

Consolidated Financial Statements of

Town of Mahone Bay

March 31, 2015

Town of Mahone Bay

March 31, 2015

Table of contents

Independent audit's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of operations	4
Consolidated statement of changes in net financial assets	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 13
Schedule 1 – Schedule of current fund - general operations	14
Schedule 2 - Schedule of current fund - water operations	15
Schedule 3 - Schedule of current fund - electric operations	16
Schedule 4 - Schedule of current fund - cemetery operations	17
Schedule 5 - Schedule of capital fund - municipal operations	18
Schedule 6 - Schedule of reserve fund	19
Schedule 7 - Schedule of trust reserve fund	20

Independent Auditor's Report

His Worship the Mayor and
Members of Council of the
Town of Mahone Bay

We have audited the accompanying consolidated financial statements of the Town of Mahone Bay, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations, changes 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 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 ("PSAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

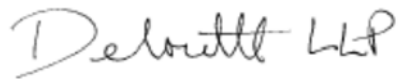
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Mahone Bay as at March 31, 2015, and the results of its operations, net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Chartered Accountants
November 26, 2015
Halifax, Nova Scotia

Town of Mahone Bay

Consolidated statement of financial position

March 31, 2015

	2015	2014
	\$	\$
Financial assets		
Cash	2,650,273	2,260,321
Taxes and rates receivable	573,944	476,374
Due from other local governments	-	264,195
Accounts receivable	68,030	72,824
Total financial assets	3,292,247	3,073,714
Liabilities		
Payables and accruals	380,677	468,563
Due to other local governments	14,066	-
Deferred revenue	172,352	63,324
Long-term debt (Note 3)	1,148,600	1,296,000
Total liabilities	1,715,695	1,827,887
Net financial assets	1,576,552	1,245,827
Non-financial assets		
Prepaid expenses	156,251	14,346
Inventory (at cost)	98,092	68,526
Interest in MJSB (Note 8)	191,366	-
Interest in AREA (Note 9)	-	29,355
Tangible capital assets (Note 2)	10,064,867	10,068,683
Total non-financial assets	10,510,576	10,180,910
Accumulated surplus (Note 5)	12,087,128	11,426,737

Commitments (Note 7)

APPROVED ON BEHALF OF COUNCIL

_____ Mayor

_____ Clerk

Town of Mahone Bay

Consolidated statement of operations

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues		
Taxes and rates	2,120,437	2,059,719
Domestic sales - electric	953,378	893,193
Government grants and contributed tangible capital assets	848,598	94,517
Power demand sales - electric	778,993	789,217
Metered sales - water	379,268	349,904
Services provided to other governments	122,487	119,142
Other revenue from own sources	120,862	124,789
Public fire protection	80,678	71,755
Street lighting	71,414	69,449
Commercial sales - electric	69,731	76,331
Other	50,110	46,740
Unconditional transfer from other governments	50,020	50,020
Grants in lieu of taxes	20,813	21,249
Interest	18,111	18,224
Sale of services	7,320	8,378
Conditional transfers (federal and provincial)	6,155	42,183
	5,698,375	4,834,810
Expenses		
Power purchase	1,527,749	1,496,028
Protective services	497,504	477,651
Education	367,082	356,856
General government services	359,634	367,842
Transportation	331,496	310,409
Administrative and general	280,667	302,305
Environmental health	260,412	261,887
Loss on transfer of assets to MJSB (Note 8)	252,024	-
Water treatment	120,713	128,397
Salaries	103,667	97,802
Environmental development services	97,528	89,580
Operating and maintenance	91,391	54,072
Transmission and distribution	77,351	83,556
Recreation and cultural services	49,188	52,724
Loan interest	32,096	34,383
Pumping	15,170	20,681
Public health and welfare services	13,236	11,446
Mowing and grounds upkeep	11,807	12,852
Other interest charges	7,109	5,946
Improvements	1,333	830
Taxes	629	626
	4,497,786	4,165,873
Annual surplus before undernoted	1,200,589	668,937
Amortization	(510,843)	(496,264)
Change in interest in AREA (Note 9)	(29,355)	-
Annual surplus	660,391	172,673
Accumulated surplus, beginning of year	11,426,737	11,254,064
Accumulated surplus, end of year (Note 5)	12,087,128	11,426,737

