

**MUNICIPALITY OF THE
DISTRICT OF EAST HANTS**

FINANCIAL REPORT

March 31, 2017



EAST HANTS
We live it!

Municipality of the District of East Hants

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March 31, 2017

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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, 2017, 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

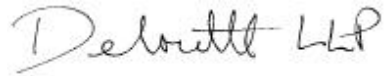
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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, 2017, 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 cursive script that reads "Deloitte LLP".

Chartered Professional Accountants
August 3, 2017
Halifax, Nova Scotia

Municipality of the District of East Hants
 Consolidated Statement of Financial Position
 As at March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (Note 2)	\$ 23,461,556	\$ 21,832,056
Taxes and water rates receivable (Note 3)	2,519,597	2,471,186
Accounts receivable (Note 4)	1,175,707	1,508,049
	<u>27,156,860</u>	<u>25,811,291</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	1,838,252	2,882,559
Deferred revenue - general	1,548,185	1,479,203
Deferred revenue - obligatory reserve (Note 6)	3,660,644	3,578,057
Employee future benefits (Note 9 & 10)	1,264,565	959,334
Tax sale surplus	377,356	258,293
Net Long-term liabilities (Note 8)	26,479,010	27,688,711
	<u>35,168,012</u>	<u>36,846,157</u>
NET DEBT	<u>(8,011,152)</u>	<u>(11,034,866)</u>
NON FINANCIAL ASSETS		
Tangible capital assets (Note 7)	75,098,580	75,847,972
Work in progress (Note 7)	1,275,973	957,501
Inventory and prepaid expenses	260,374	266,426
	<u>76,634,927</u>	<u>77,071,899</u>
ACCUMULATED SURPLUS (Note 12d)	<u>\$ 68,623,775</u>	<u>\$ 66,037,033</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, 2017

	2017 Budget Unaudited (Note 16)	2017 Actual	2016 Actual
Revenues			
Property taxes (Note 13)	\$ 25,608,263	\$ 25,636,758	\$ 24,808,421
Grants in lieu of taxes	180,165	188,129	186,160
Sale of services	914,515	943,658	894,849
Other revenue from own sources	765,466	993,510	1,001,021
Unconditional transfers from other governments	179,300	461,305	204,181
Conditional transfers from federal or provincial government	249,706	162,850	178,559
Government grants	1,012,845	1,012,845	1,321,100
Development and other contributions applied	588,841	503,593	108,016
Water utility	1,702,085	1,765,578	1,751,389
Total Revenues	31,201,186	31,668,226	30,453,696
Expenses			
General government services	5,767,361	5,491,222	5,135,555
Protective services	6,852,029	6,787,112	6,575,019
Education services (Note 13)	4,860,710	4,861,500	4,641,048
Social services (Note 13)	74,000	63,130	61,121
Transportation services	2,128,754	2,223,469	2,054,185
Environmental health services	4,855,637	4,660,564	4,598,343
Environmental development services	1,789,830	997,119	1,204,153
Landfill closure/post closure costs	-	8,610	22,139
Recreation and cultural services	1,827,437	1,898,351	1,463,601
Water utility	2,264,943	2,090,407	2,103,007
Total Expenses	30,420,701	29,081,484	27,858,171
Annual Surplus	780,485	2,586,742	2,595,525
Accumulated Surplus, Beginning of Year	66,037,033	66,037,033	63,441,508
Accumulated Surplus, End of Year	\$ 66,817,518	\$ 68,623,775	\$ 66,037,033

Municipality of the District of East Hants
Consolidated Statement of Changes of Net Debt
Year Ended March 31, 2017

	2017 Budget Unaudited (Note 16)	2017 Actual	2016 Actual
Annual Surplus	\$ 780,485	\$ 2,586,742	\$ 2,595,525
Tangible Capital Assets and Work-in-Progress			
Acquisition of tangible capital assets	(3,644,246)	(2,357,616)	(2,413,378)
Amortization of tangible capital assets	2,740,804	2,740,804	2,714,763
Net gain on sale of tangible capital assets	(465,242)	(465,242)	(258,198)
Proceeds on sale of tangible capital assets	512,974	512,974	302,480
	<u>(855,710)</u>	<u>430,920</u>	<u>345,667</u>
Other Non-Financial Assets			
Decrease in inventory and prepaid expenses	-	6,052	93,834
Decrease (Increase) in Net Debt	(75,225)	3,023,714	3,035,026
Net Debt, Beginning of Year	(11,034,866)	(11,034,866)	(14,069,892)
Net Debt, End of Year	\$ (11,110,091)	\$ (8,011,152)	\$ (11,034,866)

