
Consolidated financial statements of Town of Mahone Bay

March 31, 2019

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Town of Mahone Bay (the "Town"), which comprise the consolidated statement of financial position as at March 31, 2019, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at March 31, 2019, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
January 9, 2020

Town of Mahone Bay

Consolidated statement of financial position

As at March 31, 2019

	Notes	2019 \$	2018 \$
Financial assets			
Cash	2	3,422,405	2,550,712
Taxes and rates receivable		586,220	572,585
Accounts receivable	2	192,747	489,458
Investment in government business partnership	3	237,018	228,919
Due from other local governments		10,182	15,877
Total financial assets		4,448,572	3,857,551
Liabilities			
Payables and accruals	2, 3 & 4	677,092	618,101
Temporary borrowing	2 & 5	66,000	2,128,500
Due to other local governments	2	—	11,811
Deferred revenue		98,926	112,491
Long-term debt	2 & 6	6,584,888	4,843,508
Total liabilities		7,426,906	7,714,411
Net debt		(2,978,334)	(3,856,860)
Non-financial assets			
Prepaid expenses	2	99,694	108,524
Inventory		73,992	89,721
Tangible capital assets	2 & 7	18,102,531	18,680,774
Total non-financial assets		18,276,217	18,879,019
Accumulated surplus	2 & 8	15,297,883	15,022,159

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Council

_____ Mayor

_____ Clerk

Town of Mahone Bay

Consolidated statement of operations and accumulated surplus

Year ended March 31, 2019

	Notes	2019 \$	2018 \$
Revenues			
Taxes and rates		2,442,891	2,270,573
Power demand sales - electric	2	1,322,330	1,185,513
Domestic sales - electric		1,058,583	965,300
Metered sales - water		453,967	447,626
Other	2	322,206	288,943
Services provided to other governments		140,112	131,546
Conditional transfers (federal and provincial)		104,897	1,000
Other revenue from own sources		83,169	81,594
Unconditional transfers from other governments		50,022	50,021
Interest		32,818	4,578
Commercial sales - electric		26,271	30,826
Grants in lieu of taxes		22,774	22,327
Sale of services		4,150	3,845
Street lighting		2,845	5,841
Government grants		—	1,907,260
		6,067,035	7,396,793
Expenses			
Power purchases	2	1,730,186	1,608,284
General government services	3	621,516	442,947
Protective services		451,042	433,385
Administrative and general	2	404,007	365,716
Education		400,177	393,640
Transportation		277,872	222,486
Environmental health	3	251,497	235,291
Loan interest	2	164,926	129,652
Water treatment		144,565	126,708
Salaries	2	115,355	127,152
Environmental development services		104,381	95,358
Operating and maintenance	2	102,677	81,584
Transmission and distribution		81,367	77,390
Recreation and cultural services		56,090	55,303
Pumping		17,415	23,859
Mowing and grounds upkeep		16,726	15,977
Taxes	2	13,581	9,486
Public health and welfare services		11,449	11,485
Other interest charges	2	6,299	10,919
		4,971,128	4,466,622
Annual surplus before undernoted		1,095,907	2,930,171
Amortization	2 & 7	(828,282)	(821,599)
Income on investment in government business partnership	3	8,099	23,807
Annual surplus		275,724	2,132,379
Accumulated surplus, beginning of year		15,022,159	12,889,780
Accumulated surplus, end of year	8	15,297,883	15,022,159

The accompanying notes are an integral part of the consolidated financial statements.

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

Year ended March 31, 2019

	2019	2018
	\$	\$
Annual surplus	275,724	2,132,379
Change in tangible capital assets		
Purchase of tangible capital assets	(250,039)	(4,468,173)
Amortization of tangible capital assets	828,282	821,599
	578,243	(3,646,574)
Change in other non-financial assets		
Prepaid expenses	8,830	9,841
Inventory	15,729	(3,692)
	24,559	6,149
Decrease (increase) in net debt	878,526	(1,508,046)
Net debt, beginning of year	(3,856,860)	(2,348,814)
Net debt, end of year	(2,978,334)	(3,856,860)

The accompanying notes are an integral part of the consolidated financial statements.

