

*Consolidated Financial Statements of*

**TOWN OF MAHONE BAY**

*March 31, 2010*

## Auditor's Report

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

We have audited the consolidated statement of financial position of the Town of Mahone Bay (the "Town") as at March 31, 2010 and the consolidated statements of operations, changes in net (debt) financial assets, and cash flows for the year then ended. These financial statements are the responsibility of Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

As discussed in Note 2, the Town has not recorded the net book value of General Capital Fund tangible capital assets as at April 1, 2009 nor has it recognized amortization on General Capital Fund tangible capital assets for the current year as required under Public Sector Standard 3150. In this respect, these financial statements are not in accordance with Canadian Generally Accepted Accounting Principles.

In our opinion, except for the matter described in the proceeding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Mahone Bay as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Halifax, Nova Scotia  
January 31, 2011

# TOWN OF MAHONE BAY

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**TOWN OF MAHONE BAY**  
**Consolidated Statement of Financial Position**  
**March 31, 2010**

	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash	\$ 1,303,051	\$ 1,293,573
Taxes and rates receivable	391,291	386,551
Accounts receivable	589,571	326,213
<b>Total financial assets</b>	<b>2,283,913</b>	2,006,337
Liabilities		
Payables and accruals	483,658	396,407
Deferred revenue	42,968	35,434
Long-term debt (Note 3)	1,940,600	1,518,000
<b>Total liabilities</b>	<b>2,467,226</b>	1,949,841
<b>Net (debt) financial assets</b>	<b>(183,313)</b>	56,496
Non-financial assets		
Prepaid expenses	11,242	14,001
Inventory (at cost)	53,800	57,295
Properties acquired at tax sale	26,667	-
Tangible capital assets (Note 2)	5,864,872	69,544
<b>Total non-financial assets</b>	<b>5,956,581</b>	140,840
<b>Accumulated surplus (Note 5)</b>	<b>\$ 5,773,268</b>	\$ 197,336

Commitments (Note 7)

APPROVED ON BEHALF OF COUNCIL

\_\_\_\_\_ Mayor

\_\_\_\_\_ Clerk

**TOWN OF MAHONE BAY**  
**Consolidated Statement of Operations**  
Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Taxes and rates	\$ 1,781,872	\$ 1,682,778
Grants in lieu of taxes	21,480	25,148
Services provided to other governments	83,248	79,645
Sale of services	5,563	4,452
Other revenue from own sources	87,892	91,106
Unconditional transfer from other governments	50,019	50,018
Conditional transfers (federal and provincial)	26,748	13,223
Government grants	496,510	-
Metered sales	279,076	182,765
Public fire protection	57,808	67,105
Domestic sales	663,274	642,805
Commercial sales	49,731	48,372
Power, demand sales	701,013	663,323
Street lighting	61,357	57,394
Other	59,818	55,942
Interest	6,814	22,916
	<b>4,432,223</b>	<b>3,686,992</b>
<b>Expenses</b>		
General government services	292,620	255,743
Protective services	435,034	406,291
Transportation	252,707	270,100
Environmental health	214,510	204,325
Public health & welfare services	10,473	10,028
Environmental development services	100,598	74,843
Recreation & cultural services	51,514	43,164
Loan interest	42,616	27,627
Education	310,248	296,712
Amortization (Note 1)	94,228	-
Pumping	14,315	16,036
Water treatment	115,855	95,591
Transmission & distribution	56,737	51,300
Salaries	95,149	88,830
Operating and maintenance	23,414	50,161
Administrative and general	243,511	190,884
Taxes	9,848	9,504
Power purchase	1,123,839	1,071,153
Change in non-financial assets (excluding capital assets)	-	(67,644)
Other interest charges	5,619	11,224
Improvements	23,120	-
Mowing and grounds upkeep	11,118	9,676
	<b>3,527,073</b>	<b>3,115,548</b>
Capital expenses (Note 1)	-	550,862
Annual surplus	905,150	20,582
Accumulated surplus, beginning of year	197,336	200,924
Increase in capital assets	-	43,474
Change in non-financial assets (excluding capital assets)	-	(67,644)
Adjustment as at April 1, 2009 for tangible capital assets (Note 1)	4,670,782	-
Accumulated surplus, end of year (Note 5)	<b>\$ 5,773,268</b>	<b>\$ 197,336</b>

# TOWN OF MAHONE BAY

## Consolidated Statement of Changes in Net (Debt) Financial Assets

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
Annual surplus	\$ 905,150	\$ 20,582
Acquisition of tangible capital assets	(1,218,774)	-
Amortization of tangible capital assets	94,228	-
Decrease in other assets, excluding tangible capital assets	(20,413)	-
(Decrease) increase in net assets	(239,809)	20,582
Net financial assets at beginning of year	56,496	35,914
Net (debt) financial assets at end of year	\$ (183,313)	\$ 56,496

