

Consolidated financial statements

Town of Port Hawkesbury

March 31, 2018

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Management's responsibility for financial reporting

The accompanying consolidated financial statements of the **Town of Port Hawkesbury** are the responsibility of management and have been approved by the Mayor and Council.

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

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

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

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

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

Chief Administrative Officer

Director of Finance

Independent auditor's report

Grant Thornton LLP
Unit 2
301 Pitt Street
Port Hawkesbury, NS
B9A 2T6
T +1 902 625 5383
F +1 902 625 5242
www.GrantThornton.ca

To the Mayor and Members of Council of the Town of Port Hawkesbury

We have audited the accompanying consolidated financial statements of the Town of Port Hawkesbury (the "Town") on pages 4 to 21 which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Port Hawkesbury as at March 31, 2018, and the consolidated results of its operations, changes in net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The Water Utility statements and schedules on pages 22 to 27 are presented for purposes of additional information and are 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 the consolidated financial statements taken as a whole.

Port Hawkesbury, Canada
August 29, 2018



Chartered Professional Accountants
Licensed Public Accountants

Town of Port Hawkesbury

Consolidated statement of financial position

March 31

2018

2017

Financial assets

Cash (Note 2)	\$ 6,054,377	\$ 5,591,228
Receivables (Note 3)	<u>1,624,334</u>	<u>1,057,364</u>
	7,678,711	6,648,592
Accrued pension benefit asset (Note 10)	<u>26,900</u>	<u>13,400</u>
	<u>7,705,611</u>	<u>6,661,992</u>

Liabilities

Payables and accruals	1,159,392	889,743
Deferred revenue (Note 15)	2,011,164	1,651,475
Other liabilities (Note 5)	102,937	73,170
Long term debt (Note 6) (Page 20)	<u>3,794,230</u>	<u>4,325,095</u>
	<u>7,067,723</u>	<u>6,939,483</u>

Net financial assets (debt)

	<u>637,888</u>	<u>(277,491)</u>
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Non-financial assets

Tangible capital assets (Page 21)	30,546,697	28,439,901
Inventory and prepaid expenses	146,157	117,182
Other	<u>13,440</u>	<u>18,448</u>
	<u>30,706,294</u>	<u>28,575,531</u>

Accumulated surplus (Page 5)

	<u>\$ 31,344,182</u>	<u>\$ 28,298,040</u>
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Approved on behalf of the Town of Port Hawkesbury

_____ Mayor

_____ CAO

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of operations

March 31	2018		2017
	Budget (Note 13)	Actual	Actual
Revenue			
Taxation (Note 14)	\$ 4,228,783	\$ 4,199,037	\$ 4,189,879
Grants in lieu of taxes	762,557	771,924	776,784
Sale of goods and services	1,074,161	909,282	1,411,133
Other revenue from own sources	248,523	304,838	286,719
Government transfers	483,730	570,630	504,501
Capital grants	3,627,021	1,859,906	228,866
Other revenue	190,000	283,527	273,058
Water rates	1,091,882	1,123,898	1,107,494
Contributed capital	-	1,205,000	-
Gain on disposal of tangible capital assets	-	-	40,256
	<u>11,706,657</u>	<u>11,228,042</u>	<u>8,818,690</u>
Expenditures			
General government services	1,260,090	1,217,560	1,144,872
Protective services	1,204,873	1,193,734	1,150,657
Transportation services	1,587,820	1,338,566	1,547,322
Health and development services	1,098,721	982,039	1,039,866
Recreation and cultural services	2,372,525	2,329,500	2,532,304
Water treatment and distribution	1,221,291	1,066,449	1,083,707
Interest and bank charges	31,789	22,974	24,278
Loss on disposal of tangible capital assets	-	26,069	-
Other	5,009	5,009	5,299
	<u>8,782,118</u>	<u>8,181,900</u>	<u>8,528,305</u>
Annual surplus	<u>\$ 2,924,539</u>	<u>\$ 3,046,142</u>	<u>\$ 290,385</u>
<hr/>			
Accumulated surplus, beginning of year		\$ 28,298,040	\$ 28,007,655
Annual surplus		<u>3,046,142</u>	<u>290,385</u>
Accumulated surplus, end of year		<u>\$ 31,344,182</u>	<u>\$ 28,298,040</u>

