



Grant Thornton

Consolidated Financial Statements

Town of Yarmouth

March 31, 2014

Contents

	Page
Independent Auditors' Report	1-2
Management's Responsibility for Financial Reporting	3
Consolidated Statement of Operations	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Net Financial Assets (Debt)	6
Consolidated Statement of Changes in Financial Position	7
Notes to the Consolidated Financial Statements	8-23
Water Utility	
Non-Consolidated Operating Fund Statement of Operations	24
Non-Consolidated Operating Fund Balance Sheet	25
Non-Consolidated Capital Fund Balance Sheet	26
Non-Consolidated Tangible Capital Assets	27
Non-Consolidated Statement of Investment in Capital Assets	27
Non-Consolidated Schedules to Operating Fund Statement of Operations	28-29



Independent Auditors' Report

Grant Thornton LLP
328 Main Street, PO Box 297
Yarmouth, NS
B5A 4B2

To the Mayor and Council of the
Town of Yarmouth

We have audited the accompanying consolidated financial statements of the Town of Yarmouth, which comprise the statement of financial position as at March 31, 2014, the statements of operations and changes in net financial assets (debt) and statement of changes in financial position 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town of Yarmouth's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Yarmouth's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Yarmouth as at March 31, 2014, and the results of its operations, changes in net financial assets (debt) and its changes in financial position for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The Water Utility statements and schedules on pages 24 to 29 are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Yarmouth, Canada
October 1, 2014



Chartered Accountants

Town of Yarmouth

Management's Responsibility for Financial Reporting

March 31, 2014

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


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

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

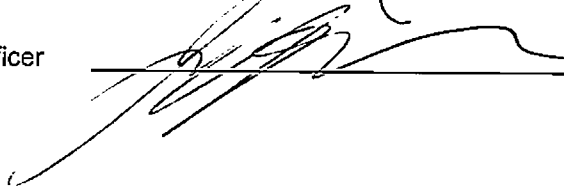
The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Town of Yarmouth and meet when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

On behalf of Town of Yarmouth:

Mayor



Chief Administrative Officer



Town of Yarmouth

Consolidated Statement of Operations

Year Ended March 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxes	\$ 10,443,812	\$ 10,493,276	\$ 10,633,424
Grants in lieu of taxes	1,232,100	1,213,452	1,237,237
Services provided to other governments	724,151	758,574	776,240
Sale of service	229,466	271,403	224,070
Other revenue from own sources	1,580,667	1,506,886	1,478,943
Unconditional transfers from other governments	976,735	1,126,984	985,860
Grants for capital purposes	720,000	1,016,096	2,250,093
Domestic, commercial and industrial water	1,793,443	1,717,993	1,775,385
Public fire protection	479,773	482,359	482,556
Interest	6,029	40,363	59,717
Other	17,750	134,797	9,037
Rental end events	478,777	461,145	471,361
Food and beverage sales	<u>120,750</u>	<u>104,196</u>	<u>132,486</u>
	<u>18,803,453</u>	<u>19,327,524</u>	<u>20,516,409</u>
Expenditures			
General government services	1,769,207	1,785,224	1,779,014
Protective services	4,289,293	4,305,170	4,243,206
Transportation services	3,082,291	3,308,392	3,221,788
Environmental health services	3,093,450	2,978,955	3,004,362
Environmental development services	1,543,801	1,572,429	1,595,994
Recreational and cultural services	1,760,397	2,058,959	2,071,685
Water and sanitation	<u>1,947,670</u>	<u>1,902,777</u>	<u>1,787,492</u>
	<u>17,486,109</u>	<u>17,911,906</u>	<u>17,703,541</u>
Annual surplus before the undernoted	1,317,344	1,415,618	2,812,868
Contribution of tangible capital assets from Federal government	-	661,900	-
Contribution of tangible capital assets to other local government	-	-	(1,870,594)
Loss on disposal of tangible capital assets	-	(71,986)	-
Pension asset increase	<u>-</u>	<u>748,400</u>	<u>362,000</u>
Annual surplus	<u>\$ 1,317,344</u>	<u>\$ 2,753,932</u>	<u>\$ 1,304,274</u>
<hr/>			
Accumulated surplus, beginning of year		63,978,020	62,673,746
Annual surplus		<u>2,753,932</u>	<u>1,304,274</u>
Accumulated surplus, end of year		<u>\$ 66,731,952</u>	<u>\$ 63,978,020</u>

See accompanying notes to the consolidated financial statements.

Town of Yarmouth

Consolidated Statement of Financial Position

March 31

2014

2013

Financial Assets

Cash and cash equivalents	\$ 9,954,769	\$ 5,806,106
Sewer and water rate receivable (Note 4)	572,348	529,108
Taxes receivable (Notes 5 and 6)	1,054,682	1,120,472
Due from Provincial Government and agencies	174,876	452,532
Other receivables (Note 7)	732,453	834,693
Pension benefit asset (Note 9)	343,900	-
Loans, advances and investments	10,117	17,422
	<u>12,843,145</u>	<u>8,760,333</u>

Financial Liabilities

Due to Federal Government and agencies	429,241	296,485
Due to Provincial Government and agencies	230,000	230,000
Payables and accruals (Note 8)	1,486,204	1,209,301
Pension benefit obligation (Note 9)	-	404,500
Other post employment benefits (Note 10)	631,453	660,226
Repayable contributions	9,403	9,403
Loans payable	137,031	164,086
Deferred revenue	2,692,507	301,558
Long-term debt (Note 11)	3,366,667	3,766,667
	<u>8,982,506</u>	<u>7,042,226</u>

