



Grant Thornton

Non-consolidated financial statements

(Unaudited – see notice to reader)

Town of Port Hawkesbury

March 31, 2010

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Notice to reader

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On the basis of information provided by management, we have compiled the Operating Fund and Capital Fund balance sheets of the General Fund, Water Utility and Reserve Funds of the Town of Port Hawkesbury as at March 31, 2010, and the statement of operations for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Port Hawkesbury, Nova Scotia

July 30, 2010

Grant Thornton LLP
Chartered accountants

Town of Port Hawkesbury
General section
Operating fund balance sheet

March 31 2010 2009
(Unaudited - see notice to reader) (Restated)

Assets

Cash and cash equivalents	<u>\$ 1,160,521</u>	<u>\$ 972,306</u>
Receivables		
Taxes (Note 2)	271,357	262,896
Due from federal government and its agencies	180,796	60,481
Due from provincial government and its agencies (Note 3)	11,467	66,002
Due from local government and its agencies (Note 4)	63,605	110,641
Due from Water utility section – operating fund	-	54,743
Other	<u>169,429</u>	<u>193,320</u>
	<u>696,654</u>	<u>748,083</u>
Tangible assets		
Inventories of materials and supplies	<u>25,652</u>	<u>30,753</u>
Other assets		
Deferred expenditures	<u>107,257</u>	<u>74,029</u>
	<u>\$ 1,990,084</u>	<u>\$ 1,825,171</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
General section
Operating fund balance sheet (continued)

March 31 2010 2009
 Unaudited - see notice to reader (Restated)

Liabilities and operating equity

Trade payables	<u>\$ 872,536</u>	<u>\$ 778,913</u>
Other liabilities		
Deferred revenue	937,680	872,872
Due to Water utility section - operating fund	48,324	-
Prepaid taxes	<u>32,459</u>	<u>35,364</u>
	<u>1,018,463</u>	<u>908,236</u>
Asset valuation allowances		
For uncollected taxes (Note 5)	<u>16,535</u>	<u>36,732</u>
	<u>1,907,534</u>	<u>1,723,881</u>
Operating fund surplus	<u>82,550</u>	<u>101,290</u>
	<u>\$ 1,990,084</u>	<u>\$ 1,825,171</u>

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

General section

Statement of operations

Year ended March 31 2010 2009
 Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue (Schedule A)			
Taxes	\$ 4,607,463	\$ 4,625,071	4,531,205
Grants in lieu of taxes	347,186	339,513	304,974
Services provided to other local governments	210,000	336,328	247,595
Sales of services	1,065,580	1,132,013	1,416,198
Other revenue from own sources	153,400	174,538	218,130
Conditional transfers from other governments	58,525	60,565	75,793
Unconditional transfers from other governments	399,300	399,301	358,305
Conditional transfers from other local governments	145,598	111,960	108,098
Other transfers	<u>145,500</u>	<u>145,500</u>	<u>207,217</u>
	<u>7,132,552</u>	<u>7,324,789</u>	<u>7,467,513</u>
Expenditures (Schedule B)			
General government services	1,057,190	1,035,008	1,424,778
Protective services	1,137,102	1,142,325	1,108,785
Transportation services	1,199,330	1,032,792	993,875
Environmental health services	672,240	649,909	605,197
Public health and welfare	64,000	63,486	63,171
Environmental development services	95,635	95,383	89,608
Recreation and cultural services	1,701,143	1,716,437	1,652,291
Education	558,882	558,882	574,885
Financing and transfers	<u>647,030</u>	<u>949,307</u>	<u>854,165</u>
	<u>7,132,552</u>	<u>7,243,529</u>	<u>7,366,755</u>
Excess of revenue over expenditures	\$ -	\$ 81,260	\$ 100,758

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
General section
Statement of operating fund surplus

Year ended March 31
(Unaudited - see notice to reader)

	2010	2009
Operating fund surplus, beginning of year	\$ 101,290	\$ 117,748
Transfer to operating revenue	(100,000)	(117,216)
Excess of revenue over expenditures	<u>81,260</u>	<u>100,758</u>
Operating fund surplus, end of year	<u>\$ 82,550</u>	<u>\$ 101,290</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
General section
General capital fund balance sheet

March 31 2010 2009
(Unaudited - see notice to reader) (Restated)

Assets		
Cash and cash equivalents	\$ 134,308	\$ 43,962
Due from other governments	226,084	612,326
Unamortized discount on debentures	45,315	45,021
Property and equipment (Note 7)	<u>28,117,240</u>	<u>28,471,233</u>
	<u>\$ 28,522,947</u>	<u>\$ 29,172,542</u>

Liabilities		
Bank indebtedness	\$ -	\$ 610,936
Term loans (Schedule D)	54,018	221,563
Long term debt (Note 8) (Schedule D)	<u>7,422,710</u>	<u>7,266,890</u>
	<u>7,476,728</u>	<u>8,099,389</u>

Equity		
Investment in capital assets (Page 8)	<u>21,046,219</u>	<u>21,073,153</u>
	<u>\$ 28,522,947</u>	<u>\$ 29,172,542</u>

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

General section

Statement of investment in general capital assets

Year ended March 31
(Unaudited - see notice to reader)

2010

2009

(Restated)

Balance, beginning of year, as previously reported	\$ 31,572,286	\$ 27,902,572
Change in accounting policy (Note 13):		
Adjustment to tangible capital assets	-	2,750,936
Accumulated amortization from prior periods	<u>(10,499,133)</u>	<u>(9,418,177)</u>
Balance, beginning of year, as restated	21,073,153	21,235,331
Capital out of revenue	42,679	127,540
Capital grants	373,571	433,203
Transfer from operating reserve	89,992	-
Transfer from capital reserve	136,551	-
Transfer from gas tax reserve	42,557	-
Amortization of debenture discount	(4,598)	(4,667)
Amortization of tangible capital assets	(1,185,017)	(1,224,074)
Loss on disposal of tangible capital assets	(66,118)	(13,024)
Term debt retired	<u>543,449</u>	<u>518,844</u>
Balance, end of year	<u>\$ 21,046,219</u>	<u>\$ 21,073,153</u>

General section

Statement of investment in school capital assets

Year ended March 31
(Unaudited - see notice to reader)

2010

2009

(Restated)

Balance, beginning of year, as previously reported	\$ 6,650,927	\$ 6,650,927
Change in accounting policy (Note 13):		
Write down of school capital	<u>(6,650,926)</u>	<u>(6,650,926)</u>
Balance, beginning of year, as restated	<u>1</u>	<u>1</u>
Balance, end of year	<u>\$ 1</u>	<u>\$ 1</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

General section

Schedule A - Details of revenue

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Taxes			
Assessable property			
Residential	\$ 2,131,196	\$ 2,132,730	\$ 2,055,878
Commercial			
Based on taxable assessment	2,141,366	2,126,240	2,001,434
Resource			
Based on taxable assessment	<u>25,253</u>	<u>25,662</u>	<u>23,619</u>
	<u>4,297,815</u>	<u>4,284,632</u>	<u>4,080,931</u>
Business property			
Business occupancy	183,648	185,268	310,699
Nova Scotia Power - HST offset grant	35,000	56,237	45,851
Based in revenue – Nova Scotia Power	11,000	11,127	11,023
Based on revenue – Allant Inc.	<u>50,000</u>	<u>42,454</u>	<u>51,980</u>
	<u>279,648</u>	<u>295,086</u>	<u>419,553</u>
Other			
Deed transfer tax	<u>30,000</u>	<u>45,353</u>	<u>30,721</u>
	<u>\$ 4,607,463</u>	<u>\$ 4,625,071</u>	<u>\$ 4,531,205</u>

