

Consolidated financial statements of

Town of Mahone Bay

March 31, 2016

Town of Mahone Bay

March 31, 2016

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Town of Mahone Bay, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards ("PSAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

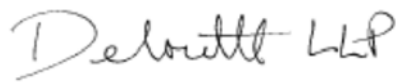
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Mahone Bay as at March 31, 2016, and the results of its operations, net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Restated Comparative Information

Without modifying our opinion, we draw attention to Note 13 to the consolidated financial statements, which explains that certain comparative information for the year ended March 31, 2015 has been restated.

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

Chartered Professional Accountants
January 26, 2017

Town of Mahone Bay

Consolidated statement of financial position

March 31, 2016

| | 2016 | Restated (Note 13) 2015 |
|-------------------------------------|--------------------|----------------------------|
| | \$ | \$ |
| Financial assets | | |
| Cash | 2,389,305 | 2,647,461 |
| Taxes and rates receivable | 444,039 | 573,944 |
| Due from other local governments | 26,902 | - |
| Accounts receivable | 267,222 | 158,557 |
| Total financial assets | 3,127,468 | 3,379,962 |
| Liabilities | | |
| Payables and accruals | 638,107 | 425,366 |
| Temporary borrowing (Note 9) | 2,400,000 | 660,000 |
| Due to other local governments | 7,226 | 14,066 |
| Deferred revenue | 115,140 | 172,352 |
| Long-term debt (Note 3) | 982,200 | 1,148,600 |
| Total liabilities | 4,142,673 | 2,420,384 |
| Net financial assets | (1,015,205) | 959,578 |
| Non-financial assets | | |
| Prepaid expenses | 144,631 | 156,251 |
| Inventory | 60,237 | 98,092 |
| Interest in MJSB (Note 8) | 191,951 | 191,366 |
| Tangible capital assets (Note 2) | 12,871,948 | 10,683,296 |
| Total non-financial assets | 13,268,767 | 11,129,005 |
| Accumulated surplus (Note 5) | 12,253,562 | 12,088,583 |

Commitments (Note 7)

Approved by the Council

_____ Mayor

_____ Clerk

The accompanying notes to the financial statements are an integral part of this financial statement.

Town of Mahone Bay

Consolidated statement of operations

Year ended March 31, 2016

| | Restated (Note 13) | |
|---|--------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Revenues | | |
| Taxes and rates | 2,109,107 | 2,120,437 |
| Domestic sales - electric | 905,063 | 953,378 |
| Power demand sales - electric | 829,232 | 778,993 |
| Metered sales - water | 419,871 | 379,268 |
| Government grants and contributed tangible capital assets | 225,299 | 848,598 |
| Services provided to other governments | 127,481 | 122,487 |
| Other revenue from own sources | 114,648 | 120,862 |
| Public fire protection | 98,511 | 80,678 |
| Street lighting | 70,520 | 71,414 |
| Commercial sales - electric | 64,766 | 69,731 |
| Other | 90,512 | 51,565 |
| Unconditional transfer from other governments | 50,021 | 50,020 |
| Grants in lieu of taxes | 21,104 | 20,813 |
| Interest | 19,037 | 18,111 |
| Conditional transfers (federal and provincial) | 7,554 | 6,155 |
| Sale of services | 3,994 | 7,320 |
| | 5,156,720 | 5,699,830 |
| Expenses | | |
| Power purchase | 1,478,465 | 1,527,749 |
| Protective services | 523,383 | 497,504 |
| General government services | 408,924 | 359,634 |
| Education | 382,975 | 367,082 |
| Environmental health | 313,747 | 260,412 |
| Transportation | 292,122 | 331,496 |
| Administrative and general | 289,572 | 280,667 |
| Water treatment | 131,307 | 120,713 |
| Environmental development services | 101,806 | 97,528 |
| Operating and maintenance | 92,525 | 91,391 |
| Transmission and distribution | 80,960 | 77,351 |
| Salaries | 80,051 | 103,667 |
| Loss on Disposal of Assets | 62,131 | - |
| Recreation and cultural services | 50,678 | 49,188 |
| Loan interest | 30,993 | 32,096 |
| Public health and welfare services | 25,923 | 13,236 |
| Pumping | 18,122 | 15,170 |
| Improvements | 16,517 | 1,333 |
| Mowing and grounds upkeep | 13,190 | 11,807 |
| Other interest charges | 12,509 | 7,109 |
| Taxes | 613 | 629 |
| Loss on transfer of assets to MJSB (Note 8) | - | 252,024 |
| | 4,406,513 | 4,497,786 |
| Annual surplus before undernoted | 750,207 | 1,202,044 |
| Amortization | (585,813) | (510,843) |
| Change in interest in MJSB (Note 8) | 585 | - |
| Annual surplus | 164,979 | 691,201 |
| Accumulated surplus, beginning of year | 12,088,583 | 11,397,382 |
| Accumulated surplus, end of year (Note 5) | 12,253,562 | 12,088,583 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Town of Mahone Bay