Net Financial Assets

3,860,639 1,718,107

Non-Financial Assets

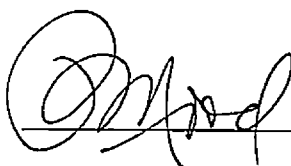
Tangible capital assets (Note 12)	62,778,150	62,189,775
Prepaid expenses	75,257	50,005
Inventories	17,906	20,133
	<u>62,871,313</u>	<u>62,259,913</u>

Accumulated Surplus

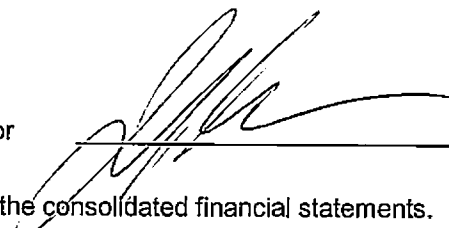
\$ 66,731,952 \$ 63,978,020

Commitments (Note 13)
Contingencies (Note 14)

On behalf of the Town of Yarmouth



Mayor



Clerk

See accompanying notes to the consolidated financial statements.

Town of Yarmouth
Consolidated Statement of Changes in Net Financial
Assets (Debt)

March 31	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual surplus	\$ 1,317,344	\$ 2,753,932	\$ 1,304,274
Acquisition of tangible capital assets	(3,890,000)	(3,308,249)	(3,866,415)
Amortization of tangible capital assets	2,186,713	2,525,292	2,466,403
Proceeds on disposal of tangible capital assets	-	122,596	-
Loss on transfer/disposal of tangible capital assets	<u>-</u>	<u>71,986</u>	<u>2,031,705</u>
	(385,943)	2,165,557	1,935,967
Change in inventories/prepaid expenses	<u>-</u>	<u>(23,025)</u>	<u>149,237</u>
(Decrease in Net Financial Assets)/ Increase in Net Financial Assets	\$ (385,943)	2,142,532	2,085,204
Net Financial Assets (Debt), beginning of year		<u>1,718,107</u>	<u>(367,097)</u>
Net Financial Assets, end of year		\$ 3,860,639	\$ 1,718,107

See accompanying notes to the consolidated financial statements.

Town of Yarmouth**Consolidated Statement of Changes in Financial Position**

Year Ended March 31

2014**2013**

Increase in cash and cash equivalents

Operating activities

Annual surplus	\$ 2,753,932	\$ 1,304,274
Changes in non-cash items		
Amortization	2,525,292	2,466,403
Sewer and water receivable	(43,240)	(10,655)
Taxes receivable	65,790	34,245
Prepaid expenses and inventories	(23,025)	149,237
Due from/to Provincial Government and agencies	277,656	(32,152)
Due to Federal Government and agencies	132,756	(93,640)
Other receivables	102,240	247,663
Pension benefit asset/obligation	(748,400)	(362,000)
Payables and accruals and post employment benefits	248,130	118,364
Deferred revenue	2,390,949	157,888
Repayable contributions and loans payable	<u>(27,055)</u>	<u>(121,262)</u>
	<u>7,655,025</u>	<u>3,858,365</u>

Capital activities

Proceeds on disposal of tangible capital assets	122,596	-
Loss on disposal/transfer of tangible capital assets	71,986	2,031,705
Acquisition of tangible capital assets	<u>(3,308,249)</u>	<u>(3,866,415)</u>
	<u>(3,113,667)</u>	<u>(1,834,710)</u>

Financing activities

Repayment of long-term debt	<u>(400,000)</u>	<u>(698,319)</u>
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Investing activities

Decrease in loans, advances and investments	<u>7,305</u>	<u>7,340</u>
Net increase in cash and cash equivalents	4,148,663	1,332,676
Cash and cash equivalents		
Beginning of year	<u>5,806,106</u>	<u>4,473,430</u>
End of year	<u>\$ 9,954,769</u>	<u>\$ 5,806,106</u>

See accompanying notes to the consolidated financial statements.

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of significant accounting policies

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

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

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

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Town and which are owned or controlled by the Town. Along with the consolidation of the funds and reserves, the Town has consolidated its proportionate share as follows:

- Mariners Centre Management Board – 50%
- Yarmouth & Acadian Shores Tourism Association – 25%
- Yarmouth Area Industrial Commission – 33.33%
- Yarmouth County Solid Waste Management Authority – 27.79%
- Yarmouth International Airport Corporation – 29.24%
- Yarmouth Waterfront Development Corporation – 100%

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by Council on July 11, 2013 in its original fiscal plan; they also include budgets prepared and approved by controlled entities and are adjusted for amortization in accordance with Public Sector requirements.

Revenue recognition

- (a) Tax revenue is property tax billings which are prepared by the Town based on assessment rolls issued by the Province of Nova Scotia. Tax rates are established annually by Council. Taxes are billed based on the assessment rolls provided by the Province of Nova Scotia. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined. The Town is entitled to collect interest and penalties on overdue taxes. These revenues are recorded in the period the interest and penalties are levied.

