



Consolidated financial statements

Municipality of the County of Inverness

March 31, 2013

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Management's responsibility for financial reporting

The accompanying consolidated financial statements of the Municipality of the County of Inverness are the responsibility of management and have been approved by the Warden and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Municipality maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Town's assets are appropriately accounted for and adequately safeguarded.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the Council. Grant Thornton LLP has full and free access to the Council.

Chief Administrative Officer

Director of Finance

Independent auditor's report

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To the Members of Council, Inhabitants and Ratepayers of the
Municipality of the County of Inverness

We have audited the accompanying consolidated statement of financial position of the Municipality of the County of Inverness (the "Municipality") as at March 31, 2013, and the consolidated results of operations, changes in net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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 Municipality'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 Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Municipality's 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of the County of Inverness as at March 31, 2013, 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.

Other matters

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The Water Utility statements and schedules on pages 20 to 24 are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Port Hawkesbury, Canada

December 2, 2013

Grant Thornton LLP
Registered Municipal Auditor

Municipality of the County of Inverness

Consolidated statement of financial position

Restated
(See Note 2)

March 31 2013 2012

Financial assets

| | | |
|--------------------------------------|-------------------|-------------------|
| Cash and temporary investments | \$ 12,905,678 | \$ 12,509,857 |
| Taxes receivable (Note 3) | 2,360,635 | 1,981,953 |
| User charges receivable (Note 4) | 637,467 | 791,866 |
| Receivable from governments (Note 5) | 4,222,473 | 1,992,006 |
| Other receivables | <u>901,776</u> | <u>530,976</u> |
| | <u>21,028,029</u> | <u>17,806,658</u> |

Liabilities

| | | |
|---------------------------------------|-------------------|-------------------|
| Payables and accruals | 4,482,911 | 7,416,257 |
| Deferred revenue | 1,201,860 | 1,026,106 |
| Tax sale surplus | 278,715 | 274,360 |
| Unfunded retirement benefits (Note 8) | 5,267,200 | 5,130,500 |
| Long term debt (Page 16) | <u>39,965,677</u> | <u>34,611,362</u> |
| | <u>51,196,363</u> | <u>48,458,585</u> |

Net debt

(30,168,334) (30,651,927)

Non-financial assets

| | | |
|--|-------------------|-------------------|
| Tangible capital assets (Pages 17 -18) | 57,823,038 | 58,799,289 |
| Tax sale properties | 141,974 | 181,974 |
| Prepays | 3,113 | 51,963 |
| Inventory | <u>118,179</u> | <u>83,697</u> |
| | <u>58,086,304</u> | <u>59,116,923</u> |

Accumulated surplus

\$ 27,917,970 \$ 28,464,996

Commitments and contingencies (Note 8)

