

Audit Committee Meeting Agenda

September 22, 2026 – 8:30 a.m.

MODL Council Chambers, 10 Allée Champlain Drive, Cookville, Nova Scotia

1. **Call To Order**
2. **Approval of Agenda** (as circulated)
3. **Approval of Minutes** – July 7, 2026 (as circulated)
4. **Audit Reports & Audit Opinion**
 - a. Management Letter 1-2
 - b. Internal Control Letter 3
5. **Treasurer’s Financial Statement Report**..... 4-76
 - a. Review of the Consolidated Financial Statements
 - b. Annual cost variances in comparison to budget
 - c. Review of the Hospitality and Expenses of Reportable Individuals
 - d. Review of Trust Fund Statements
 - e. Compliance
 - f. Draft Audited Financial Statements Year End March 31, 2026
6. **Financial Condition Indicators (FCI) Comparison 2026** 77-80
7. **Adjournment**



11 Dominion St
Bridgewater NS B4V 2J6
Canada

Tel: 902-543-4278
Fax: 902-543-1818
bridgewater@bvca.ca
www.bvca.ca

September 22, 2026

Mayor Elspeth McLean-Wile and Council
Municipality of the District of Lunenburg
10 Allée Champlain Drive
Cookville, Nova Scotia
B4V 9E4

Dear Mayor McLean-Wile:

We have completed our audit of the Municipality of the District of Lunenburg for the year ended March 31, 2026. 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.

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, 2026. 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 internal accounting control, and it would not necessarily disclose all weaknesses in the system.

Early Adoption of Section PS1202

Effective April 1, 2025, the Municipality of the District of Lunenburg elected to early adopt Section PS 1202, Financial Statement Presentation. This new reporting model replaces the former Section PS 1201 presentation standard. The new reporting model is intended to improve users' ability to understand financial statements. Management has evaluated its impacts on current accounting systems, identified the proper classification for liabilities and educated users on the changes to the presentation. In discussion with management, successful early adoption of Section PS 1202 has occurred.

TownSuite Municipal Software

During the year, The Municipality had identified an issue with the TownSuite Software where the Accounts Receivable subledger was not balanced to the accounts. Municipal staff notified TownSuite and TownSuite made an entry to correct. This was a Software issue and not a Municipality internal accounting error.

During our Audit, we also identified a reconciliation issue where the Capital Fund and Operating Fund were not balanced. The Municipality contacted TownSuite and TownSuite needed to correct this issue. This again was a Software issue and not a result of the Municipality's internal accounting processes.

Municipality of the District of Lunenburg

September 22, 2026

Page 2

Municipal staff are now aware of potential issues within TownSuite and are being diligent in monitoring accounts to ensure any similar matters moving forward are addressed by TownSuite in a timely manner.

We would like to acknowledge staff and management's effort throughout the audit. Staff were 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

h:\client data\lunenburg, municipality of the district of\correspondence\2026-09-22-municipality of the district of lunenburg-2026 management letter.docx`

September 22, 2026

Mayor Elspeth McLean-Wile and Council
Municipality of the District of Lunenburg
10 Allée Champlain Drive
Cookville, Nova Scotia
B4V 9E4

Dear Mayor McLean-Wile:

In connection with the audit of the Municipality of the District of Lunenburg (the “Municipality”) financial statements for the year March 31, 2026 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.

During the course of our audit, nothing came to our attention to report in the internal control letter.

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.

We commend management on being proactive in identifying areas where internal control procedures can be improved and taking the initiative to implement such procedures.

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



The Municipality of the District of Lunenburg

Information Report with Motion

Report To: Audit Committee
Submitted By: Elana Wentzell, CPA, CMA, Director of Finance
Date: September 22, 2026
Re: Treasurer Report – 2026 Draft Financial Statements

Recommended Motion

The Audit Committee recommends that Municipal Council approve the Municipality of the District of Lunenburg's Audited Financial Statements for the year ended March 31, 2026.

Introduction

Municipal financial statements report on financial activities and balances. They help ensure accountability, transparency, and assist municipalities with long-term and strategic planning. Financial statements are an important tool for a municipal council and administration to use to report to the taxpayers on the municipal services provided with the resources at their disposal.

Legislative Requirements and Reporting Standards

The Financial Accounting & Reporting Manual (FRAM) is a legislative authority of the Municipal Government Act and requires that every Nova Scotia municipality prepare annual audited financial statements. Each municipality provides a copy to Department of Municipal Affairs, when the municipality submits its annual Financial Information Return (FIR) to the Department.

According to Chartered Professional Accountants (CPA) Canada, municipal financial statements must be prepared in accordance with generally accepted accounting principles for local governments as recommended by the CPA Canada - (PSAB).

Requirements for municipal financial reporting are standardized across Canada and are set out in the Public Sector Accounting Handbook. Municipal financial statements include the reporting

of tangible capital assets. This approach provides a more complete picture of a municipality's financial condition.

Financial statements provide information on a municipality's financial activities and balances for the period. Financial statements also provide information on a municipality's financial position in terms of its assets and liabilities, its net financial resources, accumulated surplus or deficit, and its tangible capital assets and other non-financial assets.

Financial statements reflect the outcomes of activities that create revenue and incur expenses to determine whether the municipality operated in a surplus or a deficit for that period. Financial statements also provide a meaningful summary of the sources, allocation and consumption of municipal economic resources, how the activities of the period have affected the municipality's net debt, how municipal activities were financed, and how cash requirements were met.

Financial statements include a statement of financial position (referred to as the balance sheet in the private sector), a statement of operations (referred to as the income statement in the private sector), a statement of net financial assets, a statement of cash flow, and a statement of changes in net assets (if applicable). Additional supplementary information is provided in schedules and notes to the financial statements.

Early Adoption - Public Sector Accounting Standard Changes

A new Conceptual Framework was issued in the CPA Canada Public Sector Accounting Handbook (PSA Handbook) on December 1, 2022. PS 1202, the new Financial Statement Presentation standard (replaces PS 1201 Financial Statement Presentation), sets out PSAB's new Reporting Model and was approved in March 2023.

Both the Conceptual Framework and the Reporting Model in Section PS 1202 will be effective for fiscal years beginning on or after April 1, 2026. Staff chose to adopt this standard one year early. Prior period amounts were restated to conform to the presentation requirements for comparative financial information.

Municipal Financial Statements

The annual financial statements are prepared in accordance with Canadian standards established by the PSAB. They include:

- comparative figures from the prior year
- a comparison of actual to budget results

Municipal financial statements are prepared on an accrual basis recognizing revenues and expenses when they occur and not necessarily when they are paid. As such, they can provide insight on the cost of decisions that may not need to be funded until a future period.

There are five main components to the financial statements of a municipality:

1. The Consolidated Statement of Financial Position is a statement that reports on:
 - a. Financial and Non-financial Assets – what the municipality owns or controls
 - b. Financial Liabilities – what the municipality owes
 - c. Net Assets – total assets minus liabilities
 - d. Reconciliation of net assets to accumulated surplus or deficit – what remains after the assets have been used to meet the liabilities. These remaining assets will be available to provide services to future period
2. The Consolidated Statement of Operations is a statement that reports on:
 - a. revenues
 - b. expenses
 - c. results for a fiscal year or reporting period (surplus or deficit)
3. The Consolidated Statement of Cash Flow is a statement that provides details on changes in cash and cash equivalents from the previous reporting period by:
 - a. identifying where cash came from
 - b. showing how cash was used
4. The Consolidated Statement of Net Financial Assets is a statement that:
 - a. explains the difference between the financial assets and the financial liabilities
 - b. reports on the financial assets available to provide services in the future and/or settle existing and future liabilities or
 - c. reports on the future financial assets required to settle financial liabilities that have arisen from past transactions or other events.
5. The Consolidated Statement of Changes in Net Assets is not applicable in MODL but is a statement that shows how the accumulated surplus is affected by:
 - a. unrealized changes in the fair value of derivative and equity instruments (investments) at the financial statement reporting date
 - b. annual fluctuations in exchange rates from financial assets or liabilities held in foreign currency reported in Canadian dollars at the financial statement reporting date

Notes and schedules

Supplementary Schedules for municipal financial statements contain additional detailed information for the reader.

The Notes to the Financial Statements contain important information and explanations, some of which may be required by legislation and regulation. The notes highlight various aspects of

the financial statements and provide background information and insight on the impacts of specific values in the financial statements. Many users review the notes before examining the main statements.

Typical notes to financial statements include information on:

- accounting policies
- cash and cash equivalents
- receivables
- equity instruments, derivatives and other investments
- deferred revenue
- employee benefit obligations
- asset retirement obligations
- long-term debt
- tangible capital assets
- commitments and contingencies
- accumulated surplus or deficit

Municipality of the District of Lunenburg Financial Statements

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 as previously discussed.

The consolidated financial statements have been audited by Belliveau Veinotte Inc., who have expressed their opinion that these statements present fairly, in all material aspects, the financial position of the Municipality as at March 31, 2026. The Audited Financial Statements included in this reporting package are considered to be in draft until they are approved by Municipal Council.

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 following discussion refers to specific pages in the Municipality's Financial Statements in your agenda package.

Consolidated Statement of Financial Position (Page 4)

The Consolidated Statement of Financial Position is a balance sheet summarizing the financial assets and liabilities of the Municipality. The statement highlights the difference between the

financial assets including tangible capital assets and liabilities as well as the components of the net assets.

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 asset on this statement that increases the accumulated surplus.

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

Operating fund	\$ -
Capital fund	59,180,141
Reserve fund	39,637,780
Municipal Joint Services Board	3,528,630
Lunenburg County Multipurpose Corporation	<u>13,614,643</u>
	<u>\$115,961,194</u>

Consolidated Statement of Operations (Page 5)

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 2026 of \$10,856,573 with a budgeted surplus of \$8,234,775. The variance of \$2,621,788 consists of the following:

- Consolidated revenue variances are actual revenues recorded versus budget that include in overages in deed transfer tax which can be seen assessable property taxes line. There are also a variance in the grants revenue line compared to budget due to grant revenue budgeted for the Centre School demolition project.
- The consolidated expenditure variances are actual expenses recorded versus budget. Significant variances of expenses under budget are Grants, Other Admin Services, Roads & Streets (including NSPW paving partnerships), Planning, Zoning & Economic Development (includes costs for Well Tide building fit-up), Recreation & Cultural Services (including facility maintenance, programs) and Amortization expenses.
- Significant variances of expense over budget include the Centre School contaminated site liability that had to be set up per PSAB rules.

