



Grant Thornton

Consolidated Financial Statements

Municipality of the District of Digby

March 31, 2019

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Independent Auditor's Report

His Worship the Warden and Members of Council of the Municipality of the District of Digby

Opinion

We have audited the consolidated financial statements of the Municipality of the District of Digby ("the Municipality"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality of the District of Digby as at March 31, 2019, and its results of operations, its changes in its net debt, 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 the 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.

Responsibilities 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 the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to a 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.

Auditor's Responsibilities for the Audit of the [Consolidated] 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 decisions 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.

Grant Thornton LLP

Digby, Canada
July 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. 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.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Council. The Council reviews internal financial statements on a monthly basis and external audited consolidated financial statements yearly. The Council also discusses any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of the Municipality of the District of Digby and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of the Municipality of the District of Digby

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Warden

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Municipality of the District of Digby
Consolidated Statement of Operations and Accumulated Surplus
Year Ended March 31

2019 2018

	<u>Page</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue				
Taxes	8	\$ 5,037,891	\$ 5,116,447	\$ 5,010,259
Grants in lieu of taxes	9	728,010	717,727	665,559
Services provided to other governments	9	92,722	91,112	83,313
Sales of service	9	88,540	99,453	88,731
Other revenue from own sources	9	627,946	688,901	659,569
Unconditional transfers from other governments	9	357,013	357,131	357,369
Conditional transfers from other governments	9	92,724	62,720	431,904
Lighthouse grant		-	-	50,000
		<u>7,024,846</u>	<u>7,133,491</u>	<u>7,346,704</u>
Expenditures				
General government services	10	1,643,787	1,502,379	1,551,373
Protective services	11	2,280,335	2,261,390	2,227,517
Transportation services	11	720,316	806,299	689,211
Environmental health services	12	1,510,506	1,505,511	1,371,115
Environmental development services	12	505,617	414,299	411,439
Recreational and cultural services	12	595,457	573,656	542,101
		<u>7,256,018</u>	<u>7,063,534</u>	<u>6,792,756</u>
Annual surplus before the undernoted		(231,172)	69,957	553,948
Gain on disposal of tangible capital assets		-	10,775	-
Annual surplus		<u>\$ (231,172)</u>	80,732	553,948
Accumulated surplus, beginning of the year			<u>15,663,272</u>	<u>15,109,324</u>
Accumulated surplus, end of the year			<u>\$ 15,744,004</u>	<u>\$ 15,663,272</u>

See accompanying notes and schedules to the consolidated financial statements.

**Municipality of the District of Digby
Consolidated Statement of Financial Position**

March 31

2019

2018

Financial Assets

Cash and cash equivalents	\$ 3,692,403	\$ 3,244,811
Reserve funds - Treasury Account	1,281,229	987,551
Tax sale surplus bank (Note 4)	621,937	555,094
Receivables (Note 2)	1,063,607	1,226,618
Pension benefit excess (Note 9)	532,100	495,067
	<u>7,191,276</u>	<u>6,509,141</u>

Liabilities

Tax sale surplus (Note 4)	621,937	555,094
Payables and accruals	458,996	491,481
Payable to fire departments	219,440	209,836
Deferred revenue (Note 6)	1,011,295	625,334
Long term debt (Note 7)	1,102,000	1,281,000
	<u>3,413,668</u>	<u>3,162,745</u>

Net financial assets

3,777,608 3,346,396

Non-Financial Assets

Tangible capital assets (Note 5) 11,966,396 12,316,876

Accumulated surplus

\$ 15,744,004 \$ 15,663,272

Commitments and contingencies (Notes 8 and 10)

On behalf of the Municipality of the District of Digby

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Warden

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See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Consolidated Statement of Change in Net Financial Assets
Year Ended March 31

	2019		2018
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Annual surplus	\$ (231,172)	\$ 80,732	\$ 553,948
Acquisition of tangible capital assets	(757,465)	(207,691)	(649,836)
Proceeds on disposal of tangible capital assets	-	10,775	-
Amortization of tangible capital assets	558,172	558,171	539,869
Gain on disposal of tangible capital assets	-	(10,775)	-
Increase (decrease) in net financial assets	\$ <u>(430,465)</u>	431,212	443,981
Net financial assets, beginning of year		<u>3,346,396</u>	<u>2,902,415</u>
Net financial assets, end of year		\$ <u>3,777,608</u>	\$ <u>3,346,396</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Consolidated Statement of Cash Flow

