



Grant Thornton

Consolidated Financial Statements

Municipality of the District of Yarmouth

March 31, 2016

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Independent Auditors' Report

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To the Warden and Council of
Municipality of District of Yarmouth

We have audited the accompanying consolidated financial statements of the Municipality of the District of Yarmouth, which comprise the statement of financial position as at March 31, 2016 and the statement of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flow 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Yarmouth as at March 31, 2016, and the results of its operations, changes in net financial assets and cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Yarmouth, Canada
September 28, 2016

Grant Thornton LLP

Chartered Professional Accountants

Municipality of the District of Yarmouth

Management's Responsibility for Financial Reporting

March 31, 2016

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Audit Committee is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through Council. The Audit Committee reviews internal financial statements periodically and external audited consolidated financial statements yearly. The Audit Committee also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Municipality of the District of Yarmouth and meet when required. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of Municipality of the District of Yarmouth:

Warden

Chief Administrative Officer

Municipality of the District of Yarmouth

Consolidated Statement of Operations and Accumulated Surplus

Year Ended March 31

2016

2015

	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
Revenues			
Taxes	\$ 6,245,087	\$ 6,680,028	\$ 6,322,042
Grants in lieu of taxes	32,145	31,259	32,718
Services provided to other governments	307,458	308,786	303,155
Sales of service	150,310	156,037	166,193
Other revenue from own sources	792,584	842,939	777,691
Unconditional transfers from other governments	1,031,662	654,187	812,058
Conditional transfers from Federal and Provincial governments and agencies	71,491	136,982	99,537
Grants for capital purposes	-	29,531	-
Interest	238,192	424,262	401,333
Other	72,398	92,011	123,916
Rental and events	820,793	799,494	763,265
Food and beverage sales	<u>88,500</u>	<u>75,553</u>	<u>83,380</u>
	<u>9,850,620</u>	<u>10,231,069</u>	<u>9,885,288</u>
Expenses			
General government services	1,815,194	1,855,148	1,826,125
Protective services	1,365,923	1,264,320	1,324,184
Transportation services	1,676,650	1,629,779	1,653,326
Environmental health services	1,935,628	2,011,210	1,922,987
Public health and welfare services	193,776	54,224	90,698
Environmental development services	1,289,419	1,161,557	1,114,462
Recreational and cultural services	<u>1,658,690</u>	<u>1,640,919</u>	<u>1,685,058</u>
	<u>9,935,280</u>	<u>9,617,157</u>	<u>9,616,840</u>
Annual (deficit) surplus before the undernoted	(84,660)	613,912	268,448
Write-down of tangible capital assets	-	-	(19,553)
(Loss) gain on disposal of tangible capital assets	<u>-</u>	<u>(175)</u>	<u>34,509</u>
Annual (deficit) surplus	<u>\$ (84,660)</u>	<u>\$ 613,737</u>	<u>\$ 283,404</u>
<hr/>			
Accumulated surplus, beginning of year		\$ 27,148,386	\$ 26,864,982
Annual surplus		<u>613,737</u>	<u>283,404</u>
Accumulated surplus, end of year		<u>\$ 27,762,123</u>	<u>\$ 27,148,386</u>

See accompanying notes to the consolidated financial statements.

Municipality of the District of Yarmouth
Consolidated Statement of Financial Position

March 31

2016

2015

Financial Assets

Cash and cash equivalents - restricted	\$ 110,590	\$ 108,396
Cash and cash equivalents - unrestricted	9,799,643	9,473,148
Taxes receivable (Note 3)	762,236	757,184
Due from Federal government and its agencies	105,656	51,253
Due from own funds and agencies	7,661	20,700
Other receivables	1,116,854	593,847
Portfolio investment	72,797	94,636
Properties acquired at tax sale	17,142	17,142
	<u>11,992,579</u>	<u>11,116,306</u>

Financial Liabilities

Due to own funds and agencies	37,643	17,500
Payables and accruals	1,173,917	1,305,128
Prepayment of taxes	192,842	174,768
Deferred revenue (Note 4)	1,969,220	1,708,858
Tax sale surplus	93,188	100,599
Repayable contributions	100,470	114,303
Long-term debt (Note 5)	2,546,199	2,717,617
Defined benefit pension plan (Note 6)	126,763	126,763
Other post-employment benefits (Note 7)	730,166	545,455
	<u>6,970,408</u>	<u>6,810,991</u>

NET FINANCIAL ASSETS

5,022,171 4,305,315

Non-Financial Assets

Tangible capital assets (Note 8)	22,648,645	22,757,206
Inventories	5,411	6,265
Prepaid expenses	85,896	79,600
	<u>22,739,952</u>	<u>22,843,071</u>

ACCUMULATED SURPLUS

\$ 27,762,123 \$ 27,148,386

Contingent liabilities (Note 9)
 Commitments (Note 10)

On behalf of the Municipality of the District of Yarmouth

_____ Warden _____ CAO

See accompanying notes to the consolidated financial statements.