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of changes in net financial assets (debt)

Year ended March 31	Budget	2018	2017
Annual surplus	\$ 1,157,518	\$ 3,046,142	\$ 290,385
Acquisition of tangible capital assets	(5,599,078)	(3,691,227)	(354,763)
Amortization of tangible capital assets	1,582,367	1,547,319	1,566,938
Proceeds on sale of tangible capital assets	-	11,043	40,256
Loss (gain) on disposal of tangible capital assets	-	26,069	(40,256)
	<u>(2,859,193)</u>	<u>939,346</u>	<u>1,502,560</u>
Change in prepaids, inventory and other	-	(23,967)	80,782
Change in net financial assets (debt)	<u>\$ (2,859,193)</u>	915,379	1,583,342
Net debt, beginning of year		(277,491)	(1,860,833)
Net financial assets (debt), end of year		<u>\$ 637,888</u>	<u>\$ (277,491)</u>

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of cash flows

Year ended March 31

2018

2017

Increase in cash and cash equivalents

Operating activities		
Annual surplus	\$ 3,046,142	\$ 290,385
Amortization of tangible capital assets	1,547,319	1,566,938
Loss (gain) on disposal of tangible capital assets	<u>26,069</u>	<u>(40,256)</u>
	4,619,530	1,817,067
Changes in non-cash working capital		
Receivables	(566,970)	5,860
Prepays, inventory and other	(23,967)	80,782
Payables and accruals	269,649	(323,937)
Retirement benefit obligations	(13,500)	(13,400)
Deferred revenue	359,689	168,324
Other liabilities	<u>29,767</u>	<u>(6,352)</u>
	<u>4,674,198</u>	<u>1,728,344</u>
Investing activities		
Purchase of tangible capital assets	(3,691,227)	(354,763)
Proceeds from disposal of tangible capital assets	<u>11,043</u>	<u>40,256</u>
	<u>(3,680,184)</u>	<u>(314,507)</u>
Financing activities		
Repayment of long term debt	<u>(530,865)</u>	<u>(613,945)</u>
Net increase in cash and cash equivalents	463,149	799,892
Cash and cash equivalents		
Beginning of year	<u>5,591,228</u>	<u>4,791,336</u>
End of year	<u>\$ 6,054,377</u>	<u>\$ 5,591,228</u>

See accompanying notes to the consolidated financial statements

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies

The consolidated financial statements of the Town of Port Hawkesbury 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 Institute of Chartered Professional Accountants (CPA) Canada.

Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, changes in net financial assets (debt) and changes in cash flows 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 Town and which are owned or controlled by the Town.

Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

The basis of accounting followed in the consolidated financial statements presentation includes revenues in the period in which the transaction or events occurred that gave rise to the revenues and expenses in the period in which the goods and services are acquired and a liability or transfers are due.

Fund accounting

Funds with the consolidated financial statements consist of the operating, capital, reserve and funds for general operations and the water utility.

Budget

The budget figures contained in these financial statements were approved by Council on June 13, 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. Note 13 outlines the original fiscal plan and the adjustments made to come to the budget figures shown in these consolidated financial statements.

Revenue recognition

Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and a taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

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

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

Cash and cash equivalents

Cash and cash equivalents include 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.

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.

Town of Port Hawkesbury

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 on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Engineered buildings	15 - 40
Engineered structures	25 - 50
Automotive equipment	6
Machinery and equipment	10 - 15
Streets and lighting	25
Sewer lines	50
Computer software	10
Utility plant	5-75

A full year of amortization is charged in the year after acquisition. Assets under construction are not amortized until the year after the asset is available for productive use.

Certain assets such as surplus schools are disclosed at a nominal value as the determination of a fair market value for these types of assets is not appropriate.