Year Ended March 31

2019

2018

	2019	2018
Operating activities		
Annual surplus	\$ 80,732	\$ 553,948
Changes in non-cash working capital		
Amortization of tangible capital assets	558,171	539,869
(Increase) decrease in treasury account	(293,678)	230,722
Increase in tax sale surplus bank	(66,843)	(60,763)
Decrease (increase) in receivables	163,011	(259,543)
Increase in pension benefit excess	(37,033)	(647)
Increase in tax sale surplus	66,843	60,763
Decrease in payables	(32,485)	(309,707)
Increase in payable to fire departments	9,604	23,634
Increase in deferred revenue	385,961	310,649
Gain on disposal of tangible capital assets	(10,775)	-
	<u>823,508</u>	<u>1,088,925</u>
Investing activities		
Proceeds on disposal of tangible capital assets	10,775	-
Acquisition of tangible capital assets	(207,691)	(649,836)
	<u>(196,916)</u>	<u>(649,836)</u>
Financing activities		
Repayment of long term debt	(179,000)	(179,000)
	<u>(179,000)</u>	<u>(179,000)</u>
Change in net cash and cash equivalents	447,592	260,089
Cash and cash equivalents		
Beginning of year	<u>3,244,811</u>	<u>2,984,722</u>
End of year	<u>\$ 3,692,403</u>	<u>\$ 3,244,811</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations

Year Ended March 31

2019

2018

REVENUE

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Taxes			
Assessable property			
Residential	\$ 4,640,449	\$ 4,634,893	\$ 4,538,708
Commercial property	838,618	866,026	877,282
Resource			
Taxable assessments	339,906	339,099	333,915
Recreational	1,761	1,849	1,761
Forest (less than 50,000 acres)	23,374	23,313	23,545
Forest (50,000 acres or more)	33,693	33,693	33,707
Collection for other municipalities	218,713	218,231	214,972
Protective services	4,067	2,904	2,922
Sidewalks	11,003	11,525	11,818
Street light rate	71,220	71,632	70,916
Digby Neck fire rate	26,221	26,150	25,615
Smith's Cove fire rate	24,286	24,286	23,518
Freeport fire rate	6,883	6,876	6,695
Tiverton fire rate	5,122	5,119	5,062
Westport fire rate	6,422	6,405	6,333
Brighton/Barton fire rate	47,845	47,584	46,398
Plympton fire rate	15,438	15,370	15,168
Weymouth fire rate	30,141	30,198	29,965
Bear River fire rate	11,764	11,690	11,495
Digby fire rate	63,237	62,904	62,204
Southville fire rate	11,599	11,551	11,461
J Class road rate	5,337	5,337	5,337
Sewage charges	170,845	171,807	169,106
Business property			
Based on revenue (Aliant)	47,000	45,895	47,012
NS Power HST rebate	17,000	18,032	16,623
Other taxes			
Deed transfer tax	220,000	273,044	232,931
Wind turbine tax	196,449	196,461	194,503
Transmission of taxes collected for other governments and bodies			
Fire Departments	(241,359)	(244,108)	(240,100)
Village supply	(215,755)	(215,117)	(212,113)
Deficit of Digby Housing Authority	(45,000)	(37,814)	(38,155)
Transfer to Correctional Services	(105,581)	(105,581)	(106,096)
Education expenses as a reduction of tax revenue			
Appropriation to regional school board	(1,442,807)	(1,442,807)	(1,412,249)
	<u>\$ 5,037,891</u>	<u>\$ 5,116,447</u>	<u>\$ 5,010,259</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations
March 31

	2019		2018
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Grants in lieu of taxes			
Federal government	\$ 29,125	\$ 22,677	\$ 27,351
Provincial government			
Crown timberland	62,150	62,159	61,140
Department of Energy	2,030	2,050	2,030
Provincial property and supported institutions	67,044	62,802	55,785
Conservation properties	6,265	6,643	6,548
Nova Scotia Power Corporation	561,396	561,396	512,705
	<u>\$ 728,010</u>	<u>\$ 717,727</u>	<u>\$ 665,559</u>
Services provided to other governments	<u>\$ 92,722</u>	<u>\$ 91,112</u>	<u>\$ 83,313</u>
Sales of service			
General government services	\$ 700	\$ 600	\$ 725
Protective services	5,400	23,233	5,400
Transportation services (airport)	82,440	75,620	82,606
	<u>\$ 88,540</u>	<u>\$ 99,453</u>	<u>\$ 88,731</u>
Other revenue from own sources			
Licenses and permits	\$ 9,000	\$ 9,498	\$ 8,714
Fines	20,040	42,196	29,611
Return on investment	61,806	114,240	62,619
Interest on taxes	130,000	123,848	130,034
Commercial solid waste fees	140,000	120,318	149,068
Miscellaneous	39,100	70,604	45,572
Wind turbine revenue	228,000	206,741	228,344
PACE program	-	-	4,782
Tax sale fees	-	1,456	825
	<u>\$ 627,946</u>	<u>\$ 688,901</u>	<u>\$ 659,569</u>
Unconditional transfers from other governments			
Provincial government			
Assessment Act, farm property acreage	\$ 17,397	\$ 17,397	\$ 17,568
Resource recovery fund	6,000	6,118	6,185
Department of Municipal Affairs			
Equalization grants	333,616	333,616	333,616
	<u>\$ 357,013</u>	<u>\$ 357,131</u>	<u>\$ 357,369</u>
Conditional transfers from other governments			
Other			
Heritage Home Inventory	\$ 14,671	\$ 14,671	\$ -
Trail project	20,000	20,000	20,000
Renewable energy project	30,000	-	-
Grants for Capital Projects			
Haines Lake Infrastructure	25,000	25,000	-
Federal gas tax rebate	-	-	63,626
Clean Water & Wastewater Fund	-	-	345,225
Provincial Government			
EMO 911 recovery fee	3,053	3,049	3,053
	<u>\$ 92,724</u>	<u>\$ 62,720</u>	<u>\$ 431,904</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations

Year Ended March 31

2019

2018

EXPENDITURES

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
General government services			
Legislative			
Warden remuneration	\$ 33,449	\$ 34,320	\$ 33,085
Council remuneration	93,757	95,821	92,737
Council expenses	42,000	41,287	30,455
Other legislative expenses	39,279	16,714	22,425
General administrative			
Administrative	110,199	109,564	103,793
Administrative support staff	257,356	258,780	245,107
Taxations			
Dangerous and unsightly premises	1,000	-	2,764
By-law exemptions	40,846	40,992	41,185
Bad debts (recovery)	-	(89,463)	6,064
Transfers for assessment services	190,425	191,705	189,587
Property tax exemption	38,000	42,644	34,434
Seasonal business reduction	14,473	14,473	14,324
Advertising	23,000	34,035	20,191
Audit and legal	45,000	29,651	38,501
Doctor recruitment	-	50,000	-
Employee benefits	162,678	156,815	159,634
Pension contributions	77,635	71,605	65,776
Pension adjustment	2,000	(35,417)	2,899
Common services	13,500	12,721	11,989
Insurance	26,621	26,190	27,413
Office operations	18,000	15,394	17,069
Office administration	85,300	66,517	75,294
Technology improvements	85,225	83,578	82,536
Bank and other fees	47,600	50,298	46,550
Other taxes	17,731	17,731	17,910
Conditional transfers to other governments and agencies	29,000	29,000	29,000
Other general government services			
Barton school	10,000	7,467	6,056
Conventions and travel - administration	12,000	10,074	11,329
Grants to organizations and individuals	85,141	77,311	82,412
	<u>1,601,215</u>	<u>1,459,807</u>	<u>1,510,519</u>
Amortization	<u>42,572</u>	<u>42,572</u>	<u>40,854</u>
	<u>\$ 1,643,787</u>	<u>\$ 1,502,379</u>	<u>\$ 1,551,373</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations

Year Ended March 31

2019

2018

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Protective services			
Police protection			
RCMP	\$ 1,292,433	\$ 1,290,484	\$ 1,275,847
Prosecuting attorney	10,500	17,760	14,785
Senior's safety program	16,000	16,000	16,000
Special investigations	6,000	4,065	5,476
Law enforcement			
Bylaw enforcement	1,000	-	-
Fire protection			
Grants - community fire departments	424,704	428,646	414,234
Hydrants	42,000	38,772	37,772
Emergency measures	12,000	9,864	6,712
Dispatch services	240,168	235,439	233,201
Other			
Animal control	32,500	28,469	29,932
Buildings - salaries	155,505	156,204	152,385
- expenses	33,500	21,662	27,150
	<u>2,266,310</u>	<u>2,247,365</u>	2,213,494
Amortization	<u>14,025</u>	<u>14,025</u>	14,023
	<u>\$ 2,280,335</u>	<u>\$ 2,261,390</u>	<u>\$ 2,227,517</u>
Transportation services			
Road transport			
Administration	\$ 59,575	\$ 57,687	\$ 56,661
Sidewalk snow & ice removal	20,000	11,255	13,823
Street lighting	40,000	32,478	36,394
Public works - salaries	87,394	94,498	88,017
- expenses	18,750	19,154	16,266
Air transport			
Airport building	28,300	29,006	26,467
Office and telephone	18,302	15,669	16,102
Tractor	12,000	14,886	9,135
Other	2,500	2,369	1,696
Fuel and oil	65,300	59,687	60,201
Maintenance	11,500	9,554	6,617
Administration of public transit			
Kings Transit Authority (Note 12)	189,663	293,024	190,800
Le Transport de Clare Society	28,000	28,000	28,000
	<u>581,284</u>	<u>667,267</u>	550,179
Amortization	<u>139,032</u>	<u>139,032</u>	139,032
	<u>\$ 720,316</u>	<u>\$ 806,299</u>	<u>\$ 689,211</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Schedules to Consolidated Statement of Operations