Municipality of the District of Yarmouth
Consolidated Statement of Changes in Net Financial Assets

Year Ended March 31

2016

2015

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual (deficit) surplus	\$ (84,660)	\$ 613,737	\$ 283,404
Acquisition of tangible capital assets	(781,339)	(1,044,202)	(609,125)
Proceeds on disposal of tangible capital assets	-	174	42,437
Tangible capital assets acquired on change in ownership of controlled entity	-	-	(291)
Amortization of tangible capital assets	1,152,137	1,152,414	1,129,904
Write-down of tangible capital assets	-	-	19,553
Loss (gain) on disposal of tangible capital assets	-	175	(34,509)
	<u>286,138</u>	<u>722,298</u>	831,373
Acquisition of prepaid assets and inventories	-	(5,442)	(26,452)
Increase in Net Financial Assets	<u>\$ 286,138</u>	<u>716,856</u>	804,921
Net Financial Assets, beginning of year		<u>4,305,315</u>	<u>3,500,394</u>
Net Financial Assets, end of year		<u>\$ 5,022,171</u>	<u>\$ 4,305,315</u>

See accompanying notes to the consolidated financial statements.

Municipality of the District of Yarmouth

Consolidated Statement of Cash Flow

Year Ended March 31

2016

2015

Increase in cash and cash equivalents

Operating activities

Annual surplus	\$ 613,737	\$ 283,404
Amortization	1,152,414	1,129,904
Write-down of tangible capital assets	-	19,553
Loss (gain) on disposal of tangible capital assets	175	(34,509)
Change in non-cash items (Note 16)	<u>(244,030)</u>	<u>393,310</u>
	<u>1,522,296</u>	<u>1,791,662</u>

Capital activities

Proceeds on disposal of tangible capital assets	174	42,437
Tangible capital assets acquired on change in ownership of controlled entity	-	(291)
Acquisition of tangible capital assets	<u>(1,044,202)</u>	<u>(609,125)</u>
	<u>(1,044,028)</u>	<u>(566,979)</u>

Financing activities

Repayments of long-term debt	<u>(171,418)</u>	<u>(169,999)</u>
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Investing activities

Proceeds from withdrawal from portfolio investment	25,000	-
Purchase of portfolio investment	<u>(3,161)</u>	<u>(94,636)</u>
	<u>21,839</u>	<u>(94,636)</u>

Net increase in cash and cash equivalents

328,689 960,048

Cash and cash equivalents

Beginning of year 9,581,544 8,621,496

End of year \$ 9,910,233 \$ 9,581,544

Cash and cash equivalents are comprised of:

Restricted cash \$ 110,590 \$ 108,396

Unrestricted cash 9,799,643 9,473,148

\$ 9,910,233 \$ 9,581,544

See accompanying notes to the consolidated financial statements.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of significant accounting policies

The consolidated financial statements of the Municipality of the District of Yarmouth (the "Municipality") are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants Canada.

The focus of PSAB financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the Municipality.

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

Reporting entity

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

The Municipality has consolidated the following proportionately controlled entities:

- Mariners Centre Management Authority
- Yarmouth International Airport Corporation
- Yarmouth Area Industrial Commission
- Yarmouth & Acadian Shores Tourism Association
- Yarmouth County Solid Waste Management Authority

Interdepartmental and organizational transactions and balances are eliminated.

Budget figures

The budget figures contained in these financial statements were approved by Council on May 27, 2015 in its original fiscal plan; they also include budgets prepared and approved by controlled entities and are adjusted for amortization in accordance with Public Sector requirements. Note 15 outlines the original fiscal plan and the adjustments made to come to the budget figures shown in these financial statements.

Revenue recognition

- (a) Taxes are recognized as assets and revenue when they meet the definition of an asset, are authorized and a taxable event occurs, which for property taxes is the period for which the tax is levied.

At each financial statement date, management evaluates the extent to which its tax receivables are ultimately collectible and valuation allowances are used to reflect tax receivables at their net recoverable amount.

At each financial statement date, management evaluates the likelihood of having to repay taxes collected under tax measures that have been deemed authorized using the concept of legislative convention and recognizes a liability when required. Related refunds are accounted for in the period in which the change in estimate occurs.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

- (b) Sewer revenue is recorded in relation to the capital when the resident hooks up to the sewer service. Revenue is also recorded annually in relation to the maintenance fee charges.
- (c) Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.
- (d) Other revenue is recorded when it is earned.

Expenses

- (a) Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation.
- (b) Government transfers made to a recipient by the Municipality are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term highly liquid investments with original maturities of three months or less. Bank borrowings are considered to be financing activities. Cash proceeds from tax sales in excess of the arrears taxes receivable are deposited in a separate bank account and are restricted for a period of twenty years at which time the cash can be taken into operations. The balance of the tax sale surplus account at year end is \$110,590 (2015 - \$108,396).

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs, administrative overheads that do not contribute to bringing the inventories to their present location and condition, and selling costs are specifically excluded from the cost of inventories and are expensed in the period incurred.