**TOWN OF MAHONE BAY**  
**Consolidated Statement of Cash Flows**  
Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
Operating activities		
Annual surplus	\$ 905,150	\$ 20,582
Amortization	94,228	-
Net changes in non-cash items	(193,726)	(27,581)
	<u>805,652</u>	<u>(6,999)</u>
Financing activity		
Increase (decrease) in long-term debt	422,600	(2,000)
Investing activity		
Purchase of tangible capital assets	(1,218,774)	(43,474)
<b>INCREASE (DECREASE) IN CASH</b>	<b>9,478</b>	<b>(52,473)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,293,573</b>	<b>1,346,046</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,303,051</b>	<b>\$ 1,293,573</b>

# TOWN OF MAHONE BAY

## Notes to the Consolidated Financial Statements

March 31, 2010

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Mahone Bay are the representations of Management, prepared in accordance with accounting principles for local governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, except that the Town has not recorded the net book value of General Capital Fund tangible capital assets as at April 1, 2009 nor has it recognized amortization on General Capital Fund tangible capital assets for the current year as required under Public Sector Standard 3150 – tangible capital assets. During the current fiscal year, the Town continued to work towards compliance with the new recommendations for accounting for those tangible capital assets. The Town is working on preparing an aging report for assets and determining appropriate net book value. Initially this was expected to be completed by March 31, 2010 but now is expected to be completed by March 31, 2011.

#### *Reporting entity*

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net (debt) 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

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*

Revenues are recorded using the accrual basis of accounting as they are earned and measurable. 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. Penalties on overdue taxes are recorded in the period levied.

#### *Cash*

Cash includes cash and bank overdrafts with financial institutions.



# TOWN OF MAHONE BAY

## Notes to the Consolidated Financial Statements

March 31, 2010

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Tangible capital assets*

Effective April 1, 2007, the Town adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (“CICA”) with respect to the disclosure of tangible capital assets of local governments. PSG-7 provided transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook came into effect on January 1, 2009.

Effective April 1, 2009, amortization for water and electric tangible capital assets is being recognized as an expense in the financial statements. The opening balances for tangible capital assets have been increased by \$4,670,782 as an adjustment on April 1, 2009 on the consolidated statements of financial position and amortization for the year ended March 31, 2009 has not been disclosed in the financial statements, as permitted by PSAB.

Amortization is based on the estimated useful life of the assets and is calculated using the straight line method, as follows:

Water system and electric system	As specified by the Utilities Review board
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#### *Deferred revenue*

Deferred revenue consists of user charges 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.

#### *Government transfers*

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*

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

#### *Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet 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.

#### *Financial statement presentation*

Effective for the current year the Municipality has adopted the CICA Handbook Section PS1200 for financial statement presentation. The adoption of this section has no material impact on these financial statements.

**TOWN OF MAHONE BAY**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2010**

**2. TANGIBLE CAPITAL ASSETS**

	Cost	2010 Accumulated amortization	Net book value	April 1, 2009 net book value
Land	\$ 106,929	\$ -	\$ 106,929	\$ 69,544
Water system	4,451,439	402,140	4,049,299	3,927,026
Electric system	1,187,047	411,574	775,473	\$ 743,756
General capital	933,171	-	933,171	-
	<u>\$ 6,678,586</u>	<u>\$ 813,714</u>	<u>\$ 5,864,872</u>	<u>\$ 4,740,326</u>

**3. LONG-TERM DEBT**

	<u>2010</u>	<u>2009</u>
Water Utility		
4.285% to 5.08% Nova Scotia Municipal Finance Corporation loan, maturity date 2021	<b>\$ 314,500</b>	\$ 333,000
0% to 5.48% Nova Scotia Municipal Financial Corporation loan, maturity date 2023	<b>503,500</b>	530,000
Temporary financing, prime less 0.75%	<b>400,000</b>	500,000
	<u><b>\$ 1,218,000</b></u>	<u>\$ 1,363,000</u>
General		
4.285% to 6.75% Nova Scotia Municipal Finance Corporation loans, maturity dates between 2009 and 2020	<b>\$ 167,500</b>	\$ 66,000
3.10% to 5.48% Nova Scotia Municipal Finance Corporation loan, maturity date 2023	<b>80,100</b>	89,000
Temporary financing, prime less 0.75%	<b>475,000</b>	-
	<u><b>\$ 722,600</b></u>	<u>\$ 155,000</u>

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

	<u>Town</u>	<u>Water</u>	<u>Total</u>
2011	\$ 45,734	\$ 45,000	\$ 90,734
2012	45,734	45,000	90,734
2013	45,734	45,000	90,734
2014	45,734	45,000	90,734
2015	45,734	45,000	90,734
	<u>\$ 228,670</u>	<u>\$ 225,000</u>	<u>\$ 453,670</u>

All long-term debt outstanding at year-end has been properly authorized by the Department of Municipal Affairs.

