



Consolidated financial statements

Municipality of the County of Inverness

March 31, 2017

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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

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Warden

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Chief Administrative Officer

## 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 on pages 4 - 23 of the Municipality of the County of Inverness which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of operations, 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, 2017, the consolidated results of its operations, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

### **Emphasis of matter**

Without modifying our opinion, we draw attention to Note 15 to the consolidated financial statements which explains that the consolidated financial statements as at, and for the year ended March 31, 2016, have been restated from those on which we originally reported on September 30, 2016.

### **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 24 to 28 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.

Port Hawkesbury, Canada  
October 2, 2017

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

# Municipality of the County of Inverness

## Consolidated statement of financial position

March 31 2017 2016  
Restated  
(Note 15)

### Financial assets

Cash and cash equivalents		
Unrestricted	\$ 15,498,078	\$ 14,432,427
Restricted	1,525,855	1,484,779
Taxes receivable (Note 2)	1,790,411	1,777,188
User charges receivable (Note 3)	1,177,631	472,701
Receivable from governments (Note 4)	499,941	835,740
Other receivables (Note 5)	<u>1,492,196</u>	<u>729,622</u>
	<u>21,984,112</u>	<u>19,732,457</u>

### Liabilities

Payables and accruals	3,571,861	3,762,286
Deferred revenue (Note 14)	3,390,738	3,259,719
Tax sale surplus	487,898	454,060
Unfunded retirement benefits (Note 7)	6,330,900	6,159,800
Long term debt (Page 21)	<u>36,522,882</u>	<u>36,087,169</u>
	<u>50,304,279</u>	<u>49,723,034</u>

**Net debt** (28,320,167) (29,990,577)

### Non-financial assets

Tangible capital assets (Pages 22 - 23)	54,931,970	56,121,982
Tax sale properties	173,478	162,973
Prepaid expenses	12,199	3,116
Inventory	<u>139,597</u>	<u>127,884</u>
	<u>55,257,244</u>	<u>56,415,955</u>

**Accumulated surplus** \$ 26,937,077 \$ 26,425,378

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	2017		2016
			Restated (Note 15)
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Municipal taxation	\$ 8,351,300	\$ 8,642,903	\$ 8,761,867
Grants-in-lieu	400,800	396,763	398,621
Services provided to other governments	140,000	206,218	147,822
Conditional transfers from other governments	83,000	247,900	114,787
Unconditional transfers from other governments	485,731	496,601	539,400
Sale of services	201,505	310,539	154,654
Public Health Services	14,707,165	14,707,165	14,803,969
Water utility operating revenues	570,400	481,456	521,634
Other revenue from own sources	295,540	1,436,249	485,892
Capital grants	<u>1,127,291</u>	<u>986,832</u>	<u>804,826</u>
	<u>26,362,732</u>	<u>27,912,626</u>	<u>26,733,472</u>
<b>Expenses</b>			
General government services	2,120,950	2,494,512	2,686,520
Protective services	2,441,800	2,480,339	2,353,218
Transportation services	932,000	856,387	1,067,586
Environmental health services	2,318,500	3,341,066	2,915,416
Environmental development services	946,576	894,010	841,224
Public health services	14,707,165	15,795,521	15,350,703
Recreation and cultural services	695,800	743,937	658,044
Water treatment and distribution	<u>748,300</u>	<u>795,155</u>	<u>759,109</u>
	<u>24,911,091</u>	<u>27,400,927</u>	<u>26,631,820</u>
Annual surplus	<u>\$ 1,451,641</u>	<u>\$ 511,699</u>	<u>\$ 101,652</u>
<hr/>			
Accumulated surplus, beginning of year		\$26,620,078	\$ 26,515,826
Prior period adjustment (Note 15)		<u>(194,700)</u>	<u>(192,100)</u>
Accumulated surplus, beginning of the year as restated		26,425,378	26,323,726
Annual surplus		<u>511,699</u>	<u>101,652</u>
Accumulated surplus, end of year		<u>\$26,937,077</u>	<u>\$ 26,425,378</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	2017	2016
		Restated (Note 15)
	<u>Budget</u>	<u>Actual</u>
Annual surplus	\$ 1,451,641	\$ 511,699
Acquisition of tangible capital assets, net	(2,539,053)	(1,404,902)
Amortization of tangible capital assets	<u>2,594,914</u>	<u>2,594,914</u>
	<u>1,507,502</u>	<u>988,783</u>
Change in tax sale properties and other non-financial assets	<u>-</u>	<u>(31,301)</u>
Change in net debt	<u>\$ 1,507,502</u>	990,807
Net debt, beginning of year		<u>(29,990,577)</u>
Net debt, end of year		<u>\$(28,320,167)</u>

