

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

FINANCIAL STATEMENTS

MARCH 31, 2017



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

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MUNICIPALITY OF THE DISTRICT OF LUNENBURG

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017



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

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MUNICIPALITY OF THE DISTRICT OF LUNENBURG
Consolidated Financial Statements
Year ended March 31, 2017

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Municipality of the District of Lunenburg (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with the Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of CPA Canada. A summary of the significant accounting policies is described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

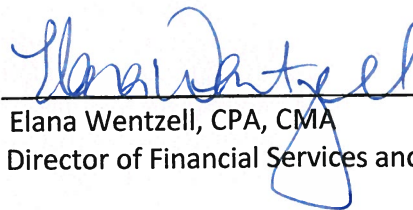
The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on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

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

The consolidated financial statements have been audited by 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.



Kevin Malloy CPA, CA
Chief Administrative Officer



Elana Wentzell, CPA, CMA
Director of Financial Services and Treasurer

September 26, 2017

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, 2017, 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.

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, 2017, 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.

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-40 to A-46 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Bridgewater, Canada
September 26, 2017

Chartered Professional Accountants
Licenced Public Accountants

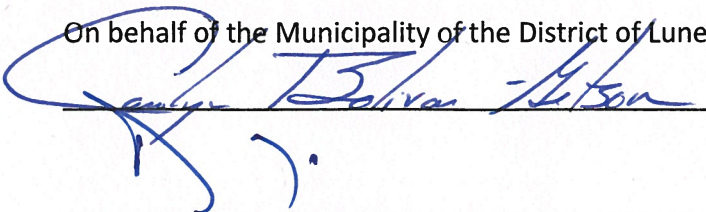
**Municipality of the District of Lunenburg
Consolidated Statement of Financial Position
As at March 31, 2017**

A - 2

	2017 Actual	2016 Actual
Financial Assets		
Cash and cash equivalents (note 4)	\$ 23,003,978	\$ 17,970,851
Taxes receivable (net of asset valuation allowances) (note 5)	1,807,985	1,775,428
Other receivables (net of asset valuation allowances) (note 6)	591,356	481,816
Investment in Municipal Joint Service Board (note 17)	3,528,630	3,528,630
Assets held for sale	-	10,388
	<u>28,931,948</u>	<u>23,767,114</u>
Liabilities		
Accounts payable and accrued liabilities	918,790	1,852,412
Long-term debt (note 10a)	5,864,391	6,864,239
Other liabilities		
Payable to other governments	917,152	54,461
Employee future benefit obligations (note 14 b)	373,835	389,277
Other (note 8)	3,881,259	3,711,782
	<u>11,955,427</u>	<u>12,872,170</u>
Net Financial Asset	<u>16,976,527</u>	<u>10,894,950</u>
Non-Financial Assets		
Tangible Capital assets (net of accumulated amortization) (note 11)	39,080,827	40,108,385
Prepaid expenses	28,213	22,448
	<u>39,109,040</u>	<u>40,130,834</u>
Accumulated Surplus (note 24)	<u>\$ 56,085,561</u>	<u>\$ 51,025,779</u>

Commitments (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, 2017**

A – 3

	2017		2016
	Budget	Actual	Restated Actual
Revenue			
Assessable property taxes ¹ (note 13)	\$ 19,617,900	\$ 20,024,443	\$ 19,614,480
Grants in lieu of taxes	196,900	206,440	200,175
Services provided to other governments	45,800	57,062	34,595
Other revenue from own sources	525,772	3,996,069	2,581,842
Unconditional transfers from other governments	82,900	86,573	81,082
Conditional transfers from other governments	1,942,477	1,775,146	1,757,897
	22,411,748	26,145,732	24,270,071
Expenditures			
General government services	4,726,770	4,196,690	4,149,229
Protective services	6,824,725	6,845,643	6,633,656
Transportation services	1,453,059	1,327,289	1,368,505
Environmental health services	3,796,247	3,507,614	4,448,857
Environmental development services	1,271,719	1,232,990	2,242,635
Recreation and cultural services	2,622,328	3,975,717	3,129,621
	20,694,848	21,085,943	21,972,503
Annual Surplus	1,716,901	5,059,789	2,297,569
Accumulated Surplus, beginning of year	51,025,779	51,025,779	48,728,210
Accumulated Surplus, end of year	\$ 52,742,680	\$ 56,085,561	\$ 51,025,779

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

**Municipality of the District of Lunenburg
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2017**

A – 4

	2017	2016
	Actual	Actual
Operating Activities		
Annual Surplus	\$ 5,059,789	\$ 2,297,569
Change in non-cash items		
Amortization	1,337,948	1,367,113
Taxes receivable (net of asset valuation allowances)	(32,557)	87,451
Other receivables (net of asset valuation allowances)	(109,540)	55,586
Payables	(933,622)	(49,655)
Other liabilities	1,016,727	1,093,018
Change in prepaid	(5,765)	(1,441)
	6,332,979	4,849,640
Capital Activities		
Acquisition of tangible capital assets	(1,463,909)	(1,555,737)
Disposals of net tangible capital assets	1,153,520	(7,769)
	(310,389)	(1,563,507)
Financing Activities		
Change in bank loans	-	(328,889)
Principal payments on long-term debt	(999,848)	(3,660,028)
	(999,848)	(3,988,917)
Investing Activities		
Assets held for sale	10,388	5,496
Net increase (decrease) in cash and cash equivalents	5,033,127	(697,288)
Cash and Cash Equivalents		
Beginning of Year	17,970,851	18,668,139
End of Year	\$ 23,003,978	\$ 17,970,851

**Municipality of the District of Lunenburg
 Consolidated Statement of Changes in Financial Net Debt
 For the Year Ended March 31, 2017**

	2017	2016
	Actual	Actual
Annual Surplus	\$ 5,059,789	\$ 2,297,569
Acquisition of tangible capital assets	(1,463,909)	(1,555,737)
Amortization of tangible capital assets	1,337,948	1,367,113
Disposal of net tangible capital assets	1,153,520	(7,769)
	1,027,561	(196,394)
Acquisition of prepaid expenses	(5,765)	(1,441)
Increase in Net Financial Asset	6,081,577	2,106,143
Net Financial Asset		
Beginning of Year	10,894,949	8,788,806
End of Year	\$ 16,976,526	\$ 10,894,949

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
- Lunenburg Regional Enterprise Network
- 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:

	2017	2016
	<u>Actual</u>	<u>Actual</u>
Burial funds	\$ 2,838	\$ 2,807
Employee funds ¹	-	2,894
School lands	<u>26,227</u>	<u>26,227</u>
	<u>\$ 29,065</u>	<u>\$ 31,928</u>

Note 1 - employee funds have been moved to the Operating Fund

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

(c) Basis of Accounting

(i) PSAB Recommendations

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

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

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

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

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

(ii) Use of Estimates

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

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

(c) Basis of Accounting (continued)

(iii) Taxation and Related Revenues

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

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

(iv) Accounts Receivable

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

(v) Tangible Capital Assets

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

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

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

No amortization is recorded in the year of acquisition.

