



Consolidated financial statements

Municipality of the County of Inverness

March 31, 2018

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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

Warden

Chief Administrative Officer



Independent auditor's report

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Municipality of the County of Inverness

Consolidated statement of financial position

March 31
2018
2017

Restated
(Note 15)

Financial assets

Cash and cash equivalents		
Unrestricted	\$ 15,192,698	\$ 15,187,039
Restricted	2,357,646	1,836,894
Taxes receivable (Note 2)	1,299,107	1,790,411
User charges receivable (Note 3)	897,838	1,177,631
Receivable from governments (Note 4)	1,303,397	499,941
Other receivables (Note 5)	<u>1,730,650</u>	<u>1,492,196</u>
	<u>22,781,336</u>	<u>21,984,112</u>

Liabilities

Payables and accruals	4,994,146	4,416,261
Deferred revenue (Note 15)	4,365,328	3,303,027
Tax sale surplus	729,709	487,898
Unfunded retirement benefits (Note 8)	6,077,400	6,330,900
Long term debt (Page 22)	<u>34,914,662</u>	<u>36,522,882</u>
	<u>51,081,245</u>	<u>51,060,968</u>

Net debt

(28,299,909) (29,076,856)

Non-financial assets

Tangible capital assets (Pages 23 - 24)	57,480,877	54,931,970
Tax sale properties	185,651	173,478
Prepaid expenses	20,434	12,199
Inventory	<u>126,127</u>	<u>139,597</u>
	<u>57,813,089</u>	<u>55,257,244</u>

Accumulated surplus

\$ 29,513,180 \$ 26,180,388

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 operations

March 31	2018	2017
		Restated (Note 15)
	<u>Budget</u>	<u>Actual</u>
Revenue		<u>Actual</u>
Municipal taxation	\$ 8,739,271	\$ 8,642,903
Grants-in-lieu	397,600	396,763
Services provided to other governments	155,000	201,354
Conditional transfers from other governments	104,000	130,528
Unconditional transfers from other governments	463,389	477,729
Sale of services	224,655	281,616
Public Health Services	9,551,932	15,288,561
Water utility operating revenues	587,360	511,259
Other revenue from own sources	755,514	822,565
Capital grants	<u>1,840,892</u>	<u>2,656,693</u>
	<u>22,819,613</u>	<u>27,895,486</u>
Expenses		
General government services	2,267,450	2,083,995
Protective services	2,611,525	2,674,784
Transportation services	944,017	1,040,028
Environmental health services	3,172,545	3,318,740
Environmental development services	978,684	839,711
Public health services	9,486,680	15,118,853
Recreation and cultural services	712,900	696,654
Water treatment and distribution	<u>839,628</u>	<u>892,256</u>
	<u>20,881,200</u>	<u>27,400,927</u>
Annual surplus	<u>\$ 1,938,413</u>	<u>\$ 494,559</u>
Accumulated surplus, beginning of year	\$ 26,937,077	\$ 26,425,378
Prior period adjustment (Note 16)	<u>(756,689)</u>	<u>(739,549)</u>
Accumulated surplus, beginning of the year as restated	26,180,388	25,685,829
Annual surplus	<u>3,332,792</u>	<u>494,559</u>
Accumulated surplus, end of year	<u>\$ 29,513,180</u>	<u>\$ 26,180,388</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	2018		2017
	<u>Budget</u>	<u>Actual</u>	Restated (Note 15)
Annual surplus	\$ 1,938,413	\$ 3,332,792	\$ 494,559
Acquisition of tangible capital assets, net	(3,565,561)	(5,120,662)	(1,404,902)
Amortization of tangible capital assets	<u>2,571,755</u>	<u>2,571,755</u>	<u>2,594,914</u>
	<u>944,607</u>	<u>783,885</u>	1,684,571
Change in tax sale properties and other non-financial assets	<u>-</u>	<u>(6,938)</u>	<u>(31,301)</u>
Change in net debt	<u>\$ 944,607</u>	<u>776,947</u>	1,653,270
Net debt, beginning of year		<u>(29,076,856)</u>	<u>(30,730,126)</u>
Net debt, end of year		<u>\$(28,299,909)</u>	<u>\$(29,076,856)</u>

Included in net debt above, is \$32,594,662 of Long-term debt issued to the County of Inverness Municipal Housing Corporation, by Nova Scotia Housing Development Corporation and Canada Mortgage and Housing Corporation which is fully funded by the department of Health and Wellness on an annual basis.