Government transfers of tangible capital assets are recognized as an asset when the recipient government controls the resource as the results of past events, expects to receive future economic benefits from the asset and the asset is reliably measured. During the year the Town received a government transfer of a tangible capital asset for a nominal monetary amount. This asset is recorded at its fair market value and a capital contribution of this amount.

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. The net write-downs of tangible capital assets are accounted for as expenses in the statement of operations and such write-downs are not reversed.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

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 probable 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>
Receivables	Allowance for doubtful accounts
Defined benefit pension plan	Accrued benefit asset
Tangible capital assets	Useful lives

Liability for 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 would be recorded net of any expected recoveries. A liability for remediation of contaminated sites would be recognized when all the following criteria are met:

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

As at March 31, 2018, there are no known contaminated sites identified.

Sick leave

The Town provides sick leave benefits to its employees. Employees do not accumulate sick leave nor does it vest. However, a few specific employees have sick leave benefits that both accumulate and vest. A liability has been calculated and recorded by the Town.

Deferred revenue

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

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

2. Cash	<u>2018</u>	<u>2017</u>
General operations (unrestricted)	\$ 1,484,261	\$ 1,205,859
Capital (restricted)	1,241,967	1,328,575
Reserves (restricted)	<u>3,328,149</u>	<u>3,056,794</u>
	<u>\$ 6,054,377</u>	<u>\$ 5,591,228</u>

3. Receivables	<u>2018</u>	<u>2017</u>
Taxpayers and rate payers net of allowance of \$46,427 (2017: \$40,932)	\$ 507,976	\$ 568,235
Other governments	998,989	360,500
Other net of allowance of \$84,538 (2017: \$68,552)	<u>117,369</u>	<u>128,629</u>
	<u>\$ 1,624,334</u>	<u>\$ 1,057,364</u>

Taxpayers and rate payers receivables are reserved as required based on management's estimate of their collectability.

4. Bank indebtedness

Bank indebtedness consists of Scotiabank demand bank loans at the bank's prime rate which were fully available as of March 31, 2018.

5. Other liabilities	<u>2018</u>	<u>2017</u>
Prepaid taxes and rates	\$ 91,837	\$ 62,170
Consumer deposits	<u>11,100</u>	<u>11,000</u>
	<u>\$ 102,937</u>	<u>\$ 73,170</u>

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

6. Long term debt

Principal repayments required during the next five (5) years on long term debt are approximately as follows:

	<u>General Capital</u>	<u>Water Capital</u>	<u>Total</u>
2019	\$ 713,365	\$ 80,000	\$ 793,365
2020	\$ 773,365	\$ 80,000	\$ 853,365
2021	\$ 522,500	\$ 80,000	\$ 602,500
2022	\$ 1,065,000	\$ 80,000	\$1,145,000
2023	\$ -	\$ 80,000	\$ 80,000

All term debt outstanding at year end has been properly authorized by Service Nova Scotia and Municipal Relations.

7. Schools

On January 1, 1982, the Town of Port Hawkesbury joined with the Municipality of Inverness County to form the Inverness District School Board (now known as the Strait Regional School Board). Under the agreement, all school buildings on hand at December 31, 1981, will remain assets of the Town but will be under operational control of the School Board until such time as the Board no longer requires the assets for school purposes. At that time, control will revert to the Town. As of March 31, 2018, the Town of Port Hawkesbury has not received notice of intent to revert these assets to the Town.

