

Audit Committee

Agenda

Monday, January 20, 2025

2:00 p.m.

**Council Chambers
2nd Floor, City Hall
320 Esplanade, Sydney, NS**

Committee Members: **Deputy Mayor Eldon MacDonald, Chair**
Mayor Cecil P. Clarke
Councillor Gordon MacDonald
Councillor Earlene MacMullin
Councillor Esmond "Blue" Marshall
Councillor Steve Gillespie
Councillor Glenn Paruch
Councillor Steve Parsons
Councillor Steven MacNeil
Councillor Dave MacKeigan
Councillor Paul Nickituk
Councillor Darren O'Quinn
Councillor Kim Sheppard-Campbell
Mark Galley, Citizen Appointee
Vacant, Citizen Appointee

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CBRM Audit Committee

Agenda

Monday, January 20, 2025

2:00 p.m.

**Council Chambers
2nd Floor City Hall,
320 Esplanade, Sydney, NS**

Roll Call

1. Approval of Agenda: (Motion Required)

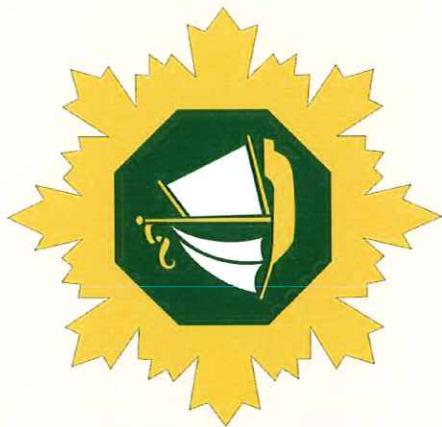
2. Presentations:

- a) Annual Financial Report - Year Ended March 31, 2024: Jennifer Campbell, Chief Financial Officer (See page 4)**
 - i. Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2024: (See page 31)**
 - ii. Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2024: (See page 65)**
- b) Audit Findings Report to the Audit Committee for Year Ended March 31, 2024: Mr. Darren Chiasson, CPA, CA – MNP Partner, Business Advisor (See page 84)**

If Required: In Camera Session with Auditors and Members of the Audit Committee to follow pursuant to Section 22(2)(c) of the *Municipal Government Act*.

Adjournment

Annual Financial Report
Year Ended March 31, 2024



CAPE BRETON
REGIONAL MUNICIPALITY

Cape Breton Regional Municipality

Year ended March 31, 2024

CAPITAL HIGHLIGHTS

- \$23.6m in Capital Project work completed
 - \$21.1m – Municipal
 - Wastewater treatment plants
 - Underground infrastructure
 - Roads and sidewalks
 - Parks, Trails, Arenas
 - Fire apparatus
 - Transit & Fleet
 - \$2.5m - Water
- Emera Centre transfer \$6.9M
- \$22.7m additional Capital work in progress
 - \$19.8m Wastewater treatment plants
 - \$700k building/facilities upgrades
 - \$500k transit (electrification plan/fleet)
 - \$1.7m roads/culverts/stormwater

OPERATING HIGHLIGHTS

- FIONA recovery and debris management (approx. \$3m in damages for FYE Mar 31/24)
- Snowmageddon (\$3.85m in costs)
- Ratification of Police Contract/Collective Agreement

POLICY/PLANNING HIGHLIGHTS

- Transit study ongoing
- Service Exchange MOU
- Wastewater rate model implemented for 2024-25
- MOU/Operating lease agreement – Port of Sydney

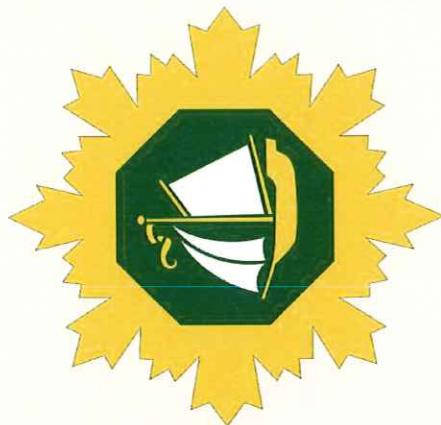
OPERATING RESULTS

- CBRM Operating Fund surplus \$102k
- Water Utility Operating Fund Surplus \$1.96m

CBRM

Operating, Capital and Reserve Funds

Year Ended March 31, 2024



CAPE BRETON
REGIONAL MUNICIPALITY

- Agenda page references noted for
- Audited F/S
- Schedules

Pg.##

| | Actuals 2023-24 | Budget 2023-24 | Variance |
|---|-----------------------|-----------------------|-----------------------|
| Revenue | | | |
| Total Taxes | \$ 130,655,688 | \$ 130,411,084 | \$ 244,604 |
| Total Federal Government Agencies | 3,480,335 | 3,199,385 | 280,950 |
| Total Provincial Government Agencies | 823,578 | 774,672 | 48,907 |
| Total Provincial Government Agencies | 2,151,786 | 2,151,906 | (120) |
| Total Services to Other Local Government | 4,024,736 | 4,025,373 | (637) |
| Total Transit | 1,144,780 | 1,171,159 | (26,379) |
| Total Environmental Development Services | 2,102,946 | 2,107,000 | (4,054) |
| Total Licenses & Permits | 350,394 | 250,500 | 99,894 |
| Total Licenses & Permits | 171,701 | 148,500 | 23,201 |
| Total Fines & Fees | 878,056 | 911,310 | (33,255) |
| Total Rentals | 513,192 | 523,277 | (10,085) |
| Total Concessions & Franchises | 1,112,325 | 795,500 | 316,825 |
| Total Interest | 2,474,487 | 1,500,000 | 959,487 |
| Total Finance Revenue | 39,150 | 35,000 | 4,150 |
| Total Solid Waste Revenue | 3,225,955 | 3,010,000 | 215,955 |
| Total Recreation & Cultural Service Programs | 1,529,609 | 1,661,500 | (131,891) |
| Total Water Utility Charges | 5,050,540 | 5,050,540 | - |
| Total Unconditional Transfers | 15,777,701 | 15,835,838 | (58,137) |
| Total Conditional Transfers | 274,920 | 418,000 | (143,080) |
| Total Extraordinary Revenue (Disaster Recovery) | 2,967,680 | - | 2,967,680 |
| Total Revenue | \$ 178,749,559 | \$ 173,995,545 | \$ 4,754,014 |
| Expenditures | | | |
| | Actuals 2023-24 | Budget 2023-24 | Variance |
| Legislative | \$ 1,532,461 | \$ 1,629,933 | \$ 97,472 |
| Administration | 421,810 | 462,452 | 40,642 |
| Finance | 2,893,802 | 3,419,886 | 526,084 |
| Legal | 2,589,003 | 2,717,266 | 128,263 |
| Human Resources | 1,261,555 | 1,487,476 | 225,921 |
| Technology & Communications | 3,731,959 | 4,187,985 | 456,026 |
| Municipal Clerk | 451,117 | 576,707 | 125,590 |
| Fiscal Services | 35,277,022 | 33,986,180 | (1,290,842) |
| Police Services | 27,712,233 | 30,500,486 | 2,788,253 |
| Fire Services (Incl EMO) | 19,517,450 | 18,875,742 | (641,708) |
| Engineering & Public Works | 64,402,336 | 58,165,336 | (6,237,000) |
| Planning | 3,189,899 | 3,589,859 | 399,960 |
| Facilities: Centre 200 & Arenas | 5,912,229 | 4,409,504 | (1,502,725) |
| Parks & Grounds | 3,250,173 | 3,318,875 | 68,702 |
| Buildings | 3,598,592 | 3,611,363 | 12,771 |
| Recreation | 2,906,014 | 3,056,495 | 150,481 |
| Total Expenditures | \$ 178,647,657 | \$ 173,995,545 | \$ (4,652,112) |
| Surplus / (Deficit) | \$ 101,902 | | |

Cape Breton Regional Municipality

Schedule of Operating Fund (Council)

Revenues

Exceeded Budget
\$4,754,014*

\$1,786,334
excluding Disaster recovery

| Tax Revenue | 2023/24 Actuals | 2023/24 Budget | Variance |
|--|--------------------|--------------------|----------------|
| Taxes on Assessment | | | |
| Residential Tax | 89,242,691 | 89,598,350 | (355,659) |
| Commercial Tax | 32,633,403 | 32,543,481 | 95,922 |
| Resource Tax | 1,596,823 | 1,589,858 | 6,965 |
| Commercial Area Rates (Fire/Sewer-Bylaw) | 1,448,360 | 1,519,395 | (71,035) |
| Total Taxes on Assessment | 124,927,277 | 125,251,084 | (323,807) |
| Bell | 407,751 | 438,000 | (30,249) |
| Wind Turbine | 221,257 | 222,000 | (743) |
| Deed Transfer Tax | 5,099,404 | 4,500,000 | 599,404 |
| Total Tax Revenue | 130,655,689 | 130,411,084 | 244,605 |

• Deed Transfer Tax
\$600k!

| Revenue | Actuals | Budget | Variance |
|---|-----------------------|-----------------------|---------------------|
| Total Taxes | \$ 130,655,688 | \$ 130,411,084 | \$ 244,604 |
| Total Federal Government | 3,480,335 | 3,199,385 | 280,950 |
| Total Federal Government Agencies | 823,578 | 774,672 | 48,907 |
| Total Provincial Government | 2,151,786 | 2,151,906 | (120) |
| Total Provincial Government Agencies | 4,024,736 | 4,025,373 | (637) |
| Total Services to Other Local Government | 1,144,780 | 1,171,159 | (26,379) |
| Total Transit | 2,102,946 | 2,107,000 | (4,054) |
| Total Environmental Development Services | 350,394 | 250,500 | 99,894 |
| Total Licenses & Permits | 171,701 | 148,500 | 23,201 |
| Total Fines & Fees | 878,056 | 911,310 | (33,255) |
| Total Rentals | 513,192 | 523,277 | (10,085) |
| Total Concessions & Franchises | 1,112,325 | 795,500 | 316,825 |
| Total Interest | 2,474,487 | 1,515,000 | 959,487 |
| Total Finance Revenue | 39,150 | 35,000 | 4,150 |
| Total Solid Waste Revenue | 3,225,955 | 3,010,000 | 215,955 |
| Total Recreation & Cultural Service Programs | 1,529,609 | 1,661,500 | (131,891) |
| Total Water Utility Charges | 5,050,540 | 5,050,540 | - |
| Total Unconditional Transfers | 15,777,701 | 15,835,838 | (58,137) |
| Total Conditional Transfers | 274,920 | 418,000 | (143,080) |
| Total Extraordinary Revenue (Disaster Recovery) | 2,967,680 | - | 2,967,680 |
| Total Revenue | \$ 178,749,559 | \$ 173,995,545 | \$ 4,754,014 |

Includes bank interest \$800k

Expenditures

Over budget
\$4,652,112



Vehicle repairs
\$534k

| Expenditures | Actuals | Budget | Variance | |
|---------------------------------|-----------------------|-----------------------|----------|-----------------------|
| | | | 2023-24 | 2023-24 |
| Legislative | \$ 1,532,461 | \$ 1,629,933 | | \$ 97,472 |
| Administration | \$ 421,810 | \$ 462,452 | | \$ 40,642 |
| Finance | \$ 2,893,802 | \$ 3,419,886 | | \$ 526,084 |
| Legal | \$ 2,589,003 | \$ 2,717,266 | | \$ 128,263 |
| Human Resources | \$ 1,261,555 | \$ 1,487,476 | | \$ 225,921 |
| Technology & Communications | \$ 3,731,959 | \$ 4,187,985 | | \$ 456,026 |
| Municipal Clerk | \$ 451,117 | \$ 576,707 | | \$ 125,590 |
| Fiscal Services | \$ 35,277,022 | \$ 33,986,180 | | \$ (1,290,842) |
| Police Services | \$ 27,712,233 | \$ 30,500,486 | | \$ 2,788,253 |
| Fire Services (Incl EMO) | \$ 19,517,450 | \$ 18,875,742 | | \$ (641,708) |
| Engineering & Public Works | \$ 64,402,336 | \$ 58,165,336 | | \$ (6,237,000) |
| Planning | \$ 3,189,899 | \$ 3,569,859 | | \$ 399,960 |
| Facilities: Centre 200 & Arenas | \$ 5,912,229 | \$ 4,409,504 | | \$ (1,502,725) |
| Parks & Grounds | \$ 3,250,173 | \$ 3,318,875 | | \$ 68,702 |
| Buildings | \$ 3,598,592 | \$ 3,611,363 | | \$ 12,771 |
| Recreation | \$ 2,906,014 | \$ 3,056,495 | | \$ 150,481 |
| Total Expenditures | \$ 178,647,657 | \$ 173,995,545 | | \$ (4,652,112) |

| Department | Actuals | Budget | Variance | Fiona | Snowmageddon | Net Variance |
|-----------------------|---------------|---------------|----------------|----------------|----------------|--------------|
| Engineering and Admin | \$ 5,332,614 | \$ 5,366,372 | \$ 33,758 | - | - | \$ 33,758 |
| Divisional Operations | \$ 21,977,387 | \$ 19,689,431 | \$ (2,287,956) | \$ (394,563) | \$ (2,964,718) | \$ 1,071,325 |
| Solid Waste | \$ 18,567,365 | \$ 15,867,558 | \$ (2,699,807) | \$ (2,041,854) | - | \$ (657,953) |
| Fleet | \$ 6,396,353 | \$ 4,909,477 | \$ (1,486,876) | - | \$ (873,908) | \$ (612,968) |
| Transit | \$ 8,547,112 | \$ 8,555,620 | \$ 8,508 | - | - | \$ 8,508 |
| Waste Water | \$ 3,581,505 | \$ 3,776,878 | \$ 195,373 | \$ (10,644) | - | \$ 206,017 |
| Department Totals | \$ 64,402,336 | \$ 58,165,336 | \$ (6,237,000) | \$ (2,447,061) | \$ (3,838,626) | \$ 48,687 |

Nearly all departments reported lower than budgeted expenses.

| Expenditures | Actuals | | Budget | CY Actual | PY Actual | Variance |
|---|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|---------------------|
| | 2023/24 | 2023/24 | Variance | 2023/24 | 2022/23 | |
| Wages and Benefits, Net of Cost Recovery/Employment Grants | \$ 73,701,975 | \$ 78,587,451 | (4,885,476) | \$ 73,701,975 | \$ 72,505,247 | \$ 1,196,727 |
| Contracts/ Agreements/ Professional Service | 20,845,056 | 20,874,429 | (29,373) | 20,845,056 | 20,791,257 | 53,798 |
| Provincial Service Costs (includes PVSC) | 22,202,675 | 21,608,609 | 594,066 | 22,202,675 | 20,492,720 | 1,709,955 |
| Debt Servicing | 10,310,499 | 10,790,464 | (479,965) | 10,310,499 | 10,087,243 | 223,256 |
| Water Utility Hydrant Fee | 7,076,391 | 7,076,384 | 7 | 7,076,391 | 7,076,391 | - |
| Vehicle Maintenance/ Repair/ Fuel | 8,351,563 | 7,243,763 | 1,107,800 | 8,351,563 | 8,238,840 | 112,723 |
| Operational Equipment/ Materials/ Supplies/ Tools/ Uniforms/ Clothing | 6,627,502 | 6,166,724 | 460,778 | 6,627,502 | 6,554,505 | 72,997 |
| Grants to Organizations | 4,323,281 | 4,438,660 | (115,379) | 4,323,281 | 4,396,994 | (73,713) |
| Heat/ Electrical/ Water | 3,886,283 | 3,626,740 | 259,543 | 3,886,283 | 3,269,068 | 617,215 |
| Street Lights | 2,629,159 | 2,400,800 | 228,359 | 2,629,159 | 2,355,685 | 273,474 |
| Building Mainentance/ Repair/ Rental | 2,174,724 | 1,781,082 | 393,642 | 2,174,724 | 1,772,085 | 402,640 |
| Insurance | 1,984,365 | 2,080,000 | (95,635) | 1,984,365 | 1,726,504 | 257,861 |
| Office/ Computer Supplies/ Equipment | 1,617,482 | 1,774,176 | (156,694) | 1,617,482 | 1,593,602 | 23,879 |
| Allowance for Uncollectible Taxes/ Receivables/DUP | 1,863,626 | 820,000 | 1,043,626 | 1,863,626 | 221,440 | 1,642,186 |
| Telephone/ Communication Equipment | 843,908 | 882,953 | (39,045) | 843,908 | 789,540 | 54,368 |
| Cost Recovery | (852,041) | (861,257) | 9,216 | (852,041) | (963,727) | 111,686 |
| Security | 623,614 | 504,700 | 118,914 | 623,614 | 463,647 | 159,967 |
| Training/ Education/ Travel/ Conferences/ Meetings | 923,106 | 1,148,464 | (225,358) | 923,106 | 862,565 | 60,541 |
| Licenses/ Permits/ Easements | 609,665 | 661,834 | (52,169) | 609,665 | 490,447 | 119,217 |
| Community Events | 367,258 | 501,000 | (133,742) | 367,258 | 319,586 | 47,672 |
| Cost of Sales | 890,611 | 405,000 | 485,611 | 890,611 | 511,130 | 379,481 |
| Advertising/ Promotion | 336,931 | 326,700 | 10,231 | 336,931 | 238,831 | 98,099 |
| Postage/ Courier | 199,060 | 224,300 | (25,240) | 199,060 | 227,746 | (28,686) |
| Professional Membership Dues/ Fees/ Subscriptions | 189,468 | 192,569 | (3,101) | 189,468 | 179,837 | 9,631 |
| Low Income Rebate | 509,786 | 740,000 | (230,214) | 509,786 | 729,709 | (219,923) |
| FIONA | 2,561,423 | - | 2,561,423 | 2,561,423 | 7,216,928 | (4,655,505) |
| SNOWMAGEDDON | 3,850,291 | - | 3,850,291 | 3,850,291 | - | 3,850,291 |
| Total Expenditures | \$ 178,647,657 | \$ 173,995,545 | \$ 4,652,112 | \$ 178,647,657 | \$ 172,147,817 | \$ 6,499,840 |
| Expenditures (Excluding Fiona, Snowmageddon) | \$ 172,235,944 | \$ 173,995,545 | -\$ 1,759,601 | \$ 172,235,944 | \$ 164,930,889 | \$ 7,305,055 |

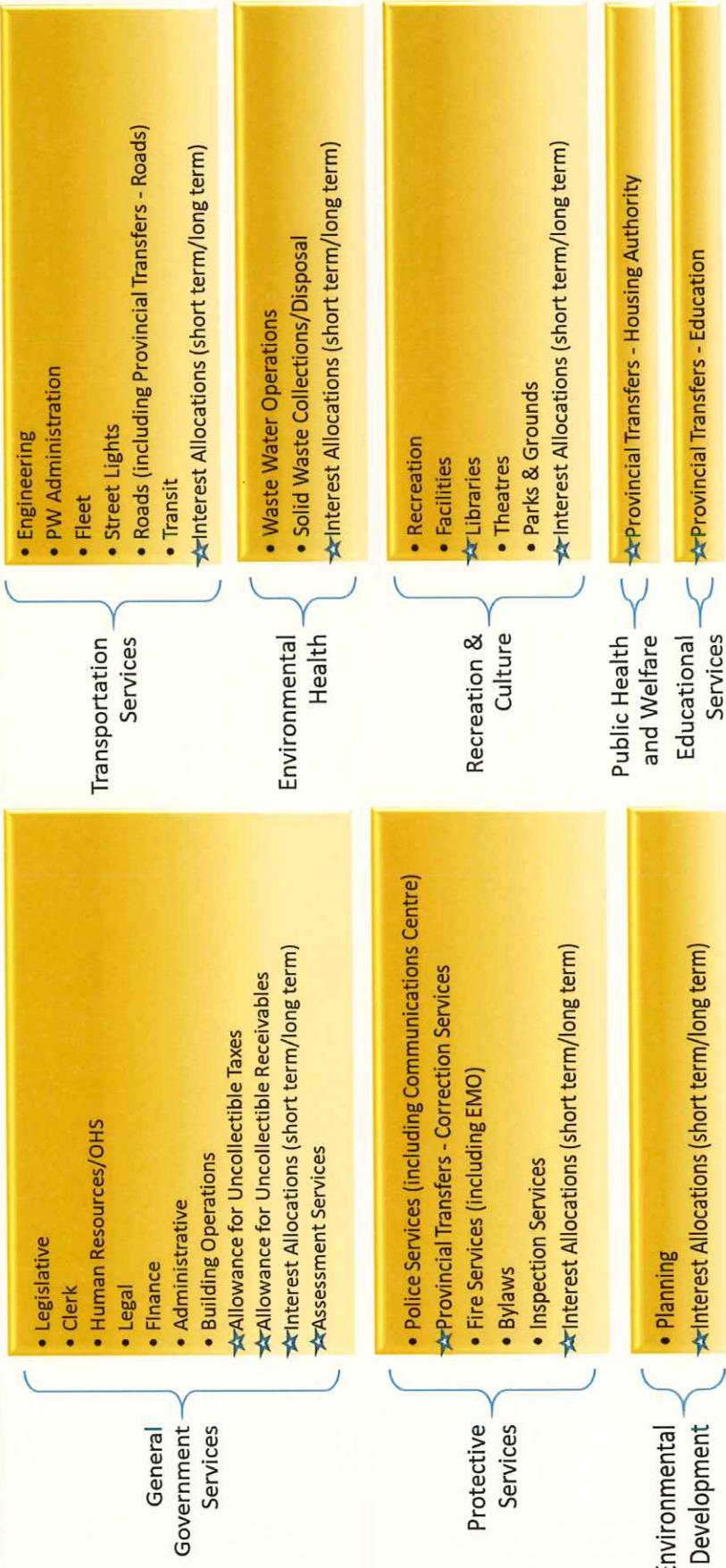
Comparison by Expenditure

Actual to Budget

CBRM Operating

(Council)

Step 1: Classify department revenues by significant source, and expenditures by government function



CBRM Operating (Council)

Step 2: Report annual surplus as transfer to operating reserve.

