

Consolidated Financial Statements of

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

Year ended March 31, 2017

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Financial Statements

Year ended March 31, 2017

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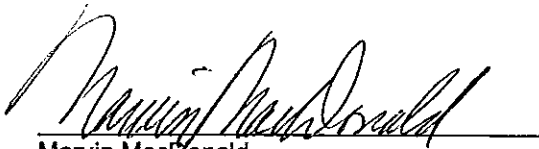
Management's Responsibility for the Consolidated Financial Statements

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. 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 Professional 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



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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, 2017 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, 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, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
September 6, 2017

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
FINANCIAL ASSETS		
Cash (note 2)	\$ 2,064,747	\$ 2,045,474
Restricted cash	83,847	52,530
Taxes receivable (note 3)	230,420	299,604
Other accounts receivable	311,691	158,297
	<u>2,690,705</u>	<u>2,555,905</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	180,333	179,925
Accrued interest on long-term debt	7,943	9,361
Tax sale surplus	83,847	52,530
Deferred revenue	109,592	157,379
Long-term debt (note 4)	875,000	1,000,000
	<u>1,256,715</u>	<u>1,399,195</u>
NET FINANCIAL ASSETS	<u>1,433,990</u>	<u>1,156,710</u>
NON-FINANCIAL ASSETS		
Properties acquired at tax sale	7,745	15,967
Tangible capital assets (note 5)	4,723,471	4,904,580
Inventory, prepaid expenses and other	34,545	40,603
	<u>4,765,761</u>	<u>4,961,150</u>
ACCUMULATED SURPLUS (note 6)	<u>\$ 6,199,751</u>	<u>\$ 6,117,860</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, 2017, with comparative figures for 2016

	Budget (Unaudited)	2017	2016
REVENUES			
Taxes	\$ 1,754,709	\$ 1,825,304	\$ 1,743,847
Grants in lieu of taxes	154,170	155,289	155,614
Revenue from own sources	165,674	252,884	128,708
Conditional transfers from other governments	14,634	14,941	9,728
Unconditional transfers from other governments	245,386	245,191	200,148
Capital grants	-	13,075	-
Gas tax revenue	143,298	143,298	136,229
Other	-	81,181	389
Water utility revenue	131,900	130,901	132,012
	2,609,771	2,862,064	2,506,675
EXPENSES			
General government services	908,407	871,114	907,654
Protective services	541,045	532,656	625,770
Transportation services	205,726	203,714	123,717
Environmental health services	612,083	609,062	595,422
Environmental development services	147,356	106,572	25,786
Recreation and cultural services	341,737	335,995	307,757
Water utility expense	128,594	121,060	157,280
	2,884,948	2,780,173	2,743,386
ANNUAL SURPLUS (DEFICIT)	(275,177)	81,891	(236,711)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	-	6,117,860	6,354,571
ACCUMULATED SURPLUS, END OF YEAR	\$ -	\$ 6,199,751	\$ 6,117,860

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, 2017, with comparative figures for 2016

	2017	2016
ANNUAL SURPLUS (DEFICIT)	\$ 81,891	\$ (236,711)
Other non-financial assets		
Amortization of tangible capital assets	217,059	227,539
Additions to tangible capital assets	(35,950)	(32,296)
Decrease (increase) in inventory, prepaid expenses and other	14,280	(19,619)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	277,280	(61,087)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,156,710	1,217,797
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,433,990	\$ 1,156,710

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 81,891	\$ (236,711)
Items not involving cash		
Amortization of tangible capital assets	217,059	227,539
Change in non-cash items		
Decrease in taxes receivable	69,184	144,554
Decrease (increase) in other accounts receivable	(153,394)	107,854
Increase (decrease) in accounts payable and accrued liabilities	(1,010)	89,771
Increase in tax sale surplus	31,317	119
Increase (decrease) in deferred revenue	(47,787)	126,104
Decrease (increase) in inventory, prepaid expenses and other	14,280	(19,619)
	211,540	439,611
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(125,000)	(125,000)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets	(35,950)	(32,296)
INCREASE IN CASH AND CASH EQUIVALENTS	50,590	282,315
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,098,004	1,815,689
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,148,594	\$ 2,098,004
Cash and cash equivalents consist of the following:		
Cash	\$ 2,064,747	\$ 2,045,474
Restricted cash	83,847	52,530
	\$ 2,148,594	\$ 2,098,004

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2017

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.