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 | 2013 | Restated (See Note 2) 2012 | |
|--|-------------------|----------------------------------|----------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
| Revenue | | | |
| Taxes | \$ 11,507,501 | \$ 11,581,153 | \$ 10,982,690 |
| Less: school board requisition | (2,651,020) | (2,643,020) | (2,465,777) |
| Less: fire department tax levy | <u>(734,556)</u> | <u>(734,556)</u> | <u>(712,064)</u> |
| Municipal taxation | 8,121,925 | 8,203,577 | 7,804,849 |
| Grants-in-lieu | 334,398 | 353,172 | 356,463 |
| Services provided to other governments | 215,000 | 251,227 | 481,210 |
| Conditional transfers from other governments | 50,000 | 93,451 | 81,704 |
| Unconditional transfers from other governments | 669,475 | 670,348 | 696,228 |
| Sale of services | 786,620 | 14,438,285 | 10,675,431 |
| Other revenue from own sources | 350,457 | 937,567 | 510,185 |
| Capital grants | - | 1,245,091 | 1,899,327 |
| Interest and sundry | <u>24,300</u> | <u>291,388</u> | <u>196,378</u> |
| | <u>10,552,175</u> | <u>26,484,106</u> | <u>22,701,775</u> |
| Expenditures | | | |
| General government services | 2,396,808 | 2,201,555 | 2,276,987 |
| Protective services | 2,377,770 | 2,415,592 | 2,230,849 |
| Transportation services | 1,024,109 | 794,196 | 780,635 |
| Environmental health services | 2,313,916 | 2,834,158 | 2,756,906 |
| Environmental development services | 644,102 | 618,091 | 519,399 |
| Public health and welfare services | 160,453 | 137,395 | 147,438 |
| Recreation and cultural services | 646,350 | 601,368 | 550,799 |
| Housing Corporation – operations | - | 13,945,860 | 9,705,507 |
| Water treatment and distribution | <u>748,300</u> | <u>745,780</u> | <u>603,577</u> |
| | <u>10,311,808</u> | <u>24,293,995</u> | <u>19,572,097</u> |
| Net revenue | 340,367 | 2,190,111 | 3,129,678 |
| Loss on disposal of tangible capital assets | - | <u>(2,737,137)</u> | <u>(120,433)</u> |
| Annual (deficit) surplus | <u>\$ 340,367</u> | <u>\$ (547,026)</u> | <u>\$ 3,009,245</u> |
| Accumulated surplus, beginning of year | | \$ 28,464,996 | \$ 25,455,751 |
| Annual (deficit) surplus | | <u>(547,026)</u> | <u>3,009,245</u> |
| Accumulated surplus, end of year | | <u>\$ 27,917,970</u> | <u>\$ 28,464,996</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 | 2013 | Restated (See Note 2) 2012 |
|---|-------------------------------|----------------------------------|
| Annual (deficit) surplus | \$ (547,026) | \$ 3,009,245 |
| Acquisition of tangible capital assets, net | (3,614,480) | (13,634,679) |
| Amortization of tangible capital assets | 1,848,664 | 1,005,961 |
| Proceeds on disposal of tangible capital assets | 4,928 | 70,949 |
| Loss on disposal of tangible capital assets | <u>2,737,137</u> | <u>120,433</u> |
| | <u>429,223</u> | <u>(9,428,091)</u> |
| Change in tax sale properties other non-financial assets | <u>54,370</u> | <u>(115,876)</u> |
| Change in net debt | 483,593 | (9,543,967) |
| Net debt, beginning of year | <u>(30,651,927)</u> | <u>(21,107,960)</u> |
| Net debt, end of year | <u>\$ (30,168,334)</u> | <u>\$ (30,651,927)</u> |

Municipality of the County of Inverness

Consolidated statement of changes in financial position

Restated
(See Note 2)

Year ended March 31 2013 2012

Increase (decrease) in cash and cash equivalents

Operating activities

| | | |
|---|--------------------|------------------|
| Annual (deficit) surplus | \$ (547,026) | \$ 3,009,245 |
| Amortization of tangible capital assets | 1,848,664 | 1,005,961 |
| Loss on disposal of tangible capital assets | <u>2,737,137</u> | <u>120,433</u> |
| | 4,038,775 | 4,135,639 |
| (Increase) decrease in tax sale properties and other non-financial assets | 54,370 | (115,876) |
| Increase in taxes receivable | (378,682) | (95,462) |
| Decrease (increase) in user charges receivable | 154,399 | 145,844 |
| Decrease (increase) in receivables from governments | (2,230,467) | 2,426,559 |
| Increase in other receivables | (370,800) | (171,104) |
| (Decrease) increase in payables and accruals | (2,933,346) | 517,725 |
| Increase (decrease) in deferred revenue | 175,754 | (113,183) |
| Increase (decrease) in tax sale surplus | 4,355 | 2,183 |
| Increase in unfunded retirement benefits | <u>136,700</u> | <u>115,700</u> |
| | <u>(1,348,942)</u> | <u>6,848,025</u> |

Financing activities

| | | |
|-----------------------------|------------------|-------------------|
| Proceeds of long term debt | 6,215,852 | 10,992,567 |
| Repayment of long term debt | <u>(861,537)</u> | <u>(316,136)</u> |
| | <u>5,354,315</u> | <u>10,676,431</u> |

Investing activities

| | | |
|---|--------------------|---------------------|
| Proceeds from disposal of tangible capital assets | 4,928 | 70,949 |
| Acquisition of tangible capital assets | <u>(3,614,480)</u> | <u>(13,634,679)</u> |
| | <u>(3,609,552)</u> | <u>(13,563,730)</u> |

Net increase in cash and cash equivalents **395,821** **3,960,726**

Cash and cash equivalents

| | | |
|-------------------|----------------------|----------------------|
| Beginning of year | <u>12,509,857</u> | <u>8,549,131</u> |
| End of year | <u>\$ 12,905,678</u> | <u>\$ 12,509,857</u> |

See accompanying notes to the consolidated financial statements.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

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 Canadian Institute of Chartered Accountants.

