

1. **CALL TO ORDER**1.1 O' Canada

Warden Al Gillis called the December 21, 2016, Council session of the Municipality of the County of Cumberland to Order at 2:55 p.m. The meeting was held at the E. D. Fullerton Municipal Building. O'Canada was sung.

1.2 Roll Call

Municipal Clerk/Records Manager Brenda Moore, called the roll with the following Councillors present: Councillor Porter, Councillor Chase, Councillor vanVulpen, Warden Gillis, Councillor Welton, Councillor Palmer, Councillor Rector, Councillor Gilbert, Councillor McLellan, Deputy Warden Fletcher, Councillor Williams, Councillor Jackson, and Councillor Rafuse

Staff present: Rennie Bugley, CAO; Andrew MacDonald, Director of Finance; Deana Pike, Manager of Financial Services and Brenda Moore, Municipal Clerk/Records Manager who recorded the meeting.

Also in attendance were the Auditors for the Municipality and the former Town of Parrsboro Cindy Costin-Fury and Susan McIsaac of McIsaac Darragh, and Denise Smith and George Jorgenson of Jorgenson and Bickerton

2. **ADMINISTRATIVE AND PROCEDURAL ISSUES**

2.1 The agenda was approved as presented.

3. **STRATEGIC PRIORITIES ISSUES**

There are no strategic priority issues for today's meeting.

4. **MAJOR ORGANIZATIONAL ISSUES**4.1 Parrsboro Auditor's report and March 31, 2016 audited financial statements.

Denise Smith, CPA of the firm Jorgensen and Bickerton presented the Consolidated Financial Statements for the 2015/2016 fiscal year for the former Town of Parrsboro. These documents were distributed to Councillors and will form part of these minutes as **Schedule A** at the end of this document

IT WAS MOVED by Councillor Rafuse seconded by Councillor Welton to accept the 2015-2016 fiscal year financial statements of the Town of Parrsboro.

MOTION RECINDED#16-251

IT WAS MOVED by Councillor Welton seconded by Councillor Rafuse to accept the 2015/2016 fiscal year financial statements of the Town of Parrsboro

MOTION CARRIED #16-252

4.2 Municipality of the County of Cumberland Auditor's report and March 31, 2016 Audited financial statements

Cindy Costin-Furry, CPA, of the firm McIsaac Darragh distributed the audit report and financial statements for the 2015/2016 fiscal year. These documents will form part of these minutes as **Schedule B** at the end of this document.

Consolidated Financial Statements were presented and reviewed by Cindy Costin-Fury and Director of Finance Andrew MacDonald.

IT WAS MOVED by Councillor Welton seconded by Councillor Palmer to accept the consolidated financial statements of the Municipality of the County of Cumberland for the 2015/2016 fiscal year.

MOTION CARRIED #16-253

5. **ORGANIZATIONAL POLICY/BY-LAW ISSUES**

There are no policy or bylaw issues for this meeting.

6. **BUSINESS ISSUES**

There are no business issues for this meeting

8. **ADJOURNMENT**8.1 The Queen

The meeting was adjourned at 3:34 p.m. The Queen was sung.

Schedule A

Korgensen & Bickerton Inc.
CHARTERED ACCOUNTANTS

31 Church Street
P.O. Box 387
Amherst, N.S. B4H 3Z5
Tel.: (902) 667-9339
Fax: (902) 667-7644

December 21, 2016

Municipality of the County
of Cumberland
1395 Blair Lake Road
Upper Nappan, NS
B4H 3Y4

Dear Warden and Councillors:

We have completed the audit of the financial records of Town of Parrsboro for the year ended March 31, 2016. We offer the following observations to the leadership group of the municipality.

1. **Bank reconciliations:**

At the commencement of the audit the Water Operating Fund bank reconciliations had not been completed.
Banks were not reconciled properly each month and weren't reconciled on a timely basis in both General and Water Operating Funds.

During the audit we noted that required Interfund bank transfers relating to prior years had not been carried out as of March 31, 2016. This was the case in all Funds. These remain outstanding (in part) for the past two years.
Required bi-weekly transfers relating to payroll were not made throughout the 2016 fiscal year end. This resulted in a significant large overdraft in the Payroll bank account. These must take place on a routine / regular basis.

2. **Agreements with the County of Cumberland provide for the cost sharing of recreation, fire department, tennis court as well as senior citizens expenses. Calculation and invoicing did not take place until the time of this year's audit. These amounts seriously affect cash flow and should be invoiced on a timely basis. The combined invoicing for the year totalled \$136,696. The total outstanding receivable relating to 2016 and 2015 fiscal years totals \$152,236.**

3. **There appears to be insufficient communication between Ray Hickey, Town Clerk, and Janie MacKenzie, Deputy Clerk. She should assist with the preparation of the budget and be provided a final approved budget for inputting into the accounting records. She should be provided with copies of letters and other financial information that should be recorded into the general ledger. This has been discussed with them on previous occasions.**

4. **Payroll:**

Payroll is prepared by Janie MacKenzie and inputted into the general ledger. Payroll run information is now being reviewed by Ray, the Town Clerk. The transfer from the general bank account to payroll should equal the net pay so that when all cheques are cashed the payroll bank balance be zero. As mentioned previously, this important regular transfer of funds to the payroll bank is not taking place.

Municipality of the County
of Cumberland
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December 21, 2016

4. Payroll: (cont'd)

The regular review of payroll information produced should also extend to its impact on the general ledger. We noted a recurring issue relating to two separate employees in which the CPP and EI "expense" portions were incorrectly posting to the balance sheet "payroll liability accounts", instead of the income statement "expense accounts". This caused a cumulative understatement of employee benefits expenses, as well as an understatement of employee payroll deductions payable balance throughout the year. This issue was corrected as part of the auditing and accounting work prepared at year end.

Pension contributions have not been deducted or submitted to the pension plan provider on any retroactive pay increases.

5. The detailed general ledger should be scrutinized each month to detect transactions posted to wrong accounts. This should be carried out routinely by Janie. Ray should also be involved in this review on a periodic basis.

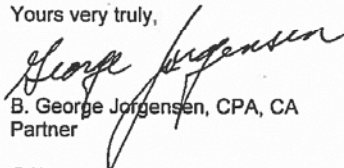
Asset and liability accounts should also be reviewed each month to ensure the balances are correct and receivable and payable listings agree with the general ledger "control accounts". We noted again at this year end that the detailed accounts receivable sub-ledger balance is not in agreement with the general ledger "control account" balance within the Water Utility and General Funds.

6. Care is to be taken in the posting of year end adjusting audit journal entries as provided by Jorgensen & Bickerton. We noted that these were not properly posted in the Reserve funds.
7. Our audit of the closing vacation accrual position highlights that employees are being permitted to "carry-over" unused days, despite the Personnel policy which indicates that vacation must not be carried over from year to year.
8. The filing of the Harmonized sales tax return has not taken place in a timely manner. This must take place after September 30th and after the year-end audit is complete, in order to improve on cash flow position
9. Complete expenditure authorization was not evident upon the review of expenditure transaction supporting documentation. It is important for purchase orders to be completed and approved, in support of all "non-recurring" expenditures in all Funds.
10. Water Utility Fund budgets as required by the Nova Scotia Public Utilities and Review Board are still not currently being prepared on an annual basis.
11. We noted that the Minutes of Council meetings were incomplete to the extent that they did not include specifics on the source of funding for major capital expenditures, despite including proper approval for the actual capital expenditures. Also related to this point, we note that the 2016 Annual Gas Tax budget will require amendment in order to allow for funding of capital expenditures for both the Water Capital as well as General Capital Funds.

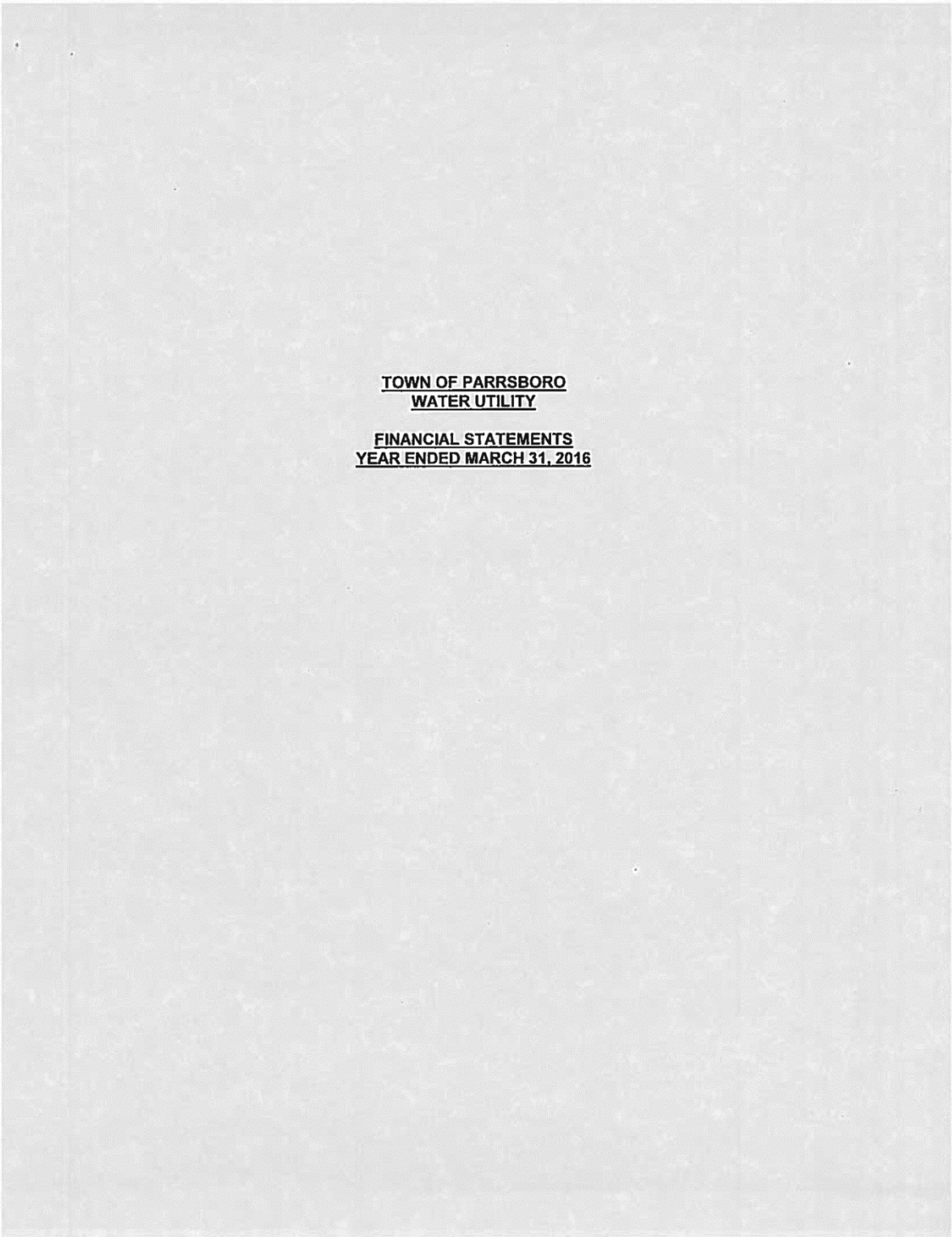
Municipality of the County
of Cumberland
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December 21, 2016

12. Not all Minutes of Council have been signed.
13. Per Minutes of Council public works truck to be purchased at a maximum cost of \$37,000 and actual cost was \$42,241.
14. Audited financial statements were due for submission to the NS Department of Municipal Affairs by September 30, 2016. They are now two months in arrears. We urge you strongly to have the current financial accounting records brought up to date, in order that there be a timely submission of the October 31, 2016 audited financial statements as well as other financial information.
15. The purchase of the tennis court is recorded on the books of the Town of Parrsboro but the actual agreement had not been signed at March 31, 2016.
16. We are unable to locate copies of several cheques in the Water Utility.
17. 96 journal entries were required in the general operating fund and 27 journal entries were required in the water operating fund to bring the accounts to the correct balances.

Yours very truly,


B. George Jorgensen, CPA, CA
Partner

GJ/aem



TOWN OF PARRSBORO
WATER UTILITY
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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TOWN OF PARRSBORO WATER UTILITY

Financial Statements

Year Ended March 31, 2016

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Town of Parrsboro Water Utility are the responsibility of the Utility's management and have been prepared in compliance with legislation, and in accordance with the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook. A summary of the significant accounting policies are described in Note 1 to the 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.

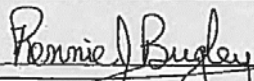
The Utility's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

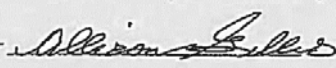
The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by Jorgensen & Bickerton, independent external auditors appointed by the Utility. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Utility's financial statements.

Amherst, NS
December 21, 2016

ON BEHALF OF THE MUNICIPALITY OF THE
COUNTY OF CUMBERLAND:


Rennie Bugley
CAO


Allison Gillis
Warden

Jorgensen & Bickerton inc.
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To Warden and Members of the Council of the Municipality of the County of Cumberland

We have audited the accompanying financial statements of the TOWN OF PARRSBORO WATER UTILITY, which comprise of the statement of financial position of the water utility operating fund and capital fund as at March 31, 2016, and the statements financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions of the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook, 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 statement, 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.

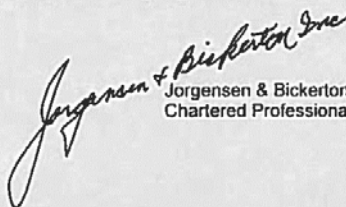
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the TOWN OF PARRSBORO WATER UTILITY, as at March 31, 2016 and the results of its financial activities for the year then ended in accordance with the Nova Scotia Utility and Review Board Water Utility Accounting and Reporting Handbook.

Restriction on Use

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Nova Scotia Utility and Review Board and are not intended to be and should not be used by anyone other than the specified users.


Jorgensen & Bickerton Inc.,
Chartered Professional Accountants

Amherst, Nova Scotia
December 21, 2016

**TOWN OF PARRSBORO
STATEMENT OF FINANCIAL POSITION
OF THE WATER UTILITY OPERATING FUND
MARCH 31, 2016**

ASSETS

	<u>2016</u>	<u>2015</u>
Cash	\$ 705,202	\$ 308,366
Receivables		
Rates	4,349	3,625
Other	275	2,500
	<u>4,624</u>	<u>6,125</u>
Inventories, at cost	<u>20,189</u>	<u>20,601</u>
	<u>\$730,015</u>	<u>\$ 335,092</u>

LIABILITIES

Payables and accruals - trade	\$418,721	\$ 23,131
Water rates paid in advance	6,235	6,253
	<u>424,956</u>	<u>29,384</u>

EQUITY

Surplus	<u>305,059</u>	<u>305,708</u>
	<u>\$730,015</u>	<u>\$ 335,092</u>

TOWN OF PARRSBORO
STATEMENT OF FINANCIAL ACTIVITIES
OF THE WATER UTILITY OPERATING FUND
YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Operating revenue		
Flat rate sales	\$190,285	\$189,264
Public fire protection	68,821	68,814
Sundry	1,175	(1,087)
	<u>260,281</u>	<u>256,991</u>
Operating expenditures		
Source of supply	1,891	484
Pumping	12,467	17,667
Water treatment	20,277	21,409
Transmission and distribution	108,622	111,161
Administrative and general	49,045	50,519
Depreciation of utility plant	63,164	56,212
Taxes	11,568	11,927
	<u>267,034</u>	<u>269,379</u>
Operating loss	<u>(6,753)</u>	<u>(12,388)</u>
Non operating revenue		
Interest	5,757	6,777
Transfer from Gas Tax Reserve	-	43,385
	<u>5,757</u>	<u>50,162</u>
Non operating expenditure		
Capital expenditures out of operations	<u>(347)</u>	<u>59,386</u>
Excess of expenditures over revenue	<u>(649)</u>	<u>(21,612)</u>
Surplus, beginning of year	<u>305,708</u>	<u>327,320</u>
Surplus, end of year	<u>\$305,059</u>	<u>\$305,708</u>

**TOWN OF PARRSBORO
STATEMENT OF FINANCIAL POSITION
OF THE WATER UTILITY CAPITAL FUND
MARCH 31, 2016
ASSETS**

	2016	2015
Cash		
Project bank	\$ -	\$ 347
Depreciation bank (Note 2)	323,812	260,648
Utility plant in service	3,441,157	3,096,247
	\$ 3,764,969	\$3,357,242

LIABILITIES

Deferred revenue	\$ -	\$ 347
Accumulated allowance for depreciation (Note 3)		
Funded	323,812	260,648
Invested in plant	764,822	764,822
	1,088,634	1,025,470
	1,088,634	1,025,817

EQUITY

Investment in Capital Assets	2,676,335	2,331,425
	\$ 3,764,969	\$3,357,242

TOWN OF PARRSBORO
STATEMENT OF FINANCIAL ACTIVITIES
OF THE WATER UTILITY CAPITAL FUND
YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 2,331,425	\$2,274,769
Add:		
Gas tax reserve	344,910	-
PCAP grant	347	-
Capital out of revenue	<u>(347)</u>	<u>59,386</u>
	<u>2,676,335</u>	<u>2,334,155</u>
Deduct:		
Loss on disposal	<u>-</u>	<u>2,730</u>
	<u>2,676,335</u>	<u>2,730</u>
Balance, end of year	<u>\$ 2,676,335</u>	<u>\$2,331,425</u>

TOWN OF PARRSBORO
SCHEDULE OF INVESTMENT WATER UTILITY
PLANT AND EQUIPMENT
MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Land and land rights		
Sources of supply	\$ 65,093	\$ 65,093
Reservoir	83,453	83,453
Structure and improvements		
Source of supply	799,695	799,695
Equipment		
Pumping	150,581	150,581
Water treatment	143,367	143,367
Tools and work equipment	25,771	25,771
Other equipment	50,070	50,070
Backhoe	59,600	59,600
Mains		
Transmission	399,634	399,634
Distribution	1,369,288	1,024,378
Hydrants	208,999	208,999
Water Study	79,237	79,237
Work in progress	6,369	6,369
	<u>\$ 3,441,157</u>	<u>\$3,096,247</u>

TOWN OF PARRSBORO
SCHEDULES TO
STATEMENT OF FINANCIAL ACTIVITIES OF THE
WATER UTILITY OPERATING FUND
YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Source of supply		
Maintenance of wells	\$ 1,288	\$ 7
Other	603	477
	<u>\$ 1,891</u>	<u>\$ 484</u>
Pumping		
Power	\$ 11,320	\$ 17,284
Maintenance	723	-
Other	424	383
	<u>\$ 12,467</u>	<u>\$ 17,667</u>
Water treatment		
Supplies and expenses	\$ 4,435	\$ 5,018
Maintenance	7,282	4,931
Other	1,650	818
Tests	6,910	10,642
	<u>\$ 20,277</u>	<u>\$ 21,409</u>
Transmission and distribution		
Supervision and engineering	\$ 102,436	\$ 102,436
Maintenance of mains	6,186	8,725
	<u>\$ 108,622</u>	<u>\$ 111,161</u>
Administrative and general		
Supervision	\$ 31,994	\$ 31,994
Audit	8,343	8,819
Regulatory expense	795	795
Miscellaneous expense	4,759	3,365
Engineering fees	3,154	5,546
	<u>\$ 49,045</u>	<u>\$ 50,519</u>

TOWN OF PARRSBORO
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

1. Accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed for Nova Scotia water utilities by the Nova Scotia Utility and Review Board.