FRAM



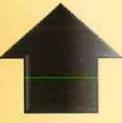
PSAB Presentation



| | 2024 | 2023 |
|---------------------------------------|---|---------|
| Annual Surplus, Council Format | 101,902 | 715,389 |
| Surplus transfer to operating reserve | ★ (101,902) | 715,389 |
| Annual Surplus, FRAM | - | - |

CBRM Operating
(Council)

FRAM



PSAB
Presentation



Legislative Requirements vs GAAP

- There is no acceptable substitute for “generally accepted accounting principles”.
- However, since the application of such principles will not always produce the requirements of particular legislation, it may be necessary to meet the latter through specially designed statements and reports.

CBRM (FRAM)

- Accrued debenture interest
- Vacation and sick benefit accrual
- Asset Retirement Obligation
- PSAB: Meets definition of liability and must be accrued.
- FRAM: Not required under legislation

WATER UTILITY (UARB)

- Capital Contributions
 - PSAB: Reported as revenue when received
 - UARB: Deferred and amortized on the basis of the funded asset
- Depreciation
 - PSAB: Expense
 - UARB: Depreciation Reserve

CBRM Operating (Council)

FRAM

Step 3: Adjust accruals recognized under PSAB.

PSAB Presentation



Step 3: Adjust accruals recognized under PSAB.

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Cape Breton Regional Municipality Schedule of Operating Fund and Change in Fund Balance For the year ended March 31, 2024 (Unaudited)

| | 2024 | 2023 | | 2024 | 2023 |
|--|-----------------------|-----------------------|--|------|------|
| PSAB ADJUSTMENTS | | | | | |
| Decrease (increase) in Landfill closure liability | 56,294,281 | | | | |
| Decrease (increase) in accrued interest | (357,039) | - | | | |
| Decrease (increase) in accrued sick benefits | (474,285) | (1,694,156) | | | |
| Decrease (increase) in accrued vacation entitlements | (700,453) | 2,540,168 | | | |
| CHANGE IN FUND BALANCE (PSAB) | 57,140,293 | (1,531,777) | | | |
| | | | | | |
| PSAB FUND BALANCE COMPRISED OF: | | | | | |
| Accrued Interest | (357,039) | - | | | |
| Sick benefit accrual | (2,552,195) | (2,077,910) | | | |
| Vacation accrual | (3,273,061) | (2,572,608) | | | |
| | | | | | |
| FUND BALANCE, END OF YEAR | (6,182,295) | (4,650,518) | | | |
| | | | | | |
| Excess of revenues over expenses before the following | 9,009,938 | 62,115,056 | | | |
| FINANCING AND TRANSFERS | | | | | |
| Debenture and term loan principal instalments | | | | | |
| Transfer to special reserve funds | | | | | |
| Transfer to general capital fund | | | | | |
| Amortization of bond discount | | | | | |
| | | | | | |
| CHANGE IN FUND BALANCE | (1,531,777) | 57,140,293 | | | |
| FUND BALANCE, BEGINNING OF YEAR | (4,650,518) | (61,790,811) | | | |
| FUND BALANCE, END OF YEAR | \$ (6,182,295) | \$ (4,650,518) | | | |

Cape Breton Regional Municipality Capital Fund

CBRM's Capital fund represents the Municipality's investments in capital assets.

- The fund balance increases for the following:
 - Grants received for capital projects, such as ICIP, and other outside funding contributions.
 - Monies transferred from our own funds, such as capital out of operating, gas tax reserves, capital reserves.
 - Repayment of debentures.
 - As ARO obligations are no longer municipal responsibility (ie. Sale of property to a 3rd party).
- The fund decreases for depreciation, as well as the addition of any newly recognized asset retirement obligations under the new accounting standard.

Cape Breton Regional Municipality Capital Fund

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Cape Breton Regional Municipality Schedule of Capital Fund and Change in Fund Balance For the year ended March 31, 2024 (Unaudited)

| | 2023 | 2024 |
|---|----------------|----------------|
| REVENUES | | |
| Capital grants | \$ 14,240,863 | \$ 18,220,293 |
| Contributed assets | 6,928,900 | — |
| | 21,169,768 | 18,220,293 |
| EXPENSES | | |
| General government services | 611,728 | 945,054 |
| Protective services | 1,763,479 | 1,573,670 |
| Transportation services | 10,114,413 | 13,718,084 |
| Environmental health services | 4,389,628 | 33,747,977 |
| Recreation and cultural services | 1,912,729 | 1,668,250 |
| Planning and development services | 807,449 | 762,237 |
| | 19,599,426 | 52,415,272 |
| Excess of revenues over expenses before the following | 1,570,342 | (34,194,979) |
| FINANCING AND TRANSFERS | | |
| Transfer from reserve funds | 16,997,847 | 16,963,712 |
| Transfer from general operating fund | 884,719 | — |
| Transfer from water operating fund | 650,000 | 650,000 |
| Debt service and term loan principal installments | 8,886,065 | 8,506,443 |
| | 27,418,631 | 26,120,155 |
| CHANGE IN FUND BALANCE | 28,988,973 | (8,074,824) |
| FUND BALANCE, BEGINNING OF YEAR | 283,621,765 | 291,696,589 |
| FUND BALANCE, END OF YEAR | \$ 312,610,738 | \$ 283,621,765 |

Contributions from Provincial/Federal
Governments and other sources
\$10.3M - ICIP (Wastewater)
\$2.5M Charlotte St. Redevelopment
\$508K - EV Bus Maintenance Facility
\$425K - PTAP/ATAP (Transit)
\$461K - Other community infrastructure

Depreciation of assets & initial recognition of
ARO Liabilities

\$17.0M Transfer from gas
tax/capital reserves
\$885K capital out of operating
(emergency purchase - blowers)

Debt Repayments during fiscal year

Cape Breton Regional Municipality

Capital, Funding & Debt

| CBRM Capital Program 2023/24 | Budget | Cost | Funding | Borrowing | Budgeted Borrowing | Variance |
|------------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|-------------------|
| Land and buildings | \$ 7,100,000 | \$ 841,937 | \$ 212,448 | \$ 629,489 | \$ 2,100,000 | \$ (1,470,511) |
| Arenas | 2,250,000 | 7,029,550 | 7,007,623 | 21,927 | - | 21,927 |
| Fire Equipment/Apparatus | 600,000 | 836,421 | 103,193 | 733,228 | 600,000 | 133,228 |
| Streets and Sidewalks | 14,950,000 | 11,975,466 | 6,663,102 | 5,312,364 | 3,153,333 | 2,159,031 |
| Fleet Replacement | 1,500,000 | 1,762,755 | 873,908 | 888,848 | 850,000 | 38,848 |
| Waste Water/Storm Water | 35,773,310 | 914,321 | 887,000 | 27,321 | - | 27,321 |
| Parks & Grounds | 1,910,000 | 2,565,435 | 2,017,469 | 547,966 | 930,000 | (382,034) |
| Active Transportation | - | - | - | - | - | - |
| Transit | 1,800,000 | 2,174,637 | 1,127,212 | 1,047,426 | 906,300 | 141,126 |
| Tech Upgrades | 340,000 | - | - | - | - | - |
| Waterfront Development | 2,545,000 | - | - | - | - | - |
| Total | \$ 68,768,310 | \$ 28,100,523 | \$ 18,891,954 | \$ 9,208,569 | \$ 8,539,633 | \$ 668,936 |

| Cape Breton Regional Municipality | | | | | |
|-----------------------------------|--------------|-------------------|---------|---------------------|---------------------|
| Schedule of Long-term Debt | | | | | |
| For the year ended March 31, 2024 | | | | | |
| | Term (years) | Interest rate - % | Matures | Balance March 31/23 | Balance March 31/24 |
| General Fund | | | | | |
| M.F.C. | 10 | 0.000-3.614 | 2023 | 468,265 | 468,265 |
| 33-B-1 | 10 | 1.200-3.190 | 2024 | 2,660,000 | 1,330,000 |
| 34-B-1 | 10 | 1.040-3.449 | 2030 | 2,280,000 | 560,000 |
| 35-A-1 | 10-20 | 1.150-2.056 | 2026 | 2,497,600 | 624,400 |
| 36-A-1 | 10 | 1.150-2.056 | 2026 | 3,309,600 | 1,720,000 |
| 37-A-1 | 10 | 1.724-3.073 | 2027 | 4,137,000 | 827,400 |
| 38-A-1 | 10 | 2,480-3,389 | 2028 | 7,184,999 | 1,197,500 |
| FCM-1 | 10 | 2,250 | 2028 | 600,000 | 500,000 |
| 39-A-1 | 10 | 2.015 - 2.561 | 2029 | 7,175,000 | 1,025,000 |
| 40-A-1 | 10 | 0.400 - 2.376 | 2031 | 7,927,326 | 880,814 |
| 41-A-1 | 10 | 0.560 - 2.259 | 2031 | 10,020,240 | 7,046,512 |
| 42-B-1 | 10 | 3,847-4,177 | 2032 | 7,593,205 | 1,113,350 |
| 43-B-1 | 10-15 | 5,460-5,463 | 2038 | 52,543,636 | 8,886,060 |
| | | | | | 52,544,632 |

| | |
|-----------------------------------|-------------------|
| Debt Repaid | -\$ 8,886,060 |
| New Debt | \$ 9,208,569 |
| Net Increase in Total Debt | \$ 322,509 |

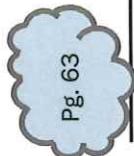
| | | |
|-----------------------|---------------|---------------|
| Balance of Total Debt | \$ 69,826,301 | \$ 69,503,792 |
| Change in Total Debt | \$ 322,509 | |

Cape Breton Regional Municipality

Reserve Fund

CBRM's Reserve fund represents:

- Prior year surpluses reserved for operating or other special purpose
- Capital grants received, but not yet spent



Cape Breton Regional Municipality

Schedule of Reserve Funds and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 | |
|--|---------------|---------------|--|
| REVENUES | | | |
| Investment income | \$ 1,307,267 | \$ 789,888 | |
| Sale of properties | 179,979 | 329,815 | |
| Grants | 7,386,868 | 10,720,853 | |
| | 8,874,114 | 11,840,556 | |
| FINANCING AND TRANSFERS | | | |
| Transfer from operating fund | 710,051 | (3,589,200) | |
| Transfer to capital funds | (16,997,847) | (16,963,712) | |
| | (16,287,796) | (20,552,912) | |
| CHANGE IN FUND BALANCE | (7,413,682) | (8,712,356) | |
| FUND BALANCE, BEGINNING OF YEAR | 52,455,283 | 61,167,639 | |
| FUND BALANCE, END OF YEAR | \$ 45,041,601 | \$ 52,455,283 | |

- Interest earned during reporting period.
- Sale of property required to be placed in reserve (MGA)
- Grants include advances on infrastructure funding, and federal gas tax allotment.
- Transfers from operating fund include:
 - Planned transfers
 - Unspent program funding (sustainability, studies, etc)
 - Election reserve transfer
 - Tax sale surplus
 - Annual C200 CIF allocation
- Transfer to capital fund is gas tax and capital reserve spending during fiscal year.

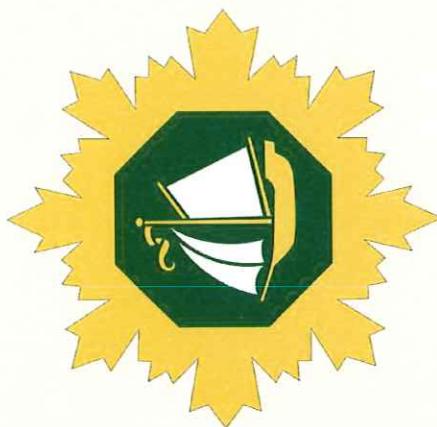


CBRM Water Utility

Operating, Capital and Reserve Funds

Year Ended March 31, 2024

CAPE BRETON
REGIONAL MUNICIPALITY



Water Utility Consolidated (UARB)

Pg. 69
Cape Breton Regional Municipality Water Utility
Statement of Financial Activities – Operating Fund
For the year ended March 31, 2024

| | Budget | Actual | |
|---|----------------|---------------|---------------|
| | (Unaudited) | | |
| OPERATING REVENUES | | | |
| Metered sales | \$ 19,218,619 | \$ 20,520,805 | \$ 19,322,036 |
| Public fire protection | 7,076,391 | 7,076,391 | 7,076,391 |
| Consumer's interest | 960,113 | 769,932 | 769,932 |
| Service connections | 66,000 | 7,921 | 230,693 |
| | 26,711,010 | 28,565,230 | 27,399,052 |
| OPERATING EXPENSES | | | |
| Source of supply | 553,667 | 443,065 | 443,065 |
| Power and pumping | 2,042,040 | 1,626,734 | 1,626,734 |
| Water treatment | 5,052,816 | 5,961,827 | 5,961,827 |
| Transmission and distribution | 5,059,739 | 5,244,067 | 4,594,067 |
| Administration and general | 3,942,287 | 3,563,418 | 3,563,418 |
| Depreciation | 2,061,1214 | 1,981,992 | 1,981,992 |
| Taxes | | | 18,171,103 |
| | 22,869,358 | 22,487,685 | 21,257,537 |
| Excess of operating revenues over expenses before the following | 3,841,652 | 6,077,545 | 6,141,515 |
| NON-OPERATING REVENUES | | | |
| Amortization of deferred capital contributions | - | 298,502 | 298,502 |
| NON-OPERATING EXPENSES | | | |
| Debt charges | 3,687,972 | 3,564,500 | 3,564,500 |
| Provision for principal repayment | 880,485 | 650,992 | 1,041,977 |
| Interest | - | 20,277 | 24,540 |
| Amortization of debt discounts | 150,000 | 27,360 | 27,360 |
| Bank fees/charges | 150,000 | 150,000 | 25,603 |
| Capital expenditures out of operations | 4,868,457 | 4,443,329 | 1,250,000 |
| | | | 5,906,620 |
| CHANGE IN FUND BALANCE | \$ (1,026,805) | \$ 1,962,918 | \$ 533,397 |

Change in fund balance (UARB) \$1,962,918
- Amort. Of Deferred Contributions (298,502)
= Change in Fund Balance (PSAB) \$1,664,416

CBRM Consolidated (PSAB)

Pg. 59
Cape Breton Regional Municipality Water Utility
Statement of Water Utility Operating Fund and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | Budget | Actual | |
|---|----------------|---------------|---------------|
| | (Unaudited) | | |
| OPERATING REVENUES | | | |
| Metered sales | \$ 19,218,619 | \$ 20,520,805 | \$ 20,520,805 |
| Public fire protection | 7,076,391 | 7,076,391 | 7,076,391 |
| Consumer's interest | 960,113 | 769,932 | 769,932 |
| Service connections | 66,000 | 7,921 | 27,914,944 |
| | 26,711,010 | 28,565,230 | 27,399,052 |
| OPERATING EXPENSES | | | |
| Source of supply | 553,667 | 443,065 | 443,065 |
| Power and pumping | 2,042,040 | 1,626,734 | 1,626,734 |
| Water treatment | 5,052,816 | 5,961,827 | 5,961,827 |
| Transmission and distribution | 5,059,739 | 5,244,067 | 4,594,067 |
| Administration and general | 3,942,287 | 3,563,418 | 3,563,418 |
| Depreciation | 2,061,1214 | 1,981,992 | 1,981,992 |
| Taxes | | | 18,171,103 |
| | 22,869,358 | 22,487,685 | 21,257,537 |
| Excess of revenues over expenses before the following | 3,841,652 | 6,077,545 | 6,141,515 |
| NON-OPERATING REVENUES | | | |
| Amortization of deferred capital contributions | - | 298,502 | 298,502 |
| NON-OPERATING EXPENSES | | | |
| Debt charges | 3,687,972 | 3,564,500 | 3,564,500 |
| Provision for principal repayment | 880,485 | 650,992 | 1,041,977 |
| Interest | - | 20,277 | 24,540 |
| Amortization of debt discounts | 150,000 | 27,360 | 27,360 |
| Bank fees/charges | 150,000 | 150,000 | 25,603 |
| Capital expenditures out of operations | 4,868,457 | 4,443,329 | 1,250,000 |
| | | | 5,906,620 |
| CHANGE IN FUND BALANCE | \$ (1,026,805) | \$ 1,962,918 | \$ 533,397 |
| FUND BALANCE, BEGINNING OF YEAR | | | |
| | | | \$ 8,814,236 |
| FUND BALANCE, END OF YEAR | | | \$ 7,149,821 |

Difference between 2 reporting models is in
how amortization of deferred contribution of
\$298,502 is reported.