Included in net debt above, is \$33,777,882 of Long-term debt issued to the County of Inverness Municipal 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	2017	2016
		Restated (Note 15)
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Annual surplus	\$ 511,699	\$ 101,652
Amortization of tangible capital assets	<u>2,594,914</u>	<u>2,494,795</u>
	<b>3,106,613</b>	2,596,447
Tax sale properties and other non-financial assets	(31,301)	2,025
Taxes receivable	(13,223)	38,685
User charges receivable	(704,930)	33,980
Receivables from governments	335,799	559,196
Other receivables	(762,574)	(273,975)
Payables and accruals	(190,425)	(112,853)
Deferred revenue	131,019	706,367
Tax sale surplus	33,838	8,875
Unfunded retirement benefits	<u>171,100</u>	<u>185,500</u>
	<u>2,075,916</u>	<u>3,744,247</u>
<b>Financing activities</b>		
Issuance of long term debt	1,800,000	-
Repayment of long term debt	<u>(1,364,287)</u>	<u>(1,322,159)</u>
	<u>435,713</u>	<u>(1,322,159)</u>
<b>Investing activities</b>		
Acquisition of tangible capital assets	<u>(1,404,902)</u>	<u>(1,607,664)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,106,727</b>	814,424
Cash and cash equivalents		
Beginning of year	<u>15,917,206</u>	<u>15,102,782</u>
End of year	<u>\$ 17,023,933</u>	<u>\$ 15,917,206</u>

See accompanying notes to the consolidated financial statements.

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 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% (2016 – 23%)

Interdepartmental and organizational transactions and balances are eliminated.

#### Budget

The budget figures contained in these financial statements were approved by Council on July 4, 2016, 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.

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 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 and cash equivalents includes unrestricted cash of \$15,498,078 (2016 - \$14,432,427) and restricted cash of \$1,525,855 (2016 - \$1,484,779).

#### 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.

#### 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 2017 and 2016, there were no transfers made from the tax sale amounts to the capital reserve.

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 1. Summary of significant accounting policies (continued)

#### 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.

#### **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.

# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

### 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.

#### 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

<b>2. Taxes receivable</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Balance, beginning of year	\$ 2,562,773	\$ 2,550,086
Levy	12,773,183	12,529,730
Interest	<u>259,378</u>	<u>252,821</u>
	15,595,334	15,332,637
Collections	<u>12,847,273</u>	<u>12,769,864</u>
	<u>2,748,061</u>	<u>2,562,773</u>
Valuation allowance	<u>957,650</u>	<u>785,585</u>
Balance, end of year	<b><u>\$ 1,790,411</u></b>	<b><u>\$ 1,777,188</u></b>

# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

<b>3. User charges receivable</b>	<u>2017</u>	<u>2016</u>
Other receivables	\$ 965,640	\$ 223,227
Water rates	<u>211,991</u>	<u>249,474</u>
	<u>\$ 1,177,631</u>	<u>\$ 472,701</u>

<b>4. Receivable from governments</b>	<u>2017</u>	<u>2016</u>
Federal government	\$ 419,790	449,248
Provincial government	<u>80,151</u>	<u>386,492</u>
	<u>\$ 499,941</u>	<u>\$ 835,740</u>

<b>5. Other receivables</b>	<u>2017</u>	<u>2016</u>
Municipal receivables	\$ 795,439	572,473
Public Health Services	<u>696,757</u>	<u>157,149</u>
	<u>\$ 1,492,196</u>	<u>\$ 729,622</u>

### **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>2017</u>	<u>2016</u>
Cape Breton Island Housing Authority	\$ 164,067	\$ 169,507
Eastern Counties Regional Library	\$ 105,400	\$ 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, 2017.