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

(b) Revenue from provincial or federal governments without eligibility criteria or stipulations is recognized as revenue by the Town when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Town when the transfer is authorized and all eligibility criteria have been met. Revenue with stipulations is recognized as revenue by the Town when the transfer is authorized and all stipulations have been met.

(c) Other revenue is recorded when it is earned.

Expenditures

Expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities. Cash proceeds from tax sales in excess of the arrears taxes receivable are deposited in a separate bank account and are restricted for a period of twenty years at which time the cash can be taken into operations. The balance of the tax sale surplus account at year end is \$35,585 (2013 - \$35,643).

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Assets under construction are not amortized until the asset is available for productive use. Funding related to the purchase of capital assets is recorded as revenue when received. Donated assets are recorded at their estimated fair value at time of acquisition. The Town does not capitalize interest as part of the costs of its capital assets.

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

Land improvements	25 years
Buildings	25-40 years
Plants	20-25 years
Landfill	5, 7 & 25 years
Machinery and equipment	10-15 years
Vehicles	5 years
Streets, roads and curbs	25 years
Traffic and street lights	25 years
Sidewalks	25 years
Sewer lines	50 years
Dams	25 years
Wharves	25 years

School assets

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

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Under agreements, all school buildings on hand at December 31, 1981 will remain assets of the Town but are under the operational control of the school board until such time as the board no longer requires the asset for school purposes. At that time, control will revert back to the Town.

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

Inventories

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

Short term debt

The Town of Yarmouth has an operating line of credit with the Bank of Montreal to a maximum of \$2,500,000. The line was drawn on to nil at March 31, 2014 (2013 - nil) with an interest rate of prime minus 0.375%.

Financial instruments

The fair values of cash, receivables and payables are assumed to approximate their carrying amounts because of their short term to maturity. The fair value of long-term debt is assumed to approximate its carrying amount.

Use of estimates

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual amounts could differ from these estimates.

Concentrations of credit risk

Concentrations of credit risk exist if a number of customers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Town's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Town due to most of its service being provided in the Town of Yarmouth. The exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions which would impair the customers' ability to satisfy their obligations to the Town. In order to reduce this economic risk, the Town has comprehensive credit procedures in place whereby analyses are performed to control the collection of amounts due to it.

Employee future benefits

The Town accrues its obligations under employee future benefit plans and the related costs, net of plan assets. The cost of pensions earned by employees is actuarially determined using the accrued benefit method. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

1. Summary of significant accounting policies (continued)

Employee future benefits (continued)

Past service costs from plan amendments are netted with outstanding unamortized actuarial gains/losses and recognized immediately. Current service costs are expensed during the year.

The excess of net actuarial gains/losses is amortized over the average remaining service period of active employees.

2. Contributions to Boards and Commissions

The Town of Yarmouth is required to assist in financing the operations of the various boards, along with other Municipal Units 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. A Municipal Unit's share of the deficit is to be paid in the next fiscal year while a surplus is to be taken into the next year's estimates.

Boards in which the Town has less than 50% Interest

- Regional Library - 11.5% Interest
During 2014, the Town of Yarmouth paid \$44,619 (2013 - \$44,619) to the Regional Library.
 - Tri-County Housing Authority - 12.5% Interest
At March 31, 2014, the Town of Yarmouth owes \$230,000 (2013 - \$230,000) to the Province of Nova Scotia for transfer to the Tri-County Housing Authority to fund its share of the prior year's deficit.
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3. Trust funds

The Trust Funds being administered by the Town of Yarmouth are not consolidated with the accounts of the Town. At March 31, 2013, the equity in Trust Funds under its trusteeship amounted to \$249,675 (2013 - \$123,244).

4. Sewer, and water receivable	<u>2014</u>	<u>2013</u>
Sewer and water rates receivable, gross	\$ 595,518	\$ 544,328
Valuation allowance		
Balance, beginning of year	15,220	29,341
Allowances (reductions) during the year	<u>7,950</u>	<u>(14,121)</u>
Balance, end of year	<u>23,170</u>	<u>15,220</u>
Sewer rates receivable, net	\$ <u>572,348</u>	\$ <u>529,108</u>

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

5. Taxes receivable			<u>2014</u>	<u>2013</u>
	<u>Current year</u>	<u>Prior year</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ -	\$1,120,472	\$ 1,120,472	\$ 1,154,717
Current year's levy	11,219,300	-	11,219,300	11,713,010
Interest on outstanding taxes	<u>164,516</u>	<u>-</u>	<u>164,516</u>	<u>201,287</u>
	<u>11,383,816</u>	<u>1,120,472</u>	<u>12,504,288</u>	<u>13,069,014</u>
Deduct				
Write-offs	-	-	-	298,381
Current year's collections	10,369,906	654,602	11,024,508	11,219,588
Reduced taxes	<u>316,041</u>	<u>-</u>	<u>316,041</u>	<u>325,229</u>
	<u>10,685,947</u>	<u>654,602</u>	<u>11,340,549</u>	<u>11,843,198</u>
Balance, before allowance	697,869	465,870	1,163,739	1,225,816
Less valuation allowance (Note 6)	<u>-</u>	<u>109,057</u>	<u>109,057</u>	<u>105,344</u>
Balance, end of year	<u>\$ 697,869</u>	<u>\$ 356,813</u>	<u>\$ 1,054,682</u>	<u>\$ 1,120,472</u>

