

Consolidated Financial Statements of

Town of Mahone Bay

Year ended March 31, 2024

# Town of Mahone Bay

Consolidated Financial Statements

Year ended March 31, 2024

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## Independent Auditor's Report

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

### Qualified 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, 2024, and the consolidated statements of operations and accumulated surplus, changes in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Mahone Bay as at March 31, 2024, and its consolidated results of operations, changes in net debt, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Qualified Opinion

The Town has not performed the preliminary study necessary to assess whether a liability exists in relation to the remediation costs of its tangible capital assets.

Effective April 1, 2022, the Town was required to adopt PS 3280 *Asset Retirement Obligations*, which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of April 1, 2022. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets, adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect the change in accounting policy.

As of the audit report date, Management has not completed its assessment of the Town's tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of the departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended March 31, 2024 and 2023, tangible capital assets and the asset retirement obligation as at March 31, 2024 and 2023, and accumulated surplus as at April 1 and March 31 for both 2024 and 2023.



We conducted our audit in accordance with Canadian general accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 qualified opinion.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated 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 Management's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities within the Town to express an opinion on the consolidated 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.

*BDO Canada LLP*

Chartered Professional Accountants

Halifax, Nova Scotia  
January 13, 2026

# Town of Mahone Bay

Consolidated Statement of Financial Position  
March 31, 2024

	2024	2023
<b>Financial Assets</b>		
Cash (Note 3)	\$ 8,830,682	\$ 3,857,749
Taxes and rates receivable (Note 12)	950,672	784,033
Accounts receivable (Note 12)	1,370,525	1,269,838
Investment in Municipal Joint Services Board, Lunenburg (Note 6)	265,613	258,873
	<u>11,417,492</u>	<u>6,170,493</u>
<b>Liabilities</b>		
Temporary borrowing (Note 4)	3,319,158	3,120,000
Accounts payable and accrued liabilities (Note 12)	2,909,420	1,774,882
Deferred revenue (Note 3)	6,770,885	135,166
Long-term debt (Note 8)	9,229,069	9,743,675
	<u>22,228,532</u>	<u>14,773,723</u>
Net debt	<u>(10,811,040)</u>	<u>(8,603,230)</u>
<b>Non Financial Assets</b>		
Prepaid expenses	108,848	95,543
Inventory	394,587	349,503
Tangible capital assets (Schedule 1)	27,685,175	25,812,659
	<u>28,188,610</u>	<u>26,257,705</u>
Net assets and accumulated surplus (Note 5)	<u>\$ 17,377,570</u>	<u>\$ 17,654,475</u>
Commitments and contingent liabilities (Note 11)		
Subsequent events (Note 15)		
Approved on behalf of Council:		
_____	Mayor	
_____	Chief Administration Officer	

The accompanying notes are an integral part of these consolidated financial statements

# Town of Mahone Bay

Consolidated Statement of Operations and Accumulated Surplus  
Year ended March 31, 2024

	2024	2023
<b>Revenues</b>		
Taxes and rates	\$ 3,571,785	\$ 3,179,582
Electric sales	3,528,747	2,865,266
Solar garden (Note 7)	1,082,509	1,727,539
Metered water sales	570,470	557,536
Other	210,290	356,789
Other revenue from own sources	347,457	120,585
Unconditional transfers from other governments	201,526	321,149
Services provided to other governments	189,865	171,656
Conditional transfers (federal and provincial)	59,000	111,341
Interest	32,321	15,326
Grants in lieu of taxes	23,755	22,193
	<b>9,817,725</b>	<b>9,448,962</b>
<b>Expenses</b>		
Power purchases	2,414,528	1,910,366
General government services	1,518,531	1,254,169
Solar garden (Note 7)	1,082,072	1,726,540
Protective services	762,954	335,170
Education	502,939	444,330
Transportation	647,754	384,194
Environmental health	491,793	317,247
Interest on long-term debt	462,555	414,378
Water treatment, transmission and distribution	394,511	322,799
Operating and maintenance	382,754	306,572
Environmental development services	245,295	191,844
Recreation and cultural services	133,850	154,552
Public health and welfare services	9,281	18,449
	<b>9,048,817</b>	<b>7,780,610</b>
Annual surplus before undernoted	768,908	1,668,352
Amortization of tangible capital assets (Schedule 1)	(1,055,339)	(1,018,184)
Income (loss) on investment in Municipal Joint Services Board	9,526	(2,786)
Annual surplus (deficit)	(276,905)	647,382
Accumulated surplus, beginning of year	17,654,475	17,007,093
Accumulated surplus, end of year	<b>\$ 17,377,570</b>	<b>\$ 17,654,475</b>

No consolidated budget prepared or approved (Note 13)

The accompanying notes are an integral part of these consolidated financial statements