**TOWN OF MAHONE BAY**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2010**

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**4. EMPLOYEE BENEFITS AND OTHER OBLIGATIONS**

The Town of Mahone Bay 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.

These liability amounts have been recorded as expenditures of the Town.

**5. ACCUMULATED SURPLUS**

	<u>2010</u>	<u>2009</u>
Current funds	\$ 766,019	\$ 691,474
Capital funds	5,798,588	(10,722)
Reserve funds	791,638	846,638
Amount to be recovered from future revenue	(1,582,977)	(1,330,054)
	<u>\$ 5,773,268</u>	<u>\$ 197,336</u>

**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. Based on the Nova Scotia Standards and Guidelines Manual for Landfills issued by the Department of Environment, total costs transferred to reserves (including interest earned on reserve funds) at March 31, 2010 was \$1,887,544 (2009 - \$1,015,728). This capital reserve fund represents the cumulative contribution made by these municipalities participating in the operations of the disposal site. The participating units' cumulative contribution is as follows: Municipality of the District of Lunenburg \$1,429,974; Town of Bridgewater \$306,312; Town of Lunenburg \$128,431; and Town of Mahone Bay \$38,199. These funds are administered by the Municipality of the District of Lunenburg.

The present value of the remaining landfill site closure cost is estimated to be \$2.97 million. The estimate of used capacity at March 31, 2010 is 100% and is now closed. The landfill material is shipped outside the area of the landfill partners.

The future landfill site closure costs were forecast with inflation at 3% per annum and discounted back to March 31, 2007 using a discount rate of 6%. A liability of \$67,628 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.

**TOWN OF MAHONE BAY**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2010**

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**6. LANDFILL SITE CLOSURE COSTS (continued)**

Present value of estimated landfill closure cost	\$ 2,969,852
Capacity used at March 31, 2010	100.00%
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Liability at March 31, 2010	2,969,852
Less: costs transferred to reserves administered by the Municipality of the District of Lunenburg	1,887,544
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Liability not previously expensed	1,082,309
Town's share of partnership liability	3.56%
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Landfill site closure liability	\$ 67,628
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The amount recorded in the Town's Capital reserve for landfill liability is \$67,628.

**7. COMMITMENTS**

*Solid waste facility*

The Town has committed to fund a portion of future operating and capital costs for the solid waste facility based upon its portion of the total tons of solid waste processed. During the year ended March 31, 2010, \$14,509 (2009 - \$75,353) was paid by the Town to fund its share (3.72%) (2009 - 3.61%) of the facility's capital costs.

*Housing Authorities*

During the year, the Town paid \$10,028 (2009 - \$9,953) to the Department of Community Services to fund its share of the prior year's operating deficit. At March 31, 2010, the Town's share of the 2010 operating deficit was \$10,473 (2009 - \$10,028), which must be paid by the Town in 2010. This amount has been accrued in the financial statement results for the current year.

*Water utility*

The Province of Nova Scotia established new water treatment guidelines that all water utilities were to meet by 2008. Included in this recommendation, is a new water treatment plant and filtration system for the utility at an estimated cost of \$3,143,732. Phase 1 was completed in 2007 at a cost of \$1,009,982. \$1,630,783 was incurred in 2008 and \$663,348 in 2009 related to Phase 2. The Town received infrastructure funding from both the Federal and Provincial Governments.

**TOWN OF MAHONE BAY**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2010**

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**8. 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. There were no meeting fees and expenses paid during the year.

	<u>Remuneration</u>	<u>Expenses</u>	<u>Total</u>
<b>Councilors and Mayor</b>			
C. Joseph Feeney, Mayor	\$ 12,000	\$ 927	\$ 12,927
John Bain, Councilor	6,000	-	6,000
Dave Devenne, Deputy Mayor	7,000	-	7,000
David Hennigar, Councilor	6,000	-	6,000
Karl Nauss, Councilor	6,000	-	6,000
Lila O'Connor, Councilor	6,000	-	6,000
Virginia Uhlman, Councilor	6,000	-	6,000
	<u>\$ 49,000</u>	<u>\$ 927</u>	<u>\$ 49,927</u>
<b>Administrators</b>			
CAO	\$ 69,010	\$ 1,996	\$ 71,006
Director of Operations	51,500	1,625	53,125
	<u>\$ 120,510</u>	<u>\$ 3,621</u>	<u>\$ 124,131</u>

