

**MUNICIPALITY OF THE DISTRICT OF LUNENBURG**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2014**



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

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**MUNICIPALITY OF THE DISTRICT OF LUNENBURG**  
**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2014**



**210 Aberdeen Road**  
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**Municipality of the District of Lunenburg**  
**Consolidated**  
**Financial Statements**  
**March 31, 2014**

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**MUNICIPALITY OF THE DISTRICT OF LUNENBURG**  
Consolidated Financial Statements

Year ended March 31, 2014

**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 The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.


The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP, 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.



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Kevin Malloy CPA, CA  
Chief Administrative Officer



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Gordon Pettipas, CPA, CA, CFA  
Director of Financial Services and Treasurer

# Independent auditor's report

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To the Council of the Municipality of the District of Lunenburg

We have audited the accompanying consolidated financial statements of Municipality of the District of Lunenburg, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Other matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedules on pages A-6 to A-13 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality of the District of Lunenburg as at March 31, 2014, and the consolidated results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Comparative figures

The financial statements of the Municipality of the District of Lunenburg for the year ended March 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on September 30, 2013.

*Grant Thornton LLP*

Bridgewater, Canada  
October 27, 2015

Chartered accountants

**Municipality of the District of Lunenburg**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2014**

	<b>2014</b>	2013
	<u><b>Actual</b></u>	<u>Actual</u>
<b>Financial Assets</b>		
Cash and cash equivalents (note 4)	\$ 20,355,751	\$ 17,478,990
Taxes receivable (net of asset valuation allowances) (note 5)	1,709,677	1,610,846
Other receivables (net of asset valuation allowances) (note 6)	1,391,452	4,744,307
Investment in Municipal Joint Service Board (note 17)	3,528,630	-
Assets held for sale (note 7)	<u>19,025</u>	<u>1,471</u>
	<u><b>27,004,534</b></u>	<u>23,835,613</u>
<b>Liabilities</b>		
Bank loan	3,800,000	1,437,875
Accounts payable and accrued liabilities	3,542,368	3,711,733
Long-term debt (note 10)	11,639,775	12,747,481
Other liabilities		
Payable to other governments	653,478	572,685
Employee benefit obligations (note 14 b)	265,135	346,588
Other (note 8)	<u>2,436,643</u>	<u>13,109,738</u>
	<u><b>22,337,399</b></u>	<u>31,926,099</u>
<b>Net Financial Asset (Debt)</b>	<u><b>4,667,135</b></u>	<u>(8,090,486)</u>
<b>Non-Financial Assets</b>		
Tangible Capital assets (net of accumulated amortization (note 11))	39,972,437	30,310,833
Work in progress - LCMPPC	-	11,247,993
Prepaid expenses	<u>216,698</u>	<u>140,396</u>
	<u><b>40,189,135</b></u>	<u>41,699,222</u>
<b>Accumulated Surplus (note 24)</b>	<u><b>\$ 44,856,270</b></u>	<u>\$ 33,608,735</u>

Commitments and contingencies (note 12)

On behalf of the Municipality of the District of Lunenburg

\_\_\_\_\_ Mayor

\_\_\_\_\_ Chief Administrative Officer



**Municipality of the District of Lunenburg**  
**Consolidated Statement of Operations**  
**For the Year Ended March 31, 2014**

	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Assessable property taxes	\$ 25,786,626	\$ 26,497,727	\$ 25,827,819
Grants in lieu of taxes	185,360	191,066	185,372
Services provided to other governments	36,778	32,717	686,053
Other revenue from own sources	5,460,838	7,514,710	4,135,453
Unconditional transfers from other governments	73,459	79,946	72,753
Conditional transfers from other governments	<u>16,145,975</u>	<u>13,537,146</u>	<u>1,679,682</u>
	<u>47,689,036</u>	<u>47,853,313</u>	<u>32,587,132</u>
<b>Expenditures</b>			
General government services	3,718,579	4,065,114	3,554,325
Protective services	6,262,665	6,625,690	6,540,826
Transportation services	1,354,936	1,378,161	1,293,483
Environmental health services	11,544,969	12,697,015	6,318,145
Public health services	28,400	34,263	31,744
Environmental development services	2,767,610	2,398,032	1,323,975
Recreation and cultural services	2,637,599	2,295,440	2,705,277
Education	<u>7,112,064</u>	<u>7,112,064</u>	<u>6,781,184</u>
	<u>35,426,821</u>	<u>36,605,780</u>	<u>28,548,959</u>
<b>Annual Surplus</b>	12,262,214	11,247,533	4,038,173
<b>Accumulated Surplus, beginning of year</b>	<u>33,608,735</u>	<u>33,608,735</u>	<u>29,570,562</u>
<b>Accumulated Surplus, end of year</b>	<u>\$ 45,870,949</u>	<u>\$ 44,856,270</u>	<u>\$ 33,608,735</u>

**Municipality of the District of Lunenburg**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended March 31, 2014**

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	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Operating Activities</b>		
Annual Surplus	\$ 11,247,533	\$ 4,038,173
Change in non-cash items		
Amortization	984,705	1,021,553
Taxes receivable (net of asset valuation allowances)	(98,831)	98,911
Other receivables (net of asset valuation allowances)	3,352,854	(1,356,869)
Payables	(169,365)	1,958,483
Other liabilities	(10,673,755)	5,693,742
Decrease (increase) in work in progress	11,247,983	(7,612,282)
Change in prepaid	(76,301)	5,159
	<u>15,814,822</u>	<u>3,846,871</u>
<b>Capital Activities</b>		
Acquisition of capital assets	(19,146,909)	(2,788,409)
Disposals	<u>8,500,613</u>	-
	<u>(10,646,296)</u>	<u>(2,788,409)</u>
<b>Financing Activities</b>		
Change in bank loans	2,362,125	1,437,875
Change in long-term debt	<u>(1,107,706)</u>	<u>(1,046,048)</u>
	<u>1,254,419</u>	<u>391,826</u>
<b>Investing Activities</b>		
Investment in MJSB	(3,528,630)	-
Assets for sale	<u>(17,554)</u>	<u>1,417,210</u>
	<u>(3,546,184)</u>	<u>1,417,210</u>
Net increase in cash and cash equivalents	2,876,761	2,867,498
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>17,478,990</u>	<u>14,611,493</u>
<b>End of Year</b>	<u>\$ 20,355,751</u>	<u>\$ 17,478,990</u>

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**Municipality of the District of Lunenburg**  
**Consolidated Statement of Changes in Financial Net Debt**  
**For the Year Ended March 31, 2014**

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	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
<b>Annual Surplus</b>	<u>\$ 11,247,533</u>	<u>\$ 4,038,173</u>
Acquisition of tangible capital assets	(19,146,909)	(2,788,409)
Increase in work in progress	11,247,983	(7,612,282)
Amortization of tangible capital assets	984,705	1,021,553
Disposal of capital assets	<u>8,500,613</u>	<u>-</u>
	<u>1,586,390</u>	<u>(9,379,138)</u>
Acquisition of prepaid expenses	<u>(76,301)</u>	<u>1,873</u>
<b>Increase (decrease) in Net Financial Asset (Debt)</b>	<b>12,757,622</b>	<b>(5,339,093)</b>
<b>Net Financial Debt</b>		
Beginning of year	<u>(8,090,486)</u>	<u>(2,751,391)</u>
<b>Balance End of Year</b>	<u><b>\$ 4,667,135</b></u>	<u><b>\$ (8,090,486)</b></u>

**Municipality of the District of Lunenburg**  
**Schedule of Operating Financial Position**  
**Schedule 1**  
**As at March 31, 2014**

	<b>2014</b>	2013
	<b><u>Actual</u></b>	<u>Actual</u>
<b>Financial Assets</b>		
Cash and cash equivalents (note 4)	\$ 4,618,345	\$ 4,473,565
Taxes receivable (net of asset valuation allowances) (note 5)	1,709,677	1,610,846
Inventories for sale	43,130	1,471
Due from other funds and consolidated entities	6,101	4,816,720
Other receivables (net of asset valuation allowances) (note 6)	<u>303,370</u>	<u>586,226</u>
	<b><u>6,680,623</u></b>	<u>11,488,828</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,281,300	2,259,750
Other liabilities		
Due to other funds and consolidated entities	267,833	4,922,258
Employee benefit obligations (note 14b)	265,135	346,589
Other liabilities	<u>1,173,505</u>	<u>1,140,197</u>
	<b><u>2,987,774</u></b>	<u>8,668,794</u>
<b>Net Financial Assets</b>	<b><u>3,692,849</u></b>	<u>2,820,034</u>
<b>Non-Financial Assets (Liabilities)</b>		
Pension asset (liability)	(412,852)	-
Prepaid expenses	<u>187,042</u>	-
<b>Accumulated Surplus</b>	<b><u>\$ 3,467,040</u></b>	<b><u>\$ 2,820,034</u></b>

**Municipality of the District of Lunenburg**  
**Schedule of Operating Fund Financial Activities and Change in Fund Balances**  
**Schedule 1-1**  
**For the Year Ended March 31, 2014**