Consolidated statement of changes in net financial assets year ended March 31, 2016

| | 2016 | Restated (Note 13) 2015 |
|---|--------------------|----------------------------|
| | \$ | \$ |
| Annual surplus | 164,979 | 691,201 |
| Acquisition of tangible capital assets | (2,774,465) | (1,568,846) |
| Transfer of tangible capital assets (Note 8) | - | 443,390 |
| Amortization of tangible capital assets | 585,813 | 510,843 |
| Increase in other assets, excluding tangible capital assets | 48,890 | (333,482) |
| (Decrease) increase in net financial assets | (1,974,783) | (256,894) |
| Net financial assets, beginning of year | 959,578 | 1,216,472 |
| Net financial assets, end of year | (1,015,205) | 959,578 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Town of Mahone Bay

Consolidated statement of cash flows year ended March 31, 2016

| | 2016 | Restated (Note 13) 2015 |
|--|------------------|----------------------------|
| | \$ | \$ |
| Operating transactions | | |
| Annual surplus | 164,979 | 691,201 |
| Amortization | 585,813 | 510,843 |
| Loss on transfer of assets to MJSB (Note 8) | - | 252,024 |
| Net changes in non-cash items | 1,932,502 | 457,952 |
| | 2,683,294 | 1,912,020 |
| Financing transactions | | |
| Repayments of long-term debt | (166,400) | (147,400) |
| Investing transactions | | |
| Investment in MJSB | (585) | 191,366 |
| Purchase and transfer of tangible capital assets | (2,774,465) | (1,568,846) |
| Increase in cash | (258,156) | 387,140 |
| Cash, Beginning of year | 2,647,461 | 2,260,321 |
| Cash, end of year | 2,389,305 | 2,647,461 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

1. Significant accounting policies

The consolidated financial statements of the Town of Mahone Bay (the "Town") are prepared in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada and with accounting principles prescribed for water utilities by the Nova Scotia Utility and Review Board.

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net financial assets and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable to the Town for the administration of its financial affairs and resources and which are owned or controlled by the Town, namely:

- General Operating and Capital
- Water Utility and Capital
- Electric Utility and Capital
- Cemetery
- Alternative Resource Energy Authority

Inter-departmental and inter-organizational transactions have been 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 balance.

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. Expenses are accounted for in the period the goods and services are acquired and liability is incurred or transfer is due.

Property tax revenue is based on assessments determined in accordance with Nova Scotia Legislation. Tax rates are set annually. Taxation revenues are recorded at the time tax billings are issued.

Assessments are subject to appeal with provisions made for any material appeals. Penalties on overdue taxes are recorded in the period levied.

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

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

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

All other government revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

1. Significant accounting policies (continued)

Cash

Cash represents amounts held with financial institutions.

Tangible capital assets

Tangible capital assets are recorded 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:

| | | |
|------------------------------------|--|-------|
| 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 |
| Landfill | 4 | years |
| Other | 5 | years |
| Work in Progress | No Amortization | |
| Water Utility and Electric Utility | As specified by the utilities Review Board | |

Investments in government business partnerships

The Town records investments in government business partnerships using the modified equity method. These government business partnerships include the Municipal Joint Services Board ("MJSB").

Under the modified equity method of accounting, only the Town's investment in the partnership and the partnership's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the partnerships 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.

Investments in government partnerships

The Town records investments in government partnerships using the proportionate consolidation method. These government partnerships include the Alternative Resources Energy Authority ("AREA").

