
Consolidated financial statements of Town of Mahone Bay

March 31, 2020

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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, 2020, 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, 2020, 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
November 10, 2020

Town of Mahone Bay

Consolidated statement of financial position

As at March 31, 2020

	Notes	2020	2019
		\$	\$
Financial assets			
Cash	2	3,401,224	3,422,405
Taxes and rates receivable		610,932	586,220
Accounts receivable	2	351,761	192,747
Investment in government business partnership	3	246,609	237,018
Due from other local governments		4,395	10,182
Total financial assets		4,614,921	4,448,572
Liabilities			
Payables and accruals	2, 3 & 4	659,810	677,092
Temporary borrowing	5	11,000	66,000
Deferred revenue	2	104,816	98,926
Long-term debt	2 & 6	6,261,165	6,584,888
Total liabilities		7,036,791	7,426,906
Net debt		(2,421,870)	(2,978,334)
Non-financial assets			
Prepaid expenses	2	96,680	99,694
Inventory		85,200	73,992
Tangible capital assets	2 & 7	17,955,216	18,102,531
Total non-financial assets		18,137,096	18,276,217
Accumulated surplus	2 & 8	15,715,226	15,297,883
Subsequent events	11		

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, 2020

	Notes	2020 \$	2019 \$
Revenues			
Taxes and rates		2,559,923	2,442,891
Power demand sales - electric	2	1,552,700	1,322,330
Domestic sales - electric		1,084,605	1,058,583
Metered sales - water		463,365	453,967
Other	2	314,030	322,206
Conditional transfers (federal and provincial)		165,375	104,897
Services provided to other governments		152,462	140,112
Unconditional transfers from other governments		114,913	50,022
Other revenue from own sources		93,840	83,169
Interest		41,111	32,818
Commercial sales - electric		32,182	26,271
Grants in lieu of taxes		19,843	22,774
Sale of services		3,489	4,150
Street lighting		2,925	2,845
		6,600,763	6,067,035
Expenses			
Power purchases	2	1,957,917	1,730,186
General government services	3	645,213	621,516
Protective services		477,012	451,042
Administrative and general	2	441,031	404,007
Education		405,008	400,177
Transportation		280,261	277,872
Environmental health	3	243,694	251,497
Loan interest	2	170,568	164,926
Water treatment		144,214	144,565
Operating and maintenance	2	138,821	102,677
Salaries	2	133,800	115,355
Transmission and distribution		92,143	81,367
Environmental development services		92,729	104,381
Recreation and cultural services		83,049	56,090
Pumping		30,083	17,415
Mowing and grounds upkeep		17,742	16,726
Taxes	2	13,698	13,581
Public health and welfare services		12,041	11,449
Other interest charges	2	6,393	6,299
		5,385,417	4,971,128
Annual surplus before undernoted		1,215,346	1,095,907
Amortization	2 & 7	(807,594)	(828,282)
Income on investment in government business partnership	3	9,591	8,099
Annual surplus		417,343	275,724
Accumulated surplus, beginning of year		15,297,883	15,022,159
Accumulated surplus, end of year	8	15,715,226	15,297,883

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, 2020

	2020	2019
	\$	\$
Annual surplus	417,343	275,724
Change in tangible capital assets		
Purchase of tangible capital assets	(660,279)	(250,039)
Amortization of tangible capital assets	807,594	828,282
	147,315	578,243
Change in other non-financial assets		
Prepaid expenses	3,014	8,830
Inventory	(11,208)	15,729
	(8,194)	24,559
Decrease in net debt	556,464	878,526
Net debt, beginning of year	(2,978,334)	(3,856,860)
Net debt, end of year	(2,421,870)	(2,978,334)