Please see the Variance Statement on the following page:

Description of Variance	Variance Amount	Budget	Actual
Revenue			
Assessable property taxes	\$ 1,246,418	\$ 30,902,500	\$ 32,148,918
Grants in lieu of taxes	17,548	269,600	287,148
Services provided to other governments	23,678	204,200	227,878
Unconditional government transfers	7,528	102,500	110,028
Licenses, permits, fines, rentals & recoveries	23,241	353,800	377,041
Interest, administration & tax sale fees	62,656	2,261,300	2,323,956
Tax sale surplus & other Finance	(8,716)	127,300	118,584
Economic Development grants & VIC	-	6,000	6,000
Sale of Services & other revenues	180,719	343,300	524,019
Open Space & user connection fees	40,346	50,000	90,346
Recreation fees	3,027	79,000	82,027
Sale of Capital Assets/Donated Assets	27,000	-	27,000
Gas Tax revenue & Federal & Provincial Grants	(3,812,868)	12,339,825	8,526,957
Insurance, third party & other municipal units	258,605	-	258,605
LCLC consolidated revenue	1,691	828,802	830,492
Total Revenue	(1,929,128)	47,868,127	45,938,999
Expenditures			
Council & Other Legislative Services	(81,054)	826,400	745,346
Council Approved Contingency	(36,000)	40,000	4,000
Valuation Allowance	165	143,200	143,365
Grants to Organizations	(496,109)	1,388,100	891,991
Other Administrative Services	(437,999)	5,983,600	5,545,601
Protective Services	(22,818)	12,095,100	12,072,282
Roads & Streets	(360,264)	1,600,800	1,240,536
Street Lighting	(3,126)	159,200	156,074
Other Engineering Services	(11,119)	754,800	743,681
Fuel Rebate/cost on Garbage Collection Contract	(99,050)	131,000	31,950
Tipping Fees and other Waste Disposal	(27,246)	3,155,500	3,128,254
Sewage Treatment	(117,651)	1,264,300	1,146,649
Centre School Liability	250,000	-	250,000
Planning, Zoning and Economic Development	(2,189,263)	4,524,100	2,334,837
Recreation & Cultural Services	(505,078)	3,343,200	2,838,122
Depreciation of Capital Assets	(457,396)	2,475,000	2,017,604
Asset Retirement Obligation Expense	(26,865)	50,000	23,135
Write off of Capital Assets	7,432	-	7,432
LCLC consolidated expenditures	62,517	1,699,052	1,761,569
Total Expenditure	(4,550,926)	39,633,352	35,082,426
Surplus (deficit)	\$ 2,621,798	\$ 8,234,775	\$ 10,856,573

Consolidated Statement of Cash Flows (Page 6)

The Statement of Cash Flows reports on 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, accretion 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 Net Financial Assets (Page 7)

This is the new statement required under the PSAB reporting standard. It explains the difference between the financial assets and the financial liabilities. It reports on the financial assets available to provide services in the future and/or settle existing and future liabilities or future financial assets required to settle financial liabilities that have arisen from past transactions or other events.

The Municipality continues to be in a strong financial position. It has net financial assets of \$41.3 million.

Selected Notes Discussion

Early Adoption of Public Sector Accounting Standards PS 1202 (Pages 12 & 13)

This new note explains the nature of the change, the impact on financial statement presentation, the transitional provisions and summary of reclassifications. The new standard focuses on improving financial statement accountability, transparency and clarity for users. There is also a table that summarizes the quantitative impact of the reclassifications made. Due to the nature of transactions in MODL, the impact was minimal.

Future Accounting Pronouncements (Page 14)

This note explains amendments that will be made to PS 3150 Tangible Capital Assets and PS 3251 Employee Benefits. These changes will be effective in the next 5 years (2030 & 2031). Staff will evaluate the effect on financial reporting as we draw near to the effective dates.

Hospitality and Expenses of Reportable Individuals - Notes 22 & 23 (Page 37)

The Audit Committee must review the annual hospitality and expenses of reportable individuals. Reportable individuals are defined as the Mayor, Councillors and the CAO. Remuneration and all expenses must be reported. Hospitality expenses are expenses incurred while hosting individuals from outside the municipal government for reasons of diplomacy, protocol, business development or promotional advocacy. Examples include: gifts, receptions,

ceremonies, conferences, performances or other group events. The Municipality does not usually have any hospitality expenses and there are none to report in 2025-26.

PSAB Budget Reconciliation – Note 30 (Page 45)

This note has been prepared by staff as required in the new PSAB conceptual framework where Municipal budgets must also conform to the new statement standards effective April 1, 2026.

Municipal Trust Fund Financial Statements (Page 53)

The Trust Fund financial statements are prepared in accordance with the Canadian accounting standards for not-for-profit organizations not PSAB. This determination was made by the Municipal Auditor based on the nature of this non-consolidated fund.

The Municipal Trust Fund includes funds that have been entrusted to the Municipality. Specifically, there are:

1. Burial funds in the amount of \$3,720 held for three residents of Riverview Enhanced Living/Balsam Care (Note 3);
2. School Lands trust in the amount of \$26,227 representing MODL's interest for NGRHS and PVEC (Note 4), and
3. \$1,000,000 for funds donated by Lunenburg County Community Fund (Note 5).

A statement of financial position and accompanying notes are prepared to explain the financial activity in the Trust Fund. The Trust Fund is considered a separate entity and not consolidated in the Municipality's Financial Statements.

Compliance

The Audit Committee must review the municipality's compliance with statutory and regulatory obligations within the Committee's area of responsibility. Reviewing the audited financial statements, annual budget variances, expenses for reportable individuals and hospitality expenses meet this obligation.

As well, staff can report that all mandatory reporting to the Province (Annual Expenditure Report, Capital Investment Plan, and Statement of Estimates), have been or will be submitted before required deadlines. The Province released the Financial Information Return on Sept 8th with a September 30th deadline.

Glossary of Terms

Amortization – the systematic allocation of the historical cost of a tangible capital asset over its useful life.

Accumulated Amortization – the total amortization pertaining to a tangible capital asset from the time the asset was placed into service until the date of the financial statement.

Assets under Construction (Work in Progress) – tangible capital assets under construction at the end of the fiscal year that have not been put into service (e.g., Cookville WWTP upgrades).

Consolidated Financial Statements –statements containing financial information for the municipality and its owned or controlled organizations (e.g., LCLC).

Contributed Assets – assets that have been transferred or donated to the municipality and that will provide a future economic benefit.

Deferred Revenue – income received that will not be recorded as revenue until certain transactions or events take place.

Equity in Tangible Capital Assets – the net book value of recorded tangible capital assets less capital debt.

Expenditure – an outlay of cash, payment or disbursement.

Expense – the cost to the municipality of an activity and can be cash or non-cash cost (e.g., wages, materials, amortization).

Financial Assets – current cash resources plus any items or holdings that are expected to be converted into cash in the future.

Gain or Loss on Sale – proceeds from the sale of a tangible capital asset that are greater than (gain) or less than (loss), the net book value of the asset.

Government Transfers – entitlements, transfers under cost-share agreements, and/or grants from other levels of government.

Net Book Value – the total cost of a tangible capital asset minus the accumulated amortization and any write-down of the asset.

Restricted Surplus – the amount that results from excess revenues that have been internally designated for a specified future purpose or externally restricted, such as by provincial legislation (e.g. Capital Reserve Fund).

Tangible Capital Assets – non-financial assets having a physical substance that are held for use in the supply of goods and services, have economic lives beyond the accounting period, are used on a continuing basis and are not for sale in the ordinary course of operations (e.g. municipal facilities).

Unrealized Gains or Losses – new financial instruments standards require equity investments and derivatives that can be quoted on an active market to be recorded at fair value, with any unrealized gains/losses recorded annually in the statement of remeasurement gains (losses). Once those investments expire or are sold, the unrealized gain or loss becomes realized and is reallocated to the statement of operations.

Unrestricted Surplus – the portion of the accumulated surplus that results from excess revenue and expenses available for any future use.

Report Preparation	
Department	Finance
Report Prepared by	Elana Wentzell
Report Approved by	
Date Reviewed by C.A.O.	

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

FINANCIAL STATEMENTS

MARCH 31, 2026



**10 Allée Champlain Drive
Cookville, NS
B4V 9E4**

Table of Contents

MUNICIPALITY OF THE DISTRICT OF LUNENBURG CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditor's Report	2
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Net Financial Assets	7
Notes to the Consolidated Financial Statements	8
1. Summary of Significant Accounting Policies and Reporting Practices	8
2. Contributions to Boards, Regional Authorities and Commissions	14
3. Contributions to Provincial Government Departments and Agencies	16
4. Cash and Cash Equivalents	17
5. Taxes Receivable	18
6. Other Receivables	19
7. Other Liabilities	20
8. Tax Sale Surplus Account	22
9. Long-term Debt	23
10. Contingent Liabilities	24
11. Tangible Capital Assets	25
12. Asset retirement obligations	26
13. Assets Held for Resale	26
14. Commitments	27
14. Commitments (continued)	28
15. Assessed Property Taxation	30
16. Schedule of other Revenues and Conditional Transfers	31
17. Employee Benefits	32
18. Consolidated Expenditures by Object – Municipal Operations	34
19. Government Transfers	35
20. Municipal Joint Services Board ("MJSB")	35
21. Financial Instruments	36
22. Remuneration of Elected Officials and Chief Administrative Officer	37
23. Hospitality Expenses	37
24. Area Rates	38
25. Operating Reserve Details	40

26.	Capital Reserve Details	41
27.	Segmented Reporting Statement	42
28.	Segmented Reporting Detailed Information	43
29.	Accumulated Surplus	44
30.	Budget Reconciliation	45
31.	Comparative Figures	45
	Schedule of Operating Fund Financial Position	46
	Schedule of Operating Fund Financial Activities and Change in Fund Balances	47
	Schedule of Capital Fund Financial Position	48
	Schedule of Capital Fund Financial Activities and Change in Fund Balances	49
	Schedule of Reserve Fund Financial Position	50
	Schedule of Reserve Fund Financial Activities and Change in Fund Balance	51
	Schedule of Tax Sale Accounts	52
	MUNICIPALITY OF THE DISTRICT OF LUNENBURG TRUST FUNDS FINANCIAL STATEMENTS	53
	Independent Auditors Report	54
	Statement of Financial Position	56
	Notes to the Financial Statements	57
1.	Purpose of Trust	57
2.	Significant accounting policies	57
2.	Significant accounting policies (continued)	58
3.	Burial Funds	58
4.	School Lands	58
5.	Lunenburg County Community Fund	59

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2026



**10 Allée Champlain Drive
Cookville, NS
B4V 9E4**

MUNICIPALITY OF THE DISTRICT OF LUNENBURG CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2026

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 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 22, 2026



INDEPENDENT AUDITOR'S REPORT

To the Council of The Municipality of the District of Lunenburg

Opinion

We have audited the 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, 2026, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2026, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

(continues)

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Bridgewater, Nova Scotia
September 22, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS

Municipality of the District of Lunenburg
Consolidated Financial Statements
For the year ended March 31, 2026

