



Non-consolidated financial statements  
(Unaudited – see notice to reader)

Town of Port Hawkesbury

March 31, 2012

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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, 2012, 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

June 11, 2012

*Grant Thornton LLP*

Chartered accountants

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# Town of Port Hawkesbury

## General section

### Operating fund balance sheet

March 31 2012 2011  
(Unaudited - see notice to reader)

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#### Assets

Cash and cash equivalents	<u>\$ 669,004</u>	<u>\$ -</u>
Receivables		
Taxes (Note 2)	161,318	215,825
Due from federal government and its agencies	69,418	257,276
Due from provincial government and its agencies (Note 3)	4,587	175,528
Due from local government and its agencies (Note 4)	23,794	136,298
Due from Water Utility section – capital fund	173,333	1,574,952
Due from General section – capital fund	65,693	-
Other	<u>245,650</u>	<u>359,148</u>
	<u>743,793</u>	<u>2,719,027</u>
Tangible assets		
Inventories of materials and supplies	<u>36,972</u>	<u>25,018</u>
Other assets		
Deferred expenditures	<u>69,960</u>	<u>54,406</u>
	<u>\$ 1,519,729</u>	<u>\$ 2,798,451</u>

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See accompanying notes to the non-consolidated financial statements.

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

March 31 2012 2011  
 Unaudited - see notice to reader)

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**Liabilities and operating equity**

Bank indebtedness	\$ <u>          -</u>	\$ <u>  426,920</u>
Trade payables	<u>  964,743</u>	<u>  1,424,240</u>
Other liabilities		
Deferred revenue	404,422	686,385
Due to Water utility section - operating fund	68,539	107,064
Prepaid taxes	<u>  47,292</u>	<u>    35,867</u>
	<u>  520,253</u>	<u>  829,316</u>
Asset valuation allowances		
For uncollectible accounts receivable	7,101	5,769
For uncollected taxes (Note 5)	<u>  10,855</u>	<u>   13,075</u>
	<u>  17,956</u>	<u>   18,844</u>
Operating fund surplus	<u>    16,777</u>	<u>    99,131</u>
	<u>\$  1,519,729</u>	<u>\$  2,798,451</u>

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On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor \_\_\_\_\_ CAO

See accompanying notes to the non-consolidated financial statements.

# Town of Port Hawkesbury

## General section

### Statement of operations

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue (Schedule A)			
Taxes	\$ 4,677,186	\$ 4,636,845	\$ 4,600,016
Grants in lieu of taxes	708,682	708,050	528,254
Services provided to other local governments	215,000	201,272	137,134
Sales of services	1,152,740	1,134,820	1,145,350
Other revenue from own sources	214,764	241,343	173,739
Conditional transfers from other governments	51,500	63,864	65,108
Unconditional transfers from other governments	409,720	409,720	413,077
Conditional transfers from other local governments	140,516	117,079	119,047
Other transfers	144,500	144,630	117,630
	<u>7,714,608</u>	<u>7,657,623</u>	<u>7,299,355</u>
Expenditures (Schedule B)			
General government services	1,235,258	1,246,055	1,192,857
Protective services	1,272,455	1,241,179	1,150,217
Transportation services	1,280,073	1,117,362	1,123,830
Environmental health services	691,743	775,904	606,303
Public health and welfare	30,000	44,004	29,765
Environmental development services	92,295	97,486	111,615
Recreation and cultural services	1,793,340	1,723,762	1,760,656
Education	551,874	551,874	538,880
Financing and transfers	767,570	843,351	696,651
	<u>7,714,608</u>	<u>7,640,977</u>	<u>7,210,774</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ 16,646</u>	<u>\$ 88,581</u>

See accompanying notes to the non-consolidated financial statements.

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**Town of Port Hawkesbury**  
**General section**  
**Statement of operating fund surplus**

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

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Operating fund surplus, beginning of year	\$ 99,131	\$ 82,550
Transfer to operating revenue	(99,000)	(72,000)
Excess of revenue over expenditures	<u>16,646</u>	<u>88,581</u>
Operating fund surplus, end of year	<u>\$ 16,777</u>	<u>\$ 99,131</u>

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See accompanying notes to the non-consolidated financial statements.

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# Town of Port Hawkesbury

## General section

### General capital fund balance sheet

March 31 2012 2011  
(Unaudited - see notice to reader)

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#### Assets

Cash and cash equivalents	\$ 31,925	\$ 38,288
Due from other governments	471	778
Unamortized discount on debentures	37,062	41,968
Property and equipment (Note 7)	<u>28,737,764</u>	<u>29,924,111</u>
	<u>\$ 28,807,222</u>	<u>\$ 30,005,145</u>

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#### Liabilities

Due to General section – operating fund	\$ 65,693	\$ -
Term loans (Schedule D)	25,929	49,884
Long term debt (Note 8) (Schedule D)	<u>6,290,820</u>	<u>6,856,765</u>
	<u>6,382,442</u>	<u>6,906,649</u>

#### Equity

Investment in capital assets (Page 8)	<u>22,424,780</u>	<u>23,098,496</u>
	<u>\$ 28,807,222</u>	<u>\$ 30,005,145</u>

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On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor \_\_\_\_\_ CAO

See accompanying notes to the non-consolidated financial statements.



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**Town of Port Hawkesbury**  
**General section**  
**School capital fund balance sheet**

March 31  
(Unaudited - see notice to reader)

2012                      2011

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**Assets**

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

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**Equity**

Investment in capital assets                      \$ 1                      \$ 1

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On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor                      \_\_\_\_\_ CAO

See accompanying notes to the non-consolidated financial statements.

