



Grant Thornton

Non-consolidated financial statements

(Unaudited – see notice to reader)

Town of Port Hawkesbury

March 31, 2011

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Grant Thornton

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, 2011, 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, Canada

August 30, 2011

Grant Thornton LLP
Chartered accountants

Town of Port Hawkesbury

General section

Operating fund balance sheet

March 31 2011 2010
(Unaudited - see notice to reader)

Assets

| | | |
|--|-----------------------|---------------------|
| Cash and cash equivalents | \$ <u> -</u> | \$ <u>1,160,521</u> |
| Receivables | | |
| Taxes (Note 2) | 215,825 | 271,357 |
| Due from federal government and its agencies | 257,276 | 180,796 |
| Due from provincial government and its agencies (Note 3) | 175,528 | 11,467 |
| Due from local government and its agencies (Note 4) | 136,298 | 63,605 |
| Due from Water Utility section – capital fund | 1,574,952 | - |
| Other | <u>359,148</u> | <u>169,429</u> |
| | <u>2,719,027</u> | <u>696,654</u> |
| Tangible assets | | |
| Inventories of materials and supplies | <u>25,018</u> | <u>25,652</u> |
| Other assets | | |
| Deferred expenditures | <u>54,406</u> | <u>107,257</u> |
| | <u>\$ 2,798,451</u> | <u>\$ 1,990,084</u> |

See accompanying notes to the non-consolidated financial statements.

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

March 31 2011 2010
 Unaudited - see notice to reader)

Liabilities and operating equity

| | | |
|---|---------------------|---------------------|
| Bank indebtedness | <u>\$ 426,920</u> | <u>\$ -</u> |
| Trade payables | <u>1,424,240</u> | <u>872,536</u> |
| Other liabilities | | |
| Deferred revenue | 686,385 | 937,680 |
| Due to Water utility section - operating fund | 107,064 | 48,324 |
| Prepaid taxes | <u>35,867</u> | <u>32,459</u> |
| | <u>829,316</u> | <u>1,018,463</u> |
| Asset valuation allowances | | |
| For uncollectible accounts receivable | 5,769 | - |
| For uncollected taxes (Note 5) | <u>13,075</u> | <u>16,535</u> |
| | <u>18,844</u> | <u>16,535</u> |
| Operating fund surplus | <u>99,131</u> | <u>82,550</u> |
| | <u>\$ 2,798,451</u> | <u>\$ 1,990,084</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

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|--|------------------|------------------|------------------|
| Revenue (Schedule A) | | | |
| Taxes | \$ 4,615,999 | \$ 4,600,016 | \$ 4,625,071 |
| Grants in lieu of taxes | 528,943 | 528,254 | 339,513 |
| Services provided to other local governments | 215,000 | 137,134 | 336,328 |
| Sales of services | 1,119,780 | 1,145,350 | 1,132,013 |
| Other revenue from own sources | 193,000 | 173,739 | 174,538 |
| Conditional transfers from other governments | 62,500 | 65,108 | 60,565 |
| Unconditional transfers from other governments | 413,077 | 413,077 | 399,301 |
| Conditional transfers from other local governments | 151,696 | 119,047 | 111,960 |
| Other transfers | <u>117,500</u> | <u>117,630</u> | <u>145,500</u> |
| | <u>7,417,495</u> | <u>7,299,355</u> | <u>7,324,789</u> |
| Expenditures (Schedule B) | | | |
| General government services | 1,198,585 | 1,192,857 | 1,035,008 |
| Protective services | 1,186,565 | 1,150,217 | 1,142,325 |
| Transportation services | 1,224,047 | 1,123,830 | 1,032,792 |
| Environmental health services | 666,669 | 606,303 | 649,909 |
| Public health and welfare | 65,000 | 29,765 | 63,486 |
| Environmental development services | 99,626 | 111,615 | 95,383 |
| Recreation and cultural services | 1,733,375 | 1,760,656 | 1,716,437 |
| Education | 542,683 | 538,880 | 558,882 |
| Financing and transfers | <u>700,945</u> | <u>696,651</u> | <u>949,307</u> |
| | <u>7,417,995</u> | <u>7,210,772</u> | <u>7,243,529</u> |
| Excess of revenue over expenditures | \$ - | \$ 88,581 | \$ 81,260 |

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)

2011

2010

| | | |
|---|------------------|------------------|
| Operating fund surplus, beginning of year | \$ 82,550 | \$ 101,290 |
| Transfer to operating revenue | (72,000) | (100,000) |
| Excess of revenue over expenditures | <u>88,581</u> | <u>81,260</u> |
| Operating fund surplus, end of year | <u>\$ 99,131</u> | <u>\$ 82,550</u> |

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

General section

General capital fund balance sheet

March 31 2011 2010
(Unaudited - see notice to reader) (Restated)

Assets

| | | |
|------------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 38,288 | \$ 134,308 |
| Due from other governments | 778 | 1,083 |
| Unamortized discount on debentures | 41,968 | 46,873 |
| Property and equipment (Note 7) | <u>29,924,111</u> | <u>29,814,876</u> |
| | <u>\$ 30,005,145</u> | <u>\$ 29,997,140</u> |

Liabilities

| | | |
|--------------------------------------|------------------|------------------|
| Term loans (Schedule D) | \$ 49,884 | \$ 54,018 |
| Long term debt (Note 8) (Schedule D) | <u>6,856,765</u> | <u>7,422,710</u> |
| | <u>6,906,649</u> | <u>7,476,728</u> |

Equity

| | | |
|---------------------------------------|----------------------|----------------------|
| Investment in capital assets (Page 8) | <u>23,098,496</u> | <u>22,520,412</u> |
| | <u>\$ 30,005,145</u> | <u>\$ 29,917,140</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
School capital fund balance sheet

March 31 2011 2010
(Unaudited - see notice to reader)

Assets

Strait Area Education Recreation Centre (Note 6) \$ 1 \$ 1

Equity

Investment in capital assets \$ 1 \$ 1

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)

2011

2010

(Restated)

| | | |
|--|----------------------|----------------------|
| Balance, beginning of year, as previously reported | \$ 21,046,219 | \$ 21,073,153 |
| Change in accounting policy (Note 13): | | |
| Adjustment to tangible capital assets | 1,649,038 | 779,935 |
| Accumulated amortization from prior periods | <u>(174,845)</u> | <u>(163,189)</u> |
| Balance, beginning of year, as restated | 22,520,412 | 21,689,899 |
| Capital out of revenue | 105,810 | 42,679 |
| Capital grants | 591,112 | 373,571 |
| Transfer from operating reserve | 281,734 | 89,992 |
| Transfer from capital reserve | 60,660 | 136,551 |
| Transfer from gas tax reserve | 48,183 | 42,557 |
| Subsidized by SAWDS | 135,054 | 869,103 |
| Amortization of debenture discount | (4,906) | (4,598) |
| Amortization of tangible capital assets | (1,225,134) | (1,196,673) |
| Loss on disposal of tangible capital assets | - | (66,118) |
| Term debt retired | <u>585,571</u> | <u>543,449</u> |
| Balance, end of year | <u>\$ 23,098,496</u> | <u>\$ 22,520,412</u> |

