

**MUNICIPALITY OF THE
DISTRICT OF EAST HANTS**

FINANCIAL REPORT

March 31, 2016



EAST HANTS
We live it!

Municipality of the District of East Hants

Table of Contents

March 31, 2016

	<u>Page</u>
Auditor's Report	
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes of Net Debt	3
Consolidated Statement of Cash Flow	4
Notes to the Consolidated Financial Statements	5-16
Schedule of Current Fund Operations - Municipal Operations	17
Schedule of Current Fund Operations - Water Utility	18
Schedule of Capital Fund Operations - Municipal Operations	19
Schedule of Reserve Operations	20
Reconciliation of the Financial Plan to the PSAB Budget	21
Consolidated Schedule of Operations by Function	22-23



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Independent Auditor's Report

His Worship the Warden and
Members of Council of the
Municipality of the District of East Hants

We have audited the accompanying consolidated financial statements of the Municipality of the District of East Hants, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

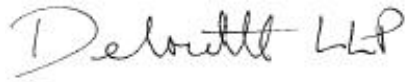
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Municipality of the District of East Hants as at March 31, 2016, and the results of its operations, net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
July 28, 2016
Halifax, Nova Scotia


Municipality of the District of East Hants
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 2)	\$ 21,832,056	\$ 19,310,212
Taxes and water rates receivable (Note 3)	2,471,186	2,292,027
Accounts receivable (Note 4)	1,508,049	1,231,185
	<u>25,811,291</u>	<u>22,833,424</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	2,882,559	3,013,498
Deferred revenue - general	1,479,203	1,450,126
Deferred revenue - obligatory reserve (Note 6)	3,578,057	3,272,488
Employee future benefits (Note 9 & 10)	959,334	727,985
Tax sale surplus	258,293	185,555
Long-term liabilities (Note 8)	27,688,711	28,253,664
	<u>36,846,157</u>	<u>36,903,316</u>
NET DEBT	<u>(11,034,866)</u>	<u>(14,069,892)</u>
NON FINANCIAL ASSETS		
Tangible capital assets (Note 7)	75,847,972	76,277,713
Work in progress (Note 7)	957,501	873,427
Inventory and prepaid expenses	266,426	360,260
	<u>77,071,899</u>	<u>77,511,400</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 66,037,033</u>	<u>\$ 63,441,508</u>

Contingency (Note 15)

Approved on Behalf of the Municipality
of the District of East Hants


.....Warden


.....Clerk

Municipality of the District of East Hants
Consolidated Statement of Operations
Year Ended March 31, 2016

	2016 Budget Unaudited (Note 1)	2016 Actual	2015 Actual
Revenues			
Property taxes (Note 13)	\$ 24,933,491	\$ 24,808,421	\$ 24,107,140
Grants in lieu of taxes	177,622	186,160	177,299
Sale of services	914,156	894,849	877,270
Other revenue from own sources	774,650	1,001,021	940,809
Unconditional transfers from other governments	178,135	204,181	185,602
Conditional transfers from federal or provincial government	166,896	178,559	280,557
Government grants	1,000,960	1,321,100	1,228,939
Development and other contributions applied	102,331	108,016	2,150,167
Water utility	1,682,150	1,751,389	1,706,897
Total Revenues	<u>29,930,391</u>	<u>30,453,696</u>	<u>31,654,680</u>
Expenses			
General government services	5,585,943	5,135,555	5,204,064
Protective services	6,657,974	6,575,019	6,234,606
Education services (Note 13)	4,757,075	4,641,048	4,459,860
Social services (Note 13)	66,345	61,121	71,747
Transportation services	2,085,831	2,054,185	2,165,788
Environmental health services	4,777,141	4,598,343	4,471,554
Environmental development services	1,810,891	1,204,153	1,312,122
Landfill closure/post closure costs	-	22,139	(18,237)
Recreation and cultural services	1,656,747	1,463,601	1,316,790
Water utility	2,423,491	2,103,007	2,003,310
Total Expenses	<u>29,821,438</u>	<u>27,858,171</u>	<u>27,221,604</u>
Annual Surplus	108,953	2,595,525	4,433,076
Accumulated Surplus, Beginning of Year	63,441,508	63,441,508	59,008,432
Accumulated Surplus, End of Year	<u>\$ 63,550,461</u>	<u>\$ 66,037,033</u>	<u>\$ 63,441,508</u>

Municipality of the District of East Hants
Consolidated Statement of Changes of Net Debt
Year Ended March 31, 2016

	2016 Budget Unaudited (Note 1)	2016 Actual	2015 Actual
Annual Surplus	\$ 108,953	\$ 2,595,525	\$ 4,433,076
Tangible Capital Assets and Work-in-Progress			
Acquisition of tangible capital assets	(2,429,945)	(2,413,378)	(3,945,403)
Amortization of tangible capital assets	2,714,763	2,714,763	2,525,690
Gain on sale of tangible capital assets	-	(258,198)	(354,084)
Proceeds on sale of tangible capital assets	-	302,480	392,345
	<u>284,818</u>	<u>345,667</u>	<u>(1,381,452)</u>
Other Non-Financial Assets			
Decrease (Increase) in inventory and prepaid expenses	-	93,834	(101,901)
Decrease in Net Debt	393,771	3,035,026	2,949,723
Net Debt, Beginning of Year	(14,069,892)	(14,069,892)	(17,019,615)
Net Debt, End of Year	<u>\$ (13,676,122)</u>	<u>\$ (11,034,866)</u>	<u>\$ (14,069,892)</u>