6. Valuation allowance - uncollectible taxes			<u>2014</u>	<u>2013</u>
Balance, beginning of year			\$ 105,344	\$ 385,836
Accounts written off in year			-	(298,381)
Provision for the year			<u>3,713</u>	<u>17,889</u>
Balance, end of year			<u>\$ 109,057</u>	<u>\$ 105,344</u>

7. Other receivables			<u>2014</u>	<u>2013</u>
Trade receivables			\$ 341,817	224,390
Amounts due to controlled entities			<u>67,112</u>	<u>150,080</u>
			408,929	374,470
Harmonized sales taxes			275,185	174,610
Non-controlling interest due from subsidiaries			<u>48,339</u>	<u>285,613</u>
			<u>\$ 732,453</u>	<u>\$ 834,693</u>

Town of Yarmouth
Notes to the Consolidated Financial Statements
 March 31, 2014

8. Payables and accruals	<u>2014</u>	<u>2013</u>
Trade payables and accruals	\$ 1,104,540	\$ 866,006
Amounts due from controlled entities	<u>192,771</u>	<u>222,331</u>
	1,297,311	1,088,337
Due to other local governments	106,448	120,964
Non-controlling interest due to subsidiaries	<u>82,445</u>	-
	<u>\$ 1,486,204</u>	<u>\$ 1,209,301</u>

9. Defined benefit pension plan

The Town of Yarmouth sponsors a contributory defined benefit pension plan for substantially all of its employees. The plan provides pension benefits in two categories: for services prior to August 1, 1975, benefits are calculated using a career average earnings formula in which the benefits are a defined percentage of earnings for each year of service; and for services after August 1, 1975, benefits are determined using a final average salary formula in which the benefit is calculated as a specified percentage of the member's average salary over the last five years of membership in the plans. The average age of the 61 active employees covered by the plan is 50.2. At present, the plan provides benefits for 15 retirees.

Employees make contributions equal to 6.5% percent of their salary and the Town contributes 13%. Total benefit payments to retirees during the year was approximately \$213,959 (2013 - \$204,911). Pension fund assets are invested primarily in marketable investments of organizations external to the Town.

Actuarial valuations for accounting purposes are preformed triennially using the accrued benefit method. The most recent actuarial valuation was prepared at March 31, 2014 and at that time the pension plan had an accrued benefit asset of \$343,900.

The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Town's best estimates.

The following summarizes the major assumptions in the valuation:

- the expected inflation rate is 3.5%;
- the discount rate used to determine the accrued benefit obligation is 5.25%;
- the expected rate of return is 5.25%;
- retirement age is 65; and
- estimated average remaining service life is 15 years.

Combined employer and employee contributions during the year were \$510,154 (2013 - \$527,541).

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

9. Defined benefit pension plan (continued)

The Town's actuary performed an extrapolation of the March 31, 2013 valuation to determine the position of the plan as at March 31, 2014. Pension fund assets are valued at market values. Plan assets are comprised of Sun Life's Three Year Guaranteed Account Fund. Results of the extrapolation are as follows:

Market value of the pension plan asset	\$ 8,377,700
Accrued benefit obligation	<u>8,033,800</u>
Pension plan deficit	<u>\$ 343,900</u>

The actuarially calculated pension asset at March 31, 2014 is \$343,900 (2013 – liability of \$404,500).

Under Nova Scotia Pension Plan regulations, the Town has 15 years to fund any deficit arising from the valuation.

The Yarmouth Area Industrial Commission was a co-sponsor of an individual pension plan for a past employee. The plan provided pension benefits for services after January 1, 1995.

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

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

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

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

10. Other post employment benefits

Sick leave - The Town is liable for accumulated sick leave to a maximum of 200 unused days for each employee. At March 31, 2014, the maximum amount that would have to be paid to all employees amounted to \$645,610 (2013 - \$698,952). Upon retirement a non-union employee who has not abused their sick leave is eligible for a sick leave retirement package. After 10 years of employment, the employee can receive a portion of their accumulated sick leave. The total liability recorded in these financials pertaining to this contingency as at March 31, 2014 was \$349,966 (2013 - \$367,327). This figure is based upon historical information and the likelihood of the sick leave to be used and awarded to the employee.

Service award retirement package – After 10 years of service at the Town, an employee becomes eligible receive a service award package at retirement. The amount of the package is one month's salary earned in the final year of service for every ten years employed at the Town. The total amount of this liability as at March 31, 2014 of \$281,487 (2013 - \$292,899) has been recorded as a liability in these financial statements. This figure was determined based upon the likelihood of the employee retiring and the funds being paid out by the Town.