General section

Statement of investment in school capital assets

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

2011

2010

| | | |
|------------------------------------|-------------|-------------|
| Balance, beginning and 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

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|---------------------|---------------------|---------------------|
| Taxes | | | |
| Assessable property | | | |
| Residential | \$ 2,131,938 | \$ 2,132,504 | \$ 2,132,730 |
| Commercial | | | |
| Based on taxable assessment | 2,256,103 | 2,256,103 | 2,126,240 |
| Resource | | | |
| Based on taxable assessment | <u>27,045</u> | <u>26,760</u> | <u>25,662</u> |
| | <u>4,415,086</u> | <u>4,415,367</u> | <u>4,284,632</u> |
| Business property | | | |
| Business occupancy | 65,813 | 63,716 | 185,268 |
| Nova Scotia Power - HST offset grant | 45,000 | 46,268 | 56,237 |
| Based in revenue – Nova Scotia Power | 11,100 | 11,058 | 11,127 |
| Based on revenue – Aliant Inc. | <u>44,000</u> | <u>33,337</u> | <u>42,454</u> |
| | <u>165,913</u> | <u>154,379</u> | <u>295,086</u> |
| Other | | | |
| Deed transfer tax | <u>35,000</u> | <u>30,270</u> | <u>45,353</u> |
| | <u>\$ 4,615,999</u> | <u>\$ 4,600,016</u> | <u>\$ 4,625,071</u> |
| Grants in lieu of taxes | | | |
| Federal government | \$ 72,450 | \$ 72,450 | \$ 73,082 |
| Federal government agencies | | | |
| Enterprise Cape Breton Corporation | 20,476 | 20,476 | 19,434 |
| Provincial government | | | |
| Provincial property | <u>436,017</u> | <u>435,328</u> | <u>246,997</u> |
| | <u>\$ 528,943</u> | <u>\$ 528,254</u> | <u>\$ 339,513</u> |
| Services provided to other local governments | | | |
| Fire protection – Richmond County | \$ 25,000 | \$ 25,000 | \$ 25,000 |
| Leachate Treatment – Guysborough County | <u>190,000</u> | <u>112,134</u> | <u>311,328</u> |
| | <u>\$ 215,000</u> | <u>\$ 137,134</u> | <u>\$ 336,328</u> |

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

Year ended March 31

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|---------------------|---------------------|---------------------|
| Sales of services | | | |
| Airport | \$ 19,400 | \$ 35,649 | \$ 29,545 |
| Civic centre | 834,330 | 833,201 | 840,575 |
| Public works | 17,850 | 22,288 | 17,753 |
| Recreation and education | 208,200 | 214,212 | 204,140 |
| Water utility | <u>40,000</u> | <u>40,000</u> | <u>40,000</u> |
| | <u>\$ 1,119,780</u> | <u>\$ 1,145,350</u> | <u>\$ 1,132,013</u> |
| Other revenue from own sources | | | |
| Licenses and permits | \$ 2,500 | \$ 3,112 | \$ 2,465 |
| Fines and fees | 4,000 | 5,339 | 4,539 |
| Rentals | 85,000 | 71,140 | 78,389 |
| Interest on short term funds | 1,500 | (1,039) | 1,503 |
| Interest on taxes | 40,000 | 43,811 | 45,860 |
| Miscellaneous | <u>60,000</u> | <u>51,376</u> | <u>41,782</u> |
| | <u>\$ 193,000</u> | <u>\$ 173,739</u> | <u>\$ 174,538</u> |
| Conditional transfers from other governments | | | |
| Provincial government | | | |
| Emergency measure organization | \$ 1,000 | \$ - | \$ 1,073 |
| Workers' Compensation | - | 69 | 3,751 |
| Education and community literacy | 38,000 | 39,000 | 39,000 |
| Environmental development | | | |
| Refuse diversion | <u>18,500</u> | <u>19,712</u> | <u>10,839</u> |
| | 57,500 | 58,781 | 54,663 |
| Federal government | | | |
| Federal works grant | <u>5,000</u> | <u>6,329</u> | <u>5,902</u> |
| | <u>\$ 62,500</u> | <u>\$ 65,110</u> | <u>\$ 60,565</u> |

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

Year ended March 31 2011 2010
(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|-------------------|-------------------|-------------------|
| Unconditional transfers from other governments | | | |
| Federal gas tax rebate | \$ 92,014 | \$ 92,014 | \$ 94,172 |
| Provincial equalization grant | <u>321,063</u> | <u>321,063</u> | <u>305,129</u> |
| | <u>\$ 413,077</u> | <u>\$ 413,077</u> | <u>\$ 399,301</u> |
| Conditional transfers from other local governments | | | |
| Pool funding | \$ 35,000 | \$ 33,749 | \$ 24,028 |
| Airport funding | <u>116,696</u> | <u>85,298</u> | <u>87,932</u> |
| | <u>\$ 151,696</u> | <u>\$ 119,047</u> | <u>\$ 111,960</u> |
| Transfers from reserves | | | |
| Transfer from operating reserve fund | \$ 45,500 | \$ 45,630 | \$ 45,500 |
| Surplus of prior years | <u>72,000</u> | <u>72,000</u> | <u>100,000</u> |
| | <u>\$ 117,500</u> | <u>\$ 117,630</u> | <u>\$ 145,500</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 2011 2010
(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|---------------------|---------------------|---------------------|
| General government services | | | |
| Legislative | | | |
| Mayor | | | |
| Stipend | \$ 26,361 | \$ 27,024 | \$ 25,594 |
| Travel | 20,000 | 19,933 | 19,434 |
| Council | | | |
| Stipend | 53,470 | 57,617 | 60,449 |
| Travel | 6,800 | 5,752 | 5,184 |
| Other legislative services | <u>11,500</u> | <u>13,863</u> | <u>6,110</u> |
| | <u>118,131</u> | <u>124,189</u> | <u>116,771</u> |
| General administrative | | | |
| Administrative | 622,247 | 619,095 | 503,769 |
| Financial management | 49,000 | 45,602 | 46,307 |
| Taxation | | | |
| Administration | 42,875 | 41,553 | 41,700 |
| Reduced taxes –section 69 | 7,500 | 5,000 | 5,600 |
| Section 71 | 153,475 | 164,546 | 135,846 |
| Common services | 2,000 | - | - |
| Transfer to assessment services | <u>47,644</u> | <u>47,644</u> | <u>48,661</u> |
| | <u>924,741</u> | <u>923,440</u> | <u>781,883</u> |
| Other general government services | | | |
| Elections | - | - | - |
| Conventions | 4,000 | 3,394 | 2,709 |
| General liability insurance | 54,013 | 55,310 | 47,917 |
| Grants to other organizations and individuals | 16,000 | 11,767 | 14,594 |
| Intergovernmental relations | 21,200 | 21,787 | 19,792 |
| Other general services | <u>46,500</u> | <u>48,829</u> | <u>50,300</u> |
| | <u>141,713</u> | <u>141,087</u> | <u>135,312</u> |
| Valuation allowances | | | |
| Uncollectible taxes | 12,000 | 4,141 | 1,042 |
| Unresolved assessment appeals | <u>2,000</u> | <u>-</u> | <u>-</u> |
| | <u>14,000</u> | <u>4,141</u> | <u>1,042</u> |
| | <u>\$ 1,198,585</u> | <u>\$ 1,192,857</u> | <u>\$ 1,035,008</u> |