Tangible capital assets

Tangible capital assets are initially recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Assets under construction are not amortized until the asset is available for productive use, at which time they are transferred to their respective tangible capital asset categories. Funding related to the purchase of capital assets is recorded as revenue when received. Donated assets are recorded at their estimated fair value at time of acquisition. The Municipality does not capitalize interest as part of the costs of its capital assets.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Amortization for tangible capital assets is presented in the financial statements and is calculated on a straight-line basis over an asset's estimated useful life less any residual value as follows:

Land improvements	25 years
Buildings	40 years
Plants	25 years
Sidewalks	25 years
Sewer	50 years
Machinery and equipment	5-15 years
Vehicles	5 years
Capital lease	20 years
Landfill	5-25 years

School assets

On January 1, 1982 the Municipality of the District of Yarmouth in agreement with the Town of Yarmouth joined the Yarmouth District School Board. During the 1996 - 1997 year, these schools came under the operational control of the Southwest Regional School Board.

Under agreements, all school buildings on hand at December 31, 1981 will remain assets of the Municipality but are under the operational control of the 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 Municipality.

School buildings have not been recorded as tangible capital assets, as they are not currently under the control of the Municipality.

Post-employment future benefits

The Municipality pays certain benefits on behalf of its retired employees. These post-employment costs are recognized in the period in which the employees rendered their services to the Municipality. The determination of the accrued benefit obligations for post-employment future benefits earned by employees incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other factors.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates that effect the amounts recorded in the financial statements. Management reviews the carrying amounts of items in the financial statements at each fiscal year end date to assess the need for revisions. Items in preparation of these consolidated financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to annual surplus as appropriate in the year they become known.

Significant items subject to management estimates include:

<u>Financial statement element</u>	<u>Management estimate</u>
Taxes receivable	Allowance for doubtful accounts
Other receivables	Allowance for doubtful accounts
Defined benefit pension plan	Accrued, unfunded liability
Other post-employment benefits	Accrued liability
Tangible capital assets	Useful lives

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Municipality is directly responsible or accepts responsibility; and
- iv. a reasonable estimate of the amount can be made.

Management has reviewed potential sites where they feel a material liability may exist and has concluded there is no known liability at this time.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

2. Contributions to Boards and Commissions

The Municipality is required to finance the operations of various Boards and Commissions, along with the other Municipal Units in Yarmouth County to the extent of its participation based on assessment or population formula.

In addition to any budgeted contributions, the Municipal Units share in the deficits or surpluses of these Boards based on their sharing percentages. The Municipal Unit's share of the deficit is to be paid in the next fiscal year while a surplus is to be taken into the next year's estimates.

Regional Housing Authority - 10% Interest

During the year, the Municipality paid \$36,000 (2015 - \$47,846) to fund its share of the prior year's deficit.

Regional Library - 15.1% Interest

During the year, the Municipality paid \$65,394 (2015 - \$65,394) to the Regional Library. Grants from the provincial government pertaining to the Regional Library are received directly by the Library commencing in 1988.

Yarmouth-Argyle-Barrington District Planning Commission – 50% Interest

During the period, the Municipality contributed \$72,804 (2015 - \$71,375) as its share of the operations of the District Planning Commission.

Western Regional Solid Waste Management Authority (Waste Check) - 22.4% Interest

During the year, the Municipality contributed \$24,259 (2015 - \$24,270) as its share of the operation of Western Regional Solid Waste Management Authority.

Western Regional Enterprise Network – 16.67% Interest

During the year, the Municipality contributed \$62,152 (2015 - \$31,110) as its share of the operation of Western Regional Enterprise Network.

3. Taxes receivable

			<u>2016</u>	<u>2015</u>
	<u>Current</u>	<u>Prior</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ -	\$ 757,184	\$ 757,184	\$ 746,110
Current year's tax levy	8,306,777	-	8,306,777	8,140,738
Interest	<u>180,312</u>	-	<u>180,312</u>	<u>162,834</u>
	<u>8,487,089</u>	<u>757,184</u>	<u>9,244,273</u>	<u>9,049,682</u>
Deduct				
Collections	7,899,869	496,687	8,396,556	8,208,631
Write-offs	<u>40,480</u>	-	<u>40,480</u>	<u>38,867</u>
	<u>7,940,349</u>	<u>496,687</u>	<u>8,437,036</u>	<u>8,247,498</u>
Less valuation allowance	-	45,000	45,000	45,000
Balance, end of year	<u>\$ 546,740</u>	<u>\$ 215,497</u>	<u>\$ 762,237</u>	<u>\$ 757,184</u>

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

4. Deferred revenue	<u>2016</u>	<u>2015</u>
Sewer operating – Port Maitland	\$ -	\$ 114,809
Sewer operating – South Ohio	-	4,372
Yarmouth Fire Department	-	26,632
Gas tax revenue	1,888,463	1,429,665
Operating revenue	<u>80,757</u>	<u>133,380</u>
	<u>\$1,969,220</u>	<u>\$1,708,858</u>

