



Financial Statements

Town of Digby

March 31, 2011

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Independent auditor's report

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His Worship the Mayor and Members of Council of the Town of Digby

We have audited the accompanying consolidated financial statements of the Town of Digby, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town of Digby as at March 31, 2011, and the consolidated statements of its operations, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on Pages 7-13 and 24-32 is presented for purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of consolidated financial statements taken as a whole.

Digby, Canada
December 5, 2011

Grant Thornton LLP

Chartered accountants

Town of Digby

Consolidated Statement of Operations

Year Ended March 31

2011

2010

	Page	Budget (Unaudited)	Actual	Actual
Revenue				
Taxes	7	\$ 2,593,865	\$ 2,590,259	\$ 2,507,190
Grants in lieu of taxes	7	393,427	396,421	386,349
Services provided to other governments	7	202,953	175,486	225,308
Sales of services	7	3,545	3,230	2,250
Other revenue from own sources	8	115,597	114,155	110,192
Unconditional transfers from other governments	8	342,859	343,060	324,389
Conditional transfers from federal or provincial governments and agencies	8	1,000	1,000	1,000
Conditional transfers from other local governments	8	10,545	10,545	11,030
Water rates		409,511	397,748	333,152
Public fire protection		161,522	161,565	165,967
Interest		12,616	11,062	9,291
Federal gas tax funding		-	183,324	192,234
Donation of fire truck		-	-	411,685
Gain on sale of assets		-	35,000	266,943
Grants for capital projects		855,043	855,043	1,124,251
Other		15,141	28,815	52,509
		<u>5,117,624</u>	<u>5,306,713</u>	<u>6,123,740</u>
Expenditures				
General government services	9	632,713	645,885	580,498
Protective services	10	1,075,941	1,148,050	1,107,893
Transportation services	11	786,486	903,648	941,539
Environmental health services	11	629,977	691,036	711,695
Public health services	11	56,850	57,425	69,986
Environmental development services	12	125,852	110,726	103,056
Recreational and cultural services	12	260,623	332,995	338,894
Source of supply	12	85,800	75,303	75,291
Water treatment	12	5,500	941	4,363
Transmission and distribution	12	137,147	153,425	136,614
Administration and general	13	67,523	69,401	74,926
Water Amortization		193,242	175,946	186,326
Pension adjustment		-	(1,926)	(13,297)
		<u>4,057,654</u>	<u>4,362,855</u>	<u>4,317,784</u>
Annual surplus		\$ <u>1,059,970</u>	<u>943,858</u>	<u>1,805,956</u>
Accumulated surplus, beginning of year			<u>11,801,486</u>	<u>9,995,530</u>
Accumulated surplus, end of year			\$ <u>12,745,344</u>	\$ <u>11,801,486</u>

See accompanying notes to the consolidated financial statements.

Town of Digby
Consolidated Statement of Change in Net Financial Assets

March 31 2011 2010

Annual surplus	\$ 943,858	\$ 1,805,956
Acquisition of operating tangible capital assets	(1,352,415)	(578,102)
Amortization of operating tangible capital assets	445,805	420,067
Acquisition of water capital assets	(363,734)	(1,754,121)
Amortization of water capital assets	175,946	186,326
Proceeds on sale of assets	35,000	20,893
Gain on sale of assets	<u>(35,000)</u>	<u>(20,893)</u>
	<u>(150,540)</u>	<u>80,126</u>
Change in prepaid expenses	(2,706)	(19,951)
Change in inventory	<u>(2,762)</u>	<u>(7,104)</u>
	<u>(5,468)</u>	<u>(27,055)</u>
(Decrease) increase in net financial assets	(156,008)	53,071
Net financial assets, beginning of year	<u>393,285</u>	<u>340,214</u>
Net financial assets, end of year	\$ <u>237,277</u>	\$ <u>393,285</u>

Town of Digby

Consolidated Statement of Cash Flow

Year Ended March 31

2011

2010

Operating activities

Annual Surplus	\$ 943,858	\$ 1,805,956
Changes in non-cash working capital		
Amortization of operating assets	445,805	420,067
Amortization of water assets	175,946	186,336
Increase in prepaid expense	(2,706)	(19,951)
Increase in inventory	(2,762)	(7,104)
Increase in receivables	(664,324)	(199,928)
(Decrease) increase in payables and accruals	(152,390)	56,932
Increase in customer deposits	960	920
Decrease in accrued pension fund liability	<u>(1,926)</u>	<u>(13,927)</u>
	<u>742,461</u>	<u>2,229,931</u>

Investing activities

Decrease (increase) of long term investment	<u>89,293</u>	<u>(43,001)</u>
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Capital activities