8. Contributions to Boards and Commissions

Boards and Commissions in which the Town has less than a 100% interest:

The Town 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 Town may provide for its share of the surplus or deficit in the current year.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

8. Contributions to Boards and Commissions (continued)

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

	<u>2018</u>	<u>2017</u>
Cape Breton Island Housing Authority	\$ 45,428	\$ 50,000
Eastern District Planning Commission	\$ 69,140	\$ 67,573
Eastern Strait Regional Enterprise Network	\$ 22,455	\$ 22,456

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

9. Remuneration

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

<u>Official</u>	<u>Position</u>	<u>Remuneration</u>
Brenda Chisholm-Beaton	Mayor	\$ 28,130
Trevor Boudreau	Deputy Mayor/Councillor	\$ 15,732
Hughie MacDougall	Councillor/Deputy Mayor	\$ 15,443
Mark MacIver	Councillor	\$ 14,721
Jeremy White	Councillor	\$ 14,721
Terry Doyle	CAO	\$115,000

10. Pension

Defined benefit pension plan

The Town of Port Hawkesbury sponsors a contributory defined benefit pension plan for a retired Municipal Clerk. The plan provides pension benefits for services which is determined using a final average salary formula in which the benefit is calculated as a specified percentage of the member's average salary over the last five years of membership in the plans.

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 plan had an accrued pension asset of \$26,900 (2017 – \$13,400).

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

10. Pension (continued)

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 Town's best estimates.

The following summarizes the major assumptions in the valuation:

- The expected inflation rate is 2 percent;
- The discount rate used to determine the accrued benefit obligation is 4.75 percent; and
- The expected rate of return is 4.75 percent.

Combined employer and employee contributions during the year were nil and nil, respectively.

Pension fund assets are valued at market values. A result of the 2018 valuation is as follows:

Market value of the pension plan asset	\$ 1,220,800
Accrued benefit obligation	<u>(1,222,400)</u>
Pension plan deficit	(1,600)
Unamortized actuarial gains	28,500
Valuation allowance	<u>-</u>
Accrued benefit asset	<u>\$ 26,900</u>

Defined contribution pension plan

During the year, the Town has also matched employee contributions to a defined contribution 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:

Public works	9%
Management and salaried employees	9%

This plan, to which contributions totalled \$113,980 in fiscal 2018 (2017 - \$96,716), is accounted for as a defined contribution plan, where the Town contributes a percentage of eligible wages as outlined above. These costs are included with wages and benefits expenditures on the statement of operations.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

11. Segmented information

The Town of Port Hawkesbury is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Town'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 Town is primarily responsible for fire protection and police protection for its residents. The Town engages the services of various not for profit, volunteer fire departments in order to fulfil its fire protection role. The Town engages the RCMP for policing services.

Transportation services

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

Health and development services

This department is responsible for the maintenance and operations of waste management and sewer services provided to residents and other customers. This segment also includes Town contributions to regional development authorities, housing authorities and planning commissions who are mandated to promote health and development within respective communities.

Recreation and cultural services

The recreation department is responsible for promoting and offering opportunities and activities to the Town'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 Town provides a municipal contribution towards the operations of the Eastern Counties Regional Library Board.

Water treatment distribution

This segment manages water treatment and distribution facilities and services with the Town and includes activities such as source of supply, power and pumping, water treatment, transmission and distribution.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