(a) Revenue and expenditure

Major revenue and expenditure items are recorded on an accrual basis.

Certain sources of revenue, including forfeited discounts or interest on past due rates, are recorded on a cash basis.

Principal and interest payments relating to long term debt are recorded as an expense when paid.

Interest earned on depreciation funds is recorded as non-operating revenue in the water utility operating fund.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, net of bank indebtedness.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost being determined on a first-in, first out basis.

(d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they became known. Actual results could differ from these estimates.

(e) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting rates receivable outstanding.

**TOWN OF PARRSBORO
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

1. Accounting policies (cont'd)

f) Property and equipment

Capital assets and projects in progress are recorded at cost. Interest incurred during construction on significant water capital projects is capitalized. Interest is calculated at the prevailing prime rate for projects temporarily funded by general or water utility operations. Funds received through capital assistance programs or cost-sharing arrangements are recorded as an increase in equity.

(g) Depreciation

Depreciation of capital assets is recorded in the accounts of the Water Capital Fund calculated on a formula provided by the Nova Scotia Utility and Review Board.

The depreciation charge in the Water Operating Fund is transferred to a special bank account in the Water Capital Fund which is used to help fund replacement of existing plant and equipment or subject to approval by the Nova Scotia Utility and Review Board, to repay principal of capital debt.

(h) Assistance towards the acquisition of the capital assets

Assistance towards the acquisition of capital assets, received prior to April 1, 2007 is netted against the capitalized cost of the asset purchased. After April 1, 2007 the assets are recorded at gross cost. Any grants received are credited to investment in capital assets.

(i) Allocation of Municipal Costs to Water Utility Fund

Where identifiable, costs incurred by the Town of Parrsboro General Operating Fund on behalf of the Water Utility are charged to the Utility Fund. Salary and wage related costs are allocated in proportion to time spent performing functions on behalf of the Water Utility Administration and general expenses incurred for the benefits of both Municipal unit and the Water Utility are allocated as follows:

	<u>General Operations</u>	<u>Water Utility</u>
Administration	95%	5%
Public works	80%	20%

An application to Nova Scotia Utility and Review Board approved a flat fee for services performed for the water utility.

**TOWN OF PARRSBORO
WATER UTILITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

2. Depreciation bank

	2016	2015
Cash, beginning of year	\$ 260,648	\$ 204,436
Add: Depreciation	63,164	56,212
	323,812	260,648
Deduct: Depreciation funds used for water project	-	-
Cash, end of year	\$ 323,812	\$ 260,648

3. Accumulated allowance for depreciation

	2016	2015
Balance, beginning of year	\$ 1,025,470	\$ 969,258
Add: Current period's depreciation	63,164	56,212
	\$ 1,088,634	\$ 1,025,470

4. Rate of return on rate base

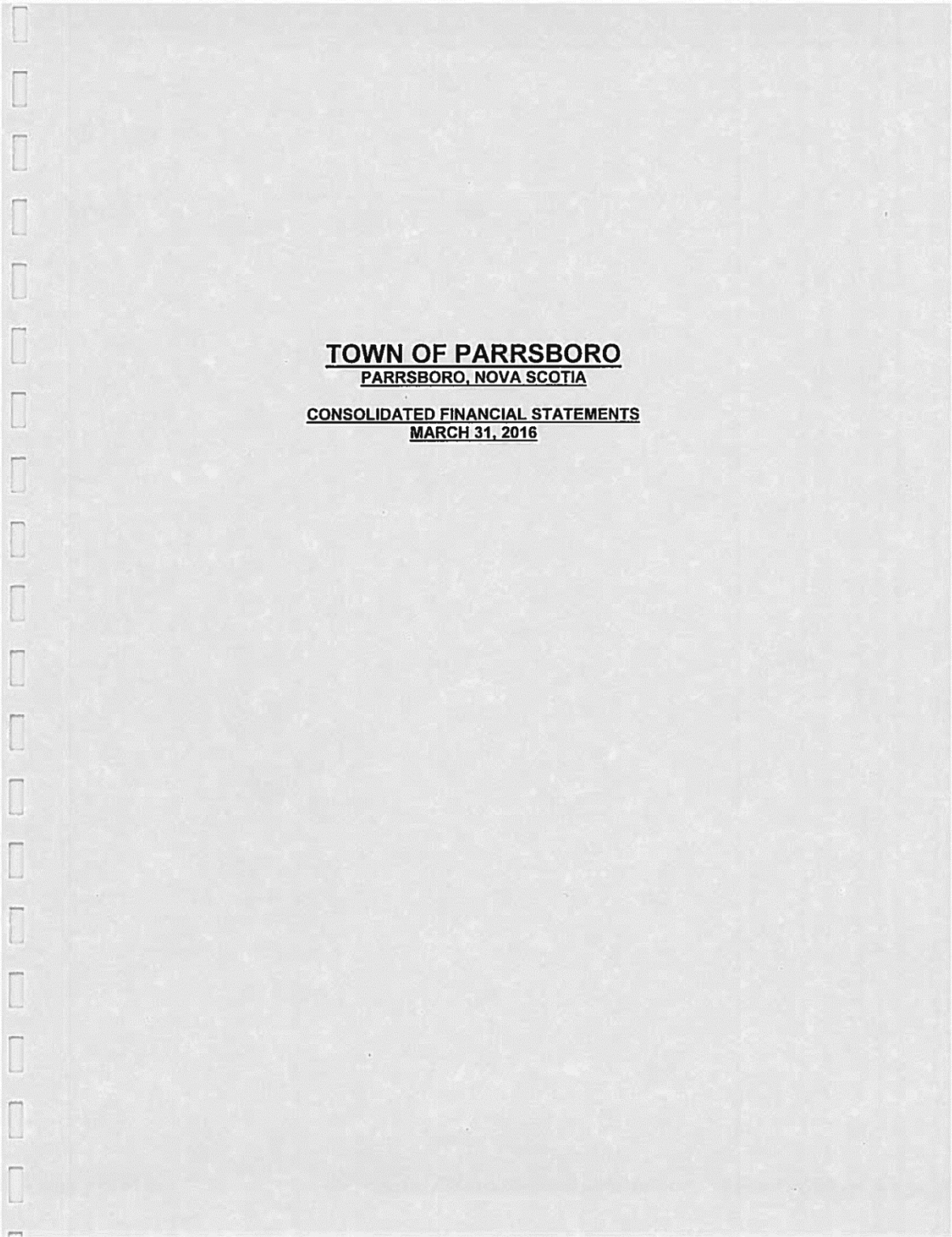
For the year ended March 31, 2016, the Water Utility had a rate of return on rate base of (-.27%) (2015-.56%).

5. Financial instruments

The Water Utility Financial Statements consist of cash, accounts receivable, accounts payable and accruals. It is in the opinion of management that the Water Utility is not exposed to significant interest or currency risk arising from these financial instruments.

The Utility is subject to credit risk with respect to taxes receivable to which the Utility provides services. An individual may experience financial difficulty and be unable to fulfill their obligations. The large number of diversity of taxpayers and customers minimize the credit risk.

The carrying value of the financial instruments approximates fair value.



TOWN OF PARRSBORO
PARRSBORO, NOVA SCOTIA
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

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TOWN OF PARRSBORO

Consolidated Financial Statements

Year Ended March 31, 2016

Management's Responsibility for the Consolidated Financial Statements

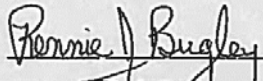
The accompanying consolidated financial statements of the Town of Parrsboro (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPAC). 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.

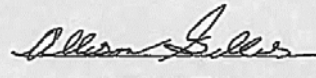
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The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Jorgensen & Bickerton Inc., independent external auditors appointed by the Municipality. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

**ON BEHALF OF THE MUNICIPALITY OF THE
COUNTY OF CUMBERLAND**


~~Rennie Bugley~~
CAO


Allison Gillis
Warden

Jorgensen & Bickerton inc.
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Warden and Members of the Council of the Municipality of the County of Cumberland

We have audited the accompanying consolidated financial statements of the Town of Parrsboro, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, change in net financial assets 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

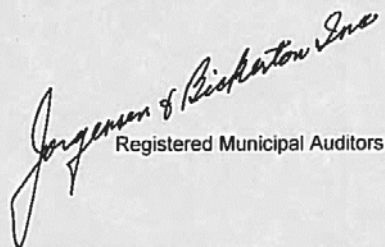
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 Town of Parrsboro'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 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Parrsboro as at March 31, 2016 and results of its operations, change in its net financial assets and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.


Registered Municipal Auditors

Amherst, Nova Scotia
December 21, 2016

TOWN OF PARRSBORO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash and short term investments	\$ 1,110,719	\$ 1,272,560
Taxes and rates receivable	89,794	82,901
Other receivables	1,325,784	1,076,656
Total Financial Assets	<u>2,526,297</u>	<u>2,432,117</u>
Financial Liabilities		
Accounts payable - trade	501,116	135,955
Other liabilities	316,081	152,438
Provision for landfill closure and post closure costs	257,451	223,279
Total Financial Liabilities	<u>1,074,648</u>	<u>511,672</u>
Net Financial Assets	<u>1,451,649</u>	<u>1,920,445</u>
Non Financial Assets		
Prepaid expenses	15,838	4,766
Inventories of supplies	102,610	88,361
Other	25	25
Capital assets (Net of Accumulated Depreciation) (Note 6)	6,565,104	6,240,944
Total Non Financial Assets	<u>6,683,577</u>	<u>6,334,096</u>
Accumulated Surplus (Note 14)	<u>\$ 8,135,226</u>	<u>\$ 8,254,541</u>

TOWN OF PARRSBORO
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Taxes	\$ 1,450,510	\$ 1,472,986
Grants in lieu of Taxes	12,746	12,651
Service to other Governments	61,506	65,564
Sales of services	334,716	335,214
Other revenue from Own Sources	49,574	16,539
Unconditional transfers from Government	394,110	396,724
Conditional transfers from Government	140,121	180,977
Other transfers	65,902	27,852
Interest income	32,825	35,854
Cumberland Joint Services Management Authority	274,709	265,330
Sundry	1,174	(1,087)
Total Revenue	<u>2,817,893</u>	<u>2,808,604</u>
Expenses		
General Government Services	590,088	524,291
Protective Services	503,255	477,930
Transportation Services	546,382	622,380
Environmental Health Services	92,835	100,364
Environmental Development Services	179,732	184,354
Recreation and Cultural Services	343,925	348,551
Water Utility	57,872	66,810
Cumberland Joint Services Management Authority	250,289	232,244
Amortization	375,587	343,044
Loss on disposal of assets	1,829	30,149
Total Expenditures	<u>2,941,794</u>	<u>2,930,117</u>
Excess of Expenses over Revenue - Before Other	<u>(123,901)</u>	<u>(121,513)</u>
Other		
Contributed assets	4,586	18,325
Excess of Expenses over Revenue	<u>(119,315)</u>	<u>(103,188)</u>
Accumulated surplus, beginning of year	<u>8,254,541</u>	<u>8,357,729</u>
Accumulated surplus, end of year	<u>\$ 8,135,226</u>	<u>\$ 8,254,541</u>

TOWN OF PARRSBORO
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Net Inflow (Outflow) of Cash Related to The Following Activities:		
Operating		
Excess of expenses over revenue	\$ (119,315)	\$ (103,188)
Amortization	375,587	343,044
Loss on disposal of tangible capital assets	1,829	30,149
Taxes and rates receivable	(6,893)	(19,365)
Other receivables	(249,128)	(510,712)
Accounts payable - trade	365,160	(3,050)
Other liabilities	163,643	(35,900)
Prepaid expenses	(11,072)	8,147
Inventories of supplies	(14,249)	677
Provision for landfill closure and post closure costs	34,172	29,544
Cash provided by operating transactions	<u>539,734</u>	<u>(260,654)</u>
Capital		
Acquisition of tangible capital assets	(704,795)	(250,889)
Sale of tangible capital assets	3,220	-
Cash applied to capital transactions	<u>(701,575)</u>	<u>(250,889)</u>
Net Decrease In Cash and Cash Equivalent	(161,841)	(511,543)
Cash and Cash Equivalent, beginning of year	<u>1,272,560</u>	<u>1,784,103</u>
Cash and Cash Equivalent, end of year	<u>\$ 1,110,719</u>	<u>\$ 1,272,560</u>

TOWN OF PARRSBORO
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Excess of Expenses over Revenue	\$ (119,315)	\$ (103,188)
Acquisition of tangible capital assets	(704,795)	(250,889)
Amortization of tangible capital assets	375,587	343,044
Change in inventories and prepaid expenses	(25,322)	8,824
Loss on disposal of tangible capital assets	1,829	30,149
Proceeds on disposal of tangible capital assets	<u>3,220</u>	<u>-</u>
Increase (Decrease) in Net Financial Assets	(468,796)	27,940
Net Financial Assets, Beginning of Year	<u>1,920,445</u>	<u>1,892,505</u>
Net Financial Assets, End of Year	<u>\$ 1,451,649</u>	<u>\$ 1,920,445</u>

**TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL POSITION
GENERAL OPERATING FUND
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash and short term investments	\$(1,192,815)	\$ (843,644)
Taxes and rates receivable	56,091	43,792
Other receivables	1,226,385	850,882
Total Financial Assets	<u>89,661</u>	<u>51,030</u>
Financial Liabilities		
Accounts payable - trade	66,726	52,440
Other liabilities	290,803	136,528
Total Financial Liabilities	<u>357,529</u>	<u>188,968</u>
Net Financial Liabilities	<u>(267,868)</u>	<u>(137,938)</u>
Non Financial Assets		
Prepaid expenses	12,569	1,610
Inventories of Supplies	82,421	67,760
Other	25	25
Total Non Financial Assets	<u>95,015</u>	<u>69,395</u>
Accumulated Deficit	<u>\$ (172,853)</u>	<u>\$ (68,543)</u>

TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL ACTIVITIES
GENERAL OPERATING FUND
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Revenue			
Taxes	\$1,488,452	\$ 1,450,510	\$ 1,472,986
Grants in Lieu of Taxes	12,733	12,746	12,651
Service to Other Governments	58,861	61,506	65,564
Sale of Services	276,480	144,431	145,950
Other Revenue from Own Sources	77,600	49,574	16,546
Unconditional Transfers from Government	390,901	394,110	396,724
Conditional Transfer from Government	33,500	40,447	44,825
Interest	15,500	22,791	24,129
Total Revenue	<u>2,354,027</u>	<u>2,176,115</u>	<u>2,179,375</u>
Expenditures			
General Government Services	586,446	590,088	524,291
Protective Services	576,873	503,255	477,930
Transportation Services	593,067	546,382	622,380
Environmental Health Services	136,205	96,592	104,841
Environmental Development Services	188,937	179,732	184,354
Recreation and Cultural Services	342,499	343,925	348,551
Total Expenditures	<u>2,424,027</u>	<u>2,259,974</u>	<u>2,262,347</u>
Net Expenditures	<u>(70,000)</u>	<u>(83,859)</u>	<u>(82,972)</u>
Financing and Transfers			
Transfer to Reserves	70,000	(72,570)	(14,332)
Transfer to General Capital	-	(25,058)	(48,775)
Transfer from Water Operating	-	77,177	77,536
Net Financing and Transfers	<u>70,000</u>	<u>(20,451)</u>	<u>14,429</u>
Change in General Operating Fund Balance	-	(104,310)	(68,543)
General Operating Fund Balance, Beginning of Year	-	(68,543)	-
General Operating Fund Balance, End of Year	<u>\$ -</u>	<u>\$ (172,853)</u>	<u>\$ (68,543)</u>

**TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL POSITION
WATER OPERATING FUND
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash and short term investments	\$ 705,202	\$ 308,366
Taxes and rates receivable	4,349	3,625
Other receivables	275	2,500
Total Financial Assets	<u>709,826</u>	<u>314,491</u>
Financial Liabilities		
Accounts payable - trade	418,721	23,131
Other liabilities	6,235	6,253
Total Financial Liabilities	<u>424,956</u>	<u>29,384</u>
Net Financial Assets	<u>284,870</u>	<u>285,107</u>
Non Financial Assets		
Inventories of supplies	<u>20,189</u>	<u>20,601</u>
Accumulated Surplus	<u>\$ 305,059</u>	<u>\$ 305,708</u>

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TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL ACTIVITIES
WATER OPERATING FUND
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Flat	\$ 190,285	\$ 189,264
Sundry	1,175	(1,094)
Interest	5,757	6,777
Total Revenue	<u>197,217</u>	<u>194,947</u>
Expenditures		
Source of supply	1,891	484
Power and pumping	12,467	17,667
Water treatment	20,277	21,409
Transmission and distribution	6,186	8,725
Administrative	17,051	18,525
Depreciation	63,164	56,212
Total Expenditures	<u>121,036</u>	<u>123,022</u>
Net Revenue	<u>76,181</u>	<u>71,925</u>
Financing and Transfers		
Transfer to General Operating	(77,177)	(77,536)
Transfer to Water Capital	347	(16,001)
Net Financing and Transfers	<u>(76,830)</u>	<u>(93,537)</u>
Change in Water Operating Fund Balance	(649)	(21,612)
Water Operating Fund Balance, beginning of year	<u>305,708</u>	<u>327,320</u>
Water Operating Fund Balance, end of year	<u>\$ 305,059</u>	<u>\$ 305,708</u>

**TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL POSITION
GENERAL CAPITAL FUND
AS AT MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 10,455	\$ 25,706
Other receivables	-	25,706
	<u>10,455</u>	<u>51,412</u>
Financial Liabilities		
Accounts payable	2,243	51,412
Other liabilities	8,212	-
	<u>10,455</u>	<u>51,412</u>
Net Financial Assets (Liabilities)	<u>-</u>	<u>-</u>
Non Financial Assets		
Capital assets	8,132,278	7,816,058
Accumulated Depreciation	<u>(4,163,023)</u>	<u>(3,876,592)</u>
Total Non Financial Assets	<u>3,969,255</u>	<u>3,939,466</u>
Accumulated Surplus	<u>\$ 3,969,255</u>	<u>\$ 3,939,466</u>

TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL ACTIVITIES
GENERAL CAPITAL FUND
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Loss on disposal of tangible capital assets	\$ (1,112)	\$ (27,419)
Donations	4,586	23,325
County of Cumberland	65,144	22,852
Other	7,793	43,206
	<u>76,411</u>	<u>61,964</u>
Expenditures		
Amortization of tangible capital assets	<u>298,879</u>	<u>274,561</u>
Net Expenditures	<u>(222,468)</u>	<u>(212,597)</u>
Financing and Transfers		
Transfer from General Operating	25,058	48,775
Transfer from reserves	227,199	48,452
Net Financing and Transfers	<u>252,257</u>	<u>97,227</u>
Change in General Capital Fund	29,789	(115,370)
General Capital Fund Balance, beginning of year	<u>3,939,466</u>	<u>4,054,836</u>
General Capital Fund Balance, end of year	<u>\$ 3,969,255</u>	<u>\$ 3,939,466</u>

**TOWN OF PARRSBORO
 SCHEDULE OF FINANCIAL POSITION
 WATER CAPITAL FUND
 AS AT MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash and short term investments	<u>\$ 323,812</u>	<u>\$ 260,996</u>
Financial Liabilities		
Deferred revenue	<u>-</u>	<u>347</u>
Net Financial Assets	<u>323,812</u>	<u>260,649</u>
Non Financial Assets		
Tangible capital assets (Net of Accumulated Depreciation)	<u>2,352,523</u>	<u>2,070,776</u>
Accumulated Surplus	<u>\$ 2,676,335</u>	<u>\$ 2,331,425</u>

**TOWN OF PARRSBORO
 SCHEDULE OF FINANCIAL ACTIVITIES
 WATER CAPITAL FUND
 FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
Revenue		
PCAP Grant	\$ 347	\$ -
Write downs of tangible capital assets	<u>-</u>	<u>2,730</u>
Net Revenue (Expenditures)	<u>347</u>	<u>(2,730)</u>
Financing and Transfers		
Transfer from reserves	344,910	43,385
Transfer from(to) water operating fund	<u>(347)</u>	<u>16,001</u>
Net Financing and Transfers	<u>344,563</u>	<u>59,386</u>
Change in Capital Fund Balance	344,910	56,656
Water Capital Fund Balance, beginning of year	<u>2,331,425</u>	<u>2,274,769</u>
Water Capital Fund Balance, end of year	<u>\$ 2,676,335</u>	<u>\$ 2,331,425</u>

TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL POSITION
RESERVE FUNDS
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 626,902	\$ 927,970
Accounts receivable	91,534	193,436
	<u>718,436</u>	<u>1,121,406</u>
Financial Liabilities	<u>-</u>	<u>-</u>
Net Financial Assets	<u>718,436</u>	<u>1,121,406</u>
Non Financial Assets	<u>-</u>	<u>-</u>
Accumulated Surplus	<u>\$ 718,436</u>	<u>\$ 1,121,406</u>

TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL ACTIVITIES
RESERVE FUNDS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Interest income	\$ 4,277	\$ 4,947
Gas tax revenue	91,534	92,946
Tax sale proceeds	758	-
Total Revenue	<u>96,569</u>	<u>97,893</u>
Expenditures	<u>-</u>	<u>-</u>
Net Revenue	<u>96,569</u>	<u>97,893</u>
Financing and Transfers		
Transfer to water capital	(344,910)	(43,385)
Transfer from general operating	72,570	14,332
Transfer to general capital	(227,199)	(48,452)
Net Financing and Transfers	<u>(499,539)</u>	<u>(77,505)</u>
Change in Reserve Fund Balances	(402,970)	20,388
Reserve Fund Balances, Beginning of Year	<u>1,121,406</u>	<u>1,101,018</u>
Reserve Fund Balances, End of Year	<u>\$ 718,436</u>	<u>\$ 1,121,406</u>

TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL POSITION
CUMBERLAND JOINT SERVICES MANAGEMENT AUTHORITY
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 637,163	\$ 593,166
Receivables - tipping fees	29,354	35,484
- HST	3,354	1,373
- other	4,236	2,759
	<u>674,107</u>	<u>632,782</u>
Financial liabilities		
Payables and Accruals	24,257	18,282
Provision for landfill closure and post closure costs	257,451	223,279
	<u>281,708</u>	<u>241,561</u>
Net Financial Assets	<u>392,399</u>	<u>391,221</u>
Non-Financial Assets		
Prepaid expenses	3,269	3,156
Capital assets	243,326	230,702
Total Non-Financial Assets	<u>246,595</u>	<u>233,858</u>
Accumulated Surplus	<u>\$ 638,994</u>	<u>\$ 625,079</u>
Fund Balances		
General Operating Fund	\$ (194,933)	\$ (178,621)
General Capital Fund	224,074	206,637
Reserve Fund	609,853	597,063
Total Fund Balances	<u>\$ 638,994</u>	<u>\$ 625,079</u>

TOWN OF PARRSBORO
SCHEDULE OF FINANCIAL ACTIVITIES
CUMBERLAND JOINT SERVICES MANAGEMENT AUTHORITY
AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
Revenue		
Solid Waste Operations	\$ 201,385	\$ 185,296
Compost Operations	32,331	31,410
Recycling Operations	39,153	38,328
Other	5,597	14,772
Total Revenue	<u>278,466</u>	<u>269,806</u>
Expenditure		
Administration	50,304	50,911
Solid Waste Operations	100,598	95,948
Compost Operations	13,937	13,846
Recycling Operations	85,451	71,538
Amortization of tangible capital assets	13,544	12,271
Loss on disposal of tangible capital assets	717	-
Total Expenditures	<u>264,551</u>	<u>244,514</u>
Net Revenue	13,915	25,292
Cumb Joint Services Mgmt Auth Fund Balance, Beginning of Year	<u>625,079</u>	<u>599,787</u>
Cumb Joint Services Mgmt Auth Fund Balance, End of Year	<u>\$ 638,994</u>	<u>\$ 625,079</u>

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Parrsboro are the representations of management prepared in accordance with Generally Accepted Accounting Principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPAC).

The focus of PSAB financial statements is on the financial position of the Town of Parrsboro and the changes thereto. The consolidated statement of financial position includes all of the assets and liabilities of the Town of Parrsboro.

a) Reporting Entity

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

- General Operating and General Capital
- Water Operating and Water Capital
- Operating and Capital Reserves
- Cumberland Joint Services Management Authority

Inter-departmental and inter-organized transactions have been eliminated.

b) Fund Accounting

Funds within the consolidated financial statements consist of the operating funds, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate municipal fund balance.

The operating funds reflect the financial activities associated with the provision of municipal government services.

The capital funds reflect the financial activities associated with the acquisition construction and funding of capital assets.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks, net of bank indebtedness and investments.

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d) Financial Instruments

The consolidated financial statements consist of cash, accounts receivable, accounts payable, accruals and long term debt. It is in the opinion of management that the Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town is subject to credit risk with respect to taxes receivable to which the Town provides services. An individual may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimize the credit risk.

The carrying value of the financial instruments approximates fair value.

e) Revenue and Expenditure Recognition

Revenues are recorded using the accrual basis of accounting as they are earned and measurable. Expenditures are accounted for in the period the goods and services are acquired and liability is incurred or transfer is due.

Property tax revenue is based on assessment as determined by Property Valuation Services. 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.

f) Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization and depreciation has been recorded as an expense and is calculated on a straight-line basis over an asset's estimated useful life.

Amortization Rates

<u>Asset Type</u>	<u>Useful Life</u>
Buildings	40 years
Vehicles and equipment	5 - 15 years
Streets, Roads & Curbs	25 - 30 years
Sewer Lines	50 years

The Town records depreciation in the Water Utility Operating Fund which is calculated based on rates prescribed by the Nova Scotia Utility and Review Board. The annual depreciation amount is transferred to the Water Utility Capital Fund and is used to help fund capital asset additions.

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost being determined on a FIFO basis.

h) Government Transfers

Government Transfers are recognized in the period in which the events giving rise to the transfer occur, providing transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

i) Investment Income

Investment income earned on surplus operating funds, capital funds and reserve funds are reported as revenue in the period earned.

j) Use of Estimates

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

k) Budget

The Town of Parrsboro prepares a budget for general operating fund but not for water operating and water capital. Budget figures have not been presented because the amounts would be meaningless.

l) Landfill Closure & Post Closure Liability

The Town accrues landfill closure and post closure requirements that include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions using the best information available to management.

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. CONTRIBUTION TO BOARDS

The Town of Parrsboro is required to finance the operations of various Boards and Commission, along with other Municipal Units in Cumberland 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.

Cobequid Regional Housing Authority

The Town of Parrsboro along with other municipal units is required to finance its share of the operating deficit in the Cobequid Regional Housing Authority out of current year's operations. The deficit financed for 2015/16 was \$66,348 (2014/15 -\$66,020).

Cumberland Regional Library

During the year, the Town of Parrsboro paid \$9,120 (2015 - \$9,120) to the Cumberland Regional Library. The Town of Parrsboro does not share in any surplus or deficits.

3. CONTRIBUTION TO PROVINCIAL GOVERNMENT DEPARTMENTS & AGENCIES

The Town of Parrsboro is required to finance the operations of various provincial government departments and boards, along with other municipal units in the province, based upon formulas defined in legislation.

Education Contribution

The Town of Parrsboro is required to contribute to the Chignecto Central Regional School Board based on a calculation using the mandatory municipal education rate (set by the Minister of Education) times the Town of Parrsboro's uniform assessment. For 2015/16 the Town paid \$186,252 (2014/15 - \$183,396).

Corrections Contribution

The required contribution for corrections is calculated first using an amount set by the Province, to be recovered from all municipal units. Fifty percent of this recovery amount is allocated among municipal units using each unit's uniform assessment as a percentage of provincial uniform assessment. The other fifty percent is allocated using each unit's number of dwelling units as a percentage of provincial dwelling units. During 2015/16 the Town of Parrsboro paid \$17,797 (2014/15 - \$18,034) to the Province for corrections services.

Assessment Services Contributions

The required contribution for assessment services is calculated first using an amount, set by the Province to be recovered from all municipal units. Fifty percent of this recovery amount is allocated among municipal units using each unit's uniform assessment as a percentage of provincial uniform assessment. The other fifty percent is allocated using each unit's number of assessment accounts as a percentage of provincial assessment accounts. During 2015/16 the Town of Parrsboro paid \$23,521 (2014/15 - \$23,866) to the Province for assessment services.

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

4. GOVERNMENT PARTNERSHIP

Generally Accepted Accounting Principles for local governments as established by the Public Sector Accounting Board (PSAB) require a government's pro rata share of each of the assets, liabilities, revenues and expenditures (including capital expenditures) of any government partnership to be combined on a line by line basis with similar items in the government's financial statements. The Town of Parrsboro has a partnership with Cumberland Joint Services Management Authority which operates a landfill site in Little Forks. The pro rata share for the Town of Parrsboro is 9.76% as published in the March 31, 2016 financial statements of Cumberland Joint Services Management Authority. The 2015 comparative figures for CJSMA have been changed to 9.76% (from 3.78%) for more accurate comparison of figures.

5. REMUNERATION

Remuneration of elected officials and Town Clerk

Lois Smith – Mayor	\$ 9,625
David Harrison – Councillor	\$ 6,550
Lisa Ward – Councillor	\$ 6,550
Ron Shaw - Councillor	\$ 6,550
Rob Fancy - Councillor	\$ 1,092
Norma Rafuse – Councillor	\$ 3,275
Ray Hickey – Town Clerk	\$ 73,437

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

6. TANGIBLE CAPITAL ASSETS

	Cost 2015	Addition	Disposal	Cost 2016	Accum. Dep'n. Beginning of Year	Amortization Reduction from Disposal of Asset	Amortization	Accum. Dep'n. End of Year	Net Book Value of Tangible Capital Assets
General									
Buildings	\$ 1,104,117	\$ 7,684	\$ -	\$ 1,111,801	\$ 637,420	\$ -	\$ 27,795	\$ 665,215	\$ 446,586
Machinery/Equip.	359,868	62,846	-	422,714	250,180	-	59,878	310,058	112,656
Vehicles	850,692	145,361	15,560	980,493	555,692	12,448	72,939	616,183	364,310
Paving & Streets	3,215,019	586	-	3,215,605	1,335,016	-	96,375	1,431,391	1,784,214
Sidewalks	550,123	-	-	550,123	495,572	-	9,953	505,525	44,598
Storm Drains	252,841	-	-	252,841	237,645	-	2,111	239,756	13,085
Sewer Lines	1,059,573	62,524	-	1,122,097	327,691	-	22,442	350,133	771,964
Other	51,413	32,632	-	84,045	-	-	-	-	84,045
Land & Improvements	372,412	20,147	-	392,559	37,375	-	7,387	44,762	347,797
Water									
Land & land rights	148,546	-	-	148,546	-	-	-	-	148,546
Structures & improvements	785,612	-	-	785,612	236,672	-	19,640	255,312	530,300
Equipment	443,471	-	-	443,471	275,139	-	15,144	290,283	153,188
Mains	1,424,011	344,910	-	1,768,921	947,535	-	22,996	370,531	1,398,390
Water Study	79,237	-	-	79,237	76,572	-	2,665	79,237	-
Hydrants	208,999	-	-	208,999	90,551	-	2,718	93,269	115,730
Work in Progress	6,368	-	-	6,368	-	-	-	-	6,368
CJSMA	431,522	28,105	28,957	430,670	200,820	27,021	13,544	187,343	243,327
	\$11,343,824	\$ 704,795	\$ 44,517	\$12,004,102	\$5,102,880	\$ 39,469	\$ 375,587	\$5,438,998	\$ 6,565,104

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. AMORTIZATION OF CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
General Capital Fund		
General government services	\$ 20,860	\$ 18,237
Protective services	89,439	76,223
Transportation services	127,974	123,554
Environmental health services	34,506	33,553
Recreation and cultural services	26,101	22,994
	<u>298,880</u>	<u>274,561</u>
Water Utility		
Structure and improvements	19,640	19,640
Equipment	17,809	15,755
Mains	22,996	16,693
Hydrants	2,718	4,124
	<u>63,163</u>	<u>56,212</u>
CJSMA		
Buildings	7,232	7,019
Equipment	1,385	507
Vehicles	4,927	4,745
	<u>13,544</u>	<u>12,271</u>
	<u>\$ 375,587</u>	<u>\$ 343,044</u>