Thus, there is no requirement for the Municipality of the County of Inverness to raise tax dollars to fund these payments.

Municipality of the County of Inverness

Consolidated statement of cash flow

Year ended March 31	2018	2016
		Restated (Note 15)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 3,332,792	\$ 494,559
Amortization of tangible capital assets	<u>2,571,755</u>	<u>2,594,914</u>
	5,904,547	3,089,473
Tax sale properties and other non-financial assets	(6,938)	(31,301)
Taxes receivable	491,303	(13,223)
User charges receivable	279,793	(704,930)
Receivables from governments	(803,455)	335,799
Other receivables	(238,454)	(762,574)
Payables and accruals	577,885	(190,425)
Deferred revenue	1,062,301	148,159
Tax sale surplus	241,811	33,838
Unfunded retirement benefits	<u>(253,500)</u>	<u>171,100</u>
	<u>7,255,293</u>	<u>2,075,916</u>
Financing activities		
Issuance of long term debt	-	1,800,000
Repayment of long term debt	<u>(1,608,220)</u>	<u>(1,364,287)</u>
	<u>(1,608,220)</u>	<u>435,713</u>
Investing activities		
Acquisition of tangible capital assets	<u>(5,120,662)</u>	<u>(1,404,902)</u>
Net increase in cash and cash equivalents	526,411	1,106,727
Cash and cash equivalents		
Beginning of year	<u>17,023,933</u>	<u>15,917,206</u>
End of year	<u>\$ 17,550,344</u>	<u>\$ 17,023,933</u>

See accompanying notes to the consolidated financial statements.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

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

The Municipality has also consolidated the following proportionally controlled entity:

Eastern District Planning Commission – 23% (2017 – 23%)

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by Council on June 12, 2017, 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

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

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 inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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

Government transfers

Government transfers received are recognized in the consolidated financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

Expenses

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities. Cash proceeds from tax sales in excess of the arrears taxes receivable are deposited in a separate bank account and are restricted for a period of twenty years at which time the cash can be taken into operations. The balance of the tax sales surplus account at year end is \$729,709 (2017 - \$487,898).

Other restricted cash relates to capital renewal reserve cash received from the Nova Scotia Department of Health that is required to be invested by the Home and used, with the Department's approval, to support future replacement of facility components in accordance with the Department's policies for asset replacement and their theoretical useful life. These funds are deferred and will be recognized when the related cost is incurred. Balance of the capital renewal account at year-end is \$1,627,937 (2017 - \$1,348,996).

Non-financial assets

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

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

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 2018 and 2017, there were no transfers made from the tax sale amounts to the capital reserve.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and impairment 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.

Deferred revenue

Gas tax and other deferred grant revenue will be recognized in the period in which any stipulations and eligibility criteria been met.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

Liability for contaminated sites

The Municipality of the County of Inverness follows 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.

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.

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 and other receivables	Allowance for doubtful accounts
Unfunded retirement benefits	Accrued unfunded liability
Tangible capital assets	Useful lives
Payables and accruals	Sick leave liability

Related party transactions

Effective for the fiscal period beginning on April 1, 2017, the Municipality was required to adopt Public Sector Accounting sections 2200, Related Party Disclosures and 3420 Inter-Entity Transactions, which establishes the disclosure requirements for reporting related party transactions. Management has determined that there are no related party transactions to disclose at this time.

Contractual rights

Effective for the fiscal period beginning on April 1, 2017, the Municipality was required to adopt Public Sector Accounting section 3380, Contractual rights, which establishes the disclosure requirements for contractual rights. Management has determined that there are no contractual rights to disclose at this time.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

2. Taxes receivable	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 2,748,061	\$ 2,562,773
Levy	13,634,586	12,773,183
Interest	<u>215,540</u>	<u>259,378</u>
	16,598,187	15,595,334
Collections	<u>14,603,552</u>	<u>12,847,273</u>
	<u>1,994,635</u>	<u>2,748,061</u>
Valuation allowance	<u>695,528</u>	<u>957,650</u>
Balance, end of year	<u>\$ 1,299,107</u>	<u>\$ 1,790,411</u>