Year Ended March 31

2019

2018

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Environmental health services			
Sewage collection and disposal			
Sewage collection systems	\$ 64,000	\$ 61,753	\$ 59,405
Sewage lift stations	57,500	79,736	19,349
Sewage treatment and disposal	97,000	98,993	78,146
Debenture interest	20,527	19,389	21,878
Solid waste administration	20,009	20,009	19,017
Waste water administration	12,479	7,632	6,353
Garbage and waste collection and disposal			
Garbage and waste collection	<u>999,334</u>	<u>978,342</u>	<u>938,384</u>
	<u>1,270,849</u>	<u>1,265,854</u>	<u>1,142,532</u>
Amortization	<u>239,657</u>	<u>239,657</u>	<u>228,583</u>
	<u>\$ 1,510,506</u>	<u>\$ 1,505,511</u>	<u>\$ 1,371,115</u>
Environmental development services			
Community development	\$ 71,500	\$ 48,349	\$ 51,998
Subdivision and planning	37,222	28,725	26,831
Community economic development			
Western Regional Enterprise Network	42,557	39,557	46,613
Industrial Commission	20,000	20,000	20,000
Tourism	32,227	14,562	17,940
Renewable energy development	119,290	91,868	74,894
Debenture interest	13,225	12,854	13,822
PACE program	-	-	4,782
Biogas generator	10,000	2,364	2,583
Wind turbines	<u>50,000</u>	<u>46,424</u>	<u>47,889</u>
	<u>396,021</u>	<u>304,703</u>	<u>307,352</u>
Amortization	<u>109,596</u>	<u>109,596</u>	<u>104,087</u>
	<u>\$ 505,617</u>	<u>\$ 414,299</u>	<u>\$ 411,439</u>
Recreational and cultural services			
Administration and programs	\$ 291,354	\$ 290,854	\$ 288,004
Trail coordinator	42,968	46,418	33,395
Parks & trails	10,000	8,104	9,491
Parks & open space	20,000	13,186	15,463
Lighthouses	6,700	8,097	6,073
Fundy Y	12,500	12,500	12,500
Heritage programs	93,512	81,078	68,891
Regional library	49,026	48,653	48,653
Digby library	28,000	27,056	22,410
Weymouth library	24,607	20,733	20,244
Westport library	<u>3,500</u>	<u>3,687</u>	<u>3,687</u>
	<u>582,167</u>	<u>560,366</u>	<u>528,811</u>
Amortization	<u>13,290</u>	<u>13,290</u>	<u>13,290</u>
	<u>\$ 595,457</u>	<u>\$ 573,656</u>	<u>\$ 542,101</u>

See accompanying notes and schedules to the consolidated financial statements.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
March 31, 2019

1. Significant accounting policies

The consolidated financial statements of the Municipality of the District of Digby are prepared by management in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances and in financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these consolidated financial statements in Note 14 were approved by Council on June 25, 2018.

Basis of accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

Fund accounting

Funds within the consolidated financial statements consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance.

- (a) Operating Fund – Costs of providing services to the residents of the Municipality are budgeted based on the revenue generated from property tax assessments.
- (b) Capital Fund – The capital fund contains the capital assets which are funded from long term financing and from operations.
- (c) Reserve Funds – The reserve funds are restricted funds set by the Municipality for specific projects and are approved by council.

Valuation allowance

Uncollected taxes and rates

The Municipality provides a valuation allowance for estimated losses that will be incurred in collecting receivables outstanding through a combination of specific account identification and allowing for 5% of outstanding taxes.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
March 31, 2019

1. Significant accounting policies (continued)

Measurement uncertainty

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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Revenue recognition

(a) Tax revenue is property tax billings which are prepared by the Municipality based on assessment rolls issued by Property Valuation Services Corporation. Tax rates are established annually by Municipal Council. Taxation revenues are recorded at the time tax billings are issued. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the fiscal year they are determined. The Municipality is entitled to collect interest on overdue taxes and is recorded in the period the interest is levied.

(b) Revenue from provincial or municipal units without eligibility criteria or stipulations is recognized as revenue by the Municipality when the transfer is authorized. Revenue with eligibility criteria is recognized as revenue by the Municipality when the transfer is authorized and all eligibility criteria have been met. Revenue with stipulations is recognized as revenue by the Municipality when the transfer is authorized and all stipulations have been met.

(c) Other revenue is recorded when it is earned.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight line basis over the estimated useful life as follows:

Asset type	Years
Municipal buildings	40 years
Buildings and plants	25 years
Electronic data equipment	5 years
Small equipment	5 years
Machinery and equipment	15 years
Vehicles	5 years
Streets, roads and curbs	30 years
Sidewalks	25 years
Lagoons	50 years
Sanitary sewer lines	50 years
Street Lights	25 years
Wind turbine	20 years

Assets under construction are not amortized until the asset is available for productive use. Funding related to the purchase of capital assets is recorded as revenue when received. School buildings formally under operational control of the Municipality have not been recorded as tangible capital assets, as it is more likely than not they would be sold and not put into municipal use.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
 March 31, 2019

1. Significant accounting policies (continued)

Contaminated sites

The Municipality follows Public Sector Accounting section 3260 liability for contaminated sites, which establishes the recognition, measurement and disclosure requirements for reporting liabilities associated with the remediation of contaminated sites. Management has reviewed all potential sites that are owned for application to this section and has concluded there is no known liability at this time.