	2014		2013
	Budget	Actual	Actual
<b>Revenues</b>			
Assessable property taxes	\$ 25,786,626	\$ 26,497,727	\$ 25,827,819
Grants in lieu of taxes	185,360	191,066	185,372
Services provided to other governments	36,778	32,717	543,296
Other revenue from own sources	2,406,727	2,634,651	3,851,156
Unconditional transfers from other governments	73,459	79,946	72,753
Conditional transfers from other governments	17,711	68,023	209,711
<b>Total Revenues</b>	<u>28,506,661</u>	<u>29,504,130</u>	<u>30,690,107</u>
<b>Expenditures</b>			
General government services	3,695,049	4,042,067	3,523,151
Protective services	6,245,065	6,608,438	6,522,535
Transportation services	1,179,736	1,206,590	1,114,669
Environmental health services	3,228,677	3,224,003	5,725,733
Public health services	28,400	34,263	31,748
Environmental development services	2,721,410	2,325,288	1,282,049
Recreation and cultural services	1,325,226	1,225,670	1,238,978
Education	7,112,064	7,112,064	6,781,184
<b>Total Expenditures</b>	<u>25,535,627</u>	<u>25,778,383</u>	<u>26,220,047</u>
<b>Annual Operating Surplus</b>	2,971,034	3,725,747	4,470,062
<b>Financing and Transfers</b>			
Debenture and term loan principal instalments	(1,115,508)	(1,115,508)	(1,046,046)
Transfers from (to) own reserves, fund and agencies	(1,692,287)	(1,963,233)	(3,424,015)
<b>Change in Surplus after Financing &amp; Transfers</b>	<u>163,239</u>	<u>647,006</u>	<u>-</u>
<b>Beginning Accumulated Surplus</b>	<u>2,820,034</u>	<u>2,820,034</u>	<u>2,820,034</u>
<b>Accumulated Surplus, net of Amortization Expense</b>	<u>\$ 2,983,273</u>	<u>\$ 3,467,040</u>	<u>\$ 2,820,034</u>

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**Municipality of the District of Lunenburg**  
**Schedule of Capital Fund Financial Position**  
**Schedule 2**  
**As at March 31, 2014**

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	<b>2014</b>	<b>2013</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>
<b>Financial Assets</b>		
Cash	\$ 287,735	\$ 3,019,398
Assets held for resale	-	-
Receivables (net of asset valuation allowances)	59,422	819,837
Due from other funds	<u>-</u>	<u>1,461,735</u>
	<u>347,155</u>	<u>5,300,970</u>
<b>Liabilities</b>		
Payables	247,824	331,790
Due to other funds	43,365	4,360,199
Long-term debt (note 10)	11,639,775	12,747,481
Other liabilities	<u>1,314,560</u>	<u>2,002,011</u>
	<u>13,245,524</u>	<u>19,441,481</u>
<b>Net Debt</b>	<u>(12,898,368)</u>	<u>(14,140,511)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (net of accumulated amortization)	<u>22,170,537</u>	<u>30,310,833</u>
	<u>22,170,537</u>	<u>30,310,833</u>
<b>Net Assets</b>	<u>\$ 9,272,169</u>	<u>\$ 16,170,322</u>

**Municipality of the District of Lunenburg**  
**Schedule of Capital Fund Financial Activities and Change in Fund Balances**  
**Schedule 2 -1**  
**For the Year Ended March 31, 2014**

	<b>2014</b>		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Capital Contributions			
From federal and provincial governments	\$ -	\$ 109,102	\$ 136,351
From other local governments	-	-	142,757
Recovery from outside sources	-	-	11,814
Sale of tangible capital assets	<u>-</u>	<u>124,000</u>	<u>131,075</u>
<b>Total Revenue</b>	<u>-</u>	<u>233,102</u>	<u>421,997</u>
<b>Expenditures</b>			
Write off of assets	-	322,063	-
HST (note 25)	-	480,967	-
Partner Interests and landfill closure	<u>(196,578)</u>	<u>165,412</u>	<u>(311,057)</u>
<b>Annual Capital Surplus</b>	196,578	(735,340)	733,054
<b>Financing and Transfers</b>			
Amortization	(700,000)	(736,337)	(1,214,128)
Transfer of assets to the Municipal Joint Service Board	(8,126,000)	(8,125,681)	-
Loan payments from operating fund	1,115,508	1,107,706	1,046,048
Transfers from own reserves, funds	<u>3,339,343</u>	<u>1,591,498</u>	<u>1,453,512</u>
	<u>(4,371,149)</u>	<u>(6,162,814)</u>	<u>1,285,432</u>
<b>Change in Fund Balance</b>	(4,174,571)	(6,898,154)	2,018,486
<b>Beginning Fund Balance</b>	<u>16,170,322</u>	<u>16,170,322</u>	<u>14,151,836</u>
<b>Ending Fund Balance</b>	<u>\$ 11,995,751</u>	<u>\$ 9,272,169</u>	<u>\$ 16,170,322</u>

**Municipality of the District of Lunenburg**  
**Schedule of Reserve Fund Financial Position**  
**Schedule 3**  
**As at March 31, 2014**

	<u>2014</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>
<b>Financial assets</b>		
Cash	\$ 15,042,946	\$ 9,986,027
Due from other funds	43,365	4,986,125
Receivables	-	667,225
	<u>15,086,311</u>	<u>15,639,377</u>
 <b>Liabilities and Fund Balance</b>		
Due to other funds	3,459,970	1,453,998
Other liabilities	<u>76,050</u>	<u>-</u>
	<u>3,536,020</u>	<u>1,453,998</u>
<b>Net Financial Assets</b>	<u>11,550,291</u>	<u>14,185,379</u>
 <b>Fund Balance</b>		
Capital	5,826,111	5,812,182
Operating	<u>5,724,180</u>	<u>8,373,195</u>
	<u>\$ 11,550,291</u>	<u>\$ 14,185,379</u>



**Municipality of the District of Lunenburg**  
**Schedule of Reserve Fund Financial Activities and Change in Fund Balances**  
**Schedule 3 - 1**  
**For the Year Ended March 31, 2014**

	Capital Reserve Actual	Operating Reserve Actual	2014 Actual	2013 Total Reserve Actual
<b>Revenue</b>				
Interest on savings	\$ 60,530	\$ 282	\$ <b>60,812</b>	\$ 58,909
Proceeds for public open space	25,357	-	<b>25,357</b>	41,664
Gas tax revenue	<u>1,331,920</u>	<u>-</u>	<b><u>1,331,920</u></b>	<u>1,333,609</u>
<b>Total Revenue</b>	<u>1,417,807</u>	<u>282</u>	<b><u>1,418,089</u></b>	<u>1,434,183</u>
<b>Expenditures</b>				
Municipalities & other	<u>208,332</u>	<u>3,744,970</u>	<b><u>3,953,302</u></b>	<u>1,385,000</u>
<b>Annual Reserve Surplus</b>	1,209,475	(3,744,688)	<b>(2,535,213)</b>	49,183
<b>Financing and Transfers</b>				
Transfers (from) to own				
Capital Fund & Operating Fund	<u>(1,195,546)</u>	<u>1,095,671</u>	<b><u>(99,875)</u></b>	<u>1,970,503</u>
<b>Change in Fund Balance</b>	13,929	(2,649,017)	<b>(2,635,088)</b>	2,019,685
<b>Beginning Balance</b>	<u>5,812,182</u>	<u>8,373,197</u>	<b><u>14,185,379</u></b>	<u>12,165,691</u>
<b>Ending Fund Balance</b>	<u>\$ 5,826,111</u>	<u>\$ 5,724,180</u>	<b><u>\$ 11,550,291</u></b>	<u>\$ 14,185,379</u>

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**Municipality of the District of Lunenburg**  
**Schedule of Tax Sale Account Assets and Liabilities**  
**Schedule 4**  
**As at March 31, 2014**

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	<b>2014</b>	2013
	<b><u>Actual</u></b>	<u>Actual</u>
<b>Financial Assets</b>		
Cash	\$ 751,320	\$ 177,371
Due to The District of Lunenburg	<u>          -</u>	<u>      528,105</u>
<b>Tax Sale Surplus Liability</b>	<b><u>\$ 751,320</u></b>	<b><u>\$ 705,476</u></b>

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**Municipality of the District of Lunenburg**  
**Schedule of Tax Sale Operations**  
**Schedule 4 - 1**  
**For the year ended March 31, 2014**

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**A - 13**

	<b>2014</b>	2013
	<u><b>Actual</b></u>	<u>Actual</u>
<b>Revenue</b>		
Tax Sale Surplus funds	\$ 53,909	\$ 93,503
<b>Expenses</b>		
Tax Sale Surplus payments	<u>(8,065)</u>	<u>(774)</u>
<b>Change in Tax Sale Surplus Account</b>	<b>45,844</b>	94,277
<b>Beginning Tax Sale Surplus Account</b>	<u>705,476</u>	<u>611,199</u>
<b>Ending Tax Sale Surplus Account</b>	<u><b>\$ 751,320</b></u>	<u>\$ 705,476</u>

**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, to conform to Generally Accepted Accounting Principles for local governments established by the Public Sector Accounting Board of the CPA Canada Public Sector Accounting Board.

