Audit Committee

Agenda

Thursday, October 16, 2014
10:00 a.m.

2nd Floor Council Chambers
320 Esplanade
Sydney, N.S.

Committee Members: Deputy Mayor Kevin Saccary
Councillor Ray Paruch
Councillor Ivan Doncaster
Councillor George MacDonald
Audit Committee

Agenda

Thursday, October 16th, 2014

10:00 a.m.

2nd Floor Council Chambers
320 Esplanade
Sydney, N.S.

Roll Call

1. Approval of Minutes:

   ➢ September 25th, 2013 (previously distributed)

2. a. Audit Findings Report for Year Ending March 31, 2014 (see page 3)
   b. CBRM Draft Consolidated Financial Statements for Year Ending March 31, 2014 (see page 31)
   c. CBRM Draft Water Utility Financial Statements for Year Ending March 31, 2014 (see page 65)
   d. Non-Consolidated Statement of Operations – Operating Fund for Year Ending March 31, 2014 (see page 83)

Adjournment
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Misstatements

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2 Draft Management Representation Letter
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4 Unadjusted Audit Differences
5 Reconciliation of PSAB with Non-Consolidated Financial Statements

The Appendices are an integral part of our Audit Findings Report to the Audit Committee

This Audit Findings Report is confidential and intended solely for the use of the Audit Committee, Management and others within the Municipality. It is intended to assist the Audit Committee in carrying out and discharging its responsibilities to review and recommend for approval the financial statements of the Municipality as at and for the year ended March 31, 2014. It should not be used for any other purpose. No responsibility for loss or damages, if any, to any third party is accepted as this report has not been prepared for, and is not intended for, any other purposes.
Purpose of this report
- We have issued this report to assist members of the Audit Committee in your review of the financial statements.
- We welcome your questions and look forward to discussing our findings with you at this meeting.

Basis for information
- The matters that we raise within this report
  - arise from the financial statement audit
  - are matters that we believe need to be brought to your attention.
- This report may not include all matters of interest to you. Please let us know of other areas you would like to discuss with us.

Audit status: Complete
- We have completed our audit of the Municipality’s financial statements in accordance with Canadian auditing standards.
- We expect to be in a position to release our Independent Auditors’ Report dated October 16, 2014 subject to:
  - completing our discussions with the Audit Committee
  - obtaining Council approval of the financial statements.

Scope of a financial statement audit
- We perform an audit to provide reasonable assurance whether the financial statements are free of misstatements. In auditing, absolute assurance is not attainable because of such factors as (1) the nature of audit evidence (it is based on the use of testing, and much of the evidence available to the auditor is persuasive, rather than conclusive), (2) the inherent limitations of internal control over financial reporting, and (3) the characteristics of fraud. Accordingly, there is a risk that material misstatements, fraud and other illegal acts may exist and not be detected by an audit performed in accordance with professional standards.
- In an audit, we also make specific enquiries of management and obtain a supporting representation letter from management concerning the effectiveness of internal controls and the representations embodied in the financial statements, including the notes.
- In planning and performing a financial statement audit, we consider internal control over financial reporting to determine the nature, extent and timing of audit procedures. A financial statement audit does not provide assurance on the Municipality’s internal controls.
Key Responsibilities Regarding Financial Statement Reporting

Management

- Prepare financial statements and notes, in accordance with Canadian GAAP for local governments as recommended by the Public Sector Accounting Board.
- Design, implement and maintain effective internal control over financial reporting processes.
- Adopt and apply sound accounting principles and apply sound judgment in preparing accounting estimates and disclosures contained in the financial statements.
- Disclose to external auditors any fraud or suspected fraud and any illegal acts or possibly illegal acts.
- Assess impact of misstatements discovered during the audit on fair presentation of the financial statements and record all material adjustments.

External Auditors

- Be independent and communicate independence in accordance with Canadian professional requirements.
- Conduct an audit in accordance with Canadian Auditing Standards.
- Express an opinion on the financial statements based on the audit.
- Communicate openly with the Audit Committee and Management.

Audit Committee

- Provide oversight; challenge and influence – “Tone at the Top”.
- Oversee the control environment and reporting process and encourage continual improvement.
- Review and approve annual financial statements.
- Meet with management and external auditors to discuss annual financial statements and effectiveness of internal controls.

MGM & Associates
Chartered Accountants
Misstatements

- Misstatements generally consist of differences between the amount, classification, or presentation of a reported financial statement element, account, or item and the amount, classification, or presentation that would have been reported under the financial reporting framework.

Evaluating misstatements

- Management is responsible for the financial statements and, accordingly, evaluates the misstatements identified during the audit to determine whether individually, and in the aggregate, these misstatements, in their judgment, are material to the financial statements.
- Management has represented that these audit differences, individually and in the aggregate, are, in their judgment, not material to the financial statements. Refer to draft management representation letter in Appendix 2.

Audit differences

- Audit differences are proposed adjustments of a misstatement in the financial statements that, in our professional judgment, may have not been detected except through our audit procedures performed. We have encouraged management to correct these audit differences.
- Any misstatement identified by management during the audit and subsequently corrected is not considered an audit difference.
- For ease of discussion, audit differences are categorized by
  - Adjusted audit differences – *none were identified during the audit*
  - Unadjusted audit differences – *refer to Appendix 4*
  - Uncorrected and corrected omissions or other errors in financial statement presentation – *none were identified during the audit.*
## Matters Pertaining to the Financial Statement Audit

<table>
<thead>
<tr>
<th>Matters communicated</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Significant unusual transactions</strong></td>
<td>We did not identify, in the course of our financial statement audit, any significant unusual transactions.</td>
</tr>
<tr>
<td><strong>Accounting policies</strong></td>
<td>Management describes their critical accounting policies and key estimates that are subject to uncertainty in note 1 to the financial statements.</td>
</tr>
<tr>
<td></td>
<td>- We identified, during the course of our financial statement audit, no material changes in selection or application of accounting policies were noted.</td>
</tr>
<tr>
<td></td>
<td>- We identified, during the course of our financial statement audit, no accounting policies in controversial or emerging areas.</td>
</tr>
<tr>
<td><strong>Related party transactions</strong></td>
<td>We did not identify, in the course of our financial statement audit, any related party transactions outside the normal course of business that involve significant judgments made by management concerning measurement and disclosure.</td>
</tr>
<tr>
<td></td>
<td>Refer to draft management representation letter in Appendix 2.</td>
</tr>
<tr>
<td><strong>Material weaknesses in internal control over financial reporting</strong></td>
<td>We did not identify, in the course of our financial statement audit, any material weaknesses in the design, implementation or operating effectiveness of internal control over financial reporting, including anti-fraud controls.</td>
</tr>
<tr>
<td></td>
<td>Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes. Refer to draft management representation letter in Appendix 2.</td>
</tr>
</tbody>
</table>
### Matters Pertaining to the Financial Statement Audit

<table>
<thead>
<tr>
<th>Matters communicated</th>
<th>Comments</th>
</tr>
</thead>
</table>
| **Illegal and fraudulent activities** | We did not identify, during our financial statement audit, any illegal acts or possibly illegal acts. Refer to draft management representation letter in Appendix 2. We did not identify, during our financial statement audit, any:  
  - matters that pose questions regarding the honesty and integrity of management  
  - fraud or suspected fraud involving management  
  - fraud or suspected fraud involving employees who have significant roles in internal control over financial reporting  
  - fraud or suspected fraud (whether caused by management or other employees) that results, or may result, in a non-trivial misstatement of the financial statements except as discussed with the audit committee  
  - matters that may cause future financial statements to be materially misstated  
  Refer to draft management representation letter in Appendix 2. |

| Auditors' independence     | Our draft independence letter dated October 16, 2014 in Appendix 3, includes a list of professional services provided by us to the Municipality or its related entities and any other identified relationships that, in our professional judgment, may reasonably be thought to bear on our independence. |
### Matters Pertaining to the Financial Statement Audit

<table>
<thead>
<tr>
<th>Matters communicated</th>
<th>Comments</th>
</tr>
</thead>
</table>
| **Dealings with Management**               | We received the full cooperation of management and employees of the Municipality and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit.  
We had no disagreements with management, and we have resolved all auditing, accounting and presentation issues to our satisfaction. |
| **Consultation with other Accountants**    | We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.                      |
| **Major issues discussed with Management that influence our audit appointment** | We did not engage in discussion with management about any major issues in connection with our appointment as auditors.                    |
| **Unadjusted Audit Differences**           | Unadjusted audit differences are presented in Appendix 4.                                                                               |
| **Adjusted Audit Differences**             | No adjusted audit differences were identified.                                                                                          |
### Matters Pertaining to the Financial Statement Audit

<table>
<thead>
<tr>
<th>Matters communicated</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Involvement with designated public documents and continuous disclosure documents | A designated public document includes:  
  - an annual report  
  - another public document when we have been engaged to read or perform services with respect to that document  
  - Annual Information Form  
  For designated public documents, professional standards require us to:  
  - determine whether the financial statements and our Independent Auditors' Report have been accurately reproduced  
  - compare the financial statements and our Independent Auditors' Report ultimately posted on the Website to the original  
  - read the designated public document and assess whether any of the information appears to be inconsistent with the financial statements or our knowledge obtained in the course of our financial statement audit  
  - perform procedures for documents produced in another language  
  - discuss with management any information that appears to be inconsistent, a material misstatement of fact or a misrepresentation  
  - report any unresolved matters to the Audit Committee  
  Professional standards do not require us to perform, and we have not performed, any procedures to verify any of the information in the designated public document, other than the financial statements and our Independent Auditors' Report. |
Appendix 1
Draft Independent Auditors’ Report
INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council
Cape Breton Regional Municipality

We have audited the accompanying consolidated financial statements of Cape Breton Regional Municipality which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Sydney, Canada
October 16, 2014
INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council of
Cape Breton Regional Municipality Water Utility

We have audited the accompanying financial statements of Cape Breton Regional Municipality Water Utility which comprise the statement of financial position as at March 31, 2014 and the statements of financial activities and deficit, investment in capital assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia, 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.

Auditors' 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 auditors' 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality Water Utility as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared for the Cape Breton Regional Municipality Water Utility to comply with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. As a result the financial statements may not be suitable for another purpose.

Chartered Accountants
Sydney, Canada
October 16, 2014
Appendix 2

Draft Management Representation Letter
October 16, 2014

MGM & Associates
P. O. Box 1
Sydney, Nova Scotia
B1P 6G9

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the consolidated financial statements of Cape Breton Regional Municipality for the year ended March 31, 2014 for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 20, 2013 for the preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles; in particular, the consolidated financial statements are fairly presented in accordance therewith.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian generally accepted accounting principles.

- All events subsequent to the date of the consolidated financial statements and for which Canadian generally accepted accounting principles require adjustment or disclosure have been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.
Information Provided

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the Municipality from whom you determined it necessary to obtain audit evidence.

- All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

- We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the consolidated financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Municipality's consolidated financial statements communicated by employees, former employees, analysts, regulators or others.

- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.

- We have disclosed to you the identity of the Municipality's related parties and all the related-party relationships and transactions of which we are aware.

- We have made available to you all financial records and related data and all minutes of the meetings of council and committees of council.

- We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
Recognition, Measurement and Disclosure

- We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

- The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

- We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.

- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

- The Municipality has satisfactory title to all assets, and there are no liens or encumbrances on the Municipality's assets.

- We have disclosed to you, and the Municipality has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

- There have been no events subsequent to the statement of financial position date up to the date hereof that would require recognition or disclosure in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and the related notes.

Yours very truly,

Per: Marie Walsh, Acting Chief Administrative Officer
October 16, 2014

MGM & Associates
P. O. Box 1
Sydney, Nova Scotia
B1P 6G9

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the financial statements of Cape Breton Regional Municipality Water Utility for the year ended March 31, 2014 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 30, 2013 for the preparation of the financial statements in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia; in particular, the financial statements are fairly presented in accordance therewith.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

- All events subsequent to the date of the financial statements and for which the Accounting and Reporting Handbook for Water Utilities in Nova Scotia require adjustment or disclosure have been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.
Information Provided

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the Utility from whom you determined it necessary to obtain audit evidence.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Utility's financial statements communicated by employees, former employees, analysts, regulators or others.

- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- We have disclosed to you the identity of the Utility's related parties and all the related-party relationships and transactions of which we are aware.