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:

Strait-Highlands Regional Development Agency - 35% (2012 – 35%)
Eastern District Planning Commission – 23% (2012 – 23%)

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by Council on June 11, 2012, 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.

Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

Fund accounting

Funds within the consolidated financial statements consist of the operating, capital, trust and reserve funds for the general operations, the water utility, and the County of Inverness Municipal Housing Corporation.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

1. Summary of significant accounting policies (continued)

Reserves for future expenditures

Certain amounts, as approved by Municipal Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to and from reserves and reserve funds are reflected as an adjustment to the respective fund.

Use of estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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.

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

The Municipality does not capitalize interest as part of the costs of its capital assets. Certain assets such as surplus schools are disclosed at a nominal value as the determination of a fair market value for these types of assets is not appropriate.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

1. Summary of significant accounting policies (continued)

Segmented information

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.

Transportation services

The Municipality is responsible for the maintenance and construction of roads and 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, 2013

2. Change in accounting policies and restatement of prior year

Change in accounting policies

On April 1, 2012, the Municipality of the County of Inverness adopted Public Accounting Standards *PS 3410 - Government Transfers* and *PS 3510 - Tax Revenue*. PS 3410 was applied prospectively upon adoption while PS 3510 was applied retroactively upon adoption as required by the Public Sector Accounting Handbook. Under PS 3410, government transfers should be recognized as revenue when the transfer is authorized, eligibility criteria and stipulations are met. Under PS 3510, tax revenues collected on behalf of others when the Municipality is acting as an intermediary would be considered a flow-through arrangement and would not be recognized as tax revenue by the Municipality. In accordance with the provisions of these new standards, no adjustments to the consolidated financial statements were required in the adoption of these new standards.

Restatement of prior year

In prior years, the County of Inverness Municipal Housing Corporation had been consolidated using the modified equity basis. Under PSAB, government not-for-profit organizations are required to be consolidated with the financial statements of the reporting entity by aggregating the financial statement elements of the controlled organization with those of the reporting entity. This error has been applied retroactively. Prior year financial statements have been restated based on these principles and the effect is an increase in revenues of \$9,307,210, increase in expenditures of \$8,993,443, increase in financial assets of \$5,038,374, increase in financial liabilities of \$37,717,505, increase in net debt of \$32,679,131 and increase in non-financial assets of \$32,679,131. There is no effect on the overall annual surplus and accumulated surplus as previously reported.

| 3. Taxes receivable | <u>2013</u> | <u>2012</u> |
|---|----------------------------|----------------------------|
| Balance, beginning of year | \$ 2,857,766 | \$ 3,076,491 |
| Levy | 11,581,153 | 10,982,690 |
| Interest | <u>198,787</u> | <u>282,656</u> |
| | 14,637,706 | 14,341,837 |
| Collections | <u>11,141,057</u> | <u>11,099,725</u> |
| | 3,496,649 | 3,242,112 |
| Write offs, adjustments, and exemptions | <u>294,804</u> | <u>384,346</u> |
| | 3,201,845 | 2,857,766 |
| Valuation allowance | <u>841,210</u> | <u>875,813</u> |
| Balance, end of year | <u>\$ 2,360,635</u> | <u>\$ 1,981,953</u> |

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

| | <u>2013</u> | Restated (See Note 2) <u>2012</u> |
|-----------------------------------|-------------------|---|
| 4. User charges receivable | | |
| Capital charges | \$ 404,243 | \$ 558,286 |
| Water rates | <u>233,224</u> | <u>233,580</u> |
| | <u>\$ 637,467</u> | <u>\$ 791,866</u> |

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|---------------------|---------------------|
| 5. Receivable from governments | | |
| Federal government | \$ 2,937,355 | \$ 1,717,942 |
| Provincial government | <u>1,285,118</u> | <u>274,064</u> |
| | <u>\$ 4,222,473</u> | <u>\$ 1,992,006</u> |

6. 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.