Municipality of the District of East Hants
Consolidated Statement of Cash Flow
Year Ended March 31, 2016

	2016	2015
Operating Transactions		
Annual surplus	\$ 2,595,525	\$ 4,433,076
Add amortization of tangible capital assets	2,714,763	2,525,690
	<u>5,310,288</u>	<u>6,958,766</u>
Changes in Non-Cash Assets and Liabilities		
Decrease in accounts receivable	(276,864)	(243,167)
Increase in taxes receivable	(179,159)	(146,198)
Decrease in accounts payable and accruals	(130,939)	(179,209)
Increase in tax sale surplus	72,738	5,023
Increase in deferred revenue	334,646	422,558
Increase in employee benefits/other obligations	231,349	1,499
Decrease (increase) in inventory and prepaid expenses	93,834	(101,901)
Gain on sale of tangible capital assets	(258,198)	(354,084)
	<u>(112,593)</u>	<u>(595,479)</u>
Net Change in Cash From Operations	<u>5,197,695</u>	<u>6,363,287</u>
Financing Transactions		
Long-term liabilities issued (Note 8 e)	1,071,000	-
Long-term liabilities retired (Note 8 c)	(1,635,953)	(1,720,914)
	<u>(564,953)</u>	<u>(1,720,914)</u>
Capital Transactions		
Additions to tangible capital assets	(2,329,304)	(3,359,658)
Increase in work in progress	(84,074)	(585,745)
Proceeds on sale of tangible capital assets	302,480	392,345
	<u>(2,110,898)</u>	<u>(3,553,058)</u>
Increase in Cash Position	<u>2,521,844</u>	<u>1,089,315</u>
Cash Position, Beginning of Year	<u>19,310,212</u>	<u>18,220,897</u>
Cash Position, End of Year	<u>\$ 21,832,056</u>	<u>\$ 19,310,212</u>

1. **Significant Accounting Policies**

The consolidated financial statements of the Municipality of East Hants “Municipality” are the representations of management prepared in accordance with Canadian Sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). Significant aspects of the accounting policies adopted by the Municipality of East Hants are as follows:

a) **Reporting Entity**

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net assets and financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable to the Municipality for the administration of their financial affairs and resources and which are owned or controlled by the Municipality, namely:

- General Operating and Capital
- Water Utility Operating and Capital

Inter-departmental and inter-organizational transactions and balances between these entities and organizations are eliminated.

b) **Fund Accounting**

Funds within the consolidated financial statements consist of current, capital and reserve funds.

Council approves certain amounts to be set aside in reserves and reserve funds for future operating and capital purposes. Transfers between funds are recorded as adjustments to the appropriate fund balance.

c) **Revenue and Expenditure Recognition**

Revenues are recorded using the accrual basis of accounting as they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as Deferred Revenue - Obligatory Reserve Funds until used for the purpose specified. Expenditures are recognized using the accrual method of accounting.

Property tax revenue is based on assessments determined in accordance with Nova Scotia legislation. Tax rates are set annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. Penalties on overdue taxes are recorded in the period levied.

1. **Significant Accounting Policies (Continued)**

d) Tangible Capital Assets

Tangible capital assets are recorded in accordance with section 3150 of the PSAB Handbook.

Amortization has been calculated on a straight-line basis over an asset's useful life as follows:

Land Improvements	20 years
Municipal Buildings	40 years
Buildings - Plants	25 years
Machinery and Equipment	5 - 10 years
Vehicles - residual value \$10,000	4 years
Engineered Structures	
Roadway Systems	50 years
Sidewalks	20 years
LED Streetlights	10 years
Sewer Collection and Disposal	40 - 50 years
Landfill Infrastructure	25 years
Industrial Park Infrastructure	40 years

Water Utility assets are depreciated in accordance with the Nova Scotia Utility and Review Board Accounting and Reporting Handbook section 3040 and 3042.

e) Deferred Revenue

Deferred revenue consists of user charges and fees which have been collected but for which the related services have yet to be performed, at which time they will be recognized as revenues.

The Municipality receives infrastructure charge contributions and payments in lieu of green space under provisions of Municipal By-Laws. These funds by their nature are restricted in their use and until applied to applicable capital works, are recorded as Deferred Revenue - Obligatory Reserve Funds. As applied to capital projects, they are recorded as revenue in the year the funds are expended.

f) Government Transfers

Government and other contributions are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met. Exceptions to this are when the transfer includes stipulations which have not yet been met and cause the Municipality to incur a liability.

g) Investment Income

Investment income earned on surplus current funds, capital funds, and reserve funds (other than obligatory reserve funds) is reported as revenue in the period earned. Investment income earned on obligatory reserve funds is reported as part of the respective deferred revenue balance.

1. **Significant Accounting Policies (Continued)**

h) Employee Future Benefits

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected cost method pro-rated on service and management's best estimate of retirement ages of employees and expected health care and other costs.

i) Budget Figures

Council completes separate budget reviews for its operating, water utility and capital budgets each year. The approved operating and water utility budget for 2015 is reflected on the Schedule of Current Fund Municipal Operations and Schedule of Current Fund Water Utility. For capital spending, budgets are set for individual projects and funding for these activities is determined annually and made by transfers from reserve funds, transfers from the operating/water utility funds, by the application of applicable grants, other funds available and by debt financing. As many capital projects are carried out over one or more years, it is not practical to present annualized budget information on the Schedule of Capital Fund Operations.

j) PSAB Budget

The consolidated financial statements include an unaudited PSAS budget.