Related party transactions

The Municipality follows Public Sector Accounting section 2200, related party transactions, which establishes the disclosure requirements for reporting related party transactions. Management has determined that there are no transactions to disclose at this time.

Contractual rights

The Municipality follows Public Sector Accounting section 3380, contractual rights, which establishes the disclosure requirements for contractual rights. Management has determined that there are no contractual rights to disclose at this time.

Restructuring transactions

Effective for the fiscal period beginning April 1, 2018, the Municipality was required to adopt Public Sector Accounting section 3430, restructuring transactions, which establishes the disclosure requirements for restructuring transactions. Management has determined that there are no transactions to disclose at this time.

		<u>2019</u>	<u>2018</u>
2. Receivables			
		<u>Total</u>	<u>Total</u>
Taxes receivable	Current Year	Prior Years	
Balance, beginning of year	\$ -	\$ 797,057	\$ 746,064
Current year's levy	6,284,771	-	6,278,652
	6,284,771	797,057	7,024,716
Add			
Interest	123,848	-	130,034
	6,408,619	797,057	7,154,750
Deduct			
Current year's collections	(5,884,571)	(625,697)	(6,357,693)
Balance, end of year	\$ 524,048	\$ 171,360	797,057
Fire Departments		322,263	379,826
Town of Digby		42,643	57,197
HST		19,950	59,053
PACE program		50,769	17,649
Province of Nova Scotia		19,809	19,191
Other		(62,398)	18,210
		1,088,444	1,348,183
Asset valuation allowance for uncollectible taxes and other		(24,837)	(121,565)
		<u>\$ 1,063,607</u>	<u>\$ 1,226,618</u>

3. Bank indebtedness

The Municipality has an unsecured line of credit with a limit of \$1,000,000, and an interest rate of prime minus 0.75%, none of which is used at March 31, 2019 (2018 – nil).

4. Tax sale surplus

After a twenty year period of holding these funds in trust has expired, the cash will be transferred to the special reserve.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
March 31, 2019

5. Tangible capital assets

	Opening Cost	Additions	Disposals	Ending Cost
Land	\$ 282,431	\$ 37,464	\$ -	\$ 319,895
Municipal buildings	2,287,965	68,702	-	2,356,667
Buildings - plant	1,761,927	32,761	-	1,794,688
Electronic data equipment	136,269	13,590	-	149,859
Small equipment	167,150	-	-	167,150
Machinery and equipment	1,753,672	6,736	-	1,760,408
Vehicles	145,562	48,438	(32,839)	161,161
Streets, roads and curbs	1,193,900	-	-	1,193,900
Sidewalks	217,504	-	-	217,504
Wind turbines	1,339,460	-	-	1,339,460
Street lights	716,332	-	-	716,332
Lagoons	1,484,784	-	-	1,484,784
Sanitary sewer lines	7,003,938	-	-	7,003,938
	<u>\$ 18,490,894</u>	<u>\$ 207,691</u>	<u>\$ (32,839)</u>	<u>\$ 18,665,746</u>

	Opening Accumulated Amortization	Amortization	Disposals	Ending Accumulated Amortization
Municipal buildings	\$ 1,114,761	\$ 56,875	\$ -	\$ 1,171,636
Buildings - plant	766,492	71,122	-	837,614
Electronic data equipment	110,680	16,749	-	127,429
Small equipment	167,150	-	-	167,150
Machinery and equipment	603,450	103,454	-	706,904
Vehicles	114,934	22,545	(32,839)	104,640
Streets, roads and curbs	907,858	15,874	-	923,732
Sidewalks	128,754	8,700	-	137,454
Wind turbines	73,453	66,973	-	140,426
Street lights	86,210	28,653	-	114,863
Lagoons	429,163	29,696	-	458,859
Sanitary sewer lines	1,671,113	137,530	-	1,808,643
	<u>\$ 6,174,018</u>	<u>\$ 558,171</u>	<u>\$ (32,839)</u>	<u>\$ 6,699,350</u>

	NBV 2019	NBV 2018
Land	\$ 319,895	\$ 282,431
Municipal Buildings	1,185,031	1,173,204
Buildings - plant	957,074	995,435
Electronic data equipment	22,430	25,589
Small Equipment	-	-
Machinery and equipment	1,053,504	1,150,222
Vehicles	56,521	30,628
Streets, roads and curbs	270,168	286,042
Sidewalks	80,050	88,750
Wind turbines	1,199,034	1,266,007
Street lights	601,469	630,122
Lagoons	1,025,925	1,055,621
Sanitary sewer lines	5,195,295	5,332,825
	<u>\$ 11,966,396</u>	<u>\$ 12,316,876</u>