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

(c) Basis of Accounting (continued)

(vi) Employee Future Benefit Obligations

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

(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:
 - is directly responsible; or
 - accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

As at March 31, 2017 the Riverport School site has been identified as a contaminated site (Note 8 b).

2. Contributions to Boards, Regional Authorities and Commissions

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

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

Contribution to Non-Consolidated Boards

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

	<u>2017</u>		2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Property Valuation Services Corporation	\$ 683,900	\$ 680,494	\$ 683,900
Western Regional Housing Authority (a)	28,400	32,659	33,459
South Shore Regional Library Board (b)	161,500	158,134	158,134
South Shore Regional Enterprise Network	60,000	60,000	28,597
	<u>\$ 933,800</u>	<u>\$ 931,287</u>	<u>\$ 904,089</u>

(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 2016-17 was \$32,659 (2015-16 - \$33,459).

(b) Contribution to Regional Library Board

During 2016-17, the Municipality paid \$158,134 (2015-16 - \$158,134) to the Regional Library Board as its share of operating costs.

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 2016-2017 the education tax rate was \$0.3048 (2015-16 - \$0.3048) per \$100 of uniform assessment multiplied by the uniform assessment of \$2,540,915,415 (2015-16 - \$2,469,875,691) for a total amount paid of \$7,744,710 (2015-16 - \$7,528,181).

(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 2016-17 the Municipality paid \$438,722 (2015-16 - \$441,458) 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 2016-17 \$17.09 million (2015-16 - \$17.09 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 2016-17 the Municipality paid \$680,494 (2015-16 - \$638,900) to the PVSC for assessment services.

(d) Lunenburg County Multi-Purpose Centre Corporation

On November 10, 2009, the Municipality entered into an agreement with the Town of Bridgewater to form the Lunenburg County Multi-Purpose Centre Corporation ("LCLC") to own and operate a multi-purpose facility. The Municipality has a fifty percent interest in the facility. The original capital cost was paid from reserves and replenished through a special tax rate. The remaining balance at March 31, 2016 of \$710,339 was paid in 2016-17. The overage in capital costs was also funded through municipal reserves. The remaining balance was \$1,747,478 at March 31, 2016. The LCLC has agreed to forward future capital donations to the Municipality to help replenish this additional reserve drawdown. In 2016-17, capital donations of \$76,000 were received and paid back to the reserve fund (2015-16 - \$22,500).

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

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

Included in the Municipality's consolidated financial statements are its proportionate share of the net assets in the amount of \$16,489,487 (2015-16 - \$16,990,914). The following table provides supplementary financial information for the LCLC as of March 31:

Financial Position	2017		2016
	MODL Share	TOTAL	
Financial Assets	\$ 124,513	\$ 5,004,911	\$ 5,387,601
Liabilities	136,640	4,979,693	5,353,363
Net Financial Assets (Liabilities)	(12,127)	25,218	34,238
Non Financial Assets	16,501,614	33,003,226	33,999,424
Net Assets (Liabilities)	\$ 16,489,487	\$ 33,028,444	\$ 34,033,662

As of March 31, 2017, MODL had the following related party transactions with the LCLC:

	2017	2016
Due to LCLC	\$ 37,478	\$ 300
Operating grants paid to LCLC	\$ 428,878	\$ 397,594
Capital grants paid to LCLC	\$ 18,394	\$ 67,349

4. Cash and Cash Equivalents	2017	2016
	<u>Actual</u>	<u>Actual</u>
Included in Cash are Restricted Amounts		
Gas Tax grant program	\$ 2,493,355	\$ 2,020,342
Lunenburg County Lifestyle Centre	32,977	75,705
Tax Sale Surplus	1,041,014	830,090
Landfill Closure	<u>967,600</u>	<u>376,751</u>
	4,534,946	3,302,888
Unrestricted Cash	<u>18,469,032</u>	<u>14,664,962</u>
	<u>\$ 23,003,978</u>	<u>\$ 17,967,851</u>
	2017	2016
	<u>Actual</u>	<u>Actual</u>
Cash Made Up Of:		
Operating Fund	\$ 9,960,070	\$ 6,987,055
Capital Fund	(425,009)	(2,419,715)
Reserve Fund	13,435,940	13,327,807
Lunenburg County Lifestyle Centre	<u>32,977</u>	<u>75,705</u>
	<u>\$ 23,003,978</u>	<u>\$ 17,970,851</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 fund eligible landfill costs.

5. Taxes Receivable	2017	2016
	Actual	Actual
Balance, beginning of year	\$ 1,775,429	\$ 1,862,879
Current year's tax levy	26,708,484	26,395,178
Interest on overdue taxes and rates	282,323	290,656
	<u>28,766,236</u>	<u>28,548,713</u>
Deduct		
Collections	26,182,973	26,046,750
Adjustments, write-offs & bad debt expense	50,635	4,241
Exemptions for taxes	155,578	147,911
	<u>26,389,186</u>	<u>26,198,902</u>
Sub-total	2,377,050	2,349,811
Allowance for doubtful accounts	(569,067)	(574,382)
Net taxes receivable	<u>\$ 1,807,985</u>	<u>\$ 1,775,429</u>

6. Other Receivables

(a) Other	2017	2016
	Actual	Actual
Governments		
Government of Canada and its agencies	\$ 379,422	\$ 323,907
Province of Nova Scotia and its agencies	79,242	10,619
Trust Fund	7,020	4,194
Municipal Joint Service Board ("MSJSB")	-	2,878
Wileville Fire Department	14,866	22,300
Clean Energy Financing Loans	49,924	
Municipal Governments	45,006	124,189
	<u>575,480</u>	<u>488,087</u>
General Public	371,956	339,822
Allowance for Doubtful Accounts	<u>(356,081)</u>	<u>(346,093)</u>
	<u>\$ 591,356</u>	<u>\$ 481,816</u>

Other Receivables Found in:

Operating Fund	\$ 418,491	\$ 303,604
Capital Fund	81,329	50,348
Reserve Fund	-	3,382
Trust Fund	-	4,194
Other	91,536	120,288
	<u>\$ 591,356</u>	<u>\$ 481,816</u>

(b) Allowances for Doubtful Accounts

	2017	2016
	Actual	Actual
Dog Tags	\$ -	\$ 2,082
Due from general public including waste site	356,081	344,011
	<u>\$ 356,081</u>	<u>\$ 346,093</u>

7. 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 Municipality's Tangible Capital Assets in 2012-13.

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. The remaining BWGCC assets were acquired at an agreed upon price.

On April 4, 2016 the Municipality sold the Golf Course to Osprey Ridge GP Limited for \$1,000,000. These sale proceeds were transferred to the Municipality's Capital Reserve Fund as per the Municipal Government Act Section 99 (3) (a).

The net book value of the Golf Course was \$1,153,519 and is shown as a loss on disposal of capital assets in the Capital Fund.

