

Consolidated Financial Statements of

**MUNICIPALITY OF THE
DISTRICT OF ST. MARY'S**

Year ended March 31, 2016

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Financial Statements

Year ended March 31, 2016

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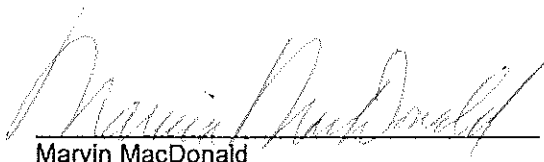
Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Municipality of the District of St. Mary's (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MGM & Associates, Chartered Accountants, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Marvin MacDonald
Chief Administrative Officer

August 3, 2016



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INDEPENDENT AUDITORS' REPORT

To the Warden and Council of
Municipality of the District of St. Mary's

We have audited the accompanying consolidated financial statements of Municipality of the District of St. Mary's which comprise the statement of financial position as at March 31, 2016 and the statements of operations, change 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 as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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.

Auditors' 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 auditors' 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 auditors consider 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, these consolidated financial statements present fairly, in all material respects, the financial position of Municipality of the District of St. Mary's as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Chartered Professional Accountants

Sydney, Canada
August 3, 2016

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Financial Position

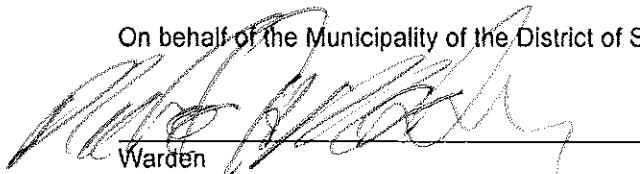
March 31, 2016, with comparative figures for 2015


	2016	2015
FINANCIAL ASSETS		
Cash (note 2)	\$ 2,098,004	\$ 1,815,689
Taxes receivable (note 3)	299,604	444,158
Other accounts receivable	158,297	266,151
	<u>2,555,905</u>	<u>2,525,998</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	179,925	90,154
Accrued interest on long-term debt	9,361	9,361
Tax sale surplus	52,530	52,411
Deferred revenue	157,379	31,275
Long-term debt (note 4)	1,000,000	1,125,000
	<u>1,399,195</u>	<u>1,308,201</u>
NET FINANCIAL ASSETS	<u>1,156,710</u>	<u>1,217,797</u>
NON-FINANCIAL ASSETS		
Properties acquired at tax sale	15,967	8,255
Tangible capital assets (note 5)	4,904,580	5,099,823
Inventory, prepaid expenses and other	40,603	28,696
	<u>4,961,150</u>	<u>5,136,774</u>
ACCUMULATED SURPLUS (note 6)	<u>\$ 6,117,860</u>	<u>\$ 6,354,571</u>

Commitment (note 8)

See accompanying notes to consolidated financial statements.

On behalf of the Municipality of the District of St. Mary's:


Warden


Chief Administrative Officer

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Operations

Year ended March 31, 2016, with comparative figures for 2015

	Budget (Unaudited)	2016	2015
REVENUES			
Taxes	\$ 2,310,644	\$ 2,346,774	\$ 2,275,818
Grants in lieu of taxes	145,700	155,614	145,261
Revenue from own sources	139,694	128,708	185,901
Conditional transfers from other governments	1,000	9,728	7,855
Unconditional transfers from other governments	185,372	186,151	186,377
Capital grants		-	99,837
Gas tax revenue	136,229	136,229	135,384
Gas tax interest and other		1,975	
Water utility revenue	129,212	132,012	135,873
	3,047,851	3,095,606	3,174,281
EXPENSES			
General government services	880,554	907,654	853,280
Protective services	568,192	670,409	559,802
Transportation services	139,655	123,717	131,724
Environmental health services	631,158	595,422	598,848
Public health and welfare services	4,000	17,600	4,000
Environmental development services	102,641	25,786	70,558
Recreation and cultural services	310,393	307,757	307,585
Education	526,692	526,692	528,627
Water utility expense	125,713	157,280	123,860
	3,288,998	3,332,317	3,178,284
ANNUAL DEFICIT	(241,147)	(236,711)	(4,003)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		6,354,571	6,358,574
ACCUMULATED SURPLUS, END OF YEAR	\$	6,117,860	\$ 6,354,571