Town of Port Hawkesbury
General section
Schedule A - Details of revenue (continued)

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Grants in lieu of taxes			
Federal government	\$ 70,069	\$ 73,082	\$ 59,858
Federal government agencies			
Enterprise Cape Breton Corporation	19,434	19,434	18,220
Provincial government			
Provincial property	<u>257,683</u>	<u>246,997</u>	<u>226,896</u>
	<u>\$ 347,186</u>	<u>\$ 339,513</u>	<u>\$ 304,974</u>
Services provided to other local governments			
Fire protection – Richmond County	\$ 25,000	\$ 25,000	\$ 25,000
Leachate Treatment – Guysborough County	<u>185,000</u>	<u>311,328</u>	<u>222,595</u>
	<u>\$ 210,000</u>	<u>\$ 336,328</u>	<u>\$ 247,595</u>
Sales of services			
Airport	\$ 14,800	\$ 29,545	\$ 16,658
Civic centre	819,930	840,575	1,156,188
Public works	22,600	17,753	22,722
Recreation and education	168,250	204,140	180,630
Water utility	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
	<u>\$ 1,065,580</u>	<u>\$ 1,132,013</u>	<u>\$ 1,416,198</u>
Other revenue from own sources			
Licenses and permits	\$ 2,500	\$ 2,465	\$ 2,310
Fines and fees	4,500	4,539	7,565
Rentals	71,000	78,389	74,912
Interest on short term funds	1,500	1,503	48,068
Interest on taxes	40,000	45,860	49,762
Miscellaneous	<u>33,900</u>	<u>41,782</u>	<u>35,513</u>
	<u>\$ 153,400</u>	<u>\$ 174,538</u>	<u>\$ 218,130</u>

Town of Port Hawkesbury
General section
Schedule A - Details of revenue (continued)

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Conditional transfers from other governments			
Provincial government			
Provincial work grant	\$ -	\$ -	\$ 3,888
Recreation and culture	-	-	5,627
Emergency measure organization	1,000	1,073	1,048
Workers' Compensation	3,400	3,751	4,555
Education and community literacy	37,500	39,000	38,500
Environmental development			
Refuse diversion	<u>16,625</u>	<u>10,839</u>	<u>14,483</u>
	58,525	54,663	68,101
Federal government			
Federal works grant	<u>-</u>	<u>5,902</u>	<u>7,692</u>
	<u>\$ 58,525</u>	<u>\$ 60,565</u>	<u>\$ 75,793</u>
Unconditional transfers from other governments			
Federal gas tax rebate	\$ 94,172	\$ 94,172	\$ 96,322
Provincial equalization grant	<u>305,128</u>	<u>305,129</u>	<u>261,983</u>
	<u>\$ 399,300</u>	<u>\$ 399,301</u>	<u>\$ 358,305</u>
Conditional transfers from other local governments			
Pool funding	\$ 23,200	\$ 24,028	\$ 23,128
Airport funding	<u>122,398</u>	<u>87,932</u>	<u>84,968</u>
	<u>\$ 145,598</u>	<u>\$ 111,960</u>	<u>\$ 108,096</u>
Transfers from reserves			
Transfer from operating reserve fund	\$ 45,500	\$ 45,500	\$ 90,000
Surplus of prior years	<u>100,000</u>	<u>100,000</u>	<u>117,217</u>
	<u>\$ 145,500</u>	<u>\$ 145,500</u>	<u>\$ 207,217</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Mayor			
Stipend	\$ 25,700	\$ 25,594	\$ 24,826
Travel	21,000	19,434	20,542
Council			
Stipend	57,500	60,449	55,564
Travel	7,000	5,184	1,962
Other legislative services	<u>7,000</u>	<u>6,110</u>	<u>9,977</u>
	<u>118,200</u>	<u>116,771</u>	<u>112,871</u>
General administrative			
Administrative	509,104	503,769	876,560
Financial management	41,000	46,307	40,806
Taxation			
Administration	40,571	41,700	38,822
Reduced taxes –section 69	8,500	5,600	7,764
Section 71	143,500	135,846	129,701
Common services	2,000	-	-
Transfer to assessment services	<u>48,662</u>	<u>48,661</u>	<u>48,244</u>
	<u>793,337</u>	<u>781,883</u>	<u>1,141,897</u>
Other general government services			
Elections	-	-	17,269
Conventions	5,500	2,709	6,333
General liability insurance	57,000	47,917	66,933
Grants to other organizations and individuals	16,000	14,594	14,401
Intergovernmental relations	20,653	19,792	19,320
Other general services	<u>39,500</u>	<u>50,300</u>	<u>40,238</u>
	<u>138,653</u>	<u>135,312</u>	<u>164,494</u>
Valuation allowances			
Uncollectible taxes	5,000	1,042	5,516
Unresolved assessment appeals	<u>2,000</u>	<u>-</u>	<u>-</u>
	<u>7,000</u>	<u>1,042</u>	<u>5,516</u>
	<u>\$ 1,057,190</u>	<u>\$ 1,035,008</u>	<u>\$ 1,424,778</u>

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2010

2009

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Protective services			
Police protection			
Administration	\$ 42,900	\$ 42,005	\$ 40,436
Crime investigation, prevention, and protective services	525,000	527,801	509,773
Other	<u>93,500</u>	<u>91,108</u>	<u>89,774</u>
	<u>661,400</u>	<u>660,914</u>	<u>639,983</u>
Law enforcement			
Transfers to corrective services	<u>56,591</u>	<u>56,591</u>	<u>58,391</u>
Fire protection			
Administration	16,900	15,140	15,054
Fire fighting force	25,600	25,600	24,900
Water supply and hydrants	273,835	273,835	278,437
Fire stations and building	35,700	40,939	31,579
Fire fighting equipment	42,100	47,957	38,533
Other	<u>3,500</u>	<u>500</u>	<u>-</u>
	<u>397,635</u>	<u>403,971</u>	<u>388,503</u>
Debt charges			
Debenture interest	<u>8,976</u>	<u>8,976</u>	<u>10,360</u>
Other			
Animal and pest control	9,000	8,962	8,059
Emergency measures	<u>3,500</u>	<u>2,911</u>	<u>3,489</u>
	<u>12,500</u>	<u>11,873</u>	<u>11,548</u>
	<u>\$ 1,137,102</u>	<u>\$ 1,142,325</u>	<u>\$ 1,108,785</u>

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2010

2009

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Transportation services			
Common services			
Administration	\$ 45,700	\$ 30,958	\$ 41,537
Engineering services	17,700	22,095	13,034
General equipment	18,400	9,102	6,913
Small tools and equipment	15,700	12,428	9,647
Workshop, yards, and other buildings	42,000	26,751	19,783
Liability insurance	7,000	7,123	6,790
Other	<u>22,200</u>	<u>19,736</u>	<u>13,109</u>
	<u>168,700</u>	<u>128,193</u>	<u>110,813</u>
Road transport			
Administration	37,716	38,111	33,059
Roads and streets	507,800	442,254	421,273
Street lighting	112,000	115,464	125,403
Traffic services	28,700	31,539	20,063
Motor vehicles	130,200	129,820	124,639
Other road transport	<u>12,100</u>	<u>8,785</u>	<u>11,454</u>
	<u>828,516</u>	<u>765,973</u>	<u>735,891</u>
Air transport			
Administration	1,800	1,770	1,538
Airport	<u>176,864</u>	<u>117,822</u>	<u>127,234</u>
	<u>178,664</u>	<u>119,592</u>	<u>128,772</u>
Debt charges			
Debenture interest	<u>23,450</u>	<u>19,034</u>	<u>18,399</u>
	<u>\$ 1,199,330</u>	<u>\$ 1,032,792</u>	<u>\$ 993,875</u>