3. User charges receivable	<u>2018</u>	<u>2017</u>
Other receivables	\$ 662,477	\$ 965,640
Water rates	<u>235,361</u>	<u>211,991</u>
	<u>\$ 897,838</u>	<u>\$ 1,177,631</u>

4. Receivable from governments	<u>2018</u>	<u>2017</u>
Federal government	\$ 1,213,943	\$ 419,790
Provincial government	<u>89,454</u>	<u>80,151</u>
	<u>\$ 1,303,397</u>	<u>\$ 499,941</u>

5. Other receivables	<u>2018</u>	<u>2017</u>
Municipal receivables	\$ 1,368,090	\$ 795,439
Public Health Services	<u>362,560</u>	<u>696,757</u>
	<u>\$ 1,730,650</u>	<u>\$ 1,492,196</u>

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

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>2018</u>	<u>2017</u>
Cape Breton Island Housing Authority	\$ 160,175	\$ 162,596
Eastern Counties Regional Library	\$ 107,900	\$ 105,400

The Municipality has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2018.

7. Payables	<u>2018</u>	<u>2017</u>
Municipal payables	\$ 2,134,734	\$ 1,585,229
Public health services	1,806,452	1,782,431
Economic development	5,550	6,701
Accrued sick leave benefits	<u>1,047,400</u>	<u>1,041,900</u>
	<u>\$ 4,994,146</u>	<u>\$ 4,416,261</u>

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

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 \$101,435 in 2018 (2017 - \$103,371) 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 multi-employer defined benefit pension plan for certain health care employers which is administered by the Health Association of Nova Scotia ("HANS"). This plan to which contributions totalled is accounted for as a defined contribution plan. These costs are included with wages and employee benefits in the financial statements. For earnings up to the yearly maximum pensionable earnings (YMPE) the ICMHC contributes 9.22% of gross wages to a registered pension plan which requires contributions of 7.82% from employees. Once earnings exceeds YMPE the ICMHC contributes 11.58% and the employees contribute 10.18%. During the year, the ICMHC paid contributions of \$598,464 (2017 - \$253,343) to the benefit plan.

As of March 31, 2018, 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, 2018. The March 31, 2018, actuarial valuation indicated that the pension enhancement had an accrued benefit obligation of \$6,077,400 (2017 - \$6,330,900).

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, 2018

8. 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 4 years

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

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 6,330,900	\$ 6,159,800
Current service cost	62,500	82,300
Interest on obligation	374,900	366,200
Less: benefits paid	(289,800)	(277,400)
Actuarial loss	<u>(401,100)</u>	-
Accrued benefit obligation, end of year	<u>6,077,400</u>	<u>6,330,900</u>
Unfunded retirement benefits	<u>\$ (6,077,400)</u>	<u>\$ (6,330,900)</u>

(b) Loan guarantees

The Municipality has guaranteed the bank loan for several volunteer fire departments. As of March 31, 2018, the details of these are as follows:

	<u>Outstanding loan balance</u>
Margaree	\$ 150,000
Mabou Fire Department	\$ 96,951
Whycocomagh	\$ 39,621
Valley Mills Fire Department	\$ 76,752

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

9. Remuneration and expenses

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>			
Betty Ann MacQuarrie	Warden – District 5	\$ 48,042	\$ 3,741
Alfred Poirier	Councillor – District 1	\$ 36,439	\$ 7,413
Laurie Cranton	Councillor – District 2	\$ 32,427	\$ 5,977
James Mustard	Councillor – District 3	\$ 32,427	\$ 10,035
John MacLennan	Councillor – District 4	\$ 32,427	\$ 4,643
Dwayne MacDonald	Councillor – District 6	\$ 32,427	\$ 3,862
<u>Senior officials</u>			
Joe O'Connor	Retired Chief Administrative Officer	\$ 74,586	\$ 3,436
Tanya Tibbo	Interim Chief Administrative Officer	\$ 11,538	\$ 730
Keith MacDonald	Chief Administrative Officer	\$ 44,466	\$ 1,272

10. Landfill closure and post-closure costs

In accordance with the regulations of Nova Scotia Department of 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, 2018. The Municipality has included in its reserves an amount of \$408,000 to fund these future landfill closure costs.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

11. Sick leave benefit liability

Section 3255 of the CPA Canada Public Sector Accounting Handbook (PS 3255) requires that a liability and expense be recorded for compensated absences that vest or that accumulate. The Municipality has employees that have sick benefits that are accumulating and non-vesting. The valuation was completed as at March 31, 2018.