8. LOSS ON DISPOSAL OF ASSETS

	<u>2016</u>	<u>2015</u>
General Capital Fund		
Protective services	\$ 1,112	\$ -
Other	-	27,419
	<u>1,112</u>	<u>27,419</u>
Water Utility		
Work in progress	-	2,730
	<u>-</u>	<u>2,730</u>
CJSMA		
Vehicles	717	-
	<u>717</u>	<u>-</u>
	<u>\$ 1,829</u>	<u>\$ 30,149</u>

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

9. CAPITAL EXPENDITURES

	<u>2016</u>	<u>2015</u>
General Capital Fund		
Fire Dept. - bunker suits, gloves & faceshields	\$ 9,425	\$ 5,305
Town Hall - Scott property	-	1,251
Town Hall - Joy Laking painting	2,086	-
Town Hall - sculpture	2,711	-
Fire Dept. - cold water rescue suits	4,000	-
Fire Dept. - pagers & radios	12,675	3,286
Fire Dept. - fire extinguishers	655	-
Fire Dept. - sound system	2,180	-
Public works - brush cutter	1,336	3,559
Town Hall - projector	615	-
Town Hall - compost bins	3,701	-
Town Hall - anchor	4,000	-
Recreation - drywell ballfield	2,503	-
Recreation - library ramp	5,875	-
Fire Dept. - boat & shed roof	1,809	601
Fire Dept. - equipment	-	12,521
Fire Dept. - flag pole	-	3,675
Recreation - fence	-	3,650
Recreation - paint library	-	3,507
Recreation - tennis court	17,645	55,363
Public Works - boiler system	-	21,494
Recreation - tennis equipment	-	1,398
Transportation - gas pump	-	652
Recreation - treadmill	-	8,393
Recreation - bikes & racks	-	3,801
Other - wastewater study	2,163	51,412
Fire Dept. - 2 bank cascade system	-	6,742
Recreation - rowing machine	1,563	-
Recreation - computer	512	-
Recreation - bandstand drawings & wiring	17,387	-
Public Works - 2016 Ford truck	42,241	-
Fire Dept. - fire truck	89,216	-
Fire Dept. - zodiac boat/trailer	9,068	-
Fire Dept. - motor 1976 fire truck	4,835	-
Transportation - Phinney Lane	586	-
Other - King St. sewer lines	62,524	-
Other - Main St. sewer	30,469	-
	<u>331,780</u>	<u>186,610</u>

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

9. CAPITAL EXPENDITURES (continued)

	<u>2016</u>	<u>2015</u>
Water Capital Fund		
Work on well #3	-	14,082
King St. water main replacement	344,910	-
Soda ash pump	-	1,918
King St. - check valve	-	43,385
	<u>344,910</u>	<u>59,385</u>
CJSMA – 9.76%		
Recycling – trailers & office furniture	9,348	-
Recycling cages	-	1,337
2015 Cat skidsteer	5,697	-
Office furniture	226	-
Leachate monitoring well	-	1,038
Leachate pumps	-	2,519
Recycling - baler	12,834	-
	<u>28,105</u>	<u>4,894</u>
Total Expenditures	<u>\$ 704,795</u>	<u>\$ 250,889</u>

10. CAPITAL EXPENDITURES - SOURCES OF FINANCING

	<u>2016</u>	<u>2015</u>
General Capital Fund		
Capital out of revenue	\$ 25,058	\$ 48,775
Reserve funds	227,199	48,452
Grants	7,793	43,206
Donations	4,586	23,325
County of Cumberland	65,144	22,852
Trade-in of zodiac	2,000	-
	<u>331,780</u>	<u>186,610</u>
Water Capital Fund		
Capital out of revenue	(347)	16,000
Reserve funds	344,910	43,385
Grants	347	-
	<u>344,910</u>	<u>59,385</u>
CJSMA		
Capital out of revenue	420	4,894
Reserve funds	26,465	-
Trade-in of baler & skidsteer	1,220	-
	<u>28,105</u>	<u>4,894</u>
Total Sources of Financing	<u>\$ 704,795</u>	<u>\$ 250,889</u>

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

11. INVESTMENT IN CAPITAL ASSETS

	Town of Parrsboro General Capital	Town of Parrsboro Water Capital	9.76% CJSMA General Capital	2016	2015
Balance, beginning of year	<u>\$3,939,466</u>	<u>\$2,331,425</u>	<u>\$206,637</u>	<u>\$6,477,528</u>	<u>\$6,534,316</u>
Add:					
Principal payments on leachate facility loan	-	-	4,813	4,813	4,813
Capital out of revenue	25,058	(347)	420	25,131	69,669
Grant	7,793	347	-	8,140	43,206
Transfer from reserves	227,199	344,910	26,465	598,574	91,837
County of Cumberland	65,144	-	-	65,144	22,852
Donation of capital assets	4,586	-	-	4,586	23,325
Other	-	-	-	-	4,491
	<u>329,780</u>	<u>344,910</u>	<u>31,698</u>	<u>706,388</u>	<u>260,193</u>
Deduct:					
Loss on disposal of assets	1,112	-	717	1,829	30,149
Amortization	298,879	-	13,544	312,423	286,832
	<u>299,991</u>	<u>-</u>	<u>14,261</u>	<u>314,252</u>	<u>316,981</u>
Investment in Capital Assets	<u>\$3,969,255</u>	<u>\$2,676,335</u>	<u>\$224,074</u>	<u>\$6,869,664</u>	<u>\$6,477,528</u>

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

12. RESERVE FUND BALANCES

The following is a breakdown of the Reserve Fund Balance as reported in the Schedule of Financial Position - Reserve Funds.

	<u>2016</u>	<u>2015</u>
Capital Reserve		
Fire department equipment	\$ 38,635	\$ 71,225
Unappropriated	14,491	13,628
Total Capital Reserve	<u>53,126</u>	<u>84,853</u>
Gas Tax Reserve	<u>223,470</u>	<u>531,695</u>
Operating Reserve		
Main Street	43,299	43,299
Sewer	173,468	209,741
Office	23,096	23,096
Library	7,485	7,485
Signage	6,215	6,215
Succession planning	80,000	80,000
Glooscap park	14,375	14,375
Unappropriated	43,902	70,647
Town Hall	50,000	50,000
Total Operating Reserve	<u>441,840</u>	<u>504,858</u>
Total Capital and Operating Reserve Funds	<u>\$ 718,436</u>	<u>\$1,121,406</u>

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

13. EXPENSES BY OBJECT

	<u>2016</u>	<u>2015</u>
Salaries, wages & benefits	\$ 873,663	\$ 903,196
Goods and services	1,689,185	1,683,854
Interest & bank charges	3,359	23
Amortization of tangible capital assets	375,587	343,044
	<u>\$ 2,941,794</u>	<u>\$ 2,930,117</u>

14. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
General Operating Fund	\$ (172,853)	\$ (68,543)
Water Operating Fund	305,059	305,708
Reserve Funds	718,436	1,121,406
CJSMA Fund – 9.76%	(194,933)	(178,621)
CJSMA Reserve Funds – 9.76%	609,853	597,063
Investment in Capital Assets	6,869,664	6,477,528
	<u>\$ 8,135,226</u>	<u>\$ 8,254,541</u>

15. PROVISION FOR LANDFILL CLOSURE & POST CLOSURE COSTS

The Town of Parrsboro along with the Municipality of the County of Cumberland, the Town of Amherst and the Town of Oxford owns and operates through Cumberland Joint Services Management Authority (CJSMA), one open and one closed landfill site. The Town has an obligation under the Nova Scotia Environmental Protection Act for costs related to the closure and post closure care of the sites once capacity is reached. These costs are shared pro rata on use with the other municipalities party to CJSMA, where a reserve has been established to provide for the future costs. The Town's 2016 pro rata share is 9.76% (2015 - 3.79%).

Closure and post closure activities for this site includes final covering and landscaping, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

The estimated liability for the care of the landfill site is the present value of future cash flows associated with closure and post closure costs discounted using a long-term borrowing rate of 3.05% and a forecasted inflation rate of 3%. The liability was adjusted for capacity used of 76.75% (2015 - 68.37%).

TOWN OF PARRSBORO
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

15. PROVISION FOR LANDFILL CLOSURE & POST CLOSURE COSTS (cont'd)

The total estimated present value of future expenses for closure and post closure care as at March 31, 2016 is \$3,436,876 (2015 - \$3,345,828). The liability to date is \$2,637,819 (2015 - \$2,287,693) based on capacity used.

The Town of Parrsboro's 2016 share of the liability is estimated at \$257,451 (2015 - \$86,704) for closure and post closure costs. These costs have been reported on the consolidated statement of financial position. The Town's share of the cash reserve in CJSMA to fund the liability is \$262,485 (2015 - \$95,546)

16. PENSION PLANS

Town of Parrsboro employees are members of a defined contribution plan to which the employer and employee contribute. The full cost of the plan payments are recognized monthly and there is no liability at year end.

17. LIABILITY FOR CONTAMINATED SITES

The town has a garbage disposal site which was abandoned 17 years ago. There is no indication of ongoing contamination and no provision has been made for possible remediation.

18. CONTINGENCIES

In the normal course of operations, the Town becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at March 31, 2016 cannot be predicted with certainty, it is the opinion of management and council that resolution of these matters will not have a material adverse effect as the Town maintains insurance coverage in amounts considered appropriate. There are no claims outstanding at March 31, 2016.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

20. SUBSEQUENT EVENTS

On October 31, 2016 the Town of Parrsboro was dissolved and became part of the Municipality of Cumberland County.

Schedule B
McIsaac Darragh Report – Municipality of the County of Cumberland



11 Princess Street
PO Box 217, Amherst, NS B4H 3Z2
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December 21, 2016

Allison Gillis
Warden, Municipality of the County of Cumberland
PO Box 248
Amherst, NS
B4H 3Z5

Dear Mr. Gillis and Council,

Our audit is planned and conducted to enable us to express an audit opinion on the annual financial statements. However, during the course of our audit of the Municipality of the County of Cumberland ("the County") for the year ended March 31, 2016, significant organizational issues and weakness in internal controls came to our attention. We feel these matters merit your attention.

Financial Reporting System

Over the past year the Finance department has undergone a number of changes and challenges, including dissolution of the former Town of Springhill, merging staff, policies and processes of the former Town and the County, and loss of a key finance person since year end. Staff have many competing priorities and limited time. The financial reporting system does not appear to be at the forefront of the Finance department's priorities. Financial reporting is a key component of a robust information system that collects, organizes and reports on the activities of the Municipality. The role of Council is to oversee the use of the Municipality's resources and Councillors rely on management to provide information on which informed decisions can be made. Timely and accurate financial information is vital for management and Council decision making.

Senior management must establish priorities and ensure staff have the capacity and resources available to meet these priorities. When tasks are not getting done, it is Council's role to ensure there is accountability, and that management is assessing the reason and taking action for improvement, whether it be skill level, limited time, improved delegation or the need to better prioritize tasks.

Examples noted during the audit which reflect the impact of the deficiencies in the financial reporting system include:

- The revenue collection policy states that all properties with taxes in arrears for the preceding three fiscal years shall be put up for tax sale as per MGA legislation. The County is at least 2 years behind in getting delinquent properties up for a tax sale. This has resulted in an increase in the valuation allowance for 2016. The longer it takes to list the properties for sale, the higher the risk of not collecting unpaid property taxes. A plan should be developed and implemented for the adherence to policy for tax sale of overdue accounts.

- A letter was received from the Province of NS on April 26, 2016 noting that the Municipality's accounts receivable balance continues to rise and has increased by 22% over the past two years. An increased rate of uncollected taxes is of concern to the Province, and the situation has deteriorated with the addition of the former Town of Springhill's aging receivables. The Province



requested a plan from the Municipality within 30 days of the letter as to how they will address the issues of the increase in accounts receivable. To date, there has been no response to this request. A written plan, including a forecast of collections, should be prepared and submitted to the Province in compliance with their request.

- Claims and supporting documentation have not been submitted for funding to cover post-transitional expenses of dissolution of the Town of Springhill as detailed in the letter of intent from the Province of Nova Scotia dated December 2014. Funding of up to \$151,120 annually for five years is available but reporting requirements specified in the letter must be met. Claims should be completed for all funding for which the Municipality is eligible within a month of the end of the claim period.
- Bank reconciliations for the year were not complete until seven months after year end. These reconciliations serve as a basic control over accurate reporting and help prevent or detect misappropriation of assets. Bank reconciliations should be completed, and reviewed by an independent person, within three weeks of each month end.
- Deadlines for completion of the audit, presentation of the final March 31, 2016 audited financial statements to Council and submission of these statements to the Province of Nova Scotia have been missed, resulting in the issuance of these statements almost nine months after the fiscal year end. Audited financial statements should be available for approval within three months of year end.
- A significant number of audit adjustments resulting in material changes to the financial statements were required based on our testing. These are listed in our audit findings letter. Internal processes and controls should result in completed financial statements with no material adjustments required.
- Directors did not have the information to undertake regular comparison of actual results to budget. This comparison provides both Directors and Council with information on how the Municipality is progressing on projects and plans, as well as a tool to help ensure that unauthorized expenditures are not made. Accurate comparative financial information by department should be available to directors within three weeks of each period end.

We recommend management undertake a review of the objectives and key tasks of the finance department. The capacity and capability of the finance team should then be evaluated to determine if the right balance of staff is in place, and that staff are assigned the appropriate tasks and accountability to support these objectives.

A management letter action list was created during the year outlining a timeline of when issues from the previous audit would be addressed and who was responsible to make the changes. This action list has not progressed since May 2016. We recommend that the management letter action list be updated and the audit committee be charged with reviewing this list to ensure it appropriately identifies tasks and individuals responsible, and then ensures there is accountability for the implementation of each item.



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December 20, 2016

Mr. Rennie Bugley, CAO
Municipality of the County of Cumberland
PO Box 248
Amherst, NS
B4H 3Z5

Dear Mr. Bugley,

We have completed the audit of the consolidated financial statements of the Municipality of the County of Cumberland for the year ended March 31, 2016. Our examination was conducted primarily to enable us to express an opinion on the consolidated financial statements and was not designed to discover weaknesses or inefficiencies which may be present in the accounting systems. Our audit did, however, reveal areas for improvement, which we bring to your attention with this letter. Please note that issues considered more significant have been reported in the year end management letter addressed to the Warden and Council, copied to the Audit Committee and management.

Minutes re: Capital project procurement and processing

When tenders for capital projects come in higher than the approved capital budget, the minutes do not clearly reflect that Council is being made aware of the increase over the original budgeted amount. It is also not evident in the minutes that emergency funds needed for a capital project are authorized after the fact. In addition, the capital budget is originally prepared and approved with sources of financing for the projects, but this often doesn't agree to how the projects were actually funded. The capital budgeting process is an important monitoring tool as it creates accountability and measurability when used properly. Without approval documentation the tool is not working effectively. We recommend that documentation in the minutes include that Council is aware of an increase over budget, emergency funds were spent, and a change in source of funding is made.

Inventory

A test count of inventory was performed during the year at the Springhill location. From this count we identified that some of the items listed were not inventory and should be classified as capital assets and amortized over their useful life. Some of the items inventoried could also be considered supplies and expensed in the year of purchase. The result of recording all assets as inventory is inaccurate financial information available for management to make decisions.

We recommend that inventory policies be created for each department operating within the County, and followed consistently throughout all locations. The policies should include a definition of inventory for that department, a description of what to count, when to count, how to record purchases and changes in inventory and who is responsible for each step in the policy.



Segregation of duties – accounts payable (repeat from prior year)

In an ideal control environment there are certain accounting functions that should not be performed by the same person. For example, the same person should not authorize a transaction, record a transaction and have custody of the related asset. By segregating these functions, a control environment is created that minimizes the risk of misstatements from fraud or error.

Progress has been made in this area with the creation of the flowchart documenting who is to perform what duties, including segregation of processing invoices and preparing cheques. As the system still does not limit roles to specific duties, the risk remains that the payables clerk could set up a fictitious vendor, create a dummy invoice, print a cheque to pay the invoice and present the cheque for signature or simply forge signatures on the cheque.

We recommend the following to reduce the risk of fraud:

- The roles in SAP should be changed so that new vendors can only be set up by the Accountant and that a vendor change report be generated on a regular basis and reviewed to ensure that all significant changes made were authorized.
- The bank statement should be received by someone other than the individual posting the invoices, and the bank should be reconciled monthly. During the reconciliation, cancelled cheques should be scrutinized to ensure payments were properly authorized and that there are no unusual transactions.
- Access controls should be implemented in SAP, limiting the modules and procedures that can be accessed by staff to those necessary to perform the specific tasks assigned.

Management estimates (repeat from prior year)

Management is responsible for developing estimates recorded in the financial statements. An example of an estimate significant to the financial statements is the allowance for doubtful accounts. Due to their inherent subjectivity, accounting estimates should be subject to greater scrutiny than other accounting entries. The process for the development of estimates should be standardized and documented so that appropriate administrative and governance oversight is facilitated, and to ensure the process is applied the same way each year. Valid reasons for changes in assumptions and in the approach or calculation of material estimates should be documented and retained with the calculation itself. Someone other than the individual preparing the estimate should be reviewing the calculation and supporting documentation. Internal controls are weakened if the process is not sufficiently rigorous.

Although the process has improved over the past three years, we recommend increased standardization in the development and approval of material accounting estimates. Council, perhaps through the Audit Committee, should be aware of significant estimates, policies surrounding their development, and reasons for changes.