Acquisition of water tangible capital assets	(363,734)	(1,754,131)
Acquisition of operating tangible capital assets	<u>(1,352,415)</u>	<u>(578,102)</u>
	<u>(1,716,149)</u>	<u>(2,332,233)</u>

Financing activities

Proceeds from issuance of long term debt	67,996	420,327
Repayment of long term debt	<u>(202,194)</u>	<u>(182,321)</u>
	<u>(134,198)</u>	<u>238,006</u>

Change in net cash	(1,018,593)	92,703
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Opening, net cash	<u>231,966</u>	<u>139,263</u>
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Closing, net cash	\$ <u>(786,627)</u>	\$ <u>231,966</u>
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Cash and cash equivalents is comprised of:

Cash and cash equivalents	\$ (788,838)	\$ 129,755
Treasury account	<u>2,211</u>	<u>102,211</u>
	\$ <u>(786,627)</u>	\$ <u>231,966</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	Budget	Actual	Actual
	(Unaudited)		
Taxes			
Assessable property			
Residential	\$ 1,420,385	\$ 1,420,122	\$ 1,381,734
Commercial property	871,340	868,344	834,711
Resource	11,604	11,604	11,670
Special assessments			
Environmental health services	477,335	468,022	443,161
Business property			
Business occupancy	45,291	45,235	85,946
Based on revenue (Aliant)	32,028	32,029	31,564
NS Power Inc. (HST rebate)	17,329	17,330	18,847
Other taxes			
Deed transfer tax	44,000	53,020	36,361
Less: appropriation to regional school board	<u>(325,447)</u>	<u>(325,447)</u>	<u>(336,804)</u>
	\$ 2,593,865	\$ 2,590,259	\$ 2,507,190
Grants in lieu of taxes			
Federal government	\$ 34,201	\$ 33,283	\$ 32,972
Federal government agencies			
Canada Post	17,707	15,078	16,326
Provincial government	<u>341,519</u>	<u>348,060</u>	<u>337,051</u>
	\$ 393,427	\$ 396,421	\$ 386,349
Services provided to other governments			
Other local government			
Environmental health services	<u>\$ 202,953</u>	<u>\$ 175,486</u>	<u>\$ 225,308</u>
Sales of services			
Other services	<u>\$ 3,545</u>	<u>\$ 3,230</u>	<u>\$ 2,250</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Actual</u>
Other revenue from own sources			
Licenses and permits	\$ 2,665	\$ 2,365	\$ 1,980
Fines	10,600	8,851	10,075
Rentals	27,200	11,013	27,541
Return on investment	4,932	2,126	1,052
Penalties and interest on taxes	70,000	79,978	69,122
Miscellaneous	<u>600</u>	<u>9,822</u>	<u>422</u>
	<u>\$ 115,597</u>	<u>\$ 114,155</u>	<u>\$ 110,192</u>
Unconditional transfers from other governments			
Provincial government			
Department of transportation			
Gasoline tax rebate	\$ 7,452	\$ 7,653	\$ 7,629
Department of municipal affairs			
Foundation grant	50,000	50,000	50,000
Equalization grants	<u>285,407</u>	<u>285,407</u>	<u>266,760</u>
	<u>\$ 342,859</u>	<u>\$ 343,060</u>	<u>\$ 324,389</u>
Conditional transfers from federal or provincial governments or agencies			
Protective services	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Conditional transfers from other local governments			
Other			
Industrial park and tourist bureau	<u>\$ 10,545</u>	<u>\$ 10,545</u>	<u>\$ 11,030</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	Budget	Actual	Actual
	(Unaudited)		
General government services			
Legislative			
Mayor			
Remuneration	\$ 20,750	\$ 20,236	\$ 21,158
Council			
Remuneration	85,000	84,920	87,469
Expenses	20,700	6,559	12,434
General administrative			
Administrative	279,447	295,468	242,465
Financial management	26,159	28,660	32,941
Taxation			
Reduced taxation - Exemptions	21,194	25,266	17,673
Seasonal commercial accounts	8,887	8,887	6,501
Other general administrative services	56,754	43,985	42,091
Other general government services			
Conventions and delegations	17,350	21,606	12,351
Insurance	13,194	13,194	13,442
Grants to organizations and individuals	35,700	34,675	30,775
Election	3,000	3,000	3,000
Bank charges	15,000	17,081	15,208
Conditional transfers to other governments			
Assessment services	29,578	29,578	30,220
Amortization	-	12,770	12,770