The effect of the sale can be summarized as follows:

Sale Proceeds Transferred to Capital Reserve	\$ 1,000,000
Loss on Disposal of Capital Asset	(1,153,519)
Golf Course Reserve Funds (to be reallocated to other Capital Projects)	575,196
Net Capital and Reserve Surplus	<u>421,677</u>
Operating Revenue	
Sale of Inventory	13,781
Operating revenue net of expenditures	36,082
Total operating revenue	<u>49,863</u>
Operating Expenditures	
Payout to vendor	122,781
Consultant Costs	24,187
Total operating expenditures	<u>146,968</u>
Net Consolidated Surplus	<u>\$ 324,572</u>

8. Other Liabilities	2017 Actual	2016 Actual
Deferred Revenues		
Other	\$ 75,000	\$ 225,278
LCLC (note 3d)	34,937	32,585
	109,937	257,863
Other		
Prepaid Taxes	546,100	523,287
Tax Sale Surplus (note 9)	1,041,014	830,090
Riverport School environmental liability (note 8b)	593,523	600,100
Pension liability	906,775	639,770
Landfill closure liability (note 8a)	683,910	860,673
	\$ 3,881,259	\$ 3,711,782

(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, 2017 was \$967,600 (2016 - \$1,393,553). 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 \$683,910 (2016 - \$860,673).

The future landfill site closure costs were forecast with inflation at 2% per annum and discounted back to March 31, 2017 using a discount rate of 2%. A gross landfill closure liability of \$683,910 (2016 \$860,673) 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.

	2017 Actual	2016 Actual
Estimated gross landfill closure cost	\$ 683,910	\$ 860,673
Reserves for Site Closure	967,600	1,393,533

8. (b) Contaminated Site – Riverport School

Petroleum hydrocarbon contamination was discovered during an Environmental Site Assessment of the Riverport School property. MODL notified the Provincial Department of Environment as per provincial legislation. The Department issued an inspection report with a schedule for compliance for site remediation. An Engineering consultant was hired to identify the costs and risks associated with the contamination. On July 16, 2016, Municipal Council approved a plan to demolish the building and remediate to Tier 2 standards for an estimated cost of \$600,100. The tear down, remediation and testing follow-up will take one year. An extension until October 2018 was approved.

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. The surplus from 1996 and 1997 in the amount of \$32,122 was transferred to the Capital Reserve in Fiscal 2017. 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:

	2017	2016
	Actual	Actual
1996	-	8,322
1997	-	34,038
1998	44,277	44,277
1999	17,902	17,902
2000	-	-
2001	11,646	11,646
2002	15,918	15,918
2003	55,606	55,606
2004	3,556	3,556
2005	13,783	13,783
2006	62,358	62,358
2007	4,247	9,334
2008	8,368	8,368
2009	150,466	150,466
2010	113,084	117,148
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	262,435	-
	<u>\$ 1,041,014</u>	<u>\$830,090</u>

10. Long-term Debt

(a) Balance of Long-term Debt

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

Debentures - Municipal Finance Corporation

	Due	Balance April 1	Added (Redeemed)	Balance March 31	Interest	Blended Interest Rate
Environmental health services	June 1, 2021	\$ 720,000	\$ (120,000)	\$ 600,000	\$ 30,976	4.95%
Economic dev & environmental	June 1, 2020	2,450,000	(245,000)	2,205,000	108,615	4.70%
Economic dev & environmental	Oct. 24, 2021	3,120,000	(520,000)	2,600,000	131,157	4.50%
Various purposes	Nov 9, 2020	574,239	(114,848)	459,391	18,360	3.25%
		<u>\$ 6,864,239</u>	<u>\$ (999,848)</u>	<u>\$ 5,864,391</u>	<u>\$ 289,108</u>	

(b) Principal Payments

Principal repayments required for the next six (6) years are as follows:

2018	\$ 999,848	2019	\$ 999,848	2020	\$ 999,848
2021	\$ 2,224,847	2022	\$ 640,000	2023	\$ -

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

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:

	2017		2016
	Budget	Actual	Actual
Principal payments			
Environmental health services	\$ 120,000	\$ 120,000	\$ 120,000
Economic and environmental development	879,900	879,848	879,848
Golf course debenture	-	-	2,660,180
	999,900	999,848	3,660,028
Interest payments			
Environmental health services	\$ 33,000	\$ 30,976	\$ 36,935
Economic and environmental development			
Development at Exit 12	253,500	239,772	271,270
Various purposes	19,600	18,360	21,068
Golf course debenture	-	-	7,081
	306,100	289,108	336,355
	\$ 1,306,000	\$ 1,288,956	\$ 3,996,383

(d) Contingent Liabilities

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

- Lunenburg County Multi-Purpose Centre Corporation – The Municipality has guaranteed the Temporary Borrowing Resolution of the “Lunenburg County Multi-Purpose Centre Corporation” in the amount of \$3,850,000. There is no balance owing on this capital debt at year end.
- Municipal Joint Services Board - The Municipality is responsible for their share of the liabilities of the Board:

The nature of solid waste management leads to potential for site contamination. Although active mitigation practices are in place, potential environmental liabilities in a final full site closure are undeterminable, however given the nature could potentially be significant.

**Municipality of the District of Lunenburg
Notes to Consolidated Financial Statements
For the Year Ended March 31, 2017**

11. Tangible Capital Assets	Restated 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	
									2017	2016
Municipal General										
Land	\$ 5,054,841	\$ 303,534	\$ -	\$ 5,358,375	\$ -	\$ -	\$ -	\$ -	\$ 5,358,375	\$ 5,054,841
Land Improvements	1,851,193	80,493	908,291	1,023,395	108,995	36,820	361,312	289,137	734,258	1,489,881
Buildings	1,907,663	132,901	504,756	1,535,807	150,533	38,331	648,539	536,337	999,470	1,259,125
Buildings/Plants - WWTP	6,100,686	142,740	-	6,243,425	-	244,759	2,340,972	2,585,732	3,657,694	3,759,713
Electronic Equipment	493,802	-	-	493,802	-	46,372	307,438	353,810	139,992	186,364
Small Equipment	141,903	-	-	141,903	-	5,121	123,244	128,365	13,538	18,659
Machinery & Equipment	844,673	33,260	-	877,933	-	52,059	217,273	269,332	608,601	627,400
Vehicles	104,093	52,388	-	156,481	-	17,721	51,585	69,306	87,175	52,508
Wharves	378,674	-	-	378,674	-	15,147	107,829	122,976	255,698	270,845
Roads and Streets	5,628,359	-	-	5,628,359	-	184,997	1,686,664	1,871,660	3,756,698	3,941,695
Sidewalks	155,865	149,088	-	304,953	-	5,195	13,686	18,881	286,072	142,179
Sewer System	7,362,156	42,612	-	7,404,767	-	155,462	1,169,546	1,325,008	6,079,759	6,192,609
Other	330,807	508,515	-	839,323	-	15,765	191,231	206,996	632,327	139,576
	30,354,712	1,445,531	1,413,047	30,387,196	259,528	817,750	7,219,317	7,777,540	22,609,656	23,135,395
Other units share REMO	(44,208)	-	-	(44,208)	-	(789)	(25,368)	(26,157)	(18,051)	(18,841)
	30,310,504	1,445,531	1,413,047	30,342,987	259,528	816,961	7,193,950	7,751,383	22,591,605	23,116,555
Lunenburg County Multi-Purpose Centre Corporation (50% equity)										
Land	433,583	-	-	433,583	-	-	-	-	433,583	433,583
Land Improvements	1,418,016	-	-	1,418,016	-	56,721	141,802	198,522	1,219,494	1,276,215
Building	15,848,368	2,673	-	15,851,041	-	397,942	987,085	1,385,026	14,466,015	14,861,284
Furniture and fixtures	159,174	4,305	-	163,479	-	16,133	37,098	53,231	110,248	122,076
Computer equipment	96,889	11,401	-	108,290	-	23,433	42,324	65,757	42,533	54,565
Equipment	302,978	-	-	302,978	-	26,760	58,868	85,628	217,351	244,110
Total Tangible Capital Assets	18,259,007	18,378	-	18,277,385	-	520,987	1,267,176	1,788,163	16,489,222	16,991,831
Total Tangible Capital Assets	\$ 48,569,511	\$ 1,463,909	\$ 1,413,047	\$ 48,620,372	\$ 259,528	\$ 1,337,948	\$ 8,461,126	\$ 9,539,546	\$ 39,080,827	\$ 40,108,386