Cape Breton Regional Municipality Water Utility Change in Fund Balance - Operating Fund

Water Utility Consolidated (UARB)

Pg. 70 Cape Breton Regional Municipality Water Utility
Statement of Operating Fund Surplus (Deficit)
For the year ended March 31, 2024

| | 2024 | 2023 |
|---|---------------------|---------------------|
| SURPLUS (DEFICIT), BEGINNING OF YEAR | \$ 3,165,376 | \$ 2,631,979 |
| Change in fund balance | 1,962,918 | 533,397 |
| SURPLUS (DEFICIT), END OF YEAR | <u>\$ 5,128,294</u> | <u>\$ 3,165,376</u> |

Pg. 59



Cape Breton Regional Municipality Schedule of Water Utility Operating Fund and Change in Fund Balance For the year ended March 31, 2024 (Unaudited)

| | 2024 | 2023 |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Metered sales | \$ 20,520,805 | \$ 19,322,036 |
| Public fire protection | 7,076,391 | 7,076,391 |
| Consumer's interest | 317,748 | 769,932 |
| | 27,914,944 | 27,168,359 |
| OPERATING EXPENSES | | |
| Source of supply | 443,065 | 502,819 |
| Power and pumping | 1,626,734 | 1,820,919 |
| Water treatment | 5,961,827 | 4,967,373 |
| Transmission and distribution | 4,594,067 | 4,506,939 |
| Administration and general | 3,563,418 | 3,206,353 |
| Taxes | 1,981,992 | 1,896,230 |
| | 18,171,103 | 16,900,633 |
| Excess of revenues over expenses before the following | 9,743,841 | 10,267,726 |
| NON-OPERATING REVENUES | | |
| Miscellaneous | 650,286 | 230,693 |
| NON-OPERATING EXPENSES | | |
| Interest on debentures | 650,992 | 1,041,977 |
| Amortization of debt discounts | 20,278 | 24,539 |
| Other | 7,381,082 | 27,360 |
| Transfer to water capital fund | 650,000 | 8,521,404 |
| Transfer to general capital fund | | 650,000 |
| | 8,729,712 | 10,263,525 |
| CHANGE IN FUND BALANCE | <u>1,664,415</u> | <u>234,894</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>7,149,821</u> | <u>6,914,927</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 8,814,236</u> | <u>\$ 7,149,821</u> |

Difference in fund balance
due to the accounting treatment for
previously recognized capital contributions
(PSAB), net of accumulated amortized
contributions to date (UARB).

Cape Breton Regional Municipality Water Utility Change in Fund Balance - Capital Fund

Water Utility Consolidated (UARB)

Pg. 73

Statement of Investment in Capital Assets For the year ended March 31, 2024

| | 2024 | 2023 |
|-----------------------------|-----------------------|----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 96,476,427 | \$ 91,661,927 |
| Term debt retired | 3,564,500 | 3,564,500 |
| Capital out of operations | 150,000 | 1,250,000 |
| BALANCE, END OF YEAR | \$ 100,190,927 | \$ 96,476,427 |

- Capital Projects funded through depreciation reserve
- NO New Debt
- Debt Balance **\$14,808,000**

CBRM Consolidated (PSAB)

Pg. 61

Schedule of Water Utility Capital Fund and Change in Fund Balance For the year ended March 31, 2024 (Unaudited)

| | 2024 | 2023 |
|---|----------------|----------------|
| REVENUES | \$ - | \$ - |
| Capital grants | | |
| EXPENSES | \$ - | \$ - |
| Amortization | | |
| DEFICIENCY OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING | | |
| FINANCING AND TRANSFERS | | |
| Transfer from water operating fund | | |
| CHANGE IN FUND BALANCE | | |
| FUND BALANCE, BEGINNING OF YEAR | | |
| FUND BALANCE, END OF YEAR | \$ 110,026,885 | \$ 106,342,731 |

Cape Breton Regional Municipality Water Utility Schedule B - Capital Debt Changes For the year ended March 31, 2024

Pg. 83

| Municipal Finance Corporation | Year of Issue | Maturity Date | Interest Rate % | Balance March 31, 2023 | Issued | Redeemed | Balance March 31, 2024 |
|-------------------------------------|---------------------|------------------|--------------------|------------------------------|--------------|--------------|------------------------------|
| 28-A-1 | 2008 | 2023 | 4.949 - 5.088 | 4,200,000 | | | 4,200,000 |
| | 2010 | 2025 | 4.550 - 5.055 | 1,200,000 | | | 1,200,000 |
| | 2011 | 2023 | 2.450 - 2.573 | 800,000 | | | 800,000 |
| | 2014 | 2029 | 2.516 - 3.792 | 2,800,000 | | | 2,400,000 |
| | 2014 | 2027 | 2.575 - 3.290 | 4,572,500 | | | 3,658,000 |
| | 2022 | 2027 | | | | | 914,500 |
| | 2023 | 2028 | 4.714 - 3.550 | | 3,500,000 | | 3,500,000 |
| | | | | | | | 1,500,000 |
| | | | | | | | 14,000,000 |
| | | | | | | | |
| | | | | \$ 18,372,500 | \$ 3,900,000 | \$ 7,094,500 | \$ 14,000,000 |

Change in fund balances equal under each standard except for how amortization/accrual expense on ARO assets/liabilities is reflected in the schedules under each reporting framework.

Cape Breton Regional Municipality Water Utility – Change in Fund Balance – Reserve Fund

Water Utility Consolidated (UARB)



Cape Breton Regional Municipality Water Utility Statement of Special Reserve For the year ended March 31, 2024

Pg. 64
○○○
Schedule of Water Utility Reserve Funds and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 | | |
|---|----------------------------------|----------------------------------|-----------------------------------|---|
| Non-shareable debt expenditure | Future capital expenditure | Watershed land acquisition | Sysco waterline maintenance | Total |
| | | | | REVENUES |
| | | | | Investment income |
| BALANCE, BEGINNING OF YEAR | \$ 55,543 | \$ 939,666 | \$ 340,848 | \$ 716,245 \$ 2,052,302 \$ 2,047,934 |
| Interest on investments | 250 | 4,260 | 1,752 | - 6,262 4,368 |
| BALANCE, END OF YEAR | \$ 55,793 | \$ 943,926 | \$ 342,600 | \$ 716,245 \$ 2,058,564 \$ 2,052,302 |

CBRM Consolidated (PSAB)



Pg. 64
○○○
Cape Breton Regional Municipality
Schedule of Water Utility Reserve Funds and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

Operating results and fund balances
consistent under both sets of standards.

Cape Breton Regional Municipality
Schedule of Port of Sydney Development Corporation Operating Fund and
Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | Budget | 2024 | 2023 |
|--|---------------------|------------------|---------------------|
| (Unaudited) | | | |
| REVENUES | | | |
| Wharfage and berthage | \$ 708,361 | \$ 874,881 | \$ 696,742 |
| Passenger tax | 1,489,595 | 1,624,441 | 876,697 |
| Events | 198,800 | 177,279 | 89,606 |
| Security | 336,529 | 328,659 | 279,740 |
| Storage and rental | 324,735 | 328,799 | 255,864 |
| Craft market | 70,500 | 130,027 | 67,273 |
| Sundry | 4,800 | 52,260 | 35,945 |
| Government funding | - | 3,957 | 144,177 |
| | <u>3,133,320</u> | <u>3,570,303</u> | <u>2,446,049</u> |
| EXPENSES | | | |
| Advertising and promotion | 12,775 | 25,398 | 15,924 |
| Bad debts | 2,000 | - | 1,752 |
| Cruise activities | 69,140 | 40,529 | 55,222 |
| Dues and fees | 28,327 | 34,893 | 29,226 |
| Events | 97,600 | 55,431 | 13,562 |
| Insurance | 87,375 | 74,292 | 68,094 |
| Interest and bank charges | 4,720 | 5,331 | 5,212 |
| Miscellaneous | 8,610 | 36,754 | 16,292 |
| Office and administration | 21,087 | 14,531 | 12,034 |
| Professional fees | 86,300 | 94,589 | 11,381 |
| Rent | 47,880 | 52,320 | 52,320 |
| Repairs and maintenance | 276,069 | 254,669 | 225,119 |
| Security | 227,700 | 252,492 | 179,831 |
| Travel | 19,500 | 40,386 | 21,119 |
| Utilities | 224,520 | 246,236 | 223,085 |
| Wages and benefits | 922,968 | 843,932 | 815,895 |
| | <u>2,136,571</u> | <u>2,072,083</u> | <u>1,746,068</u> |
| <i>Excess of revenues over expenses before the following</i> | | | |
| Amortization of capital assets | 996,749 | 1,493,220 | 699,981 |
| Gain on disposal of assets | (385,405) | (307,969) | (331,946) |
| | | | 6,500 |
| CHANGE IN FUND BALANCE | \$ 611,344 | 1,190,251 | 374,535 |
| FUND BALANCE, BEGINNING OF YEAR | | 4,392,613 | 4,018,078 |
| FUND BALANCE, END OF YEAR | \$ 5,582,864 | | \$ 4,392,613 |

The Port of Sydney is accountable to the CBRM for the administration of their financial affairs and resources, as they are owned and controlled by the Municipality.

As such, the PSDC's financial results are consolidated with CBRM's own funds to form the CBRM Consolidated Financial Statements.

Final Year of
 Consolidation with
 CBRM!!!

CONSOLIDATED STATEMENTS

| CBRM | | | |
|----------------|--------------|--------------|----------------|
| CBRW | | | |
| PSDC | | | |
| Operating Fund | Capital Fund | Reserve Fund | Operating Fund |
| | | | |

Pg. 35 Cape Breton Regional Municipality Consolidated Statement of Operations and Accumulated Surplus For the year ended March 31, 2024

| | Budget | 2024 | 2023 |
|--|----------------|----------------|----------------|
| REVENUES | | | |
| Taxes | \$ 130,411,084 | \$ 130,655,688 | \$ 119,087,257 |
| Grants in lieu of taxes | 10,151,336 | 10,480,335 | 9,398,051 |
| Services provided to other governments | 992,380 | 919,499 | 1,145,521 |
| Sales of services | 4,599,000 | 4,806,946 | 4,172,309 |
| Revenue from own sources | 6,072,277 | 7,564,488 | 6,875,028 |
| Unconditional transfers from other governments | | | |
| Conditional transfers from other governments | 15,835,838 | 15,777,701 | 15,851,979 |
| Capital grants | 3,744,926 | 4,692,960 | 4,754,023 |
| Water Utility revenue | 19,634,619 | 21,488,839 | 28,941,146 |
| Investment income | | | 20,322,661 |
| Port of Sydney Development Corporation | 3,133,320 | 1,313,531 | 794,255 |
| Contributed assets | | | 2,301,872 |
| Gain on sale of properties | | 3,566,346 | |
| Disaster recovery | | 6,928,900 | |
| | | 336,330 | |
| | | 179,979 | |
| | | 2,867,880 | |
| | | 6,213,522 | |
| | | 194,574,790 | 232,970,908 |
| | | | 220,191,954 |
| EXPENSES | | | |
| General government services | 20,577,512 | 18,809,258 | 17,022,224 |
| Protective services | 52,473,131 | 51,406,914 | 49,198,662 |
| Transportation services | 42,618,913 | 52,989,151 | 56,987,968 |
| Environmental health services (Note1) | 20,632,633 | 26,423,318 | (1,093,515) |
| Public health and welfare services | 2,764,551 | 3,465,650 | 2,721,969 |
| Environmental and development services | 1,136,055 | 1,182,880 | 1,226,578 |
| Recreation and cultural services | 13,285,898 | 14,891,487 | 13,278,176 |
| Planning and development services | | 807,449 | 762,237 |
| Educational services | 16,530,308 | 16,530,308 | 15,534,623 |
| Port of Sydney Development Corporation | 2,521,976 | 2,380,052 | 2,078,014 |
| Water Utility expenses | 14,906,708 | 17,495,843 | 16,753,009 |
| | | 187,627,685 | 206,382,310 |
| | | \$ 6,947,105 | \$ 26,588,598 |
| | | | 45,752,009 |
| ANNUAL SURPLUS | | | |
| | | | 451,363,986 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | | | 405,611,987 |
| | | | |
| ACCUMULATED SURPLUS, END OF YEAR | | | \$ 477,952,594 |
| | | | \$ 451,363,986 |

Cape Breton Regional Municipality Other Schedules

Pg. 56
Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Council
For the year ended March 31, 2024

| Council | Annual Remuneration | Travel Expenses | Senior Staff | Annual Remuneration | Reportable Expenses |
|-----------------------------|------------------------|--------------------|------------------|------------------------|------------------------|
| D. Bruckschwaiger | \$ 54,719 | \$ 542 | M. Bettens | \$ 11,832 | \$ - |
| J. Edwards (Deputy Mayor) | \$ 60,117 | \$ 12,046 | D. Campbell-Ryan | \$ 30,545 | \$ 517 |
| L. Green | \$ 54,719 | \$ 4,177 | J. Campbell | \$ 132,098 | \$ 4,103 |
| S. Gillespie | \$ 54,719 | \$ - | C. Dicks | \$ 64,968 | \$ 1,385 |
| C. MacDonald | \$ 54,719 | \$ 666 | K. Durnig | \$ 132,098 | \$ 2,552 |
| E. MacDonald | \$ 54,719 | \$ 9,833 | D. Evely | \$ 132,098 | \$ - |
| G. MacDonald | \$ 54,719 | \$ 3,653 | D. Kachafanas | \$ 135,231 | \$ 1,572 |
| E. MacMullin | \$ 54,719 | \$ 4,071 | W. MacDonald | \$ 140,195 | \$ 7,172 |
| A. McDougal-Merrill (Mayor) | \$ 69,967 | \$ 39,565 | J. MacKinnon | \$ 187,562 | \$ 14,142 |
| D. O'Quinn | \$ 54,719 | \$ 1,369 | J. McLean | \$ 116,681 | \$ 5,161 |
| S. Parsons | \$ 54,719 | \$ 1,725 | M. Russ | \$ 84,966 | \$ 1,379 |
| G. Paruch | \$ 54,719 | \$ - | M. Seth | \$ 231,049 | \$ 5,942 |
| K. Tracey | \$ 54,719 | \$ 532 | M. Walsh | \$ 172,605 | \$ 4,714 |

Pg. 57

Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Senior Staff
For the year ended March 31, 2024

| | Annual Remuneration | Reportable Expenses |
|------------------|------------------------|------------------------|
| M. Bettens | \$ 11,832 | \$ - |
| D. Campbell-Ryan | \$ 30,545 | \$ 517 |
| J. Campbell | \$ 132,098 | \$ 4,103 |
| C. Dicks | \$ 64,968 | \$ 1,385 |
| K. Durnig | \$ 132,098 | \$ 2,552 |
| D. Evely | \$ 132,098 | \$ - |
| D. Kachafanas | \$ 135,231 | \$ 1,572 |
| W. MacDonald | \$ 140,195 | \$ 7,172 |
| J. MacKinnon | \$ 187,562 | \$ 14,142 |
| J. McLean | \$ 116,681 | \$ 5,161 |
| M. Russ | \$ 84,966 | \$ 1,379 |
| M. Seth | \$ 231,049 | \$ 5,942 |
| M. Walsh | \$ 172,605 | \$ 4,714 |

5.2.2(e) Audit Committee Policy:
Review the overall reasonableness of CAO, Mayor and Council travel and
hospitality expenses.
Amounts also disclosed for senior staff.

Cape Breton Regional Municipality

Financial Condition Index (Draft)

| Indicator Name | 2023-24 | 2022-23 | 2021-22 | 2020-21 | 2019-20 |
|--|------------------|------------------|------------------|------------------|------------------|
| Reliance on Government Transfers | 14.0% | 15.1% | 22.7% | 15.9% | 12.1% |
| Uncollected Taxes | 14.7% | 14.4% | 15.2% | 13.8% | 14.8% |
| 3 Year Change in Tax Base | 11.2% | 7.3% | 7.8% | 9.0% | 7.1% |
| Reliance on Single Business or Institution | 1.3% | 1.1% | 1.1% | 1.5% | 1.6% |
| Residential Tax Effort | 3.0% | 2.7% | 2.6% | 3.0% | 2.9% |
| # of Deficits in the Last 5 Years | 0 out of 5 years | 0 out of 5 years | 0 out of 5 years | 0 out of 5 years | 0 out of 5 years |
| Liquidity | 1.3 | 2.3 | 2.2 | 2.8 | 1.3 |
| Operating Reserve | 9.3% | 9.0% | 12.7% | 9.6% | 7.8% |
| Debt Service Cost | 18.2% | 19.8% | 20.4% | 10.4% | 10.3% |
| Outstanding Operating Debt | 14.4% | 10.7% | 19.5% | 33.1% | 8.2% |
| Undepreciated Assets | 60.4% | 60.2% | 60.0% | 60.3% | 60.5% |
| Combined Operating & Capital Reserves | 25.9% | 31.9% | 40.0% | 14.8% | 11.5% |

Cape Breton Regional Municipality

Financial Condition Index (Draft)

Set by DMA



| Indicator | Formula | Inputs | Value | Indicator Threshold |
|---|---|--|---|---|
| Reliance on Gov't Transfers | $\frac{\text{Total Government Transfers}}{\text{Total Revenue}}$ | $\frac{21,699,560}{155,380,665} = 14.0\%$ | < 15% | > 20% |
| Uncollected Taxes | $\frac{\text{Taxes Receivable (net of allowance)}}{\text{Total Taxes Billed}}$ | $\frac{18,393,385}{124,927,277} = 14.7\%$ | < 10% | > 15% |
| 3-Year Change in Tax Base | $\frac{\text{Current UA - UA 3 years prior}}{\text{UA 3 years ago}}$ | $\frac{544,175,736}{4,879,153,523} = 11.2\%$ | Growth is negative => change in CPI | The Municipality is experiencing challenges with its tax revenue collection. |
| Reliance on Single Business/Institution | $\frac{\text{Taxable assessment value of largest business/institution}}{\text{Uniform Assessment}}$ | $\frac{69,688,264}{5,423,329,259} = 1.3\%$ | < 10% | The Municipality's tax base is strong to cover the cost of municipal services and programs. |
| Residential Tax Effort | $\frac{\text{Residential Taxes / # dwelling units}}{\text{Median Household Income}}$ | $\frac{1,859}{62,400} = 3.0\%$ | < 4% | > 6% |
| # of Deficits in the Last 5 Years | | Helps Council assess the affordability of residential taxes in relation to current service levels. | The Municipality has some flexibility to increase tax rates if required. | |
| | | Surplus/ Deficit - 4 years ago Surplus/ Deficit - 3 years ago Surplus/ Deficit - 2 years ago Surplus/ Deficit - 1 year ago Surplus/ Deficit - Current Year | 11,940 0 4,390,348 3,912,794 11,952,928 | 1 or more of 5 0 of 5 1 or more of 5 1 or more of 2 |
| | | Indicative of the municipality's ability to meet its needs in a balanced manner and maintain a balanced budget as an indication of financial health. | The Municipality is able to meet its needs in a balanced manner and maintain a balanced budget. | |

Cape Breton Regional Municipality

Financial Condition Index (Draft)

Set by DMA



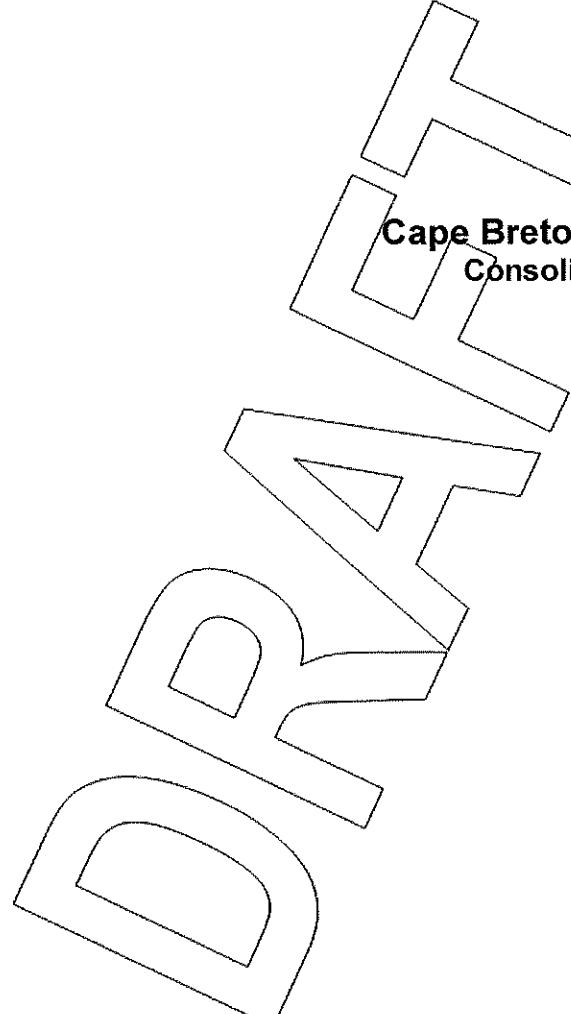
| Indicator | Formula | Inputs | Value | Indicator Threshold |
|--|--|---|---------|---|
| Years with a Budget Accuracy within + or - 5% in the last five years | 4 years ago 3 years ago 2 years ago 1 year ago Current Year | 5 of 5 4 of 5 5 of 5 4 of 5 1 | 1 | < 4 of 5 |
| Indicative of the municipality's ability to maintain expenditure spending within budget limits. | | | | The Municipality consistently maintained expenditure spending within budget limits. |
| Liquidity | Total Current Assets Total Current Liabilities | 62,292,644 46,175,296 | = 1.3 | > 1.5 1 - 1.5 < 1 |
| Indicative of cash flow concern by assessing the municipality's ability to meet its current obligations. | | | | The result indicates that the Municipality is somewhat able to meet its needs in a balanced manner and maintain a balanced budget |
| Operating Reserve | General Operating Reserve Total Expenses (including debenture payments) | 14,743,163 158,521,543 | = 9.3% | > 20% 10 - 20% < 10% |
| Indicative of the flexibility to set aside funds for planned or unexpected future needs. | | | | The Municipality has not set aside sufficient funds to help mitigate unforeseen risks or future needs. |
| Debt Service Cost | Principal/Interest on LTD Total Own Source Revenue | 24,287,879 133,681,105 | = 18.2% | < 10% 10 - 15% > 15% |
| Indicative of the flexibility to increase borrowing levels for future capital expenditures. | | | | The Municipality has limited flexibility to increase borrowing. |
| Outstanding Operating Debt | Total Operating Debt Total Net Taxes & PILT, GIL, Uncon. and Con. Transfers | 20,543,070 142,465,040 | = 14.4% | < 25% 25 - 50% > 50% |
| Indicative of the severity of operating debt a Municipality is carrying at year end. | | | | The Municipality is carrying operating debt. |
| Undepreciated Assets | Total NBV of Capital Assets Total Gross Cost of Capital Assets | 420,365,062 695,850,778 | = 60.4% | > 50% 35 - 50% < 35% |
| Indicates the remaining useful life of the Municipality's recognized capital assets to assess degree of infrastructure challenges. | | | | The Municipality is experiencing less of an infrastructure challenge than other municipalities. |
| Combined Reserve (Operating & Capital) | Total reserve fund balance Total operating expenses (incl Depreciation) | 45,041,601 173,961,434 | = 25.9% | > 40% 30 - 40% < 30% |
| Assesses the Municipality's long term sustainability by measuring its ability to address both unexpected events or provide flexibility to address future infrastructure projects by comparing the value of funds held in reserves compared to 1 year's operating costs (including amortization). | | | | The Municipality does not appear to have sufficient reserves needed to address unexpected events or the flexibility to address future projects. |

Cape Breton Regional Municipality

Year Ended March 31, 2024

“After climbing a great hill, one only finds that there are many more hills to climb.”