Consolidated Statement of Financial Position

	2026 Actual	2025 Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ 42,754,363	\$ 47,461,371
Taxes receivable (net of asset valuation allowances) (note 5)	2,810,727	2,347,641
Other receivables (net of asset valuation allowances) (note 6)	9,720,845	4,145,050
Investment in Municipal Joint Service Board (note 20)	3,528,630	3,528,630
Assets held for resale (note 13)	229,428	229,428
Non-Financial Assets		
Tangible Capital assets (net of accumulated amortization) (note 11)	74,481,263	60,633,373
Prepaid expenses	174,425	307,898
Total Assets	133,699,680	118,653,391
Financial Liabilities		
Bank Loan (Overdraft)	-	-
Accounts payable and accrued liabilities	7,196,791	2,793,025
Long-term debt (note 9)	-	-
Payable to other governments	1,737,709	1,732,307
Employee future benefit obligations (note 17b)	713,189	695,146
Asset retirement obligation (note 12)	1,124,805	1,101,670
Other (note 7)	6,965,991	7,226,620
Total Liabilities	17,738,486	13,548,768
Net Assets (net liabilities)	115,961,194	105,104,622
Net Assets (net liabilities) components:		
Accumulated Surplus (note 29)	115,961,194	105,104,622
Accumulated remeasurements	-	-
Accumulated other	-	-
	\$ 115,961,194	\$ 105,104,622

Contingent Liabilities (note 10)

Commitments (note 14)

On behalf of the Municipality of the District of Lunenburg

Mayor

Chief Administrative Officer

Municipality of the District of Lunenburg
Consolidated Financial Statements
For the year ended March 31, 2026

Consolidated Statement of Operations

	2026		2025
	Budget	Actual	Actual
Revenue			
Assessable property taxes ¹ (note 15)	\$ 30,902,500	\$ 32,148,918	\$ 30,713,443
Grants in lieu of taxes	269,600	287,148	296,796
Services provided to other governments	204,200	227,878	167,369
Other revenue from own sources (note 16)	4,049,502	4,638,069	5,676,715
Unconditional transfers from other governments	102,500	110,028	106,250
Conditional transfers from other governments (note 16)	12,339,825	8,526,957	9,351,102
	47,868,127	45,938,999	46,311,675
Expenditures			
General government services	8,583,000	7,543,786	7,739,283
Protective services	12,097,200	12,074,395	10,997,672
Transportation services	2,831,500	2,463,818	3,131,688
Environmental health services	5,459,500	5,485,177	6,037,479
Environmental development services	4,789,400	2,604,134	2,764,928
Recreation and cultural services	5,872,752	4,911,116	4,578,407
	39,633,352	35,082,426	35,249,457
Annual Surplus (note 30)	8,234,775	10,856,573	11,062,219
Accumulated Surplus, beginning of year	105,104,622	105,104,622	94,042,403
Accumulated Surplus, end of year (note 29)	\$113,339,397	\$115,961,194	\$105,104,622

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

Municipality of the District of Lunenburg
Consolidated Financial Statements
For the year ended March 31, 2026

Consolidated Statement of Cash Flows

	2026 Actual	2025 Actual
Cash, beginning of year	\$ 47,461,371	\$ 43,420,481
Cash provided by (applied to) operating transactions		
Accumulated Surplus	10,856,573	11,062,219
Change in non-cash items		
Amortization	2,539,561	2,530,693
Accretion expense	23,135	24,769
Taxes receivable (net of asset valuation allowances)	(463,086)	(347,001)
Other receivables (net of asset valuation allowances)	(5,575,795)	(1,728,982)
Change in assets held for sale	-	12,205
Payables	4,403,766	(138,198)
Other liabilities	(237,183)	(3,189,293)
Change in prepaid	133,473	(160,861)
	11,680,444	8,065,550
Cash provided by (applied to) capital transactions		
Acquisition of tangible capital assets	(16,394,883)	(4,270,529)
Disposals of tangible capital assets	7,424	245,923
	(16,387,459)	(4,024,606)
Cash provided by (applied to) investing transactions		
Assets held for sale	-	-
Net cash provided by (applied to) operating, capital and investing transactions	(4,707,008)	4,040,944
Net Cash before financing transactions	42,754,363	47,461,425
Cash provided by (applied to) financing transactions		
Change in bank loans (overdraft)	-	(54)
Principal payments on long-term debt	-	-
	-	(54)
Cash end of year	\$ 42,754,363	\$ 47,461,371

Municipality of the District of Lunenburg
Consolidated Financial Statements
For the year ended March 31, 2026

Consolidated Statement of Net Financial Assets

	2026 Actual	2025 Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ 42,754,363	\$ 47,461,371
Taxes receivable (net of asset valuation allowances) (note 5)	2,810,727	2,347,641
Other receivables (net of asset valuation allowances) (note 6)	9,720,845	4,145,050
Assets held for resale (note 13)	229,428	229,428
Investment in Municipal Joint Service Board (note 20)	3,528,630	3,528,630
	59,043,992	57,712,120
Financial Liabilities		
Bank Loan (Overdraft)	-	-
Accounts payable and accrued liabilities	7,196,791	2,793,025
Long-term debt (note 9)	-	-
Payable to other governments	1,737,709	1,732,307
Employee future benefit obligations (note 17b)	713,189	695,146
Asset retirement obligation (note 12)	1,124,805	1,101,670
Other (note 7)	6,965,991	7,226,620
	17,738,486	13,548,768
Net Financial Assets	\$ 41,305,506	\$ 44,163,352

Notes to the Consolidated Financial Statements

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 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:

	2026 Actual	2025 Actual
Burial funds	\$ 3,720	\$ 3,597
School lands	26,227	26,227
Lunenburg County Community Fund	1,000,000	1,000,000
	<u>\$ 1,029,947</u>	<u>\$ 1,029,824</u>

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.

In addition, the Municipality's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

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. 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 to which they relate.

(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, 2025 the Centre School site was identified as a contaminated site (Note 7 c).

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

(f) Asset Retirement Obligations

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos in several of the buildings owned by the Municipality has also been recognized based on estimated future expenses on closure of those sites and post-closure care.

The liability is discounted using a present value calculation, and adjusted yearly for accretion expense.

(g) Early Adoption of Public Sector Accounting Standards (PS 1202)

(i) Nature of Change

Effective April 1, 2025, the Municipality of the District of Lunenburg elected to early adopt the Public Sector Accounting Board's (PSAB) new financial reporting model. This election includes the concurrent adoption of Section PS 1202 (Financial Statement Presentation) and the revised Conceptual Framework for Financial Reporting in the Public Sector.

Section PS 1202 replaces the former presentation standard, Section PS 1201. The new model focuses on improving financial statement accountability, transparency, and clarity for users.

(ii) Impact on Financial Statement Presentation

The adoption of Section PS 1202 fundamentally alters the structure and presentation of the financial statements. The core adjustments include:

Statement of Financial Position: The traditional "Net Debt" subtotal has been removed. Liabilities are now rigorously partitioned into Financial Liabilities and Non-Financial Liabilities. The primary summary indicator has changed to Net Assets or Net Liabilities.

Statement of Net Financial Assets / Liabilities: This is a newly introduced standalone statement. It isolates and tracks the revised calculation of the entity's net financial obligations or resources.

Statement of Changes in Net Assets / Liabilities: This new statement presents a complete reconciliation of the opening and closing balances for each distinct component of net assets.

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

Statement of Cash Flows: This statement has been restructured to feature a new subtotal for Net Cash Before Financing Activities, separating day-to-day operations from financing structures.

Budget Presentation: Budgeted figures have been restated where necessary to ensure identical accounting principles, classifications, and scope match the actual reporting period metrics.

(iii) Transitional Provisions and Restatement

In accordance with the transitional provisions of Section PS 1202, this standard has been applied retroactively with the restatement of prior period comparatives. Financial figures for the fiscal year ended March 31, 2025 have been reclassified and restructured to conform strictly to the new presentation architecture.

The concurrent adoption of the revised Conceptual Framework has been applied prospectively, as mandated by PSAB transitional guidance. It did not result in any retroactive measurement or recognition adjustments to the opening accumulated surplus.

(iv) Summary of Reclassifications

The following table summarizes the quantitative impact of reclassifying the prior year's Statement of Financial Position to conform to the PS 1202 presentation format:

Financial Statement Line Item	March 31, 2025 Reported (PS 1201)	Reclassification Adjustments	March 31, 2025 (PS 1202)
Financial Assets	\$ 57,712,120	\$ -	\$ 57,712,120
Financial Liabilities	13,548,768	-	13,548,768
Net Financial Assets (Net Debt)	44,163,352	Removed Subtotal	N/A
Non-Financial Liabilities	N/A	-	-
Non-Financial Assets	60,941,271	-	60,941,271
Net Assets/ Accumulated Surplus	\$ 105,104,622	\$ -	\$ 105,104,622

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

(h) Future Accounting Pronouncements

- (i) Amendments to Section PS 3150 – Tangible Capital Assets are being implemented as part of PSAB’s Government Not-for-Profit Strategy. The changes include amending the definition of “tangible capital asset”; adding guidance to identify a collection; adding disclosure requirements to highlight the importance of works of art, historical treasures and collections; and adding guidance to clarify the accounting treatment purchase costs substantially below fair value, donated materials and labour costs. Sections PS 4230 – Capital Assets Held by Not-for-Profit Organizations, and PS 4240 – Collections Held by Not-for-Profit Organizations will be withdrawn as a result of the amendments to Section PS 3150 – Tangible Capital Assets. These amendments are effective for fiscal years beginning on or after April 1, 2030 (the first effective year for the Municipality being the year ending March 31, 2031).
- (ii) PS 3251 – Employee Benefits will replace PS 3250 – Retirement Benefits and PS 3255 Postemployment Benefits, Compensated Absences and Termination Benefits. The standard aims to focus on refining the discount rate guidance for defined benefit plans, eliminating deferral approaches for actuarial gains/losses, and improving transparency. This standard is effective for fiscal years beginning on or after April 1, 2029 (the first effective year for MODL being the year ending March 31, 2030)

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.

(a) 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:

Contribution to Regional Library Board

During 2025-26, the Municipality paid \$199,700 (2024-25: \$199,700) to the Regional Library Board as its share of operating costs.

2. Contributions to Boards, Regional Authorities and Commissions (continued)

(b) Contribution to Consolidated Boards

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

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 had agreed to forward future capital donations to the Municipality to help replenish this additional reserve drawdown. In 2018-19, no capital donations were received. In prior years, funds were paid back to the reserve fund (2017-18: \$25,500; \$ 2016-17: \$76,000; 2015-16: 22,500). In 2019-20, the Municipality's Council agreed to write off the \$1,645,979 remaining balance.

