

AGENDA
SPECIAL AUDIT COMMITTEE

Via Tele and Video Conference

Tuesday, September 15, 2020
9:00 a.m.

Time & Page

- 1. CALL TO ORDER
- 2. APPROVAL OF MINUTES – July 2, 2019, September 17, 2019 and July 7, 2020
- 3. TREASURER’S FINANICAL STATEMENT REPORT 1-3
- 4. DRAFT AUDITED FINANCIAL STATEMENTS YEAR END MARCH 31, 2019..... 4-64
- 5. INTERNAL CONTROL LETTER..... 65-66
- 6. MANAGEMENT LETTER 67-68
- 7. FINANCIAL CONDITION INDICATORS..... 69-112
- 8. NEXT MEETING
- 9. ADJOURNMENT

Municipality of the District of Lunenburg
Treasurer's Report
For the Year Ended March 31, 2020

This report provides a summary of the audited consolidated financial statements for the year ending March 31, 2020 for the Municipality of the District of Lunenburg (the "Municipality").

The Municipality's consolidated financial statements are the responsibility of management and have been prepared in compliance with Provincial legislation, and in accordance with the Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of CPA Canada.

The consolidated financial statements have been audited by Belliveau Veinot, who have expressed their opinion that these statements present fairly, in all material aspects, the financial position of the Municipality as at March 31, 2020.

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.

There are four required PSAB financial statements: Statement of Financial Position; Statement of Operations; Statement of Cash Flow and, Statement of Changes in Net Financial Assets.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is a balance sheet summarizing the financial assets and liabilities of the Municipality. The statement highlights the net financial asset (or net debt if negative) which is the difference between the financial assets and liabilities, the investment in capital assets and the accumulated surplus.

The Municipality was able to invest in assets by leveraging funding from other levels of government and using its own reserves with no capital borrowing. This results in a net financial asset on this statement which increases the accumulated surplus.

The following table shows the breakdown of accumulated surplus by fund and consolidated entities:

Operating fund	\$	0
Capital fund		27,908,880
Reserve fund		25,855,722
Municipal Joint Services Board		3,528,630
Lunenburg County Multipurpose Corporation		15,023,022
		<u>\$ 72,316,255</u>

Consolidated Statement of Operations

The Consolidated Statement of Operations provides a summary of the revenues, expenditures and surplus for the fiscal year. The statement consists of the funds for general operations, capital and the Municipality's share of the Lunenburg County Lifestyle Centre.

The Consolidated Statement of Operations shows an annual surplus for fiscal 2020 of \$6,987,726 with a budgeted surplus of \$5,281,210. The variance of \$1,488,228 consists of the following:

Description of Variance	Variance Amount	Budget	Actual
Revenue			
Assessable property taxes	\$ 351,717	\$ 20,649,800	\$ 21,001,517
Grants in lieu of taxes	2,695	203,700	206,395
Services provided to other governments	(4,474)	53,500	49,026
Licenses, permits, fines, rentals & recoveries	3,634	317,200	320,834
Interest, administration & tax sale fees	93,149	1,005,700	1,098,849
Tax sale surplus & other Finance	7,332	78,000	85,332
Economic Development grants & VIC	7,624	48,800	56,424
Sale of Services & other revenue	754,958	710,123	1,465,081
Open Space & user connection fees	12,744	50,000	62,744
Recreation fees	29,328	66,100	95,428
Sale of Capital Assets/Donated Assets	6,150	-	6,150
Gas Tax revenue & Federal & Provincial Grants	(553,873)	4,546,046	3,992,173
LaHave Straight Pipe Resident and LCCF Recoveries	780,632	110,543	891,175
LCLC consolidated revenue	(3,388)	516,198	512,810
Net Revenue Variance (increased revenue)	1,488,228	28,355,710	29,843,938
Expenditures			
Council & Other Legislative Services	(19,123)	450,200	431,077
Council Approved Contingency	(49,710)	80,000	30,290
Valuation Allowance	(97,266)	100,500	3,234
Grants to Organizations	(135,612)	476,100	340,488
Other Administrative Services	(618,632)	3,862,300	3,243,668
Protective Services	(40,968)	7,668,100	7,627,132
Roads & Streets	1,088,461	894,800	1,983,261
Street Lighting	(511)	145,900	145,389
Other Engineering Services	(79,805)	455,600	375,795
Fuel Rebate on Garbage Collection Contract	(19,019)	-	(19,019)
Tipping Fees and other Waste Disposal	31,106	2,709,600	2,740,706
Sewage Treatment	(158,151)	673,000	514,850
Other Environmental Health Services	(2,056)	15,200	13,144
Planning, Zoning and Economic Development	(124,746)	1,214,300	1,089,554
ISP Project	(305,911)	500,000	194,089
Recreation & Cultural Services	(140,698)	1,777,900	1,637,202
Depreciation of Capital Assets	84,528	850,000	934,528
Write off of Capital Assets	-	-	-
LCLC consolidated expenditures	57,362	1,201,001	1,258,363
Transfer to LCCF Trust Fund	312,461	-	312,461
Change in Landfill Liability	-	-	-
Net Expenditure Variance (decreased expenditure)	(218,290)	23,074,501	22,856,211
Total Variance Actual to Budget	\$ 1,706,517	\$ 5,281,210	\$ 6,987,726

Consolidated Statement of Cash Flows

The Statement of Cash Flows reports the change in cash by showing how the Municipality financed its activities and met its cash requirements throughout the year. The operating annual surplus is affected by non-cash items like amortization and changes in receivables, payables and liabilities. Capital activities include the purchase and disposal of tangible capital assets. Financing activities include acquisition of and payments on long term debt. Investing activities include investments, loans and advances, and inventory held for sale.

Consolidated Statement of Changes in Financial Net Financial Assets

This statement is required under the PSAB reporting standard. It explains the change in net financial asset as a result of annual operations, transactions in tangible capital assets and changes in other non-financial assets such as prepaid expenses and inventories. The Municipality is in a strong financial position and has increased its net financial asset and thus accumulated surplus to \$6.987 million from \$5.3 million in the prior year, an increase of \$1.65 million.

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

FINANCIAL STATEMENTS

MARCH 31, 2020

DRAFT



**210 Aberdeen Road
Bridgewater NS
B4V 4W8**

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DRAFT

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2020

DRAFT



**210 Aberdeen Road
Bridgewater, NS
B4V 2W8**

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MUNICIPALITY OF THE DISTRICT OF LUNENBURG

Consolidated Financial Statements

Year ended March 31, 2020

Management’s Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Municipality of the District of Lunenburg (the “Municipality”) are the responsibility of the Municipality’s management and have been prepared in compliance with legislation, and in accordance with the Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of CPA Canada. A summary of the significant accounting policies is 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 Belliveau Veinotte Inc, independent external auditors appointed by the Municipality. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality’s consolidated financial statements.

Tom MacEwan
Chief Administrative Officer

Elana Wentzell, CPA, CMA
Director of Finance

September 17, 2020

INDEPENDENT AUDITOR'S REPORT

To the Council of the Municipality of the District of Lunenburg

Opinion

We have audited the accompanying consolidated financial statements of the Municipality of the District of Lunenburg (the "Municipality"), which comprise the consolidated statement of financial position as at March 31, 2020 and the consolidated statement of financial activities, changes in financial position and changes in net financial assets (liabilities) for the year then ended, and the related notes, which comprise 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 Lunenburg as at March 31, 2020, and the results of its operations and the changes in its financial position 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 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

Independent Auditor's Report to the Council of the Municipality of Lunenburg (cont'd)

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 relating 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.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report to the Council of the Municipality of Lunenburg (cont'd)

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.

Bridgewater, Nova Scotia
September 15, 2020

REGISTERED MUNICIPAL AUDITORS
CHARTERED PROFESSIONAL ACCOUNTANTS

DRAFT

**Municipality of the District of Lunenburg
Consolidated Statement of Financial Position
As at March 31, 2020**

A – 2

	2020 Actual	2019 Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ 29,607,826	\$ 28,177,755
Taxes receivable (net of asset valuation allowances) (note 5)	1,649,601	1,788,359
Other receivables (net of asset valuation allowances) (note 6)	1,726,253	2,112,252
Investment in Municipal Joint Service Board (note 16)	3,528,630	3,528,630
Assets held for resale (note 26)	442,695	-
	36,955,004	35,606,996
Liabilities		
Accounts payable and accrued liabilities	3,111,636	1,789,987
Long-term debt (note 9)	2,864,847	3,864,695
Other liabilities		
Payable to other governments	788,786	355,335
Employee future benefit obligations (note 13)	332,817	301,095
Other (note 7)	3,743,719	4,604,949
	10,841,805	10,916,061
Net Financial Asset	26,113,200	24,690,934
Non-Financial Assets		
Tangible Capital assets (net of accumulated amortization) (note 10)	46,042,312	40,621,782
Prepaid expenses	160,745	15,813
	46,203,056	40,637,595
Accumulated Surplus (note 24)	\$ 72,316,255	\$ 65,328,523

Contingent Liabilities (note 9 d)

Commitments (note 11)

On behalf of the Municipality of the District of Lunenburg

Mayor

Chief Administrative Officer

**Municipality of the District of Lunenburg
Consolidated Statement of Operations
For the Year Ended March 31, 2020**

A – 3

	2020		2019
	Budget	Actual	Actual
Revenue			
Assessable property taxes ¹ (note 12)	\$ 20,649,800	\$ 21,001,517	\$ 20,259,284
Grants in lieu of taxes	203,700	206,395	203,244
Services provided to other governments	53,500	49,026	40,033
Other revenue from own sources (note 12 a)	2,814,964	4,507,810	3,091,306
Unconditional transfers from other governments	87,700	87,017	86,420
Conditional transfers from other governments (note 12 a)	4,546,046	3,992,173	2,671,325
	<u>28,355,710</u>	<u>29,843,938</u>	<u>26,351,613</u>
Expenditures			
General government services	5,029,654	4,094,259	4,172,492
Protective services	7,669,535	7,629,689	7,245,049
Transportation services	1,692,865	2,681,727	1,552,609
Environmental health services	3,838,442	3,996,069	3,728,385
Environmental development services	1,798,491	1,349,266	1,124,173
Recreation and cultural services	3,045,514	3,105,200	3,197,464
	<u>23,074,501</u>	<u>22,856,211</u>	<u>21,020,172</u>
Annual Surplus	5,281,210	6,987,727	5,331,440
Accumulated Surplus, beginning of year	<u>65,328,523</u>	<u>65,328,523</u>	<u>59,997,086</u>
Accumulated Surplus, end of year (note 24)	<u>\$ 70,609,733</u>	<u>\$ 72,316,255</u>	<u>\$ 65,328,523</u>

Note 1 - Assessable property taxes are reported net of Provincial transfers: education, corrections and regional housing.

**Municipality of the District of Lunenburg
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2020**

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	2020 Actual	2019 Actual
Operating Activities		
Annual Surplus	\$ 6,987,727	\$ 5,331,440
Change in non-cash items		
Amortization	1,441,061	1,461,063
Taxes receivable (net of asset valuation allowances)	138,758	32,962
Other receivables (net of asset valuation allowances)	385,999	(1,554,052)
Change in assets held for sale	442,695	-
Payables	1,321,649	220,006
Other liabilities	(396,057)	41,991
Change in prepaid	(144,932)	191,572
	10,176,900	5,724,982
Capital Activities		
Acquisition of tangible capital assets	(7,304,286)	(3,148,112)
Disposals of tangible capital assets	-	414,024
	(7,304,286)	(2,734,088)
Financing Activities		
Change in bank loans	-	-
Principal payments on long-term debt	(999,848)	(999,848)
	(999,848)	(999,848)
Investing Activities		
Assets held for sale	(442,695)	-
Net increase (decrease) in cash and cash equivalents	1,430,069	1,991,042
Cash and Cash Equivalents		
Beginning of Year	28,177,755	26,186,710
End of Year	\$ 29,607,826	\$ 28,177,755

Municipality of the District of Lunenburg
Consolidated Statement of Changes in Financial Net Financial Assets
For the Year Ended March 31, 2020

A – 5

	2020	2019
	Actual	Actual
Annual Surplus	\$ 6,987,727	\$ 5,331,440
Acquisition of tangible capital assets	(7,304,286)	(3,148,112)
Amortization of tangible capital assets	1,441,061	1,461,063
Disposal of tangible capital assets	-	414,024
	(5,863,223)	(1,273,023)
Acquisition of assets held for sale	442,695	-
Acquisition of prepaid expenses	(144,932)	191,572
	297,763	191,572
Increase in Net Financial Assets	1,422,267	4,249,980
Net Financial Assets		
Beginning of Year	24,690,934	20,440,955
End of Year	\$ 26,113,200	\$ 24,690,934

1. Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

The consolidated financial statements of the Municipality of the District of Lunenburg (“Municipality”) have been prepared, by Management, in accordance with the CPA Canada Public Sector Accounting Standards.

(b) Consolidated Entities

These consolidated statements reflect the assets, liabilities, revenues, expenditures and changes in fund balances of all organizations and enterprises accountable for the administration of their financial affairs and resources to the Municipal Council and which are owned or controlled by the District of Lunenburg. Inter-fund and inter-corporate transactions have been eliminated.

(i) Consolidated Entities

In addition to the general Municipality of the District of Lunenburg departments and funds, the following are consolidated:

- Municipal Joint Services Board
- The Municipality’s proportionate share of Lunenburg County Multi-Purpose Centre Corporation

(ii) Non-Consolidated Entities

The following local boards, commission, and agencies are not consolidated:

- Property Valuation Services Corporation
- South Shore Regional Enterprise Network
- Western Regional Housing Authority
- South Shore Regional Library Board

(iii) Trust Funds

Trust funds and their related operations are administered by the Municipality for the benefit of external parties and are not consolidated. The remaining trust accounts are reported separately on the trust funds’ statement of continuity and statement of financial position. The trust funds administered by the Municipality are comprised of the following:

	2020	2019
	Actual	Actual
Burial funds	\$ 3,010	\$ 2,942
School lands	26,227	26,227
Lunenburg County Community Fund	498,871	186,410
	\$ 528,108	\$ 215,579

1. Summary of Significant Accounting Policies and Reporting Practices (Continued)

(c) Basis of Accounting

(i) PSAB Recommendations

These financial statements have been prepared in accordance with the standards established by the CPA Canada Public Sector Accounting Board "PSAB" which are applicable to Municipalities.

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

Funds from external parties and earnings thereon and restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period that events giving rise to the transfer occurred, providing the transfers are authorized, the Municipality has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(ii) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingencies and the reported amounts of revenue and expenditure in the consolidated financial statements and accompanying notes. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Due to inherent uncertainty in making estimates, actual results could differ from those estimates.

1. Summary of Significant Accounting Policies and Reporting Practices (Continued)

(c) Basis of Accounting (continued)

(iii) Taxation and Related Revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by Property Valuation Services Corporation ("PVSC") and adjusted for estimates of appeals and reassessments. Tax rates are established annually by Municipal Council during the budget approval process. Tax adjustments as a result of appeals and reassessments are recorded when the result of the appeal process is known. Valuation allowances are established based on estimated losses that may be incurred in collecting outstanding receivables.

The Municipality includes interest in revenue on overdue taxes it is entitled to collect.

(iv) Accounts Receivable

Accounts receivable are reported net of any allowance for doubtful accounts.

(v) Tangible Capital Assets

Capital assets are recorded at cost in the period they are acquired. Donated assets are capitalized and recorded at their estimated fair value upon acquisition. Certain capital assets for which historical cost information was not available have been recorded at current fair market value discounted by a relevant inflation factor.

Amortization is recorded in the financial statements on a straight-line basis over an asset's estimated useful life as follows:

	Years
Land improvements	25
Buildings	15-40
Electronic Equipment	5-10
Small Equipment	3-15
Machinery and Equipment	10-15
Vehicles	3-15
Roads and Streets	30
Traffic and Street Lights	30
Sidewalks	25
Sewer Systems	50
Wharves	25
Other	25-50
LaHave River Sewer Systems	7

No amortization is recorded in the year of acquisition.

1. Summary of Significant Accounting Policies and Reporting Practices (Continued)

(c) Basis of Accounting (continued)

(vi) Employee Future Benefit Obligations

The Public Sector Accounting Handbook requires accounting for and reporting obligations for employee future benefits. Based on an actuarial review, an estimate of these liabilities has been recorded with the Consolidated Statement of Financial Position.

On March 1, 2020 employees of the Municipality entered the Public Service Superannuation Plan ("PSSP"), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. The Municipality is not obligated for any unfunded liability, nor is the Municipality entitled to any surplus that may arise in the PSSP. Employer contributions are recognized as an expense in the period.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and balances with banks, bank overdrafts, and highly liquid temporary money instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

(e) Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability would be recorded net of any expected recoveries. A liability for remediation of contaminated sites would be recognized when all the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Municipality of the District of Lunenburg:
 - a. is directly responsible;
 - b. or accepts responsibility;
- (iv) and a reasonable estimate of the amount can be made.

As at March 31, 2019 the Riverport School site has been identified as a contaminated site (Note 7 b).

2. Contributions to Boards, Regional Authorities and Commissions

Together with other municipal units in Lunenburg County, the Municipality is required to finance the operations of the various Boards, Regional Authorities and Commissions based on uniform assessment.

In addition to any budgeted contributions, the municipal units share in the deficits or surpluses of these Boards based on their sharing percentages. The municipal units' share of the surplus or deficit is set up as payable to, or receivable, from the other organizations.

Contribution to Non-Consolidated Boards

The following contributions were made by the Municipality for current year's operations to non-consolidated board, agencies, and commissions:

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Western Regional Housing Authority (a)	\$ 35,000	\$ 51,535	\$ 7,953
South Shore Regional Library Board (b)	162,000	159,715	159,715
South Shore Regional Enterprise Network (c)	-	-	26,519
Property Valuation Services Corporation (3. c)	698,600	698,022	688,246
	<u>\$ 895,600</u>	<u>\$ 909,272</u>	<u>\$ 882,433</u>

(a) Contribution to Regional Housing Authority

The Municipality is required to help finance its share of the operating deficit in the Western Regional Housing Authority out of its current year's operation. The cumulative deficit financed for 2019-20 was \$51,535 (2018-19 - \$7,953).

(b) Contribution to Regional Library Board

During 2019-20, the Municipality paid \$159,715 (2018-19 - \$159,715) to the Regional Library Board as its share of operating costs.

(c) Contribution to South Shore Regional Enterprise Network

In January 2017, the Municipality entered into an inter-municipal agreement with other municipalities in South Western Nova Scotia to form a Regional Enterprise Network. In July 2018, the participating units terminated the agreement effective September 30, 2018.

3. Contribution to Provincial Government Departments and Agencies

(a) Education Contribution

The required contribution to the South Shore Regional Centre for Education is calculated using the mandatory municipal education rate (set by the Minister of Education) multiplied by the Municipality's uniform assessment. For 2019-2020 the education tax rate was \$0.3048 (2018-19 - \$0.3048) per \$100 of uniform assessment multiplied by the uniform assessment of \$2,671,786,339 (2018-19 - \$2,625,377,705) for a total amount paid of \$8,143,605 (2018-19 - \$8,002,151).

(b) Correction Contributions

The required contribution for corrections is calculated first using an amount set by the Province, to be recovered from all municipal units. Fifty percent of this recovery amount is allocated among municipal units using each unit's uniform assessment as a percentage of provincial uniform assessment. The other fifty percent is allocated using each unit's number of dwelling units as a percentage of provincial dwelling units. During 2019-20 the Municipality paid \$433,536 (2018-19 - \$435,528) to the Province for correction services.