Town of Mahone Bay

Consolidated statement of changes in net financial assets

Year ended March 31, 2015

	2015	2014
	\$	\$
Annual surplus	660,391	172,673
Acquisition of tangible capital assets	(950,417)	(316,129)
Transfer of tangible capital assets (Note 8)	443,390	-
Amortization of tangible capital assets	510,843	496,264
Increase in other assets, excluding tangible capital assets	(333,482)	(43,124)
Increase in net financial assets	330,725	309,684
Net financial assets, beginning of year	1,245,827	936,143
Net financial assets, end of year	1,576,552	1,245,827

Town of Mahone Bay

Consolidated statement of cash flows

Year ended March 31, 2015

	2015	2014
	\$	\$
Operating transactions		
Annual surplus	660,391	172,673
Amortization	510,843	496,264
Loss on transfer of assets to MJSB (Note 8)	252,024	-
Net changes in non-cash items	(126,855)	(208,537)
	1,296,403	460,400
Financing transactions		
Repayments of long-term debt	(147,400)	(116,400)
Investing transactions		
Investment in MJSB	191,366	-
Purchase and transfer of tangible capital assets	(950,417)	(316,129)
Increase in cash	389,952	27,871
Cash, Beginning of year	2,260,321	2,232,450
Cash, end of year	2,650,273	2,260,321

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

1. Significant accounting policies

The consolidated financial statements of the Town of Mahone Bay (the "Town") are prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada and with accounting principles prescribed for water utilities by the Nova Scotia Utility and Review Board.

Reporting entity

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

- General Operating and Capital
- Water Utility and Capital
- Electric Utility and Capital
- Cemetery

Inter-departmental and inter-organizational transactions have been eliminated on consolidation.

Fund accounting

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

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

Revenue and expense recognition

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenses 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 assessments determined in accordance with Nova Scotia Legislation. Tax rates are set annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal with provisions made for any material appeals. Penalties on overdue taxes are recorded in the period levied.

Utility revenue is based on meter readings and levies are set annually. Utility revenues are recorded at the time utility bills are issued.

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.

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

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

1. Significant accounting policies (continued)

All other government revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Cash

Cash represents amounts held with financial institutions.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization.

Amortization is based on the estimated useful life of the assets and is calculated using the straight line method, as follows:

Land improvements	20-25	years
Municipal buildings	25-40	years
Buildings-plants	25	years
Electronic data equipment	3	years
Small equipment	5	years
Machinery and equipment	5-15	years
Vehicles	5-15	years
Wharves	25	years
Streets, roads and curbs	25	years
Sidewalks	20	years
Sewer lines	50	years
Lagoons	50	years
Landfill	4	years
Other	5	years
Work in Progress	No Amortization	
Water Utility and Electric Utility	As specified by the utilities Review Board	

Investments in government partnerships

The Town records investments in government enterprises using the modified equity method. These government partnerships include the Municipal Joint Services Board ("MJSB") and the Alternative Resources Energy Authority ("AREA").

Under the modified equity method of accounting, only the Town's investment in the partnership and the partnership's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the partnership that are different from those of the Town, except that any other comprehensive income of the business enterprise is accounted for as an adjustment to the accumulated surplus. Inter-organizational transactions and balances are not eliminated, except for any profit or loss on the sale between entities of assets that remain within the reporting entity.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

1. Significant accounting policies (continued)

Deferred revenue

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

Use of estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards ("PSAS") requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date, as well as revenue and expenditures for the year then ended. The significant accounting policies that are most subject to estimation and judgment are allowance for doubtful accounts, deferred revenue, and accrued liabilities. Actual results could differ from these estimates.