Included in the Municipality's consolidated financial statements are its proportionate share of the net assets in the amount of \$13,614,643 (2024-25 - \$14,051,575). The following table provides supplementary financial information for the LCLC as of March 31:

Financial Position	2026		2025	
	MODL Share		TOTAL	
Financial Assets	\$ 700,312	\$ 2,848,750	\$	3,021,927
Liabilities	527,590	2,503,306		2,732,310
Net Financial Assets (Liabilities)	172,722	345,444		289,617
Non Financial Assets	13,441,921	26,883,841		27,813,533
Net Assets (Liabilities)	\$ 13,614,643	\$ 27,229,285	\$	28,103,150

2. Contributions to Boards, Regional Authorities and Commissions (continued)

As of March 31, 2026, MODL had the following related party transactions with the LCLC:

	2026	2025
Due to LCLC (rentals & program costs)	\$ -	\$ 29,697
Operating Grants paid to LCLC	806,499	725,700
Capital Grants paid to LCLC	103,250	134,061
Operating deficit transfer payable to LCLC	-	90,211
Capital transfer receivable from LCLC	-	1,191

3. Contributions 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 2025-2026 the education tax rate was \$0.3048 (2024-25: \$0.3048) per \$100 of uniform assessment multiplied by the uniform assessment of \$3,803,981,234 (2024-25: \$3,493,034,203) for a total amount paid of \$11,594,535 (2024-25: \$10,646,768).

(b) 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 2025-26 \$18.419 million (2024-25 - \$17.882 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 2025-26 the Municipality paid \$725,854 (2024-25: \$704,176) to the PVSC for assessment services.

4. Cash and Cash Equivalents

	2026 Actual	2025 Actual
Included in Cash are Restricted Amounts		
Build Canada Strong Fund	\$ 2,461,792	\$ 2,071,802
Lunenburg County Lifestyle Centre	644,812	246,174
Tax Sale Surplus	2,591,051	2,613,042
Landfill Closure	964,956	932,489
	<u>6,662,611</u>	<u>5,863,507</u>
Unrestricted Cash	<u>36,091,751</u>	<u>41,597,864</u>
	<u>\$ 42,754,363</u>	<u>\$ 47,461,371</u>
	2026 Actual	2025 Actual
Cash Made Up Of:		
Operating Fund	\$ 12,288,411	\$ 20,315,524
Capital Fund	-	203,421
Reserve Fund	29,821,140	26,696,252
Lunenburg County Lifestyle Centre	644,812	246,174
	<u>\$ 42,754,363</u>	<u>\$ 47,461,371</u>

The Build Canada Strong Fund is restricted to eligible projects, as approved under the Canada-Nova Scotia BCSF Agreement. The landfill closure funds are restricted by provincial regulations to fund eligible landfill costs.

5. Taxes Receivable

	2026 Actual	2025 Actual
Balance, beginning of year	\$ 2,347,641	\$ 2,000,640
Current year's tax levy	40,622,425	38,373,895
Interest on overdue taxes and rates	457,371	476,600
	43,427,437	40,851,135
Deduct		
Collections	38,737,328	36,841,411
Adjustments, write-offs & bad debt expense	147,694	129,864
Exemptions for taxes	694,013	639,993
	39,579,035	37,611,268
Sub-total	3,848,402	3,239,867
Allowance for doubtful accounts	(1,037,676)	(892,227)
Net taxes receivable	\$ 2,810,727	\$ 2,347,641

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

6. Other Receivables

(a) Other

	2026	2025
	Actual	Actual
Governments		
Government of Canada and its agencies	\$ 1,633,407	\$ 250,789
Province of Nova Scotia and its agencies	6,121,206	2,011,138
Trust Fund	34,116	49,523
Municipal Joint Services Board ("MJSB")	-	-
Municipal Governments	183,636	229,646
	<u>7,972,366</u>	<u>2,541,095</u>
General Public	343,164	410,343
LaHave River Stright Pipe Loans	510,406	769,010
Clean Energy Financing Loans	894,972	435,876
	<u>1,748,541</u>	<u>1,615,229</u>
 Allowance for Doubtful Accounts	 <u>(63)</u>	 <u>(11,273)</u>
	<u><u>\$ 9,720,845</u></u>	<u><u>\$ 4,145,050</u></u>
 Other Receivables Found in:		
Operating Fund	\$ 1,755,629	\$ 1,036,917
Capital Fund	7,733,069	2,729,193
Reserve Fund	-	-
Trust Fund	-	-
Other	232,147	378,940
	<u><u>\$ 9,720,845</u></u>	<u><u>\$ 4,145,050</u></u>

(b) Allowances for Doubtful Accounts

	2026	2025
	Actual	Actual
Due from general public	\$ 63	\$ 11,273
	<u>\$ 63</u>	<u>\$ 11,273</u>

7. Other Liabilities

	2026	2025
	Actual	Actual
Deferred Revenues		
Other	\$ 142,818	\$ 499,349
Province of Nova Scotia	165,000	281,023
Lunenburg County Lifestyle Centre	325,320	273,720
	<u>633,138</u>	<u>1,054,093</u>
Other		
Prepaid Taxes	1,572,567	1,381,646
Tax Sale Surplus (note 8)	2,591,051	2,613,042
Landfill closure liability (note 7a)	408,830	408,830
Environmental liability - Centre School	1,250,000	1,000,000
Loans	510,406	769,010
	<u>\$ 6,965,991</u>	<u>\$ 7,226,620</u>

(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, 2026 was \$964,956 (2025: \$932,489). 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 \$534,812 (2025 – \$534,812).

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 (2025 - \$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. Other Liabilities (continued)

7. (a) Landfill Site Closure (continued)

	2026 Actual	2025 Actual
Estimated gross landfill closure cost	\$408,830	\$ 408,830
Reserves for Site Closure	964,956	932,489

(b) Lunenburg County Community Fund Liability

The Lunenburg County Community Fund (LCCF) donated \$1,000,000 to help finance the LaHave River Straight Pipe Project. In accordance with the Memorandum of Understanding between MODL and the LCCF, homeowner payments replenished the donation and were transferred to a Trust Fund in the name of the LCCF to be used on future mutually agreed upon projects. Homeowner payments of \$1,000,000 have been received. The liability was paid in 2022.

(c) Contaminated Site – Centre School

Petroleum hydrocarbon contamination and other hazardous material was discovered during an Environmental Site Assessment of the Centre School property. MODL notified the Provincial Department of Environment as per provincial legislation. Municipal Council approved a capital budget in 2026-27 to demolish the building and remediate the property.

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. A surplus of \$62,358 was transferred to the Capital Reserve in Fiscal 2026. 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:

	2026	2025
	Actual	Actual
2006	-	62,358
2007	4,247	4,247
2008	8,368	8,368
2009	86,299	86,299
2010	48,212	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	38,955
2020	93,102	93,102
2021	663,206	663,206
2022	571,039	571,039
2023	34,490	34,490
2024	209,725	324,116
2025	131,452	205,814
2026	293,993	
	<u>\$ 2,591,051</u>	<u>\$ 2,613,042</u>

9. Long-term Debt

(a) Balance of Long-term Debt

The Municipality has paid all long-term debt obligations. There is no long-term debt reported on the consolidated statement of financial position.

(b) Principal Payments

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

2027	\$	-
2028	\$	-
2029	\$	-
2030	\$	-
2031	\$	-

(c) Total Charges for Long-term Debt

Because all long term debt obligations are paid, there are no charges for long-term debt included in the consolidated statement of financing activities.

10. 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, 2026 the loan is in good standing.

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

11. Tangible Capital Assets

	Cost - Beg of Year	Additions	Cost Disposals & Write Offs	Cost-End of Year	Amort Disposals & Write Offs	Amort in Year	Acc Amort Beg of Year	Acc Amort End of Year	Net Book Value	
									2026	2025
Municipal General										
Land	\$ 6,474,819	\$ -	\$ 7,424	\$ 6,467,395	\$ -	\$ -	\$ -	\$ -	\$ 6,467,395	\$ 6,474,819
Land Improvements	4,135,010	63,459	-	4,198,469	-	201,533	893,241	1,094,774	3,103,694	3,241,776
Buildings	11,123,783	43,917	-	11,167,699	-	271,005	1,084,813	1,355,818	9,811,882	10,038,969
Buildings/Plants - WWTP	6,373,333	172,861	-	6,546,611	-	250,040	4,588,113	4,838,153	1,708,458	1,785,220
Electronic Equipment	109,756	131,040	-	240,796	-	-	84,571	84,571	156,225	25,185
Small Equipment	716,906	371,067	-	1,087,973	-	24,571	205,611	230,183	857,790	511,295
Machinery & Equipment	1,433,604	54,743	-	1,488,347	-	79,184	727,773	806,957	681,390	705,831
Vehicles	750,989	116,854	-	867,843	-	100,534	444,696	545,230	322,613	306,292
Wharves	393,691	-	-	393,691	-	14,735	244,281	259,016	134,676	149,411
Roads and Streets	9,637,936	-	-	9,637,936	-	287,723	3,878,540	4,166,263	5,471,674	5,759,397
Sidewalks	328,990	75,784	-	404,774	-	10,966	89,299	100,266	304,508	239,691
Sewer Systems	8,961,365	38,982	-	9,000,347	-	191,593	2,681,719	2,873,312	6,127,035	6,279,646
LaHave Straight Pipe Project	9,905,374	-	-	9,905,374	-	442,458	2,284,756	2,727,214	7,178,160	7,620,618
Leaseholds	-	-	-	-	-	-	-	-	-	-
Other	1,856,124	119,363	-	1,975,487	-	143,262	897,446	1,040,708	934,779	958,678
Work In Progress	497,965	15,127,920	-	17,801,929	-	-	-	-	17,801,929	2,674,426
	62,699,644	16,315,990	7,424	81,184,671	-	2,017,604	18,104,859	20,122,463	61,062,207	46,771,253
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	654,164	711,135	713,137	770,108
Building	17,155,481	9,082	-	17,164,563	-	432,027	4,639,183	5,071,209	12,093,354	12,516,299
Furniture and fixtures	169,764	5,755	-	175,519	-	1,347	166,208	167,555	7,964	3,556
Computer equipment	156,797	36,139	-	192,936	-	8,878	149,232	158,110	34,826	7,565
Equipment	355,857	27,918	-	383,775	-	22,734	224,847	247,581	136,194	131,011
Work in Progress	-	-	-	-	-	-	-	-	-	-
Total Tangible Capital Assets	19,695,753	78,893	-	19,774,646	-	521,957	5,833,633	6,355,590	13,419,056	13,862,120
Total Tangible Capital Assets	\$ 82,395,396	\$ 16,394,883	\$ 7,424	\$ 100,959,316	\$ -	\$ 2,539,561	\$ 23,938,492	\$ 26,478,053	\$ 74,481,263	\$ 60,633,373

12. Asset retirement obligations

The Municipality's Asset retirement obligation consists of several obligations as follows:

Asbestos obligation

The Municipality owns several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS3280 – Asset retirement obligations, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos in these building as estimated at April 1, 2022.