- We have made available to you all financial records and related data and all minutes of the meetings of council and committees of council.

- We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
Recognition, Measurement and Disclosure

• We believe that the significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

• We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

• The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

• We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.

• All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

• The Utility has satisfactory title to all assets, and there are no liens or encumbrances on the Utility's assets.

• We have disclosed to you, and the Utility has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Yours very truly,

Per:  
Marie Walsh, Acting Chief Administrative Officer
Appendix 3
Draft Independence Letter
PRIVATE & CONFIDENTIAL

The Audit Committee
Cape Breton Regional Municipality
320 Esplanade
Sydney, Nova Scotia
B1P 1A7

October 16, 2014

Dear Audit Committee members:

We have been engaged to audit the consolidated financial statements of Cape Breton Regional Municipality for the year ending March 31, 2014.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Municipality and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Nova Scotia and applicable legislation, covering such matters as:

(a) Holding a financial interest, either directly or indirectly, in a client;

(b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;

(c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;

(d) Economic dependence on a client; and

(e) Provision of services in addition to the audit engagement.

We are not aware of any relationships between the Municipality and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from September 25, 2013 to October 16, 2014.

In addition to the audit of the consolidated financial statements, we have also performed compliance audits for your funding partners and an audit of the financial statements of the Cape Breton Regional Municipality Water Utility.
Cape Breton Regional Municipality
October 16, 2014

Canadian generally accepted standards for audit engagements requires that we confirm our independence to management or persons having oversight responsibility for the financial reporting process in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. Accordingly, we hereby confirm that we are independent with respect to the Municipality within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia as of October 16, 2014.

This report is intended solely for the use of the audit committee, management and others within the Municipality and should not be used for any other purposes.

Very truly yours,

MGM & Associates
Chartered Accountants
PRIVATE & CONFIDENTIAL

The Audit Committee
Cape Breton Regional Municipality Water Utility
320 Esplanade
Sydney, Nova Scotia
B1P 1A7

October 16, 2014

Dear Audit Committee members:

We have been engaged to audit the financial statements of Cape Breton Regional Municipality Water Utility for the year ending March 31, 2014.

Canadian auditing standards require that we communicate at least annually with you regarding all relationships between the Utility and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, the standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of Nova Scotia and applicable legislation, covering such matters as:

(a) Holding a financial interest, either directly or indirectly, in a client;
(b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
(c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
(d) Economic dependence on a client; and
(e) Provision of services in addition to the audit engagement.

We are not aware of any relationships between the Utility and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from September 25, 2013 to October 16, 2014.

In addition to the audit of the Utility's financial statements, we have also audited the consolidated financial statements of the Cape Breton Regional Municipality and compliance audits for its funding partners.
Cape Breton Regional Municipality Water Utility  
October 16, 2014

Canadian generally accepted standards for audit engagements requires that we confirm our independence to management or persons having oversight responsibility for the financial reporting process in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia. Accordingly, we hereby confirm that we are independent with respect to the Utility within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia as of October 16, 2014.

This report is intended solely for the use of the audit committee, management and others within the Utility and should not be used for any other purposes.

Very truly yours,

MGM & Associates  
Chartered Accountants
Appendix 4
Unadjusted Audit Differences
<table>
<thead>
<tr>
<th>Description</th>
<th>Impact of audit difference on financial statement captions - Increase/(Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excess of Revenues over Expenses</td>
</tr>
<tr>
<td></td>
<td>Current Period</td>
</tr>
<tr>
<td>Effect of prior periods unadjusted audit differences:</td>
<td>-</td>
</tr>
<tr>
<td>Unadjusted audit differences in the current period</td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td></td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>-</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>-</td>
</tr>
<tr>
<td>Adjust capital asset amortization for differences created by SAP.</td>
<td></td>
</tr>
<tr>
<td>Clerk Pension Liability</td>
<td>-</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>-</td>
</tr>
<tr>
<td>Surplus</td>
<td>-</td>
</tr>
<tr>
<td>Pension expense</td>
<td>57,300</td>
</tr>
<tr>
<td>Recognize net pension plan liability.</td>
<td></td>
</tr>
<tr>
<td>Aggregate of unadjusted audit differences</td>
<td>197,539</td>
</tr>
</tbody>
</table>
Appendix 5
Reconciliation of PSAB with Non-Consolidated Financial Statements
# CAPE BRETON REGIONAL MUNICIPALITY
Reconciliation of internal numbers to PSAB numbers

Year ended March 31, 2014 with comparative figures for 2013

## ANNUAL SURPLUS/DEFICIT

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANNUAL SURPLUS, INTERNAL FS</td>
<td>$183,545</td>
<td>$23,928</td>
</tr>
<tr>
<td>RECONCILING ITEMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension adjustment</td>
<td>344,000</td>
<td>(770,000)</td>
</tr>
<tr>
<td>Surplus allocation</td>
<td>-</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Vacation accrual</td>
<td>-</td>
<td>(130,077)</td>
</tr>
<tr>
<td></td>
<td>344,000</td>
<td>(1,900,077)</td>
</tr>
<tr>
<td>ANNUAL DEFICIT, PSAB</td>
<td>$527,545</td>
<td>$(1,876,149)</td>
</tr>
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</table>

## ACCUMULATED SURPLUS/DEFICIT

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCUMULATED SURPLUS, INTERNAL FS, BEGINNING OF YEAR</td>
<td>$917,145</td>
<td>$1,893,217</td>
</tr>
<tr>
<td>ANNUAL SURPLUS, INTERNAL FS</td>
<td>183,545</td>
<td>23,928</td>
</tr>
<tr>
<td>ACCUMULATED SURPLUS, INTERNAL FS, END OF YEAR</td>
<td>1,100,690</td>
<td>1,917,145</td>
</tr>
<tr>
<td>CURRENT YEAR RECONCILING ITEMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension adjustment</td>
<td>344,000</td>
<td>(770,000)</td>
</tr>
<tr>
<td>Surplus allocation</td>
<td>-</td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Vacation accrual</td>
<td>-</td>
<td>(130,077)</td>
</tr>
<tr>
<td></td>
<td>344,000</td>
<td>(1,900,077)</td>
</tr>
<tr>
<td>PRIOR YEAR RECONCILING ITEMS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landfill closure liability</td>
<td>(41,161,800)</td>
<td>(41,161,800)</td>
</tr>
<tr>
<td>Vacation accrual</td>
<td>(3,830,357)</td>
<td>(3,700,280)</td>
</tr>
<tr>
<td>Interest accrual</td>
<td>(1,471,362)</td>
<td>(1,471,362)</td>
</tr>
<tr>
<td>Pension asset</td>
<td>6,016,000</td>
<td>6,786,000</td>
</tr>
<tr>
<td>Sick benefit accrual</td>
<td>126,153</td>
<td>126,153</td>
</tr>
<tr>
<td></td>
<td>(40,321,366)</td>
<td>(39,421,289)</td>
</tr>
<tr>
<td>ACCUMULATED DEFICIT, PSAB, END OF YEAR</td>
<td>$(38,876,676)</td>
<td>$(39,404,221)</td>
</tr>
</tbody>
</table>
Audit Committee

“CBRM Draft Consolidated Financial Statements Year Ending March 31, 2014”
Consolidated Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY

Year ended March 31, 2014
CAPE BRETON REGIONAL MUNICIPALITY
Consolidated Financial Statements
March 31, 2014

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Cape Breton Regional Municipality (the "Municipality") are the responsibility of the Municipality's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

The consolidated financial statements have been audited by MGM & Associates, Chartered Accountants, independent external auditors appointed by the Municipality. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Marie Walsh
Acting Chief Administrative Officer

October 16, 2014
INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council
Cape Breton Regional Municipality

We have audited the accompanying consolidated financial statements of Cape Breton Regional Municipality which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Sydney, Canada

October 16, 2014
# CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes receivable (note 3)</td>
<td>$14,200,128</td>
<td>$13,650,041</td>
</tr>
<tr>
<td>Accounts receivable (note 4)</td>
<td>17,309,606</td>
<td>16,637,914</td>
</tr>
<tr>
<td>Net prepaid benefit expense (note 5)</td>
<td>6,360,000</td>
<td>6,016,000</td>
</tr>
<tr>
<td>Due from trust fund</td>
<td>–</td>
<td>272,420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$37,869,734</td>
<td>$36,576,375</td>
</tr>
<tr>
<td><strong>FINANCIAL LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheques issued in excess of funds on deposit (note 2)</td>
<td>21,087,518</td>
<td>27,929,099</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities (note 8)</td>
<td>12,243,271</td>
<td>12,969,867</td>
</tr>
<tr>
<td>Accrued interest on long-term debt</td>
<td>1,471,362</td>
<td>1,471,362</td>
</tr>
<tr>
<td>Due to trust funds</td>
<td>288,846</td>
<td>–</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4,182,432</td>
<td>3,930,274</td>
</tr>
<tr>
<td>Accrued employee benefits</td>
<td>5,915,146</td>
<td>5,959,006</td>
</tr>
<tr>
<td>Solid waste management facilities liabilities (note 9)</td>
<td>41,161,800</td>
<td>41,161,800</td>
</tr>
<tr>
<td>Long-term debt (note 10)</td>
<td>113,278,813</td>
<td>115,864,393</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>199,627,188</td>
<td>209,285,801</td>
</tr>
</tbody>
</table>

| **NET DEBT**    | (161,757,454) | (172,709,426) |

| **NON-FINANCIAL ASSETS** |               |               |
| Tangible capital assets (note 11) | 346,385,846   | 352,562,020   |
| Work in progress | 20,422,463    | 8,061,611     |
| Properties acquired at tax sale | 1,561,686     | 1,577,115     |
| Inventory, prepaid expenses and other | 2,562,028     | 2,888,640     |
| **Total**       | 370,932,023   | 365,089,386   |

| **FUND BALANCES** (note 7) | $209,174,569   | $192,379,960   |

Contingencies (note 12)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

Mayor

Clerk
CAPE BRETON REGIONAL MUNICIPALITY
Consolidated Statement of Financial Activities

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Unaudited)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$95,652,055</td>
<td>$96,514,072</td>
<td>$92,353,433</td>
</tr>
<tr>
<td>Grants in lieu of taxes</td>
<td>7,589,289</td>
<td>7,981,789</td>
<td>7,876,533</td>
</tr>
<tr>
<td>Services provided to other governments</td>
<td>240,000</td>
<td>187,548</td>
<td>240,000</td>
</tr>
<tr>
<td>Sales of services</td>
<td>2,525,045</td>
<td>2,779,577</td>
<td>2,280,971</td>
</tr>
<tr>
<td>Revenue from own sources</td>
<td>11,705,330</td>
<td>10,657,400</td>
<td>11,009,765</td>
</tr>
<tr>
<td>Unconditional transfers from other governments</td>
<td>16,248,292</td>
<td>16,248,563</td>
<td>16,425,813</td>
</tr>
<tr>
<td>Conditional transfers from other governments</td>
<td>2,180,699</td>
<td>2,171,012</td>
<td>2,229,391</td>
</tr>
<tr>
<td>Capital grants</td>
<td>3,961,257</td>
<td>15,410,208</td>
<td>13,019,642</td>
</tr>
<tr>
<td>Water utility revenue</td>
<td>24,698,487</td>
<td>23,382,685</td>
<td>22,908,024</td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>90,303</td>
<td>92,658</td>
</tr>
<tr>
<td>Gain on sale of properties</td>
<td>-</td>
<td>5,750</td>
<td>516,189</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td>164,800,364</td>
<td>175,428,907</td>
<td>168,952,619</td>
</tr>
</tbody>
</table>

| **EXPENSES**                   |         |             |             |
| General government services    | 16,029,873 | 16,677,692 | 15,779,861 |
| Protective services            | 43,527,124 | 42,678,698 | 42,959,094 |
| Transportation services        | 34,887,870 | 35,862,476 | 33,082,240 |
| Environmental health services  | 17,999,924 | 17,026,070 | 17,898,978 |
| Public health and welfare services | 2,285,250 | 1,879,835  | 1,887,209  |
| Environmental development services | 1,118,537 | 997,300     | 963,809     |
| Recreation and cultural services | 10,913,596 | 11,396,407 | 10,910,008 |
| Planning and development services | 302,118   | 302,118     | 300,751     |
| Educational services           | 12,193,890 | 12,193,890 | 11,588,280 |
| Water utility expenses         | 22,212,397 | 19,500,815 | 19,173,511 |
| **EXPENSES**                   | 161,576,579 | 158,515,301 | 154,543,741 |