**TOWN OF MAHONE BAY****SCHEDULE 1****Schedule of Current Fund - General Operations**

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
Revenues	\$ <b>2,056,822</b>	\$ 1,946,370
Expenses	<b>1,667,701</b>	1,501,363
Annual surplus	<b>389,121</b>	445,007
Financing and transfers		
Debt principal repayments	<b>(22,400)</b>	(13,500)
Change in other assets	-	(59,843)
Transfer (to) from other funds	<b>(348,559)</b>	10,368
Change in fund balance	<b>18,162</b>	382,032
Opening fund balance	<b>682,896</b>	300,864
Closing fund balance	\$ <b>701,058</b>	\$ 682,896

**TOWN OF MAHONE BAY**  
**Schedule of Current Fund - Water Operations**  
Year ended March 31, 2010

**SCHEDULE 2**

	<u>2010</u>	<u>2009</u>
Revenues	\$ 343,596	\$ 254,795
Amortization	64,705	-
Expenses	321,872	272,066
	<b>386,577</b>	<b>272,066</b>
Annual deficit	(42,981)	(17,271)
Financing and transfers		
Debt principal repayments	(45,000)	(18,500)
Transfer from (to) other funds	92,096	(393,279)
Change in prepaid expenses	-	(5,315)
Change in amount to be recovered from future revenue	(17,054)	330,554
Change in fund balance	(12,939)	(103,811)
Opening fund balance	(272,667)	(168,856)
Closing fund balance	\$ (285,606)	\$ (272,667)

**TOWN OF MAHONE BAY**  
**Schedule of Current Fund - Electric Operations**  
Year ended March 31, 2010

**SCHEDULE 3**

	<u>2010</u>	<u>2009</u>
Revenues	<b>\$ 1,503,696</b>	<b>\$ 1,448,075</b>
Amortization	<b>29,523</b>	-
Expenses	<b>1,407,933</b>	1,331,593
	<b>1,437,456</b>	1,331,593
Annual surplus	<b>66,240</b>	116,482
Financing and transfers		
Transfer to other funds	-	(28,133)
Change in inventories and other assets	-	(2,486)
Change in fund balance	<b>66,240</b>	85,863
Opening fund balance	<b>208,294</b>	122,431
Closing fund balance	<b>\$ 274,534</b>	<b>\$ 208,294</b>



**TOWN OF MAHONE BAY****SCHEDULE 4****Schedule of Current Fund - Cemetery Operations**

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Park Cemetery</b>		
Revenues	\$ 3,647	\$ 8,869
Expenses	6,646	6,398
Annual (deficit) surplus	(2,999)	2,471
Net transfers from other funds	5,000	6,500
Change in fund balance	2,001	8,971
Opening fund balance	64,356	55,385
Closing fund balance	\$ 66,357	\$ 64,356

	<u>2010</u>	<u>2009</u>
<b>Bayside Cemetery</b>		
Revenues	\$ 2,653	\$ 8,993
Expenses	5,572	4,128
Annual (deficit) surplus	(2,919)	4,865
Net transfers from other funds	4,000	3,730
Change in fund balance	1,081	8,595
Opening fund balance	8,595	-
Closing fund balance	\$ 9,676	\$ 8,595

**TOWN OF MAHONE BAY****SCHEDULE 5****Schedule of Capital Fund - Municipal Operations**

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
Revenues		
Capital grants	\$ 496,510	\$ 688,810
Interest	530	2,394
	<u>497,040</u>	<u>691,204</u>
Expenses	-	1,242,066
	<u>497,040</u>	<u>(550,862)</u>
Annual surplus (deficit)		
Financing and transfers		
Change in capital assets	-	43,474
Transfers from other funds	304,113	428,672
Change in amounts to be recovered from future revenue	337,375	408,863
	<u>1,138,528</u>	<u>330,147</u>
Change in fund balance		
Opening fund balance	(10,722)	(340,869)
Adjustment as at April 1, 2009 for tangible capital assets (Note 1)	4,670,782	-
	<u>\$ 5,798,588</u>	<u>\$ (10,722)</u>

**TOWN OF MAHONE BAY****SCHEDULE 6****Schedule of Reserved Fund**

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
Revenues		
Sale of assets	\$ 2,030	\$ 1,000
Interest	2,090	14,252
Annual surplus	4,120	15,252
Net transfers to other funds	(56,648)	(27,857)
Change in fund balance	(52,528)	(12,605)
Opening fund balance	839,061	851,666
Closing fund balance	\$ 786,533	\$ 839,061

**TOWN OF MAHONE BAY**  
**Schedule of Trust Reserve Fund**  
Year ended March 31, 2010

**SCHEDULE 7**

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	<u>2010</u>	<u>2009</u>
Revenues	\$ 20,648	\$ 4,637
Expenses	23,120	-
Annual (deficit) surplus	(2,472)	4,637
Opening fund balance	7,577	2,940
Closing fund balance	\$ 5,105	\$ 7,577

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