Estimated costs have been discounted to the present value using Nova Scotia CPI (March) at the following rates: 2019, 1.3%; 2020, 0.9%; 2021, 2.8%; 2022, 6.8%; 2023, 4.6%; 2024, 3.3%, 2025, 2.3%, 2026, 2.1%.

The transition and recognition of asset retirement obligations involved the restatement of opening balances (see note 2).

Changes to the asset retirement obligation in the year are as follows:

Asset Retirement Obligation	Asbestos removal			Balance at March 31, 2026	Balance at March 31, 2025
	MARC Buildings	Wile's Lake Buildings	Centre School		
Opening balance	\$200,467	\$9,479	\$891,724	\$1,101,670	\$1,076,901
Accretion expense	4,210	199	18,726	23,135	24,769
Closing balance	\$204,677	\$9,678	\$910,450	\$1,124,805	\$1,101,670

13. Assets Held for Resale

a) Land Available for Sale

At March 31, 2026, eighteen parcels of Municipally-owned land were actively on the market for sale in accordance with Policy 065 – Divestiture of Surplus Land. These parcels of land were moved from tangible capital assets to land sales inventory at cost (2026: \$229,428; 2025: \$229,428).

14. Commitments

(a) Payments – Garbage Collection Contract

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. The optional two-year extension amounts are 2024-25 \$1,181,157 and 2025-26 \$1,207,733.

A new 7-year agreement was signed effective April 1, 2026 with a 2.89% inflation clause consisting of the following payments: 2026-27 \$1,476,957; 2027-28 \$1,519,641; 2028-29 \$1,563,559; 2029-30 \$1,608,746, 2030-31 \$1,655,238, 2031-32 \$1,703,075; 2032-33 \$1,752,294.

(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. However Provincial legislation has been altered and municipal acquisition is no longer mandatory.

14. Commitments (continued)

(c) Osprey Village

On April 19, 2010 the Municipality entered into a Memorandum of Understanding with the Town of Bridgewater to 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.

The Municipality was successful in securing an Investing in Canada Infrastructure grant (73.3% funding) for the water reservoir that will serve Osprey Village and signed the contribution agreement on May 31, 2022. The Municipality of Lunenburg and the Town of Bridgewater are responsible for 27.7% shared equally together with any non eligible costs. The Municipality will build the water reservoir and turn it over to the Public Service Commission of Bridgewater Water Utility (PSC) once complete.

(d) Partnership Project

Effective April 1, 2024 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, 2029.

(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:

	Parkview Education Centre	New Germany Rural High	Total
Balance, beginning of year	649	649	1,299
Interest income earned in trust	447	447	895
Less: paid to schools for books	(649)	(649)	(1,299)
Balance available for book purchases	447	447	895

14. Commitments (continued)

(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.

15. Assessed Property Taxation

	2026		2025
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Total taxes and rates	\$ 42,496,900	\$ 43,743,453	41,360,211
Less:			
Taxes collected on behalf of others:			
School Board levy	11,594,400	11,594,535	10,646,768
Correctional Services	-	-	-
Deficit of Regional Housing Authority	-	-	-
	11,594,400	11,594,535	10,646,768
Net taxes and rates	\$ 30,902,500	\$ 32,148,918	\$ 30,713,443

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

16. Schedule of other Revenues and Conditional Transfers

	Actual 2026	Actual 2025
Other revenue from own sources		
<i>Operating fund revenue</i>		
Licenses & permits	\$ 107,084	\$ 123,435
Police prosecution & fines	69,351	63,461
Rentals	112,005	109,982
CES/CEF Expense Recovery	88,601	78,063
Interest - bank accounts	1,843,095	2,569,917
Interest on overdue taxes	429,062	486,567
Administration charges - REMO	5,800	5,800
Tax Sale fees	46,000	51,751
Open Space Fees	90,346	72,727
Tax Information - third parties	56,226	63,799
Tax Sale surplus	62,358	13,783
Pro-Kids	27,180	35,829
Economic Development grants & VIC	6,000	6,000
Sale of Services	266,534	213,426
Recreation Fees	54,847	70,781
Other Administrative revenues	257,485	69,736
<i>Capital fund revenue</i>		
Aerated compost carts	-	-
Sewer user connect fees	-	-
Sale of Assets (used vehicle, and land)	27,000	103,159
Liability Change - LaHave Straight Pipe	-	-
Lun Co Community Fund	1	(3,371)
Other Contributions	258,604	237,832
Interest on receivables	-	-
Donated assets (land)	-	-
Gain on sale of assets	-	538,032
<i>LCLC consolidated revenue</i>	830,492	766,005
	\$ 4,638,069	\$ 5,676,715
Conditional transfers from other governments		
Build Canada Strong Fund revenue	1,302,821	1,234,632
Federal & Provincial capital grants	6,071,525	7,431,014
Provincial operating grants	658,467	337,079
LCLC consolidated government transfers	494,144	348,378
	\$ 8,526,957	\$ 9,351,102

17. Employee Benefits

(a) Pension Agreements

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 Public Service Superannuation Plan ("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 has 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 was a deficit of \$166,527 (actuarial estimates were \$155,200). This pension benefit deficit was paid and has been recorded in the consolidated statement of operations.

Expenses associated with the transfer including legal and actuarial fees were budgeted utilizing the Employee Pension Reserve. These costs were expensed in the fiscal year in which they are incurred. In 2021/22 the final costs totaled \$132,965 (2020/21- \$102,045. The transfer costs were paid from 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 is 105.5 % funded with an accrued pension obligation resulting in a \$450 M funding surplus (extrapolated) as at March 31, 2026 on a going concern basis.

The actual pension obligation as of the actuarial date of December 31, 2025 was a funding excess of \$440,160.

Contributions to the Plan are required by both the employer and its employees. Total MODL contributions for 2025-2026 were \$1,035,868 and are recognized as an expense in that period.

17. Employee Benefits (continued)

(b) Employee Future Benefit Obligations

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, 2026 and consist of the following:

	2026 Actual	2025 Actual	Net Change
Vacation pay	\$ 494,730	\$ 549,406	\$ (54,676)
Service awards	22,800	24,000	(1,200)
Accrued sick leave	195,660	121,740	73,920
	\$ 713,189	\$ 695,146	\$ 18,044

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

(ii) Service Awards:

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.

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

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.

The Municipality's estimated sick leave entitlements for 2025-26 are \$195,660 (\$121,740 in 2024-25) 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.

18. 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.

	2026	2025
	Actual	Actual
Salaries, benefits & other personnel costs	\$ 8,098,201	\$ 8,185,156
Long-term interest charges	24,806	36,751
Materials, outsourced and other	11,812,991	12,471,048
Amortization	2,539,560	2,530,692
Asset Retirement obligations	23,135	24,769
Utilities	770,645	751,772
Rents	6,571	16,492
Grants	1,231,678	1,319,098
Fire Area Rates	5,124,872	4,820,498
Policing and corrections	4,755,954	4,453,188
Reduced taxes	694,013	639,993
Total consolidated statement of operations expenditures	\$ 35,082,426	\$ 35,249,456

19. 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 2026 fiscal year the Municipality issued payments as government transfers as follows:

	2026		2025
	Budget	Actual	Actual
Grants to fire departments	\$ 309,800	\$ 287,747	\$ 288,444
Grants to agencies and institutions	1,458,000	943,931	1,030,654
	\$ 1,767,800	\$ 1,231,678	\$ 1,319,098

20. 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 and Human Resource management have been 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.

20. Municipal Joint Services Board (“MJSB”) (continued)

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

	<u>2026</u>	<u>2025</u>
Tipping fee payments & monitoring	\$ 1,506,829	\$ 1,479,308
IT Services	346,450	328,069
HR Services	127,272	118,723
Safety Officer Services	30,419	10,727
Procurement Services	55,700	-
Payable for landfill closure and post closure costs	408,830	408,830
	<u>\$ 2,475,500</u>	<u>\$ 2,345,656</u>

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.

21. 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, and requisition over-levy. 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.

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

22. Remuneration of Elected Officials and Chief Administrative Officer

	Remuneration		Expense Claims		Totals	
	2026	2025	2026	2025	2026	2025
Mayor Elspeth McLean Wile	\$ 75,972	\$ 30,579	\$ 11,632	\$ 5,969	\$ -	\$ -
Mayor Carolyn Bolivar-Getson	-	46,412	-	6,161	-	52,573
Deputy Mayor Chasidy Veinotte	56,621	51,508	11,561	8,201	68,182	59,709
Councillor Martin Bell	49,117	48,659	2,950	10,615	52,067	59,274
Councillor Ben Brooks	49,117	19,771	5,149	3,405	54,266	23,176
Councillor Edgar Burns	49,117	19,771	409	1,337	49,526	21,108
Councillor Michelle Greek	-	30,007	-	1,301	-	31,308
Councillor Leitha Haysom	-	30,007	-	6,674	-	36,681
Councillor Pamela Hubley	49,117	48,659	5,287	4,011	54,404	52,670
Councillor Cathy Moore	49,117	48,659	4,418	3,064	53,535	51,723
Councillor Wendy Oickle	49,117	53,242	4,376	6,555	53,493	59,797
Councillor Kathryn Petersen Delong	49,117	48,659	1,048	10,493	50,165	59,152
Councillor Morgan Reinhardt	49,117	19,771	4,670	2,446	53,787	22,217
Councillor Alison Smith	49,117	19,771	8,010	3,800	57,127	23,571
Councillor Sandra Statton	-	30,007	-	3,338	-	33,345
Councillor Reid Whynot	-	30,007	-	259	-	30,266
	574,646	575,491	59,510	77,628	546,552	616,571
Chief Administrative Officer(s)	219,001	218,454	11,833	18,094	230,834	236,548
	\$ 793,647	\$ 793,945	\$ 71,343	\$ 95,721	\$ 777,385	\$ 853,117

23. 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 2025-26 (\$0 in 2024-25).

