
Consolidated financial statements of Town of Mahone Bay

March 31, 2022

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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, 2022, 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, 2022, 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

May 12, 2023

Town of Mahone Bay
Consolidated statement of financial position
As at March 31, 2022

	Notes	2022 \$	2021 \$
Financial assets			
Cash		2,473,176	4,273,777
Taxes and rates receivable		764,546	572,742
Accounts receivable		1,245,779	465,158
Investment in government business partnership	3	265,168	261,574
		4,748,669	5,573,251
Liabilities			
Payables and accruals	3 and 4	2,239,905	1,025,099
Temporary borrowing	5	3,120,000	420,000
Deferred revenue		129,984	131,603
Long-term debt	6	5,735,314	6,050,542
		11,225,203	7,627,244
Net debt		(6,476,534)	(2,053,993)
Non-financial assets			
Prepaid expenses		93,633	103,860
Inventory		214,564	121,201
Tangible capital assets	7	23,136,397	18,216,208
		23,444,594	18,441,269
Accumulated surplus	8	16,968,060	16,387,276

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, 2022

	Notes	2022 \$	2021 \$
Revenues			
Taxes and rates		2,912,332	2,712,519
Power demand sales - electric		1,848,832	1,800,613
Domestic sales - electric		1,099,131	1,032,988
Solar Garden		694,213	-
Metered sales - water		542,751	520,347
Other		454,446	410,530
PNS Solar Garden funding		439,018	-
Conditional transfers (federal and provincial)		345,344	81,850
Services provided to other governments		159,038	156,153
Unconditional transfers from other governments		75,023	50,022
Other revenue from own sources		62,235	94,525
Commercial sales - electric		34,744	34,696
Interest		17,452	31,111
Grants in lieu of taxes		22,500	22,756
Sale of services		3,273	3,929
Street lighting		2,894	2,857
		8,713,226	6,954,896
Expenses			
Power purchases		2,082,271	1,947,535
Solar Garden		696,906	-
General government services	3	684,257	639,273
Protective services		526,240	470,468
Administrative and general		506,177	373,918
PNS Solar Garden funding		439,018	-
Education		435,281	422,870
Transportation		371,780	219,271
Environmental health	3	307,154	259,323
Operating and maintenance		209,392	212,517
Salaries		206,280	148,496
Water treatment		159,926	140,020
Loan interest		153,556	163,375
Environmental development services		140,288	165,622
Transmission and distribution		133,376	124,495
Recreation and cultural services		90,014	83,877
Pumping		30,013	25,893
Taxes		14,068	13,985
Mowing and grounds upkeep		11,324	7,458
Public health and welfare services		7,015	13,000
Other interest charges		13,013	5,373
		7,217,349	5,436,769
Annual surplus before undernoted		1,495,877	1,518,127
Amortization	7	(918,687)	(861,042)
Income on investment in government business partnership	3	3,594	14,965
Annual surplus		580,784	672,050
Accumulated surplus, beginning of year		16,387,276	15,715,226
Accumulated surplus, end of year	8	16,968,060	16,387,276

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, 2022

	2022	2021
	\$	\$
Annual surplus	580,784	672,050
Change in tangible capital assets		
Purchase of tangible capital assets	(5,838,876)	(1,122,034)
Amortization of tangible capital assets	918,687	861,042
	(4,920,189)	(260,992)
Change in other non-financial assets		
Prepaid expenses	10,227	(7,180)
Inventory	(93,363)	(36,001)
	(83,136)	(43,181)
Decrease in net debt	(4,422,541)	367,878
Net debt, beginning of year	(2,053,993)	(2,421,870)
Net debt, end of year	(6,476,534)	(2,053,993)

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, 2022

	2022	2021
	\$	\$
Operating transactions		
Annual surplus	580,784	672,050
Amortization	918,687	861,042
Income on investment in government business partnership	(3,594)	(14,965)
Changes in non-cash working capital items		
Taxes and rates receivable	(191,804)	38,190
Accounts receivable	(780,621)	(113,396)
Due from other local governments	—	4,395
Payables and accruals	1,214,806	365,289
Deferred revenue	(1,619)	26,787
Prepaid expenses	10,227	(7,180)
Inventory	(93,363)	(36,001)
	1,653,503	1,796,211
Financing transactions		
Proceeds from long term debt	92,500	116,462
Repayments of long-term debt	(407,728)	(327,086)
Proceeds from temporary borrowing	2,700,000	420,000
Repayment of temporary borrowing	—	(11,000)
	2,384,772	198,376
Capital transaction		
Purchase of tangible capital assets	(5,838,876)	(1,122,034)
(Decrease) increase in cash	(1,800,601)	872,554
Cash, beginning of year	4,273,777	3,401,224
Cash, end of year	2,473,176	4,273,777