Excess of revenues over expenses before the following

3,229,785  16,913,606  14,408,878

**NET FINANCING AND TRANSFERS**

Amortization of bond discount

(20,000)  (118,997)  (136,111)

**CHANGE IN FUND BALANCES**

3,209,785  16,794,609  14,272,767

**FUND BALANCES, BEGINNING OF YEAR**

192,379,960  178,107,193

**FUND BALANCES, END OF YEAR**

$209,174,569  $192,379,960

See accompanying notes to consolidated financial statements.
# CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHANGE IN FUND BALANCES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$16,794,609</td>
<td>$14,272,767</td>
</tr>
<tr>
<td>Tangible capital assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of tangible capital assets</td>
<td>(8,902,338)</td>
<td>(27,997,593)</td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>15,078,512</td>
<td>14,798,000</td>
</tr>
<tr>
<td></td>
<td>6,176,174</td>
<td>(13,199,593)</td>
</tr>
<tr>
<td>Other non-financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in work in progress</td>
<td>(12,360,852)</td>
<td>(5,034,406)</td>
</tr>
<tr>
<td>Decrease in property acquired at tax sale</td>
<td>15,429</td>
<td>15,050</td>
</tr>
<tr>
<td>Decrease in inventory, prepaid expenses and other</td>
<td>326,612</td>
<td>201,293</td>
</tr>
<tr>
<td></td>
<td>(12,048,811)</td>
<td>(4,818,063)</td>
</tr>
<tr>
<td><strong>DECREASE (INCREASE) IN NET DEBT</strong></td>
<td>10,951,972</td>
<td>(3,744,889)</td>
</tr>
<tr>
<td><strong>NET DEBT, BEGINNING OF YEAR</strong></td>
<td>(172,709,426)</td>
<td>(168,964,537)</td>
</tr>
<tr>
<td><strong>NET DEBT, END OF YEAR</strong></td>
<td>(161,757,454)</td>
<td>(172,709,426)</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
CAPE BRETON REGIONAL MUNICIPALITY
Consolidated Statement of Cash Flows

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fund balances</td>
<td>$16,794,609</td>
<td>$14,272,767</td>
</tr>
<tr>
<td>Items not involving cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>15,078,512</td>
<td>14,798,000</td>
</tr>
<tr>
<td>Pension expense</td>
<td>3,517,000</td>
<td>5,629,000</td>
</tr>
<tr>
<td>Change in non-cash working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in taxes receivable</td>
<td>(550,087)</td>
<td>(1,999,596)</td>
</tr>
<tr>
<td>Decrease in accounts receivable</td>
<td>(671,692)</td>
<td>2,622,806</td>
</tr>
<tr>
<td>Contributions to defined benefit pension plan</td>
<td>(3,661,000)</td>
<td>(4,859,000)</td>
</tr>
<tr>
<td>Decrease in inventory, prepaid expenses and other</td>
<td>326,612</td>
<td>201,293</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable and accrued liabilities</td>
<td>(726,596)</td>
<td>1,460,157</td>
</tr>
<tr>
<td>Increase in deferred revenue</td>
<td>252,158</td>
<td>37,189</td>
</tr>
<tr>
<td>Increase (decrease) in accrued employee benefits</td>
<td>(43,860)</td>
<td>182,853</td>
</tr>
<tr>
<td></td>
<td>30,115,656</td>
<td>32,345,469</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM FINANCING ACTIVITIES** |         |         |
| Decrease (increase) in due from trust fund | 272,420  | (272,420) |
| Increase (decrease) in due to trust fund   | 286,846  | (407,522) |
| Issuance of long-term debt                 | 12,682,691 | 4,630,333 |
| Principal payments on long-term debt       | (15,268,271) | (17,721,906) |
|                                          | (2,026,314) | (13,771,515) |

| **CASH FLOWS FROM CAPITAL ACTIVITIES**    |         |         |
| Acquisition of tangible capital assets    | (8,902,338) | (27,997,593) |
| Increase in work in progress              | (12,360,852) | (5,034,406) |
| Decrease in properties acquired at tax sale | 15,429  | 15,050  |
|                                          | (21,247,761) | (33,016,949) |

| **NET CHANGE IN CASH AND CASH EQUIVALENTS** |         |
|                                              | 6,841,581 |
|                                              | (14,442,995) |

| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** |         |
|                                                | (27,929,099) |
|                                                | (13,486,104) |

| **CASH AND CASH EQUIVALENTS, END OF YEAR**     |         |
|                                               | $ (21,087,518) |
|                                               | (27,929,099) |

See accompanying notes to consolidated financial statements.
1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

These consolidated financial statements of the Cape Breton Regional Municipality (the "Municipality") have been prepared, in all material respects, in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(b) Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenues, expenses and changes in fund balances of all funds of the Municipality. The Municipality is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Municipality and that are owned or controlled by the Municipality. Inter-fund and inter-corporate balances and transactions have been eliminated. The entities included are as follows:

- Operating, capital and reserve funds of the Cape Breton Regional Municipality
- Operating and capital funds of the Cape Breton Regional Municipality Water Utility

(c) School boards

The assets, liabilities, taxation and other revenues and expenses with respect to the operations of the school boards are not reflected in these consolidated financial statements as they are provincial government entities.

School boards in Nova Scotia were created by the Province under provisions in the Education Act, and, under provincial statute, every municipality is required to make a mandatory contribution to its school board. The mandatory contribution is set at the value of the Education Rate, set by the Province each year, multiplied by the previous year's Uniform Assessment. The funding for this contribution to the Cape Breton-Victoria Regional School Board are recovered by the municipality by an area rate levied on the assessed value of the taxable property and business occupancy assessments and is shown as an expense on the consolidated statement of financial activities.

(d) Trust funds

Trust funds and their related operations administered by the Municipality are not included in the consolidated financial statements, but are reported separately in the Trust Funds financial statements.

(e) Fund accounting

The resources and operations of the Municipality are comprised of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.
1. Significant Accounting Policies (Continued)

(f) Basis of accounting

Revenues and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(g) Cash and cash equivalents

The Municipality considers cash on hand, deposits held in banks net of outstanding cheques and deposits and temporary lines of credit and overdrafts as cash and cash equivalents.

(h) Tangible capital assets

Tangible capital assets acquired since amalgamation on August 1, 1995 are reported in the statement of financial position at cost net of accumulated amortization. All tangible capital assets acquired prior to amalgamation have been written off. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

<table>
<thead>
<tr>
<th>Basis Fund</th>
<th>Basis</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>Straight-line</td>
<td>40 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>Straight-line</td>
<td>5-10 years</td>
</tr>
<tr>
<td>Streets</td>
<td>Straight-line</td>
<td>50 years</td>
</tr>
<tr>
<td>Sidewalks</td>
<td>Straight-line</td>
<td>20 years</td>
</tr>
<tr>
<td>Traffic lights</td>
<td>Straight-line</td>
<td>20 years</td>
</tr>
<tr>
<td>Recreation facilities</td>
<td>Straight-line</td>
<td>5-40 years</td>
</tr>
<tr>
<td>Industrial parks</td>
<td>Straight-line</td>
<td>40 years</td>
</tr>
<tr>
<td>Waterfront development</td>
<td>Straight-line</td>
<td>50 years</td>
</tr>
<tr>
<td>Wharf – Sydney Marine Terminal</td>
<td>Straight-line</td>
<td>25 years</td>
</tr>
<tr>
<td>Garbage collection and disposal</td>
<td>Straight-line</td>
<td>25 years</td>
</tr>
<tr>
<td>Sewer collection and disposal</td>
<td>Straight-line</td>
<td>50 years</td>
</tr>
<tr>
<td>Water fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structures and Improvements</td>
<td>Straight-line</td>
<td>75 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>Straight-line</td>
<td>5-20 years</td>
</tr>
<tr>
<td>Mains</td>
<td>Straight-line</td>
<td>75 years</td>
</tr>
<tr>
<td>Services and other</td>
<td>Straight-line</td>
<td>50 years</td>
</tr>
<tr>
<td>Meters</td>
<td>Straight-line</td>
<td>20 years</td>
</tr>
<tr>
<td>Hydrants</td>
<td>Straight-line</td>
<td>50 years</td>
</tr>
</tbody>
</table>

A full year's amortization is taken in the year of acquisition.
1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reserve funds

Certain amounts, as approved by Council of the Municipality, are set aside in reserve funds for future operating and capital purposes. Transfers to and or from reserves funds are an adjustment to the respective fund when approved.

(j) Government transfers

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.

(k) Deferred revenue

Deferred revenue represents user charges, prepayment of taxes, and other fees that have been collected, for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(l) Taxation and related revenues

Property tax billings are prepared by the Municipality based on assessment rolls issued by the Province. Tax rates are established annually by Council, incorporating amounts to be raised for local services and the requisition made by the Province in respect of education taxes. Taxation revenues are recorded at the time tax billings are due. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the results of the appeal process are known. An allowance for unresolved assessment appeals is also provided.

(m) Employee future benefits

The Municipality has a defined benefit pension plan covering its employees.

Pension expense is included in department expenditures on the consolidated statement of financial activities.

The Municipality has adopted the following policies:

(i) The cost of the accrued benefit obligations for pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages.
CAPE BRETON REGIONAL MUNICIPALITY
Notes to Consolidated Financial Statements
Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee future benefits (continued)

(ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

(iii) Past service costs from plan amendments, transitional adjustments and actuarial gains or losses (within the limits prescribed), are deferred and amortized on a straight-line basis over the average remaining service period of active employees.

The cumulative difference between pension expense recognized in the financial statements and the funding contributions is reflected in the statement of financial position as net prepaid benefit expense.

(n) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenses in the consolidated financial statements and accompanying notes. Significant items subject to management’s estimates and assumptions include the valuation of receivables and carrying value of tangible capital assets, as well as the valuation of the employee future benefits. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating funds</td>
<td>$ (9,991,554)</td>
<td>$ (8,536,185)</td>
</tr>
<tr>
<td>Reserves funds</td>
<td>9,305,248</td>
<td>6,457,284</td>
</tr>
<tr>
<td>Capital funds</td>
<td>(20,401,212)</td>
<td>(25,850,198)</td>
</tr>
<tr>
<td></td>
<td>$ (21,087,518)</td>
<td>$ (27,929,099)</td>
</tr>
</tbody>
</table>
3. TAXES RECEIVABLE

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross taxes receivable, beginning of year</td>
<td>$14,872,488</td>
<td>$13,329,161</td>
</tr>
<tr>
<td>Current year's levy of property taxes</td>
<td>93,118,770</td>
<td>89,685,336</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>107,991,258</strong></td>
<td><strong>103,014,499</strong></td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current year's collections</td>
<td>$92,528,183</td>
<td>$87,637,242</td>
</tr>
<tr>
<td>Reduced taxes</td>
<td>40,500</td>
<td>48,500</td>
</tr>
<tr>
<td>Allowance</td>
<td>(61,944)</td>
<td>456,269</td>
</tr>
<tr>
<td><strong>Gross taxes receivable, end of year</strong></td>
<td><strong>15,484,519</strong></td>
<td><strong>14,872,488</strong></td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for uncollectible taxes</td>
<td>1,284,391</td>
<td>1,222,447</td>
</tr>
<tr>
<td><strong>Taxes receivable, net</strong></td>
<td><strong>$14,200,128</strong></td>
<td><strong>$13,650,041</strong></td>
</tr>
</tbody>
</table>

4. ACCOUNTS RECEIVABLE

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal government</td>
<td>$3,421,809</td>
<td>$5,122,297</td>
</tr>
<tr>
<td>Provincial government</td>
<td>2,788,303</td>
<td>964,024</td>
</tr>
<tr>
<td>Other receivables</td>
<td>12,784,718</td>
<td>12,235,932</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,994,830</strong></td>
<td><strong>18,322,253</strong></td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>1,685,224</td>
<td>1,684,339</td>
</tr>
<tr>
<td><strong>Total after allowance</strong></td>
<td><strong>$17,309,606</strong></td>
<td><strong>$16,637,914</strong></td>
</tr>
</tbody>
</table>