24. Area Rates

	2026 Actual	2025 Actual
Balance, beginning of year	\$ 22,365	\$ 79,177
Rates levied		
Fire protection	5,122,203	4,779,538
Street lighting	152,872	138,801
Hydrant charges	87,547	70,917
Sewer	626,655	526,282
	5,989,277	5,515,539
Services provided in current year		
Fire protection payments	5,124,872	4,820,498
Street lighting	146,662	146,672
Hydrant charges	76,574	78,898
	5,348,108	5,046,069
Sewer		
Collection and disposal systems	1,146,649	1,093,881
Transfer to restricted reserve surplus	175,000	175,000
Municipal Subsidy	(694,994)	(742,599)
Total sewer	626,655	526,282
	5,974,763	5,572,351
Balance, end of year	\$ 36,878	\$ 22,365

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

24. 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	\$ (56)	\$ 28,105	\$ 28,050	\$ 28,049	\$ -
Blockhouse	(71)	220,695	220,624	220,333	291
Conquerall Bank	-	134,148	134,148	134,148	-
Cornwall	-	149,832	149,832	149,832	-
Dayspring and District	139	319,368	319,507	319,368	139
District No. 1 Fire Protection	1,062	464,396	465,459	465,333	125
Hebb's Cross	-	103,511	103,511	103,511	-
Hebbville	6,096	201,949	208,045	201,948	6,096
Hemford and District	326	88,064	88,391	88,064	327
Indian Point	-	96,171	96,171	96,171	-
Italy Cross	(90)	131,018	130,928	130,997	(69)
LaHave and District	754	322,658	323,413	322,584	829
Lapland and District	142	78,536	78,677	78,536	141
Maders Cove	-	89,026	89,026	89,026	-
Martins River	-	124,950	124,950	124,950	-
Midville and District	-	103,030	103,030	103,030	-
New Germany	223	370,190	370,413	369,483	930
Northfield	15,873	483,465	499,337	484,816	14,521
Oakhill	1,186	241,174	242,360	242,394	(34)
Oakland/Clearland	155	132,326	132,481	132,417	65
Petite Riviere & Crousetown	34	145,830	145,863	145,795	68
Pleasantville	64	121,064	121,128	121,128	-
Riverport	610	518,334	518,945	518,397	547
Tri-District ¹	(3,455)	217,099	213,644	214,577	(933)
United Communities	267	107,554	107,821	107,554	267
Walden	6	27,628	27,635	27,628	6
Wileville	2,784	102,080	104,864	104,802	63
	26,050	5,122,203	5,148,252	5,124,872	23,380
Hydrants	(2,410)	87,547	85,137	76,574	8,563
Sewer services	-	626,655	626,655	626,655	-
Street lighting	(1,274)	152,872	151,598	146,662	4,936
	\$ 22,365	\$ 5,989,277	\$ 6,011,642	\$ 5,974,763	\$ 36,878

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

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

25. Operating Reserve Details

	Balance, beginning of year	Interest on Savings	Transfer (to) from Other Funds	Other	Balance, end of year
Roads	\$ 349,400	\$ -	\$ 25,000		\$ 374,400
Surveying	17,202				17,202
General Operations	21,481,380		(2,532,606)		18,948,774
Climate Change Reserve	310,048		(36,952)		273,096
Election	5,578		50,000		55,578
Open Space Strategic Plan	760,616		60,000		820,616
Contingency	224,818		(50,000)		174,818
Depreciation Reserve	5,884,538		1,467,849		7,352,387
PACE - Clean Energy Financing	(351,695)		(78,181)		(429,876)
Restricted To Area Rates (Sewer)	1,897,456		33,152		1,930,608
NS Transit Grant	43,364				43,364
LCLC Operating Reserve	191,994				191,994
Indian Path	833				833
Pro Kids	21,419		(11,164)		10,255
Pine Grove Park	10,265				10,265
Hirtles Beach	2,638				2,638
CES-CEF Reserve	303,270				303,270
SNSMR Grant	16,815		-		16,815
Pickleball Court Reserve	800,000		- 60,922		739,078
Fire Training Facility	200,000		100,000		300,000
	\$ 32,169,939	\$ -	\$ (1,033,824)	\$ -	\$ 31,136,115

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

26. Capital Reserve Details

	Balance, beginning of year	Interest	Net transfers from (to) other funds	Balance, end of year
Land development - Saw Pit	\$ 6,276			\$ 6,276
Landfill Site Closure	932,489	32,466		964,956
Land Sales - Tax Sale Surplus	143,004		62,358	205,361
Recreation complex depreciation	569,569	19,831	165,000	754,399
Sherbrooke Lake	200,000			200,000
Trails	6,245			6,245
Lift station replacement	537			537
Build Canada Strong Fund	2,071,802	55,093	334,897	2,461,792
Open space	1,020,910		90,346	1,111,256
User connection fees	32,516		1,582	34,098
Aerated Carts	690			690
District General Capital	48,000			48,000
MCGP - Osprey Village Sidewalks	1,423,588	48,568	-	1,472,156
MCGP - Cookville WWTP	3,969,955	100,033	(2,834,091)	1,235,897
	\$ 10,425,581	\$ 255,991	\$(2,179,908)	\$ 8,501,664

Municipality of the District of Lunenburg
Notes to the Consolidated Financial Statements
As at March 31, 2026

27. Segmented Reporting Statement

	Protective Services	Engineering Services & Streets & Roads	Environmental Health	Planning and Economic Development	Recreation, Cultural & Education	Administration and Other	2026	2025
Revenues								
Property taxes	\$ 5,209,749	\$ 152,872	\$ 626,655	\$ -	\$ -	\$ 26,159,642	\$32,148,918	\$30,713,443
Grants in lieu of taxes	-	-	-	-	-	287,148	287,148	296,796
Services provided to other governments	227,878	-	-	-	-	-	227,878	167,369
Other revenue from own sources	341,685	4,693	495,810	289,874	1,075,126	2,430,882	4,638,069	5,676,715
Unconditional transfers from other govts	-	-	-	-	-	110,028	110,028	106,250
Conditional transfers from other govts	18,286	55,572	5,731,849	634,009	729,579	1,357,662	8,526,957	9,351,102
	5,797,599	213,137	6,854,314	923,884	1,804,705	30,345,361	45,938,999	46,311,675
Expenditures								
Salaries, benefits & other personnel costs	1,131,987	737,159	7,761	1,513,072	1,639,454	3,068,767	8,098,201	8,185,156
Interest	-	-	-	-	24,847	(40.12)	24,806	36,751
Materials, outsources and other operating	666,721	1,247,058	4,376,595	816,494	2,088,838	2,617,284	11,812,991	12,471,048
Amortization	2,113	323,527	909,598	269,297	828,972	206,053	2,539,560	2,530,692
Accretion	-	-	18,726	-	4,409	-	23,135	24,769
Utilities	87,700	156,074	136,556	-	324,596	65,719	770,645	751,772
Rents	1,300	-	-	5,271	-	-	6,571	16,492
Grants	303,747	-	35,940	-	-	891,991	1,231,678	1,319,098
Fire area rates	5,124,872	-	-	-	-	-	5,124,872	4,820,498
Policing and corrections	4,755,954	-	-	-	-	-	4,755,954	4,453,188
Contributions to boards and agencies	-	-	-	-	-	-	-	-
Reduced taxes	-	-	-	-	-	694,013	694,013	639,993
	12,074,395	2,463,818	5,485,177	2,604,134	4,911,116	7,543,786	35,082,426	35,249,457
Annual surplus (Deficit)	\$ (6,276,796)	\$ (2,250,681)	\$ 1,369,137	\$ (1,680,251)	\$ (3,106,411)	\$ 22,801,574	\$10,856,573	\$11,062,219

28. Segmented Reporting Detailed 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.

28. Segmented Reporting Detailed 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. The Economic Development department assists in the development of a long-term perspective and plans for economic development opportunities within MODL.

(f) Recreation, Culture & Tourism

The Recreation department provides services that contribute to neighborhood development and sustainability through the provision of recreation and leisure services as well as supporting tourism by operating a mobile Visitor Information Centre. 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.

29. Accumulated Surplus

	2026 Actual	2025 Actual
Operating fund (schedule 1)	\$ -	\$ -
Capital fund (schedule 2)	59,180,141	44,928,895
Reserve fund (schedule 3)	39,637,780	42,595,521
Municipal Joint Service Board (note 20)	3,528,630	3,528,630
LCMPCC (note 2b)	13,614,643	14,051,575
	115,961,194	105,104,622

30. Budget Reconciliation

The District of Lunenburg prepares budgets for spending control, revenue rate-setting and calculating a property tax levy. The budgets include interfund transfers and do not include amortization costs. The following adjustments reconcile the operating budget surplus to the consolidated surplus presented under Canadian Public Sector Accounting Standards (PSAS).

	2026	2025
Approved budget surplus		
Operating Fund	120,600	27,000
Adjustments		
Reserve Fund		
Operating Reserve Budget	(6,718,175)	(4,955,500)
Capital Reserve Budget	(158,700)	1,196,600
Capital Fund		
Capital Additions	17,937,800	9,701,700
Debt Financing & proceeds	-	-
Debt repayment	-	-
Amortization & Accretion	(2,000,000)	(1,600,000)
Consolidated Entities		
LCLC	(946,751)	(500,780)
Net PSAB Adjustments	8,114,175	3,842,020
PSAB adjusted budget surplus	8,234,775	3,869,020

31. Comparative Figures

Certain 2026 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2026.

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Operating Fund Financial Position

	2026	2025
	Actual	Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ 12,288,411	\$ 20,315,524
Taxes receivable (net of asset valuation allowances) (note 5)	2,810,727	2,347,641
Loan receivables (net of asset valuation allowances)	894,972	435,876
Due from other funds and consolidated entities	11,917,279	4,255,895
Other receivables (net of asset valuation allowances)	860,657	601,041
	28,772,046	27,955,977
Liabilities		
Accounts payable and accrued liabilities	8,210,823	3,809,298
Other liabilities		
Due to other funds and consolidated entities	15,693,157	19,220,746
Employee benefit obligations (note 17b)	713,189	695,146
Other liabilities	4,306,436	4,494,037
	28,923,606	28,219,227
Net Financial Assets	(151,560)	(263,251)
Non-Financial Assets		
Prepaid expenses	151,560	263,251
Accumulated Surplus	\$ -	\$ -

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Operating Fund Financial Activities and Change in Fund Balances

	2026		2025
	Budget	Actual	Actual
Revenues			
Assessable property taxes	\$ 42,496,900	\$ 43,743,453	\$ 41,360,211
Expenditures as a reduction of tax revenue			
Appropriation to regional school board	(11,594,400)	(11,594,535)	(10,646,768)
Transfer to correctional services	-	-	-
Deficit of Regional Housing Authority	-	-	-
Net Assessable property taxes	<u>30,902,500</u>	<u>32,148,918</u>	<u>30,713,443</u>
Grants in lieu of taxes	269,600	287,148	296,796
Services provided to other governments	204,200	227,878	167,369
Other revenue from own sources	3,145,700	3,521,973	4,035,058
Unconditional transfers from other governments	102,500	110,028	106,250
Conditional transfers from other governments	594,900	658,467	337,079
Total Revenues	<u>35,219,400</u>	<u>36,954,412</u>	<u>35,655,995</u>
Expenditures			
General government services	8,381,300	7,330,302	7,313,438
Protective services	12,095,100	12,072,282	10,995,559
Transportation services	2,514,800	2,140,291	2,771,193
Environmental health services	4,550,800	4,306,853	4,105,525
Public health services	-	-	-
Environmental development services	4,524,100	2,334,837	2,461,742
Recreation and cultural services	3,343,200	2,838,122	2,752,298
Total Expenditures	<u>35,409,300</u>	<u>31,022,687</u>	<u>30,399,755</u>
Annual Operating Surplus	(189,900)	5,931,725	5,256,240
Financing and Transfers			
Debtenture and term loan principal instalments	-	-	-
Transfers from (to) own reserves, fund and agencies	310,500	(3,656,178)	(2,107,410)
Change in Surplus after Financing & Transfers	<u>120,600</u>	<u>2,275,547</u>	<u>3,148,830</u>
Accumulated Surplus, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Transfer Surplus to Operating Reserve	<u>-</u>	<u>(2,275,547)</u>	<u>(3,148,830)</u>
Accumulated Surplus, End of Year	<u>\$ 120,600</u>	<u>0</u>	<u>\$ -</u>