Nelson Mandela



Cape Breton Regional Municipality
Consolidated Financial Statements

March 31, 2024

Cape Breton Regional Municipality
Consolidated Financial Statements
For the year ended March 31, 2024

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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. A summary of the significant accounting policies are described in Note 2 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 MNP LLP, 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.

Jennifer Campbell, Chief Financial Officer

Cape Breton Regional Municipality
Consolidated Statement of Financial Position
As at March 31, 2024

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents (note 3) | \$ 24,119,415 | \$ 52,428,301 |
| Taxes receivable (note 4) | 18,393,385 | 16,332,757 |
| Accounts receivable (note 5) | 40,922,629 | 33,868,127 |
| Due from trust fund (note 13) | — | — |
| | <u>83,435,429</u> | <u>102,629,185</u> |
| FINANCIAL LIABILITIES | | |
| Accounts payable and accrued liabilities (note 6) | 38,829,290 | 37,883,065 |
| Due to trust funds (Note 13) | — | 17,064 |
| Deferred revenue | 436,158 | 682,576 |
| Accrued employee benefits | 7,343,717 | 6,186,993 |
| Asset retirement obligation (note 7) | 42,721,266 | 41,430,768 |
| Capital lease (note 8) | 387,862 | 486,232 |
| Long-term debt (note 9) | 67,352,632 | 85,000,433 |
| | <u>157,064,925</u> | <u>171,687,131</u> |
| NET DEBT | <u>(73,629,496)</u> | <u>(69,057,946)</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (note 10) | 475,386,549 | 466,939,369 |
| Tangible capital assets - work in progress | 71,944,713 | 49,265,230 |
| Properties acquired at tax sale | 1,585,197 | 1,585,197 |
| Inventory, prepaid expenses and other | 2,665,631 | 2,632,146 |
| | <u>551,582,090</u> | <u>520,421,942</u> |
| ACCUMULATED SURPLUS (note 11) | <u>\$ 477,952,594</u> | <u>\$ 451,363,996</u> |

Contingencies (note 14)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

Mayor

Clerk

Cape Breton Regional Municipality
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2024

| | Budget (Note 19) | 2024 | 2023 |
|--|---------------------|----------------|----------------|
| REVENUES | | | |
| Taxes | \$ 130,411,084 | \$ 130,655,688 | \$ 119,087,257 |
| Grants in lieu of taxes | 10,151,336 | 10,480,435 | 9,396,051 |
| Services provided to other governments | 992,390 | 919,499 | 1,145,521 |
| Sales of services | 4,599,000 | 4,806,946 | 4,172,309 |
| Revenue from own sources | 6,072,277 | 7,564,488 | 6,875,028 |
| Unconditional transfers from other governments | 15,835,838 | 15,777,701 | 15,851,979 |
| Conditional transfers from other governments | 3,744,926 | 4,692,960 | 4,754,023 |
| Capital grants | — | 21,627,736 | 28,941,146 |
| Water Utility revenue | 19,634,619 | 24,488,839 | 20,322,661 |
| Investment income | — | 1,318,531 | 794,255 |
| Port of Sydney Development Corporation | 3,133,320 | 3,566,346 | 2,301,872 |
| Contributed assets | — | 6,928,900 | — |
| Gain on sale of properties | — | 179,979 | 336,330 |
| Disaster recovery | — | 2,967,860 | 6,213,522 |
| | 194,574,790 | 232,970,908 | 220,191,954 |
| EXPENSES | | | |
| General government services | 20,577,512 | 18,809,258 | 17,022,224 |
| Protective services | 52,473,131 | 51,406,914 | 49,198,662 |
| Transportation services | 42,618,913 | 52,989,151 | 56,957,968 |
| Environmental health services | 20,632,633 | 26,423,318 | (1,093,515) |
| Public health and welfare services | 2,764,551 | 3,465,650 | 2,721,969 |
| Environmental development services | 1,366,055 | 1,182,880 | 1,226,578 |
| Recreation and cultural services | 13,265,898 | 14,891,487 | 13,278,176 |
| Planning and development services | — | 807,449 | 762,237 |
| Educational services | 16,530,308 | 16,530,308 | 15,534,623 |
| Port of Sydney Development Corporation | 2,527,976 | 2,380,052 | 2,078,014 |
| Water Utility expenses | 14,906,708 | 17,495,843 | 16,753,009 |
| | 187,627,685 | 206,382,310 | 174,439,945 |
| ANNUAL SURPLUS | \$ 6,947,105 | \$ 26,588,598 | \$ 45,752,009 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | | 451,363,996 | 405,611,987 |
| ACCUMULATED SURPLUS, END OF YEAR | \$ | \$ 477,952,594 | \$ 451,363,996 |

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2024

| | Budget (Note 19) | 2024 | 2023 |
|---|------------------------|------------------------|------------------------|
| ANNUAL SURPLUS | \$ 6,947,105 | \$ 26,588,598 | \$ 45,752,009 |
| Tangible capital assets | | | |
| Acquisition of tangible capital assets | (68,768,310) | (31,223,916) | (31,820,918) |
| Proceeds on disposal of tangible capital assets | — | 179,979 | 336,330 |
| Amortization of tangible capital assets | — | 22,776,736 | 20,882,777 |
| Gain on disposal of tangible capital assets | — | (179,979) | (336,330) |
| | <u>(68,768,310)</u> | <u>(8,447,180)</u> | <u>(10,938,141)</u> |
| Other non-financial assets | | | |
| Increase in work in progress | — | (22,679,483) | (23,384,586) |
| Increase in inventory, prepaid expenses and other | — | 38,485 | (472,877) |
| | <u>(68,768,310)</u> | <u>(22,712,968)</u> | <u>(23,857,463)</u> |
| DECREASE (INCREASE) IN NET DEBT | \$ (81,521,205) | (4,571,550) | 10,956,405 |
| NET DEBT, BEGINNING OF YEAR | | (69,057,946) | (80,014,351) |
| NET DEBT, END OF YEAR | | \$ (73,629,496) | \$ (69,057,946) |

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Consolidated Statement of Cash Flows
For the year ended March 31, 2024

| | 2024 | 2023 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Annual Surplus | \$ 26,588,598 | \$ 45,752,009 |
| Items not involving cash | | |
| Amortization of tangible capital assets | 22,776,736 | 20,882,777 |
| Contributed assets | (6,928,900) | - |
| Gain on disposal of tangible capital assets | (179,979) | (336,330) |
| Change in non-cash working capital | | |
| Taxes receivable | (2,060,628) | 739,632 |
| Accounts receivable | (7,054,502) | (12,224,471) |
| Inventory, prepaid expenses and other | (33,485) | (472,877) |
| Accounts payable and accrued liabilities and accrued interest | 946,225 | 5,688,524 |
| Solid waste management facilities liability | - | (56,294,281) |
| Deferred revenue | (246,418) | 368,487 |
| Accrued employee benefits | 1,156,724 | (893,484) |
| Asset retirement obligation | 1,290,498 | 41,430,768 |
| | <u>36,254,869</u> | <u>44,640,754</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease (increase) in due from trust fund | (17,064) | 754,881 |
| Issuance of long-term debt | 12,387,057 | 12,165,705 |
| Principal payments on long-term debt | (30,034,858) | (30,727,742) |
| Repayment of capital lease | (456,898) | (127,111) |
| | <u>(18,121,763)</u> | <u>(17,934,267)</u> |
| CASH FLOWS FROM CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (23,942,488) | (31,252,524) |
| Proceeds on disposal of tangible capital assets | 179,979 | 336,330 |
| Increase in work in progress | (22,679,483) | (23,384,586) |
| | <u>(46,441,992)</u> | <u>(54,300,780)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | <u>(28,308,886)</u> | <u>(27,594,293)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>52,428,301</u> | <u>80,022,594</u> |
| CASH AND CASH EQUIVALENTS, END-OF YEAR | <u><u>\$ 24,119,415</u></u> | <u><u>\$ 52,428,301</u></u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Tangible capital assets acquired through capital leases | \$ 352,528 | \$ 568,394 |

See accompanying notes to consolidated financial statements.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

1. CHANGE IN ACCOUNTING POLICY

Revenue

Effective April 1, 2023, the Municipality adopted the Public Sector Account Board's (PSAB) new standard for the recognition, measurement and disclosure of revenue under PS 3400 Revenue. The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations.

2. 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 public sector accounting standards.

(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, capital and reserve funds of the Cape Breton Regional Municipality Water Utility
- Port of Sydney Development Corporation

(c) Segment information

The Cape Breton Regional Municipality is a diversified entity that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations and activities are organized and reported by fund. This presentation is in accordance with the Provincial Financial Reporting and Accounting Manual and was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipality services are provided by departments and their activity is reported in these funds. The services provided by these departments are as follows:

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Segment information (continued)

General government services

This segment is responsible for the overall local government administration and delivery of public health and welfare services. Its tasks include direction for Municipality services, such as planning, engineering, finance, and information technology in adherence to the Municipal Government Act.

Port of Sydney Development Corporation

This segment is responsible for the operations of the Port of Sydney, through its subsidiary Port of Sydney Development Corporation.

Protective services

This segment is primarily responsible for police, fire protection and bylaw administration for its residents.

Transportation services

The Municipality is responsible for the maintenance of certain local roads, sidewalks and street lights within its jurisdiction.

Environmental health services

This segment is responsible for the maintenance and operations of waste, sewer and stormwater services provided to residents and other customers. Its tasks include the provision of waste collection, recycling and composting through a combination of its own and contracted workforces.

Recreation and cultural services

This segment is responsible for promoting and offering recreation opportunities and activities to the Municipality's residents, specializing in maintaining and assisting recreational facilities within the Municipality such as parks, arenas and libraries.

Development services

This segment is responsible for land use planning, issuance of development permits and approving subdivision applications in accordance with the Municipal Planning Strategy.

Educational services

This segment is responsible for the collection of education rates on behalf of the Province of Nova Scotia.

Water Utility

This segment manages water treatment and distribution facilities and services within the Municipality and includes activities such as plant operation and pumping, water treatment, transmission and distribution.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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.

(f) 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.

(g) Basis of accounting

Revenues and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses 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.

(h) 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.

(i) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities, due to (from) trust fund and long-term debt.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement

At each reporting date, the Municipality measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Municipality uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of revenues and expenses. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities, due to (from) trust fund and long-term debt.

Impairment

For financial assets measured at cost or amortized cost, the Municipality regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Municipality determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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

A statement of remeasurement gains and losses has not been included in these financial statements as it would not contain any balances or transactions.

(i) 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:

| | Basis | Rate |
|---------------------------------|---------------|------------|
| General Fund | | |
| Buildings | Straight-line | 40 years |
| Equipment | Straight-line | 5-10 years |
| Streets | Straight-line | 50 years |
| Sidewalks | Straight-line | 20 years |
| Traffic lights | Straight-line | 20 years |
| Recreation facilities | Straight-line | 5-40 years |
| Industrial parks | Straight-line | 40 years |
| Waterfront development | Straight-line | 50 years |
| Wharf – Sydney Marine Terminal | Straight-line | 25 years |
| Garbage collection and disposal | Straight-line | 25 years |
| Sewer collection and disposal | Straight-line | 50 years |
| Water fund | | |
| Structures and improvements | Straight-line | 75 years |
| Equipment | Straight-line | 5-20 years |
| Mains | Straight-line | 75 years |
| Services and other | Straight-line | 50 years |
| Meters | Straight-line | 20 years |
| Hydrants | Straight-line | 50 years |

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| | Basis | Rate |
|--|-------------------|----------|
| Port of Sydney Development Corporation | | |
| Equipment and signs | Declining balance | 20 – 30% |
| Building | Declining balance | 5% |
| Compound | Declining balance | 5% |
| Exhibits | Declining balance | 20% |
| Computer equipment | Declining balance | 30% |

(j) 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.

(k) Government transfers

The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Municipality recognizes revenues as the liability is settled.

(l) 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.

(m) Taxation and other revenues

Property tax billings are prepared by the Municipality based on assessment rolls determined in accordance with Province of Nova Scotia legislation. 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.

Revenue from services to other governments, sale of services and other revenues are recognized at the time when services are performed and/or when earned as long as amounts can be reasonably estimated, and collection is reasonably assured.

(n) Port of Sydney Development Corporation revenue recognition

The Port of Sydney Development Corporation recognizes revenue from the commercial operations of the Port of Sydney is recognized when the services are provided and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Amounts received in advance of the provision of services are recorded as deferred revenue.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Port of Sydney Development Corporation revenue recognition (continued)

Restricted contributions for the purchase of capital assets are recognized in the year in which the capital assets have been purchased and all liabilities relating to the asset have been cleared. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(o) Employee future benefits

Employees of the Municipality participate in the Public Service Superannuation Plan ("PSSP"), a contributory pension plan administered by the Pension Services Superannuation Plan Trustee Incorporated, which provides pension benefits based on length of service and earnings. The Municipality is not obligated for any unfunded liability, nor is the Municipality entitled to any surplus that may arise in the PSSP. Employer contributions are recognized as an expense in the period.

(p) Use of estimates

The preparation of consolidated 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 revenue and expenses in the consolidated financial statements and accompanying notes.

Amortization is based on the estimated useful lives of tangible capital assets.

Taxes, rates and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.

(q) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal or contractual obligation for the Municipality to incur retirement costs in relation to a tangible capital asset (or component thereof); the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2024. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Asset retirement obligation (continued)

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. For asset retirement obligations associated with tangible capital assets no longer in productive use, the Municipality recognizes an expense of the same amount as the liability.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. CASH AND CASH EQUIVALENTS

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Operating funds | \$ (18,155,731) | \$ 11,301,878 |
| Reserves funds | 56,993,947 | 74,487,157 |
| Capital funds | (16,900,708) | (34,397,172) |
| Port of Sydney Development Corporation | 2,181,907 | 1,036,438 |
| | <hr/> \$ 24,119,415 | <hr/> \$ 52,428,301 |

4. TAXES RECEIVABLE

| | 2024 | 2023 |
|---|---------------------|---------------------|
| Gross taxes receivable, beginning of year | \$ 18,569,304 | \$ 20,147,280 |
| Current year's levy of property taxes | 125,148,533 | 113,370,498 |
| Subtotal | 143,717,837 | 133,517,778 |
| Less | | |
| Current year's collections | 122,578,119 | 113,380,421 |
| Reduced taxes | 509,786 | 729,709 |
| Allowance | (358,849) | 838,344 |
| Gross taxes receivable, end of year | 20,988,781 | 18,569,304 |
| Less | | |
| Allowance for uncollectible taxes | 2,595,396 | 2,236,547 |
| Taxes receivable, net | <hr/> \$ 18,393,385 | <hr/> \$ 16,332,757 |

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

5. ACCOUNTS RECEIVABLE

| | 2024 | 2023 |
|--------------------------------------|---------------|---------------|
| Federal government | \$ 9,075,915 | \$ 11,259,662 |
| Provincial government | 19,638,407 | 10,689,564 |
| Due from general public | 3,670,914 | 2,556,768 |
| Water rates receivable | 11,324,255 | 10,830,329 |
| | 43,709,491 | 35,336,323 |
| Less allowance for doubtful accounts | | |
| Operating | 1,671,281 | 598,638 |
| Water rates | 1,115,581 | 869,558 |
| | 2,786,862 | 1,468,196 |
| | \$ 40,922,629 | \$ 33,868,127 |

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2024 | 2023 |
|------------------------|---------------|---------------|
| Trade accounts payable | \$ 28,578,312 | \$ 27,743,971 |
| Payroll and related | 410,681 | 1,770,039 |
| Accrued liabilities | 5,821,240 | 5,069,883 |
| Tax sale trust | 4,019,057 | 3,299,172 |
| | \$ 38,829,290 | \$ 37,883,065 |

7. ASSET RETIREMENT OBLIGATIONS

(a) 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.

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 are considered closed, but still 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.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

7. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

(a) Solid Waste Management Facilities Liabilities (continued)

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is \$35,374,959 which have been discounted to the present value using a discount rate of 4.00% per annum. 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 and discounted to current values. Liability is expected to be fulfilled over the next 38 years.

(b) Asbestos obligation

The Municipality owns and operates several buildings that were constructed prior to 1991 which have been included under PS3280-Asset retirement obligations as it is unknown if asbestos is present. The uncertainty could present a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280, the Municipality recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at March 31, 2024. The estimated cost for removal of asbestos have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value. Liability is expected to be fulfilled over the next 2-37 years.

(c) Wharves

The municipality owns several wharves that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact by removing and disposing of creosote treated lumber. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the wharves capital asset carrying value. Liability will be fulfilled in 18 years.

(d) Refrigerant

The municipality operates several facilities that fall within PS3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact by removing and disposing of ozone depleting refrigerant materials. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value. Liability is expected to be fulfilled over the next 13-24 years.