# Town of Mahone Bay

Consolidated Statement of Changes in Net Debt

Year ended March 31, 2024

	2024	2023
Annual surplus (deficit)	\$ (276,905)	\$ 647,382
Change in tangible capital assets		
Purchase of tangible capital assets (Schedule 1)	(4,458,840)	(3,694,444)
Disposal of tangible capital assets (Schedule 1)	1,530,985	-
Amortization of tangible capital assets (Schedule 1)	1,055,339	1,018,184
	(1,872,516)	(2,676,260)
Change in other non-financial assets		
Prepaid expenses	(13,305)	(1,913)
Inventory	(45,084)	(134,939)
	(58,389)	(136,852)
Increase in net debt	(2,207,810)	(2,165,730)
Net debt, beginning of year, restated	(8,603,230)	(6,437,500)
Net debt, end of year	\$ (10,811,040)	\$ (8,603,230)

No consolidated budget prepared or approved (Note 12)

The accompanying notes are an integral part of these consolidated financial statements

# Town of Mahone Bay

## Consolidated Statement of Cash Flows

Year ended March 31, 2024

	2024	2023
Operating activities		
Annual surplus (deficit)	\$ (276,905)	\$ 647,382
Amortization of tangible capital assets (Schedule 1)	1,055,339	1,018,184
Loss on disposal of tangible capital assets	1,530,985	-
(Income) loss on Municipal Joint Services Board	(6,740)	2,786
Changes in non-cash working capital:		
Taxes receivable	(166,639)	(19,487)
Accounts receivable	(100,687)	22,225
Inventory	(45,084)	(134,939)
Prepaid expenses	(13,305)	(1,913)
Accounts payable and accrued liabilities	1,134,538	(465,024)
Deferred revenue	6,635,719	5,182
Cash provided by operating activities	9,747,221	1,074,396
Capital activity		
Purchase of tangible capital assets (Schedule 1)	(4,458,840)	(3,694,444)
Financing activities		
Proceeds from long-term debt	-	4,355,146
Repayments of long-term debt	(514,606)	(346,784)
Proceeds from temporary borrowings	619,158	-
Repayments of temporary borrowings	(420,000)	-
Cash provided by financing activities	(315,448)	4,008,362
Increase (decrease) in cash	4,972,933	1,388,314
Cash, beginning of year	3,857,749	2,469,435
Cash, end of year	\$ 8,830,682	\$ 3,857,749

The accompanying notes are an integral part of these consolidated financial statements

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 1. Status of the Town and Management's Responsibility

The Town of Mahone Bay (the "Town") is a municipal government located in Nova Scotia, Canada, and was incorporated on March 31, 1919 pursuant to the Municipal Government Act. The Town provides or funds municipal services such as fire, public works, community service programming, recreational programming, general government operations, and water and electric utilities.

Management of the Town is responsible for the integrity, objectivity and accuracy of the consolidated financial statements, prepared in accordance with Public Sector Accounting Standards ("PSAS"), as established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements.

Management of the Town maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Town's Audit and Finance Committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the approval of the consolidated financial statements.

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## 2. Summary of Significant Accounting Policies

### Basis of accounting

The consolidated financial statements of the Town are prepared in accordance with PSAS, as established by the PSAB of CPA Canada.

### Reporting entity

The consolidated financial statements reflect the assets, liabilities, non-financial assets, revenue, expenses, and changes in net debt and in financial position of the reporting entity. The reporting entity is comprised of the Town General Operating Fund, Town General Capital Fund, Water Utility, Electric Utility, Town Reserve Funds and Cemetery Commission and its 10% proportionate share of the Alternative Resource Energy Authority ("AREA", Note 7).

Inter-departmental and inter-entity transactions and balances are eliminated on consolidation.

Trusts administered by the Town are not included in these consolidated financial statements.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 2. Summary of Significant Accounting Policies (continued)

### 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 accounting policies of the government partnership and the Town. These are proportionately consolidated on a line-by-line basis, after elimination of the inter-organizational transactions and businesses.

### Fund balances

Funds within the consolidated financial statements consist of operating, capital, and reserve funds. Council approves certain amounts of the accumulated surplus to be set aside in reserve for future operating and capital purposes. Transfers between funds are recorded as adjustments to the appropriate fund balances within accumulated surplus.

### Cash

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

### Financial instruments

Cash and cash equivalents are measured at fair value. Accounts receivable, accounts payable and accrued liabilities, temporary borrowing, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 2. Summary of Significant Accounting Policies (continued)

### Investment in Municipal Joint Services Board

Investment in Municipal Joint Services Board, Lunenburg (the "MJSB") consists of a 3.39% ownership interest. The Town records its investment as a portfolio investment.

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

### Inventory

Inventories, which are comprised of materials to be used in the construction of tangible capital assets, are carried at the lower of cost and replacement value, with cost being determined on a first-in, first-out basis. Work in progress is included in tangible capital assets.