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Change in Net Financial Assets

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
ANNUAL DEFICIT	\$ (236,711)	\$ (4,003)
Other non-financial assets		
Amortization of tangible capital assets	227,539	188,836
Additions to tangible capital assets	(32,296)	(302,976)
Decrease (increase) in inventory, prepaid expenses and other	(19,619)	13,217
DECREASE IN NET FINANCIAL ASSETS	(61,087)	(104,926)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,217,797	1,322,723
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,156,710	\$ 1,217,797

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	\$ (236,711)	\$ (4,003)
Add		
Amortization of tangible capital assets	227,539	188,836
Change in non-cash items		
Decrease (increase) in taxes receivable	144,554	59,847
Decrease (increase) in other accounts receivable	107,854	(11,753)
Increase (decrease) in accounts payable and accrued liabilities	89,771	808
Increase (decrease) in accrued interest on long-term debt	-	(620)
Increase in tax sale surplus	119	1,691
Increase (decrease) in deferred revenue	126,104	(143)
Decrease (increase) in inventory, prepaid expenses and other	(19,619)	13,217
	439,611	247,880
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(125,000)	(125,000)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets	(32,296)	(302,976)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	282,315	(180,096)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,815,689	1,995,785
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,098,004	\$ 1,815,689

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements of Municipality of the District of St. Mary's (the "Municipality") have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(b) Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenue, expenses and changes in fund balances of all resources of the Municipality. The Municipality is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and that are owned or controlled by the Municipality. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

- General Operating and Capital Funds
- Water Operating and Capital Funds
- Reserve Funds

(c) School boards

The assets, liabilities, taxation and other revenue and expenses with respect to the operations of the school boards are not reflected in these consolidated financial statements as they are provincial government entities.

School boards in Nova Scotia were created by the Province under provisions in the Education Act, and, under provincial statute, every Municipality is required to make a mandatory contribution to its school board. The mandatory contribution is set at the value of the Education Rate, set by the Province each year, multiplied by the previous year's Uniform Assessment. The funding for this contribution to the Strait Regional School Board are recovered by the Municipality by an area rate levied on the assessed value of the taxable property and business occupancy assessments and is shown on the consolidated statement of financial activities as a reduction of taxation revenue.

(d) Fund accounting

The resources and operations of the Municipality are comprised of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Basis of accounting

Revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(f) Cash and cash equivalents

Cash and cash equivalents is defined as cash on hand and on deposit at banks net of any outstanding cheques or deposits.

(g) Short-term investments

Short-term investments are recorded at the lower of cost and net realizable value. A permanent decline in value would result in a write down.

(h) Tangible capital assets

Tangible capital assets are reported in the statement of financial position at cost net of accumulated amortization. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

General Fund	Basis	Rate
Buildings	Straight-line	40 years
Equipment	Straight-line	5 - 10 years
Transfer station	Straight-line	20 years
Sewer collection and disposal	Straight-line	50 years

Water capital fund

Amortization is recorded in accordance with the Nova Scotia Utility and Review Board prescribed rates.

A full year's amortization is taken in the year of acquisition.

(i) Government transfers

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

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Deferred revenue

Deferred revenue represents user charges, prepayment of taxes, and other fees that have been collected, for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(k) Reserve funds

Certain amounts, as approved by Council of the Municipality, are set aside in reserve funds for future operating and capital purposes. Transfers to and or from reserves funds are an adjustment to the respective fund when approved.

(l) Taxation and related revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Property Valuation Services Corporation. Tax rates are established annually by Council, incorporating amounts to be raised for local services and the requisition made by the Province in respect of education taxes and other mandatory contributions. Taxation revenues are recorded at the time tax billings are due. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known. An allowance for unresolved assessment appeals is also provided.