12. Segment information (continued)

	General government	Protective	Transportation	Health and development	Water treatment and distribution	Interest and bank charges	Recreation and cultural	2018	2017
Revenues									
Taxes	\$ 736,800	\$ 707,239	\$ 793,046	\$ 581,818	\$ -	\$ -	\$ 1,380,134	\$ 4,199,037	\$ 4,189,879
Grants in lieu of taxes	135,449	130,014	145,788	106,958	-	-	253,715	771,924	776,784
Sale of goods and services	6,854	-	236,437	-	-	-	665,991	909,282	1,411,133
Other revenue from own sources	174,808	-	-	-	16,547	94,979	18,504	304,838	286,719
Government transfers	337,129	-	45,000	22,312	-	-	166,189	570,630	504,501
Capital grants	1,178,749	-	-	-	681,157	-	-	1,859,906	228,866
Other revenue	-	-	-	241,387	-	42,140	-	283,527	273,058
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-	-	40,256
Contributed capital	1,205,000	-	-	-	-	-	-	1,205,000	-
Water rates	-	-	-	-	1,123,898	-	-	1,123,898	1,107,494
	<u>3,774,789</u>	<u>837,253</u>	<u>1,220,271</u>	<u>952,475</u>	<u>1,821,602</u>	<u>137,119</u>	<u>2,484,533</u>	<u>11,228,042</u>	<u>8,818,690</u>
Expenditures									
Salaries and benefits	458,715	-	281,540	130,322	303,803	-	799,013	1,973,393	1,924,664
Goods and services	160,175	78,019	503,431	186,425	260,547	-	412,326	1,600,923	1,953,107
External transfers	72,814	-	--	45,428	-	-	-	118,242	107,722
Contracted services	84,858	1,015,701	105,877	219,196	4,015	-	112,349	1,541,996	1,529,741
Amortization	70,013	1,715	384,097	257,528	249,952	-	584,014	1,547,319	1,566,938
Interest	2,643	-	5,417	46,268	31,789	-	115,437	201,554	236,496
Loss on disposal of tangible capital assets and other	394,411	98,299	58,204	96,872	216,343	27,983	306,361	1,198,473	1,209,637
	<u>1,243,629</u>	<u>1,193,734</u>	<u>1,338,566</u>	<u>982,039</u>	<u>1,066,449</u>	<u>27,983</u>	<u>2,329,500</u>	<u>8,181,900</u>	<u>8,528,305</u>
Annual surplus	<u>\$ 2,531,160</u>	<u>\$ (356,481)</u>	<u>\$ (118,295)</u>	<u>\$ (29,564)</u>	<u>\$ 755,153</u>	<u>\$ 109,136</u>	<u>\$ 155,033</u>	<u>\$ 3,046,142</u>	<u>\$ 290,385</u>

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 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 net debt has been adjusted to be on a consistent basis as actual results. The adjustments below include reclassification of revenues and expenditures amongst categories, capital grant amortization, removal of transfers, principal repayments of long term debt and capital out of revenue. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the consolidated statement of operations:

	Approved Fiscal Plan	Adjustments	Per Consolidated Statement of Operations
Revenue			
Taxes	\$ 4,342,348	\$ (113,565)	\$ 4,228,783
Grants in lieu of taxes	762,557	-	762,557
Sale of services	1,136,400	(62,239)	1,074,161
Other revenue from own sources	248,523	-	248,523
Government transfers	483,730	-	483,730
Capital grants	-	3,627,021	3,627,021
Services provided to other local governments	190,000	-	190,000
Water rates	<u>1,415,885</u>	<u>(324,003)</u>	<u>1,091,882</u>
	<u>8,579,443</u>	<u>3,127,214</u>	<u>11,706,657</u>
Expense			
General government services	1,190,077	70,013	1,260,090
Protective services	1,527,161	(322,288)	1,204,873
Transportation services	1,203,723	384,097	1,587,820
Health and development services	841,193	257,528	1,098,721
Recreation and cultural services	1,788,511	584,014	2,372,525
Water treatment and distribution	1,397,096	(175,805)	1,221,291
Interest and bank charges	31,789	-	31,789
Other	-	5,009	5,009
Transfers from own reserves, funds and agencies, capital out of revenue and principal repayments	<u>599,893</u>	<u>(599,893)</u>	<u>-</u>
	<u>8,579,443</u>	<u>202,675</u>	<u>8,782,118</u>
Annual surplus	<u>\$ -</u>	<u>\$ 2,924,539</u>	<u>\$ 2,924,539</u>

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2018

14 Taxation	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Taxes			
Assessable property			
Residential	\$ 2,560,387	\$ 2,552,988	\$ 2,550,029
Commercial			
Based on taxable assessment	2,136,730	2,121,427	2,088,397
Resource			
Based on taxable assessment	<u>29,470</u>	<u>28,705</u>	<u>28,502</u>
	<u>4,726,587</u>	<u>4,703,120</u>	<u>4,666,928</u>
Business property			
Nova Scotia Power - HST offset grant	23,000	21,334	22,337
Based in revenue – Nova Scotia Power	9,268	9,268	8,342
Based on revenue – Aliant Inc.	<u>27,000</u>	<u>24,588</u>	<u>26,916</u>
	<u>59,268</u>	<u>55,190</u>	<u>57,595</u>
Other			
Deed transfer tax	70,000	67,797	91,856
Less:			
Education	<u>(627,072)</u>	<u>(627,070)</u>	<u>(626,500)</u>
	<u>\$ 4,228,783</u>	<u>\$ 4,199,037</u>	<u>\$ 4,189,879</u>

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, \$65,082 (2017 - \$Nil) has been recognized as revenues by the Town.