Deferred gas tax revenue included in total deferred revenue reported on the consolidated statement of financial position is made up of the following:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$1,429,665	\$ 972,677
Revenues:		
Federal gas tax grants received	<u>458,798</u>	<u>456,988</u>
Balance, end of year	<u>\$1,888,463</u>	<u>\$1,429,665</u>

Deferred gas tax revenue represents gas tax funding received but not spent in accordance with *PS 3410 – Government Transfers*, which the Municipality applied prospectively beginning April 1, 2012. Since PS 3410 was applied prospectively, any gas tax funding received prior to April 1, 2012 remains in the Municipality's accumulated surplus, regardless if it has been spent or not. At March 31, 2016, \$169,896 (2015 - \$425,814) remains in accumulated surplus as gas tax funding received prior to April 1, 2012 that would otherwise be classified as deferred revenue. Gas tax funding is required to be spent on certain eligible projects in accordance with the Canada-Nova Scotia Federal Gas Tax agreement.

Deferred operating revenue represents federal, provincial and municipal funding that has been provided to assist the Mariners Centre Management Authority, Yarmouth International Airport Corporation, Yarmouth Area Industrial Commission and Yarmouth & Acadian Shores Tourism Association. These amounts will be transferred to operations of these organizations as the related projects are completed.

Municipality of the District of Yarmouth
Notes to the Consolidated Financial Statements

March 31, 2016

5. Long-term debt

	Balance April 1, 2015	<u>Repaid</u>	Balance March 31, 2016	<u>Interest</u>	<u>Interest rate</u>
Municipal Finance Corporation, due 2023	\$ 2,400,000	\$ (100,000)	\$ 2,300,000	\$ 128,831	4.75% - 5.48%
Municipal Finance Corporation, due 2019	212,500	(42,500)	170,000	8,648	3.66% - 4.89%
Yarmouth Area Industrial Commission – Royal Bank term loan, due 2019	<u>105,117</u>	<u>(28,918)</u>	<u>76,199</u>	<u>4,521</u>	5.10%
	<u>\$ 2,717,617</u>	<u>\$ (171,418)</u>	<u>\$ 2,546,199</u>	<u>\$ 142,000</u>	

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

2017	\$ 172,869
2018	174,455
2019	156,433
2020	142,500
2021	100,000

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

6. Defined benefit pension plan

The Municipality of the District of Yarmouth 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 plan.

Actuarial valuations for accounting purposes are performed triennially using the projected unit credit method. The most recent actuarial valuation was prepared at March 31, 2014 and at that time the pension plan had an accrued benefit obligation of \$126,763.

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 Municipalities' best estimates.

The following summarizes the major assumptions in the valuation:

- the expected inflation rate is 2.5 percent;
- the discount rate used to determine the accrued benefit obligation is 5 percent;
- the expected rate of return is 5 percent; and
- retirement age is 65.

Combined employer and employee contributions during the year were \$15,468 (2015 - \$28,550).

Pension fund assets are valued at market values. A result of the 2014 valuation is as follows:

Market value of the pension plan asset	\$ 374,765
Accrued benefit obligation	<u>501,528</u>
Pension plan deficit	<u>\$ (126,763)</u>

Under Nova Scotia Pension Plan regulations, the Municipality 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 Yarmouth Area Industrial Commission was a co-sponsor of an individual pension plan for a past employee. The plan provided pension benefits for services after January 1, 1995.

The actuarial valuation performed was calculated on a wind up basis as of June 11, 2010. At that time the pension plan had a total deficit of \$158,025. The Commission is required to fund \$3,144 of the total pension deficit.

Pension fund assets were valued at market values. Results of the 2010 valuation are as follows:

Market value of the pension plan asset	\$ 275,053
Accrued benefit obligation	<u>433,078</u>
Pension plan deficit	<u>\$ (158,025)</u>

The funding deficiency indicated in the report by participating employer is \$3,144 for the Yarmouth Area Industrial Commission and \$154,881 for the South West Shore Development Authority ("SWSDA").

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

7. Other post-employment benefits

Sick leave - The Municipality is liable for accumulated sick leave to a maximum of 150 unused days for each employee. At March 31, 2016, the maximum amount that would have to be paid to all employees amounted to \$489,185 (2015 - \$437,624). Upon retirement an employee who has not abused their sick leave is eligible for a sick leave retirement package. After 10 years of employment, the employee can receive a portion of their accumulated sick leave. The total liability recorded in these financials pertaining to this contingency as at March 31, 2016 was \$325,633 (2015 - \$231,209). This figure is based upon historical information and the likeliness of the sick leave to be used and awarded to the employee. No actuarial valuation has been performed pertaining to this liability as it is deemed to be a flat rate plan.

Service award retirement package – After 10 years of service at the Municipality, an employee will receive a retirement service package. The amount of the package is based on the salary earned in the final year of service multiplied by 2% and the number of years of service. The total amount of this liability as at March 31, 2016 of \$381,119 (2015 - \$291,582) has been recorded as a liability in these financials. This figure was determined based upon the likeliness of the employee retiring and the funds being paid out by the Municipality. No actuarial valuation of this obligation has been completed as it is determined to be a flat rate plan.