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Capital Fund Financial Position

	2026 Actual	2025 Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ -	\$ 203,421
Receivables (net of asset valuation allowances)	7,222,663	1,960,183
Loan Receivables	510,406	769,010
Due from other funds	8,476,187	6,052,298
Assets held for resale	229,428	229,428
	16,438,684	9,214,340
Liabilities		
Bank overdraft	-	-
Payables	67,278	105,484
Due to other funds	14,794,431	7,390,681
Long-term debt (note 9)	-	-
Other liabilities	3,459,041	3,560,533
	18,320,751	11,056,698
Net Financial Asset	(1,882,067)	(1,842,359)
Non-Financial Assets		
Tangible capital assets (net of accumulated amortization) (note 11)	61,062,207	46,771,253
Net Assets	\$ 59,180,141	\$ 44,928,895

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Capital Fund Financial Activities and Change in Fund Balances

	2026		2025
	Budget	Actual	Actual
Revenue			
Capital Contributions			
From federal and provincial governments	\$ 10,183,625	\$ 6,071,525	\$ 7,431,014
Build Canada Strong Fund (Gas Tax)	1,112,800	1,302,821	1,234,632
From other municipal governments	-	-	-
Sundry	-	1	87,493
Sale of Land Inventory	-	27,000	12,295
Gain on sale of assets	-	-	538,032
Change in Liability for Straight Pipe Loans	-	258,604	237,832
Total Revenue	11,296,425	7,659,951	9,541,298
Expenditures			
Write off/Disposal of assets	-	7,432	251,207
Liability for Centre School (note 7 c)	-	250,000	1,000,000
Amortization	1,950,000	2,017,604	2,003,656
Accretion	50,000	23,135	24,769
Other - prior year adjustment	-	-	55,581
	2,000,000	2,298,171	3,335,213
	9,296,425	5,361,780	6,206,086
Annual Capital Surplus			
Financing and Transfers			
Transfers from own reserves, funds	6,641,375	8,889,466	(4,187,074)
	6,641,375	8,889,466	(4,187,074)
Change in Fund Balance	15,937,800	14,251,246	2,019,012
Beginning Balance	44,928,895	44,928,895	42,909,882
Ending Balance	\$ 60,866,695	\$ 59,180,141	\$ 44,928,895

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Reserve Fund Financial Position

	2026	2025
	Actual	Actual
Financial assets		
Cash and cash equivalents (note 4)	\$ 29,821,140	\$ 26,696,252
Due from other funds	<u>18,562,846</u>	<u>19,596,644</u>
	<u>48,383,985</u>	<u>46,292,896</u>
Liabilities and Fund Balance		
Due to other funds	<u>8,746,204</u>	<u>3,697,374</u>
Net Financial Assets	<u>39,637,780</u>	<u>42,595,521</u>
Fund Balance		
Capital	8,501,664	10,425,581
Operating	<u>31,136,115</u>	<u>32,169,939</u>
	<u>\$ 39,637,780</u>	<u>\$ 42,595,521</u>

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Reserve Fund Financial Activities and Change in Fund Balance

			2026		2025	
	Capital Reserve Actual	Operating Reserve Actual	Total Reserve Actual		Actual	
Revenue						
Interest on savings	\$ 255,991	\$ -	\$ 255,991		\$ 411,307	
Total Revenue	255,991	-	255,991		411,307	
Expenditures						
Municipalities & other	-	-	-		-	
Annual Reserve Surplus	255,991	-	255,991		411,307	
Financing and Transfers						
Transfers (from) to own						
Capital Fund & Operating Fund	(2,179,908)	(3,309,371)	(5,489,279)		5,883,177	
Operating Surplus Transfer	-	2,275,547	2,275,547		3,148,830	
	(2,179,908)	(1,033,824)	(3,213,732)		9,032,007	
Change in Fund Balance	(1,923,917)	(1,033,824)	(2,957,741)		9,443,314	
Beginning Balance	10,425,581	32,169,939	42,595,521		33,152,206	
Ending Balance	\$ 8,501,664	\$ 31,136,115	\$ 39,637,780		\$ 42,595,521	

Municipality of the District of Lunenburg
Consolidated Financial Statements - Other Statements and Schedules
As at March 31, 2026

Schedule of Tax Sale Accounts

Assets and Liabilities

	2026	2025
	Actual	Actual
Financial Assets		
Cash and cash equivalents	\$ 2,591,051	\$ 2,613,042
Tax Sale Surplus Liability (note 8)	\$ 2,591,051	\$ 2,613,042

Schedule of Tax Sale Operations

	2026	2025
	Actual	Actual
Revenue		
Tax Sale Surplus funds received	\$ 293,993	\$ 205,814
Expenses		
Tax Sale Surplus payments	(315,984)	(117,188)
Change in Tax Sale Surplus	(21,991)	88,626
Beginning Tax Sale Surplus	2,613,042	2,524,416
Ending Tax Sale Surplus	\$ 2,591,051	\$ 2,613,042

MUNICIPALITY OF THE DISTRICT OF LUNENBURG TRUST FUNDS FINANCIAL STATEMENTS

MARCH 31, 2026



**10 Allée Champlain Drive
Cookville, NS
B4V 9E4**

INDEPENDENT AUDITOR'S REPORT

To the Council of The Municipality of the District of Lunenburg

Opinion

We have audited the 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, 2026, the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2026, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

(continues)

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Bridgewater, Nova Scotia
September 22, 2026

CHARTERED PROFESSIONAL ACCOUNTANTS

Municipality of the District of Lunenburg
Trust Fund Financial Statements
As at March 31, 2026

Statement of Financial Position

	Burial Funds	School Lands	LCCF	March 31	
				2026	2025
				Actual	Actual
Assets					
Cash	\$ 3,597	\$ 27,525	\$ 1,049,522	1,080,644	\$ 1,029,654
Due from the District of Lunenburg	123			123	50,991
	\$ 3,720	\$ 27,525	\$ 1,049,522	\$ 1,080,767	\$ 1,080,645
Liabilities					
Due to the District of Lunenburg	\$ -	\$ 1,299	\$ 49,521	\$ 50,820	50,821
Accounts payable - schools			-	-	-
Reserves					
Trust funds reserves	3,720	26,227	1,000,000	1,029,947	1,029,824
Reserves and Liabilities	\$ 3,720	\$ 27,525	\$ 1,049,522	\$ 1,080,767	\$ 1,080,645

	(note 3) Burial Funds	(note 4) School Lands	(note 5) LCCF	Year Ended March 31	
				2026	2025
Reserves Detail				Actual	Actual
Balance, beginning of year	\$ 3,597	\$ 26,227	\$ 1,000,000	\$ 1,029,824	\$ 1,029,654
Interest received on trust accounts	123	895	34,116	35,134	50,991
Funds received in trust	-	-	-	-	-
	3,720	27,121	1,034,116	1,064,958	1,080,645
Trust expenses	-	895	34,116	35,011	50,821
	-	895	34,116	35,011	50,821
Balance, end of year	\$ 3,720	\$ 26,227	\$ 1,000,000	\$ 1,029,947	\$ 1,029,824

On behalf of the Municipality of the District of Lunenburg

Mayor

Chief Administrative Officer

Notes to the Financial Statements

1. Purpose of Trust

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

2. Significant accounting policies

a. Basis of presentation

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

b. 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.

c. 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.

2. Significant accounting policies (continued)

d. 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

	2026	2025
	Actual	Actual
Distribution of funds		
Conrad, Ray	\$ 2,120	\$ 2,050
Smith, Everette	981	949
Wagner, Willis	618	598
	<u>\$ 3,720</u>	<u>\$ 3,597</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 \$1,000,000 for the Lunenburg County Community Fund (LCCF). The LCCF 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 were transferred to a Trust Fund. This Trust Fund can be used towards other mutually agreed upon projects.

	2026 Actual	2025 Actual
Balance, beginning of year	\$1,000,000	\$1,000,000
Homeowner payments	-	-
Balance, end of year	\$1,000,000	\$1,000,000

DRAFT



The Municipality of the District of Lunenburg Information Report

Report To: **Audit Committee**
Submitted By: **Elana Wentzell, CPA, CMA, Director of Finance**
Date: **September 22, 2026**
Re: **Historical Financial Condition Indicators & Draft Results**