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

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

1. Significant accounting policies (continued)

Deferred revenue

Deferred revenue consists of 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.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date, as well as revenue and expenditures for the year then ended. The significant accounting policies that are most subject to estimation and judgment are allowance for doubtful accounts, deferred revenue, and accrued liabilities. Actual results could differ from these estimates.

2. Tangible capital assets

| | Cost | Accumulated amortization | 2016 Net book value | 2015 Net book value |
|---------------------------------|-------------------|-----------------------------|---------------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Land (inc cemetery) | 617,000 | - | 617,000 | 617,000 |
| Land improvements | 846,103 | 604,467 | 241,636 | 99,657 |
| Municipal buildings | 512,158 | 234,932 | 277,226 | 293,426 |
| Buildings-plants | 1,011,137 | 873,699 | 137,438 | 172,777 |
| Electronic data equipment | 21,611 | 20,776 | 835 | 3,861 |
| Small equipment | 145,370 | 129,398 | 15,972 | 22,580 |
| Machinery and equipment | 1,472,454 | 925,545 | 546,909 | 562,888 |
| Vehicles | 241,792 | 163,812 | 77,980 | 93,278 |
| Wharves | 170,475 | 125,912 | 44,563 | 50,976 |
| Bridges | 58,206 | 1,164 | 57,042 | |
| Streets, roads and curbs | 2,930,398 | 1,302,450 | 1,627,948 | 1,328,627 |
| Sidewalks | 374,914 | 224,033 | 150,881 | 112,675 |
| Sewer lines | 3,220,087 | 1,241,648 | 1,978,439 | 1,878,206 |
| Other | 46,336 | 16,286 | 30,050 | 22,772 |
| Work in progress | 2,790 | - | 2,790 | 24,842 |
| Water system | 4,782,382 | 848,909 | 3,933,473 | 3,996,359 |
| Electric system | 1,287,371 | 435,773 | 851,598 | 784,943 |
| Tangible capital assets in AREA | 2,323,469 | 43,301 | 2,280,168 | 618,429 |
| | 20,064,053 | 7,192,105 | 12,871,948 | 10,683,296 |

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

3. Long-term debt

| | 2016 | 2015 |
|--|----------------|------------------|
| | \$ | \$ |
| Water Utility | | |
| 4.285% to 5.08% Nova Scotia Municipal Finance Corporation loans, monthly principal payments of \$1,542, maturing 2021, secured by tangible capital assets with a net book value of \$833,660 | 203,500 | 222,000 |
| 0% to 5.48% Nova Scotia Municipal Financial Corporation loan, monthly principal payments of \$2,625, maturing 2023, secured by tangible capital assets with a net book value of \$1,359,541 | 344,500 | 371,000 |
| Financing through Bank of Montreal, prime less 0.75%, no set terms of repayment, secured by tangible capital assets with a net book value of \$105,970 | 189,000 | 244,000 |
| | 737,000 | 837,000 |
| | \$ | \$ |
| General | | |
| 4.285% to 6.75% Nova Scotia Municipal Finance Corporation loans, monthly principal payments of \$625, maturing between 2009 and 2020 | 7,500 | 15,000 |
| 3.10% to 5.48% Nova Scotia Municipal Finance Corporation loan, monthly principal payments of \$742, maturing 2023, secured by tangible capital assets with a net book value of \$59,488 | 26,700 | 35,600 |
| Financing through Bank of Montreal, prime less 0.75%, no set terms of repayment, secured by tangible capital assets with a net book value of \$931,774 | 211,000 | 261,000 |
| | 245,200 | 311,600 |
| | 982,200 | 1,148,600 |

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

| | General | Water | Total |
|------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| 2017 | 66,400 | 50,000 | 116,400 |
| 2018 | 58,900 | 50,000 | 108,900 |
| 2019 | 58,900 | 50,000 | 108,900 |
| 2020 | 50,000 | 50,000 | 100,000 |
| 2021 | 11,000 | 50,000 | 61,000 |
| Thereafter | - | 487,000 | 487,000 |
| | 245,200 | 737,000 | 982,200 |

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

4. Employee benefits and other obligations

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 estimate of this liability has been recorded in the consolidated statement of financial position resulting in an accrual of \$32,886 (2015 - \$29,460).

