included in the wages and benefits as part of expenditures.

Defined Benefit Plan

Certain of the employees of Inverness County Municipal Housing Corporation (ICMHC) participate in a multiemployer pension plan sponsored by the Nova Scotia Health Employees' Pension Plan (NSHEPP). The plan is a defined benefit plan and the employees contribute 7.82% and 10.18% (over the YMPE) with the employer matching the employee contributions plus an additional 1.4% of pensionable earnings, for a maximum contribution of 9.22% and 11.58% (over the YMPE). During the year, the ICMHC contributed \$574,626 (2015 - \$536,391) towards this plan.

As of March 31, 2016, there were no required future contributions in respect of past service and all contributions required under the plan had been funded. The most recent actuarial valuation for funding purposes as of July 1, 2014 discloses a funding excess of \$935 million on a going-concern basis.

Pension enhancement

During the 2006 fiscal year, the Municipality approved pension enhancements for a specific group of former employees affected by the service exchange in 1995. This was facilitated by an Act of the Nova Scotia legislature in May of 2002. The Municipality decided to fund these amounts annually as opposed to providing a lump sum into their current pension plan(s). In addition to this group, the Municipality has made a commitment to a specific group of employees for years of service prior to when the current pension plan was available.

An actuarial valuation for accounting purposes has been obtained for the year ended March 31, 2016. The March 31, 2016, actuarial valuation indicated that the pension enhancement had an accrued benefit obligation of \$6,159,800 (2015 - \$5,974,300).

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

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

7. Commitments and contingencies (continued)

(a) Pension costs and obligations (continued)

Pension enhancement (continued)

The significant actuarial assumptions used in measuring the Municipality's accrued benefit obligations and benefit costs are as follows:

- Discount rate of 6.00%
- Rate of compensation increase of 3.00%
- Expected long term rate of return on plan assets of 4.00%; and
- Remaining years of service for employee group of 7 years

An actuarial valuation has been obtained by the Municipality which has been prepared under PSA 3250 of the Public Sector Accounting Handbook.

7. Commitments and contingencies (continued)

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation, beginning of year	\$ 5,974,300	\$ 5,747,400
Current service cost	89,200	86,100
Interest on obligation	356,000	345,200
Less: benefits paid	(259,700)	(249,200)
Actuarial losses (gains)	-	44,800
Accrued benefit obligation, end of year	<u>6,159,800</u>	<u>5,974,300</u>
Pension assets, at market related values	-	-
Funded status – surplus (deficiency)	<u>(6,159,800)</u>	<u>(5,974,300)</u>
Unamortized actuarial gains (losses)	-	-
Unfunded retirement benefits	<u>\$ (6,159,800)</u>	<u>\$ (5,974,300)</u>

(b) Loan guarantees

The Municipality has guaranteed the bank loan for several volunteer fire departments. As of March 31, 2016, the details of these are as follows:

	<u>Guarantee amount</u>	<u>Outstanding loan balance</u>
Margaree	\$ 170,306	\$ 43,005
Mabou Fire Department	\$ 155,653	\$ 69,328
Judique Fire Department	\$ 46,934	\$ 20,882
Port Hood Fire Department	\$ 192,455	\$ -
North East Margaree	\$ 65,000	\$ -
Whycocomagh	\$ 300,000	\$ 21,313
Valley Mills Fire Department	\$ 100,000	\$ 93,552

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

8. Other

Total remuneration and expenses paid to elected and senior appointed officials of the Municipality are as follows:

	<u>Position</u>	<u>Remuneration</u>	<u>Expenses</u>
<u>Elected officials</u>			
Duart MacAulay	Warden	\$ 46,584	\$ 6,489
Alfred Poirier	Councillor	\$ 33,742	\$ 4,649
Gloria LeBlanc	Councillor	\$ 31,482	\$ 2,570
Jim Mustard	Councillor	\$ 31,482	\$ 9,051
Betty Ann MacQuarrie	Councillor	\$ 33,101	\$ 3,808
Dwayne MacDonald	Councillor	\$ 31,482	\$ 5,585
<u>Senior officials</u>			
Joe O'Connor	Chief Administrative Officer	\$ 120,036	\$ 7,545

9. Landfill closure and post-closure costs

In accordance with the regulations of Nova Scotia Environment, the Municipality is required to close its Kenloch landfill. The Municipality has obtained permits to use the site for construction and demolition as well as recycling efforts; however, the Municipality will be required to close the site at some point and in doing so will have to incur the related post-closure costs. Based on the reports of consulting engineers, the costs for closing the site including cleanup, capping and general structure maintenance are estimated to be \$270,000. In addition, there will be ongoing costs for groundwater monitoring for \$13,000 annually. While not specifically mentioned, management has estimated these costs will be incurred annually for 20 years.