Actuarial Method:

The actuarial cost method used was the "Projected Unit Credit" method (also known as the "Projected Accrued Benefit" method) pro - rated on service.

Components of benefit expense under PS3250:

	<u>Municipal</u>	<u>Housing Corporation</u>	<u>Total 2018</u>
Current service cost	\$ 20,400	\$ 77,000	\$ 97,400
Sick leave interest expense	4,600	29,100	33,700
Amortization of gains and losses	-	-	-
Benefit expense	<u>\$ 25,000</u>	<u>\$ 106,100</u>	<u>\$ 131,100</u>

Accrued benefit liability / (asset) on the consolidated statement of financial position:

Balance, beginning of year	\$ 197,900	\$ 844,000	\$ 1,041,900
Benefit expense	20,400	77,000	97,400
Interest expense	4,600	29,100	33,700
Municipal contribution	<u>(21,200)</u>	<u>(104,100)</u>	<u>(125,300)</u>
Balance, end of year (unfunded)	<u>\$ 201,700</u>	<u>\$ 846,000</u>	<u>\$ 1,047,700</u>

Assumptions:

Discount rate:	2.32% - 3.5% per annum
Salary increases:	2.0% - 2.25% per annum.
Mortality:	100% of CPM-2014 Public with future mortality improvements according to scale CPM-B and MI-2017
Withdrawal prior to retirement:	Nil
Retirement age:	End of the year in which age 62 - 63 is attained
Excess sick leave utilization:	Probability of usage and average number of sick leave bank days used

Plan Provisions:

The Municipality provides eligible employees with sick leave that accumulates at 30 days per year (2.5 days per month) up to a maximum of 150 days. If an employee is sick more than 30 days in a year, they can draw on their accumulated sick leave. No benefit in respect of accumulated sick leave is payable upon termination, retirement, or death.

Inverness Municipal Housing Corporation provides eligible CUPE employees with sick leave that accumulated at 18 days per year (1.5 days per month) up to a maximum of 120 days. Eligible Nova Scotia Nurses Union ("NSNU") and administrative employees are granted 12 hours for every 126 hours worked up to a maximum of 1,000 hours. No benefit in respect of accumulated sick leave is payable upon termination, retirement or death except for eligible CUPE employees with sick leave accumulated prior to August 1, 2003 who are entitled to a payment equal to 50% of any unused prior sick leave accumulation at time employment ceases. Eligible NSNU employees with sick leave accumulated prior to April 1, 1990 are entitled to a payment of 60% of any unused sick leave accumulation at the time employment ceases.

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

12. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2018.

13. 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	\$ 9,210,900	\$ (471,629)	\$ 8,739,271
Capital grants	-	1,840,892	1,840,892
Grants in lieu of taxes	397,600	-	397,600
Services provided to other governments	155,000	-	155,000
Conditional transfers from other governments	104,000	-	104,000
Unconditional transfers from other governments	662,047	(198,658)	463,389
Sale of services	224,655	-	224,655
Public health Services	9,551,932	-	9,551,932
Other revenue	511,015	244,499	755,514
Water rates	<u>587,360</u>	<u>-</u>	<u>587,360</u>
	<u>21,404,509</u>	<u>1,415,104</u>	<u>22,819,613</u>
Expense			
General government services	2,555,200	(287,750)	2,267,450
Protective services	2,813,700	(202,175)	2,611,525
Transportation services	823,200	120,817	944,017
Environmental health services	2,462,100	710,445	3,172,545
Environmental development services	1,177,342	(198,658)	978,684
Recreation and cultural services	712,900	-	712,900
Public health services	9,486,680	(132,229)	9,354,451
Water treatment and distribution	839,628	-	839,628
Transfers to (from) own reserves, funds and agencies	<u>584,000</u>	<u>(584,000)</u>	<u>-</u>
	<u>21,454,750</u>	<u>(573,550)</u>	<u>20,881,200</u>
Annual surplus	<u>\$ (50,241)</u>	<u>\$ 1,988,654</u>	<u>\$ 1,938,413</u>