(c) Assessment Service Contributions

The required contributions for assessment services is calculated using an amount, set by the Property Valuation Services Corporation (PVSC), to be recovered from all municipal units 2019-20 \$17.695 million (2018-19 - \$17.695 million). Fifty percent of this recovered amount is allocated among municipal units using each unit's uniform assessment as a percentage of provincial uniform assessment. The other fifty percent is allocated using each unit's number of assessment accounts as a percentage of provincial assessment accounts. During 2019-20 the Municipality paid \$698,022 (2018-19 - \$688,246) to the PVSC for assessment services.

(d) Lunenburg County Multi-Purpose Centre Corporation

On November 10, 2009, the Municipality entered into an agreement with the Town of Bridgewater to form the Lunenburg County Multi-Purpose Centre Corporation ("LCLC") to own and operate a multi-purpose facility. The Municipality has a fifty percent interest in the facility. The original capital cost was paid from reserves and replenished through a special tax rate. The remaining balance at March 31, 2016 of \$710,339 was paid in 2016-17. The overage in capital costs was also funded through municipal reserves. The remaining balance was \$1,747,478 at March 31, 2016. The LCLC has agreed to forward future capital donations to the Municipality to help replenish this additional reserve drawdown. In 2018-19, no capital donations were received and paid back to the reserve fund (2017-18: \$25,500; \$ 2016-17: \$76,000; 2015-16: \$22,500). In the current year, Council agreed to write off the \$1,645,979 remaining balance.

3. Contribution to Provincial Government Departments and Agencies (continued)

(d) Lunenburg County Multi-Purpose Centre Corporation (continued)

Included in the Municipality's consolidated financial statements are its proportionate share of the net assets in the amount of \$15,023,022 (2018-19 - \$15,529,557). The following table provides supplementary financial information for the LCLC as of March 31:

Financial Position	2020		2019
	MODL Share	TOTAL	
Financial Assets	\$ 220,191	\$ 4,060,700	\$ 4,427,584
Liabilities	218,278	4,056,874	4,386,896
Net Financial Assets (Liabilities)	1,913	3,826	40,688
Non Financial Assets	15,021,109	30,042,218	31,018,425
Net Assets (Liabilities)	\$ 15,023,022	\$ 30,046,044	\$ 31,059,113

As of March 31, 2020, MODL had the following related party transactions with the LCLC:

	2020	2019
Due to LCLC	\$ 95	\$ 393
Operating Grants paid to LCLC	420,000	408,413
Capital Grants paid to LCLC	87,500	31,587

4. Cash and Cash Equivalents	2020	2019
	<u>Actual</u>	<u>Actual</u>
Included in Cash are Restricted Amounts		
Gas Tax grant program	\$ 3,900,849	\$ 3,295,221
Lunenburg County Lifestyle Centre	52,076	162,946
Tax Sale Surplus	1,120,681	900,969
Landfill Closure	864,205	871,876
	<u>5,937,811</u>	<u>5,231,012</u>
Unrestricted Cash	<u>23,670,015</u>	<u>22,946,743</u>
	<u>\$ 29,607,826</u>	<u>\$ 28,177,755</u>
	2020	2019
	<u>Actual</u>	<u>Actual</u>
Cash Made Up Of:		
Operating Fund	\$ 16,861,684	\$ 12,643,859
Capital Fund	(2,584,799)	92,085
Reserve Fund	15,278,865	15,278,865
Lunenburg County Lifestyle Centre	52,076	162,946
	<u>\$ 29,607,826</u>	<u>\$ 28,177,755</u>

The Gas Tax grant program funds are restricted to eligible projects, as approved under the Canada-Nova Scotia Gas Tax Agreement. The landfill closure funds are restricted by provincial regulations to fund eligible landfill costs.

5. Taxes Receivable	<u>2020</u> Actual	<u>2019</u> Actual
Balance, beginning of year	\$ 1,788,359	\$ 1,821,321
Current year's tax levy	27,965,923	27,140,956
Interest on overdue taxes and rates	311,541	291,596
	<u>30,065,823</u>	<u>29,253,873</u>
Deduct		
Collections	27,473,220	26,459,136
Adjustments, write-offs & bad debt expense	3,248	91,222
Exemptions for taxes	170,240	148,891
	<u>27,646,708</u>	<u>26,699,249</u>
Sub-total	2,419,115	2,554,624
Allowance for doubtful accounts	(769,515)	(766,267)
Net taxes receivable	<u>\$ 1,649,601</u>	<u>\$ 1,788,359</u>

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6. Other Receivables

(a) Other	2020		2019
	Actual		Actual
Governments			
Government of Canada and its agencies	\$ 248,954	\$	126,398
Province of Nova Scotia and its agencies	565,998		898,972
Trust Fund	(4,610)		(204)
Municipal Joint Services Board ("MJSB")	4,743		22,587
Wileville Fire Department	-		-
Municipal Governments	84,023		86,216
	<u>899,107</u>		<u>1,133,969</u>
General Public			
LaHave River Stright Pipe Loans	243,068		653,199
Clean Energy Financing Loans	498,255		234,837
	85,873		90,310
	<u>827,195</u>		<u>978,346</u>
Allowance for Doubtful Accounts	(50)		(64)
	<u>\$ 1,726,253</u>	\$	<u>2,112,252</u>
Other Receivables Found in:			
Operating Fund	\$ 310,795	\$	406,670
Capital Fund	1,247,343		1,624,240
Reserve Fund	-		-
Trust Fund	-		-
Other	168,115		81,341
	<u>\$ 1,726,253</u>	\$	<u>2,112,252</u>

(b) Allowances for Doubtful Accounts

	2020		2019
	Actual		Actual
Due from general public	\$ 50	\$	64
	<u>\$ 50</u>	\$	<u>64</u>

7. Other Liabilities

	2020	2019
	Actual	Actual
Deferred Revenues		
Other	\$ 160,606	\$ 65,538
Lunenburg County Lifestyle Centre	98,396	67,544
	259,002	133,082
Other		
Prepaid Taxes	858,853	757,457
Tax Sale Surplus (note 8)	1,120,681	900,969
Riverport School environmental liability (note 7b)	595,223	595,223
Pension liability	-	1,343,293
Landfill closure liability (note 7a)	408,830	408,830
Lunenburg County Community Fund (note 7c)	501,129	466,094
	\$ 3,743,719	\$ 4,604,949

(a) Landfill Site Closure

As of April 1, 2013, the Municipality transferred all of the assets and liabilities of the Lunenburg Regional Recycling and Composting Facility (“LRRCF”) to the Municipal Joint Service Board (“MJSB”).

Municipalities are required to recognize closure costs as an expense and make an equivalent transfer into a special capital reserve fund in each period that the landfill accepts solid waste. Recognition of closure costs started on the date the landfill began accepting solid waste. The Municipality has site closure reserves which are in excess of the landfill liability. Total transfers to site closure capital reserves and interest earned on these reserve funds at March 31, 2020 was \$864,205 (2019- \$871,876). The landfill was closed to further disposal in 2005 and subsequent costs incurred relate to remediation and monitoring. The present value of the remaining landfill site closure cost is estimated to be \$408,830 (2019 – \$408,830).

The future landfill site closure costs were forecast with inflation at 2% per annum and discounted back to March 31, 2019 using a discount rate of 2.5%. A gross landfill closure liability of \$408,830 (2019 - \$408,830) has been reported in the consolidated statement of financial position of the Municipality and includes costs for the assessment of the site monitoring, treatment of leachate, monitoring of ground and surface water, monitoring and recovery of gases and maintenance of required drainage systems and other control systems.

7. (a) Landfill Site Closure (continued)

	<u>2020</u> Actual	<u>2019</u> Actual
Estimated gross landfill closure cost	\$408,830	\$ 408,830
Reserves for Site Closure	864,205	871,876

(b) Contaminated Site – Riverport School

Petroleum hydrocarbon contamination was discovered during an Environmental Site Assessment of the Riverport School property. MODL notified the Provincial Department of Environment as per provincial legislation. The Department issued an inspection report with a schedule for compliance for site remediation. An Engineering consultant was hired to identify the costs and risks associated with the contamination. On July 16, 2016, Municipal Council approved a plan to demolish the building and remediate to Tier 2 standards for an estimated cost of \$600,100. The tear down, remediation and testing follow-up will take one year. The tear down work commenced in August 2020 with an expected completion date of October 2020. The site is currently being monitored as per the legislation.

(c) Lunenburg County Community Fund Liability

The Lunenburg County Community Fund (LCCF) has pledged to donate up to \$1,000,000 to help finance the LaHave River Straight Pipe Project. To date, the fund has donated the full \$1,000,000. In accordance with the Memorandum of Understanding between MODL and the LCCF, homeowner payments up to one million dollars are transferred to a Trust Fund in the name of the LCCF to be used on future mutually agreed upon projects. Homeowner payments of \$312,461 were received throughout the 2019-20 fiscal year, leaving a liability to the LCCF of \$501,129.

	<u>2020</u> Actual	<u>2019</u> Actual
LCCF liability, beginning of year	\$ 466,094	\$ -
LCCF amount received (\$1M over 2 year)	347,496	652,504
Homeowner payments transferred to Trust	312,461	186,410
Balance left to transfer (liability)	<u>\$ 501,129</u>	<u>\$ 466,094</u>

8. Tax Sale Surplus Account

The Municipality of the District of Lunenburg is required to hold the surplus from tax sales for a period of twenty (20) years. This surplus represents excess funds received at tax sales over and above the original amounts which were owing to the Municipality at the time a particular property was sold. The excess proceeds if not claimed, are to be transferred to the Capital Reserve fund at the end of the twenty (20) year period. There was no surplus in 2000 thus no amount was transferred to the Capital Reserve in Fiscal 2020. Provincial regulations require the tax sale surplus be included on the consolidated statements as a liability. Tax sale surplus account amounts and the respective years in which they arose are as follows:

	2020	2019
	Actual	Actual
2000	-	-
2001	11,646	11,646
2002	15,918	15,918
2003	48,157	48,157
2004	3,556	3,556
2005	13,783	13,783
2006	62,358	62,358
2007	4,247	4,247
2008	8,368	8,368
2009	86,299	86,299
2010	113,084	113,084
2011	19,061	19,061
2012	54,221	54,221
2013	59,145	59,145
2014	28,890	28,890
2015	69,981	69,981
2016	46,070	46,070
2017	112,409	112,409
2018	18,188	18,188
2019	38,955	125,588
2020	306,346	-
	<u>\$ 1,120,681</u>	<u>\$ 900,969</u>

9. Long-term Debt

(a) Balance of Long-term Debt

The balance of the long-term debt reported on the consolidated statement of financial position is made up of the following:

	Due	Balance April 1	Added (Redeemed)	Balance March 31	Interest	Blended Interest Rate
Environmental health services	June 1, 2021	\$ 360,000	\$ (120,000)	\$ 240,000	\$ 13,144	4.95%
Economic dev & environmental	June 1, 2020	1,715,000	(245,000)	1,470,000	73,706	4.70%
Economic dev & environmental	Oct. 24, 2021	1,560,000	(520,000)	1,040,000	61,374	4.50%
Various purposes	Nov 9, 2020	229,695	(114,848)	114,847	7,093	3.25%
		<u>\$ 3,864,695</u>	<u>\$ (999,848)</u>	<u>\$ 2,864,847</u>	<u>\$ 155,317</u>	

(b) Principal Payments

Principal repayments required for the next five (5) years are as follows:

2021	\$ 2,224,847
2022	\$ 640,000
2023	\$ -
2024	\$ -
2025	\$ -

- (i) The annual principal and interest payment required to service the liabilities are within the debt repayment guidelines prescribed by Nova Scotia Department of Municipal Affairs.
- (ii) The Environmental Health Services (Solid Waste Site) long-term debt is to be recovered from the general revenues of the Municipality and will continue to require funding from tax revenues in the future. The lump sum payment in 2021 will be funded utilizing operating reserves as approved by Municipal Council.

9. Long-term Debt (continued)

(c) Total Charges for Long-term Debt

Total charges for the year for long-term debt which are included in the consolidated statement of financing activities are as follows:

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Principal payments			
Environmental health services	\$ 120,000	\$ 120,000	\$ 120,000
Economic and environmental development	879,900	879,848	879,848
	999,900	999,848	999,848
Interest payments			
Environmental health services	\$ 15,200	\$ 13,144	\$ 19,136
Economic and environmental development			
Development at Exit 12	148,800	135,080	170,369
Various purposes	8,700	7,093	11,166
	172,700	155,317	200,671
	\$ 1,172,600	\$ 1,155,165	\$ 1,200,519

(d) Contingent Liabilities

The Municipality is contingently liable for long-term liabilities for which the responsibility of the payment of principal and interest has been assumed by other organizations as follows:

- *Lunenburg County Multi-Purpose Centre Corporation* – The Municipality has guaranteed the Temporary Borrowing Resolution of the “Lunenburg County Multi-Purpose Centre Corporation” in the amount of \$3,850,000. There is no balance owing on this capital debt at year end.
- *Municipal Joint Services Board* - The Municipality is responsible for their share of the liabilities of the Board:
 - The nature of solid waste management leads to potential for site contamination. Although active mitigation practices are in place, potential environmental liabilities in a final full site closure are undeterminable, however given the nature could potentially be significant.
- *Blockhouse Volunteer Fire Department* – The Municipality has provided a loan guarantee to the Blockhouse Volunteer Fire Department in the amount of \$100,000 for the purpose of constructing a new fire hall for a period not exceeding ten years. The loan guarantee has been approved by the Minister of Municipal Affairs and expires May 6, 2026. As of March 31, 2020 the loan is in good standing.
- *Martin’s River Fire Commission* – the Municipality has provided a loan guarantee to the Martin’s River Fire Commission in the amount of \$100,000 for the purpose of purchasing an emergency rescue pumper truck for a period not exceeding three years. This document was approved by the Council of the Municipality of the District of Lunenburg on November 26, 2019 and the Minister of Municipal Affairs and Housing on May 5, 2020. It expires May 5, 2023. As of March 31, 2020, Martin’s River Fire Commission had not yet secured the loan.

**Municipality of the District of Lunenburg
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2020**

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10. Tangible Capital Assets	Cost - Beg of	Additions	Cost Disposals	Cost-End of	Amort Disposals	Amort in Year	Acc Amort	Acc Amort	Net Book Value	
	Year		& Write Offs	Year	& Write Offs		Beg of Year	End of Year	2020	2019
Municipal General										
Land	\$ 5,713,576	\$ 9,430	\$ -	\$ 5,723,006	\$ -	\$ -	\$ -	\$ -	\$ 5,723,006	\$ 5,713,576
Land Improvements	1,652,616	223,723	-	1,876,338	-	52,669	381,934	434,602	1,441,736	1,270,682
Buildings	2,108,910	12,202	703,863	1,417,250	244,696	48,241	646,879	450,424	966,826	1,462,031
Buildings/Plants - WWTP	6,243,425	-	-	6,243,425	-	250,469	3,086,670	3,337,139	2,906,287	3,156,756
Electronic Equipment	462,142	-	-	462,142	-	30,067	373,991	404,058	58,084	88,151
Small Equipment	162,015	45,604	-	207,619	-	6,721	124,984	131,705	75,914	37,030
Machinery & Equipment	945,482	-	-	945,482	-	54,483	374,407	428,890	516,592	571,074
Vehicles	228,510	57,372	-	285,882	-	37,585	93,425	131,011	154,872	135,085
Wharves	378,674	-	-	378,674	-	15,147	153,270	168,417	210,257	225,404
Roads and Streets	6,125,123	1,957,359	-	8,082,482	-	201,984	2,249,146	2,451,130	5,631,353	3,875,977
Sidewalks	155,865	173,125	-	328,990	-	5,195	29,272	34,468	294,522	126,593
Sewer System	7,569,547	-	-	7,569,547	-	162,998	1,647,904	1,810,902	5,758,645	5,921,643
LaHave Straight Pipe Project	1,839,667	1,747,452	-	3,587,119	-	18,438	24,860	43,298	3,543,821	1,814,806
WIP - Municipal Services Building	-	2,933,321	-	2,933,321	-	-	-	-	2,933,321	-
Other	1,034,621	144,698	-	1,179,318	-	50,531	299,731	350,262	829,057	734,889
	34,620,173	7,304,286	703,863	41,220,595	244,696	934,528	9,486,474	10,176,306	31,044,290	25,133,698
Other units share REMO	(44,208)	-	(31,574)	(12,634)	(15,102)	-	(27,736)	(12,634)	-	(16,473)
	34,575,964	7,304,286	672,289	41,207,961	229,594	934,528	9,458,738	10,163,672	31,044,290	25,117,225
Lunenburg County Multi-Purpose Centre Corporation (50% equity)										
Land	433,583	-	-	433,583	-	-	-	-	433,583	433,583
Land Improvements	1,424,272	-	-	1,424,272	-	56,971	312,339	369,310	1,054,962	1,111,933
Building	15,864,549	-	-	15,864,549	-	398,711	2,181,892	2,580,602	13,283,947	13,682,657
Furniture and fixtures	167,852	-	-	167,852	-	16,785	86,583	103,368	64,484	81,269
Computer equipment	118,470	-	-	118,470	-	5,919	102,661	108,580	9,891	15,809
Equipment	316,874	-	-	316,874	-	28,149	140,319	168,468	148,407	176,556
Work in Progress	2,750	-	-	2,750	-	-	-	-	2,750	2,750
Total Tangible Capital Assets	18,328,348	-	-	18,328,348	-	506,534	2,823,793	3,330,326	14,998,022	15,504,556
Total Tangible Capital Assets	\$ 52,904,312	\$ 7,304,286	\$ 672,289	\$ 59,536,309	\$ 229,594	\$ 1,441,061	\$ 12,282,531	\$ 13,493,998	\$ 46,042,312	\$ 40,621,781

11. Commitments

(a) Payments

- i) The Municipality entered into a four-year contract for garbage collection with a two-year optional extension clause. The contract term is April 1, 2020 to March 31, 2024 and requires the following payments: 2020/21 - \$1,080,574; 2021/22- \$1,104,886; 2022/23 - \$1,129,746; 2023/24 - \$1,155,166 (before HST). On December 7, 2012, the Municipality, the Town of Bridgewater and Town of Mahone Bay entered into a ten-year contract to outsource the blue bag recycling and marketing of related materials of the LRRCF operation. The payments are based on tonnage of recyclable material sent FOB to the LRRCF, with built in annual base cost escalator and fuel adjustment clause.

(b) School

On January 31, 1982, the Municipality joined with the other Municipalities and towns in Lunenburg County to form the South Shore Regional School Board which was later replaced by the South Shore Regional Centre for Education (SSRCE). Under the agreement, all school buildings as of December 31, 1981, will remain assets of the Municipality, but will be under the operational control of the SSRCE until such time they are no longer required for school purposes. At that time, control will revert back to the Municipality. Since the Municipality does not have control over the schools that are used by the SSRCE, they are not included in the financial statements of the Municipality. The SSRCE turned over the following schools for which they no longer had use: Blockhouse, Centre, and Riverport. The school facilities are fully depreciated and the value of the school lands was offset by the estimated demolition costs of the school buildings. Blockhouse School was sold in Fiscal 2016. Additional Schools are expected to be declared surplus in the next several years which are anticipated to represent a significant cost to the Municipality to decommission. The Municipality continues to engage the Province in informal discussions on possible participation in the financial impact of future school closures. There is no assurance these discussions will be successful.