Included in payables and accruals is \$460,000, being the estimated sum of the discounted future cash flows associated with closure and post closure care activities as noted above as of March 31, 2016. The Municipality has included in its reserves an amount of \$408,000 to fund these future landfill closure costs.

10. Sick leave benefit obligation

The municipality provides sick leave benefits to its employees. Sick leave is expensed in the period that it is incurred. Public sector accounting standards require a liability and expense for compensated absences that vest or accumulate and do not vest. The Municipality has not had the liability calculated by an actuary and therefore has not recognized any liability in these financial statements. The amount could be material to the financial statements.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2016.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

12. Budget figures

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net assets has been adjusted to be on a consistent basis as actual results. The adjustments below include netting school board appropriations and reduced taxes against tax revenues, and reclassification of revenues and expenditures amongst categories. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statement:

	Approved <u>Fiscal Plan</u>	<u>Adjustments</u>	Per Financial <u>Statements</u>
Revenue			
Taxes	\$ 8,511,244	\$ -	\$ 8,511,244
Grants in lieu of taxes	386,182	-	386,182
Services provided to other governments	138,000	-	138,000
Conditional transfers from other governments	83,000	-	83,000
Unconditional transfers from other governments	490,100	-	490,100
Sale of services	215,055	-	215,055
Other revenue	536,430	(212,900)	323,530
Water rates	<u>570,400</u>	<u>-</u>	<u>570,400</u>
	<u>10,930,411</u>	<u>(212,900)</u>	<u>10,717,511</u>
Expense			
General government services	2,290,327	-	2,290,327
Protective services	2,662,846	(212,900)	2,449,946
Transportation services	935,740	-	935,740
Environmental health services	2,395,165	-	2,395,165
Environmental development services	771,085	-	771,085
Recreation and cultural services	685,845	-	685,845
Water treatment and distribution	748,300	-	748,300
Transfers to (from) own reserves, funds and agencies	<u>441,103</u>	<u>(441,103)</u>	<u>-</u>
	<u>10,930,411</u>	<u>(441,103)</u>	<u>10,276,408</u>
Annual (deficit) surplus	<u>\$ -</u>	<u>\$ (441,103)</u>	<u>\$ 441,103</u>

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2016

13. Segment disclosure

The Municipality of the County of Inverness is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. This presentation is in accordance with the Provincial Financial Reporting and Accounting Manual, and 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 and their activity is reported in these funds. The services provided by these departments are as follows:

General government services

This department is responsible for the overall financial and local government administration. Its tasks include tax administration, trade payables and receivables, budgets, financial statements and adherence to the *Municipal Government Act*.

Protective services

The Municipality is primarily responsible for fire protection for its residents. The Municipality engages the services of various not for profit, volunteer fire departments in order to fulfil its fire protection role. The Municipality pays operating grants to the fire departments to assist in the operating cost of the fire departments along with capital expenditure grants for acquisition of certain fire fighting apparatus and vehicles approved by Council. The Town engages the RCMP for policing services.

Transportation services

The Municipality is responsible for the maintenance and construction sidewalks including snow removal. They are also responsible for the street lighting within the Municipality.

Environmental health services

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

Recreation and cultural services

The recreation department is responsible for promoting and offering opportunities and activities to the Municipality's residents including programs, grants for facility development and programs. The department also provides funding for special municipal recreation initiatives and projects along with assistance for community based projects. The municipality provides a municipal contribution towards the operations of the Eastern Counties Regional Library Board and pays for the operating cost, excluding wages and benefits, for the Coady Tompkins Library which is a branch library of the Eastern Counties Regional Library Board.