(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, 2017

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, 2017

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, 2017

2. CASH

	2017	2016
Cash		
General operating fund	\$ 1,986,154	\$ 1,971,351
Water capital fund	37,848	37,530
Water operating fund	40,745	33,234
Gas tax reserve	—	3,359
	<u>2,064,747</u>	<u>2,045,474</u>
Restricted cash		
Tax sale surplus	83,847	52,530
	<u>\$ 2,148,594</u>	<u>\$ 2,098,004</u>

3. TAXES RECEIVABLE

	2017	2016
Balance, beginning of year	\$ 421,730	\$ 565,665
Current year's levy of property taxes	1,918,910	1,880,039
Subtotal	<u>2,340,640</u>	<u>2,445,704</u>
Less		
Current year's collections	1,939,190	1,989,619
Bad debts and reduced taxes	29,294	34,355
	<u>1,968,484</u>	<u>2,023,974</u>
Gross taxes receivable, end of year	<u>372,156</u>	<u>421,730</u>
Less		
Allowance for uncollectible taxes	141,736	122,126
Taxes receivable, net	<u>\$ 230,420</u>	<u>\$ 299,604</u>

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2017

4. LONG-TERM DEBT

	2017	2016
Municipal Finance Corporation, repayable in annual principal payments of \$125,000, plus interest at 1.33% to 2.98% maturing in 2023	\$ 875,000	\$ 1,000,000

Principal payments required in each of the next five years on debt held as of March 31, 2017 are as follows:

2018	\$ 125,000
2019	125,000
2020	125,000
2021	125,000
2022	125,000

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	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	240,014	1,777,469	1,827,906
Lighthouse	133,600	-	133,600	133,600
Rink complex	1,410,605	369,391	1,041,214	1,111,744
Equipment	279,383	183,865	95,518	115,155
Sewer collection and disposal	1,427,148	834,512	592,636	621,179
Transfer station	525,275	496,525	28,750	55,014
Water utility assets	1,278,770	323,682	955,088	940,786
	\$ 7,175,367	\$ 2,451,896	\$ 4,723,471	\$ 4,904,580

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2017

6. ACCUMULATED SURPLUS

	2017	2016
Water operating fund	\$ (181,026)	\$ (190,867)
Capital funds	3,942,893	3,977,367
	3,761,867	3,786,500
Operating reserve fund	1,712,952	1,608,626
Capital reserve fund	644,418	719,375
Gas tax reserve fund	(637)	3,359
Roy Steed reserve fund	81,151	-
	2,437,884	2,331,360
	\$ 6,199,751	\$ 6,117,860

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.

	2017 Contribution	2016 Contribution
Eastern Mainland Housing Authority	\$ 2,680	\$ 17,600
Eastern Counties Regional Library	16,927	16,533

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Schedule of Remuneration of Members of Council and Chief Administrative Officer

Year ended March 31, 2017

Name	Title	Remuneration
Michael Mosher	Warden	\$ 20,075
David Clark	Councillor	9,625
Deborah Findlay	Councillor	12,216
Kevin Pye	Councillor	6,617
Jacqueline Dort	Councillor/Deputy Warden	14,299
Everett Baker	Councillor	12,216
Peggy Kaiser – Kirk	Councillor	12,216
Marvin MacDonald	Chief Administrative Officer	95,000
Kaytland Smith	Councillor	460
Beulah Malloy	Councillor	5,599