12. Commitments

(a) Payments

- i) 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: 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 to the LRRCF, with built in annual base cost escalator and fuel adjustment clause.
- ii) The Municipality has fulfilled its commitment to provide a \$310,000 grant contribution to the South Shore Fieldhouse Society in fiscal 2017. The grant was provided to the South Shore Fieldhouse Society in the form of \$31,000 per year for 10 years.

(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. The school facilities are fully depreciated and the value of the school lands was offset by the estimated demolition costs of the school buildings. Blockhouse School was sold in Fiscal 2016. Additional Schools are expected to be declared surplus in the next several years which are anticipated to represent a significant cost to the Municipality to decommission. The Municipality continues to engage the Province in informal discussions on possible participation in the financial impact of future school closures. There is no assurance these discussions will be successful.

(c) Osprey Village

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

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

12. Commitments (continued)

(d) 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. Subsequent to year end the Municipality entered into negotiations with the Federal Government to renew the lease. The Municipality expects to be successful in the renewal, however no guarantees as to the outcome of the negotiations can be made.

(e) School Lands Trust Payments

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

	Park View Education Centre	New Germany Rural High	Total
Balance, beginning of year	\$ 1,509	\$ 1,273	\$ 2,782
Interest income earned in trust	160	160	319
Less: books purchased	(426)	(456)	(882)
Balance available for book purchases	<u>\$ 1,242</u>	<u>\$ 976</u>	<u>\$ 2,219</u>

(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 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

(f) **Garbage Disposal (continued)**

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. 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 in the total capital cost.

	Interest	2017	2016
Apportionment of capital costs			
Town of Bridgewater	53.10%	\$ 18,051	\$ 18,841
Municipality of the District of Lunenburg	46.90%	15,944	16,639
	<u>100.00%</u>	<u>\$ 33,995</u>	<u>\$ 35,480</u>

13. Assessed Property Taxation

	2017		2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Total taxes and rates	\$ 27,829,800	\$ 28,240,534	\$ 27,617,578
Less:			
Taxes collected on behalf of others:			
School Board levy	7,744,700	7,744,710	7,528,181
Correctional Services	438,800	438,722	441,458
Deficit of Regional Housing Authority	28,400	32,659	33,459
	<u>8,211,900</u>	<u>8,216,091</u>	<u>8,003,098</u>
Net taxes and rates	\$ 19,617,900	\$ 20,024,443	\$ 19,614,480

14. Employee Benefits

(a) Pension Agreements

The Municipality makes contributions to two Pension Plans for the employees of the Municipality. Employees hired after June 25, 2014 are members of a defined contribution pension plan where the Municipality matches the employees' contributions up to 8% earnings. Employer costs for 2016/17 were \$22,995.

Employees hired before June 25, 2014 are members of the defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Municipality maintains a separate non-consolidated investment trust fund for this plan. Effective June 1, 2015 the Municipal Joint Services Board elected to wind-up their portion of the plan. The partial wind-up report has been approved and benefits have been paid out. The values in these statements are in respect to the MODL portion of the Plan only.

Due to funding levels, a full statutory actuarial review is required every year of the Plan to comply with Provincial Pension Legislation. The most recent statutory actuarial review as of year-end was completed in 2017. As at December 31, 2016, the actuary reported on a going concern basis, actuarial valued assets of \$8,015,201 and market value of \$8,280,856 (2015 - \$7,342,685 and market of \$7,839,282); and, liabilities of \$8,515,647 (2015 - \$8,119,510) in addition to an actuarial deficit of \$500,446 (2015 - \$776,825). Pension legislation also requires a solvency valuation. If the Plan was wound up as of December 31, 2016, it would have a solvency deficiency of \$3,734,469 (2015 - \$3,558,584). The members contribute five (5) percent of their earnings to the plan together with a matching nine (9.6) percent contribution by the Municipality. The Municipality is also required to make total special payments of \$57,739 per year for 10 years from the valuation date. Beginning in 2015, municipal employees in the plan help fund these special payments through wage concessions. Based on the December 31, 2016 actuarial going concern valuation, the regular contributions 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 2016 statutory actuarial solvency review:

Valuation December 31	2016	2015
Solvency Assets, net of estimated wind up expenses	\$ 8,220,856	\$ 7,779,282
Solvency Liabilities	<u>11,955,325</u>	<u>11,337,866</u>
Total Solvency deficit	<u>\$ (3,734,469)</u>	<u>\$ (3,558,584)</u>

14. Employee Benefits

(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, 2016, the shortfall, according to our actuary, was \$3,734,469. These wind-up costs differ from the solvency deficiency because grow-in benefits are taken into account in the wind-up costs.

In 2016, the Municipality had an unamortized pension cost of \$2,306,239 (2015 - \$2,706,208) resulting from, in most part, from the increase in pension liabilities resulting from lower pension discount rates as long-term bond yields declined. This cost is amortized based on actuarial estimates.