### Tangible capital assets

Tangible capital assets are stated at cost, less accumulated amortization. Cost includes amounts that are directly related to the acquisition, construction, development, or betterment of the tangible capital assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition, construction or development of the asset. Amortization is based on estimated useful life, using the straight line method, as follows:

Asset	Estimated useful life
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	5-10 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

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

## 2. Summary of Significant Accounting Policies (continued)

### Tangible capital assets (continued)

Asset	Estimated useful life
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
Meteorological mast	10 years
Right of way	No amortization

Tangible capital assets under construction ("work-in-progress"), development or that have been removed from service are not amortized until they are available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Contributed tangible capital assets are recorded at their fair value on the date of contribution, except in unusual circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

### Landfills

The estimated costs to close and maintain closed landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are recognized and charged to expense as the landfill is used.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 2. Summary of Significant Accounting Policies (continued)

### Revenue and expense recognition

Funds from external parties and earnings thereon, other than from government transfers, are deferred when restrictions are placed on their use by the external party, and are recognized as revenue when used for the purpose specified.

Property tax revenue is determined based on assessments according to Nova Scotia legislation. Tax rates are set annually, and revenue is recorded in the period to which it relates. Assessments can be appealed, and provisions are made for significant appeals. Overdue tax penalties are recorded in the period they are levied.

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and are recognized in the consolidated statement of operations as the stipulations are settled.

Water and electric utility revenue is based on meter readings and levies, recognized using the accrual basis as they are earned and measurable.

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

Expenses are recognized using the accrual basis of accounting, aligning with the receipt of goods and services.

### Use of estimates

In preparing the Town's consolidated financial statements in conformity with PSAS, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of estimates include the allowance for doubtful accounts, the useful lives of tangible capital assets and certain accruals.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements.

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# Town of Mahone Bay

Notes to Consolidated Financial Statements

March 31, 2024

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## 3. Cash

Included in cash is \$6,601,722 of restricted funding, relating to deferred revenue received for the Edgewater Street Project.

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## 4. Temporary Borrowing

	<u>2024</u>	<u>2023</u>
Bank of Montreal ("BMO") demand loan, bearing interest at prime less 0.75%.	\$ 2,700,000	\$ 2,700,000
BMO demand loan, bearing interest at prime less 0.75%.	619,158	-
BMO demand loan, repaid during the year.	-	<u>420,000</u>
	<u>\$ 3,319,158</u>	<u>\$ 3,120,000</u>

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# Town of Mahone Bay

Notes to Consolidated Financial Statements

March 31, 2024

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## 5. Accumulated Surplus

### *Accumulated surplus - 2024*

	Current Funds	Reserve Funds	Capital Funds	2024 Total
General	\$ (239,760)	\$ 411,675	\$ 9,160,180	\$ 9,332,095
Water	298,112	635,550	4,525,658	5,459,320
Electric	(99,047)	627,917	1,727,740	2,256,610
Cemetery	220,600	-	-	220,600
	\$ 179,905	\$ 1,675,142	\$ 15,413,578	\$ 17,268,625
AREA (Note 7)	19,963	100,000	(276,631)	(156,668)
MJSB (Note 6)	265,613	-	-	265,613
	\$ 465,481	\$ 1,775,142	\$ 15,136,947	\$ 17,377,570

### *Accumulated surplus - 2023*

	Current Funds	Reserve Funds	Capital Funds	2023 Total
General	\$ 77,191	\$ 574,632	\$ 8,854,622	\$ 9,506,445
Water	159,047	631,550	4,510,175	5,300,772
Electric	528,554	700,410	1,251,447	2,480,411
Cemetery	220,600	-	-	220,600
	\$ 985,392	\$ 1,906,592	\$ 14,616,244	\$ 17,508,228
AREA (Note 7)	52,676	100,000	(265,302)	(112,626)
MJSB (Note 6)	258,873	-	-	258,873
	\$ 1,296,941	\$ 2,006,592	\$ 14,350,942	\$ 17,654,475

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## 6. Investment in Municipal Joint Services Board, Lunenburg

As of March 31, 2013, the Town of Bridgewater, the Town of Mahone Bay, and the Municipality of the District of Lunenburg transferred the operations of its solid waste site to the MJSB (the "Solid Waste site"). The Board of MJSB establishes tipping fees, charging each customer, including municipalities, based on tonnage delivered to the site. Effective April 1, 2013, the MJSB assumed the assets and liabilities of the Solid Waste site. The Town has a 3.39% ownership interest in the MJSB.

In the Town's accounts payable and accrued liabilities, there is an amount of \$8,040 (2023 - \$7,615) payable to MJSB. During the fiscal year ending March 31, 2024, the Town made payments to MJSB for tipping fees totaling \$78,768 (2023 - \$72,324), which were categorized as environmental health expenses. Additionally, information technology shared services costs of \$54,000 (2023 - \$89,723) were incurred by the Town and included in general government services expense. These transactions involving related parties were conducted in the normal course of operations and were measured at the exchange amount, agreed upon by the related parties.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

## 7. Investment in Government Partnership

In July 2013, the Town of Antigonish ("Antigonish"), the Town of Berwick ("Berwick"), and the Town established AREA - a joint municipal corporation formed through an inter-municipal agreement. The purpose of AREA was to explore alternative energy sources for municipal electric utilities. Their flagship project involved constructing a wind farm facility in Ellershouse, Nova Scotia and has subsequently supervised the construction of solar gardens in Antigonish, Berwick and the Town. Ownership shares in AREA are distributed as follows: Antigonish (63%), Berwick (27%), and Mahone Bay (10%). AREA's financial information and the related amounts included in these consolidated financial statements using the proportionate consolidation method are summarized as follows:

Statement of Financial Position	10% share of AREA	Consolidation Adjustments	2024	2023
<b>Financial assets</b>				
Cash	\$ 179,799	\$ -	\$ 179,799	\$ 163,086
Accounts receivable	608,672	-	608,672	756,410
	788,471	-	788,471	919,496
<b>Liabilities</b>				
Accounts payable and accrued liabilities	686,398	(52,676)	633,722	795,588
Deferred revenue	4,510	-	4,510	-
Asset retirement obligation	-	-	-	-
Long-term debt	3,875,563	-	3,875,563	4,088,159
	4,566,471	(52,676)	4,513,795	4,883,747
<b>Non-financial assets</b>				
Prepaid expenses	14,838	-	14,838	16,505
Inventory	7,562	-	7,562	12,263
Tangible capital assets	3,598,932	-	3,598,932	3,822,857
	3,621,332	-	3,621,332	\$ 3,851,625
Accumulated deficit	\$ (156,668)	\$ 52,676	\$ (103,992)	\$ (112,626)

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

## 7. Investment in Government Partnership (continued)

	10% share of AREA	Consolidation Adjustments	2024	2023
Statement of Operations and Accumulated Surplus				
Revenues				
Power demand sales - electric	\$ 906,098	\$ -	\$ 906,098	\$ 988,759
Solar garden	602,351	-	602,351	968,246
Provincial solar garden funding	480,158	-	480,158	759,293
Other	54,889	-	54,889	248,862
	2,043,496	-	2,043,496	2,965,160
Expenses				
Power purchases	287,276	-	287,276	551,366
Solar garden expenses	1,082,072	-	1,082,072	1,726,540
Administrative and general	15,672	-	15,672	136,935
Salaries	29,394	-	29,394	32,012
Interest on long-term debt	125,942	-	125,942	130,496
Operating and maintenance	256,977	-	256,978	104,216
Taxes	13,604	-	13,604	13,346
	1,810,937	-	1,810,938	2,694,911
Amortization (Schedule 1)	223,925	-	223,924	200,331
Annual surplus	\$ 8,634	\$ -	\$ 8,634	\$ 69,918
Accumulated deficit, beginning of year	(112,626)	-	(112,626)	(91,665)
Distributions	(52,676)	(52,676)	-	(90,879)
Accumulated deficit, end of year	\$ (156,668)	\$ (52,676)	\$ (103,992)	\$ (112,626)

Included in accounts payable and accrued liabilities is \$1,091,122 (2023 - \$78,594) payable to AREA. Included in power purchases is \$316,825 (2023 - \$366,538) of purchases from AREA. These transactions involving related parties were conducted in the normal course of operations and were measured at the exchange amount, agreed upon by the related parties.

As at March 31, 2023, AREA had also recognized an asset retirement obligation for the decommissioning of its wind farm, in the amount of \$4,585,900 (2023 - \$4,430,821) with accretion expense of \$155,079 and a \$34,489 reduction in amortization expense recognized for the year then ended. As management has not completed its assessment of the Town's own potential retirement obligations and has therefore not adopted the requirements of PS 3280 Asset Retirement Obligations (see basis for qualified opinion in independent auditor's report), it has excluded the impacts of AREA's asset retirement obligation from its proportionate consolidation. These balances will be recognized via proportionate consolidation, on a retrospective basis, in the same fiscal year in which the Town completes its own assessment and fully adopts PS 3280.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

## 8. Long-Term Debt

<u>Advanced to the Town</u>	<u>2024</u>	<u>2023</u>
Nova Scotia Municipal Finance Corporation ("NSMFC") debenture, bearing interest at rates of 2.884% to 3.501% (2023 - 2.761% to 3.501%) over the term of the debenture, repayable in annual principal payments of \$40,000, maturing May 30, 2033.	\$ 600,000	\$ 640,000
NSMFC debenture, bearing interest at rates of 4.897% to 5.46% (2023 - 5.43% to 5.48%), repayable in annual principal payments of \$26,500, maturing October 24, 2028.	132,500	\$ 159,000
NSMFC debenture, bearing interest at rates of 2.059% to 3.209% (2023 - 1.860% to 3.209%) over the term of the debenture, repayable in annual principal payments of \$15,000, maturing May 9, 2032.	210,000	225,000
NSMFC debenture, bearing interest at rates of 0.955% to 1.879% (2023 - 0.859% to 1.879%) over the term of the debenture, repayable in annual principal payments of \$11,646, maturing July 7, 2030.	81,530	93,170
NSMFC debenture, bearing interest at rates of 0.565% to 1.398% (2023 - 0.400% to 1.398%) over the term of the debenture, repayable in annual principal payments of \$18,500, maturing May 28, 2026.	55,500	74,000
BMO loan, bearing interest at prime less 0.75%, repayable in annual principal payments of \$27,300, maturing May 31, 2026.	81,900	109,200
NSMFC debenture, bearing interest at rates of 2.847% to 4.567% (2023 - 4.177% to 4.567%) over the term of the debenture, repayable in annual principal payments of \$257,367, maturing October 25, 2037.	4,192,076	4,355,146

