



Deloitte & Touche LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: (902) 422-8541
Fax: (902) 423-5820
www.deloitte.ca

Auditor's Report

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

We have audited the consolidated statement of financial position of the Town of Mahone Bay as at March 31, 2009 and the consolidated statements of financial activity and cash flows for the year then ended. These financial statements are the responsibility of Council. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Council, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Mahone Bay as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Halifax, Nova Scotia
January 31, 2009

TOWN OF MAHONE BAY

Table of Contents

March 31, 2009

	<u>Page</u>
Consolidated Statement of Financial Position	1
Consolidated Statement of Financial Activity	2
Consolidated Statement of Cash Flows	3
Notes to the Consolidated Financial Statements	4-8
Schedule 1 - Current Fund - General Operations	9
Schedule 2 - Current Fund - Water Operations	10
Schedule 3 - Current Fund - Electric Operations	11
Schedule 4 - Current Fund - Cemetery Operations	12
Schedule 5 - Capital Fund - Municipal Operations	13
Schedule 6 - Reserve Fund	14
Schedule 7 - Trust Reserve Fund	15

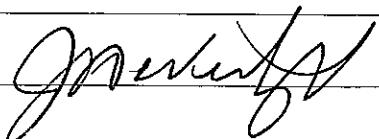
TOWN OF MAHONE BAY
Consolidated Statement of Financial Position
March 31, 2009

	2009	2008
Financial Assets		
Cash and cash equivalents	\$ 1,293,573	\$ 1,346,046
Taxes and rates receivable	386,551	357,001
Accounts receivable	326,213	1,064,278
Total financial assets	2,006,337	2,767,325
Liabilities		
Payables and accruals	396,407	1,177,459
Deferred revenue	35,434	33,952
Long-term debt (Note 3)	1,518,000	1,520,000
Total liabilities	1,949,841	2,731,411
Net financial assets	56,496	35,914
Non-financial assets		
Prepaid expenses	14,001	86,078
Inventory (at cost)	57,295	52,862
Capital Assets	69,544	26,070
Total assets	\$ 197,336	\$ 200,924
Municipal position		
Amounts to be recovered from future revenue	\$ (1,330,054)	\$ (622,637)
Fund balances		
Current fund	691,474	309,824
Capital fund	(10,722)	(340,869)
Reserve fund	846,638	854,606
Total	1,527,390	823,561
Total Municipal position	\$ 197,336	\$ 200,924

Commitments (Note 6)

APPROVED ON BEHALF OF COUNCIL

 Mayor


 Clerk

TOWN OF MAHONE BAY
Consolidated Statement of Financial Activity
Year ended March 31, 2009

	2009	2008
Revenues		
Taxes and rates	\$ 1,682,778	\$ 1,606,605
Grants in lieu of taxes	25,148	30,889
Services provided to other governments	79,645	74,673
Sale of services	4,452	8,743
Other revenue from own sources	91,106	107,985
Unconditional transfer from other governments	50,018	50,028
Conditional transfers (federal and provincial)	13,223	35,548
Metered sales	182,765	173,730
Public fire protection	67,105	66,705
Domestic sales	642,805	589,770
Commercial sales	48,372	51,326
Power, demand sales	663,323	616,933
Street lighting	57,394	49,650
Other	55,942	53,203
Interest	22,916	32,711
	3,686,992	3,548,499
Current expenditures		
General government services	255,743	247,251
Protective services	406,291	412,819
Transportation	270,100	241,248
Environmental health	204,325	201,337
Public health & welfare services	10,028	9,953
Environmental development services	74,843	92,755
Recreation & cultural services	43,164	35,567
Fiscal services	27,627	20,088
Education	296,712	290,364
Pumping	16,036	23,215
Water treatment	95,591	58,143
Transmission & distribution	51,300	50,286
Salaries	88,830	75,702
Operating and maintenance	50,161	28,763
Administrative and general	190,884	208,237
Taxes	9,504	9,010
Power purchase	1,071,153	1,015,425
Change in non-financial assets (excluding capital assets)	(67,644)	1,072
Other interest charges	11,224	8,708
Improvements	-	1,701
Mowing and grounds upkeep	9,676	6,383
	3,115,548	3,038,027
Capital expenditures, net	550,862	902,065
Net revenues (expenditures)	20,582	(391,593)
Financing and transfers		
Increase in long-term debt, net of change grants receivable	707,417	(82,441)
Increase in capital assets	43,474	-
Change in non-financial assets (excluding capital assets)	(67,644)	1,072
Increase (decrease) in fund balance	703,829	(472,962)
Opening fund balance	823,561	1,296,523
Closing fund balance	\$ 1,527,390	\$ 823,561