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, 2020

	2020	2019
	\$	\$
Operating transactions		
Annual surplus	417,343	275,724
Amortization	807,594	828,282
Income on investment in government business partnership	(9,591)	(8,099)
Changes in non-cash working capital items		
Taxes and rates receivable	(24,712)	(13,635)
Accounts receivable	(159,014)	296,711
Due from other local governments	5,787	5,695
Payables and accruals	(17,282)	58,991
Due to other local governments	—	(11,811)
Deferred revenue	5,890	(13,565)
Prepaid expenses	3,014	8,830
Inventory	(11,208)	15,729
	1,017,821	1,442,852
Financing transactions		
Proceeds from long term debt	—	1,990,000
Repayments of long-term debt	(323,723)	(248,620)
Repayment of temporary borrowing	(55,000)	(2,062,500)
	(378,723)	(321,120)
Capital transactions		
Purchase of tangible capital assets	(660,279)	(250,039)
	(660,279)	(250,039)
(Decrease) increase in cash	(21,181)	871,693
Cash, beginning of year	3,422,405	2,550,712
Cash, end of year	3,401,224	3,422,405

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, 2020

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, 2020 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	2020 Inclusion in the Town Consolidated	2019 Inclusion in the Town Consolidated
	\$	\$	\$	\$
Statement of Financial Position				
Financial assets				
Cash	96,762	—	96,762	250,783
Accounts receivable	291,183	—	291,183	126,931
	387,945	—	387,945	377,714
Liabilities				
Payables and accruals	166,087	—	166,087	96,618
Deferred revenue	4,500	—	4,500	—
Long-term debt	4,699,365	—	4,699,365	4,895,788
	4,869,952	—	4,869,952	4,992,406
Non-financial assets				
Prepaid expenses	2,004	—	2,004	2,869
Tangible capital assets	4,412,218	—	4,412,218	4,610,917
	4,414,222	—	4,414,222	4,613,786
Accumulated (deficit) surplus	(67,785)	—	(67,785)	(906)
Statement of Operations and accumulated surplus				
Revenues				
Power demand sales	841,190	(71,699) (1)	769,491	555,212
Other	221,046	—	221,046	224,392
	1,062,236	(71,699)	990,537	779,604
Expenses				
Power purchases	414,806	(71,699) (1)	343,107	128,092
Administrative and general	117,946	—	117,946	110,446
Loan interest	143,085	—	143,085	139,209
Salaries	15,667	—	15,667	15,442
Operating and maintenance	41,564	—	41,564	32,145
Taxes	13,019	—	13,019	12,913
Other interest charges	—	—	—	4,930
	746,087	(71,699)	674,388	443,177
Amortization (Note 7)	199,021	—	199,021	198,152
Annual surplus	117,128	—	117,128	138,275

2. Investment in government partnership (continued)

Consolidation adjustments and related party transactions with AREA

(1) During the year ended March 31, 2020, AREA received \$716,986 (2019 - \$485,300) 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, 2020 the Town's investment is carried at \$246,609 (2019 - \$237,018) and the Town's proportionate share of the MJSB's annual surplus for the year ended March 31, 2020 was \$9,591 (2019 - \$8,099).

The MJSB's consolidated financial information as at March 31, 2020 and for the year then ended, and the Town's related investment and investment income are summarized as follows:

	2020	2019
	\$	\$
MJSB consolidated statement of financial position		
Financial assets	2,946,180	2,948,987
Liabilities	1,164,540	1,155,637
Net financial assets	1,781,640	1,793,350
Non-financial assets	5,492,970	5,198,330
Accumulated surplus	7,274,610	6,991,680
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment in MJSB	246,609	237,018
MJSB consolidated statement of operations		
Total revenue	4,825,750	4,618,302
Total expenses	4,542,818	4,379,384
Annual surplus	282,932	238,918
Town of Mahone Bay ownership interest	3.39%	3.39%
Investment income	9,591	8,099

Related party balances and transactions with MJSB

The Town's payables and accruals include \$35,300 (2019 - \$39,989) payable to MJSB.