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

## 8. Long-Term Debt (continued)

### Advanced to AREA (10% proportionate share)

NSMFC debenture, bearing interest at rates of 2.06% to 3.501% over the term of the debenture, repayable in annual principal payments of \$41,900 to \$61,000 until 2033, with a balloon payment of \$479,400 in 2033.	969,500	1,016,000
NSMFC debenture, bearing interest at rates of 1.15% to 3.475% over the term of the debenture, repayable in annual principal payments of \$91,793 to \$124,175, until 2030, with a balloon payment of \$932,577 in 2031.	1,727,107	1,828,687
NSMFC debenture, bearing interest at rates of 1.20% to 3.209% over the term of the debenture, repayable in annual principal payments of \$59,573 to \$79,715 until 2031, with a balloon payment of \$600,530 in 2032.	1,178,955	1,243,472
	<u>\$ 9,229,069</u>	<u>\$ 9,743,675</u>

The Town's NSMFC debentures and BMO loan are secured by the various General Fund, Water Utility system and Electric Utility system tangible capital assets disclosed in Schedule 1.

AREA's NSMFC debentures are secured by tangible capital assets with a net book value of \$3,598,932 (2023 - \$3,822,857), based on the Town's 10% proportionate share, as disclosed in Schedule 1.

The principal repayments for the next five years are outlined below:

	Town	AREA	Total
2025	\$ 302,016	\$ 217,777	\$ 519,793
2026	302,016	223,572	525,588
2027	302,016	229,840	531,856
2028	256,216	236,565	492,781
2029	256,216	243,678	499,894

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 9. Remuneration of Council and Administrator

The following schedule sets out the gross earnings paid to each member of Council and the CAO, as reflected in the consolidated statement of operations and accumulated surplus.

	Remuneration	Expenses	2024 Total	2023 Total
David Devenne, Mayor	\$ 21,646	\$ 6,448	\$ 28,094	\$ 25,757
Francis Kangata, Deputy Mayor	13,101	-	13,101	12,442
Councillors				
Penny Carver	11,393	1,755	13,148	11,482
Richard Nowe	11,512	75	11,587	10,970
Joseph M. Feeney	11,393	145	11,538	10,826
Kelly Wilson	11,393	104	11,497	10,903
Suzanne Lohnes-Croft	11,393	2,965	14,358	11,075
	<u>\$ 91,831</u>	<u>\$ 11,492</u>	<u>\$103,323</u>	<u>\$ 93,455</u>
Administrator				
Dylan Heide, CAO	\$ 122,578	\$ 5,125	\$127,703	\$ 116,974

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## 10. Employee Future Benefits

The Town offers employee benefits that extend into future periods. According to personnel policies, unused sick leave accumulates, and employees can utilize these credits at a later date. However, departing employees do not receive cash payments for accrued sick leave credits. Additionally, the Town is responsible for vacation days earned by employees as of year-end, even if those days are taken at a later time. An estimated liability of \$37,561 (2023 - \$51,656) has been recorded in accounts payables and accrued liabilities on the consolidated statement of financial position.

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# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 11. Commitments and Contingent Liabilities

### *Landfill site closure costs - centralized disposal site*

The centralized disposal site has been closed, and the present value of the remaining landfill site closure monitoring costs for the next 14 years is estimated to be \$534,813 (2023 - \$633,892). These costs will be covered by the three partners of MJSB (Note 6) and the Town of Lunenburg.

The forecasted future landfill site closure costs account for inflation at 4% (2023 - 4%) annually and have been discounted back to March 31, 2023 using a discount rate of 4% (2023 - 4%). The consolidated statement of financial position reports a liability (reserve) of \$20,844 (2023 - \$22,392) attributed to the Town's share of these costs. This liability encompasses expenses related to site monitoring assessment, leachate treatment, groundwater and surface water monitoring, monitoring and recovery of gases, drainage system maintenance, and other control systems. The capital reserve for site monitoring will be adjusted at the end of the fiscal year. The Town's intention is to cover the annual monitoring costs as an operating expense within its annual budgets.

### *Housing authorities*

During the year, the Town paid \$18,409 (2023 - \$25,441) to the Department of Community Services to fund its share of the prior year's operating deficit. As at March 31, 2024, the Town's share of the 2024 operating deficit, which will be required to be paid by the Town during the year ended March 31, 2024, was \$16,188 (2023 - \$18,409).