December 31	2016	2015
	<u>Actual</u>	<u>Actual</u>
Benefits expense		
Current period cost	\$ 423,489	\$ 428,715
Amortization of net actuarial loss	288,699	286,369
Employee contributions for the year	<u>(89,457)</u>	<u>(89,633)</u>
Benefit expense	<u>\$ 622,731</u>	<u>\$ 625,451</u>
Interest expense		
Interest cost or accrued benefit obligation	\$ 394,052	\$ 379,791
Expected return or plan assets	<u>(509,575)</u>	<u>(480,164)</u>
Interest expense	<u>\$ (115,523)</u>	<u>\$ (100,373)</u>
Accrued benefit asset (liability)		
Accrued benefit asset (liability) at start of year	\$ (639,771)	\$ (467,836)
Benefit expenses for year	<u>(622,731)</u>	<u>(625,451)</u>
Interest expense for year	115,523	100,373
Employer contribution for year	<u>240,203</u>	<u>353,144</u>
Accrued benefit asset (liability) at end of year	<u>\$ (906,776)</u>	<u>\$ (639,770)</u>

14. Employee Benefits

(a) Pension Agreements (continued)

December 31	2016 Actual	2015 Actual
Unamortized losses		
Cumulative unamortized loss at start of year	\$ (2,706,208)	\$ (2,966,948)
Annual amortization amount	288,699	286,369
Experience & Investment loss (gain)	111,270	(25,630)
Cumulative unamortized loss at end of year	<u>\$ (2,306,239)</u>	<u>\$ (2,706,208)</u>
Actuarial Basis		
Plan assets	\$ 8,015,201	\$ 7,342,685
Plan liabilities (accrued benefit obligation)	<u>(8,515,647)</u>	<u>(8,119,510)</u>
Plan deficit at end of year	<u>\$ (500,446)</u>	<u>\$ (776,825)</u>
Assumptions:		
Expected return on assets	6.50%	6.50%
Discount rate at start of year	3.50%	3.50%
Discount rate at end of year	3.50%	3.50%
Annual salary increases	2.00%	2.00%
Actual net investment rate of return	5.21%	6.15%

Retirement Age - 50% upon attainment of age 50 and 90 points (age plus service); the rest at age 60.
Actuarial Cost Method - Projected Accrued Benefit prorated on Service.

(b) Employee Future Benefit Obligations

The most recent actuarial valuation of sick leave benefits was March 31, 2016. 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, 2017 and consist of the following:

	2017 Actual	2016 Actual	Net Change
Accrued sick leave	\$ 60,000	\$ 60,000	\$ -
Service awards	20,700	21,300	(600)
Vacation pay	224,471	248,705	(24,234)
Accrued payroll	68,665	59,273	9,392
	<u>\$ 373,835</u>	<u>\$ 389,277</u>	<u>\$ (15,442)</u>

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

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 post-employment benefit obligations.

(iii) Accrued Sick Leave

The Municipality's estimated sick leave entitlements for 2016-17 are \$60,000 (\$60,000 – 2015-16) based on an actuarial 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.

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.

	2017	2016
	Actual	Actual
Salaries, benefits & other personnel costs	\$ 3,912,435	\$ 3,830,423
Long-term interest charges	297,760	354,114
Materials, outsourced and other	8,154,626	8,367,300
Amortization	1,321,305	1,367,902
Utilities	536,064	521,144
Rents	10,742	25,452
Grants (note 16b)	576,908	497,216
Fire Area Rates	2,974,900	2,972,667
Policing and corrections	3,145,626	3,009,840
Contributions to Boards and Agencies (note 2)	-	878,534
Reduced taxes	155,578	147,911
Total consolidated statement of operations expenditures	\$ 21,085,943	\$ 21,972,503

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 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 2017 fiscal year the Municipality issued payments as government transfers as follows:

	2017		2016
	Budget	Actual	Actual
Grants to fire departments	\$ 161,800	\$ 171,859	\$ 161,952
Grants to agencies and institutions	404,600	360,441	335,264
	\$ 566,400	\$ 532,301	\$ 497,216

17. Municipal Joint Services Board (“MJSB”)

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

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

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

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

	<u>2017</u>	<u>2016</u>
Tipping fee payments & monitoring	\$ 1,258,440	\$ 1,291,745
IT Services	160,890	95,057
HR Services	16,867	-
Payable for landfill closure and post closure costs	683,910	860,673
LRCRC Pension Wind-up	-	738,912

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.

18. Financial Instruments

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

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 Administrative Officer

	Remuneration		Expense Claims		Totals	
	2017	2016	2017	2016	2017	2016
Mayor Don Downe	\$ 27,231	\$ 45,896	\$ 5,075	\$ 7,865	\$ 32,306	\$ 53,761
Mayor/Councillor Carolyn Bolivar-Getson	33,592	24,079	4,285	1,643	37,877	25,722
Deputy Mayor Claudette Garland	32,515	27,242	5,395	2,879	37,910	30,121
Councillor Martin Bell	24,371	24,079	889	3,714	25,260	27,793
Councillor Wade Carver	10,178	-	731	-	10,909	-
Councillor Terry Dorey	14,193	24,079	1,275	3,753	15,468	27,832
Councillor Michael Ernst	24,371	24,079	1,464	1,739	25,835	25,818
Councillor Frank Fawson	14,193	24,079	340	1,325	14,533	25,404
Councillor Eric Hustvedt	24,371	24,079	4,184	5,219	28,555	29,298
Councillor Errol Knickle	24,371	24,079	1,827	2,187	26,198	26,266
Councillor Cathy Moore	24,371	24,079	3,261	3,459	27,632	27,538
Councillor Lee Nauss	24,371	28,962	6,346	4,852	30,717	33,814
Councillor John Veinot	24,371	24,079	706	739	25,077	24,818
Councillor Reid Whynot	10,178	-	1,316	-	11,494	-
Councillor Donald Zwicker	14,193	24,079	2,429	4,119	16,622	28,198
	326,870	342,890	39,522	43,493	366,393	386,383
Chief Administrative Officer	128,992	124,289	10,265	7,468	139,257	131,757
	\$ 455,862	\$ 467,179	\$ 49,787	\$ 50,961	\$ 505,649	\$ 518,140

20. Area Rates	2017 Actual	2016 Actual
Balance, beginning of year	\$ 165,078	\$ 293,727
Rates levied		
Fire protection	2,982,300	2,920,216
Street lighting	168,057	166,559
Hydrant charges	53,851	47,997
Sewer	595,348	601,246
	<u>3,964,634</u>	<u>4,029,745</u>
Services provided in current year		
Fire protection payments	2,974,900	2,919,263
Street lighting	138,486	164,101
Hydrant charges	53,356	53,403
	<u>3,166,743</u>	<u>3,136,767</u>
Sewer		
Collection and disposal systems	504,546	553,309
Transfer to restricted reserve surplus	175,000	174,591
Total sewer	<u>679,546</u>	<u>727,900</u>
	<u>3,846,289</u>	<u>3,864,667</u>
Balance, end of year	<u>\$ 118,344</u>	<u>\$ 165,078</u>