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**Town of Port Hawkesbury**  
**General section**  
**Statement of investment in general capital assets**

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

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Balance, beginning of year	\$ 23,098,496	\$ 22,520,412
Capital out of revenue	-	105,810
Capital grants	-	591,112
Transfer from operating reserve	-	281,734
Transfer from capital reserve	-	60,660
Transfer from gas tax reserve	-	48,183
Subsidized by SAWDS	-	135,054
Amortization of debenture discount	(4,906)	(4,906)
Amortization of tangible capital assets	(1,258,404)	(1,225,134)
Term debt retired	<u>589,594</u>	<u>585,571</u>
Balance, end of year	<u>\$ 22,424,780</u>	<u>\$ 23,098,496</u>

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**General section**  
**Statement of investment in school capital assets**

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

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Balance, beginning and end of year	<u>\$ 1</u>	<u>\$ 1</u>
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See accompanying notes to the non-consolidated financial statements.

# Town of Port Hawkesbury

## General section

### Schedule A - Details of revenue

Year ended March 31 2012 2011  
 (Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Taxes</b>			
Assessable property			
Residential	\$ 2,180,488	\$ 2,171,284	\$ 2,132,504
Commercial			
Based on taxable assessment	2,301,838	2,274,155	2,256,103
Resource			
Based on taxable assessment	<u>24,285</u>	<u>24,110</u>	<u>26,760</u>
	<u>4,506,611</u>	<u>4,469,549</u>	<u>4,415,367</u>
Business property			
Business occupancy	50,175	49,419	63,716
Nova Scotia Power - HST offset grant	45,000	42,739	46,268
Based in revenue – Nova Scotia Power	10,400	10,397	11,058
Based on revenue – Aliant Inc.	<u>40,000</u>	<u>40,000</u>	<u>33,337</u>
	<u>145,575</u>	<u>142,555</u>	<u>154,379</u>
Other			
Deed transfer tax	<u>25,000</u>	<u>24,741</u>	<u>30,270</u>
	<u>\$ 4,677,186</u>	<u>\$ 4,636,845</u>	<u>\$ 4,600,016</u>
<b>Grants in lieu of taxes</b>			
Federal government	\$ 73,661	\$ 73,661	\$ 72,450
Federal government agencies			
Enterprise Cape Breton Corporation	20,353	20,353	20,476
Provincial government			
Provincial property	<u>614,668</u>	<u>614,036</u>	<u>435,328</u>
	<u>\$ 708,682</u>	<u>\$ 708,050</u>	<u>\$ 528,254</u>
<b>Services provided to other local governments</b>			
Fire protection – Richmond County	\$ 25,000	\$ 25,000	\$ 25,000
Leachate Treatment – Guysborough County	<u>190,000</u>	<u>176,272</u>	<u>112,134</u>
	<u>\$ 215,000</u>	<u>\$ 201,272</u>	<u>\$ 137,134</u>

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

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

2012

2011

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Sales of services</b>			
Airport	\$ 27,900	\$ 41,441	\$ 35,649
Civic centre	854,190	819,714	833,201
Public works	18,150	19,789	22,288
Recreation and education	211,700	213,076	214,212
Water utility	<u>40,800</u>	<u>40,800</u>	<u>40,000</u>
	<u>\$ 1,152,740</u>	<u>\$ 1,134,820</u>	<u>\$ 1,145,350</u>
<b>Other revenue from own sources</b>			
Licenses and permits	\$ 2,500	\$ 1,831	\$ 3,112
Fines and fees	4,000	10,075	5,339
Rentals	143,264	159,181	71,140
Interest on short term funds	-	-	(1,039)
Interest on taxes	40,000	47,870	43,811
Miscellaneous	<u>25,000</u>	<u>22,386</u>	<u>51,376</u>
	<u>\$ 214,764</u>	<u>\$ 241,343</u>	<u>\$ 173,739</u>
<b>Conditional transfers from other governments</b>			
Provincial government			
Emergency measure organization	\$ 1,000	\$ 1,076	\$ -
Workers' compensation	-	6,751	69
Education and community literacy	38,000	48,000	39,000
Environmental development			
Refuse diversion	<u>7,500</u>	<u>1,855</u>	<u>19,712</u>
	46,500	57,682	58,781
Federal government			
Federal works grant	<u>5,000</u>	<u>6,182</u>	<u>6,327</u>
	<u>\$ 51,500</u>	<u>\$ 63,864</u>	<u>\$ 65,108</u>

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

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Unconditional transfers from other governments</b>			
Federal gas tax rebate	\$ 89,856	\$ 89,856	\$ 92,014
Provincial equalization grant	<u>319,864</u>	<u>319,864</u>	<u>321,063</u>
	<u>\$ 409,720</u>	<u>\$ 409,720</u>	<u>\$ 413,077</u>
<b>Conditional transfers from other local governments</b>			
Pool funding	\$ 34,010	\$ 33,429	\$ 33,749
Airport funding	106,506	76,504	85,298
Other	<u>-</u>	<u>7,146</u>	<u>-</u>
	<u>\$ 140,516</u>	<u>\$ 117,079</u>	<u>\$ 119,047</u>
<b>Transfers from reserves</b>			
Transfer from operating reserve fund	\$ 45,500	\$ 45,630	\$ 45,630
Surplus of prior years	<u>99,000</u>	<u>99,000</u>	<u>72,000</u>
	<u>\$ 144,500</u>	<u>\$ 144,630</u>	<u>\$ 117,630</u>

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See accompanying notes to the non-consolidated financial statements.