Municipality of the County of Inverness

Notes to the Consolidated Financial Statements

March 31, 2016

13. Segment disclosure (continued)

	General <u>Government</u>	<u>Protective</u>	<u>Transportation</u>	Environmental <u>health</u>	Public <u>health</u>	Environmental <u>development</u>	Recreation and <u>cultural</u>	Water <u>treatment</u>	<u>2016</u>	<u>2015</u>
Revenues										
Taxes	\$ 2,235,501	\$ 1,960,052	\$ 889,218	\$ 2,428,320	\$ -	\$ 700,676	\$ 548,100	\$ -	\$ 8,761,867	\$ 8,539,866
Grants in lieu of taxes	101,704	89,173	40,455	110,476	-	31,877	24,936	-	398,621	427,289
Services provided to other governments	-	-	-	-	-	147,822	-	-	147,822	285,832
Unconditional transfers from other governments	114,787	-	-	-	-	-	-	-	114,787	108,573
Conditional transfers from other governments	465,102	-	-	74,298	-	-	-	-	539,400	489,541
Sale of services	181,888	-	-	-	14,723,790	52,945	-	-	14,958,623	14,807,712
Water utility operating revenues	-	-	-	-	-	-	-	521,634	521,634	497,375
Other revenues from own sources	405,713	-	-	-	80,179	-	-	-	485,892	587,003
Capital grants	-	-	-	804,826	-	-	-	-	804,826	1,105,432
	<u>3,504,695</u>	<u>2,049,225</u>	<u>929,673</u>	<u>3,417,920</u>	<u>14,803,969</u>	<u>933,320</u>	<u>573,036</u>	<u>521,634</u>	<u>26,733,472</u>	<u>26,848,623</u>
Expenditures										
Salaries and benefits	1,057,405	-	57,073	1,168,714	9,895,990	-	338,642	271,239	12,789,063	10,770,874
Goods, services and other	1,548,075	2,353,218	870,911	1,212,462	2,431,021	838,465	319,402	335,411	9,908,965	12,237,084
Amortization	55,545	-	139,602	534,240	1,621,560	2,759	-	141,089	2,494,795	2,637,180
Interest	22,895	-	-	-	1,402,132	-	-	11,370	1,436,397	1,434,580
	<u>2,683,920</u>	<u>2,353,218</u>	<u>1,067,586</u>	<u>2,915,416</u>	<u>15,350,703</u>	<u>841,224</u>	<u>658,044</u>	<u>759,109</u>	<u>26,629,220</u>	<u>27,079,718</u>
Annual surplus (deficit)	\$ <u>820,775</u>	\$ <u>(303,993)</u>	\$ <u>(137,913)</u>	\$ <u>502,504</u>	\$ <u>(546,734)</u>	\$ <u>92,096</u>	\$ <u>(85,008)</u>	\$ <u>(237,475)</u>	\$ <u>104,252</u>	\$ <u>(231,095)</u>

Municipality of the County of Inverness

Schedule of debt charges and term debt

Year ended March 31, 2016

	Interest rate	Loan Continuity		Interest
		Balance April 1, 2015	Repaid	
<i>General Capital</i>				
Municipal Finance Corporation	4.420%-4.625%	\$ 600,000	\$ (200,000)	\$ 400,000 \$ 22,895
<i>Water Capital</i>				
Municipal Finance Corporation	1.490%-4.026%	850,000	(50,000)	800,000 11,370
<i>Housing Corporation</i>				
Nova Scotia Housing Development Corporation	3.730%	32,641,331	(964,800)	31,676,531
Nova Scotia Housing Development Corporation	5.000%	3,152,185	(88,194)	3,063,991
Canada Mortgage and Housing Corporation	6.875%	165,812	(19,165)	146,647
		<u>35,959,328</u>	<u>(1,072,159)</u>	<u>34,887,169</u> <u>1,355,825</u>
Total municipal debt		<u>\$ 37,409,328</u>	<u>\$ (1,322,159)</u>	<u>\$ 36,087,169</u> <u>\$ 2,462,249</u>

Principal repayments in each of the next five (5) years are as follows:

2017	\$ 1,354,047
2018	\$ 1,397,769
2019	\$ 1,243,257
2020	\$ 1,290,582
2021	\$ 1,341,692

All long term debt has been authorized by the Minister of Municipal Affairs.