With the exception of the water utility budget, amortization and the gain/loss on the sale of assets were not contemplated during the development of the budget and, as such, have been included using actual figures for the budget value.

The reconciliation between the financial plan and the budget figures used in these statements is disclosed as a schedule - Reconciliation of the Financial Plan to the PSAS Budget.

k) Use of Estimates

The preparation of these 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 to disclose contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. The Municipality relies on estimates to calculate the landfill liability, pension liability, sick leave liability, allowance for doubtful accounts and the amortization expenses.

l) Segmented Information

East Hants is a diversified municipal government that provides a wide range of municipal programs and services to its constituents, including fire, RCMP, waste and recycling services, water supply and distribution, wastewater treatment, libraries, recreation and tourism. Segmented information has been prepared by major functional classification, consistent with the Consolidated Statement of Operations and provincially legislated requirements.

1. **Significant Accounting Policies (Continued)**

The major segments are as follows:

General government services: Activities that provide for the overall operation of the municipality and that are common to, or affect all of the services provided by the municipality. This includes the administrative arm of the Municipality (finance, taxation & collection, facilities management (including interest on debt charges), information services, Chief Administrative Officer and human resources) and legislative activities related to the warden and council of the municipality, including their remuneration and expenses.

Protective services: Activities that provide for the public safety of the inhabitants of the municipality, such as: RCMP protection, transfers to correctional services, bylaw enforcement, building inspection, emergency measures, fire department grants and levies and fire hydrants.

Education Services: Mandatory education transferred to Chignecto-Central Regional School Board.

Social Services: Payments made to Housing Nova Scotia to cover the deficits of the public housing authorities in the region.

Transportation services: Activities, transfers and related debt for roads, sidewalks and LED lighting.

Environmental health services: Activities that provide environmentally regulated services, including sewage collection, treatment & disposal, waste management center operations, multi stream waste collection and disposal programs and engineering/environmental stewardship.

Environmental development services: Activities that support and control the municipality's economic development including environmental planning and zoning, industrial park development, tourism and community development.

Recreation and cultural services: Activities that provide recreation and cultural services, including recreational facilities, libraries and cultural buildings.

Water Utility: Activities related to the operations of the East Hants Water Utility, a 2,687 customer utility that operates two modern water treatment plants and related infrastructure.

2. **Cash**

Cash is comprised of:

	<u>2016</u>	<u>2015</u>
Bank	\$ 18,838,420	\$ 16,516,724
Restricted cash (obligatory reserve funds)	2,993,636	2,793,488
	<u>\$ 21,832,056</u>	<u>\$ 19,310,212</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

2. Cash (Continued)

Administered bank accounts

The Municipality administers bank accounts for Lantz, Maitland, Milford, Mount Uniacke, Nine Mile River, Noel, Rawdon and Shubenacadie Fire Departments. These bank accounts are held in the name of the Municipality of the District of East Hants, but do not belong to the Municipality and therefore these accounts are not included in these financial statements.

3. Taxes and Rates Receivable

Taxes receivable have been recorded net of an allowance for doubtful accounts of \$30,215 (2015 - \$45,539), representing management's estimate of uncollectible accounts.

4. Accounts Receivable

The balance for accounts receivable on the consolidated Statement of Financial Position totaled \$1,508,049 (2015 - \$1,231,185). The balance is comprised of the following:

	<u>2016</u>	<u>2015</u>
Amounts due from provincial/federal government	\$ 264,265	\$ 285,676
Loan to Lantz fire department	286,466	301,653
Local Improvement Loan	66,000	-
Council Stipend/Salary Overpayment (see note 14)	11,040	-
Other	880,278	643,856
	<u>\$ 1,508,049</u>	<u>\$ 1,231,185</u>

In 2008/2009 the Municipality loaned the Lantz Volunteer Fire Department the amount of \$370,000 as per section 66(4)(e) of the Municipal Government Act (MGA). The loan period is for 15 years and it is interest bearing that escalates from 3.10% in year one to 5.48% in year 15. At this time the loan is in good standing but the Municipality has the ability (if needed) to withhold the Fire Levy as collateral on the loan.

5. Accounts Payable and Accrued Liabilities

	<u>2016</u>	<u>2015</u>
Liability for closure/post closure costs - landfill	\$ 276,625	\$ 254,487
Salaries & wages payable	216,371	159,822
Trade payables and accruals	2,389,563	2,599,189
	<u>\$ 2,882,559</u>	<u>\$ 3,013,498</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

6. Deferred Revenue - Obligatory Reserve

	<u>2016</u>	<u>2015</u>
Sewer balance at beginning of year	\$ 2,255,523	\$ 2,111,370
Sewer developer charges (including interest)	188,951	183,871
Transfer - Capital Projections	(10,372)	-
Transfer - Sewer Capacity Study	(30,156)	(39,718)
Sewer balance at end of year	<u>\$ 2,403,946</u>	<u>\$ 2,255,523</u>
Water balance at beginning of year	\$ 1,002,322	\$ 834,032
Water developer charges (including interest)	157,007	168,290
Water balance at end of year	<u>\$ 1,159,329</u>	<u>\$ 1,002,322</u>
Green Space balance at beginning of year	\$ 14,643	\$ 14,472
Green Space contributions (including interest)	139	171
Green Space balance at end of year	<u>\$ 14,782</u>	<u>\$ 14,643</u>
Sewer Developer Charges	\$ 2,403,946	\$ 2,255,523
Water Developer Charges	1,159,329	1,002,322
Green Space Contributions	14,782	14,643
	<u>\$ 3,578,057</u>	<u>\$ 3,272,488</u>