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|---------------------|---------------------|---------------------|
| Protective services | | | |
| Police protection | | | |
| Administration | \$ 42,900 | \$ 46,892 | \$ 42,005 |
| Crime investigation, prevention, and protective services | 580,000 | 542,405 | 527,801 |
| Other | <u>93,500</u> | <u>92,863</u> | <u>91,108</u> |
| | <u>716,400</u> | <u>682,160</u> | <u>660,914</u> |
| | | | |
| Law enforcement | | | |
| Transfers to corrective services | <u>44,542</u> | <u>44,542</u> | <u>56,591</u> |
| | | | |
| Fire protection | | | |
| Administration | 17,500 | 13,379 | 15,140 |
| Fire fighting force | 25,600 | 25,600 | 25,600 |
| Water supply and hydrants | 273,835 | 273,835 | 273,835 |
| Fire stations and building | 41,300 | 44,694 | 40,939 |
| Fire fighting equipment | 46,900 | 41,827 | 47,957 |
| Other | <u>1,000</u> | <u>500</u> | <u>500</u> |
| | <u>406,135</u> | <u>399,835</u> | <u>403,971</u> |
| | | | |
| Debt charges | | | |
| Debenture interest | <u>7,488</u> | <u>7,488</u> | <u>8,976</u> |
| | | | |
| Other | | | |
| Animal and pest control | 9,000 | 13,312 | 8,962 |
| Emergency measures | <u>3,000</u> | <u>2,880</u> | <u>2,911</u> |
| | <u>12,000</u> | <u>16,192</u> | <u>11,873</u> |
| | <u>\$ 1,186,565</u> | <u>\$ 1,150,217</u> | <u>\$ 1,142,325</u> |

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|--------------------------------------|---------------------|---------------------|---------------------|
| Transportation services | | | |
| Common services | | | |
| Administration | \$ 45,500 | \$ 39,477 | \$ 30,958 |
| Engineering services | 21,500 | 13,663 | 22,095 |
| General equipment | 16,800 | 12,893 | 9,102 |
| Small tools and equipment | 18,750 | 13,019 | 12,428 |
| Workshop, yards, and other buildings | 34,200 | 41,731 | 26,751 |
| Liability insurance | 7,000 | 8,183 | 7,123 |
| Other | <u>21,600</u> | <u>18,204</u> | <u>19,736</u> |
| | <u>165,350</u> | <u>147,170</u> | <u>128,193</u> |
| | | | |
| Road transport | | | |
| Administration | 39,149 | 38,841 | 38,111 |
| Roads and streets | 510,500 | 489,789 | 442,254 |
| Street lighting | 131,000 | 132,220 | 115,464 |
| Traffic services | 34,900 | 31,346 | 31,539 |
| Motor vehicles | 126,000 | 137,317 | 129,820 |
| Other road transport | <u>12,100</u> | <u>6,272</u> | <u>8,785</u> |
| | <u>853,649</u> | <u>835,785</u> | <u>765,973</u> |
| | | | |
| Air transport | | | |
| Administration | 1,800 | 2,389 | 1,770 |
| Airport | <u>177,443</u> | <u>121,345</u> | <u>117,822</u> |
| | <u>179,243</u> | <u>123,734</u> | <u>119,592</u> |
| | | | |
| Debt charges | | | |
| Debenture interest | <u>25,805</u> | <u>17,141</u> | <u>19,034</u> |
| | <u>\$ 1,224,047</u> | <u>\$ 1,123,830</u> | <u>\$ 1,032,792</u> |

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|--|-------------------|-------------------|-------------------|
| Environmental health services | | | |
| Sewage collection and disposal | | | |
| Administration | \$ 64,198 | \$ 55,371 | \$ 61,851 |
| Sewage collection system | 80,001 | 78,135 | 74,866 |
| Sewage treatment and disposal | 177,500 | 150,881 | 182,024 |
| Other sewage collection | <u>28,400</u> | <u>17,849</u> | <u>27,650</u> |
| | <u>350,099</u> | <u>302,236</u> | <u>346,391</u> |
| | | | |
| Garbage and waste collection and disposal | | | |
| Town yard waste sight | 2,000 | 614 | 1,295 |
| Garbage and waste collection | 150,000 | 151,214 | 147,304 |
| Municipal dump | 40,000 | 38,765 | 35,643 |
| Other sewage collection | <u>44,100</u> | <u>33,006</u> | <u>37,376</u> |
| | <u>236,100</u> | <u>223,599</u> | <u>221,618</u> |
| | | | |
| Debt charges | | | |
| Interest on long term debt | <u>80,470</u> | <u>80,468</u> | <u>81,900</u> |
| | <u>\$ 666,669</u> | <u>\$ 606,303</u> | <u>\$ 649,909</u> |
| | | | |
| Public health and welfare services | | | |
| Social welfare | | | |
| Social welfare services employment program | | | |
| housing | \$ 10,000 | \$ 8,215 | \$ 12,023 |
| Deficit of Regional Housing Authority | <u>55,000</u> | <u>21,550</u> | <u>51,463</u> |
| | <u>\$ 65,000</u> | <u>\$ 29,765</u> | <u>\$ 63,486</u> |

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|--|---------------------|---------------------|---------------------|
| Environmental development services | | | |
| Community development | | | |
| Transfers to Regional Planning Commission | \$ 54,676 | \$ 54,676 | \$ 54,537 |
| Transfers to Regional Development Commission | 37,710 | 49,701 | 37,171 |
| Debenture interest | <u>7,240</u> | <u>7,238</u> | <u>3,675</u> |
| | <u>\$ 99,626</u> | <u>\$ 111,615</u> | <u>\$ 95,383</u> |
| | | | |
| Recreation and cultural services | | | |
| Recreation facilities | | | |
| Civic centre | \$ 800,260 | \$ 836,623 | \$ 780,773 |
| Administration | 168,187 | 162,087 | 157,894 |
| Other programs | 90,938 | 93,429 | 88,609 |
| Swimming pool | 231,880 | 233,188 | 236,314 |
| Skating rinks and arenas | 10,000 | 9,262 | 11,813 |
| Parks and playgrounds | 71,500 | 78,963 | 64,544 |
| Other recreation facilities | <u>124,900</u> | <u>111,394</u> | <u>127,613</u> |
| | <u>1,497,665</u> | <u>1,524,946</u> | <u>1,467,560</u> |
| | | | |
| Cultural buildings and facilities | | | |
| Transfers to regional library | <u>20,940</u> | <u>20,940</u> | <u>21,067</u> |
| | | | |
| Debt charges | | | |
| Interest on long term debt | <u>214,770</u> | <u>214,770</u> | <u>227,810</u> |
| | <u>\$ 1,733,375</u> | <u>\$ 1,760,656</u> | <u>\$ 1,716,437</u> |

Town of Port Hawkesbury

General section

Schedule B - Details of expenditures (continued)