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2010

2009

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Environmental health services			
Sewage collection and disposal			
Administration	\$ 62,190	\$ 61,851	\$ 59,563
Sewage collection system	81,350	74,866	72,670
Sewage treatment and disposal	177,500	182,024	136,383
Other sewage collection	<u>29,300</u>	<u>27,650</u>	<u>24,631</u>
	<u>350,340</u>	<u>346,391</u>	<u>293,247</u>
Garbage and waste collection and disposal			
Town yard waste sight	3,000	1,295	-
Garbage and waste collection	148,000	147,304	144,302
Municipal dump	40,000	35,643	37,017
Other sewage collection	<u>49,000</u>	<u>37,376</u>	<u>44,481</u>
	<u>240,000</u>	<u>221,618</u>	<u>225,800</u>
Debt charges			
Interest on long term debt	<u>81,900</u>	<u>81,900</u>	<u>86,150</u>
	<u>\$ 672,240</u>	<u>\$ 649,909</u>	<u>\$ 605,197</u>
Public health and welfare services			
Social welfare			
Social welfare services employment program housing	\$ 9,000	\$ 12,023	\$ 7,744
Deficit of Regional Housing Authority	<u>55,000</u>	<u>51,463</u>	<u>55,427</u>
	<u>\$ 64,000</u>	<u>\$ 63,486</u>	<u>\$ 63,171</u>

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2010

2009

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Environmental development services			
Community development			
Transfers to Regional Planning Commission	\$ 53,464	\$ 54,537	\$ 53,008
Transfers to Regional Development Commission	42,171	37,171	36,600
Debenture interest	-	3,675	-
	<u>\$ 95,635</u>	<u>\$ 95,383</u>	<u>\$ 89,608</u>
Recreation and cultural services			
Recreation facilities			
Civic centre	\$ 798,865	\$ 780,773	\$ 760,950
Administration	165,890	157,894	153,347
Other programs	90,795	88,609	86,534
Swimming pool	218,583	236,314	218,305
Skating rinks and arenas	10,000	11,813	6,802
Parks and playgrounds	69,700	64,544	66,542
Other recreation facilities	98,500	127,613	99,844
	<u>1,452,333</u>	<u>1,467,560</u>	<u>1,392,324</u>
Cultural buildings and facilities			
Transfers to regional library	21,000	21,067	19,504
Debt charges			
Interest on long term debt	227,810	227,810	240,463
	<u>\$ 1,701,143</u>	<u>\$ 1,716,437</u>	<u>\$ 1,652,291</u>

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2010

2009

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Education			
Appropriation to Strait Regional School Board	<u>\$ 558,882</u>	<u>\$ 558,882</u>	<u>\$ 574,885</u>
Financing and Transfers			
Principal instalments			
Debenture principal	\$ 500,330	\$ 500,330	\$ 500,330
Term loans	-	15,619	6,016
Transfers to own reserves, funds and agencies			
Other funds			
General capital fund	125,300	42,679	127,540
Operating reserve fund	-	330,000	166,000
Special reserve fund	-	-	31,000
Airport committee	-	39,793	13,279
Own agencies			
Strait Area Waterfront Development Society	21,400	10,000	10,000
Other	<u>-</u>	<u>10,886</u>	<u>-</u>
	<u>\$ 647,030</u>	<u>\$ 949,307</u>	<u>\$ 854,165</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Water utility section
Operating fund balance sheet

March 31 2010 2009
(Unaudited - see notice to reader)

Assets

Accounts receivable		
Rates (less allowance for doubtful accounts \$34,350; 2009-\$31,932)	\$ 86,931	\$ 86,259
Due from general operating fund	48,324	-
Inventories, at cost		
Chemicals	5,584	14,571
Other	47,661	53,650
Water meters and equipment	<u>21,965</u>	<u>28,600</u>
	<u>\$ 210,465</u>	<u>\$ 183,080</u>

Liabilities and operating equity

Due to general operating fund	\$ -	\$ 54,743
Prepaid rates	2,902	2,671
Consumer deposits	<u>11,598</u>	<u>11,182</u>
	<u>14,500</u>	<u>68,596</u>
Operating fund surplus	<u>195,965</u>	<u>114,484</u>
	<u>\$ 210,465</u>	<u>\$ 183,080</u>

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Water utility section

Statement of operations

Year ended March 31 (Unaudited - see notice to reader)	2010	2009	
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Flat rate sales	\$ 78,000	\$ 74,690	\$ 72,387
Metered sales	718,200	729,362	692,223
Public fire protection	<u>273,835</u>	<u>273,835</u>	<u>278,437</u>
	<u>1,070,035</u>	<u>1,077,887</u>	<u>1,043,047</u>
Operating expenses			
Source of supply	23,000	17,191	21,325
Pumping	20,500	28,178	23,726
Water treatment	284,765	234,811	267,834
Transmission and distribution	308,865	293,566	251,526
Administration and general	125,200	121,841	150,542
Depreciation	125,000	122,311	121,164
Taxes	<u>110,453</u>	<u>110,453</u>	<u>106,564</u>
	<u>997,783</u>	<u>928,351</u>	<u>942,681</u>
Operating income	<u>72,252</u>	<u>149,536</u>	<u>100,366</u>
Non-operating expenditure			
Debt charges			
Interest on temporary borrowings	(1,500)	(191)	(744)
Debenture interest	15,646	15,646	17,682
Principal instalments			
Debenture principal	<u>52,600</u>	<u>52,600</u>	<u>52,600</u>
	<u>66,746</u>	<u>68,055</u>	<u>69,538</u>
Excess of revenue over expenditure	<u>\$ 5,506</u>	<u>\$ 81,481</u>	<u>\$ 30,828</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Water utility section
Statement of operating fund surplus

Year ended March 31
(Unaudited - see notice to reader)

	2010	2009
Operating fund surplus, beginning of year	\$ 114,484	\$ 83,656
Excess of revenue over expenditures	<u>81,481</u>	<u>30,828</u>
Operating fund surplus, end of year	<u>\$ 195,965</u>	<u>\$ 114,484</u>

See accompanying notes to the non-consolidated financial statements.