Pension package – During the year the Municipality contributed to their employees defined contribution pension plans at a maximum rate of 13% of total wages. The contribution rate varies depending on the years of service. Contributions for the year totaled \$120,055 (2015 - \$119,467). As of March 31, 2016, there were no required future contributions in respect of past service and all contributions required under the plan had been funded.

Municipality of the District of Yarmouth
Notes to the Consolidated Financial Statements

March 31, 2016

8. Tangible capital assets

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Plants</u>	<u>Sidewalks & trails</u>	<u>Sewer</u>	<u>Equipment & machinery</u>
Cost							
Balance, beginning of year	\$ 1,066,497	\$ 1,384,007	\$ 18,795,111	\$ 2,816,531	\$ 3,484,202	\$ 5,645,501	\$ 2,446,704
Add							
Net additions during the year	64,215	-	156,271	-	314,380	-	29,619
Additions due to change in ownership	-	-	-	-	-	-	-
Reclassification of amounts	-	-	-	-	55,737	-	-
Less							
Reclassification of amounts	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
Balance, end of year	<u>1,130,712</u>	<u>1,384,007</u>	<u>18,951,382</u>	<u>2,816,531</u>	<u>3,854,319</u>	<u>5,645,501</u>	<u>2,476,323</u>
Accumulated amortization							
Balance, beginning of year	-	258,140	5,581,397	1,930,650	1,115,503	2,895,437	1,694,649
Add							
Amortization during the year	-	55,552	460,000	52,570	150,625	153,142	149,809
Impairment write down	-	-	-	-	-	-	-
Additions due to change in ownership	-	-	-	-	-	-	-
Less							
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	-	<u>313,692</u>	<u>6,041,397</u>	<u>1,983,220</u>	<u>1,266,128</u>	<u>3,048,579</u>	<u>1,844,458</u>
NET BOOK VALUE	<u>\$ 1,130,712</u>	<u>\$ 1,070,315</u>	<u>\$ 12,909,985</u>	<u>\$ 833,311</u>	<u>\$ 2,588,191</u>	<u>\$ 2,596,922</u>	<u>\$ 631,865</u>

Municipality of the District of Yarmouth
Notes to the Consolidated Financial Statements

March 31, 2016

8. Tangible capital assets (continued)

	<u>Vehicles</u>	<u>Bunker Island trial</u>	<u>Work in progress</u>	<u>Landfill</u>	<u>2016 Total</u>	<u>2015 Total</u>
Cost						
Balance, beginning of year	\$ 460,727	\$ 123,280	\$ 107,775	\$ 613,783	\$ 36,944,118	\$ 36,343,100
Add						
Net additions during the year	70,250	-	409,467	-	1,044,202	609,125
Additions due to change in ownership	-	-	-	-	-	626
Reclassification of amounts	-	-	-	-	55,737	21,943
Less						
Reclassification of amounts	-	-	(55,737)	-	(55,737)	(21,943)
Disposals during the year	(15,155)	-	-	-	(15,155)	(8,733)
Balance, end of year	<u>515,822</u>	<u>123,280</u>	<u>461,505</u>	<u>613,783</u>	<u>37,973,165</u>	<u>36,944,118</u>
Accumulated amortization						
Balance, beginning of year	356,007	64,837	-	290,292	14,186,912	13,037,925
Add						
Amortization during the year	45,502	6,164	-	79,050	1,152,414	1,129,904
Impairment write-down	-	-	-	-	-	19,553
Additions due to change in ownership	-	-	-	-	-	335
Less						
Accumulated amortization on disposals	(14,806)	-	-	-	(14,806)	(805)
Balance, end of year	<u>386,703</u>	<u>71,001</u>	<u>-</u>	<u>369,342</u>	<u>15,324,520</u>	<u>14,186,912</u>
NET BOOK VALUE	<u>\$ 129,119</u>	<u>\$ 52,279</u>	<u>\$ 461,505</u>	<u>\$ 244,441</u>	<u>\$ 22,648,645</u>	<u>\$ 22,757,206</u>

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

9. Contingent liabilities

Harbour South Medical Clinic & Pubnico Head Medical Clinic

The Municipality has agreed to fund 33.33% of any deficit arising from both facilities. During the current year the Municipality has contributed \$13,917 (2015 - \$13,069) towards the operating deficit of the Harbour South Medical Clinic. During the current year the Municipality has contributed \$43,197 (2015 - \$45,262) towards the operating deficit of the AM Clarke Medical Clinic (Pubnico).

Defined benefit pension plan

The Yarmouth Area Industrial Commission (the Commission) is a co-sponsor of an individual pension plan (Note 6). The pension plan liability as outlined in the most recent actuarial report has been recorded on a proportionate basis in their financial statements, however, significant uncertainties exist surrounding the potential obligation for the pension plan due to South West Shore Development Authority's ongoing receivership and approvals related to the date of plan wind-up. Due to these significant uncertainties, it cannot be determined at this time whether the Commission will be required to fund the pension plan obligation for an amount in excess of what has been currently recorded. Based on the most recent actuarial valuation, the maximum potential obligation in excess of what has been currently recorded in proportion to the Municipality is approximately \$51,627.