(e) Fuel tanks

The municipality owns and operates several buildings that contain above and underground tanks that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact and restore the land to its prior state. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the buildings capital asset carrying value. Liability will be fulfilled in 2 years.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

7. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

Changes to the asset retirement obligation in the year are as follows:

| | 2024 | 2023 |
|--------------------------|---------------|---------------|
| Opening balance | \$ 41,430,768 | \$ — |
| Acquired upon adoption | — | 41,627,954 |
| Acquired during the year | 57,800 | — |
| Accretion expense | 1,488,589 | 52,813 |
| Liabilities settled | (255,891) | (249,999) |
| | 42,721,266 | \$ 41,430,768 |

8. CAPITAL LEASE

| | 2024 | 2023 |
|---|------------|------------|
| Bank of Montreal, 5.53%, repayable in monthly instalments of principal and interest of \$10,720 commencing July 2022, maturing June 2027, secured by equipment with a net book value of \$352,528 | \$ 381,862 | \$ 486,232 |
| | \$ 381,862 | \$ 486,232 |

Minimum lease payments required in the next 5 (five) years under capital lease are as follows:

| | |
|---------------------------------------|------------|
| Year ended March 31, | |
| 2025 | 128,642 |
| 2026 | 128,642 |
| 2027 | 128,642 |
| 2028 | 32,160 |
| | 418,085 |
| Interest included in minimum payments | 36,223 |
| | \$ 381,862 |

9. 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, 2024 are as follows:

| | |
|------|---------------|
| 2025 | \$ 11,973,471 |
| 2026 | 14,393,471 |
| 2027 | 9,393,471 |
| 2028 | 8,769,071 |
| 2029 | 7,027,171 |

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

10. TANGIBLE CAPITAL ASSETS

| | | | | | | | | | | | | | 2024 | 2023 |
|-------------------------------------|------------------------------|-------------------------------|---------------------------------|------------------------|---|---------------|-----------|----------------|-----------------------------|-------------------|--|-------------------|------|------|
| | Cost Beginning of Year | Additions and Transfers | Disposals and Write-downs | Cost End of Year | Amortization Beginning & of Year | | Additions | Disposals | Amortization End of Year | Net Book Value | | Net Book Value | | |
| Land | \$ 14,262,345 | \$ 10,812 | \$ — | \$ 14,273,157 | \$ — | \$ — | \$ — | \$ — | \$ 14,273,157 | \$ 14,262,345 | | | | |
| Buildings | | | | | | | | | | | | | | |
| General government services | 10,351,626 | 52,587 | — | 10,404,213 | 3,994,664 | 262,688 | — | 4,257,352 | 6,146,861 | 6,356,962 | | | | |
| Protective services | 19,309,006 | 536,906 | — | 19,845,912 | 3,323,288 | 501,937 | — | 3,825,225 | 16,020,687 | 15,985,718 | | | | |
| Transportation services | 11,634,192 | 210,524 | — | 11,844,716 | 3,481,700 | 297,290 | — | 3,778,990 | 8,065,726 | 8,152,492 | | | | |
| Environmental services | 33,260,974 | 20,684 | — | 33,281,658 | 13,277,913 | 832,068 | — | 14,109,981 | 19,171,677 | 19,983,061 | | | | |
| Recreation and cultural services | 29,299,906 | 6,960,007 | — | 36,259,913 | 7,835,276 | 907,670 | — | 8,842,946 | 27,416,967 | 21,364,630 | | | | |
| Industrial parks | 1,084,104 | — | — | 1,084,104 | 589,815 | 27,103 | — | 610,918 | 473,186 | 500,289 | | | | |
| Asset retirement obligations | 699,727 | 134,257 | — | 833,984 | — | 337,503 | — | 337,503 | 496,481 | 699,727 | | | | |
| | 105,639,535 | 7,914,965 | — | 113,554,500 | 32,586,656 | 3,166,259 | — | 35,762,915 | 77,791,585 | 73,042,879 | | | | |
| Equipment | | | | | | | | | | | | | | |
| General government services | 3,007,560 | — | — | 3,007,560 | 2,941,203 | 33,179 | — | 2,974,382 | 33,178 | 66,357 | | | | |
| Protective services | 21,313,953 | 836,421 | — | 22,150,374 | 18,462,749 | 1,261,541 | — | 19,724,290 | 2,426,084 | 2,851,204 | | | | |
| Public works | 50,756,096 | 3,937,393 | — | 54,694,389 | 36,743,795 | 3,906,716 | — | 40,650,511 | 14,043,878 | 14,013,201 | | | | |
| Environmental health services | 13,865,475 | — | — | 13,865,475 | 13,811,744 | 17,135 | — | 13,828,879 | 36,596 | 53,731 | | | | |
| Recreation and cultural services | 1,921,819 | 257,168 | — | 2,178,987 | 1,790,415 | 50,334 | — | 1,840,749 | 338,238 | 131,404 | | | | |
| | 90,865,803 | 5,030,982 | — | 95,896,785 | 73,749,906 | 5,268,905 | — | 79,018,811 | 16,877,974 | 17,115,897 | | | | |
| Other | | | | | | | | | | | | | | |
| General government services | 742,494 | — | — | 742,494 | 742,494 | — | — | 742,494 | — | — | | | | |
| Road transport | 213,228,576 | 10,257,393 | — | 223,485,969 | 83,675,573 | 5,639,713 | — | 89,315,286 | 134,170,683 | 129,553,003 | | | | |
| Environmental health services | 116,221,986 | 1,063,664 | — | 117,285,630 | 34,903,466 | 2,352,011 | — | 37,255,477 | 80,030,153 | 81,318,500 | | | | |
| Recreation and cultural services | 25,547,829 | 2,238,891 | — | 27,786,720 | 24,295,432 | 1,029,171 | — | 25,325,603 | 2,461,117 | 1,251,397 | | | | |
| Waterfront development | 9,149,178 | 14,779 | — | 9,153,957 | 4,655,639 | 184,624 | — | 4,840,263 | 4,323,694 | 4,493,539 | | | | |
| Downtown development | 2,528,604 | 1,703,293 | — | 4,231,897 | 493,946 | 100,698 | — | 594,644 | 3,637,253 | 2,034,658 | | | | |
| Wharf – Sydney Marine Terminal | 22,253,546 | — | — | 22,353,346 | 2,472,702 | 495,025 | — | 2,967,727 | 19,285,819 | 19,780,844 | | | | |
| Asset retirement obligation – CBRM | 5,015,770 | 288,584 | — | 5,304,334 | — | 577,128 | — | 577,128 | 4,727,206 | — | | | | |
| Water utility assets | 183,626,244 | 2,564,942 | — | 185,191,186 | 68,960,724 | 3,655,233 | — | 72,815,957 | 113,575,229 | 114,865,520 | | | | |
| Port of Sydney Development | — | — | — | — | — | — | — | — | — | — | | | | |
| Corporation assets | 11,440,609 | 135,631 | — | 11,576,240 | 7,035,592 | 307,969 | — | 7,343,561 | 4,232,679 | 4,405,017 | | | | |
| | 569,754,816 | 18,267,157 | — | 608,021,973 | 227,236,568 | 14,341,572 | — | 241,578,140 | 366,443,833 | 357,502,478 | | | | |
| | \$ 800,522,499 | \$ 31,223,916 | \$ — | \$ 831,746,415 | \$ 333,583,130 | \$ 22,776,736 | \$ — | \$ 356,359,866 | \$ 475,386,549 | \$ 466,939,369 | | | | |

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

11. ACCUMULATED SURPLUS

| | 2024 | 2023 |
|--|----------------------|----------------------|
| General operating fund | \$ (6,182,295) | \$ (4,650,518) |
| Water operating fund | 8,814,236 | 7,149,821 |
| General capital fund | 312,610,738 | 283,621,765 |
| Water capital fund | 110,026,885 | 106,342,731 |
| Port of Sydney Development Corporation | 5,582,864 | 4,392,613 |
| | <hr/> 430,852,428 | <hr/> 396,856,412 |
| Reserves set aside by council | 47,100,166 | 54,507,584 |
| | <hr/> \$ 477,952,594 | <hr/> \$ 451,363,996 |

12. EMPLOYEE FUTURE BENEFITS

a) Defined benefit plan

On January 26, 2018, the Municipality signed a transfer agreement with Public Service Superannuation Plan Trustee Incorporated ("PSSPTI") to transition its pension plan to the PSSP, a contributory multi-employer defined benefit pension plan administered by the PSSPTI, which provides pension benefits based on length of service and earnings. Prior to this, the Municipality Pension Plan was a defined benefit pension plan covering substantially all of its employees.

The PSSP is accounted for as a defined contribution plan as the obligation to pay retirement obligations does not reside with the Municipality.

Contributions to the Plan are required by both the employer and its employees. Total employer contributions for 2024 were \$4,936,535 (2023 - \$4,806,840) and are recognized as an expense in the period.

b) 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 contributions for 2024 were \$127,426 (2023 - \$132,672).

c) 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.

Based on the 2024 valuation, the Municipality had a plan surplus of \$53,500 on a going concern basis.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

12. EMPLOYEE FUTURE BENEFITS (CONTINUED)

d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for 2024 was \$197,177 (2023 - \$188,157).

13. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2024 are \$4,862,176 (2023 - \$5,017,091).

14. CONTINGENCIES

- a) As of March 31, 2024, 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, 2024 is \$963,851 (2023 - \$1,123,471).
- d) The Municipality has guaranteed working capital borrowing on behalf of Seaview Manor Corporation at March 31, 2024 up to \$200,000 (2023 - \$200,000).
- e) Canadian Environmental Guidelines

Per regulations set forth by the Canadian Council of Ministers of the Environment (CCME) and required by the Nova Scotia Department of Environment, the Municipality is currently in the process of performing environmental risk assessments to meet necessary wastewater treatment guidelines. Upon completion, the timeline and estimated cost to meet these guidelines will be more definitive. The Municipality has obtained transitional authorizations extending to 2040.

As at March 31, 2024, the Municipality is not in compliance with certain CCME requirements.

15. 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, 2024, in the amount of \$3,269,227 (2023 - \$2,534,623).

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

15. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

(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, 2024, the Municipality's share of these costs was \$1,361,309 (2023 - \$1,369,058).

(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, 2024, the Municipality's contribution for these costs was \$1,041,834 (2023 - \$1,054,547).

(d) The Cape Breton-Victoria Regional Centre for Education

The Municipality provided a mandatory contribution in the amount of \$16,530,308 (2023 - \$15,534,623) to the Cape Breton-Victoria Regional Centre for Education.

16. PORT OF SYDNEY DEVELOPMENT CORPORATION TRUST

On June 17, 2014, Enterprise Cape Breton Corporation, acting on behalf of the dredge oversight committee, entered into an agreement with the Sydney Ports Corporation (now the Port of Sydney Development Corporation) to transfer the remaining funds to lawyers trust for specific purposes. The Port of Sydney Development Corporation draws down the fund in compliance with the agreement.

As of March 31, 2024, \$186,655 (2023 - \$178,185) is being held in trust.

17. 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.

(b) Credit risk

The Municipality is exposed to credit-related losses in the event residents and entities that the Municipality provides services to are unable to fulfill their obligations. The large number of residents and customers minimizes the credit risk.

Cape Breton Regional Municipality
Notes to Consolidated Financial Statements
For the year ended March 31, 2024

17. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Municipality's debentures are long term with fixed range of rates thereby mitigating its interest rate risk.

It is management's opinion that the Municipality is not exposed to significant interest, market or credit risks arising from these financial instruments.

18. SUBSEQUENT EVENT

(a) Effective April 1, 2024, the Municipality changed how it charges for the provision of wastewater services. Prior to April 1, 2024, the Municipality levied a sewer tax rate, and recorded the revenues and expenditures associated with the service in CBRM's Schedule of Operating Fund. As of April 1, 2024, the municipality levies a consumption charge, and records the revenues and expenditures associated with the service in its Schedule of Water Utility Operating Fund.

(b) Effective April 1, 2024, the Port of Sydney Development Corporation (PSDC) and the Municipality entered into 15 year lease to operate the Sydney Marine Terminal. The revised Articles of Association grants the Board of the PSDC authority to operate under a governance structure independent of CBRM Council, therefore its results of operations will no longer form part of these consolidated financial statements.

19. BUDGET INFORMATION

The disclosed budget information has been approved by the Mayor and Council at the council meeting on April 16, 2023.

20. COMPARATIVE FIGURES

Certain 2023 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Cape Breton Regional Municipality
Schedule of Long-term Debt
For the year ended March 31, 2024

| | Term (years) | Interest rate - % | Matures | Balance March 31/23 | Issued | Redeemed | Balance March 31/24 |
|---------------------|-----------------|----------------------|---------|------------------------|---------------|---------------|------------------------|
| General Fund | | | | | | | |
| M.F.C. | | | | | | | |
| 33-B-1 | 10 | 0.000-3.614 | 2023 | 468,265 | — | 468,265 | — |
| 34-B-1 | 10 | 1.200-3.190 | 2024 | 2,660,000 | — | 1,330,000 | 1,330,000 |
| 35-A-1 | 10-20 | 1.040-3.449 | 2030 | 2,280,000 | — | 560,000 | 1,720,000 |
| 36-A-1 | 10 | 1.150-2.506 | 2026 | 2,497,600 | — | 624,400 | 1,873,200 |
| 37-A-1 | 10 | 1.734-3.073 | 2027 | 4,137,000 | — | 827,400 | 3,309,600 |
| 38-A-1 | 10 | 2.490-3.389 | 2028 | 7,184,999 | — | 1,197,500 | 5,987,499 |
| FCM-1 | 10 | 2.250 | 2028 | 600,000 | — | 100,000 | 500,000 |
| 39-A-1 | 10 | 2.015 - 2.561 | 2029 | 7,175,000 | — | 1,025,000 | 6,150,000 |
| 40-A-1 | 10 | 0.400 - 2.376 | 2031 | 7,927,326 | — | 880,814 | 7,046,512 |
| 41-A-1 | 10 | 0.500 - 2.259 | 2031 | 10,020,240 | — | 1,113,360 | 8,906,880 |
| 42-B-1 | 10 | 3.847-4.177 | 2032 | 7,593,205 | — | 759,321 | 6,833,884 |
| 43-B-1 | 10-15 | 5.460-5.463 | 2038 | — | 8,887,057 | — | 8,887,057 |
| | | | | 52,543,635 | 8,887,057 | 8,886,060 | 52,544,632 |
| M.F.C. | | | | | | | |
| Promissory note | | | | | | | |
| | 3 | 1.100 | 2024 | 14,084,298 | | 14,084,298 | — |
| Water Fund | | | | | | | |
| M.F.C. | | | | | | | |
| 28-A-1 | 15 | 3.750-5.088 | 2023 | 4,200,000 | — | 4,200,000 | — |
| 30-A-1 | 15 | 1.510-4.875 | 2025 | 6,000,000 | — | 750,000 | 5,250,000 |
| 33-A-1 | 10 | 1.330-2.979 | 2023 | 800,000 | — | 800,000 | — |
| 34-A-1 | 15 | 1.245-3.792 | 2029 | 2,800,000 | — | 400,000 | 2,400,000 |
| 42-A-1 | 5 | 2.575-3.290 | 2027 | 4,372,500 | — | 914,500 | 3,658,000 |
| 43-A-1 | 5 | 4.714-3.550 | 2028 | 3,500,000 | — | — | 3,500,000 |
| | | | | 18,372,500 | 3,500,000 | 7,064,500 | 14,808,000 |
| | | | | \$ 85,000,433 | \$ 12,387,057 | \$ 30,034,858 | \$ 67,352,632 |

Cape Breton Regional Municipality
Consolidated Schedule of Segment Disclosure
For the year ended March 31, 2024

| Year ended March 31, 2024 | General Government Services | Port of Sydney Development Corporation | Protective Services | Transportation Health Services | Environmental Health Services | Recreation and Cultural Services | Development Services | Educational Services | Water Utility | Total |
|--|-----------------------------|--|------------------------|--------------------------------|-------------------------------|----------------------------------|-----------------------|----------------------|---------------------|----------------------|
| REVENUES | | | | | | | | | | |
| Taxation | \$ 84,909,282 | \$ — | \$ 20,314,318 | \$ 8,901,780 | \$ — | \$ — | \$ — | \$ 16,530,308 | \$ — | \$ 130,655,688 |
| Grants in lieu of taxes | 10,480,435 | — | — | — | — | — | — | — | — | 10,480,435 |
| Services provided to other governments | — | — | 919,499 | — | — | — | — | — | — | 919,499 |
| Sales of services | 62,066 | — | — | 2,102,946 | — | — | — | — | — | 4,806,946 |
| Revenue from own sources | 2,610,725 | 3,566,346 | 1,677,654 | — | 3,225,955 | — | 50,144 | — | — | 11,130,834 |
| Unconditional transfers from other governments | 15,777,701 | — | — | — | — | — | — | — | — | 15,777,701 |
| Conditional transfers from other governments | — | 3,957 | 4,689,003 | — | — | — | — | — | — | 4,692,960 |
| Capital grants | — | — | 1,555,944 | 8,454,279 | 10,435,914 | 1,125,982 | 155,617 | — | — | 21,627,736 |
| Metered sales | — | — | — | — | — | — | — | — | 20,520,805 | 20,520,805 |
| Other water revenues | — | — | — | — | — | — | — | — | 968,034 | 968,034 |
| Investment income | 1,313,531 | — | — | — | — | — | — | — | — | 1,313,531 |
| Contributed assets | — | — | — | — | — | 6,928,900 | — | — | — | 6,928,900 |
| Gain on sale of properties | 179,979 | — | — | — | — | — | — | — | — | 179,979 |
| Disaster recovery | — | — | — | — | 2,967,860 | — | — | — | — | 2,967,860 |
| | 115,333,719 | 3,570,303 | 29,156,428 | 19,459,005 | 16,529,729 | 10,696,816 | 205,761 | 16,530,308 | 21,488,839 | 232,970,908 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 8,762,331 | 843,932 | 35,627,141 | 19,777,785 | 3,945,596 | 5,932,482 | 831,395 | — | 2,779,766 | 78,500,408 |
| Interest on long-term debt | 364,353 | — | 266,543 | 359,424 | 321,394 | 348,019 | — | — | 650,992 | 2,330,725 |
| Materials, goods, supplies and utilities | 999,111 | 571,167 | 1,661,908 | 6,367,077 | 2,401,006 | 3,235,570 | 21,882 | — | 5,842,241 | 21,099,962 |
| Contracted services | 1,123,753 | 94,589 | 975,200 | 6,187,670 | 12,267,984 | 1,420,471 | 118,129 | — | 1,655,837 | 23,843,633 |
| Other operating expenses | 5,902,535 | 562,395 | 10,050,812 | 10,453,496 | 4,286,123 | 1,264,970 | 211,474 | — | 2,900,425 | 35,632,230 |
| External transfers and grants | 4,826,859 | — | 1,041,831 | — | — | 778,800 | — | 16,530,308 | — | 23,177,898 |
| Amortization | 295,866 | 307,959 | 1,763,479 | 9,843,719 | 3,201,215 | 1,911,175 | 807,449 | — | 3,666,582 | 21,797,454 |
| | 22,274,908 | 2,380,052 | 51,400,614 | 52,989,151 | 26,423,318 | 14,891,467 | 1,990,329 | 16,530,308 | 17,495,843 | 206,362,310 |
| ANNUAL SURPLUS (DEFICIT) | \$ 93,058,811 | \$ 1,190,251 | \$ (22,250,488) | \$ (33,530,146) | \$ (9,893,589) | \$ (4,194,671) | \$ (1,784,568) | \$ — | \$ 3,892,996 | \$ 26,588,598 |

Cape Breton Regional Municipality
Consolidated Schedule of Segment Disclosure
For the year ended March 31, 2024

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 2023 and 2022 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.