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 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 \$103,371 in 2017 (2016 - \$106,978) 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 \$585,316 (2016 - \$574,626) towards this plan.

As of March 31, 2017, 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, 2017. The March 31, 2017, actuarial valuation indicated that the pension enhancement had an accrued benefit obligation of \$6,330,900 (2016 - \$6,159,800).

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.

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 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 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>2017</u>	<u>2016</u>
Accrued benefit obligation, beginning of year	\$ 6,159,800	\$ 5,974,300
Current service cost	82,300	89,200
Interest on obligation	366,200	356,000
Less: benefits paid	<u>(277,400)</u>	<u>(259,700)</u>
Accrued benefit obligation, end of year	<u>6,330,900</u>	<u>6,159,800</u>
Unfunded retirement benefits	<u>\$ (6,330,900)</u>	<u>\$ (6,159,800)</u>

#### (b) Loan guarantees

The Municipality has guaranteed the bank loan for several volunteer fire departments. As of March 31, 2017, the details of these are as follows:

	<u>Guarantee amount</u>	<u>Outstanding loan balance</u>
Margaree	\$ 170,306	\$ -
Mabou Fire Department	\$ 155,653	\$ 34,292
Judique Fire Department	\$ 46,934	\$ 14,686
Port Hood Fire Department	\$ 192,455	\$ 45,975
North East Margaree	\$ 65,000	\$ -
Whycocomagh	\$ 300,000	\$ -
Valley Mills Fire Department	\$ 100,000	\$ 84,803

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 8. 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>			
Duart MacAulay	Former Warden – District 4	\$ 28,168	\$ 2,794
Betty Ann MacQuarrie	Warden – District 5	\$ 17,866	\$ 2,317
Alfred Poirier	Councillor – District 1	\$ 33,502	\$ 6,962
Gloria LeBlanc	Former Councillor – District 2	\$ 19,024	\$ 1,144
Laurie Cranton	Councillor – District 2	\$ 12,887	\$ 2,943
James Mustard	Councillor – District 3	\$ 31,911	\$ 7,668
John MacLennan	Councillor – District 4	\$ 12,887	\$ 494
Betty Ann MacQuarrie	Councillor – District 5	\$ 22,588	\$ 1,646
Dwayne MacDonald	Former Councillor – District 6	\$ 19,577	\$ 3,457
John Dowling	Councillor – District 5	\$ 12,887	\$ 2,196
<u>Senior officials</u>			
Joe O'Connor	Chief Administrative Officer	\$ 122,899	\$ 7,356

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### 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, 2017. The Municipality has included in its reserves an amount of \$408,000 to fund these future landfill closure costs.

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

### 10. 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, 2017.

#### 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>2017</u>
Current service cost	\$ 19,900
Sick leave interest expense	4,500
Amortization of gains and losses	-
Benefit expense	<u>\$ 24,400</u>

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

	<u>2017</u>
Balance, beginning of year	\$ 194,700
Benefit expense	19,900
Interest expense	4,500
Municipality contribution	<u>(21,200)</u>
Balance, end of year (unfunded)	<u>\$ 197,900</u>

#### Assumptions:

Discount rate:	2.32% per annum
Salary increases:	2.25% per annum.
Mortality:	100% of CPM-2014 Public with future mortality improvements according to scale CPM-B
Withdrawal prior to retirement:	Nil
Retirement age:	End of the year in which age 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.

# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

### 11. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for 2017.

### 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>
<b>Revenue</b>			
Taxes	\$ 8,687,300	\$ (336,000)	\$ 8,351,300
Capital grants	-	1,127,291	1,127,291
Grants in lieu of taxes	400,800	-	400,800
Services provided to other governments	140,000	-	140,000
Conditional transfers from other governments	83,000	-	83,000
Unconditional transfers from other governments	675,962	(190,231)	485,731
Sale of services	201,505	-	201,505
Public health Services	-	14,707,165	14,707,165
Other revenue	508,440	(212,900)	295,540
Water rates	<u>570,400</u>	<u>-</u>	<u>570,400</u>
	<u>11,267,407</u>	<u>15,095,325</u>	<u>26,362,732</u>
<b>Expense</b>			
General government services	2,456,950	(336,000)	2,120,950
Protective services	2,654,700	(212,900)	2,441,800
Transportation services	932,000	-	932,000
Environmental health services	2,318,500	-	2,318,500
Environmental development services	1,136,807	(190,231)	946,576
Recreation and cultural services	695,800	-	695,800
Public health services	-	14,707,165	14,707,165
Water treatment and distribution	748,300	-	748,300
Transfers to (from) own reserves, funds and agencies	<u>324,350</u>	<u>(324,350)</u>	<u>-</u>
	<u>11,267,407</u>	<u>13,643,684</u>	<u>24,911,091</u>
Annual surplus	<u>\$ -</u>	<u>\$ 1,451,641</u>	<u>\$ 1,451,641</u>

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 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 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, 2017

### 13. Segment disclosure (continued)

	General Government	Protective	Transportation	Environmental health	Public health	Environmental development	Recreation and cultural	Water treatment	2017	2016
<b>Revenues</b>										
Taxes	\$ 1,992,418	\$ 1,983,643	\$ 684,893	\$ 2,672,006	\$ -	\$ 714,982	\$ 594,961	\$ -	\$ 8,642,903	\$ 8,761,867
Grants in lieu of taxes	91,464	91,062	31,441	122,662	-	32,822	27,312	-	396,763	398,621
Services provided to other governments	-	-	-	-	-	206,218	-	-	206,218	147,822
Unconditional transfers from other governments	465,102	-	-	31,499	-	-	-	-	496,601	539,400
Conditional transfers from other governments	247,900	-	-	-	-	-	-	-	247,900	114,787
Sale of services	310,539	-	-	-	14,707,165	-	-	-	15,017,704	14,958,623
Water utility operating revenues	1,395,058	-	-	-	41,351	-	-	481,456	481,456	521,634
Other revenues from own sources	5,180	-	-	981,652	-	-	-	-	1,436,409	485,892
Capital grants	-	-	-	-	-	-	-	-	986,832	804,826
	<u>4,507,661</u>	<u>2,074,705</u>	<u>716,334</u>	<u>3,807,819</u>	<u>14,748,516</u>	<u>954,022</u>	<u>622,273</u>	<u>481,456</u>	<u>27,912,786</u>	<u>26,733,472</u>
<b>Expenditures</b>										
Salaries and benefits	1,071,012	-	75,052	1,227,252	8,547,403	-	353,842	206,182	11,480,743	12,789,063
Goods, services and other	1,368,931	2,480,339	655,296	1,337,987	4,410,719	892,944	390,095	412,515	11,948,826	9,908,965
Amortization	51,369	-	126,039	732,105	1,536,360	1,066	-	147,975	2,594,914	2,494,795
Interest	-	-	-	43,722	1,301,039	-	-	28,483	1,373,244	1,436,397
	<u>2,491,312</u>	<u>2,480,339</u>	<u>856,387</u>	<u>3,341,066</u>	<u>15,795,521</u>	<u>894,010</u>	<u>743,937</u>	<u>795,155</u>	<u>27,397,727</u>	<u>26,629,220</u>
Annual surplus (deficit)	\$ 2,016,349	\$ (405,634)	\$ (140,053)	\$ 466,753	\$ (1,047,005)	\$ 60,012	\$ (121,664)	\$ (313,699)	\$ 515,059	\$ 104,252

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# Municipality of the County of Inverness

## Notes to the consolidated financial statements

March 31, 2017

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### 14. 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 2017, \$718,927 has been recognized as revenues by the Municipality.

Other deferred revenues represent funds received from varying sources for projects and capital purposes yet to be completed. In fiscal 2017 \$330,124 has been recognized as revenues by the Municipality.