10. Commitments

Organic waste collection and disposal contract

The Municipality has entered into a contract with Wasteco Ltd. for the handling and disposal of organic waste. The duration of the contract is five years commencing April 1, 2015 and the estimated annual payments for the next four years are as follows:

2017	\$408,179
2018	\$420,425
2019	\$433,037
2020	\$466,028

Domtex building demolition

On October 30, 2014, the Yarmouth Area Industrial Commission's Board of Directors approved a motion to begin gathering information regarding the demolition of the Domtex building. The Commission's management's estimate of costs to demolish the building is \$3,000,000. The timeframe for demolition and future intent for the demolished site has yet to be determined. Although no formal commitment has been made, the expectation is that the Town of Yarmouth, Municipality of the District of Yarmouth and the Municipality of the District of Argyle will fund the demolition costs as required to keep the Commission in a viable financial state subsequent to the completion of the demolition. The Municipality of the District of Yarmouth would be responsible for funding approximately 33.33% of the costs of demolition, as that is the Municipality's proportionate ownership in the Commission.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

11. Loans receivable

During 2008, the Municipality advanced \$104,703 to the Valley & District Volunteer Fire Department and took back a variable rate mortgage that is repayable in semi-annually installments of \$10,448 including principal and interest to be amortized over fifteen years. Due to overpayments made by the Valley & District Volunteer Fire Department, the Municipality has a payable of \$10,000 at March 31, 2016 (2015 – \$10,000).

During 2010, the Municipality advanced \$150,000 to the Carleton & District Volunteer Fire Department and took back a variable rate mortgage that is repayable in monthly installments of \$1,420 including principal and interest to be amortized over ten years. The principal balance receivable at March 31, 2016 was \$2,118 (2015 - \$18,877).

During 2011 & 2012, the Municipality advanced \$42,401 and \$71,189 to the Lakes & District Volunteer Fire Department and took back a variable rate mortgage that is repayable in monthly installments of \$1,136 including principal and interest to be amortized over ten years. The principal balance receivable at March 31, 2016 was \$33,789 (2015 - \$47,340).

During 2012, the Municipality advanced \$140,000 to the Lake Vaughan & District Volunteer Fire Department and took back a variable rate mortgage that is repayable in monthly installments of \$2,007 including principal and interest to be amortized over five years. The principal balance repaid in full as at March 31, 2016.

During 2015, the Municipality advanced \$120,000 to the Kemptville Volunteer Fire Department and took back a variable rate mortgage that is repayable in monthly installments of \$1,159 including principal and interest to be amortized over ten years. The principal balance receivable at March 31, 2016 was \$88,416 (2015 - \$111,170).

12. Remuneration

The total remuneration (including non-taxable allowances) paid to councilors and the Chief Administrative Officer during the year ended March 31, 2016 was as follows:

<u>Council Members</u>	<u>Remuneration</u>
Murray Goodwin – Warden	\$ 35,978
Stephen Paquette – Deputy Warden	24,870
Richard Churchill - Councillor	21,417
Leland Anthony – Councillor	21,417
Gerard LeBlanc – Councillor	21,417
Jonathan Cunningham - Councillor	21,417
Trevor Cunningham - Councillor	21,417
Kenneth Moses - Chief Administrative Officer	134,234

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

13. Segment disclosure

The Municipality is diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the Town's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipality services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General Government Services

This department is responsible for the overall financial and local government administration. Its tasks include tax billings and payments, accounts payable and receivables, budgets and financial statements, adherence to the Municipal Government Act, information technology management, administration and maintenance of bylaws and change of address.

Protective Services

This department is responsible for ensuring the safety of the residents. Its tasks include bylaw enforcement, animal control, emergency measures and maintaining the radio dispatch system.

Transportation Services

This department is responsible for transportation services within the Municipality. Its tasks include maintaining roads and sidewalks, street lighting, maintaining the airport and administering public transit.

Environmental Health Services

This department is responsible for the maintenance and operations of waste and sewer services provided to residents and other customers. Its tasks include recycling, composting and sewer hook-up.

Public Health and Welfare Services

This department is responsible for recruiting doctors and maintaining a consistent level of medical services within the Municipality.

Environmental Development Services

This department is responsible for the planning and development within the Municipality. Its tasks include developing strategies and planning reports, issuing development permits and approving subdivision applications.