	<u>\$ 632,713</u>	<u>\$ 645,885</u>	<u>\$ 580,498</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Actual</u>
Protective services			
Police protection			
Administration	\$ 38,068	\$ 37,573	\$ 37,222
Crime, investigation prevention and protection services	514,886	486,120	512,132
Special constable	32,553	32,375	31,891
Department of Justice	127,216	127,597	125,705
Correctional services	29,359	29,359	37,123
Other	11,490	11,334	10,736
Law enforcement			
Prosecuting attorney	2,400	2,400	3,600
Other	9,813	10,719	9,225
Fire protection			
Fire fighting force	21,650	21,650	21,650
Water supply and hydrants	159,012	131,555	160,318
Training	8,000	9,260	-
Fire station and building	24,830	27,875	23,286
Fire investigations and prevention	1,000	156	-
Fire fighting equipment	32,000	31,688	24,855
Fire protection			
Insurance	10,834	10,833	9,416
Capital funding	-	35,000	-
Other	3,750	4,125	3,866
Emergency measures	9,680	6,901	6,062
Other			
Animal and pest control	5,285	5,303	3,694
Senior safety program	10,000	10,000	10,000
Surveillance camera	1,700	662	1,477
Protective inspection	20,000	20,000	20,000
Amortization	-	93,150	52,857
Interest on debt	2,415	2,415	2,778
	<u>\$ 1,075,941</u>	<u>\$ 1,148,050</u>	<u>\$ 1,107,893</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Actual</u>
Transportation services			
Common services			
Administration	\$ 27,114	\$ 26,946	\$ 27,040
Wages and benefits	342,221	325,570	337,469
General equipment	87,197	87,001	88,927
Small tools and equipment	3,500	3,259	4,435
Workshops, yards and other buildings	23,650	22,200	23,849
Road transport			
Roads and streets	106,433	95,758	96,776
Street lighting	48,000	49,917	47,631
Traffic services	2,000	3,876	1,895
Other road transport	111,906	99,085	112,059
Amortization	-	155,571	162,741
Interest on debt	<u>34,465</u>	<u>34,465</u>	<u>38,717</u>
	<u>\$ 786,486</u>	<u>\$ 903,648</u>	<u>\$ 941,539</u>
Environmental health services			
Sewage collection and disposal			
Sewage collection systems	\$ 11,750	\$ 8,127	\$ 8,825
Sewage lift stations	35,000	28,603	39,277
Sewage treatment and disposal	346,799	324,247	319,067
Garbage and waste collection and disposal			
Garbage and waste collection	225,264	213,032	220,404
Amortization	-	105,863	113,246
Interest on debt	<u>11,164</u>	<u>11,164</u>	<u>10,876</u>
	<u>\$ 629,977</u>	<u>\$ 691,036</u>	<u>\$ 711,695</u>
Public health services			
Deficit of Digby Housing Authority	\$ 29,350	\$ 29,925	\$ 57,486
Doctor recruitment	<u>27,500</u>	<u>27,500</u>	<u>12,500</u>
	<u>\$ 56,850</u>	<u>\$ 57,425</u>	<u>\$ 69,986</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	Budget (Unaudited)	Actual	Actual
Environmental development services			
Community development	\$ 31,800	\$ 23,278	\$ 20,020
Tourism	64,542	57,391	53,009
Joint industrial commission	15,000	15,000	15,000
Regional Development Authority	14,510	13,942	13,912
Amortization	<u>-</u>	<u>1,115</u>	<u>1,115</u>
	\$ 125,852	\$ 110,726	\$ 103,056
Recreational and cultural services			
Administration	\$ 218,635	\$ 219,734	\$ 200,641
Community centres and halls	13,000	17,144	14,893
Library	16,000	5,792	32,446
Regional library	12,645	12,645	11,947
Amortization	-	77,337	77,337
Interest on debt	<u>343</u>	<u>343</u>	<u>1,630</u>
	\$ 260,623	\$ 332,995	\$ 338,894
Source of supply			
Power and pumping	\$ 63,000	\$ 58,050	\$ 63,126
Repairs and maintenance	<u>22,800</u>	<u>17,253</u>	<u>12,165</u>
	\$ 85,800	\$ 75,303	\$ 75,291
Water treatment			
Chlorine	\$ 3,200	\$ (1,901)	\$ 3,582
Repairs and maintenance and other	<u>2,300</u>	<u>2,842</u>	<u>781</u>
	\$ 5,500	\$ 941	\$ 4,363
Transmission and distribution			
Maintenance of mains	\$ 33,354	\$ 33,241	\$ 37,950
Wages and allowance	63,136	66,554	63,311
Workers' compensation insurance	1,051	998	1,389
Operating supplies	9,175	8,252	10,666
Maintenance of meters and hydrants			
Wages	19,113	33,859	16,361
Repairs	3,275	2,478	2,853
Interest on debt	<u>8,043</u>	<u>8,043</u>	<u>4,084</u>
	\$ 137,147	\$ 153,425	\$ 136,614

See accompanying notes to the consolidated financial statements.