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, 2022

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, 2022 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	2022 Inclusion in the Town Consolidated	2021 Inclusion in the Town Consolidated
	\$	\$	\$	\$
Statement of Financial Position				
Financial assets				
Cash	229,966	—	229,966	87,364
Accounts receivable	784,031	—	784,031	300,350
Inventory	12,263	—	12,263	—
	1,026,260	—	1,026,260	387,714
Liabilities				
Payables and accruals	845,181	—	845,181	175,598
Deferred revenue	6,750	—	6,750	—
Long-term debt	4,295,997	—	4,295,997	4,499,580
	5,147,928	—	5,147,928	4,675,178
Non-financial assets				
Prepaid expenses	6,814	—	6,814	17,331
Tangible capital assets	4,023,188	—	4,023,188	4,223,519
	4,030,002	—	4,030,002	4,240,850
Accumulated (deficit) surplus	(91,666)	—	(91,666)	(46,614)
Statement of Operations and accumulated surplus				
Revenues				
Power demand sales	1,216,708	(114,145)	1,102,563	1,066,523
Other	1,374,536	—	1,374,536	245,349
	2,591,244	(114,145)	2,477,099	1,311,872
Expenses				
Power purchases	744,983	(114,145)	630,838	604,498
Administrative and general	155,284	—	155,284	128,480
Solar Garden expenses	1,135,924	—	1,135,924	—
Loan interest	135,056	—	135,056	138,721
Salaries	33,013	—	33,013	25,513
Operating and maintenance	78,037	—	78,037	60,712
Taxes	13,380	—	13,380	13,306
Other interest charges	—	—	—	—
	2,295,677	(114,145)	2,181,532	971,230
Amortization (Note 7)	200,331	—	200,331	200,111
Annual surplus	95,236	—	95,236	140,531

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2022

2. Investment in government partnership (continued)

Consolidation adjustments and related party transactions with AREA

(1) During the year ended March 31, 2022, AREA received \$1,141,445 (\$1,072,199 in 2021) 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, 2022 the Town's investment is carried at \$265,168 (\$261,574 in 2021) and the Town's proportionate share of the MJSB's annual surplus for the year ended March 31, 2022 was \$3,594 (\$14,965 in 2021).

The MJSB's consolidated financial information as at March 31, 2022 and for the year then ended, and the Town's related investment and investment income are summarized as follows:

	2022	2021
	\$	\$
MJSB consolidated statement of financial position		
Financial assets	4,145,515	3,800,456
Liabilities	1,122,254	1,154,449
Net financial assets	3,023,261	2,646,007
Non-financial assets	4,798,800	5,070,041
Accumulated surplus	7,822,061	7,716,048
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment in MJSB	265,168	261,574
MJSB consolidated statement of operations		
Total revenue	5,119,920	5,027,452
Total expenses	5,013,907	4,586,016
Annual surplus	106,013	441,436
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment income	3,594	14,965

Related party balances and transactions with MJSB

The Town's payables and accruals include \$11,823 (\$8,889 in 2021) payable to MJSB.

During the year ended March 31, 2022, the Town paid tipping fees of \$78,682 (\$78,594 in 2021) to MJSB, included in environmental health expenses, and IT shared services costs of \$38,849 (\$45,141 in 2021), 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 \$38, 879 (\$38,356 in 2021) 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 \$625,532 (\$622,500 in 2021), 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 8% (2.5% in 2021) per annum and discounted back to March 31, 2022 using a discount rate of 8% (2.5% in 2021). A liability (reserve) of \$25,511 (\$21,987 in 2021) has been reported in the consolidated statement of financial position of the Town, as this represents the Town's portion of the related costs. This liability for landfill site closure includes costs for the assessment of the site monitoring and treatment of leachate, monitoring of ground water and surface water, monitoring and recovery of gases, maintenance of the required drainage systems and other control systems. The amount in the capital reserve for site monitoring will be adjusted at the end of each fiscal year. It is the intention of the Town; however, to pay the annual monitoring costs as an operating expense as part of the Town's annual budgets.

Housing authorities

During the year, the Town paid \$13,000 (\$12,041 in 2021) to the Department of Community Services to fund its share of the prior year's operating deficit. As at March 31, 2022, the Town's share of the 2022 operating deficit, which will be required to be paid by the Town in 2022, was \$25,441 (\$13,000 in 2021). This amount has been accrued in the financial statements as at March 31, 2022.