**(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, the following are consolidated:

- The Lunenburg Regional Community Recycling Center
- The Municipality Proportionate Share of Lunenburg County Multi-Purpose Centre Corporation

**(ii) Non-Consolidated Entities**

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

- Provincial Valuation Services Corporation
- Lunenburg Queens Regional Development Agency
- South Shore Housing Authority
- South Shore Regional Library Board

**(iii) Trust Funds**

Trust funds and their related operations are administered by the Municipality for the benefit of external parties and are not consolidated, except for the tax sale surplus as explained in note 9. 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:

	<b>2014</b>	<b>2013</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>
Burial funds	\$ 2,739	\$ 2,695
Employee funds	1,123	919
School lands	<u>26,227</u>	<u>26,227</u>
	<b><u>\$ 30,089</u></b>	<b><u>\$ 29,841</u></b>

**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 Public Sector Accounting Board "PSAB" of the Canadian Institute of Chartered Accountants 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 to be made.

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

**(ii) Use of Estimates**

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

**(iii) Fund Accounting**

In accordance with practices common to Nova Scotia municipalities, the Municipality follows the fund basis of accounting. The capital fund is used principally to account for assets acquired or obligations incurred which are to be financed from the future revenue of the Municipality and it is the annual interest cost of this financing that is paid from current (operating fund) operations. Reserve funds represent the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council or as required by Provincial Regulation. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

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

**(c) Basis of Accounting (continued)**

(iv) 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.

(v) Accounts Receivable

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

(vi) 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 System	50
Wharves	25
Other	25-50

No amortization is recorded in the year of acquisition.

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

**(c) Basis of Accounting (continued)**

(vii) Employee Future Benefit Obligations

The Public Sector Accounting Handbook required local governments to account for and report obligations for employee future benefits. Based on an actuarial review, an estimate of these liabilities has been recorded with the Consolidated Statement of Financial Position.

(viii) Amortization

In fiscal 2012 and 2014 amortization was recorded in the Capital Fund. In both years amortization was recorded as an operating expenditure in the Consolidated Financial Statements.

**(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.

**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 municipalities.

**a. Contribution to Regional Housing Authority**

The Municipality is required to help finance its share of the operating deficit in the Lunenburg County Regional Housing Authority out of its current year's operation. The cumulative deficit financed for 2013-14 was \$34,263 (2012-13- \$31,748).

**b. Contribution to Regional Library Board**

During 2013-14, the Municipality paid \$156,024 (2012-13 - \$156,024) to the Regional Library Board as its share of operating costs.

**c. Contribution to Regional Development Agency**

The Municipality, along with the other municipal units in Lunenburg/Queens is required to finance the operations of the Lunenburg/Queens Regional Development Agency based on the uniform assessment. During 2013-14 the Municipality paid \$13,470 (2012-13 - \$64,575) to the Lunenburg/Queens Regional Development Agency to help finance its operation.

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

	<b>2014</b>		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Provincial Valuation Services Corporation	\$ 690,466	\$ <b>690,466</b>	\$ 693,919
Regional Housing Authority (a)	28,400	<b>34,263</b>	31,748
Regional Library Board (b)	165,000	<b>156,024</b>	156,024
Regional Development Agency (c)	<u>69,000</u>	<u><b>13,470</b></u>	<u>64,515</u>
	<u>\$ 952,866</u>	<u><b>\$ 894,223</b></u>	<u>\$ 946,206</u>



**3. Contribution to Provincial Government Departments and Agencies**

**a. Education Contribution**

The required contribution to the South Shore Regional School Board is calculated using the mandatory municipal education rate (set by the Minister of Education) multiplied by the Municipality's uniform assessment. For 2013-2014 the education tax rate was \$0.3048 (2012-13 - \$0.3048) per \$100 of uniform assessment multiplied by the uniform assessment of \$2,333,354,273 (2012-13 - \$2,224,797,921) for a total amount paid of \$7,112,064 (2012-13 - \$6,781,184).

**b. Correction Contributions**

The required contribution for corrections is calculated first using an amount set by the Province, to be recovered from all municipal units. Fifty percent of this recovery amount is allocated among municipal units using each unit's uniform assessment as a percentage of provincial uniform assessment. The other fifty percent is allocated using each unit's number of dwelling units as a percentage of provincial dwelling units. During 2013-14 the Municipality paid \$448,298 (2012-13 - \$451,574) to the province for correction services.

**c. Assessment Service Contributions**

The required contributions for assessment services is calculated using an amount, set by the Property Valuation Services Corporation (PVSC), to be recovered from all municipal units 2013-14 \$17.09 million (2012-13 - \$17.1 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 2013-14 the Municipality paid \$690,466 (2012-13 - \$693,919) to the PVSC for assessment services.

**d. Lunenburg County Multi-Purpose Centre Corporation**

On November 10, 2009, the Municipality entered into an agreement with the Town of Bridgewater to form the Lunenburg County Multi-Purpose Centre Corporation ("LCLC") to own and operate a multi-purpose facility. The Municipality has a fifty percent interest in the facility.

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

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

Included in the Municipality's consolidated financial statements "MODL" are its share \$17,038,106 (2012-13 - \$433,000) of the assets, liabilities, revenues and expenditures of LCLC. The following table provides supplementary financial information for the LCLC as of March 31:

<b>Financial Position</b>	<b>2014</b>		<b>2013</b>
	<b>MODL Share</b>	<b>TOTAL</b>	
Financial Assets	\$ 5,212,906	\$ 10,206,345	\$ 4,350,788
Liabilities	<u>5,982,229</u>	<u>11,964,456</u>	<u>26,261,549</u>
Net Financial Assets (Liabilities)	(769,323)	(1,758,111)	(21,910,761)
Non Financial Assets	<u>17,807,463</u>	<u>35,614,924</u>	<u>22,776,761</u>
Net Assets (Liabilities)	<u>\$ 17,038,140</u>	<u>\$ 33,856,813</u>	<u>\$ 866,000</u>

As of March 31, 2014 MODL had the following related party transactions with the LCLC:

	<u>2014</u>	<u>2013</u>
Due to LCLC	\$ 3,847,628	\$ 65,000
Operating grants paid to LCLC	\$ 281,166	\$ 130,319
Capital grants paid to LCLC	\$ 3,744,970	\$ 1,385,000

**Municipality of the District of Lunenburg**  
**Notes to Consolidated Financial Statements (continued)**  
**As at March 31, 2014**

<b>4. Cash and cash equivalents</b>	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Included in cash are restricted amounts</b>		
Gas tax grant program	\$ 1,461,877	\$ 936,705
LCMPCC	406,725	-
Landfill closure	<u>420,758</u>	<u>580,622</u>
	<b>2,289,361</b>	<b>1,517,327</b>
<b>Unrestricted cash</b>	<u><b>18,066,390</b></u>	<u><b>15,961,663</b></u>
	<u><b>\$ 20,355,751</b></u>	<u><b>\$ 17,478,990</b></u>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Cash Made Up Of:</b>		
Operating Fund	\$ 4,618,345	\$ 4,473,565
Capital Fund	287,735	3,019,398
Reserve Fund	15,042,946	9,986,027
LCMPCC	<u>406,725</u>	<u>-</u>
	<u><b>\$ 20,355,751</b></u>	<u><b>\$ 17,478,990</b></u>

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

<b>5. Taxes Receivable</b>	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Balance, beginning of year</b>	<b>\$ 1,610,846</b>	<b>\$ 1,709,757</b>
Current year's tax levy	25,177,836	25,652,840
Interest on overdue taxes and rates	<u>259,518</u>	<u>234,884</u>
	<u><b>27,048,199</b></u>	<u><b>27,597,481</b></u>
Deduct		
Collections	24,731,747	25,505,184
Adjustments, write-offs & bad debt expense	7,213	16,405
Exemptions for taxes	<u>109,664</u>	<u>103,894</u>
	<u><b>24,848,624</b></u>	<u><b>25,625,483</b></u>
Sub-total	<b>2,199,575</b>	<b>1,971,998</b>
Allowance for doubtful accounts	<u>(489,900)</u>	<u>(361,153)</u>
<b>Net taxes receivable</b>	<u><b>\$ 1,709,677</b></u>	<u><b>\$ 1,610,846</b></u>