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

14. 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 firefighting apparatus and vehicles approved by Council. The Municipality 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, 2018

14. Segment disclosure (continued)

	General Government	Protective	Transportation	Environmental health	Public health	Environmental development	Recreation and cultural	Water treatment	2018	2017
Revenues										
Taxes	\$ 1,866,957	\$ 2,396,218	\$ 931,714	\$ 2,973,109	\$ -	\$ 752,259	\$ 624,101	\$ -	\$ 9,229,831	\$ 8,642,903
Grants in lieu of taxes	77,789	99,841	38,821	123,878	-	31,344	26,004	-	397,677	396,763
Services provided to other governments	-	-	-	-	-	201,354	-	-	201,354	206,218
Unconditional transfers from other governments	451,991	-	-	25,738	-	-	-	-	477,729	496,601
Conditional transfers from other governments	130,528	-	-	-	-	-	-	-	130,528	247,900
Sale of services	281,616	-	-	-	-	-	-	-	281,616	310,539
Public health services	-	-	-	-	15,288,561	-	-	-	15,288,561	14,703,981
Water utility operating revenues	-	-	-	-	-	-	-	511,259	511,259	481,456
Other revenues from own sources	728,707	-	-	-	93,858	-	-	-	822,565	1,422,293
Capital grants	6,578	-	-	1,460,271	-	-	-	1,189,844	2,656,693	986,832
	<u>3,544,166</u>	<u>2,496,059</u>	<u>970,535</u>	<u>4,582,996</u>	<u>15,382,419</u>	<u>984,957</u>	<u>650,105</u>	<u>1,701,103</u>	<u>29,997,813</u>	<u>27,895,486</u>
Expenditures										
Salaries and benefits	1,084,913	-	106,270	1,210,574	8,507,499	-	359,279	226,506	11,495,041	11,483,943
Goods, services and other	947,432	2,674,784	812,941	1,356,266	3,876,702	838,349	337,375	435,314	11,279,163	11,948,826
Amortization	51,650	-	120,817	710,445	1,484,889	1,362	-	202,592	2,571,755	2,594,914
Interest	-	-	-	41,455	1,249,763	-	-	27,844	1,319,062	1,373,244
	<u>2,083,995</u>	<u>2,674,784</u>	<u>1,040,028</u>	<u>3,318,740</u>	<u>15,118,853</u>	<u>839,711</u>	<u>696,654</u>	<u>892,256</u>	<u>26,665,021</u>	<u>27,400,927</u>
Annual surplus (deficit)	\$ 1,460,171	\$ (178,725)	\$ (69,493)	\$ 1,264,256	\$ (50,961)	\$ 145,246	\$ (46,549)	\$ 808,847	\$ 3,332,792	\$ 494,559

Municipality of the County of Inverness

Notes to the consolidated financial statements

March 31, 2018

15. Deferred revenue

The Province of Nova Scotia signed an agreement with the Federal government which would enable the Province to transfer gas tax rebates to municipalities for special capital improvements. The program was to initially run for five years, but has been extended past this five year time frame. In fiscal 2018, \$Nil has been recognized as revenues by the Municipality, the remaining balance is deferred as they have not fulfilled the stipulations associated with the grant.

Other deferred revenues represent funds received from varying sources for projects and capital purposes yet to be completed. In fiscal 2018 \$292,114 has been recognized as revenues by the Municipality.

	<u>Gas tax</u>	<u>Other</u>	<u>Total</u>
Balance, beginning of year	\$ 1,444,501	\$ 1,858,526	\$ 3,303,027
Contributions and interest earned	680,067	624,348	1,304,415
Amounts recognized as revenue	<u>-</u>	<u>(242,114)</u>	<u>(242,114)</u>
Balance, end of year	<u>\$ 2,124,568</u>	<u>\$ 2,240,760</u>	<u>\$ 4,365,328</u>

16. Prior period adjustment

In its previous PSAS consolidated financial statements, the Municipality followed the deferral method of accounting for externally restricted contributions as this was the method Inverness Municipal Housing Corporation ("IMHC") had reported under ASNPO. For certain externally restricted contributions used in the purchase of capital assets, IMHC and the Municipality had previously deferred the contributions and recognized them into revenue on the same basis of amortization as the assets which the amounts related. Upon IMHC's implementation of PSAS, the Municipality recognized these amounts into revenue in accordance with the revenue requirements as stated in PS3100 of the Public Accounting Handbook.