Municipality of the District of East Hants
Consolidated Statement of Cash Flow
Year Ended March 31, 2017

	2017	2016
Operating Transactions		
Annual surplus	\$ 2,586,742	\$ 2,595,525
Add amortization of tangible capital assets	2,740,804	2,714,763
	<u>5,327,546</u>	<u>5,310,288</u>
Changes in Non-Cash Assets and Liabilities		
Decrease (increase) in accounts receivable	332,342	(276,864)
Increase in taxes receivable	(48,411)	(179,159)
Decrease in accounts payable and accruals	(1,044,307)	(130,939)
Increase in tax sale surplus	119,063	72,738
Increase in deferred revenue	151,569	334,646
Increase in employee benefits/other obligations	305,231	231,349
Decrease in inventory and prepaid expenses	6,051	93,834
Net gain on sale of tangible capital assets	(465,242)	(258,198)
	<u>(643,704)</u>	<u>(112,593)</u>
Net Change in Cash From Operations	<u>4,683,842</u>	<u>5,197,695</u>
Financing Transactions		
Long-term liabilities issued (Note 8e)	340,000	1,071,000
Long-term liabilities retired (Note 8c)	(1,549,700)	(1,635,953)
	<u>(1,209,700)</u>	<u>(564,953)</u>
Capital Transactions		
Additions to tangible capital assets	(2,039,144)	(2,329,304)
Increase in work in progress	(318,472)	(84,074)
Proceeds on sale of tangible capital assets	512,974	302,480
	<u>(1,844,642)</u>	<u>(2,110,898)</u>
Increase in Cash Position	<u>1,629,500</u>	<u>2,521,844</u>
Cash Position, Beginning of Year	<u>21,832,056</u>	<u>19,310,212</u>
Cash Position, End of Year	<u>\$ 23,461,556</u>	<u>\$ 21,832,056</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 Public 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 debt 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 the Province of 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 PSAS Handbook, and are recorded at cost less accumulated amortization.

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 Contributions**

Government 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 2017 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) PSAS 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)**

l) **Segmented Information (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 2,729 customer utility that operates two modern water treatment plants and related infrastructure.

2. **Cash**

Cash is comprised of:

	<u>2017</u>	<u>2016</u>
Bank	\$ 20,305,913	\$ 18,838,420
Restricted cash (obligatory reserves)	3,155,643	2,993,636
	<u>\$ 23,461,556</u>	<u>\$ 21,832,056</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2017

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 \$31,967 (2016 - \$30,215), representing management's estimate of uncollectible accounts.

4. **Accounts Receivable**

The balance for accounts receivable on the consolidated Statement of Financial Position totaled \$1,175,707 (2016 - \$1,508,049). The balance is comprised of the following:

	<u>2017</u>	<u>2016</u>
Amounts due from provincial/federal government	\$ 234,923	\$ 264,265
Loan to Lantz fire department	270,484	286,466
Local Improvement Loan	119,400	66,000
Council Stipend/Salary Overpayment	-	11,040
Other	550,900	880,278
	<u>\$ 1,175,707</u>	<u>\$ 1,508,049</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>2017</u>	<u>2016</u>
Liability for closure/post closure costs - landfill	\$ 285,236	\$ 276,625
Salaries & wages payable	223,716	216,371
Trade payables and accruals	1,329,300	2,389,563
	<u>\$ 1,838,252</u>	<u>\$ 2,882,559</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2017

6. Deferred Revenue - Obligatory Reserve

	<u>2017</u>	<u>2016</u>
Sewer balance at beginning of year	\$ 2,403,946	\$ 2,255,523
Sewer developer charges (including interest)	112,348	188,951
Transfer - Capital Projections	(7,115)	(10,372)
Transfer - Sewer Capacity Study	(3,457)	(30,156)
Sewer balance at end of year	<u>\$ 2,505,722</u>	<u>\$ 2,403,946</u>
Water balance at beginning of year	\$ 1,159,329	\$ 1,002,322
Water developer charges (including interest)	85,972	157,007
Transfer - Lantz & Enfield Easements	(105,295)	-
Water balance at end of year	<u>\$ 1,140,006</u>	<u>\$ 1,159,329</u>
Green Space balance at beginning of year	\$ 14,782	\$ 14,643
Green Space contributions (including interest)	134	139
Green Space balance at end of year	<u>\$ 14,916</u>	<u>\$ 14,782</u>
Sewer Developer Charges	\$ 2,505,722	\$ 2,403,946
Water Developer Charges	1,140,006	1,159,329
Green Space Contributions	14,916	14,782
	<u>\$ 3,660,644</u>	<u>\$ 3,578,057</u>