**6. Other Receivables**

<b>(a) Other</b>	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Governments</b>		
Government of Canada and its agencies	\$ 741,646	\$ 2,985,581
Province of Nova Scotia and its agencies	140,133	1,487
Trust Fund (note 9)	-	528,125
Municipal Joint Service Board ("MSJSB")	32,561	-
Municipal Governments	<u>118,166</u>	<u>576,769</u>
	<u><b>1,032,506</b></u>	<u><b>4,091,962</b></u>
<b>General Public</b>	<b>557,421</b>	<b>860,280</b>
<b>Allowance for Doubtful Accounts</b>	<u><b>(198,475)</b></u>	<u><b>(207,935)</b></u>
	<u><b>358,946</b></u>	<u><b>652,345</b></u>
	<u><b>\$ 1,391,452</b></u>	<u><b>\$ 4,744,307</b></u>
<b>Other Receivables Found in:</b>		
Operating Fund	\$ 309,472	\$ 586,226
Capital Fund	59,422	819,837
Reserve Fund	-	667,225
Trust Fund	-	528,125
Other	<u>1,022,559</u>	<u>2,142,894</u>
	<u><b>\$ 1,391,452</b></u>	<u><b>\$ 4,744,307</b></u>
<b>(b) Allowances for Doubtful Accounts</b>		
Dog Tags	\$ 2,082	\$ 2,082
Due from general public including waste site	<u>196,393</u>	<u>205,853</u>
	<u><b>\$ 198,475</b></u>	<u><b>\$ 207,935</b></u>

**7. Long-term Mortgage Receivable**

	<b>2014</b>	2013
	<b><u>Actual</u></b>	<u>Actual</u>
Receivable, Bridgewater Golf and Country Club	\$ -	\$ 3,264,783
Non-interest bearing loan receivable, Bridgewater Golf and Country Club	-	180,000
Reserve	<u>-</u>	<u>(3,444,783)</u>
	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**Golf Course Property**

The Golf property land was conveyed back to the Municipality on February 3, 2012 per an agreement with the Bridgewater Golf and Country Club. The Golf Facility was classified as assets for sale in fiscal 2012. The mortgage receivables were not released further pending negotiations with Bridgewater Golf and Country Club on the acquisition of the remaining assets and continuing operations of the facility. The golf facility (\$1,351,922) was added to the Municipalities Tangible Capital Assets in 2012-13.

Subsequent to year end, on June 13, 2013 the Municipality finalized the settlement with the BWGCC and agreed to write off all remaining mortgage receivables from the club. As part of the settlement the parties agreed to credit the mortgage receivable from BWGCC for all assets received and the Municipality agreed to assume the equipment lease obligations. Subsequent to year end the remaining BWGCC assets were acquired at an agreed upon price. The Municipality is actively seeking a buyer for the Golf Course.

<b>8. Other Liabilities</b>	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Deferred Revenues</b>		
Other	\$ 69,691	\$ 148,281
LCLC (note 3d)	<u>16,698</u>	<u>9,964,244</u>
	<b>86,388</b>	<b>10,112,525</b>
<b>Other</b>		
Prepaid Taxes	<b>362,643</b>	296,587
Tax Sale Surplus	<b>751,320</b>	705,476
Pension liability	<b>412,847</b>	3,288
Landfill closure liability	<u><b>823,445</b></u>	<u>1,991,863</u>
	<u><b>\$ 2,436,643</b></u>	<u><b>\$ 13,109,738</b></u>

**Landfill Site Closure**

As of April 1, 2013 the Municipality transferred all of the assets 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, 2014 was \$2,133,458 (2013 \$2,138,761). 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 \$823,445.

The future landfill site closure costs were forecast with inflation at 2% per annum and discounted back to March 31, 2014 using a discount rate of 2%. A gross landfill closure liability of \$823,445 (2013 \$1,991,863) 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.

	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
Estimated gross landfill closure cost	\$ 823,445	\$ 1,991,863
Less: Related Reserves - site closure	<u>(823,445)</u>	<u>(1,431,058)</u>
Net amount to be funded by Municipal Partners	<u><b>\$ -</b></u>	<u><b>\$ 560,805</b></u>

**9. 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. 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:

	<b>2014</b>	<b>2013</b>
	<u><b>Actual</b></u>	<u><b>Actual</b></u>
1996	\$ <b>8,322</b>	\$ 8,322
1997	<b>34,038</b>	34,038
1998	<b>44,277</b>	44,277
1999	<b>25,817</b>	25,817
2001	<b>11,646</b>	11,646
2002	<b>15,918</b>	15,918
2003	<b>55,606</b>	55,606
2004	<b>3,556</b>	3,556
2005	<b>13,783</b>	13,783
2006	<b>62,418</b>	62,418
2007	<b>9,334</b>	9,334
2008	<b>8,368</b>	8,368
2009	<b>150,466</b>	150,466
2010	<b>120,678</b>	120,678
2011	<b>19,061</b>	19,061
2012	<b>54,221</b>	54,221
2013	<b>67,967</b>	67,967
2014	<u><b>45,844</b></u>	<u>-</u>
	<u><b>\$ 751,320</b></u>	<u><b>\$ 705,476</b></u>

**10. Long-term Debt**

**(a) Balance of Long-term Debt**

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

**Debentures - Municipal Finance Corporation**

	Due	Balance April 1	Added (Redeemed)	Balance March 31	Interest	Blended Interest Rate
Recycling & compost plant	June 1, 2021	\$ 1,080,000	\$ (120,000)	\$ <b>960,000</b>	\$ 48,232	4.95%
Golf club property	May 15, 2015	2,891,500	(115,660)	<b>2,775,840</b>	59,762	2.41%
Economic dev & environmental	June 1, 2020	3,185,000	(245,000)	<b>2,940,000</b>	140,557	4.70%
Economic dev & environmental	Oct. 24, 2021	4,680,000	(520,000)	<b>4,160,000</b>	198,884	4.50%
Various purposes	Nov 9, 2020	<u>910,981</u>	<u>(107,046)</u>	<b><u>803,935</u></b>	<u>34,591</u>	3.25%
		<u>\$12,747,481</u>	<u>\$(1,107,706)</u>	<b><u>\$ 11,639,775</u></b>	<u>\$ 482,026</u>	

**(b) Principal Payments**

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

2015	\$ 1,115,508	2016	\$ 3,660,028	2017	\$ 999,848
2018	\$ 999,848	2019	\$ 999,848		

- (i) The annual principal and interest payment required to service the liabilities are within the debt repayment guidelines prescribed by Nova Scotia Municipal Relations.
- (ii) The Solid Waste site long-term debt is to be recovered from the general revenues of the Municipality and will continue to require funding from tax revenues in the future.



**10. Long-term Debt (continued)**

**(c) Total Charges for Long-term Debt**

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

	<b>2014</b>		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Principal payments			
Environmental health services	\$ 120,000	\$ <b>120,000</b>	\$ 120,000
Economic and environmental development	879,848	<b>872,046</b>	879,848
Golf club debentures	<u>115,660</u>	<u><b>115,660</b></u>	<u>2,937,700</u>
	1,115,508	<b>1,107,706</b>	3,937,548
Interest payments			
Environmental health services	\$ 48,318	\$ <b>48,232</b>	\$ 53,990
Economic and environmental development			
Development at exit 12	339,986	<b>339,441</b>	372,620
Various purposes	26,654	<b>34,591</b>	28,596
Golf club debenture	<u>60,029</u>	<u><b>59,762</b></u>	<u>98,013</u>
	<u>474,987</u>	<u><b>482,026</b></u>	<u>553,219</u>
	<u>\$ 1,590,495</u>	<u>\$ <b>1,589,732</b></u>	<u>\$ 4,490,767</u>

**(d) Contingent Liabilities**

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

- Lunenburg County Multi-Purpose Centre Corporation – The District has guaranteed the Temporary Borrowing Resolution of the “Lunenburg County Multi-Purpose Centre Corporation” in the amount of \$3,850,000.

**Municipality of the District of Lunenburg**  
**Notes to Consolidated Financial Statements (continued)**  
**For the Year Ended March 31, 2014**