(c) Osprey Village

On April 19, 2010 the Municipality entered into a Memorandum of Understanding with the Town of Bridgewater, and the following remains outstanding:

- The Town of Bridgewater will make a \$1,000,000 contribution to a new water storage reservoir, with interest at 4% compounded annually, payable on or after April 15, 2015. To date, no contribution has been made.

11. Commitments (continued)

(d) Partnership Project

Effective August 28, 2018 the Municipality renewed its contract with the Canadian Air Engineering Squadron to assist, support, and facilitate the recruitment of reservists by providing a facility in Pinegrove, Lunenburg County, Nova Scotia. This contract expires March 31, 2024.

(e) School Lands Trust Payments

The Municipality receives interest income annually from funds held in trust, representing its interest in school lands. These funds are available for the purchase of books as follows:

	Park View Education Centre	New Germany Rural High	Total
Balance, beginning of year	\$ 283	\$ 283	\$ 565
Interest income earned in trust	302	302	605
Less: paid to school for books	(283)	(283)	(565)
Balance available for book purchases	\$ 302	\$ 302	\$ 605

(f) Garbage Disposal

Commencing April 1, 1991, the Municipality entered into an agreement with other Municipal Units in Lunenburg County to share in the capital cost of the site, based on the average of waste collected and uniform assessment over the last five (5) years. Each of the units has a vested interest in the site; however, no unit can receive its vested interest unless all units mutually agree to close the site to solid waste disposal. On April 1, 2012 the Town of Lunenburg (“TOL”) withdrew from the partnership. This event is not expected to have a material effect of the LRRCF operations as the TOL waste amounts to less than 8% of the total received at the facility. The remaining partners formed a Municipal Joint Service Board (“MJSB”) under Section 60 of the Municipal Government Act to operate the LRRCF beginning in Fiscal 2014. On March 31, 2013 the related assets and liabilities were transferred to the Municipal Joint Services Board.

The three remaining partner units, the Town of Bridgewater, Town of Mahone Bay and the Municipality of the District of Lunenburg continue their discussions with the Town of Lunenburg to determine their rights and obligations under the various waste management agreements as a result of the 2012 withdrawal by the Town of Lunenburg. Should the municipal units fail to reach an agreement, the three remaining partners are responsible for recovering the landfill closeout and post closeout costs from the Town of Lunenburg.

(g) Joint Emergency Measures Organization

The Municipality has an Agreement with the Town of Bridgewater, Town of Mahone Bay and the Municipality of Chester to provide for a coordinated response to emergencies. On April 1, 2015 the Town of Lunenburg was added to the Agreement with no capital contribution to the existing assets.

The capital cost of existing equipment and contents are outlined with acquisitions after the date of this Agreement to be shared equally.

The existing municipal building is actively on the market for sale. All municipal building contents including any EMO assets have been moved to inventory as assets available for sale at March 31, 2020 at the net book value as per PSAB regulations.

	Interest	2020	2019
Apportionment of capital costs			
Town of Bridgewater	53.10%	\$ -	\$ 16,473
Municipality of the District of Lunenburg	46.90%	-	14,547
	<u>100.00%</u>	<u>\$ -</u>	<u>\$ 31,020</u>

12. Assessed Property Taxation

	2020		2019
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Total taxes and rates	\$ 29,261,900	\$ 29,630,192	28,704,916
Less:			
Taxes collected on behalf of others:			
School Board levy	8,143,600	8,143,605	8,002,151
Correctional Services	433,500	433,536	435,528
Deficit of Regional Housing Authority	35,000	51,535	7,953
	<u>8,612,100</u>	<u>8,628,676</u>	<u>8,445,632</u>
Net taxes and rates	\$ 20,649,800	\$ 21,001,517	\$ 20,259,284

12 (a) Schedule of Other Revenues & Conditional Transfers

	Actual 2020	Actual 2019
Other revenue from own sources		
<i>Operating fund revenue</i>		
Licenses & permits	\$ 68,517	\$ 69,904
Police prosecution & fines	84,459	78,851
Rentals	103,150	115,300
CES/CEF Expense Recovery	64,708	67,489
Interest - bank accounts and pension	729,164	806,074
Interest on overdue taxes	312,047	297,663
Administration charges - REMO	-	6,719
Tax Sale fees	57,639	54,965
Open Space Fees	62,644	64,892
Tax Information - third parties	85,332	75,380
Tax Sale surplus	-	17,902
Pro-Kids	25,778	20,494
Economic Development grants & VIC	56,424	65,361
Sale of Services	88,664	97,380
Other Administrative revenues	1,349,670	41,472
<i>Capital fund revenue</i>		
Aerated compost carts	-	-
Sewer user connect fees	100	-
LCLC fundraising	11,750	-
Sale of Assets (golf course, used vehicle, and land)	-	-
Liability funding - Riverport School	-	-
Lun Co Community Fund	578,714	607,656
Other Contributions	316,630	85,031
Interest on receivables	5,213	(12,500)
Donated assets (land)	6,150	-
Gain on sale of assets	-	2,600
<i>LCLC consolidated revenue</i>	501,060	528,673
	<u>\$ 4,507,810</u>	<u>\$ 3,091,306</u>
Conditional transfers from other governments		
Gas Tax revenue	2,352,655	1,214,141
Federal & Provincial capital grants	1,247,344	1,195,967
Provincial operating grants	141,406	54,532
LCLC consolidated government transfers	250,768	206,685
	<u>\$ 3,992,173</u>	<u>\$ 2,671,325</u>

13. Employee Benefits

(a) Pension Agreements

Up to and including February 29, 2020, the Municipality made contributions to two Pension Plans for the employees of the Municipality. Employees hired after June 25, 2013 were members of a defined contribution pension plan where the Municipality matches the employees' contributions up to 8 % of earnings. Employer costs for 2019/20 were \$144,647 (2018/19: \$118,815).

Employees hired before June 25, 2013 were members of the defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Municipality maintained a separate non-consolidated investment trust fund for this plan.

Effective March 1, 2020, the Municipality signed a transfer agreement with the Public Service Superannuation Plan Trustee Incorporated ("PSSPTI") to transition its pension plan assets to the PSSP, a contributory multi-employer defined benefit pension plan administered by the PSSPTI, which provides pension benefits based on length of service and earnings.

Upon entering into such agreements, assets and liabilities of a Municipality pension plan are in whole, or in part, transferred to the PSSP. On or after the transfer date, retirees of the former Municipality defined benefit pension plan are deemed to be retirees within the PSSP.

The transition was accounted for as a settlement as the Municipality transferred its assets and any remaining obligation of its defined benefit pension plan to the PSSP. In accordance with the transfer agreement, the Municipality will have no further obligations or liabilities in respect of its former defined benefit pension plan and is only responsible to make contributions to the PSSP as an employer. The resulting differential on transfer is not yet available. The actuarial estimation is that there will be a \$159,000 gain on transfer. This potential pension benefit gain has not been recorded in the consolidated statement of operations.

An actuarial estimation applied the PSSP's funded ratio at December 31, 2019 of 98.5% to determine the estimated cost of transfer because the PSSP's funded ratio at the transfer date is unknown. Due to the market volatility during the period leading up to the transfer date, the actual funded ratio may differ significantly and therefore the cost of the transfer may also differ significantly from this estimate.

Based on this methodology, the Municipality's plan had assets available for transfer of \$9,755,000 and actuarial liabilities of \$9,733,000. The actual liabilities to fund based on the PSSP funded ratio of 98.5% are \$9,596,000.

13. Employee Benefits (continued)

Expenses associated with the transfer including legal and actuarial fees have been budgeted utilizing the Employee Pension Reserve and Operating surplus. These costs are expensed in the fiscal year in which they are incurred. In 2019/20, these costs totaled \$159,467. It is estimated that the remaining transfer costs will not exceed the \$776,356 balance in the Employee Pension Reserve.

The PSSP is accounted for as a defined contribution plan as the obligation to pay retirement obligations does not reside with the Municipality.

The PSSP was 98.5% funded with a funding shortfall of \$105,080,000 as at December 31, 2019 on a going concern basis. Contributions to the Plan are required by both the employer and its employees. Total MODL employer contributions for 2019-2020 were \$25,828 and are recognized as an expense in that period.

(c) Employee Future Benefit Obligations

The most recent actuarial valuation of sick leave benefits was March 31, 2016 and set at \$60,000. Management’s estimates of employee future benefit obligations represent future liabilities of the Municipality to its employees for benefits earned but not taken as at March 31, 2020 and consist of the following:

	2020	2019	
	Actual	Actual	Net Change
Accrued sick leave	\$ 64,600	\$ 60,000	\$ 4,600
Service awards	19,800	21,600	(1,800)
Vacation pay	248,417	219,495	28,922
	\$ 332,817	\$ 301,095	\$ 31,722

Sick leave is accumulated at a rate of 1 ½ days per month to a maximum of 100 days. This benefit is not paid out upon retirement. Service Awards are recognition awards for permanent full-time employees. Employees are compensated based on achieving certain years of service milestones. Awards range from \$300 to \$2,100 for 5 years to 35 years of service.

(i) Vacation

Vacation pay reflects the value of vacation earned during the year but not taken as at the year end.

13. Employee Benefits (continued)

(ii) Service Awards

Service awards reflect the value of cash awards for long service employees but not taken at year end.

The Municipality has no material unfunded post-employment benefit obligations.

(iii) Accrued Sick Leave

The Municipality's estimated sick leave entitlements for 2019-20 are \$64,600 (\$60,000 – 2018-19) based on an estimate of sick leave credit drawdown history.

In lieu of a short-term disability plan, the Municipality has a sick leave policy that allows employees to earn sick leave credits based on time worked.

The accrued sick leave is an estimate of the sick leave credits that may be used in future years, based on past experience.

14. Consolidated Expenditures by Object – Municipal Operations

The following is a summary reclassification by object of the consolidated expenditures as reported in the supplementary financial information.

	2020	2019
	Actual	Actual
Salaries, benefits & other personnel costs	\$ 4,326,718	\$ 3,851,019
Long-term interest charges	217,566	266,732
Materials, outsourced and other	8,872,990	7,717,898
Amortization	1,441,062	1,461,063
Utilities	558,073	552,178
Rents	1,024	1,693
Grants (note 16b)	558,203	515,254
Fire Area Rates	3,391,766	3,216,131
Policing and corrections	3,318,568	3,289,315
Contributions to Boards and Agencies (note 2)	-	-
Reduced taxes	170,240	148,891
Total consolidated statement of operations expenditures	\$ 22,856,210	\$ 21,020,174

15. Government Transfers

- (a) The Municipality receives grants, subsidies and contributions from provincial and federal governments for general purposes, to finance specific program expenditures and to finance capital expenditures. These 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, except when and to the extent that stipulations associated with the transfer give rise to a liability. If a liability is created, the satisfaction the transfer stipulations by the Municipality determines the timing of the recognition of the transfer as revenue.
- (b) The Municipality makes discretionary disbursements to individuals, institutions, and agencies. These payments are recorded as grants to organizations and individuals in the consolidated statement of financing activities to the extent that the payments meet the accrual basis of accounting. Amounts paid for Canada Pension Plan are not reported as government transfers. During 2020 fiscal year the Municipality issued payments as government transfers as follows:

	2020		2019
	Budget	Actual	Actual
Grants to fire departments	\$ 168,700	\$ 193,715	\$ 165,340
Grants to agencies and institutions	476,100	340,488	325,914
	\$ 644,800	\$ 534,203	\$ 491,254

16. Municipal Joint Services Board (“MJSB”)

As outlined in note 12(f), the Municipal Joint Services Board was incorporated under Section 60 of the Municipal Government Act and began operations on April 1, 2013. The MJSB operates the Lunenburg Regional Community Recycling Centre (“LRCRC”) and identifies opportunities for increased sharing of services among partner Municipalities. Information Technology management is the first shared service to be identified and implemented.

The Capital and Operating budgets of the MJSB are subject to annual approval of at least two of the three partners representing at least 51% of the interest. The Council of each partner are responsible to guarantee any capital borrowings required to implement the annual capital budget.

The costs for the LRCRC are shared by its partners based on a cost sharing formula for metric tonnage received at the facility. Tipping fees are approved by Councils as part of the Operating and Capital Budget process.

The District of Lunenburg had the following related party transactions with the MJSB:

	<u>2020</u>	<u>2019</u>
Tipping fee payments & monitoring	\$ 1,283,519	\$ 1,241,796
IT Services	185,500	179,023
HR Services	49,155	22,593
Payable for landfill closure and post closure costs	408,830	408,830

The MJSB is accounted for as a portfolio investment in MODL’s Consolidated Financial Statements as 61.95% of the MJSB April 1, 2013 total equity of \$5,695,933, which equates to MODL portfolio investment of \$3,528,630.

17. Financial Instruments

The Municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. Due to the current low levels of market interest rates, it is management's opinion that the Municipality is not currently exposed to significant interest risks arising from these financial instruments.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality is subject to interest rate risk if the interest rate were to drop below current levels; the majority of its cash balances are invested in deposits that pay interest based on current market interest rates. The Municipality does not use derivative financial instruments to alter effects of this risk.

The Municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipality provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

All financial instruments are carried at approximate fair value unless otherwise noted.

18. Remuneration of Elected Officials and Chief Administrative Officer

	Remuneration		Expense Claims		Totals	
	2020	2019	2020	2019	2020	2019
Mayor Carolyn Bolivar-Getson	\$ 58,546	\$ 50,310	\$ 11,880	\$ 13,101	\$ 70,426	\$ 63,411
Councillor/Deputy Mayor Cathy Moore	35,599	29,670	4,485	4,367	40,084	34,037
Councillor Martin Bell	29,149	31,181	3,964	5,029	33,113	36,210
Councillor Wade Carver	29,149	25,984	1,730	1,687	30,879	27,671
Councillor Michael Ernst	29,149	25,984	1,023	1,070	30,172	27,054
Councillor Claudette Garland	29,149	25,984	3,450	2,729	32,599	28,713
Councillor/Deputy Mayor Eric Hustvedt	33,195	25,984	7,747	4,785	40,942	30,769
Councillor Errol Knickle	29,149	25,984	1,053	1,106	30,202	27,090
Councillor Lee Nauss	29,149	25,984	2,193	3,043	31,342	29,027
Councillor John Veinot	29,149	25,984	811	379	29,960	26,363
Councillor Reid Whynot	29,149	25,984	5,179	5,484	34,328	31,468
	360,532	319,033	43,515	42,780	404,048	361,813
Chief Administrative Officer(s)	112,425	135,421	12,462	7,441	124,887	142,862
	\$ 472,957	\$ 454,454	\$ 55,977	\$ 50,221	\$ 528,934	\$ 504,675

18. (a) Hospitality Expenses

Hospitality expenses are incurred while hosting individuals from outside of the municipality for business purposes including receptions , ceremonies, conferences, business meetings, performances or other group events. The offering of hospitality is done in such a manner to reflect the prudent stewardship of public funds.

The Municipality spent \$0 for hospitality in 2019-20 (\$0 in 2018-19).

19. Area Rates

	2020 Actual	2019 Actual
Balance, beginning of year	\$ (289,957)	\$ (154,866)
Rates levied		
Fire protection	3,390,879	3,217,235
Street lighting	148,551	121,544
Hydrant charges	62,247	58,895
Sewer	596,433	596,817
	<u>3,908,153</u>	<u>3,839,624</u>
Services provided in current year		
Fire protection payments	3,391,766	3,216,131
Street lighting	145,389	144,678
Hydrant charges	58,171	56,705
	<u>3,595,326</u>	<u>3,417,515</u>
Sewer		
Collection and disposal systems	514,850	537,067
Transfer to restricted reserve surplus	175,000	175,000
Total sewer	<u>689,850</u>	<u>712,067</u>
	<u>4,285,176</u>	<u>4,129,581</u>
Balance, end of year	\$ (377,023)	\$ (289,957)

19. Area Rates (continued)	Balance, beginning of year	Rates levied for current year	Total	Services Provided in current year	Balance, end of year
Fire protection					
Big Tancook Island	\$ 24	\$ 10,328	\$ 10,352	\$ 10,372	\$ (20)
Blockhouse	59	143,664	143,723	143,827	(104)
Conquerall Bank	-	93,241	93,241	93,266	(25)
Cornwall	-	99,481	99,481	99,523	(42)
Dayspring and District	-	175,454	175,454	175,545	(91)
District No. 1 Fire Protection	(82)	299,086	299,004	299,162	(158)
Hebb's Cross	-	64,250	64,250	64,292	(42)
Hebbville	(20)	148,960	148,940	148,982	(42)
Hemford and District	(136)	48,920	48,784	48,804	(20)
Indian Point	-	39,632	39,632	39,637	(5)
Italy Cross	-	85,628	85,628	85,678	(50)
LaHave and District	(10)	183,585	183,575	183,467	108
Lapland and District	-	40,448	40,448	40,493	(45)
Maders Cove	-	62,924	62,924	62,946	(22)
Martins River	-	108,529	108,529	108,622	(93)
Midville and District	-	73,107	73,107	73,127	(20)
New Germany	(8)	255,130	255,122	255,164	(42)
Northfield	(36)	334,609	334,573	334,621	(48)
Oakhill	-	167,544	167,544	167,592	(48)
Oakland/Clearland	-	88,613	88,613	88,613	-
Petite Riviere & Crousetown	(20)	100,344	100,324	100,369	(45)
Pleasantville	330	93,045	93,375	93,213	162
Riverport	81	348,129	348,211	348,164	46
Tri-District ¹	-	161,585	161,585	161,680	(95)
United Communities	-	73,527	73,527	73,575	(48)
Walden	-	17,004	17,004	17,024	(20)
Wileville	2	74,112	74,115	74,008	106
	185	3,390,879	3,391,064	3,391,766	(703)
Hydrants	(127)	62,247	62,120	58,171	3,949
Sewer services	(196,878)	596,433	399,555	689,850	(290,295)
Street lighting	(93,137)	148,551	55,414	145,389	(89,975)
	\$ (289,957)	\$ 4,198,110	\$ 3,908,152	\$ 4,285,176	\$ (377,023)

Note 1 - Tri-District is the combination of Baker's Settlement, Chelsea and Newcombville Departments.