Municipality of the County of Inverness

Schedule of tangible capital assets

March 31, 2016

	<u>Land</u>	<u>Buildings</u>	<u>Engineered structures</u>	<u>Automotive equipment</u>	<u>Machinery and equipment</u>	<u>Paving and water system</u>	<u>Sewer Lines</u>
Cost							
Balance, beginning of year	\$ 272,382	\$45,062,919	\$ 1,562,197	\$ 447,661	\$ 5,473,607	\$ 822,367	\$ 5,622,519
Add							
Net additions during the year	<u>180,191</u>	<u>355,693</u>	<u>-</u>	<u>-</u>	<u>200,726</u>	<u>-</u>	<u>12,264</u>
Balance, end of year	<u>452,573</u>	<u>45,418,612</u>	<u>1,562,197</u>	<u>447,661</u>	<u>5,674,333</u>	<u>822,367</u>	<u>5,634,783</u>
Accumulated amortization							
Balance, beginning of year	-	8,449,913	1,068,673	344,544	3,270,772	221,064	2,757,781
Add							
Amortization during the year	<u>-</u>	<u>1,538,886</u>	<u>62,890</u>	<u>35,875</u>	<u>429,384</u>	<u>48,104</u>	<u>111,681</u>
Balance, end of year	<u>-</u>	<u>9,988,799</u>	<u>1,131,563</u>	<u>380,419</u>	<u>3,700,156</u>	<u>269,168</u>	<u>2,869,462</u>
NET BOOK VALUE	<u>\$ 452,573</u>	<u>\$35,429,813</u>	<u>\$ 430,634</u>	<u>\$ 67,242</u>	<u>\$ 1,974,177</u>	<u>\$ 553,199</u>	<u>\$ 2,765,321</u>

Municipality of the County of Inverness

Schedule of tangible capital assets

March 31, 2016

	<u>Streets and lights</u>	<u>Computer equipment</u>	<u>Website</u>	<u>Other equipment</u>	<u>Utility plant</u>	<u>Work in progress</u>	<u>2016 Total</u>	<u>2015 Total</u>
Cost								
Balance, beginning of year	\$ 2,629,500	\$ 190,557	\$ 116,822	\$ 26,325	\$ 6,574,731	\$ 6,194,065	\$ 74,995,652	\$ 72,304,873
Add								
Net additions during the year	<u>14,809</u>	<u>9,227</u>	<u>-</u>	<u>15,513</u>	<u>65,115</u>	<u>754,126</u>	<u>1,607,664</u>	<u>2,690,779</u>
Balance, end of year	<u>2,644,309</u>	<u>199,784</u>	<u>116,822</u>	<u>41,838</u>	<u>6,639,846</u>	<u>6,948,191</u>	<u>76,603,316</u>	<u>74,995,652</u>
Accumulated amortization								
Balance, beginning of year	502,883	22,253	58,411	21,841	1,268,404	-	17,986,539	15,349,359
Add								
Amortization during the year	<u>105,772</u>	<u>2,570</u>	<u>11,682</u>	<u>6,862</u>	<u>141,089</u>	<u>-</u>	<u>2,494,795</u>	<u>2,637,180</u>
Balance, end of year	<u>608,655</u>	<u>24,823</u>	<u>70,093</u>	<u>28,703</u>	<u>1,409,493</u>	<u>-</u>	<u>20,481,334</u>	<u>17,986,539</u>
NET BOOK VALUE	<u>\$ 2,035,654</u>	<u>\$ 174,961</u>	<u>\$ 46,729</u>	<u>\$ 13,135</u>	<u>\$ 5,230,353</u>	<u>\$ 6,947,191</u>	<u>\$ 56,121,982</u>	<u>\$ 57,009,113</u>

Municipality of the County of Inverness

Water utility

Operating fund balance sheet

(Unaudited)
March 31

	2016	2015
Assets		
Cash and cash equivalents	\$ 418,473	\$ 256,907
Accounts receivable		
Rates (less allowance for doubtful accounts \$33,807; 2015 - \$62,791)	249,474	224,155
Other	20,016	29,585
Due from general section, operating fund	<u>-</u>	<u>193,380</u>
	<u>\$ 687,963</u>	<u>\$ 704,027</u>
<hr/>		
Liabilities and operating surplus		
Accounts payable and accrued liabilities	\$ 44,562	\$ 95,845
Due to water utility section, capital fund	507,209	456,871
Due to general section, operating fund	<u>11,891</u>	<u>-</u>
	563,662	552,716
Operating surplus	<u>124,301</u>	<u>151,311</u>
	<u>\$ 687,963</u>	<u>\$ 704,027</u>