Year ended March 31

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|--|-------------------|-------------------|-------------------|
| Education | | | |
| Appropriation to Strait Regional School Board | \$ 542,683 | \$ 538,880 | \$ 558,882 |
| Financing and Transfers | | | |
| Principal instalments | | | |
| Debenture principal | \$ 565,945 | \$ 565,945 | \$ 500,330 |
| Term loans | 15,000 | 19,623 | 15,619 |
| Transfers to own reserves, funds and agencies | | | |
| Other funds | | | |
| General capital fund | 110,000 | 105,810 | 42,679 |
| Operating reserve fund | - | - | 330,000 |
| Airport committee | - | - | 39,793 |
| Own agencies | | | |
| Strait Area Waterfront Development Society | 10,000 | 5,273 | 10,000 |
| Other | - | - | 10,886 |
| | <u>\$ 700,945</u> | <u>\$ 696,651</u> | <u>\$ 949,307</u> |

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Water utility section

Operating fund balance sheet

March 31 2011 2010
(Unaudited - see notice to reader)

Assets

| | | |
|---|--------------------------|--------------------------|
| Accounts receivable | | |
| Rates (less allowance for doubtful accounts \$33,665; 2010-\$34,350) | \$ 96,828 | \$ 86,931 |
| Due from general operating fund | 107,064 | 48,324 |
| Inventories, at cost | | |
| Chemicals | 9,683 | 5,584 |
| Other | 49,220 | 47,661 |
| Water meters and equipment | <u>27,818</u> | <u>21,965</u> |
| | <u>\$ 290,613</u> | <u>\$ 210,465</u> |

Liabilities and operating equity

| | | |
|--|--------------------------|--------------------------|
| Accounts payable and accrued liabilities | | |
| Prepaid rates | \$ 4,330 | \$ 2,902 |
| Consumer deposits | <u>11,598</u> | <u>11,598</u> |
| | <u>15,928</u> | <u>14,500</u> |
| Operating fund surplus | <u>274,685</u> | <u>195,965</u> |
| | <u>\$ 290,613</u> | <u>\$ 210,465</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

2011

2010

(Unaudited - see notice to reader)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|------------------------------------|------------------|------------------|------------------|
| Operating revenues | | | |
| Flat rate sales | \$ 75,000 | \$ 74,639 | \$ 74,690 |
| Metered sales | 723,400 | 725,545 | 729,362 |
| Public fire protection | <u>273,835</u> | <u>273,835</u> | <u>273,835</u> |
| | <u>1,072,235</u> | <u>1,074,019</u> | <u>1,077,887</u> |
| Operating expenses | | | |
| Source of supply | 21,000 | 17,776 | 17,191 |
| Pumping | 30,000 | 16,935 | 28,178 |
| Water treatment | 278,100 | 260,302 | 234,811 |
| Transmission and distribution | 302,999 | 281,507 | 293,566 |
| Administration and general | 130,400 | 116,046 | 121,841 |
| Depreciation | 125,000 | 123,014 | 122,311 |
| Taxes | <u>113,564</u> | <u>113,564</u> | <u>110,453</u> |
| | <u>1,001,063</u> | <u>929,144</u> | <u>928,351</u> |
| Operating income | <u>71,172</u> | <u>144,875</u> | <u>149,536</u> |
| Non-operating expenditure | | | |
| Debt charges | | | |
| Interest on temporary borrowings | (1,000) | - | (191) |
| Debenture interest | 13,555 | 13,555 | 15,646 |
| Principal instalments | | | |
| Debenture principal | <u>52,600</u> | <u>52,600</u> | <u>52,600</u> |
| | <u>65,155</u> | <u>66,155</u> | <u>68,055</u> |
| Excess of revenue over expenditure | <u>\$ 6,017</u> | <u>\$ 78,720</u> | <u>\$ 81,481</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)

2011

2010

| | | |
|---|-------------------|-------------------|
| Operating fund surplus, beginning of year | \$ 195,965 | \$ 114,484 |
| Excess of revenue over expenditures | <u>78,720</u> | <u>81,481</u> |
| Operating fund surplus, end of year | <u>\$ 274,685</u> | <u>\$ 195,965</u> |

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Water utility section

Capital fund balance sheet

March 31 2011 2010
(Unaudited - see notice to reader)

Assets

| | | |
|---------------------------------------|---------------------|---------------------|
| Cash | | |
| Depreciation fund | \$ 618,486 | \$ 446,538 |
| Due from other governments | 426,871 | 57,507 |
| Unamortized discount on debentures | 1,703 | 2,043 |
| Utility plant in service (Schedule C) | <u>8,596,294</u> | <u>6,031,193</u> |
| | <u>\$ 9,643,354</u> | <u>\$ 6,537,281</u> |

Liabilities

| | | |
|---|------------------|----------------|
| Due to General section – operating fund | \$ 1,574,952 | \$ - |
| Long term debt (Note 8) (Schedule D) | <u>263,000</u> | <u>315,600</u> |
| | <u>1,837,952</u> | <u>315,600</u> |

Reserve

| | | |
|-----------------------------------|------------------|------------------|
| Reserve for depreciation | 2,643,468 | 2,520,454 |
| Deferred government contributions | <u>1,841,083</u> | <u>438,040</u> |
| | <u>4,484,551</u> | <u>2,958,494</u> |

Equity

| | | |
|------------------------------|---------------------|---------------------|
| Investment in capital assets | <u>3,320,851</u> | <u>3,263,187</u> |
| | <u>\$ 9,643,354</u> | <u>\$ 6,537,281</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) | 2011 | 2010 |
|---|---------------------|---------------------|
| Balance, beginning of year | \$ 2,520,454 | \$ 2,398,143 |
| Depreciation for the year | <u>123,014</u> | <u>122,311</u> |
| Balance, end of year | <u>\$ 2,643,468</u> | <u>\$ 2,520,454</u> |

Water utility section
Statement of investment in capital assets

| Year ended March 31 (Unaudited - see notice to reader) | 2011 | 2010 |
|---|---------------------|---------------------|
| Balance, beginning of year | \$ 3,263,187 | \$ 3,208,884 |
| Interest earned depreciation fund | 5,405 | 2,044 |
| Term debt retired | 52,600 | 52,600 |
| Discount amortized | <u>(341)</u> | <u>(341)</u> |
| Balance, end of year | <u>\$ 3,320,851</u> | <u>\$ 3,263,187</u> |

Water utility section
Statement of depreciation fund cash

| Year ended March 31 (Unaudited - see notice to reader) | 2011 | 2010 |
|---|-------------------|-------------------|
| Cash, beginning of year | \$ 446,538 | \$ 446,754 |
| Depreciation | 123,014 | 122,311 |
| Interest earned on depreciation funds | 5,405 | 2,045 |
| Receivable collection | 67,335 | 40,628 |
| Purchases/restoration of capital equipment | <u>(23,806)</u> | <u>(165,200)</u> |
| Cash, end of year | <u>\$ 618,486</u> | <u>\$ 446,538</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 2011 2010
(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 | | |
| Heating | 23,806 | |
| 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 | 3,261,982 | 720,687 |
| Transmission and distribution mains | 2,392,656 | 2,392,656 |
| 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>8,592,794</u> | <u>6,027,693</u> |
| | <u>\$ 8,596,294</u> | <u>\$ 6,031,193</u> |

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Reserve funds section

Capital reserve balance sheet

March 31 2011 2010
(Unaudited - see notice to reader)