Also, during the year management of their government organizations obtained actuarial valuations on their non-vesting, accumulating sick leave benefit liability and determined that the 2017 and 2016 accrued sick leave liability was understated by \$844,000.

As a result a result of the above transaction adjustments, the March 31, 2017, financial statement amounts were increased (decreased) as follows:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
<u>April 1, 2016</u>			
Deferred revenue	\$ 3,259,719	\$ (104,851)	\$ 3,154,868
Payables and accruals	3,762,286	844,400	4,606,686
Accumulated surplus	26,425,378	(739,549)	25,685,829
<u>March 31, 2017</u>			
Other revenue from own sources	1,436,249	(13,956)	1,422,293
Public Health Services	14,707,165	(3,184)	14,703,981
Deferred revenue	3,390,738	(87,711)	3,303,027
Payables and accruals	3,571,861	844,400	4,416,261
Accumulated surplus	26,937,077	(756,689)	26,180,388

Municipality of the County of Inverness

Schedule of debt charges and term debt

Year ended March 31, 2018

	Interest rate	Loan Continuity			Balance March 31, 2018	Interest
		Balance April 1, 2017	Repaid	Issued		
<i>General Capital</i>						
Municipal Finance Corporation	Repaid	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ 4,625
Municipal Finance Corporation	1.599%-2.925%	1,800,000	180,000	-	1,620,000	36,830
<i>Water Capital</i>						
Municipal Finance Corporation	3.256%-4.026%	750,000	50,000	-	700,000	27,844
		<u>2,750,000</u>	<u>430,000</u>	<u>-</u>	<u>2,320,000</u>	<u>69,299</u>
<i>Housing Corporation</i>						
Nova Scotia Housing Development Corporation	3.730%	30,675,410	1,058,931	-	29,616,479	1,117,151
Nova Scotia Housing Development Corporation	5.000%	2,971,332	97,349	-	2,873,983	124,735
Canada Mortgage and Housing Corporation	6.875%	126,140	21,940	-	104,200	7,877
		<u>33,772,882</u>	<u>1,178,220</u>	<u>-</u>	<u>32,594,662</u>	<u>1,249,763</u>
Total municipal debt		<u>\$ 36,522,882</u>	<u>\$ 1,608,220</u>	<u>\$ -</u>	<u>\$ 34,914,662</u>	<u>\$ 1,319,062</u>

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

2019	\$ 1,423,256
2020	\$ 1,470,583
2021	\$ 1,519,822
2022	\$ 1,571,046
2023	\$ 1,593,602

Long-term debt issued by the Municipal Finance Corporation has been authorized by the Minister of Municipal Affairs.

The Housing Corporation debt is funded by the Department of Health and Wellness.

Municipality of the County of Inverness

Schedule of tangible capital assets

March 31, 2018

	<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	\$ 452,573	\$46,489,045	\$ 1,562,197	\$ 540,700	\$ 6,051,545	\$ 822,367	\$12,354,532
Add							
Net additions / reclassifications during the year	<u>-</u>	<u>2,951,528</u>	<u>55,064</u>	<u>34,116</u>	<u>240,835</u>	<u>-</u>	<u>358,664</u>
Balance, end of year	<u>452,573</u>	<u>49,440,573</u>	<u>1,617,261</u>	<u>574,816</u>	<u>6,292,380</u>	<u>822,367</u>	<u>12,713,196</u>
Accumulated amortization							
Balance, beginning of year	-	11,519,946	1,194,453	416,074	4,097,457	313,423	3,115,763
Add							
Amortization during the year	<u>-</u>	<u>1,492,818</u>	<u>72,125</u>	<u>39,582</u>	<u>351,478</u>	<u>44,255</u>	<u>239,011</u>
Balance, end of year	<u>-</u>	<u>13,012,764</u>	<u>1,266,578</u>	<u>455,656</u>	<u>4,448,935</u>	<u>357,678</u>	<u>3,354,774</u>
NET BOOK VALUE	<u>\$ 452,573</u>	<u>\$36,427,809</u>	<u>\$ 350,683</u>	<u>\$ 119,160</u>	<u>\$ 1,843,445</u>	<u>\$ 464,689</u>	<u>\$ 9,358,422</u>