5. Accumulated surplus

| | | |
|--|-------------------|-------------|
| Current funds | 4,187,462 | 3,398,592 |
| Reserve funds | 1,382,622 | 1,611,093 |
| Capital funds | 7,665,678 | 8,227,498 |
| Amount to be recovered from future revenue | (982,200) | (1,148,600) |
| | 12,253,562 | 12,088,583 |

6. Landfill site closure costs

Centralized disposal site

The centralized disposal site requires the Town of Bridgewater, Town of Lunenburg, Town of Mahone Bay and the Municipality of the District of Lunenburg to recognize closure costs as a charge to expense in the year. Those funds are to be transferred into a special reserve in each period that the landfill accepts solid waste. Recognition begins on the date the landfill begins accepting solid waste. This is based on the Nova Scotia Standards and Guidelines Manual for Landfills issued by the Department of Environment.

As of March 31, 2013, the operation of the Municipal Recycling Facilities and Landfill closure at Whyntott's Settlement was transferred over to the Municipal Joint Services Board of Lunenburg County.

The present value of the remaining landfill site closure monitoring costs for the next 15 years is estimated to be \$1,190,000. The estimate of used capacity at March 31, 2016 is 100% and is now closed.

The future landfill site closure costs were forecast with inflation at 2% per annum and discounted back to March 31, 2016 using a discount rate of 2%. A liability (reserve) of \$46,287 has been reported in the consolidated statement of financial position of the Town. 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.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

7. Commitments

Housing authorities

During the year, the Town paid \$13,236 (2015 - \$11,446) to the Department of Community Services to fund its share of the prior year's operating deficit. At March 31, 2016, the Town's share of the 2015 operating deficit was \$25,402 (2015 - \$13,236), which must be paid by the Town in 2016. This amount has been accrued in the financial statement results for the current year.

8. Investment in Municipal Joint Services Board ("MJSB")

As of March 31, 2013, the Towns of Bridgewater and Mahone Bay and the Municipality of Lunenburg transferred the operation 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 transferred assets from their capital fund with a net book value of \$443,390 to the MJSB effective April 1, 2013. The information to record the transfer of the assets was not available as of March 31, 2014; therefore, the transfer has been accounted for prospectively in the March 31, 2015 financial statements. A loss of \$252,024 was recognized on the transfer of the assets.

In exchange, the Town received a 3.39% interest in the net assets of the MJSB effective April 1, 2013. When the assets of the Solid Waste site was transferred to the MJSB, a revaluation of the assets were undertaken by the MJSB. As of March 31, 2016 the Town has an investment of \$191,951 (2015 - \$191,366)

9. Investment in Alternative Resource Energy Authority ("AREA")

In July 2013, the Towns of Antigonish, Berwick and Mahone Bay created a joint municipal corporation' and inter-municipal agreement to explore alternative sources of Energy for municipal electric utilities. The share of ownership of AREA is as follows: Antigonish 63%; Berwick 27% and Mahone Bay 10%.

The first project of AREA is the development of a \$24 million Wind Farm at Eldershouse, Nova Scotia. AREA is licensed for seven turbines and the initial project was for four. This project was completed during November 2015 and will be financed through borrowing from the Municipal Finance Corporation which has been approved by the Minister of Municipal Affairs.

Temporary financing for the Authority has been provided by the Royal Bank of Canada until such time as Service Nova Scotia and Municipal Affairs approves the temporary borrowing resolutions for the project. As of March 31, 2016, the Authority owes the Royal Bank of Canada a total of \$24,000,000 (2015 - \$6,600,000) at an interest rate of Royal Bank Prime (2.85%) minus 1.00%; the Town of Mahone Bay has a 10% share in this financing.

As of March 31, 2016, the total costs of the project are \$23,234,690 (2015 - \$6,137,546).

As required by the Minister of Municipal Affairs, the first \$1 million of surplus must be retained in a sinking fund. The power generated by the Wind Farm will be sold over the next twenty years to the three partners' electric utilities and to the Riverport Electric Commission and 100% of the power generated will be sold. The wind generation commenced on November 1, 2015.

10. Related party transactions

Expenses include \$144,044 (2015 - \$78,673) for amounts charged by government partnerships.