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

11. Long-term debt

	March 31, 2013	Repaid	March 31, 2014	Interest	Interest rate
General					
Nova Scotia Municipal Finance Corporation					
Public Works Building, due Oct 2019	\$ 600,000	\$ 100,000	\$ 500,000	\$ 28,832	5.00%-5.38%
Southeast Street, due 2021	1,833,332	166,667	1,666,665	82,653	4.37%-5.09%
Brooklyn Street, due 2022	<u>1,333,335</u>	<u>133,333</u>	<u>1,200,002</u>	<u>56,764</u>	4.42%-4.77%
Total	<u>\$ 3,776,667</u>	<u>\$ 400,000</u>	<u>\$ 3,366,667</u>	<u>\$ 168,249</u>	

Principal repayments required in the next five years are as follows:

2015	\$400,000
2016	\$400,000
2017	\$400,000
2018	\$400,000
2019	\$400,000

TOWN OF YARMOUTH
Notes to the Consolidated Financial Statements
 March 31, 2014

12. Tangible capital assets

	Land	Land Improvements	Municipal Buildings	Other Buildings	Machinery and equipment	Landfill	Vehicles	Streets & Roads
Cost								
Balance, beginning of year	\$ 4,099,810	\$ 2,700,119	\$ 14,703,518	\$ 14,891,409	\$ 4,195,372	\$ 2,354,089	\$ 537,085	\$ 9,262,989
Add								
Additions during the year	593,153	272,102	1,547,559	-	102,321	3,018	139,073	-
Less								
Disposals during the year	(90,462)	-	(157,244)	-	-	-	-	-
Balance, end of year	<u>4,602,501</u>	<u>2,972,221</u>	<u>16,093,833</u>	<u>14,891,409</u>	<u>4,297,693</u>	<u>2,357,087</u>	<u>676,158</u>	<u>9,262,989</u>
Accumulated amortization								
Balance, beginning of year	-	951,128	4,704,601	2,544,737	2,381,344	1,119,325	360,260	2,452,661
Add								
Amortization during the year	-	112,017	367,203	247,024	376,165	143,021	54,601	355,303
Less								
Accumulated amortization on disposals	-	-	(53,124)	-	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,063,145</u>	<u>5,018,680</u>	<u>2,791,761</u>	<u>2,757,509</u>	<u>1,262,346</u>	<u>414,861</u>	<u>2,807,964</u>
NET BOOK VALUE	<u>\$ 4,602,501</u>	<u>\$ 1,909,076</u>	<u>\$ 11,075,153</u>	<u>\$ 12,099,648</u>	<u>\$ 1,540,184</u>	<u>\$ 1,094,741</u>	<u>\$ 261,297</u>	<u>\$ 6,455,025</u>

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

12. Tangible capital assets (continued)

	Street lights	Sidewalks	Sewer lines	Dam	Wharf	2014 Total	2013 Total
Cost							
Balance, beginning of year	\$ 728,245	\$ 4,611,923	\$ 24,489,715	\$ 1,007,474	\$ 6,041,419	\$ 89,623,147	\$ 88,173,834
Add							
Additions during the year	10,653	605,551	25,204	9,615	-	3,308,249	3,866,415
Less							
Disposals during the year	-	-	-	-	-	(247,706)	(2,417,102)
Balance, end of year	<u>738,898</u>	<u>5,217,474</u>	<u>24,514,919</u>	<u>1,017,089</u>	<u>6,041,419</u>	<u>92,683,690</u>	<u>89,623,147</u>
Accumulated amortization							
Balance, beginning of year	142,530	1,529,447	8,088,180	60,957	3,098,202	27,433,372	25,352,367
Add							
Amortization during the year	29,309	196,554	399,870	40,490	203,735	2,525,292	2,466,403
Less							
Accumulated amortization on disposals	-	-	-	-	-	(53,124)	(385,398)
Balance, end of year	<u>171,839</u>	<u>1,726,001</u>	<u>8,488,050</u>	<u>101,447</u>	<u>3,301,937</u>	<u>29,905,540</u>	<u>27,433,372</u>
NET BOOK VALUE	<u>\$ 567,059</u>	<u>\$ 3,491,473</u>	<u>\$ 16,026,869</u>	<u>\$ 915,642</u>	<u>\$ 2,739,482</u>	<u>\$ 62,778,150</u>	<u>\$ 62,189,775</u>

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

13. Commitments

Capital projects

Subsequent to year end the Town has awarded tenders for Green Street Sewer Separation and Yarmouth Fire Hall projects. The contract for Green Street Sewer Separation was awarded at \$420,302 (excluding HST). The contract for Yarmouth Fire Hall was awarded at \$196,443 (excluding HST).

Garbage collection

The Town has entered into a contract with Wasteco Ltd. for the handling and disposal of organic waste. The duration of the contract was for five years effective April 1, 2010 with one year remaining and the future amounts are \$266,902 (excluding HST).

Management expects to renew this contract, but has not entered negotiations at the time the financial statements were released.

14. Contingencies

Health Clinics

The Town has agreed to fund 33.33% of any deficit arising from the AM Clarke Health Center and the Harbour South Medical Clinic until they are operationally viable. For 2014 the Town has funded \$41,642 (2013 - \$45,095) for the AM Clarke Health Center and \$34,058 (2013 - \$59,222) for the Harbour South Medical Clinic.

Yarmouth International Airport Corporation

The Town of Yarmouth entered into an agreement with the Municipality of the District of Yarmouth and the Municipality of the District of Argyle to incorporate the Yarmouth Regional Airport Corporation to manage the operations of the former Yarmouth Airport Commission Association. The Town has committed to fund the operations of the new corporation based on a cost sharing formula, calculated as of January 1st of each year using an equal blend of population (last census data) and uniform assessment (most current assessment) as amended for each year as funding is required. During 2014, the Town contributed \$283,555 (2013 - \$197,724) to fund these operations.