**Town of Port Hawkesbury
Water utility section
Capital fund balance sheet**

March 31 2010 2009
(Unaudited - see notice to reader)

Assets

Cash		
Depreciation fund	\$ 446,538	\$ 446,754
Due from other governments	57,507	40,628
Unamortized discount on debentures	2,043	2,384
Utility plant in service (Schedule C)	<u>6,031,193</u>	<u>5,526,089</u>
	<u>\$ 6,537,281</u>	<u>\$ 6,015,855</u>

Liabilities

Long term debt (Note 8) (Schedule D)	<u>\$ 315,600</u>	<u>\$ 368,200</u>
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Reserve

Reserve for depreciation	2,520,454	2,398,143
Deferred government contributions	<u>438,040</u>	<u>40,628</u>
	<u>2,958,494</u>	<u>2,438,771</u>

Equity

Investment in capital assets	<u>3,263,187</u>	<u>3,208,884</u>
	<u>\$ 6,537,281</u>	<u>\$ 6,015,855</u>

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Water utility section
Statement of reserve for depreciation

Year ended March 31 (Unaudited - see notice to reader)	2010	2009
Balance, beginning of year	\$ 2,398,143	\$ 2,276,979
Depreciation for the year	<u>122,311</u>	<u>121,164</u>
Balance, end of year	<u>\$ 2,520,454</u>	<u>\$ 2,398,143</u>

Water utility section
Statement of investment in capital assets

Year ended March 31 (Unaudited - see notice to reader)	2010	2009
Balance, beginning of year	\$ 3,208,884	\$ 3,146,321
Interest earned depreciation fund	2,044	10,303
Term debt retired	52,600	52,600
Discount amortized	<u>(341)</u>	<u>(340)</u>
Balance, end of year	<u>\$ 3,263,187</u>	<u>\$ 3,208,884</u>

Water utility section
Statement of depreciation fund cash

Year ended March 31 (Unaudited - see notice to reader)	2010	2009
Cash, beginning of year	\$ 446,754	\$ 388,717
Depreciation	122,311	121,164
Interest earned on depreciation funds	2,045	10,303
Receivable collection	40,628	-
Purchases/restoration of capital equipment	<u>(165,200)</u>	<u>(73,430)</u>
Cash, end of year	<u>\$ 446,538</u>	<u>\$ 446,754</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Water utility section
Schedule C - Utility plant and equipment

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

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		
Source of supply	19,639	19,639
Purification structures	1,154,437	1,154,437
Distribution reservoirs and standpipes	1,138,086	1,138,086
Electric pumping equipment	96,516	96,516
Purification equipment	720,687	285,894
Transmission and distribution mains	2,392,656	2,322,345
Services	103,270	103,270
Meters	262,427	262,427
Hydrants	33,655	33,655
Tools and equipment	<u>75,421</u>	<u>75,421</u>
	<u>6,027,693</u>	<u>5,522,589</u>
	<u>\$ 6,031,193</u>	<u>\$ 5,526,089</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Reserve funds section
Capital reserve balance sheet

March 31 2010 2009
(Unaudited - see notice to reader)

Assets
Cash and cash equivalents \$ 246,308 \$ 326,391

Reserve
Special reserve \$ 246,308 \$ 326,391

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

Reserve funds section
Statement of capital reserve

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

Balance, beginning of year	\$ 326,391	\$ 187,869
Transfer from operating fund	-	31,000
Interest earned	1,429	6,760
Proceeds on sale of property	70,682	100,762
Transfer to general capital fund	(136,551)	-
Other transfers	<u>(15,643)</u>	<u>-</u>
Balance, end of year	<u>\$ 246,308</u>	<u>\$ 326,391</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Reserve funds section
Operating reserve balance sheet

March 31 2010 2009
(Unaudited - see notice to reader)

Assets		
Cash and cash equivalents	<u>\$ 651,257</u>	<u>\$ 454,770</u>

Reserve		
Operating reserve	<u>\$ 651,257</u>	<u>\$ 454,770</u>

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

Reserve funds section
Statement of operating reserve

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

Balance, beginning of year	\$ 454,770	\$ 369,216
Interest earned	1,979	9,554
Appropriation per council – airport grant	-	-
Appropriation per council – general	<u>330,000</u>	<u>166,000</u>
	<u>786,749</u>	<u>544,770</u>
Transfer to general operating fund	(45,500)	(90,000)
Transfer to general capital fund	<u>(89,992)</u>	<u>-</u>
	<u>(135,492)</u>	<u>(90,000)</u>
Balance, end of year	<u>\$ 651,257</u>	<u>\$ 454,770</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury
Reserve funds section
Gas tax reserve balance sheet

March 31 2010 2009
(Unaudited - see notice to reader)

Assets

Cash and cash equivalents \$ 200,273 \$ 148,695

Reserve

Operating reserve \$ 200,273 \$ 148,695

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

Reserve Funds section
Statement of gas tax reserve

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

Balance, beginning of year	<u>\$ 148,695</u>	<u>\$ 105,645</u>
Interest earned	1,107	2,733
Grant – gas tax	<u>269,056</u>	<u>136,639</u>
	<u>418,858</u>	<u>245,017</u>
Transfer to general capital fund	(42,557)	-
Transfer to Water utility section – capital fund	(72,437)	-
Fund transferred to service capital debt	(94,171)	(96,322)
Administrative costs	<u>(9,420)</u>	<u>-</u>
	<u>(218,585)</u>	<u>(96,322)</u>
Balance, end of year	<u>\$ 200,273</u>	<u>\$ 148,695</u>

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

1. Summary of significant accounting policies

Basis of presentation

These financial statements, except as disclosed in Note 1 below, have been prepared to conform in all material respects to the accounting principles prescribed for Nova Scotia municipalities by the Department of Municipal Affairs and for water utilities by the Utilities and Review Board.

Operating funds

- i) **Properties acquired at tax sale**
Properties acquired at tax sale are stated at cost.
- ii) **Valuation allowances**
Uncollected taxes, special assessments and rates
The Town provides a valuation allowance for uncollected taxes equal to, at minimum, the following, which it feels represents a reasonable estimate of potential losses:
 - Average of current and prior year's business occupancy tax and trailers outstanding at year end.

In the water utility, a valuation allowance is provided for estimated losses that will be incurred in collecting water rates receivable outstanding.

- iii) **Other receivables**
The Town provides a valuation allowance for all current receivables which are outstanding for more than one year.

- iv) **Revenue and expenditures**
Major revenue and expenditure items are recorded on the accrual basis.

Forfeited discount revenue on water rates is recorded on the accrual basis.

Principal and interest payments relating to long term debt are recorded as an expenditure when due for payment.

Interest earned on depreciation funds is recorded as non-operating revenue in the water utility section, operating fund.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

1. Summary of significant accounting policies (continued)

Capital funds

- i) General and school purpose assets
 - Capitalized debt expense
The Town capitalizes interest incurred on funds borrowed for construction in progress activity.
- ii) Water purpose assets
 - Capitalized debt expense
The Town capitalizes interest incurred on funds borrowed for construction in progress activity.

Capital asset assistance

Funds received through capital assistance programs are treated as additions to the investment in capital assets.

Capital assets and related depreciation

Utility plant, none of which is donated, is recorded at cost.

Depreciation of utility plant is charged to income based on formula rates prescribed by the Utility and Review Board.

Depreciation cash

The depreciation charge in the operating fund is transferred to a designated bank account in the capital fund where it becomes available to fund new construction, extensions, additions, or replacements of existing plant and equipment.

Tangible capital assets

Effective April 1, 2009, the Town adopted Section 3150 of the Public Sector Accounting Handbook - Tangible Capital Assets.

Prior to April 1, 2009, the Town recorded tangible capital assets at cost in the period they were acquired in the general capital fund and as an expenditure within the general operating fund. Assets were not amortized and they were written off at the end of their estimated useful life.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

1. Summary of significant accounting policies (continued)

As of April 1, 2009, tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	40
Engineered structures	25 - 50
Automotive equipment	6
Machinery and equipment	10 - 15
Sewer lines	50
Streets and lighting	25

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

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

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

As of March 31, 2010, amortization is recorded as an expense and prior years have been restated for the change in accounting policy. Amortization is calculated on a straight-line basis over an asset's estimated useful life.