20. Area Rates (continued)	Balance, beginning of year	Rates levied for current year	Total	Services Provided in current year	Balance, end of year
Fire protection					
LaHave and District	\$ 4,252	\$ 148,773	\$ 153,025	\$ 144,601	\$ 8,424
Petite Riviere & Crousetown	(2)	112,557	112,555	112,544	11
Pleasantville	21	88,821	88,842	87,614	1,228
Hebbsville	2,068	143,662	145,730	141,530	4,200
Northfield	1,206	315,062	316,268	314,985	1,283
Riverport	454	304,580	305,034	304,232	803
Indian Point	10	37,909	37,919	37,910	9
Martins River	17	73,890	73,907	73,976	(69)
Oakland/Clearland	8	72,853	72,861	72,861	0
New Germany	718	155,787	156,505	156,043	462
District No. 1 Fire Protection	13,579	259,369	272,948	258,604	14,343
Maders Cove	4	54,370	54,374	54,349	25
Conquerall Bank	17	87,168	87,185	87,541	(357)
Oakhill	31	152,943	152,974	152,896	79
Italy Cross	9	78,179	78,188	78,188	(0)
Lapland and District	95	36,230	36,325	36,073	252
Wileville	2,209	61,823	64,032	63,434	599
United Communities	(52)	68,335	68,283	68,378	(95)
Cornwall	4	88,520	88,524	88,536	(12)
Dayspring and District	136	168,528	168,664	168,691	(27)
Walden	(1,900)	14,917	13,017	14,445	(1,428)
Tri-District ¹	4	144,591	144,595	144,550	45
Hemford and District	39	40,427	40,466	40,387	79
Hebb's Cross	(27)	57,788	57,761	57,416	345
Midville and District	(14)	69,018	69,004	69,011	(7)
Blockhouse	279	134,930	135,209	134,839	371
Big Tancook Island	29	11,268	11,297	11,267	30
	23,194	2,982,300	3,005,494	2,974,900	30,594
Sewer services					
Sewer systems	142,935	595,348	738,283	679,546	58,736
Hydrants	(3,394)	53,851	50,457	53,356	(2,899)
Street lighting	2,342	168,057	170,399	138,486	31,913
	\$ 165,078	\$ 3,799,556	\$ 3,964,633	\$ 3,846,289	\$ 118,344

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

21. Operating Reserve Details

	Balance, beginning of year	Interest on Savings	Transfer (to) from Other Funds	Other	Balance end of year
Roads	\$ 150,000	\$ -	\$ 25,000	\$ -	\$ 175,000
Surveying	17,202	-	-	-	17,202
General Operations	3,049,295	-	430,355	60,695	3,540,345
Riverport School	-	-	-	-	-
Election	105,000	-	(105,000)	-	-
Open Space Strategic Plan	121,582	-	65,972	6,225	193,779
Recreation Grant	2,889	-	-	(2,889)	-
Employee Contingency	754,880	-	103,966	-	858,846
Depreciation Reserve	5,130,977	-	638,109	-	5,769,086
Recreation Complex Tax Fund	(710,339)	-	710,339	-	-
Recreation Complex Capital	(1,747,478)	-	76,000	-	(1,671,478)
PACE - Clean Energy Financing	-	-	(49,924)	-	(49,924)
Restricted To Area Rates (Sewer)	1,070,816	-	169,808	5,000	1,245,624
Transit Study	43,364	-	-	-	43,364
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)	-
LaHave River Solutions	47,697	-	(35,166)	-	12,531
Indian Path	833	-	-	-	833
Environmental Petite Riviere	9,180	-	-	-	9,180
Pro Kids	6,733	-	(2,232)	-	4,501
Hirtles Beach	5,391	-	-	-	5,391
CES-CEF	150,000	-	18,682	-	168,682
Electric Bike	-	-	2,945	-	2,945
Grinder's Square	30,000	-	-	-	30,000
SNSMR Grant	42,000	-	-	-	42,000
Solid Waste Operations	22,244	-	-	(22,244)	-
	\$ 8,349,897	\$ -	\$ 2,048,854	\$ -	\$ 10,398,752

22. Capital Reserve Details

	Balance, beginning of year	Interest	Net transfers from (to) other funds	Other	Balance end of year
Land development - Saw Pit	\$ 6,276	\$ -	\$ -	\$ -	\$ 6,276
Waste site sales	2,267			(2,267)	-
Landfill Site Closure					
District special	1,016,782	11,362	(60,544)		967,600
District	376,751			(376,751)	-
Bridgewater	606			(606)	-
Lunenburg	262			(262)	-
Mahone Bay	30			(30)	-
Land Sales	765,671				765,671
Recreation complex depreciation	34,648	387	55,000		90,035
Sherbroke Lake	80,000		40,000		120,000
Trails	6,245				6,245
Lift station replacement	537				537
Gas tax revenue	2,020,342	22,502	450,511		2,493,355
Open space	141,057		27,077		168,134
Golf reserves	575,196				575,196
User connection fees	11,012		17,737		28,749
Province of NS - ISP Project			75,000		75,000
Equipment reserve					
Vehicle	5,500			(5,500)	-
Lagoons	144,270			(144,270)	-
Recreation dugouts	8,912				8,912
Capital budget carry-over	81,187			(81,187)	-
Waste site capital	1,574			(1,574)	-
Aerated Carts	6,463		1,464		7,927
District Asset Sales	32,816			(32,816)	-
District Compost Reserve	259,690			(259,690)	-
District capital carry over	233,717	-	780,645	904,056	1,918,418
	\$5,811,811	\$ 34,251	\$ 1,386,890	\$ (897)	\$7,232,055

23. Segmented Information

The Municipality of the District of Lunenburg (MODL) is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Municipal services are provided by departments and their activities are reported in these funds. Functional activities of certain departments have been separately disclosed in the segmented information to identify key areas of accountability:

(a) Protective Services

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

The Municipality's policing services are under contract to the Royal Canadian Mounted Police. Fire Services are provided by twenty-seven volunteer fire departments. A fire services coordinator is provided through the Municipal administration office. Regional Emergency Measures services are governed by a joint inter-municipal service agreement between MODL and the Municipality of the District of Chester, the Town of Mahone Bay, the Town of Bridgewater, and the Town of 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 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. MODL operates the Lunenburg Regional Community Recycling Centre through an Inter-Municipal Joint Services agreement with the Town of Bridgewater 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. MODL 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 MODL. In addition, debt costs associated with long term loans for infrastructure related to economic development are included in this section.

(f) Recreation and Culture

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

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

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

24. Accumulated Surplus

	2017	2016
	Actual	Actual
Operating fund (schedule 1)	\$ 2,517,140	\$ 1,432,859
Capital fund (schedule 2)	15,919,497	14,911,663
Reserve fund (schedule 3)	17,630,807	14,161,714
Municipal Joint Service Board (note 17)	3,528,630	3,528,630
LCMPCC (note 3d)	16,489,486	16,990,914
	\$ 56,085,561	\$ 51,025,779

25. Comparative Figures

Certain 2016 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2017.