5. EMPLOYEE FUTURE BENEFITS

a) Retirement costs

The Municipality sponsors a contributory defined benefit pension plan for substantially all of its employees. The plan provides pensions based on length of service and final average earnings. The average age of the 711 active employees covered by the plan is 47.4. There are 19 former employees who are entitled to deferred pension benefits. At present, the plan provides benefits for 333 retirees with benefit payments being $5,395,000 in 2014.
5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The following summarizes the plan for the fiscal year ended March 31, 2014 and 2013:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accrued benefit obligation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>$128,508,000</td>
<td>$121,843,000</td>
</tr>
<tr>
<td>Current service cost</td>
<td>4,879,000</td>
<td>5,551,000</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(5,395,000)</td>
<td>(4,992,000)</td>
</tr>
<tr>
<td>Interest on obligations</td>
<td>6,412,000</td>
<td>6,106,000</td>
</tr>
<tr>
<td><strong>Accrued benefit obligation, end of year</strong></td>
<td><strong>134,404,000</strong></td>
<td><strong>128,508,000</strong></td>
</tr>
</tbody>
</table>

|                                |            |            |
| **Deduct plan assets**         |            |            |
| Balance, beginning of year     | 121,515,000 | 108,905,000 |
| Employer contributions         | 3,861,000  | 4,859,000  |
| Employee contributions         | 3,123,000  | 2,343,000  |
| Benefit payments               | (5,395,000) | (4,992,000) |
| Interest on average assets     | 6,116,000  | 5,500,000  |
| Actuarial gains                 | 9,846,000  | 4,900,000  |
| **Plan assets, end of year**   | 139,066,000 | 121,515,000 |

|                                |            |            |
| **Funded status – plan deficit** | 4,662,000  | (6,993,000) |
| **Unamortized actuarial losses** | 1,698,000  | 13,009,000 |

|                                |            |            |
| **Net prepaid benefit expense** | $6,360,000 | $6,016,000 |

b) Defined Benefit Plans

The significant actuarial assumptions adopted in measuring the Municipality's accrued benefit obligation are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Expected long-term rate of return on assets</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

The Municipality's net benefit plan expense is computed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>$4,879,000</td>
<td>$5,551,000</td>
</tr>
<tr>
<td>Amortization of actuarial losses</td>
<td>1,465,000</td>
<td>1,815,000</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>(3,123,000)</td>
<td>(2,343,000)</td>
</tr>
<tr>
<td>Interest on average liabilities</td>
<td>6,412,000</td>
<td>6,106,000</td>
</tr>
<tr>
<td>Interest on average assets</td>
<td>(6,116,000)</td>
<td>(5,500,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,517,000</td>
<td>$5,629,000</td>
</tr>
</tbody>
</table>
5. **EMPLOYEE FUTURE BENEFITS (CONTINUED)**

The actuarial value of net assets and the actuarial present value of accrued pension benefits are presented on the going concern basis. In accordance with the Nova Scotia Pension Benefits Act ("PBA"), a solvency valuation is performed on the Plan, even though the risk of it being wound up is remote. The values of the Plan’s assets and liabilities on a solvency basis are related to the corresponding values calculated as though the Plan were wound up and settled on the valuation date, excluding any provision for future indexing of benefits as provided under PBA regulation 16(1)(a). Further to an amendment to the same Regulation to the PBA effective at the end of 2005, plan sponsors can also exclude from the solvency valuation the value of the benefits provided under Section 79 (commonly referred to as the "grow in" provisions) of the PBA. The contribution requirements consider the exclusion of such benefits in the determination of the solvency special payments schedule for 2005 and beyond.

c) **Defined Contribution Plan**

The Cape Breton Regional Municipality also provides a defined contribution pension plan. Members of this plan and employees of the former municipalities prior to amalgamation in 1995 and part time employees to which compulsory membership is not directed to the CBRM DB Plan. The contribution rate is funded equally.

The contribution for the year amounts to approximately $316,218 (2013 - $230,074).

d) **Other**

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately $310,701 (2013 - $315,879).

e) **Municipal clerks’ pension**

The Municipality is required, under provisions of the Municipal Government Act of the Province of Nova Scotia, to provide a non-contributory defined pension plan for Municipal Clerks in respect of years of service to March 31, 1993.

The liability will be periodically adjusted based on triennial actuarial valuation and differences, if any, between the actuarially determined liability and the liability as otherwise determined. This adjustment will be charged to future operations.

The two plans provided by the Municipality had a deficiency of plan assets over liabilities of $261,200 (2013 -$298,100).
6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2014 are $3,018,225 (2013 - $3,035,684).

7. FUND BALANCES

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>General operating fund</td>
<td>$(38,876,676)</td>
<td>$(39,404,221)</td>
</tr>
<tr>
<td>Water operating fund</td>
<td>3,758,787</td>
<td>3,406,623</td>
</tr>
<tr>
<td>General capital fund</td>
<td>176,274,406</td>
<td>163,712,242</td>
</tr>
<tr>
<td>Water capital fund</td>
<td>61,049,100</td>
<td>58,201,266</td>
</tr>
<tr>
<td></td>
<td>202,205,617</td>
<td>165,915,910</td>
</tr>
<tr>
<td>Reserves set aside by council</td>
<td>6,968,952</td>
<td>6,464,050</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$209,174,569</td>
<td>$192,379,960</td>
</tr>
</tbody>
</table>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade accounts payable</td>
<td>$ 7,065,860</td>
<td>$ 8,048,656</td>
</tr>
<tr>
<td>Payroll and related</td>
<td>1,630,935</td>
<td>1,078,715</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>1,146,568</td>
<td>1,531,036</td>
</tr>
<tr>
<td>Tax sale trust</td>
<td>2,399,908</td>
<td>2,311,460</td>
</tr>
<tr>
<td></td>
<td>$ 12,243,271</td>
<td>$ 12,969,867</td>
</tr>
</tbody>
</table>

9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES

The Nova Scotia Environmental Protection Act established regulatory requirements for the closure and long-term maintenance of landfill sites. A requirement of the Act is that the Municipality is required to plan and provide closure and post closure maintenance of their landfill sites.

Within the former municipal units of the CBRM, there were six major former municipal landfills operated by these units. The included Sydney landfill, County of Cape Breton landfill & incineration facility, Woodbine landfill operated by the County of Cape Breton, No. 11 landfill in Glace Bay, the Louisbourg landfill, new Waterford landfill operated near Scotchtown and seven other small sites in Dominion, Sydney Mines and Glace Bay.
9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

Two of the larger landfills, Sydney landfill and the No. 11 landfill in Glace Bay were considered properly closed in the 1990's, however, there are still 4 somewhat major landfills and several small sites that require varying degrees of monitoring and/or closure activities as per the regulations.

Activities required for these sites vary and include but are not limited to groundwater monitoring, well installation and monitoring, site delineation, site security, landfill gas delineation, leachate quality monitoring and possible treatment, site capping and general site tidiness.

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is $41,161,800 (2013 - $41,161,800). The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations. We anticipate this number to grow with potential for interest rate effects on borrowing for completion and fluctuations with cost of living increases in the service markets where this work would be carried out.

10. LONG-TERM DEBT

The schedule attached to the consolidated financial statements details the various terms and conditions related to the long-term debt.

Principal payments required in each of the next five years on debt held as at March 31, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$15,794,000</td>
</tr>
<tr>
<td>2016</td>
<td>15,794,000</td>
</tr>
<tr>
<td>2017</td>
<td>15,230,000</td>
</tr>
<tr>
<td>2018</td>
<td>14,733,000</td>
</tr>
<tr>
<td>2019</td>
<td>9,804,000</td>
</tr>
</tbody>
</table>
## 11. TANGIBLE CAPITAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land</strong></td>
<td>$7,790,765</td>
<td></td>
<td>$7,790,765</td>
<td>$7,687,317</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Buildings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government services</td>
<td>6,730,907</td>
<td>2,045,407</td>
<td>4,685,500</td>
<td>3,999,973</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protective services</td>
<td>3,885,217</td>
<td>894,634</td>
<td>2,990,583</td>
<td>3,038,395</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation services</td>
<td>8,360,980</td>
<td>1,060,523</td>
<td>7,300,457</td>
<td>7,449,259</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental services</td>
<td>26,905,844</td>
<td>5,612,667</td>
<td>21,293,177</td>
<td>21,389,744</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and cultural services</td>
<td>13,987,395</td>
<td>3,189,662</td>
<td>10,797,533</td>
<td>11,061,323</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial parks</td>
<td>1,084,104</td>
<td>396,892</td>
<td>744,212</td>
<td>771,315</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Buildings</strong></td>
<td>60,954,447</td>
<td>13,142,985</td>
<td>47,811,462</td>
<td>47,710,009</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government services</td>
<td>2,862,466</td>
<td>2,734,530</td>
<td>127,936</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protective services</td>
<td>8,196,620</td>
<td>6,689,119</td>
<td>1,507,501</td>
<td>2,052,709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public works</td>
<td>19,922,194</td>
<td>14,206,207</td>
<td>5,716,987</td>
<td>6,198,055</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental health services</td>
<td>13,678,850</td>
<td>13,169,495</td>
<td>519,355</td>
<td>928,736</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and cultural services</td>
<td>1,273,532</td>
<td>1,043,150</td>
<td>230,382</td>
<td>318,575</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Equipment</strong></td>
<td>45,933,662</td>
<td>37,831,501</td>
<td>8,102,161</td>
<td>9,498,075</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government services</td>
<td>742,494</td>
<td>742,494</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road transport</td>
<td>143,976,980</td>
<td>39,942,840</td>
<td>104,034,140</td>
<td>107,832,768</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Health services</td>
<td>85,431,142</td>
<td>16,150,028</td>
<td>69,281,114</td>
<td>68,905,302</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and cultural services</td>
<td>12,882,855</td>
<td>10,904,141</td>
<td>1,918,494</td>
<td>2,344,490</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waterfront development</td>
<td>8,661,700</td>
<td>3,039,158</td>
<td>5,622,542</td>
<td>5,999,831</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downtown development</td>
<td>1,433,906</td>
<td>202,703</td>
<td>1,231,203</td>
<td>1,194,264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wharf – Sydney Marine Terminal</td>
<td>1,726,210</td>
<td>906,678</td>
<td>819,532</td>
<td>888,581</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water utility assets</td>
<td>136,356,252</td>
<td>36,781,819</td>
<td>99,574,433</td>
<td>100,501,383</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>391,351,319</td>
<td>108,669,861</td>
<td>282,681,458</td>
<td>287,666,619</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$506,030,193</td>
<td>$159,644,347</td>
<td>$346,385,846</td>
<td>$352,562,020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
12. CONTINGENCIES

(a) As of March 31, 2014 there are a number of claims against the Municipality and its consolidated entities in varying amounts and for which provisions have been made in these financial statements as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Municipality with respect to these claims, but management believes that any such amounts would not have a material impact on the financial position of the Municipality.

(b) The Municipality is the plaintiff in various proceedings, which have arisen, in the normal course of carrying on its operations. It is not possible at this time to determine the amounts the Municipality may receive with respect to these claims.

(c) The Municipality has guaranteed a number of loans on behalf of various fire departments within CBRM. The total amount outstanding on these loans at March 31, 2014 is $1,414,263.

(d) Canadian Environmental Guidelines

Per regulations set forth by the Canadian Council of Ministers of the Environment (CCME) and required by the Nova Scotia Environment – Department, the Municipality is currently in the process of performing risk assessments to meet necessary wastewater treatment guidelines. Upon completion, the timeline and estimated cost to meet these guidelines will be more definitive.

13. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS

(a) Cape Breton Island Housing Authority

The Municipality shared in the operations of the Authority for the year ended March 31, 2014 in the amount of $1,795,245 (2013 - $1,802,619).

(b) Assessment Services

The Municipality is required to pay a share of the cost of operating the provincial assessment system based on the total provincial assessment cost times the average of the Municipality’s share of the Uniform Assessment and the Municipality’s share of assessment accounts. For the year ended March 31, 2014, the Municipality’s share of these costs was $1,364,599 (2013 - $1,394,533).

(c) Correctional Services

Municipalities in Nova Scotia are required to make a mandatory contribution to fund the cost of correctional services. The contribution is set by Provincial formula. For the year ended March 31, 2013, the Municipality’s contribution for these costs was $1,106,162 (2013 - $1,111,696).
13. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

(d) The Cape Breton-Victoria Regional School Board

The Municipality provided a mandatory contribution in the amount of $12,193,890 (2013 - $11,588,280) to the Cape Breton-Victoria Regional School Board.