Fundraising

Pledges outstanding at year end from prospective donors to the Civic Centre capital project are recorded when received. There is no legal requirement for these pledges to be honoured, and collection is not certain.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010
(Unaudited - see notice to reader)

2. Taxes receivable	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 262,896	\$ 280,565
Levy	4,469,900	4,391,629
Interest	<u>36,237</u>	<u>31,714</u>
	4,769,033	4,703,908
Collections	<u>4,358,230</u>	<u>4,303,547</u>
	412,803	400,361
Write offs, adjustments and exemptions	<u>141,446</u>	<u>137,465</u>
	271,357	262,896
Valuation allowance (Note 5)	<u>16,535</u>	<u>36,732</u>
Balance, end of year	<u>\$ 254,822</u>	<u>\$ 226,164</u>

3. Due from provincial government and its agencies	<u>2010</u>	<u>2009</u>
Province of Nova Scotia	<u>\$ 11,467</u>	<u>\$ 66,002</u>

4. Due from local government and its agencies	<u>2010</u>	<u>2009</u>
Various local government	\$ 63,605	\$ 50,606
Strait Area Waterfront Development Society	<u>-</u>	<u>60,035</u>
	<u>\$ 63,605</u>	<u>\$ 110,641</u>

5. Asset valuation allowances	<u>2010</u>	<u>2009</u>
For uncollected taxes		
Balance, beginning of year	\$ 36,732	\$ 33,221
Provision for the year	1,042	3,511
Write-off uncollectible accounts	<u>(21,239)</u>	<u>-</u>
Balance, end of year	<u>\$ 16,535</u>	<u>\$ 36,732</u>

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

6. 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 Municipality but will be under the operational control of the District School Board until such time as the Board no longer requires the asset for school purposes. At that time, control will revert back to the Town.

In 2003/2004 the Senior Elementary School was returned by the School Board to the Town. The building was demolished by the Town.

7. Property and equipment			<u>2010</u>	<u>2009</u> (Restated)
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 613,534	\$ -	\$ 613,534	\$ 640,350
Buildings	23,801,288	3,582,629	20,218,657	20,750,562
Engineered structures	1,951,715	1,038,593	913,122	648,328
Automotive equipment	837,241	737,901	99,340	160,651
Machinery and equipment	2,745,141	1,030,567	1,714,574	1,674,660
Sewer lines	4,279,897	2,891,539	1,388,358	1,473,956
Streets and lighting	<u>5,572,578</u>	<u>2,402,921</u>	<u>3,169,655</u>	<u>3,122,726</u>
	<u>\$ 39,801,390</u>	<u>\$11,684,150</u>	<u>\$ 28,117,240</u>	<u>\$ 28,471,233</u>

8. Long term debt

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

	<u>General Capital</u>	<u>Water Capital</u>	<u>Total</u>
2011	\$ 565,945	\$ 52,600	\$ 618,545
2012	\$ 565,945	\$ 52,600	\$ 618,545
2013	\$ 565,945	\$ 52,600	\$ 618,545
2014	\$ 565,945	\$ 52,600	\$ 618,545
2015	\$ 565,945	\$ 52,600	\$ 618,545

All existing long term debt has been approved by Service Nova Scotia and Municipal Relations.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

9. Contributions to Boards and Commissions

(a) 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.

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

	<u>2010</u>	<u>2009</u>
Cape Breton Island Housing Authority	\$ 54,248	\$ 52,827
Eastern District Planning Commission	\$ 53,464	\$ 51,960
Strait-Highlands Regional Development Agency	\$ 37,171	\$ 36,600

The Town has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2010.

(b) Boards and commissions in which the Town has a 100% interest:

i) Town of Port Hawkesbury Water Utility

The Town annually records a provision for its share of the utility's deficit. During the year the Town recorded in its expenditures a deficit of \$NIL (2009 - \$NIL), being the utility's deficit for the year.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

10. Transactions between the Town of Port Hawkesbury and the Water Utility

- (a) In general, and where identifiable, costs incurred by the Town of Port Hawkesbury on behalf of the Water Utility are charged to the Utility.
 - (b) Salary and wage related costs are allocated in proportion to time spent performing functions on behalf of the Water Utility.
 - (c) The Water Utility provides public fire protection to the Town. The charge for this service, included in operating revenues, amounted to \$273,835 (2009 - \$278,437) and the charge is governed by the Utilities and Review Board.
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11. Commitments and contingencies

Pension costs and obligations

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, 2010. The March 31, 2010, actuarial valuation indicated that the pension plan had an accrued benefit obligation of \$183,600.

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 2.0 percent;
- The discount rate used to determine the accrued benefit obligation is 6.0 percent; and
- The expected rate of return is 6.0 percent.

Combined employer and employee contributions during the year were \$45,600 and \$Nil, respectively.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010
(Unaudited - see notice to reader)

11. Commitments and contingencies (continued)

Pension fund assets are valued at market values. A result of the 2010 valuation is as follows:

Market value of the pension plan asset	\$	924,800
Accrued benefit obligation		<u>(1,012,900)</u>
Pension plan deficit (surplus)		88,100
Unamortized actuarial gains (losses)		95,500
Valuation allowance		<u>-</u>
Pension liability	\$	<u>183,600</u>

Under Nova Scotia Pension Plan regulations, the Town has 15 years to fund the deficit arising from the valuation. Service Nova Scotia and Municipal Relations have released the Financial Reporting manual which indicates that a Municipality will have up to 5 years to rate for any deficit incurred from recording this liability. The Town has not recorded a liability relating to this retirement benefit obligation in these non-consolidated financial statements.

During the year, the Town has also 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:

Public Works	5%
Management and salaried employees	6%

This plan, to which contributions totalled \$96,909 in fiscal 2010, 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.

12. 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>
Billy Joe MacLean	Mayor	\$ 26,572
Ken Anderson	Councillor	\$ 14,780
Jim King	Councillor	\$ 14,780
Hugh MacDougall	Deputy Mayor	\$ 16,305
Mark McIver	Councillor	\$ 14,780
Jim Davis	Chief Administrative Officer	\$ 88,020

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2010

(Unaudited - see notice to reader)

13. Change in accounting policy

Effective April 1, 2009, the Municipality has restated its financial statements to comply with the provisions of Section 3150, Tangible Capital Assets, of the Public Sector Accounting Board Handbook. This section has established standards on how to account for and report tangible capital assets. Tangible capital assets are a significant economic resource managed by government and a key component in the delivery of many government programs. The standard requires these assets to be recorded at historical cost on the balance sheet and to allocate their costs to future accounting periods through annual amortization expenses based on the tangible capital asset's estimated useful life. The Town was required to record the historical cost of their tangible capital assets and accumulated amortization on a retroactive basis with restatement of prior years.

The Town determined historical cost based on historical accounting records, and discounted replacement costs. If historical cost could not be determined, the asset was recorded at a nominal value. Under previous accounting standards, the Town capitalized its capital assets in a separate fund, but also recorded the amount as an expense in the year of acquisition. Previous standards also allowed the Town to expense debt repayments as incurred in the statement of operations, which is no longer permitted under the new provisions. The March 31, 2009, figures presented for comparative purposes have been restated from those previously reported. The following adjustments were made to the prior periods.