**Municipality of the District of Lunenburg
Consolidated Schedule of Segment Disclosure
For the Year Ended March 31, 2017**

	Protective Services	Engineering Services & Streets & Roads	Consolidated			Planning and Economic Development	Recreation, Cultural & Education	Administration and Other	2017	2016
			A Waste Mgmt.	B Sewers	A + B Environmental Health					
Revenues										
Property taxes	\$ 3,036,151	\$ 168,057	\$ -	\$ 595,348	\$ 595,348	-	-	\$ 16,224,887	\$ 20,024,443	\$ 19,614,480
Grants in lieu of taxes	-	-	-	-	-	-	-	206,440	206,440	200,175
Services provided to other governments	57,062	-	-	-	-	-	-	-	57,062	34,595
Other revenue from own sources	93,104	-	1,464	176,933	178,397	263,493	1,942,629	1,518,446.35	3,996,069	2,581,842
Unconditional transfers from other govts	-	-	-	-	-	-	-	86,573	86,573	81,082
Conditional transfers from other govts	-	-	-	11,164	11,164	100,707	413,783	1,249,492	1,775,146	1,757,897
	3,186,317	168,057	1,464	783,444	784,908	364,200	2,356,412	19,285,838	26,145,732	24,270,071
Expenditures										
Salaries, benefits & other personnel costs	400,136	261,677	-	98,659	98,659	467,181	1,057,174	1,627,607	3,912,435	3,830,422
Interest	-	-	30,976	-	30,976	258,132	6,821	1,831	297,760	354,114
Materials, outsources and other operating	70,492	728,728	2,499,950	305,377	2,805,326	451,496	2,113,792	1,984,790	8,154,626	8,367,300
Amortization	1,486	198,397	-	447,643	447,643	55,998	576,493	41,288	1,321,305	1,367,902
Utilities	59,696	138,486	-	100,511	100,511	-	221,437	15,933	536,064	521,144
Rents	1,338	-	-	-	-	183	-	9,221	10,742	25,452
Grants	191,968	-	24,499	-	24,499	-	-	360,441	576,908	497,216
Fire area rates	2,974,900	-	-	-	-	-	-	-	2,974,900	2,972,667
Policing and corrections	3,145,626	-	-	-	-	-	-	-	3,145,626	3,009,840
Contributions to boards and agencies	-	-	-	-	-	-	-	-	-	878,534
Reduced taxes	-	-	-	-	-	-	-	155,578	155,578	147,911
	6,845,643	1,327,289	2,555,425	952,189	3,507,614	1,232,990	3,975,717	4,196,690	21,085,943	21,972,502
Annual surplus (Deficit)	\$ (3,659,326)	\$ (1,159,232)	\$ (2,553,961)	\$ (168,745)	\$ (2,722,706)	\$ (868,790)	\$ (1,619,305)	\$ 15,089,148	\$ 5,059,789	\$ 2,297,569

Municipality of the District of Lunenburg
Schedule of Operating Financial Position
Schedule 1
For the Year Ended March 31, 2017

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	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Financial Assets		
Cash and cash equivalents (note 4)	\$ 9,960,070	\$ 6,987,055
Taxes receivable (net of asset valuation allowances) (note 5)	1,807,985	1,775,428
Loan receivables (net of asset valuation allowances) (note 6)	64,790	22,300
Inventories for sale	-	10,388
Due from other funds and consolidated entities	345,204	3,347,626
Other receivables (net of asset valuation allowances) (note 6)	<u>353,702</u>	<u>303,604</u>
	<u>12,531,750</u>	<u>12,446,401</u>
Liabilities		
Accounts payable and accrued liabilities	1,473,024	1,397,550
Other liabilities		
Due to other funds and consolidated entities	5,689,683	7,092,277
Employee benefit obligations (note 14b)	373,835	330,005
Other liabilities	<u>2,493,890</u>	<u>2,208,276</u>
	<u>10,030,432</u>	<u>11,028,108</u>
Net Financial Assets	<u>2,501,318</u>	<u>1,418,293</u>
Non-Financial Assets		
Prepaid expenses	<u>15,822</u>	<u>14,566</u>
Accumulated Surplus	<u>\$ 2,517,140</u>	<u>\$ 1,432,859</u>

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, 2017

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	2017		2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Assessable property taxes ¹	\$ 27,829,800	\$ 28,240,534	\$ 27,617,578
Grants in lieu of taxes	196,900	206,440	200,175
Services provided to other governments	45,800	57,062	34,595
Other revenue from own sources	1,262,200	1,913,554	2,460,424
Unconditional transfers from other governments	82,900	86,573	81,082
Conditional transfers from other governments	65,000	103,444	76,317
Total Revenues	<u>29,482,600</u>	<u>30,607,606</u>	<u>30,470,171</u>
Expenditures			
General government services	4,579,000	4,155,402	3,901,887
Protective services ¹	7,262,200	7,282,879	7,073,628
Transportation services	1,276,200	1,128,892	1,171,547
Environmental health services	3,397,200	3,229,259	3,990,327
Public health services ¹	28,400	32,659	33,459
Environmental development services	1,221,800	1,176,992	2,187,652
Recreation and cultural services	1,549,400	1,523,368	1,448,130
Education ¹	7,744,700	7,744,710	7,528,181
Total Expenditures	<u>27,058,900</u>	<u>26,274,160</u>	<u>27,334,811</u>
Annual Operating Surplus	2,423,700	4,333,446	3,135,361
Financing and Transfers			
Debenture and term loan principal instalments	(999,900)	(999,848)	(3,660,028)
Transfers from (to) own reserves, fund and agencies	(1,343,700)	(1,818,962)	894,271
Change in Surplus after Financing & Transfers	<u>80,100</u>	<u>1,514,636</u>	<u>369,604</u>
Accumulated Surplus, Beginning of Year	<u>1,432,859</u>	<u>1,432,859</u>	<u>4,084,342</u>
Transfer Surplus to Operating Reserve	<u>(369,604)</u>	<u>(430,355)</u>	<u>(3,021,084)</u>
Accumulated Surplus, End of Year	<u>\$ 1,143,355</u>	<u>\$ 2,517,140</u>	<u>\$ 1,432,859</u>

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

Municipality of the District of Lunenburg
Schedule of Capital Fund Financial Position
Schedule 2
For the Year Ended March 31, 2017

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Financial Assets		
Receivables (net of asset valuation allowances) (note 6a)	\$ 81,329	\$ 50,348
Due from other funds	<u>2,548,205</u>	<u>3,014,784</u>
	<u>2,629,534</u>	3,065,132
Liabilities		
Bank loan (note 4)	425,009	2,419,715
Payables	251,322	335,854
Due to other funds	1,408,487	179,296
Long-term debt (note 10a)	5,864,391	6,864,239
Other liabilities	<u>1,352,433</u>	<u>1,470,921</u>
	<u>9,301,642</u>	11,270,025
Net Debt	(6,672,107)	(8,204,893)
Non-Financial Assets		
Tangible capital assets (net of accumulated amortization) (note 11)	<u>22,591,605</u>	<u>23,116,555</u>
Net Assets	\$ 15,919,497	\$ 14,911,663

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, 2017

	<u>2017</u>		2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Capital Contributions			
From federal and provincial governments	\$ 150,100	\$ 169,928	\$ 96,230
Gas Tax	1,229,800	1,236,879	-
Sundry	75,000	1,181,501	33,446
CRA re-assessment	-	424,009	-
Gain on sale of assets	-	2,957	-
Total Revenue	<u>1,454,900</u>	<u>3,015,273</u>	<u>129,676</u>
Expenditures			
Write off of assets	-	1,153,520	-
Change in Landfill Closure Liability	-	(176,763)	69,287
Change in Riveport School Liability	-	6,577	-
	<u>-</u>	<u>983,334</u>	<u>69,287</u>
Annual Capital Surplus	1,454,900	2,031,940	60,389
Financing and Transfers			
Amortization	(730,300)	(800,318)	(855,300)
Loan payments from operating fund	999,900	999,848	3,660,028
Transfers from own reserves, funds	2,521,400	(1,223,634)	1,315,038
	<u>2,791,000</u>	<u>(1,024,104)</u>	<u>4,119,766</u>
Change in Fund Balance	4,245,900	1,007,836	4,180,154
Beginning Balance	<u>14,911,663</u>	<u>14,911,663</u>	<u>10,731,509</u>
Ending Balance	<u>\$ 19,157,563</u>	<u>\$ 15,919,497</u>	<u>\$ 14,911,663</u>