Recreation and Cultural Services

This department is responsible for promoting and offering recreation opportunities and activities to the Municipality's residents.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

13. Segment disclosure (continued)

	General government	Protective	Transportation	Environmental health	Public health	Environmental development	Recreation and cultural	2016 Consolidated
Revenues								
Taxes	\$ 1,288,576	\$ 878,190	\$ 1,132,036	\$ 1,396,976	\$ 37,664	\$ 806,812	\$ 1,139,774	\$ 6,680,028
Grants in lieu of taxes	6,030	4,109	5,297	6,537	176	3,775	5,335	31,259
Services provided to other governments	-	-	-	-	-	-	308,786	308,786
Sales of service	-	-	17,107	-	-	73,065	65,865	156,037
Other revenue from own sources	229,969	-	-	612,970	-	-	-	842,939
Unconditional transfers from other governments	156,888	-	292,442	-	38,076	127,567	39,214	654,187
Conditional transfers from Federal and Provincial governments or agencies	-	-	355	-	-	136,627	-	136,982
Grants for capital purposes	-	-	-	-	-	-	29,531	29,531
Interest	416,875	-	135	3,691	-	3,158	403	424,262
Other	7,529	-	53,359	6,297	-	24,826	-	92,011
Rental and events	-	-	-	-	-	532,572	266,922	799,494
Food and beverage sales	-	-	-	-	-	-	75,553	75,553
	<u>2,105,867</u>	<u>882,299</u>	<u>1,500,731</u>	<u>2,026,471</u>	<u>75,916</u>	<u>1,708,402</u>	<u>1,931,383</u>	<u>10,231,069</u>
Expenses								
Salaries and benefits	1,117,709	202,346	517,738	81,781	-	288,477	746,721	2,954,772
Goods and services	307,954	1,000,866	648,329	1,399,051	54,224	559,879	295,810	4,266,113
Amortization	148,546	-	226,697	319,925	-	145,236	312,010	1,152,414
Interest	-	-	1,479	137,479	-	4,837	-	143,795
Other	280,939	61,108	235,536	72,974	-	163,128	286,378	1,100,063
	<u>1,855,148</u>	<u>1,264,320</u>	<u>1,629,779</u>	<u>2,011,210</u>	<u>54,224</u>	<u>1,161,557</u>	<u>1,640,919</u>	<u>9,617,157</u>
Annual surplus (deficit)	<u>\$ 250,719</u>	<u>\$ (382,021)</u>	<u>\$ (129,048)</u>	<u>\$ 15,261</u>	<u>\$ 21,692</u>	<u>\$ 546,845</u>	<u>\$ 290,464</u>	<u>\$ 613,912</u>

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

14. Subsidiary operations

						<u>2016</u>	<u>2015</u>
	Mariners Centre Management Authority	Yarmouth International Airport Corporation	Yarmouth County Solid Waste Management Authority	Yarmouth Area Industrial Commission	Yarmouth and Acadian Shores Tourism Association	<u>Total</u>	<u>Total</u>
Revenues							
Rental and events	\$ 266,922	\$ -	\$ -	\$ 214,836	\$ -	\$ 481,758	\$ 452,215
Food and beverage sales	75,553	-	-	-	-	75,553	83,380
Sales of service	65,865	17,107	-	37,849	35,216	156,037	166,193
Federal, provincial & municipal grants	108,642	424,969	-	196,565	142,663	872,839	1,014,411
Other revenue from own sources	-	-	736,766	-	-	736,766	650,059
Interest	403	135	3,691	3,158	-	7,387	7,678
Other	-	53,359	6,297	24,826	-	84,482	87,364
	<u>517,385</u>	<u>495,570</u>	<u>746,754</u>	<u>477,234</u>	<u>177,879</u>	<u>2,414,822</u>	<u>2,461,300</u>
Expenses	<u>714,114</u>	<u>485,196</u>	<u>712,393</u>	<u>524,562</u>	<u>194,426</u>	<u>2,630,691</u>	<u>2,496,004</u>
Annual (deficit) surplus	<u>\$ (196,729)</u>	<u>\$ 10,374</u>	<u>\$ 34,361</u>	<u>\$ (47,328)</u>	<u>\$ (16,547)</u>	<u>\$ (215,869)</u>	<u>\$ (34,704)</u>
Financial assets	\$ 50,833	\$ 107,418	\$ 539,335	\$ 108,359	\$ 49,184	\$ 855,129	\$ 802,755
Financial liabilities	<u>124,055</u>	<u>87,741</u>	<u>102,468</u>	<u>145,712</u>	<u>28,881</u>	<u>488,857</u>	<u>594,946</u>
Net financial (debt) assets	<u>(73,222)</u>	<u>19,677</u>	<u>436,867</u>	<u>(37,353)</u>	<u>20,303</u>	<u>366,277</u>	<u>207,809</u>
Non-financial assets	<u>3,984,235</u>	<u>140,035</u>	<u>839,366</u>	<u>2,464,643</u>	<u>1,035</u>	<u>7,429,314</u>	<u>7,803,646</u>
Accumulated surplus	<u>\$ 3,911,013</u>	<u>\$ 159,712</u>	<u>\$ 1,276,233</u>	<u>\$ 2,427,290</u>	<u>\$ 21,338</u>	<u>\$ 7,795,586</u>	<u>\$ 8,011,455</u>

These amounts are included in the consolidated statement of operations.
This schedule does not take into account inter-organization eliminations.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