7. 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.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

7. Contributions to boards and commissions (continued)

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

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|-------------|-------------|
| Cape Breton Island Housing Authority | \$ 137,395 | \$ 147,438 |
| Eastern Counties Regional Library | \$ 95,768 | \$ 93,568 |

The Municipality has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2013.

8. 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 \$69,702 in 2013 (2012 - \$76,681) are included in the wages and benefits as part of expenditures.

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, 2013. The March 31, 2013, actuarial valuation indicated that the pension enhancement had an accrued benefit obligation of \$5,267,200 (2012 - \$5,130,500).

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, 2013

8. Commitments and contingencies (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 6.00%; 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 PSAB 3250 of the Public Sector Accounting Handbook.

| | <u>2013</u> | <u>2012</u> |
|---|-----------------------|-----------------------|
| Accrued benefit obligation, beginning of year | \$ 5,130,500 | \$ 4,996,000 |
| Current service cost | 77,000 | 72,600 |
| Interest on obligation | 305,100 | 297,100 |
| Less: benefits paid | (245,400) | (235,200) |
| Actuarial losses (gains) | - | - |
| Accrued benefit obligation, end of year | <u>5,267,200</u> | <u>5,130,500</u> |
| Pension assets, at market related values | - | - |
| Funded status – surplus (deficiency) | - | - |
| Unamortized actuarial gains (losses) | <u>-</u> | <u>-</u> |
| Unfunded retirement benefits | <u>\$ (5,267,200)</u> | <u>\$ (5,130,500)</u> |

(b) Loan guarantees

The Municipality has guaranteed the bank loan for several volunteer fire departments. As of March 31, 2013, the details of these are as follows:

| | <u>Guarantee amount</u> | <u>Outstanding loan balance</u> |
|---------------------|-----------------------------|-------------------------------------|
| Valley Mills | \$ 150,000 | \$ - |
| Margaree | \$ 170,306 | \$ 123,778 |
| North East Margaree | \$ 65,000 | \$ 61,014 |
| Whycocomagh | \$ 300,000 | \$ 190,749 |

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

9. Other

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

| <u>Official</u> | <u>Position</u> | <u>Remuneration</u> | <u>Expenses</u> |
|-----------------------------------|------------------------------|---------------------|-----------------|
| <u>Elected officials</u> | | | |
| Duart MacAulay | Warden | \$ 42,698 | \$ 6,563 |
| Daniel Boudreau | Councillor | \$ 17,459 | \$ 4,796 |
| Alfred Poirier | Councillor | \$ 11,248 | \$ 3,260 |
| Gloria LeBlanc | Councillor/Deputy warden | \$ 28,747 | \$ 3,114 |
| Jim Mustard | Councillor | \$ 28,747 | \$ 6,360 |
| Susan Mallette | Councillor | \$ 19,177 | \$ 1,378 |
| Betty Ann MacQuarrie | Councillor | \$ 11,520 | \$ 843 |
| Dwayne MacDonald | Councillor/Deputy warden | \$ 30,246 | \$ 10,904 |
| <u>Senior appointed officials</u> | | | |
| Joe O'Connor | Chief Administrative Officer | \$ 113,492 | |

10. Landfill closure and post-closure costs

In keeping with the regulations of the Nova Scotia Department of Environment and Labour, 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 feels these costs will carry on for 20 years.

Included in payables and accruals is \$460,000, being the estimated value as of March 31, 2013, for the above costs. The Municipality has included in its reserves an amount of \$408,000 to cover these costs.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2013

11. Sick leave benefit obligation

The liability associated with the accumulated sick leave of staff cannot be reasonably estimated; therefore, no liability has been recorded in these financial statements.

12. Comparative figures

Certain of the 2012 comparative have been restated to conform with the financial statement presentation adopted for 2013.