### *AREA land lease*

AREA leases the land on which its windmills are located. The lessor is entitled to a 3% royalty plus HST on AREA's monthly net energy revenue. Minimum annual lease payments plus HST for the next five years (based on the Town's 10% proportionate share) are as follows:

2025	\$	24,800
2026		26,000
2027		27,200
2028		28,400
2029		29,600

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 11. Commitments and Contingent Liabilities (continued)

### *Contingent liabilities*

As of year-end, two property owners had notified the Town that they would be availing themselves of the option under the Expropriation Act that compensation for lands expropriated by the Town be determined by the NSURB; Turner Drake & Partners assessed appropriate compensation for the referenced expropriations as \$1,660 and \$14,800, while property owners are seeking \$1,065,000 and \$85,000 compensation respectively, which was known at year-end. As of year-end and the date of finalization of these consolidated financial statements, the Town expected to be liable to make payments with respect to each of these claims once the appropriate amounts are litigated by the NSURB; however, the Town cannot reasonably estimate the amounts that will be determined to be payable and, therefore, no amount has been recorded in the consolidated financial statements of these claims.

As of year-end, there was a known claim by a resident in the amount of approximately \$500,000, for stormwater run-off damage alleged to have been caused by the Town's solar garden. The solicitor for the Town's insurer has filed a defence denying these allegations and the Town expects some or all of any successful claims to be covered by insurance; therefore, any amount that may ultimately be payable by the Town without coverage cannot be reasonably estimated as of year-end or the date of finalization of these consolidated financial statements and thus no amount has been recorded.

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## 12. Financial Instrument Risk Management

### (a) 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 carrying amount of financial assets represents the maximum credit exposure. The Town's credit risk is primarily attributable to its taxes and rates receivable and accounts receivable. 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 notices to past due utility accounts. The Town does not have a significant exposure to any individual customer and there are a large number of customers making up the balance. The Town has recorded a \$50,200 provision for doubtful accounts (2023 - \$21,400).

The risk has decreased from the prior year as receivables balances have decreased.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

## 12. Financial Instrument Risk Management (continued)

### (a) Credit risk (continued)

As at March 31	2024			2023		
	Taxes and rates receivable	Less: Impairment Allowance	Total	Taxes and rates receivable	Less: Impairment Allowance	Total
Current	574,482	-	574,482	223,325	-	223,325
31 to 60 days	-	-	-	-	-	-
61 to 90 days	-	-	-	-	-	-
Over 90 days	426,390	(50,200)	376,190	582,108	(21,400)	560,708
<b>Total</b>	<b>1,000,872</b>	<b>(50,200)</b>	<b>950,672</b>	<b>805,433</b>	<b>(21,400)</b>	<b>784,033</b>

As at March 31	2024			2023		
	Other receivables	Less: Impairment Allowance	Total	Other receivables	Less: Impairment Allowance	Total
Current	608,671	-	608,671	773,413	-	773,413
31 to 60 days	-	-	-	-	-	-
61 to 90 days	-	-	-	-	-	-
Over 90 days	761,854	-	761,854	496,425	-	496,425
<b>Total</b>	<b>1,370,525</b>	<b>-</b>	<b>1,370,525</b>	<b>1,269,838</b>	<b>-</b>	<b>1,269,838</b>

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The Town is mainly exposed to interest rate risk. The Town's risk management strategies are described below:

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 12. Financial Instrument Risk Management (continued)

### (b) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in 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 cash flow interest rate risk with respect to its temporary borrowing and BMO long-term debt, which bear interest at variable rates, based on prime lending rate. The Town does not actively manage this risk.

A 1% increase in interest rates would decrease the Town's annual surplus by \$125,482 (2023 - \$103,803). This sensitivity analysis was prepared on the basis that rates used are those prescribed by the Nova Scotia Municipal Finance Corporation ("NSMFC") and Bank of Montreal (BMO) to the 2023 fiscal year-end and that principal repayments were made as set out in repayment schedules for each loan. The methods and assumptions used have not changed from prior period.

Fair value risk has increased from the prior year, as long-term debt balances have increased materially, and cash flow risk has increased due to rising market interest rates.

### (c) Liquidity risk

Liquidity risk is the risk that the Town will encounter problems in raising funds to meet its commitments at maturity. The Town is exposed to liquidity risk through its accounts payable and accrued liabilities, temporary borrowing, and long-term debt. The Town monitors its cash and cash flows generated from operations to meet its requirements. The risk has increased from the prior year, as the Town's net debt position has increased. 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	Totals
Accounts payable and accrued liabilities	\$ -	\$ 2,909,420	\$ -	\$ -	\$ 2,909,420
Temporary borrowing	3,319,158	-	-	-	3,319,158
Long-term debt	-	519,793	2,050,119	6,659,157	9,229,069
	<u>\$ 3,319,158</u>	<u>\$ 3,429,213</u>	<u>\$ 2,050,119</u>	<u>\$ 6,659,157</u>	<u>\$ 15,457,647</u>

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# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 13. No Consolidated Budget Prepared or Approved

The Town does not prepare or approve a consolidated budget in accordance with PSAS and, therefore, no such budget has been presented in these consolidated financial statements. The Town has included budgets for its Water Utility and Electric Utility in their respective audited financial statements for the year ended March 31, 2023 and budgets for its other funds in their respective compiled financial statements for the year ended March 31, 2023. Management of AREA and MJSB are responsible for the preparation and approval of budgets for these investments of the Town.