7. Tangible Capital Asset Continuity Schedule

	General Capital Assets				Infrastructure			Assets in WIP	2017 TOTAL	2016 TOTAL
	Land & Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Industrial Parks	Water Utilities			
Cost										
Opening 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
Additions during year	824,509	533,329	210,136	85,359	263,205	-	122,607	869,094	2,908,239	2,936,193
Disposals & Write downs	(47,732)	-	-	-	-	-	-	(550,622)	(598,354)	(567,587)
Closing Costs	<u>4,213,998</u>	<u>13,033,007</u>	<u>2,839,802</u>	<u>356,053</u>	<u>57,062,762</u>	<u>6,301,004</u>	<u>23,942,953</u>	<u>1,275,973</u>	<u>109,025,552</u>	<u>106,715,667</u>
Accumulated Amortization										
Opening Accum. Amortization	N/A	3,274,715	1,822,036	144,986	18,468,946	1,266,009	4,933,502	-	29,910,194	27,195,921
Amortization in Year	N/A	320,885	228,372	29,638	1,641,858	165,723	354,329	-	2,740,805	2,714,763
Adj/Disposals - Accum Amort	N/A	-	-	-	-	-	-	-	-	(490)
Acc Amort - End of Year	<u>-</u>	<u>3,595,600</u>	<u>2,050,408</u>	<u>174,624</u>	<u>20,110,804</u>	<u>1,431,732</u>	<u>5,287,831</u>	<u>-</u>	<u>32,650,999</u>	<u>29,910,194</u>
Net Book Value	<u>\$ 4,213,998</u>	<u>\$ 9,437,407</u>	<u>\$ 789,394</u>	<u>\$ 181,429</u>	<u>\$ 36,951,958</u>	<u>\$ 4,869,272</u>	<u>\$ 18,655,122</u>	<u>\$ 1,275,973</u>	<u>\$ 76,374,553</u>	<u>\$ 76,805,473</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2017

8. Long-Term Liabilities

a) Of the \$26,479,010 long-term liabilities (2016 - \$27,688,711) certain payments represent a burden on general Municipal Revenues, as they are to be recovered in future years from other sources.

	<u>2017</u>	<u>2016</u>
General revenues	\$ 2,895,497	\$ 2,760,981
Local improvement charges	214,245	211,556
Area rates	9,373,823	10,043,572
Sale of land in Industrial Parks	2,710,124	2,900,267
Water charges	4,529,546	4,741,660
Tenants rent	6,491,455	6,750,705
Loan to Lantz fire department	264,320	279,970
	<u>\$ 26,479,010</u>	<u>\$ 27,688,711</u>

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

	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2023-2031</u>
General Government	\$ 19,400	\$ 310,700	\$ -	\$ -	\$ -	\$ -
Transportation	473,671	746,878	406,386	404,013	408,274	2,924,364
Environmental Development	192,419	251,251	783,226	344,044	117,570	1,021,615
Environmental Health	231,981	89,351	62,989	66,140	623,265	363,204
Sewers	115,766	119,753	95,897	99,213	102,780	939,928
Recreation	142,821	149,162	156,046	163,522	171,568	1,958,717
Buildings	269,290	279,960	291,280	3,086,875	98,000	2,466,050
Water Utilities	220,424	229,162	228,213	237,421	1,615,340	1,998,986
Hospital	30,016	31,356	32,770	34,563	35,932	657,850
Lantz Fire Department	16,455	17,300	18,200	19,135	20,120	173,110
Tourism	28,000	28,000	28,000	28,000	28,000	140,000
Fire Dept Equipment	8,298	8,627	8,988	9,379	-	-
Total:	<u>\$ 1,748,541</u>	<u>\$ 2,261,500</u>	<u>\$ 2,111,995</u>	<u>\$ 4,492,305</u>	<u>\$ 3,220,849</u>	<u>\$ 12,643,824</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>2017</u>	<u>2016</u>
Principal	\$ 1,549,700	\$ 1,635,953
Interest	1,200,254	1,252,249
	<u>\$ 2,749,954</u>	<u>\$ 2,888,202</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2017

8. Long-Term Liabilities (Continued)

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

	<u>2017</u>	<u>2016</u>
General revenues	\$ 821,860	\$ 930,618
Local improvement charges	76,603	116,532
Area rates	1,119,784	1,104,792
Sale of land in industrial parks	301,511	304,519
Water charges	430,196	431,741
	<u>\$ 2,749,954</u>	<u>\$ 2,888,202</u>

e) Total long-term liabilities issued in 2016 were for the Burntcoat Park Development \$280,000 and Lohnes & Hubley Road Paving \$60,000. Both are being amortized over 10 years and the interest rate is 1.15% to 2.506%.