Assets

| | | |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | <u>\$ 212,525</u> | <u>\$ 246,308</u> |
|---------------------------|-------------------|-------------------|

Reserve

| | | |
|-----------------|-------------------|-------------------|
| Special reserve | <u>\$ 212,525</u> | <u>\$ 246,308</u> |
|-----------------|-------------------|-------------------|

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

Reserve funds section

Statement of capital reserve

Year ended March 31 2011 2010
(Unaudited - see notice to reader)

| | | |
|----------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 246,308 | \$ 326,391 |
| Interest earned | 2,327 | 1,429 |
| Proceeds on sale of property | 24,550 | 70,682 |
| Transfer to general capital fund | (60,660) | (136,551) |
| Other transfers | <u>-</u> | <u>(15,643)</u> |
| Balance, end of year | <u>\$ 212,525</u> | <u>\$ 246,308</u> |

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Reserve funds section

Operating reserve balance sheet

March 31 2011 2010
(Unaudited - see notice to reader)

Assets

| | | |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | <u>\$ 328,866</u> | <u>\$ 651,257</u> |
|---------------------------|-------------------|-------------------|

Reserve

| | | |
|-------------------|-------------------|-------------------|
| Operating reserve | <u>\$ 328,866</u> | <u>\$ 651,257</u> |
|-------------------|-------------------|-------------------|

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

Reserve funds section

Statement of operating reserve

Year ended March 31 2011 2010
(Unaudited - see notice to reader)

| | | |
|-------------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 651,257 | \$ 454,770 |
| Interest earned | 4,973 | 1,979 |
| Appropriation per council – general | <u>-</u> | <u>330,000</u> |
| | <u>656,230</u> | <u>786,749</u> |
| Transfer to general operating fund | (45,630) | (45,500) |
| Transfer to general capital fund | <u>(281,734)</u> | <u>(89,992)</u> |
| | <u>(327,364)</u> | <u>(135,492)</u> |
| Balance, end of year | <u>\$ 328,866</u> | <u>\$ 651,257</u> |

See accompanying notes to the non-consolidated financial statements.

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

March 31 2011 2010
(Unaudited - see notice to reader)

| Assets | | |
|--|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 189,684 | \$ 200,273 |
| Due from federal government and its agencies | <u>127,630</u> | <u>-</u> |
| | <u>\$ 317,314</u> | <u>\$ 200,273</u> |

| | | |
|-------------------|--------------------------|--------------------------|
| Reserve | | |
| Operating reserve | <u>\$ 317,314</u> | <u>\$ 200,273</u> |

On behalf of the Town of Port Hawkesbury

_____ Mayor _____ Clerk

Reserve Funds section Statement of gas tax reserve

Year ended March 31 2011 2010
(Unaudited - see notice to reader)

| | | |
|--|--------------------------|--------------------------|
| Balance, beginning of year | \$ 200,273 | \$ 148,695 |
| Interest earned | 1,978 | 1,107 |
| Grant – gas tax | <u>255,260</u> | <u>269,056</u> |
| | <u>457,511</u> | <u>418,858</u> |
| Transfer to general capital fund | (48,183) | (42,557) |
| Transfer to Water utility section – capital fund | - | (72,437) |
| Fund transferred to service capital debt | (92,014) | (94,171) |
| Administrative costs | <u>-</u> | <u>(9,420)</u> |
| | <u>(140,197)</u> | <u>(218,585)</u> |
| Balance, end of year | <u>\$ 317,314</u> | <u>\$ 200,273</u> |

See accompanying notes to the non-consolidated financial statements.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2011

(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, 2011

(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

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 |

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2011

(Unaudited - see notice to reader)

1. Summary of significant accounting policies (continued)

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.

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.

| 2. Taxes receivable | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Balance, beginning of year | \$ 271,357 | \$ 262,896 |
| Levy | 4,479,083 | 4,469,900 |
| Interest | <u>43,811</u> | <u>36,237</u> |
| | 4,794,251 | 4,769,033 |
| Collections | <u>4,408,882</u> | <u>4,356,230</u> |
| | 385,369 | 412,803 |
| Write offs, adjustments, and exemptions | <u>169,544</u> | <u>141,446</u> |
| | 215,825 | 271,357 |
| Valuation allowance (Note 5) | <u>13,075</u> | <u>16,535</u> |
| Balance, end of year | <u>\$ 202,750</u> | <u>\$ 254,822</u> |

| 3. Due from provincial government and its agencies | <u>2011</u> | <u>2010</u> |
|--|-------------------|------------------|
| Province of Nova Scotia | <u>\$ 175,528</u> | <u>\$ 11,467</u> |

| 4. Due from local government and its agencies | <u>2011</u> | <u>2010</u> |
|---|-------------------|------------------|
| Various local government | <u>\$ 136,298</u> | <u>\$ 63,605</u> |

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2011

(Unaudited - see notice to reader)

| 5. Asset valuation allowances | <u>2011</u> | <u>2010</u> |
|----------------------------------|------------------|------------------|
| For uncollected taxes | | |
| Balance, beginning of year | \$ 16,535 | \$ 36,732 |
| Provision for the year | 4,141 | 1,042 |
| Write-off uncollectible accounts | <u>(7,601)</u> | <u>(21,239)</u> |
| Balance, end of year | <u>\$ 13,075</u> | <u>\$ 16,535</u> |

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>2011</u> | <u>2010</u> (Restated) |
|---------------------------|----------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net book value</u> | <u>Net book value</u> |
| Land | \$ 701,144 | \$ - | \$ 701,144 | \$ 701,144 |
| Buildings | 26,072,657 | 4,380,491 | 21,692,166 | 21,726,909 |
| Engineered structures | 2,231,016 | 1,109,627 | 1,121,389 | 913,122 |
| Automotive equipment | 782,091 | 728,266 | 53,825 | 99,340 |
| Machinery and equipment | 2,939,200 | 1,223,846 | 1,715,354 | 1,816,348 |
| Sewer lines | 4,279,897 | 2,977,137 | 1,302,760 | 1,388,358 |
| Streets and lighting | <u>5,931,289</u> | <u>2,593,816</u> | <u>3,337,473</u> | <u>3,169,655</u> |
| | <u>\$ 42,937,294</u> | <u>\$13,013,183</u> | <u>\$ 29,924,111</u> | <u>\$ 29,814,876</u> |

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2011

(Unaudited - see notice to reader)

8. 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> |
|------|----------------------------|--------------------------|--------------|
| 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 |
| 2016 | \$ 533,945 | \$ 52,600 | \$ 586,545 |

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

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>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Cape Breton Island Housing Authority | \$ 21,550 | \$ 54,248 |
| Eastern District Planning Commission | \$ 54,676 | \$ 53,464 |
| Strait-Highlands Regional Development Agency | \$ 37,701 | \$ 37,171 |

The Town has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2011.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2011

(Unaudited - see notice to reader)

9. Contributions to Boards and Commissions (continued)

(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 (2010 - \$NIL), being the utility's deficit for the year.

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 (2010 - \$273,835) and the charge is governed by the Utilities and Review Board.

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, 2011. The March 31, 2011, actuarial valuation indicated that the pension plan had an accrued benefit obligation of \$138,200 (2010 - \$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.