During the year ended March 31, 2020, the Town paid tipping fees of \$81,547 (2019 - \$83,231) to MJSB, included in environmental health expenses, and IT shared services costs of \$27,168 (2019 - \$18,711), 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 \$44,062 (2019 - \$40,501) 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 (2019 - \$622,500), 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% (2019 - 2.5%) per annum and discounted back to March 31, 2020 using a discount rate of 2.5% (2019 - 2.5%). A liability (reserve) of \$21,987 (2019 - \$21,987) 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 \$11,449 (2019 - \$11,481) to the Department of Community Services to fund its share of the prior year's operating deficit. As at March 31, 2020, the Town's share of the 2020 operating deficit, which will be required to be paid by the Town in 2020, was \$12,041 (2019 - \$11,449). This amount has been accrued in the financial statements as at March 31, 2020.

5. Temporary borrowing

	2020	2019
	\$	\$
Advanced to the Town		
Bank of Montreal ("BMO") demand loans, bearing interest at prime less 0.75%, an effective rate of 1.70% (2019 - 3.20%).	11,000	66,000

6. Long-term debt

	2020	2019
	\$	\$
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 (2019 - 2.06% to 3.50%), repayable in annual principal payments of \$40,000, maturing May 30, 2033.	760,000	800,000
NSMFC debenture, bearing interest at rates of 5.00% to 5.08% over the term of the debenture (2019 - 4.96% to 5.08%), repayable in annual principal payments of \$18,500, maturing June 1, 2021.	129,500	148,000
NSMFC debenture, bearing interest at rates of 5.16% to 5.48% over the term of the debenture (2019 - 5.10% to 5.48%), repayable in annual principal payments of \$35,400, maturing October 24, 2023.	238,500	265,000
NSMFC debenture, bearing interest at rates of 1.35% to 3.21% over the term of the debenture (2019 - 1.20% to 3.21%), repayable in annual principal payments of \$15,000, maturing May 9, 2032.	270,000	285,000
Bank of Montreal ("BMO") loan, bearing interest at prime less 0.75%, an effective rate of 1.70% (2019 - 3.20%), repayable in annual principal payments of \$27,300, maturing May 31, 2026.	163,800	191,100
Advanced to AREA (10% proportionate share)		
MSMFC debenture, bearing interest at rates of 2.06% to 3.50% over the term of the debenture (2019 - 2.06% to 3.50%), repayable in annual principal payments of \$419,000 to \$610,000, maturing in 2033.	1,148,100	1,190,000
NSMFC debenture, bearing interest at rates of 1.15% to 3.48% over the term of the debenture (2019 - 1.15% to 3.48%), repayable in annual principal payments of \$91,793 to \$124,175, maturing in 2031.	2,121,175	2,215,360
NSMFC debenture, bearing interest at rates of 1.20% to 3.21% over the term of the debenture (2019 - 1.20% to 3.21%), repayable in annual principal payments of \$59,573 to \$79,715, maturing in 2032.	1,430,090	1,490,428
	6,261,165	6,584,888

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 \$4,412,218 (2019 - \$4,610,917), 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 \$
2021	127,300	199,786	327,086
2022	127,300	203,582	330,882
2023	127,300	207,838	335,138
2024	127,300	211,343	338,643
2025	127,300	218,160	345,460
Thereafter	925,300	3,658,656	4,583,956
	1,561,800	4,699,365	6,261,165