Town of Mahone Bay
Consolidated statement of cash flows
Year ended March 31, 2019

	2019	2018
	\$	\$
Operating transactions		
Annual surplus	275,724	2,132,379
Amortization	828,282	821,599
Income on investment in government business partnership	(8,099)	(23,807)
Changes in non-cash working capital items		
Taxes and rates receivable	(13,635)	(79,585)
Accounts receivable	296,711	(78,194)
Due from other local governments	5,695	5,566
Payables and accruals	58,991	62,165
Due to other local governments	(11,811)	11,811
Deferred revenue	(13,565)	5,559
Prepaid expenses	8,830	9,841
Inventory	15,729	(3,692)
	1,442,852	2,863,642
Financing transactions		
Proceeds from long term debt	1,990,000	1,850,000
Repayments of long-term debt	(248,620)	(172,992)
Proceeds from temporary borrowing	—	2,007,500
Repayment of temporary borrowing	(2,062,500)	(1,905,000)
	(321,120)	1,779,508
Capital transactions		
Purchase of tangible capital assets	(250,039)	(4,468,173)
	(250,039)	(4,468,173)
Increase in cash	871,693	174,977
Cash, beginning of year	2,550,712	2,375,735
Cash, end of year	3,422,405	2,550,712

The accompanying notes are an integral part of the consolidated financial statements.

1. 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 the Town and its 10% proportionate share of the Alternative Resource Energy Authority ("AREA").

Inter-departmental and inter-entity 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.

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.

1. Significant accounting policies (continued)

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:

General Capital	
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
Bridges	25 years
Streets, roads and curbs	25 years
Sidewalks	20 years
Sewer lines	50 years
Lagoons	50 years
Landfills	4 years
Other	5 years
Work in progress	No amortization

1. Significant accounting policies (continued)

Tangible capital assets (continued)

Water Utility system As specified for water utilities by the Nova Scotia Utility and Review Board ("NSURB")

Electric Utility system As specified for electric utilities by the NSURB

AREA

Development costs	10 years
Interconnection	40 years
Generation foundation	50 years
Generation turbines	25 years
Poles, fixtures and conduit	30 years
Overhead conductors	32 years
Roads	50 years
Substation equipment	31 years
Substation foundation	50 years
Right of way	No amortization

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.

Property tax revenue is based on assessments determined in accordance with Province of Nova Scotia legislation. Tax rates are set annually. Taxation revenues are recorded at the time tax billings are issued, in the period to which they relate. Assessments are subject to appeal with provisions made for any material appeals. Penalties on overdue taxes are recorded in the period levied.

Government grants and other transfers are recognized as revenue in the period in which the events giving rise to the transfer occur, provided transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

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.

Town of Mahone Bay
Notes to the consolidated financial statements
March 31, 2019

2. 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, 2019 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:

	10% share of AREA	Consolidation Adjustments	2019 Inclusion in the Town Consolidated	2018 Inclusion in the Town Consolidated
	\$	\$	\$	\$
Statement of Financial Position				
Financial assets				
Cash	250,783	—	250,783	174,910
Accounts receivable	126,931	—	126,931	224,095
	377,714	—	377,714	399,005
Liabilities				
Payables and accruals	96,618	—	96,618	47,860
Temporary borrowing	—	—	—	1,207,500
Due to other local governments	—	—	—	11,811
Long-term debt	4,895,788	—	4,895,788	3,858,208
	4,992,406	—	4,992,406	5,125,379
Non-financial assets				
Prepaid expenses	2,869	—	2,869	1,504
Tangible capital assets	4,610,917	—	4,610,917	4,784,791
	4,613,786	—	4,613,786	4,786,295
Accumulated (deficit) surplus	(906)	—	(906)	59,921
Statement of Operations and accumulated surplus				
Revenues				
Power demand sales	603,742	(48,530) (1)	555,212	422,651
Other	224,392	—	224,392	166,855
	828,134	(48,530)	779,604	589,506
Expenses				
Power purchases	176,622	(48,530) (1)	128,092	73,985
Administrative and general	110,446	—	110,446	83,714
Loan interest	139,209	—	139,209	104,520
Salaries	15,442	—	15,442	10,831
Operating and maintenance	32,145	—	32,145	7,311
Taxes	12,913	—	12,913	8,844
Other interest charges	4,930	—	4,930	9,405
	491,707	(48,530)	443,177	298,610
Amortization (Note 7)	198,152	—	198,152	171,501
Annual surplus	138,275	—	138,275	119,395