Other deferred revenues represent funds received from varying sources for projects and capital purposes yet to be completed. In fiscal 2018, \$15,640 (2017: \$117,054) has been recognized as revenues by the Town.

	<u>Gas tax</u>	<u>Other</u>	<u>Total</u>
Balance, beginning of year	\$ 1,146,337	\$ 505,138	\$ 1,651,475
Contributions	237,703	202,708	440,411
Amounts recognized as revenue	<u>(65,082)</u>	<u>(15,640)</u>	<u>(80,722)</u>
Balance, end of year	<u>\$ 1,318,958</u>	<u>\$ 692,206</u>	<u>\$ 2,011,164</u>

Town of Port Hawkesbury

Schedule of consolidated debt charges and term debt

Year ended March 31, 2018

	Year of Maturity	Loan Continuity			Interest
		Balance March 31, 2017	Redeemed	Balance March 31, 2018	
General capital					
Serial debentures					
Backhoe – Work	2019	\$ 39,345	\$ 13,115	\$ 26,230	\$ 1,541
Street construction	2019	68,250	22,750	45,500	2,643
Civic Centre	2019	600,000	75,000	525,000	31,815
Waste water plant	2018	367,500	52,500	315,000	19,688
Civic Centre	2020	517,500	57,500	460,000	23,697
Civic Centre	2021	1,250,000	125,000	1,125,000	59,925
Waste water plant	2021	525,000	52,500	472,500	23,940
Salt truck	2019	60,000	20,000	40,000	2,471
Pumping station	2019	30,000	10,000	20,000	1,236
Waterfront	2019	67,500	22,500	45,000	2,811
		<u>3,525,095</u>	<u>450,865</u>	<u>3,074,230</u>	<u>169,767</u>
Water capital					
Serial debentures					
Municipal finance	2026	<u>800,000</u>	<u>80,000</u>	<u>720,000</u>	<u>31,789</u>
Total Municipal debt		<u>\$ 4,325,095</u>	<u>\$ 530,865</u>	<u>\$ 3,794,230</u>	<u>\$ 201,556</u>

Note 1: Interest rates are ordered consistently with order of term loans and debentures above:

1 – 4.388% to 4.889%
2 – 4.388% to 4.889%
3 – 5.205% to 5.325%
4 – 5.25% to 5.375%
5 – 4.695% to 4.880%
6 – 4.920% to 5.080%

7 – 4.450% to 4.590%
8 – 3.902% to 4.329%
9 – 3.902% to 4.329%
10 – 3.902% to 4.329%
11 – 3.382% to 4.597%