11. Tangible Capital Assets	Cost-Beg of	Additions	Cost Disposals	Cost-End of	Amort Disposals	Amort in	Acc Amort	Acc Amort	Net Book Value	
	Year		& Write Offs	Year	& Write Offs	Year	Beg of Year	End of Year	2014	2013
<b>Municipal General</b>										
Land	\$ 4,831,303	\$ -	12,353	\$ 4,818,950	\$ -	\$ -	\$ -	\$ -	\$ 4,818,950	\$ 4,747,107
Land Improvements	1,695,044	12,079	141,913	1,565,211	7,134	62,694	167,465	223,025	1,342,186	761,201
Buildings	2,461,722	92,576	681,659	1,872,639	494,274	56,106	847,690	409,522	1,463,116	1,112,692
Buildings/Plants - WWTP	5,555,778	33,455	43,365	5,545,868	-	222,567	1,673,272	1,895,839	3,650,029	3,882,506
Electronic Equipment	259,885	97,950	-	357,835	-	8,478	239,201	247,679	110,156	20,683
Small Equipment	130,327	-	-	130,327	-	7,839	104,433	112,272	18,055	25,894
Machinery & Equipment	348,138	18,761	-	366,899	-	23,985	147,858	171,843	195,056	200,281
Vehicles	224,418	40,584	-	265,002	-	23,482	163,718	187,200	77,802	60,701
Wharves	354,601	24,073	-	378,674	-	14,184	63,351	77,535	301,139	291,250
Roads and Streets	4,999,318	-	-	4,999,318	-	163,903	1,174,090	1,337,993	3,661,324	3,825,228
Sidewalks	24,710	131,155	-	155,865	-	824	2,471	3,295	152,570	22,239
Sewer System	6,457,973	575,853	-	7,033,826	-	130,293	741,210	871,503	6,162,322	5,716,763
Other	256,368	68,388	-	324,756	-	21,976	64,040	86,016	238,741	1,544,184
	27,599,585	1,094,874	879,290	27,815,169	501,408	736,330	5,388,799	5,623,722	22,191,449	22,210,729
Other units share REMO	(42,632)	-	-	(42,632)	-	(1,759)	(19,960)	(21,719)	(20,913)	(22,509)
	27,556,953	1,094,874	879,290	27,772,537	501,408	734,571	5,368,839	5,602,003	22,170,537	22,188,220
Solid Waste Operations (62% equity)	14,890,655	-	14,890,655	-	6,767,877	-	6,767,877	-	-	8,122,613
Total Municipal Assets	42,447,608	1,094,874	15,769,945	27,772,537	7,269,285	734,571	12,136,716	5,602,003	22,170,537	30,310,833
<b>Lunenburg County Lifestyle Centre</b>										
Land	-	433,583	-	433,583	-	-	-	-	433,583	-
Land Improvements	-	1,418,016	-	1,418,016	-	28,361	-	28,361	1,389,655	-
Building	-	15,748,278	-	15,748,278	-	196,854	-	196,854	15,551,424	-
Furniture and fixtures	-	132,219	-	132,219	-	6,611	-	6,611	125,608	-
Computer equipment	-	81,588	-	81,588	-	8,159	-	8,159	73,429	-
Equipment	-	238,351	-	238,351	-	10,149	-	10,149	228,202	-
	-	18,052,035	-	18,052,035	-	250,134	-	250,133	17,801,900	-
Total Tangible Capital Assets	\$ 42,447,608	\$ 19,146,909	\$ 15,769,945	\$ 45,824,572	\$ 7,269,285	\$ 984,705	\$ 12,136,716	\$ 5,852,136	\$ 39,972,437	\$ 30,310,833

**12. Commitments**

**(a) Payments**

The Municipality entered into a seven year contract for garbage collection. The contract term is April 1, 2012 to March 31, 2019 and requires the following payments: 2014 - \$1,420,729; 2015 - \$1,456,327; 2016 - \$1,492,759; 2017 - \$1,530,033; 2018- \$1,530,033; 2019 - \$1,530,033 (before HST). On December 7, 2012, the Municipality, the Town of Bridgewater and Town of Mahone Bay entered into a ten year contract to outsource the blue bag recycling and marketing of related materials of the LRRCF operation. The payments are based on tonnage of recyclable material sent FOB the LRRCF with built in annual base cost escalator and fuel adjustment clause.

The Municipality has committed a \$310,000 grant contribution to the South Shore Fieldhouse Society. The grant will be provided to the South Shore Fieldhouse Society in the form of \$31,000 per year for 10 years commencing 2008.

**(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 "SSRSB". 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 South Shore Regional School Board until such time as the Board no longer requires the asset 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 SSRSB, they are not included in the financial statements of the Municipality. The SSRSB turned over the following schools they no longer had use for: Blockhouse, Centre, and Riverport and District. The school facilities are fully depreciated and the value of the school lands was offset by the estimated demolition costs of the school buildings.

**(c) Lunenburg County Lifestyle Centre**

As of March 31, 2014 the Municipality's capital debt to the LCLC amounted to \$3.85 million

**(d) Osprey Village**

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

- The Town of Bridgewater will make a \$1,000,000 contribution to a new water storage reservoir, with interest at 4% compounded annually, payable on or after April 15, 2015;

**12. Commitments (continued)**

**(e) Partnership Project**

Effective April 15, 2010 the Municipality entered into a five (5) year contract with the Canadian Air Engineering Flight and Air Engineering Squadron to assist, support, and facilitate the recruitment of reservists by providing a facility in Oakhill, Lunenburg County, Nova Scotia.

**(f) School Lands Trust Payments**

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

	Park View Education Centre	New Germany Rural High	<b>Total</b>
Balance, beginning of year	\$ 1,064	\$ 1,411	\$ <b>2,475</b>
Interest income earned in trust	<u>176</u>	<u>176</u>	<u><b>352</b></u>
Balance available for book purchases	<u>\$ 1,240</u>	<u>\$ 1,587</u>	<u><b>\$ 2,827</b></u>

**(g) 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 Service Board.

The three remaining partner units, the Town of Bridgewater, Town of Mahone Bay and the Municipality of the District of Lunenburg will be in 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.

**12. Commitments (continued)**

**(g) Garbage Disposal (continued)**

On October 10, 2004, the Municipality, along with the Towns of Bridgewater, Lunenburg and Mahone Bay entered into a twenty year agreement with the District of Chester, commencing January 2, 2006, and terminating on March 31, 2026, to ship all second generation waste resources (“solid waste”) from the Lunenburg Regional Recycling and Composting Facility (“LRRCF”) to the second generation solid waste disposal site at Kaizer Meadow Landfill, located in the District of Chester. The price per metric tonne is subject to an annual escalation clause effective April 1, 2026, which shall be the lesser of the amount of the increase in the consumer price index for all items for Nova Scotia for the previous calendar year, or the sum of 2.5% per annum. The agreement also guarantees a combined minimum of 10,000 tonnages delivered to the District of Chester’s disposal site. As a result of this guarantee, if at the end of any year, the amount paid by the LRRCF is less than the minimum amount based on the minimum tonnage clause, the LRRCF is obligated to pay the District of Chester the difference to make up the minimum annual payment. As of April 1, 2013 the Municipal Joint Service Board(“MJSB”) assumed this contract and its collection.

**(h) Joint Emergency Measures Organization**

The Municipality entered into an Agreement with the Town of Bridgewater and the Municipality of Chester to provide for a coordinated response to emergencies in the Town of Bridgewater and the Municipality commencing April 1, 1994. The capital cost of existing equipment and contents are outlined with acquisitions after the date of this Agreement to be shared equally.

The assets reflected on the capital fund balance sheet represent the Municipality’s interest the total capital cost.

	Interest	<b>2014</b>	2013
Apportionment of capital costs			
Town of Bridgewater	53.10%	\$ <b>20,913</b>	\$ 22,509
Municipality of the District of Lunenburg	46.90%	<u><b>18,469</b></u>	<u>19,877</u>
	100.00%	<u><b>\$ 39,382</b></u>	<u>\$ 42,386</u>

13. Assessed Property Taxation	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Total taxes and rates	\$ 25,786,626	\$ <b>26,497,727</b>	\$ 25,827,819
Less:			
Taxes collected on behalf of others:			
School Board levy	7,112,064	<b>7,112,060</b>	6,781,184
Net taxes and rates	\$ <u>18,674,562</u>	\$ <u><b>19,385,667</b></u>	\$ <u>19,046,635</u>

14. Employee Benefits

(a) Pension Agreements

The Municipality makes contributions to the Pension Plan for the employees of the Municipality. The Plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Pension Plan is valued on a current market basis for all plan assets and has no actuarial deficiency for current obligations. The Municipality maintains a separate non-consolidated investment trust fund. Subsequent to year end for all hires after June 25, 2014 the defined benefit pension plan is closed to all newly hired employees.

A full statutory actuarial review is made every three years of the Plan to comply with Provincial pension legislation and to determine required plan funding contribution levels, with the most recent statutory actuarial review as of year-end completed in 2013 and as at December 31, 2013, reported on a going concern basis actuarial valued assets of \$6,502,095; and, liabilities of \$7,537,033 in addition to an actuarial deficit of \$1,034,938. Pension legislation also requires a solvency valuation. If the Plan was wound up as of December 31, 2013, it would have a solvency deficiency of \$2,409,675. The members contribute five (5) percent of their earnings to the plan together with a matching seven decimal eight one (9.1) percent contribution by the Municipality. The Municipality is required to make total special payments of \$102,626 per year for 12 years from the valuation date. Additional special payments of \$99,282 per year are required for three years. Based on the December 31, 2014 actuarial valuation for funding purposes, the assets, along with the required special payments, are expected to be sufficient to cover the Plan's obligation on a going concern basis. Nevertheless, emerging experience, differing from assumptions, will result in gains or losses that will be revealed in future valuations.

The following table summarizes the results of the Fiscal 2014 statutory actuarial solvency review:

	MJSB	MODL	Reported	
			Total 2013	Total 2010
Assets, net of estimated wind up expenses	\$ 2,083,228	\$ 6,442,095	\$ <b>8,525,323</b>	\$ 7,398,379
Liabilities	<u>3,036,936</u>	<u>8,851,770</u>	<u><b>11,888,706</b></u>	<u>8,953,644</u>
Total Solvency deficit	\$ <u><b>(953,708)</b></u>	\$ <u><b>(2,409,675)</b></u>	\$ <u><b>(3,363,383)</b></u>	\$ <u><b>(1,555,265)</b></u>

**14. Employee Benefits (continued)**

**(a) Pension Agreements (continued)**

Changes to the Pension Benefits Act (Nova Scotia) eliminated the need to fund solvency deficits for Municipal Pension Plans.