Municipality of the District of Lunenburg
Schedule of Reserve Fund Financial Position
Schedule 3
For the Year Ended March 31, 2017

	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Financial assets		
Cash and cash equivalents (note 4)	\$ 13,435,940	\$ 13,327,807
Due from other funds	12,040,742	6,908,292
Receivables	-	3,382
	<u>25,476,682</u>	<u>20,239,481</u>
Liabilities and Fund Balance		
Due to other funds	7,845,875	6,077,767
Net Financial Assets	<u>17,630,807</u>	<u>14,161,714</u>
Fund Balance		
Capital	7,232,055	5,811,815
Operating	10,398,752	8,349,899
	<u>\$ 17,630,807</u>	<u>\$ 14,161,714</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, 2017

	Capital Reserve Actual	Operating Reserve Actual	2017 Total Reserve Actual	2016 Actual
Revenue				
Interest on savings	\$ 34,252	\$ -	\$ 34,252	\$ 52,422
Proceeds for public open space ¹	-	-	-	31,056
Gas tax revenue ¹	-	-	-	1,211,058
Province of Nova Scotia ¹	-	-	-	2,382
Donations ¹	-	-	-	22,500
Total Revenue	34,252	-	34,252	1,319,418
Expenditures				
Municipalities & other	898	-	898	162,223
Annual Reserve Surplus	33,354	-	33,354	1,157,195
Financing and Transfers				
Transfers (from) to own Capital Fund & Operating Fund ¹	1,386,890	1,618,497	3,005,387	(2,861,951)
Operating Surplus Transfer	-	430,355	430,355	3,021,085
	1,386,890	2,048,852	3,435,742	159,134
Change in Fund Balance	1,420,244	2,048,852	3,469,095	1,316,329
Beginning Balance	5,811,815	8,349,899	14,161,714	12,845,385
Ending Balance	\$ 7,232,059	\$ 10,398,751	\$ 17,630,807	\$ 14,161,714

Note 1: Moved to Financing and Transfers section in 2017 per Provincial Financial Reporting & Accounting Manual

Municipality of the District of Lunenburg
Schedule of Tax Sale Account Assets, Liabilities and Operations
Schedule 4
For the Year Ended March 31, 2017

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Schedule of Tax Sale Account - Assets and Liabilities

	2017	2016
	Actual	Actual
Financial Assets		
Cash and cash equivalents	\$ 1,041,014	\$ 830,090
Tax Sale Surplus Liability	\$ 1,041,014	\$ 830,090

Schedule of Tax Sale Operations

	2017	2016
	Actual	Actual
Revenue		
Tax Sale Surplus funds received	\$ 446,196	\$ 179,187
Expenses		
Tax Sale Surplus payments	(235,272)	(129,287)
Change in Tax Sale Surplus	210,924	49,900
Beginning Tax Sale Surplus	830,090	780,190
Ending Tax Sale Surplus	\$ 1,041,014	\$ 830,090

MUNICIPALITY OF THE DISTRICT OF LUNENBURG

TRUST FUNDS

FINANCIAL STATEMENTS

MARCH 31, 2017



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

Municipality of the District of Lunenburg
Trust Funds
Financial Statements
March 31, 2017

Independent Auditor’s Report B-1a, 1b

Statement of Financial Position B2

Notes to Financial Statements B3

Independent auditor's report

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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, 2017 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the Trust Fund of the Municipality of the District of Lunenburg as at March 31, 2017, and the results of its financial activities and its changes in financial position for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Bridgewater, Canada
September 26, 2017

Chartered Professional Accountants
Licensed Public Accountants

Municipality of the District of Lunenburg
Trust Funds
Statement of Financial Position
For the Year Ended March 31, 2017

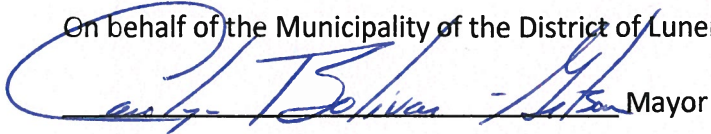
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STATEMENT OF TRUST FUNDS RESERVES

	Burial Funds	Occasion Funds	Pop Funds	School Lands	March 31	
					2017 Actual	2016 Actual
Assets						
Cash	\$ 2,838	\$ 7,020	\$ -	\$ 28,446	\$ 38,303	\$ 38,904
Accounts receivable	-	-	-	-	1	1
	<u>2,838</u>	<u>7,020</u>	<u>-</u>	<u>28,446</u>	<u>38,304</u>	<u>38,905</u>
Liabilities						
Due to the District of Lunenburg	-	7,020	-	-	7,020	4,194
Accounts payable - schools	-	-	-	2,219	2,219	2,782
Reserves						
Trust funds reserves	2,838	-	-	26,227	29,065	31,929
Reserves and Liabilities	<u>\$ 2,838</u>	<u>\$ 7,020</u>	<u>\$ -</u>	<u>\$ 28,446</u>	<u>\$ 38,304</u>	<u>\$ 38,905</u>

Reserves Detail	(note 1) Burial Funds	Occasion Funds	Pop Funds	(note 3) School Lands	Year Ended March 31	
					2017 Actual	2016 Actual
Balance, beginning of year	\$ 2,807	\$ 2,120	\$ 774	\$ 26,227	\$ 31,928	\$ 31,709
Interest received on trust accounts	31	-	-	319	350	434
Funds received in trust	-	-	-	-	-	2,965
	<u>2,838</u>	<u>2,120</u>	<u>774</u>	<u>26,546</u>	<u>32,278</u>	<u>35,108</u>
Trust expenses	-	-	-	319	319	3,179
Transferred to Operating Fund	-	2,120	774	-	2,894	-
	<u>-</u>	<u>2,120</u>	<u>774</u>	<u>319</u>	<u>3,213</u>	<u>3,179</u>
Balance, end of year	<u>\$ 2,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,227</u>	<u>\$ 29,065</u>	<u>\$ 31,929</u>

On behalf of the Municipality of the District of Lunenburg

 Mayor

CAO

1. Purpose of Trust

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

2. Significant accounting policies

Basis of presentation

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

Accounting estimates

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

Financial assets and liabilities

Initial measurement

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

Subsequent measurement

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

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

	2017	2016
	Actual	Actual
Distribution of funds		
Conrad, Ray	\$ 1,618	\$ 1,600
Smith, Everette	749	740
Wagner, Willis	472	467
	<u>\$ 2,838</u>	<u>\$ 2,807</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 High and Park View Education Center.