2. Investment in government partnership (continued)

Consolidation adjustments and related party transactions with AREA

(1) During the year ended March 31, 2019, AREA received \$485,300 (2018 - \$385,658) 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.

3. 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, 2019 the Town's investment is carried at \$237,018 (2018 - \$228,919) and the Town's proportionate share of the MJSB's annual surplus for the year ended March 31, 2019 was \$8,099 (2018 - \$23,807).

The MJSB's consolidated financial information as at March 31, 2019 and for the year then ended, and the Town's related investment and investment income are summarized as follows:

	2019	2018
	\$	\$
MJSB consolidated statement of financial position		
Financial assets	2,948,987	2,951,696
Liabilities	1,155,637	1,340,996
Net financial assets	1,793,350	1,610,700
Non-financial assets	5,198,330	5,142,062
Accumulated surplus	6,991,680	6,752,762
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment in MJSB	237,018	228,919
MJSB consolidated statement of operations		
Total revenue	4,618,302	4,838,605
Total expenses	4,379,384	4,136,340
Annual surplus	238,918	702,265
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment income	8,099	23,807

Related party balances and transactions with MJSB

The Town's payables and accruals include \$39,989 (2018 - \$59,248) payable to MJSB.

During the year ended March 31, 2019, the Town paid tipping fees of \$83,231 (2018 - \$86,179) to MJSB, included in environmental health expenses, and IT shared services costs of \$18,711 (2018 - \$23,582), 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.

4. 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 \$40,501 (2018 - \$39,093) 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 \$622,500 (2018 - \$893,625), which will be covered by the three partners of MJSB (see Note 3) and the Town of Lunenburg.

The future landfill site closure costs were forecast with inflation at 2.5% (2018 - 2.5%) per annum and discounted back to March 31, 2019 using a discount rate of 2.5% (2018 - 2.5%). A liability (reserve) of \$21,987 (2018 - \$31,562) 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 \$11,481 (2018 - \$13,774) to the Department of Community Services to fund its share of the prior year's operating deficit. As at March 31, 2019, the Town's share of the 2019 operating deficit, which will be required to be paid by the Town in 2020, was \$11,449 (2018 - \$11,481). This amount has been accrued in the financial statements as at March 31, 2019.

5. Temporary borrowing

	2019	2018
	\$	\$
Advanced to the Town		
Bank of Montreal ("BMO") demand loans, bearing interest at prime less 0.75%.	66,000	921,000
Advanced to AREA (10% proportionate share)		
Royal Bank of Canada ("RBC") demand loan, bearing interest at prime less 1.00%.	—	1,207,500
	66,000	2,128,500