Municipality of the County of Inverness

Schedule of debt charges and term debt

Year ended March 31, 2013

| | Interest rate | Balance April 1, 2012 | Loan Continuity | | |
|---|---------------|-----------------------------|---------------------|------------------------------|---------------------|
| | | | Issued/Repaid | Balance March 31, 2013 | Interest |
| <i>General Capital</i> | | | | | |
| Municipal Finance Corporation | 4.420%-4.625% | \$ 1,200,000 | \$ (200,000) | \$ 1,000,000 | \$ 46,504 |
| <i>Water Capital</i> | | | | | |
| Municipal Finance Corporation | 1.490%-4.026% | 1,000,000 | (50,000) | 950,000 | 32,039 |
| <i>Housing Corporation</i> | | | | | |
| Nova Scotia Housing Development Corporation | 3.730% | 28,723,955 | 5,723,270 | 34,447,225 | |
| Nova Scotia Housing Development Corporation | 5.000% | 3,392,078 | (76,049) | 3,316,029 | |
| Canada Mortgage and Housing Corporation | 6.875% | 216,113 | (15,647) | 200,466 | |
| Canada Mortgage and Housing Corporation | 2.760% | 79,216 | (27,259) | 51,957 | |
| | | <u>32,411,362</u> | <u>5,604,315</u> | <u>38,015,677</u> | <u>1,408,755</u> |
| Total municipal debt | | <u>\$ 34,611,362</u> | <u>\$ 5,354,315</u> | <u>\$ 39,965,677</u> | <u>\$ 1,487,298</u> |

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

| | |
|------|--------------|
| 2014 | \$ 1,260,771 |
| 2015 | \$ 1,295,578 |
| 2016 | \$ 1,312,018 |
| 2017 | \$ 1,354,047 |
| 2018 | \$ 1,397,769 |

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, 2013

| | <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 | \$46,380,381 | \$ 1,525,310 | \$ 375,524 | \$ 4,145,441 | \$ 95,941 | \$ 8,154,620 |
| Add | | | | | | | |
| Net additions during the year | - | 1,268,180 | - | 32,011 | - | - | 1,973,741 |
| Loss on transfer/disposal of tangible capital assets | - | - | - | - | - | - | - |
| Reclassification of tangible capital assets | - | (2,697,301) | - | - | 1,991,582 | 705,719 | - |
| Less | | | | | | | |
| Impairments | - | - | - | - | - | - | - |
| Disposals during the year | - | (1,657,493) | - | (20,902) | (1,066,290) | (11,240) | - |
| Balance, end of year | <u>272,382</u> | <u>43,293,767</u> | <u>1,525,310</u> | <u>386,633</u> | <u>5,070,733</u> | <u>790,420</u> | <u>10,128,361</u> |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | - | 4,288,782 | 863,912 | 289,979 | 1,754,827 | 82,721 | 2,422,509 |
| Add | | | | | | | |
| Amortization during the year | - | 996,530 | 71,466 | 26,363 | 406,070 | 28,387 | 112,110 |
| Reclassification of accumulated amortization | - | - | - | - | - | - | - |
| Less | | | | | | | |
| Accumulated amortization on disposals | - | - | - | (20,902) | - | - | - |
| Balance, end of year | <u>-</u> | <u>5,285,312</u> | <u>935,378</u> | <u>295,440</u> | <u>2,160,897</u> | <u>111,108</u> | <u>2,534,619</u> |
| NET BOOK VALUE | <u>\$ 272,382</u> | <u>\$38,008,455</u> | <u>\$ 589,932</u> | <u>\$ 91,193</u> | <u>\$ 2,909,836</u> | <u>\$ 679,312</u> | <u>\$ 7,593,742</u> |

