

An Audit Committee Meeting was held in Council Chambers at Baddeck on February 24, 2025, at 10:00am with Warden Organ in the Chair.

COUNCILLORS PRESENT

District #1- Donna Matheson-Lefort

District #2- Perla MacLeod, Deputy Warden

District #3- Jess Kerr

District #4- Rosella Born

District #5- Fraser Patterson

District #6 – Tim Donovan

District #7- Jackie Organ, Warden

District #8 – Wanda Hennick

STAFF PRESENT

Leanne MacEachen, CAO

Alix Redden, CFO

Steff MacLeod, Recorder

Heather Ross, Financial Analyst

ALSO PRESENT

Denise Allen, public member of the Audit Committee

***On Motion of Deputy Warden MacLeod seconded by Councillor Born to approve the
Agenda for February 24, 2025.***

Motion Carried.

FINANCE AND AUDIT COMMITTEE POLICY DRAFT

Councillor Matheson-LeFort recommended the policy say *at least one member of the public* instead of *one member of the public*. CFO Redden will make that change and recirculate and bring that forward for a motion to be adopted at the next regular council meeting.

MUNICIPAL ACCOUNTING OVERVIEW

INTRODUCTION:

- Council's financial responsibility
- Oversight of financial health & sustainability
- Budget decisions impact service levels, tax rates and long-term planning
- Province of Nova Scotia's role
- Oversight by setting MGA, FRAM and FCIs
- Municipal Finance difference
- Budgets must be balanced – deficits not allowed
- Water Utility is a separate entity and has its own rules

BUDGETING AND FINANCIAL REPORTING:

- Three key budgets
- Operating budget
- Capital budget
- Water Utility budget
- Budget process & timeline
- Key financial reports
- Quarterly financial statements
- Annual financial statements
- Non-consolidated vs. consolidated

Councillor Patterson made a recommendation to look into county owned assets and see what other municipalities do.

There was a conversation that followed highlighting that our Financial Reports will never be clean because of the accounting practices of Highland Manor, and it was discussed that it is strongly recommended that the Board of the Highland Manor make budget reporting a priority and work with Grant Thornton on how to prepare a budget.

WHERE THE MONEY COMES FROM:

- Property Taxes & Grants in Lieu of Taxes
- User fees & Other Revenues
- Provincial & Federal Transfers & Grants
- Municipal Financial Capacity Grant (“equalization”)
- Reserve Funds
- Operating Reserve & Capital Reserve
- Debt Financing

WHERE THE MONEY GOES: Mandatory Contributions

- Education, PVSC, Roads, RCMP
- Core Services
- Curbside collection, transfer stations, recycling depots, fire services, legislative, administration
- Discretionary Areas
- Grants, recreation, tourism, community/economic development, transportation, infrastructure

FINANCIAL OVERSIGHT AND ACCOUNTABILITY:

- Council’s role
- Approving budget & ensuring ongoing monitoring
- Review financial statements & ask questions

- Annual audit of financial statements
- Audits verify the accuracy of financial reports
- Provincial Reporting Requirements
- Financial Condition Indicators (FCIs)

KEY TAKEAWAYS:

- You don't need to be an accountant!
- Don't be afraid to ask questions
- Review regularly to stay informed
- Look to staff for guidance & to ask for more info
- Pursue available training opportunities

FINANCIAL UPDATE REPORT – DECEMBER 31, 2024

INTRODUCTION:

- Overview of year-to-date financial performance for the Municipality and the Water Utility
- Used spending as of December 31, 2024 to forecast to year-end (March 31, 2025)
- Highlight key revenue and expense variances
- Contains estimates and assumptions & comprehensive review of all accounts not yet complete

REVENUES:

- Total Revenues projected: \$14,871,811
- Total Revenues budgeted: \$14,259,244
- Total Revenues last year: \$13,319,180
- *Revenue From Own Sources* (line 36) surpassing budget expectations by nearly \$322k: *Interest on Investments* exceeding budget by \$384k (line 32), partially offset by *Tipping Fees* falling \$125k short (line 34).
- *Transfers From Other Government*: unbudgeted ACOA funding of \$172k (line 49), with corresponding expenses (\$172K) under *Grants to Organizations* (line 108).