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2019

6. Long-term debt

	2019	2018
	\$	\$
Advanced to the Town		
Nova Scotia Municipal Finance Corporation ("NSMFC") debenture, bearing interest at rates of 2.06% to 3.50% over the term of the debenture, repayable in annual principal payments of \$40,000, maturing May 30, 2033.	800,000	—
NSMFC debenture, bearing interest at rates of 4.96% to 5.08% over the term of the debenture (2018 - 4.92% to 5.08%), repayable in annual principal payments of \$18,500, maturing June 1, 2021.	148,000	166,500
NSMFC debenture, bearing interest at rates of 5.10% to 5.48% over the term of the debenture (2018 - 5.01% to 5.48%), repayable in annual principal payments of \$35,400, maturing October 24, 2023.	265,000	300,400
NSMFC debenture, bearing interest at rates of 1.20% to 3.21% over the term of the debenture (2018 - 1.20% to 3.21%), repayable in annual principal payments of \$15,000, maturing May 9, 2032.	285,000	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.	191,100	218,400
Advanced to AREA (10% proportionate share)		
MSMFC debenture, bearing interest at rates of 2.06% to 3.50% over the term of the debenture, repayable in annual principal payments of \$419,000 to \$610,000, maturing in 2033.	1,190,000	—
NSMFC debenture, bearing interest at rates of 1.15% to 3.48% over the term of the debenture (2018 - 1.15% to 3.48%), repayable in annual principal payments of \$91,793 to \$124,175, maturing in 2031.	2,215,360	2,308,208
NSMFC debenture, bearing interest at rates of 1.20% to 3.21% over the term of the debenture (2018 - 1.20% to 3.21%), repayable in annual principal payments of \$59,573 to \$79,715, maturing in 2032.	1,490,428	1,550,000
	6,584,888	4,843,508

6. Long-term debt (continued)

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 7.

The NSMFC debentures advanced to AREA are secured by tangible capital assets with a net book value of \$4,610,917 (2018 - \$4,784,791), based on the Town's 10% proportionate share, as disclosed in Note 7.

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

	Town	AREA	Total
	\$	\$	\$
2020	136,200	196,423	332,623
2021	136,200	199,786	335,986
2022	228,700	203,583	432,283
2023	117,700	207,838	325,538
2024	205,700	211,343	417,043
Thereafter	864,600	3,876,815	4,741,415
	1,689,100	4,895,788	6,584,888

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2019

7. Tangible capital assets

	Opening cost	Additions	Closing cost	Opening accumulated amortization	Amortization in year	Closing accumulated amortization	2019 Net book value	2018 Net book value
	\$	\$	\$	\$	\$	\$	\$	\$
Town General								
Land (incl. cemetery)	618,100	—	618,100	—	—	—	618,100	618,100
Land improvements	833,324	—	833,324	646,831	21,321	668,152	165,172	186,493
Municipal buildings	572,014	21,696	593,710	269,114	18,740	287,854	305,856	302,900
Buildings-plants	1,011,137	388	1,011,525	954,591	3,938	958,529	52,996	56,546
Electronic data equip.	21,611	—	21,611	21,611	—	21,611	—	—
Small equipment	401,432	23,386	424,818	173,721	26,643	200,364	224,454	227,711
Machinery and equip.	1,472,453	54,032	1,526,485	1,120,377	99,346	1,219,723	306,762	352,076
Vehicles	241,792	—	241,792	194,408	15,298	209,706	32,086	47,384
Wharves	218,438	—	218,438	142,340	8,738	151,078	67,360	76,098
Bridges	767,108	—	767,108	31,848	15,342	47,190	719,918	735,260
Streets, roads, curbs	4,334,149	—	4,334,149	1,569,660	187,324	1,756,984	2,577,165	2,764,489
Sidewalks	374,914	—	374,914	245,535	10,751	256,286	118,628	129,379
Sewer lines	4,048,692	2,935	4,051,627	1,386,968	64,449	1,451,417	2,600,210	2,661,724
Lagoons	18,894	—	18,894	756	756	1,512	17,382	18,138
Other	129,877	15,905	145,782	23,904	3,809	27,713	118,069	105,973
	15,063,935	118,342	15,182,277	6,781,664	476,455	7,258,119	7,924,158	8,282,271
Water Utility system	5,579,463	13,107	5,592,570	850,821	118,401	969,222	4,623,348	4,728,642
Electric Utility system	1,387,139	94,312	1,481,451	502,069	35,274	537,343	944,108	885,070
AREA								
Development costs	126,598	13,918	140,516	20,047	13,356	33,403	107,113	106,551
Interconnection	74,391	—	74,391	4,518	1,747	6,265	68,126	69,873
Generation foundation	298,018	—	298,018	12,032	5,960	17,992	280,026	285,986
Generation turbines	3,997,699	2,696	4,000,395	260,153	159,962	420,115	3,580,280	3,737,546
Poles, fixtures, conduit	157,263	—	157,263	8,758	5,237	13,995	143,268	148,505
Overhead conductors	92,318	1,531	93,849	7,196	3,258	10,454	83,395	85,122
Roads	182,524	—	182,524	6,094	3,651	9,745	172,779	176,430
Substation equipment	112,269	2,389	114,658	8,842	3,631	12,473	102,185	103,427
Substation foundation	66,716	1,636	68,352	3,336	1,350	4,686	63,666	63,380
Right of way	7,971	2,108	10,079	—	—	—	10,079	7,971
	5,115,767	24,278	5,140,045	330,976	198,152	529,128	4,610,917	4,784,791
	27,146,304	250,039	27,396,343	8,465,530	828,282	9,293,812	18,102,531	18,680,774