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, 2017 is based on an actuarial valuation for accounting purposes as at December 31, 2015, with adjustments based on additional information provided to the actuary in 2016. The next actuarial valuation for accounting purposes is to be prepared as of December 31, 2016. 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 Manulife Funds.

	Estimated <u>December 31, 2016</u>	Estimated <u>December 31, 2015</u>
Accrued Benefit Obligation	\$14,845,731	\$13,694,166
Fair Value Plan Asset	<u>9,664,770</u>	<u>9,547,285</u>
Funded Status - (Plan Deficit) Surplus	<u>\$ (5,180,961)</u>	<u>\$ (4,146,881)</u>

10. Pension Plan (Continued)

The significant actuarial assumptions adopted measuring the Municipality's accrued benefit obligation as at December 31, 2016 were as follows:

	<u>Dec.31, 2016</u>	<u>Dec. 31, 2015</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%	3.75%

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 2017 was 17 years and it was 16 years in 2016.

	<u>Dec.31, 2016</u>	<u>Dec. 31, 2015</u>
Accrued benefit obligation, net of plan assets	\$5,180,961	\$4,146,881
Unamortized actuarial loss	<u>(4,117,705)</u>	<u>(3,367,859)</u>
Benefit liability recorded in the statement of financial position	<u>\$1,063,256</u>	<u>\$779,022</u>

During the year, the Municipality contributed \$228,552 (\$261,194 in 2016) and the employees contributed \$163,127 (\$183,165 in 2016) to the plan. Benefit payments for the year totaled \$436,598 (\$668,742 in 2016).

Administrative fees paid during the 2016/2017 fiscal year totaled \$16,103; Plan Valuation costs were \$16,834.

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 \$285,236 (2016 - \$276,625) 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, 2017

12. Municipal Fund Balances

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

	<u>2017</u>	<u>2016</u>
Long term liabilities issued to fund Hospital	(822,488)	(851,238)
Long term liabilities issued to fund Sportsplex	(2,741,836)	(2,878,867)
Unfunded pension liability	(1,063,256)	(779,022)
Landfill liability funded by reserves	(285,236)	(276,625)
	<u>(4,912,816)</u>	<u>(4,785,752)</u>
Water utility operation	908,490	882,200
	<u>\$ (4,004,326)</u>	<u>\$ (3,903,552)</u>

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

	<u>2017</u>	<u>2016</u>
Tangible capital assets	\$ 75,098,580	\$ 75,847,972
Work in progress	1,275,973	957,501
Funds yet to be provided from long term debt	(327,459)	(475,145)
Long term liabilities capital	(22,530,967)	(23,612,637)
	<u>\$ 53,516,127</u>	<u>\$ 52,717,691</u>

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

	<u>2017</u>	<u>2016</u>
Working funds	\$ 12,199,210	\$ 11,236,147
Replacement of equipment/assets	6,627,528	5,710,122
Landfill closure/post closure liability	285,236	276,625
	<u>\$ 19,111,974</u>	<u>\$ 17,222,894</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2017

12. Municipal Fund Balances (Continued)

d) Consolidated Accumulated Surplus:

	<u>2017</u>	<u>2016</u>
Current funds	\$ (4,004,326)	\$ (3,903,552)
Capital asset funds	53,516,127	52,717,691
Reserve funds	19,111,974	17,222,894
	<u>\$ 68,623,775</u>	<u>\$ 66,037,033</u>

13. Taxation

	<u>2017</u>	<u>2016</u>
Taxation from real property	\$ 25,636,758	\$ 24,808,421
Less: Taxation collected to pay mandatory provincial taxes for:		
Education Services	(4,861,500)	(4,641,048)
Social Services	(63,130)	(61,121)
Corrections	(285,881)	(284,519)
Net taxes available for municipal purposes	<u>\$ 20,426,247</u>	<u>\$ 19,821,733</u>

Municipality of the District of East Hants
Notes to the Consolidated Financial Statements
Year Ended March 31, 2017

