

Consolidated Financial Statements of

TOWN OF MAHONE BAY

March 31, 2013

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, 2013, and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

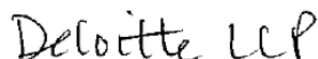
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain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

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

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

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, 2013, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.



Chartered Accountants
Halifax, Nova Scotia
December 10, 2013

TOWN OF MAHONE BAY

Table of Contents

March 31, 2013

	<u>Page</u>
Consolidated Statement of Financial Position	1
Consolidated Statement of Operations	2
Consolidated Statement of Changes in Net Financial Assets (Debt)	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5-11
Schedule 1 - Current Fund - General Operations	12
Schedule 2 - Current Fund - Water Operations	13
Schedule 3 - Current Fund - Electric Operations	14
Schedule 4 - Current Fund - Cemetery Operations	15
Schedule 5 - Capital Fund - Municipal Operations	16
Schedule 6 - Reserve Fund	17
Schedule 7 - Trust Reserve Fund	18

TOWN OF MAHONE BAY
Consolidated Statement of Financial Position
March 31, 2013

	<u>2013</u>	<u>2012</u>
Financial assets		
Cash	\$ 2,232,450	\$ 1,776,193
Taxes and rates receivable	477,441	440,881
Accounts receivable	120,199	254,841
Total financial assets	2,830,090	2,471,915
Liabilities		
Payables and accruals	422,390	448,376
Deferred revenue	59,157	49,001
Long-term debt (Note 3)	1,412,400	1,528,800
Total liabilities	1,893,947	2,026,177
Net Financial assets (debt)	936,143	445,738
Non-financial assets		
Prepaid expenses	5,063	8,950
Inventory (at cost)	64,040	61,775
Tangible capital assets (Note 2)	10,248,818	10,523,388
Total non-financial assets	10,317,921	10,594,113
Accumulated surplus (Note 5)	\$ 11,254,064	\$ 11,039,851

Commitments (Note 7)

APPROVED ON BEHALF OF COUNCIL

_____ Mayor

_____ Clerk

TOWN OF MAHONE BAY
Consolidated Statement of Operations
Year ended March 31, 2013

	2013	2012
Revenues		
Taxes and rates	2,066,995	\$ 1,971,125
Grants in lieu of taxes	21,119	21,128
Services provided to other governments	116,131	106,100
Sale of services	6,052	4,470
Other revenue from own sources	126,345	85,907
Unconditional transfer from other governments	50,020	50,019
Conditional transfers (federal and provincial)	1,000	11,000
Government grants and contributed tangible capital assets	85,359	82,340
Metered sales	344,862	336,193
Public fire protection	71,755	71,754
Domestic sales	823,726	738,633
Commercial sales	65,000	60,180
Power, demand sales	779,624	749,570
Street lighting	67,178	64,151
Other	46,872	50,609
Interest	14,956	13,809
	4,686,994	4,416,988
Expenses		
General government services	381,182	351,490
Protective services	466,505	436,848
Transportation	252,397	237,934
Environmental health	260,666	194,204
Public health and welfare services	11,795	15,390
Environmental development services	93,003	78,600
Recreation and cultural services	54,660	44,419
Loan interest	36,282	38,616
Education	347,493	331,049
Pumping	22,061	15,440
Water treatment	157,210	106,617
Transmission and distribution	74,774	68,170
Salaries	87,671	73,973
Operating and maintenance	78,073	45,298
Administrative and general	275,536	256,186
Taxes	652	24,764
Power purchase	1,364,909	1,234,023
Other interest charges	6,834	6,258
Improvements	-	3,250
Mowing and grounds upkeep	10,398	9,782
	3,982,101	3,572,311
Annual surplus before amortization	704,893	844,677
Amortization	490,680	567,708
Annual surplus	214,213	276,969
Accumulated surplus, beginning of year	11,039,851	10,762,882
Accumulated surplus, end of year (Note 5)	\$ 11,254,064	\$ 11,039,851