# Town of Port Hawkesbury

## General section

### Schedule B - Details of expenditures

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>General government services</b>			
Legislative			
Mayor			
Stipend	\$ 27,779	\$ 27,561	\$ 27,024
Travel	15,000	15,689	19,933
Council			
Stipend	62,500	62,681	57,617
Travel	5,800	1,823	5,752
Other legislative services	<u>12,000</u>	<u>12,229</u>	<u>13,863</u>
	<u>123,079</u>	<u>119,983</u>	<u>124,189</u>
General administrative			
Administrative	629,260	623,773	619,095
Financial management	53,000	55,668	45,602
Taxation			
Administration	53,000	72,877	41,553
Reduced taxes –section 69	7,500	5,600	5,000
Section 71	163,116	163,307	164,546
Common services	2,000	-	-
General financing	-	7,305	-
Transfer to assessment services	<u>47,853</u>	<u>47,852</u>	<u>47,644</u>
	<u>955,729</u>	<u>976,382</u>	<u>923,440</u>
Other general government services			
Conventions	10,000	7,686	3,394
General liability insurance	59,000	57,957	55,310
Grants to other organizations and individuals	10,000	9,231	11,767
Intergovernmental relations	17,500	19,632	21,787
Other general services	<u>28,950</u>	<u>29,328</u>	<u>48,829</u>
	<u>125,450</u>	<u>123,834</u>	<u>141,087</u>
Valuation allowances			
Uncollectible taxes	6,000	(2,220)	4,141
Unresolved assessment appeals	<u>25,000</u>	<u>28,076</u>	<u>-</u>
	<u>31,000</u>	<u>25,856</u>	<u>4,141</u>
	<u>\$ 1,235,258</u>	<u>\$ 1,246,055</u>	<u>\$ 1,192,857</u>

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# Town of Port Hawkesbury

## General section

### Schedule B - Details of expenditures (continued)

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Protective services</b>			
Police protection			
Administration	\$ 41,820	\$ 38,242	\$ 46,892
Crime investigation, prevention, and protective services	660,000	652,796	542,405
Other	<u>98,500</u>	<u>103,343</u>	<u>92,863</u>
	<u>800,320</u>	<u>794,381</u>	<u>682,160</u>
Law enforcement			
Transfers to corrective services	<u>33,280</u>	<u>33,280</u>	<u>44,542</u>
Fire protection			
Administration	18,000	21,974	13,379
Fire fighting force	25,600	25,600	25,600
Water supply and hydrants	273,835	273,835	273,835
Fire stations and building	45,300	33,827	44,694
Fire fighting equipment	53,700	40,528	41,827
Other	<u>2,500</u>	<u>500</u>	<u>500</u>
	<u>418,935</u>	<u>396,264</u>	<u>399,835</u>
Debt charges			
Debenture interest	<u>5,920</u>	<u>5,920</u>	<u>7,488</u>
Other			
Animal and pest control	11,000	9,334	13,312
Emergency measures	<u>3,000</u>	<u>2,000</u>	<u>2,880</u>
	<u>14,000</u>	<u>11,334</u>	<u>16,192</u>
	<u>\$ 1,272,455</u>	<u>\$ 1,241,179</u>	<u>\$ 1,150,217</u>

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# Town of Port Hawkesbury

## General section

### Schedule B - Details of expenditures (continued)

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Transportation services</b>			
Common services			
Administration	\$ 37,000	\$ 35,812	\$ 39,477
Engineering services	37,598	37,213	13,663
General equipment	21,900	7,936	12,893
Small tools and equipment	19,750	11,024	13,019
Workshop, yards, and other buildings	39,200	28,090	41,731
Liability insurance	7,000	10,745	8,183
Other	<u>19,900</u>	<u>15,958</u>	<u>18,204</u>
	<u>182,348</u>	<u>146,778</u>	<u>147,170</u>
Road transport			
Administration	39,862	36,295	38,841
Roads and streets	510,100	467,795	489,789
Street lighting	131,000	132,861	132,220
Traffic services	40,800	30,693	31,346
Motor vehicles	139,000	144,831	137,317
Other road transport	<u>39,100</u>	<u>9,742</u>	<u>6,272</u>
	<u>899,862</u>	<u>822,217</u>	<u>835,785</u>
Air transport			
Administration	2,400	2,528	2,389
Airport	<u>171,259</u>	<u>129,261</u>	<u>121,345</u>
	<u>173,659</u>	<u>131,789</u>	<u>123,734</u>
Debt charges			
Debenture interest	<u>24,204</u>	<u>16,578</u>	<u>17,141</u>
	<u>\$ 1,280,073</u>	<u>\$ 1,117,362</u>	<u>\$ 1,123,830</u>



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# Town of Port Hawkesbury

## General section

### Schedule B - Details of expenditures (continued)

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Environmental health services</b>			
Sewage collection and disposal			
Administration	\$ 61,600	\$ 62,527	\$ 55,371
Sewage collection system	81,707	74,042	78,135
Sewage treatment and disposal	179,643	176,168	150,881
Other sewage collection	<u>63,900</u>	<u>34,136</u>	<u>17,849</u>
	<u>386,850</u>	<u>346,873</u>	<u>302,236</u>
Garbage and waste collection and disposal			
Town yard waste sight	2,000	177	614
Garbage and waste collection	140,000	136,927	151,214
Waste disposal	44,000	43,380	38,765
Recycling costs	<u>43,100</u>	<u>27,032</u>	<u>33,006</u>
	<u>229,100</u>	<u>207,516</u>	<u>223,599</u>
Other environmental health services			
Site clean up	<u>-</u>	<u>145,722</u>	<u>-</u>
Debt charges			
Interest on long term debt	<u>75,793</u>	<u>75,793</u>	<u>80,468</u>
	<u>\$ 691,743</u>	<u>\$ 775,904</u>	<u>\$ 606,303</u>
<b>Public health and welfare services</b>			
Social welfare			
Social welfare services employment program			
Housing	\$ -	\$ 2,436	\$ 8,215
Deficit of Regional Housing Authority	<u>30,000</u>	<u>41,568</u>	<u>21,550</u>
	<u>\$ 30,000</u>	<u>\$ 44,004</u>	<u>\$ 29,765</u>