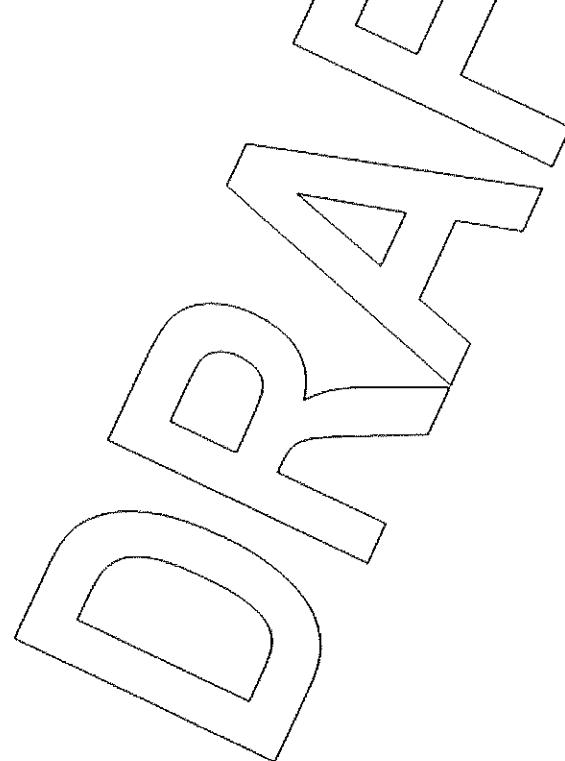
| Year ended March 31, 2024 | General Government Services | Port of Sydney Development Corporation | Protective Services | Transportation Health Services | Environmental Health Services | Recreation and Cultural Services | Development Services | Educational Services | Water Utility | Total |
|--|-----------------------------|--|---------------------|--------------------------------|-------------------------------|----------------------------------|----------------------|----------------------|---------------|----------------|
| REVENUES | | | | | | | | | | |
| Taxation | \$ 77,043,160 | \$ — | \$ 18,432,369 | \$ 8,077,105 | \$ — | \$ — | \$ — | \$ 15,534,623 | \$ — | \$ 119,087,257 |
| Grants in lieu of taxes | 9,396,051 | — | — | — | — | — | — | — | — | 9,396,051 |
| Services provided to other governments | — | — | 1,145,521 | — | — | — | — | — | — | 1,145,521 |
| Sales of services | 76,440 | — | — | 2,109,901 | — | 1,985,868 | — | — | — | 4,172,309 |
| Revenue from own sources | 3,243,042 | 2,301,872 | 724,649 | — | 2,849,716 | — | 57,621 | — | — | 9,176,900 |
| Unconditional transfers from other governments | 15,851,979 | — | — | — | — | — | — | — | — | 15,851,979 |
| Conditional transfers from other governments | — | 144,177 | 4,609,846 | — | — | — | — | — | — | 4,754,023 |
| Capital grants | 9,222 | — | — | 4,969,099 | 26,333,486 | 629,339 | — | — | — | 28,941,146 |
| Metered sales | — | — | — | — | — | — | — | — | 19,322,036 | 19,322,036 |
| Other water revenues | — | — | — | — | — | — | — | — | 1,000,625 | 1,000,625 |
| Investment income | 794,255 | — | — | — | — | — | — | — | — | 794,255 |
| Gain on sale of properties | 329,830 | 6,500 | — | — | — | — | — | — | — | 336,330 |
| Disaster recovery | 6,213,522 | — | — | — | — | — | — | — | — | 6,213,522 |
| | 112,957,501 | 2,452,549 | 24,912,385 | 15,156,105 | 26,183,202 | 2,615,307 | 57,621 | 15,534,623 | 20,322,661 | 220,191,954 |
| EXPENSES | | | | | | | | | | |
| Salaries, wages and benefits | 8,211,528 | 815,895 | 33,974,351 | 18,720,288 | 4,428,572 | 5,498,749 | 825,763 | — | 2,312,078 | 74,787,224 |
| Interest on long-term debt | 435,225 | — | 205,591 | 430,479 | 188,263 | 263,569 | — | — | 1,041,977 | 2,585,124 |
| Materials, goods, supplies and utilities | 952,636 | 473,800 | 773,752 | 5,728,185 | 2,198,839 | 2,600,971 | 18,175 | — | 5,479,049 | 19,225,407 |
| Contracted services | 868,718 | 11,381 | 839,139 | 6,526,557 | 10,735,969 | 402,582 | 172,544 | — | 1,658,290 | 21,206,180 |
| Other operating expenses | 4,240,005 | 44,992 | 9,766,612 | 11,334,375 | 3,901,147 | 2,046,235 | 210,096 | — | 2,525,310 | 34,982,772 |
| External transfers and grants | 4,091,026 | — | 1,054,547 | — | — | 803,800 | — | 15,534,623 | — | 21,483,996 |
| ARO adjustment | 650,512 | — | — | 4,350,218 | (25,725,561) | 1,172 | — | — | 30,124 | (20,693,535) |
| Amortization | 294,543 | 331,946 | 1,573,670 | 9,357,886 | 3,179,256 | 1,667,078 | 762,237 | — | 3,706,181 | 20,882,777 |
| | 19,744,193 | 2,078,014 | 49,198,662 | 56,937,968 | (1,093,515) | 13,278,176 | 1,988,815 | 15,534,623 | 16,753,009 | 174,439,945 |
| ANNUAL SURPLUS (DEFICIT) | | | | | | | | | | |
| | \$ 93,213,308 | \$ 374,535 | \$ (24,286,277) | \$ (41,801,863) | \$ 27,276,717 | \$ (10,862,869) | \$ (1,931,194) | \$ — | \$ 3,589,652 | \$ 45,752,009 |

Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Council
For the year ended March 31, 2024

| Council | Annual Remuneration | Travel Expenses |
|------------------------------|------------------------|--------------------|
| D. Bruckschwaiger | \$ 54,719 | \$ 542 |
| J. Edwards (Deputy Mayor) | \$ 60,117 | \$ 12,046 |
| L. Green | \$ 54,719 | \$ 4,177 |
| S. Gillespie | \$ 54,719 | \$ — |
| C. MacDonald | \$ 54,719 | \$ 666 |
| E. MacDonald | \$ 54,719 | \$ 9,833 |
| G. MacDonald | \$ 54,719 | \$ 3,653 |
| E. MacMullin | \$ 54,719 | \$ 4,071 |
| A. McDougall-Merrill (Mayor) | \$ 159,967 | \$ 39,565 |
| D. O'Quinn | \$ 54,719 | \$ 1,369 |
| S. Parsons | \$ 54,719 | \$ 1,725 |
| G. Paruch | \$ 54,719 | \$ — |
| K. Tracey | \$ 54,719 | \$ 532 |

Cape Breton Regional Municipality
Schedule of Remuneration and Reportable Expenses of Senior Staff
For the year ended March 31, 2024

| Senior Staff | Annual Remuneration | Reportable Expenses |
|------------------|------------------------|------------------------|
| M. Bettens | \$ 11,832 | \$ — |
| D. Campbell-Ryan | \$ 30,545 | \$ 517 |
| J. Campbell | \$ 132,098 | \$ 4,103 |
| C. Dicks | \$ 64,968 | \$ 1,385 |
| K. Durning | \$ 132,098 | \$ 2,552 |
| D. Evely | \$ 132,098 | \$ — |
| D. Kachafanas | \$ 135,231 | \$ 1,572 |
| W. MacDonald | \$ 140,195 | \$ 7,172 |
| J. MacKinnon | \$ 187,562 | \$ 14,142 |
| M. Ruus | \$ 116,681 | \$ 5,161 |
| M. Seth | \$ 84,966 | \$ 1,379 |
| M. Walsh | \$ 231,049 | \$ 5,942 |
| R. Walsh | \$ 172,605 | \$ 4,714 |



Cape Breton Regional Municipality
Schedule of Operating Fund and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 |
|---|----------------------|----------------------|
| REVENUES | | |
| Taxes | \$ 130,655,688 | \$ 119,087,257 |
| Grants in lieu of taxes | 10,480,435 | 9,396,051 |
| Services provided to other governments | 919,499 | 1,145,521 |
| Sales of services | 4,806,946 | 4,172,309 |
| Revenue from own sources | 12,615,028 | 11,826,538 |
| Unconditional transfers from other governments | 15,777,701 | 15,851,979 |
| Conditional transfers from other governments | 4,689,003 | 4,609,846 |
| Disaster recovery | 2,967,860 | 6,213,522 |
| | <hr/> 182,912,160 | <hr/> 172,303,023 |
| EXPENSES | | |
| General government services | 18,116,372 | 15,995,096 |
| Protective services | 56,719,826 | 54,701,383 |
| Transportation services | 42,874,738 | 43,239,884 |
| Environmental health services | 22,033,690 | (34,841,492) |
| Public health and welfare services | 3,465,650 | 2,721,969 |
| Environmental development services | 1,182,880 | 1,226,578 |
| Recreation and cultural services | 12,978,758 | 11,609,926 |
| Educational services | 16,530,308 | 15,534,623 |
| | <hr/> 173,902,222 | <hr/> 110,187,967 |
| Excess of revenues over expenses before the following | 9,009,938 | 62,115,056 |
| FINANCING AND TRANSFERS | | |
| Debenture and term loan principal instalments | (8,886,065) | (8,506,443) |
| Transfer to special reserve funds | (710,051) | 3,589,200 |
| Transfer to general capital fund | (884,719) | — |
| Amortization of bond discount | (60,880) | (57,520) |
| | <hr/> (10,541,715) | <hr/> (4,974,763) |
| CHANGE IN FUND BALANCE | <hr/> (1,531,777) | <hr/> 57,140,293 |
| FUND BALANCE, BEGINNING OF YEAR | <hr/> (4,650,518) | <hr/> (61,790,811) |
| FUND BALANCE, END OF YEAR | <hr/> \$ (6,182,295) | <hr/> \$ (4,650,518) |

Cape Breton Regional Municipality
Schedule of Water Utility Operating Fund and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Metered sales | \$ 20,520,805 | \$ 19,322,036 |
| Public fire protection | 7,076,391 | 7,076,391 |
| Consumer's interest | 317,748 | 769,932 |
| | <u>27,914,944</u> | <u>27,168,359</u> |
| OPERATING EXPENSES | | |
| Source of supply | 443,065 | 502,819 |
| Power and pumping | 1,626,734 | 1,820,919 |
| Water treatment | 5,961,827 | 4,967,373 |
| Transmission and distribution | 4,594,067 | 4,506,939 |
| Administration and general | 3,563,418 | 3,206,353 |
| Taxes | 1,981,992 | 1,896,230 |
| | <u>18,171,103</u> | <u>16,900,633</u> |
| Excess of revenues over expenses before the following | 9,743,841 | 10,267,726 |
| NON-OPERATING REVENUES | | |
| Miscellaneous | 650,286 | 230,693 |
| NON-OPERATING EXPENSES | | |
| Interest on debentures | 650,992 | 1,041,977 |
| Amortization of debt discounts | 20,278 | 24,539 |
| Other | 27,360 | 25,605 |
| Transfer to water capital fund | 7,381,082 | 8,521,404 |
| Transfer to general capital fund | 650,000 | 650,000 |
| | <u>8,729,712</u> | <u>10,263,525</u> |
| CHANGE IN FUND BALANCE | 1,664,415 | 234,894 |
| FUND BALANCE, BEGINNING OF YEAR | 7,149,821 | 6,914,927 |
| FUND BALANCE, END OF YEAR | <u>\$ 8,814,236</u> | <u>\$ 7,149,821</u> |

Cape Breton Regional Municipality
Schedule of Capital Fund and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 |
|---|------------------------------|------------------------------|
| REVENUES | | |
| Capital grants | \$ 14,240,868 | \$ 18,220,293 |
| Contributed assets | 6,928,900 | - |
| | <u>21,169,768</u> | <u>18,220,293</u> |
| EXPENSES | | |
| General government services | 611,728 | 945,054 |
| Protective services | 1,763,479 | 1,573,670 |
| Transportation services | 10,114,413 | 13,718,084 |
| Environmental health services | 4,389,628 | 33,747,977 |
| Recreation and cultural services | 1,912,729 | 1,668,250 |
| Planning and development services | 807,449 | 762,237 |
| | <u>19,599,426</u> | <u>52,415,272</u> |
| Excess of revenues over expenses before the following | 1,570,342 | (34,194,979) |
| FINANCING AND TRANSFERS | | |
| Transfer from reserve funds | 16,997,847 | 16,963,712 |
| Transfer from general operating fund | 884,719 | - |
| Transfer from water operating fund | 650,000 | 650,000 |
| Debenture and term loan principal instalments | 8,886,065 | 8,506,443 |
| | <u>27,418,631</u> | <u>26,120,155</u> |
| CHANGE IN FUND BALANCE | <u>28,988,973</u> | <u>(8,074,824)</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>283,621,765</u> | <u>291,696,589</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 312,610,738</u></u> | <u><u>\$ 283,621,765</u></u> |

Cape Breton Regional Municipality
Schedule of Water Utility Capital Fund and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| REVENUES | | |
| Capital grants | \$ - | \$ - |
| EXPENSES | | |
| Amortization | 3,696,928 | 3,736,304 |
| Deficiency of revenues over expenses before the following | 3,696,928 | 3,736,304 |
| FINANCING AND TRANSFERS | | |
| Transfer from water operating fund | 7,381,082 | 8,521,404 |
| CHANGE IN FUND BALANCE | 3,684,154 | 4,785,100 |
| FUND BALANCE, BEGINNING OF YEAR | 106,342,731 | 101,557,631 |
| FUND BALANCE, END OF YEAR | \$ 110,026,885 | \$ 106,342,731 |

Cape Breton Regional Municipality
Schedule of Port of Sydney Development Corporation Operating Fund and
Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

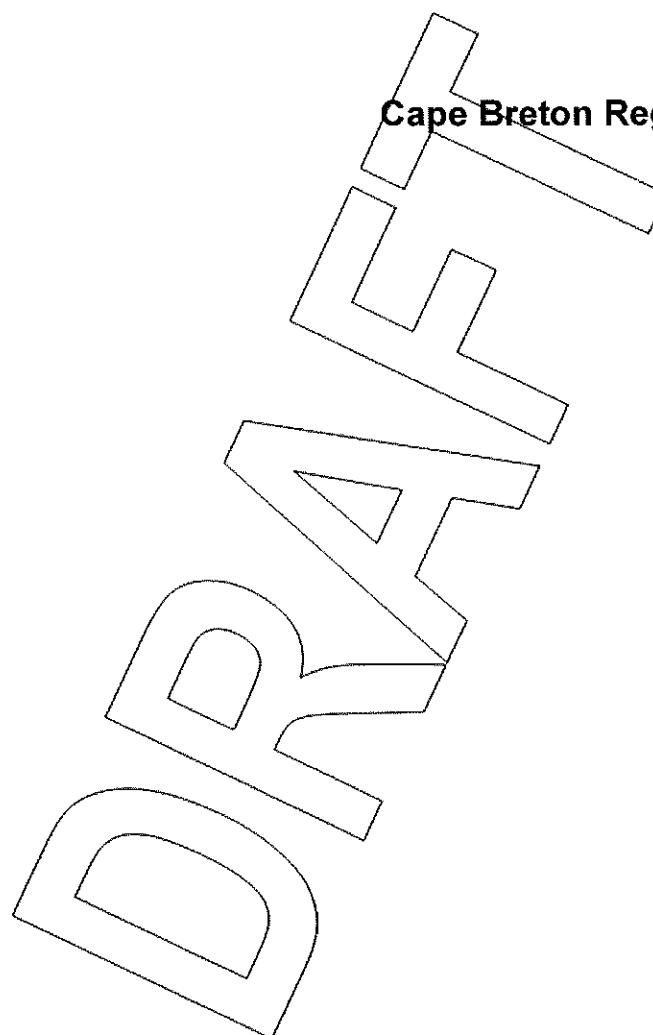
| | Budget (Unaudited) | 2024 | 2023 |
|---|-----------------------|--------------|------------|
| REVENUES | | | |
| Wharfage and berthage | \$ 708,361 | \$ 874,881 | \$ 696,742 |
| Passenger tax | 1,489,595 | 1,624,441 | 876,697 |
| Events | 198,800 | 177,279 | 89,606 |
| Security | 336,529 | 378,659 | 279,740 |
| Storage and rental | 324,735 | 328,799 | 255,864 |
| Craft market | 70,500 | 130,027 | 67,278 |
| Sundry | 4,800 | 52,260 | 35,945 |
| Government funding | 3,133,320 | 3,570,303 | 144,177 |
| | | | 2,446,049 |
| EXPENSES | | | |
| Advertising and promotion | 12,775 | 25,398 | 15,924 |
| Bad debts | 2,000 | - | 1,752 |
| Cruise activities | 69,140 | 40,529 | 55,222 |
| Dues and fees | 28,327 | 34,893 | 29,226 |
| Events | 97,600 | 55,431 | 13,562 |
| Insurance | 87,375 | 74,292 | 68,094 |
| Interest and bank charges | 4,720 | 5,331 | 5,212 |
| Miscellaneous | 8,610 | 36,754 | 16,292 |
| Office and administration | 21,087 | 14,531 | 12,034 |
| Professional fees | 86,300 | 94,589 | 11,381 |
| Rent | 47,880 | 52,320 | 52,320 |
| Repairs and maintenance | 276,069 | 254,969 | 225,119 |
| Security | 227,700 | 252,492 | 179,831 |
| Travel | 19,500 | 40,386 | 21,119 |
| Utilities | 224,520 | 246,236 | 223,085 |
| Wages and benefits | 922,968 | 843,932 | 815,895 |
| | 2,136,571 | 2,072,083 | 1,746,068 |
| Excess of revenues over expenses before the following | 996,749 | 1,498,220 | 699,981 |
| Amortization of capital assets | (385,405) | (307,969) | (331,946) |
| Gain on disposal of assets | | | 6,500 |
| CHANGE IN FUND BALANCE | \$ 611,344 | 1,190,251 | 374,535 |
| FUND BALANCE, BEGINNING OF YEAR | | 4,392,613 | 4,018,078 |
| FUND BALANCE, END OF YEAR | \$ 5,582,864 | \$ 4,392,613 | |

Cape Breton Regional Municipality
Schedule of Reserve Funds and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 |
|--|---------------------|---------------------|
| REVENUES | | |
| Investment income | \$ 1,307,267 | \$ 789,888 |
| Sale of properties | 179,979 | 329,815 |
| Grants | 7,386,868 | 10,720,853 |
| | <hr/> 8,874,114 | <hr/> 11,840,556 |
| FINANCING AND TRANSFERS | | |
| Transfer from operating fund | 710,051 | (3,589,200) |
| Transfer to capital funds | <hr/> (16,997,847) | <hr/> (16,963,712) |
| | <hr/> (16,287,796) | <hr/> (20,552,912) |
| CHANGE IN FUND BALANCE | <hr/> (7,413,682) | <hr/> (8,712,356) |
| FUND BALANCE, BEGINNING OF YEAR | 52,455,283 | 61,167,639 |
| FUND BALANCE, END OF YEAR | <hr/> \$ 45,041,601 | <hr/> \$ 52,455,283 |

Cape Breton Regional Municipality
Schedule of Water Utility Reserve Funds and Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

| | 2024 | 2023 |
|--|---------------------|---------------------|
| REVENUES | | |
| Investment income | \$ 6,264 | \$ 4,367 |
| CHANGE IN FUND BALANCE | 6,264 | 4,367 |
| FUND BALANCE, BEGINNING OF YEAR | 2,052,301 | 2,047,934 |
| FUND BALANCE, END OF YEAR | <u>\$ 2,058,565</u> | <u>\$ 2,052,301</u> |



**Cape Breton Regional Municipality
Water Utility
Financial Statements**

March 31, 2024

Cape Breton Regional Municipality Water Utility
Financial Statements
For the year ended March 31, 2024

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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 2 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 MNP LLP, 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.