TOWN OF MAHONE BAY
Consolidated Statement of Cash Flows
Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating activities		
Net revenues (expenditures)	\$ 20,582	\$ (391,593)
Net changes in non-cash items	(27,581)	(113,736)
	<u>(6,999)</u>	<u>(505,329)</u>
Financing		
Increase (decrease) in long-term debt	(2,000)	723,000
Investing		
Purchase of land	(43,474)	-
(DECREASE) INCREASE IN CASH POSITION	(52,473)	217,671
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,346,046	1,128,375
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,293,573	\$ 1,346,046

TOWN OF MAHONE BAY

Notes to the Consolidated Financial Statements

March 31, 2009

1. PUBLIC SECTOR REPORTING STANDARDS

Beginning with the year ended March 31, 2005, the Town of Mahone Bay ("the Town") adopted the local government accounting standards issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA").

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Mahone Bay are the representations of Council, prepared in accordance with accounting principles for local governments as established by PSAB.

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net 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.

Fund accounting

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

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

Revenue and expenditure recognition

Revenues are recorded using the accrual basis of accounting as they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. 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 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. Penalties on overdue taxes are recorded in the period levied.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include the net of cash, short-term investments and bank overdrafts with financial institutions.

Tangible capital assets

Effective April 1, 2007, the Town adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the CICA with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During the current fiscal year, the Town continued to work towards compliance with the new recommendations for accounting for tangible capital assets. The Town is working on preparing an aging report for assets and determining appropriate net book value. Initially this was expected to be completed by March 31, 2010 but due to limited resources most likely will not be.

Deferred revenue

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

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.

Investment income

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

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet 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.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2009

3. LONG-TERM DEBT

	<u>2009</u>	<u>2008</u>
Water Utility		
4.285% to 5.08% Nova Scotia Municipal Finance Corporation loan, maturity date 2021	\$ 333,000	\$ 351,500
0% to 5.48% Nova Scotia Municipal Financial Corporation loan, maturity date 2023	530,000	-
Temporary financing, prime less 0.75%	500,000	1,000,000
	<u>\$ 1,363,000</u>	<u>\$ 1,351,500</u>

General Fund		
4.285% to 6.75% Nova Scotia Municipal Finance Corporation loans, maturity dates between 2009 and 2016.	\$ 66,000	\$ 79,500
3.10% to 5.48% Nova Scotia Municipal Finance Corporation loan, maturity date 2014	89,000	
Temporary financing, prime less 0.75%	-	89,000
	<u>\$ 155,000</u>	<u>\$ 168,500</u>

Due	Balance March 31, 2008	New (Redeemed)	Balance March 31, 2009	Interest
Serial - Paving 2009	\$ 12,000	\$ (6,000)	\$ 6,000	6.625% - 6.75%
Serial - Solid Waste 2016	67,500	(7,500)	60,000	4.285% - 5.08%
Serial - Salt storage 2014	-	89,000	89,000	3.10% - 5.48%
	<u>\$ 79,500</u>	<u>\$ 75,500</u>	<u>\$ 155,000</u>	

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

	<u>Town</u>	<u>Water</u>	<u>Total</u>
2010	\$ 22,400	\$ 45,000	\$ 67,400
2011	16,400	45,000	61,400
2012	16,400	45,000	61,400
2013	16,400	45,000	61,400
2014	16,400	45,000	61,400
	<u>\$ 88,000</u>	<u>\$ 225,000</u>	<u>\$ 313,000</u>

All long-term debt outstanding at year-end has been properly authorized by the Department of Municipal Affairs.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2009

4. EMPLOYEE BENEFITS AND OTHER OBLIGATIONS

The Town of Mahone Bay 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.