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

Council	<u>Stipend/Salary</u>	<u>Expenses</u>	<u>Total</u>
Warden James D. Smith	\$ 38,776	\$ 4,769	\$ 43,545
Cecil Dixon	19,902	544	20,446
Stephen King	8,540	227	8,767
Eldon Hebb	19,902	544	20,446
Pam Macinnis	8,540	227	8,767
Keith Rhyno	14,705	2,595	17,300
Wayne Greene	21,001	688	21,689
Heather A. Smith	8,540	1,033	9,573
Cyril McDonald	24,173	836	25,009
Elie Moussa	9,169	227	9,396
Eleanor Roulston	22,711	2,551	25,262
Rosanne Bland	18,218	317	18,535
Albert Flemming	11,648	847	12,495
Greg Grant	11,859	317	12,176
John A. MacDonald	11,438	317	11,755
Norval Mitchell	11,438	960	12,398
Willy Versteeg	11,438	317	11,755
Chief Administrative Officer*	211,326	6,343	217,669
	<u>\$ 483,324</u>	<u>\$ 23,659</u>	<u>\$ 506,983</u>

* CAO remuneration includes the value of retirement benefits

15. **Contingency**

The Municipality has guaranteed a loan on behalf of the Lantz Fire Department totaling \$264,320 (2016 - \$279,970).

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.

17. **Commitments**

The Municipality has outstanding contractual obligations of approximately \$1.1 million at March 31, 2017 for the design and project management of the Aquatics Facility.

The Municipality has also entered into an agreement with the Penny Group Inc. to fund a portion of the Sherwood Park Pumping Station to a maximum contribution of \$83,860.00 excluding HST. Work is expected to take place summer/fall 2017.

Council has authorized the financing of these obligations.

Municipality of the District of East Hants
Schedule of Current Fund Operations - Municipal Operations
Year Ended March 31, 2017

	2017 Budget (Unaudited)	2017 Actual	2016 Actual
Revenue			
Property taxes	\$ 25,608,263	\$ 25,636,758	\$ 24,808,421
Grants in lieu of taxes	180,165	188,129	186,160
Sale of services	914,515	943,658	894,849
Other revenue from own sources	1,596,716	1,653,781	1,655,985
Unconditional transfers from other governments	179,300	461,305	204,181
Conditional transfers from federal or provincial government agencies	249,706	162,850	178,559
Development and other contributions applied	19,000	3,457	24,685
Other transfers	400,000	178,756	400,000
	<u>29,147,665</u>	<u>29,228,694</u>	<u>28,352,840</u>
Expenses			
General government services	5,986,828	5,729,520	5,375,738
Protective services	7,366,793	7,282,570	7,029,522
Education	4,860,710	4,861,500	4,641,048
Social services	74,000	63,130	61,121
Transportation services	1,096,613	1,191,327	1,029,377
Environmental health services	4,567,087	4,132,955	4,285,773
Environmental development services	1,618,221	1,290,751	1,299,118
Landfill closure/post closure costs	-	8,610	22,139
Recreation and cultural services	1,887,758	1,962,676	1,528,562
	<u>27,458,010</u>	<u>26,523,039</u>	<u>25,272,398</u>
Net Revenue	<u>1,689,655</u>	<u>2,705,655</u>	<u>3,080,442</u>
Financing and Transfers			
Debt principal repayment	1,337,591	1,315,336	1,416,863
(Decrease) increase in amounts to be recovered	-	(292,844)	(235,537)
Transfer to capital fund	165,000	273,605	123,533
Transfer to capital reserves	328,161	305,505	(12,445)
Transfer to operating reserves	(141,097)	1,104,053	1,788,028
	<u>1,689,655</u>	<u>2,705,655</u>	<u>3,080,442</u>
Change in Fund Balance	-	-	-
Opening Fund Balance	(4,785,752)	(4,785,752)	(4,709,586)
Change in Long-Term Liabilities	165,783	165,781	159,371
Change in Unfunded Pension Liability	-	(284,235)	(213,398)
Change in Landfill Liability	-	(8,610)	(22,139)
Closing Fund Balance (Note 12)	<u>\$ (4,619,969)</u>	<u>\$ (4,912,816)</u>	<u>(4,785,752)</u>

Municipality of the District of East Hants
 Schedule of Financial Position - Municipal Operations
 Year Ended March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 4,243,691	\$ 4,849,844
Taxes and rates receivable	1,932,070	1,922,971
Accounts receivable	1,009,611	1,163,997
	<u>7,185,372</u>	<u>7,936,812</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,591,805	2,667,962
Deferred revenue - general	1,501,492	1,431,713
Deferred revenue - obligatory reserve	3,660,644	3,578,057
Employee benefits and other obligations	1,264,565	959,334
Tax sale surplus	377,356	258,293
Long term liabilities	3,948,043	4,076,078
	<u>12,343,905</u>	<u>12,971,437</u>
NET DEBT	<u>(5,158,533)</u>	<u>(5,034,625)</u>
NON FINANCIAL ASSETS		
Inventory and prepaid expenses	<u>245,717</u>	<u>248,873</u>
ACCUMULATED SURPLUS	<u>\$ (4,912,816)</u>	<u>\$ (4,785,752)</u>