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2019

8. Accumulated surplus

Accumulated surplus - 2019

	Current Funds	Reserve Funds	Capital Funds	2019 Total
	\$	\$	\$	\$
General	4,838,859	1,200,224	3,890,808	9,929,891
Water	46,534	153,146	3,440,702	3,640,382
Electric	386,044	83,358	899,194	1,368,596
Cemetery	122,397	—	505	122,902
	5,393,834	1,436,728	8,231,209	15,061,771
AREA (Note 3)	184,008	100,000	(284,914)	(906)
MJSB (Note 4)	237,018	—	—	237,018
	5,814,860	1,536,728	7,946,295	15,297,883

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

9. 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	Retirement Package	Expenses	2019 Total	2018 Total
	\$	\$	\$	\$	\$
Dave Devenne, Mayor	17,289	—	8,065	25,354	26,126
Karl Nauss, Deputy Mayor	10,679	—	1,317	11,996	11,294
Councillors					
Penny Carver	9,153	—	2,754	11,907	9,503
Colleen O'Neill	8,449	—	2,810	11,259	—
Richard Nowe	9,153	—	126	9,279	9,527
John Bain	9,153	—	—	9,153	8,771
Joseph M Feeney	9,153	—	—	9,153	8,654
Simone Chia-Kangata	—	—	—	—	6,404
	73,029	—	15,072	88,101	80,279
Administrators					
Jim Wentzell, Retired Chief Accounting Officer ("CAO")	—	106,447	—	106,447	108,174
Dylan Heide, CAO	60,289	—	10,379	70,668	
Maureen Hughes, Acting CAO	67,026	—	948	67,974	59,904
Derrick MacKenzie, Director of Operations	70,347	—	1,852	72,199	71,440
Luke Wentzell, Manager of Finance	58,049	—	3,397	61,446	11,635
	255,711	106,447	16,576	378,734	251,153

10. 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 the prime lending rate. The Town does not actively manage this risk.

10. 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 \$25,722 (2018 - \$60,000) 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, 2019, the most significant financial liabilities are the payables and accruals, 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	—	677,092	—	—	677,092
Temporary borrowing	66,000	—	—	—	66,000
Long-term debt	—	332,623	1,510,850	4,741,415	6,584,888
	66,000	1,009,715	1,510,850	4,741,415	7,327,980

11. Comparative figures

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

Town of Mahone Bay**Schedule 1 – Schedule of current fund – general operations**

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Revenues	2,643,774	2,848,015	2,613,106
Expenses	2,326,595	2,174,024	1,889,897
Annual surplus	317,179	673,991	723,209
Net transfers (to) from other funds	76,204	(247,682)	389,219
Increase in fund balance	393,383	426,309	1,112,428
Opening fund balance	4,412,550	4,412,550	3,300,122
Closing fund balance	4,805,933	4,838,859	4,412,550

The accompanying notes are an integral part of the consolidated financial statements.

