

**MUNICIPALITY OF THE DISTRICT
OF ST. MARY'S
Consolidated Financial Statements**

March 31, 2020

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Financial Statements

Year ended March 31, 2020

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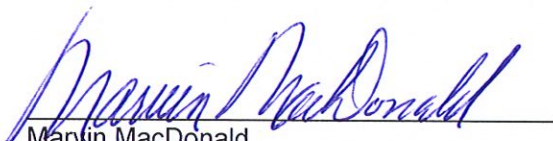
Management's Responsibility for the Consolidated Financial Statements

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.


Marwin MacDonald
Chief Administrative Officer

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of the Municipality of the District of St. Mary's which comprise the consolidated statement of financial position as at March 31, 2020 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of the District of St. Mary's as at March 31, 2020 and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Municipality of the District of St. Mary's for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on August 21, 2019.

Responsibility of Management and Those Charged with Governance 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.

In preparing consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sydney, Nova Scotia
September 14, 2020

MNP LLP

Chartered Professional Accountants

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Financial Position


March 31, 2020, with comparative figures for 2019

	2020	2019
FINANCIAL ASSETS		
Cash (note 2)	\$ 1,852,239	\$ 1,732,452
Restricted cash (note 2)	242,454	173,666
Taxes receivable (note 3)	244,690	229,505
Other accounts receivable	315,652	409,499
	<u>2,655,035</u>	<u>2,545,122</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	240,320	189,886
Accrued interest on long-term debt	8,652	11,535
Tax sale surplus	242,454	173,666
Deferred revenue	58,644	22,068
Long-term debt (note 4)	807,173	956,879
	<u>1,357,243</u>	<u>1,354,034</u>
NET FINANCIAL ASSETS	<u>1,297,792</u>	<u>1,191,088</u>
NON-FINANCIAL ASSETS		
Properties acquired at tax sale	21,299	15,570
Tangible capital assets (note 5)	5,819,894	5,917,544
Inventory, prepaid expenses and other	118,815	16,333
	<u>5,960,008</u>	<u>5,949,447</u>
ACCUMULATED SURPLUS (note 6)	<u>\$ 7,257,800</u>	<u>\$ 7,140,535</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, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019
REVENUES			
Taxes	\$ 1,949,047	\$ 1,945,598	\$ 1,899,887
Grants in lieu of taxes	156,700	160,011	158,856
Revenue from own sources	145,311	177,525	198,999
Conditional transfers from other governments	1,300	1,285	1,296
Unconditional transfers from other governments	193,609	189,327	187,799
Capital grants	—	—	417,532
Gas tax revenue	286,087	286,087	146,543
Water utility revenue	150,263	146,366	141,954
	2,882,317	2,906,199	3,152,866
EXPENSES			
General government services	866,841	890,435	837,722
Protective services	573,194	573,861	555,252
Transportation services	91,909	161,982	93,781
Environmental health services	632,249	617,104	591,345
Environmental development services	145,524	74,397	150,451
Recreation and cultural services	307,680	323,634	331,331
Water utility expense	143,272	147,521	458,840
	2,760,669	2,788,934	3,018,722
ANNUAL SURPLUS (DEFICIT)	121,648	117,265	134,144
ACCUMULATED SURPLUS, BEGINNING OF YEAR	7,140,535	7,140,535	7,006,391
ACCUMULATED SURPLUS, END OF YEAR	\$ 7,262,183	\$ 7,257,800	\$ 7,140,535

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, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019
ANNUAL SURPLUS (DEFICIT)	\$ 121,648	\$ 117,265	\$ 134,144
Other non-financial assets			
Amortization of tangible capital assets	205,184	200,339	200,126
Additions to tangible capital assets	—	(102,689)	(760,988)
Loss on disposal of tangible capital assets	—	—	319,149
Decrease (increase) in inventory, prepaid expenses and other	—	(102,482)	24,447
Increase in properties acquired at tax sale	—	(5,729)	(7,825)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	360,586	106,704	(90,947)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,191,088	1,191,088	1,282,035
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,551,674	\$ 1,297,792	\$ 1,191,088