Municipality of the District of East Hants
 Schedule of Current Fund Operations - Water Utility
 Year Ended March 31, 2017

	2017 Budget (Unaudited)	2017 Actual	2016 Actual
Revenue	<u>\$ 2,279,243</u>	<u>\$ 2,323,428</u>	<u>\$ 2,268,286</u>
Expenses			
Operating	1,812,709	1,617,908	1,622,068
Interest on debt	218,082	218,082	227,531
Amortization expense	353,833	354,329	342,114
	<u>2,384,624</u>	<u>2,190,319</u>	<u>2,191,713</u>
Net Revenue	<u>(105,381)</u>	<u>133,109</u>	<u>76,573</u>
Transfers and Financing			
Principal debt payment	212,115	212,114	204,210
Transfer from Obligatory Water Reserve	(175,000)	(105,295)	-
Transfer to capital	-	-	27,853
	<u>37,115</u>	<u>106,819</u>	<u>232,063</u>
Change in Fund Balance	<u>(142,496)</u>	<u>26,290</u>	<u>(155,490)</u>
Opening Fund Balance	<u>1,037,690</u>	<u>882,200</u>	<u>1,037,690</u>
Closing Fund Balance	<u>\$ 895,194</u>	<u>\$ 908,490</u>	<u>\$ 882,200</u>

Municipality of the District of East Hants
 Schedule of Financial Position - Water Utility
 Year Ended March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 394,028	\$ 377,779
Water rates receivable	587,527	548,215
Accounts receivable	36,540	74,402
	<u>1,018,095</u>	<u>1,000,396</u>
LIABILITIES		
Accounts payable and accrued liabilities	88,815	97,897
Deferred revenue - general	35,447	37,854
	<u>124,262</u>	<u>135,751</u>
NET ASSETS	<u>893,833</u>	<u>864,645</u>
NON FINANCIAL ASSETS		
Inventory and prepaid expenses	14,657	17,555
ACCUMULATED SURPLUS	<u>\$ 908,490</u>	<u>\$ 882,200</u>

Municipality of the District of East Hants
 Schedule of Capital Fund Operations - Municipal Operations
 Year Ended March 31, 2017

	2017 Actual	2016 Actual
Revenue		
Government grants	\$ 229,293	\$ 320,140
Development and other contributions applied	394,841	58,930
	<u>624,134</u>	<u>379,070</u>
Expenses		
General government services	275,572	276,684
Protective services	62,394	62,394
Transportation services	1,032,140	1,024,807
Environmental health services	795,468	796,239
Environmental development services	(293,632)	(94,964)
Recreation and cultural services	49,291	49,291
	<u>1,921,233</u>	<u>2,114,451</u>
Net	(1,297,099)	(1,735,381)
Financing and Transfers		
Principal payments	(1,361,669)	(1,461,702)
Transfers from reserves	(460,261)	(1,071,727)
Transfers from operations	(273,605)	(151,386)
	<u>(2,095,535)</u>	<u>(2,684,815)</u>
Change in Fund Balance	798,436	949,434
Opening Fund Balance	52,717,691	51,768,257
Closing Fund Balance (Note 12)	<u>\$ 53,516,127</u>	<u>\$ 52,717,691</u>

Municipality of the District of East Hants
 Schedule of Financial Position - Municipal Capital Fund
 Year Ended March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Accounts receivable	\$ 129,556	\$ 269,650
	<u>129,556</u>	<u>269,650</u>
LIABILITIES		
Bank Indebtedness	288,137	618,461
Accounts payable and accrued liabilities	157,632	116,699
Deferred revenue - general	11,246	9,636
Net long term liabilities	22,530,967	23,612,636
	<u>22,987,982</u>	<u>24,357,432</u>
NET DEBT	<u>(22,858,426)</u>	<u>(24,087,782)</u>
NON FINANCIAL ASSETS		
Tangible capital assets	75,098,580	75,847,972
Work in progress	1,275,973	957,501
	<u>76,374,553</u>	<u>76,805,473</u>
ACCUMULATED SURPLUS	<u>\$ 53,516,127</u>	<u>\$ 52,717,691</u>