In the event that the Plan was wound-up, the Municipality would need to fully fund the shortfall. As of December 31, 2013, the shortfall, according to the valuation report, was \$2,409,675. The Legislation also requires that grow-in benefits also be funded in the event of wind-up. As of December 31, 2013, our Actuary's calculations indicate the grow-in benefits would add \$126,908 to bring the total additional funding required upon wind-up to \$2,536,583.

In 2014, the Municipality had an unamortized pension cost of \$1,726,736 (2013 - \$3,383,368) resulting from the decline in the market value of pension assets and the increase in pension liabilities resulting from lower discount rates. This cost is amortized based on actuarial estimates.

			December 31	
	MJSB	MODL	2013	2012
			Total	
			<u>Actual</u>	<u>Actual</u>
Benefits expense				
Current period cost	\$ 190,752	\$ 437,918	\$ 628,670	\$ 590,720
Amortization of net actuarial loss	97,853	275,206	373,059	281,292
Employee contributions for the year	<u>(43,932)</u>	<u>(100,856)</u>	<u>(144,788)</u>	<u>(161,003)</u>
Benefit expense	<u>\$ 244,673</u>	<u>\$ 612,268</u>	<u>\$ 856,941</u>	<u>\$ 711,009</u>
Interest expense				
Interest cost or accrued benefit obligation	\$ 117,535	\$ 347,497	\$ 465,032	\$ 470,036
Expected return or plan assets	<u>(129,837)</u>	<u>(375,280)</u>	<u>(505,117)</u>	<u>(457,321)</u>
Interest expense	<u>\$ (12,302)</u>	<u>\$ (27,783)</u>	<u>\$ (40,085)</u>	<u>\$ 12,715</u>
Accrued benefit asset (liability)				
Accrued benefit asset at start of year	\$ (862)	\$ (2,425)	\$ (3,287)	\$ 405,578
Benefit expenses for year	(244,673)	(612,268)	(856,941)	(711,009)
Interest expense for year	12,302	27,783	40,085	(12,715)
Employer contribution for year	<u>297,941</u>	<u>169,165</u>	<u>467,106</u>	<u>314,859</u>
Accrued benefit asset(liability) at end of year	<u>\$ 64,708</u>	<u>\$ (417,745)</u>	<u>\$ (353,037)</u>	<u>\$ (3,287)</u>

14. Employee Benefits (continued)

(a) Pension Agreements (continued)

	MJSB	MODL	December 31	
			2013	2012
			Total	
			<u>Actual</u>	<u>Actual</u>
Unamortized losses				
Cumulative unamortized loss at start of year	\$ (1,203,006)	\$ (3,383,368)	\$ (4,586,374)	\$ (3,674,697)
Annual amortization amount	97,853	275,206	373,059	281,292
Experience & Investment loss(gain)	<u>(60,272)</u>	<u>1,395,839</u>	<u>1,335,567</u>	<u>(1,192,968)</u>
Cumulative unamortized loss at end of year	<u>\$ (1,165,425)</u>	<u>\$ (1,712,323)</u>	<u>\$ (2,877,748)</u>	<u>\$ (4,586,373)</u>
Actuarial Basis				
Plan assets	\$ 2,190,123	\$ 6,782,791	\$ 8,972,914	\$ 7,836,001
Plan liabilities (accrued benefit obligation)	<u>(3,290,840)</u>	<u>\$ (8,912,859)</u>	<u>(12,203,699)</u>	<u>(12,425,662)</u>
Plan deficit at end of year	<u>\$ (1,100,717)</u>	<u>\$ (2,130,068)</u>	<u>\$ (3,230,785)</u>	<u>\$ (4,589,661)</u>
Assumptions:				
Expected return on assets			6.50%	6.50%
Discount rate at start of year			3.75%	4.50%
Discount rate at end of year			4.50%	3.75%

(b) Employee Future Benefit Obligations

The most recent actuarial valuation of sick leave benefits was March 31 2013. Estimates of employee future benefit obligations are future liabilities of the Municipality to its employees for benefits earned but not taken as at March 31, 2014 and consist of the following:

	2014	2013	
	<u>Actual</u>	<u>Actual</u>	<u>Net Change</u>
Accrued sick leave	\$ 34,000	\$ 51,637	\$ (17,637)
Vacation pay	210,135	267,052	(56,918)
Service awards	<u>21,000</u>	<u>27,900</u>	<u>(6,900)</u>
	<u>\$ 265,135</u>	<u>\$ 346,589</u>	<u>\$ (81,454)</u>



**14. Employee Benefits (continued)**

**(b) Employee Future Benefit Obligations (continued)**

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

The Municipality has no material unfunded postretirement benefit obligations.

(i) Accrued Sick Leave

The Municipality's estimated sick leave entitlements for 2013-14 are \$51,637 (\$63,354 - 2012-13) based on 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.

**15. 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.

	<b>2014</b>	2013
	<b><u>Actual</u></b>	<u>Actual</u>
Salaries, wages, benefits	\$ 3,879,657	\$ 4,835,254
Long-term interest charges	482,026	553,219
Materials, outsourced and other	16,510,809	7,365,119
Amortization	826,664	1,214,128
Utilities	366,705	479,035
Rents	76,653	33,056
Grants (note 16b)	402,432	394,510
Fire Area Rates	2,810,717	2,757,474
Policing and corrections	3,134,165	3,085,895
Contributions to Boards and Agencies (note 2)	894,223	946,191
Education	7,112,064	6,781,185
Reduced taxes	<u>109,664</u>	<u>103,894</u>
Total consolidated statement of operations expenditures	<b><u>\$ 36,605,780</u></b>	<b><u>\$ 28,548,959</u></b>

**16. 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 are 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 Plan are not reported as government transfers. During fiscal 2013 the Municipality issued payments as government transfers as follows:

	2014		2013
	Budget	Actual	Actual
Grants to fire departments	\$ 157,600	\$ <b>157,190</b>	\$ 154,480
Grants to agencies and institutions	<u>221,520</u>	<u><b>226,702</b></u>	<u>240,030</u>
	<u>\$ 379,120</u>	<u><b>\$ 383,892</b></u>	<u>\$ 394,510</u>

**17. Lunenburg Regional Community Recycling Centre (“LRCRC”)**

As outlined in note 12(g), the Municipal Joint Services Board was incorporated under section 60 of the Municipal Government Act and began operations on April 1, 2013.

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

For Fiscal 2014 the District of Lunenburg had the following related party transactions with the MJSB:

Tipping fee payments	\$2,104,349
Payable for Landfill closure and post closure costs	\$944,877

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 for Fiscal 2014.

**18. Financial Instruments**

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

The Municipality is subject to interest rate risk if the interest rate were to drop below current levels, as 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. 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.

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

**19. Remuneration of Elected Officials and Chief Administration Officer**

	Remuneration		Expense Claims		Totals	
	2014	2013	2014	2013	2014	2013
Mayor Don Downe	\$ 44,511	\$ 43,988	\$ 7,909	\$ 7,361	\$ 52,420	\$ 51,349
Councillor Frank Fawson	23,353	27,706	4,533	3,989	27,886	31,695
Councillor Carolyn Bolivar-Getson	23,353	9,231	2,759	667	26,112	9,898
Councillor Terry Dorey	23,353	9,231	4,875	5,394	28,228	14,625
Councillor Michael Ernst	23,353	9,231	2,041	1,945	25,394	11,176
Councillor Claudette Garland	23,353	9,231	3,900	1,430	27,253	10,661
Councillor Errol Knickle	23,353	9,231	2,752	1,436	26,105	10,667
Councillor Martin Bell	23,353	23,078	3,992	470	27,345	23,548
Councillor Wade Carver	-	13,847	-	1,036	-	14,883
Councillor Milton Countway	-	13,847	-	1,595	-	15,442
Councillor Lee Nauss	23,353	23,078	6,490	4,427	29,843	27,505
Deputy Mayor/Councillor Eric Hustvedt	26,343	23,078	7,083	5,243	33,426	28,321
Councillor Cathy Moore	23,353	23,078	4,412	3,289	27,765	26,367
Councillor Basil Oickle	-	13,847	-	1,480	-	15,327
Councillor Sandra Statton	-	13,847	-	2,213	-	16,060
Councillor John Veinot	23,353	23,078	1,867	2,055	25,220	25,133
Councillor Arthur Young	-	13,847	-	361	-	14,208
Councillor Donald Zwicker	28,167	26,164	6,499	6,275	34,666	32,439
	332,551	328,638	59,112	50,669	391,663	379,307
Chief Administrative Officer	116,727	111,670	9,117	7,314	125,844	118,984
	\$ 449,278	\$ 440,308	\$ 68,229	\$ 57,983	\$ 517,507	\$ 498,291