(m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenue and expenses in the consolidated financial statements and accompanying notes. Significant items subject to management's estimate and assumptions include the valuation of receivables and carrying amount of tangible capital assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2016

2. CASH

	2016	2015
Cash		
General operating fund	\$ 1,971,351	\$ 1,663,006
Water capital fund	37,530	37,530
Water operating fund	33,234	69,187
	<u>2,042,115</u>	<u>1,769,723</u>
Restricted cash		
Tax sale surplus	52,530	--
Gas tax reserve	3,359	45,966
	<u>\$ 2,098,004</u>	<u>\$ 1,815,689</u>

3. TAXES RECEIVABLE

	2016	2015
Balance, beginning of year	\$ 565,665	\$ 612,256
Current year's levy of property taxes	1,880,039	1,832,436
Subtotal	<u>2,445,704</u>	<u>2,444,692</u>
Less		
Current year's collections	1,989,619	1,854,556
Bad debts and reduced taxes	34,355	24,471
	<u>2,023,974</u>	<u>1,879,027</u>
Gross taxes receivable, end of year	<u>421,730</u>	<u>565,665</u>
Less		
Allowance for uncollectible taxes	122,126	121,507
Taxes receivable, net	<u>\$ 299,604</u>	<u>\$ 444,158</u>

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2016

4. LONG-TERM DEBT

	2016	2015
Municipal Finance Corporation, repayable in annual principal payments of \$125,000, plus interest at 1.33% to 2.98% maturing in 2023	\$ 1,000,000	\$ 1,125,000

Principal payments required in each of the next five years on debt held as of March 31, 2016 are as follows:

2017	\$ 125,000
2018	125,000
2019	125,000
2020	125,000
2021	125,000

5. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 99,196	\$ -	\$ 99,196	\$ 99,196
Land improvements	3,907	3,907	-	-
Buildings	2,017,483	189,577	1,827,906	1,878,343
Lighthouse	133,600	-	133,600	133,600
Rink complex	1,410,605	298,861	1,111,744	1,182,274
Equipment	279,383	164,228	115,155	134,791
Sewer collection and disposal	1,427,148	805,969	621,179	649,722
Transfer station	525,275	470,261	55,014	81,278
Water utility assets	1,242,820	302,034	940,786	940,619
	\$ 7,139,417	\$ 2,234,837	\$ 4,904,580	\$ 5,099,823

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2016

6. ACCUMULATED SURPLUS

	2016	2015
Operating fund	\$ -	\$ -
Water operating fund	(190,867)	(165,599)
Capital fund	3,977,367	4,491,273
	3,786,500	4,325,674
Operating reserve fund	1,608,626	1,681,326
Capital reserve fund	719,375	301,605
Gas tax reserve fund	3,359	45,966
	2,331,360	2,028,897
	\$ 6,117,860	\$ 6,354,571

7. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value of the Municipality's financial instruments that are comprised of cash, taxes receivable, other accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

The fair value of long-term debt is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying value.

Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risks arising from these financial instruments.

8. TRANSFERS TO BOARDS AND COMMISSIONS

The Municipality of the District of St. Mary's is required to share in financing the operations of various Boards and Commissions. In addition to any budgeted contributions, the Municipality shares in the deficits or surpluses of these Boards based on their sharing percentages. The Municipality's share of the deficit is to be paid in the next fiscal year, while a surplus is to be taken into the next year's estimates.

	2016 Contribution	2015 Contribution
Eastern Mainland Housing Authority	\$ 17,600	\$ 4,000
Eastern Counties Regional Library	16,533	16,927

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Schedule of Remuneration of Members of Council and Municipal Clerk/Treasurer

Year ended March 31, 2016

Name	Title	Remuneration
Michael Mosher	Warden	\$ 19,991
David Clark	Councillor/Deputy Warden	17,769
Deborah Findlay	Councillor	12,216
Kevin Pye	Councillor	12,216
Jacqueline Dort	Councillor	12,216
Everett Baker	Councillor	12,216
Peggy Kaiser – Kirk	Councillor	12,216
Marvin MacDonald	Chief Administrative Officer	95,000