7. Asset Continuity Schedule

MUNICIPALITY OF EAST HANTS
TANGIBLE CAPITAL ASSETS
NOTES TO THE FINANCIALS
For the Year Ended March 31, 2016

	General Capital Assets				Infrastructure				2016 TOTAL	2015 TOTAL
	Land	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Industrial Parks	Water Utilities	Assets in WIP		
Cost										
Opening Costs	2,282,578	12,499,678	2,490,207	252,591	56,095,692	6,301,004	23,551,884	873,427	104,347,061	100,442,809
Additions during year	1,188,914	-	139,459	28,603	703,865	-	275,202	600,150	2,936,193	3,945,403
Disposals & Write downs	(34,271)	-	-	(10,500)	-	-	(6,740)	(516,076)	(567,587)	(41,151)
Closing Costs	3,437,221	12,499,678	2,629,666	270,694	56,799,557	6,301,004	23,820,346	957,501	106,715,667	104,347,061
Accumulated Amortization										
Opening Accum. Amortization	N/A	2,953,830	1,601,337	85,731	16,845,134	1,100,286	4,609,603	-	27,195,921	24,673,121
Amortization in Year	N/A	320,885	220,699	41,530	1,623,812	165,723	342,114	-	2,714,763	2,525,690
Adj/Disposals - Accum Amort	N/A	-	-	17,725	-	-	(18,215)	-	(490)	(2,890)
Acc Amort - End of Year	-	3,274,715	1,822,036	144,986	18,468,946	1,266,009	4,933,502	-	29,910,194	27,195,921
Net Book Value	3,437,221	9,224,963	807,630	125,708	38,330,611	5,034,995	18,886,844	957,501	76,805,473	77,151,140

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

8. Net Long-Term Liabilities

a) Of the \$27,688,711 long-term liabilities (2015 - \$28,253,664) certain payments represent a burden on general Municipal Revenues, as they are to be recovered in future years from other sources.

	<u>2016</u>	<u>2015</u>
General revenues	\$ 2,760,981	\$ 3,042,693
Local improvement charges	211,556	241,409
Area rates	10,043,572	10,420,052
Sale of land in Industrial Parks	2,900,267	3,088,336
Water charges	4,741,660	4,945,870
Tenants rent	6,750,705	6,220,454
Loan to Lantz fire department	279,970	294,850
	<u>\$ 27,688,711</u>	<u>\$ 28,253,664</u>

b) The total principal repayments in each of the next five years are as follows:

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2022-2031</u>
General Government	\$ 18,200	\$ 19,400	\$ 310,700	\$ -	\$ -	\$ -
Transportation	460,715	467,671	740,878	400,386	398,013	3,296,638
Environmental Development	190,143	192,419	251,251	783,226	344,044	1,139,186
Environmental Health	107,778	231,981	89,351	62,989	66,140	986,469
Sewers	112,068	115,766	119,753	95,897	99,213	1,042,708
Recreation	137,032	142,821	149,162	156,046	163,522	2,130,285
Buildings	259,250	269,290	279,960	291,280	3,086,875	2,564,050
Water Utilities	212,114	220,424	229,162	228,213	237,421	3,614,323
Hospital	28,749	30,016	31,356	32,770	34,563	693,782
Lantz Fire Department	15,650	16,455	17,300	18,200	19,135	193,230
Fire Dept Equipment	8,000	8,298	8,627	8,988	9,379	-
Total	<u>\$ 1,549,699</u>	<u>\$ 1,714,541</u>	<u>\$ 2,227,500</u>	<u>\$ 2,077,995</u>	<u>\$ 4,458,305</u>	<u>\$ 15,660,671</u>

* Principal Payments include balloon payments that may be re-financed

c) Total charges for the year for long-term liabilities are as follows:

	<u>2016</u>	<u>2015</u>
Principal	\$ 1,635,953	\$ 1,720,914
Interest	1,252,249	1,297,152
	<u>\$ 2,888,202</u>	<u>\$ 3,018,066</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

8. Net Long-Term Liabilities (Continued)

d) Total charges for the year for long-term liabilities were recorded as follows:

	<u>2016</u>	<u>2015</u>
General revenues	\$ 981,644	\$ 962,618
Local improvement charges	104,672	160,898
Area rates	1,065,626	1,077,760
Sale of land in industrial parks	304,519	383,586
Water charges	431,741	433,204
	<u>\$ 2,888,202</u>	<u>\$ 3,018,066</u>

e) Total long-term liabilities issued in 2016 were as follows:

Project	Amount	Loan Term & Interest Rate
Rawdon RCMP Building	\$ 750,000	15 years - 1.011%-3.205%
John Murray Drive	66,000	10 years - 1.040%-2.894%
Elmwood Drive Sewer	255,000	10 years - 1.040%-2.894%
	<u>\$ 1,071,000</u>	

9. Employee Future Benefits

The Municipality provides certain employee benefits that require funding in future periods. Under the personnel policies of the Municipality, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Municipality's employment. An actuarial valuation of the sick leave liability was done last fiscal year and has been recorded in the Consolidated Statement of Financial Position.