TOWN OF MAHONE BAY

Consolidated Statement of Changes in Net (Debt) Financial Assets

Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
Annual surplus	\$ 214,213	\$ 276,969
Acquisition of tangible capital assets	(216,109)	(320,366)
Amortization of tangible capital assets	490,680	567,708
Decrease (increase) in other assets, excluding tangible capital assets	1,621	(5,955)
Increase (decrease) in net assets	490,405	518,356
Net financial assets (debt) at beginning of year	445,738	(72,618)
Net debt assets at end of year	\$ 936,143	\$ 445,738

TOWN OF MAHONE BAY
Consolidated Statement of Cash Flows
Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating activities		
Annual surplus	\$ 214,213	\$ 276,969
Amortization	490,680	567,708
Net changes in non-cash items	83,873	(46,610)
	<u>788,766</u>	<u>798,067</u>
Financing activity		
Increase (decrease) in long-term debt	(116,400)	(121,900)
Investing activity		
Purchase of tangible capital assets	(216,109)	(320,366)
INCREASE (DECREASE) IN CASH	456,257	355,801
CASH, BEGINNING OF YEAR	1,776,193	1,420,392
CASH, END OF YEAR	\$ 2,232,450	\$ 1,776,193

TOWN OF MAHONE BAY

Notes to the Consolidated Financial Statements

March 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Mahone Bay (the “Town”) are the representations of Management, prepared in accordance with accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures 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

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. 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. Penalties on overdue taxes are recorded in the period levied.

Cash

Cash includes cash and bank overdrafts with financial institutions.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets (continued)

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

Water system and electric system As specified by the Utilities Review board

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 Public Sector Accounting Standards 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, 2013

2. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>2013 Accumulated amortization</u>	<u>Net book value</u>	<u>2012 Net book value</u>
Land	\$ 628,198	\$ -	\$ 628,198	\$ 771,387
Land improvements	692,813	545,111	\$ 147,702	169,930
Municipal buildings	512,158	186,332	\$ 325,826	338,582
Buildings-plants	1,287,480	786,722	\$ 500,758	540,999
Electronic data equipment	22,937	13,123	\$ 9,814	14,583
Small equipment	144,399	96,946	\$ 47,453	37,782
Machinery and equipment	1,532,769	743,128	\$ 789,641	906,448
Vehicles	245,014	119,529	\$ 125,485	150,153
Wharves	170,475	106,673	\$ 63,802	70,215
Streets, roads and curbs	2,052,447	1,067,428	\$ 985,019	920,130
Sidewalks	304,281	186,678	\$ 117,603	128,270
Sewer lines	2,660,594	1,061,062	\$ 1,599,532	1,651,119
Lagoons	86,057	2,590	\$ 83,467	83,467
Landfill	57,486	57,394	\$ 92	92
Other	14,132	10,675	\$ 3,457	5,530
Water system	4,649,976	594,499	\$ 4,055,477	3,955,737
Electric system	1,264,413	498,921	\$ 765,492	778,964
	\$ 16,325,629	\$ 6,076,811	\$ 10,248,818	\$ 10,523,388

3. LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>
Water Utility		
4.615% to 5.08% Nova Scotia Municipal Finance Corporation loan, maturity date 2021	\$ 259,000	\$ 277,500
4.184% to 5.48% Nova Scotia Municipal Financial Corporation loan, maturity date 2023	424,000	450,500
Temporary financing, prime less 2.25%	285,000	290,000
	\$ 968,000	\$ 1,018,000

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2013

3. LONG-TERM DEBT (continued)

	<u>2013</u>	<u>2012</u>
General		
4.615% to 5.48% Nova Scotia Municipal Finance Corporation loans, maturity dates between 2017 and 2020	\$ 30,000	\$ 37,500
4.184% to 5.48% Nova Scotia Municipal Finance Corporation loan, maturity date 2023	53,400	62,300
Temporary financing, prime less 2.25%	361,000	411,000
	<u>\$ 444,400</u>	<u>\$ 510,800</u>