Municipality of the District of East Hants
 Schedule of Reserve Operations
 Year Ended March 31, 2017

	2017 Actual	2016 Actual
Revenue		
Investment income	\$ 156,231	\$ 148,531
Non Governmental Grants	-	24,401
Government grants	783,553	1,000,960
	<u>939,784</u>	<u>1,173,892</u>
Net Transfers From/To Other Funds		
Transfers from Current Fund	(1,409,558)	(1,775,583)
Transfers to Capital Fund	460,261	1,071,727
	<u>(949,297)</u>	<u>(703,856)</u>
Net Change in Reserve Funds	1,889,081	1,877,747
Opening Reserve Fund Balance	17,222,894	15,345,147
Closing Reserve Fund Balance (Note 12)	<u>\$ 19,111,974</u>	<u>\$ 17,222,894</u>
Analyzed as follows:		
Reserves set aside for specific purposes		
Operating Contingencies/Surplus	\$ 3,308,689	\$ 3,008,931
Solid Waste Diversion Operations	13,445	43,000
General Government	942,871	875,441
Solid Waste Management Facilities/Equipment	1,589,613	1,425,145
Office Equipment	272,019	215,588
Computer Hardware/Software	298,908	205,829
Pool Building and Equipment	446,841	750,299
Transportation and Equipment	1,040,046	953,528
Recreation and Leisure	71,351	16,351
Emergency Measures	194,899	184,899
Passenger Vehicles	156,702	164,750
Gas Tax Excess	1,823,067	1,693,318
Resource Center	160,000	140,000
Industrial Park Land Development (fr Sales)	1,087,553	607,449
Landfill Closure/Post Closure Costs	285,236	276,625
District Beautification Funds	12,106	31,989
Emergency Grant Fund-Fire Departments	541,943	322,360
Tourism Grant Fund/Capital	127,113	123,695
Economic Development Operations	151,040	188,248
District Recreation Grant Fund	263,917	230,421
Tourism Economic Development Fund	120,000	90,000
Rural Economic Development Fund	207,787	177,787
CSR Contingencies	1,588,482	1,395,001
Lights Communities	146,126	131,751
Lights Other Surplus	128,335	114,864
Corridor Fire Protection System	1,230,873	1,243,200
Sportsplex	67,889	30,383
Sewer System	119,056	169,531
Sidewalks Excess Debenture/Operations	286,890	234,776
East Hants Water system	2,429,177	2,177,735
	<u>\$ 19,111,974</u>	<u>\$ 17,222,894</u>

Municipality of the District of East Hants
Schedule of Financial Position - Reserves Fund
Year Ended March 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash	<u>\$ 19,111,974</u>	<u>\$ 17,222,894</u>
	<u>19,111,974</u>	<u>17,222,894</u>
ACCUMULATED SURPLUS	<u>\$ 19,111,974</u>	<u>\$ 17,222,894</u>

Municipality of the District of East Hants

Reconciliation of the Financial Plan to the PSAS Budget

Year Ended March 31, 2017

	Financial Plan General	Financial Plan Utility	Amortization (TCA)	Financial Plan Capital	Transfers Reserves	Debt Charges Principal	Elimination Entries	PSAS Budget
REVENUE								
Taxes	\$ 25,608,263	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,608,263
Water utility	-	2,279,243	-	-	-	-	(577,158)	1,702,085
Grants in lieu of taxes	180,165	-	-	-	-	-	-	180,165
Sale of services	914,515	-	-	-	-	-	-	914,515
Other revenue from own sources	1,596,716	-	-	-	-	-	(831,250)	765,466
Unconditional transfers from other	179,300	-	-	-	-	-	-	179,300
Conditional transfers from government	249,706	-	-	-	-	-	-	249,706
Government grants	-	-	-	1,012,845	-	-	-	1,012,845
Development and other contributions applied	19,000	-	-	394,841	-	-	-	413,841
Other transfers	400,000	-	-	-	-	-	(400,000)	-
Transfers from reserves (capital/operating)	-	175,000	-	-	-	-	-	175,000
Total revenue	29,147,665	2,454,243	-	1,407,686	-	-	(1,808,408)	31,201,186
EXPENSES								
General government services	5,986,828	-	275,572	-	-	-	(495,039)	5,767,361
Protective services	7,366,793	-	62,394	-	-	-	(577,158)	6,852,029
Education services	4,860,710	-	-	-	-	-	-	4,860,710
Social Services	74,000	-	-	-	-	-	-	74,000
Transportation services	1,096,613	-	1,032,141	-	-	-	-	2,128,754
Environmental health services	4,567,087	-	795,468	-	-	-	(506,918)	4,855,637
Water utility	-	2,384,624	-	-	-	-	(119,681)	2,264,943
Environmental development services	1,618,221	-	171,609	-	-	-	-	1,789,830
Landfill closure/post closure costs	-	-	-	-	-	-	-	-
Recreation and cultural services	1,887,758	-	49,291	-	-	-	(109,612)	1,827,437
Transfer to capital	165,000	-	-	-	(165,000)	-	-	-
Debt charges - principal payment	1,337,591	212,115	-	(1,361,669)	-	(188,037)	-	-
Transfer to reserves (capital/operating)	187,064	-	-	-	(187,064)	-	-	-
Total expenses	29,147,665	2,596,739	2,386,475	(1,361,669)	(352,064)	(188,037)	(1,808,408)	30,420,701
Surplus (Deficit)	\$ -	\$ (142,496)	\$ (2,386,475)	\$ 2,769,355	\$ 352,064	\$ 188,037	\$ -	\$ 780,485

