

AUDIT COMMITTEE MEETING MINUTES

THURSDAY, JUNE 10, 2021 AT 12:00 P.M.

(VIA AUDIO/VIDEO CONFERENCE DURING COVID-19 PANDEMIC)

PRESENT: Councillor Ed Halverson, Chair
Mayor Matt Risser
Deputy Mayor Peter Mosher
Councillor Jenni Birtles
Councillor Melissa Duggan
Councillor Stephen Ernst
Councillor Ed Halverson
Councillor Susan Sanford

ALSO PRESENT: Paul Belliveau, FCPA, FCA, Belliveau Veinotte Inc., Chartered Professional Accountants
Michael Belliveau, CPA, CA, Belliveau Veinotte Inc., Chartered Professional Accountants
Lisa Dagley, CPA, CGA, Finance Director
Heather McCallum, Assistant Municipal Clerk
Kathleen Rafuse, Accountant
Bea Renton, Chief Administrative Officer

ABSENT: Jamie Green, Citizen Appointment

1. Call to Order

The Chair called the meeting to order at 12:02 p.m. and welcomed everyone.

2. Acknowledgement of Mi'kma'ki the ancestral and unceded territory of the Mi'kmaq People

The Chair gave introductory remarks respecting the unceded territory of the Mi'kmaq People on which Lunenburg is situated.

3. Agenda

Motion: moved and seconded to approve the agenda. Motion carried.

4. Approval of September 17, 2020 Audit Committee Meeting Minutes

For information only due to change in Committee membership since the last meeting.

5. Business Arising from the Minutes/Unfinished Business

6. New Business

- a. 2020/21 Municipal Audit Process - Belliveau Veinotte Inc. Chartered Accountants/Town Auditors overview presentation

Michael Belliveau presented an overview of the Audit process and the Audit Committee's role ([Schedule "A"](#)).

- Audit approach overview
- Extent, timing and completion of the Audit including level of materiality
- Management, Audit Committee/Council and Auditors' responsibilities
- Identification of any potential areas of risk by the Committee for the Auditors' consideration
- Internal controls
- Estimated and final Audit fee
- Review of 2019/20 Audit letter

- b. Review of Department of Municipal Affairs 2019/20 Financial Condition Indicators (FCI); November 27, 2020 presentation by Kathy Cox-Brown

The Finance Director noted that the November 27, 2020 presentation to Council is attached for information only ([Schedule "B"](#)). A recording of the presentation is available for Committee members to review should they wish.

7. Next Meeting Date – September 23, 2021 (TBC)
8. Adjournment – Chair

[Motion: moved and seconded to adjourn the meeting. Motion carried.](#)

The meeting was adjourned at 12:23 p.m.

Bea Renton, CAO

Audit Committee - June 10, 2021

Town of Lunenburg

Audit timing and fee

- Weeks of July 12 and July 19
- Michael Belliveau, CPA, CA and Luke Richardson CPA
- \$20,000 audit fee same as prior year
- September 30, 2021, deadline for approval and submission to the Province

Materiality

- Operating - \$105,000
- Electric - \$100,000
- Water - \$22,900
- Cemetery - \$3,000

Management and Council responsibilities

- **Management**
 - Preparation of the accounting records
 - Preparation of supporting documents
 - Preparation of the financial statements
- **Audit Committee/Council**
 - Reviewing the financial statements
 - Reviewing internal control and management letters
 - Overall responsibilities

Auditors responsibilities

- Procedures
 - Confirmation, analytics, substantive testing
- Financial statements
 - Agrees to PSAB accounting standards
- Internal controls
 - Identify internal control weaknesses

Areas of interest

- COVID-19 limitations
 - New internal controls
- Note 8 March 31, 2020 Consolidated Financial Statements