Municipality of the County of Inverness

Schedule of tangible capital assets

March 31, 2018

	<u>Streets and lights</u>	<u>Computer equipment</u>	<u>Website</u>	<u>Other equipment</u>	<u>Utility plant</u>	2018 <u>Total</u>	2017 <u>Total</u>
Cost							
Balance, beginning of year	\$ 2,644,309	\$ 227,425	\$ 116,822	\$ 41,838	\$ 6,704,865	\$ 78,008,218	\$ 76,603,316
Add							
Net additions during the year	<u>4,742</u>	<u>16,192</u>	<u>-</u>	<u>-</u>	<u>1,459,521</u>	<u>5,120,662</u>	<u>1,404,902</u>
Balance, end of year	<u>2,649,051</u>	<u>243,617</u>	<u>116,822</u>	<u>41,838</u>	<u>8,164,386</u>	<u>83,128,880</u>	<u>78,008,218</u>
Accumulated amortization							
Balance, beginning of year	714,427	32,708	81,775	32,754	1,557,468	23,076,248	20,481,334
Add							
Amortization during the year	<u>105,962</u>	<u>4,414</u>	<u>11,682</u>	<u>7,836</u>	<u>202,592</u>	<u>2,571,755</u>	<u>2,594,914</u>
Balance, end of year	<u>820,389</u>	<u>37,122</u>	<u>93,457</u>	<u>40,590</u>	<u>1,760,060</u>	<u>25,648,003</u>	<u>23,076,248</u>
NET BOOK VALUE	<u>\$ 1,828,662</u>	<u>\$ 206,495</u>	<u>\$ 23,365</u>	<u>\$ 1,248</u>	<u>\$ 6,404,326</u>	<u>\$ 57,480,887</u>	<u>\$ 54,931,970</u>



SUPPLEMENTARY SCHEDULES

Municipality of the County of Inverness

Water utility

Operating fund balance sheet

(Unaudited)
March 31

2018

2017

Assets

Cash and cash equivalents	<u>\$ 323,794</u>	<u>\$ 375,262</u>
Receivable		
Rates (less allowance for doubtful accounts \$30,484; 2017 - \$40,138)	235,361	211,991
Province of Nova Scotia	2,369	9,475
HST	37,723	10,938
Due from gas tax reserve	<u>-</u>	<u>1,592</u>
	<u>275,453</u>	<u>233,996</u>
	<u>\$ 599,247</u>	<u>\$ 609,258</u>

Liabilities

Payables and accruals		
Due to water utility section, capital fund	\$ 419,920	\$ 562,109
Due to general operating fund	31,409	12,595
Other payables and accruals	<u>331,150</u>	<u>57,252</u>
	<u>782,479</u>	<u>631,956</u>
Deficit	<u>(183,232)</u>	<u>(22,698)</u>
	<u>\$ 599,247</u>	<u>\$ 609,258</u>

Municipality of the County of Inverness

Water utility

Operating fund statement of operations

(Unaudited)

Year ended March 31

2018

2017

		<u>Actual</u>	<u>Actual</u>
Operating revenues			
Metered sales	\$ 440,700	\$ 384,936	\$ 350,470
Flat rate sales	142,500	126,323	130,986
Public fire protection	202,175	202,175	202,175
Sprinkler	4,160	4,160	4,160
Other operating revenue	<u>12,000</u>	<u>13,149</u>	<u>9,260</u>
	<u>801,535</u>	<u>730,743</u>	<u>697,051</u>
Expenditures			
Source of supply	123,500	105,892	148,662
Power and pumping	150,600	118,115	113,963
Water treatment	200,200	210,252	164,921
Transmission and distribution	145,300	185,873	130,133
Administration and general	94,600	60,787	86,716
Depreciation	125,428	202,592	147,975
Other operating expenditures	<u>-</u>	<u>8,745</u>	<u>2,785</u>
	<u>839,628</u>	<u>892,256</u>	<u>795,155</u>
Operating loss	<u>(38,093)</u>	<u>(161,513)</u>	<u>(98,104)</u>
Non-operating expenditures			
Debt charges			
Debenture principal repayment	50,000	50,000	50,000
Debenture interest	<u>27,400</u>	<u>27,314</u>	<u>28,542</u>
	<u>77,400</u>	<u>77,314</u>	<u>78,542</u>
Non-operating revenue			
Amortization of deferred government assistance	<u>-</u>	<u>78,293</u>	<u>29,647</u>
Excess of expenditures over revenues	(115,493)	(160,534)	(146,999)
Surplus, beginning of year	<u>(22,700)</u>	<u>(22,698)</u>	<u>124,301</u>
(Deficit) surplus, end of year	<u>\$ (138,193)</u>	<u>\$ (183,232)</u>	<u>\$ (22,698)</u>