Municipality of the District of East Hants
Consolidated Schedule of Operations by Function
Year Ended March 31, 2017

	*General Government	Protective Services	Transportation Services	Env. Health Services	Env. Developmnt Services	Other
REVENUE						
Property taxes	\$ 20,514,132	\$ 2,454,314	\$ 80,785	\$ 2,291,347	\$ -	\$ -
Grants in lieu of taxes	176,363	-	-	11,767	-	-
Sale of services	304,302	-	-	447,742	15,415	-
Other revenue from own sources	1,221,427	110,474	-	193,069	96,436	156,231
Unconditional transfers from other governments	111,593	-	-	75,128	-	-
Conditional transfers from federal or provincial government	11,237	-	-	90,761	2,180	-
Government grants	-	-	-	-	-	1,012,845
Development and other contributions applied	-	-	-	3,457	-	394,841
Other transfers	-	-	-	178,756	-	-
Water utility	-	-	-	-	-	-
Elimination Entries	(816,503)	-	-	(178,756)	-	-
Total revenue	21,522,551	2,564,788	80,785	3,113,271	114,031	1,563,917
EXPENSES						
Salaries, wages and benefits	2,547,573	293,616	-	1,126,285	884,117	-
Operating costs	2,895,413	6,953,189	927,589	2,881,580	274,014	4,924,630
Elimination Entries	(513,872)	(557,852)	-	(267,859)	-	-
Amortization	275,572	62,394	1,032,141	795,468	171,609	-
Interest on long term debt	286,535	35,765	263,738	133,701	132,621	-
Total expenses	5,491,221	6,787,112	2,223,468	4,669,175	1,462,361	4,924,630
Net Gain on sale of TCA	-	-	-	-	465,242	-
Surplus (Deficit)	\$ 16,031,330	\$ (4,222,324)	\$ (2,142,683)	\$ (1,555,904)	\$ (883,088)	\$ (3,360,713)

* 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, 2017

	Recreation and Cultural Services	Water Utility	2017 Total	2016 Total
REVENUE				
Property taxes	\$ 296,180	\$ -	\$ 25,636,758	\$ 24,808,421
Grants in lieu of taxes	-	-	188,129	186,160
Sale of services	176,199	-	943,658	894,849
Other revenue from own sources	32,376	-	1,810,012	1,804,516
Unconditional transfers from other governments	-	-	186,721	204,181
Conditional transfers from federal or provincial government	58,672	-	162,850	178,559
Government grants	274,584	-	1,287,429	1,321,100
Development and other contributions applied	-	-	398,298	108,016
Other transfers	-	-	178,756	400,000
Water utility	-	2,428,725	2,428,725	2,268,286
Elimination Entries	-	(557,852)	(1,553,111)	(1,720,392)
Total revenue	838,011	1,870,873	31,668,226	30,453,696
EXPENSES				
Salaries, wages and benefits	723,755	528,683	6,104,029	5,634,916
Operating costs	1,109,108	1,089,225	21,054,748	20,234,833
Elimination Entries	(113,616)	(99,912)	(1,553,111)	(1,720,392)
Amortization	49,291	354,329	2,740,805	2,714,763
Interest on long term debt	129,812	218,082	1,200,254	1,252,249
Total expenses	1,898,350	2,090,407	29,546,725	28,116,369
Net Gain on sale of TCA	-	-	465,242	258,198
Surplus (Deficit)	\$ (1,060,339)	\$ (219,534)	\$ 2,586,742	\$ 2,595,525