Jennifer Campbell, Chief Financial Officer

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Operating Fund
As at March 31, 2024

| | 2024 | 2023 |
|--|---------------------------|---------------------------|
| ASSETS | | |
| Cash | \$ – | \$ 1,884,638 |
| Water rates receivable (less allowance for doubtful accounts \$1,115,581 (2022 - \$869,558)) | 11,603,737 | 10,239,062 |
| Sundry receivables | 204,940 | 158,513 |
| Inventories | 476,899 | 427,972 |
| | <hr/> \$ 12,285,576 | <hr/> \$ 12,710,185 |
| LIABILITIES | | |
| Bank indebtedness | \$ 1,541,570 | \$ – |
| Payables and accruals | 4,168,095 | 4,525,206 |
| Unearned revenue | 1,447,617 | 1,353,430 |
| Due to Cape Breton Regional Municipality | | |
| General section, operating fund | – | – |
| General section, capital fund | – | – |
| Due to water utility, capital fund | – | 3,666,173 |
| | <hr/> 7,157,282 | <hr/> 9,544,809 |
| SURPLUS | | |
| | <hr/> 5,128,294 | <hr/> 3,165,376 |
| | <hr/> <hr/> \$ 12,285,576 | <hr/> <hr/> \$ 12,710,185 |

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

 Mayor

 Clerk

Cape Breton Regional Municipality Water Utility
Statement of Financial Activities – Operating Fund

For the year ended March 31, 2024

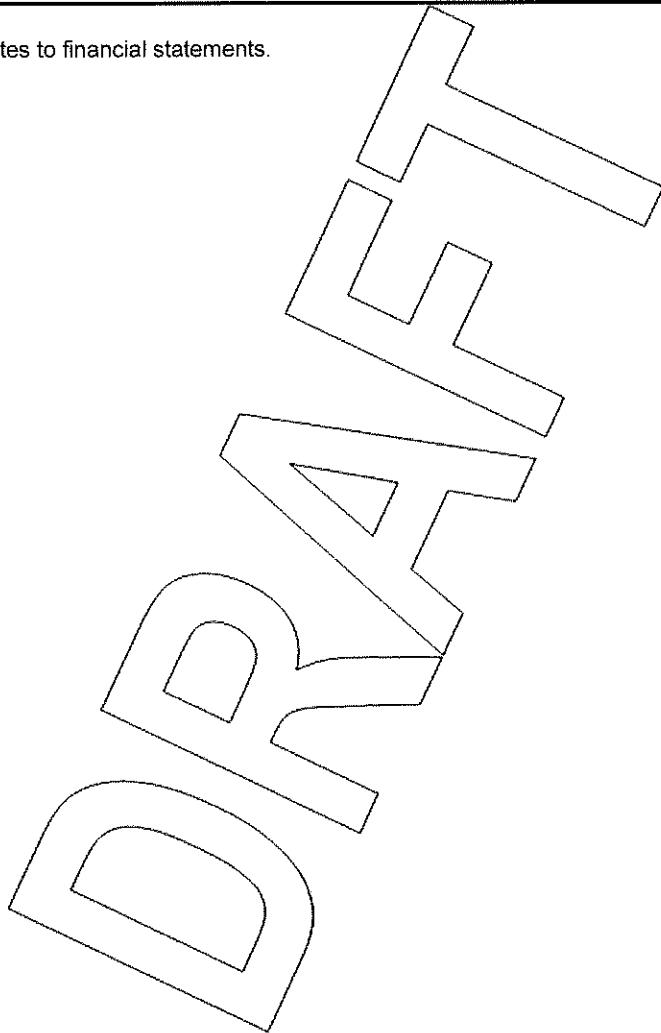
| | | 2024 | 2023 |
|---|-----------------------|---------------------|-------------------|
| | Budget | Actual | Actual |
| (Unaudited) | | | |
| OPERATING REVENUES | | | |
| Metered sales | \$ 19,218,619 | \$ 20,520,805 | \$ 19,322,036 |
| Public fire protection | 7,076,391 | 7,076,391 | 7,076,391 |
| Consumer's interest | 350,000 | 960,113 | 769,932 |
| Service connections | 66,000 | 7,921 | 230,693 |
| | <u>26,711,010</u> | <u>28,565,230</u> | <u>27,399,052</u> |
| OPERATING EXPENSES | | | |
| Source of supply | 553,667 | 443,065 | 502,819 |
| Power and pumping | 2,042,040 | 1,626,734 | 1,820,919 |
| Water treatment | 5,052,816 | 5,961,827 | 4,967,373 |
| Transmission and distribution | 5,059,739 | 5,244,067 | 5,156,939 |
| Administration and general | 4,167,287 | 3,563,418 | 3,206,353 |
| Depreciation | 3,942,595 | 3,666,582 | 3,706,904 |
| Taxes | 2,061,214 | 1,981,992 | 1,896,230 |
| | <u>22,869,358</u> | <u>22,487,685</u> | <u>21,257,537</u> |
| Excess of operating revenues over expenses before the following | <u>3,841,652</u> | <u>6,077,545</u> | <u>6,141,515</u> |
| NON-OPERATING REVENUES | | | |
| Amortization of deferred capital contributions | – | 298,502 | 298,502 |
| NON-OPERATING EXPENSES | | | |
| Debt charges | | | |
| Provision for principal repayment | 3,687,972 | 3,564,500 | 3,564,500 |
| Interest | 880,485 | 650,992 | 1,041,977 |
| Amortization of debt discounts | – | 20,277 | 24,540 |
| Bank fees/charges | 150,000 | 27,360 | 25,603 |
| Capital expenditures out of operations | 150,000 | 150,000 | 1,250,000 |
| | <u>4,868,457</u> | <u>4,413,129</u> | <u>5,906,620</u> |
| ANNUAL SURPLUS (DEFICIT) | <u>\$ (1,026,805)</u> | <u>\$ 1,962,918</u> | <u>\$ 533,397</u> |

See accompanying notes to financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Operating Fund Surplus
For the year ended March 31, 2024

| | 2024 | 2023 |
|-----------------------------------|---------------------|---------------------|
| SURPLUS, BEGINNING OF YEAR | \$ 3,165,376 | \$ 2,631,979 |
| Annual surplus | 1,962,918 | 533,397 |
| SURPLUS, END OF YEAR | \$ 5,128,294 | \$ 3,165,376 |

See accompanying notes to financial statements.



Cape Breton Regional Municipality Water Utility
Statement of Cash Flows – Operating Fund
For the year ended March 31, 2024

| | 2024 | 2023 |
|---|-----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Annual surplus | \$ 1,962,918 | \$ 533,397 |
| Change in non-cash operating working capital | | |
| Water rates receivable | (1,364,675) | 212,844 |
| Sundry receivables | (46,427) | (48,751) |
| Inventories | (48,927) | (33,336) |
| Payables and accruals | (357,111) | (420,039) |
| Unearned revenue | 94,187 | (30,907) |
| | <u>239,965</u> | <u>213,208</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in due to Cape Breton Regional Municipality, capital fund | – | (693,440) |
| Decrease in due to water utility, capital fund | <u>(3,666,173)</u> | <u>(185,880)</u> |
| | <u>(3,666,173)</u> | <u>(879,320)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | (3,426,208) | (666,112) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,884,638 | 2,550,750 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ (1,541,570) | \$ 1,884,638 |

Cash and cash equivalents consist of:

| | | |
|-------------------|-----------------------|---------------------|
| Cash | \$ – | \$ 1,884,638 |
| Bank indebtedness | (1,541,570) | – |
| | <u>\$ (1,541,570)</u> | <u>\$ 1,884,638</u> |

See accompanying notes to non-consolidated financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Capital Fund
As at March 31, 2023

| | 2024 | 2023 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash | \$ 6,283,155 | \$ 4,530,994 |
| Cash – depreciation reserve | 3,457,630 | 3,457,630 |
| HST receivable | 96,334 | 152,015 |
| | <hr/> 9,837,119 | <hr/> 8,140,639 |
| Due from water utility, operating fund | – | 3,666,173 |
| Due from general operating fund | 76,854 | – |
| Unamortized debt discount | 62,554 | 61,098 |
| Capital assets | | |
| Utility plant in service (Schedule A) | 186,016,206 | 183,475,826 |
| Work in progress | 3,934,604 | 2,599,293 |
| Properties adjoining watershed | 174,977 | 174,977 |
| | <hr/> 190,125,787 | <hr/> 186,250,096 |
| | <hr/> <hr/> \$ 200,102,314 | <hr/> <hr/> \$ 198,118,006 |
| LIABILITIES | | |
| Accounts and holdbacks payable | \$ 446,725 | \$ 1,786,192 |
| Due to Cape Breton Regional Municipality | | |
| General section, capital fund | – | 300,772 |
| General section, operating fund | 106,469 | – |
| Asset retirement obligation (Note 4) | 139,086 | 139,086 |
| Term debt (Schedule B) | 14,808,000 | 18,372,500 |
| | <hr/> 15,500,280 | <hr/> 20,598,550 |
| DEFERRED CAPITAL CONTRIBUTIONS | 11,783,802 | 12,082,306 |
| RESERVES | | |
| Accumulated allowance for depreciation of utility plant | 72,627,305 | 68,960,723 |
| FUND BALANCE | 100,190,927 | 96,476,427 |
| | <hr/> \$ 200,102,314 | <hr/> \$ 198,118,006 |

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility:

Mayor

Clerk

Cape Breton Regional Municipality Water Utility
Statement of Change in Cash – Depreciation Reserve

For the year ended March 31, 2024

| | 2024 | 2023 |
|---------------------------------------|--------------|--------------|
| BALANCE, BEGINNING OF YEAR | \$ 3,457,630 | \$ 3,457,630 |
| Depreciation | 3,666,582 | 3,706,904 |
| Amortization of capital contributions | (298,502) | (298,502) |
| Capital purchases | (2,540,381) | (3,971,731) |
| Fund, end of year | 4,285,329 | 2,894,301 |
| Amount over (under) funded | (827,699) | 563,329 |
| CASH, END OF YEAR | \$ 3,457,630 | \$ 3,457,630 |

Statement of Accumulated Allowance for Depreciation

For the year ended March 31, 2024

| | 2024 | 2023 |
|-----------------------------------|---------------|---------------|
| BALANCE, BEGINNING OF YEAR | \$ 68,960,723 | \$ 65,253,819 |
| Depreciation for the year | 3,666,582 | 3,706,904 |
| BALANCE, END OF YEAR | \$ 72,627,305 | \$ 68,960,723 |

Statement of Investment in Capital Assets

For the year ended March 31, 2024

| | 2024 | 2023 |
|-----------------------------------|----------------|---------------|
| BALANCE, BEGINNING OF YEAR | \$ 96,476,427 | \$ 91,661,927 |
| Term debt retired | 3,564,500 | 3,564,500 |
| Capital out of operations | 150,000 | 1,250,000 |
| BALANCE, END OF YEAR | \$ 100,190,927 | \$ 96,476,427 |

See accompanying notes to non-consolidated financial statements.

Cape Breton Regional Municipality Water Utility
Statement of Financial Position – Special Reserve Fund

As at March 31, 2024

| | 2024 | 2023 |
|-----------------|--------------------|--------------------|
| ASSETS | | |
| Cash | \$ 1,166,626 | \$ 1,166,626 |
| Term deposit | 891,938 | 885,676 |
| | <hr/> \$ 2,058,564 | <hr/> \$ 2,052,302 |
| RESERVE | | |
| Special reserve | \$ 2,058,564 | \$ 2,052,302 |

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality Water Utility

Mayor

Clerk

Cape Breton Regional Municipality Water Utility
Statement of Special Reserve
For the year ended March 31, 2024

| | 2024 | 2023 | | | | |
|---|--------------------------------------|----------------------------------|----------------------------------|-----------------------------------|---------------------|---------------------|
| | Non-shareable debt expenditure | Future capital expenditure | Watershed land acquisition | Sysco waterline maintenance | Total | Total |
| BALANCE, BEGINNING OF YEAR | \$ 55,543 | \$ 939,666 | \$ 340,848 | \$ 716,245 | \$ 2,052,302 | \$ 2,047,934 |
| Interest on investments | 250 | 4,260 | 1,752 | - | 6,262 | 4,368 |
| BALANCE, END OF YEAR | \$ 55,793 | \$ 943,926 | \$ 342,600 | \$ 716,245 | \$ 2,058,564 | \$ 2,052,302 |

See accompanying notes to financial statements.

Cape Breton Regional Municipality Water Utility

Notes to Financial Statements

For the year ended March 31, 2024

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. CHANGE IN ACCOUNTING POLICY

Revenue

Effective April 1, 2023, the Water Utility adopted the Public Sector Accounting Board's (PSAB) new standard for the recognition, measurement, and disclosure of revenue under PS 3400 Revenue. The new standard establishes when to recognize and how to measure revenue and provides the related financial statement presentation and disclosure requirements. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

There was no material impact on the financial statements from the prospective application of the new accounting recommendations.

2. 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 Water 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 Chartered Professional Accountants of Canada Handbook (the CPA Handbook). The significant differences between generally accepted accounting principles for Water Utilities in Nova Scotia and the CPA Handbook are that the CPA Handbook requires:

Cape Breton Regional Municipality Water Utility

Notes to Financial Statements

For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of presentation

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

- 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 CPA 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;

(b) Cash and cash equivalents

Cash and cash equivalents of the operating fund is defined as cash on hand, deposits at banks net of outstanding cheques and deposits, and bank indebtedness.

(c) Allowance for doubtful accounts

A valuation allowance is provided for estimated losses that will be incurred in collecting rates receivable outstanding.

(d) Inventories

Inventories are stated at the lower of cost and net realizable value and are measured using the first in, first out basis.

(e) 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:

| | Basis | Rate |
|-----------------------------|---------------|------------|
| Structures and improvements | Straight-line | 75 years |
| Equipment | Straight-line | 5-20 years |
| Mains | Straight-line | 75 years |
| Services and other | Straight-line | 50 years |
| Meters | Straight-line | 20 years |
| Hydrants | Straight-line | 50 years |

Cape Breton Regional Municipality Water Utility
Notes to Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal or contractual obligation for the Water Utility to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2024. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset. For asset retirement obligations associated with tangible capital assets no longer in productive use, the Water Utility recognizes an expense of the same amount as the liability.

At each financial reporting date, the Water Utility reviews the carrying amount of the liability. The Water Utility recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cashflows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The Water Utility continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made

Cape Breton Regional Municipality Water Utility
Notes to Financial Statements
For the year ended March 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments

Initial measurement

Financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to the financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Financial instruments consist of cash and cash equivalents, receivables, payables and accruals, accounts and holdbacks payable and long term debt.

Subsequent measurement

At each reporting date, the Water Utility measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments, which must be measured at fair value. The Water Utility uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of financial activities. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payable and accruals, accounts and holdbacks payable and long term debt.

Impairment

For financial assets measured at cost or amortized cost, the Water Utility regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Water Utility determines that there is a significant adverse change in the expected timing or amount of future cash flows from the asset, it recognizes an impairment loss in the statement of financial activities. Any reversals of previously recognized impairment losses are recognized in activities in the year the reversal occurs.

Unless otherwise noted, it is management's opinion that the Water Utility is not exposed to significant interest or credit risks arising from financial instruments.

(i) 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
For the year ended March 31, 2024

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 \$8,449,858 (2023 - \$8,350,828).
- d) The Water Utility provides public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to \$7,076,391 (2023 - \$7,076,391). 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, 2024, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 5.7% (2023 - 5.8%).

5. ASSET RETIREMENT OBLIGATION

The Water Utility owns water storage tanks that fall within PS 3280. Upon retirement of these facilities, there is an obligation to eliminate any environmental impact and restore the lands to its prior state. Estimated costs have been discounted to the present value using a discount rate of 4.00% per annum. The transition and recognition of asset retirement obligations involved an accompanying increase to the carrying value of the related capital asset.

Changes to the asset retirement obligation in the year are as follows:

| | 2024 | 2023 |
|--------------------------|-------------------|-------------------|
| Opening balance | \$ 139,086 | \$ - |
| Acquired upon adoption | - | 139,086 |
| Acquired during the year | - | - |
| Liabilities settled | - | - |
| | \$ 139,086 | \$ 139,086 |

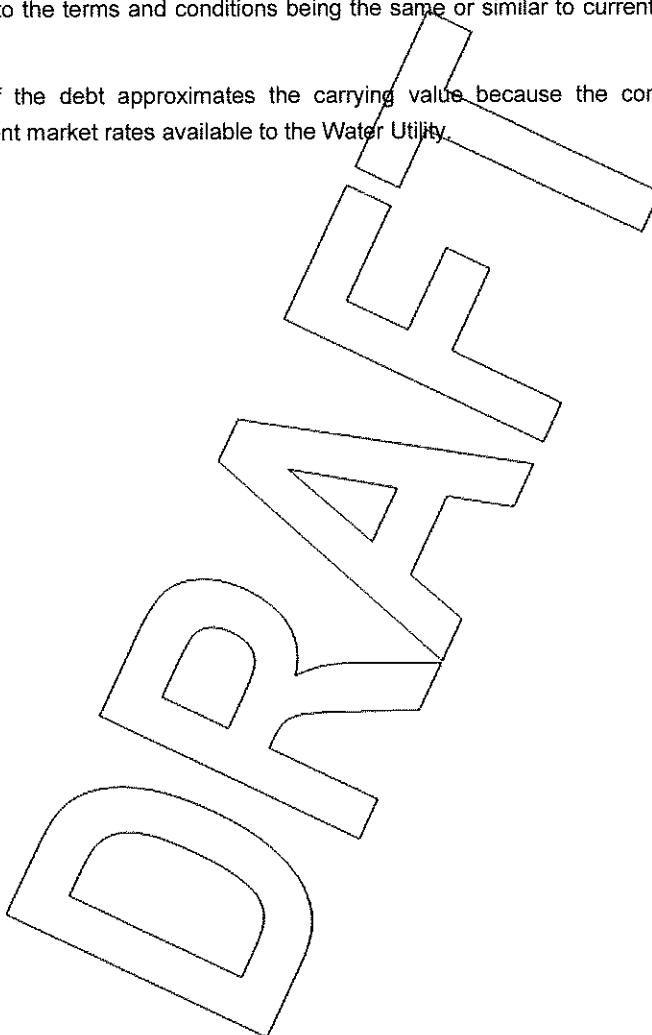
Cape Breton Regional Municipality Water Utility
Notes to Financial Statements
For the year ended March 31, 2024

6. FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, receivables, payables and accruals and accounts and holdbacks payable approximate their fair value due to the relatively short terms to maturity.

The carrying value of inter-fund balances and due to/from Cape Breton Regional Municipality approximates its fair value due to the terms and conditions being the same or similar to current market rates available to the Water Utility.

The fair value of the debt approximates the carrying value because the contractual rates of interest approximate current market rates available to the Water Utility.