Town of Port Hawkesbury

Schedule of consolidated tangible capital assets

March 31, 2018

	Land	Engineered buildings	Engineered structures	Automotive equipment	Machinery and equipment	Streets and lighting	Sewer lines	Computer software	Utility plant	2018 Total	2017 Total
Cost											
Balance, beginning of year	\$ 701,144	\$26,218,838	\$2,377,106	\$ 733,810	\$3,218,576	\$6,159,307	\$4,421,978	\$ 107,953	\$9,049,190	\$52,987,902	\$52,728,731
Add											
Net additions during the year	1,205,000	40,250	16,269	-	215,082	55,707	1,210,621	-	948,298	3,691,227	354,763
Less											
Disposals during the year	-	-	-	-	(138,093)	-	-	-	-	(138,093)	(95,592)
Balance, end of year	<u>1,906,144</u>	<u>26,259,088</u>	<u>2,393,375</u>	<u>733,810</u>	<u>3,295,565</u>	<u>6,215,014</u>	<u>5,632,599</u>	<u>107,953</u>	<u>9,997,488</u>	<u>56,541,036</u>	<u>52,987,902</u>
Accumulated amortization											
Balance, beginning of year	-	8,283,437	1,644,249	643,330	2,424,574	3,865,341	3,495,130	43,180	4,148,760	24,548,001	23,076,655
Add											
Amortization during the year	-	652,880	93,696	19,214	222,748	209,594	88,440	10,795	249,952	1,547,319	1,566,938
Less											
Accumulated amortization on disposals	-	-	-	-	(100,981)	-	-	-	-	(100,981)	(95,592)
Balance, end of year	-	<u>8,936,317</u>	<u>1,737,945</u>	<u>662,544</u>	<u>2,546,341</u>	<u>4,074,935</u>	<u>3,583,570</u>	<u>53,975</u>	<u>4,398,712</u>	<u>25,994,339</u>	<u>24,548,001</u>
NET BOOK VALUE	<u>\$ 1,906,144</u>	<u>\$17,322,771</u>	<u>\$ 655,430</u>	<u>\$ 71,266</u>	<u>\$ 749,224</u>	<u>\$2,140,079</u>	<u>\$2,049,029</u>	<u>\$ 53,978</u>	<u>\$5,598,776</u>	<u>\$30,546,697</u>	<u>\$28,439,901</u>

Supplementary Information

Town of Port Hawkesbury

Water utility

Non-consolidated operating fund balance sheet

March 31 2018 2017

Assets

Accounts receivable		
Rates (less allowance for doubtful accounts \$14,712; 2017 - \$12,122)	\$ 208,390	\$ 209,521
Due from general section – operating fund	7,122	-
Inventories, at cost		
Chemicals	31,606	23,010
Other	42,858	42,452
Water meters and equipment	<u>3,389</u>	<u>3,522</u>
	<u>\$ 293,365</u>	<u>\$ 278,505</u>

Liabilities and operating equity

Accounts payable and accrued liabilities		
Prepaid rates	\$ 12,278	\$ 9,667
Consumer deposits	11,100	11,000
Due to general section - operating fund	<u>-</u>	<u>167,676</u>
	<u>23,378</u>	<u>188,343</u>
Operating fund surplus	<u>269,987</u>	<u>90,162</u>
	<u>\$ 293,365</u>	<u>\$ 278,505</u>

Town of Port Hawkesbury

Water utility

Non-consolidated statement of operations

Year ended March 31	2018		2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Flat rate sales	\$ 80,000	\$ 82,277	\$ 86,439
Metered sales	1,002,682	1,029,501	1,008,951
Other utility revenues	9,200	12,120	12,104
Public fire protection	<u>324,003</u>	<u>324,003</u>	<u>324,003</u>
	<u>1,415,885</u>	<u>1,447,901</u>	<u>1,431,497</u>
Operating expenses			
Source of supply	140,000	129,737	123,372
Pumping	21,000	17,501	18,051
Water treatment	413,130	358,163	355,201
Transmission and distribution	269,000	244,004	228,187
Administration and general	155,400	129,331	138,389
Depreciation	285,000	249,952	281,525
Taxes	<u>113,566</u>	<u>113,565</u>	<u>113,565</u>
	<u>1,397,096</u>	<u>1,242,253</u>	<u>1,258,290</u>
Operating income	<u>18,789</u>	<u>205,648</u>	<u>173,207</u>
Non-operating expenditure			
Debt charges			
Debenture interest	31,789	31,789	34,388
Principal instalments			
Debenture principal	80,000	80,000	80,000
Capital out of revenue	<u>-</u>	<u>7,535</u>	<u>6,025</u>
	<u>111,789</u>	<u>119,324</u>	<u>120,413</u>
Non-operating revenue			
Amortization of deferred government contributions	<u>93,000</u>	<u>93,501</u>	<u>93,501</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 179,825</u>	<u>\$ 146,295</u>