14. FINANCIAL INSTRUMENTS

(a) Fair values

The fair value of the Municipality’s financial instruments that are comprised of cash (cheques issued in excess of funds on deposit), taxes receivable, accounts receivable, short term borrowings, accounts payable and accrued liabilities and accrued interest on long-term debt approximate their carrying value due to their short-term nature.

The fair value of long-term debt is based on rates currently available to the Municipality with similar terms and maturities and approximates its carrying value.

Unless otherwise noted below, it is management’s opinion that the Municipality is not exposed to significant interest, market or credit risks arising from these financial instruments.

(b) Credit risk

The Municipality is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties.
## CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Long-term Debt

March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th>Term (years)</th>
<th>Interest rate - %</th>
<th>Matures</th>
<th>Balance March 31/13</th>
<th>Issued</th>
<th>Redeemed</th>
<th>Balance March 31/14</th>
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<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M.F.C.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22-B-1</td>
<td>15</td>
<td>4.625-6.000</td>
<td>2017 $ 500,000</td>
<td>$ -</td>
<td>$ 100,000</td>
<td>$ 400,000</td>
</tr>
<tr>
<td>23-A-1</td>
<td>10</td>
<td>3.750-5.000</td>
<td>2013 742,500</td>
<td>-</td>
<td>742,500</td>
<td>-</td>
</tr>
<tr>
<td>25-A-1</td>
<td>10</td>
<td>3.760-4.515</td>
<td>2015 1,691,928</td>
<td>-</td>
<td>563,976</td>
<td>1,127,952</td>
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<tr>
<td>27-B-1</td>
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<td>4.577-5.010</td>
<td>2017 22,476,000</td>
<td>-</td>
<td>4,495,200</td>
<td>17,980,800</td>
</tr>
<tr>
<td>28-B-1</td>
<td>10</td>
<td>3.100-5.095</td>
<td>2018 6,472,652</td>
<td>-</td>
<td>1,078,776</td>
<td>5,393,876</td>
</tr>
<tr>
<td>30-B-1</td>
<td>10</td>
<td>1.550-3.870</td>
<td>2020 17,716,000</td>
<td>-</td>
<td>2,714,600</td>
<td>15,502,200</td>
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<td>31-A-1</td>
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<td>1.219-3.645</td>
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<td>-</td>
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<tr>
<td>32-B-1</td>
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<tr>
<td>33-B-1</td>
<td>10</td>
<td>0.000-3.614</td>
<td>2023 -</td>
<td>-</td>
<td>4,682,691</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>75,780,239</td>
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<tr>
<td><strong>Water Fund</strong></td>
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<td></td>
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</tr>
<tr>
<td>M.F.C.</td>
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<td></td>
<td>12,570,439</td>
</tr>
<tr>
<td></td>
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<td></td>
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<tr>
<td>22-B-1</td>
<td>15</td>
<td>3.250-6.000</td>
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<td>-</td>
<td>166,666</td>
<td>666,664</td>
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<tr>
<td>27-A-1</td>
<td>15</td>
<td>4.385-4.770</td>
<td>2022 13,717,590</td>
<td>-</td>
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<td>12,803,000</td>
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<tr>
<td>28-A-1</td>
<td>15</td>
<td>3.750-5.088</td>
<td>2023 11,200,000</td>
<td>-</td>
<td>700,000</td>
<td>10,500,000</td>
</tr>
<tr>
<td>30-A-1</td>
<td>15</td>
<td>1.510-4.875</td>
<td>2025 13,500,000</td>
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<td>12,750,000</td>
</tr>
<tr>
<td>33-A-1</td>
<td>10</td>
<td>1.330-2.979</td>
<td>2023 -</td>
<td>-</td>
<td>8,000,000</td>
<td>-</td>
</tr>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>8,000,000</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>2,697,832</td>
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<td></td>
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<td>45,386,331</td>
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</tr>
<tr>
<td></td>
<td>$ 15,664,393</td>
<td>$ 12,682,691</td>
<td></td>
<td>$ 15,268,271</td>
<td>$ 113,278,813</td>
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</tbody>
</table>
# Cape Breton Regional Municipality

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 96,514,072</td>
<td>$ 92,353,433</td>
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<tr>
<td>Grants in lieu of taxes</td>
<td>7,981,789</td>
<td>7,876,533</td>
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<tr>
<td>Services provided to other governments</td>
<td>187,548</td>
<td>240,000</td>
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<tr>
<td>Sales of services</td>
<td>2,779,577</td>
<td>2,280,971</td>
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<tr>
<td>Revenue from own sources</td>
<td>10,657,400</td>
<td>11,009,765</td>
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<tr>
<td>Unconditional transfers from other governments</td>
<td>16,248,563</td>
<td>16,425,813</td>
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<tr>
<td>Conditional transfers from other governments</td>
<td>2,171,012</td>
<td>2,229,391</td>
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<tr>
<td></td>
<td><strong>136,539,961</strong></td>
<td><strong>132,415,906</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government services</td>
<td>16,444,243</td>
<td>15,632,423</td>
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<tr>
<td>Protective services</td>
<td>41,955,716</td>
<td>42,140,050</td>
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<tr>
<td>Transportation services</td>
<td>29,814,242</td>
<td>27,122,211</td>
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<tr>
<td>Environmental health services</td>
<td>14,235,421</td>
<td>15,167,100</td>
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<tr>
<td>Public health and welfare services</td>
<td>1,879,835</td>
<td>1,887,209</td>
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<tr>
<td>Environmental development services</td>
<td>997,300</td>
<td>963,809</td>
</tr>
<tr>
<td>Recreation and cultural services</td>
<td>9,667,107</td>
<td>9,316,157</td>
</tr>
<tr>
<td>Educational services</td>
<td>12,193,890</td>
<td>11,588,280</td>
</tr>
<tr>
<td></td>
<td><strong>127,187,754</strong></td>
<td><strong>123,817,239</strong></td>
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<tr>
<td>Excess of revenues over expenses before the following</td>
<td>9,352,207</td>
<td>8,598,667</td>
</tr>
<tr>
<td><strong>Financing and Transfers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debenture and term loan principal instalments</td>
<td>(12,570,439)</td>
<td>(14,457,406)</td>
</tr>
<tr>
<td>Transfer from special reserve funds</td>
<td>3,832,902</td>
<td>4,085,029</td>
</tr>
<tr>
<td>Amortization of bond discount</td>
<td>(87,125)</td>
<td>(102,439)</td>
</tr>
<tr>
<td></td>
<td><strong>(8,824,662)</strong></td>
<td><strong>(10,474,816)</strong></td>
</tr>
<tr>
<td><strong>Change in Fund Balance</strong></td>
<td>527,545</td>
<td>(1,876,149)</td>
</tr>
<tr>
<td><strong>Fund Balance, Beginning of Year</strong></td>
<td>(39,404,221)</td>
<td>(37,528,072)</td>
</tr>
<tr>
<td><strong>Fund Balance, End of Year</strong></td>
<td>$ (38,876,676)</td>
<td>$ (39,404,221)</td>
</tr>
</tbody>
</table>
## CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2014, with comparatives for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metered sales</td>
<td>16,395,486</td>
<td>16,351,779</td>
</tr>
<tr>
<td>Public fire protection</td>
<td>6,614,505</td>
<td>6,184,751</td>
</tr>
<tr>
<td>Consumer’s interest</td>
<td>371,824</td>
<td>358,876</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,381,815</td>
<td>22,895,406</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of supply</td>
<td>341,359</td>
<td>624,842</td>
</tr>
<tr>
<td>Power and pumping</td>
<td>1,969,048</td>
<td>1,777,957</td>
</tr>
<tr>
<td>Water treatment</td>
<td>3,579,522</td>
<td>3,316,927</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>3,710,881</td>
<td>3,574,226</td>
</tr>
<tr>
<td>Administration and general</td>
<td>2,566,616</td>
<td>2,641,212</td>
</tr>
<tr>
<td>Taxes</td>
<td>1,956,050</td>
<td>1,947,934</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,153,476</td>
<td>13,883,098</td>
</tr>
<tr>
<td>Excess of revenues over expenses before the following</td>
<td>9,228,339</td>
<td>9,012,308</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>870</td>
<td>12,618</td>
</tr>
<tr>
<td><strong>NON-OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on debentures</td>
<td>1,912,769</td>
<td>1,868,465</td>
</tr>
<tr>
<td>Amortization of debt discounts</td>
<td>31,872</td>
<td>33,672</td>
</tr>
<tr>
<td>Other</td>
<td>182,790</td>
<td>176,937</td>
</tr>
<tr>
<td>Transfer to water capital fund</td>
<td>6,099,614</td>
<td>6,659,509</td>
</tr>
<tr>
<td>Transfer to general capital fund</td>
<td>650,000</td>
<td>650,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,877,045</td>
<td>9,388,583</td>
</tr>
<tr>
<td><strong>CHANGE IN FUND BALANCE</strong></td>
<td>352,164</td>
<td>(363,657)</td>
</tr>
<tr>
<td><strong>FUND BALANCE, BEGINNING OF YEAR</strong></td>
<td>3,406,623</td>
<td>3,770,280</td>
</tr>
<tr>
<td><strong>FUND BALANCE, END OF YEAR</strong></td>
<td>$3,758,787</td>
<td>$3,406,623</td>
</tr>
</tbody>
</table>
CAPE BRETON REGIONAL MUNICIPALITY
Schedule of Capital Fund and Change in Fund Balance
Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital grants</td>
<td>$ 8,674,980</td>
<td>$ 6,198,874</td>
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<td><strong>EXPENSES</strong></td>
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<td></td>
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<td>General government services</td>
<td>233,449</td>
<td>147,438</td>
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<td>Protective services</td>
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<td>819,044</td>
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<td>Transportation services</td>
<td>6,048,234</td>
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<tr>
<td>Environmental health services</td>
<td>2,790,650</td>
<td>2,731,878</td>
</tr>
<tr>
<td>Recreation and cultural services</td>
<td>1,729,299</td>
<td>1,593,851</td>
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<tr>
<td>Planning and development services</td>
<td>302,118</td>
<td>300,751</td>
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<td></td>
<td>11,826,732</td>
<td>11,552,991</td>
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<tr>
<td><strong>Deficiency of revenues over expenses before the following</strong></td>
<td>(3,151,752)</td>
<td>(5,354,117)</td>
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<tr>
<td><strong>FINANCING AND TRANSFERS</strong></td>
<td></td>
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</tr>
<tr>
<td>Transfer from reserve funds</td>
<td>2,493,477</td>
<td>5,740,869</td>
</tr>
<tr>
<td>Transfer from water operating fund</td>
<td>650,000</td>
<td>650,000</td>
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<tr>
<td>Debenture and term loan principal instalments</td>
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<td>14,457,406</td>
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<td>15,713,916</td>
<td>20,848,275</td>
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<td>148,218,084</td>
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<td><strong>FUND BALANCE, END OF YEAR</strong></td>
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<td>$163,712,242</td>
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CAPE BRETON REGIONAL MUNICIPALITY
Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2014, with comparatives for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
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<td></td>
</tr>
<tr>
<td>Capital grants</td>
<td>$</td>
<td>$</td>
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<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
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<tr>
<td>Amortization</td>
<td>3,251,780</td>
<td>3,245,010</td>
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<td>Deficiency of revenues over expenses before the following</td>
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<td>(3,245,010)</td>
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<td><strong>FINANCING AND TRANSFERS</strong></td>
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<tr>
<td>Transfer from water operating fund</td>
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<td>6,659,509</td>
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<td><strong>CHANGE IN FUND BALANCE</strong></td>
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CAPE BRETON REGIONAL MUNICIPALITY
Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td></td>
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</tr>
<tr>
<td>Investment income</td>
<td>$ 79,250</td>
<td>$ 81,937</td>
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<td>Sale of properties</td>
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<td>Grants</td>
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<td>6,820,228</td>
<td>7,413,450</td>
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<tr>
<td>FINANCING AND TRANSFERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to operating fund</td>
<td>(3,832,902)</td>
<td>(4,085,029)</td>
</tr>
<tr>
<td>Transfer to capital funds</td>
<td>(2,493,477)</td>
<td>(5,740,869)</td>
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<td></td>
<td>(6,326,379)</td>
<td>(9,825,898)</td>
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<tr>
<td>CHANGE IN FUND BALANCE</td>
<td>493,849</td>
<td>(2,412,448)</td>
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<tr>
<td>FUND BALANCE, BEGINNING OF YEAR</td>
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<td>6,964,413</td>
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<tr>
<td>FUND BALANCE, END OF YEAR</td>
<td>$ 5,045,814</td>
<td>$ 4,551,965</td>
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</table>
## CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
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<td>$10,921</td>
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<tr>
<td>Grants received</td>
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<td>$5,443</td>
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<tr>
<td><strong>CHANGE IN FUND BALANCE</strong></td>
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<td>16,364</td>
</tr>
<tr>
<td><strong>FUND BALANCE, BEGINNING OF YEAR</strong></td>
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<td>1,895,721</td>
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<td><strong>FUND BALANCE, END OF YEAR</strong></td>
<td>$1,923,138</td>
<td>$1,912,085</td>
</tr>
<tr>
<td>Council</td>
<td>Number of Months</td>
<td>Annual Remuneration</td>
</tr>
<tr>
<td>-----------------------</td>
<td>------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>C. Clarke, Mayor</td>
<td>12</td>
<td>$103,431</td>
</tr>
<tr>
<td>K. Saccary, Deputy Mayor</td>
<td>12</td>
<td>42,371</td>
</tr>
<tr>
<td>D. Bruckschwaiger</td>
<td>12</td>
<td>37,731</td>
</tr>
<tr>
<td>L. Cormier</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>C. Detheridge</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>I. Doncaster</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>C. Keagan</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>E. MacDonald</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>G. MacDonald</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>J. MacLeod</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>R. Paruch</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>C. Prince</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>M. Rowe</td>
<td>12</td>
<td>37,371</td>
</tr>
<tr>
<td>Senior Staff</td>
<td>Annual Remuneration</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>D. Campbell</td>
<td>$73,085</td>
<td></td>
</tr>
<tr>
<td>R. Campbell</td>
<td>44,796</td>
<td></td>
</tr>
<tr>
<td>A. Fleming</td>
<td>103,261</td>
<td></td>
</tr>
<tr>
<td>M. Gillis</td>
<td>103,261</td>
<td></td>
</tr>
<tr>
<td>D. Kachafanas</td>
<td>92,122</td>
<td></td>
</tr>
<tr>
<td>L. MacCormack</td>
<td>116,421</td>
<td></td>
</tr>
<tr>
<td>W. MacDonald</td>
<td>110,384</td>
<td></td>
</tr>
<tr>
<td>B. MacKinnon</td>
<td>107,187</td>
<td></td>
</tr>
<tr>
<td>P. McIsaac</td>
<td>130,383</td>
<td></td>
</tr>
<tr>
<td>B. McNeil</td>
<td>101,572</td>
<td></td>
</tr>
<tr>
<td>J. Ryan</td>
<td>88,247</td>
<td></td>
</tr>
<tr>
<td>M. Walsh</td>
<td>146,588</td>
<td></td>
</tr>
<tr>
<td>B. White</td>
<td>78,229</td>
<td></td>
</tr>
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### CAPE BRETON REGIONAL MUNICIPALITY