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

	<u>Town</u>	<u>Water</u>	<u>Total</u>
2013	\$ 66,400	\$ 50,000	\$ 116,400
2014	66,400	50,000	116,400
2015	66,400	50,000	116,400
2016	66,400	50,000	116,400
2017	58,900	50,000	108,900
	<u>\$ 324,500</u>	<u>\$ 250,000</u>	<u>\$ 574,500</u>

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

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, 2013 but not taken until a later date. An estimate of this liability has been recorded in the consolidated statement of financial position.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2013

5. ACCUMULATED SURPLUS

	<u>2013</u>	<u>2012</u>
Current funds	\$ 2,175,215	\$ 1,631,653
Reserve funds	1,165,270	922,980
Capital funds	9,325,979	10,014,018
Amount to be recovered from future revenue	(1,412,400)	(1,528,800)
	<u>\$ 11,254,064</u>	<u>\$ 11,039,851</u>

6. LANDFILL SITE CLOSURE COSTS

Centralized disposal site

The centralized disposal site requires the Town of Bridgewater, the Town of Lunenburg, the 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, 2013 was \$2,276,399 (2012 - \$2,515,983). 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: the Municipality of the District of Lunenburg \$2,144,391; the Town of Bridgewater \$89,199; the Town of Lunenburg \$38,325; and the Town of Mahone Bay \$4,484. 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 \$1.99 million. The estimate of used capacity at March 31, 2013 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 \$64,590 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.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2013

6. LANDFILL SITE CLOSURE COSTS (continued)

Present value of estimated landfill closure cost	\$ 1,991,863
Capacity used at March 31, 2013	100.00%
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Liability at March 31, 2013	1,991,863
Less: costs transferred to reserves administered by the Municipality of the District of Lunenburg	2,276,399
<hr/>	
Liability not previously expensed	
Town's share of partnership liability	3.47%
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Landfill site closure liability	\$ 64,590
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The amount recorded in the Town's Capital reserve for landfill liability is \$64,590.

7. 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, 2013, \$ 18,929 (2012 - \$49,502) was paid by the Town to fund its share 4.43% (2012 - 8.32%) of the facility's capital costs.

As of April 1, 2013 the solid waste facility will be turned over to the Joint Services Board of Lunenburg County. All future costs will be paid by user fees based on tonnage of eash waste stream taken to the site.

Housing authorities

During the year, the Town paid \$15,530 (2012 - \$5,516) to the Department of Community Services to fund its share of the prior year's operating deficit. At March 31, 2013, the Town's share of the 2013 operating deficit was \$11,795 (2012 - \$15,390), which must be paid by the Town in 2014. This amount has been accrued in the financial statement results for the current year. The increase is due to cost sharing changes implemented by the Province of Nova Scotia.

TOWN OF MAHONE BAY
Notes to the Consolidated Financial Statements
March 31, 2013

8. 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>
Mayor and Councillors			
Joe Feeney, Mayor	\$ 14,000	\$ 433	\$ 14,433
Dave Devenee, Deputy Mayor	8,500	930	9,430
John Bain, Councillor	7,500	-	7,500
Penny Carver, Councillor	2,740	383	3,123
Lynn Hennigar, Councillor	2,740	94	2,834
Karl Nauss, Councilor	7,500	105	7,605
Kelly Wilson, Councillor	2,740	144	2,884
David Hennigar, Councillor	4,904	-	4,904
Lila O'Connor, Councilor	4,904	-	4,904
Virginia Uhlman, Councilor	4,904	-	4,904
	<u>\$ 60,432</u>	<u>\$ 2,089</u>	<u>\$ 62,521</u>
Administrators			
Jim Wentzell, CAO	\$ 80,340	\$ 2,090	\$ 82,430
Derrick MacKenzie, Director of Operations	58,916	1,807	60,723
	<u>\$ 139,256</u>	<u>\$ 3,897</u>	<u>\$ 143,153</u>