Town of Digby

Schedules to Consolidated Statement of Operations

Year Ended March 31

2011

2010

	Budget (Unaudited)	Actual	Actual
Administration and general			
Audit and legal	\$ 6,893	\$ 5,665	\$ 3,050
Bad debt expense	1,800	1,111	8,900
Vehicle expense	3,700	2,881	3,664
Insurance	10,946	10,946	10,267
Miscellaneous	10,800	14,655	15,197
Meter reading and collection	26,384	27,012	27,110
Office supplies	<u>7,000</u>	<u>7,131</u>	<u>6,738</u>
	\$ <u>67,523</u>	\$ <u>69,401</u>	\$ <u>74,926</u>

See accompanying notes to the consolidated financial statements.

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

1. Significant accounting policies

The consolidated financial statements of the Town of Digby are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town 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 Town and which are owned or controlled by the Town.

Interdepartmental and organizational transactions and balances are eliminated.

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) General and Water Operating Funds – Costs of providing services to the residents of the Town are budgeted based on the revenue generated from property tax assessments and water and sewer revenues.
- (b) General and Water Capital Funds – 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 Town for specific projects and are approved by council.

Valuation allowance

Uncollected taxes and rates

The Town 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 100% of business occupancy.

In the Water Utility, a valuation allowance is provided for estimated losses that will be incurred in collecting rates receivable outstanding.

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

1. Significant accounting policies (continued)

Use of estimates

In preparing the Town's financial statements, management is required 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 reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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.

Financial instruments

The Town's financial instruments consist of cash and cash equivalents, receivables, restricted funds and payables and accruals. Unless otherwise noted, it is the Council's opinion that the Town is not exposed to significant currency or credit risk arising from financial instruments. The fair market value of these financial instruments approximates their carrying values.

Revenue

Revenue from property taxes, water and sewer is recognized when invoiced. Grant revenue is recognized when the amount receivable is known. All other revenue is recorded when received.

Tangible capital assets

Effective April 1, 2009, The Town adopted the provisions of PSAB section 3150 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
Land improvements	25 years
Municipal buildings	40 years
Buildings and plants	25 years
Electronic data equipment	5 years
Small equipment	5 years
Machinery and equipment	10 years
Vehicles	5 years
Streets, roads and curbs	30 years
Traffic and street lights	25 years
Sidewalks	25 years
Sanitary sewer lines	50 years
Storm drains	25 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.

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

2. Receivables		<u>2011</u>	<u>2010</u>	
Taxes receivable	Current Year	Prior Years	Total	Total
Balance, beginning of year	-	\$ 429,754	\$ 429,754	\$ 387,651
Current year's levy	\$ <u>2,385,136</u>	-	<u>2,385,136</u>	<u>2,353,890</u>
	2,385,136	429,754	2,814,890	2,741,541
Add				
Interest	<u>126,141</u>	-	<u>126,141</u>	<u>102,105</u>
	2,511,277	429,754	2,941,031	2,843,646
Deduct				
Current year's collection	<u>2,205,190</u>	<u>238,218</u>	<u>2,443,408</u>	<u>2,413,891</u>
Balance, end of year	\$ <u>306,087</u>	\$ <u>191,536</u>	497,623	429,755
Harmonized sales tax			96,834	62,598
Provincial government and its agencies Conditional transfers			8,653	81,844
The Municipality of the District of Digby			161,889	-
Building Canada Fund			429,470	-
Gas tax funding			91,662	-
Other			48,997	-
Municipal Rural Infrastructure Fund			-	345,628
Water operating				
Water rates (net of allowance of \$28,510, 2009- \$27,551)			146,396	111,278
Municipal Rural Infrastructure Fund			38,203	-
Building Canada Fund			201,472	19,234
Other			<u>-</u>	<u>12,405</u>
			1,721,199	1,062,742
Asset valuation allowance for uncollectible taxes			<u>(15,885)</u>	<u>(21,752)</u>
			\$ <u>1,705,314</u>	\$ <u>1,040,990</u>

3. Long term investments

Long term investments consist of \$575,478 in General Reserve Funds and \$642,985 in Water Reserve Funds for a total of \$1,218,463. The investments are valued at cost which approximates market value and are intended to be held for the long term. Use of any of the funds is subject to approval by Council.

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

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.