10. Pension Plan

The Municipality operates a defined benefit pension plan, which provides benefits to employees upon retirement. The accrued benefit obligation as at March 31, 2016 is based on an actuarial valuation for accounting purposes as at December 31, 2013, with adjustments based on additional information provided to the actuary in 2014. The next actuarial valuation for accounting purposes is to be prepared as of December 31, 2014. The accrued benefit obligation has changed due to, among other assumption changes, a decrease in the discount rate used and the change in the mortality assumption. All plan assets are held by various Standard Life Funds.

	Estimated <u>December 31, 2015</u>	Estimated <u>December 31, 2014</u>
Accrued Benefit Obligation	\$13,694,166	\$12,125,277
Fair Value Plan Asset	<u>9,547,285</u>	<u>9,289,257</u>
Funded Status - (Plan Deficit) Surplus	<u><u>\$(4,146,881)</u></u>	<u><u>\$(2,836,020)</u></u>

10. Pension Plan (Continued)

The significant actuarial assumptions adopted measuring the Municipality's accrued benefit obligation as at December 31, 2015 were as follows:

	<u>Dec.31, 2015</u>	<u>Dec. 31, 2014</u>
Expected long-term rate of return on plan assets	6.25%	6.25%
Rate of compensation increase	3.00%	3.00%
Discount rate used to determine benefit obligation	3.75%	4.00%

The Post-retirement mortality assumption was based on CPM2014 Public Sector Mortality with generational projection. The assumption in the prior valuation was 1994 Uninsured Pensioners (UP94) projected to 2016.

An actuarial valuation of the pension plan was performed for accounting purposes using the projected benefit method prorated on service. The unamortized actuarial loss is amortized over the expected average remaining service life ("EARSL") of the employee group; EARSL in 2016 was 16 years and it was 15 years in 2015.

	<u>Dec.31, 2015</u>	<u>Dec. 31, 2014</u>
Accrued benefit obligation, net of plan assets	\$4,146,881	\$2,836,020
Unamortized actuarial loss	<u>(3,367,859)</u>	<u>(2,270,396)</u>
Benefit liability recorded in the statement of financial position	<u>\$779,022</u>	<u>\$565,624</u>

During the year, the Municipality and employees contributed \$261,194 (including special payments) (\$539,805 in 2015) and \$183,165 (\$183,720 in 2015) respectively, to the plan. Benefit payments for the year totaled \$668,742 (\$275,281 in 2015)

Administrative fees paid during the 2015-2016 fiscal year totaled \$5,794 (\$12,845 in 2014-2015).

11. Solid Waste Management Facilities Liabilities

The Municipality owns one landfill site for which the permit to operate expired December 31, 2005. As of March 31, 2007 the site has been capped in accordance with all applicable environmental regulations. The site, although not used as a residual waste disposal site, will continue to be used as a construction and demolition disposal site into the future. In addition the site has an organics and waste transfer facility in operation. East Hants waste has been shipped to a facility outside of its borders since January 1, 2006.

The liability of \$276,625 (2014 - \$254,487) is felt to approximate the present value of post closure costs of the site in accordance with current regulations and has been reported on the Consolidated Statement of Financial Position as an accounts payable and accrued liabilities. Costs relating to the post closure of this site include cost for maintenance of sedimentation ponds and testing of the monitoring wells on the site for 30 years after closure. Closure/post closure costs include managements' best estimates of what those costs will be, based on input from engineers on staff. Some costs are projected at an inflation rate of .1%. All costs are discounted using a rate of 6%.

The liability for closure/post closure has been fully funded.

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

12. Municipal Fund Balances

a) The current fund balance is comprised of the following:

	<u>2016</u>	<u>2015</u>
Long term liabilities issued to fund Hospital	(851,238)	(878,786)
Long term liabilities issued to fund Sportsplex	(2,878,867)	(3,010,689)
Unfunded pension liability	(779,022)	(565,624)
Landfill liability funded by reserves	(276,625)	(254,487)
	<u>(4,785,752)</u>	<u>(4,709,586)</u>
Water utility operation	882,200	1,037,690
	<u>\$ (3,903,552)</u>	<u>\$ (3,671,896)</u>

b) The capital asset fund balance is comprised of the following:

	<u>2016</u>	<u>2015</u>
Tangible capital assets	\$ 75,847,972	\$ 76,277,713
Work in progress	957,501	873,427
Funds yet to be provided from long term debt	(475,145)	(1,313,545)
Long term liabilities capital	(23,612,637)	(24,069,338)
	<u>\$ 52,717,691</u>	<u>\$ 51,768,257</u>

c) Reserves and reserve funds set aside for specific purposes by Council or required by legislation are comprised of the following:

	<u>2016</u>	<u>2015</u>
Working funds	\$ 11,236,147	\$ 9,885,010
Replacement of equipment/assets	5,710,122	5,205,650
Landfill closure/post closure liability	276,625	254,487
	<u>\$ 17,222,894</u>	<u>\$ 15,345,147</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

12. Municipal Fund Balances (Continued)

d) Consolidated Accumulated Surplus:

	<u>2016</u>	<u>2015</u>
Current funds	\$ (3,903,552)	\$ (3,671,896)
Capital asset funds	52,717,691	51,768,257
Reserve funds	17,222,894	15,345,147
	<u>66,037,033</u>	<u>\$ 63,441,508</u>