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# Town of Port Hawkesbury

## General section

### Schedule B - Details of expenditures (continued)

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Environmental development services</b>			
Community development			
Transfers to Eastern Planning Commission	\$ 55,084	\$ 59,120	\$ 54,676
Transfers to Regional Development Agency	37,211	38,366	49,701
Debenture interest	-	-	7,238
	<u>\$ 92,295</u>	<u>\$ 97,486</u>	<u>\$ 111,615</u>
<b>Recreation and cultural services</b>			
Recreation facilities			
Civic centre	\$ 864,384	\$ 834,745	\$ 836,623
Administration	157,530	152,133	162,087
Other programs	87,785	82,247	93,429
Swimming pool	232,497	220,219	233,188
Skating rinks and arenas	10,000	6,185	9,262
Parks and playgrounds	74,000	68,879	78,963
Other recreation facilities	<u>144,926</u>	<u>137,013</u>	<u>111,394</u>
	<u>1,571,122</u>	<u>1,501,421</u>	<u>1,524,946</u>
Cultural buildings and facilities			
Transfers to regional library	<u>20,837</u>	<u>20,960</u>	<u>20,940</u>
Debt charges			
Interest on long term debt	<u>201,381</u>	<u>201,381</u>	<u>214,770</u>
	<u>\$ 1,793,340</u>	<u>\$ 1,723,762</u>	<u>\$ 1,760,656</u>

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# Town of Port Hawkesbury

## General section

### Schedule B - Details of expenditures (continued)

Year ended March 31

2012

2011

(Unaudited - see notice to reader)

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	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Education</b>			
Appropriation to Strait Regional School Board	\$ 551,874	\$ 551,874	\$ 538,880
<b>Financing and transfers</b>			
Principal instalments			
Debenture principal	\$ 565,945	\$ 565,945	\$ 565,945
Term loans	15,000	23,649	19,623
Transfers to own reserves, funds and agencies			
Other funds			
General capital fund	-	-	105,810
Operating reserve fund	186,625	231,905	-
Airport committee	-	21,852	-
Own agencies			
Strait Area Waterfront Development Society	-	-	5,273
	<u>\$ 767,570</u>	<u>\$ 843,351</u>	<u>\$ 696,651</u>

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See accompanying notes to the non-consolidated financial statements.

# Town of Port Hawkesbury

## Water utility section

### Operating fund balance sheet

March 31 2012 2011  
(Unaudited - see notice to reader)

**Assets**

Accounts receivable		
Rates (less allowance for doubtful accounts \$34,679; 2011-\$33,665)	\$ 82,546	\$ 96,828
Due from general operating fund	68,539	107,064
Inventories, at cost		
Chemicals	16,652	9,683
Other	44,944	49,220
Water meters and equipment	<u>28,282</u>	<u>27,818</u>
	<u>\$ 240,963</u>	<u>\$ 290,613</u>

**Liabilities and operating equity**

Accounts payable and accrued liabilities		
Prepaid rates	\$ 3,856	\$ 4,330
Consumer deposits	<u>11,358</u>	<u>11,598</u>
	<u>15,214</u>	<u>15,928</u>
Operating fund surplus	<u>225,749</u>	<u>274,685</u>
	<u>\$ 240,963</u>	<u>\$ 290,613</u>

On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor \_\_\_\_\_ CAO

See accompanying notes to the non-consolidated financial statements.

# Town of Port Hawkesbury

## Water utility section

### Statement of operations

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Flat rate sales	\$ 75,000	\$ 72,632	\$ 74,639
Metered sales	822,500	719,923	725,545
Public fire protection	<u>273,835</u>	<u>273,835</u>	<u>273,835</u>
	<u>1,171,335</u>	<u>1,066,390</u>	<u>1,074,019</u>
Operating expenses			
Source of supply	85,000	82,958	17,776
Pumping	25,000	16,839	16,935
Water treatment	287,258	274,314	260,302
Transmission and distribution	311,691	296,614	281,507
Administration and general	140,136	124,696	116,046
Depreciation	124,259	124,205	123,014
Taxes	<u>113,564</u>	<u>110,194</u>	<u>113,564</u>
	<u>1,086,908</u>	<u>1,029,820</u>	<u>929,144</u>
Operating income	<u>84,427</u>	<u>36,570</u>	<u>144,875</u>
Non-operating expenditure			
Debt charges			
Debenture interest	31,827	32,906	13,555
Principal instalments			
Debenture principal	<u>52,600</u>	<u>52,600</u>	<u>52,600</u>
	<u>84,427</u>	<u>85,506</u>	<u>66,155</u>
Excess of revenue (under) over expenditure	<u>\$ -</u>	<u>\$ (48,936)</u>	<u>\$ 78,720</u>

See accompanying notes to the non-consolidated financial statements.

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

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

2012

2011

---

Operating fund surplus, beginning of year	\$ 274,685	\$ 195,965
Excess of expenditures over revenue	<u>(48,936)</u>	<u>78,720</u>
Operating fund surplus, end of year	<u>\$ 225,749</u>	<u>\$ 274,685</u>

---

See accompanying notes to the non-consolidated financial statements.

# Town of Port Hawkesbury

## Water utility section

### Capital fund balance sheet

March 31

2012

2011

(Unaudited - see notice to reader)

#### Assets

Cash		
Depreciation fund	\$ 751,085	\$ 618,486
Due from other governments	173,333	426,871
Unamortized discount on debentures	9,893	1,703
Utility plant in service (Schedule C)	<u>8,665,811</u>	<u>8,596,294</u>
	<u>\$ 9,600,122</u>	<u>\$ 9,643,354</u>

#### Liabilities

Due to General section – operating fund	\$ 173,333	\$ 1,574,952
Long term debt (Note 8) (Schedule D)	<u>1,410,400</u>	<u>263,000</u>
	<u>1,583,733</u>	<u>1,837,952</u>

#### Reserve

Reserve for depreciation	2,767,673	2,643,468
Deferred government contributions	<u>1,841,082</u>	<u>1,841,083</u>
	<u>4,608,755</u>	<u>4,484,551</u>

#### Equity

Investment in capital assets	<u>3,407,634</u>	<u>3,320,851</u>
	<u>\$ 9,600,122</u>	<u>\$ 9,643,354</u>

On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor

\_\_\_\_\_ CAO

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)	2012	2011
Balance, beginning of year	\$ 2,643,468	\$ 2,520,454
Depreciation for the year	<u>124,205</u>	<u>123,014</u>
Balance, end of year	<u>\$ 2,767,673</u>	<u>\$ 2,643,468</u>