Town of Port Hawkesbury
Water utility
Non-consolidated statement of operating fund surplus

<u>Year ended March 31</u>	<u>2018</u>	<u>2017</u>
Operating fund surplus (deficit), beginning of year	\$ 90,162	\$ (56,133)
Excess of revenue over expenditures	<u>179,825</u>	<u>146,295</u>
Operating fund surplus, end of year	<u>\$ 269,987</u>	<u>\$ 90,162</u>

Town of Port Hawkesbury

Water utility

Non-consolidated capital fund balance sheet

March 31 2018 2017

Assets

Cash		
Depreciation fund	\$ 1,210,042	\$ 1,296,650
Due from Province of Nova Scotia	69,115	18,075
Unamortized discount on debentures	4,875	5,484
Utility plant in service (Page 27)	<u>9,997,490</u>	<u>9,049,193</u>
	<u>\$ 11,281,522</u>	<u>\$ 10,369,402</u>

Liabilities

Long term debt	\$ 720,000	\$ 800,000
Due to general section - operating fund	<u>69,115</u>	<u>18,074</u>
	<u>789,115</u>	<u>818,074</u>

Reserve

Reserve for depreciation	4,398,713	4,148,761
Deferred government contributions	<u>2,095,044</u>	<u>1,507,389</u>
	<u>6,493,757</u>	<u>5,656,150</u>

Equity

Investment in capital assets	<u>3,998,650</u>	<u>3,895,178</u>
	<u>\$ 11,281,522</u>	<u>\$ 10,369,402</u>

Town of Port Hawkesbury

Water utility

Non-consolidated statement of reserve for depreciation

Year ended March 31	2018	2017
Balance, beginning of year	\$ 4,148,761	\$ 3,867,236
Depreciation for the year	<u>249,952</u>	<u>281,525</u>
Balance, end of year	<u>\$ 4,398,713</u>	<u>\$ 4,148,761</u>

Water utility

Non-consolidated statement of investment in capital assets

Year ended March 31	2018	2017
Balance, beginning of year	\$ 3,895,178	\$ 3,797,430
Capital out of revenue	7,535	6,025
Interest earned depreciation fund	16,547	12,333
Term debt retired	80,000	80,000
Discount amortized	<u>(610)</u>	<u>(610)</u>
Balance, end of year	<u>\$ 3,998,650</u>	<u>\$ 3,895,178</u>

Water utility

Non-consolidated statement of depreciation fund cash

Year ended March 31	2018	2017
Cash, beginning of year	\$ 1,296,650	\$ 1,151,511
Deferred assistance transferred	(93,501)	(93,501)
Capital additions	(259,606)	(55,218)
Depreciation	249,952	281,525
Interest earned on depreciation funds	<u>16,547</u>	<u>12,333</u>
Cash, end of year	<u>\$ 1,210,042</u>	<u>\$ 1,296,650</u>

Town of Port Hawkesbury

Water utility

Non-consolidated schedule of utility plant and equipment

Year ended March 31	2018	2017
Intangible asset		
Working capital	<u>\$ 3,500</u>	<u>\$ 3,500</u>
Tangible plant		
Land and land rights		
Land for chemical building	13,058	13,058
Reservoir	17,841	17,841
Structures and improvements		
Heating	23,806	23,806
Source of supply	19,639	19,639
Purification structures	1,161,973	1,154,437
Distribution reservoirs and standpipes	1,138,086	1,138,086
Electric pumping equipment	332,947	103,187
Purification equipment	3,509,525	3,509,524
Transmission and distribution mains	3,294,208	2,583,208
Services	103,270	103,270
Meters	262,427	262,427
Hydrants	33,655	33,655
Tools and equipment	<u>83,555</u>	<u>83,555</u>
	<u>9,993,990</u>	<u>9,045,693</u>
	<u>\$ 9,997,490</u>	<u>\$ 9,049,193</u>