**Schedule - Expenses of Council**

**Year ended March 31, 2014**

<table>
<thead>
<tr>
<th>Council</th>
<th>Number of Months</th>
<th>Travel Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Clarke, Mayor</td>
<td>12</td>
<td>$47,542</td>
</tr>
<tr>
<td>K. Saccary, Deputy Mayor</td>
<td>12</td>
<td>19,947</td>
</tr>
<tr>
<td>D. Bruckschwaiger</td>
<td>12</td>
<td>13,891</td>
</tr>
<tr>
<td>L. Cormier</td>
<td>12</td>
<td>3,653</td>
</tr>
<tr>
<td>C. Detheridge</td>
<td>12</td>
<td>12,458</td>
</tr>
<tr>
<td>I. Doncaster</td>
<td>12</td>
<td>15,293</td>
</tr>
<tr>
<td>C. Keagan</td>
<td>12</td>
<td>14,547</td>
</tr>
<tr>
<td>E. MacDonald</td>
<td>12</td>
<td>16,138</td>
</tr>
<tr>
<td>G. MacDonald</td>
<td>12</td>
<td>12,807</td>
</tr>
<tr>
<td>J. MacLeod</td>
<td>12</td>
<td>10,387</td>
</tr>
<tr>
<td>R. Paruch</td>
<td>12</td>
<td>7,315</td>
</tr>
<tr>
<td>C. Prince</td>
<td>12</td>
<td>11,004</td>
</tr>
<tr>
<td>M. Rowe</td>
<td>12</td>
<td>15,368</td>
</tr>
</tbody>
</table>
CAPE BRETON REGIONAL MUNICIPALITY
Schedule - Expenses of Senior Staff

Year ended March 31, 2014

<table>
<thead>
<tr>
<th>Senior Staff</th>
<th>Travel Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>D. Campbell</td>
<td>$  -</td>
</tr>
<tr>
<td>R. Campbell</td>
<td>-</td>
</tr>
<tr>
<td>A. Fleming</td>
<td>1,212</td>
</tr>
<tr>
<td>M. Gillis</td>
<td>1,341</td>
</tr>
<tr>
<td>D. Kachafanas</td>
<td>687</td>
</tr>
<tr>
<td>L. MacCormack</td>
<td>10,146</td>
</tr>
<tr>
<td>W. MacDonald</td>
<td>12,752</td>
</tr>
<tr>
<td>B. MacKinnon</td>
<td>2,610</td>
</tr>
<tr>
<td>P. McIsaac</td>
<td>7,723</td>
</tr>
<tr>
<td>B. McNeil</td>
<td>5,602</td>
</tr>
<tr>
<td>J. Ryan</td>
<td>-</td>
</tr>
<tr>
<td>M. Walsh</td>
<td>13,684</td>
</tr>
<tr>
<td>B. White</td>
<td>6,832</td>
</tr>
</tbody>
</table>
CAPE BRETON REGIONAL MUNICIPALITY
Schedule of Segment Disclosure

Year ended March 31, 2014

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of the municipality and to better understand the performance of segments.

The following schedule provides segment information for the 2014 and 2013 fiscal years. Segment results represent the activities of that segment and are based on the same accounting policies as described in the Significant Accounting Policies as described in Note 1. The Municipality has determined that the following segments represent the major activities of government.

<table>
<thead>
<tr>
<th>Year ended March 31, 2014</th>
<th>General Government Services</th>
<th>Protective Services</th>
<th>Transportation Services</th>
<th>Environmental Services</th>
<th>Recreation and Cultural Services</th>
<th>Planning and Development Services</th>
<th>Educational Services</th>
<th>Water Utility</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>$62,734,216</td>
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<td>$6,576,974</td>
<td>$</td>
<td>$</td>
<td>$12,193,890</td>
<td>$</td>
<td>$</td>
<td>$96,514,072</td>
</tr>
<tr>
<td>Grants in lieu of taxes</td>
<td>7,081,760</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,081,760</td>
</tr>
<tr>
<td>Services provided to other governments</td>
<td>31,543</td>
<td>187,548</td>
<td>950,467</td>
<td>1,797,587</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,779,577</td>
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<tr>
<td>Revenue from own sources</td>
<td>3,052,182</td>
<td>929,371</td>
<td>6,626,477</td>
<td>52,370</td>
<td></td>
<td></td>
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<td>10,637,400</td>
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<tr>
<td>Unconditional transfers from other governments</td>
<td>16,248,563</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,248,563</td>
</tr>
<tr>
<td>Conditional transfers from other governments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,248,563</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,248,563</td>
</tr>
<tr>
<td>Capital grants</td>
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<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15,410,208</td>
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<tr>
<td>Metered sales</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Fire protection</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other water revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
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<td>Investment income</td>
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<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>90,303</td>
</tr>
<tr>
<td>Gain on sale of properties</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5,750</td>
</tr>
<tr>
<td></td>
<td>105,564,554</td>
<td>18,260,663</td>
<td>7,527,441</td>
<td>6,626,477</td>
<td>1,630,527</td>
<td>52,370</td>
<td>12,193,890</td>
<td>23,382,685</td>
<td>175,429,907</td>
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<tr>
<td><strong>EXPENSES</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>659,738</td>
<td>127,851</td>
<td>1,956,699</td>
<td>233,877</td>
<td></td>
<td>161,090</td>
<td>-</td>
<td>1,912,769</td>
<td>5,100,597</td>
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<td>Materials, goods, supplies and utilities</td>
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<td>1,497,030</td>
<td>5,172,381</td>
<td>2,147,907</td>
<td>1,943,126</td>
<td>16,736</td>
<td>-</td>
<td>3,850,422</td>
<td>15,784,732</td>
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<td>Contracted services</td>
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<td>564,821</td>
<td>5,024,440</td>
<td>6,792,822</td>
<td>84,381</td>
<td>136,518</td>
<td>-</td>
<td>956,436</td>
<td>14,673,904</td>
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<tr>
<td>Other operating expenses</td>
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<td>15,314,825</td>
<td>4,011,492</td>
<td>1425,428</td>
<td>2,560,602</td>
<td>172,731</td>
<td>-</td>
<td>2,906,006</td>
<td>27,508,805</td>
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<tr>
<td>External transfers and grants</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>649,820</td>
<td></td>
<td>-</td>
<td>12,193,890</td>
<td>17,194,306</td>
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<tr>
<td>Amortization</td>
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<td>722,982</td>
<td>6,048,234</td>
<td>2,792,650</td>
<td>1,729,299</td>
<td>302,118</td>
<td>-</td>
<td>3,251,780</td>
<td>15,078,512</td>
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<td></td>
<td>18,557,527</td>
<td>42,678,698</td>
<td>35,862,476</td>
<td>17,028,070</td>
<td>11,396,407</td>
<td>1,296,418</td>
<td>12,193,890</td>
<td>19,500,815</td>
<td>158,515,301</td>
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<td>($24,417,735)</td>
<td>($28,335,035)</td>
<td>($10,399,593)</td>
<td>($9,585,880)</td>
<td>($1,247,048)</td>
<td>-</td>
<td>$3,881,870</td>
<td>$16,913,606</td>
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</tbody>
</table>
## CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2014

<table>
<thead>
<tr>
<th>Year ended March 31, 2013</th>
<th>General Government Services</th>
<th>Protective Services</th>
<th>Transportation Services</th>
<th>Environmental Services</th>
<th>Recreation and Cultural Services</th>
<th>Planning and Development Services</th>
<th>Educational Services</th>
<th>Water Utility</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
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<td>$</td>
<td>$11,588,280</td>
<td>$</td>
<td>$7,875,533</td>
<td>$92,353,433</td>
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<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>240,000</td>
</tr>
<tr>
<td>Services provided to other governments</td>
<td>-</td>
<td>240,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,536,214</td>
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<tr>
<td>Sales of services</td>
<td>28,056</td>
<td>716,701</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,280,971</td>
</tr>
<tr>
<td>Revenue from own sources</td>
<td>8,210,400</td>
<td>928,209</td>
<td>6,786,152</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,009,765</td>
</tr>
<tr>
<td>Unconditional transfers from other governments</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16,425,813</td>
</tr>
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<td>Conditional transfers from other governments</td>
<td>-</td>
<td>2,186,831</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,229,391</td>
</tr>
<tr>
<td>Capital grants</td>
<td>15,019,692</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13,019,642</td>
</tr>
<tr>
<td>Metered sales</td>
<td>-</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16,351,779</td>
</tr>
<tr>
<td>Public fire protection</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,184,751</td>
</tr>
<tr>
<td>Other water revenues</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>371,494</td>
</tr>
<tr>
<td>Investment income</td>
<td>92,856</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>92,856</td>
</tr>
<tr>
<td>Gain on sale of properties</td>
<td>516,169</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>516,169</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$101,281,060</td>
<td>$17,712,076</td>
<td>$7,012,249</td>
<td>$6,786,152</td>
<td>$1,578,774</td>
<td>$85,004</td>
<td>$11,588,280</td>
<td>$22,908,024</td>
<td></td>
</tr>
</tbody>
</table>

| **EXPENSES**              |                             |                     |                         |                        |                                 |                                  |                   |              |       |
| Salaries, wages and benefits | 8,575,239                  | 27,189,423          | 14,452,918              | 3,037,493              | 3,848,212                       | 684,824              | -              | 6,373,184   |
| Interest on long-term debt | 566,915                     | 72,913              | 1,251,782               | 687,244                | 736,870                         | 5,779                | -              | 1,868,465   |
| Materials, goods, supplies and utilities | 1,026,613                  | 1,659,514           | 6,033,732               | 784,777                | 1,910,740                        | -                   | -              | 3,694,147   |
| Contracted services       | 1,136,968                   | 578,355             | 4,051,116               | 6,327,227              | 761,444                         | 78,854               | -              | 1,187,899   |
| Other operating expenses  | 1,878,440                   | 12,651,895          | 632,863                 | 4,139,069              | 266,071                         | 198,362              | -              | 2,604,806   |
| External transfers and grants | 4,393,438                   | -                   | -                       | -                      | 649,620                         | -                   | -              | 4,393,438   |
| Amortization              | 147,437                     | 819,044             | 5,950,828               | 2,789,878              | 1,392,851                       | 300,751              | -              | 3,245,010   |
| **Total**                 | 17,667,070                  | 42,959,094          | 35,882,240              | 17,098,979             | 10,910,096                       | 1,269,360            | 11,588,280   | 19,173,511  |

| **ANNUAL SURPLUS (DEFICIT)** | $83,613,990 | ($25,247,018) | ($26,668,991) | ($11,122,986) | ($9,331,224) | $ (1,179,556) | $3,734,513 | $14,408,878 |