---

**Water utility section**  
**Statement of investment in capital assets**

Year ended March 31 (Unaudited - see notice to reader)	2012	2011
Balance, beginning of year	\$ 3,320,851	\$ 3,263,187
Interest earned depreciation fund	8,394	5,405
Term debt retired	52,600	52,600
Transfer from gas tax reserve	26,739	-
Discount amortized	<u>(950)</u>	<u>(341)</u>
Balance, end of year	<u>\$ 3,407,634</u>	<u>\$ 3,320,851</u>

---

**Water utility section**  
**Statement of depreciation fund cash**

Year ended March 31 (Unaudited - see notice to reader)	2012	2011
Cash, beginning of year	\$ 618,486	\$ 446,538
Depreciation	124,205	123,014
Interest earned on depreciation funds	8,394	5,405
Receivable collection	-	67,335
Purchases/restoration of capital equipment	<u>-</u>	<u>(23,806)</u>
Cash, end of year	<u>\$ 751,085</u>	<u>\$ 618,486</u>

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See accompanying notes to the non-consolidated financial statements.



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

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

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Intangible asset		
Working capital	<u>\$ 3,500</u>	<u>\$ 3,500</u>
Tangible plant		
Land and land rights		
Land for chemical building	13,058	13,058
Reservoir	17,841	17,841
Structures and improvements		
Heating	23,806	23,806
Source of supply	19,639	19,639
Purification structures	1,154,437	1,154,437
Distribution reservoirs and standpipes	1,138,086	1,138,086
Electric pumping equipment	96,516	96,516
Purification equipment	3,331,499	3,261,982
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>8,662,311</u>	<u>8,592,794</u>
	<u>\$ 8,665,811</u>	<u>\$ 8,596,294</u>

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See accompanying notes to the non-consolidated financial statements.

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**Town of Port Hawkesbury**  
**Reserve funds section**  
**Capital reserve balance sheet**

March 31 2012 2011  
(Unaudited - see notice to reader)

---

**Assets**  
Cash and cash equivalents \$ 235,867 \$ 212,525

---

**Reserve**  
Special reserve \$ 235,867 \$ 212,525

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On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor \_\_\_\_\_ CAO

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**Reserve funds section**  
**Statement of capital reserve**

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

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Balance, beginning of year	\$ 212,525	\$ 246,308
Interest earned	2,748	2,327
Proceeds on sale of property	20,594	24,550
Transfer to general capital fund	<u>-</u>	<u>(60,660)</u>
Balance, end of year	\$ <u>235,867</u>	\$ <u>212,525</u>

---

See accompanying notes to the non-consolidated financial statements.

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# Town of Port Hawkesbury

## Reserve funds section

### Operating reserve balance sheet

March 31 2012 2011  
(Unaudited - see notice to reader)<sup>1</sup>

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**Assets**

Cash and cash equivalents	<u>\$ 520,346</u>	<u>\$ 328,866</u>
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**Reserve**

Operating reserve	<u>\$ 520,346</u>	<u>\$ 328,866</u>
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On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor \_\_\_\_\_ CAO

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## Reserve funds section

### Statement of operating reserve

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

---

Balance, beginning of year	\$ 328,866	\$ 651,257
Interest earned	5,205	4,973
Appropriation per council – general	<u>231,905</u>	<u>-</u>
	<u>565,976</u>	<u>656,230</u>
Transfer to general operating fund	(45,630)	(45,630)
Transfer to general capital fund	<u>-</u>	<u>(281,734)</u>
	<u>(45,630)</u>	<u>(327,364)</u>
Balance, end of year	<u>\$ 520,346</u>	<u>\$ 328,866</u>

---

See accompanying notes to the non-consolidated financial statements.

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

March 31 2012 2011  
(Unaudited - see notice to reader)

<b>Assets</b>		
Cash and cash equivalents	\$ 331,797	\$ 189,684
Due from federal government and its agencies	<u>126,326</u>	<u>127,630</u>
	<u>\$ 458,123</u>	<u>\$ 317,314</u>

<b>Reserve</b>		
Operating reserve	<u>\$ 458,123</u>	<u>\$ 317,314</u>

On behalf of the Town of Port Hawkesbury

\_\_\_\_\_ Mayor \_\_\_\_\_ CAO

**Reserve Funds section**  
**Statement of gas tax reserve**

Year ended March 31 2012 2011  
(Unaudited - see notice to reader)

Balance, beginning of year	\$ 317,314	\$ 200,273
Interest earned	4,752	1,978
Grant – gas tax	<u>252,652</u>	<u>255,260</u>
	<u>574,718</u>	<u>457,511</u>
Transfer to general capital fund	-	(48,183)
Transfer to Water utility section – capital fund	(26,739)	-
Fund transferred to service capital debt	<u>(89,856)</u>	<u>(92,014)</u>
	<u>(116,595)</u>	<u>(140,197)</u>
Balance, end of year	<u>\$ 458,123</u>	<u>\$ 317,314</u>

See accompanying notes to the non-consolidated financial statements.

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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.

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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.

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2. Taxes receivable	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 215,825	\$ 271,357
Levy	4,518,968	4,479,083
Interest	<u>47,870</u>	<u>43,811</u>
	4,782,663	4,794,251
Collections	<u>4,452,438</u>	<u>4,408,882</u>
	330,225	385,369
Write offs, adjustments, and exemptions	<u>168,907</u>	<u>169,544</u>
	161,318	215,825
Valuation allowance (Note 5)	<u>10,855</u>	<u>13,075</u>
Balance, end of year	<u>\$ 150,463</u>	<u>\$ 202,750</u>

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3. Due from provincial government and its agencies	<u>2012</u>	<u>2011</u>
Province of Nova Scotia	<u>\$ 4,587</u>	<u>\$ 175,528</u>

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4. Due from local government and its agencies	<u>2012</u>	<u>2011</u>
Various local government	<u>\$ 23,794</u>	<u>\$ 136,298</u>

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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5. Asset valuation allowances	<u>2012</u>	<u>2011</u>
For uncollected taxes		
Balance, beginning of year	\$ 13,075	\$ 16,535
Provision for the year	(2,220)	4,141
Write-off uncollectible accounts	<u>-</u>	<u>(7,601)</u>
Balance, end of year	<u>\$ 10,855</u>	<u>\$ 13,075</u>

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### 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.