5. Temporary borrowing

	2022	2021
	\$	\$
Advanced to the Town		
Bank of Montreal ("BMO") demand loans, bearing interest at prime less 0.75%, an effective rate of 1.70% (1.70% in 2021).	420,000	420,000
Bank of Montreal ("BMO") demand loans, bearing interest at prime less 0.75%, an effective rate of 1.70%.	2,700,000	—
	3,120,000	420,000

Town of Mahone Bay
Notes to the consolidated financial statements
March 31, 2022

6. Long-term debt

	2022	2021
	\$	\$
Advanced to the Town		
Nova Scotia Municipal Finance Corporation ("NSMFC") debenture, bearing interest at rates of 2.582% to 3.501% over the term of the debenture (2.37% to 3.50% in 2021), repayable in annual principal payments of \$40,000, maturing May 30, 2033.	680,000	720,000
NSMFC debenture, bearing interest at a rate of 5.08% over the term of the debenture (5.04% to 5.08% in 2021), repayable in annual principal payments of \$18,500, maturing June 1, 2021.	—	111,000
NSMFC debenture, bearing interest at rates of 5.335% to 4.48% over the term of the debenture (5.26% to 5.48% in 2021), repayable in annual principal payments of \$26,500, maturing October 24, 2023.	185,500	212,000
NSMFC debenture, bearing interest at rates of 1.655% to 3.209% over the term of the debenture (1.48% to 3.21% in 2021), repayable in annual principal payments of \$15,000, maturing May 9, 2032.	240,000	255,000
NSMFC debenture, bearing interest at rates of 0.68 % to 1.88% over the term of the debenture, repayable in annual principal payments of \$11,646, maturing July 7, 2030.	104,816	116,462
NSMFC debenture, bearing interest at rates of 0.4% to 1.398% over the term of the debenture, repayable in annual principal payments of \$18,500, maturing May 26, 2026.	92,500	—
Bank of Montreal ("BMO") loan, bearing interest at prime less 0.75%, an effective rate of 1.70% (1.70% in 2021), repayable in annual principal payments of \$27,300, maturing May 31, 2026.	136,500	136,500
Advanced to AREA (10% proportionate share)		
NSMFC debenture, bearing interest at rates of 2.06% to 3.50% over the term of the debenture (2.06% to 3.50% in 2021), repayable in annual principal payments of \$419,000 to \$610,000, maturing in 2033.	1,061,200	1,105,200
NSMFC debenture, bearing interest at rates of 1.15% to 3.48% over the term of the debenture (1.15% to 3.48% in 2021), repayable in annual principal payments of \$91,793 to \$124,175, maturing in 2031.	1,928,063	2,025,485

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2022

6. Long-term debt (continued)

	2022	2021
	\$	\$
NSMFC debenture, bearing interest at rates of 1.2% to 3.209% over the term of the debenture (1.20% to 3.21% in 2021), repayable in annual principal payments of \$59,573 to \$79,715, maturing in 2032.	1,306,735	1,368,895
	5,735,314	6,050,542

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 \$4,023,185 (\$4,223,518 in 2021), 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
	\$	\$	\$
2023	138,946	207,838	346,784
2024	138,946	212,596	351,542
2025	138,946	217,778	356,724
2026	138,946	223,573	362,519
2027	138,946	229,840	368,786
Thereafter	744,586	3,204,373	3,948,959
	1,439,316	4,295,998	5,735,314