20. Operating Reserve Details

	Balance, beginning of year	Interest on Savings	Transfer (to) from Other Funds	Other	Balance end of year
Roads	\$ 199,400	\$ -	\$ 25,000	\$ -	\$ 224,400
Surveying	17,202		-		17,202
General Operations	6,692,478		3,687,493		10,379,971
Recreation	5,300		(5,300)		-
Election	74,000		39,000		113,000
Open Space Strategic Plan	163,816		58,666		222,482
Employee Contingency	876,356		(100,000)		776,356
Depreciation Reserve	7,260,418		(807,627)		6,452,791
Recreation Complex Capital	(1,645,979)		1,645,979		-
PACE - Clean Energy Financing	(91,030)		3,629		(87,401)
Restricted To Area Rates (Sewer)	1,574,092		175,000		1,749,092
Transit Study	43,364		-		43,364
LCLC Operating Reserve	26,994		-		26,994
LaHave River Solutions	-		-		-
Indian Path	833		-		833
Environmental Petite Riviere	9,180		(9,180)		-
Pro Kids	25,163		5,415		30,578
Hirtles Beach	2,637		-		2,637
CES-CEF	216,179		(96,909)		119,270
SNSMR Grant	42,000		-		42,000
	\$ 15,492,403	\$ -	\$ 4,621,166	\$ -	\$ 20,113,569

21. Capital Reserve Details

	Balance, beginning of year	Interest	Net transfers from (to) other funds	Other	Balance end of year
Land development - Saw Pit	\$ 6,276	\$ -	\$ -	\$ -	\$ 6,276
Landfill Site Closure	871,876	20,329	(28,000)		864,205
Land Sales	709,996		(644,135)		65,861
Recreation complex depreciation	370,765	8,645	97,500		476,910
Sherbroke Lake	200,000				200,000
Trails	6,245				6,245
Lift station replacement	537				537
Gas tax revenue	3,295,221	91,989	513,639		3,900,849
Open space	130,790		59,364		190,154
Golf reserves	59,819		(59,819)		-
User connection fees	30,327		100		30,427
Aerated Carts	690		-		690
District General Capital	1,971,207		(1,971,207)		-
	\$ 7,653,749	\$ 120,963	\$ (2,032,558)	\$ -	\$ 5,742,154

**Municipality of the District of Lunenburg
Consolidated Schedule of Segment Disclosure
For the Year Ended March 31, 2020**

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22.							Consolidated	
	Protective Services	Engineering Services & Streets & Roads	Environmental Health	Planning and Economic Development	Recreation, Cultural & Education	Administration and Other	2020	2019
Revenues								
Property taxes	\$ 3,453,126	\$ 148,551	\$ 596,433	-	-	\$ 16,803,407	\$ 21,001,517	\$ 20,259,284
Grants in lieu of taxes	-	-	-	-	-	206,395	206,395	203,244
Services provided to other governments	49,026	-	-	-	-	-	49,026	40,033
Other revenue from own sources	103,472	2,191	914,060	327,799	630,571	2,529,717	4,507,810	3,091,306
Unconditional transfers from other govts	-	-	-	-	-	87,017	87,017	86,420
Conditional transfers from other govts	-	17,600	1,125,988	120,298	371,484	2,356,803	3,992,173	2,671,325
	<u>3,605,624</u>	<u>168,341</u>	<u>2,636,481</u>	<u>448,098</u>	<u>1,002,055</u>	<u>21,983,339</u>	<u>29,843,938</u>	<u>26,351,613</u>
Expenditures								
Salaries, benefits & other personnel costs	482,687	362,828	1,563	615,129	1,156,137	1,708,374	4,326,718	3,851,018
Interest	-	-	13,144	142,173	59,449	2,800	217,566	266,732
Materials, outsources and other operating	154,491	1,996,228	3,437,083	525,317	947,549	1,812,322	8,872,990	7,717,898
Amortization	2,557	177,282	433,928	65,623	716,170	45,502	1,441,062	1,461,063
Utilities	61,905	145,389	110,351	-	225,895	14,533	558,073	552,178
Rents	-	-	-	1,024	-	-	1,024	1,693
Grants	217,715	-	-	-	-	340,488	558,203	515,254
Fire area rates	3,391,766	-	-	-	-	-	3,391,766	3,216,131
Policing and corrections	3,318,568	-	-	-	-	-	3,318,568	3,289,315
Contributions to boards and agencies	-	-	-	-	-	-	-	-
Reduced taxes	-	-	-	-	-	170,240	170,240	148,891
	<u>7,629,689</u>	<u>2,681,727</u>	<u>3,996,069</u>	<u>1,349,266</u>	<u>3,105,199</u>	<u>4,094,259</u>	<u>22,856,210</u>	<u>21,020,172</u>
Annual surplus (Deficit)	\$ (4,024,066)	\$ (2,513,386)	\$ (1,359,588)	\$ (901,168)	\$ (2,103,144)	\$ 17,889,080	\$ 6,987,727	\$ 5,331,440

23. Segmented Information

The Municipality of the District of Lunenburg (MODL) is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, the Government'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 activities are reported in these funds. Functional activities of certain departments have been separately disclosed in the segmented information to identify key areas of accountability:

(a) Protective Services

Police, Fire, Inspections, Animal Control and Regional Emergency Measures Services.

The Municipality's policing services are under contract to the Royal Canadian Mounted Police. Fire Services are provided by twenty-seven volunteer fire departments. A fire services coordinator is provided through the Municipal administration office. Regional Emergency Measures services are governed by a joint inter-municipal service agreement between MODL and the Municipality of the District of Chester, and the Towns of Mahone Bay, Bridgewater, and Lunenburg. The planning department manages certain areas of protective services such as building and fire inspections. This department ensures an acceptable quality of building construction and maintenance through enforcement of fire regulations and construction codes for the protection of occupants.

(b) Engineering Services, Streets and Roads

The Engineering department is responsible for the delivery of Municipal Public Works services related to the planning, development and maintenance of municipal roads, street lighting, solid waste collection and disposal, and waste water.

(c) Waste Management

The collection of residential waste is through an independent contractor. MODL operates the Lunenburg Regional Community Recycling Centre through an Inter-Municipal Joint Services agreement with the Towns of Bridgewater and Mahone Bay.

(d) Sewers

The District maintains wastewater collection and treatment systems located in New Germany, Hebbville, Conquerall Bank and Cookville.

23. Segmented Information (continued)

(e) Planning and Economic Development

The Planning department facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, and the processing of building permit applications. MODL also maintains an industrial building and leases space to the Canadian Reserve – Canadian Engineering Squadron. In 1998 a new position was created, the Community Economic Development Officer, to assist in the development of a long-term perspective and plan for economic development within MODL. In addition, debt costs associated with long term loans for infrastructure related to economic development are included in this section.

(f) Recreation and Culture

The Recreation department provides services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services. This department assists in the implementation of MODL’s Open Space Strategy and facilitates recreational partnerships with other levels of government. This segment also includes external transfers to the South Shore Regional Library.

Certain allocation methodologies are employed in the preparation of segmented financial information. The General Operating fund reports on Municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to operating fund segment activities based on the segment’s net operating deficit.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 1.

24. Accumulated Surplus

	2020	2019
	Actual	Actual
Operating fund (schedule 1)	\$ 0	\$ 2,567,854
Capital fund (schedule 2)	27,908,880	20,556,333
Reserve fund (schedule 3)	25,855,722	23,146,150
Municipal Joint Service Board (note 16)	3,528,630	3,528,630
LCMPCC (note 3d)	15,023,022	15,529,557
	\$ 72,316,255	\$ 65,328,523

25. Comparative Figures

Certain 2019 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2020.

26. Subsequent Events

(a) COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, social and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Municipality in future periods.

(b) Sale of Municipal Administration Building

At the time these statements were prepared, the existing Municipal Services Building was actively on the market for sale. The asking price is \$669,000. At March 31, 2020 the undepreciated capital cost of the building was \$442,695.

(c) Prior-year Inter-fund Transfers

Transfers for the 2018-19 fiscal year were delayed due to COVID-19. Thus, these transfers were not made until June 2020. At March 31, 2020, the balances in the “transfers between funds” accounts reflect two fiscal years.

Municipality of the District of Lunenburg
Schedule of Operating Financial Position
Schedule 1
For the Year Ended March 31, 2020

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	2020	2019
	Actual	Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ 16,861,684	\$ 12,643,859
Taxes receivable (net of asset valuation allowances) (note 5)	1,649,601	1,788,359
Loan receivables (net of asset valuation allowances)	85,873	90,310
Due from other funds and consolidated entities	271,221	242,427
Other receivables (net of asset valuation allowances)	224,922	293,773
	19,093,302	15,058,729
Liabilities		
Accounts payable and accrued liabilities	2,201,165	741,891
Other liabilities		
Due to other funds and consolidated entities	14,666,243	8,452,101
Employee benefit obligations (note 13b)	332,817	301,092
Other liabilities	2,030,735	3,006,943
	19,230,959	12,502,028
Net Financial Assets	(137,658)	2,556,699
Non-Financial Assets		
Prepaid expenses	137,658	11,156
Accumulated Surplus	\$ -	\$ 2,567,854

Municipality of the District of Lunenburg
Schedule of Operating Fund Financial Activities and change in Fund Balances
Schedule 1-1
For the Year Ended March 31, 2020

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	2020		2019
	Budget	Actual	Actual
Revenues			
Assessable property taxes ¹	\$ 29,261,900	\$ 29,630,192	\$ 28,704,916
Grants in lieu of taxes	203,700	206,395	203,244
Services provided to other governments	53,500	49,026	40,033
Other revenue from own sources	1,593,000	3,088,194	1,879,845
Unconditional transfers from other governments	87,700	87,017	86,420
Conditional transfers from other governments	79,600	141,406	54,532
Total Revenues	31,279,400	33,202,231	30,968,992
Expenditures			
General government services	4,969,100	4,048,757	4,109,274
Protective services ¹	8,101,600	8,060,668	7,679,091
Transportation services	1,496,300	2,504,445	1,341,505
Environmental health services	3,397,800	3,249,680	3,240,991
Public health services ¹	35,000	51,535	7,953
Environmental development services	1,714,300	1,283,643	1,030,397
Recreation and cultural services	1,777,900	1,637,202	1,467,235
Education ¹	8,143,600	8,143,605	8,002,151
Total Expenditures	29,635,600	28,979,536	26,878,598
Annual Operating Surplus	1,643,800	4,222,695	4,090,394
Financing and Transfers			
Debenture and term loan principal instalments	(999,900)	(999,848)	(999,848)
Transfers from (to) own reserves, fund and agencies	(554,100)	98,242	(1,216,701)
Change in Surplus after Financing & Transfers	89,800	3,321,089	1,873,845
Accumulated Surplus, Beginning of Year	2,567,854	2,567,854	2,513,498
Transfer Surplus to Operating Reserve	(83,000)	(5,888,944)	(1,819,488)
Accumulated Surplus, End of Year	\$ 2,574,654	\$ -	\$ 2,567,854

Note 1 - Assessable property taxes are reduced by Provincial transfers for corrections, regional housing and education in the consolidated financial statements.

Municipality of the District of Lunenburg
Schedule of Capital Fund Financial Position
Schedule 2
For the Year Ended March 31, 2020

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	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Financial Assets		
Cash	\$ -	\$ 92,085
Receivables (net of asset valuation allowances)	749,088	1,389,403
Loan Receivables	498,255	234,837
Due from other funds	3,646,299	213,930
Assets held for resale	442,695	-
	<u>5,336,337</u>	<u>1,930,256</u>
Liabilities		
Bank overdraft	\$ 2,584,799	-
Payables	1,407,512	1,069,978
Due to other funds	-	26,014
Long-term debt (note 9a)	2,864,847	3,864,695
Other liabilities	1,614,589	1,530,462
	<u>8,471,747</u>	<u>6,491,149</u>
Net Debt	(3,135,410)	(4,560,893)
Non-Financial Assets		
Tangible capital assets (net of accumulated amortization) (note 10)	31,044,290	25,117,226
Net Assets	<u>\$ 27,908,880</u>	<u>\$ 20,556,333</u>

Municipality of the District of Lunenburg
 Schedule of Capital Fund Financial Activities and Change in Fund Balances
 Schedule 2-1
 For the Year Ended March 31, 2020

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	2020		2019
	Budget	Actual	Actual
Revenue			
Capital Contributions			
From federal and provincial governments	\$ 2,096,677	\$ 1,247,344	\$ 1,195,967
Gas Tax	2,104,000	2,352,655	1,214,141
From other municipal governments	-	-	5,000
Sundry	705,766	918,556	675,188
Gain on sale of assets	-	-	2,600
Total Revenue	<u>4,906,443</u>	<u>4,518,556</u>	<u>3,092,896</u>
Expenditures			
Write off of assets	-	-	414,024
Transfer to LCCF Trust	-	312,461	186,410
Change in Landfill Closure Liability	-	-	(178,060)
Change in Riveport School Liability	595,223	-	-
	<u>595,223</u>	<u>312,461</u>	<u>422,374</u>
Annual Capital Surplus	4,311,220	4,206,095	2,670,522
Financing and Transfers			
Amortization	(850,000)	(934,528)	(947,963)
Loan payments from operating fund	999,900	999,848	999,848
Transfers from own reserves, funds	9,669,757	3,081,132	(31,118)
	<u>9,819,657</u>	<u>3,146,453</u>	<u>20,767</u>
Change in Fund Balance	14,130,877	7,352,547	2,691,289
Beginning Balance	<u>20,556,333</u>	<u>20,556,333</u>	<u>17,865,044</u>
Ending Balance	<u>\$ 34,687,210</u>	<u>\$ 27,908,880</u>	<u>\$ 20,556,333</u>

Municipality of the District of Lunenburg
 Schedule of Reserve Fund Financial Position
 Schedule 3
 For the Year Ended March 31, 2020

	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Financial assets		
Cash and cash equivalents (note 4)	\$ 15,278,865	\$ 15,278,865
Due from other funds	14,443,991	8,190,684
	<u>29,722,856</u>	<u>23,469,549</u>
Liabilities and Fund Balance		
Due to other funds	<u>3,867,132</u>	<u>323,395</u>
Net Financial Assets	<u>25,855,722</u>	<u>23,146,154</u>
Fund Balance		
Capital	5,742,154	7,653,749
Operating	20,113,569	15,492,401
	<u>\$ 25,855,722</u>	<u>\$ 23,146,152</u>

Municipality of the District of Lunenburg
 Schedule of Reserve Fund Financial Activities and Change in Fund Balances
 Schedule 3-1
 For the Year Ended March 31, 2020

	Capital Reserve Actual	Operating Reserve Actual	2020 Total Reserve Actual	2019 Total Reserve Actual
Revenue				
Interest on savings	\$ 120,963	\$ -	\$ 120,963	\$ 90,004
Total Revenue	<u>120,963</u>	<u>-</u>	<u>120,963</u>	<u>90,004</u>
Expenditures				
Municipalities & other	-	-	-	-
Annual Reserve Surplus	<u>120,963</u>	<u>-</u>	<u>120,963</u>	<u>90,004</u>
Financing and Transfers				
Transfers (from) to own				
Capital Fund & Operating Fund	(2,032,558)	(1,267,779)	(3,300,337)	1,157,815
Operating Surplus Transfer	-	5,888,944	5,888,944	1,819,488
	<u>(2,032,558)</u>	<u>4,621,165</u>	<u>2,588,607</u>	<u>2,977,303</u>
Change in Fund Balance	<u>(1,911,595)</u>	<u>4,621,165</u>	<u>2,709,570</u>	<u>3,067,308</u>
Beginning Balance	<u>7,653,749</u>	<u>15,492,403</u>	<u>23,146,152</u>	<u>20,078,844</u>
Ending Balance	<u>\$ 5,742,154</u>	<u>\$ 20,113,569</u>	<u>\$ 25,855,722</u>	<u>\$ 23,146,152</u>

Municipality of the District of Lunenburg
 Schedule of Tax Sale Account Assets, Liabilities and Operations
 Schedule 4
 For the Year Ended March 31, 2020

Schedule of Tax Sale Account - Assets and Liabilities

	2020	2019
	Actual	Actual
Financial Assets		
Cash and cash equivalents	\$ 1,120,681	\$ 900,969
Tax Sale Surplus Liability	\$ 1,120,681	\$ 900,969

Schedule of Tax Sale Operations

	2020	2019
	Actual	Actual
Revenue		
Tax Sale Surplus funds received	\$ -	\$ 125,588
Expenses		
Tax Sale Surplus payments	219,712	(96,200)
Change in Tax Sale Surplus	219,712	29,388
Beginning Tax Sale Surplus	900,968	871,580
Ending Tax Sale Surplus	\$ 1,120,681	\$ 900,968

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

TRUST FUNDS

FINANCIAL STATEMENTS

MARCH 31, 2020

DRAFT



**210 Aberdeen Road
Bridgewater, NS
B4V 2W8**

Independent Auditor’s Report B-1a, 1b
Statement of Financial Position..... B2
Notes to Financial Statements..... B3-B5

DRAFT

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INDEPENDENT AUDITOR'S REPORT

To the Council of The Municipality of the District of Lunenburg Trust Fund

Opinion

We have audited the financial statements of The Municipality of the District of Lunenburg Trust Fund (the Trust), which comprise the statement of financial position as at March 31, 2020, and the statement of revenues and expenditures for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2020, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

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

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

Independent Auditor's Report to the Council of The Municipality of the District of Lunenburg Trust Fund
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Trust'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 Trust'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 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Bridgewater, Nova Scotia
September 15, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

**Municipality of the District of Lunenburg
Trust Funds
Statement of Financial Position
For the Year Ended March 31, 2020**

B-2

STATEMENT OF TRUST FUNDS RESERVES

				March 31	
				2020	2019
	Burial Funds	School Lands	LCCF	Actual	Actual
Assets					
Cash	\$ 2,942	\$ 26,588	\$ -	29,530	\$ 29,530
Due from the District of Lunenburg	68	244	503,170	503,482	186,614
	\$ 3,010	\$ 26,832	\$ 503,170	\$ 533,012	\$ 216,144
Liabilities					
Due to the District of Lunenburg	\$ -	\$ -	\$ 4,299	\$ 4,299	\$ -
Accounts payable - schools	-	605	-	605	565
Reserves					
Trust funds reserves	3,010	26,227	498,871	528,108	215,579
Reserves and Liabilities	\$ 3,010	\$ 26,832	\$ 503,170	\$ 533,012	\$ 216,144

				Year Ended March 31	
				2020	2019
	(note 1) Burial Funds	(note 3) School Lands	(note 4) LCCF	Actual	Actual
Reserves Detail					
Balance, beginning of year	\$ 2,942	\$ 26,227	\$ 186,410	\$ 215,579	\$ 29,107
Interest received on trust accounts	68	605	4,299	4,972	627
Funds received in trust	-	-	312,461	312,461	186,410
	3,010	26,832	503,170	533,012	216,144
Trust expenses	-	605	4,299	4,904	565
	-	605	4,299	4,904	565
Balance, end of year	\$ 3,010	\$ 26,227	\$ 498,871	\$ 528,108	\$ 215,579

On behalf of the Municipality of the District of Lunenburg

Mayor

CAO

1. Purpose of Trust

Trusts under administration by the Municipality of the District of Lunenburg.

2. Significant accounting policies

Basis of presentation

The Trust's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Trust may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Trust's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Subsequent measurement

At each reporting date, the Trust measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets). With respect to financial assets measured at amortized cost, the Trust assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Trust determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Subsequent Event

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, social and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Municipality in future periods.

Revenue recognition

Contributions

The Trust follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Interest income is recognized on a time apportionment basis.