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7. Property and equipment			<u>2012</u>	<u>2011</u>
	<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	26,072,658	5,037,098	21,035,560	21,692,166
Engineered structures	2,231,016	1,198,341	1,032,675	1,121,389
Automotive equipment	782,091	740,406	41,685	53,825
Machinery and equipment	3,011,257	1,423,736	1,587,521	1,715,354
Sewer lines	4,279,897	3,062,735	1,217,162	1,302,760
Streets and lighting	<u>5,931,289</u>	<u>2,809,272</u>	<u>3,122,017</u>	<u>3,337,473</u>
	<u>\$ 43,009,352</u>	<u>\$14,271,588</u>	<u>\$ 28,737,764</u>	<u>\$ 29,924,111</u>

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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>
2013	\$ 565,945	\$ 132,600	\$ 698,545
2014	\$ 565,945	\$ 132,600	\$ 698,545
2015	\$ 565,945	\$ 132,600	\$ 698,545
2016	\$ 533,945	\$ 132,600	\$ 666,545
2017	\$ 533,945	\$ 80,000	\$ 613,945

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

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### 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>2012</u>	<u>2011</u>
Cape Breton Island Housing Authority	\$ 41,568	\$ 21,550
Eastern District Planning Commission	\$ 59,120	\$ 54,676
Strait-Highlands Regional Development Agency	\$ 38,366	\$ 37,701

The Town has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2012.

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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 (2011 - \$NIL).

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### 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 (2011 - \$273,835) 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, 2012. The March 31, 2012, actuarial valuation indicated that the pension plan had an accrued benefit obligation of \$86,800 (2011 - \$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.

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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 \$45,630 and \$Nil, respectively.

Pension fund assets are valued at market values. A result of the 2012 valuation is as follows:

Market value of the pension plan asset	\$ 1,002,500
Accrued benefit obligation	<u>(1,025,000)</u>
Pension plan deficit (surplus)	22,500
Unamortized actuarial gains (losses)	64,300
Valuation allowance	<u>-</u>
Pension liability	<u>\$ 86,800</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 \$73,873 in fiscal 2012 (2011 - \$72,054), 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.

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# Town of Port Hawkesbury

## Notes to the non-consolidated financial statements

March 31, 2012

(Unaudited - see notice to reader)

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### 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	\$ 27,779
Ken Anderson	Deputy Mayor	\$ 17,046
Jim King	Councillor	\$ 15,453
Hugh MacDougall	Councillor	\$ 15,453
Mark McIver	Councillor	\$ 15,453

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# Town of Port Hawkesbury

## Schedule D - Debt charges and term debt

Year ended March 31, 2012

(Unaudited - see notice to reader)

	<u>Maturity</u>	<u>Issued</u>	<u>Loan Continuity</u>		<u>Interest</u>	
			<u>Balance March 31, 2011</u>	<u>Redeemed</u>		<u>Balance March 31, 2012</u>
<b>General capital</b>						
<b>Term loans</b>						
2005 Truck		\$ -	\$ 20,952	\$ 9,000	\$ 11,952	\$ 179
2005 Truck		-	8,217	3,000	5,217	78
Truck – Fire dept	2011	-	8,967	3,861	5,106	76
2006 Truck	2013	-	11,748	8,094	3,654	55
		-	49,884	23,955	25,929	388
<b>Serial debentures</b>						
Backhoe – Work	2019	-	118,035	13,115	104,920	3,891
Truck – Fire dept	2014	-	128,000	32,000	96,000	5,920
Street construction	2010	-	204,750	22,750	182,000	6,751
Civic Centre	2019	-	1,050,000	75,000	975,000	54,124
Waste water plant	2018	-	682,500	52,500	630,000	35,503
Civic Centre	2020	-	862,500	57,500	805,000	38,976
Civic Centre FCM	2016	-	498,480	83,080	415,400	12,711
Civic Centre	2021	-	2,000,000	125,000	1,875,000	95,569
Waste water plant	2021	-	840,000	52,500	787,500	37,356
Salt truck	2019	-	180,000	20,000	160,000	5,935
Pumping station	2019	-	90,000	10,000	80,000	2,933
Waterfront	2019	-	202,500	22,500	180,000	6,935
		-	6,856,765	565,945	6,290,820	306,604
<b>Water capital</b>						
<b>Serial debentures</b>						
Municipal finance	2027	1,200,000	-	-	1,200,000	21,418
Municipal finance	2016	-	263,000	52,600	210,400	11,409
		1,200,000	263,000	52,600	1,410,400	32,827
<b>Total Municipal debt</b>		<b>\$ 1,200,000</b>	<b>\$ 7,169,649</b>	<b>\$ 642,500</b>	<b>\$ 7,727,149</b>	<b>\$ 339,819</b>

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

1 – 1.500%	10 – 2.970% to 4.880%
2 – 1.500%	11 – 7.125% to 8.125%
3 – 1.500%	12 – 2.550%
4 – 1.500%	13 – 4.350% to 5.080%
5 – 1.000% to 4.889%	14 – 0.900% to 4.329%
6 – 2.550% to 5.450%	15 – 0.900% to 4.329%
7 – 5.750% to 6.750%	16 – 1.000% to 4.889%
8 – 3.195% to 5.325%	17 – 1.630% to 4.597%
9 – 2.750% to 5.375%	18 – 4.265% to 4.590%





Grant Thornton

Consolidated financial statements

Town of Port Hawkesbury

March 31, 2012

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## Management's responsibility for financial reporting

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

The consolidated financial statements have been prepared by management in accordance with Canadian 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.

