
Consolidated financial statements of Town of Mahone Bay

March 31, 2018

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Independent Auditor's Report

To His Worship the Mayor and Members of
the 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, 2018, and the consolidated statements of operations and accumulated surplus, changes in net 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 ("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.

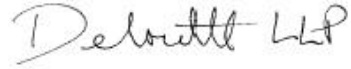
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes that certain comparative information for the year ended March 31, 2017 has been restated.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants
January 24, 2019

Town of Mahone Bay

Consolidated statement of financial position

As at March 31, 2018

	Notes	2018	2017
		\$	\$
			(Restated - Note 1)
Financial assets			
Cash	3	2,550,712	2,375,735
Taxes and rates receivable		572,585	493,000
Accounts receivable	3	489,458	411,264
Investment in government business partnership	4 & 12	228,919	205,112
Due from other local governments		15,877	21,443
Total financial assets		3,857,551	3,506,554
Liabilities			
Payables and accruals	3, 4 & 5	618,101	555,936
Temporary borrowing	3, 6 & 12	2,128,500	2,026,000
Due to other local governments	3	11,811	—
Deferred revenue		112,491	106,932
Long-term debt	3, 7 & 12	4,843,508	3,166,500
Total liabilities		7,714,411	5,855,368
Net debt		(3,856,860)	(2,348,814)
Non-financial assets			
Prepaid expenses	3	108,524	118,365
Inventory		89,721	86,029
Tangible capital assets	3 & 8	18,680,774	15,034,200
Total non-financial assets		18,879,019	15,238,594
Accumulated surplus	3 & 9	15,022,159	12,889,780
Subsequent events	13		

The accompanying notes are an integral part of this consolidated financial statement.

Approved by the Council

_____ Mayor

_____ Clerk

Town of Mahone Bay

Consolidated statement of operations and accumulated surplus

Year ended March 31, 2018

	Notes	Budget	2018	2017
		\$	\$	\$
		(Unaudited)		(Restated - Note 1)
Revenues				
Taxes and rates		2,229,132	2,270,573	2,180,659
Government grants		-	1,907,260	217,612
Power demand sales - electric	3	1,160,692	1,185,513	1,015,553
Domestic sales - electric		938,000	965,300	929,432
Metered sales - water		447,200	447,626	455,956
Other	3	254,340	288,943	165,276
Services provided to other governments		130,000	131,546	128,138
Other revenue from own sources		91,258	121,194	125,919
Unconditional transfers from other governments		50,021	50,021	50,021
Commercial sales - electric		2,600	30,826	6,170
Grants in lieu of taxes		22,880	22,327	21,146
Street lighting		4,000	5,841	5,930
Interest		2,132	4,578	15,506
Sale of services		3,500	3,845	3,747
Conditional transfers (federal and provincial)		-	1,000	1,000
		5,335,755	7,436,393	5,322,065
Expenses				
Power purchases	3	1,552,023	1,608,284	1,502,124
General government services	4	454,923	442,947	442,662
Protective services		455,457	433,385	430,606
Administrative and general	3	409,847	405,316	338,449
Education		393,640	393,640	391,593
Environmental health	4	277,681	235,291	232,232
Transportation		259,380	222,486	222,675
Loan interest	3	99,009	129,652	86,763
Salaries	3	109,431	127,152	110,469
Water treatment		148,540	126,708	120,397
Environmental development services		113,256	95,358	109,591
Operating and maintenance	3	90,448	81,584	88,140
Transmission and distribution		81,528	77,390	73,682
Recreation and cultural services		46,634	55,303	46,968
Pumping		20,496	23,859	15,480
Mowing and grounds upkeep		14,370	15,977	8,242
Public health and welfare services		15,000	11,485	13,774
Other interest charges	3	-	10,919	8,821
Taxes	3	10,776	9,486	4,514
		4,552,439	4,506,222	4,247,182
Annual surplus before undernoted		783,316	2,930,171	1,074,883
Amortization	3 & 8	(658,123)	(821,599)	(674,568)
Income on investment in government business partnership	4	7,797	23,807	13,161
Annual surplus		132,990	2,132,379	413,476
Accumulated surplus, beginning of year (as previously reported)		12,640,039	12,640,039	12,253,562
Restatement	1	-	249,741	222,742
Accumulated surplus, beginning of year (as restated)		12,640,039	12,889,780	12,476,304
Accumulated surplus, end of year	9	12,773,029	15,022,159	12,889,780