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2020

7. Tangible capital assets

	2020						2019
	Opening cost	Additions	Closing cost	Opening accumulated amortization	Amortization in year	Closing accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$	\$
Town General							
Land (incl. cemetery)	618,100	—	618,100	—	—	—	618,100
Land improvements	833,324	—	833,324	668,152	21,316	689,468	165,172
Municipal buildings	593,710	75,767	669,477	287,854	21,513	309,367	305,856
Buildings - plants	1,011,525	—	1,011,525	958,529	3,938	962,467	52,996
Electronic data equip.	21,611	—	21,611	21,611	—	21,611	—
Small equipment	424,818	82,398	507,216	200,364	37,264	237,628	224,454
Machinery and equip.	1,526,485	20,365	1,546,850	1,219,723	72,161	1,291,884	306,762
Vehicles	241,792	—	241,792	209,706	15,293	224,999	32,086
Wharves	218,438	—	218,438	151,078	8,738	159,816	67,360
Bridges	767,108	—	767,108	47,190	15,342	62,532	719,918
Streets, roads, curbs	4,334,149	54,047	4,388,196	1,756,984	162,433	1,919,417	2,577,165
Sidewalks	374,914	—	374,914	256,286	10,747	267,033	118,628
Sewer lines	4,051,627	7,034	4,058,661	1,451,417	64,590	1,516,007	2,600,210
Lagoons	18,894	9,386	28,280	1,512	944	2,456	17,382
Other	145,782	—	145,782	27,713	5,938	33,651	118,069
	15,182,277	248,997	15,431,274	7,258,119	440,217	7,698,336	7,732,938
Water Utility system	5,592,570	113,026	5,705,596	969,222	123,579	1,092,801	4,623,348
Electric Utility system	1,481,451	297,934	1,779,385	537,343	44,777	582,120	944,108
AREA							
Development costs	140,516	—	140,516	33,403	14,064	47,467	107,113
Interconnection	74,391	—	74,391	6,265	1,703	7,968	68,126
Generation foundation	298,018	—	298,018	17,992	5,960	23,952	280,026
Generation turbines	4,000,395	—	4,000,395	420,115	160,016	580,131	3,580,280
Poles, fixtures, conduit	157,263	—	157,263	13,995	5,237	19,232	143,268
Overhead conductors	93,849	—	93,849	10,454	3,353	13,807	83,395
Roads	182,524	—	182,524	9,745	3,651	13,396	172,779
Substation equipment	114,658	—	114,658	12,473	3,669	16,142	102,185
Substation foundation	68,352	86	68,438	4,686	1,368	6,054	63,666
Right of way	10,079	236	10,315	—	—	—	10,079
	5,140,045	322	5,140,367	529,128	199,021	728,149	4,412,218
	27,396,343	660,279	28,056,622	9,293,812	807,594	10,101,406	17,955,216
							18,102,531

Town of Mahone Bay
Notes to the consolidated financial statements
 March 31, 2020

8. Accumulated surplus

Accumulated surplus - 2020

	Current Funds	Reserve Funds	Capital Funds	2020 Total
	\$	\$	\$	\$
General	5,357,561	1,454,355	3,498,395	10,310,311
Water	8,557	156,227	3,544,299	3,709,083
Electric	131,639	85,036	1,154,356	1,371,031
Cemetery	145,472	—	505	145,977
	5,643,229	1,695,618	8,197,555	15,536,402
AREA (Note 2)	119,362	100,000	(287,147)	(67,785)
MJSB (Note 3)	246,609	—	—	246,609
	6,009,200	1,795,618	7,910,408	15,715,226

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 2)	184,008	100,000	(284,914)	(906)
MJSB (Note 3)	237,018	—	—	237,018
	5,814,860	1,536,728	7,946,295	15,297,883

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	2020 Total	2019 Total
	\$	\$	\$	\$
Dave Devenne, Mayor	19,536	8,626	28,162	25,354
Karl Nauss, Deputy Mayor	11,824	1,427	13,251	11,996
Councillors				
Penny Carver	10,282	3,183	13,465	11,907
Colleen O'Neill	10,282	1,197	11,479	11,259
Richard Nowe	10,282	—	10,282	9,279
John Bain	10,282	—	10,282	9,153
Joseph M Feeney	10,282	—	10,282	9,153
	82,770	14,433	97,203	88,101
Administrators				
Jim Wentzell, Retired Chief Accounting Officer ("CAO")	—	—	—	106,447
Dylan Heide, CAO	96,900	6,489	103,389	70,668
Maureen Hughes, Acting CAO	66,300	—	66,300	67,974
Derrick MacKenzie, Director of Operations	72,458	2,076	74,534	72,199
Luke Wentzell, Manager of Finance	66,300	689	66,989	61,446
	301,958	9,254	311,212	378,734