20. Area Rates

	<b>2014</b>	2013
	<b><u>Actual</u></b>	<u>Actual</u>
	<b>Revenue</b>	Revenue
	<b><u>(Expenditure)</u></b>	<u>(Expenditure)</u>
<b>Balance, beginning of year</b>	<b>\$ 580,290</b>	\$ 575,652
<b>Rates levied</b>		
Fire protection	2,813,021	2,749,599
Street lighting	166,899	161,403
Hydrant charges	71,714	65,599
Sewer	<u>638,046</u>	<u>627,861</u>
	<b><u>4,269,969</u></b>	<u>4,180,114</u>
<b>Services provided in current year</b>		
Fire protection payments	2,810,717	2,757,474
Street lighting	162,362	160,781
Hydrant charges	<u>53,056</u>	<u>53,708</u>
	<b>3,026,135</b>	2,971,963
Sewer		
Collection and disposal systems	490,155	484,000
Transfer to restricted reserve surplus	<u>148,242</u>	<u>143,861</u>
Total sewer	<u>638,397</u>	<u>627,861</u>
	<b><u>3,664,532</u></b>	<u>3,599,824</u>
<b>Balance, end of year</b>	<b><u>\$ 605,437</u></b>	<b><u>\$ 580,290</u></b>

**Municipality of the District of Lunenburg**  
**Notes to Consolidated Financial Statements (continued)**  
**For the Year Ended March 31, 2014**

**20. Area Rates (continued)**

	<b>Balance, beginning of year</b>	<b>Rates levied for current year</b>	<b>Total</b>	<b>Services Provided in current year</b>	<b>Balance, end of year</b>
<b>Fire protection</b>					
LaHave and District	\$ 2	\$ 140,708	\$ 140,710	\$ 140,748	\$ (38)
Petite Riviere & Crousetown	-	108,000	108,000	108,111	(111)
Pleasantville	70	84,704	84,774	84,223	551
Hebbville	9	184,944	184,953	185,015	(62)
Northfield	(278)	294,569	294,291	295,197	(906)
Riverport	(266)	270,107	269,841	269,923	(82)
Indian Point	-	36,261	36,261	36,260	1
Martins River	(1,643)	66,792	65,149	65,141	8
Oakland/Clearland	(381)	67,661	67,280	67,279	1
New Germany	(40)	145,708	145,668	145,666	2
No. 1 Fire Protection	(152)	224,666	224,514	224,557	(43)
Maders Cove	1	51,066	51,067	51,066	1
Conquerall Bank	8	79,518	79,526	79,523	3
Oakhill	(21)	141,734	141,713	141,835	(122)
Italy Cross	1	71,885	71,886	71,886	-
Lapland and District	(16)	32,794	32,778	32,778	-
Wileville	(14)	58,123	58,109	58,105	4
United Communities	4	54,048	54,052	54,046	6
Cornwall	(30)	81,725	81,695	81,690	5
Dayspring and District	(21)	158,833	158,812	158,810	1
Walden	(13)	9,533	9,520	9,519	-
Newcombville and District	(91)	40,003	39,912	31,697	8,214
Hemford and District	13	35,841	35,854	35,853	-
Chelsea and District	2	49,817	49,819	53,543	(3,723)
Hebb's Cross	-	51,704	51,704	51,705	-
Baker Settlement and District	(16)	44,836	44,820	49,308	(4,488)
Midville and District	(195)	65,220	65,025	65,026	-
Blockhouse	(42)	150,137	150,095	150,109	(14)
Big Tancook Island	-	12,084	12,084	12,101	(17)
	<b>(3,109)</b>	<b>2,813,021</b>	<b>2,809,912</b>	<b>2,810,717</b>	<b>(805)</b>
<b>Sewer services</b>					
Sewer systems	<b>601,872</b>	<b>638,046</b>	<b>1,239,918</b>	<b>638,397</b>	<b>601,520</b>
<b>Hydrants</b>	<b>(10,650)</b>	<b>71,714</b>	<b>61,063</b>	<b>53,056</b>	<b>8,008</b>
<b>Street lighting</b>	<b>(7,823)</b>	<b>166,898</b>	<b>159,075</b>	<b>162,362</b>	<b>(3,287)</b>
	<b><u>\$ 580,290</u></b>	<b><u>\$ 3,689,678</u></b>	<b><u>\$ 4,269,969</u></b>	<b><u>\$ 3,664,532</u></b>	<b><u>\$ 605,437</u></b>

**21. Operating Reserve Details**

	<b>Balance, beginning of year</b>	<b>Interest on Savings</b>	<b>Other</b>	<b>Transfer (to) from Other Funds</b>	<b>Balance end of year</b>
Roads	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Surveying	17,202	-	-	-	17,202
General Operations	2,723,373	-	-	(41,274)	2,682,099
Election	-	-	-	35,000	35,000
Open Space Strategic Plan	161,527	-	-	32,125	193,652
Recreation Grant	72,891	-	-	(44,891)	28,000
Employee Contingency	1,004,846	-	-	41,000	1,045,846
Depreciation Reserve	3,179,890	-	-	647,862	3,827,752
Recreation Complex	-	-	(3,744,970)	310,607	(3,434,363)
Restricted to Area Rates	649,149	-	-	148,242	797,391
Transit Study	61,864	-	-	-	61,864
Tourism Focus Group	4,800	-	-	-	4,800
Operating Projects Carry Over	33,651	-	-	-	33,651
Marine Park	3,335	-	-	-	3,335
Seniors Grant	845	-	-	-	845
Wastewater Grant	5,000	-	-	-	5,000
Municipal Auditor General	43,000	-	-	-	43,000
Indian Path	833	-	-	-	833
Environmental Petite Riviere	9,180	-	-	-	9,180
Hirtles Beach	5,391	-	-	-	5,391
CES-CEF	75,000	-	-	25,000	100,000
Economic Development Grant	200,000	-	-	(100,000)	100,000
SNSMR Grant	-	-	-	42,000	42,000
Solid Waste Operations	<u>21,418</u>	<u>282</u>	<u>-</u>	<u>-</u>	<u>21,700</u>
	<b><u>\$ 8,373,195</u></b>	<b><u>\$ 282</u></b>	<b><u>\$ (3,744,970)</u></b>	<b><u>\$ 1,095,671</u></b>	<b><u>\$ 5,724,180</u></b>

**22. Capital Reserve Details**

	<b>Balance, beginning of year</b>	<b>Interest</b>	<b>Other</b>	<b>Transfers from (to) other funds</b>	<b>Balance end of year</b>
Land development - Saw Pit	\$ 6,276	\$ -	\$ -	\$ -	\$ 6,276
Waste site sales	134,541	1,773	-	-	136,314
Landfill Site Closure					
District special	1,690,422	22,278	-	-	1,712,700
District	448,339	5,581	-	(33,162)	420,758
Bridgewater	89,103	591	(89,103)	-	591
Lunenburg	38,760	257	(38,760)	-	257
Mahone Bay	4,420	29	(4,420)	-	29
Land Sales	680,067	-	-	85,604	765,671
Recreation complex	33,689	110	-	-	33,799
Trails	6,245	-	-	-	6,245
Lift station replacement	537	-	-	-	537
Gas tax revenue	1,603,930	24,015	1,331,920	(1,497,988)	1,461,877
Open space	81,957	-	25,357	-	107,314
Golf property sale	175,196	-	-	-	175,196
Golf club reserve	-	-	-	200,000	200,000
User connection fees	14,551	-	-	-	14,551
Equipment reserve					-
Vehicle	5,500	-	-	-	5,500
Lagoons	213,966	2,820	-	(76,049)	140,737
Recreation dugouts	12,957	-	-	-	12,957
Capital budget carry-over	99,501	-	-	-	99,501
Waste site capital	81,388	1,073	-	-	82,461
Areated Carts	5,059	-	-	-	5,059
District Asset Sales	75	-	-	-	75
District Compost Reserve	151,986	2,003	-	50,000	203,989
District capital carry over	233,717	-	-	-	233,717
	<u>\$ 5,812,182</u>	<u>\$ 60,530</u>	<u>\$ 1,224,993</u>	<u>\$ (1,271,595)</u>	<u>\$ 5,826,111</u>



### **23. Segmented Information**

The Municipality of the District of Lunenburg 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.

District 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 District'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 District's administration office. Regional Emergency Measures services are governed by a joint inter-municipal service agreement between the District and the Municipality of the District of Chester, the Town of Mahone Bay and the Town of Bridgewater. 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 Service & Streets and Roads**

The Public Works 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. The District operates the Lunenburg Regional Community Recycling Centre through an inter-municipal joint services agreement with the Town of Bridgewater, the Town of Lunenburg and the Town of Mahone Bay.