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

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

Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues	\$ 2,387,662	\$ 2,249,749
Expenses	1,867,701	1,689,935
Annual surplus	519,961	559,814
Financing and transfers		
Debt principal repayments	(66,400)	(70,233)
Transfer (to) from other funds	67,151	176,830
Change in fund balance	520,712	666,411
Opening fund balance	1,414,282	747,871
Closing fund balance	\$ 1,934,994	\$ 1,414,282

TOWN OF MAHONE BAY
Schedule of Current Fund - Water Operations
Year ended March 31, 2013

Schedule 2

	<u>2013</u>	<u>2012</u>
Revenues	\$ 431,112	\$ 422,296
Amortization	64,067	64,183
Expenses	400,647	326,092
	464,714	390,275
Annual deficit	(33,602)	32,021
Financing and transfers		
Debt principal repayments	(52,800)	(54,467)
Transfer from (to) other funds	21,379	4,909
Change in amount to be recovered from future revenue	52,800	54,467
Change in fund balance	(12,223)	36,930
Opening fund balance	(226,892)	(263,822)
Closing fund balance	\$ (239,115)	\$ (226,892)

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

Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues	\$ 1,765,375	\$ 1,641,597
Amortization	31,721	31,248
Expenses	1,702,164	1,542,349
	1,733,885	1,573,597
Annual surplus	31,490	68,000
Financing and transfers		
Transfer to other funds	-	(13,536)
Change in fund balance	31,490	54,464
Opening fund balance	353,619	299,155
Closing fund balance	\$ 385,109	\$ 353,619

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

Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
Park Cemetery		
Revenues	\$ 4,397	\$ 6,781
Expenses	7,149	6,628
Annual surplus (deficit)	(2,752)	153
Net transfers from other funds	5,000	5,250
Change in fund balance	2,248	5,403
Opening fund balance	72,546	67,143
Closing fund balance	\$ 74,794	\$ 72,546
	<u>2013</u>	<u>2012</u>
Bayside Cemetery		
Revenues	\$ 2,283	\$ 2,302
Expenses	4,948	4,682
Annual (deficit) surplus	(2,665)	(2,380)
Net transfers from other funds	4,000	3,750
Change in fund balance	1,335	1,370
Opening fund balance	18,098	16,728
Closing fund balance	\$ 19,433	\$ 18,098

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

Year ended March 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Capital grants and contributed tangible capital assets	\$ 85,359	\$ 82,340
Interest	1,625	606
	<u>86,984</u>	<u>82,946</u>
Amortization	<u>394,892</u>	<u>472,277</u>
Annual surplus	(307,908)	(389,331)
Financing and transfers		
Transfers to other funds	(330,131)	(278,571)
Change in amounts to be recovered from future revenue	(50,000)	24,142
Change in fund balance	(688,039)	(643,760)
Opening fund balance	<u>10,014,018</u>	<u>10,657,778</u>
Closing fund balance	<u>\$ 9,325,979</u>	<u>\$ 10,014,018</u>

TOWN OF MAHONE BAY**Schedule 6****Schedule of Reserve Fund**

Year ended March 31, 2013

	<u>2013</u>	2012
Revenues		
Sale of assets	\$ -	\$ -
Interest	9,639	8,823
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Annual surplus	9,639	8,823
Net transfers (to) from other funds	227,602	101,368
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Change in fund balance	237,241	110,191
Opening fund balance	918,540	808,349
<hr/>		
Closing fund balance	\$ 1,155,781	\$ 918,540

TOWN OF MAHONE BAY
Schedule of Trust Reserve Fund
Year ended March 31, 2013

Schedule 7

	<u>2013</u>	<u>2012</u>
Revenues	\$ 49	\$ 3,119
Expenses	-	3,250
Annual (deficit) surplus	49	(131)
Net transfers from other funds	5,000	-
Change in fund balance	5,049	(131)
Opening fund balance	4,440	4,571
Closing fund balance	\$ 9,489	\$ 4,440