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay**Consolidated statement of changes in net debt**

Year ended March 31, 2018

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		(Restated - Note 1)
Annual surplus	132,990	2,132,379	413,476
Change in tangible capital assets			
Purchase of tangible capital assets	(1,862,820)	(4,468,173)	(2,614,078)
Amortization of tangible capital assets	658,123	821,599	674,568
	(1,204,697)	(3,646,574)	(1,939,510)
Change in other non-financial assets			
Prepaid expenses	—	9,841	26,266
Inventory	—	(3,692)	(25,792)
	—	6,149	474
Increase in net debt	(1,071,707)	(1,508,046)	(1,525,560)
Net debt, beginning of year	(2,348,814)	(2,348,814)	(823,254)
Net debt, end of year	(3,420,521)	(3,856,860)	(2,348,814)

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay**Consolidated statement of cash flows**

Year ended March 31, 2018

	2018	2017
	\$	\$
		(Restated - Note 1)
Operating transactions		
Annual surplus	2,132,379	413,476
Amortization	821,599	674,568
Income on investment in government business partnership	(23,807)	(13,161)
Changes in non-cash working capital items		
Taxes and rates receivable	(79,585)	(48,961)
Accounts receivable	(78,194)	(144,042)
Due from other local governments	5,566	5,459
Payables and accruals	62,165	(82,171)
Due to other local governments	11,811	(7,226)
Deferred revenue	5,559	(8,208)
Prepaid expenses	9,841	26,266
Inventory	(3,692)	(25,792)
	2,863,642	790,208
Financing transactions		
Proceeds from long term debt	1,850,000	2,723,000
Repayments of long-term debt	(172,992)	(138,700)
Proceeds from temporary borrowing	2,007,500	1,800,000
Repayment of temporary borrowing	(1,905,000)	(2,574,000)
	1,779,508	1,810,300
Capital transactions		
Purchase of tangible capital assets	(4,468,173)	(2,614,078)
	(4,468,173)	(2,614,078)
Increase (decrease) in cash	174,977	(13,570)
Cash, beginning of year	2,375,735	2,389,305
Cash, end of year	2,550,712	2,375,735

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2018

1. Restatement of prior year

The prior year consolidated financial statements were restated in order to properly reflect the following:

Amortization

In accordance with Canadian public sector accounting standards ("PSAS"), as described in Note 2, amortization is recorded based on the estimated useful lives of tangible capital assets, using the straight line method. In prior years, amortization expense on the Water Utility system (see Note 8) was overstated compared to the amount calculated using the straight line method.

During the year ended March 31, 2017, amortization expense was overstated by \$26,999. In the years prior to the year ended March 31, 2017, amortization expense was overstated by an aggregate amount of \$222,742; therefore, the prior year consolidated financial statements have been restated as follows:

	2017 (as previously reported)	Restatement	2017 (as restated)
	\$	\$	\$
Statement of financial position			
Tangible capital assets	14,784,459	249,741	15,034,200
Opening accumulated surplus	12,253,562	222,742	12,476,304
 Statement of financial operations and accumulated surplus			
Amortization	701,567	(26,999)	674,568

Inter-departmental eliminations

In accordance with PSAS, as described in Note 2, inter-departmental transactions and balances are eliminated on consolidation. During the year ended March 31, 2017, certain inter-departmental transactions were not eliminated; therefore, the prior year consolidated financial statements have been restated as follows:

	2017 (as previously reported)	Restatement	2017 (as restated)
	\$	\$	\$
Statement of financial operations and accumulated surplus			
Revenues			
Metered sales - water	458,467	(2,511)	455,956
Commercial sales - electric	69,245	(63,075)	6,170
Street lighting	71,906	(65,976)	5,930
Public fire protection	111,496	(111,496)	—
Total decrease in revenues	—	(243,058)	—
Expenses			
Protective services	551,002	(120,396)	430,606
General government services	448,132	(5,470)	442,662
Environmental health	283,049	(50,817)	232,232
Transportation	289,050	(66,375)	222,675
Total decrease in expenses	—	(243,058)	—
Change in annual surplus	—	—	—

2. Significant accounting policies

Basis of accounting

The consolidated financial statements of the Town of Mahone Bay (the "Town") are prepared in accordance with PSAS, as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada").