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Chief Administrative Officer

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Director of Finance



## Independent auditor's report

Grant Thornton LLP  
Unit 2  
301 Pitt Street  
Port Hawkesbury, NS  
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T +1 902 625 5383  
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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, 2012, 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, 2012, 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



October 2, 2012

Registered municipal auditor

# Town of Port Hawkesbury

## Consolidated statement of financial position

March 31 2012 2011

<b>Financial assets</b>		
Cash (Note 2)	\$ 2,540,024	\$ 960,929
Receivables (Note 3)	<u>869,487</u>	<u>1,777,338</u>
	<u>3,409,511</u>	<u>2,738,267</u>
<b>Liabilities</b>		
Payables and accruals	1,089,511	1,542,501
Retirement benefit obligation (Note 11)	86,800	138,200
Other liabilities (Note 5)	466,928	738,180
Long term debt (Note 6) (Page 16)	<u>7,727,149</u>	<u>7,169,649</u>
	<u>9,370,388</u>	<u>9,588,530</u>
<b>Net debt</b>	<u>(5,960,877)</u>	<u>(6,850,263)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 7)	34,635,902	35,876,938
Inventory and prepaid expenses	196,810	166,145
Other capital charges	<u>46,955</u>	<u>43,671</u>
	<u>34,879,667</u>	<u>36,086,754</u>
<b>Accumulated surplus</b>	<u>\$ 28,918,790</u>	<u>\$ 29,236,491</u>

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	2012		2011
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Taxation	\$ 4,563,622	\$ 4,526,651	\$ 4,486,452
Less: School board requisition	<u>(551,874)</u>	<u>(551,874)</u>	<u>(538,880)</u>
Municipal taxation	4,011,748	3,974,777	3,947,572
Grants in lieu of taxes	708,682	708,050	528,254
Sale of goods and services	1,112,740	1,078,720	1,090,850
Other revenue from own sources	214,764	249,737	179,144
Government transfers	601,736	500,807	505,218
Other revenue	215,000	213,977	146,412
Water rates	897,500	792,555	800,184
Gain on disposal of tangible capital assets	-	20,594	24,550
Fundraising and private grants	-	-	135,054
Capital grants	-	<u>252,652</u>	<u>2,249,415</u>
	<u>7,762,170</u>	<u>7,791,869</u>	<u>9,606,653</u>
<b>Expenditures</b>			
General government services	1,235,258	1,194,655	1,147,454
Protective services	998,620	967,344	876,382
Transportation services	1,280,073	1,139,214	1,123,830
Health and development services	815,038	917,394	747,683
Recreation and cultural services	1,793,340	1,730,270	1,752,462
Water treatment and distribution	809,085	739,321	638,066
Interest and bank charges	31,827	32,906	13,555
Transfers and grants	-	-	5,273
Other	-	5,857	5,247
Amortization of tangible capital assets	<u>124,259</u>	<u>1,382,609</u>	<u>1,348,148</u>
	<u>7,087,500</u>	<u>8,109,570</u>	<u>7,658,100</u>
Annual (deficit) surplus	<u>\$ 674,670</u>	<u>\$ (317,701)</u>	<u>\$ 1,948,553</u>
<hr/>			
Accumulated surplus, beginning of year		\$ 29,236,491	\$ 27,287,938
Annual (deficit) surplus		<u>(317,701)</u>	<u>1,948,553</u>
Accumulated surplus, end of year		<u>\$ 28,918,790</u>	<u>\$ 29,236,491</u>

See accompanying notes to the consolidated financial statements.

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# Town of Port Hawkesbury

## Consolidated statement of changes in net debt

Year ended March 31 2012 2011

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Annual (deficit) surplus	\$ (317,701)	\$ 1,948,553
Acquisition of tangible capital assets	(141,573)	(3,899,471)
Amortization of tangible capital assets	1,382,609	1,348,148
Proceeds on sale of tangible capital assets	20,594	24,550
Gain on disposal of tangible capital assets	<u>(20,594)</u>	<u>(24,550)</u>
	<u>923,335</u>	<u>(602,770)</u>
Change in prepaids, inventory and other capital charges	<u>(33,949)</u>	<u>47,219</u>
Change in net debt	889,386	(555,551)
Net debt, beginning of year	<u>(6,850,263)</u>	<u>(6,294,712)</u>
Net debt, end of year	<u>\$ (5,960,877)</u>	<u>\$ (6,850,263)</u>

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See accompanying notes to the consolidated financial statements.

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# Town of Port Hawkesbury

## Consolidated statement of changes in financial position

Year ended March 31 2012 2011

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### Increase (decrease) in cash and cash equivalents

<b>Operating activities</b>		
Annual (deficit) surplus	\$ (317,701)	\$ 1,948,553
Amortization of tangible capital assets	1,382,609	1,348,148
Gain on disposal of tangible capital assets	<u>(20,594)</u>	<u>(24,550)</u>
	1,044,314	3,272,151
Changes in non-cash working capital:		
Decrease (increase) in receivables	907,851	(951,697)
(Increase) decrease in prepaids, inventory, and other capital charges	(33,949)	47,219
(Decrease) increase in payables and accruals	(452,990)	543,511
Decrease in retirement benefit obligations	(51,400)	(45,400)
Decrease in other liabilities	<u>(271,252)</u>	<u>(246,459)</u>
	<u>1,142,574</u>	<u>2,619,325</u>
<b>Investing activities</b>		
Purchase of tangible capital assets	(141,573)	(3,899,472)
Proceeds from disposal of tangible capital assets	<u>20,594</u>	<u>24,550</u>
	<u>(120,979)</u>	<u>(3,874,922)</u>
<b>Financing activities</b>		
Proceeds of long term debt	1,200,000	15,796
Repayment of long term debt	<u>(642,500)</u>	<u>(638,475)</u>
	<u>557,500</u>	<u>(622,679)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,579,095</b>	<b>(1,878,276)</b>
Cash and cash equivalents		
Beginning of year	<u>960,929</u>	<u>2,839,205</u>
End of year	<u>\$ 2,540,024</u>	<u>\$ 960,929</u>

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See accompanying notes to the consolidated financial statements.