Accrued vacation hours (repeat from prior year)

According to the County's Personnel Policy a maximum of 5 vacation days may be carried over to the next fiscal year. As of March 31, 2016 there are a number of employees with more than the allowable 5 days. Vacation days over the allowable limit could be an indicator of errors in the vacation tracking system. It is also important to ensure unionized employees are within the guidelines of the CUPE contract. While it is the supervisors' responsibility to monitor employees' vacation time, it should also be the Finance Department's responsibility to follow up on any unusual balances when preparing the vacation payable accrual. This would include ensuring that all balances over the 5 day limit have been approved by the appropriate supervisor. These procedures will help to reduce the number of errors in the accrued vacation payable balance. Although the over accrued vacation balances are not material, if they are paid out in a subsequent year they may be costing the County more than the original balance set up as a result of employee step increases and raises.



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December 20, 2016

Mr. Rennie Bugley, CAO
Municipality of the County of Cumberland
PO Box 248
Amherst, NS
B4H 3Z5

Dear Mr. Bugley,

We have completed the audit of the consolidated financial statements of the Municipality of the County of Cumberland for the year ended March 31, 2016. Our examination was conducted primarily to enable us to express an opinion on the consolidated financial statements and was not designed to discover weaknesses or inefficiencies which may be present in the accounting systems. Our audit did, however, reveal areas for improvement, which we bring to your attention with this letter. Please note that issues considered more significant have been reported in the year end management letter addressed to the Warden and Council, copied to the Audit Committee and management.

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When tenders for capital projects come in higher than the approved capital budget, the minutes do not clearly reflect that Council is being made aware of the increase over the original budgeted amount. It is also not evident in the minutes that emergency funds needed for a capital project are authorized after the fact. In addition, the capital budget is originally prepared and approved with sources of financing for the projects, but this often doesn't agree to how the projects were actually funded. The capital budgeting process is an important monitoring tool as it creates accountability and measurability when used properly. Without approval documentation the tool is not working effectively. We recommend that documentation in the minutes include that Council is aware of an increase over budget, emergency funds were spent, and a change in source of funding is made.

Inventory

A test count of inventory was performed during the year at the Springhill location. From this count we identified that some of the items listed were not inventory and should be classified as capital assets and amortized over their useful life. Some of the items inventoried could also be considered supplies and expensed in the year of purchase. The result of recording all assets as inventory is inaccurate financial information available for management to make decisions.

We recommend that inventory policies be created for each department operating within the County, and followed consistently throughout all locations. The policies should include a definition of inventory for that department, a description of what to count, when to count, how to record purchases and changes in inventory and who is responsible for each step in the policy.



Segregation of duties – accounts payable (repeat from prior year)

In an ideal control environment there are certain accounting functions that should not be performed by the same person. For example, the same person should not authorize a transaction, record a transaction and have custody of the related asset. By segregating these functions, a control environment is created that minimizes the risk of misstatements from fraud or error.

Progress has been made in this area with the creation of the flowchart documenting who is to perform what duties, including segregation of processing invoices and preparing cheques. As the system still does not limit roles to specific duties, the risk remains that the payables clerk could set up a fictitious vendor, create a dummy invoice, print a cheque to pay the invoice and present the cheque for signature or simply forge signatures on the cheque.

We recommend the following to reduce the risk of fraud:

- The roles in SAP should be changed so that new vendors can only be set up by the Accountant and that a vendor change report be generated on a regular basis and reviewed to ensure that all significant changes made were authorized.
- The bank statement should be received by someone other than the individual posting the invoices, and the bank should be reconciled monthly. During the reconciliation, cancelled cheques should be scrutinized to ensure payments were properly authorized and that there are no unusual transactions.
- Access controls should be implemented in SAP, limiting the modules and procedures that can be accessed by staff to those necessary to perform the specific tasks assigned.

Management estimates (repeat from prior year)

Management is responsible for developing estimates recorded in the financial statements. An example of an estimate significant to the financial statements is the allowance for doubtful accounts. Due to their inherent subjectivity, accounting estimates should be subject to greater scrutiny than other accounting entries. The process for the development of estimates should be standardized and documented so that appropriate administrative and governance oversight is facilitated, and to ensure the process is applied the same way each year. Valid reasons for changes in assumptions and in the approach or calculation of material estimates should be documented and retained with the calculation itself. Someone other than the individual preparing the estimate should be reviewing the calculation and supporting documentation. Internal controls are weakened if the process is not sufficiently rigorous.

Although the process has improved over the past three years, we recommend increased standardization in the development and approval of material accounting estimates. Council, perhaps through the Audit Committee, should be aware of significant estimates, policies surrounding their development, and reasons for changes.

Accrued vacation hours (repeat from prior year)

According to the County's Personnel Policy a maximum of 5 vacation days may be carried over to the next fiscal year. As of March 31, 2016 there are a number of employees with more than the allowable 5 days. Vacation days over the allowable limit could be an indicator of errors in the vacation tracking system. It is also important to ensure unionized employees are within the guidelines of the CUPE contract. While it is the supervisors' responsibility to monitor employees' vacation time, it should also be the Finance Department's responsibility to follow up on any unusual balances when preparing the vacation payable accrual. This would include ensuring that all balances over the 5 day limit have been approved by the appropriate supervisor. These procedures will help to reduce the number of errors in the accrued vacation payable balance. Although the over accrued vacation balances are not material, if they are paid out in a subsequent year they may be costing the County more than the original balance set up as a result of employee step increases and raises.

Cumberland Joint Services Management Authority (repeat from prior year)

The CJSMA partnership agreement is vague and could result in future disputes over interpretation. A key area that should be clarified is the formula governing responsibility for liabilities and entitlement to assets on dissolution. The County's claim on net assets or obligation for net debt should be the percentage that is used for consolidated financial reporting. This formula therefore also affects the County's financial position and results of operations.

To minimize the risk of future disputes and ensure accurate financial reporting, we recommend the partnership agreement for CJSMA be reviewed and updated to clarify the intent of the parties and to correct any inconsistencies in wording and billing.

The recommendations with respect to significant organizational issues and weakness in controls noted in the year end management letter, together with the above areas for improvement, should be addressed in the management letter action list. We recommend the Director of Finance prepare checklists for duties required for staff in the Finance department and the expected timing for completion of each task. These checklists should be reviewed monthly to ensure the requirements are being met.

We would be pleased to discuss the above noted matters with you at your convenience. If you have any questions or concerns, please do not hesitate to contact us.

Please note that this letter does not necessarily disclose all business issues or weaknesses and inefficiencies in your system of internal control. The primary objective on an audit is to express an opinion on the financial statements. To meet this objective, we review your system of internal control to establish the extent to which we can rely on the system in designing my audit procedures. However, this review cannot be expected to disclose all matters that a special review of the internal control of the County might identify.

Yours truly,



McIsaac Darragh Chartered Professional Accountants

cc. Audit Committee, Municipality of the County of Cumberland



11 Princess Street
PO Box 217, Amherst, NS B4H 3Z2
Tel: 902-661-1027
Fax: 902-667-0884
contact@mcisaacdarragh.ca

December 21, 2016

Allison Gillis, Warden
Municipality of the County of Cumberland
PO Box 248
Amherst, NS
B4H 3Z5

Re: Audit of 2016 Financial Statements

Dear Mr. Gillis,

We have completed our audit of the Municipality of the County of Cumberland for the year ended March 31, 2016. The objective of our audit was to obtain reasonable assurance that the financial statements were free of material misstatement, and the audit was not designed for the purpose of identifying matters to communicate to Council.

Significant findings identified during the course of our audit, which we believe are relevant to the Council's mandate for the year ended March 31, 2016, are outlined below:

- Misstatements, other than trivial errors recorded as a result of the audit:

The following audit adjustments resulted in a decrease to the 2016 annual surplus

- Reverse of duplicate invoice of \$226,011
- Increase to property tax valuation allowance of \$101,088
- Record allowance for doubtful accounts for receivables of \$86,400
- Adjust a loan of \$270,897 initially recorded as revenue

The following audit adjustments resulted in an increase to the 2016 annual surplus

- Reverse stale-dated cheques of \$64,500
- Increase rental income by \$40,000

- Misstatements, other than trivial errors not recorded by management or as a result of the audit:
 - A Summary of Unadjusted Differences (SUD) has been provided to management. The potential net effect of the unadjusted difference on the 2016 non-consolidated and consolidated surplus is an understatement of the surplus of a maximum of \$40,000 due to overstatement of prior year Springhill inventory, understatement of current year inventory, understatement of amortization expense and a projected maximum exposure to HST liability.
 - The understatement of amortization expense will affect the fiscal 2017 surplus.
- We did not identify any significant unusual transactions.

- Significant matters affecting the preparation of the financial statements and financial statement disclosures:
 - We did not identify any material change in the preparation process for management estimates or in the nature of disclosures made in the financial statements, except as required by Public Sector accounting standards.
 - There was a significant delay in preparation of the financial statements and financial statement disclosures for reasons identified in the management letter.
- Fraud or illegal or possibly illegal acts, other than ones considered inconsequential.

We did not identify

 - Matters raising questions regarding the honesty and integrity of management.
 - Fraud or suspected fraud involving management, employees or others
 - Illegal or possibly illegal acts.
- Material weaknesses in internal control:

We have identified weaknesses in the design or implementation of internal control over financial reporting and have reported these in our management letter.
- Related party transactions:

We did not identify any related party transactions that are not in the normal course of operations that involve significant judgments made by management concerning measurement or disclosure.
- Significant accounting policies are described in Note 1 to the financial statements.

We did not identify in the course of our audit:

 - Existence of acceptable alternative policies and methods (other than already discussed with management).
 - Any material changes in selection or application of accounting policies.
 - Any accounting policies in controversial or emerging areas.
- Dealings with management:
 - There were several delays encountered while performing the audit, and not all working papers were provided as requested, resulting in additional time required for the audit.
 - We had no disagreements with management. All auditing, accounting and presentation issues were resolved to our satisfaction.
 - There were no issues in connection with our appointment as auditors.



This communication is prepared solely for your information and is not intended for any other purpose. We accept no responsibility for actions of third parties who use this communication.

Yours truly,

CHARTERED PROFESSIONAL ACCOUNTANTS



Municipality of the County of Cumberland
Non-Consolidated Financial Statements
March 31, 2016
(Unaudited – See Notice to Reader)

Municipality of the County of Cumberland		
Non-Consolidated Statement of Financial Position		
as at		
(Unaudited - See Notice to Reader)		
	March 31, 2016	March 31, 2015
Financial Assets		
Cash	\$ 7,497,892	\$ 7,972,489
Taxes receivable (net of valuation allowance)	2,321,111	1,774,913
Other receivables	6,947,171	6,090,842
	<u>16,766,174</u>	<u>15,838,244</u>
Financial Liabilities		
Short term debt	795,836	587,130
Accounts payable and accrued liabilities	1,442,170	977,715
Other liabilities	2,231,166	1,567,611
Employee future benefits	-	3,098
Deferred revenue	741,100	50,000
Long term debt	7,804,023	4,608,650
	<u>13,014,295</u>	<u>7,794,204</u>
Net financial assets	<u>3,751,880</u>	<u>8,044,040</u>
Non financial assets		
Prepaid expenses	9,246	40,000
Inventory	212,219	-
Tangible capital assets (net of amortization)	50,965,222	21,945,281
	<u>51,186,687</u>	<u>21,985,281</u>
Accumulated surplus	<u>\$ 54,938,566</u>	<u>\$ 30,029,321</u>

Notice to Reader

We have compiled this financial statement on the basis of information provided by management. We have not performed an audit or a review engagement in respect of this financial statement and, accordingly, we express no assurance thereon. Readers are cautioned that this statement may not be appropriate for their purposes.

 **McISAAC-DARRAGH**
CHARTERED ACCOUNTANTS
A Member Firm of The AC Group of Independent Accounting Firms Limited

Municipality of the County of Cumberland
Non-Consolidated Statement of Financial Activities
Year Ended, March 31, 2016
(Unaudited - See Notice to Reader)

	Budget 2016	Actual 2016	Actual 2015
Revenue			
Springhill dissolution	\$ -	\$ 24,885,854	\$ -
Assessable property taxes	19,355,402	19,373,290	15,858,251
Grants in lieu of taxes	2,228,046	2,199,424	301,692
Conditional transfers	3,832,632	1,934,146	1,522,544
Unconditional transfers	1,470,956	1,470,956	825,390
Other revenue from own sources	1,004,014	1,165,600	659,074
Water utility	1,150,100	1,153,904	-
Total Revenue	29,041,150	52,183,173	19,166,951
Expenditures			
Protective services	7,382,332	6,870,218	5,520,089
Environmental health services	6,129,944	6,116,225	3,010,766
General government services	4,287,357	4,994,774	3,777,924
Education	4,172,605	4,172,604	3,602,100
Recreational & culture services	1,789,340	1,728,395	485,853
Transportation services	1,604,101	1,541,932	424,559
Water utility	1,305,313	956,517	-
Environmental development services	1,011,744	534,019	325,867
Public health & welfare services	373,140	359,244	242,838
Total Expenditures	28,055,876	27,273,928	17,389,996
Annual Surplus	\$ 985,274	\$ 24,909,245	\$ 1,776,955

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 **MCISAAC · DARRAGH**
CHARTERED ACCOUNTANTS
A Member Firm of The AC Group of Independent Accounting Firms Limited

Municipality of the County of Cumberland
Non-Consolidated Statement of Accumulated Surplus
Year Ended, March 31, 2016
(Unaudited - See Notice to Reader)

	2016	2015
Accumulated surplus - beginning of year	\$ 30,029,321	\$ 28,252,366
Annual surplus	24,909,245	1,776,955
Accumulated surplus - end of year	\$ 54,938,566	\$ 30,029,321

Notice to Reader

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Municipality of the County of Cumberland
Non-Consolidated Statement of Net Financial Assets
Year ended March 31, 2016
(Unaudited - See Notice to Reader)

	2016	2015
Annual surplus	\$ 24,909,245	\$ 1,776,955
Acquisition of capital assets	(33,375,284)	(3,121,634)
Amortization of capital assets	2,219,126	1,209,415
Loss on disposal of tangible capital assets	2,136,218	-
Decrease in prepaid expense	30,754	-
Increase in inventory	(212,219)	-
Change in net financial assets	(4,292,160)	(135,264)
Net financial assets, beginning of year	8,044,040	8,179,304
Net financial assets, end of year	\$ 3,751,880	\$ 8,044,040

Notice to Reader

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 **MCISAAC - DARRAGH**
CHARTERED ACCOUNTANTS
A Member Firm of The AC Group of Independent Accounting Firms Limited

Municipality of the County of Cumberland
Non-Consolidated Statement of Cash Flow
Year ended March 31, 2016
(Unaudited - See Notice to Reader)

	2016	2015
Operating activities		
Cash receipts from taxes, provincial and federal funding	\$ 50,643,015	\$ 17,578,891
Cash receipts from other sources	2,319,504	659,074
Cash paid to suppliers and employees	<u>(23,695,910)</u>	<u>(16,044,736)</u>
Cash flow from operating activities	<u>29,266,609</u>	<u>2,193,229</u>
Capital activities		
Acquisition of tangible capital assets	<u>(33,375,284)</u>	<u>(3,121,634)</u>
Cash flow from Capital activities	<u>(33,375,284)</u>	<u>(3,121,634)</u>
Investing activities		
Change in restricted cash	(1,500,948)	(14,019)
Change in designated cash	<u>2,718,380</u>	<u>(293,775)</u>
Cash flow from investing activities	<u>1,217,432</u>	<u>(307,794)</u>
Financing activities		
Proceeds from short term financing	208,705	587,130
Cash receipts capital financing	230,000	230,000
Repayment of long term debt	(779,902)	(442,000)
Proceeds from long term financing	<u>3,975,275</u>	<u>-</u>
Cash flow from financing activities	<u>3,634,078</u>	<u>375,130</u>
Increase (decrease) in cash flow	742,835	(861,069)
Cash - beginning of year	<u>1,300</u>	<u>862,369</u>
Cash - end of year	<u>\$ 744,135</u>	<u>\$ 1,300</u>
Cash consists of:		
Unrestricted / undesignated cash	\$ 744,135	\$ 1,300
Restricted cash	1,597,945	96,997
Designated cash	<u>5,155,812</u>	<u>7,874,192</u>
	<u>\$ 7,497,892</u>	<u>\$ 7,972,489</u>

Notice to Reader

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 **MCISAAC · DARRAGH**
CHARTERED ACCOUNTANTS

A member firm of The AC Group of Independent Member Firms Limited



Municipality of the County of Cumberland
 Schedule 1 - Expense by object
 Year ended March 31, 2016