Reporting entity

These consolidated financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses, changes in net debt 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 Operating and Capital
- Electric Utility Operating and Capital
- Cemetery
- Alternative Resource Energy Authority ("AREA")

Inter-departmental and inter-organizational transactions and balances are 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 balances.

Cash

Cash is comprised of amounts held with financial institutions and petty cash.

Financial instruments

The Town initially measures its financial assets and financial liabilities at fair value plus the amount of transaction costs directly attributable to the instrument. Subsequently, the Town measures all of its financial assets and financial liabilities at amortized cost using the effective interest method.

Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by the assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. Due to their short period to maturity, the fair values of cash, taxes and rates receivable, accounts receivable, due from other local governments, payables and accruals, temporary borrowing, and due to other local governments approximate their carrying values as presented in the statement of financial position.

2. Significant accounting policies (continued)

Deferred revenue

Deferred revenue consists of customer prepayments and 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.

Inventory

Inventory consists of materials to be used in the construction of tangible capital assets and are carried at cost. Work in progress is included in tangible capital assets.

Investment in government business partnership

Investment in government business partnership consists of a 3.39% ownership interest in the Municipal Joint Services Board, Lunenburg Region (the "MJSB"). The Town records its investments in government business partnerships using the modified equity method.

Under the modified equity method, the investment is carried at the initial cost of the investment plus adjustments for the Town's proportionate share of subsequent earnings, dividends and other changes in equity of the government business partnership. Investment income is recorded for the Town's proportionate share of the government business partnership when earned by the government business partnership and adjustments for dividends are recorded when the dividends are declared by the government business partnership. No adjustments are made for accounting policies of the government business 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.

Investment in government partnership

The Town records its investment in government partnership, which consists of its 10% ownership interest in AREA, using the proportionate consolidation method.

Under the proportionate consolidation method, the Town recognizes its proportionate share of the financial assets, liabilities, non-financial assets, accumulated surplus, revenues and expenses of the government partnership, adjusted for differences between the government partnership's and the Town's accounting policies. These are proportionately consolidated on a line-by-line basis, after elimination of the inter-organizational transactions and balances.

Tangible capital assets

Tangible capital assets are carried 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:

2. Significant accounting policies (continued)

Revenue and expense recognition (continued)

Government grants with stipulations are initially deferred and recognized as revenue as the related stipulations are met. Stipulations associated with the acquisition or construction of tangible capital assets are considered to be met when acquisition or construction occurs.

Water and electric utility revenue is based on meter readings and levies, which are set annually. Utility revenues are recorded using the accrual basis as they are earned and measurable.

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

Expenses are recorded using the accrual basis of accounting. As such, expenses are recorded in period the related goods or services are received.

Use of estimates

The preparation of consolidated financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the allowance for doubtful accounts, the useful lives of tangible capital assets and certain accruals. Actual results could differ materially from these estimates.

3. Investment in government partnership

In July 2013, the Town of Antigonish, the Town of Berwick and the Town of Mahone Bay created AREA, a joint municipal corporation and inter-municipal agreement to explore alternative sources of Energy for municipal electric utilities. The primary project of AREA was to construct a windfarm facility in Ellershouse, Nova Scotia. The share of ownership of AREA is as follows: Antigonish 63%, Berwick 27% and Mahone Bay 10%.

AREA's financial information as at March 31, 2018 and for the year then ended, and the related amounts included in these consolidated financial statements using the proportionate consolidation method are summarized as follows:

Town of Mahone Bay
Notes to the consolidated financial statements
March 31, 2018

3. Investment in government partnership (continued)

	10% share of AREA	Consolidation Adjustments	2018 Inclusion in the Town Consolidated	2017 Inclusion in the Town Consolidated
	\$	\$	\$	\$
Statement of Financial Position				
Financial assets				
Cash	174,910	—	174,910	136,756
Accounts receivable	224,095	—	224,095	229,281
	399,005	—	399,005	366,037
Liabilities				
Payables and accruals	47,860	—	47,860	32,114
Temporary borrowing	1,207,500	—	1,207,500	1,550,000
Due to other local governments	11,811	—	11,811	—
Long-term debt	3,858,208	—	3,858,208	2,400,000
	5,125,379	—	5,125,379	3,982,114
Non-financial assets				
Prepaid expenses	1,504	—	1,504	—
Inventory	—	—	—	18,315
Tangible capital assets	4,784,791	—	4,784,791	3,686,784
	4,786,295	—	4,786,295	3,705,099
Accumulated surplus	59,921	—	59,921	89,022
Statement of Operations and accumulated surplus				
Revenues				
Power demand sales	461,217	(38,566) (1)	422,651	262,511
Other	166,855	—	166,855	93,102
	628,072	(38,566)	589,506	355,613
Expenses				
Power purchases	112,551	(38,566) (1)	73,985	42,834
Administrative and general	83,714	—	83,714	51,549
Loan interest	104,520	—	104,520	60,080
Salaries	10,831	—	10,831	6,387
Operating and maintenance	7,311	—	7,311	2,506
Other interest charges	9,405	—	9,405	5,380
Taxes	8,844	—	8,844	3,880
	337,176	(38,566)	298,610	172,616
Amortization	171,501	—	171,501	116,173
Annual surplus	119,395	—	119,395	66,824

Consolidation adjustments and related party transactions with AREA

(1) During the year ended March 31, 2018, AREA received \$385,658 (2017 - \$237,607) of its power demand sales revenue from the Town; therefore, 10% of both the demand sales revenue recorded by AREA and 10% of the power purchases recorded by the Town are eliminated on consolidation.

4. Investment in government business partnership

As of March 31, 2013, the Town of Bridgewater, the Town of Mahone Bay and the Municipality of Lunenburg transferred the operations 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 holds a 3.39% ownership interest in the net assets of the MJSB. As of March 31, 2018 the Town's investment is carried at \$228,919 (2017 - \$205,112) and the Town's proportionate share of the MJSB's annual surplus for the year ended March 31, 2018 was \$23,807 (2017 - \$13,161).

The MJSB's consolidated financial information as at March 31, 2018 and for the year then ended, and the Town's related investment and investment income are summarized as follows:

	2018	2017
	\$	\$
MJSB consolidated statement of financial position		
Financial assets	2,951,696	2,948,531
Liabilities	1,340,996	1,558,833
Net financial assets	1,610,700	1,389,698
Non-financial assets	5,142,062	4,660,799
Accumulated surplus	6,752,762	6,050,497
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment in MJSB	228,919	205,112
MJSB consolidated statement of operations		
Total revenue	4,838,605	4,298,666
Total expenses	4,136,340	3,910,437
Annual surplus	702,265	388,229
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment income	23,807	13,161

Related party balances and transactions with MJSB

The Town's payables and accruals include \$59,248 (2017 - \$77,206) payable to MJSB.

During the year ended March 31, 2018, the Town paid tipping fees of \$86,179 (2017 - \$84,682) to MJSB, included in environmental health expenses, and IT shared services costs of \$23,582 (2017 - \$36,069), included in general government services expense. These related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. In accordance with the modified equity method, no adjustments have been made to the carrying value of the Town's investment in MJSB in respect of these transactions.

5. Obligations

Employee benefits

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 estimated accrual for this liability of \$39,093 (2017 - \$31,974) has been recorded in payables and accruals on the consolidated statement of financial position.

Landfill site closure costs - centralized disposal site

The centralized disposal site is closed and the present value of the remaining landfill site closure monitoring costs for the next 15 years is estimated to be \$893,625 (2017- \$1,056,580), which will be covered by the three partners of MJSB (see Note 4) and the Town of Lunenburg.

The future landfill site closure costs were forecast with inflation at 2.5% (2017- 2.0%) per annum and discounted back to March 31, 2018 using a discount rate of 2.5% (2017 - 2.0%). A liability (reserve) of \$31,562 (2017 - \$37,319) has been reported in the consolidated statement of financial position of the Town, as this represents the Town's portion of the related costs. 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.

Housing authorities

During the year, the Town paid \$13,774 (2017 - \$25,402) to the Department of Community Services to fund its share of the prior year's operating deficit. As at March 31, 2018, the Town's share of the 2018 operating deficit was \$11,481 (2017 - \$13,774), which must be paid by the Town in 2019. This amount has been accrued in the financial statements as at March 31, 2018.