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## 14. Subsequent Events

On November 28, 2024, the Town entered into a debenture agreement with the Province in the principal amount of \$2,371,155, bearing interest at rates between 3.43% to 3.61% with annual principal repayments of \$94,846 until \$1,991,771 due at maturity on November 28, 2029. On the same date, \$2,355,819 of the proceeds of this debenture were used towards repayment of the Town's demand loans due to BMO (Note 4).

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## 15. Comparative Figures

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

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## 16. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, police, public transit, roads, waste and recycling services, water supply and distribution, wastewater treatment, electric supply and distribution and recreational and cultural services. Segmented information has been prepared by major functional classification of activities provided, consistent with the Consolidated Statement of Operations and provincially legislated requirements. The major segments are as follows:

General government services: Activities that provide for the overall operation of the Town and that are common to, or affect, all the services provided by the Town. This includes the activities of the Mayor and Council, and the following administrative activities: human resources, finance and information, communications and technology, and the office of the Chief Administrative Officer.

# Town of Mahone Bay

Notes to Consolidated Financial Statements  
March 31, 2024

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## 16. Segmented Information (continued)

Protective services: Activities that provide for the public safety of the inhabitants of the Town. This includes police and fire protection and other protective services such as by-law enforcement and protective inspections.

Environmental health and development services: Activities that provide environmentally regulated services and that support and control the Town's physical and economic development. This includes collection of garbage and other waste material, water supply and distribution, wastewater treatment, as well land-use planning, zoning and development.

Solar garden: Activities related to funding received for construction of the community solar garden and purchases of related materials and ancillary costs.

Transportation services: Activities related to public transportation including road transport. This includes public transportation services offered throughout the Town using buses. Other transportation activities include the planning, development and maintenance of roads and traffic operations.

Recreation and cultural services: Activities related to the Town's recreation facilities, including the swimming pool, playgrounds and sports fields. Activities that provide for cultural facilities such as the library, heritage properties and related programs.

Water utility: The Mahone Bay Water Utility provides the delivery of drinking water through the supply, pumping, treatment and distribution of water to its users.

Electric utility: The Mahone Bay Electric Utility provides electricity through the purchase and distribution of power to its users.

Certain allocation methodologies are employed in the preparation of the segmented financial information. The General Operating Fund reports on municipal services that are funded primarily by property tax revenues. The Mahone Bay Water Utility Operating Fund reports on municipal services that are funded primarily by water rates. The Mahone Bay Electric Utility Operating Fund reports on municipal services that are funded primarily by electricity rates.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements, as disclosed in Note 2.

# Town of Mahone Bay

## Notes to Consolidated Financial Statements

March 31, 2024

	General Government	Protective Services	Environmental Health and Development	Solar Garden	Transportation Services	Recreation and Cultural Services	Water Utility	Electric Utility	2024 Actual	2023 Actual
Revenue										
Taxes and rates	\$ 3,152,860	\$ 418,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,571,785	\$ 3,179,582
Metered sales - electric	-	-	-	-	-	-	-	3,528,747	3,528,747	2,865,266
Solar garden funding	-	-	-	1,082,509	-	-	-	-	1,082,509	1,727,539
Metered sales - water	-	-	-	-	-	-	570,470	-	570,470	557,536
Sales - other	1,980	-	1,188	-	-	317	-	206,805	210,290	356,789
Unconditional transfers	201,526	-	-	-	-	-	-	-	201,526	321,149
Services provided to other governments	-	189,865	-	-	-	-	-	-	189,865	171,656
Other revenue from own sources	209,754	137,703	-	-	-	-	-	-	347,457	120,585
Conditional transfers (federal and provincial)	-	1,000	-	-	58,000	-	-	-	59,000	111,341
Interest	32,321	-	-	-	-	-	-	-	32,321	15,326
Grants in lieu of taxes	23,755	-	-	-	-	-	-	-	23,755	22,193
<b>Total revenue</b>	<b>3,622,196</b>	<b>747,493</b>	<b>1,188</b>	<b>1,082,509</b>	<b>58,000</b>	<b>317</b>	<b>570,470</b>	<b>3,735,552</b>	<b>9,817,725</b>	<b>9,448,962</b>
Expenses										
Purchases - electric	-	-	-	-	-	-	-	2,414,528	2,414,528	1,896,614
Purchases - solar garden	-	-	-	1,082,072	-	-	-	-	1,082,072	1,726,540
Administrative and general	1,038,297	744,538	609,783	-	497,911	72,407	154,522	388,186	3,505,644	2,489,561
Salaries, wages and benefits	432,622	18,416	127,305	-	149,843	44,641	100,046	383,286	1,256,159	1,176,583
Interest charges	148,937	267,283	-	29,100	-	-	15,642	1,593	462,555	171,299
Depreciation	223,925	-	-	-	-	-	134,884	66,542	425,351	1,018,184
Pumping, treatment and distribution - water	-	-	-	-	-	-	394,511	-	394,511	322,799
<b>Total expenses</b>	<b>\$ 1,843,781</b>	<b>\$ 1,030,237</b>	<b>\$ 737,088</b>	<b>\$ 1,111,172</b>	<b>\$ 647,754</b>	<b>\$ 117,048</b>	<b>\$ 799,605</b>	<b>\$ 3,254,135</b>	<b>\$ 9,540,820</b>	<b>\$ 8,801,580</b>
<b>Annual surplus (deficit)</b>	<b>\$ 1,778,415</b>	<b>\$ (282,744)</b>	<b>\$ (735,900)</b>	<b>\$ (28,663)</b>	<b>\$ (589,754)</b>	<b>\$ (116,731)</b>	<b>\$ (229,135)</b>	<b>\$ 481,417</b>	<b>\$ 276,905</b>	<b>\$ 647,382</b>