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2022

7. Tangible capital assets

	Opening cost	Additions	Closing cost	Opening accumulated amortization	Amortization in year	Closing accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$	\$	\$	\$	\$
Town General								
Land (incl. cemetery)	618,100	—	618,100	—	—	—	618,100	618,100
Land improvements	833,324	1,436,438	2,269,762	701,311	13,565	714,876	1,554,886	132,013
Municipal buildings	1,395,750	4,018,154	5,413,904	345,398	136,928	482,326	4,931,578	1,050,352
Buildings - plants	1,011,525	—	1,011,525	966,405	3,938	970,343	41,182	45,120
Electronic data equip.	21,611	—	21,611	21,611	—	21,611	—	—
Small equipment	539,184	35,486	574,670	278,422	45,233	323,655	251,015	260,762
Machinery and equip.	1,565,753	—	1,565,753	1,360,389	51,259	1,411,648	154,105	205,364
Vehicles	257,331	—	257,331	234,947	9,948	244,895	12,436	22,384
Wharves	254,938	3,129	258,067	170,019	4,078	174,097	83,970	84,919
Bridges	767,108	—	767,108	77,874	15,342	93,216	673,892	689,234
Streets, roads, curbs	4,412,291	9,589	4,421,880	2,126,022	170,184	2,296,206	2,125,674	2,286,269
Sidewalks	374,914	57,925	432,839	276,681	12,544	289,225	143,614	98,233
Sewer lines	4,061,802	—	4,061,802	1,580,660	64,653	1,645,313	2,416,489	2,481,142
Lagoons	28,280	—	28,280	3,400	944	4,344	23,936	24,880
Other	246,865	25,490	272,355	43,650	10,733	54,383	217,972	203,215
	16,388,776	5,586,211	21,974,987	8,186,789	539,349	8,726,138	13,248,849	8,201,987
Water Utility system	5,757,281	129,565	5,886,846	1,217,839	128,092	1,345,931	4,540,915	4,539,442
Electric Utility system	1,880,821	123,100	2,003,921	629,560	50,915	680,475	1,323,446	1,251,261
AREA								
Development costs	141,127	—	141,127	62,111	14,113	76,224	64,903	79,017
Interconnection	74,392	—	74,392	9,629	1,860	11,489	62,903	64,763
Generation foundation	298,019	—	298,019	29,912	5,960	35,872	262,147	268,106
Generation turbines	4,000,396	—	4,000,396	740,146	160,015	900,161	3,100,235	3,260,249
Poles, fixtures, conduit	157,264	—	157,264	24,469	5,237	29,706	127,558	132,795
Overhead conductors	93,840	—	93,840	17,160	3,353	20,513	73,327	76,680
Roads	182,525	—	182,525	17,047	3,651	20,698	161,827	165,479
Substation equipment	114,659	—	114,659	19,811	3,669	23,480	91,179	94,848
Substation foundation	68,439	—	68,439	7,423	1,369	8,792	59,647	61,016
Metreological mast	11,038	—	11,038	552	1,104	1,656	9,382	10,486
Right of way	10,079	—	10,079	—	—	—	10,079	10,079
	5,151,778	—	5,151,778	928,260	200,331	1,128,591	4,023,187	4,223,518
	29,178,656	5,838,876	35,017,532	10,962,448	918,687	11,881,135	23,136,397	18,216,208

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2022

8. Accumulated surplus

Accumulated surplus - 2022

	Current Funds	Reserve Funds	Capital Funds	2022
	\$	\$	\$	Total
	\$	\$	\$	\$
General	(6,070)	260,419	8,836,550	9,090,899
Water	138,140	629,555	4,439,026	5,206,721
Electric	323,733	712,057	1,225,322	2,261,112
Cemetery	235,827	—	—	235,827
	691,630	1,602,031	14,500,898	16,794,559
AREA (Note 2)	81,142	(272,809)	100,000	(91,667)
MJSB (Note 3)	265,168	—	—	265,168
	1,037,940	1,329,222	14,600,898	16,968,060

Accumulated surplus - 2021

	Current Funds	Reserve Funds	Capital Funds	2021
	\$	\$	\$	Total
	\$	\$	\$	\$
General	(339,550)	258,263	8,735,722	8,654,435
Water	65,317	626,364	4,403,172	5,094,853
Electric	310,572	707,368	1,224,833	2,242,773
Cemetery	180,256	-		180,256
	216,595	1,591,995	14,363,727	16,172,317
AREA (Note 2)	129,446	100,000	(276,061)	(46,615)
MJSB (Note 3)	261,574			261,574
	607,615	1,691,995	14,087,666	16,387,276

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	Expenses	2022 Total	2021 Total
	\$	\$	\$	\$
Dave Devenne, Mayor	19,673	3,265	22,938	19,902
Francis Kangata, Deputy Mayor	11,907	—	11,907	11,824
Councillors				
Penny Carver	10,354	640	10,994	10,455
Richard Nowe	10,354	54	10,408	10,282
Joseph M Feeney	10,354	—	10,354	10,282
Kelly Wilson	10,354	365	10,719	10,282
Alice Burdick	10,354	235	10,589	10,282
	83,350	4,559	87,909	83,309
Administrators				
Dylan Heide				
Chief Administration Officer ("CAO")	109,526	3,188	112,714	105,282

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.

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 \$24,800 (\$20,400 in 2021) provision for doubtful accounts.

10. Financial instruments (continued)

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, 2022, 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	—	2,544,705	—	—	2,544,705
Temporary borrowing	3,120,000	—	—	—	3,120,000
Long-term debt	—	346,784	1,439,570	4,150,542	5,936,896
	3,120,000	2,891,489	1,439,570	4,150,542	11,601,601

11. Comparative figures

Certain figures for 2021 have been reclassified to conform to the presentation adopted in 2022.