15. Budget figures

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net assets has been adjusted to be on a consistent basis as actual results. The adjustments below include netting school board appropriations and reduced taxes against tax revenues, reclassification of revenues and expenditures amongst categories, and the elimination of revenues and expenses between the Municipality and its proportionately consolidated entities. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statement:

	Approved Fiscal Plan	Adjustments	Fiscal Plan Per Financial Statements
Revenues			
Taxes	\$ 9,478,836	\$ (3,233,749)	\$ 6,245,087
Grants in lieu of taxes	32,145	-	32,145
Services provided to other governments	307,458	-	307,458
Sales of service	150,310	-	150,310
Other revenue from own sources	1,488,205	(695,621)	792,584
Unconditional transfers from other governments	1,250,967	(219,305)	1,031,662
Conditional transfers from Federal and Provincial governments and agencies	71,491	-	71,491
Grants for capital purposes	-	-	-
Interest	3,192	235,000	238,192
Other	72,398	-	72,398
Rental and events	503,058	317,735	820,793
Food and beverage sales	88,500	-	88,500
	<u>13,446,560</u>	<u>(3,595,940)</u>	<u>9,850,620</u>
Expenses			
General government services	1,687,463	127,731	1,815,194
Protective services	2,471,587	(1,105,664)	1,365,923
Transportation services	1,617,235	59,415	1,676,650
Environmental health services	1,692,092	243,536	1,935,628
Public health and welfare services	245,664	(51,888)	193,776
Environmental development services	1,151,605	137,814	1,289,419
Recreational and cultural services	1,263,632	395,058	1,658,690
Fiscal services	3,443,057	(3,443,057)	-
	<u>13,572,335</u>	<u>(3,637,055)</u>	<u>9,935,280</u>
Annual deficit	<u>\$ (125,775)</u>	<u>\$ 41,115</u>	<u>\$ (84,660)</u>

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

16. Change in non-cash items

The following are changes in non-cash items. The total is carried back to the Consolidated Statement of Cash Flow on page 6.

	<u>2016</u>	<u>2015</u>
Taxes receivable	\$ (5,052)	\$ (11,074)
Due from Federal Government and its agencies	(54,403)	(907)
Due from Provincial Government and its agencies	-	33,293
Due from own funds and agencies	13,039	269,535
Other receivables	(523,007)	(100,793)
Properties acquired at tax sale	-	729
Due to own funds and agencies	20,143	(5,000)
Payables and accruals	(131,211)	(330,260)
Prepayment of taxes	18,074	17,651
Deferred revenue	260,362	525,130
Tax sale surplus	(7,411)	11,821
Repayable contributions	(13,833)	(59,855)
Other post-employment benefits	184,711	66,829
Defined benefit pension plan	-	2,663
Prepaid expenses and inventory	(5,442)	(26,452)
	<u>\$ (244,030)</u>	<u>\$ 393,310</u>

17. Subsequent events

LED streetlight conversion

Subsequent to year end, the Municipality has incurred costs of approximately \$1,256,000 related to the LED streetlight conversion within the Municipality's district. The project is 99% complete and will be capitalized within tangible capital assets. The Municipality intends to finance \$750,000 through a Municipal Finance Corporation loan. The loan will be repayable over 5 years with an interest rate to be determined.

Wind turbines

Subsequent to year end, the Municipality has incurred additional costs related to the wind turbines included in work in progress in tangible capital assets as at March 31, 2016. Costs incurred subsequent to year end are approximately \$303,000, with two-thirds of that amount to be rebilled to each of the Municipality of the District of Argyle and the Town of Yarmouth.

Municipality of the District of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2016

18. Reserves

The following is the non-consolidated accumulated surplus of the reserves at the end of the year:

	<u>2016</u>	<u>2015</u>
Operating	<u>\$ 3,944,867</u>	<u>\$ 3,091,577</u>
Capital	<u>\$ 2,389,065</u>	<u>\$ 2,850,832</u>

The reserve balances comprise a portion of accumulated surplus in these consolidated financial statements.

19. Trust funds

The Trust Funds being administered by the Municipality of the District of Yarmouth are not consolidated with the accounts of the Municipality. At March 31, 2016, the equity in Trust Funds under its trusteeship amounted to \$7,164 (2015 - \$7,022).

20. Comparative figures

Certain comparative figures have been reclassified from those previously presented to better conform with the presentation required by Service Nova Scotia and Municipal Relations' Financial Information Return. The following is a summary of the reclassifications made to comparative figures so that these consolidated financial statements better represent the interpretations of *PS 3510, Tax Revenue*.

	<u>Prior Year Balance before Reclassification</u>	<u>Reclassification</u>	<u>Prior Year Balance after Reclassification</u>
Tax revenues	\$ 6,512,887	\$ (190,845)	\$6,322,042
Protective services			
Transfer to correctional services	1,467,183	(142,999)	1,324,184
Public health and welfare services			
Deficit of Regional Housing Authority	138,544	(47,846)	90,698