5. Long term debt

	Due	Balance, March 31, 2010	Redeemed	Issued	Balance, March 31, 2011	Interest	Interest Rate
Common services M.F.C. Serial debenture	2010	\$ 17,000	\$ 17,000	\$ -	\$ -	\$ 584	6.88%
Common services M.F.C. Serial debenture	2020	-	-	67,996	67,996	724	3.87%
Common services M.F.C. Serial debenture	2012	25,600	12,800	-	12,800	1,200	6.25%
Common services M.F.C. Serial debenture	2018	130,272	16,404	-	113,868	6,277	4.58%
Common services M.F.C. Serial debenture	2019	144,000	16,000	-	128,000	6,098	4.4%
Common services M.F.C. Serial debenture	2019	112,500	12,500	-	100,000	4,764	4.4%
Common services M.F.C. Serial debenture	2016	63,000	10,500	-	52,500	2,470	3.66%
Common services M.F.C. Serial debenture	2012	40,200	13,400	-	26,800	2,211	5.13%
Common services M.F.C. Serial debenture	2017	97,582	13,941	-	83,641	4,261	4.41%
Common services M.F.C. Serial debenture	2020	170,327	17,033	-	153,294	5,479	1%
Common services M.F.C. Serial debenture	2017	<u>333,309</u>	<u>47,616</u>	-	<u>285,693</u>	<u>14,125</u>	4.11%
		1,133,790	177,194	67,996	1,024,592	48,193	
Water Commission Wells and meters M.F.C.	2020	<u>250,000</u>	<u>25,000</u>	-	<u>225,000</u>	<u>8,043</u>	1%
		<u>\$ 1,383,790</u>	<u>\$ 202,194</u>	<u>\$ 67,996</u>	<u>\$ 1,249,592</u>	<u>\$ 56,236</u>	

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

5. Long term debt (continued)

The Town has an operating line of credit to be used for the Digby Water Commission, with a limit of \$650,000 and an interest rate of prime less 0.25% payable monthly. The Town has a revolving term loan to be used for temporary financing for the waste water facility upgrade project with a limit of \$2,000,000 to be repaid on or before January 20, 2012 with an interest rate of prime less 0.25%.

Principal repayments during next five years are due as follows:

2012	\$191,874
2013	\$179,074
2014	\$165,674
2015	\$165,674
2016	\$165,674

6. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2011 Total</u>	<u>2010 Total</u>
Land	\$ 352,558	\$ -	\$ 352,558	\$ 352,558
Land Improvements	1,729,227	864,339	864,888	933,017
Municipal Buildings	977,503	420,328	557,175	539,583
Buildings – Plants	2,553,251	1,784,080	769,171	789,575
Electronic Data Equipment	49,485	37,683	11,802	18,661
Small Equipment	35,053	16,964	18,089	1,721
Machinery and Equipment	2,221,716	1,361,162	860,554	914,172
Vehicles	149,723	104,855	44,868	43,370
Streets, Roads and Curbs	1,889,254	1,032,653	856,601	887,647
Traffic and Street Lights	111,492	71,821	39,671	44,131
Sidewalks	892,962	479,264	413,698	444,905
Sewer Lines	1,778,886	703,679	1,075,207	1,110,785
Storm Drains	594,285	239,264	355,021	356,582
Work in process	<u>1,154,664</u>	<u>-</u>	<u>1,154,664</u>	<u>30,658</u>
	<u>\$ 14,490,059</u>	<u>\$ 7,116,092</u>	<u>\$ 7,373,967</u>	<u>\$ 6,467,356</u>

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

6. Tangible capital assets (continued)	<u>2011</u>	<u>2010</u>
Water Capital		
Land and land rights		
Source of supply	\$ 44,051	\$ 44,051
Reservoir	449,809	449,809
Structures and improvements		
Source of supply intake	1,044,167	1,044,167
Power and pumping	23,154	23,154
Purification	33,141	33,141
Distribution reservoirs and standpipes	2,229	2,229
Chlorine plant	411,995	371,942
Electric pumping equipment	117,745	111,739
Purification equipment	22,235	22,235
Transmission mains	1,246,714	964,319
Distribution mains	3,106,122	3,106,122
Services	122,883	110,846
Meters	277,169	269,541
Hydrants	57,646	57,646
Computer equipment	71,685	71,685
Water testing equipment	80,534	80,534
SCADA upgrades	151,308	151,308
Other	98,112	89,222
Working capital	127,000	127,000
Vehicle	<u>24,372</u>	<u>24,372</u>
	7,512,071	7,155,062
Accumulated depreciation water capital	<u>(2,419,243)</u>	<u>(2,250,021)</u>
	\$ <u>5,092,828</u>	\$ <u>4,905,041</u>

7. Waste Water Treatment Plant Upgrade

In 2009/10 the Town of Digby began a large waste water treatment system upgrade with an estimated total cost over multiple years of \$3,500,000. The Town has entered into an agreement to obtain 2/3rds funding from the Building Canada Fund. The upgrade consists of three phases: 1) installation of a force main from the existing Town mechanical sewage treatment plant to an existing lagoon sewage treatment plant in the District of Digby; 2) Construction of an additional cell at the lagoon sewage treatment plant; and 3) conversion of the current mechanical treatment plant into a pumping station. At March 31, 2011, phase 1 was complete, phase 2 was underway and a total of \$1,140,973 had been spent. The project is expected to be completed in 2013.