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
March 31, 2019

6. Deferred revenue

Funds received with specific spending criteria and stipulations, are recorded in deferred revenue until these funds are spent on eligible expenditures. The majority of deferred revenues relate to Gas Tax funds received. These funds must be held in special reserve accounts until spent on specific expenditures in accordance with the Canada – Nova Scotia Gas Tax Agreement. The deferred revenue balance related specifically to Gas tax funds changed during the year as follows:

	<u>2019</u>	<u>2018</u>
Opening balance	\$ 625,334	\$ 314,685
Funding received	385,961	374,275
Eligible expenditures	<u>-</u>	<u>(63,626)</u>
Ending balance	<u>\$ 1,011,295</u>	<u>\$ 625,334</u>

7. Long term debt

	<u>2019</u>	<u>2018</u>
Municipal Finance Corporation debenture, bearing interest at rates from 2.46% to 3.614%, repayable in annual instalments of \$110,000 plus interest, maturing in 2023.	\$ 550,000	\$ 660,000
Municipal Finance Corporation debenture, bearing interest at rates from 1.441% to 2.925%, repayable in annual instalments of \$69,000 plus interest, maturing in 2026.	<u>552,000</u>	<u>621,000</u>
	<u>\$ 1,102,000</u>	<u>\$ 1,281,000</u>

Principal repayments during the next five years are due as follows:

2020	\$179,000
2021	\$179,000
2022	\$179,000
2023	\$179,000
2024	\$179,000

All long term debt outstanding at year end has been properly authorized by Service Nova Scotia and Municipal Relations.

Interest expense on the long term debt during the year was \$32,243.

Municipality of the District of Digby

Notes to the Consolidated Financial Statements

March 31, 2019

8. Commitments

Boards in which the Municipality of the District of Digby has less than 100% interest

The Municipality is required to finance the operations of various boards and commissions, along with other municipal units.

Digby Housing Authority - 10.05% interest

Under an agreement between Canada Mortgage and Housing Corporation, the Nova Scotia Department of Housing, the Municipality, Town of Digby and the Digby Housing Authority, the Digby Housing Authority has lease title to certain housing properties for control, operation, management and administration

The equity in operations, amortization expense and advances for each project is determined under the respective agreements.

The Municipality's net share of the 2019 operating deficit of the Digby Housing Authority which has been included in current expenditures was \$37,814 (2018 - \$38,155).

Regional Library - 14.06% interest

During the year ended March 31, 2019, the Municipality paid \$48,653 (2018-\$48,653) to the Regional Library.

Digby and Area Recreation Facility - 50% interest

During the year ended March 31, 2019, the Municipality paid \$278,911 (2018 - \$260,035) as its share of operations for the Digby and Area Recreation Facility.

Digby Development Agency - 50% interest

During the year ended March 31, 2019, the Municipality paid \$20,000 (2018 - \$20,000) as its share of operations for the Digby Development Agency.

Western Regional Enterprise Network - 20.37% interest

During the year ended March 31, 2019, the Municipality contributed \$39,557 (2018 - \$46,613) to the Western Regional Enterprise Network.

Provincial police service agreement

The Municipality has entered into the Provincial Agreement to receive policing services for the period April 1, 2014 to March 31, 2032. The Municipality will be responsible for 30% of the cost to provide and maintain the Provincial Police Service. This agreement can be terminated at any point with written notice not less than 24 months prior to termination.

Curb-side collection and transportation of source separated solid waste

The Municipality has entered into a contract with Digby Salvage and Disposal to collect and transport the Municipality's solid waste. The contract is effective April 1, 2015 to March 31, 2020. The monthly base cost expected for the respective fiscal years for 2016 through 2020 ranges from, \$35,000 to \$42,543. The amounts paid can be adjusted to reflect changes in fuel costs.

Transportation and disposal of solid waste

The Municipality has entered into a contract with the Region of Queens Municipality and Waste Check to transport and dispose of the Municipality's solid waste at the solid waste disposal facility in Milton. The contract is effective January 1, 2006 to March 31, 2027. The Municipality pays a transportation and disposal fee from \$64.50 to \$78.25/tonne. The fee may be increased based on the consumer price index for Nova Scotia.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
March 31, 2019

8. Commitments (continued)

Public transit services

Effective August 29, 2014, the Municipality has entered into an agreement with the Kings Transit Authority to provide public transportation services. The Municipality is responsible for the net operating costs of the defined route to be paid monthly. This agreement is in effect unless terminated by either party. The expense for the year was \$293,024 (2018 - \$190,800). See Note 12 for detailed breakdown.

9. Pension plans

The Municipality contributes to a defined contribution pension plan that covers most of its employees. The plan provides pensions based on accumulated contributions made equally by employees and the Municipality. The expense for the year was \$71,605 (2018 - \$65,776).