Town of Mahone Bay**Schedule 2 – Schedule of current fund – water operations**

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Revenues	470,140	467,400	458,663
Amortization	110,000	118,401	117,781
Other expenses	458,623	424,462	396,827
	568,623	542,863	514,608
Annual deficit	(98,483)	(75,463)	(55,945)
Net transfers from other funds	98,496	53,865	80,425
(Decrease) increase in fund balance	13	(21,598)	24,480
Opening fund balance	68,132	68,132	43,652
Closing fund balance	68,145	46,534	68,132

The accompanying notes are an integral part of the consolidated financial statements.

Town of Mahone Bay**Schedule 3 – Schedule of current fund – electric operations**

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Revenues	1,900,400	1,930,608	1,831,659
Amortization	37,000	35,273	33,606
Other expenses	1,823,289	1,911,944	1,903,112
	1,860,289	1,947,217	1,936,718
Annual deficit	40,111	(16,609)	(105,059)
Net transfers from other funds	(26,600)	41,787	118,595
Change in fund balance	13,511	25,178	13,536
Opening fund balance	360,866	360,866	347,330
Closing fund balance	374,377	386,044	360,866

The accompanying notes are an integral part of the consolidated financial statements.

Town of Mahone Bay

Schedule 4 – Schedule of current fund – cemetery operations

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Park Cemetery			
Revenues	9,200	9,323	6,461
Expenses	17,400	10,712	10,868
Annual deficit	(8,200)	(1,389)	(4,407)
Net transfers from other funds	8,200	7,684	6,938
Change in fund balance	—	6,295	2,531
Opening fund balance	89,124	89,124	86,593
Closing fund balance	89,124	95,419	89,124

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Bayside Cemetery			
Revenues	3,030	4,480	3,105
Expenses	6,400	6,810	6,909
Annual deficit	(3,370)	(2,330)	(3,804)
Net transfers from other funds	3,400	3,434	3,100
Change in fund balance	30	1,104	(704)
Opening fund balance	25,874	25,874	26,578
Closing fund balance	25,904	26,978	25,874

The accompanying notes are an integral part of the consolidated financial statements.

Town of Mahone Bay

Schedule 5 – Schedule of capital fund – municipal operations

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Revenues			
Capital grants	–	–	1,907,260
Interest	–	4,080	2,521
	–	4,080	1,909,781
General fund amortization	450,000	476,455	498,710
	450,000	476,455	498,710
Annual (deficit) surplus	(450,000)	(472,375)	1,411,071
Net transfers from (to) other funds	23,400	134,992	(464,008)
(Decrease) increase in fund balance	(426,600)	(337,383)	947,063
Opening fund balance	8,568,592	8,568,592	7,621,529
Closing fund balance	8,141,992	8,231,209	8,568,592

The accompanying notes are an integral part of the consolidated financial statements.

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

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Interest revenue	—	23,461	24,072
Annual surplus	—	23,461	24,072
Net transfers from other funds		205,022	14,227
Increase in fund balance	—	228,483	38,299
Opening fund balance	1,204,732	1,204,732	1,166,433
Closing fund balance	1,204,732	1,433,215	1,204,732

The accompanying notes are an integral part of the consolidated financial statements.

Town of Mahone Bay**Schedule 7 – Schedule of trust reserve fund**

Year ended March 31, 2019

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Revenues	—	64	40
Annual surplus	—	64	40
Increase in fund balance	—	64	40
Opening fund balance	3,449	3,449	3,409
Closing fund balance	3,449	3,513	3,449

The accompanying notes are an integral part of the consolidated financial statements.