	<u>Gas tax</u>	<u>Other</u>	<u>Total</u>
Balance, beginning of year	\$ 1,465,559	\$ 1,794,160	\$ 3,259,719
Contributions and interest earned	697,869	482,201	1,180,070
Amounts recognized as revenue	<u>(718,927)</u>	<u>(330,124)</u>	<u>(1,049,051)</u>
Balance, end of year	<u>\$ 1,444,501</u>	<u>\$ 1,946,237</u>	<u>\$ 3,390,738</u>

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### 15. Prior period adjustment

During the year, management obtained an actuarial valuation on their non-vesting, accumulating sick leave benefit liability and determined that the 2016 and 2015 accrued sick leave benefit liability was understated by \$192,100 and 194,700, respectively.

As a result of this error, the following financial statement items as at March 31, 2017 have been increased (decreased) by the following amounts:

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
Statement of financial position			
Payables and accruals	\$3,567,586	\$194,700	\$3,762,286
Accumulated surplus end of year	\$26,620,078	\$(194,700)	\$26,425,378
Statement of financial activities			
General government services	\$2,683,920	\$2,600	\$2,686,520
Accumulated surplus beginning of the year	\$26,515,826	\$(192,100)	\$26,323,726

# Municipality of the County of Inverness

## Schedule of debt charges and term debt

Year ended March 31, 2017

	Interest rate	Loan Continuity			Balance March 31, 2017	Interest
		Balance April 1, 2016	Repaid	Issued		
<i>General Capital</i>						
Municipal Finance Corporation	4.420%-4.625%	\$ 400,000	\$ 200,000	\$ -	\$ 200,000	\$ 10,786
Municipal Finance Corporation	1.150%-2.925%	-	-	1,800,000	1,800,000	32,936
<i>Water Capital</i>						
Municipal Finance Corporation	1.490%-4.026%	800,000	50,000	-	750,000	28,483
		<u>1,200,000</u>	<u>250,000</u>	<u>1,800,000</u>	<u>2,750,000</u>	<u>72,205</u>
<i>Housing Corporation</i>						
Nova Scotia Housing Development Corporation	3.730%	31,676,531	1,001,121	-	30,675,410	1,142,185
Nova Scotia Housing Development Corporation	5.000%	3,063,991	92,659	-	2,971,332	149,544
Canada Mortgage and Housing Corporation	6.875%	146,647	20,507	-	126,140	9,310
		<u>34,887,169</u>	<u>1,114,287</u>	<u>-</u>	<u>33,772,882</u>	<u>1,301,039</u>
<b>Total municipal debt</b>		<u>\$ 36,087,169</u>	<u>\$ 1,364,287</u>	<u>\$ 1,800,000</u>	<u>\$ 36,522,882</u>	<u>\$ 1,373,244</u>

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

2018	\$ 1,577,768
2019	\$ 1,423,257
2020	\$ 1,470,582
2021	\$ 1,521,692
2022	\$ 1,571,046

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, 2017

	<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>
<b>Cost</b>							
Balance, beginning of year	\$ 452,573	\$45,418,612	\$ 1,562,197	\$ 447,661	\$ 5,674,333	\$ 822,367	\$ 5,634,783
Add							
Net additions / reclassifications during the year	-	<u>1,070,433</u>	-	<u>93,039</u>	<u>377,212</u>	-	<u>6,719,749</u>
Balance, end of year	<u>452,573</u>	<u>46,489,045</u>	<u>1,562,197</u>	<u>540,700</u>	<u>6,051,545</u>	<u>822,367</u>	<u>12,354,532</u>
<b>Accumulated amortization</b>							
Balance, beginning of year	-	9,988,799	1,131,563	380,419	3,700,156	269,168	2,869,462
Add							
Amortization during the year	-	<u>1,531,147</u>	<u>62,890</u>	<u>35,655</u>	<u>397,301</u>	<u>44,255</u>	<u>246,301</u>
Balance, end of year	-	<u>11,519,946</u>	<u>1,194,453</u>	<u>416,074</u>	<u>4,097,457</u>	<u>313,423</u>	<u>3,115,763</u>
<b>NET BOOK VALUE</b>	<u>\$ 452,573</u>	<u>\$34,969,099</u>	<u>\$ 367,744</u>	<u>\$ 124,626</u>	<u>\$ 1,954,088</u>	<u>\$ 508,944</u>	<u>\$ 9,238,769</u>