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

8. Commitments

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

The Town of Digby is required to contribute to the operations of various boards and commissions, along with other municipal units.

Digby Housing Authority - 12.5% interest

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

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

The Town of Digby's net share of the 2011 operating deficit of the Digby Housing Authority which has been included in current expenditures was \$29,925 (2010 - \$57,486).

Joint Industrial Commission - 50% interest

During the year ended March 31, 2011, the Town of Digby paid \$15,000 (2010 - \$15,000) as its share of operations for the Joint Industrial Commission.

Joint Expenditure Board - 14.1% interest

During the year ended March 31, 2011, the Town of Digby contributed nil (2010 - nil) as its share of operations for the Joint Expenditure Board.

Digby and Area Recreation Facility - 50% interest

During the year ended March 31, 2011, the Town of Digby contributed \$209,760 (2010 - \$190,953) as its share of operations for the Digby and Area Recreation Facility.

Annapolis Digby Economic Development Agency – 8.63% interest

During the year ended March 31, 2011, the Town of Digby contributed \$13,942 (2010 - \$13,913) to the Annapolis Digby Economic Development Agency.

9. Rate of return on rate base

For the year ended March 31, 2011, the Water Utility had a rate of return on rate base of (0.44%) {2010 – (1.81%)}

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

10. Pension plans

The Town 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 Town. The pension expense for the year was \$38,082 (2010 - \$34,186).

The Town has a defined benefit plan whereby a former employee receives a monthly pension. Actuarial valuations for accounting purposes are performed triennially using the going concern basis. The most recent actuarial valuation was prepared at January 1, 2009 and at that time the pension plan had a deficit of \$37,000. The actuarial valuation was based on a number of assumptions about future events. The Town's actuary performed an extrapolation of the January 1, 2009 valuation to determine the position of the plan as at March 31, 2011. The deficit is estimated to be \$38,000.

11. Contingencies

The Town has guaranteed loans owned by the Digby Town and Municipal Housing Corporation (Tideview Terrace). The balance of the debt outstanding at March 31, 2011 was \$251,905. On May 31, 2011 Tideview Terrace repaid the full amount of the loan.

The Town has guaranteed a loan for the Digby and Area Recreation Commission in the amount of \$105,000. No amount has been required for this guarantee in the past.

12. Other matters

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

	<u>2011</u>
<u>Council</u>	<u>Remuneration</u>
Bartlett, M.	\$ 15,000
Brittain, J.	14,000
Cleveland, B.	20,000
Harvieux, D.	14,000
Manzer, B.	14,000
Matsusaki, R.	13,920
Turnbull, R.	14,000
 <u>Senior Management</u>	
CAO	\$ 68,476

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

13. Comparative figures

Certain 2010 comparative figures have been restated to conform to the financial statement presentation adopted for 2011.

14. Segmented Information

The Town of Digby is a diversified municipal unit that provides a wide range of services to its citizens. For management reporting purposes the Town'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, water and sewer 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 fire protection.

Transport Services

This department is responsible for transportation services within the Town. Its tasks include maintaining roads and sidewalks, and street lighting.

Environmental Development Services

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

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.

Recreation and Cultural Services

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

Town of Digby

Notes to the Consolidated Financial Statements

March 31, 2011

14. Segmented Information (continued)

	<u>Government Services</u>	<u>General Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Health Services</u>	<u>Public Health Services</u>	<u>Environmental Development Services</u>	<u>Recreation and Cultural Services</u>
Salaries and benefits	\$ 398,698	\$ 32,375	\$ 325,570	\$ 139,401	\$ -	\$ 32,622	\$ -
Goods and services	98,406	838,641	338,896	434,608	57,425	76,989	255,315
Amortization	12,770	93,150	155,571	105,863	-	1,115	77,337
Interest	-	2,415	34,465	11,164	-	-	343
Other	<u>134,085</u>	<u>181,469</u>	<u>49,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 643,959</u>	<u>\$ 1,148,050</u>	<u>\$ 903,648</u>	<u>\$ 691,036</u>	<u>\$ 57,425</u>	<u>\$ 110,726</u>	<u>\$ 332,995</u>

	<u>Source of Supply</u>	<u>Water Treatment</u>	<u>Transmission and Distribution</u>	<u>Admin & General</u>	<u>2011 Consolidated</u>	<u>2010 Consolidated</u>
Salaries and benefits	\$ -	\$ -	\$ 101,411	\$ 27,012	\$ 1,057,089	\$ 989,800
Goods and services	75,303	941	43,971	-	2,220,495	2,309,652
Amortization	-	-	175,946	-	621,752	606,392
Interest	-	-	8,043	-	56,430	58,085
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,389</u>	<u>407,089</u>	<u>353,855</u>
	<u>\$ 75,303</u>	<u>\$ 941</u>	<u>\$ 329,371</u>	<u>\$ 69,401</u>	<u>\$ 4,362,855</u>	<u>\$ 4,317,784</u>