2. Tangible capital assets

	2015			
	Cost	Accumulated amortization	Net book value	2014 Net book value
	\$	\$	\$	\$
Land (inc cemetery)	617,000	-	617,000	629,298
Land improvements	680,693	581,036	99,657	132,825
Municipal buildings	512,158	218,732	293,426	309,626
Buildings-plants	1,006,031	833,254	172,777	450,126
Electronic data equipment	21,611	17,750	3,861	6,102
Small equipment	145,370	122,790	22,580	38,236
Machinery and equipment	1,484,585	921,697	562,888	694,767
Vehicles	241,792	148,514	93,278	110,693
Wharves	170,475	119,499	50,976	57,389
Streets, roads and curbs	2,565,705	1,237,078	1,328,627	883,121
Sidewalks	322,509	209,834	112,675	124,253
Sewer lines	3,055,463	1,177,257	1,878,206	1,639,171
Lagoons	-	-	-	81,653
Landfill	-	-	-	35,148
Other	35,249	12,477	22,772	14,742
Work in progress	24,842	-	24,842	22,632
Water system	4,741,341	744,982	3,996,359	4,053,497
Electric system	1,351,251	566,308	784,943	785,404
	16,976,075	6,911,208	10,064,867	10,068,683

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

3. Long-term debt

	2015	2014
	\$	\$
Water Utility		
4.285% to 5.08% Nova Scotia Municipal Finance Corporation loans, monthly principal payments of \$1,542, maturing 2021	222,000	240,500
0% to 5.48% Nova Scotia Municipal Financial Corporation loan, monthly principal payments of \$2,625, maturing 2023	371,000	397,500
Financing through Bank of Montreal, prime less 0.75%, no set terms of repayment	244,000	280,000
	837,000	918,000
	2015	2014
	\$	\$
General		
4.285% to 6.75% Nova Scotia Municipal Finance Corporation loans, monthly principal payments of \$625, maturing between 2009 and 2020	15,000	22,500
3.10% to 5.48% Nova Scotia Municipal Finance Corporation loan, monthly principal payments of \$742, maturing 2023	35,600	44,500
Financing through Bank of Montreal, prime less 0.75%, no set terms of repayment	261,000	311,000
	311,600	378,000
	1,148,600	1,296,000

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

	General	Water	Total
	\$	\$	\$
2015	66,400	50,000	116,400
2016	66,400	50,000	116,400
2017	66,400	50,000	116,400
2018	58,900	50,000	108,900
2019	58,900	50,000	108,900

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

4. Employee benefits and other obligations

The Town provides certain employee benefits that require funding in future periods. Under the personnel policies of the Town, unused sick leave can accumulate and employees can use the credits at a future date, however, employees do not receive entitlement to a cash payment of sick leave credits when they leave the Town's employment. The Town is also liable for vacation days earned by its employees as at March 31, but not taken until a later date. An estimate of this liability has been recorded in the consolidated statement of financial position resulting in an accrual of \$29,460 (2014 - \$26,938).

5. Accumulated surplus

	2015	2014
	\$	\$
Current funds	3,397,137	2,838,671
Reserve funds	1,611,093	1,365,176
Capital funds	8,227,498	8,518,890
Amount to be recovered from future revenue	(1,148,600)	(1,296,000)
	12,087,128	11,426,737

6. Landfill site closure costs

Centralized disposal site

The centralized disposal site requires the Town of Bridgewater, Town of Lunenburg, Town of Mahone Bay and the Municipality of the District of Lunenburg to recognize closure costs as a charge to expense in the year. Those funds are to be transferred into a special reserve in each period that the landfill accepts solid waste. Recognition begins on the date the landfill begins accepting solid waste. This is based on the Nova Scotia Standards and Guidelines Manual for Landfills issued by the Department of Environment.

As of March 31, 2013, the operation of the Municipal Recycling Facilities and Landfill closure at Whynt's Settlement was transferred over to the Municipal Joint Services Board of Lunenburg County.

The present value of the remaining landfill site closure monitoring costs for the next 15 years is estimated to be \$1,125,000. The estimate of used capacity at March 31, 2015 is 100% and is now closed.