37
Audit Committee

Financial Statements of

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Year ended March 31, 2014
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Financial Statements

Year ended March 31, 2014

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  Statement of Financial Activities ................................................................................ 4
  Statement of Operating Fund Deficit ........................................................................... 5
  Statement of Cash Flows ............................................................................................. 6

Capital Fund
  Statement of Financial Position .................................................................................. 7
  Statement of Financial Activities ................................................................................ 8

Special Reserve Fund
  Statement of Financial Position .................................................................................. 9
  Statement of Special Reserve ..................................................................................... 10

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Management’s Responsibility for the Financial Statements

The accompanying financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") are the responsibility of the Water Utility’s management and have been prepared in compliance with legislation and in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. A summary of the significant accounting policies are described in Note 1 to the 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 Water Utility’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 financial statements. These systems are monitored and evaluated by management.

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

The financial statements have been audited by MGM & Associates, Chartered Accountants, independent external auditors appointed by the Water Utility. The accompanying Independent Auditors’ Report outlines their responsibilities, the scope of their examination and their opinion on the Water Utility’s financial statements.

Marie Walsh
Acting Chief Administrative Officer

Mike MacKeigan
Manager of Utilities

October 16, 2014
INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of Council of
Cape Breton Regional Municipality Water Utility

We have audited the accompanying financial statements of Cape Breton Regional Municipality Water Utility which comprise the statement of financial position as at March 31, 2014 and the statements of financial activities and deficit, investment in capital assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia, 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.

Auditors' 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 auditors' 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 auditors consider 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, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality Water Utility as at March 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared for the Cape Breton Regional Municipality Water Utility to comply with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. As a result the financial statements may not be suitable for another purpose.

Chartered Accountants
Sydney, Canada
October 16, 2014
# Cape Breton Regional Municipality Water Utility

## Statement of Financial Position – Operating Fund

March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water rates receivable (less allowance for doubtful accounts $692,315; 2013 - $692,315)</td>
<td>$6,950,486</td>
<td>$7,098,139</td>
</tr>
<tr>
<td>Sundry receivables</td>
<td>84,929</td>
<td>68,564</td>
</tr>
<tr>
<td>Due from Cape Breton Regional Municipality General section, operating fund</td>
<td>–</td>
<td>3,402,756</td>
</tr>
<tr>
<td>Inventories</td>
<td>247,690</td>
<td>285,961</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$7,283,105</td>
<td>$10,855,420</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>$1,799,339</td>
<td>$7,327,155</td>
</tr>
<tr>
<td>Payables and accruals</td>
<td>3,611,694</td>
<td>2,884,764</td>
</tr>
<tr>
<td>Due to Cape Breton Regional Municipality General section, operating fund</td>
<td>1,584,775</td>
<td>–</td>
</tr>
<tr>
<td>General section, capital fund</td>
<td>91</td>
<td>–</td>
</tr>
<tr>
<td>Due to water utility, capital fund</td>
<td>2,704,201</td>
<td>2,888,537</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>9,700,100</td>
<td>13,100,456</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deficit</strong></td>
<td>(2,416,995)</td>
<td>(2,245,036)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$7,283,105</td>
<td>$10,855,420</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality:

[Signatures]

Mayor
Clerk
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Financial Activities – Operating Fund

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>OPERATING REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metered sales</td>
<td>$17,801,982</td>
<td>$16,395,486</td>
</tr>
<tr>
<td>Public fire protection</td>
<td>6,614,505</td>
<td>6,614,505</td>
</tr>
<tr>
<td>Consumer’s interest</td>
<td>260,000</td>
<td>371,824</td>
</tr>
<tr>
<td>Service connections</td>
<td>32,000</td>
<td>870</td>
</tr>
<tr>
<td></td>
<td>24,698,487</td>
<td>23,382,685</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of supply</td>
<td>667,440</td>
<td>341,359</td>
</tr>
<tr>
<td>Power and pumping</td>
<td>2,193,942</td>
<td>1,969,048</td>
</tr>
<tr>
<td>Water treatment</td>
<td>3,881,323</td>
<td>3,599,522</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>4,799,328</td>
<td>4,360,881</td>
</tr>
<tr>
<td>Administration and general</td>
<td>3,046,889</td>
<td>2,596,616</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,480,002</td>
<td>3,251,780</td>
</tr>
<tr>
<td>Taxes</td>
<td>1,884,559</td>
<td>1,956,050</td>
</tr>
<tr>
<td></td>
<td>18,943,483</td>
<td>18,055,256</td>
</tr>
<tr>
<td>Excess of operating revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>before the following</td>
<td>5,755,004</td>
<td>5,327,429</td>
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<tr>
<td>NON-OPERATING REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of deferred</td>
<td>–</td>
<td>142,178</td>
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<tr>
<td>capital contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NON-OPERATING EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt charges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for principal</td>
<td>3,670,709</td>
<td>3,364,135</td>
</tr>
<tr>
<td>repayment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on debentures</td>
<td>2,982,813</td>
<td>1,912,769</td>
</tr>
<tr>
<td>Amortization of debt</td>
<td>20,000</td>
<td>31,872</td>
</tr>
<tr>
<td>discounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank fees/charges</td>
<td>200,000</td>
<td>182,790</td>
</tr>
<tr>
<td>Capital expenditures out of</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,023,322</td>
<td>5,641,566</td>
</tr>
<tr>
<td>CHANGE IN FUND BALANCE</td>
<td>$ (268,318)</td>
<td>$ (171,959)</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Operating Fund Deficit

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEFICIT, BEGINNING OF YEAR</td>
<td>$(2,245,036)</td>
<td>$(2,023,557)</td>
</tr>
<tr>
<td>Change in fund balance</td>
<td>(171,959)</td>
<td>(221,479)</td>
</tr>
<tr>
<td>DEFICIT, END OF YEAR</td>
<td>$(2,416,995)</td>
<td>$(2,245,036)</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## Cape Breton Regional Municipality Water Utility

Statement of Cash Flows – Operating Fund

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fund balance</td>
<td>(171,959)</td>
<td>(221,479)</td>
</tr>
<tr>
<td>Change in non-cash operating working capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in water rates receivable</td>
<td>147,653</td>
<td>(724,257)</td>
</tr>
<tr>
<td>Decrease (increase) in sundry receivables</td>
<td>(16,365)</td>
<td>24,865</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>38,271</td>
<td>(27,021)</td>
</tr>
<tr>
<td>Increase (decrease) in payables and accruals</td>
<td>726,931</td>
<td>(269,076)</td>
</tr>
<tr>
<td></td>
<td>724,531</td>
<td>(1,216,968)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in due from Cape Breton Regional Municipality, operating fund</td>
<td>4,987,531</td>
<td>(4,993,444)</td>
</tr>
<tr>
<td>Increase in due to Cape Breton Regional Municipality, capital fund</td>
<td>91</td>
<td>10,735</td>
</tr>
<tr>
<td>Decrease in due from water utility, special reserve</td>
<td>–</td>
<td>37,867</td>
</tr>
<tr>
<td>Increase (decrease) in due to water utility, capital fund</td>
<td>(184,336)</td>
<td>121,562</td>
</tr>
<tr>
<td></td>
<td>4,803,286</td>
<td>(4,823,280)</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>5,527,817</td>
<td>(6,040,248)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</strong></td>
<td>(7,327,156)</td>
<td>(1,286,907)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, END OF YEAR</strong></td>
<td>(1,799,339)</td>
<td>(7,327,155)</td>
</tr>
</tbody>
</table>

See accompanying notes to non-consolidated financial statements.
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Financial Position – Capital Fund

March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$2,832,696</td>
<td>$ –</td>
</tr>
<tr>
<td>Cash - depreciation reserve</td>
<td>480,170</td>
<td>480,170</td>
</tr>
<tr>
<td>HST receivable</td>
<td>108,554</td>
<td>31,971</td>
</tr>
<tr>
<td>Due from Cape Breton Regional Municipality</td>
<td>3,421,420</td>
<td>512,141</td>
</tr>
<tr>
<td>General section, operating fund</td>
<td>49,914</td>
<td>–</td>
</tr>
<tr>
<td>Due from water utility, operating fund</td>
<td>2,704,201</td>
<td>2,888,537</td>
</tr>
<tr>
<td>Unamortized debt discount</td>
<td>273,056</td>
<td>249,929</td>
</tr>
<tr>
<td>Capital assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility plant in service (Schedule A)</td>
<td>136,181,275</td>
<td>133,856,445</td>
</tr>
<tr>
<td>Work in progress</td>
<td>5,223,992</td>
<td>3,146,081</td>
</tr>
<tr>
<td>Properties adjoining watershed</td>
<td>174,977</td>
<td>174,977</td>
</tr>
<tr>
<td></td>
<td>141,580,244</td>
<td>137,177,503</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank indebtedness</td>
<td>$ –</td>
<td>$4,468,903</td>
</tr>
<tr>
<td>Accounts and holdbacks payable</td>
<td>887,889</td>
<td>571,986</td>
</tr>
<tr>
<td>Due to Cape Breton Regional Municipality</td>
<td>463,514</td>
<td>369,391</td>
</tr>
<tr>
<td>General section, capital fund</td>
<td>45,386,330</td>
<td>40,084,164</td>
</tr>
<tr>
<td>Term debt (Schedule B)</td>
<td>46,737,733</td>
<td>45,494,444</td>
</tr>
<tr>
<td><strong>DEFERRED CAPITAL CONTRIBUTIONS</strong></td>
<td>4,355,888</td>
<td>4,498,066</td>
</tr>
<tr>
<td><strong>RESERVES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated allowance for depreciation of utility plant (note 2)</td>
<td>36,089,626</td>
<td>32,980,024</td>
</tr>
<tr>
<td><strong>FUND BALANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$148,028,835</td>
<td>$140,828,110</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
On behalf of the Board:

_________________________ Chairman
_________________________ Commissioner
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Financial Activities – Capital Fund

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital contributions</td>
<td>$142,178</td>
<td>$142,178</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>3,251,780</td>
<td>3,245,010</td>
</tr>
<tr>
<td>Deficiency of revenues over expenses before the following</td>
<td>3,109,602</td>
<td>3,102,832</td>
</tr>
<tr>
<td><strong>FINANCING AND TRANSFERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from water utility, operating fund</td>
<td>6,099,614</td>
<td>6,517,330</td>
</tr>
<tr>
<td><strong>CHANGE IN FUND BALANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,990,012</td>
<td>3,414,498</td>
</tr>
<tr>
<td><strong>FUND BALANCE, BEGINNING OF YEAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>57,855,576</td>
<td>54,441,078</td>
</tr>
<tr>
<td><strong>FUND BALANCE, END OF YEAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$60,845,588</td>
<td>$57,855,576</td>
</tr>
</tbody>
</table>

See accompanying notes to non-consolidated financial statements.
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Financial Position – Special Reserve Fund
March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$1,103,801</td>
<td>$1,074,456</td>
</tr>
<tr>
<td>Due from Cape Breton Regional Municipality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General section, operating fund</td>
<td>–</td>
<td>29,346</td>
</tr>
<tr>
<td>Term deposit</td>
<td>819,337</td>
<td>808,283</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$1,923,138</strong></td>
<td><strong>$1,912,085</strong></td>
</tr>
</tbody>
</table>

| **LIABILITIES** |            |            |
| Due from water utility, operating fund | $ –        | $ –        |

| **RESERVE**     |            |            |
| Special reserve | 1,923,138  | 1,912,085  |
| **Total Reserve** | **$1,923,138** | **$1,912,085** |

See accompanying notes to financial statements.