Town of Digby

General Operating Fund

Statement of Operations
Year Ended March 31

	2011	2010
	<u>Actual</u>	<u>Actual</u>
Revenue		
Taxes	\$ 2,630,089	\$ 2,547,020
Grants in lieu of taxes	396,421	386,349
Services provided to other governments	175,486	225,308
Sales of services	3,230	2,250
Other revenue from own sources	233,077	227,143
Unconditional transfers from other governments	343,060	324,389
Conditional transfers from Federal or Provincial governments	60,087	61,367
Conditional transfers from other local governments	<u>10,545</u>	<u>11,030</u>
	<u>3,851,995</u>	<u>3,784,856</u>
Expenditures		
General government services	647,883	583,090
Protective services	1,151,009	1,110,569
Transportation services	921,543	959,322
Environmental health services	696,267	715,720
Public health services	57,425	69,986
Environmental development services	110,726	103,056
Recreational and cultural services	334,946	342,632
Pension adjustment	<u>(1,926)</u>	<u>(13,297)</u>
	3,917,873	3,871,078
Net expenditures	<u>(65,878)</u>	<u>(86,222)</u>
Transfer from general capital fund	35,000	-
Transfer of depreciation expense	445,805	420,067
Debt principal repayments	(302,321)	(279,428)
Transfer to snow removal reserve	(10,448)	(15,000)
Adjustment for the transfer of 2009 depreciation expense to the general capital fund balance	<u>-</u>	<u>411,592</u>
Change in fund balance	102,158	451,009
Opening fund balance	<u>541,684</u>	<u>90,675</u>
Closing fund balance	\$ <u>643,842</u>	\$ <u>541,684</u>

Town of Digby

General Operating Fund

Balance Sheet

March 31

2011

2010

Assets

Current

Cash and cash equivalents	\$ -	\$ 603,963
Receivables		
Taxes	497,622	429,754
Harmonized sales tax	104,776	25,863
Provincial government	7,653	8,194
Build Canada Fund	429,470	-
Gas Tax Funding	91,662	-
Other	33,846	9,624
The Municipality of the District of Digby	161,889	-
Own funds and agencies	331,212	116,490
Prepaid expenses	23,486	16,701
Inventory	9,866	7,104
	<u>\$ 1,691,482</u>	<u>\$ 1,217,693</u>

Liabilities

Bank indebtedness	\$ 382,237	\$ -
Payables		
Trade accounts	594,142	596,955
Deferred revenue	5,515	5,515
Asset valuation allowances		
For uncollectible taxes	15,885	21,752
Tax sale surplus	11,861	11,861
Unfunded pension liability	38,000	39,926
	<u>1,047,640</u>	<u>676,009</u>

Fund balance

	<u>643,842</u>	<u>541,684</u>
	<u>\$ 1,691,482</u>	<u>\$ 1,217,693</u>

Town of Digby General Capital Fund

Statement of Operations
Year ended March 31

	2011	2010
Revenue		
Federal gas tax	\$ 132,890	\$ 11,399
Building Canada Fund	611,630	11,311
ACOA	28,447	-
Donation of fire truck	-	411,685
Other	13,895	4,581
Gain on disposal of assets	<u>35,000</u>	<u>20,893</u>
	<u>821,862</u>	<u>459,869</u>
Expenditures		
Transfer to general operating	<u>35,000</u>	-
Net revenue	<u>786,862</u>	<u>459,869</u>
Issue of debt	<u>97,986</u>	<u>451,737</u>
Change in fund balance	884,848	911,606
Opening fund balance	<u>1,117,018</u>	<u>205,412</u>
Ending fund balance	<u>\$ 2,001,866</u>	<u>\$ 1,117,018</u>

Town of Digby
General Capital Fund

Balance Sheet

March 31

2011

2010

Assets

Tangible Capital Assets (Note 6)