Municipality of the County of Inverness

Schedule of tangible capital assets

March 31, 2013

| | Streets and lights | Computer equipment | Website | Other equipment | Utility plant | 2013 Total | Restated (See Note 2) 2012 Total |
|--|-----------------------|-----------------------|------------------|--------------------|---------------------|----------------------|---|
| Cost | | | | | | | |
| Balance, beginning of year | \$ 2,154,620 | \$ 72,568 | \$ 116,822 | \$ 53,174 | \$ 6,347,638 | \$ 69,674,773 | \$ 56,348,293 |
| Add | | | | | | | |
| Net additions during the year | 266,180 | 55,959 | - | 2,730 | 15,679 | 3,614,480 | 13,634,679 |
| Loss on transfer/disposal of tangible capital assets | - | - | - | - | - | - | - |
| Reclassification of tangible capital assets | - | - | - | - | - | - | - |
| Less | | | | | | | |
| Disposals during the year | - | - | - | (30,538) | - | (2,786,463) | (308,199) |
| Balance, end of year | <u>2,420,800</u> | <u>128,527</u> | <u>116,822</u> | <u>25,366</u> | <u>6,363,317</u> | <u>70,502,790</u> | <u>69,674,773</u> |
| Accumulated amortization | | | | | | | |
| Balance, beginning of year | 242,928 | 2,559 | 23,365 | 35,331 | 868,571 | 10,875,484 | 9,986,342 |
| Add | | | | | | | |
| Amortization during the year | 54,417 | 5,216 | 11,682 | 4,185 | 132,238 | 1,848,664 | 1,005,961 |
| Reclassification of accum. Amortization | - | - | - | - | - | - | - |
| Less | | | | | | | |
| Accumulated amortization on disposals | - | - | - | (23,494) | - | (44,396) | (116,819) |
| Balance, end of year | <u>297,345</u> | <u>7,775</u> | <u>35,047</u> | <u>16,022</u> | <u>1,000,809</u> | <u>12,679,752</u> | <u>10,875,484</u> |
| NET BOOK VALUE | <u>\$ 2,123,455</u> | <u>\$ 120,752</u> | <u>\$ 81,775</u> | <u>\$ 9,344</u> | <u>\$ 5,362,508</u> | <u>\$ 57,823,038</u> | <u>\$ 58,799,289</u> |

Municipality of the County of Inverness
Water utility
Non-consolidated operating fund balance sheet

(Unaudited)
 March 31

2013

2012

Assets

| | | |
|---|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 1,955,232 | \$ 1,839,565 |
| Accounts receivable | | |
| Rates (less allowance for doubtful accounts \$66,679; 2012 - \$66,679) | 233,224 | 233,580 |
| Other | <u>31,669</u> | <u>19,151</u> |
| | <u>\$ 2,220,125</u> | <u>\$ 2,092,296</u> |

Liabilities and operating surplus

| | | |
|--|----------------------------|----------------------------|
| Accounts payable and accrued liabilities | \$ 71,428 | \$ 87,965 |
| Due to water utility section, capital fund | 1,188,487 | 1,061,027 |
| Due to general section, operating fund | <u>461,811</u> | <u>348,762</u> |
| | 1,721,726 | 1,497,754 |
| Operating surplus | <u>498,399</u> | <u>594,542</u> |
| | <u>\$ 2,220,125</u> | <u>\$ 2,092,296</u> |

Municipality of the County of Inverness

Water utility

Non-consolidated statement of operations

(Unaudited)

Year ended March 31

2013

2012

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|-------------------|--------------------------|-------------------|
| Operating revenues | | | |
| Flat rate sales | \$ 181,000 | \$ 151,404 | \$ 161,879 |
| Metered sales | 389,400 | 338,810 | 335,786 |
| Public fire protection | 212,900 | 202,175 | 206,495 |
| Interest and sundry | <u>24,300</u> | <u>25,857</u> | <u>27,556</u> |
| | <u>\$ 807,600</u> | <u>\$ 718,246</u> | <u>731,716</u> |
| Operating expenses | | | |
| Source of supply | 117,300 | 57,111 | 81,572 |
| Power and pumping | 102,000 | 115,884 | 87,086 |
| Purification | 133,100 | 183,028 | 75,324 |
| Transmission and distribution | 229,700 | 177,756 | 163,163 |
| Collection, administration, and general | 68,300 | 79,762 | 71,418 |
| Depreciation | <u>97,900</u> | <u>103,127</u> | <u>99,949</u> |
| | <u>748,300</u> | <u>716,668</u> | <u>578,512</u> |
| Operating income | <u>59,300</u> | <u>1,578</u> | <u>153,204</u> |
| Non-operating expense | | | |
| Debt charges | | | |
| Debenture principal repayments | 50,000 | 50,000 | - |
| Debenture interest | 9,300 | 32,039 | 12,650 |
| Capital out of revenue | <u>-</u> | <u>15,682</u> | <u>4,901</u> |
| | <u>59,300</u> | <u>97,721</u> | <u>17,551</u> |
| Excess of revenue (under) over expenditures | <u>\$ -</u> | <u>(96,143)</u> | <u>135,653</u> |
| Surplus, beginning of year | | <u>594,542</u> | <u>458,889</u> |
| Surplus, end of year | | <u>\$ 498,399</u> | <u>\$ 594,542</u> |