	Protective Services	Environmental Health Services	General Government Services	Education	Recreational and Cultural Services	Transportation Services	Water Utility	Environmental Development Services	Public Health and Welfare Services	2016 Total	2015 Total
Advertising/promotion	\$ 2,901	\$ 2,006	\$ 21,434	\$ -	\$ 6,485	\$ -	\$ -	\$ (521)	\$ -	\$ 34,305	\$ 55,113
Allowance for bad debts	-	13,805	398,922	-	523	-	21,301	-	-	434,551	189,179
Amortization	634,994	619,924	196,240	-	357,359	238,663	171,947	-	-	2,219,127	1,209,415
Community events	23,855	-	34,371	-	24,111	-	-	-	-	82,337	-
Contracted services	3,947,557	2,085,802	108,143	-	1,917	217,293	32,634	116,439	-	6,807,686	5,074,375
Contributions to boards (note 2)	311,436	-	517,647	4,172,604	130,120	-	-	63,318	241,678	455,116	225,788
Contributions to province (note 3)	17,021	1,090	18,352	-	1,480	-	-	1,085	-	5,001,687	4,347,836
Dues and licenses	-	-	-	-	-	-	1,786	-	-	40,814	50,353
Economic development	-	-	-	-	-	-	-	-	-	-	34,242
Election	-	-	4,517	-	-	-	-	-	-	4,517	-
Facility repair and maintenance	95,877	57,695	41,448	-	76,228	6,431	18,664	7,332	-	306,675	270,912
Fire hydrants	87,688	-	-	-	-	-	-	-	-	87,688	51,817
Grants to non-profit	-	180	487,142	-	215,542	-	-	25,721	-	728,585	631,376
Grants to volunteer fire departments	93,363	-	-	-	-	-	-	-	-	93,363	320,385
Information technology	10,960	814	63,066	-	-	-	101	2,602	-	77,543	100,709
Insurance	146,550	9,587	28,586	-	33,360	9,140	18,184	-	-	243,407	148,814
Interest and service charges	14,884	23,967	115,737	-	12,916	8,884	149,122	-	-	443,076	148,803
Leases	5,214	-	23,475	-	-	28,854	-	156	-	55,699	-
Loss on disposal of assets	-	2,136,218	-	-	-	-	-	156	-	2,136,218	-
Materials	1,364	202,550	2,956	-	63,065	123,483	127,214	18,780	-	539,432	-
Office supplies	9,560	94	71,774	-	(4,155)	1,525	2,818	5,260	-	86,876	104,439
Professional services	43,095	2,732	426,531	-	16,077	-	(6,987)	8,106	-	489,874	647,139
Salaries and benefits	835,805	719,315	1,866,562	-	581,959	379,859	275,158	247,407	-	4,906,065	2,504,348
Tax exemptions	-	-	275,923	-	-	-	-	-	-	275,923	157,137
Travel and training	94,759	16,680	151,650	-	11,477	-	4,013	2,845	-	281,634	231,013
Utilities	181,325	200,414	141,247	-	188,110	353,632	135,287	15,457	-	1,225,452	532,075
Vehicle and equipment	311,960	23,142	1,051	-	9,921	164,168	5,975	32	-	516,279	354,931
	\$ 6,870,218	\$ 6,116,225	\$ 4,994,774	\$ 4,172,604	\$ 1,728,395	\$ 1,541,932	\$ 956,517	\$ 534,019	\$ 359,244	\$ 27,273,928	\$ 17,389,996

Notice to Reader

We have compiled this financial statement on the basis of information provided by management. We have not performed an audit or a review engagement in respect of this financial statement and, accordingly, we express no assurance thereon. Readers are cautioned that this statement may not be appropriate for their purposes.



MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Consolidated Financial Statements
Year Ended March 31, 2016

DRAFT

MUNICIPALITY OF THE COUNTY OF CUMBERLAND
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Year Ended March 31, 2016

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MANAGEMENTS' REPORT

The 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 financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council Members are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through the Council. The Council reviews internal financial statements throughout the year and external audited financial statements yearly.

The external auditors, McIsaac Darragh Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Municipality of the County of Cumberland and meet when required.

On behalf of the Municipality of the County of Cumberland

Rennie Bugley
Chief Administrative Officer

Andrew MacDonald
Director of Finance

DRAFT



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B4H 3Z2
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INDEPENDENT AUDITORS' REPORT

To the Warden and Council of the Municipality of the County of Cumberland

We have audited the accompanying consolidated financial statements of the Municipality of the County of Cumberland, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, accumulated surplus, changes in net financial 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 Consolidated 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.

DRAFT

(continues)

**Independent Auditors' Report to the Warden and Council of the Municipality of the County of Cumberland
(continued)**

Opinion

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the Supplementary Schedules beginning on page 28 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Amherst, Nova Scotia
December 21, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

DRAFT

 **MCISAAC - DARRAGH**
CHARTERED PROFESSIONAL ACCOUNTANTS

MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Consolidated Statement of Financial Position
as at

	March 31, 2016	March 31, 2015
Financial Assets		
Cash (Note 4)	\$ 12,662,135	\$ 12,573,841
Taxes receivable, net of valuation allowances (Note 5)	2,321,111	1,774,913
Other receivables (Note 6)	4,895,457	3,514,944
Inventories held for resale	29,402	33,519
Building held for sale	22,197	22,197
	19,930,302	17,919,414
Financial Liabilities		
Short term debt (Note 7)	5,795,836	5,587,130
Accounts payable and accrued liabilities (Note 8)	3,305,991	3,079,483
Other liabilities (Note 9)	3,565,902	2,275,778
Employee future benefits payable (Note 10)	1,091,614	1,154,120
Deferred revenue (Note 11)	1,038,556	327,761
Long term debt (Note 12)	10,769,604	7,683,958
	25,567,503	20,108,230
Net financial debt	(5,637,201)	(2,188,816)
Non-financial assets		
Prepaid expenses	36,452	62,093
Inventory	212,219	-
Tangible capital assets, net of accumulated amortization (Note 13)	68,039,589	38,919,867
	68,288,260	38,981,960
Accumulated surplus (Note 14)	\$ 62,651,059	\$ 36,793,144

Commitments (Note 16)
Subsequent event (Note 17)
Contingent liabilities (Note 18)

On Behalf of the Municipality of the County of Cumberland

_____ Warden
_____ Chief Administrative Officer

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Consolidated Statement of Operations
Year Ended, March 31, 2016

	(Note 21) Budget 2016	Actual 2016	Actual 2015
Revenue			
Springhill dissolution (Note 15)	\$ -	\$ 25,782,484	\$ -
Taxes	19,355,402	19,373,290	15,858,251
Long term care facilities	14,721,778	16,918,868	17,029,830
Other revenue from own sources	890,014	1,048,033	659,074
Grants in lieu of taxes	2,228,046	2,199,424	301,692
Conditional transfers	3,832,632	1,934,146	1,522,544
Unconditional transfers	1,470,956	1,470,956	825,390
Water utility	1,150,100	1,153,904	-
Cumberland Joint Services Management Authority (Note 19)	1,028,900	1,102,030	835,705
	<u>44,677,828</u>	<u>70,983,135</u>	<u>37,032,486</u>
Expenditures			
Public health & welfare services	14,980,918	17,180,648	17,429,130
Environmental health services	7,035,355	7,146,114	3,727,827
Protective services	7,382,332	6,870,218	5,520,090
General government services	4,287,357	4,994,774	3,777,926
Education	4,172,605	4,172,604	3,602,100
Recreational & culture services	1,789,340	1,728,395	485,854
Transportation services	1,604,101	1,541,932	424,560
Environmental development services	1,011,744	534,019	325,868
Water utility	1,305,313	956,516	-
	<u>43,569,065</u>	<u>45,125,220</u>	<u>35,293,355</u>
Annual surplus	<u>\$ 1,108,763</u>	<u>\$ 25,857,915</u>	<u>\$ 1,739,131</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

DRAFT

**MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Consolidated Statement of Accumulated Surplus
Year ended March 31, 2016**

	<u>2016</u>	<u>2015</u>
Accumulated surplus - beginning of year	\$ 36,793,144	\$ 35,054,013
Annual surplus	<u>25,857,915</u>	<u>1,739,131</u>
Accumulated surplus - end of year	<u>\$ 62,651,059</u>	<u>\$ 36,793,144</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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**MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Consolidated Statement of Net Financial Debt
Year ended March 31, 2016**

	<i>(Note 19)</i> Budget	2016	2015
Annual surplus	\$ 1,108,763	\$ 25,857,915	\$ 1,739,131
Acquisition of capital assets	(6,846,854)	(34,139,804)	(4,418,697)
Amortization of capital assets	2,396,926	2,873,820	1,796,485
Loss on disposal of capital assets	-	2,139,937	13,786
Proceeds on sale of tangible capital assets	-	6,325	-
Decrease (increase) in prepaid expense	-	25,641	47,771
Decrease (increase) in inventory	-	(212,219)	-
Change in net financial debt	(3,341,165)	(3,448,385)	(821,524)
Net financial debt, beginning of year	(2,188,816)	(2,188,816)	(1,367,292)
Net financial debt, end of year	\$ (5,529,981)	\$ (5,637,201)	\$ (2,188,816)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Consolidated Statement of Cash Flow
Year ended March 31, 2016

	<u>2016</u>	<u>2015</u>
Operating activities		
Cash receipts from provincial and federal funding and clients	\$ 66,460,037	\$ 33,979,300
Cash receipts from sales of service	4,550,367	1,712,703
Cash receipts from fundraisers and donations	23,244	32,281
Cash paid to suppliers and employees	<u>(40,636,895)</u>	<u>(32,785,038)</u>
Cash flow from operating activities	<u>30,396,753</u>	<u>2,939,246</u>
Capital activities		
Acquisition of tangible capital assets	(34,121,595)	(5,361,680)
Proceeds on sale of tangible capital assets	6,325	
Cash flow from capital activities	<u>(34,115,270)</u>	<u>(5,361,680)</u>
Investing activities		
Change in restricted cash	(1,538,223)	(42,176)
Change in designated cash	1,487,606	(491,508)
Cash flow from investing activities	<u>(50,617)</u>	<u>(533,684)</u>
Financing activities		
Cash receipts capital financing	402,732	64,928
Proceeds from short term debt	526,554	3,305,773
Proceeds from long term debt	3,975,275	-
Repayment of short term debt	(317,848)	-
Repayment of long term debt	(889,629)	(546,117)
Cash receipts from Province of N.S. - debt repayment	109,727	104,117
Cash flow from financing activities	<u>3,806,811</u>	<u>2,928,701</u>
Increase (decrease) in cash flow	<u>37,677</u>	<u>(27,417)</u>
Cash - beginning of year	2,261,140	2,288,557
Cash - end of year	<u>\$ 2,298,817</u>	<u>\$ 2,261,140</u>
Cash per consolidated statement of financial position consists of (Note 4):		
Unrestricted / undesignated cash	\$ 2,298,817	\$ 2,261,140
Restricted cash	1,815,439	277,216
Designated cash	8,547,879	10,035,485
	<u>\$ 12,662,135</u>	<u>\$ 12,573,841</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

DRAFT

MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Municipality of the County of Cumberland ("Municipality") have been prepared in accordance with Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board.

Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable and expenses as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Basis of consolidation

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and change in fund balances of all organizations accountable for the administration of their financial affairs and resources to the Municipal Council and which are owned or controlled by the County. Inter-fund and inter-entity transactions have been eliminated.

Entities included in the consolidated financial statements of the Municipality include the following:

- The Municipality of the County of Cumberland ("the County")
- Cumberland Senior Care Corporation ("CSCC")
- Sunset Residential & Rehabilitation Services Incorporated ("Sunset")

The County has a partnership agreement in place, and as such the Cumberland Joint Services Management Authority ("CJSMA") is accounted for on a proportionate consolidation basis whereby the County's pro-rata share of each of the assets, liabilities, revenues and expenses are combined on a line by line basis in the financial statements. Inter-entity balances and transactions have been eliminated. CJSMA is consolidated at a rate of 50.6% which is based on the Municipality's use of the facility (Note 19).

Trust funds administered by the Municipality are not included in the financial statements (Note 17).

Financial instruments

The Municipality's financial instruments are comprised of cash and cash equivalents, restricted cash, receivables, payables, short term debt, other liabilities, and long term debt. All financial instruments are measured at cost or amortized cost.

It is management's opinion that the Municipality is not exposed to significant currency or market risks from these financial instruments. The Municipality is exposed to interest rate risk due to its short term and long term debt.

As the Municipality has no assets subject to re-measurement, no statement of re-measurement gains and losses has been presented.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and bank balances and does not include restricted or designated cash (Note 4).

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits

The contributions to pension plans are expensed when contributions are due. The costs of post-employment benefits are recognized when the event that obligates the Municipality occurs.

- (a) CSCC and Sunset contribute to a multi-employer defined benefit plan, administered by the Nova Scotia Association of Health Organizations, which provides a pension on retirement based on the member's age at retirement and length of service. The most recent actuarial valuations for CSCC and Sunset were conducted as at July 1, 2014, which indicated a funded liability. The corporations bear no direct financial responsibility for the liability of the pension plan. CSCC also has a defined contribution plan administered by the Corporation through Open Access Limited in which the employee contributes 7.82% and the employer contributes 9.22% of eligible income to the pension plan.
- (b) The County contributes to a defined contribution pension plan administered through Sun Life Financial in which the employer and employees contribute between 6% and 9% of eligible income to the pension plan.
- (c) CJSMA contributes to a defined contribution pension plan in which the employer and employees contribute 5% of eligible income to the pension plan.

The Municipality's total expense for the defined contribution pension plans for 2016 was \$463,665 (2015 - \$480,173) and is included in salaries and benefits (Schedule 1).

- (d) Employees are provided with sick leave benefits. The cost of vesting sick leave benefits is calculated based on accumulated sick time multiplied by the percentage that vests, and applying current salary and benefit rates. Non-vesting sick leave benefits for Sunset are not expected to create a liability for the Municipality, based on management's best estimate. Non-vesting sick leave benefits for the County and CSCC are calculated using management's best estimates.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the change in net financial assets for the year.

Inventory

Inventories held for sale are recorded at the lower of cost and net realizable value.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, design, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Buildings	10 to 40 years
Machinery & equipment	10 to 25 years
Streets and sidewalks	20 to 30 years
Vehicles	5 to 10 years
Water and sewer system	50 to 75 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Municipality's ability to provide services. Assets under construction are not amortized until the asset is available for productive use.

Taxation and related revenue recognition

Property tax billings are prepared by the County based on assessed rolls issued by Property Valuation Services Corporation (PVSC) and adjusted for estimates of appeals and reassessments. Tax rates are established annually by Municipal Council during the budget approval process. Tax revenue is recorded at the time tax billings are issued. Tax adjustments as a result of appeals and reassessments are recorded when the results of the appeal process are known. Valuation allowances are established based on estimated losses that may be incurred in collecting outstanding receivables. The County includes in tax revenue interest on overdue taxes.

Other revenue recognition

- a) Revenue from long term care facilities, including patient pays and per diems, sales of meals and laundry services, apartment rentals and cafeteria revenue are recognized at the time the service is rendered in the normal course of operations.
- b) Externally restricted contributions are recognized as revenue when the resources are used for their intended purpose. Externally restricted contributions received before this time are reported as deferred revenue.
- c) CJSMA revenue is recognized at the time the service is rendered in the normal course of operations.

Government transfers

Conditional and unconditional government transfers are recognized in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement uncertainty

Certain amounts in the consolidated financial statements are subject to measurement uncertainty and are based on the management's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- liability for closure and post closure costs of solid waste landfill sites;
- estimated useful lives of tangible capital assets and impairment of tangible capital assets;
- asset valuation allowances;
- assumptions used in determining the obligation for accrued sick time;
- salary and benefit rates used in determining the obligation of accrued vacation, and holiday pay.

Segmented information

The Municipality of the County of Cumberland 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.

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, correctional services, bylaw enforcement, building inspection, emergency measures, fire department grants and fire hydrants.

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

Public health and welfare services: Payments made to Housing Nova Scotia to cover the deficits of the public housing authorities in the region, and operation of long term care facilities.

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.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

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 Springhill Water Utility, a 1,564 customer utility that operates a modern water treatment plant and related infrastructure.

2. CONTRIBUTION TO BOARDS

The Municipality of the County of Cumberland, along with other municipal units in Cumberland County, is required to finance the operations of various Boards and Commissions to the extent of its participation based on assessment or population formulas.

In addition to any budgeted contributions, the municipal units share in the deficits or surpluses of these Boards based on their sharing percentages.

Cumberland Regional Housing Authority

The Municipality of the County of Cumberland is required to finance its share of the operating deficit in the Cumberland Regional Housing Authority out of the current year's operations. The deficit financed for 2016 was \$241,678 (2015 - \$121,420) and is included in the expenses for public health & welfare services.

Cumberland Regional Library

During the year, the Municipality of the County of Cumberland paid \$130,120 (2015 - \$104,368) to the Cumberland Regional Library. The Municipality of the County of Cumberland does not share in any surpluses or deficits.

3. CONTRIBUTIONS TO PROVINCIAL GOVERNMENT DEPARTMENTS & AGENCIES

The Municipality of the County of Cumberland, along with other municipal units in the province, is required to finance the operations of various provincial government departments and boards, based upon formula defined in legislation.

Education Contribution

The Municipality of the County of Cumberland is required to contribute to the Chignecto Central Regional School Board based on a formula calculation. For 2016 the education contribution was \$4,172,604 (2015 - \$3,602,100).

Corrections Contributions

Municipalities in Nova Scotia are required to make a mandatory contribution to fund the cost of correctional services. The contribution rate is set by the provincial formula. During 2016 the Municipality of the County of Cumberland paid \$311,436 (2015 - \$274,168) to the province for correction services.

Assessment Services Contributions

The Municipality of the County of Cumberland is required to contribute to Property Valuation Services Corporation on a formula calculation. During 2016 the Municipality of the County of Cumberland paid \$517,647 (2015 - \$471,567) to the province for assessment services.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

4. CASH AND CASH EQUIVALENTS

	2016	2015
Restricted cash		
Tax sale surplus (Note 9)	\$ 98,916	\$ 96,998
Capital replacement – investment certificates	217,494	180,218
Community Centre Capital Campaign	215,309	-
Water Utility Depreciation	1,283,720	-
	<u>\$ 1,815,439</u>	<u>\$ 277,216</u>

Restricted cash for capital replacement includes guaranteed investment certificates with maturity dates ranging from September 2016 to December 2017 and interest rates ranging from 0.90% to 1.26% (2015 maturity dates from May 2015 to January 2016 and rates from 0.90% to 1.70%).