Municipality of the County of Inverness

Water utility

Capital fund balance sheet

(Unaudited)
March 31

2018

2017

Assets

Cash		
Depreciation fund (page 28)	\$ 1,221,371	\$ 1,037,957
Receivable from federal government	-	4,777
Deferred capital charges	73,181	-
Due from water utility section, operating fund	419,920	562,109
Due from general operating section	-	171,882
Utility plant and equipment (page 29)	<u>8,160,375</u>	<u>6,700,854</u>
	<u>\$ 9,874,847</u>	<u>\$ 8,477,579</u>

Liabilities

Payables		
Due to operating reserve section	\$ 1,216,875	\$ 1,216,875
Term debt		
Debentures issued to provincial government and its agencies	700,000	750,000
Deferred assistance	<u>2,904,429</u>	<u>1,792,874</u>
	<u>4,821,304</u>	<u>3,759,749</u>
Reserve for depreciation (page 28)	<u>1,279,487</u>	<u>1,263,447</u>
Investment in capital assets (page 28)	<u>3,774,056</u>	<u>3,454,383</u>
	<u>\$ 9,874,847</u>	<u>\$ 8,477,579</u>

Municipality of the County of Inverness

Water utility

Statement of reserve for depreciation

(Unaudited)

Year ended March 31	2018	2017
Balance, beginning of year	\$ 1,263,447	\$ 1,166,885
Capital funded through reserve	(198,084)	(58,651)
Depreciation for the year	202,592	147,975
Transfers to depreciation reserve	<u>11,532</u>	<u>7,238</u>
Balance, end of year	<u>\$ 1,279,487</u>	<u>\$ 1,263,447</u>

Water utility section

Non-consolidated statement of investment in capital assets

(Unaudited - see advisory to readers)

Year ended March 31	2018	2017
Balance, beginning of year	\$ 3,454,383	\$ 3,339,364
Term debt retired	50,000	50,000
Local improvement charges	73,181	-
Gas tax funding	(1,592)	1,592
Federal grant	-	4,776
Transfer from depreciation reserve	<u>198,084</u>	<u>58,651</u>
Balance, end of year	<u>\$ 3,774,056</u>	<u>\$ 3,454,383</u>

Water utility section

Non-consolidated statement of depreciation fund cash

(Unaudited - see advisory to readers)

Year ended March 31	2018	2017
Cash, beginning of year	\$ 1,037,957	\$ 1,030,719
Transfer to depreciation fund	171,882	-
Interest earned on depreciation fund	<u>11,532</u>	<u>7,238</u>
Cash, end of year	<u>\$ 1,221,371</u>	<u>\$ 1,037,957</u>

Municipality of the County of Inverness

Water utility

Schedule of utility plant and equipment

(Unaudited)

Year ended March 31

2018

2016

Tangible plant		
Land and land rights	\$ 59,192	\$ 59,192
Source of supply	620,064	585,078
Reservoir	1,796,627	1,474,839
Structures and improvements		
Power and pumping	210,718	210,718
Electric pumping equipment	170,958	123,654
Purification equipment	1,458,323	1,437,366
Port Hood water project	100,001	100,001
Transmission mains	659,433	659,428
Distribution mains	1,471,853	1,443,191
Services	115,572	115,572
Meters	333,873	313,597
Hydrants	160,178	147,555
Other tangible plant	30,663	30,663
Cheticamp water utility	<u>972,920</u>	<u>-</u>
	<u>\$ 8,160,375</u>	<u>\$ 6,700,854</u>