3. Burial Funds

	<u>2020</u>	<u>2019</u>
Distribution of funds		
Conrad, Ray	\$ 1,716	\$ 1,677
Smith, Everette	794	776
Wagner, Willis	<u>500</u>	<u>489</u>
	<u>\$ 3,010</u>	<u>\$ 2,942</u>

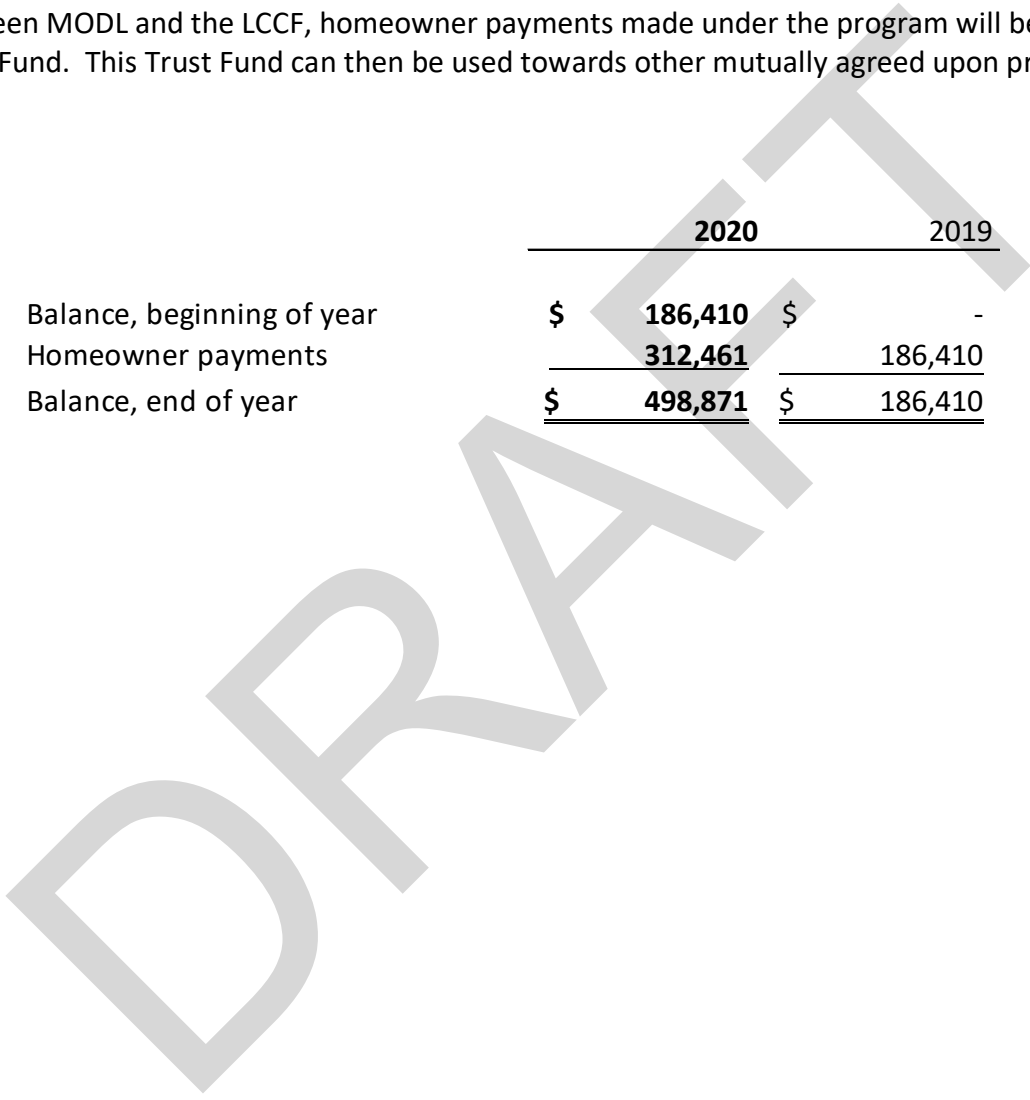
4. School Lands

The Municipality of the District of Lunenburg is holding in trust a total of \$26,227 which represents the Municipality's interest. The interest earned annually is held for distribution of funds to pay for book purchases for New Germany Rural High School and Park View Education Centre.

5. Lunenburg County Community Fund

The Municipality of the District of Lunenburg (MODL) is holding a trust fund in the amount of \$498,871 for the Lunenburg County Community Fund (LCCF). The LCCF has committed \$1,000,000 towards the cost of the LaHave River Straight Pipe Replacement Program. As per a Memorandum of Understanding between MODL and the LCCF, homeowner payments made under the program will be transferred to a Trust Fund. This Trust Fund can then be used towards other mutually agreed upon projects.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 186,410	\$ -
Homeowner payments	<u>312,461</u>	186,410
Balance, end of year	<u>\$ 498,871</u>	<u>\$ 186,410</u>



September 15, 2020

Mayor Carolyn Bolivar-Getson and Council
Municipality of the District of Lunenburg
210 Aberdeen Road
Bridgewater, Nova Scotia
B4V 4G8

Audit Committee
September 15, 2020
Item: 4
Authorization: E. Wentzell

Dear Mayor Bolivar-Getson:

In connection with the audit of the Municipality of the District of Lunenburg (the “Municipality”) financial statements for the year March 31, 2020 then ended, the Canadian Auditing Standards require that we advise management and the audit committee (hereinafter referred to as “those charged with governance”) of the following internal control matters identified during our audit.

Our responsibilities

Our responsibilities, as prescribed by the Canadian Auditing Standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit includes consideration of internal control over financial reporting (hereinafter referred to as “internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of identifying deficiencies in internal control or expressing an opinion on the effectiveness of the Municipality’s internal control.

Remote working and COVID-19

As a result of COVID-19 the current work environment has changed. As an organization you were forced to adapt to a new norm with little run time to initiate the appropriate changes. We commend Council, management and staff for their work and ability to adapt over these last several months. The potential of being immediately removed from your workplace, and the long term impacts of potentially increased reliance on remote worker or online resources to complete your work provide many challenges and new policies or procedures may need to be implemented. Below are some areas of risk or challenges that management should be mindful off when implementing these procedures.

Accounts payable and cheque signing

The Municipality’s vendors will still need to be paid no matter the circumstances and it is important to establish, how invoices are received, and processed. How are these invoices getting approved in a digital environment. Cheque signing and the requirement of two signatures also provides challenges

when working through online banking functions, what can the bank offer to provide these authorizations remotely. How would the use of digital signatures be used at the Municipality?

Management Response- Staff have implemented invoice approval protocols including e-mail approvals noting the vendor invoice and amount, digital signatures for senior manager approvals.

Confidentiality

With staff working from home they have access to confidential information, and it is important that sensitive information is not accessible within their household. Establishing what can physically leave the office, appropriate cyber security, and updating any confidentiality agreements should be reviewed at this point.

Lockdown

We commend the Municipality, management, and your staff for having a pandemic plan in place prior to COVID-19 and for implementing it when the office was close on March 16, 2020. The issuance of laptops to staff who did not previously have them to make immediate remote working easier, is another proactive approach to reduce disruptions in an ever-changing environment.

Risk Assessment

Management has consistently performed risk assessments in relation to the previous work environment, it is important to continue these assessments with the understanding of the new environment, and the potential new risks that this entails.

Yours very truly,

Paul F. Belliveau, FCPA, FCA
Partner

PFB/dm

cc Tom MacEwan – Chief Administrative Officer
Elana Wentzell – Director of Financial Services & Municipal Treasurer
Department of Municipal Affairs

September 15, 2020

Audit Committee
September 15, 2020

Item: 5

Authorization: E. Wentzell

Mayor Carolyn Bolivar-Getson and Council
Municipality of the District of Lunenburg
210 Aberdeen Road
Bridgewater, Nova Scotia
B4V 4G8

Dear Mayor Bolivar-Getson:

We have completed our audit of the Municipality of the District of Lunenburg for the year ended March 31, 2020. We wish to provide you with the following comments.

During our audit process we do make enquiries of management to determine if they are aware of any fraudulent or illegal acts carried on by any of the Municipal employees. Management advised us they were not aware of any such acts.

We have performed tests to determine if controls are being effectively carried out, such as ensuring proper rates are charged for taxes, that paid invoices are properly authorized and approved, employees are paid approved rates, etc. Management has been very conscientious in ensuring that proper procedures are followed and have ensured us there is as much segregation of duties as possible, considering the limited size of your staff.

The LaHave Straight Pipe Project continues and to date \$498,871 has been collected from residents and designated to the trust fund to comply with the agreement with the Lunenburg County Community Fund to repay the first \$1,000,000 collected from residents.

As part of the Financial Reporting and Accounting Manual – Department of Municipal Affairs interfund balances outstanding at year end must be repaid in the next year. As a result of the impacts of COVID-19 these transfers did not take place until June when they regularly would have occurred in March. We have noted this in Note 26 of the consolidated financial statements.

The primary purpose of our examination is to enable us to form an opinion on the consolidated financial statements of the Municipality of the District of Lunenburg for the year ended March 31, 2020. We reviewed and tested the Municipality's financial system and related accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Our study and evaluation with respect to these financial systems was not designed for the purpose of expressing an opinion on the internal accounting control, and it would not necessarily disclose all weaknesses in the system.

Municipality of the District of Lunenburg
September 15, 2020
Page 2

We would like to acknowledge staff and management's effort throughout the audit. Staff was courteous and helpful in retrieving all information requested and provided detailed explanations for all questions asked.

If you have any questions regarding any of the items listed above, please do not hesitate to contact our office.

Yours very truly,

Paul F. Belliveau, FCPA, FCA
Partner

PFB/dm

cc Tom MacEwan – Chief Administrative Officer
Elana Wentzell – Director of Financial Services & Municipal Treasurer
Department of Municipal Affairs

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Municipality of the District of Lunenburg

INFORMATION REPORT

REPORT TO: Audit Committee

SUBMITTED BY: Elana Wentzell, CPA, CMA

DATE: September 15, 2020

RE: Financial Condition Indicator Results

Executive Summary

On July 13, 2020, the Province released annual Financial Condition Indicators results for 2018/19. The full report is enclosed.

The indicators to provide a risk-based approach to evaluating municipalities and are presented in a house format graph. This visual focuses on key performance indicators, leading financial indicators and potential internal and external factors that could have an impact on a municipality's financial results. The risk thresholds are colored: yellow indicates medium risk, red indicates high risk and green, low risk. The enclosed report indicates that the overall financial condition risk assessment for our municipality is green which means that it is considered low risk for fiscal instability.

MODL has green indicators for all categories except budget accuracy which is red due to budget surpluses. As we know, a budget is plan that can change throughout the year. Budget accuracy can get skewed when we budget for project placeholders and those projects do not become available, when plans are delayed due to funding partnership approvals, or when revenue estimates are too conservative. The surpluses are placed in reserves to ensure there are funds to help mitigate the financial impact of major, non-recurring or unforeseen expenditures on the Municipality's annual operating budget as well as take advantage of unexpected opportunities to leverage external funding programs (page 6 of the enclosed report).

Based on the indicators related to municipal revenues, MODL's general operating revenue is stable. Our assessment growth is above the Consumer Price Index indicating our tax base is able to cover increasing costs of municipal services and programs (page 17 of the enclosed report).

Based on the indicators related to general operating expenses, MODL has been able to meet its needs in a balanced manner and has maintained a balanced budget. As well, we have preserved prudent debt and reserve levels while maintaining capital assets with 73% useful life remaining (page 34 of the enclosed report).

Other items of note include that MODL:

- MODL is compliant in its financial reporting and has submitted all financial information before the September 30th annual deadline (page 13).
- is setting aside sufficient funds to help mitigate any unforeseen risks (page 31),
- is not dependent on another level of government to meet service obligations (page 36), and
- has healthy reserves which is important to help address unexpected events and provide flexibility to address future projects (page 39).

Please refer to the enclosed report for more detailed information.

Department: Finance and Administration

Report Prepared By: Elana Wentzell

Date: Sep 8, 2020

Report Approved By: _____

Date _____

Reviewed By CAO: _____

Date _____



Municipal Report



**Municipality of the
District of Lunenburg
Department of Municipal Affairs
and Housing**

Municipal Profile and
Financial Condition Indicators Results

2019

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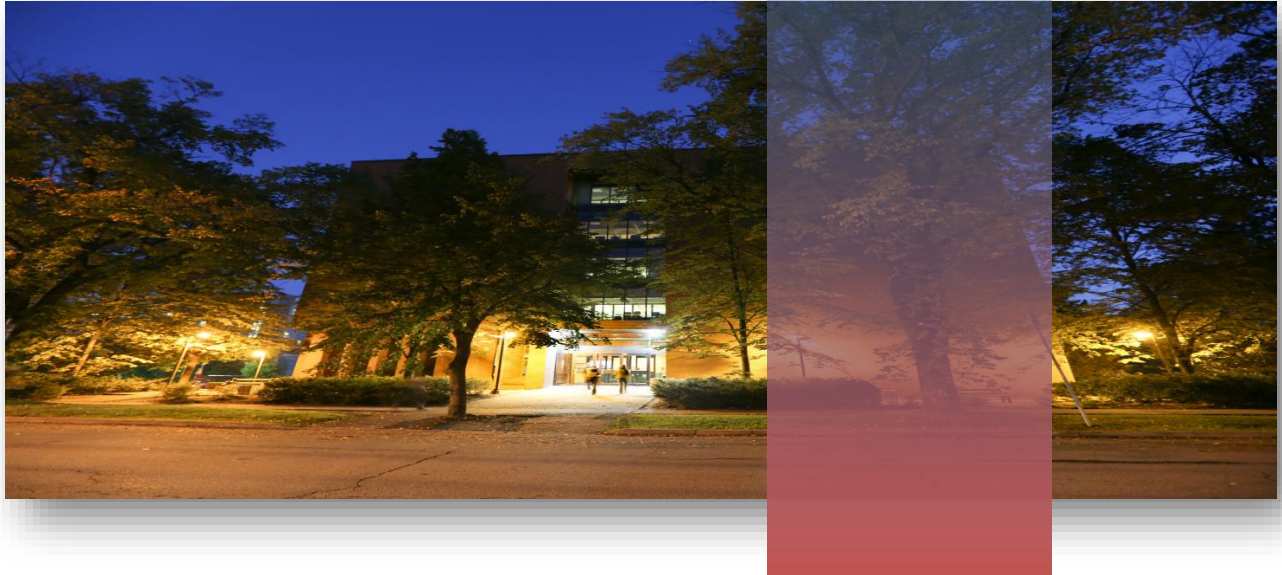
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Introduction

The Department of Municipal Affairs and Housing compiles municipal indicators on behalf of the Nova Scotia Government and Association of Municipal Administrators of Nova Scotia (AMANS) that focus on three areas:

- financial matters;
- administration of the municipality; and
- characteristics of the community.

This report creates a snapshot from those financial and demographic statistics to help community members and decision makers better understand:

- the municipality in which they live;
- the municipality's key characteristics; and
- the municipality's financial risks.

The snapshot makes it easy to:

- compare the Three-Year Change in Tax Base indicator to understand the municipality's revenue growth in comparison to cost of living; and
- use the change in population to indicate whether a community's population is growing or declining and its potential impact on municipal revenues and expenses.

Chapter 1 - Highlights

Municipal Highlights

About the Municipality

Name: District of Lunenburg
County: Lunenburg County
Approximate size: 1,759 km²
Number of dwellings: 14,808

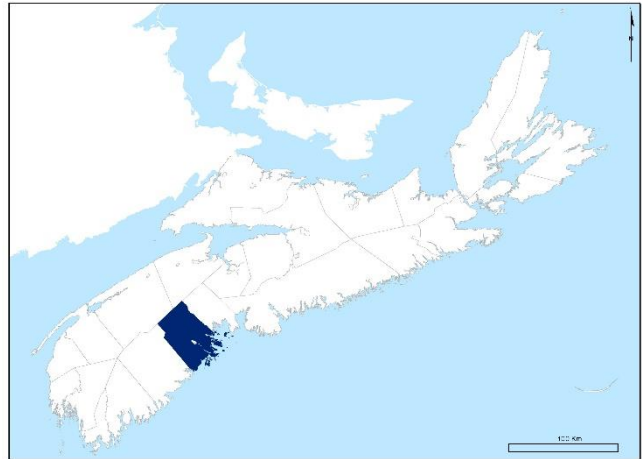


Figure 1- Location of Municipality

Population Highlights

Population 2016: 24,860
Population 5-year trend: -1.0%
County 5-year trend: -0.4%
Demographic trend: Aging

Up to 19 Yrs.	17%
20 to 59 Yrs.	49%
Over 60 Yrs.	34%

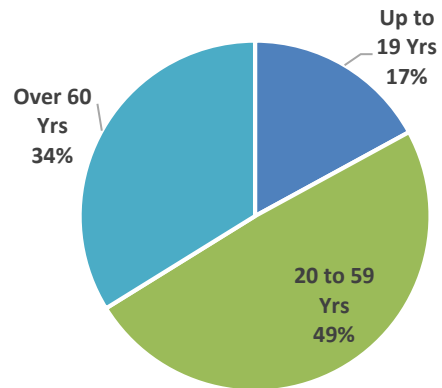


Figure 2 - Age Breakdown

Financial Highlights

Revenue

Total consolidated revenue:	\$23.1 million
Revenue generated from own revenue ¹ :	88%
Total operating revenue:	\$19.3 million
Largest operating revenue:	89%
	Property taxes and payments in lieu of Taxes

Expenses

Total consolidated expenses:	\$17.8 million
Total operating fund expenses:	\$15.2 million
Largest operating fund expense:	27%
	General government services

Annual Surplus

Annual consolidated surplus(deficit):	\$5.3 million
Consolidated accumulated surplus (deficit):	\$65.3 million
Annual operating surplus (deficit):	\$1.9 million

Debt

Total consolidated long-term debt:	\$3.9 million
Total general fund long-term debt:	\$3.9 million
Operating fund bank indebtedness:	\$0

¹ Consolidated revenue excluding government transfers

Financial Condition Indicators Highlights

Overall Assessment Green (low risk)

The overall Financial Conditions Index assessment for the District of Lunenburg is green (low risk). This means that, although the Municipality has a few challenges, it is considered low risk for fiscal instability.

As shown in the House model below, Lunenburg’s FCIs are comprised of:

Low risk (green): 12 indicators

Moderate risk (yellow): 0 indicator

High risk (red): 1 indicator

Details on the individual FCI assessments and the Municipality’s specific challenges are provided below.

For more in-depth information, refer to Chapter 4.



Two-Year Comparison of Financial Condition Indicators

BASE	2019	2018	+/-	2019 Rural Avg.
3-year Change in Tax Base*	● 6.3%	● 6.4%	-0.1%	6.9%
Reliance on a Single Business or Institution	● 0.4%	● 0.4%	0.0%	3.3%
Residential Tax Effort	● 2.3%	● 2.2%	0.0%	2.1%
STRUCTURE				
Uncollected Taxes	● 6.6%	● 6.9%	-0.3%	8.2%
5 Year Budget Accuracy	● 2/5	● 3/5	-1	3.6/5
Operating Reserves	● 95.5%	● 78.2%	17.3%	48.7%
Debt Service	● 6.2%	● 6.7%	-0.4%	4.3%
Outstanding Operating Debt	● 0.0%	● 0.0%	0.0%	3.3%
Undepreciated Assets	● 72.6%	● 73.0%	-0.4%	60.1%
ROOF				
Deficits in the Last 5 Years	● 0/5	● 0/5	0	0.3/5
Liquidity	● 4.9	● 2.3	2.6	3.6
Reliance on Government Transfers	● 0.3%	● 0.4%	-0.1%	3.4%
Combined Reserve	● 135.6%	● 118.1%	17.5%	79.6%



Photograph of Lahave River and St Mark's Church in District of Lunenburg by Kas Stone

Chapter 2 - Municipal Profile

Municipalities are diverse and operate within unique demographic and economic characteristics. These characteristics have a significant impact on municipal performance and subsequent strategies required to ensure a sustainable environment. This chapter outlines the unique demographic and economic characteristics of the Municipality, specifically its composition, population trends, demographics, median household income levels, employment rates, and educational attainment. The municipal profile trends could have impacts on the current and potential future tax base for a municipality.