# Municipality of the County of Inverness

## Schedule of tangible capital assets

March 31, 2017

	Streets and lights	Computer equipment	Website	Other equipment	Utility plant	Work in progress	2017 Total	2016 Total
<b>Cost</b>								
Balance, beginning of year	\$ 2,644,309	\$ 199,784	\$ 116,822	\$ 41,838	\$ 6,639,846	\$ 6,948,191	\$ 76,603,316	\$ 74,995,652
Add								
Net additions during the year	<u>-</u>	<u>27,641</u>	<u>-</u>	<u>-</u>	<u>65,019</u>	<u>(6,948,191)</u>	<u>1,404,902</u>	<u>1,607,664</u>
Balance, end of year	<u>2,644,309</u>	<u>227,425</u>	<u>116,822</u>	<u>41,838</u>	<u>6,704,865</u>	<u>-</u>	<u>78,008,218</u>	<u>76,603,316</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	608,655	24,823	70,093	28,703	1,409,493	-	20,481,334	17,986,539
Add								
Amortization during the year	<u>105,772</u>	<u>7,885</u>	<u>11,682</u>	<u>4,051</u>	<u>147,975</u>	<u>-</u>	<u>2,594,914</u>	<u>2,494,795</u>
Balance, end of year	<u>714,427</u>	<u>32,708</u>	<u>81,775</u>	<u>32,754</u>	<u>1,557,468</u>	<u>-</u>	<u>23,076,248</u>	<u>20,481,334</u>
<b>NET BOOK VALUE</b>	<u>\$ 1,929,882</u>	<u>\$ 194,717</u>	<u>\$ 35,047</u>	<u>\$ 9,084</u>	<u>\$ 5,147,397</u>	<u>\$ -</u>	<u>\$ 54,931,970</u>	<u>\$ 56,121,982</u>



**SUPPLEMENTARY SCHEDULES**

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# Municipality of the County of Inverness

## Water utility

### Operating fund balance sheet

(Unaudited)  
March 31

2017

2016

#### Assets

Cash and cash equivalents	<u>\$ 375,262</u>	<u>\$ 418,473</u>
Receivable		
Rates (less allowance for doubtful accounts \$40,138; 2016 - \$33,807)	211,991	247,574
Province of Nova Scotia	9,475	2,863
HST	10,938	17,152
Due from gas tax reserve	<u>1,592</u>	<u>-</u>
	<u>233,996</u>	<u>267,589</u>
	<u>\$ 609,258</u>	<u>\$ 686,062</u>

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#### Liabilities

Payables and accruals		
Due to water utility section, capital fund	\$ 562,109	\$ 507,209
Due to general operating fund	12,595	11,891
Other payables and accruals	<u>57,252</u>	<u>42,661</u>
	<u>631,956</u>	<u>561,761</u>
(Deficit) surplus	<u>(22,698)</u>	<u>124,301</u>
	<u>\$ 609,258</u>	<u>\$ 686,062</u>

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# Municipality of the County of Inverness

## Water utility

### Operating fund statement of operations

(Unaudited)