13. Taxation

	<u>2016</u>	<u>2015</u>
Taxation from real property	\$ 24,808,421	\$ 24,107,140
Less: Taxation collected to pay mandatory provincial taxes for:		
Education Services	(4,641,048)	(4,459,860)
Social Services	(61,121)	(71,747)
Corrections	(284,519)	(284,009)
Net taxes available for municipal purposes	<u>\$ 19,821,733</u>	<u>\$ 19,291,524</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2016

14. Remuneration and Expenses Paid to Council Members and the CAO

	<u>Stipend/Salary</u>	<u>Expenses</u>	<u>Total</u>
Council			
Warden James D. Smith**	\$ 36,770	\$ 4,957	\$ 41,727
Rosanne Bland**	20,564	544	21,108
Cecil Dixon**	19,096	544	19,640
Albert Flemming	20,265	1,789	22,054
Greg Grant**	22,584	2,471	25,055
Wayne Greene	20,999	763	21,762
Eldon Hebb**	19,096	1,702	20,798
John A. MacDonald	19,900	544	20,444
Cyril McDonald**	22,683	2,382	25,065
Norval Mitchell**	19,096	3,611	22,707
Keith Rhyno	20,632	3,205	23,837
Eleanor Roulston	20,632	544	21,176
Willy Versteeg**	19,096	544	19,640
Chief Administrative Officer*	204,180	10,658	214,838
	<u>\$ 485,593</u>	<u>\$ 34,258</u>	<u>\$ 519,851</u>

* CAO remuneration includes the value of retirement benefits

** Council 2015/2016 Stipend/Salary includes a one-time reduction totaling \$11,040. This was the due to the overpayment in the travel allowance benefit dating back to 2012/2013 which occurred as a result of Council Chambers being move from Milford to Elmsdale. The travel allowance benefit is calculated based on the distance each Councilor/Warden's lives in reference to the Council Chambers.

15. Contingency

The Municipality has guaranteed a loan on behalf of the Lantz Fire Department totaling \$279,970 (2015 - \$294,850).

16. Budget Figures

The Municipality's' Operating, Water Utility, and Capital Budgets are approved by Council. The budget figures are not subject to audit procedures.

Municipality of the District of East Hants
Schedule of Current Fund Operations - Municipal Operations
Year Ended March 31, 2016

	2016 Budget (Unaudited)	2016 Actual	2015 Actual
Revenue			
Property taxes	\$ 24,933,491	\$ 24,808,421	\$ 24,107,140
Grants in lieu of taxes	177,622	186,160	177,299
Sale of services	914,156	894,849	877,270
Other revenue from own sources	1,521,739	1,655,985	1,512,361
Unconditional transfers from other governments	178,135	204,181	185,602
Conditional transfers from federal or provincial government agencies	166,896	178,559	280,556
Development and other contributions applied	19,000	24,685	39,718
Other transfers	400,000	400,000	400,000
	<u>28,311,039</u>	<u>28,352,840</u>	<u>27,579,946</u>
Expenses			
General government services	5,745,891	5,375,738	5,351,514
Protective services	7,148,099	7,029,522	6,710,134
Education	4,757,075	4,641,048	4,459,860
Social services	66,345	61,121	71,747
Transportation services	1,061,024	1,029,377	1,280,668
Environmental health services	4,490,096	4,285,773	4,192,215
Environmental development services	1,639,282	1,299,118	1,506,306
Landfill closure/post closure costs	-	22,139	(18,237)
Recreation and cultural services	1,708,711	1,528,562	1,371,489
	<u>26,616,523</u>	<u>25,272,398</u>	<u>24,925,696</u>
Net Revenue	<u>1,694,516</u>	<u>3,080,442</u>	<u>2,654,250</u>
Financing and Transfers			
Debt principal repayment	1,431,752	1,416,863	1,510,056
(Decrease) increase in amounts to be recovered	-	(235,537)	3,538
Transfer to capital fund	100,000	123,533	151,332
Transfer from capital reserves	(15,092)	(12,445)	(12,359)
Transfer from operating reserves	177,856	1,788,028	1,001,683
	<u>1,694,516</u>	<u>3,080,442</u>	<u>2,654,250</u>
Change in Fund Balance	-	-	-
Opening Fund Balance	(4,709,586)	(4,709,586)	(4,776,499)
Change in Long-Term Liabilities	-	159,371	153,710
Change in Unfunded Pension Liability	-	(213,398)	(14,698)
Change in Landfill Liability	-	(22,139)	18,236
Change in Accumulated Surplus	-	-	(90,335)
Closing Fund Balance (Note 12)	<u>\$ (4,709,586)</u>	<u>\$ (4,785,752)</u>	<u>(4,709,586)</u>

Municipality of the District of East Hants
 Schedule of Current Fund Operations - Water Utility
 Year Ended March 31, 2016