The future landfill site closure costs were forecast with inflation at 3% per annum and discounted back to March 31, 2015 using a discount rate of 6%. A liability (reserve) of \$48,864 has been reported in the consolidated statement of financial position of the Town. This liability for landfill site closure includes costs for the assessment of the site monitoring and treatment of leachate, monitoring of ground water and surface water, monitoring and recovery of gases, maintenance of the required drainage systems and other control systems. The amount in the capital reserve for site monitoring will be adjusted at the end of each fiscal year. It is the intention of the town; however, to pay the annual monitoring costs as an operating expense as part of the town's annual budgets.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

7. Commitments

Housing authorities

During the year, the Town paid \$11,446 (2014 - \$11,795) to the Department of Community Services to fund its share of the prior year's operating deficit. At March 31, 2015, the Town's share of the 2015 operating deficit was \$13,236 (2014 - \$11,446), which must be paid by the Town in 2016. This amount has been accrued in the financial statement results for the current year.

8. Investment in Municipal Joint Services Board ("MJSB")

As of March 31, 2013, the Towns of Bridgewater and Mahone Bay and the Municipality of Lunenburg transferred the operation of the Solid Waste site to the MJSB. The Board of the MJSB establishes tipping fees and each customer of the MJSB, including municipalities, are charged a tipping fee based on tonnage delivered to the site. The assets and liabilities of the Solid Waste site were assumed by the MJSB effective April 1, 2013.

The Town transferred assets from their capital fund with a net book value of \$443,390 to the MJSB effective April 1, 2013. The information to record the transfer of the assets was not available as of March 31, 2014; therefore, the transfer has been accounted for prospectively in the March 31, 2015 financial statements. A loss of \$252,024 was recognized on the transfer of the assets.

In exchange, the Town was provided a 3.39% interest in the net assets of the MJSB effective April 1, 2013. When the assets of the Solid Waste site was transferred to the MJSB, a revaluation of the assets were undertaken by the MJSB. The asset value established by the MJSB was \$5,645,009 resulting in an investment of \$191,366 in the MJSB by the Town. The financial information of the MJSB as of March 31, 2014 was not available as of March 31, 2014; therefore, the investment has been accounted for prospectively in the March 31, 2015 financial statements.

9. Investment in Alternative Resource Energy Authority ("AREA")

In July 2013, the Towns of Antigonish, Berwick and Mahone Bay created a joint municipal corporation' and inter-municipal agreement to explore alternative sources of Energy for municipal electric utilities. The share of ownership of AREA is as follows: Antigonish 63%; Berwick 27% and Mahone Bay 10%.

The first project of AREA is the development of a \$24 million Wind Farm at Eldershouse, Nova Scotia. AREA is licensed for seven turbines and the initial project will see four built. This project will be financed through borrowing from the Municipal Finance Corporation that has been approved by the Minister of Municipal Affairs. Temporary financing has been provided by another financial institution.

As of March 31, 2015, the total costs of the project are \$6,137,546. The Town has been repaid their initial investment in AREA through distributions and; therefore, the net assets of AREA as of March 31, 2015 are \$nil until such time as AREA generates power, receives revenue and pays down the capital loan principal. The Town's investment in AREA as of March 31, 2015 is therefore \$nil.

As required by the Minister of Municipal Affairs, the first \$1 million of surplus must be retained in a sinking fund. The power generated by the Wind Farm will be sold over the next twenty years to the three partners' electric utilities and to the Riverport Electric Commission and 100% of the power generated will be sold. The wind generation is expected to be on the grid November 1, 2015.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2015

10. Remuneration of council and administrators

The following schedule sets out the gross earnings paid to each member of Council, including the administrators and the directors of departments as reflected in the operating costs of the Town's financial statements for 2015.