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# Town of Port Hawkesbury

## Notes to the consolidated financial statements

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March 31, 2012

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### 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

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:



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# Town of Port Hawkesbury

## Notes to the consolidated financial statements

March 31, 2012

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1. Summary of significant accounting policies (continued)

(e) Property and equipment (continued)

	<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 \$751,085 as at March 31, 2012. 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.

(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.

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# Town of Port Hawkesbury

## Notes to the consolidated financial statements

March 31, 2012

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

#### (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.

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2. Cash	<u>2012</u>	<u>2011</u>
General operating funds	\$ 669,004	\$ (426,920)
Capital funds	783,010	656,774
Reserve funds	<u>1,088,010</u>	<u>731,075</u>
	<u>\$ 2,540,024</u>	<u>\$ 960,929</u>

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3. Receivables	<u>2012</u>	<u>2011</u>
Taxpayers and rate payers (net)	\$ 233,009	\$ 299,579
Other governments	397,929	1,124,380
Other	<u>238,549</u>	<u>353,379</u>
	<u>\$ 869,487</u>	<u>\$ 1,777,338</u>

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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.

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# Town of Port Hawkesbury

## Notes to the consolidated financial statements

March 31, 2012

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### 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.

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### 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>2012</u>	<u>2011</u>
Cape Breton Island Housing Authority	\$ 41,568	\$ 21,550
Eastern District Planning Commission	\$ 59,120	\$ 54,676
Strait-Highlands Regional Development Agency	\$ 38,366	\$ 37,701

The Town has no further financial obligations in connection with the operating results of the above-mentioned entities for the year ended March 31, 2012.

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# Town of Port Hawkesbury

## Notes to the consolidated financial statements

March 31, 2012

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### 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	\$ 27,779
Ken Anderson	Deputy Mayor	\$ 17,046
Jim King	Councillor	\$ 15,453
Hugh MacDougall	Councillor	\$ 15,453
Mark McIver	Councillor	\$ 15,453
Maris Freimanis	Chief Administrative Officer	\$ 99,254

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### 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, 2012. The March 31, 2012, actuarial valuation indicated that the pension plan had an accrued benefit obligation of \$86,800 (2011 - \$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 \$45,630 and Nil, respectively.

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# Town of Port Hawkesbury

## Notes to the consolidated financial statements

March 31, 2012

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### 11. Commitments (continued)

Pension fund assets are valued at market values. A result of the 2012 valuation is as follows:

Market value of the pension plan asset	\$ 1,002,500
Accrued benefit obligation	<u>(1,025,000)</u>
Pension plan deficit (surplus)	22,500
Unamortized actuarial gains (losses)	64,300
Valuation allowance	<u>-</u>
Pension liability	<u>\$ 86,800</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 \$73,873 in fiscal 2012 (2011 - \$72,054), 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.

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12. Expenditures by object	<u>2012</u>	<u>2011</u>
Salaries, wages, and benefits	\$ 1,803,699	\$ 1,751,525
Materials and services	3,358,345	3,189,267
External transfers	272,229	250,820
Contracted services	745,677	601,670
Interest on long term debt	346,391	332,466
Amortization of tangible capital assets	1,382,609	1,348,148
Financial and other	<u>200,620</u>	<u>184,204</u>
	<u>\$ 8,109,570</u>	<u>\$ 7,658,100</u>

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# Town of Port Hawkesbury

## Schedule of debt charges and term debt

Year ended March 31, 2012

	Maturity	Issued	Loan Continuity		Interest	
			Balance March 31, 2011	Redeemed		Balance March 31, 2012
<b>General capital</b>						
<b>Term loans</b>						
2005 Truck		\$ -	\$ 20,952	\$ 9,000	\$ 11,952	\$ 179
2005 Truck		-	8,217	3,000	5,217	78
Truck – Fire dept	2011	-	8,967	3,861	5,106	76
2006 Truck	2013	-	11,748	8,094	3,654	55
		-	49,884	23,955	25,929	388
<b>Serial debentures</b>						
Backhoe – Work	2019	-	118,035	13,115	104,920	3,891
Truck – Fire dept	2014	-	128,000	32,000	96,000	5,920
Street construction	2010	-	204,750	22,750	182,000	6,751
Civic Centre	2019	-	1,050,000	75,000	975,000	54,124
Waste water plant	2018	-	682,500	52,500	630,000	35,503
Civic Centre	2020	-	862,500	57,500	805,000	38,976
Civic Centre FCM	2016	-	498,480	83,080	415,400	12,711
Civic Centre	2021	-	2,000,000	125,000	1,875,000	95,569
Waste water plant	2021	-	840,000	52,500	787,500	37,356
Salt truck	2019	-	180,000	20,000	160,000	5,935
Pumping station	2019	-	90,000	10,000	80,000	2,933
Waterfront	2019	-	202,500	22,500	180,000	6,935
		-	6,856,765	565,945	6,290,820	306,604
<b>Water capital</b>						
<b>Serial debentures</b>						
Municipal finance	2027	1,200,000	-	-	1,200,000	21,418
Municipal finance	2016	-	263,000	52,600	210,400	11,409
		1,200,000	263,000	52,600	1,410,400	32,827
<b>Total Municipal debt</b>		<b>\$ 1,200,000</b>	<b>\$ 7,169,649</b>	<b>\$ 642,500</b>	<b>\$ 7,727,149</b>	<b>\$ 339,819</b>

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

1 – 1.500%	10 – 2.970% to 4.880%
2 – 1.500%	11 – 7.125% to 8.125%
3 – 1.500%	12 – 2.550%
4 – 1.500%	13 – 4.350% to 5.080%
5 – 1.000% to 4.889%	14 – 0.900% to 4.329%
6 – 2.550% to 5.450%	15 – 0.900% to 4.329%
7 – 5.750% to 6.750%	16 – 1.000% to 4.889%
8 – 3.195% to 5.325%	17 – 1.630% to 4.597%
9 – 2.750% to 5.375%	18 – 4.265% to 4.590%