Adjustments to General Capital Fund, Investment in Capital Assets

Tangible capital asset adjustment	\$ 2,750,936
Less amortization on tangible capital assets	<u>(9,418,177)</u>
Decrease in Investment in Capital Assets	<u>\$ (6,667,241)</u>

Adjustments to School Capital, Investment in Capital Assets

Write down of School Capital	<u>\$ (6,650,926)</u>
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Town of Port Hawkesbury

Schedule D - Debt charges and term debt

Year ended March 31, 2010
(Unaudited - see notice to reader)

	Issuance	Maturity	Issued	Loan Continuity		Interest	
				Balance April 1, 2009	Balance March 31, 2010		
General							
2005 Truck	2005		\$ -	\$ 38,952	\$ 9,000	\$ 29,952	\$ 561
2005 Truck	2005		-	14,217	3,000	11,217	339
Former post office	2006	2011	-	27,500	27,500	-	-
Truck – Fire dept	2000	2011	-	16,468	3,619	12,849	-
Backhoe – Work	2009	2019	6,724	124,426	-	131,150	2,142
Truck – Fire dept	2005	2014	-	192,000	32,000	160,000	8,976
Street construction	2000	2010	-	250,250	22,750	227,500	16,892
Civic Centre	2005	2019	-	1,200,000	75,000	1,125,000	60,720
Waste water plant	2004	2018	-	787,500	52,500	735,000	40,228
Civic Centre	2006	2020	-	977,500	57,500	920,000	43,391
Civic Centre FCM	2007	2016	-	664,640	83,080	581,560	16,940
Civic Centre	2007	2021	-	2,250,000	125,000	2,125,000	106,760
Waste water plant	2007	2021	-	945,000	52,500	892,500	41,672
Salt truck	2010	2019	200,000	-	-	200,000	-
Pumping station	2010	2019	100,000	-	-	100,000	-
SAWDS	2010	2019	225,000	-	-	225,000	3,675
			531,724	7,488,453	543,449	7,476,728	342,296
Water							
Municipal finance	2006	2016	-	368,200	52,600	315,600	15,646
Total Municipal Debt			\$ 531,724	\$ 7,856,653	\$ 596,049	\$ 7,792,328	\$ 357,942

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

1 – 1.500%	13 – 4.350% to 5.080%
2 – 1.500%	14 – 0.900% to 4.329%
3 – 4.500%	15 – 0.900% to 4.329%
4 – 1.500%	16 – 1.000% to 4.889%
5 – 1.000% to 4.889%	17 – 4.265% to 4.590%
6 – 2.550% to 5.450%	
7 – 5.750% to 6.750%	
8 – 3.195% to 5.325%	
9 – 2.750% to 5.375%	
10 – 2.970% to 4.880%	
11 – 7.125% to 8.125%	
12 – 2.550%	

Town of Port Hawkesbury

Schedule E - Statement of capital financing

Year ended March 31 2010 2009
(Unaudited - see notice to reader)

Source

Funds available from prior year		
Cash	<u>\$ 1,143,669</u>	<u>\$ 601,461</u>
Depreciation funds	<u>124,356</u>	<u>131,468</u>
Debenture issued (net of discount)	<u>526,833</u>	<u>22,755</u>
Term loans used	<u>-</u>	<u>183,139</u>
Capital funding revenue		
Capital out of revenue	42,679	127,540
Waterfront capital grant	27,500	12,500
Government grants	698,545	573,975
Reserve funds	<u>302,235</u>	<u>-</u>
	<u>1,070,959</u>	<u>714,085</u>
Balance temporarily financed at end of year		
Bank indebtedness	<u>-</u>	<u>610,936</u>
	<u>\$ 2,865,817</u>	<u>\$ 2,263,774</u>

Application

Balance temporarily financed at end of previous year		
Bank indebtedness	<u>\$ 610,936</u>	<u>\$ 152,528</u>
Capital asset acquisition	<u>1,362,944</u>	<u>954,799</u>
Waterfront capital funds used to repay long term debt	<u>27,500</u>	<u>12,500</u>
Reduction of sales taxes owing	<u>-</u>	<u>278</u>
Funds available for application at end of year		
Cash	580,846	490,716
Receivable from SAWDS	225,000	-
Receivable from Province of Nova Scotia	<u>58,591</u>	<u>652,953</u>
	<u>864,437</u>	<u>1,143,669</u>
	<u>\$ 2,865,817</u>	<u>\$ 2,263,774</u>

Town of Port Hawkesbury

Schedule F - Capital projects funding

Year ended March 31, 2010

(Unaudited - see notice to reader)

	Total capital <u>cost</u>	Debt and <u>operations</u>	Government <u>grants</u>	Depreciation/ reserve <u>funds</u>
General capital				
Build Canada	\$ 255,292	\$ 85,238	\$ 170,056	\$ -
Fields project	162,704	-	106,393	56,311
Salt Truck – Public works	198,010	198,010	-	-
Airport	187,114	-	97,122	89,992
Public Works roof	40,938	-	-	40,938
MacDonald pumping station	<u>13,782</u>	<u>13,782</u>	<u>-</u>	<u>-</u>
	<u>857,840</u>	<u>297,028</u>	<u>373,571</u>	<u>187,241</u>
Water capital				
Water plant expansion	434,794	72,437	289,819	72,538
Water plant equipment	<u>70,310</u>	<u>-</u>	<u>35,155</u>	<u>35,155</u>
	<u>505,104</u>	<u>72,437</u>	<u>324,974</u>	<u>107,693</u>
	<u>\$ 1,362,944</u>	<u>\$ 369,465</u>	<u>\$ 698,545</u>	<u>\$ 294,934</u>



Consolidated financial statements

Town of Port Hawkesbury

March 31, 2010

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Auditors' report

Grant Thornton LLP
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To the Mayor and Council of the
Town of Port Hawkesbury

We have audited the consolidated statement of financial position of the Town of Port Hawkesbury as at March 31, 2010, and the consolidated statements of financial activities, net debt, and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Town's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town as at March 31, 2010, and the results of its operations and changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 1 to the consolidated financial statements.

Port Hawkesbury, Nova Scotia
July 30, 2010

Grant Thornton LLP
Chartered accountants

Town of Port Hawkesbury

Consolidated statement of financial position

March 31

2010

2009
(Restated)

Financial assets

Cash (Note 2)	\$ 2,839,205	\$ 2,392,878
Receivables (Note 3)	<u>1,050,641</u>	<u>1,395,821</u>
	\$ 3,889,846	\$ 3,788,699

Liabilities

Bank indebtedness (Note 4)	\$ -	\$ 610,936
Payables and accruals	872,536	778,913
Retirement benefit obligation	183,600	350,000
Other liabilities (Note 5)	984,639	922,089
Long term debt (Note 6)(Page 13)	<u>7,792,328</u>	<u>7,856,653</u>
	9,833,103	10,518,591

Net debt

\$ (5,943,257) \$ (6,729,892)

Other assets

Tangible capital assets (Note 7)	\$ 31,627,979	\$ 31,599,179
Inventory and prepaid expenses	208,119	201,603
Other capital charges	<u>47,358</u>	<u>47,405</u>
	31,883,456	31,848,187

Total resources

\$ 25,940,199 \$ 25,118,295

Accumulated surplus

Operating funds	\$ 1,006,710	\$ 445,913
Reserve funds	1,097,838	929,856
Investment in capital assets	<u>23,835,651</u>	<u>23,742,526</u>
	\$ 25,940,199	\$ 25,118,295

Commitments (Note 11)