These intercompany 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.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

11. 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 operating costs of the Town's financial statements for 2016.

| | Remuneration | Expenses | Total |
|---|----------------|--------------|----------------|
| | \$ | \$ | \$ |
| Mayor and Councillors | | | |
| Joe Feeney, Mayor | 15,000 | 353 | 15,353 |
| Dave Devenee, Deputy Mayor | 9,000 | 315 | 9,315 |
| John Bain, Councillor | 8,000 | 130 | 8,130 |
| Penny Carver, Councillor | 8,000 | 78 | 8,078 |
| Lynn Hennigar, Councillor | 8,000 | - | 8,000 |
| Karl Nauss, Councilor | 8,000 | 90 | 8,090 |
| Kelly Wilson, Councilor | 8,000 | - | 8,000 |
| | 64,000 | 966 | 64,966 |
| Administrators | | | |
| Jim Wentzell, CAO | 100,337 | 632 | 100,969 |
| Derrick MacKenzie, Director of Operations | 64,378 | 1,962 | 66,340 |
| | 164,715 | 2,594 | 167,309 |

12. Subsequent Events

Subsequent to year end, in May 2016 a loan for the Phase 1 project from the Municipal Finance Corporation has replaced the temporary borrowing totaling \$24,000,000 with the Town of Mahone Bay guaranteeing 10% or \$2,400,000 of this loan. The Authority has started construction on three additional wind turbines (Phase 2) in Ellershous with an estimated cost of \$15,500,000. The town has guaranteed 10% or \$1,550,000 of this loan. The Minister of Municipal Affairs has approved this borrowing by the authority and the guarantees by the municipal unit.

Town of Mahone Bay

Notes to the consolidated financial statements

March 31, 2016

13. Correction of error in prior year consolidated financial statements

During the year ended March 31, 2016, the Town determined that it had incorrectly accounted for its investment in AREA. This investment was incorrectly categorized as a government business partnership and not a government partnership resulting in it being accounted for using the modified equity method from 2013 to 2015; this was fixed during the current year's audit and the investment is now correctly accounted for using the proportionate consolidation method. The Town has reflected the adjustment as a correction of a prior period error and has restated the 2015 consolidated financial statements as follows:

| | For the year ended March 31, 2015 - Original | Adjustment | For the year ended March 31, 2015 - Restated |
|--|---|------------|---|
| | \$ | \$ | \$ |
| Other Revenue | 50,110 | 1,455 | 51,565 |
| Investment in AREA | (29,355) | 29,355 | - |
| Annual surplus | 660,391 | 30,810 | 691,201 |
| Accumulated surplus, beginning of year | 11,426,737 | (29,355) | 11,397,382 |
| | | | - |
| Cash | 2,650,273 | (2,812) | 2,647,461 |
| Accounts receivable | 68,030 | 90,527 | 158,557 |
| Payables and accruals | 380,677 | 44,689 | 425,366 |
| Temporary borrowing | - | 660,000 | 660,000 |
| Tangible capital assets | 10,064,867 | 618,429 | 10,683,296 |

Town of Mahone Bay

Schedule 1

Schedule of current fund - general operations year ended March 31, 2016

| | 2016 | 2015 |
|---------------------------|------------------|-----------|
| | \$ | \$ |
| Revenues | 2,433,909 | 2,448,094 |
| Expenses | 2,099,558 | 1,976,080 |
| Annual surplus | 334,351 | 472,014 |
| Financing and transfers | | |
| Debt principal repayments | (66,400) | (66,400) |
| Transfer from other funds | 646,779 | 151,210 |
| Change in fund balance | 914,730 | 556,824 |
| Opening fund balance | 3,086,452 | 2,529,628 |
| Closing fund balance | 4,001,182 | 3,086,452 |

Town of Mahone Bay

Schedule 2

Schedule of current fund - water operations year ended March 31, 2016

| | 2016 | 2015 |
|--|-----------|-----------|
| | \$ | \$ |
| Revenues | 532,236 | 478,463 |
| Amortization | 107,159 | 86,076 |
| Expenses | 386,938 | 360,563 |
| | 494,097 | 446,639 |
| Annual surplus (deficit) | 38,139 | 31,824 |
| Financing and transfers | | |
| Debt principal repayments | (58,300) | (58,300) |
| Transfer from other funds | 17,612 | 19,832 |
| Change in amount to be recovered from future revenue | 57,300 | 58,300 |
| Change in fund balance | 54,751 | 51,656 |
| Opening fund balance | (167,041) | (218,697) |
| Closing fund balance | (112,290) | (167,041) |