The Municipality has a defined benefit plan whereby the spouse of one former employee receives a monthly pension. Actuarial valuations for accounting purposes are performed triennially using a going concern basis. The most recent actuarial valuation was prepared at March 31, 2017 and at that time the pension plan had an accrued benefit excess of \$493,892. The actuarial valuation was based on a number of assumptions about future events. The Municipalities' actuary performed an extrapolation of the March 31, 2017 valuation to determine the position of the plan as at March 31, 2019. The accrued benefit excess is estimated to be \$532,100. Benefits paid during the year were \$18,358.

The following summarizes the major assumptions in the 2017 extrapolation:

- the expected inflation rate is 2%;
 - the discount rate used to determine the accrued benefit obligation is 4.5%;
 - the expected rate of return is 5%; and
 - mortality assumption based on CPM2014 projected with mortality improvement scale CPM-B.
-

10. Contingencies

The Municipality has a revolving term credit in the amount of \$2,000,000 to allow individual fire departments in the Municipality to fund capital purchases (with each advance guaranteed by the Municipality) and to finance capital expenditures of smaller organizations within the Municipality. The following balances are drawn on the line and guaranteed by the Municipality at year end:

	<u>2019</u>		<u>2018</u>
Brighton Barton Fire Department	\$ 127,500	\$	144,500
Plympton Fire Department	20,000		30,000
Digby Fire Department	308,725		352,828

The fire rates are set to take into consideration the repayment of the loans and payments are up to date, there is no expectation for further loss to the Municipality.

The Municipality has guaranteed a loan for the Digby and Area Recreation Commission in the amount of \$61,520 (2018 - 82,026).

No amounts have been required for these guarantees in the past. Digby Area Recreation Commission is up to date with the payments and there is no expectation for loss to the Municipality.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
 March 31, 2019

11. Other matters

The total remuneration and expense reimbursements to each member of the council and senior management official are as follows:

<u>Council</u>	<u>2019</u> <u>Remuneration</u>	<u>2019</u> <u>Expenses</u>
MacAlpine, J. - Warden	\$ 34,320	\$ 10,644
Gregory, L. - Deputy Warden	\$ 27,460	\$ 11,179
Manzer, G. - Councillor	\$ 22,787	\$ 5,602
Ross, M. - Councillor	\$ 22,787	\$ 4,488
Tudor, D. - Councillor	\$ 22,787	\$ 3,795
 <u>Senior Management</u>		
Chief Administrative Officer	\$ 109,564	\$ 3,871

12. Kings Transit Authority

Kings Transit Authority delivers public transit services on behalf of the Municipality (Note 8). Details of the revenues and expenditures relating to the transit service are as follows:

	<u>2019</u>	<u>2018</u>
<u>Revenue</u>		
Fares	\$ 57,908	\$ 61,046
Advertising	300	300
Costs recovery	<u>39,888</u>	<u>57,157</u>
	<u>98,096</u>	<u>118,503</u>
 <u>Expenses</u>		
Advertising	1,058	1,642
Fuel	61,375	52,972
Insurance	12,453	9,620
Management fees	30,024	28,920
Office	7,950	6,187
Rents	6,000	6,000
Repairs and maintenance	96,435	77,259
Salaries and benefits	<u>108,228</u>	<u>126,703</u>
	<u>323,523</u>	<u>309,303</u>
Current year deficit	(225,427)	(190,800)
Additional prior year deficits funded	<u>(67,597)</u>	-
Total contribution	<u>\$ (293,024)</u>	<u>\$ (190,800)</u>

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
 March 31, 2019

13. Budget figures

Public Sector Accounting Standards require a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations and statement of changes in net assets have been adjusted to be on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal plan to the fiscal plan per the financial statements. The reconciling items include capital funding from other sources reported as revenue and amortization of tangible capital assets reported as expenses.

	Approved Operating Fiscal Plan	Adjustments	Fiscal Plan Per Financial Statements
Taxes	\$ 5,037,891	\$ -	\$ 5,037,891
Grants in lieu of taxes	728,010	-	728,010
Services provided to other governments	92,722	-	92,722
Sales of service	88,540	-	88,540
Other revenue from own sources	627,946	-	627,946
Unconditional transfers from other governments	357,013	-	357,013
Conditional transfers from other governments	67,724	25,000	92,724
	<u>6,999,846</u>	<u>25,000</u>	<u>7,024,846</u>
Expenditures			
General government services	1,601,215	42,572	1,643,787
Protective services	2,266,310	14,025	2,280,335
Transportation services	581,284	139,032	720,316
Environmental health services	1,270,849	239,657	1,510,506
Environmental development services	396,021	109,596	505,617
Recreational and cultural services	582,167	13,290	595,457
	<u>6,697,846</u>	<u>558,172</u>	<u>7,256,018</u>
Annual surplus	302,000	(533,172)	(231,172)
Approved transfers	<u>(302,000)</u>	<u>302,000</u>	<u>-</u>
Planned annual result	<u>\$ -</u>	<u>\$ (231,172)</u>	<u>\$ (231,172)</u>

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
March 31, 2019

14. Segmented Information

The Municipality is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the Municipality's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

General Government Services

This department is responsible for the overall financial and local government administration. Its tasks include tax billings and payments, accounts payable and receivables, budgets and financial statements, the Municipal Government Act, administration and maintenance of bylaws and change of address.