Municipality of the County of Inverness

Water utility

Operating fund statement of operations

(Unaudited)

Year ended March 31

	2016	2015
	<u>Actual</u>	<u>Actual</u>
Operating revenues		
Flat rate sales	\$ 139,409	\$ 142,702
Metered sales	382,225	336,098
Public fire protection	202,175	202,175
Interest and sundry	<u>58,361</u>	<u>18,575</u>
	<u>782,170</u>	<u>699,550</u>
Operating expenses		
Source of supply	65,020	88,065
Power and pumping	110,457	107,983
Purification	181,558	201,772
Transmission and distribution	174,523	180,485
Collection, administration, and general	85,953	77,268
Depreciation	141,089	134,665
Other	<u>509</u>	<u>7,473</u>
	<u>759,109</u>	<u>797,711</u>
Operating income (loss)	<u>23,061</u>	<u>(98,161)</u>
Non-operating expense		
Debt charges		
Debenture principal repayments	50,000	50,000
Debenture interest	<u>29,718</u>	<u>30,588</u>
	<u>79,718</u>	<u>80,588</u>
Non-operating revenue		
Amortization of deferred government assistance	<u>29,647</u>	<u>29,647</u>
Excess of expenses over revenues	(27,010)	(149,102)
Surplus, beginning of year	<u>151,311</u>	<u>300,413</u>
Surplus, end of year	<u>\$ 124,301</u>	<u>\$ 151,311</u>

Municipality of the County of Inverness

Water utility

Capital fund balance sheet

(Unaudited)
March 31

2016

2015

Assets

Cash		
Depreciation fund	\$ 1,030,719	\$ 1,022,542
Due from general section, operating fund	171,882	171,882
Due from water utility section, operating fund	507,209	456,871
Utility plant in service	<u>6,635,835</u>	<u>6,574,731</u>
	<u>\$ 8,345,645</u>	<u>\$ 8,226,026</u>

Liabilities

Due to general section, reserve fund	\$ 1,216,875	\$ 1,216,875
Deferred government contributions	1,822,520	1,852,169
Long term debt		
Municipal Finance Corporation	<u>800,000</u>	<u>850,000</u>
	<u>3,839,395</u>	<u>3,919,044</u>

Equity

Reserve for depreciation	1,166,885	1,090,911
Investment in capital assets	<u>3,339,365</u>	<u>3,216,071</u>
	<u>4,506,250</u>	<u>4,306,982</u>
	<u>\$ 8,345,645</u>	<u>\$ 8,226,026</u>

Municipality of the County of Inverness
Water utility
Statement of reserve for depreciation

(Unaudited)

Year ended March 31 2016 2015

Balance, beginning of year	\$ 1,090,911	\$ 1,133,739
Capital funded through reserve	(65,115)	(177,493)
Depreciation for the year	<u>141,089</u>	<u>134,665</u>
Balance, end of year	<u>\$ 1,166,885</u>	<u>\$ 1,090,911</u>

Water utility
Statement of investment in capital assets

(Unaudited)

Year ended March 31 2016 2015

Balance, beginning of year	\$ 3,216,071	\$ 2,978,408
Term debt retired	50,000	50,000
Interest earned on depreciation fund	8,178	10,170
Transfer from depreciation reserve	<u>65,115</u>	<u>177,493</u>
Balance, end of year	<u>\$ 3,339,364</u>	<u>\$ 3,216,071</u>

Municipality of the County of Inverness

Water utility

Schedule of utility plant and equipment

(Unaudited)

Year ended March 31

2016

2013

Tangible plant		
Land and land rights	\$ 59,192	\$ 59,192
Source of supply	585,078	579,323
Reservoir	1,468,015	1,468,015
Structures and improvements		
Power and pumping	210,718	210,718
Electric pumping equipment	111,505	111,505
Purification equipment	1,437,366	1,424,379
Port Hood water project	100,001	100,001
Transmission mains	659,428	659,428
Distribution mains	1,128,175	1,428,175
Services	115,572	115,572
Meters	289,346	246,984
Hydrants	140,776	140,776
Other tangible plant	<u>30,663</u>	<u>30,663</u>
	<u>\$ 6,635,835</u>	<u>\$ 6,574,731</u>