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 financial activities

March 31

2010

2009

(Restated)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation	\$ 4,497,010	\$ 4,514,618	\$ 4,424,640
Less: School board requisition	<u>(558,882)</u>	<u>(558,882)</u>	<u>(574,885)</u>
Municipal taxation	3,938,128	3,955,736	3,849,755
Grants in lieu of taxes	347,186	339,513	304,974
Sale of goods and services	1,025,580	1,077,513	1,361,698
Other revenue from own sources	153,400	176,583	228,434
Government transfers	603,423	477,654	445,872
Other revenue	211,500	341,034	267,387
Water rates	796,200	804,052	764,610
Proceeds from sale of assets	-	70,682	100,762
Fundraising and private grants	-	27,500	12,500
Capital grants	-	967,601	610,470
	<u>7,075,417</u>	<u>8,237,868</u>	<u>7,946,462</u>
Expenditures			
General government services	1,057,190	878,028	1,774,779
Protective services	863,267	868,490	830,348
Transportation services	1,199,330	1,072,585	1,007,154
Health and development services	831,875	808,778	757,976
Recreation and cultural services	1,701,143	1,716,437	1,652,291
Water treatment and distribution	722,330	641,087	660,453
Interest and bank charges	15,646	15,646	17,682
Transfers and grants	21,400	10,000	10,000
Other	-	31,467	5,007
Amortization of tangible capital assets	125,000	1,307,328	1,345,238
Loss on disposal of tangible capital assets	-	66,118	13,024
	<u>6,537,181</u>	<u>7,415,964</u>	<u>8,073,952</u>
Excess of revenue over (under) expenditures	<u>\$ 538,236</u>	<u>\$ 821,904</u>	<u>\$ (127,490)</u>
Accumulated surplus, beginning of year, as previously reported		\$ 42,227,727	\$ 38,563,953
Change in accounting policy (Note 12)		<u>(17,109,432)</u>	<u>(13,318,168)</u>
Accumulated surplus, beginning of year, as restated		25,118,295	25,245,785
Excess of revenue over (under) expenditures		<u>821,904</u>	<u>(127,490)</u>
Accumulated surplus, end of year		<u>\$ 25,940,199</u>	<u>\$ 25,118,295</u>

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of changes in net debt

Year ended March 31	2010	2009
Excess of revenue over (under) expenditures	\$ 821,904	\$ (127,490)
Acquisition of tangible capital assets	(1,402,246)	(954,798)
Amortization of tangible capital assets	1,307,328	1,345,238
Proceeds on disposal of tangible capital assets	-	122,899
Loss on disposal of tangible capital assets	<u>66,118</u>	<u>13,024</u>
	<u>793,104</u>	<u>398,873</u>
Change in prepaids, inventory and other capital charges	<u>(6,469)</u>	<u>(19,350)</u>
Change in net debt	786,635	379,523
Net debt, beginning of year	<u>(6,729,892)</u>	<u>(7,109,415)</u>
Net debt, end of year	<u>\$ (5,943,257)</u>	<u>\$ (6,729,892)</u>

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of changes in financial position

Year ended March 31
2010
2009
(Restated)

Increase (decrease) in cash and cash equivalents

Operating activities

Excess of revenue over (under) expenditures	\$ 821,904	\$ (127,490)
Amortization of tangible capital assets	1,307,328	1,345,238
Loss on disposal of tangible capital assets	<u>66,118</u>	<u>13,024</u>
	2,195,350	1,230,772
Changes in non-cash working capital:		
Increase (decrease) in receivables	345,180	(562,875)
Decrease in prepaids, inventory, and other capital charges	(6,469)	(19,350)
Increase (decrease) in payables and accruals	93,623	(65,422)
(Decrease) increase in retirement benefit obligations	(166,400)	350,000
Increase in other liabilities	<u>62,550</u>	<u>98,403</u>
	<u>2,523,834</u>	<u>1,031,528</u>

Investing activities

Purchase of tangible capital assets	(1,402,246)	(954,798)
Proceeds from disposal of tangible capital assets	<u>-</u>	<u>122,899</u>
	<u>(1,402,246)</u>	<u>(831,899)</u>

Financing activities

Proceeds of long term debt	531,724	183,139
Repayment of long term debt	<u>(596,049)</u>	<u>(571,723)</u>
	<u>(64,325)</u>	<u>(388,584)</u>

Net increase (decrease) in cash and cash equivalents 1,057,263 (188,955)

Cash and cash equivalents

Beginning of year	<u>1,781,942</u>	<u>1,970,897</u>
End of year	<u>\$ 2,839,205</u>	<u>\$ 1,781,942</u>

Cash and cash equivalents consist of the following:

Cash	\$ 2,839,205	\$ 2,392,878
Bank indebtedness	<u>-</u>	<u>(610,936)</u>
	<u>\$ 2,839,205</u>	<u>\$ 1,781,942</u>

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

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 Canadian Institute of Chartered Accountants.

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

(a) Basis of accounting

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

(b) 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 Town and which are owned or controlled by the Town.

(c) Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds for both the general operations and the water utility. Transfers between funds are recorded as adjustments to the appropriate fund balance.

(d) Revenue and expenditures

Major revenue and expenditure items are recorded on an accrual basis. Principal and interest payments relating to long term debt are recorded as an expenditure when due.

(e) Property and equipment

Tangible capital assets

General capital fund

Effective April 1, 2009, the Town adopted Section 3150 of the Public Sector Accounting Handbook - Tangible Capital Assets.

Prior to April 1, 2009, the Town recorded tangible capital assets at cost in the period they were acquired in the general capital fund and as an expenditure within the general operating fund. Assets were not amortized and they were written off at the end of their estimated useful life.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

1. Summary of significant accounting policies (continued)

As of April 1, 2009, tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	40
Engineered structures	25 - 50
Automotive equipment	6
Machinery and equipment	10 - 15
Sewer lines	50
Streets and lighting	25

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

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

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

As of March 31, 2010, amortization is recorded as an expense and prior years have been restated for the change in accounting policy. Amortization is calculated on a straight-line basis over an asset's estimated useful life.

Water utility capital fund

Utility plant in service is recorded at cost. Funds received prior to January 1, 1985, through capital assistance programs, cost-sharing arrangements or loan forgiveness are treated as additions to Investment in Capital Assets. Similar funds received after January 1, 1985, are treated as a reduction in the cost of the capital asset acquired.

The Water utility records depreciation which is calculated based on a formula prescribed by the Public Utilities Board. The Public Utilities Board requires that an amount of cash equal to the depreciation claimed is to be transferred to a special bank account which is used to help fund replacement of existing plant in service. Or subject to approval by the Public Utilities Board, to repay principal on term debt. The Water utility has set aside cash in the amount of \$446,538 as at March 31, 2010. Interest on depreciation funds is retained in the Capital Fund, except when approved by Council.

(f) Fundraising

Pledges outstanding at year end from prospective donors to the Civic Centre capital project are recorded when received. There is no legal requirement for these pledges to be honoured, and collection is not certain.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

(g) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(h) Financial Instruments

The fair values of cash, receivables, and payables are assumed to approximate their carrying amounts because of their short term to maturity. The fair value of long term debt is assumed to approximate its carrying amount.