Protective Services

This department is responsible for ensuring the safety of the residents. Its tasks include bylaw enforcement, animal control, emergency measures and maintaining the radio dispatch system.

Transport Services

This department is responsible for transportation services within the Municipality. Its tasks include maintaining roads and sidewalks, street lighting, maintaining the airport and administering public transit.

Environmental Health Services

This department is responsible for the maintenance and operations of waste and sewer services provided to residents and other customers. Its tasks include recycling, composting and sewer hook-up.

Public Health Services

This department is responsible for their portion of the deficit of the Digby Housing Authority.

Environmental Development Services

This department is responsible for the planning and development within the Municipality. Its tasks include developing strategies and planning reports, issuing development permits and approving subdivision applications.

Recreation and Cultural Services

This department is responsible for promoting and offering recreation opportunities and activities to the Municipality's residents.

Municipality of the District of Digby
Notes to the Consolidated Financial Statements
 March 31, 2019

14. Segmented Information (continued)

	General Government Services	Protective Services	Transportation Services	Environmental Health Services	Environmental Development Services	Recreation and Culture Services	2019 Consolidated	2018 Consolidated
Revenue								
Taxes	\$ 1,088,243	\$ 1,638,030	\$ 584,040	\$ 1,090,512	\$ 300,096	\$ 415,526	\$ 5,116,447	\$ 5,010,259
Grants in lieu of taxes	152,657	229,780	81,928	152,975	42,097	58,289	717,726	665,559
Services provided to other governments	19,379	29,170	10,400	19,419	5,344	7,400	91,112	83,313
Sales of services	600	23,233	75,620	-	-	-	99,453	88,731
Other revenue from own sources	233,740	60,748	14,137	146,715	223,503	10,058	688,901	659,569
Unconditional transfers from other governments	75,960	114,335	40,767	76,119	20,947	29,004	357,132	357,369
Conditional transfers from other governments	-	62,720	-	-	-	-	62,720	431,904
Lighthouse grant	-	-	-	-	-	-	-	50,000
	<u>1,570,579</u>	<u>2,158,016</u>	<u>806,892</u>	<u>1,485,740</u>	<u>591,987</u>	<u>520,277</u>	<u>7,133,491</u>	<u>7,346,704</u>
Expenditures								
Salaries and benefits	762,223	401,595	94,498	-	69,900	80,481	1,408,697	1,409,735
Goods and services	324,393	1,322,010	530,291	1,246,465	179,981	479,885	4,083,025	3,918,839
Amortization	42,572	14,025	139,032	239,657	109,596	13,290	558,172	539,869
Interest	-	-	-	19,389	12,854	-	32,243	35,700
Other	373,191	523,760	42,478	-	41,968	-	981,397	888,613
	<u>1,502,379</u>	<u>2,261,390</u>	<u>806,299</u>	<u>1,505,511</u>	<u>414,299</u>	<u>573,656</u>	<u>7,063,534</u>	<u>6,792,756</u>
Surplus (deficit) for the year	\$ <u>68,200</u>	\$ <u>(103,374)</u>	\$ <u>593</u>	\$ <u>(19,771)</u>	\$ <u>177,688</u>	\$ <u>(53,379)</u>	\$ <u>69,957</u>	\$ <u>553,948</u>

Municipality of the District of Digby
Notes to the Consolidated Financial Statements

March 31, 2019

15. Reserve Funds

Revenue	Operating Surplus	Special Capital	Power Board	JACBA	Trails	Doctor Recruitment	Heritage Church	Election	Gas Tax	Heritage Conference	Lighthouses	2019 Total	2018 Total
Interest	\$ -	\$ 17,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,488	\$ -	\$ -	\$ 32,028	\$ 12,810
Grants	-	-	-	-	-	-	-	-	-	-	-	-	50,000
Gain on disposal	-	10,775	-	-	-	-	-	-	-	-	-	10,775	-
Transfers from (to) other funds	316,642	(81,092)	-	40,000	(12,600)	(50,000)	2,864	-	-	-	(6,407)	209,407	3,784,067
Annual (deficit) surplus	316,642	(52,777)	-	40,000	(12,600)	(50,000)	2,864	-	14,488	-	(6,407)	252,210	3,846,877
Accumulated surplus, beginning of year	3,905,145	170,736	109,379	80,000	54,000	200,000	16,000	41,881	28,108	146	45,585	4,650,980	804,103
Accumulated surplus, end of year	\$ 4,221,787	\$ 117,959	\$ 109,379	\$ 120,000	\$ 41,400	\$ 150,000	\$ 18,864	\$ 41,881	\$ 42,596	\$ 146	\$ 39,178	\$ 4,903,190	\$ 4,650,980