Financial Condition Indicators

For 2019-2020 Draft

Town of Lunenburg – Nov 2020

Development



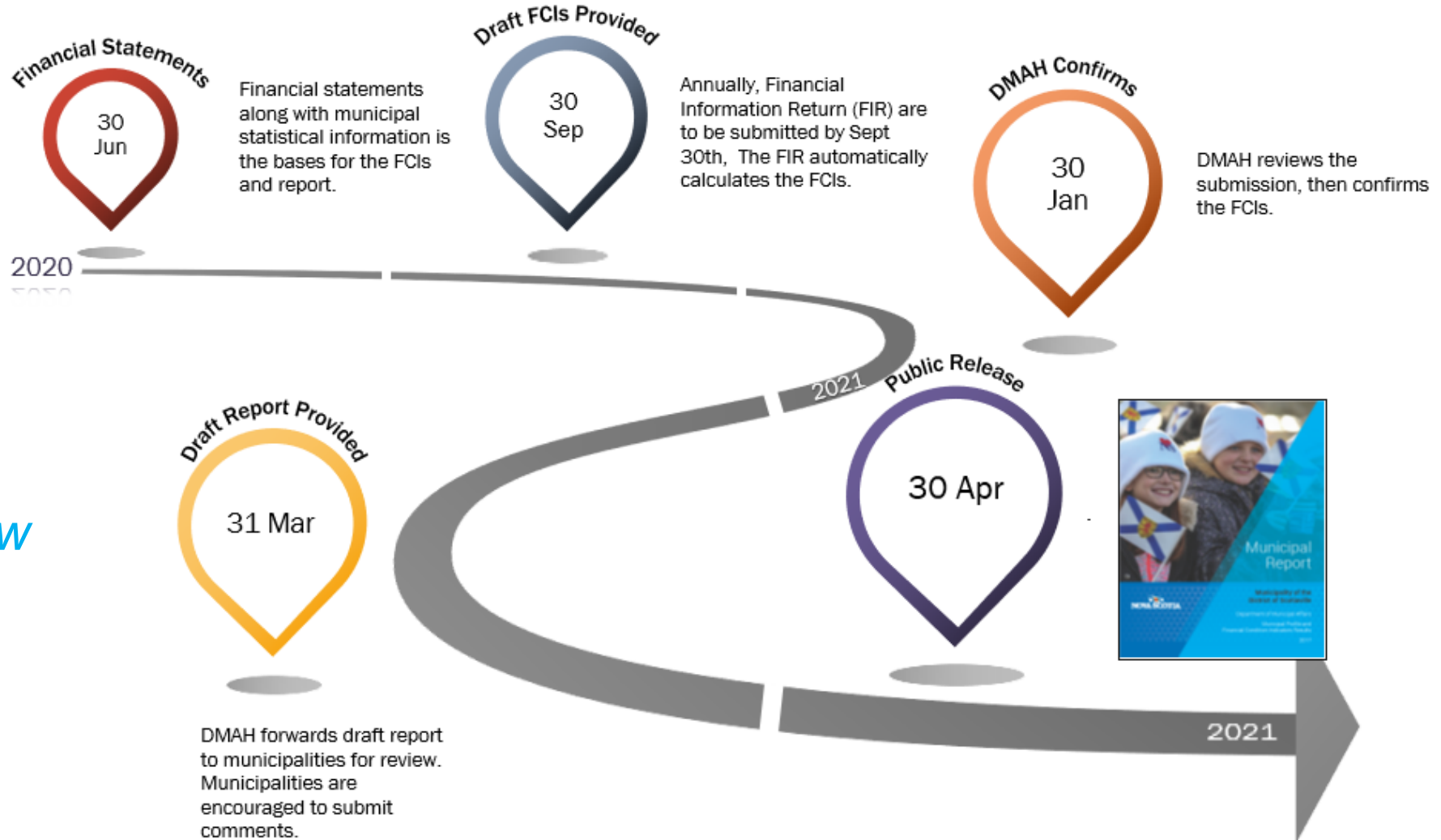
Collaborative Development (Continues)

- Federation of Nova Scotia Municipalities
- Nova Scotia Association of Municipal Administrators
- Province
- Dalhousie University