Municipal Composition

Name: District of Lunenburg
County: Lunenburg County
Government: 11 elected councillors (including the Mayor)
Geographic area: 1,759 km²
Number of dwellings: 14,808

Population Trends

Population: 24,860
Provincial population: 2.8%
20-year trend: Declining [supported by Figure 3 below]
Age trend: Majority between 40-69 years of age [supported by Figure 4 below]

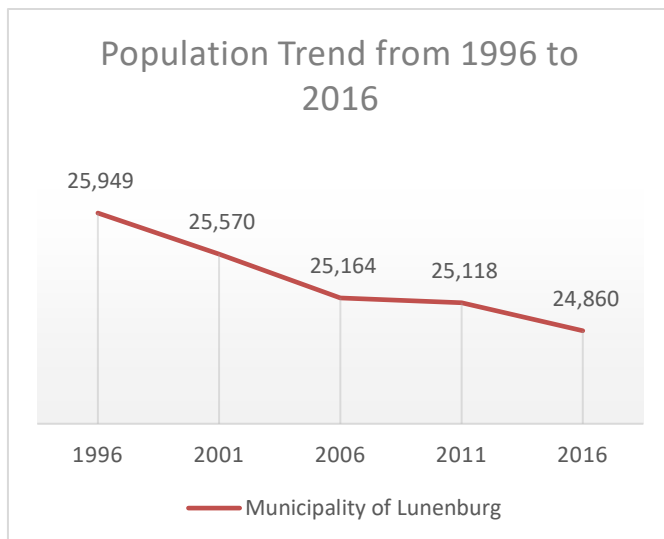


Figure 3-- Population from 1996–2016. Source: Statistics Canada

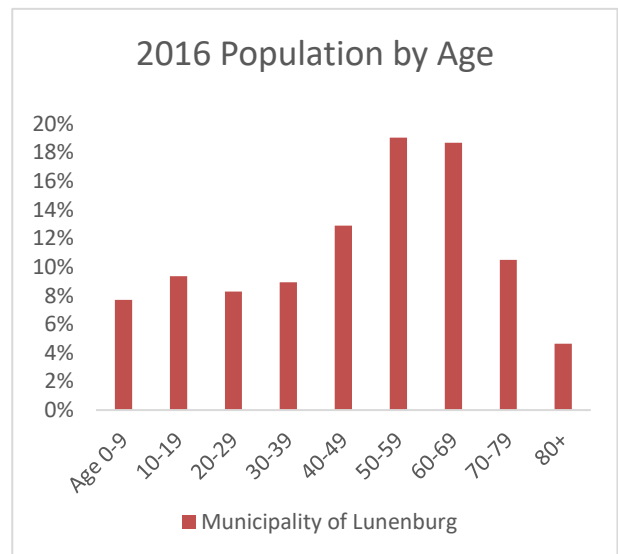


Figure 4- Population by Age, Source: Statistics Canada

District of Lunenburg

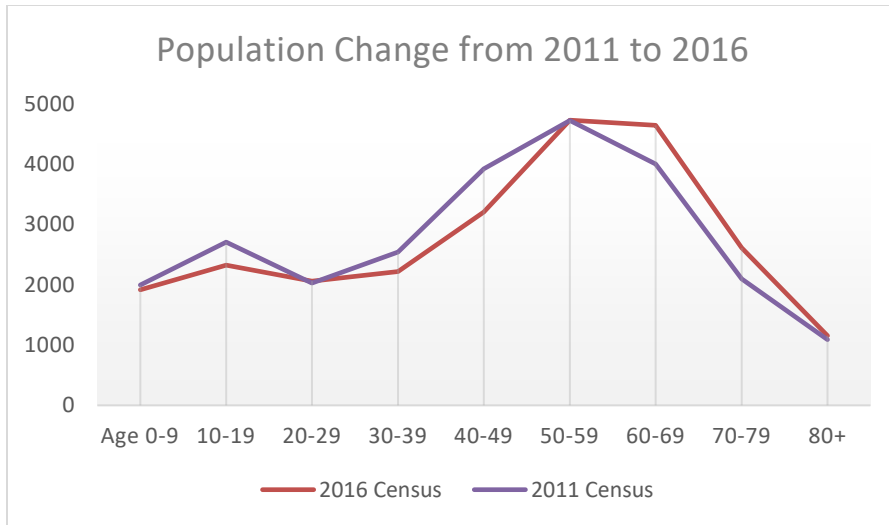


Figure 5- Population Age Change from 2011 to 2016. Source: Statistics Canada

According to the 2016 Census, similar to most rurals in Nova Scotia, the majority of Lunenburg's citizens are between the ages of 40 and 69.

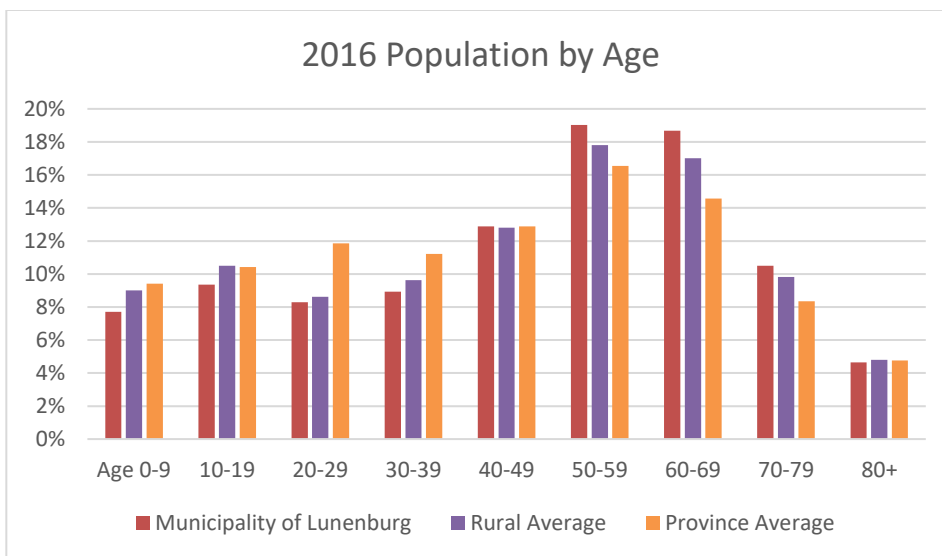


Figure 6 - Comparison of Population by Age for 2011 and 2016. Source: Statistics Canada

Economic Indicators

Along with population trends, employment rates and median household income are important economic indicators. Education levels can also play a crucial role in economic and social progress and can help improve income distribution. These factors provide an indication of the wellbeing of the economy and labour force.

	2016 Census	2011 Census	+/-	Rural Average
Median Household Income	\$58,624	\$50,075	\$8,549	\$57, 294
Employment Rate	52.0%	53.7%	-1.7%	50.1%
Education Beyond High School	51.2%	50.4%	0.8%	49.4%

Source: 2011 and 2016 Statistics Canada

Median household income: Lunenburg's median household income is higher than the Provincial rural average, and has increased since 2011.

Employment rate: In a healthy economy, the employment rate is between 97% and 95%. The District of Lunenburg's employment rate is above the Provincial rural average, although it has decreased.

Education level: Lunenburg's education level is higher than the Provincial rural average and has increased since 2011.

Chapter 3 - Financial Information

General Overview:

Audited financial statements are presented on a consolidated basis. These consolidated financial statements present all municipal entities as one single reporting entity:

- all the individual funds managed by the Municipality
- organizations or enterprises that the Municipality owns or controls, such as:
 - Lunenburg County Multi-Purpose Centre Corporation (50%)
 - Municipal Joint Services Board (61.9%)

The Municipality's non-consolidated financial statements present only the individual funds managed by the Municipality, such as the General Operating Fund, General Capital Fund, Water Operating Fund, Water Capital Fund, Non-operating Reserve Fund, and the Operating Reserve Fund. Non-consolidated financial statements are reconciled but not audited.²

Financial Reporting Compliance:

Audited financial statements and financial information return submitted:	yes
Submission of financial information:	Before deadline ³
Financial statements include:	
Remuneration and Expenses for Elected Officials and CAO/Clerk Note:	yes
Unqualified Opinion:	yes
Quarterly Expenditure report posted online:	yes
Summary Expenditure Report submitted:	yes
Statement of Estimates and assessment information submitted:	yes

² Please be advised that, although the Department reconciles, at a high level, a municipality's non-consolidated financial statements to the consolidated financial statements, the non-consolidated financial statements are usually not audited nor presented in full accordance with Canadian public sector accounting standards.

³ Annually, municipalities are required to submit their financial information by Sept 30th.

Revenue:

\$23.1 M
2019 Consolidated Revenue

Total consolidated revenue:	\$23.1 million
Largest revenue:	75% Taxes and Grants-in-lieu of Taxes
Revenue generated from own revenue ⁴ :	88%

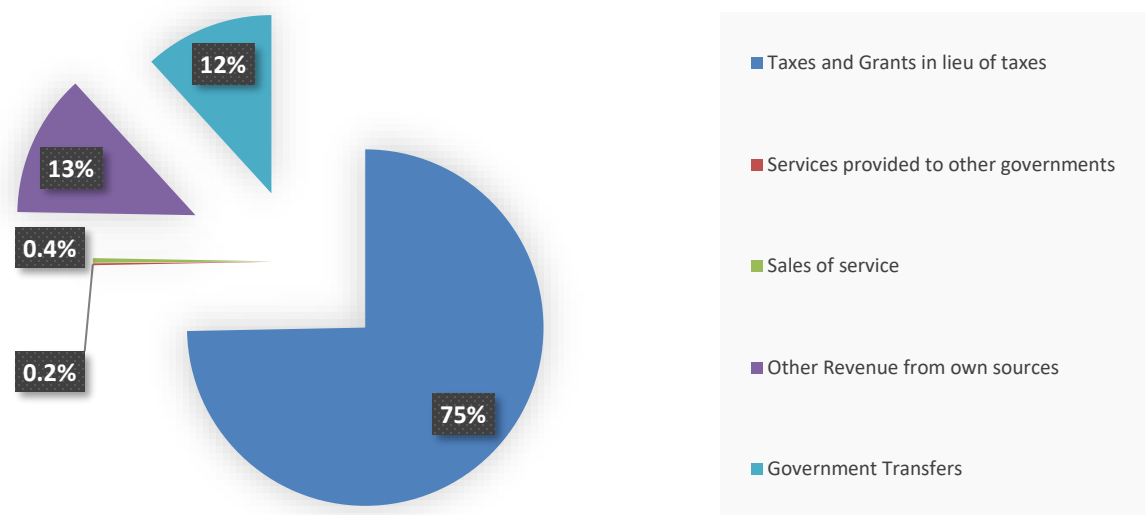


Figure 7- Consolidated Revenue Source: 2019 Financial Information Return (FIR)

The graph above and table below show the Municipality's revenue divided into five categories on a consolidated basis.

	Consolidated Revenue
Taxes and Grants-in-lieu of taxes:	\$17.3 million
Services provided to other governments:	40 thousand
Sales of services:	97 thousand
Other revenue from own sources:	3.0 million
Government Transfers:	2.7 million
Net Income from government business enterprises:	n/a
Water Fund revenues:	n/a

⁴ Consolidated revenue excluding government transfers

\$19.3 M 2019 General Operating Revenue

Total operating revenue:	\$19.3 million
Largest revenue:	89% Property taxes and payments in lieu of taxes
Uncollected Taxes:	6.6%
Reliance on Government transfers	0.3%

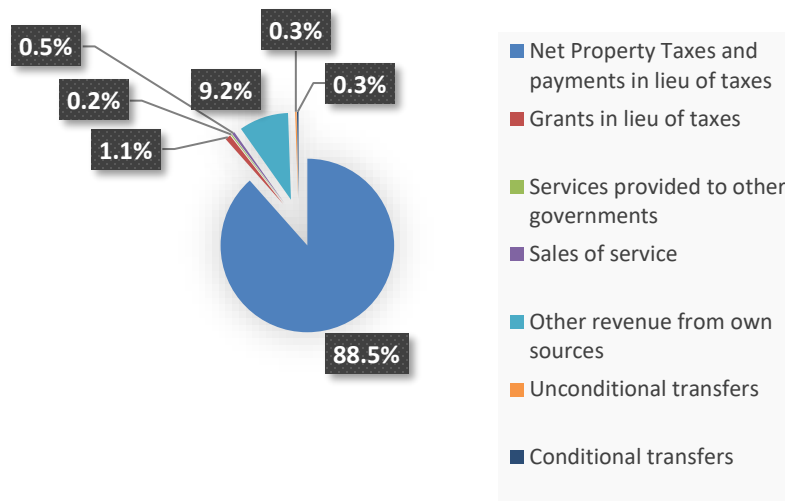


Figure 8 – General Operating Revenue Source: 2019 Financial Information Return (FIR)

The graph above and table below show the Municipality’s operating fund revenue divided into 7 categories.

Net property taxes and payments in lieu of taxes:	17.1 million
Grants-in-lieu of taxes:	0.2 million
Services provided to other governments:	40 thousand
Sales of services:	97 thousand
Other revenue from own sources:	1.8 million
Unconditional transfers from other governments:	52 thousand
Conditional transfers from other governments:	55 thousand

Property Assessment Information

Since property taxes are a primary source of revenue for most municipalities, special emphasis has been placed on reviewing assessment trends.

Three-year change in uniform assessment: ⁵	6.3%	growth keeps pace with the cost of living
Highest reliance on a single business or institution:	0.4%	not dependent (low risk)
Residential Tax Effort:	2.3%	has some flexibility (low risk)

The line graphs below show the five-year trend for the residential and commercial portion of the municipality's uniform assessment.

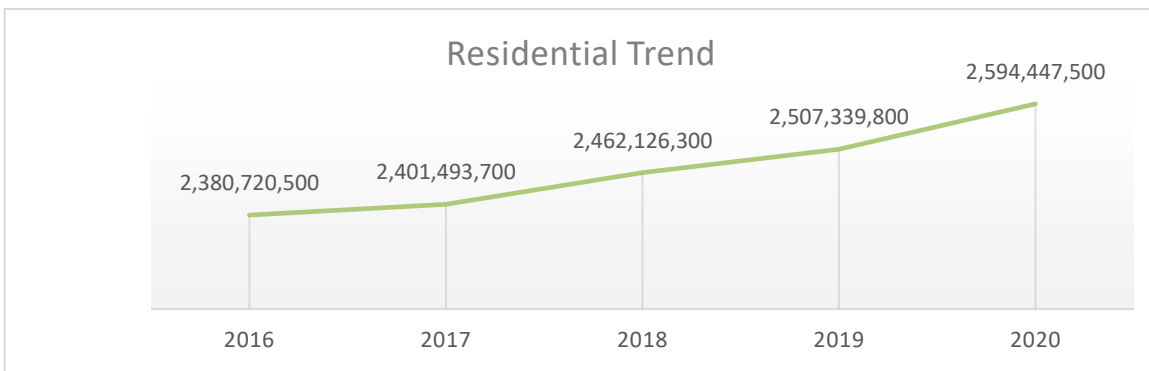


Figure 9- Residential assessment value over the last five years. Source: 2015-2019 Statement of Estimates Assessment

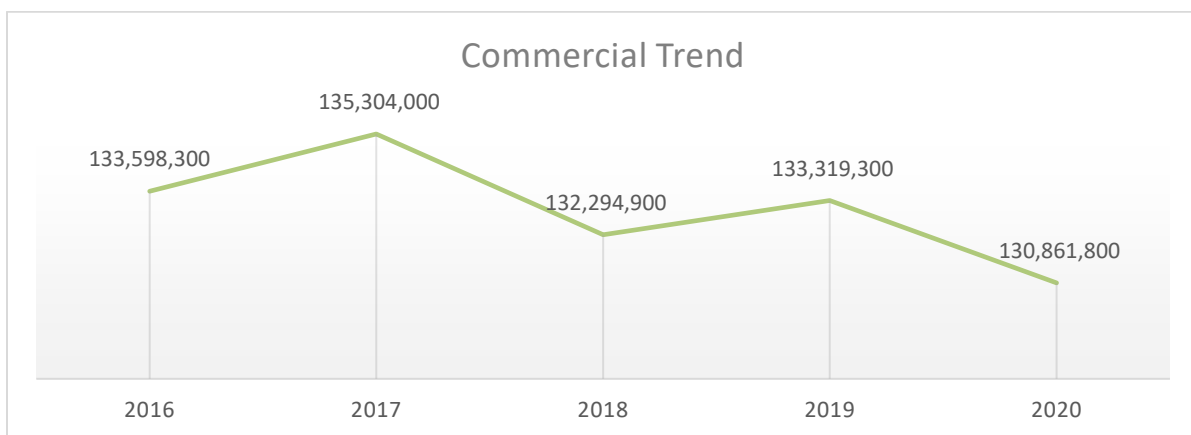


Figure 10- Commercial assessment value over the last five years. Source: 2015-2019 Statement of Estimates Assessment

⁵ Uniform assessment is the value of a municipality's taxable property assessment plus the capitalized value of payments made in lieu of taxes.

Expenses:

\$17.8 M
2019 Consolidated Expenses

Total consolidated expenses: \$17.8 million
 Largest expense: 23%
 General government services

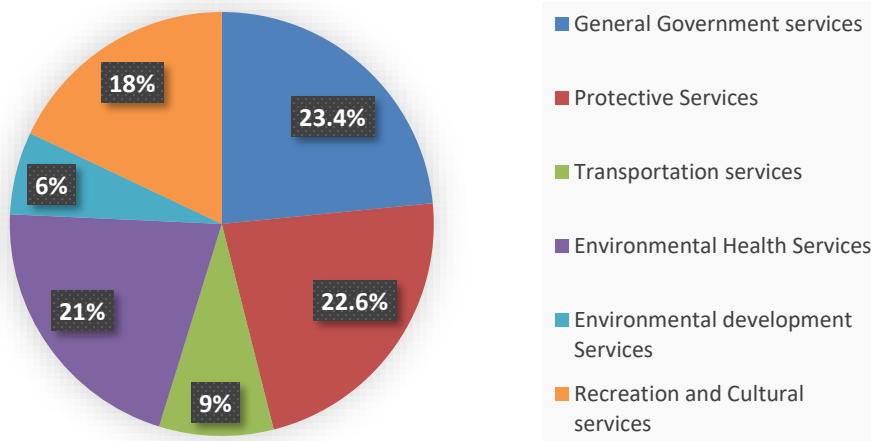


Figure 11- Consolidated Expenses Source: 2019 Financial Information Return

The graph above and table below show the Municipality’s consolidated expenses divided into six functions.