6. Temporary borrowing

	2018	2017
	\$	\$
Advanced to the Town		
Bank of Montreal ("BMO") demand loans, bearing interest at prime less 0.75%.	921,000	476,000
Advanced to AREA (10% proportionate share)		
Royal Bank of Canada ("RBC") demand loan, bearing interest at prime less 1.00%.	1,207,500	1,550,000
	2,128,500	2,026,000

7. Long-term debt

	2018	2017
	\$	\$
Advanced to the Town		
Nova Scotia Municipal Finance Corporation ("NSMFC") debenture, bearing interest at rates of 4.92% - 5.08% over the term of the debenture, repayable in annual principal payments of \$18,500, maturing June 1, 2021.	166,500	185,000
NSMFC debenture, bearing interest at rates of 5.01% - 5.48% over the term of the debenture, repayable in annual principal payments of \$35,400, maturing October 24, 2023.	300,400	335,800
NSMFC debenture, bearing interest at rates of 1.20% - 3.21% over the term of the debenture, repayable in annual principal payments of \$15,000, maturing May 9, 2032	300,000	-
Bank of Montreal ("BMO") loan, bearing interest at prime less 0.75%, repayable in annual principal payments of \$27,300, maturing May 31, 2026.	218,400	245,700
Advanced to AREA (10% proportionate share)		
NSMFC debenture, bearing interest at rates of 1.15% - 3.48% over the term of the debenture, repayable in annual principal payments of \$91,793 to \$124,175, maturing in 2031.	2,308,208	2,400,000
NSMFC debenture, bearing interest at rates of 1.20% - 3.21% over the term of the debenture, repayable in annual principal payments of \$59,573 to \$79,715, maturing in 2032.	1,550,000	-
	4,843,508	3,166,500

The NSMFC debentures and BMO loan advanced to the Town are secured by the various General Fund, Water Utility system and Electric Utility system tangible capital assets disclosed in Note 8.

The NSMFC debentures advanced to AREA are secured by tangible capital assets with a net book value of \$4,784,791 (2017- \$3,705,099), based on the Town's 10% proportionate share, as disclosed in Note 8.

7. Long-term debt (continued)

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

	Town	AREA	Total
	\$	\$	\$
2019	96,200	152,420	248,620
2020	87,300	154,523	241,823
2021	87,300	156,886	244,186
2022	179,800	159,583	339,383
2023	68,800	162,638	231,438
Thereafter	465,900	3,072,158	3,538,058
	985,300	3,858,208	4,843,508