Yarmouth Area Industrial Commission

The Yarmouth Area Industrial Commission is a co-sponsor of an individual pension plan (Note 9). The Commission has recorded their pension plan liability as outlined in the most recent actuarial report; however significant uncertainties exist surrounding the Commission's potential obligation for the pension plan due to Southwest Shore Development Authority's ongoing receivership and approvals related to the date of plan wind-up. Due to these significant uncertainties, the Commission cannot determine at this time whether they will be required to fund the pension plan obligation for an amount in excess of what has been currently recorded. Based on the most recent actuarial valuation, the maximum potential obligation to the Town in excess of what has been currently recorded is approximately \$51,627.

Other

The Town may be periodically involved in other legal actions arising in the normal course of business. In the opinion of management, the Town has adequate defences or insurance coverage with respect to each of these actions and does not believe that they will materially affect the Town's financial position or results of future operations.

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

15. Landfill closure

The Town has transferred amounts annually for the past several years to the Capital Reserve Fund for landfill closure costs. At March 31, 2014, the total amount in this Capital Reserve was \$27,241 (2013 - \$25,253). The closure was effective December 31, 2007, and the post-closure costs were estimated at \$3,145,000 by a professional engineer. At the end of March 31, 2014, the landfill closure is complete and minimal future costs are expected.

16. Remuneration

The total remuneration paid to councillors and senior staff during the year ended March 31, 2014, was as follows:

	<u>Position</u>	<u>Remuneration</u>
Pam Mood	Mayor	\$ 40,769
Jim MacLeod	Deputy Mayor	25,353
Ken Langille	Councillor	21,128
Daniel MacIsaac	Councillor	21,128
Phil Mooney	Councillor	21,128
Sandy Dennis	Councillor	21,128
Madeleine Daues	Councillor	21,128
Chief Administrative Officer	-	111,689

17. Reserves

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

	<u>2014</u>	<u>2013</u>
Operating	<u>\$ 2,475,774</u>	<u>\$ 2,459,363</u>
Capital	<u>\$ 1,177,571</u>	<u>\$ 2,212,693</u>

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

18. Segment disclosure

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

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

General Government Services

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

Protective Services

This department is primarily responsible for police and fire protection for its residents. The Town's other protective services include costs related to building inspection and animal and pest control.

Transportation Services

This department is responsible for the maintenance of specialized roads within its jurisdiction. The Town is also a partner in the operation and ownership of the Yarmouth International Airport Corporation.

Environmental Health Services

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

Environmental Development Services

This department is responsible for overseeing residential and commercial construction in the Town. Its tasks include issuing and ordering civic numbers, issuing building permits and fire safety inspections.

Recreation and Cultural Services

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

Water and Sanitation Services

This department is responsible for potable water to the Town's residents.

Town of Yarmouth

Schedule of Segment Disclosure

March 31, 2014

18. Segment disclosure (continued)

Revenues	General government	Protective	Transportation	Environmental health	Environmental development	Recreation and cultural	Water and sanitation	2014 Consolidated
Taxes	\$ 1,170,135	\$ 2,821,849	\$ 2,168,505	\$ 1,952,573	\$ 1,030,658	\$ 1,349,556	\$ -	\$ 10,493,276
Grants in lieu of taxes	135,316	326,321	250,768	225,797	119,186	156,064	-	1,213,452
Services provided to other governments	-	583,088	-	175,486	-	-	-	758,574
Sales of service	60,353	9,926	46,690	-	101,750	52,684	-	271,403
Other revenue from own sources	408,228	28,800	59,686	817,102	146,788	46,282	-	1,506,886
Unconditional transfers from other governments	655,608	-	227,411	-	243,965	-	-	1,126,984
Grants for capital purposes	153,987	-	27,129	-	701,226	133,754	-	1,016,096
Domestic, commercial and industrial water	-	-	-	-	-	-	1,717,993	1,717,993
Public fire protection	-	-	-	-	-	-	482,359	482,359
Interest	26,980	-	271	1,947	842	731	9,592	40,363
Other	-	-	-	-	122,402	-	12,395	134,797
Rental and events	-	-	-	-	190,688	270,457	-	461,145
Food and beverage sales	-	-	-	-	-	104,196	-	104,196
	<u>2,610,607</u>	<u>3,769,984</u>	<u>2,780,460</u>	<u>3,172,905</u>	<u>2,657,505</u>	<u>2,113,724</u>	<u>2,222,339</u>	<u>19,327,524</u>
Expenditures								
Salaries and benefits	638,903	1,442,607	904,105	572,128	480,615	395,033	605,085	5,038,476
Goods and services	505,080	2,629,964	1,434,397	1,329,457	691,515	543,042	964,254	8,097,709
Amortization	81,907	138,189	672,754	637,931	120,549	595,814	278,148	2,525,292
Interest	-	-	92,831	82,653	19,724	-	-	195,208
Other	559,334	94,410	204,305	356,786	260,026	525,070	55,290	2,055,221
	<u>1,785,224</u>	<u>4,305,170</u>	<u>3,308,392</u>	<u>2,978,955</u>	<u>1,572,429</u>	<u>2,058,959</u>	<u>1,902,777</u>	<u>17,911,906</u>
Annual surplus (deficit)	<u>\$ 825,383</u>	<u>\$ (535,186)</u>	<u>\$ (527,932)</u>	<u>\$ 193,950</u>	<u>\$ 1,085,076</u>	<u>\$ 54,765</u>	<u>\$ 319,562</u>	<u>\$ 1,415,618</u>