- *Canada Community-Building Fund* (formerly gas tax) falling \$256k below budget attributed to delayed trail development work (line 45) and the 2024-2025 funding methodology shift for the Village of Baddeck (instead treated as a capital reserve transfer) (line 199).
- *Other Revenue* including an unbudgeted \$185k (line 58): \$105k from the wind-up of the former municipal clerks' pension and \$80k from an insurance claim for Smokey Rec building roof repairs

EXPENSES:

- Total Expenses projected: \$14,871,811
- Total Expenses budgeted: \$14,259,244
- Total Expenses last year: \$13,319,180.
- *General Government Services* are on budget. *Grants to Organizations* include an unbudgeted \$172k (line 108) related to comfort centers upgrades but this is fully offset but the ACOA funding noted above. This overage is offset by projected underspending in a variety of areas under *General Administration* (lines 71-100).
- *Protective Services* are projected as over budget by \$56k primarily due to higher than anticipated RCMP costs (\$62k) (line 115).
- *Transportation Services* are projected as under budget by \$55k, mainly from lower streetlighting costs (\$49k) (line 133).
- *Environmental Health Services* are projected as under budget by \$339k, driven by two extended vacancies in *Public Works Administration* (line 141) and lower transfer trucking between sites costs under *Transfer Stations & Recycling Operations* (\$55k) (line 157).
- *Environmental Development Services* are projected as under budget by \$155k due to an extended vacancy in *Tourism & Community Development* (line 168) and underspending on *Special Projects* due to the vacancy (line 171).
- *Recreation & Cultural Services* are projected under budget by \$634k, largely due to \$333k not yet provided to the Victoria County Highlands Civic Centre under *Special Projects* (line 181) (instead transferred to the operating reserve) (line 193) and \$190k in delayed trail development work (line 181).
- *Financing & Transfers* are projected to be \$1.57m over budget, primarily due to an additional \$1.47m transferred to the operating reserve for future spending (line 193).

WATER UTILITY REVENUES:

- Total Revenues projected: \$1,297,667

- Total Revenues budgeted: \$1,055,042
- Total Revenues last year: \$1,282,737
- Metered Sales surpassed budget by over \$206k (line 1), largely due to the lesser than expected impact of the Keltic Lodge closure (\$162k) and improved accuracy overall from water meter replacements.
- Other Revenue exceed budget by \$36k (line 3), driven by higher-than-expected interest earnings.

WATER UTILITY OPERATING EXPENSES:

- Total Operating Expenses projected: \$1,161,488
- Total Operating Expenses budgeted: \$1,054,904
- Total Operating Expenses last year: \$850,469
- Transmission & Distribution is over budget by \$136k, due to major repair work in Little Narrows due to a leak (\$100k) (line 26) and unbudgeted hydrant work in Dingwall (\$33k) (line 28).
- Administration is under budget by \$17k, partly due to a hydrological assessment and year-end audit expenses coming in under budget (line 37), as well as an extended vacancy (line 35).

WATER UTILITY NON-OPERATING EXPENSES:

- Total Non-Operating Expenses projected: \$136,180
- Total Non-Operating Expenses budgeted: \$63,235
- Total Non-Operating Expenses last year: \$432,268
- Earnings of \$69k are projected (line 50), despite a budgeted shortfall. These earnings, approved in the last water rate study, continue to reduce the accumulated deficit, which stood at \$402,610 as of March 31, 2024.
- This deficit exceeded \$2,000,000 in 2018 due to many years without rate increases, despite rising costs.

Councillor Born requested staff to reach out to Highland Manor to see if they are open to being provided with some help with their financials.

Councillor Patterson requested to have PVSC come to Council to present on how assessments work.

Councillor Born made the recommendation to requested staff to look into fire rates in other municipalities and provide some options to Council for future Budget discussions. CFO Redden said it is beneficial to look into this, it is too soon for this year but can certainly look into it for next year.

ADJOURN

Motion to adjourn at 12:17pm.