These liability amounts have been recorded as expenditures of the Town.

5. 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. Based on the Nova Scotia Standards and Guidelines Manual for Landfills issued by the Department of Environment, total costs transferred to reserves (including interest earned on reserve funds) at March 31, 2009 was \$1,015,728 (2008 - \$1,052,809). This capital reserve fund represents the cumulative contribution made by these municipalities participating in the operations of the disposal site. The participating units' cumulative contribution is as follows: Municipality of the District of Lunenburg \$560,694; Town of Bridgewater \$304,615; Town of Lunenburg \$112,432; and Town of Mahone Bay \$37,987. These funds are administered by the Municipality of the District of Lunenburg.

The present value of the remaining landfill site closure cost is estimated to be \$2.01 million. The estimate of used capacity at March 31, 2009 is 100% and is now closed. The landfill material is shipped outside the area of the landfill partners.

The future landfill site closure costs were forecast with inflation at 3% per annum and discounted back to March 31, 2007 using a discount rate of 6%. A liability of \$67,777 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.

Present value of estimated landfill closure cost	\$ 3,101,123
Capacity used at March 31, 2009	100.00%
<hr/>	
Liability at March 31, 2009	3,101,123
Less: costs transferred to reserves administered by the Municipality of the District of Lunenburg	1,690,746
<hr/>	
Liability not previously expensed	1,410,377
Town's share of partnership liability	4.81%
<hr/>	
Landfill site closure liability	\$ 67,777

The amount recorded in the Town's Capital reserve for landfill liability is \$67,777.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2009

6. COMMITMENTS

Solid waste facility

The Town has committed to fund a portion of future operating and capital costs for the solid waste facility based upon its portion of the total tons of solid waste processed. During the year ended March 31, 2009, \$75,353 (2008 - \$17,285) was paid by the Town to fund its share (3.61% (2008 - 4.59%) of the facility's capital costs.

Housing Authorities

During the year, the Town paid \$9,953 (2008 - \$6,701) to the Department of Community Services to fund its share of the prior year's operating deficit. At March 31, 2009, the Town's share of the 2009 operating deficit was \$10,028 (2008 - \$9,953), which must be paid by the Town in 2010. This amount has been accrued in the financial statement results for the current year.

Water utility

The Province of Nova Scotia established new water treatment guidelines that all water utilities were to meet by 2008. Included in this recommendation, is a new water treatment plant and filtration system for the utility at an estimated cost of \$3,143,732. Phase 1 was completed in 2007 at a cost of \$1,009,982. \$1,630,783 was incurred in 2008 and \$663,348 in 2009 related to Phase 2. The Town received infrastructure funding from both the Federal and Provincial Governments.

7. 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. There were no meeting fees and expenses paid during the year.

	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
Councillors and Mayor			
C. Joseph Feeney, Mayor	\$ 11,200	\$ 646	\$ 11,846
John Bain, Councillor	6,435	-	6,435
Dave Devenne, Deputy Mayor	2,615	-	2,615
David Hennigar, Councillor	5,800	-	5,800
Karl Nauss, Councillor	5,800	95	5,895
Lila O'Connor, Councillor	5,800	-	5,800
Cathie Slaughenwhite-Nowe, Councillor	3,681	208	3,889
Virginia Uhlman, Councillor	5,800	-	5,800
	<u>\$ 47,131</u>	<u>\$ 949</u>	<u>\$ 48,080</u>
Administrators			
CAO	\$ 67,000	\$ 1,403	\$ 68,403
Director of Operations	50,000	1,774	51,774
	<u>\$ 117,000</u>	<u>\$ 3,177</u>	<u>\$ 120,177</u>

TOWN OF MAHONE BAY**SCHEDULE 1****Schedule of Current Fund - General Operations**