Approach

- Other Jurisdictions
- Best Practices
- Data Modelling

Reporting Timing

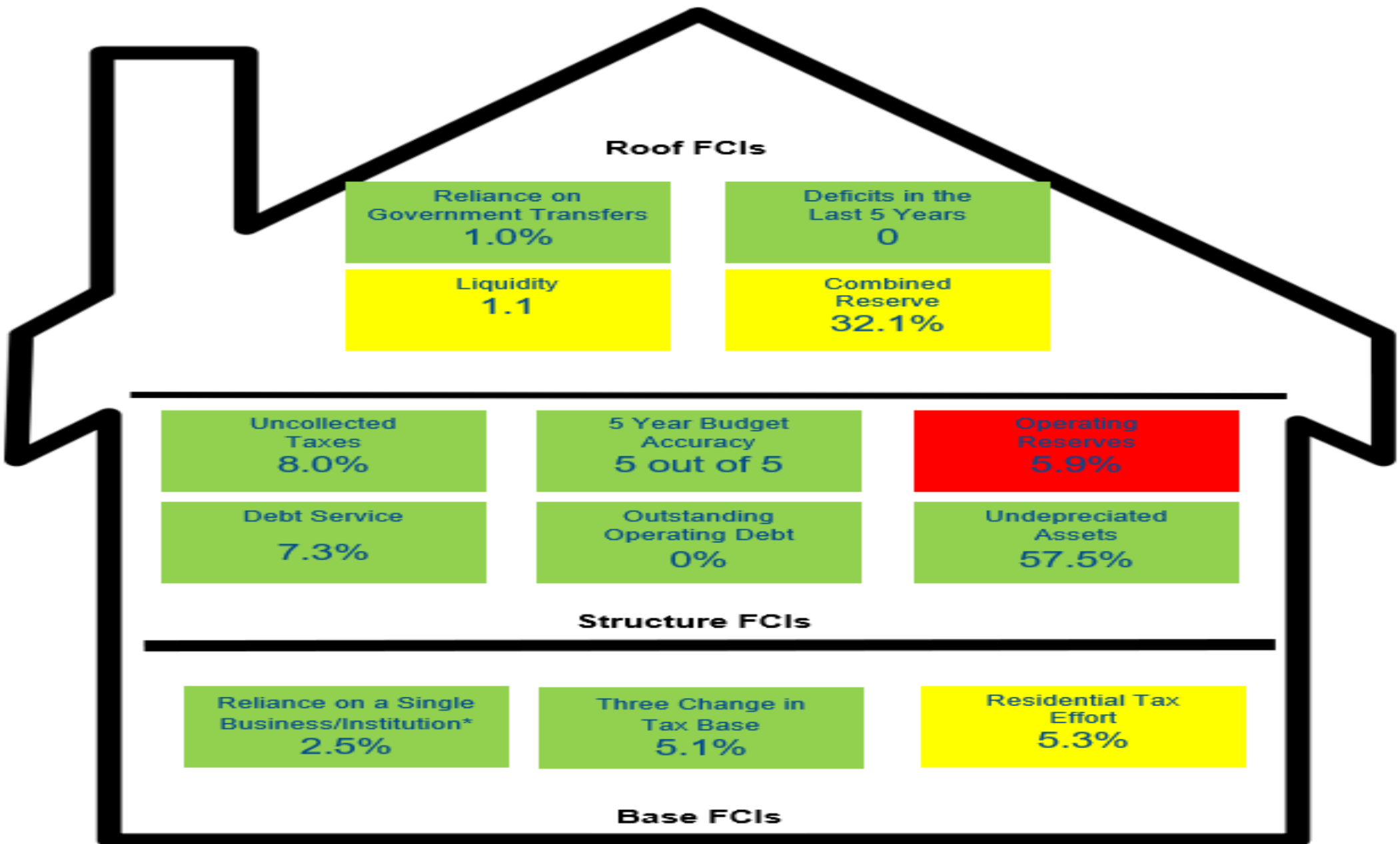


Audit Committee Members are required to review FCIs

Financial Condition Indicators



- › 13 Indicators
- › Organized into 3 dimensions
- › Graphically presented in 'House' format
- › To interpret the Indicators we use a risk threshold range:
 - › **Low risk - green**
 - › **Moderate risk- yellow**
 - › **High risk- red**