#### **(d) Sewers**

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

**23. Segmented Information (continued)**

**(e) Planning and Economic Development**

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

**(f) Recreation and Culture**

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

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

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

**24. Accumulated Surplus**

	<b>2014</b>	<b>2013</b>
	<b><u>Actual</u></b>	<b><u>Actual</u></b>
Operating fund (schedule 1)	\$ 3,467,040	\$ 2,820,034
Capital fund (schedule 2)	9,322,878	16,170,322
Reserve fund (schedule 3)	11,550,291	14,185,379
Municipal Joint Service Board (note 17)	3,306,068	-
LCMPCC (note 3d)	<u>17,038,140</u>	<u>433,000</u>
	<b><u>\$ 44,684,418</u></b>	<b><u>\$ 33,608,735</u></b>

**25. HST Audit**

The Municipality was subject to a HST audit for the periods December 1, 2010 to March 31, 2013. On March 26, 2015 CRA issued a reassessment of HST due of \$406,236 relating to capital expenditures and \$107,328 relating to operating expenditures. A charge and related payable of \$480,967 was made in the capital account and \$125,345 in the operating account reflecting the reassessed amounts plus accrued interest and penalties.

The Municipality engaged professional services to appeal the reassessment and on June 23, 2015 They issued a notice of objection on behalf of the Municipality disputing \$337,032 of the capital reassessment and \$107,325 of the operating reassessment plus related accrued interest and penalties.

Amounts that are not recoverable that relate to the LRCRC will be shared by the municipal partners per the Waste Disposal Agreement.

**26. Comparative Figures**

Certain 2013 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2014.

**27. Approval of Financial Statements**

Municipal Council and management have approved these financial statements.

**Municipality of the District of Lunenburg  
Consolidated Schedule of Segment Disclosure  
For the Year Ended March 31, 2014**

Revenues	Protective Services	Engineering Services & Streets & Roads				Planning and Economic Development	Recreation, Cultural & Education	Administration and Other	<u>Consolidated</u>	
			A Waste Mgmt.	B Sewers	A + B Enviromental Health				2014	2013
Property taxes	\$ 2,884,734	\$ 248,524	\$ -	\$ 638,046	\$ 638,046	\$ -	\$ -	\$ 22,726,423	\$ 26,497,727	\$25,827,819
Grants in lieu of taxes	-	-	-	-	-	-	-	191,066	191,066	185,372
Services provided to other governments	32,717	-	-	-	-	-	-	-	32,717	686,053
Other revenue from own sources	92,929	50,000	3,715,759	11,728	3,727,486	1,392,513	1,451,849	799,934	7,514,711	4,135,453
Unconditional transfers from other govts	-	-	-	-	-	-	-	79,946	79,946	72,753
Conditional transfers from other govts	(3,693)	-	-	-	-	31,711	12,087,232	1,421,897	13,537,146	1,679,682
	<u>3,006,687</u>	<u>298,524</u>	<u>3,715,759</u>	<u>649,773</u>	<u>4,365,532</u>	<u>1,424,224</u>	<u>13,539,080</u>	<u>25,219,266</u>	<u>47,853,313</u>	<u>32,587,132</u>
<b>Expenses</b>					-					-
Salaries, benefits & other personnel costs	336,715	294,748	-	129,557	129,557	455,964	1,079,942	1,582,731	3,879,657	4,835,254
Interest	-	-	48,232	-	48,232	433,794	-	-	482,026	553,219
Materials, outsources and other operating	145,565	749,480	10,811,298	255,078	12,070,210	1,374,133	810,269	1,361,152	16,510,808	7,365,119
Amortization	17,252	171,571	50,532	328,369	378,901	45,295	190,598	23,047	826,664	1,214,128
Utilities	4,208	162,362	-	104,380	104,380	937	34,023	60,795	366,705	479,035
Rents	1,338	-	-	-	-	40,176	24,581	10,558	76,653	33,056
Grants	175,730	-	-	-	-	-	-	226,702	402,432	394,510
Fire area rates	2,810,717	-	-	-	-	-	-	-	2,810,717	2,757,474
Policing and corrections	3,134,165	-	-	-	-	-	-	-	3,134,165	3,085,895
Contributions to boards and agencies	-	-	-	-	-	47,733	156,024	690,466	894,223	946,191
Education	-	-	-	-	-	-	7,112,064	-	7,112,064	6,781,184
Reduced taxes	-	-	-	-	-	-	-	109,664	109,664	103,894
	<u>6,625,690</u>	<u>1,378,161</u>	<u>10,910,061</u>	<u>817,384</u>	<u>12,731,280</u>	<u>2,398,032</u>	<u>9,407,501</u>	<u>4,065,116</u>	<u>36,605,780</u>	<u>28,548,959</u>
<b>Annual surplus (De ficit)</b>	<u>\$ (3,619,003)</u>	<u>\$ (1,079,637)</u>	<u>\$ (7,194,303)</u>	<u>\$ (167,610)</u>	<u>\$ (8,365,748)</u>	<u>\$ (973,808)</u>	<u>\$ 4,131,579</u>	<u>\$ 21,154,150</u>	<u>\$ 11,247,533</u>	<u>\$ 4,038,173</u>

**MUNICIPALITY OF THE DISTRICT OF LUNENBURG**

**TRUST FUNDS**

**FINANCIAL STATEMENTS**

**MARCH 31, 2014**



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

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**Municipality of the District of Lunenburg**  
**Trust Funds**  
**Financial Statements**  
**March 31, 2014**

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Grant Thornton

# Independent auditor's report

Grant Thornton LLP  
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To the Council of the Municipality of the District of Lunenburg

We have audited the accompanying financial statements of Trust Fund of the Municipality of the District of Lunenburg, which comprise the statement of financial position as at March 31, 2014 and the statement of financial activities for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trust Fund of the Municipality of the District of Lunenburg as at March 31, 2014, and the results of its financial activities and its changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

#### Comparative figures

The financial statements of the Trust Fund of the Municipality of the District of Lunenburg for the year ended March 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on September 30, 2013.



Bridgewater, Canada  
October 27, 2015

Chartered Accountants



**Municipality of the District of Lunenburg**  
**Trust Funds**  
**Statement of Financial Position**  
**March 31, 2014**

**STATEMENT OF TRUST FUNDS RESERVES**

	Burial Funds	Occasion Funds	Pop Funds	School Lands	March 31	
					2014 Actual	2013 Actual
<b>Assets</b>						
Cash	\$ 2,739	\$ 12	\$ 55	\$29,053	\$ 31,860	\$559,470
Accounts receivable - HST rebate	-	1,055	-	-	1,055	979
	<u>\$ 2,739</u>	<u>\$ 1,068</u>	<u>\$ 55</u>	<u>\$29,053</u>	<u>\$ 32,916</u>	<u>\$560,449</u>
<b>Liabilities</b>						
Accounts payable - schools	\$ -	\$ -	\$ -	\$ 2,827	\$ 2,827	\$ 2,474
Due to the District of Lunenburg	-	-	-	-	-	528,134
<b>Reserves</b>						
Trust funds reserves	<u>2,739</u>	<u>1,068</u>	<u>55</u>	<u>26,227</u>	<u>30,089</u>	<u>29,841</u>
<b>Reserves and Liabilities</b>	<u>\$ 2,739</u>	<u>\$ 1,068</u>	<u>\$ 55</u>	<u>\$29,053</u>	<u>\$ 32,915</u>	<u>\$560,449</u>

<b>Reserves Detail</b>	(note 1) Burial Funds	Occasion Funds	Pop Funds	(note 3) School Lands	Year Ended March 31	
					2014 Actual	2013 Actual
<b>Balance, beginning of year</b>	\$ 2,704	\$ 671	\$ 247	\$26,227	\$ 29,849	\$642,181
Interest received on trust accounts	36	22	2	352	412	413
Funds received in trust	-	2,110	45	-	2,155	96,354
	<u>2,739</u>	<u>2,803</u>	<u>295</u>	<u>26,579</u>	<u>32,416</u>	<u>738,947</u>
Transferred Tax Sale (note 2)	-	-	-	-	-	528,134
Trust expenses	-	1,735	240	352	2,328	180,972
	-	1,735	240	352	2,328	709,106
<b>Balance, end of year</b>	<u>\$ 2,739</u>	<u>\$ 1,068</u>	<u>\$ 55</u>	<u>\$26,227</u>	<u>\$ 30,089</u>	<u>\$ 29,841</u>

On behalf of the Municipality of the District of Lunenburg  
 \_\_\_\_\_  
 Mayor

\_\_\_\_\_  
 CAO

Summary of Significant Accounting Policies

These financial statements have been prepared to conform in all material respects to Canadian generally accepted accounting principles and are in conformity with the Regulations prescribed for Nova Scotia Municipalities by Service Nova Scotia and Municipal Relations.

Certain 2013 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2014.

**1. Burial Funds**

	March 31	
	<u>2014</u>	<u>2013</u>
Distribution of funds		
Conrad, Ray	\$ 1,562	\$ 1,541
Smith, Everette	722	708
Wagner, Willis	<u>455</u>	<u>446</u>
	<u>\$ 2,739</u>	<u>\$ 2,695</u>

**2. Tax Sale**

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.

To comply with Provincial regulations the tax sale surplus was transferred to the Municipality as a tax sale liability account. Please refer to the Consolidated Financial Statements, Note 9 for more information on the tax sale surplus account.

**3. School Lands**

The Municipality of the District of Lunenburg is holding in trust a total of \$26,277 which represents the Municipality's interest. The interest earned annually is held for distribution of funds to pay for book purchases for New Germany High and Park View Education Center.