Town of Mahone Bay
Notes to the consolidated financial statements
March 31, 2018

8. Tangible capital assets

	2018										2017
	Opening cost	Additions	WIP Adjustment	Closing cost	Opening accumulated amortization (as previously reported)	Restatement (Note 1)	Opening accumulated amortization (as restated)	Amortization in year	Closing accumulated amortization	Net book value	Net book value
	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$
Town General											(Restated - Note 1)
Land (incl. cemetery)	617,000	—	1,100	618,100	—	—	—	—	—	618,100	617,000
Land improvements	826,378	6,946	—	833,324	625,510	—	625,510	21,321	646,831	186,493	200,868
Municipal buildings	519,932	52,082	—	572,014	251,326	—	251,326	17,788	269,114	302,900	268,606
Buildings-plants	1,011,137	—	—	1,011,137	914,144	—	914,144	40,447	954,591	56,546	96,993
Electronic data equip.	21,611	—	—	21,611	21,193	—	21,193	418	21,611	—	418
Small equipment	332,562	68,870	—	401,432	148,673	—	148,673	25,048	173,721	227,711	183,889
Machinery and equip.	1,472,453	—	—	1,472,453	1,022,961	—	1,022,961	97,416	1,120,377	352,076	449,492
Vehicles	241,792	—	—	241,792	179,110	—	179,110	15,298	194,408	47,384	62,682
Wharves	192,262	26,176	—	218,438	133,602	—	133,602	8,738	142,340	76,098	58,660
Bridges	767,108	—	—	767,108	16,506	—	16,506	15,342	31,848	735,260	750,602
Streets, roads, curbs	2,981,966	1,352,183	—	4,334,149	1,409,011	—	1,409,011	160,649	1,569,660	2,764,489	1,572,955
Sidewalks	374,914	—	—	374,914	234,784	—	234,784	10,751	245,535	129,379	140,130
Sewer lines	3,220,087	826,915	1,690	4,048,692	1,306,039	—	1,306,039	80,929	1,386,968	2,661,724	1,914,048
Lagoons	—	18,894	—	18,894	—	—	—	756	756	18,138	—
Other	46,337	30,420	53,120	129,877	20,095	—	20,095	3,809	23,904	105,973	26,242
Work in progress ("WIP")	55,910	—	(55,910)	—	—	—	—	—	—	—	55,910
	12,681,449	2,382,486	—	15,063,935	6,282,954	—	6,282,954	498,710	6,781,664	8,282,271	6,398,495
Water Utility system	4,831,433	748,030	—	5,579,463	982,781	(249,741)	733,040	117,781	850,821	4,728,642	4,098,393
Electric Utility system	1,318,991	68,148	—	1,387,139	468,463	—	468,463	33,606	502,069	885,070	850,528
AREA											
Development costs	86,660	39,938	—	126,598	9,384	—	9,384	10,663	20,047	106,551	67,829
Interconnection	73,554	837	—	74,391	2,737	—	2,737	1,781	4,518	69,873	70,818
Generation foundation	288,732	9,286	—	298,018	6,164	—	6,164	5,868	12,032	285,986	282,568
Generation turbines	2,887,252	1,110,447	—	3,997,699	122,454	—	122,454	137,699	260,153	3,737,546	2,774,249
Poles, fixtures, conduit	103,689	53,574	—	157,263	4,422	—	4,422	4,336	8,758	148,505	99,268
Overhead conductors	90,357	1,961	—	92,318	4,112	—	4,112	3,084	7,196	85,122	86,246
Roads	133,682	48,842	—	182,524	2,932	—	2,932	3,162	6,094	176,430	130,751
Substation equipment	111,146	1,123	—	112,269	5,267	—	5,267	3,575	8,842	103,427	105,880
Substation foundation	66,716	—	—	66,716	2,002	—	2,002	1,334	3,336	63,380	64,714
Right of way	4,470	3,501	—	7,971	—	—	—	—	—	7,971	4,461
	3,846,258	1,269,509	—	5,115,767	159,474	—	159,474	171,502	330,976	4,784,791	3,686,784
	22,678,131	4,468,173	—	27,146,304	7,893,672	(249,741)	7,643,931	821,599	8,465,530	18,680,774	15,034,200

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2018

9. Accumulated surplus

Accumulated surplus - 2018

	Current Funds	Reserve Funds	Capital Funds	2018 Total
	\$	\$	\$	\$
General	4,412,550	988,256	4,335,764	9,736,570
Water	68,132	138,084	3,381,795	3,588,011
Electric	360,866	81,841	850,528	1,293,235
Cemetery	114,998	—	505	115,503
	4,956,546	1,208,181	8,568,592	14,733,319
AREA (Note 3)	199,103	100,000	(239,182)	59,921
MJSB (Note 4)	228,919	—	—	228,919
	5,384,568	1,308,181	8,329,410	15,022,159

Accumulated surplus - 2017 (Restated - Note 1)

	Current Funds	Reserve Funds	Capital Funds	2017 Total
	\$	\$	\$	\$
General	3,300,122	938,381	3,903,146	8,141,649
Water	43,652	119,715	2,898,280	3,061,647
Electric	347,330	111,746	819,598	1,278,674
Cemetery	113,171	—	505	113,676
	3,804,275	1,169,842	7,621,529	12,595,646
AREA (Note 3)	148,496	100,000	(159,474)	89,022
MJSB (Note 4)	205,112	—	—	205,112
	4,157,883	1,269,842	7,462,055	12,889,780

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 consolidated statement of operations and accumulated surplus.