Designated cash		
Capital reserves	\$ 273,194	\$ 1,265,117
Gas tax reserves	3,271,829	2,665,043
Operating reserves	1,869,997	4,004,033
CJSMA	3,132,859	2,101,292
	<u>\$ 8,547,879</u>	<u>\$ 10,035,485</u>

The Municipality has designated assets that are distinct from restricted assets. Unlike restricted assets, the Municipality can readily change the legislation, by-law or resolution and use the designated assets for another purpose if the need arises.

The capital reserves are intended to be used for replacement or repair of tangible capital assets. Included is cash of \$213,194 (2015 - \$1,205,117) and Canada Savings Bonds of \$60,000 (2015 - \$60,000) bearing interest at 0.5% (2015 - 0.65%).

Funding received through the Gas Tax Grant Program is designated for use on eligible capital projects, as approved under the Canada - Nova Scotia Gas Tax Agreement. Included is cash of \$3,072,621 (2015 - \$2,665,043) and guaranteed investment certificates of \$199,208 with maturity dates ranging from September 2016 to March 2017 and interest rates ranging from 0.55% to 1.20% (2015 - \$nil)

Operating reserves are designated for various purposes as listed in Note 14.

CJSMA designated cash includes high interest savings and fixed income investments with maturity dates ranging from May 2016 to March 2027, bearing interest at rates ranging from 1.5% to 5.49% (2015 maturity dates from April 2015 to October 2022 and rates from 1.7% to 7.25%).

Unrestricted / undesignated cash	<u>\$ 2,298,817</u>	<u>\$ 2,261,140</u>
Total cash	<u>\$ 12,662,135</u>	<u>\$ 12,573,841</u>

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

5. TAXES RECEIVABLE	2016	2015
Beginning balance, taxes receivable Cumberland	\$ 2,847,611	\$ 2,618,191
Beginning balance, taxes receivable Springhill	1,361,191	
Tax levy – current year	18,254,271	15,088,605
Cash receipts and adjustments	(18,450,760)	(15,060,505)
Exemptions	(275,923)	(157,137)
Interest	521,365	358,457
Ending balance, taxes receivable	4,257,755	2,847,611
Valuation allowance	(1,936,644)	(1,072,698)
Net taxes receivable	\$ 2,321,111	\$ 1,774,913

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The County is exposed to credit risk from customers. A valuation allowance is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The County's receivables are from a significant number of individuals which reduces concentration of credit risk.

6. OTHER RECEIVABLES	2016	2015
Federal Government and agencies	\$ 1,690,766	\$ 1,362,155
Provincial Government and agencies	2,129,834	1,604,929
Other municipal units	83,135	56,864
Other receivables	1,193,292	490,996
Valuation allowance	(201,570)	-
	\$ 4,895,457	\$ 3,514,944

Credit risk

Management is of the opinion that the Municipality is not exposed to significant credit risk from other receivables.

7. SHORT TERM DEBT

The County has an overdraft limit on its operating bank account of \$5,500,000. The overdraft is payable on demand and bears interest at prime. It is secured by a borrowing resolution under corporate seal. The balance outstanding at March 31, 2016 under this credit facility is \$795,835 (2015 - \$587,130). Effective April 1, 2016, the overdraft limit was increased to \$6,000,000.

Sunset has a \$300,000 revolving line of credit and a \$5,000,000 non-revolving line of credit. Bank advances on the credit lines are payable on demand and bear interest at prime. The credit lines are unsecured. The balance outstanding at March 31, 2016 under this credit facility is \$5,000,000 (2015 - \$5,000,000).

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Accounts payable and accrued liabilities	\$ 2,164,399	\$ 1,796,655
Salaries and benefits	220,176	608,519
N.S. Dept. of Health and Wellness – long term care	33,910	69,689
Accrued vacation and holiday pay	887,506	604,620
	<u>\$ 3,305,991</u>	<u>\$ 3,079,483</u>

9. OTHER LIABILITIES

	2016	2015
Prepaid taxes	\$ 313,724	\$ 203,165
Due to Provincial Government and agencies	1,656,276	858,105
Due to other municipal units	147,228	265,193
Tax sale surplus	113,937	112,019
Little Forks II landfill closure / post closure	1,334,737	837,296
	<u>\$ 3,565,902</u>	<u>\$ 2,275,778</u>

The County is required to hold the surplus from tax sales for a period of 20 years. This surplus represents excess funds received at tax sales over and above the original amounts which were owing to the County at the time a particular property was sold. The excess proceeds, if not claimed, are to be transferred to the Capital Reserve fund at the end of the 20 year period. Provincial regulations require the tax sale surplus be included on the consolidated financial statements as a liability. Of the tax sale surplus liability, \$nil is to be transferred to the capital reserve in 2016 (2015 - \$nil). The County holds restricted cash of \$98,916 (2015 - \$96,998) to fund this liability (Note 4).

The Municipality owns and operates, through CJSMA, one open and one closed landfill site. The Municipality has an obligation under Nova Scotia Department of Environment regulations for costs related to the closure and post closure care of the sites once capacity is reached. These costs are shared pro-rata based on use with the other municipalities' party to CJSMA.

As at March 31, 2016, the remaining capacity of the open site is approximated at 23,000 tonnes. The open site is expected to reach its capacity and close in 2018. A new cell design is under construction and will be available for use after the current site has reached full capacity. This new cell is expected to reach capacity by 2030.

The closure and post-closure costs are based upon best estimates by management, \$16.50 per tonne of waste added to the site. The total cost of closure of the open site is estimated to be approximately \$2,700,000 (County portion - \$1,334,737). The liability is fully funded by designated cash (Note 4). The total cost of post closure monitoring and maintenance is estimated at \$25,000 to \$45,000 per year. Post-closure care is estimated to be required for 20 years from the date of closure.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

10. EMPLOYEE FUTURE BENEFITS PAYABLE

	2016	2015
Accrued sick leave	\$ 1,091,614	\$ 1,111,983
Senior management retirement benefits	-	42,137
	\$ 1,091,614	\$ 1,154,120

11. DEFERRED REVENUE

	March 31, 2015	Receipts	Transferred to revenue	March 31, 2016
Capital renewal – CSCC	\$ 180,114	\$ 34,540	\$ -	\$ 214,654
Donations	85,006	18,973	(44,615)	59,364
Federal capital grant Cape D'Or	50,000	-	-	50,000
Provincial capital grants	-	691,100	-	691,100
CJSMA	12,641	10,797	-	23,438
	\$ 327,761	\$ 755,410	\$ (44,615)	\$ 1,038,556

Capital renewal revenues received by CSCC are set aside for specific purposes as required by agreement. Receipts are from the N.S. Department of Health to provide funding to replace facility components or for significant repairs.

Deferred donations consist of donations received by CSCC and Sunset which are restricted by the donors to be used on capital projects, long term care resident activities and staff training.

The federal capital grant for the Cape D'Or property was received by the County for future capital improvements.

Provincial capital grants consist of Letter of Intent capital funding in the amount of \$636,600 which is restricted to infrastructure projects for the former town of Springhill, and capital grants received in advance for resurfacing the Springhill tennis court - \$4,000, sound systems upgrades Springhill Community Centre - \$45,500 and Community Access grant - \$5,000.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

12. LONG TERM DEBT	2016	2015
Nova Scotia Municipal Finance Corporation ("NSMFC") - interest at rates varying from 1.51% to 3.16% over the term of the loan, repayable in 6 annual payments of \$230,000 and one payment of \$2,530,000 with interest paid semi-annually. The loan matures in November, 2022 and is unsecured.	\$3,910,000	\$ 4,140,000
Nova Scotia Housing Development Corporation loan bearing interest at 4.42% per annum, repayable in monthly blended payments of \$14,549. The loan matures in September, 2036 and is secured by a building.	2,358,383	2,427,786
NSMFC - interest at rates varying from 4.465% to 4.770% over the term of the loan, repayable in 6 annual payments of \$138,050 and one payment of \$828,300 with interest paid semi-annually. The loan matures in June 2022 and is unsecured.	1,656,600	-
NSMFC - interest at rates varying from 1.630% to 3.160% over the term of the loan, repayable in 7 annual payments of \$155,129 with interest paid semi-annually. The loan matures in November 2022 and is unsecured.	1,085,903	-
Nova Scotia Housing Development Corporation loan bearing interest at 8% per annum, repayable in monthly blended payments of \$7,496. The loan matures in November, 2025 and is secured by a building.	607,198	647,522
Federal Government - interest free loan, repayable in 81 monthly payments of \$3,333 and one monthly payment of \$878. The loan matures December 2022.	270,898	-
NSMFC - interest at rates varying from 2.97% to 4.88% over the term of the loan, repayable in 4 annual payments of \$22,500 and one payment of \$135,000 with interest paid semi-annually. The loan matures in June 2020 and is unsecured.	225,000	247,500

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

12. LONG TERM DEBT (continued)

	2016	2015
NSMFC - interest at rates varying from 2.190% over the term of the loan, repayable in 3 annual payments of \$66,123 with interest paid semi-annually. The loan matures in September 2018 and is unsecured.	198,372	-
NSMFC - interest at rates varying from 5.50% to 5.75% over the term of the loan, repayable in 3 variable payments with interest paid semi-annually. The loan matures in May 2018 and is unsecured.	138,700	-
NSMFC - interest at rates varying from 4.857% to 5.01% over the term of the loan, repayable in 2 annual payments of \$61,500 with interest paid semi-annually. The loan matures in October 2017 and is unsecured.	123,000	-
NSMFC - interest at rates varying from 1.55% to 3.87% over the term of the loan, repayable in 3 annual payments of \$13,275 and one payment of \$54,225 with interest paid semi-annually. The loan matures in November 2020 and is unsecured.	107,325	120,600
NSMFC - interest at rates varying from 3.50% to 5.75% over the term of the loan, repayable in 2 annual payments of \$12,325 and one payment of \$63,575 with interest paid semi-annually. The loan matures in May 2018 and is unsecured.	88,225	100,550
	\$ 10,769,604	\$ 7,683,958

Principal payment terms in the next five years are approximately:

2017	898,900
2018	908,500
2019	908,300
2020	737,000
2021	668,900

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**MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016**

13. TANGIBLE CAPITAL ASSETS

Description	Cost March 31, 2016	Additions net of Transfers & Disposals	Cost March 31, 2016	Accumulated Amortization March 31, 2015	Annual Amortization	Reductions	Accumulated Amortization March 31, 2016	Net Book Value March 31, 2016
Land	\$ 38,690	375,352	414,042	\$ -	\$ -	\$ -	\$ -	414,042
Land Improvements	-	4,380	4,380	-	-	-	-	4,380
Fire facilities	2,328,013	1,085,336	3,413,349	231,431	47,391	-	278,822	3,134,527
Joggins Fossil Center	6,020,089	-	6,020,089	1,053,516	150,502	-	1,204,018	4,816,071
Long term care buildings	18,745,810	248,519	18,994,329	3,618,411	470,829	-	4,089,240	14,905,089
Municipal buildings	2,143,959	8,081,783	10,225,742	1,209,326	327,171	-	1,536,497	8,689,245
Other buildings	1,191,212	849,902	2,041,114	369,534	59,061	-	428,595	1,612,519
Septage treatment plant	818,735	510,941	1,329,676	176,704	32,749	-	209,453	1,120,223
Electronic data equipment	389,026	139,909	528,935	125,201	94,916	-	220,117	308,818
Fire protection vehicles	4,853,508	68,103	5,021,611	2,284,630	475,929	-	2,760,559	2,261,052
Machinery & equipment	2,911,927	1,413,658	4,325,585	1,007,896	284,397	(130,040)	1,162,253	3,163,332
Sanitary sewer systems	11,984,836	6,094,650	18,059,486	4,990,582	495,200	-	5,485,782	12,573,704
Vehicles	1,029,104	63,892	1,092,996	781,369	77,518	(10,044)	828,843	264,153
Streets and sidewalks	-	1,449,577	1,449,577	-	175,710	-	175,710	1,273,867
Storm sewer	-	923,208	923,208	-	21,058	-	21,058	902,150
Water mains	2,262,040	2,913,927	5,175,967	48,482	49,533	-	98,015	5,077,952
Water treatment plant	-	6,986,532	6,986,532	-	98,170	-	98,170	6,890,362
Water meters	-	38,023	38,023	-	3,169	-	3,169	34,854
Fire hydrants	-	603,766	603,766	-	10,517	-	10,517	593,249
2016 Total	\$ 54,796,949	\$ 31,863,458	\$ 86,660,407	\$ 15,877,082	\$ 2,873,820	\$ (140,084)	\$ 18,610,818	\$ 68,039,589

Description	Cost March 31, 2014	Additions net of Transfers & Disposals	Cost March 31, 2015	Accumulated Amortization March 31, 2014	Annual Amortization	Reductions	Accumulated Amortization March 31, 2015	Net Book Value March 31, 2015
Land	\$ 38,690	\$ -	\$ 38,690	\$ -	\$ -	\$ -	\$ -	\$ 38,690
Fire facilities	1,895,651	432,362	2,328,013	184,040	47,391	-	231,431	2,096,582
Joggins Fossil Center	6,020,089	-	6,020,089	903,013	150,503	-	1,053,516	4,966,573
Long term care buildings	17,788,263	957,557	18,745,810	3,175,509	442,902	-	3,618,411	15,127,399
Municipal buildings	1,623,005	520,954	2,143,959	1,154,048	55,278	-	1,209,326	934,633
Other buildings	1,182,311	8,901	1,191,212	335,661	33,873	-	369,534	821,678
Septage treatment plant	818,735	-	818,735	143,953	32,751	-	176,704	642,031
Electronic data equipment	174,717	214,309	389,026	107,013	18,188	-	125,201	263,825
Fire protection vehicles	4,953,508	-	4,953,508	1,808,702	475,928	-	2,284,630	2,668,878
Machinery & equipment	2,820,584	291,343	2,911,927	849,303	170,334	(11,741)	1,007,896	1,904,031
Sanitary sewer systems	11,742,207	222,629	11,984,836	4,687,270	303,312	-	4,990,582	6,974,254
Vehicles	951,664	77,440	1,029,104	688,576	62,793	-	781,369	267,735
Water mains	594,367	1,667,673	2,262,040	45,250	3,232	-	48,482	2,213,558
2016 Total	\$ 50,403,781	\$ 4,393,168	\$ 54,796,949	\$ 14,092,338	\$ 1,796,485	\$ (11,744)	\$ 15,877,082	\$ 38,919,867

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

14. ACCUMULATED SURPLUS

The following is a breakdown of the reserves included in accumulated surplus

	2016	2015
Capital reserves		
Gas tax	\$ 2,852,644	\$ 2,667,949
Sewer purposes	127,453	155,105
Unappropriated	1,065,622	1,755,600
Sunset equipment	60,000	60,000
Springhill Community Centre	426,144	-
CJSMA equipment	367,444	335,762
Little Forks II Landfill	1,459,560	1,065,931
Capital Reserves	6,358,867	6,040,347
Operating reserves		
Fire purpose	832,368	803,517
School enhancement	226,543	225,462
Public open space	59,138	58,856
Solid waste	220,616	219,564
Economic development	410,908	414,773
Unappropriated	1,755,623	2,229,555
CSCC donations reserve	5,875	10,239
Operating reserves	3,511,071	3,961,966
Total reserves	9,869,938	10,002,313
Unreserved		
County	46,961,507	21,498,940
CSCC	1,182,904	1,031,642
Sunset	3,150,896	3,317,896
CJSMA	1,485,814	942,353
Total unreserved	52,781,121	26,790,831
Accumulated surplus	\$ 62,651,059	\$ 36,793,144

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

15. DISSOLUTION OF THE TOWN OF SPRINGHILL

In accordance with the order, dated March 13, 2015, of the Nova Scotia Utility and Review Board, effective April 1, 2015 the Town of Springhill dissolved and was absorbed into the Municipality of the County of Cumberland. As a result, all of the assets and liabilities of the Town were transferred to the County at their carrying amounts and the Town ceased to exist as a separate legal entity. Services and programs of the Town including the Springhill Water Utility are now delivered by the Municipality of Cumberland.

A Letter of Intent between the Municipality of the County of Cumberland and the Province of Nova Scotia was executed on December 1, 2014. Pursuant to the Letter of Intent the Province of Nova Scotia will provide the following funding assistance:

- Equalization funding shall be paid to the combined municipal unit over the next five (5) fiscal years (2015/16 to 2019/20, inclusive). The amount of equalization funding to be paid to the combined municipal unit shall be no less than the amounts received by the Town and the Municipality in the 2014/15 fiscal year. The total amount to be paid over the next five (5) fiscal year period shall not be less than \$5,911,020 to be paid in amounts of \$1,182,204 annually. At the expiry of this period, the equalization allocation for the combined municipal unit will revert to the applicable provincial formula in effect at that time;
- Special capital funding of \$3,183,000 to be paid in amounts of \$636,600 annually for infrastructure improvements within the Town, as outlined in the Town of Springhill Infrastructure Study completed by Opus Engineering on August 28, 2014. This funding can be used to secure additional financial assistance from other programs that are not already part of this Letter of Intent as outlined in the rules and criteria for each program. Moreover, this provision will not be interpreted, employed, or otherwise exploited, to preclude the Municipality from applying for other funding for its own projects under these programs;
- Funding of \$325,014 annually for five (5) years totaling \$1,625,070 for roads; of which \$1,355,070 is to be used for capital investments and \$270,000 for operating. This funding is an annual lump sum payment that does not require matching funding from the Municipality;
- Funding for post-transitional expenses according to criteria agreed to by the Province, and subject to provincial approval, of up to \$151,120 annually to a total provincial commitment by the Province over 5 years of \$755,600. This funding is for incremental dissolution costs, subject to the reporting requirements outlined under section 5.0 of the Letter of Intent, and not to be used to replace normal operating expenses that would be incurred without dissolution.