	2016 Budget (Unaudited)	2016 Actual	2015 Actual
Revenue	<u>\$ 2,234,669</u>	<u>\$ 2,268,286</u>	<u>\$ 2,223,794</u>
Expenses			
Operating	1,973,928	1,622,068	1,531,269
Interest on debt	227,528	227,531	236,495
Amortization expense	330,418	342,114	329,075
	<u>2,531,874</u>	<u>2,191,713</u>	<u>2,096,839</u>
Net Revenue	<u>(297,205)</u>	<u>76,573</u>	<u>126,955</u>
Transfers and Financing			
Principal debt payment	204,211	204,210	196,708
Transfer from Municipal Operating	(175,000)	-	-
Transfer to capital	30,000	27,853	-
	<u>59,211</u>	<u>232,063</u>	<u>196,708</u>
Change in Fund Balance	<u>(356,416)</u>	<u>(155,490)</u>	<u>(69,753)</u>
Opening Fund Balance	1,037,690	1,037,690	1,107,443
Closing Fund Balance (Note 12)	<u>\$ 681,274</u>	<u>\$ 882,200</u>	<u>\$ 1,037,690</u>

Municipality of the District of East Hants
 Schedule of Capital Fund Operations - Municipal Operations
 Year Ended March 31, 2016

	2016 Actual	2015 Actual
Revenue		
Government grants	\$ 320,140	\$ 235,591
Development and other contributions applied	58,930	\$ 2,110,449
	<u>379,070</u>	<u>2,346,040</u>
Expenses		
General government services	276,684	300,965
Protective services	62,394	41,369
Transportation services	1,024,807	885,118
Environmental health services	796,239	759,973
Environmental development services	(94,964)	(194,184)
Recreation and cultural services	49,291	49,291
	<u>2,114,451</u>	<u>1,842,532</u>
Net Revenue	(1,735,381)	503,508
Financing and Transfers		
Principal payments	(1,461,702)	(1,553,054)
Transfers from reserves	(1,071,727)	127,653
Transfers from operations	(151,386)	(151,332)
	<u>(2,684,815)</u>	<u>(1,576,733)</u>
Increase in Fund Balance	949,434	2,080,241
Opening Fund Balance	51,768,257	49,688,016
Closing Fund Balance (Note 12)	<u>\$ 52,717,691</u>	<u>\$ 51,768,257</u>

Municipality of the District of East Hants
Schedule of Reserve Operations
Year Ended March 31, 2016

	2016 Actual	2015 Actual
Revenue		
Investment income	\$ 148,531	\$ 155,015
Non Governmental Grants	24,401	-
Government grants	1,000,960	993,348
	<u>1,173,892</u>	<u>1,148,363</u>
Net Transfers From/To Other Funds		
Transfers from Current Fund	(1,775,583)	(989,324)
Transfers to Capital Fund	1,071,727	(127,653)
	<u>(703,856)</u>	<u>(1,116,977)</u>
Net Change in Reserve Funds	1,877,747	2,265,340
Opening Reserve Fund Balance	15,345,147	12,989,472
Change in Accumulated Surplus		90,335
Closing Reserve Fund Balance (Note 12)	<u>\$ 17,222,894</u>	<u>\$ 15,345,147</u>
Analyzed as follows:		
Reserves set aside for specific purposes		
Operating Contingencies/Surplus	\$ 3,008,931	\$ 2,395,953
Solid Waste Diversion Operations	43,000	92,921
General Government	875,441	930,603
Solid Waste Management Facilities/Equipment	1,425,145	1,233,954
Office Equipment	215,588	203,588
Computer Hardware/Software	205,829	225,514
Pool Building and Equipment	750,299	717,420
Transportation and Equipment	953,528	833,016
Recreation and Leisure	16,351	35,376
Emergency Measures	184,899	184,899
Passenger Vehicles	164,750	164,750
Tax Sale Surplus	-	15,586
Gas Tax Excess	1,693,318	919,962
Resource Center	140,000	120,000
Industrial Park Land Development (fr Sales)	607,449	1,027,883
Landfill Closure/Post Closure Costs	276,625	254,487
District Beautification Funds	31,989	28,381
Emergency Grant Fund-Fire Departments	322,360	321,349
Tourism Grant Fund/Capital	123,695	121,880
Economic Development Operations	188,248	138,080
District Recreation Grant Fund	230,421	145,594
Tourism Economic Development Fund	90,000	60,000
Rural Economic Development Fund	177,787	122,787
CSR Contingencies	1,395,001	1,207,334
Lights Communities	131,751	121,830
Lights Other Surplus	114,864	107,801
Corridor Fire Protection System	1,243,200	1,231,916
Sportsplex	30,383	-
Sewer System	169,531	183,626
Sidewalks Excess Debenture/Operations	234,776	320,952
East Hants Water system	2,177,735	1,877,705
	<u>\$ 17,222,894</u>	<u>\$ 15,345,147</u>