	Remuneration	Expenses	2018 Total	2017 Total
	\$	\$	\$	\$
Mayor and Councillors				
Dave Devenne, Mayor	16,349	9,777	26,126	12,180
Karl Nauss, Deputy Mayor	10,097	1,197	11,294	9,217
Richard Nowe, Councillor	8,654	873	9,527	3,249
Penny Carver, Councillor	8,654	849	9,503	8,171
John Bain, Councillor	8,654	117	8,771	8,044
Joseph M Feeney, Councillor	8,654	—	8,654	3,077
Simone Chia-Kangata, Councillor	6,404	—	6,404	3,077
C Joe Fenney, Past Mayor	—	—	—	9,823
Lynn Hennigar, Past Councillor	—	—	—	4,923
Kelly Wilson, Past Councillor	—	—	—	4,923
	67,466	12,813	80,279	66,684
Administrators				
Jim Wentzell, CAO	106,488	1,686	108,174	105,055
Maureen Hughes, Acting CAO	59,212	692	59,904	—
Luke Wentzell, Manager of Finance	11,635	—	11,635	—
Derrick MacKenzie, Director of Operations	69,746	1,694	71,440	68,242
	247,081	4,072	251,153	173,297

11. Financial instruments

Market risk

Market risk is the risk that the fair value or future cash flows of the Town's financial instruments will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk. The Town is exposed to certain of these risks as described below.

(i) Interest rate risk

Interest rate risk is the risk that the market value of the Town's financial instruments will fluctuate due to changes in the market interest rates. The NSMFC debentures bear interest at fixed rates. Consequently, the cash flow exposure is not significant. However, the fair value of debentures having fixed rates of interest could fluctuate because of changes in market interest rates. The Town is exposed to interest rate risk with respect to its temporary borrowing and BMO long-term debt, which bear interest at variable rates, based on BMO and RBC's respective prime lending rates. The Town does not actively manage this risk using derivatives financial instruments.

11. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Town is exposed to credit risk on the accounts receivable from its customers, primarily related to Property Taxes and water and electric utilities balances owed. To mitigate this risk, the Town has developed the policies of commencing a tax sale process for Property Taxes in arrears over two years, and issuing disconnect notice to past due Utility accounts. The Town does not have a significant exposure to any individual customers. The Town has recorded a \$60,000 (2017 - \$59,800) provision for doubtful accounts.

Liquidity risk

The Town's objective is to have sufficient liquidity to meet its liabilities when due. The Town monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2018, the most significant financial liabilities are the payables and accruals, temporary borrowing and long-term debt.

The following table shows the remaining contractual maturities of the Town's financial liabilities:

	No set terms of repayment	Due within 1 year	Due within 2-5 years	Thereafter	Total
	\$	\$	\$	\$	\$
Payables and accruals	—	618,101	—	—	618,101
Temporary borrowing	2,128,500	—	—	—	2,128,500
Due to other local governments	11,811	—	—	—	11,811
Long-term debt	—	248,620	1,056,830	3,538,058	4,843,508
	2,140,311	866,721	1,056,830	3,538,058	7,601,920

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. As a result, the investment in government business partnership has been reclassified from a non-financial asset to a financial asset, on the consolidated statement of financial position. Additionally, \$467,000 of long-term debt has been reclassified to temporary borrowing, on the consolidated statement of financial position, in order to properly reflect that the loan was initially a temporary borrowing subsequently converted to long-term debt during the current year.

13. Subsequent events

On May 30, 2018, \$800,000 of BMO temporary borrowing (see Note 6) was fully repaid and replaced with a NSMFC debenture of equal value. The NSMFC debenture is repayable in annual principal payments of \$40,000, bears interest at rates between 2.06% - 3.50% and matures on May 30, 2033.

Town of Mahone Bay

Schedule 1 – Schedule of current fund – general operations

Year ended March 31, 2018

	Budget	2018	2017 (as previously reported)	Restatement (Note 1)	2017 (as restated)
	\$ (Unaudited)	\$	\$		
Revenues	2,596,725	2,613,106	2,510,630	—	2,510,630
Expenses	1,885,297	1,889,897	2,133,733	(243,058)	1,890,675
Annual surplus	711,428	723,209	376,897	243,058	619,955
Net transfers from other funds	346,400	389,219	610,542	(243,058)	367,484
Increase in fund balance	1,057,828	1,112,428	987,439	—	987,439
Opening fund balance	3,300,122	3,300,122	2,312,683	—	2,312,683
Closing fund balance	4,357,950	4,412,550	3,300,122	—	3,300,122