The Municipality received \$606,000 under the Letter of Intent in the 2015 fiscal year as reimbursement for pre-dissolution expenses.

In 2016 the Municipality incurred \$216,606 in incremental post dissolution costs. These costs are included in General Government Services. In 2016 funding of \$476,014 for post transitional expenses and roads are recorded as conditional transfers. Special capital funding of \$636,600 has been recorded as deferred revenue, as no eligible capital projects were undertaken in 2016.

Contingent liability transferred as disclosed in Note 18.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

15. DISSOLUTION OF THE TOWN OF SPRINGHILL (continued)

The net carrying value of the assets and liabilities of the former Town of Springhill in the amount of \$25,782,484 is recorded as revenue in the Statement of Financial Activities.

Financial Assets	
Cash	\$ 3,214,974
Taxes receivable	932,680
Other receivables	379,310
	<u>4,526,964</u>
Financial Liabilities	
Short term debt	3,476,518
Accounts payable and accrued liabilities	785,397
Other liabilities	320,277
Long term debt	3,664,377
	<u>8,246,569</u>
Net financial debt	<u>(3,719,605)</u>
Non-financial assets	
Prepaid expenses	35,231
Deferred charges	13,324
Inventory	309,777
Capital assets	29,143,757
	<u>29,502,089</u>
Surplus	<u>\$ 25,782,484</u>

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

15. DISSOLUTION OF THE TOWN OF SPRINGHILL (continued)

Revenues and expenses related to responsibilities transferred to the Municipality on the dissolution of the former Town of Springhill.

Revenue	
Taxes	\$ 2,867,205
Grants in lieu of taxes	1,900,590
Other revenue from own sources	428,294
Unconditional transfers	649,524
Conditional transfers	334,806
Water utility	1,153,904
	<u>7,334,323</u>
Expenditures	
General government services	970,047
Protective services	1,387,604
Transportation services	1,152,696
Environmental health services	831,361
Public health & welfare services	121,677
Environmental development services	12,276
Recreational & culture services	1,319,025
Education	435,000
Water utility	996,819
	<u>7,226,505</u>
Annual surplus	<u>\$ 107,818</u>

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

16. COMMITMENTS

- a. On April 1, 2012, the County entered into a 10 year agreement with PBS Waste Services Ltd. for solid waste collection. The County is committed to paying \$1,647,440 per year with adjustments for increases in fuel costs to a maximum of \$2,773 annually.
- b. Commencing April 1, 2008, the County entered into an agreement with the Town of Parrsboro for fire protection services until March 31, 2021. The County is committed to paying 50% of the previous year's actual operating costs and capital purchases (Note 16).
- c. On March 20, 2008, the County entered into an agreement with the Town of Amherst for fire protection services until March 31, 2023. The County is committed to paying \$147,000 per year adjusted annually for increases in the Nova Scotia consumer price index.
- d. Commencing April 1, 2008, the County entered into an agreement with the Town of Oxford for fire protection services until March 31, 2023. The County is committed to paying \$48,000 per year adjusted annually for increases in the Nova Scotia consumer price index.
- e. On March 4, 2014 the County entered into an agreement with the Cumberland YMCA to provide financial assistance in the amount of \$125,000 per year for a five year period ending March 31, 2019.

17. SUBSEQUENT EVENT

- 1. Effective November 1, 2016, the Town of Parrsboro amalgamated with the Municipality of the County of Cumberland. As a result, all of the assets and liabilities of the Town were transferred to the County at their carrying amounts and the Town ceased to exist as a separate legal entity.

The increase in the consolidated accumulated surplus at November 1, 2016, based on unaudited financial statements is as follows:

Financial assets	\$2,526,000
Liabilities	<u>(1,075,000)</u>
Net financial assets	1,451,000
Non-financial assets	<u>6,684,000</u>
Accumulated surplus	<u>\$8,135,000</u>

18. CONTINGENT LIABILITIES

The Municipality may, from time to time, be involved in legal proceedings, claims and litigation arising in the normal course of operations. As of March 31, 2016, management believes it is not exposed to material, adverse impact on its financial position as a result of any such claims.

A grievance claim was made on behalf of certain former employees of the Town of Springhill seeking increased pension benefits. The likelihood of an award under the grievance is unknown; at this time, it is premature to make any evaluation of the possible outcome or possible settlement of this claim. Consequently, no provision for this claim has been made.

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Notes to the Financial Statements
Year Ended March 31, 2016

19. CJSMA SUPPLEMENTARY INFORMATION

	2016 CJSMA Total	Proportionate Consolidation 2016 50.60%	2015 CJSMA Total	Proportionate Consolidation 2015 36.60%
Financial assets	6,528,314	3,469,212	6,483,423	2,296,098
Financial liabilities	2,886,348	1,434,848	2,475,007	829,018
Non-financial assets	2,526,589	1,278,454	2,396,085	876,967
Accumulated surplus	6,547,071	3,312,818	6,404,501	2,344,046
Total revenue	2,845,771	1,102,030	2,764,419	835,705
Total expenses	2,703,201	1,029,889	2,505,278	717,060
Net operating results	142,750	72,141	259,141	118,645

Included on the statement of financial position and statement of operations of CJSMA are receivables of \$50,678 (2015 - 209,933) and revenue of \$667,847 (2015 - \$481,073) from the Municipality. These balances have been eliminated on the above proportionate consolidation.

20. TRUSTS UNDER ADMINISTRATION

At March 31, 2016, the balance of funds held in trust were \$239,040 (2015 - \$212,317).

21. BUDGETED FIGURES

Budgeted figures are unaudited and have been provided by management for comparison purposes.

22. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

23. REMUNERATION PAID TO ELECTED OFFICIALS AND C.A.O.

	2016
William Baker – Councillor	22,947
Donald Fletcher – Councillor	22,947
Ernie Gilbert - Councillor/Deputy Warden	25,243
Allison Gillis – Councillor	22,947
Keith Hunter – Warden	38,870
Maryanne Jackson - Councillor	18,130
John Kellegrew – Councillor	22,947
Mike McLellan – Councillor	22,947
Daniel Rector – Councillor	22,947
Donald Smith – Councillor	22,947
Maxwell Snow – Councillor	4,642
Lynne Welton – Councillor	22,947
Douglas Williams – Councillor	18,130
Rennie Bugley - C.A.O.	147,140

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Schedule 1 – Consolidated Statement of Segmented
Disclosure March 31, 2016

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Public Health and Welfare Services	Environmental Development and Cultural Services	Recreational and Cultural Services	Education	Water Utility	2016 Total	2015 Total
Revenue											
Springhill dissolution	\$ 25,782,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,782,484	\$ -
Taxes	19,373,290	-	-	-	-	-	-	-	-	19,373,290	15,888,251
Long term care facilities	-	-	-	-	16,918,868	-	-	-	-	16,918,868	17,029,830
Other revenue from own sources	847,477	74,653	-	-	-	125,903	-	-	-	1,048,033	659,074
Grants in lieu of taxes	2,199,424	-	-	-	-	-	-	-	-	2,199,424	301,692
Conditional transfers	328,366	-	325,014	1,185,736	-	95,030	-	-	-	1,934,146	1,522,544
Unconditional transfers	1,470,956	-	-	-	-	-	-	-	-	1,470,956	825,390
Water utility	-	-	-	-	-	-	-	1,153,904	-	1,153,904	-
Cumberland Joint Services	-	-	-	-	-	-	-	-	-	-	-
Management Authority (Note 20)	50,001,997	74,653	325,014	2,287,766	16,918,868	-	220,933	-	1,153,904	70,983,135	37,032,485
Expenses											
Advertising/promotion	21,434	2,901	-	2,006	-	521	9,006	-	-	34,828	55,113
Allowance for bad debts	398,895	-	-	13,808	-	-	-	-	21,326	434,029	189,179
Amortization	196,240	634,994	238,663	690,140	594,479	-	357,359	-	171,947	2,873,822	1,796,485
Community events	34,371	23,855	-	-	-	24,111	-	-	-	82,337	-
Contracted services	106,143	3,947,557	217,293	1,417,956	-	116,439	1,817	32,634	-	5,839,839	5,074,375
Contributions to boards (note 2)	-	-	-	-	241,678	83,318	130,120	-	-	455,116	225,788
Contributions to province (note 3)	517,647	311,436	-	-	-	-	-	4,172,604	-	5,001,687	4,347,836
Dues and licenses	18,352	17,021	-	1,090	-	1,085	1,480	-	1,785	40,814	50,353
Economic development	-	-	-	-	-	-	-	-	-	-	34,242
Election	4,517	-	-	-	-	-	-	-	-	4,517	-
Facility repair and maintenance	41,448	96,977	8,431	57,695	-	7,332	76,228	-	19,664	306,675	270,912
Fire hydrants	-	87,688	-	-	-	-	-	-	-	87,688	51,817
Grants to non-profit	487,142	-	-	180	-	25,721	215,542	-	-	728,585	631,376
Grants to volunteer fire departments	-	93,363	-	-	-	2,602	-	-	-	93,363	320,385
Information technology	63,066	10,960	-	814	-	-	-	-	101	77,843	100,709
Insurance	28,586	146,550	9,140	9,587	-	-	33,380	-	16,184	243,407	148,814
Interest and service charges	115,764	14,884	8,884	23,963	117,567	-	12,918	-	149,056	443,078	311,373
Leases	23,475	5,214	26,854	-	-	156	-	-	-	55,699	-
Long term care facilities	-	-	-	2,136,218	16,236,924	-	-	-	-	16,236,924	16,482,475
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Materials	2,956	1,384	123,483	202,550	-	18,780	63,065	-	127,214	539,432	-
Office supplies	71,774	9,560	1,525	94	-	5,260	(4,155)	-	2,818	86,874	104,436
Professional services	426,531	43,095	-	2,732	-	8,106	16,077	-	(6,667)	489,874	647,139
Salaries and benefits	1,866,562	835,805	379,859	719,316	-	247,407	581,959	-	275,158	4,906,066	2,504,348
Solid waste facility	-	-	-	1,627,520	-	-	-	-	-	1,627,520	671,044
Tax exemptions	275,923	-	-	-	-	-	-	-	-	275,923	157,137
Travel and training	151,650	94,759	-	16,890	-	2,845	11,477	-	4,013	281,634	231,013
Utilities	141,247	181,325	963,632	200,414	-	15,457	186,110	-	135,267	1,225,452	532,075
Vehicle and equipment	1,051	311,990	164,168	23,142	-	32	9,921	-	5,975	516,279	354,931
	4,984,774	6,870,218	1,541,932	7,146,114	17,180,648	534,019	1,728,395	4,172,604	955,516	45,125,220	35,293,355
Annual surplus	\$ 45,007,223	\$ (6,795,565)	\$ (1,216,918)	\$ (4,858,348)	\$ (261,780)	\$ (534,019)	\$ (11,607,462)	\$ (4,172,604)	\$ 197,388	\$ 25,857,915	\$ 1,739,131

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Supplementary Schedule
Water Utility Operating Fund
Statement of Financial Position
As at

	<u>March 31,</u> <u>2016</u>
Assets	
Cash	\$ 14,773
Receivables	
Water rates (net of allowance \$70,387; 2015 - \$49,300)	170,804
Due from water capital fund	<u>469,622</u>
	640,426
Inventory not held for resale	<u>111,193</u>
	<u>\$ 766,392</u>
Liabilities	
Accounts payable and accrued liabilities	39,092
Due to general operating funds	571,341
Depreciation reserve	<u>171,947</u>
	782,380
Accumulated deficit	<u>(15,988)</u>
	<u>\$ 766,392</u>

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Supplementary Schedule
Water Utility Operating Fund
Statement of Operations

	Budget 2016	Actual 2016
Operating revenue		
Metered sales	\$ 314,000	\$ 300,507
Flat Rate sales	853,000	845,453
Public fire protection	383,083	383,083
Other	4,800	11,180
Interest	15,000	18,862
	<u>1,569,883</u>	<u>1,559,085</u>
Operating expenditures		
Source of supply	10,121	3,494
Water treatment	331,020	281,137
Transmission and distribution	324,720	232,179
Administration and general	185,823	178,596
Depreciation	175,000	171,947
Taxes	45,320	40,277
Springhill dissolution	-	397,605
	<u>1,072,004</u>	<u>1,305,235</u>
Operating income	497,879	253,850
Non-operating revenue		
Machine hire	6,000	6,000
	<u>6,000</u>	<u>6,000</u>
Non operating expenditures		
Debt Charges		
Principal	186,650	186,650
Interest	91,979	89,188
	<u>278,629</u>	<u>275,838</u>
Excess of revenue over expenditures	225,250	(15,988)
Deficit, beginning of year	-	-
Deficit, end of year	<u>\$ 225,250</u>	<u>\$ (15,988)</u>

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MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Supplementary Schedule
Water Utility Capital Fund
Statement of Financial Position
As at

	March 31, 2016
Assets	
Cash	\$ 1,283,934
Receivables other	12,214
Due from	
Due from general capital fund	7,691
	1,303,839
Utility and plant	13,853,037
	\$ 15,156,876
Liabilities	
Due to water operating fund, less depreciation reserve	\$ 297,675
Accumulated allowance for depreciation	2,739,239
Long term debt	1,848,500
	4,885,414
Investment in capital assets	10,271,462
	\$ 15,156,876

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**MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Supplementary Schedule
Water Utility Capital Fund
Statement of Utility Plant and Equipment
As at**

	March 31, 2016
Tangible plant and equipment	
Land and land rights	\$ 2,825
Structures & Improvements	8,136,979
Equipment	229,233
Mains	1,293,445
Mains	3,346,023
Services	405,842
Meters	63,372
Hydrants	375,318
	\$ 13,853,037

**MUNICIPALITY OF THE COUNTY OF CUMBERLAND
Supplementary Schedule
Water Utility Capital Fund
Statement of Investment in Capital Assets
Year Ended, March 31, 2016**

Balance, beginning of year	\$ -
Interest earned on depreciation funds	448
Term debt retired	186,650
Springhill dissolution	10,084,364
	10,271,462
Balance, end of year	\$ 10,271,462

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Summary of Unadjusted Differences (SUDs)

Name: Consolidated Municipality of the County of Cumberland

Date of period: 31-Mar-16

(State difference in terms of how statements misstated)

W/P ref	Description	Income before tax over (under) stated				Balance Sheet		
		known differences	projected differences	differences in estimates	total	Assets (OVER) under stated	Liabilities over (under) stated	Opening Equity* over (under) stated
C	Balance in receivables clearing account that should be reversed to revenue	17,434			17,434	-17,434		
D	Estimated understatement of inventory			-7,000	-7,000	27,000		-20,000
D.2	Springhill opening inventory overstated, write down recorded in current year		-96,000		-96,000			96,000
BB.19	Maximum exposure to HSI						-22,900	22,900
U	Understatement of amortization on Springhill fire trucks		45,700		45,700	-182,827		137,127
CC.1	Provision expenses and revenue not accrued at March 31, 2016	-				38,700	-38,700	
Total pre-tax - this year's differences		17,434	-50,300	-7,000	-39,866	-134,561	-61,600	236,027
Reversing SUDS					19,400			
Percent of Consolidated revenue					0.0%	Consolidated Revenue		70,983,135
Percent of Consolidated surplus					-0.1%	Consolidated Annual Surplus		25,857,915

Unadjusted differences are below materiality, no adjustment proposed.

Summary of Unadjusted Differences (SUDs)

Name: Non-consolidated Municipality of the County of Cumberland

Date of period: 31-Mar-16

(State difference in terms of how statements misstated)

W/P ref	Description	Income before tax over (under) stated				Balance Sheet		Opening Equity* over (under) stated
		known differences	projected differences	differences in estimates	total	Assets (OVER) under stated	Liabilities over (under) stated	
C	Balance in receivables clearing account that should be reversed to revenue	17,434			17,434	-17,434		
D	Estimated understatement of inventory			-7,000	-7,000	27,000		-20,000
D.2	Springhill opening inventory overstated, write down recorded in current year		-96,000		-96,000			96,000
BB.19	Maximum exposure to HS1						-22,900	22,900
U	Understatement of amortization on Springhill fire trucks		45,700		45,700	-182,827		137,127
CC.1	Dissolution expenses and revenue not accrued at March 31, 2016					38,700	-38,700	
Total pre-tax - this year's differences		17,434	-50,300	-7,000	-39,866	-134,561	-61,600	236,027
Reversing SUDS					55,000			
Percent of Non-Consolidated revenue					0.0%	Non-consolidated Revenue		52,183,173
Percent of Non-consolidated surplus					0.1%	Non-consolidated Surplus		24,909,245

Unadjusted differences are below materiality, no adjustment proposed.