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 \$25,600 (2019 - \$25,722) 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, 2020, 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	—	659,810	—	—	659,810
Temporary borrowing	11,000	—	—	—	11,000
Long-term debt	—	327,086	1,350,123	4,583,956	6,261,165
	11,000	986,896	1,350,123	4,583,956	6,931,975

11. Subsequent events

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which resulted in a series of public health and emergency measures that were put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Nova Scotia on March 22, 2020. As of the date of issuing the consolidated financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Town in future fiscal years.

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

Year ended March 31, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Revenues	3,052,384	3,045,771	2,848,015
Expenses	2,561,680	2,167,315	2,174,024
Annual surplus	490,704	878,456	673,991
Net transfers to other funds	6,107	(359,754)	(247,682)
Increase in fund balance	496,811	518,702	426,309
Opening fund balance	4,838,859	4,838,859	4,412,550
Closing fund balance	5,335,670	5,357,561	4,838,859

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, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Revenues	543,419	474,989	467,400
Amortization	143,965	123,579	118,401
Other expenses	456,595	446,490	424,462
	600,560	570,069	542,863
Annual deficit	(57,141)	(95,080)	(75,463)
Net transfers from other funds	57,141	57,103	53,865
Decrease in fund balance	—	(37,977)	(21,598)
Opening fund balance	46,534	46,534	68,132
Closing fund balance	46,534	8,557	46,534

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, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Revenues	2,092,200	1,960,855	1,930,608
Amortization	35,000	44,777	35,273
Other expenses	2,056,885	2,006,888	1,911,944
	2,091,885	2,051,665	1,947,217
Annual deficit	315	(90,810)	(16,609)
Net transfers (to) from other funds	—	(163,595)	41,787
(Decrease) increase in fund balance	315	(254,405)	25,178
Opening fund balance	386,044	386,044	360,866
Closing fund balance	386,359	131,639	386,044

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, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Park Cemetery			
Revenues	7,050	7,564	9,323
Expenses	22,250	16,071	10,712
Annual deficit	(15,200)	(8,507)	(1,389)
Net transfers from other funds	15,200	8,507	7,684
Increase in fund balance	—	—	6,295
Opening fund balance	95,419	95,419	89,124
Closing fund balance	95,419	95,419	95,419

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Bayview Cemetery			
Revenues	3,430	20,640	4,480
Expenses	10,300	2,571	6,810
Annual deficit	(6,870)	18,069	(2,330)
Net transfers from other funds	6,870	5,006	3,434
Increase in fund balance	—	23,075	1,104
Opening fund balance	26,978	26,978	25,874
Closing fund balance	26,978	50,053	26,978

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, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Interest revenue	–	6,476	4,080
General fund amortization	–	440,213	476,455
	–	440,213	476,455
Annual deficit	–	(433,737)	(472,375)
Net transfers from other funds	98,690	400,083	134,992
Decrease in fund balance	98,690	(33,654)	(337,383)
Opening fund balance	8,231,209	8,231,209	8,568,592
Closing fund balance	8,329,899	8,197,555	8,231,209

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, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Interest revenue	—	22,162	23,461
Annual surplus	—	22,162	23,461
Net transfers from other funds		236,658	205,022
Increase in fund balance	—	258,820	228,483
Opening fund balance	1,433,215	1,433,215	1,204,732
Closing fund balance	1,433,215	1,692,035	1,433,215

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, 2020

	Budget	2020	2019
	\$	\$	\$
	(Unaudited)		
Revenues	—	70	64
Annual surplus	—	70	64
Increase in fund balance	—	70	64
Opening fund balance	3,513	3,513	3,449
Closing fund balance	3,513	3,583	3,513

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