Town of Port Hawkesbury

Notes to the non-consolidated financial statements

March 31, 2011

(Unaudited - see notice to reader)

11. Commitments and contingencies (continued)

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 2011 valuation is as follows:

| | |
|--|--------------------|
| Market value of the pension plan asset | \$ 1,007,000 |
| Accrued benefit obligation | <u>(1,017,600)</u> |
| Pension plan deficit (surplus) | 10,600 |
| Unamortized actuarial gains (losses) | 127,600 |
| Valuation allowance | <u>-</u> |
| Pension liability | <u>\$ 138,200</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 \$72,054 in fiscal 2011 (2010 - \$96,909), 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 non-consolidated financial statements

March 31, 2011

(Unaudited - see notice to reader)

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 | \$ 27,234 |
| Ken Anderson | Councillor | \$ 15,150 |
| Jim King | Deputy Mayor | \$ 16,712 |
| Hugh MacDougall | Councillor | \$ 15,150 |
| Mark McIver | Councillor | \$ 15,150 |

13. Prior period adjustment

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.

Assets managed on behalf of the Town by another entity were previously excluded from the Town's tangible capital assets in error. The March 31, 2010, 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 | \$ 1,649,038 |
| Less amortization on tangible capital assets | <u>(174,845)</u> |
| Increase in Investment in Capital Assets | <u>\$ 1,474,193</u> |

Town of Port Hawkesbury

Schedule D - Debt charges and term debt

Year ended March 31, 2011

(Unaudited - see notice to reader)

| | <u>Maturity</u> | <u>Issued</u> | <u>Loan Continuity</u> | | <u>Balance</u> <u>March 31,</u> <u>2011</u> | <u>Interest</u> |
|-----------------------------|-----------------|------------------|--|-------------------|---|-------------------|
| | | | <u>Balance</u> <u>April 1,</u> <u>2010</u> | <u>Redeemed</u> | | |
| General capital | | | | | | |
| Term loans | | | | | | |
| 2005 Truck | | \$ - | \$ 29,952 | \$ 9,000 | \$ 20,952 | \$ 314 |
| 2005 Truck | | - | 11,217 | 3,000 | 8,217 | 123 |
| Truck – Fire dept | 2011 | - | 12,849 | 3,882 | 8,967 | 134 |
| 2006 Truck | 2013 | 15,796 | - | 4,048 | 11,748 | 193 |
| Serial debentures | | | | | | |
| Backhoe – Work | 2019 | - | 131,150 | 13,115 | 118,035 | 4,219 |
| Truck – Fire dept | 2014 | - | 160,000 | 32,000 | 128,000 | 7,488 |
| Street construction | 2010 | - | 227,500 | 22,750 | 204,750 | 6,876 |
| Civic Centre | 2019 | - | 1,125,000 | 75,000 | 1,050,000 | 57,495 |
| Waste water plant | 2018 | - | 735,000 | 52,500 | 682,500 | 37,931 |
| Civic Centre | 2020 | - | 920,000 | 57,500 | 862,500 | 41,236 |
| Civic Centre FCM | 2016 | - | 581,560 | 83,080 | 498,480 | 14,830 |
| Civic Centre | 2021 | - | 2,125,000 | 125,000 | 2,000,000 | 101,209 |
| Waste water plant | 2021 | - | 892,500 | 52,500 | 840,000 | 39,514 |
| Salt truck | 2019 | - | 200,000 | 20,000 | 180,000 | 6,045 |
| Pumping station | 2019 | - | 100,000 | 10,000 | 90,000 | 3,023 |
| Waterfront | 2019 | - | 225,000 | 22,500 | 202,500 | 7,238 |
| | | 15,796 | 7,476,728 | 585,874 | 6,906,649 | 327,868 |
| Water capital | | | | | | |
| Serial debenture | | | | | | |
| Municipal finance | 2016 | - | 315,600 | 52,600 | 263,000 | 13,555 |
| Total Municipal debt | | \$ 15,796 | \$ 7,792,328 | \$ 638,474 | \$ 7,169,649 | \$ 341,423 |

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

| | |
|-----------------------|-----------------------|
| 1 – 1.500% | 12 – 2.550% |
| 2 – 1.500% | 13 – 4.350% to 5.080% |
| 3 – 1.500% | 14 – 0.900% to 4.329% |
| 4 – 1.500% | 15 – 0.900% to 4.329% |
| 5 – 1.000% to 4.889% | 16 – 1.000% to 4.889% |
| 6 – 2.550% to 5.450% | 17 – 4.265% to 4.590% |
| 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% | |



Grant Thornton

Consolidated financial statements

Town of Port Hawkesbury

March 31, 2011

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| Consolidated statement of financial activities | 5 |
| Consolidated statement of changes in net debt | 6 |
| Consolidated statement of changes in financial position | 7 |
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| Schedule of debt charges and term debt | 16 |

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

The 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



Grant Thornton

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 Members of Council, Inhabitants and Ratepayers of

The Town of Port Hawkesbury

We have audited the accompanying consolidated statement of financial position of the Town of Port Hawkesbury (the "Town") as at March 31, 2011, and the consolidated results of operations changes in net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Town's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Port Hawkesbury as at March 31, 2011, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Port Hawkesbury, Canada

November 1, 2011

Grant Thornton LLP
Registered municipal auditor

Town of Port Hawkesbury

Consolidated statement of financial position

March 31

2011

2010
(Restated)

Financial assets

| | | |
|----------------------|------------------|------------------|
| Cash (Note 2) | \$ 960,929 | \$ 2,839,205 |
| Receivables (Note 3) | <u>1,777,337</u> | <u>825,640</u> |
| | <u>2,738,267</u> | <u>3,664,845</u> |

Liabilities

| | | |
|---|------------------|------------------|
| Payables and accruals | 1,542,501 | 998,990 |
| Retirement benefit obligation (Note 11) | 138,200 | 183,600 |
| Other liabilities (Note 5) | 738,180 | 984,639 |
| Long term debt (Note 6)(Page 14) | <u>7,169,649</u> | <u>7,792,328</u> |
| | <u>9,588,530</u> | <u>9,959,557</u> |

Net debt

| | | |
|--|--------------------|--------------------|
| | <u>(6,850,263)</u> | <u>(6,294,712)</u> |
|--|--------------------|--------------------|

Non-financial assets

| | | |
|----------------------------------|-------------------|-------------------|
| Tangible capital assets (Note 7) | 35,876,938 | 33,325,615 |
| Inventory and prepaid expenses | 166,145 | 208,119 |
| Other capital charges | <u>43,671</u> | <u>48,916</u> |
| | <u>36,086,754</u> | <u>33,582,650</u> |

Accumulated surplus

| | | |
|--|----------------------|----------------------|
| | <u>\$ 29,236,491</u> | <u>\$ 27,287,938</u> |
|--|----------------------|----------------------|

Commitments (Note 11)

Contingencies (Note 13)