Municipality of the County of Inverness

Water utility

Non-consolidated capital fund balance sheet

(Unaudited)
March 31

2013

2012

Assets

| | | |
|--|----------------------------|----------------------------|
| Cash | | |
| Depreciation fund | \$ 274,487 | \$ 271,769 |
| Due from federal and provincial governments | - | 160,723 |
| Due from general section, operating fund | 171,882 | - |
| Due from water utility section, operating fund | 1,188,488 | 1,061,027 |
| Utility plant in service (Page 24) | <u>6,363,317</u> | <u>6,347,638</u> |
| | <u>\$ 7,998,174</u> | <u>\$ 7,841,157</u> |

Liabilities

| | | |
|---|-------------------------|-------------------------|
| Due to general section, reserve fund | \$ 1,216,875 | \$ 1,216,875 |
| Deferred government contributions | 1,910,926 | 1,904,544 |
| Long term debt | | |
| Municipal Finance Corporation (Page 17) | <u>950,000</u> | <u>1,000,000</u> |
| | <u>4,077,801</u> | <u>4,121,419</u> |

Reserve

| | | |
|------------------------------------|------------------|----------------|
| Reserve for depreciation (Page 23) | <u>1,000,809</u> | <u>868,571</u> |
|------------------------------------|------------------|----------------|

Equity

| | | |
|--|----------------------------|----------------------------|
| Investment in capital assets (Page 23) | <u>2,919,564</u> | <u>2,851,167</u> |
| | <u>\$ 7,998,174</u> | <u>\$ 7,841,157</u> |

Municipality of the County of Inverness
Water utility
Non-consolidated statement of reserve for depreciation

(Unaudited)
Year ended March 31

| | 2013 | 2012 |
|----------------------------|---------------------|-------------------|
| Balance, beginning of year | \$ 868,571 | \$ 743,555 |
| Depreciation for the year | <u>132,238</u> | <u>125,016</u> |
| Balance, end of year | <u>\$ 1,000,809</u> | <u>\$ 868,571</u> |

Water utility
Non-consolidated statement of investment in capital assets

(Unaudited)
Year ended March 31

| | 2013 | 2012 |
|--------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 2,851,167 | \$ 2,850,981 |
| Term debt retired | 50,000 | - |
| Interest earned on depreciation fund | 2,715 | 2,859 |
| Discount on debenture | - | (7,574) |
| Capital out of revenue | <u>15,682</u> | <u>4,901</u> |
| Balance, end of year | <u>\$ 2,919,564</u> | <u>\$ 2,851,167</u> |

Municipality of the County of Inverness
Water utility
Non-consolidated schedule of utility plant and equipment

(Unaudited)

Year ended March 31 2013 2012

| | | |
|-----------------------------|---------------------|---------------------|
| Tangible plant | | |
| Land and land rights | \$ 59,192 | \$ 59,192 |
| Source of supply | 549,279 | 549,279 |
| Reservoir | 1,468,015 | 1,468,015 |
| Structures and improvements | | |
| Power and pumping | 204,639 | 197,274 |
| Electric pumping equipment | 92,316 | 92,316 |
| Purification equipment | 1,424,379 | 1,422,318 |
| Port Hood water project | 100,001 | 100,001 |
| Transmission mains | 659,428 | 659,432 |
| Distribution mains | 1,313,362 | 1,313,362 |
| Services | 115,572 | 115,572 |
| Meters | 210,645 | 207,277 |
| Hydrants | 135,826 | 132,937 |
| Other tangible plant | <u>30,663</u> | <u>30,663</u> |
| | <u>\$ 6,363,317</u> | <u>\$ 6,347,638</u> |