Year ended March 31

	2017	2016
	<u>Actual</u>	<u>Actual</u>
Operating revenues		
Metered sales	\$ 350,470	\$ 382,225
Flat rate sales	130,986	139,409
Public fire protection	202,175	202,175
Sprinkler	4,160	4,320
Other operating revenue	<u>9,260</u>	<u>54,041</u>
	<u>697,051</u>	<u>782,170</u>
Expenditures		
Source of supply	148,662	65,020
Power and pumping	113,963	110,457
Water treatment	164,921	181,558
Transmission and distribution	130,133	174,523
Administration and general	86,716	85,953
Depreciation	147,975	141,089
Other operating expenditures	<u>2,785</u>	<u>509</u>
	<u>795,155</u>	<u>759,109</u>
Operating profit (loss)	<u>(98,104)</u>	<u>23,061</u>
Non-operating expenditures		
Debt charges		
Debenture principal repayment	50,000	50,000
Debenture interest	<u>28,542</u>	<u>29,718</u>
	<u>78,542</u>	<u>79,718</u>
Non-operating revenue		
Amortization of deferred government assistance	<u>29,647</u>	<u>29,647</u>
Excess of expenditures over revenues	(146,999)	(27,010)
Surplus, beginning of year	<u>124,301</u>	<u>151,311</u>
(Deficit) surplus, end of year	<u>\$ (22,698)</u>	<u>\$ 124,301</u>

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# Municipality of the County of Inverness

## Water utility

### Capital fund balance sheet

(Unaudited)  
March 31

2017

2016

#### Assets

Cash		
Depreciation fund (page 27)	\$ 1,037,957	\$ 1,030,719
Receivable from federal government	4,777	-
Due from water utility section, operating fund	562,109	507,209
Due from general operating section	171,882	171,882
Utility plant and equipment (page 28)	<u>6,700,854</u>	<u>6,635,835</u>
	<u>\$ 8,477,579</u>	<u>\$ 8,345,645</u>

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#### Liabilities

Payables		
Due to operating reserve section	\$ 1,216,875	\$ 1,216,875
Term debt		
Debentures issued to provincial government and its agencies	750,000	800,000
Deferred assistance	1,792,874	1,822,521
Reserve for depreciation	<u>1,256,209</u>	<u>1,166,885</u>
	<u>5,015,958</u>	<u>5,006,281</u>
Investment in capital assets (page 27)	<u>3,461,621</u>	<u>3,339,364</u>
	<u>\$ 8,477,579</u>	<u>\$ 8,345,645</u>

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## Municipality of the County of Inverness

### Water utility

#### Statement of reserve for depreciation

(Unaudited)

Year ended March 31	2017	2016
Balance, beginning of year	\$ 1,166,885	\$ 1,090,911
Capital funded through reserve	(58,651)	(65,115)
Depreciation for the year	<u>147,975</u>	<u>141,089</u>
Balance, end of year	<u>\$ 1,256,209</u>	<u>\$ 1,166,885</u>

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### Water utility

#### Statement of investment in capital assets

(Unaudited)

Year ended March 31	2017	2016
Balance, beginning of year	\$ 3,339,364	\$ 3,216,071
Term debt retired	50,000	50,000
Interest earned on depreciation fund	7,238	8,178
Gas tax funding	1,592	-
Federal grant	4,776	-
Transfer from depreciation reserve	<u>58,651</u>	<u>65,115</u>
Balance, end of year	<u>\$ 3,461,621</u>	<u>\$ 3,339,364</u>

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### Water utility section

#### Statement of depreciation fund cash

(Unaudited - see advisory to readers)

Year ended March 31	2017	2016
Cash, beginning of year	\$ 1,030,719	\$ 1,022,541
Interest earned on depreciation fund	<u>7,238</u>	<u>8,178</u>
Cash, end of year	<u>\$ 1,037,957</u>	<u>\$ 1,030,719</u>

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# Municipality of the County of Inverness

## Water utility

### Schedule of utility plant and equipment

(Unaudited)

Year ended March 31

2017

2016

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Tangible plant		
Land and land rights	\$ 59,192	\$ 59,192
Source of supply	585,078	585,078
Reservoir	1,474,839	1,468,015
Structures and improvements		
Power and pumping	210,718	210,718
Electric pumping equipment	123,654	111,505
Purification equipment	1,437,366	1,437,366
Port Hood water project	100,001	100,001
Transmission mains	659,428	659,428
Distribution mains	1,443,191	1,428,175
Services	115,572	115,572
Meters	313,597	289,346
Hydrants	147,555	140,776
Other tangible plant	<u>30,663</u>	<u>30,663</u>
	<u>\$ 6,700,854</u>	<u>\$ 6,635,835</u>

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