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

2011

2010

(Restated)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual</u> |
|---|-------------------|----------------------|----------------------|
| Revenue | | | |
| Taxation | \$ 4,502,435 | \$ 4,486,452 | \$ 4,514,618 |
| Less: School board requisition | <u>(542,683)</u> | <u>(538,880)</u> | <u>(558,882)</u> |
| Municipal taxation | 3,959,752 | 3,947,572 | 3,955,736 |
| Grants in lieu of taxes | 528,943 | 528,254 | 339,513 |
| Sale of goods and services | 1,079,780 | 1,090,850 | 1,077,513 |
| Other revenue from own sources | 193,000 | 179,144 | 176,583 |
| Government transfers | 627,273 | 505,218 | 477,654 |
| Other revenue | 216,000 | 146,412 | 341,034 |
| Water rates | 798,400 | 800,184 | 804,052 |
| Gain on disposal of tangible capital assets | - | 24,550 | 4,564 |
| Fundraising and private grants | - | 135,054 | 896,603 |
| Capital grants | - | 2,249,415 | 967,601 |
| | <u>7,403,148</u> | <u>9,606,653</u> | <u>9,040,853</u> |
| Expenditures | | | |
| General government services | 1,198,585 | 1,147,454 | 878,028 |
| Protective services | 912,730 | 876,382 | 868,490 |
| Transportation services | 1,224,047 | 1,123,830 | 1,072,585 |
| Health and development services | 831,875 | 747,683 | 808,778 |
| Recreation and cultural services | 1,733,375 | 1,752,462 | 1,714,799 |
| Water treatment and distribution | 722,499 | 638,066 | 641,087 |
| Interest and bank charges | 13,555 | 13,555 | 15,646 |
| Transfers and grants | 10,000 | 5,273 | 10,000 |
| Other | - | 5,247 | 31,467 |
| Amortization of tangible capital assets | 125,000 | 1,348,148 | 1,318,984 |
| | <u>6,771,666</u> | <u>7,658,100</u> | <u>7,359,864</u> |
| Annual surplus | <u>\$ 631,482</u> | <u>\$ 1,948,553</u> | <u>\$ 1,680,989</u> |
| <hr/> | | | |
| Accumulated surplus, beginning of year, as previously reported | | \$ 25,940,199 | \$ 25,118,295 |
| Prior period adjustment (Note 12) | | <u>1,347,739</u> | <u>488,654</u> |
| Accumulated surplus, beginning of year, as restated | | 27,287,938 | 25,606,949 |
| Annual surplus | | <u>1,948,553</u> | <u>1,680,989</u> |
| Accumulated surplus, end of year | | <u>\$ 29,236,491</u> | <u>\$ 27,287,938</u> |

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of changes in net debt

| Year ended March 31 | 2011 | 2010 (Restated) |
|---|-----------------------|-----------------------|
| Annual surplus | \$ 1,948,553 | \$ 1,680,989 |
| Acquisition of tangible capital assets | (3,899,471) | (2,494,792) |
| Amortization of tangible capital assets | 1,348,148 | 1,318,984 |
| Proceeds on sale of tangible capital assets | 24,550 | 70,682 |
| Gain on disposal of tangible capital assets | <u>(24,550)</u> | <u>(4,564)</u> |
| | <u>(602,770)</u> | <u>571,299</u> |
| Change in prepaids, inventory and other capital charges | <u>47,219</u> | <u>(8,027)</u> |
| Change in net debt | (555,551) | 563,272 |
| Net debt, beginning of year | <u>(6,294,712)</u> | <u>(6,857,984)</u> |
| Net debt, end of year | <u>\$ (6,850,263)</u> | <u>\$ (6,294,712)</u> |

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Consolidated statement of changes in financial position

Year ended March 31

2011

2010

(Restated)

Increase (decrease) in cash and cash equivalents

| | | |
|---|--------------------|---------------------|
| Operating activities | | |
| Annual surplus | \$ 1,948,553 | \$ 1,680,989 |
| Amortization of tangible capital assets | 1,348,148 | 1,318,984 |
| Gain on disposal of tangible capital assets | <u>(24,550)</u> | <u>(4,564)</u> |
| | 3,272,151 | 2,995,409 |
| Changes in non-cash working capital: | | |
| (Increase) decrease in receivables | (951,697) | 570,181 |
| Decrease (increase) in prepaids, inventory, and other capital charges | 47,219 | (8,027) |
| Increase (decrease) in payables and accruals | 543,511 | 91,985 |
| Decrease in retirement benefit obligations | (45,400) | (166,400) |
| (Decrease) increase in other liabilities | <u>(246,459)</u> | <u>62,550</u> |
| | <u>2,619,325</u> | <u>3,545,698</u> |
| Investing activities | | |
| Purchase of tangible capital assets | (3,899,472) | (2,494,792) |
| Proceeds from disposal of tangible capital assets | <u>24,550</u> | <u>70,682</u> |
| | <u>(3,874,922)</u> | <u>(2,424,110)</u> |
| Financing activities | | |
| Proceeds of long term debt | 15,796 | 531,724 |
| Repayment of long term debt | <u>(638,475)</u> | <u>(596,049)</u> |
| | <u>(622,679)</u> | <u>(64,325)</u> |
| Net (decrease) increase in cash and cash equivalents | (1,878,276) | 1,057,263 |
| Cash and cash equivalents | | |
| Beginning of year | <u>2,839,205</u> | <u>1,781,942</u> |
| End of year | <u>\$ 960,929</u> | <u>\$ 2,839,205</u> |

See accompanying notes to the consolidated financial statements.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2011

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.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2011

1. Summary of significant accounting policies (continued)

(e) Property and equipment

Tangible capital assets

General capital fund

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 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.

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 \$618,486 as at March 31, 2011. 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, 2011

(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>2011</u> | <u>2010</u> |
|-------------------------|--------------------------|----------------------------|
| General operating funds | \$ (426,920) | \$ 1,160,521 |
| Capital funds | 656,774 | 580,846 |
| Reserve funds | <u>731,075</u> | <u>1,097,838</u> |
| | <u>\$ 960,929</u> | <u>\$ 2,839,205</u> |

| 3. Receivables | <u>2011</u> | <u>2010</u> |
|---------------------------------|----------------------------|--------------------------|
| Taxpayers and rate payers (net) | \$ 299,578 | \$ 341,753 |
| Other governments | 1,124,380 | 314,458 |
| Other | <u>353,379</u> | <u>169,429</u> |
| | <u>\$ 1,777,337</u> | <u>\$ 825,640</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, 2011

| 5. Other liabilities | <u>2011</u> | <u>2010</u> |
|-------------------------|-------------------|-------------------|
| Deferred revenue | \$ 686,385 | \$ 937,680 |
| Prepaid taxes and rates | 35,867 | 32,459 |
| Consumer deposits | <u>15,928</u> | <u>14,500</u> |
| | <u>\$ 738,180</u> | <u>\$ 984,639</u> |

6. Long term debt

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

| | |
|------|------------|
| 2012 | \$ 618,545 |
| 2013 | \$ 618,545 |
| 2014 | \$ 618,545 |
| 2015 | \$ 618,545 |
| 2016 | \$ 586,545 |