\$ 7,373,967

\$ 6,467,365

Liabilities

Due to other funds

\$ 565,546

\$ 113,070

Term debt

1,603,772

1,808,108

2,169,318

1,921,178

Fund balance

5,204,649

4,546,187

\$ 7,373,967

\$ 6,467,365

Town of Digby

Water Utility Operating Fund

Statement of Operations

Year Ended March 31

	2011	2010
	<u>Actual</u>	<u>Actual</u>
Operating revenue		
Water rates	\$ 397,748	\$ 333,152
Public fire protection	161,565	165,967
Interest	12,312	10,911
Transfer from depreciation reserve	25,000	-
Other	<u>14,920</u>	<u>14,148</u>
	<u>611,545</u>	<u>524,178</u>
Operating expenditure		
Source of supply	75,303	75,291
Water treatment	941	4,363
Transmission and distribution	153,425	136,614
Administration and general	163,255	166,667
Amortization	175,946	186,326
Taxes	<u>39,833</u>	<u>39,830</u>
	<u>608,703</u>	<u>609,091</u>
Net revenue (expenditures)	<u>2,842</u>	<u>(84,913)</u>
Principal payments of long term debt	(25,000)	-
Transfer to water capital fund	<u>-</u>	<u>(3,921)</u>
Change in fund balance	(22,158)	(88,834)
Opening fund balance	<u>(2,065)</u>	<u>86,769</u>
Closing fund balance	\$ <u>(24,223)</u>	\$ <u>(2,065)</u>

Town of Digby Water Utility Operating Fund

Balance Sheet

March 31

2011

2010

Assets

Receivables		
Rates	\$ 146,396	111,278
Other	8,209	113,166
Municipal Rural Infrastructure Fund	38,203	345,628
Building Canada Fund	201,472	19,234
Other funds	50,554	-
Prepays	7,920	11,999
Town of Digby Loan	-	32,500
	<u>\$ 452,754</u>	<u>\$ 633,805</u>

Liabilities

Bank indebtedness	\$ 404,390	\$ 371,997
Payables and accruals	58,114	144,569
Customer deposits	14,473	13,513
Due to other funds	-	105,791
	<u>476,977</u>	<u>635,870</u>
Fund balance	<u>(24,223)</u>	<u>(2,065)</u>
	<u>\$ 452,754</u>	<u>\$ 633,805</u>

Town of Digby Water Utility Capital Fund

Statement of Operations
Year Ended March 31

	2011	2010
Revenue		
Building Canada Fund	\$ 188,264	\$ 780,718
PCAP	-	(3,921)
MRIF	26,702	347,454
Transfer from		
Depreciation reserve	239,301	390,254
Water operating fund	<u>-</u>	<u>3,921</u>
	<u>454,267</u>	<u>1,518,426</u>
Issue of debt	<u>-</u>	<u>250,000</u>
Change in fund balance	454,267	1,768,426
Opening fund balance	<u>2,099,191</u>	<u>330,765</u>
Closing fund balance	<u>\$ 2,553,458</u>	<u>\$ 2,099,191</u>

Town of Digby

Water Utility Capital Fund

Balance Sheet

March 31

2011

2010

Assets

Depreciation funds		
Investments, at cost	\$ 642,986	\$ 546,907
Due from other fund	-	96,161
Utility, plant equipment (Note 6)	<u>5,092,830</u>	<u>4,905,041</u>
	<u>\$ 5,735,816</u>	<u>\$ 5,548,109</u>

Liabilities

Long term debt	\$ 225,000	\$ 250,000
Due to other fund	<u>86,149</u>	<u>-</u>
	<u>311,149</u>	<u>250,000</u>

Equity

Fund balance	4,867,740	4,655,034
Reserve funds	<u>556,927</u>	<u>643,075</u>
	<u>5,424,667</u>	<u>5,298,109</u>
	<u>\$ 5,735,816</u>	<u>\$ 5,548,109</u>

Town of Digby

Schedule of Reserve Funds

Year Ended March 31

	General					Snow Removal	Water Depreciation	2011 Total	2010 Total
	Federal Gas Tax	Operating	Power Board	Special Capital					
Revenues									
Interest	\$ 761	\$ 166	\$ -	\$ 4,071	\$ 6	\$ 2,207	\$ 7,211	\$ 3,985	
Federal gas tax funding	183,324	-	-	-	-	-	183,324	192,234	
Budget surplus	-	-	-	-	10,448	-	10,448	246,058	
Depreciation	-	-	-	-	-	175,946	175,946	186,326	
Transfers (to) from other funds	<u>(191,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(264,301)</u>	<u>(456,278)</u>	<u>(447,020)</u>	
Change in fund balance	(7,892)	166	-	4,071	10,454	(86,148)	(79,349)	181,583	
Opening fund balance	<u>170,873</u>	<u>70,225</u>	<u>750,001</u>	<u>411,686</u>	<u>15,000</u>	<u>643,075</u>	<u>2,060,860</u>	<u>1,879,277</u>	
Closing fund balance	\$ <u>162,981</u>	\$ <u>70,391</u>	\$ <u>750,001</u>	\$ <u>415,757</u>	\$ <u>25,454</u>	\$ <u>556,927</u>	\$ <u>1,981,511</u>	\$ <u>2,060,860</u>	