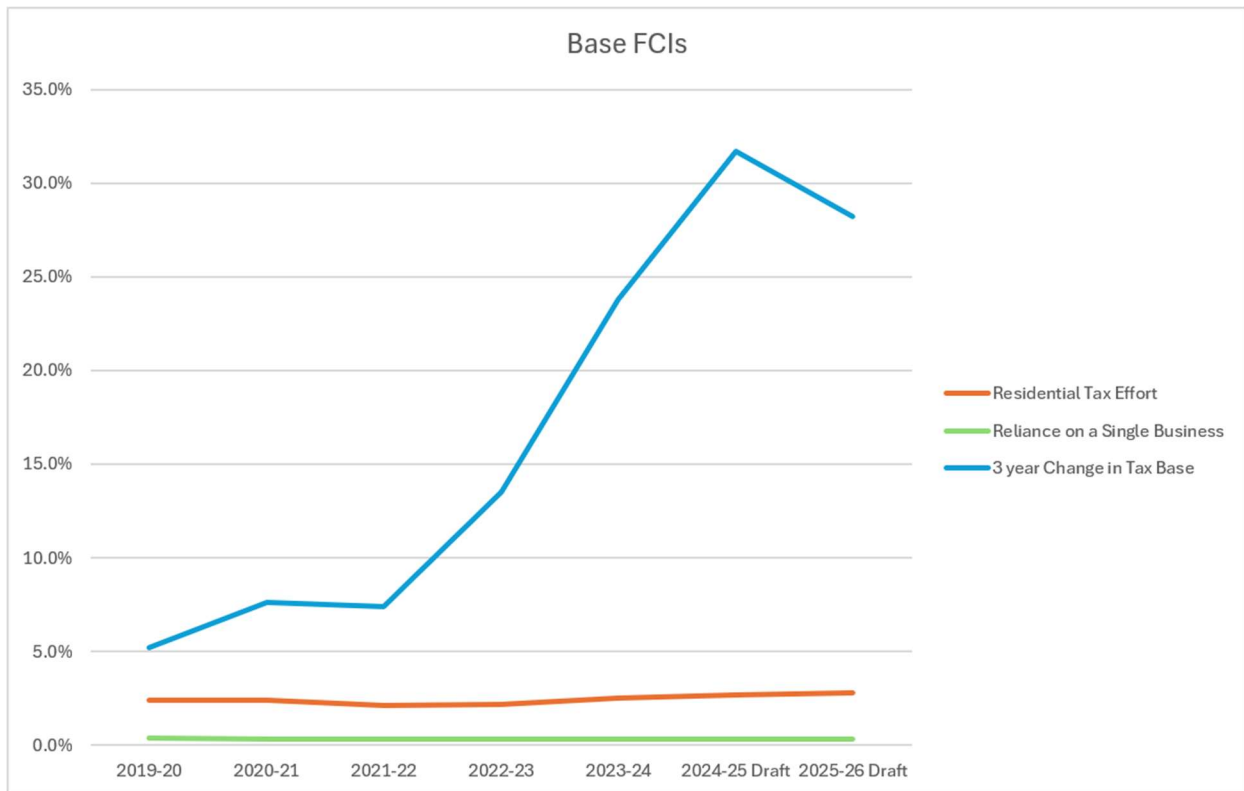
On April 6, 2026, The Audit Committee discussed the 2023-24 Financial Condition Indicator (FCI) results released by the Province on December 17, 2025. The Audit Committee is required to review the FCI's as legislated in the Financial Reporting and Accounting Manual (FRAM).

Because of the delay with the Province releasing these indicative financial results, staff agreed to compile an historical analysis and include draft numbers for the most recent audited fiscal year.

The financial condition indicators 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.

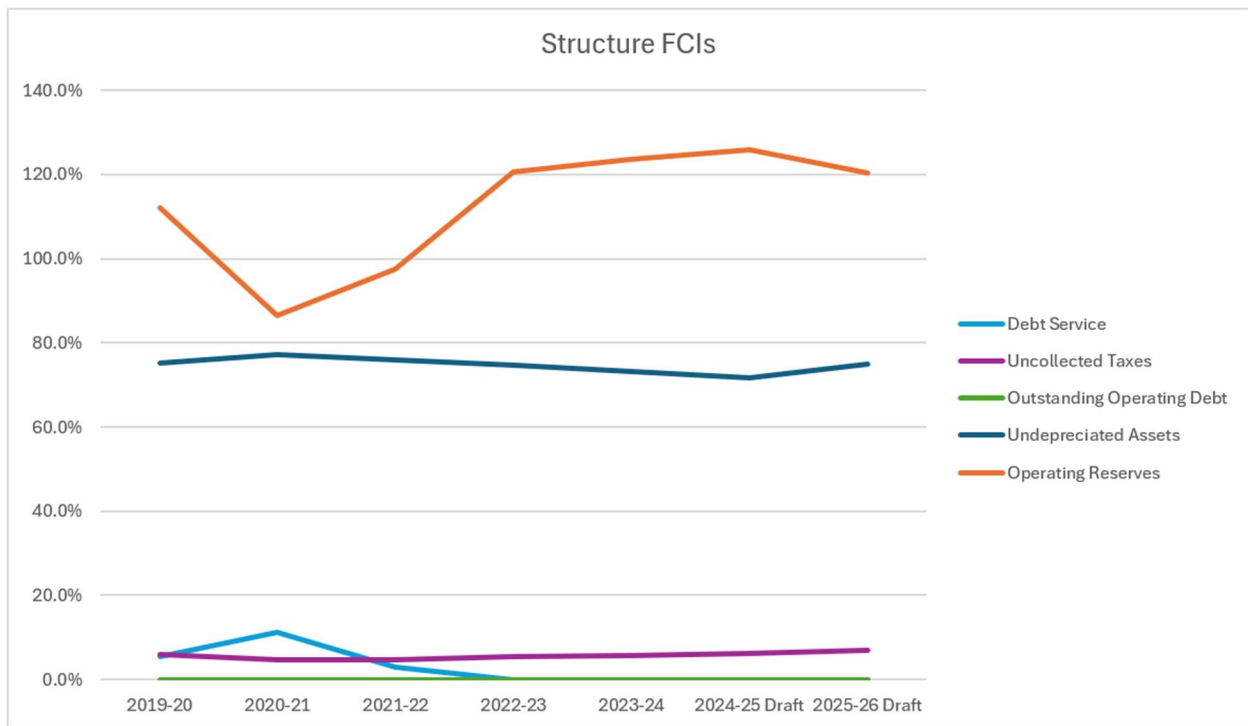
Based on the indicators related to municipal revenues (Base), MODL's general operating revenue is stable: the 3-year change in tax base is keeping up with inflation and there is a low reliance on a single business. Note that the calculation for the 3 year change in tax base was changed in 2022-23.

			BUDGET YEAR						
Indicator	Red Threshold	Yellow Threshold	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 Draft	2025-26 Draft
Base FCIs									
Residential Tax Effort	> than 6%	4% - 6%	2.4%	2.4%	2.1%	2.2%	2.5%	2.7%	2.8%
3 year Change in Tax Base	Negative growth	Less than 3 yr avg CPI	5.2%	7.6%	7.4%	13.5%	23.8%	31.7%	28.2%
Reliance on a Single Business	> than 15%	10% to 15%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%



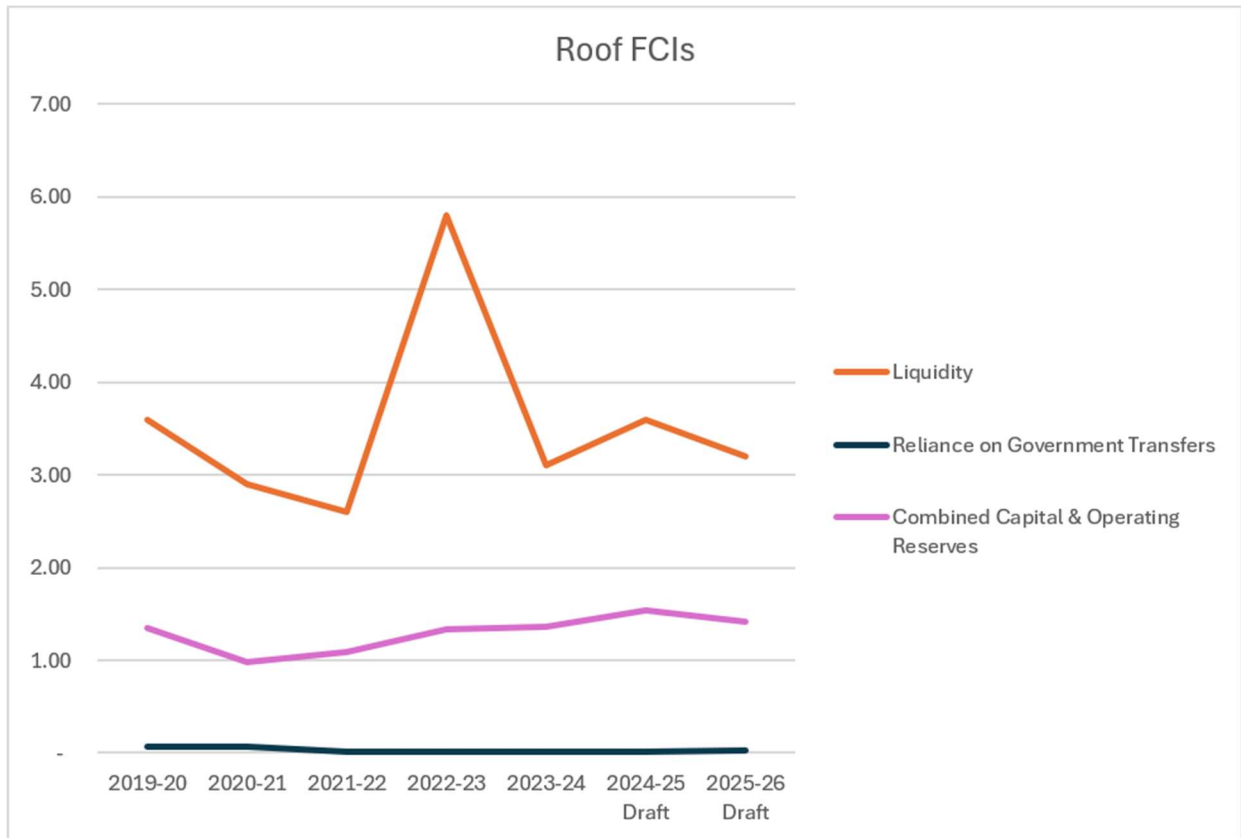
Based on the indicators related to general operating expenses and management of those expenses (Structure), uncollected taxes are under the 10% benchmark; operating reserves continue to be strong and all outstanding debt has been paid.

			BUDGET YEAR						
Indicator	Red Threshold	Yellow Threshold	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 Draft	2025-26 Draft
Structure FCIs									
Debt Service	> than 15%	10% to 15%	5.5%	11.3%	3.0%	0.0%	0.0%	0.0%	0.0%
Uncollected Taxes	> than 15%	10% to 15%	5.9%	4.7%	4.7%	5.4%	5.7%	6.1%	6.9%
Outstanding Operating Debt	> than 50%	25% to 50%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Undepreciated Assets	< than 1	1 to 1.5	75.3%	77.3%	76.0%	74.6%	73.2%	71.7%	75.0%
Operating Reserves	< than 35%	35% to 50%	112.0%	86.4%	97.4%	120.5%	123.6%	125.8%	120.2%



The roof indicators show that MODL has been able to meet its needs in a balanced manner. MODL is not dependent on another level of government to meet service obligations and is setting aside sufficient funds to help mitigate any unforeseen risks. MODL continues to have healthy combined reserves which is important to help address unexpected events and provide flexibility to address future project needs.

			BUDGET YEAR						
Indicator	Red Threshold	Yellow Threshold	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 Draft	2025-26 Draft
Roof FCIs									
Liquidity	< than 1	1 to 1.5	3.60	2.90	2.60	5.80	3.10	3.60	3.20
Reliance on Government Transfers	> than 20%	15% to 20%	7.0%	7.4%	1.9%	0.9%	0.8%	1.1%	2.1%
Combined Capital & Operating Reserves	< than 30%	30% to 40%	135.1%	98.3%	108.2%	133.4%	135.6%	154.4%	142.0%



Report Preparation	
Department	Finance
Report Prepared by	Elana Wentzell
Report Approved by	
Date Reviewed by C.A.O.	