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay

Schedule 2 – Schedule of current fund – water operations

Year ended March 31, 2018

	Budget	2018	2017 (as previously reported)	Restatement (Note 1)	2017 (as restated)
	\$ (Unaudited)	\$	\$		
Revenues	462,140	458,663	585,867	(114,007)	471,860
Amortization	100,000	117,781	133,872	(26,999)	106,873
Other expenses	430,017	396,827	359,201	—	359,201
	530,017	514,608	493,073	(26,999)	466,074
Annual (deficit) surplus	(67,877)	(55,945)	92,794	(87,008)	5,786
Net transfers from other funds	83,300	80,425	62,148	87,008	149,156
Increase in fund balance	15,423	24,480	154,942	—	154,942
Opening fund balance	43,652	43,652	(111,290)	—	(111,290)
Closing fund balance	59,075	68,132	43,652	—	43,652

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay

Schedule 3 – Schedule of current fund – electric operations

Year ended March 31, 2018

	Budget	2018	2017 (as previously reported)	Restatement (Note 1)	2017 (as restated)
	\$	\$	\$		
	(Unaudited)				
Revenues	1,789,300	1,831,659	1,874,359	(129,051)	1,745,308
Amortization	37,000	33,606	32,691	—	32,691
Other expenses	1,854,823	1,903,112	1,815,221	—	1,815,221
	1,891,823	1,936,718	1,847,912	—	1,847,912
Annual deficit	(65,523)	(105,059)	26,447	(129,051)	(102,604)
Net transfers from other funds	109,400	118,595	—	129,051	129,051
Change in fund balance	43,877	13,536	26,447	—	26,447
Opening fund balance	347,330	347,330	320,883	—	320,883
Closing fund balance	391,207	360,866	347,330	—	347,330

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay

Schedule 4 – Schedule of current fund – cemetery operations

Year ended March 31, 2018

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Park Cemetery			
Revenues	4,700	6,461	5,955
Expenses	11,000	10,868	6,402
Annual deficit	(6,300)	(4,407)	(447)
Net transfers from other funds	6,500	6,938	5,090
Change in fund balance	200	2,531	4,643
Opening fund balance	86,593	86,593	81,950
Closing fund balance	86,793	89,124	86,593

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Bayside Cemetery			
Revenues	3,030	3,105	2,875
Expenses	5,500	6,909	3,067
Annual deficit	(2,470)	(3,804)	(192)
Net transfers from other funds	2,500	3,100	5,000
Change in fund balance	30	(704)	4,808
Opening fund balance	26,578	26,578	21,770
Closing fund balance	26,608	25,874	26,578

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay

Schedule 5 – Schedule of capital fund – municipal operations

Year ended March 31, 2018

Notes	Budget	2018	2017
	\$ (Unaudited)	\$	\$ (Restated - Note 1)
Revenues			
Capital grants	—	1,907,260	217,612
Interest	—	2,521	1,282
	—	1,909,781	218,894
Amortization	587,000	498,710	391,833
	587,000	498,710	391,833
Annual surplus (deficit)	(587,000)	1,411,071	(172,939)
Net transfers to current funds	(481,600)	(464,008)	(459,068)
Increase (decrease) in fund balance	(1,068,600)	947,063	(632,007)
Opening fund balance (as previously reported)	7,371,788	7,371,788	8,030,794
Restatement	249,741	249,741	222,742
Opening fund balance (as restated)	7,621,529	7,621,529	8,253,536
Closing fund balance	6,552,929	8,568,592	7,621,529

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay**Schedule 6 – Schedule of reserve fund**

Year ended March 31, 2018

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Interest revenue	—	24,072	9,404
Annual surplus	—	24,072	9,404
Net transfers from (to) other funds	38,500	14,227	(222,212)
Increase (decrease) in fund balance	38,500	38,299	(212,808)
Opening fund balance	1,166,433	1,166,433	1,379,241
Closing fund balance	1,204,933	1,204,732	1,166,433

The accompanying notes are an integral part of this consolidated financial statement.

Town of Mahone Bay

Schedule 7 – Schedule of trust reserve fund

Year ended March 31, 2018

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Revenues	—	40	27
Annual surplus	—	40	27
Increase in fund balance	—	40	27
Opening fund balance	3,409	3,409	3,382
Closing fund balance	3,409	3,449	3,409

The accompanying notes are an integral part of this consolidated financial statement.