	Remuneration	Expenses	Total
	\$	\$	\$
Mayor and Councillors			
Joe Feeney, Mayor	15,000	1,004	16,004
Dave Devenee, Deputy Mayor	9,000	3,016	12,016
John Bain, Councillor	8,000	54	8,054
Penny Carver, Councillor	8,000	-	8,000
Lynn Hennigar, Councillor	8,000	-	8,000
Karl Nauss, Councilor	8,000	79	8,079
Kelly Wilson, Councilor	8,000	-	8,000
	<u>64,000</u>	<u>4,153</u>	<u>68,153</u>
Administrators			
Jim Wentzell, CAO	97,415	632	96,854
Derrick MacKenzie, Director of Operations	64,103	1,962	62,358
	<u>161,518</u>	<u>2,594</u>	<u>159,212</u>

Town of Mahone Bay

Schedule 1

Schedule of current fund - general operations

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues	2,448,094	2,425,480
Expenses	1,976,080	1,928,391
Annual surplus	472,014	497,089
Financing and transfers		
Debt principal repayments	(66,400)	(66,400)
Transfer from other funds	151,210	163,945
Change in fund balance	556,824	594,634
Opening fund balance	2,529,628	1,934,994
Closing fund balance	3,086,452	2,529,628

Town of Mahone Bay

Schedule 2

Schedule of current fund - water operations

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues	478,463	435,910
Amortization	86,076	64,407
Expenses	360,563	378,732
	446,639	443,139
Annual surplus (deficit)	31,824	(7,229)
Financing and transfers		
Debt principal repayments	(58,300)	(52,800)
Transfer from other funds	19,832	27,647
Change in amount to be recovered from future revenue	58,300	52,800
Change in fund balance	51,656	20,418
Opening fund balance	(218,697)	(239,115)
Closing fund balance	(167,041)	(218,697)

Town of Mahone Bay

Schedule 3

Schedule of current fund - electric operations

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues	1,902,264	1,855,436
Amortization	34,257	33,130
Expenses	1,895,291	1,843,771
	1,929,548	1,876,901
Annual deficit	(27,284)	(21,465)
Financing and transfers		
Transfer to other funds	(5,007)	-
Change in fund balance	(32,291)	(21,465)
Opening fund balance	363,644	385,109
Closing fund balance	331,353	363,644

Town of Mahone Bay

Schedule 4

Schedule of current fund - cemetery operations

Year ended March 31, 2015

	2015	2014
	\$	\$
Park Cemetery		
Revenues	5,713	7,090
Expenses	7,441	8,431
Annual deficit	(1,728)	(1,341)
Net transfers from other funds	4,000	5,000
Change in fund balance	2,272	3,659
Opening fund balance	78,454	74,795
Closing fund balance	80,726	78,454

	2015	2014
	\$	\$
Bayside Cemetery		
Revenues	2,860	2,753
Expenses	8,020	7,051
Annual deficit	(5,160)	(4,298)
Net transfers from other funds	5,000	4,000
Change in fund balance	(160)	(298)
Opening fund balance	19,135	19,433
Closing fund balance	18,975	19,135

Town of Mahone Bay

Schedule 5

Schedule of capital funds - municipal operations (including utilities)

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues		
Capital grants and contributed tangible capital assets	848,598	94,517
Interest	1,354	2,020
	849,952	96,537
Amortization	390,510	398,727
Transfer of assets to MJSB	252,024	-
	642,534	398,727
Annual surplus (deficit)	207,418	(302,190)
Financing and transfers		
Transfers to other funds	(448,810)	(454,899)
Change in amounts to be recovered from future revenue	(50,000)	(50,000)
Change in fund balance	(291,392)	(807,089)
Opening fund balance	8,518,890	9,325,979
Closing fund balance	8,227,498	8,518,890

Town of Mahone Bay

Schedule 6

Schedule of reserve fund

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues		
Interest	12,516	12,000
Annual surplus	12,516	12,000
Net transfers from other funds	228,255	182,794
Change in fund balance	240,771	194,794
Opening fund balance	1,350,575	1,155,781
Closing fund balance	1,591,346	1,350,575

Town of Mahone Bay

Schedule 7

Schedule of trust reserve fund

Year ended March 31, 2015

	2015	2014
	\$	\$
Revenues	146	112
Expenses	-	-
Annual surplus	146	112
Net transfers from other funds	5,000	5,000
Change in fund balance	5,146	5,112
Opening fund balance	14,601	9,489
Closing fund balance	19,747	14,601