On behalf of the Board:

[Signatures]

Chairman
Commissioner
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Statement of Special Reserve

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-shareable debt expenditure</td>
<td>Future capital expenditure</td>
</tr>
<tr>
<td>BALANCE, BEGINNING OF YEAR</td>
<td>$ 52,448</td>
<td>$ 824,206</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>442</td>
<td>7,516</td>
</tr>
<tr>
<td>Proceeds from Province of Nova Scotia</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repaid to Water Utility, capital fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>BALANCE, END OF YEAR</td>
<td>$ 52,890</td>
<td>$ 831,722</td>
</tr>
</tbody>
</table>
The Cape Breton Regional Municipality Act, assented to by the Province of Nova Scotia on July 30, 1994, legislated the incorporation of the Cape Breton Regional Municipality as of August 1, 1995.

The Cape Breton Regional Municipality Water Utility assumed the operations, as of August 1, 1995, of the following utilities:

- Town of Sydney Mines Water Utility
- Town of North Sydney Water Utility
- Sydney Water Commission
- Municipality of the County of Cape Breton Water Utility
- Town of Glace Bay Water Utility
- Town of Dominion Water Utility
- New Waterford and District Water Commission
- Town of Louisbourg Water Utility

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with generally accepted accounting principles adopted for Water Utilities in Nova Scotia and are intended for the use of the Cape Breton Regional Municipality Water Utility (the Utility), Council and Service Nova Scotia and Municipal Relations.

The basis of accounting used in these financial statements differs materially from generally accepted accounting principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants Handbook (the CICA Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CICA Handbook are that the CICA Handbook requires the:

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in fund balances and in financial position of all organizations, commissions and agencies which are owned or controlled by the Water Utility. This would include, at a minimum, the individual funds represented in these financial statements – Operating Fund, Capital Fund and Reserve Funds. The consolidated financial statements prepared in accordance with the CICA Handbook would include a Statement of Financial Position, Statement of Financial Activities and a Statement of Changes in Fund Balances;

- Revenue and expenses be recorded on a full accrual basis;

- Water Utility capitalize all of its capital acquisitions rather than charging some to operations in the year acquired; and

- Principal debt repayments not be recorded as an expense of the Water Utility;
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Notes to Financial Statements (Continued)
Year ended March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
   (b) Cash and cash equivalents
       Cash and cash equivalents of the operating fund is defined as cash on hand and on deposit at
       banks net of outstanding cheques and deposits.
   (c) Revenue and expenses
       Major revenue and expense items are recorded on an accrual basis.
       Certain sources of revenue, including forfeited discounts and interest on past due rates, are
       recorded on a cash basis.
       Capital grants and contributions are recorded using the deferral method of accounting and are
       amortized to revenue at a rate corresponding with the amortization of the related capital asset.
       Principal and interest payments relating to long-term debt are recorded as an expenditure
       when due for payment.
   (d) Allowance for doubtful accounts
       A valuation allowance is provided for estimated losses that will be incurred in collecting rates
       receivable outstanding.
   (e) Inventories
       Inventories are stated at cost.
   (f) Use of estimates
       The preparation of financial statements in conformity with generally accepted accounting
       principles requires management to make estimates and assumptions that affect the reported
       amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date
       of the financial statements and the reported amounts of revenues and expenses during the
       reporting periods. Significant items subject to such estimates and assumptions include
       valuation of accounts receivable and carrying amount of capital assets. Actual results could
       differ from those estimates.
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Notes to Financial Statements (Continued)
Year ended March 31, 2014

2. ACCUMULATED ALLOWANCE FOR DEPRECIATION OF UTILITY PLANT

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$32,980,024</td>
<td>$29,877,192</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3,251,780</td>
<td>3,245,010</td>
</tr>
<tr>
<td>Amortization of capital contributions</td>
<td>(142,178)</td>
<td>(142,178)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$36,089,626</td>
<td>$32,980,024</td>
</tr>
</tbody>
</table>

3. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY

a) In general, and where identifiable, costs incurred by the Cape Breton Regional Municipality on behalf of the water utility are charged to the utility.

b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the water utility.

c) As prescribed by the Nova Scotia Utility and Review Board, there is a yearly administration fee charged to the Water Utility by the Cape Breton Regional Municipality, which includes salary, overhead, utilities and other administration charges totaling $7,131,251 (2013 - $6,757,143).

d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to $6,614,505 (2013 - $6,184,751). The charge is governed by the Nova Scotia Utility and Review Board.

e) The water utility is not exempt from municipal taxation within the Cape Breton Regional Municipality.

f) The various funds of the Cape Breton Regional Municipality Water Utility and the Municipality include a series of interfund balances as noted in the respective funds. All interfund balances will be settled within the next fiscal period. No interest has been charged or paid on the interfund balances outstanding.

4. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2014, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 5.3% (2013 - 5.1%).
## CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Schedule A - Utility Plant and Equipment

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties adjoining watershed</td>
<td>$174,977</td>
<td>$174,977</td>
</tr>
<tr>
<td>Organization</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Working capital</td>
<td>70,162</td>
<td>70,162</td>
</tr>
<tr>
<td></td>
<td>249,139</td>
<td>249,139</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of supply land</td>
<td>1,383,788</td>
<td>1,383,788</td>
</tr>
<tr>
<td>Power and pumping land</td>
<td>343,375</td>
<td>343,375</td>
</tr>
<tr>
<td>Transmission and</td>
<td>68,411</td>
<td>68,411</td>
</tr>
<tr>
<td></td>
<td>1,795,574</td>
<td>1,795,574</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structures and improvements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of supply</td>
<td>18,650,748</td>
<td>18,650,748</td>
</tr>
<tr>
<td>Power and pumping</td>
<td>4,690,597</td>
<td>4,690,597</td>
</tr>
<tr>
<td>Purification structures</td>
<td>2,490,957</td>
<td>2,080,432</td>
</tr>
<tr>
<td>Distribution and storage</td>
<td>1,765,186</td>
<td>1,765,186</td>
</tr>
<tr>
<td>Shop</td>
<td>299,816</td>
<td>299,816</td>
</tr>
<tr>
<td></td>
<td>27,897,304</td>
<td>27,486,780</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical pumping equipment</td>
<td>3,555,183</td>
<td>3,509,820</td>
</tr>
<tr>
<td>Diesel pumping equipment</td>
<td>510,320</td>
<td>510,320</td>
</tr>
<tr>
<td>Purification equipment</td>
<td>20,145,875</td>
<td>20,145,875</td>
</tr>
<tr>
<td>Office furniture and equipment</td>
<td>362,453</td>
<td>362,453</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>309,495</td>
<td>309,495</td>
</tr>
<tr>
<td>Meter shop equipment</td>
<td>30,689</td>
<td>30,689</td>
</tr>
<tr>
<td>Tools and work equipment</td>
<td>268,949</td>
<td>268,949</td>
</tr>
<tr>
<td>Motor operated tools</td>
<td>680,584</td>
<td>680,584</td>
</tr>
<tr>
<td>Other</td>
<td>326,466</td>
<td>326,466</td>
</tr>
<tr>
<td></td>
<td>26,190,014</td>
<td>26,144,650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transmission</td>
<td>21,638,623</td>
<td>21,638,623</td>
</tr>
<tr>
<td>Distribution</td>
<td>36,470,227</td>
<td>34,855,958</td>
</tr>
<tr>
<td></td>
<td>58,108,850</td>
<td>56,494,581</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meters</td>
<td>10,345,785</td>
<td>10,211,697</td>
</tr>
<tr>
<td>Hydrants</td>
<td>8,899,494</td>
<td>8,848,323</td>
</tr>
<tr>
<td></td>
<td>2,870,092</td>
<td>2,800,678</td>
</tr>
<tr>
<td></td>
<td>$136,356,252</td>
<td>$134,031,422</td>
</tr>
</tbody>
</table>
CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY
Schedule B - Capital Debt Charges

Year ended March 31, 2014, with comparative figures for 2013

<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Outstanding March 31, 2013</th>
<th>2014 Issued</th>
<th>2014 Redeemed</th>
<th>Outstanding March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Finance Corporation</td>
<td>2002</td>
<td>2017</td>
<td>3.250 - 6.000</td>
<td>$ 833,331</td>
<td>$ -</td>
<td>$ 166,667</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>2022</td>
<td>4.385 - 4.770</td>
<td>13,717,500</td>
<td>-</td>
<td>914,500</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>2023</td>
<td>3.750 - 5.088</td>
<td>11,200,000</td>
<td>-</td>
<td>700,000</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2025</td>
<td>1.510 - 4.875</td>
<td>13,500,000</td>
<td>-</td>
<td>750,000</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2017</td>
<td>1.636 - 2.558</td>
<td>833,333</td>
<td>-</td>
<td>166,667</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>2023</td>
<td>1.330 - 2.979</td>
<td>8,000,000</td>
<td>-</td>
<td>8,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$ 40,084,164</strong></td>
<td><strong>-$8,000,000</strong></td>
<td><strong>$ 2,697,834</strong></td>
</tr>
</tbody>
</table>

Principal repayments required during the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$3,497,834</td>
</tr>
<tr>
<td>2016</td>
<td>3,497,834</td>
</tr>
<tr>
<td>2017</td>
<td>3,497,834</td>
</tr>
<tr>
<td>2018</td>
<td>3,497,827</td>
</tr>
<tr>
<td>2019</td>
<td>3,164,500</td>
</tr>
</tbody>
</table>
Audit Committee

# CAPE BRETON REGIONAL MUNICIPALITY

## General Section
Non-Consolidated Statement of Operations-Operating Fund  
Year Ended March 31, 2014

<table>
<thead>
<tr>
<th></th>
<th>Budget 2014</th>
<th>Actual 2014</th>
<th>Actual 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>95,652,055</td>
<td>96,514,072</td>
<td>92,353,433</td>
</tr>
<tr>
<td>Grants in Lieu of taxes</td>
<td>7,589,289</td>
<td>7,981,789</td>
<td>7,876,533</td>
</tr>
<tr>
<td>Services provided to other governments</td>
<td>240,000</td>
<td>187,548</td>
<td>240,000</td>
</tr>
<tr>
<td>Sales of services</td>
<td>2,525,045</td>
<td>2,779,577</td>
<td>2,280,971</td>
</tr>
<tr>
<td>Revenue from own sources</td>
<td>15,666,587</td>
<td>14,490,302</td>
<td>16,094,794</td>
</tr>
<tr>
<td>Unconditional transfers from other governments</td>
<td>16,248,202</td>
<td>16,248,563</td>
<td>16,425,813</td>
</tr>
<tr>
<td>Conditional transfers from other governments</td>
<td>2,180,699</td>
<td>2,171,012</td>
<td>2,229,391</td>
</tr>
<tr>
<td>Prior Year Surplus</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>140,101,877</td>
<td>140,372,862</td>
<td>137,500,934</td>
</tr>
</tbody>
</table>

| **Expenditure:**       |             |             |             |
| General government services | 14,084,486 | 13,759,638 | 13,346,268 |
| Protective services     | 41,635,420  | 40,721,923  | 40,802,652  |
| Transportation services | 27,480,522  | 27,828,550  | 25,295,741  |
| Environmental health services | 13,627,164 | 13,981,744 | 13,805,055 |
| Environmental development services | 1,118,537 | 997,300 | 963,809 |
| Recreation and cultural services | 8,395,147 | 8,856,196 | 8,515,860 |
| Fiscal services         | 33,760,602  | 34,043,965  | 34,747,624  |
| Depreciation            | -           | -           | -           |
| **Total Expenditure**   | 140,101,877 | 140,189,316 | 137,477,010 |

**Surplus/-Deficit for the year**  
(0)  
183,547  
23,925

Linked to B/S TAB revenue.expenditures