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

| 7. Property and equipment | <u>2011</u> | | | <u>2010</u> |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | | Accumulated | Net | (Restated) |
| | <u>Cost</u> | <u>amortization</u> | <u>book value</u> | Net |
| | | | | <u>book value</u> |
| Land | \$ 701,144 | \$ - | \$ 701,144 | \$ 701,144 |
| Buildings | 26,072,657 | 4,380,491 | 21,692,166 | 21,726,909 |
| Engineered structures | 2,231,016 | 1,109,627 | 1,121,389 | 913,122 |
| Automotive equipment | 782,091 | 728,266 | 53,825 | 99,340 |
| Machinery and equipment | 2,939,200 | 1,223,846 | 1,715,354 | 1,816,348 |
| Sewer lines | 4,279,899 | 2,977,137 | 1,302,762 | 1,388,358 |
| Streets and lighting | 5,931,289 | 2,593,816 | 3,337,473 | 3,169,655 |
| Utility plant in service | <u>8,596,294</u> | <u>2,643,469</u> | <u>5,952,825</u> | <u>3,510,739</u> |
| | <u>\$ 51,533,590</u> | <u>\$ 15,656,652</u> | <u>\$ 35,876,938</u> | <u>\$ 33,325,615</u> |

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2011

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>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| Cape Breton Island Housing Authority | \$ 21,550 | \$ 54,248 |
| Eastern District Planning Commission | \$ 54,676 | \$ 53,464 |
| Strait-Highlands Regional Development Association | \$ 37,701 | \$ 37,171 |

The Town has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2011.

Town of Port Hawkesbury

Notes to the consolidated financial statements

March 31, 2011

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 | \$ 27,234 |
| Ken Anderson | Councillor | \$ 15,150 |
| Jim King | Deputy Mayor | \$ 16,712 |
| Hugh MacDougall | Councillor | \$ 15,150 |
| Mark McIver | Councillor | \$ 15,150 |
| Maris Freimanis | Chief Administrative Officer | \$ 95,400 |

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, 2011. The March 31, 2011, actuarial valuation indicated that the pension plan had an accrued benefit obligation of \$138,200.

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 consolidated financial statements

March 31, 2011

11. Commitments (continued)

Pension fund assets are valued at market values. A result of the 2011 valuation is as follows:

| | |
|--|-----------------------|
| Market value of the pension plan asset | \$ 1,007,000 |
| Accrued benefit obligation | <u>(1,017,600)</u> |
| Pension plan deficit (surplus) | 10,600 |
| Unamortized actuarial gains (losses) | 127,600 |
| Valuation allowance | <u>-</u> |
| Pension liability | <u>\$ 138,200</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.

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 \$72,054 in fiscal 2011, 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, 2011

12. Prior period adjustment

Assets managed on behalf of the Town by another entity were previously excluded from the Town's tangible capital assets in error. Also, interest on loans held with Municipal Finance Corporation was not accrued in prior years. The March 31, 2010, 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 | <u>2010</u> | <u>2009</u> |
|--|----------------------------|--------------------------|
| Tangible capital asset adjustment | \$ 1,649,038 | \$ 779,935 |
| Less amortization on tangible capital assets | (174,845) | (163,189) |
| Accrued interest on loans | <u>(126,454)</u> | <u>(128,092)</u> |
| Increase in accumulated surplus | <u>\$ 1,347,739</u> | <u>\$ 488,654</u> |

13. Contingencies

The Town has recorded a liability of \$105,216 in the current fiscal year with regards to an ongoing legal claim relating to an inter-municipal sharing arrangement. As of November 8, 2011, the case is still under arbitration.

Subsequent to year end, the Town has been put under an environmental directive by the Department of Environment to clean up sewer contamination within the Town limits and have been notified by the Department that one of its sites has been contaminated with silica sand.

The costs required to clean up these matters are unknown by the Town as at November 8, 2011. The Town is currently undergoing an environmental site assessment to determine the related costs. No additional amounts have been recorded in these financial statements relating to these contingencies.

14. Comparative figures

Comparative figures for 2010 have been reclassified to conform to the financial statement presentation adopted for 2011.

15. Subsequent events

Subsequent to year end, the Town obtained a debenture from the Nova Scotia Municipal Finance Corporation in the amount of \$1.2 million to help assist with capital expenditures incurred during the year related to the wastewater treatment facility upgrades. The loan is repayable in annual instalments of \$80,000 plus semi-annual interest, maturing and amortized to 2026.

Town of Port Hawkesbury

Schedule of debt charges and term debt

Year ended March 31, 2011

| | <u>Maturity</u> | <u>Issued</u> | <u>Loan Continuity</u> | | <u>Interest</u> | |
|--------------------------|-----------------|---------------|--------------------------------------|-----------------|-----------------|---------------------------------------|
| | | | <u>Balance April 1, 2010</u> | <u>Redeemed</u> | | <u>Balance March 31, 2011</u> |
| General capital | | | | | | |
| Term loans | | | | | | |
| 2005 Truck | | \$ - | \$ 29,952 | \$ 9,000 | \$ 20,952 | \$ 314 |
| 2005 Truck | | - | 11,217 | 3,000 | 8,217 | 123 |
| Truck – Fire dept | 2011 | - | 12,849 | 3,882 | 8,967 | 134 |
| 2006 Truck | 2013 | 15,796 | - | 4,048 | 11,748 | 193 |
| Serial debentures | | | | | | |
| Backhoe – Work | 2019 | - | 131,150 | 13,115 | 118,035 | 4,219 |
| Truck – Fire dept | 2014 | - | 160,000 | 32,000 | 128,000 | 7,488 |
| Street construction | 2010 | - | 227,500 | 22,750 | 204,750 | 6,876 |
| Civic Centre | 2019 | - | 1,125,000 | 75,000 | 1,050,000 | 57,495 |
| Waste water plant | 2018 | - | 735,000 | 52,500 | 682,500 | 37,931 |
| Civic Centre | 2020 | - | 920,000 | 57,500 | 862,500 | 41,236 |
| Civic Centre FCM | 2016 | - | 581,560 | 83,080 | 498,480 | 14,830 |
| Civic Centre | 2021 | - | 2,125,000 | 125,000 | 2,000,000 | 101,209 |
| Waste water plant | 2021 | - | 892,500 | 52,500 | 840,000 | 39,514 |
| Salt truck | 2019 | - | 200,000 | 20,000 | 180,000 | 6,045 |
| Pumping station | 2019 | - | 100,000 | 10,000 | 90,000 | 3,023 |
| Waterfront | 2019 | - | 225,000 | 22,500 | 202,500 | 7,238 |
| | | 15,796 | 7,476,728 | 585,874 | 6,906,649 | 327,868 |
| Water capital | | | | | | |
| Serial debenture | | | | | | |
| Municipal finance | 2016 | - | 315,600 | 52,600 | 263,000 | 13,555 |
| Total Municipal debt | | \$ 15,796 | \$ 7,792,328 | \$ 638,474 | \$ 7,169,649 | \$ 341,423 |

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

| | |
|-----------------------|-----------------------|
| 1 – 1.500% | 12 – 2.550% |
| 2 – 1.500% | 13 – 4.350% to 5.080% |
| 3 – 1.500% | 14 – 0.900% to 4.329% |
| 4 – 1.500% | 15 – 0.900% to 4.329% |
| 5 – 1.000% to 4.889% | 16 – 1.000% to 4.889% |
| 6 – 2.550% to 5.450% | 17 – 4.265% to 4.590% |
| 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% | |