2. Cash	<u>2010</u>	<u>2009</u>
General operating funds	\$ 1,160,521	\$ 972,306
Capital funds	580,846	490,716
Reserve funds	<u>1,097,838</u>	<u>929,856</u>
	<u>\$ 2,839,205</u>	<u>\$ 2,392,878</u>

3. Receivables	<u>2010</u>	<u>2009</u>
General operations		
Taxpayers and rate payers (net)	\$ 341,753	\$ 312,424
Other governments	255,868	277,751
Other	169,429	193,320
Capital projects	<u>283,591</u>	<u>612,326</u>
	<u>\$ 1,050,641</u>	<u>\$ 1,395,821</u>

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

4. Bank indebtedness

Bank of Nova Scotia

Bank indebtedness consists of demand bank loans at the bank's prime rate.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

5. Other liabilities	<u>2010</u>	<u>2009</u>
Deferred revenue	\$ 937,680	\$ 872,872
Prepaid taxes and rates	32,459	35,364
Consumer deposits	<u>14,500</u>	<u>13,853</u>
	<u>\$ 984,639</u>	<u>\$ 922,089</u>

6. Long term debt

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

2011	\$ 618,545
2012	\$ 618,545
2013	\$ 618,545
2014	\$ 618,545
2015	\$ 618,545

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

7. Property and equipment			<u>2010</u>	<u>2009</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 613,534	\$ -	\$ 613,534	\$ 640,350
Buildings	23,801,286	3,582,629	20,218,657	20,750,562
Engineered structures	1,951,715	1,038,593	913,122	648,328
Automotive equipment	837,241	737,901	99,340	160,651
Machinery and equipment	2,745,141	1,030,567	1,714,574	1,674,660
Sewer lines	4,279,897	2,891,539	1,388,358	1,473,956
Streets and lighting	5,572,576	2,402,921	3,169,655	3,122,726
Utility plant in service	<u>6,031,193</u>	<u>2,520,454</u>	<u>3,510,739</u>	<u>3,127,946</u>
	<u>\$ 45,832,583</u>	<u>\$14,204,604</u>	<u>\$ 31,627,979</u>	<u>\$ 31,599,179</u>

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

8. 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 District 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.

9. 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.

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

	<u>2010</u>	<u>2009</u>
Cape Breton Island Housing Authority	\$ 54,248	\$ 52,827
Eastern District Planning Commission	\$ 53,464	\$ 51,960
Strait-Highlands Regional Development Association	\$ 37,171	\$ 36,600

The Town has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2010.

10. 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>
Billy Joe MacLean	Mayor	\$ 26,572
Ken Anderson	Councillor	\$ 14,780
Jim King	Councillor	\$ 14,780
Hugh MacDougall	Deputy Mayor	\$ 16,305
Mark McIver	Councillor	\$ 14,780
Jim Davis	Chief Administrative Officer	\$ 88,020

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

11. Commitments

Pension costs and obligations

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, 2010. The March 31, 2010, actuarial valuation indicated that the pension plan had an accrued benefit obligation of \$183,600.

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 2.0 percent;
- The discount rate used to determine the accrued benefit obligation is 6.0 percent; and
- The expected rate of return is 6.0 percent.

Combined employer and employee contributions during the year were \$45,600 and \$Nil, respectively.

Pension fund assets are valued at market values. A result of the 2010 valuation is as follows:

Market value of the pension plan asset	\$ 924,800
Accrued benefit obligation	<u>(1,012,900)</u>
Pension plan deficit (surplus)	88,100
Unamortized actuarial gains (losses)	95,500
Valuation allowance	<u>-</u>
Pension liability	<u>\$ 183,600</u>

Under Nova Scotia Pension Plan regulations, the Town has 15 years to fund the deficit arising from the valuation. Service Nova Scotia and Municipal Relations have released the Financial Reporting manual which indicates that a Municipality will have up to 5 years to rate for any deficit incurred from recording this liability.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2010

11. Commitments (continued)

During the year, the Town has also 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:

Public works	5%
Management and salaried employees	6%

This plan, to which contributions totalled \$96,909 in fiscal 2010, 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.

12. Change in accounting policy

Effective April 1, 2009, the Municipality has restated its financial statements to comply with the provisions of Section 3150, Tangible Capital Assets, of the Public Sector Accounting Board Handbook. This section has established standards on how to account for and report tangible capital assets. Tangible capital assets are a significant economic resource managed by government and a key component in the delivery of many government programs. The standard requires these assets to be recorded at historical cost on the balance sheet and to allocate their costs to future accounting periods through annual amortization expenses based on the tangible capital assets estimated useful life. The Town was required to record the historical cost of their tangible capital assets and accumulated amortization on a retroactive basis with restatement of prior years.

The Town determined historical cost based on historical accounting records and discounted replacement costs. If historical cost could not be determined, the asset was recorded at a nominal value. Under previous accounting standards, the Town capitalized its capital assets in a separate fund, but also recorded the amount as an expense in the year of acquisition. Previous standards also allowed the Town to expense debt repayments as incurred in the statement of operations, which is no longer permitted under the new provisions. The March 31, 2009, figures presented for comparative purposes have been restated from those previously reported. The following adjustments were made to the prior periods

Adjustments to accumulated surplus

Accumulated surplus, as previously reported	\$ 38,563,953
Add tangible capital asset adjustment	2,750,936
Less write down of school capital	(6,650,927)
Less amortization on tangible capital assets	<u>(9,418,177)</u>
Accumulated surplus, as restated	<u>\$ 25,245,785</u>

Town of Port Hawkesbury

Schedule of debt charges and term debt

Year ended March 31, 2010

	<u>Issuance</u>	<u>Maturity</u>	<u>Issued</u>	<u>Loan Continuity</u>			<u>Interest</u>
				<u>Balance April 1, 2009</u>	<u>Redeemed</u>	<u>Balance March 31, 2010</u>	
General							
2005 Truck	2005		\$ -	\$ 38,952	\$ 9,000	\$ 29,952	\$ 561
2005 Truck	2005		-	14,217	3,000	11,217	339
Former post office	2006	2011	-	27,500	27,500	-	-
Truck – Fire dept	2000	2011	-	16,468	3,619	12,849	-
Backhoe – Work	2009	2019	6,724	124,426	-	131,150	2,142
Truck – Fire dept	2005	2014	-	192,000	32,000	160,000	8,976
Street construction	2000	2010	-	250,250	22,750	227,500	16,892
Civic Centre	2005	2019	-	1,200,000	75,000	1,125,000	60,720
Waste water plant	2004	2018	-	787,500	52,500	735,000	40,228
Civic Centre	2006	2020	-	977,500	57,500	920,000	43,391
Civic Centre FCM	2007	2016	-	664,640	83,080	581,560	16,940
Civic Centre	2007	2021	-	2,250,000	125,000	2,125,000	106,760
Waste water plant	2007	2021	-	945,000	52,500	892,500	41,672
Salt truck	2010	2019	200,000	-	-	200,000	-
Pumping station	2010	2019	100,000	-	-	100,000	-
SAWDS	2010	2019	225,000	-	-	225,000	3,675
			<u>531,724</u>	<u>7,488,453</u>	<u>543,449</u>	<u>7,476,728</u>	<u>342,296</u>
Water							
Municipal finance	2006	2016	-	368,200	52,600	315,600	15,646
Total municipal debt			<u>\$ 531,724</u>	<u>\$ 7,856,653</u>	<u>\$ 596,049</u>	<u>\$ 7,792,328</u>	<u>\$ 357,942</u>

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

1 – 1.500%	13 – 4.350% to 5.080%
2 – 1.500%	14 – 0.900% to 4.329%
3 – 4.500%	15 – 0.900% to 4.329%
4 – 1.500%	16 – 1.000% to 4.889%
5 – 1.000% to 4.889%	17 – 4.265% to 4.590%
6 – 2.550% to 5.450%	
7 – 5.750% to 6.750%	
8 – 3.195% to 5.325%	
9 – 2.750% to 5.375%	
10 – 2.970% to 4.880%	
11 – 7.125% to 8.125%	
12 – 2.550%	