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
Revenues	\$ 1,946,370	\$ 1,914,471
Expenditures	1,501,363	1,537,621
Net revenues	445,007	376,850
Financing and transfers		
Debt principal repayments	(13,500)	(47,500)
Change in other assets	(59,843)	5,497
Transfer from (to) other funds	10,368	(294,832)
Change in fund balance	382,032	40,015
Opening fund balance	300,864	260,849
Closing fund balance	\$ 682,896	\$ 300,864

TOWN OF MAHONE BAY
Schedule of Current Fund - Water Operations
Year ended March 31, 2009

SCHEDULE 2

	<u>2009</u>	<u>2008</u>
Revenues	\$ 254,795	\$ 245,545
Expenditures	272,066	231,706
Net revenues	(17,271)	13,839
Financing and transfers		
Debt principal repayments	(18,500)	(18,500)
Transfer to other funds	(393,279)	(74,529)
Change in prepaid expenses	(5,315)	1,029
Change in amount to be recovered from future revenue	330,554	(189,578)
Change in fund balance	(103,811)	(267,739)
Opening fund balance	(168,856)	98,883
Closing fund balance	\$ (272,667)	\$ (168,856)

TOWN OF MAHONE BAY**SCHEDULE 3****Schedule of Current Fund - Electric Operations**

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
Revenues	\$ 1,448,075	\$ 1,356,033
Expenditures	1,331,593	1,260,016
Net revenues	116,482	96,017
Financing and transfers		
Transfer to other funds	(28,133)	(26,847)
Change in inventories and other assets	(2,486)	(5,454)
Dividends	-	-
Change in fund balance	85,863	63,716
Opening fund balance	122,431	58,715
Closing fund balance	\$ 208,294	\$ 122,431

TOWN OF MAHONE BAY**SCHEDULE 4****Schedule of Current Fund - Cemetery Operations**

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
Park Cemetery		
Revenues	\$ 8,869	\$ 6,018
Expenditures	6,398	6,983
Net expenditures	2,471	(965)
Net transfers from other funds	6,500	7,500
Change in fund balance	8,971	6,535
Opening fund balance	55,385	48,850
Closing fund balance	\$ 64,356	\$ 55,385

	<u>2009</u>	<u>2008</u>
Bayside Cemetery		
Revenues	\$ 8,993	\$ -
Expenditures	4,128	-
Net expenditures	4,865	-
Net transfers from other funds	3,730	-
Change in fund balance	8,595	-
Opening fund balance	-	-
Closing fund balance	\$ 8,595	\$ -

TOWN OF MAHONE BAY**SCHEDULE 5****Schedule of Capital Fund - Municipal Operations**

Year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
Revenues		
Capital grants	\$ 688,810	\$ 1,080,036
Interest	2,394	5,319
	<u>691,204</u>	<u>1,085,355</u>
Expenditures	<u>1,242,066</u>	<u>1,987,420</u>
Net expenditures	(550,862)	(902,065)
Financing and transfers		
Change in capital assets	43,474	-
Transfers from other funds	428,672	369,845
Change in amounts to be recovered from future revenue	408,863	173,137
	<u>330,147</u>	<u>(359,083)</u>
Change in fund balance	330,147	(359,083)
Opening fund balance	(340,869)	18,214
Closing fund balance	\$ (10,722)	\$ (340,869)

TOWN OF MAHONE BAY
Schedule of Reserved Fund
Year ended March 31, 2009

SCHEDULE 6

	<u>2009</u>	<u>2008</u>
Revenues		
Sale of assets	\$ 1,000	\$ 1,175
Interest	14,252	23,231
Net revenues	15,252	24,406
Net transfers (to) from other funds	(27,857)	18,863
Change in fund balance	(12,605)	43,269
Opening fund balance	851,666	808,397
Closing fund balance	\$ 839,061	\$ 851,666

TOWN OF MAHONE BAY
Schedule of Trust Reserve Fund
Year ended March 31, 2009

SCHEDULE 7

	<u>2009</u>	<u>2008</u>
Revenues	\$ 4,637	\$ 2,025
Grants to organizations	-	(1,700)
Net revenues, being change in fund balance	4,637	325
Opening fund balance	2,940	2,615
Closing fund balance	\$ 7,577	\$ 2,940