	Consolidated Expenses
General government:	\$4.2 million
Protective services:	4.0 million
Transportations:	1.6 million
Environmental health services:	3.7 million
Public health services:	n/a
Environmental development services:	1.1 million
Recreation and Cultural:	3.2 million
Extraordinary or special items:	n/a
Water expenses:	n/a

\$15.2 M

2019 General Expenses

Total operating fund expenses: \$15.2 million
Largest operating fund expense: 27%
General government services
Operating reserves as percentage of expenses: 95.5% (low risk)

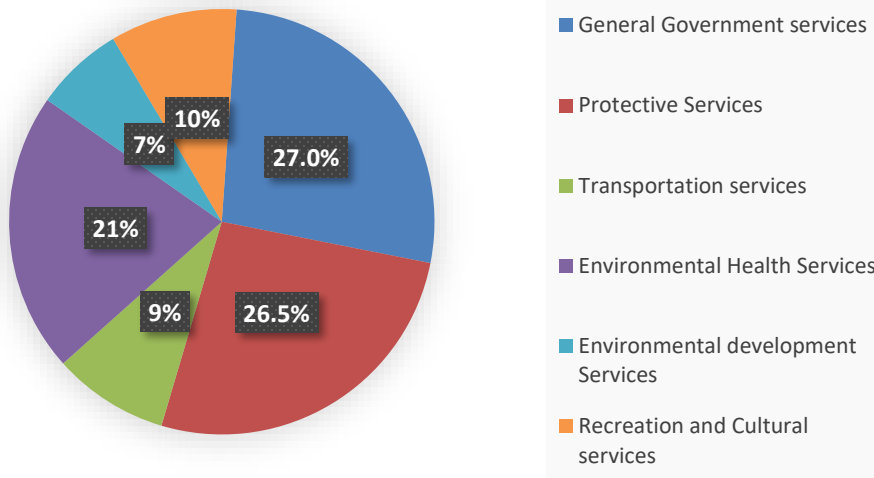


Figure 12- Operating General Fund Expenses. Source: 2019 Financial Information Return

As shown in the pie chart above, expenses for Lunenburg are comprised of:

General Government services:	4.1 million
Protective services:	4.0 million
Transportation services:	1.3 million
Environmental Health services:	3.2 million
Public Health services:	n/a
Environmental Development services:	1.0 million
Recreation and Cultural services:	1.5 million

The graph below shows the expenses by function for the municipal operations or General Operating Fund expenses compared to the provincial rural average.

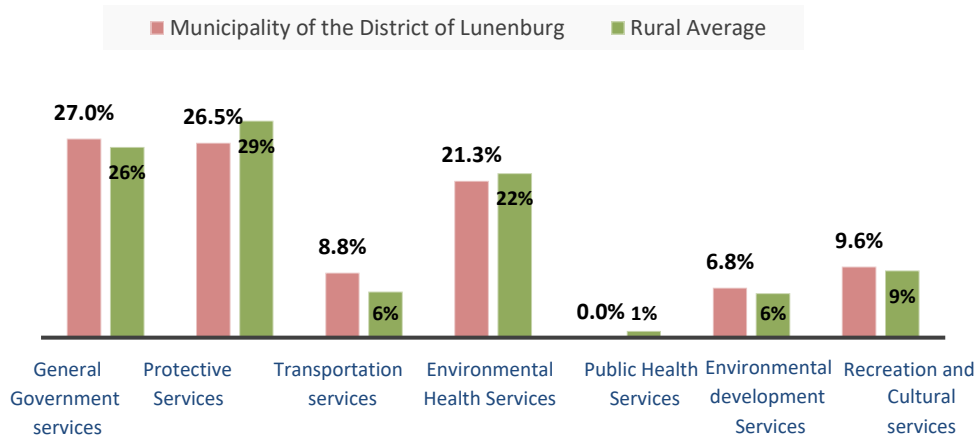


Figure 13 – Comparison of General Fund Expenses to Provincial Rural Average. Source: 2019 Financial Information Return

Accumulated Surplus (Deficit)

Annual Surplus: Revenue - expenses

Note: This amount is added to the accumulated surplus (deficit).

Total annual consolidated surplus(deficit):	\$5.3 million
Total consolidated accumulated surplus (deficit):	\$65.3 million
Total annual operating surplus (deficit):	\$1.9 million
Number of operating deficits in the last 5 years:	0

Municipality of the District of Lunenburg

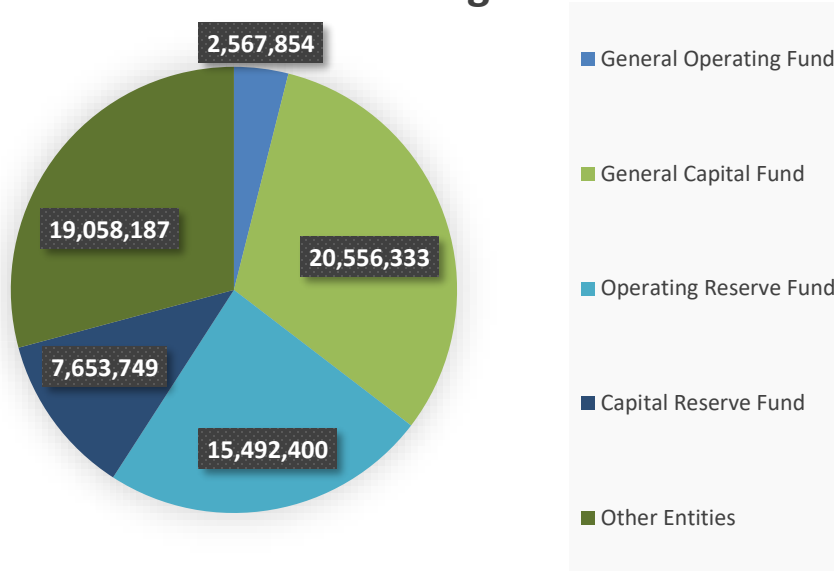


Figure 14- Consolidated Accumulated Surplus by Fund. Source: 2019 Financial Information Return

Debt

Total consolidated long-term debt:	\$3.9 million
Total general operating fund long-term debt:	\$3.9 million
Debt Service Ratio:	6.2%
Operating fund bank indebtedness:	\$0
Outstanding operating debt as percentage of: Net Property Taxes/Payments in Lieu of Taxes, Grants in Lieu of Taxes, and Government Transfers	0.0%

Chapter 4 - Financial Condition Indicators: House Model

The Financial Condition Indicators (FCIs)⁶ condense multiple sources of information into a single visual “House Model” graph. The House Model gives a quick visual of a municipality’s strengths and possible areas where a municipality may want to focus its attention.

The Model:

The Model consists of 13 indicators organized into base, structure and roof, focusing on:

- roof: 4 key performance indicators;
- structure: 6 financial indicators that concern management and debt; and
- base: 3 indicators relating to internal and external factors that could impact the municipality’s revenue stream.

Risk thresholds:

Each indicator is assessed against a risk threshold:

- low risk (**green**);
- moderate risk (**yellow**); and
- high risk (**red**).

Overall assessment:

The Department calculates an overall assessment for fiscal instability:

- low risk (**green**): 10–13 FCIs meets low risk threshold;
- Moderate risk (**yellow**): 8–9 FCIs meets low risk threshold; and
- High risk (**red**): 7 or less FCIs meets low risk threshold.

Lunenburg's Overall Assessment

Overall Assessment for: Lunenburg

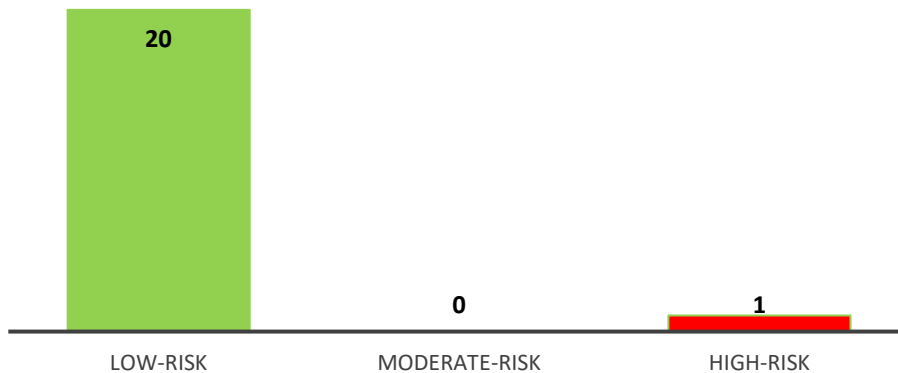
Financial Condition: **Low risk**

The overall Financial Conditions Index assessment for the District of Lunenburg is green (low risk).

This means that, although the Municipality has a few challenges, it is considered low risk for fiscal instability.

Comparison: Most of rurals municipalities are at low risk (see chart below).

Rural's Overall Results 2018-2019



Lunenburg's House Model

As shown in the House model below, Lunenburg's FCIs are comprised of:

Low risk: 12 indicators

Moderate risk: 0 indicator

High risk: 1 indicator

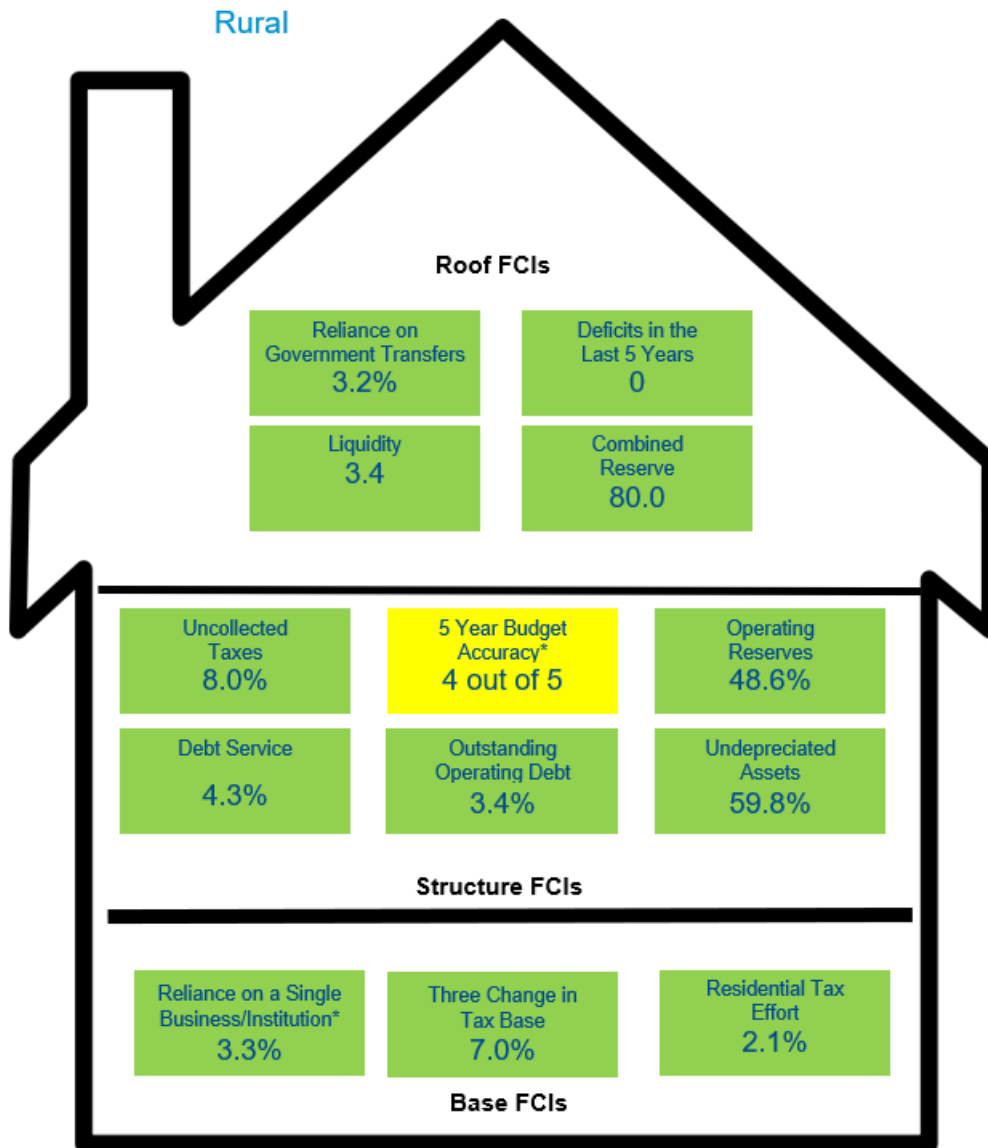
The House Model below provides details on the individual FCI assessments and the Municipality's specific challenges.



Please note FCIs are based on non-consolidated data.

Rurals' Average House Model

The model below shows that, in general Nova Scotia's rurals are experiencing a few challenges.



On average, the Rurals' challenges are concerning budget accuracy

The Base FCI Indicators

Reliance on a Single Business or Institution

2019 Results: **Low risk: 0.4%**

The largest single commercial or institutional account is only 0.4% of the Municipality's total Uniform Assessment.

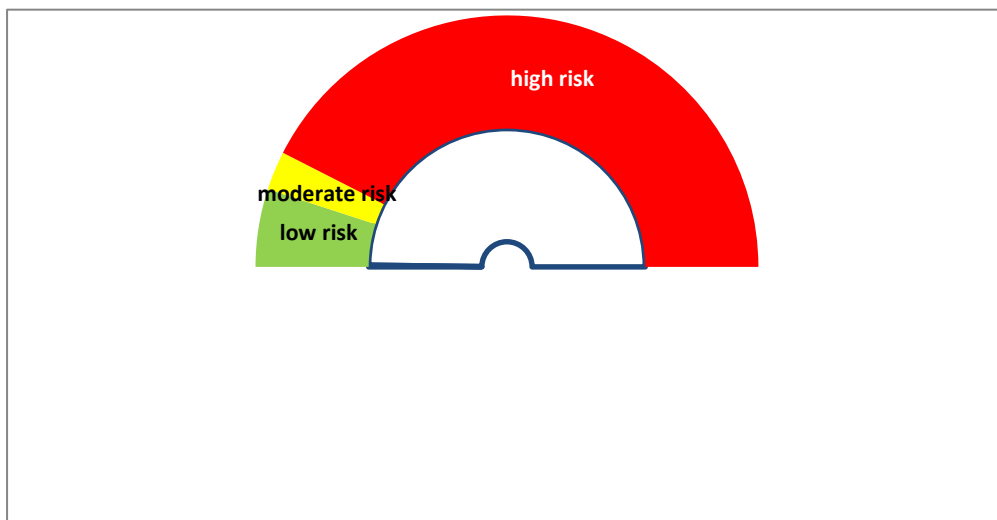
What does it mean? The Municipality is showing no vulnerability in this area.

The Municipality's tax base is not dependent on one single business or institution.

Calculation:
$$\frac{\text{Taxable assessment value of the largest business or institution}}{\text{Uniform Assessment}} = 0.4\%$$

Risk Thresholds:

	Low: Less than 10%
	Moderate: 10% to 15%
	High: Greater than 15%



Lunenburg's tachometer is at 0.4%.

Residential Tax Effort


2019 Results: **Low risk:** 2.3% of median household income is required to pay the average tax bill.

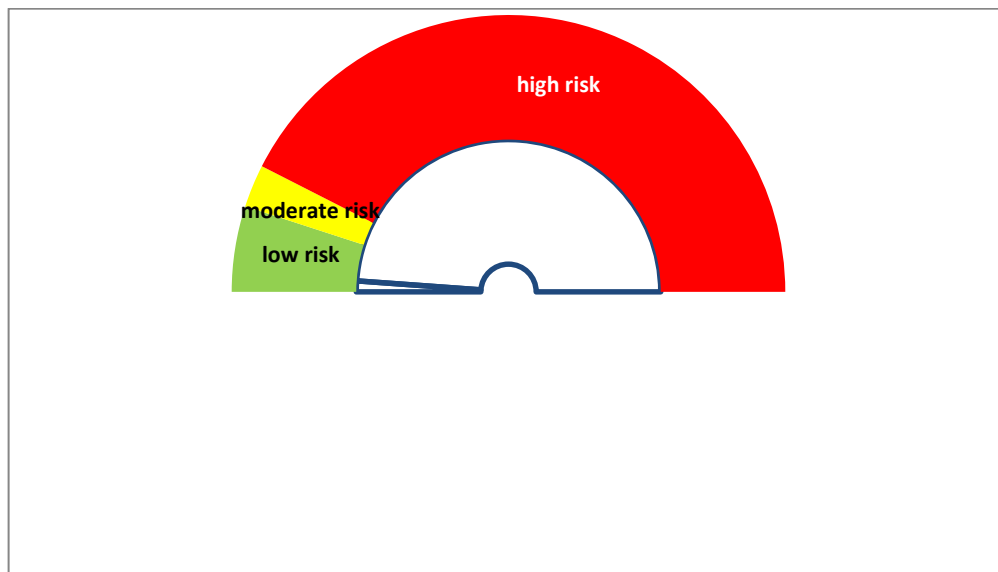
What does it mean? The Municipality has some flexibility to increase the taxes, if required.

This indicator helps council assess the affordability of municipal taxes in relation to the current service levels.

Calculation:
$$\frac{\text{Total residential tax revenue per dwelling unit}}{\text{Median Household Income}} = 2.3\%$$

Risk Thresholds:

-  Low risk: less than 4%
-  Moderate risk: 4–6%
-  High risk: greater than 6%



Lunenburg's tachometer is at 2.3%.

Operating Reserve

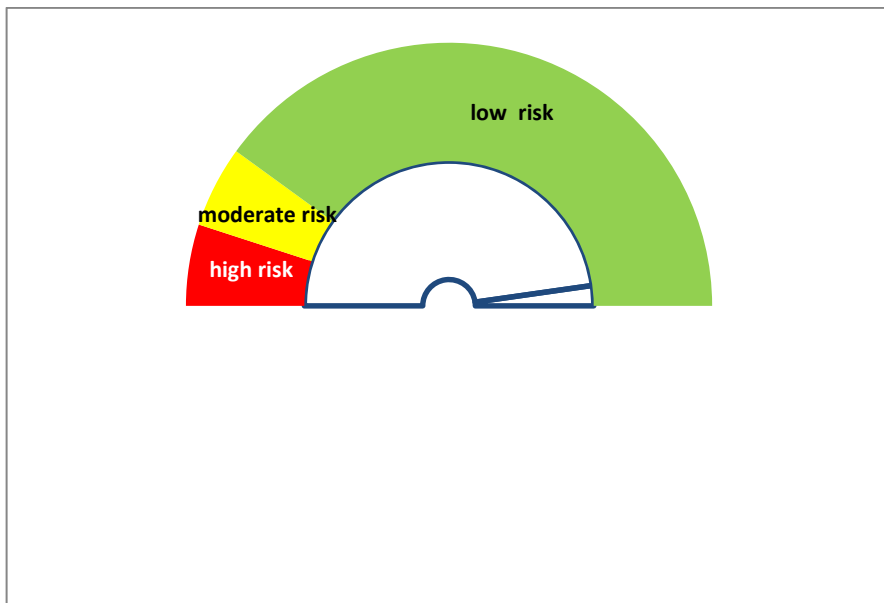
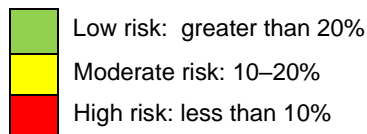
2019 Results: **Low risk: 95.5%**

What does it mean? The Municipality has set aside sufficient funds to help mitigate any unforeseen risks or future needs.

This indicator provides the value of funds set aside for planned future need, to smooth expenses or for unexpected expenses.

Calculation:
$$\frac{\text{Total Operating Reserve Fund Balance}}{\text{Total Operating Expenditures}} = 95.5\%$$

Risk Thresholds:



Lunenburg's tachometer is at 95.5%.