Town of Yarmouth

Notes to the Consolidated Financial Statements

March 31, 2014

19. Subsidiary operations

		Yarmouth County Solid Waste Management Authority	Mariners Centre Management Board	Yarmouth International Airport Corporation	Yarmouth Waterfront Development Corporation Limited	Yarmouth Area Industrial Commission	Yarmouth and Acadian Shores Tourism Association	<u>2014</u>	<u>2013</u>
	\$							\$	\$
Revenue									
Rental and events	-	270,458	-	-	-	190,688	-	-	471,360
Food and beverage sales	-	104,196	-	-	-	-	-	-	132,485
Sales of service	-	52,684	46,690	-	-	101,750	-	-	152,985
Grants from other governments	-	-	337,238	-	-	157,478	175,593	-	1,293,266
Other revenue from own sources	430,079	88,814	59,686	181,574	-	53,806	31,309	-	719,206
Interest	1,947	732	271	842	-	-	-	-	4,253
Other	-	-	-	-	-	-	-	-	349
	432,026	516,884	443,885	182,416	-	503,722	206,902	-	2,773,904
Expenditures	432,660	740,441	410,190	68,829	588,534	-	195,296	-	4,177,819
Annual surplus (deficit)	(634)	(223,557)	33,695	113,587	(84,812)	-	11,606	-	(1,403,915)
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets	129,426	69,283	97,715	132,784	-	183,578	40,495	-	601,125
Financial liabilities	19,827	80,084	131,326	5,250	-	494,703	21,444	-	982,700
Net financial assets (debt)	109,599	(10,801)	(33,611)	127,534	-	(311,125)	19,051	-	(381,575)
Non-financial assets	730,452	4,332,750	120,322	180,647	-	2,666,509	874	-	8,463,892
Accumulated surplus	840,051	4,321,949	86,711	308,181	-	2,355,384	19,925	-	8,082,317

This schedule represents the share of the operations owned by the Town of Yarmouth. These amounts are included in the consolidated statement of financial activities. This schedule does not take into account inter-fund eliminations.

Town of Yarmouth
Notes to the Consolidated Financial Statements
March 31, 2014

20. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform with the presentation of the 2014 financial statements.

21. Future accounting standards

Effective for the fiscal period beginning on April 1, 2014, the Town of Yarmouth will be required to adopt Public Sector Accounting *Section 3260 Liability for Contaminated Sites*, which establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with the remediation of contaminated sites. Management is currently assessing the impact of this new standard.

**Town of Yarmouth
Water Utility
Non-Consolidated Operating Fund Statement of
Operations**

(Unaudited)

Year Ended March 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Operating revenues			
Domestic, commercial and industrial water	\$ 1,929,793	\$ 1,920,801	\$ 1,922,003
Public fire protection	479,773	482,359	482,556
Other	<u>17,750</u>	<u>12,395</u>	<u>15,310</u>
	<u>2,427,316</u>	<u>2,415,555</u>	<u>2,419,869</u>
Operating expenditures			
Source of supply (Page 27)	110,138	109,922	83,960
Power and pumping (Page 27)	223,487	232,673	207,089
Water treatment (Page 27)	533,047	540,429	476,569
Transmission and distribution (Page 27)	438,344	372,610	368,828
Administrative and general (Page 28)	410,871	393,733	396,281
Amortization	261,000	278,149	280,980
Taxes	<u>79,591</u>	<u>82,471</u>	<u>79,182</u>
	<u>2,056,478</u>	<u>2,009,987</u>	<u>1,892,889</u>
Operating profit	<u>370,838</u>	<u>405,568</u>	<u>526,980</u>
Non-operating expenditures (revenues)			
Debt charges			
Principal	120,000	120,000	219,993
Interest	32,054	31,542	40,276
Dividend to Operating Fund	100,000	100,000	100,000
Capital out of revenue	100,000	-	-
Other interest	<u>(3,840)</u>	<u>(1,060)</u>	<u>(4,515)</u>
	<u>348,214</u>	<u>250,482</u>	<u>355,754</u>
Annual surplus	<u>\$ 22,624</u>	155,086	171,226
Accumulated surplus, beginning of year		<u>173,159</u>	<u>1,933</u>
Accumulated surplus, end of year		<u>\$ 328,245</u>	<u>\$ 173,159</u>

Town of Yarmouth
Water Utility
Non-Consolidated Operating Fund Balance Sheet

(Unaudited)
 March 31

2014

2013

Assets

Cash and cash equivalents	<u>\$ 177,259</u>	<u>\$ 81,371</u>
Receivables		
Rates (less allowance for doubtful accounts \$14,257; 2013 - \$8,775)	397,396	377,409
Due from other local governments	3,284	3,284
Due from Water Utility, Capital Fund	-	2,863
Other receivables		
Trade	3,411	3,309
HST	<u>32,552</u>	<u>24,278</u>
	<u>436,643</u>	<u>411,143</u>
Inventories, at cost	<u>15,000</u>	<u>15,000</u>
	<u>\$ 628,902</u>	<u>\$ 507,514</u>

Liabilities

Payables and accruals		
Payable to Town, Operating Fund	\$ 23,852	\$ 270,869
Payable to Water Utility, Capital Fund	224,609	-
Other	<u>52,196</u>	<u>63,486</u>
	<u>300,657</u>	<u>334,355</u>