Municipality of the District of East Hants

Reconciliation of the Financial Plan to the PSAB Budget

Year Ended March 31, 2016

	Financial Plan General	Financial Plan Utility	Amortization (TCA)	Financial Plan Capital	Transfers Reserves	Debt Charges Principal	Elimination Entries	PSAB Budget
REVENUE								
Taxes	\$ 24,933,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,933,491
Water utility	-	2,234,669	-	-	-	-	(552,519)	1,682,150
Grants in lieu of taxes	177,622	-	-	-	-	-	-	177,622
Sale of services	914,156	-	-	-	-	-	-	914,156
Other revenue from own sources	1,521,739	-	-	-	-	-	(747,089)	774,650
Unconditional transfers from other	178,135	-	-	-	-	-	-	178,135
Conditional transfers from government	166,896	-	-	-	-	-	-	166,896
Government grants	-	-	-	1,000,960	-	-	-	1,000,960
Development and other contributions applied	19,000	-	-	58,930	24,401	-	-	102,331
Other transfers	400,000	-	-	-	-	-	(400,000)	-
Transfers from reserves (capital/operating)	-	175,000	-	-	(175,000)	-	-	-
Total revenue	28,311,039	2,409,669	-	1,059,890	(150,599)	-	(1,699,608)	29,930,391
EXPENSES								
General government services	5,745,891	-	276,684	-	-	-	(436,632)	5,585,943
Protective services	7,148,099	-	62,394	-	-	-	(552,519)	6,657,974
Education services	4,757,075	-	-	-	-	-	-	4,757,075
Social Services	66,345	-	-	-	-	-	-	66,345
Transportation services	1,061,024	-	1,024,807	-	-	-	-	2,085,831
Environmental health services	4,490,096	-	787,864	-	-	-	(500,819)	4,777,141
Water utility	-	2,531,874	-	-	-	-	(108,383)	2,423,491
Environmental development services	1,639,282	-	171,609	-	-	-	-	1,810,891
Landfill closure/post closure costs	-	-	-	-	-	-	-	-
Recreation and cultural services	1,708,711	-	49,291	-	-	-	(101,255)	1,656,747
Transfer to capital	100,000	30,000	-	-	(130,000)	-	-	-
Debt charges - principal payment	1,431,752	204,211	-	(1,461,702)	-	(174,261)	-	-
Transfer to reserves (capital/operating)	162,764	-	-	-	(162,764)	-	-	-
Total expenses	28,311,039	2,766,085	2,372,649	(1,461,702)	(292,764)	(174,261)	(1,699,608)	29,821,438
Surplus (Deficit)	\$ -	\$ (356,416)	\$ (2,372,649)	\$ 2,521,592	\$ 142,165	\$ 174,261	\$ -	\$ 108,953

Municipality of the District of East Hants
Consolidated Schedule of Operations by Function
Year Ended March 31, 2016

	*General Government	Protective Services	Transportation Services	Env. Health Services	Env. Developmnt Services	Other
REVENUE						
Property taxes	\$ 19,920,908	\$ 2,380,180	\$ 78,874	\$ 2,139,648	\$ -	\$ -
Grants in lieu of taxes	173,734	-	-	12,426	-	-
Sale of services	285,927	-	-	434,692	13,650	-
Other revenue from own sources	1,224,914	118,972	-	188,002	93,026	148,531
Unconditional transfers from other governments	110,139	-	-	94,042	-	-
Conditional transfers from federal or provincial government	5,037	-	-	97,919	-	-
Government grants	-	-	-	-	-	1,321,100
Development and other contributions applied	-	-	-	24,685	-	83,331
Other transfers	-	-	-	400,000	-	-
Gain on sale of TCA	-	-	-	-	266,573	-
Water utility	-	-	-	-	-	-
Elimination Entries	(803,495)	-	-	(400,000)	-	-
Total revenue	20,917,164	2,499,152	78,874	2,991,414	373,249	1,552,962
EXPENSES						
Salaries, wages and benefits	2,193,194	283,077	-	1,025,998	919,484	-
Operating costs	2,885,070	6,712,834	746,851	3,142,782	242,598	4,702,169
Elimination Entries	(516,867)	(516,897)	-	(483,669)	-	-
Amortization	276,684	62,394	1,024,807	787,864	171,609	-
Interest on long term debt	297,474	33,611	282,526	139,132	137,036	-
Loss on sale of TCA	-	-	-	8,375	-	-
Total expenses	5,135,555	6,575,019	2,054,184	4,620,482	1,470,727	4,702,169
Surplus (Deficit)	\$ 15,781,609	\$ (4,075,867)	\$ (1,975,310)	\$ (1,629,068)	\$ (1,097,478)	\$ (3,149,207)

* General government includes revenues and expenses that cannot be attributed to a particular sector.

Municipality of the District of East Hants
Consolidated Schedule of Operations by Function
Year Ended March 31, 2016

	Recreation and Cultural Services	Water Utility	2016 Total	2015 Total
REVENUE				
Property taxes	\$ 288,811	\$ -	\$ 24,808,421	\$ 24,107,140
Grants in lieu of taxes	-	-	186,160	177,299
Sale of services	160,580	-	894,850	877,270
Other revenue from own sources	31,071	-	1,804,516	1,667,377
Unconditional transfers from other governments	-	-	204,181	185,602
Conditional transfers from federal or provincial government	75,604	-	178,560	280,557
Government grants	-	-	1,321,100	1,228,939
Development and other contributions applied	-	-	108,016	2,150,167
Other transfers	-	-	400,000	400,000
Gain on sale of TCA	-	-	266,573	365,793
Water utility	-	2,268,286	2,268,286	2,223,794
Elimination Entries	-	(516,897)	(1,720,392)	(1,643,464)
Total revenue	556,066	1,751,389	30,720,270	32,020,474
EXPENSES				
Salaries, wages and benefits	687,312	525,851	5,634,916	5,574,626
Operating costs	706,313	1,096,217	20,234,834	19,821,684
Elimination Entries	(114,253)	(88,706)	(1,720,392)	(1,643,464)
Amortization	49,291	342,114	2,714,763	2,525,690
Interest on long term debt	134,939	227,531	1,252,249	1,297,152
Loss on sale of TCA	-	-	8,375	11,710
Total expenses	1,463,602	2,103,007	28,124,745	27,587,398
Surplus (Deficit)	\$ (907,536)	\$ (351,618)	\$ 2,595,525	\$ 4,433,076