Financial Condition Indicators (The Base Indicators)




Financial Condition Indicators

BASE DIMENSION

Reliance on a Single Business or Institution

- This indicator speaks to municipality’s reliance on one employer for significant portion of their tax base.
- Over reliance on any source of revenue can represent a vulnerability


FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 Yr Trend
Reliance on Single Business or Institution	2.5%	Below 10%	No vulnerability noted	↓ -0.1%	

Financial Condition Indicators

BASE DIMENSION

3-year Change in Tax Base

- This indicator speaks if the municipality has a stable or growing tax base
- Growth in a municipality's tax base must keep pace with inflation for a municipality to maintain current level of services and taxes.


FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 Yr Trend
Three Year Change in Tax Base	5.1%	equal or above CPI	No vulnerability noted	↓ -0.8%	

Financial Condition Indicators

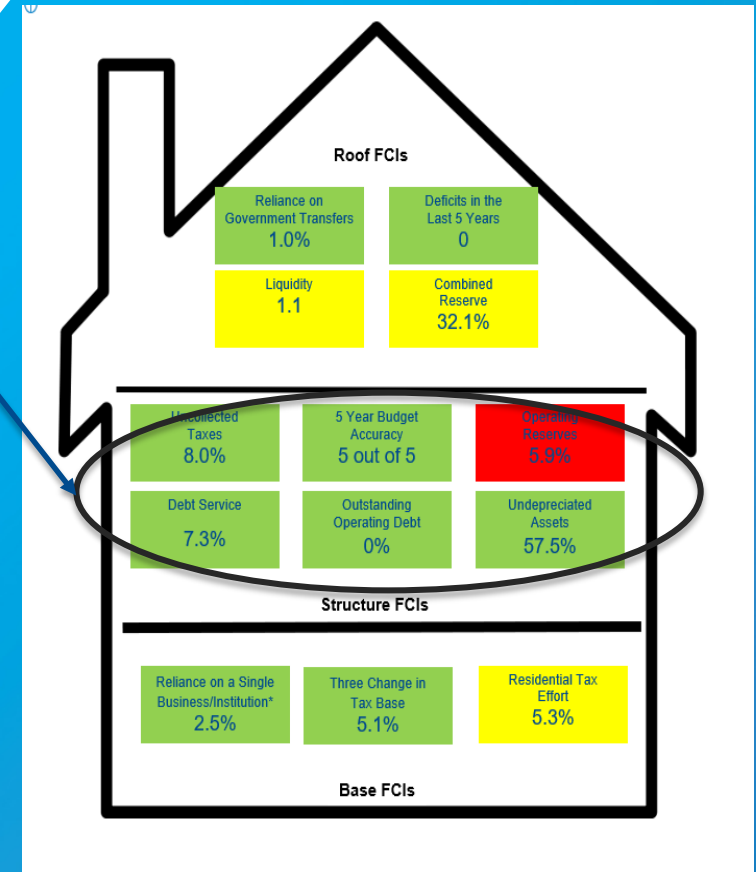
BASE DIMENSION

Residential Tax Effort

- This indicator speaks to what is the average property tax burden per household in the municipality.

FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 yr Trend
Residential Tax Effort	5.3%	Below 4%	Risk to flexibility ↑	0.2%	

Financial Condition Indicators (Structure Indicators)





Financial Condition Indicators

STRUCTURE DIMENSION

Uncollected Taxes

- This indicator speaks to if the municipality is able to collect revenues owed.
- Cash flow and management are critical elements for any organization sustainability

FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 Yr Trend
Uncollected Taxes	8.0%	Below 10%	No vulnerability noted	↑ 0.5%	



Financial Condition Indicators

STRUCTURE DIMENSION

Budget Accuracy

- This indicator speaks to municipality's success at projecting the revenue required to maintain a balanced operating budget.


FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 yr Trend
Budget Expenditures Accuracy	5	5	No risk noted	0	

Financial Condition Indicators

STRUCTURE DIMENSION

Operating Reserves

- This indicator speaks to if the municipality is setting aside funds to address unforeseen circumstances.


FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 yr Trend
Operating Reserves	5.9%	Above 20%	Vulnerability noted ↓	-0.9%	

Financial Condition Indicators

STRUCTURE DIMENSION

Debt Service

- This indicator speaks to how much of municipal revenue goes towards paying off debt.

FCI	2020 Results	Low-risk (green thresholds)	Risks	Change from Prior Yr	5 Yr Trend
Debt Service	7.3%	below 10%	No risk noted	↑ 1.3%	



Financial Condition Indicators

STRUCTURE DIMENSION

Outstanding Operating Debt

- This indicator speaks to how leveraged is a municipality or how much operating debt does it hold relative to its revenue. MGA has restrictions.


FCI	2020 Results	Low-risk (green thresholds)	Risks	Change from Prior Yr
Outstanding Operating Debt	0.0%	below 25%	No risk noted	→ 0.0%

Financial Condition Indicators

STRUCTURE DIMENSION

Undepreciated Assets

- This indicator speaks to how old the municipality's existing capital assets are.

FCI	2020 Results	Low-risk (green thresholds)	Risks	Change from Prior Yr	5 Yr Trend
Undepreciated Assets	57.5%	above 50%	No risk noted	↓ -1.1%	

Financial Condition Indicators (KPI Indicators)





Financial Condition Indicators

KPI DIMENSION

Reliance on Government Transfers

- This indicator speaks to municipality's reliance on transfer from other government and self-sufficiency.
- Over reliance on any source of revenue can represent a vulnerability

FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 Yr Trend
Reliance on Gov Transfers	1.0%	Below 15%	No vulnerability noted →	0.0%	

Financial Condition Indicators

KPI DIMENSION

Liquidity

- This indicator speaks to if the municipality has enough cash to pay bills as they come due.
- This indicator can highlight any cash flow problem or indication of concerns in other areas such as potential revenue collection concerns

FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr	5 yr Trend
Liquidity	1.1	Above 1.5	Risks to sustainability →	0.0	



Financial Condition Indicators

KPI DIMENSION

Deficits in the Last 5-years

- This indicator speaks to municipality's success in maintaining a balanced operating budget.
- A high number of deficits may indicate a municipality is struggling to meet services. If there is a deficit, further investigation would be required to determine the size and the cause of the deficit

FCI	2020 Results	Low-risk (green) Thresholds	Risks	Change from Prior Yr
Deficits in the Last 5 years	0	0	No vulnerability noted →	0



Financial Condition Indicators

KPI DIMENSION

Combined Reserves

- This indicator speaks to if the municipality is investing enough to keep pace with aging assets and unforeseen events.

FCI	2020 Results	Low-risk (green thresholds)	Risks	Change from Prior Yr	5 Yr Trend
Combined Reserve	32.1%	above 40%	Vulnerability noted ↑	7.5%	

Financial Condition Indicators

Key Points

- The Town's tax base continues to grow.
- Indicators on deficits and budget show a purposefully shrewd approach to managing revenues and cost estimates.
- Low uncollected tax and debt indicators show prudent cash and financing management
- Residential effort reflects lower flexibility, common pressure with Towns
- Combined reserves although a vulnerability the trend indicate an effort to build the reserve.
- Operating reserves indicate a higher vulnerability to unforeseen events.
- Liquidity levels are sufficient but could be strengthened.

Financial Condition Indicators

What are the next steps?



- Recognize your strengths
- Analysis risks (spreadsheet)
- Were appropriate implement activities to reduce or eliminate risks

Financial Condition Indicators



Additional support and training available

Questions