Town of Mahone Bay  
Schedule 1 -Tangible Capital Assets  
March 31, 2024

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Amortization	Amortization and Disposals	Closing Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Land	\$ 618,100	\$ 38,987	\$ -	\$ 657,087	\$ -	\$ -	\$ -	\$ 657,087	\$ 618,100
Land improvements	2,330,662	82,106	(1,372,470)	1,040,298	740,756	23,044	763,800	276,498	1,589,906
Municipal buildings	6,313,999	35,835	-	6,349,834	642,261	155,794	798,055	5,551,779	5,671,738
Buildings - plants	1,011,525	-	-	1,011,525	974,281	3,938	978,219	33,306	37,244
Electronic data equipment	23,978	4,087	-	28,065	21,611	2,151	23,762	4,303	2,367
Small equipment	666,129	87,892	(43,240)	710,781	384,145	19,731	403,876	306,905	281,984
Machinery and equipment	1,576,391	1,161,244	(37,420)	2,700,215	1,483,250	49,467	1,532,717	1,167,498	93,141
Vehicles	534,037	107,630	(69,034)	572,633	269,498	(25,006)	244,492	328,141	264,539
Wharves	278,717	-	-	278,717	179,001	4,904	183,905	94,812	99,716
Bridges	767,108	-	-	767,108	108,558	15,342	123,900	643,208	658,550
Streets, roads and curbs	4,432,003	98,900	(8,821)	4,522,082	2,467,109	175,092	2,642,201	1,879,881	1,964,894
Sidewalks	465,610	106,254	-	571,864	305,097	19,495	324,592	247,272	160,513
Sewer lines	4,061,802	124,338	-	4,186,140	1,709,975	83,677	1,793,652	2,392,488	2,351,827
Lagoons	28,280	-	-	28,280	5,288	944	6,232	22,048	22,992
Other	1,389,720	348,308	-	1,738,028	65,114	41,399	106,513	1,631,515	1,324,606
Solar garden	657,521	1,590,848	-	2,248,369	-	60,017	60,017	2,188,352	657,521
	25,155,582	3,786,429	(1,530,985)	27,411,026	9,355,944	629,989	9,985,933	17,425,093	15,799,638
Water Utility System (1)	6,317,051	152,386	-	6,469,437	1,482,668	134,884	1,617,552	4,851,885	4,834,383
Electric Utility System (2)	2,087,566	520,025	-	2,607,591	731,785	66,542	798,327	1,809,264	1,355,781
AREA:									
Development costs	141,127	-	-	141,127	90,337	14,113	104,450	36,677	50,790
Interconnection	74,392	-	-	74,392	13,349	1,860	15,209	59,183	61,043
Generation foundation	298,019	-	-	298,019	41,832	6,617	48,449	249,570	256,187
Generation turbines	4,000,396	-	-	4,000,396	1,060,177	178,921	1,239,098	2,761,298	2,940,219
Poles, fixtures and underground	157,264	-	-	157,264	34,943	5,828	40,771	116,493	122,321
Overhead conductors	93,840	-	-	93,840	23,866	2,763	26,629	67,211	69,974
Roads	182,525	-	-	182,525	24,348	3,651	27,999	154,526	158,177
Substation equipment	114,659	-	-	114,659	27,149	7,698	34,847	79,812	87,510
Substation foundation	68,439	-	-	68,439	10,161	1,369	11,530	56,909	58,278
Meteorological mast	11,038	-	-	11,038	2,760	1,104	3,864	7,174	8,278
Right of way	10,079	-	-	10,079	-	-	-	10,079	10,079
	5,151,778	-	-	5,151,778	1,328,922	223,924	1,552,846	3,598,932	3,822,856
	\$ 38,711,977	\$ 4,458,840	\$ (1,530,985)	\$ 41,639,832	\$ 12,899,319	\$ 1,055,339	\$ 13,954,658	\$ 27,685,175	\$ 25,812,659

(1) A full breakdown of the Water Utility system assets is included in the audited financial statements of the Town's Water Utility for the year ended March 31, 2024.

(2) A full breakdown of the Electric Utility system assets is included in the audited financial statements of the Town's Electric Utility for the year ended March 31, 2024.