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Consolidated Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 117,265	\$ 134,144
Items not involving cash		
Amortization of tangible capital assets	200,339	200,126
Loss on disposal of tangible capital assets	—	319,149
Change in non-cash items		
Decrease (increase) in taxes receivable	(15,185)	4,939
Increase in other accounts receivable	93,847	181,382
Increase in accounts payable and accrued liabilities	50,434	68,240
Increase (decrease) in accrued interest on long-term debt	(2,883)	3,592
Increase in tax sale surplus	68,788	88,352
Decrease in deferred revenue	36,576	(8,508)
Decrease (increase) in inventory, prepaid expenses and other	(102,482)	24,447
Increase in properties acquired at tax sale	(5,729)	(7,825)
	440,970	1,008,038
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	(149,706)	(125,000)
Proceeds from long-term debt	—	331,879
	(149,706)	206,879
CASH FLOWS FROM CAPITAL ACTIVITIES		
Additions to tangible capital assets	(102,689)	(760,988)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,575	453,929
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,906,118	1,452,189
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,094,693	\$ 1,906,118
Cash and cash equivalents consist of the following:		
Cash	\$ 1,852,239	\$ 1,732,452
Restricted cash	242,454	173,666
	\$ 2,094,693	\$ 1,906,118

See accompanying notes to consolidated financial statements.

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2020

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

(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, 2020

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:

	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 system	Straight-line	75 years
Water treatment plant	Straight-line	50 years

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, 2020

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, 2020

2. CASH

	2020	2019
Cash		
General operating fund	\$ 1,742,819	\$ 1,628,171
Water capital fund	39,521	38,880
Water operating fund	69,899	65,401
	1,852,239	1,732,452
Restricted cash		
Tax sale surplus	242,454	173,666
	\$ 2,094,693	\$ 1,906,118

3. TAXES RECEIVABLE

	2020	2019
Balance, beginning of year	\$ 336,696	\$ 352,201
Current year's levy of property taxes	2,125,226	2,054,856
Subtotal	2,461,922	2,407,057
Less		
Current year's collections	2,079,002	2,044,817
Bad debts and reduced taxes	15,779	25,544
	2,094,781	2,070,361
Gross taxes receivable, end of year	367,141	336,696
Less		
Allowance for uncollectible taxes	122,451	107,191
Taxes receivable, net	\$ 244,690	\$ 229,505

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2020

4. LONG-TERM DEBT

	2020	2019
Municipal Finance Corporation, repayable in annual principal payments of \$125,000, plus interest at 1.33% to 2.98% maturing in 2023	\$ 500,000	\$ 625,000
Municipal Finance Corporation, repayable in annual principal payments of \$10,000, plus interest at 2.05% to 2.88% maturing in 2023	39,786	50,419
Municipal Finance Corporation, repayable in annual principal payments of \$14,073, plus interest at 0% to 3.55% maturing in 2033	267,387	281,460
	<u>\$ 807,173</u>	<u>\$ 956,879</u>

Principal payments required in each of the next five years on debt held as of March 31, 2020 are as follows:

2021	\$ 149,073
2022	149,073
2023	149,073
2024	149,073
2025	14,073

5. TANGIBLE CAPITAL ASSETS

	2020	2019		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 99,196	\$ —	\$ 99,196	\$ 99,196
Lighthouse	133,600	—	133,600	133,600
Buildings	2,017,483	391,324	1,626,159	1,676,599
Rink complex	1,479,202	582,694	896,508	900,154
Equipment	290,289	243,320	46,969	56,243
Sewer collection and disposal	1,429,579	920,164	509,415	535,550
Transfer station	525,275	525,275	—	—
Water utility assets	2,805,178	297,131	2,508,047	2,516,202
	\$ 8,779,802	\$ 2,959,908	\$ 5,819,894	\$ 5,917,544

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Notes to Consolidated Financial Statements

Year ended March 31, 2020

6. ACCUMULATED SURPLUS

	2020	2019
Water operating fund	\$ (71,922)	\$ (178,511)
Capital funds	5,107,072	5,155,304
	5,035,150	4,976,793
Operating reserve fund	1,731,192	1,726,192
Capital reserve fund	429,103	374,006
Gas tax reserve fund	57,355	51
Roy Steed reserve fund	5,000	63,493
	2,222,650	2,163,742
	\$ 7,257,800	\$ 7,140,535

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.

	2020 Contribution	2019 Contribution
Eastern Mainland Housing Authority	\$ 12,919	\$ 8,000
Eastern Counties Regional Library	16,927	16,927

MUNICIPALITY OF THE DISTRICT OF ST. MARY'S

Schedule of Remuneration and Expenses of Members of Council and Chief Administrative Officer

Year ended March 31, 2020

Name	Title	Remuneration	Expenses
Michael Mosher	Warden	\$ 20,883	\$ 3,738
Deborah Findlay	Councillor	12,762	3,195
Jacqueline Dort	Councillor/Deputy Warden	18,563	261
Everett Baker	Councillor	12,762	1,069
Peggy Kaiser – Kirk	Councillor	12,762	3,627
Kaytland Smith	Councillor	12,762	2,281
Beulah Malloy	Councillor	12,762	6,069
Marvin MacDonald	Chief Administrative Officer	104,423	5,696