Accumulated surplus

Accumulated surplus	<u>328,245</u>	<u>173,159</u>
	<u>\$ 628,902</u>	<u>\$ 507,514</u>

Town of Yarmouth
Water Utility
Non-Consolidated Capital Fund Balance Sheet

(Unaudited)

March 31

2014

2013

Assets

Cash and cash equivalents in the amortization fund	\$ 686,661	\$ 678,135
Receivable from Town, Operating Fund	6	-
Receivable from Water Utility, Operating Fund	224,609	-
Tangible capital assets		
Utility plant and equipment (Page 26)	<u>14,401,096</u>	<u>14,628,568</u>
	<u>\$15,312,372</u>	<u>\$15,306,703</u>

Liabilities

Payable to Water Utility, Operating Fund	\$ -	\$ 2,863
Payable to Town, Capital Reserve	<u>560,000</u>	<u>680,000</u>
	560,000	682,863

Equity

Investment in capital assets (Page 26)	<u>14,752,372</u>	<u>14,623,840</u>
	<u>\$15,312,372</u>	<u>\$15,306,703</u>

Town of Yarmouth
Water Utility
Non-Consolidated Tangible Capital Assets

(Unaudited)

March 31	2014	2013
Land and rights	\$ 497,249	\$ 497,249
Structures and improvements	12,920,038	12,920,038
Electrical pumping equipment	376,033	376,033
Office equipment	22,259	22,259
Purification equipment	142,952	142,952
Transmission mains	1,280,758	1,280,758
Distribution mains	2,658,992	2,633,788
Services	298,877	298,877
Meter and meter installation	167,798	167,798
Hydrants	120,256	120,256
Dam repairs	240,865	240,865
Transportation equipment	138,121	112,648
Tools and work equipment	25,754	25,754
	<u>18,889,952</u>	<u>18,839,275</u>
Accumulated amortization	<u>(4,488,856)</u>	<u>(4,210,707)</u>
Net book value	<u>\$14,401,096</u>	<u>\$14,628,568</u>

Non-Consolidated Statement of Investment in Capital Assets

(Unaudited)

March 31	2014	2013
Balance, beginning of year	\$14,623,840	\$14,395,452
Add		
Term debt retired	120,000	219,993
Interest earned on amortization fund	8,532	8,395
	<u>128,532</u>	<u>228,388</u>
Balance, end of year	<u>\$14,752,372</u>	<u>\$14,623,840</u>

**Town of Yarmouth
Water Utility
Non-Consolidated Schedules to Operating Fund
Statement of Operations**

(Unaudited)

Year Ended March 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Source of supply			
Supervision and engineering	\$ 52,660	\$ 46,409	\$ 41,500
Other	<u>57,478</u>	<u>63,513</u>	<u>42,460</u>
	<u>\$ 110,138</u>	<u>\$ 109,922</u>	<u>\$ 83,960</u>
Power and pumping			
Supervision and engineering	\$ 28,400	\$ 28,882	\$ 27,415
Fuel and power	163,000	184,446	162,307
Maintenance of structure	9,548	3,016	289
Maintenance of equipment	4,774	5,561	1,780
Supplies	6,365	3,357	3,660
Other including telephone	<u>11,400</u>	<u>7,411</u>	<u>11,638</u>
	<u>\$ 223,487</u>	<u>\$ 232,673</u>	<u>\$ 207,089</u>
Water treatment			
Supervision and engineering	\$ 28,400	\$ 28,882	\$ 27,415
Supplies	479,342	500,461	428,786
Maintenance of structure	5,305	1,998	4,296
Maintenance of equipment	<u>20,000</u>	<u>9,088</u>	<u>16,072</u>
	<u>\$ 533,047</u>	<u>\$ 540,429</u>	<u>\$ 476,569</u>
Transmission and distribution			
Supervision and engineering	\$ 42,660	\$ 42,768	\$ 41,500
Operation of mains	27,537	23,355	30,565
Operation of meters	39,510	40,160	40,491
Maintenance of reservoirs	60,000	1,998	1,478
Maintenance of structure	7,500	2,364	1,098
Maintenance of mains	95,000	101,326	79,679
Maintenance of hydrants	33,855	18,016	32,722
Maintenance of meters	30,000	29,437	12,999
Maintenance of services	64,123	94,152	53,403
Transportation and travel	2,046	153	391
Shop expenses	10,020	4,535	15,427
Clothing	1,093	580	589
Leak survey	<u>25,000</u>	<u>13,766</u>	<u>58,486</u>
	<u>\$ 438,344</u>	<u>\$ 372,610</u>	<u>\$ 368,828</u>

Town of Yarmouth
Water Utility
Non-Consolidated Schedules to Operating Fund
Statement of Operations

(Unaudited)

Year Ended March 31

2014

2013

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Administrative and general			
Salaries	\$ 198,554	\$ 203,272	\$ 189,655
Employee benefits	120,226	111,660	112,906
Insurance	10,200	9,667	9,701
Office	9,600	9,411	7,073
Rent	34,967	30,000	30,000
Audit	5,900	6,400	5,900
Regulatory expenses	5,200	2,627	4,810
Other	<u>26,224</u>	<u>20,696</u>	<u>35,665</u>
	<u>\$ 410,871</u>	<u>\$ 393,733</u>	<u>\$ 396,281</u>