Uncollected Taxes

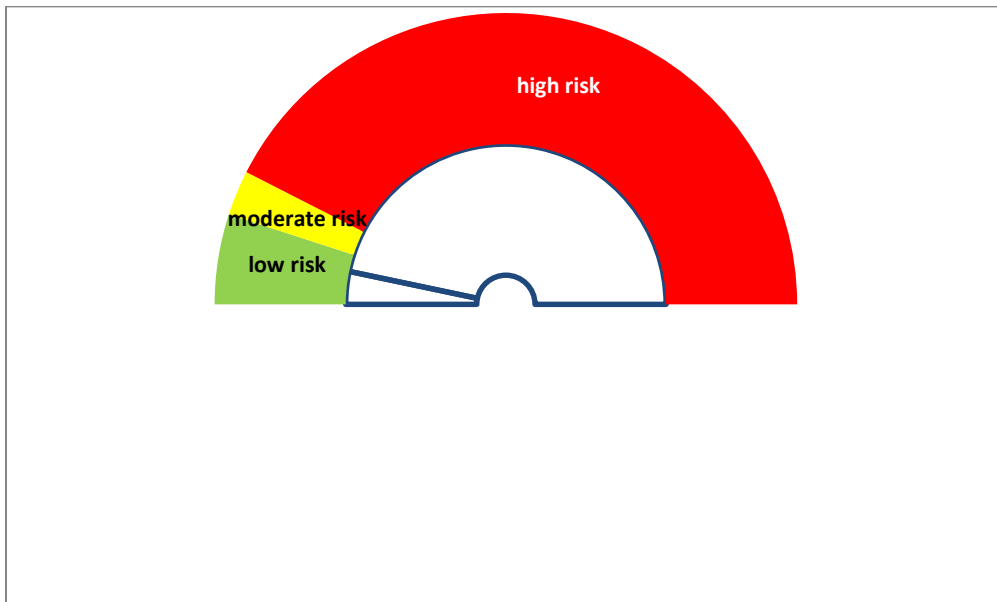
2019 Results: **Low risk:** 6.6%

What does it mean? The Municipality is managing tax revenue collection.

Calculation: Total Cumulative Uncollected Taxes = 6.6%
Total Taxes Billed in Current Fiscal Year

Risk Thresholds:

-  Low risk: less than 10%
-  Moderate risk: 10–15%
-  High risk: greater than 15%



Lunenburg's tachometer is at 6.6%.

Undepreciated Assets

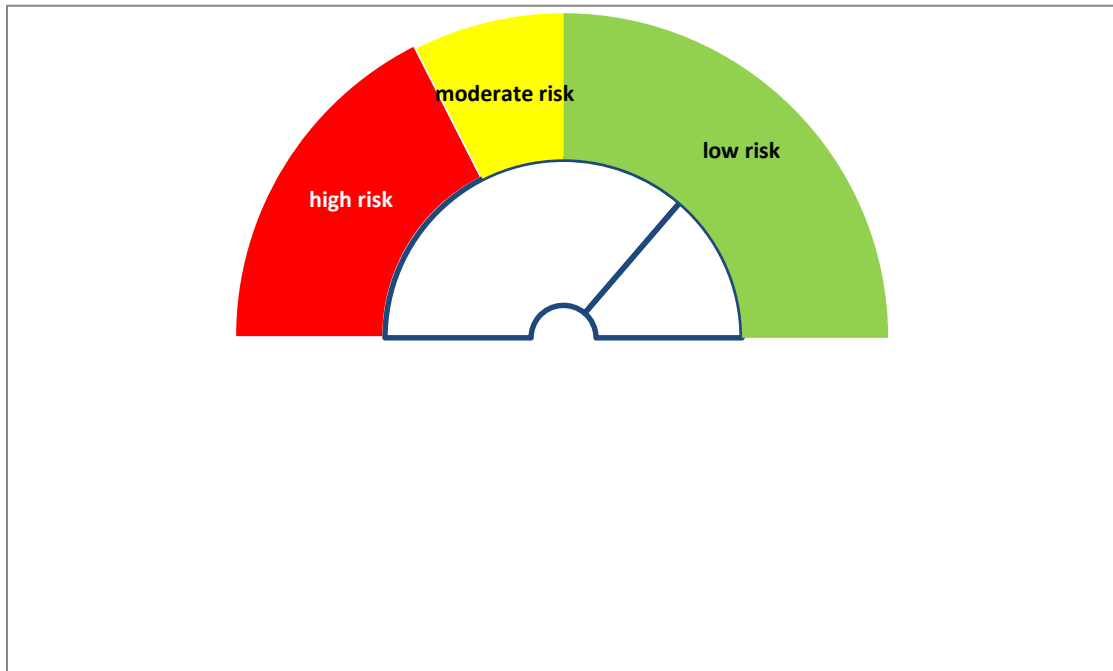
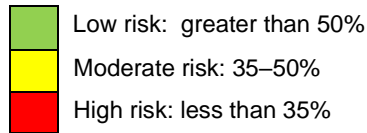
2019 Results: **Low risk: 72.6%**

What does it mean? This indicator estimates that the Municipality's capital assets have 72.6% of useful life remaining.

Municipalities across Canada are facing sufficient infrastructure challenges. This indicates that the Municipality is experiencing less of an infrastructure challenge than other municipalities.

Calculation: $\frac{\text{Total Net Book Value of Capital Assets}}{\text{Gross Costs of Capital Assets}} = 72.6\%$

Risk Thresholds:



Lunenburg's tachometer is at 72.6%.

5-Year Budget Accuracy

2019 Results: **High risk:** 2 of the last 5 years,
actual expenditures were within +/- 5% of budget.

What does it mean? The Municipality did not consistently maintain expenditure
spending within budget limits.

In 2017, actual expenses were 5.4% less than the budget.

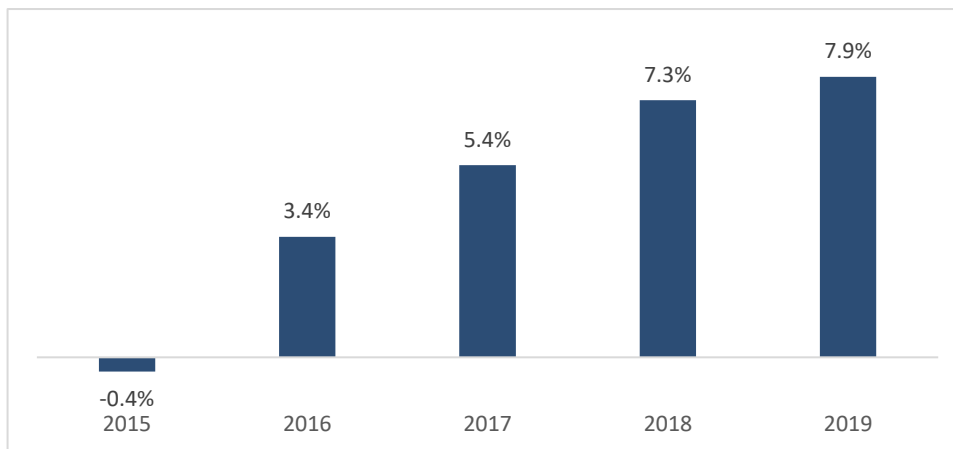
In 2018, actual expenses were 7.3% less than the budget.

In 2019, actual expenses were 7.9% less than the budget.

Calculation:
$$\frac{\text{Total budget expenditures} - \text{Total actual expenditures}}{\text{Total budget expenditures}} = 7.9\%$$

Risk Thresholds:

- Low: 5 out of 5 years, expenditures were within +/- 5% or expenditure and revenue variances were within +/- 5% of each other
- Moderate: 4 out of 5 years, expenditures were within +/- 5%
- High: Less than 4 out of 5 years, expenditures were within +/- 5%



*Figure 16- Operating budget variance over the last 5 years.
Source: Financial Information Return and Statement of Estimates Budget.*

Municipal Comment: The Municipality strives to respond to the needs of the community in a fiscally responsible manner by creating a budget that maintains stable tax rates and meets the service levels established by Council. The 2019 Financial Condition index is proof of this fiscal responsibility with green indicators in all dimensions except one. The budget accuracy dimension is red due to budget surpluses. These surpluses are placed in reserves to ensure there are funds to help mitigate the financial impact of major, nonrecurring or unforeseen expenditures on the Municipality's annual operating budget, as well as take advantage of unexpected opportunities to leverage external funding programs.

FCI- Key Performance Indicators –

the ability to meet current and future needs in a balanced and independent manner

Reliance on Government Transfers

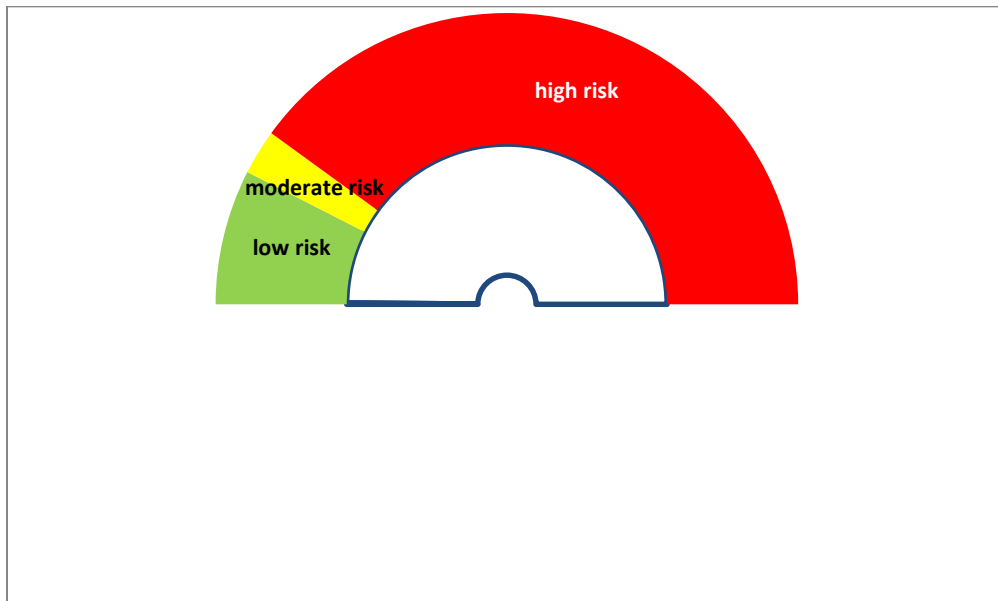
2019 Results: **Low risk: 0.3%**

What does it mean? The Municipality is not dependent on another level of government to meet its service obligations.

Calculation:
$$\frac{\text{Total Government Transfers}}{\text{Total Revenue}} = 0.3\%$$

Risk Thresholds:

	Low risk: less than 15%
	Moderate risk: 15–20%
	High risk: greater than 20%



Lunenburg's tachometer is at 0.3%.




Number of Deficits in the Last 5 Years

2019 Results: **Low risk:** 0 operating deficits in the last five years

What does it mean? Deficits are important indications of financial health. The result indicates that the municipality is able to meet its needs in a balanced manner and maintain a balanced budget.

Calculation: The number of non-consolidated operating deficits in the last five years = 0.

Risk Thresholds:

-  Low risk: 0 in the last 5 years
-  Moderate 1 or more in the last 5 years
-  High risk: 1 or more in the last 2 years with one material deficit (0.5% of operating expenses)

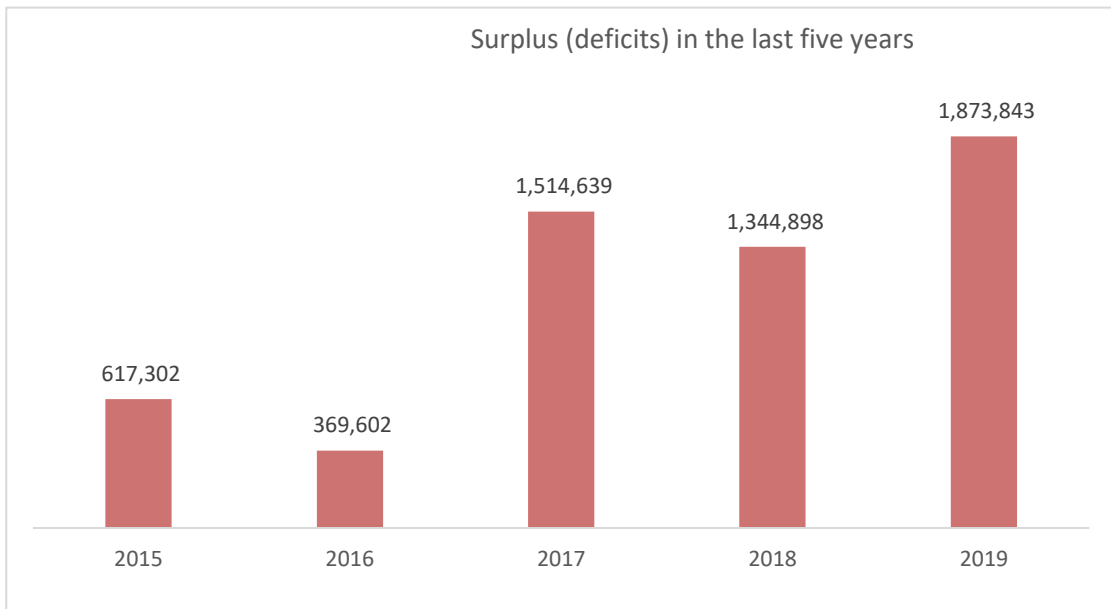


Figure 17- Annual operating fund surplus (deficits) for the last 5 years Source: Financial Information Return




Liquidity

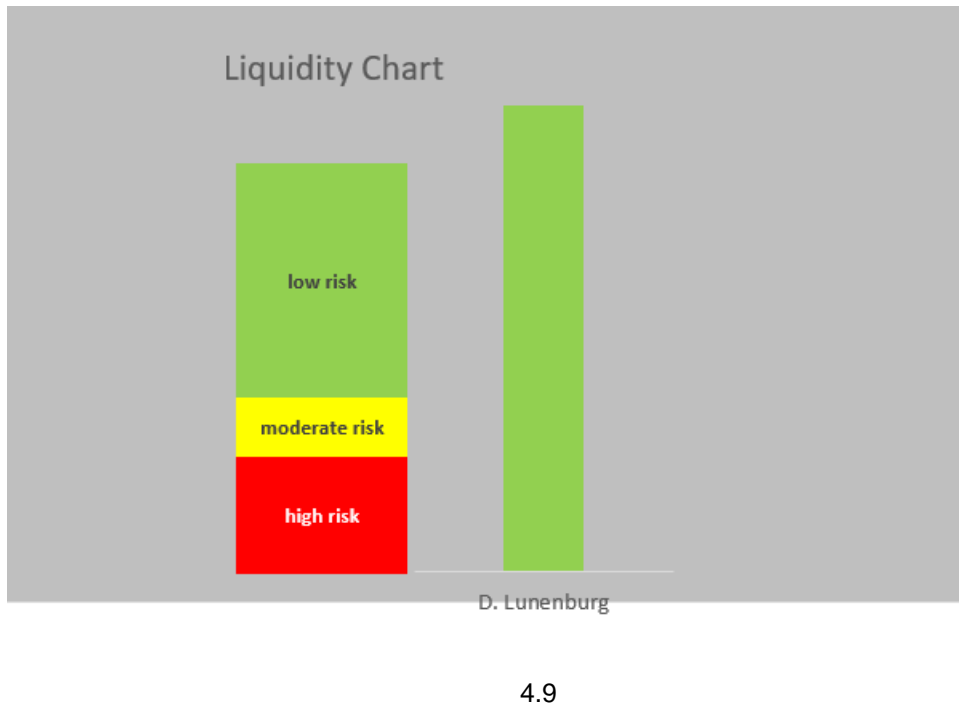
2019 Results: **Low risk: 4.9**

What does it mean? Liquidity is key to financial performance. The result indicates that the Municipality does not have a cash flow problem and is able to meet its service obligations.

Calculation:
$$\frac{\text{Total Current Financial Assets}}{\text{Total Current Liabilities}} = 4.9$$

Risk Thresholds:

	Low risk: greater than 1.5
	Moderate risk: 1 to 1.5
	High risk: less than 1






Combined Reserves

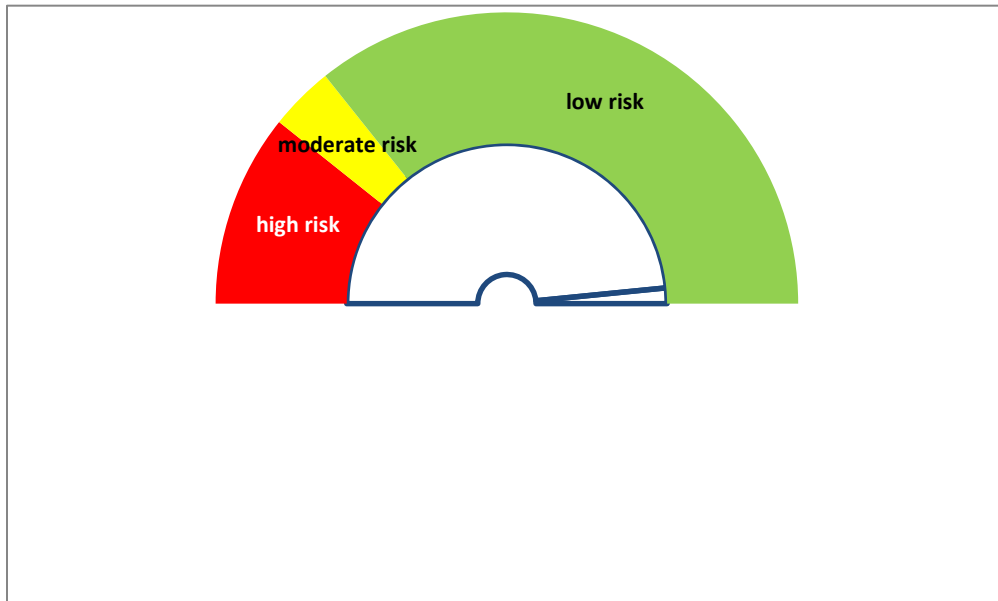
2019 Results: **Low risk:** 135.6% combined reserves

What does it mean? This result indicates that the Municipality does appear to have sufficient reserves needed to address unexpected events or provide flexibility to address future projects.
Reserves are critical components of a municipality's long-term sustainability. This indicator shows the value of the funds held in the reserves compared to a single year's operation, including amortization expenses.

Calculation: $\frac{\text{Total Operating and Capital Reserves.}}{\text{Total Operating Expenses plus Amortization Expense}} = 135.6\%$

Risk Thresholds:

-  Low risk: greater than 40%
-  Moderate risk: 30–40%
-  High risk: less than 30%



Lunenburg's tachometer is at 135.6%.

Appendix I – Additional Resources

Nova Scotia Government's Open Data Portal (data.novascotia.ca)

This portal provides access to various government data in a free, accessible, machine-readable format.

Financial datasets currently published through the Nova Scotia Government's Open Data Portal:

- 911 Municipal Grants
- Consolidated Revenues and Expenses by Municipality
- Municipal Affairs Funding Programs
- Emergency Services Provider Fund
- Farm Land Grant
- Financial Condition Indicators by Municipality
- Municipal Contributions to Roads
- Municipal Financial Capacity Grant (formally equalization program)
- Municipal Operating Fund- Summary of Revenue and Expenses by Municipality
- Municipal Operating Expenses by Function -10 Year Summary
- Municipal Operating Revenue by Source -10 Year Summary
- Municipal Property Tax Rates
- Nova Scotia Power Grant-in-Lieu
- Uniform Assessment

Municipal website

modl.ca

A municipality's website can be a helpful resource to access various financial information. Currently, most municipal websites provide:

- audited Financial Statements
- approved Operating Budget
- quarterly municipal Expense Report
- quarterly municipal Hospitality Expense Report

Contact Municipal Affairs and Housing

For more information, for support in action plan development, or to obtain a guide on action plan development:

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Katharine.Cox-Brown@novascotia.ca
902.424.4643