Town of Mahone Bay

Schedule 3

Schedule of current fund - electric operations year ended March 31, 2016

| | 2016 | 2015 |
|-------------------------|-----------|-----------|
| | \$ | \$ |
| Revenues | 1,842,269 | 1,902,264 |
| Amortization | 32,091 | 34,257 |
| Expenses | 1,790,134 | 1,895,291 |
| | 1,822,225 | 1,929,548 |
| Annual deficit | 20,044 | (27,284) |
| Financing and transfers | | |
| Transfer to other funds | (30,512) | (5,007) |
| Change in fund balance | (10,468) | (32,291) |
| Opening fund balance | 331,353 | 363,644 |
| Closing fund balance | 320,885 | 331,353 |

The accompanying notes to the financial statements are an integral part of this financial statement.

Town of Mahone Bay

Schedule 4

Schedule of current fund - cemetery operations year ended March 31, 2016

| | 2016 | 2015 |
|--------------------------------|---------|---------|
| | \$ | \$ |
| Park Cemetery | | |
| Revenues | 7,389 | 5,713 |
| Expenses | 9,665 | 7,441 |
| Annual deficit | (2,276) | (1,728) |
| Net transfers from other funds | 3,500 | 4,000 |
| Change in fund balance | 1,224 | 2,272 |
| Opening fund balance | 80,726 | 78,454 |
| Closing fund balance | 81,950 | 80,726 |

| | 2016 | 2015 |
|--------------------------------|---------|---------|
| | \$ | \$ |
| Bayside Cemetery | | |
| Revenues | 2,840 | 2,860 |
| Expenses | 5,545 | 8,020 |
| Annual deficit | (2,705) | (5,160) |
| Net transfers from other funds | 5,500 | 5,000 |
| Change in fund balance | 2,795 | (160) |
| Opening fund balance | 18,975 | 19,135 |
| Closing fund balance | 21,770 | 18,975 |

Town of Mahone Bay

Schedule 5

Schedule of capital funds - municipal operations (including utilities) year ended March 31, 2016

| | 2016 | 2015 |
|--|------------------|-----------|
| | \$ | \$ |
| Revenues | | |
| Capital grants and contributed tangible capital assets | 225,299 | 848,598 |
| Interest | 1,617 | 1,354 |
| | 226,916 | 849,952 |
| Amortization | 403,262 | 390,510 |
| Transfer of assets to MJSB | - | 252,024 |
| | 403,262 | 642,534 |
| Annual surplus (deficit) | (176,346) | 207,418 |
| Financing and transfers | | |
| Transfers to other funds | (492,074) | (448,810) |
| Change in amounts to be recovered from future revenue | 106,600 | (50,000) |
| Change in fund balance | (561,820) | (291,392) |
| Opening fund balance | 8,227,498 | 8,518,890 |
| Closing fund balance | 7,665,678 | 8,227,498 |

Town of Mahone Bay

Schedule 6

Schedule of reserve fund
year ended March 31, 2016

| | 2016 | 2015 |
|-------------------------------------|-----------|-----------|
| | \$ | \$ |
| Revenues | | |
| Interest | 11,667 | 12,516 |
| Annual surplus | 11,667 | 12,516 |
| Net transfers (to) from other funds | (223,772) | 228,255 |
| Change in fund balance | (212,105) | 240,771 |
| Opening fund balance | 1,591,346 | 1,350,575 |
| Closing fund balance | 1,379,241 | 1,591,346 |

Town of Mahone Bay

Schedule 7

Schedule of trust reserve fund
year ended March 31, 2016

| | 2016 | 2015 |
|--------------------------------|----------|--------|
| | \$ | \$ |
| Revenues | 151 | 146 |
| Expenses | 16,517 | - |
| Annual (deficit) surplus | (16,366) | 146 |
| Net transfers from other funds | - | 5,000 |
| Change in fund balance | (16,366) | 5,146 |
| Opening fund balance | 19,747 | 14,601 |
| Closing fund balance | 3,381 | 19,747 |