Cape Breton Regional Municipality Water Utility
Schedule A - Utility Plant and Equipment

For the year ended March 31, 2024

| | 2024 | 2023 |
|------------------------------------|-----------------------|-----------------------|
| Organization | \$ 4,000 | \$ 4,000 |
| Working capital | 70,162 | 70,162 |
| | 74,162 | 74,162 |
| Land and land rights | | |
| Source of supply land | 1,435,550 | 1,435,550 |
| Power and pumping land | 343,374 | 343,374 |
| Transmission land | 157,021 | 157,021 |
| | 1,935,945 | 1,935,945 |
| Structures and improvements | | |
| Source of supply | 19,012,595 | 19,012,595 |
| Power and pumping | 7,515,332 | 7,515,156 |
| Purification structures | 2,791,214 | 2,791,214 |
| Distribution and storage | 5,336,968 | 5,336,968 |
| Shop | 299,817 | 299,817 |
| <u>Asset retirement obligation</u> | 139,086 | 139,086 |
| | 35,104,012 | 35,094,836 |
| Equipment | | |
| Electrical pumping equipment | 3,776,122 | 3,776,122 |
| Diesel pumping equipment | 543,261 | 543,261 |
| Purification equipment | 24,596,055 | 24,134,313 |
| Office furniture and equipment | 362,453 | 362,453 |
| Transportation equipment | 309,945 | 309,945 |
| Meter shop equipment | 30,689 | 30,689 |
| Tools and work equipment | 268,948 | 268,948 |
| Motor operated tools | 680,584 | 680,584 |
| Other | 690,072 | 690,072 |
| | 31,258,129 | 30,796,387 |
| Mains | | |
| Transmission | 31,579,074 | 31,579,074 |
| Distribution | 53,903,842 | 52,596,129 |
| | 85,482,916 | 84,175,203 |
| Services | | |
| Meters | 15,751,013 | 15,260,313 |
| Hydrants | 12,304,443 | 12,101,272 |
| | 4,105,586 | 4,037,708 |
| | \$ 186,016,206 | \$ 183,475,826 |

Cape Breton Regional Municipality Antigonish Water Utility
Schedule B - Capital Debt
For the year ended March 31, 2024

| | Date of Issue | Maturity Date | Interest Rate % | Balance March 31, 2023 | Issued | Redeemed | Balance March 31, 2024 |
|--------------------------------------|---------------|---------------|-----------------|------------------------------|--------------|--------------|------------------------------|
| Municipal Finance Corporation | | | | | | | |
| 28-A-1 | 2008 | 2023 | 4.949 – 5.088 | \$ 4,200,000 | \$ – | \$ 4,200,000 | \$ – |
| 30-A-1 | 2010 | 2025 | 4.500 – 4.675 | 6,000,000 | – | 750,000 | 5,250,000 |
| 33-A-1 | 2013 | 2023 | 2.454 – 2.979 | 800,000 | – | 800,000 | – |
| 34-A-1 | 2014 | 2029 | 2.516 – 3.792 | 2,800,000 | – | 400,000 | 2,400,000 |
| 42-A-1 | 2022 | 2027 | 2.575 – 3.290 | 4,572,500 | – | 914,500 | 3,658,000 |
| 43-A-1 | 2023 | 2028 | 4.714 – 3.550 | – | 3,500,000 | – | 3,500,000 |
| | | | | \$18,372,500 | \$ 3,500,000 | \$ 7,064,500 | \$14,808,000 |

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

| | |
|------|--------------|
| 2025 | \$ 2,764,500 |
| 2026 | \$ 6,514,500 |
| 2027 | \$ 2,014,500 |
| 2028 | \$ 2,014,500 |
| 2029 | \$ 1,100,000 |



Cape Breton Regional Municipality

2024 Audit Findings

Report to the Audit Committee

March 31, 2024

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Wherever business takes you

MNP.ca

January 20, 2025

Members of the Audit Committee of Cape Breton Regional Municipality

Dear Audit Committee:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") and financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") as at March 31, 2024 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Audit Committee.

We have substantially completed our audits of the consolidated financial statements of the Municipality and the financial statements of the Water Utility which have been carried out in accordance with Canadian generally accepted auditing standards.

Unless unforeseen complications arise, our Independent Auditor's Report will provide unmodified opinions to the Mayor and Council of the Municipality and the Water Utility. A draft copy of our proposed Independent Auditor's Reports are attached at the end of this report.

This report is intended solely for the information and use of the Audit Committee and management and should not be distributed to or used by any other parties than these specified parties.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We would like to express our appreciation for the excellent cooperation we have received from management and employees with whom we worked.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

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Introduction

As auditors, we report to the Mayor and Council on the results of our examination of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") and financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") as at and for the year ended March 31, 2024. The purpose of this Audit Findings Report is to assist you, as members of the Audit Committee, in your review of the results of our audit. To facilitate in your understanding of our findings, Appendix A to this report summarizes our audit process.

Our report will discuss the status of our engagement, as well as communicate to you significant audit, accounting and reporting matters arising from our procedures.

We hope that this report is of assistance to you, and we look forward to discussing our findings and answering your questions.

Engagement Status

We have substantially completed our audit of the consolidated financial statements of the Municipality and Water Utility and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the remaining outstanding legal confirmation and discussion;
- Receipt of the signed management representation letters;
- Discussion of subsequent events with the Audit Committee;
- The Mayor and Council's review and approval of the Municipality's consolidated financial statements and the Water Utility financial statements.

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on January 20, 2025.

Unless unforeseen complications arise, our Independent Auditor's Report will provide unmodified opinion to the Mayor and Council of the Municipality and the Water Utility. A draft copy of our proposed Independent Auditor's Reports has been included with this report.

Significant Audit, Accounting and Reporting Matters

Audit and Reporting Matters

The following significant matters arose during the course of audit that we wish to bring to your attention.

| Area | Comments |
|--|--|
| Changes from Audit Service Plan | There were no deviations from the Audit Service Plan. Please refer to Appendix B for the significant and higher risk areas and our audit responses. |
| Difficulties Encountered | No significant limitations were placed on the scope or timing of our audit. |
| Identified or Suspected Fraud | <p>Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.</p> <p>While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.</p> |
| Identified or Suspected Non-Compliance with Laws And Regulations | Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements. |
| Matters Arising in Connection With Related Parties | No significant matters arose during the course of our audit in connection with related parties of the Municipality. |
| Significant Deficiencies in Internal Control | <p>Our audit process focuses on understanding the controls utilized in management's reporting systems, including for estimates, to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing.</p> <p>It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls.</p> <p>We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to</p> |

| Area | Comments |
|---|--|
| | <p>the Audit Committee on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist.</p> <p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, we communicate our findings and recommendations in the Management Letter.</p> |
| Going Concern | <p>No events or conditions were identified during the audit that may cast significant doubt on the entity's ability to continue as a going concern including: Whether the events or conditions constitute a material uncertainty, whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements, adequacy of related disclosures, etc.</p> |
| Matters Arising from Discussions With Management | <p>We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the Municipality.</p> <p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p> |
| Significant Differences | <p>A few significant adjustment were proposed to management with respect to the March 31, 2024 financial statements. A summary of significant differences has been included as Appendix B to this report.</p> |
| Final Materiality | <p>Materiality is a concept used to assess the significance of misstatements or omissions that are identified during the audit and is used to determine the level of audit testing that is carried out. The scope of our audit work is tailored to reflect the relative size of operations of the Municipality, and is affected by our assessment of materiality and audit risk.</p> <p>Final materialities used for the consolidated financial statement audit of the Municipality and the audit of the Water Utility were \$8,700,000 and \$1,044,000, respectively, with respect to the March 31, 2024 audit.</p> |

Auditor's Views of Significant Accounting Practices

The application of Canadian public sector accounting standards allows and requires the Municipality to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

As auditors, we are uniquely positioned to provide open and objective feedback regarding your Municipality's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention.

| Area | Comments |
|----------------------|--|
| Accounting Policies | <p>We noted the following newly adopted, and changes in, accounting policies:</p> <ul style="list-style-type: none">PS 3400 Revenue - The new standard establishes when to recognize and how to measure revenue, and provides the related financial statement presentation and disclosure requirements. There was no material impact on the consolidated financial statements from the prospective application of the new accounting recommendations. |
| Accounting Estimates | <p>The preparation of consolidated 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 revenue and expenses in the consolidated financial statements and accompanying notes.</p> <p>Amortization is based on the estimated useful lives of capital assets.</p> <p>Taxes, rates and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.</p> <p>Asset retirement obligations are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.</p> <p>By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenses in the years in which they become known.</p> |

| Area | Comments |
|--|--|
| Financial Statement Disclosures | The disclosures made in the notes to the consolidated and Water Utility financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the consolidated and Water Utility financial statements. |

Other Matters

Management Representations

We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. These letters, provided by management, have been included as additional material to this report.

Auditor Independence

We confirm to the Audit Committee that we are independent of the Municipality and Water Utility. Our letter to the Audit Committee discussing our independence is included as part of the additional materials attached to this report.

Appendix A - MNP Audit Process

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the consolidated and Water Utility financial statements considered separately.

Our audit process focused on understanding the controls utilized in management's reporting systems to the extent necessary to identify overall and specific financial reporting risks. This risk assessment enabled us to concentrate our audit procedures on the areas where differences were most likely to arise. Where possible, reliance was placed on the controls within these systems to reduce the extent of our testing of transactions and year-end balances. Our assessment was not, nor was it intended to be, sufficient to conclude on the effectiveness or efficiency of internal controls.

During the course of our audit, we have:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated and Water Utility financial statements;
- Assessed the accounting principles used and significant estimates made by management;
- Obtained an understanding of the Municipality and Water Utility and its environment, the applicable financial reporting framework and the Municipality's and Water Utility's system of internal control (regardless of whether we relied on them for the purpose of the audit), sufficient to identify and assess the risks of material misstatement of the consolidated and Water Utility financial statements and to design and perform audit procedures;
- Reviewed and assessed those accounting systems deemed necessary to support our audit opinion;
- Evaluated the overall consolidated and Water Utility financial statement presentation;
- Performed a subsequent events review with management;
- Reviewed and assessed the status of contingencies, commitments and guarantees; and
- Reviewed and assessed exposure to environmental liabilities.

We have obtained written representations from management, included as additional materials following this report, in order to confirm oral representations given to us and reduce the possibility of misunderstanding. Specifically, we have obtained written confirmation of significant representations provided on matters that are:

- Directly related to items that are material, either individually or in the aggregate, to the consolidated and Water Utility financial statements;
- Not directly related to items that are material to the consolidated and Water Utility financial statements, but are significant, either individually or in the aggregate, to the engagement; and
- Matters relevant to management judgments or estimates that are material, either individually or in the aggregate, to the consolidated and Water Utility financial statements.

Appendix B - Significant and Higher Risk Areas and Responses

Significant Risk Areas and Responses

| Significant Risk Area | Response and Conclusion |
|---|--|
| Revenues Revenue is a presumed fraud risk and therefore considered a significant risk. | Tax and water utility revenue -MNP performed substantive analytical procedures as well as a test of details using a random selection based on a significant risk factor. Government grants, transfers, grants-in-lieu and other revenue -MNP reviewed supporting documentation for individual items exceeding our significant value threshold as well as a test of details of the remaining population using a random selection based on a significant risk factor. No issues were identified. |
| Management override of internal controls There is a presumed fraud risk of management override of internal control. | MNP performed a review of journal entries for unusual entries and obtained supporting documentation for high risk entries identified. No issues were identified. |

Higher Risk Areas and Responses

| Higher Risk Area | Response and Conclusion |
|---|---|
| Asset retirement obligation The liability is subject to significant management judgement and estimate uncertainty. | MNP obtained management's scoping of tangible capital assets and their assessment of any potential liability. We have recalculated the balance, reviewed assumptions used, such as inflation and discount rates, and agreed to collaborative information. No issues were identified. |
| Accrued employee benefits The information used to calculate portions of the liability subject to significant management judgement and estimate uncertainty. | MNP obtained management's assessment of the liability. We have recalculated the balance, reviewed assumptions used, and agreed to collaborative information. |

Appendix C - Summary of Uncorrected Misstatements - Consolidated

(SEE ATTACHED)

SUMMARY OF DIFFERENCES
Cape Breton Regional Municipality
March 31, 2024

| DESCRIPTION OF DIFFERENCES | SIGNIFICANT UNADJUSTED DIFFERENCES DR(CR) | | | | | |
|-------------------------------------|---|---------------------|---------------------|---------------------------------|---------------------|---------------------|
| | STATEMENT OF OPERATIONS | | | STATEMENT OF FINANCIAL POSITION | | |
| | IDENTIFIED | PROJECTED | LIKELY AGGREGATE | ASSETS | LIABILITIES | NET ASSETS |
| To record impact of payroll accrual | | | | | | |
| Prior period | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Current year | \$ - | \$ - | \$ - | \$ 810,375 | \$ (810,375) | \$ - |
| Total | \$ - | \$ - | \$ - | \$ 810,375 | \$ (810,375) | \$ - |
| Final overall materiality | \$ 8,700,000 | \$ 8,700,000 | \$ 8,700,000 | \$ 8,700,000 | \$ 8,700,000 | \$ 8,700,000 |
| Excess (shortfall) | \$ 8,700,000 | \$ 8,700,000 | \$ 8,700,000 | \$ 7,889,625 | \$ 7,889,625 | \$ 8,700,000 |

Appendix D - Summary of Uncorrected Misstatements - Water Utility

(SEE ATTACHED)

SUMMARY OF DIFFERENCES

Cape Breton Regional Municipality Water Utility
March 31, 2024

| DESCRIPTION OF DIFFERENCES | SIGNIFICANT UNADJUSTED DIFFERENCES DR(CR) | | | | | |
|---|---|---------------------|---------------------|---------------------------------|-------------------|---------------------|
| | STATEMENT OF FINANCIAL ACTIVITIES | | | STATEMENT OF FINANCIAL POSITION | | |
| | IDENTIFIED | PROJECTED | LIKELY AGGREGATE | ASSETS | LIABILITIES | NET ASSETS |
| To record difference in accrued principal and interest payment on debt in the Water Utility | | | | | | |
| Prior period | \$ - | \$ - | \$ - | \$ - | \$ 375,424 | \$ (375,424) |
| Current year | \$ (274,119) | \$ - | \$ (274,119) | \$ - | \$ 274,119 | \$ (274,119) |
| Total | \$ (274,119) | \$ - | \$ (274,119) | \$ - | \$ 649,543 | \$ (649,543) |
| Final overall materiality | \$ 1,044,000 | \$ 1,044,000 | \$ 1,044,000 | \$ 1,044,000 | \$ 1,044,000 | \$ 1,044,000 |
| Excess (shortfall) | \$ 769,881 | \$ 1,044,000 | \$ 769,881 | \$ 1,044,000 | \$ 394,457 | \$ 394,457 |

Draft Independent Auditor's Report

(See Attached)

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

Opinion

We have audited the consolidated financial statements of Cape Breton Regional Municipality and its subsidiaries (the "Municipality"), on pages 2-25 which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of financial activities, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at March 31, 2024, and the results of its consolidated financial position, changes in its net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included on pages 26 - 32 is presented for the purposes of additional information and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion on the audit of the consolidated financial statements as a whole.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sydney, Nova Scotia

Chartered Professional Accountants

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

Opinion

We have audited the financial statements of Cape Breton Regional Municipality Water Utility (the "Water Utility"), which comprise the statement of financial position as at March 31, 2024, and the statements of financial activities, operating fund surplus, change in cash - depreciation reserve, accumulated allowance for depreciation, investment in capital assets, special reserve and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2024, and the results of 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 for Opinion

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Water Utility in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Water Utility's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Water Utility or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Water Utility's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Water Utility's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Water Utility's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Water Utility to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Water Utility to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sydney, Nova Scotia

Chartered Professional Accountants

Management Representations

(See Attached)

Cape Breton Regional Municipality
320 Esplanade
Sydney, NS B1P 7B9

January 20, 2025

MNP LLP
Commerce Tower 15 Dorchester St.
Suite 500 PO Box 1
Sydney, Nova Scotia B1P 6G9

To Whom It May Concern:

In connection with your audit of the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") as at March 31, 2024 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the consolidated financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 30, 2024, for the preparation and fair presentation of the Municipality's consolidated financial statements in accordance with Canadian public sector accounting standards. We believe these consolidated financial statements are complete and present fairly, in all material respects, the financial position of the Municipality as at March 31, 2024 and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.
2. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Municipality's consolidated financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the consolidated financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the consolidated financial statements.

4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.
6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Canadian public sector accounting standards.
8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.
9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the consolidated financial statement effects of the entries.
10. We believe the effects of those uncorrected consolidated financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. A summary of these differences has been attached to the audit findings report.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
12. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the consolidated financial statements.
13. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the consolidated financial statements in accordance with Canadian public sector accounting standards.
14. All liabilities, both known and contingent, requiring recognition or disclosure in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
15. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
16. All assets, wherever located, to which the Municipality had satisfactory title at the year-end, have been fairly stated and recorded in the consolidated financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the consolidated financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the consolidated financial statements.

17. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the consolidated financial statements.

18. All cash accounts have been appropriately recorded in the consolidated financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.

19. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2024. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.

20. Inventory is correctly recorded in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.

21. All charges to tangible capital assets and additions under capital leases represent capital expenditures. No expenditures of a capital nature were charged to operations of the Municipality. Amortization of tangible capital assets and equipment under capital leases has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the consolidated financial statements.

22. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.

23. All long-term debt and capital lease obligations has been appropriately recorded in the consolidated financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt and capital lease obligations is appropriately classified. All terms and conditions have been fully disclosed in the consolidated financial statements. We have provided you with the most current debt and financing agreements.

24. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Municipality is not entitled to the proceeds.

25. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the consolidated financial statements in accordance with the requirements of Canadian public sector accounting standards.

26. We have identified all known or potential contaminated sites and asset retirement obligations and the costs associated have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards.

Information Provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the consolidated financial statements, and related data and minutes of the meetings of Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the consolidated financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the consolidated financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Municipality and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. The previous year's representation letter dated October 28, 2024 is still applicable to the prior year's consolidated financial statements, and no matters have arisen that require restatement of those consolidated financial statements.
10. There are no discussions with your firm's personnel regarding employment with the Municipality.

Professional Services

1. We acknowledge the engagement letter dated July 30, 2024, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Municipality's audit.

Sincerely,

Cape Breton Regional Municipality

Signature

Title

DRAFT

Cape Breton Regional Municipality Water Utility
320 Esplanade
Sydney, NS B1P 7B9

January 20, 2025

MNP LLP
Commerce Tower 15 Dorchester St.
Suite 500 PO Box 1
Sydney, Nova Scotia B1P 6G9

To Whom It May Concern:

In connection with your audit of the financial statements of Cape Breton Regional Municipality Water Utility (the "Water Utility") as at March 31, 2024 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 30, 2024, for the preparation and fair presentation of the Water Utility's financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia. We believe these financial statements are complete and present fairly, in all material respects, the financial position of the Water Utility as at March 31, 2024 and the results of its financial performance and its cash flows, in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Water Utility's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia, and are applied consistently throughout the financial statements.

4. All significant judgments made in making the accounting estimates have taken into account all relevant information of which we are aware.
5. The selection and application of the methods, assumptions and data used in making the accounting estimates are consistent and appropriate.
6. The assumptions relevant to accounting estimates and disclosures appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
7. Disclosures related to accounting estimates, including disclosures describing estimation uncertainty, are complete and are reasonable in the context of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
8. No subsequent event requires adjustment to the accounting estimates and related disclosures included in the financial statements.
9. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.
10. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to audit findings report.
11. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
12. All events or transactions that have occurred subsequent to the statement of financial position and for which Accounting and Reporting Handbook for Water Utilities in Nova Scotia require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
13. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
14. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia have been adjusted or disclosed as appropriate.
15. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
16. All assets, wherever located, to which the Water Utility had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.

17. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
18. All cash accounts have been appropriately recorded in the financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.
19. Accounts and contributions receivable are correctly described in the records and represent valid claims as at March 31, 2024. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
20. Inventory is correctly recorded in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.
21. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the Water Utility. Depreciation of tangible capital assets has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.
22. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.
23. All long-term debt has been appropriately recorded in the financial statements. All payments and accrued interest have been accounted for. The current portion of long-term debt is appropriately classified. All terms and conditions have been fully disclosed in the financial statements. We have provided you with the most current debt and financing agreements.
24. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Water Utility is not entitled to the proceeds.
25. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the financial statements in accordance with the requirements of Accounting and Reporting Handbook for Water Utilities in Nova Scotia.
26. We have identified all known or potential contaminated sites and asset retirement obligations and the costs associated have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards..

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements, and related data and minutes of the meetings of Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Water Utility and all related party relationships and transactions of which we are aware.
8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
9. The previous year's representation letter dated October 28, 2024 is still applicable to the prior year's financial statements, and no matters have arisen that require restatement of those financial statements.
10. There are no discussions with your firm's personnel regarding employment with the Water Utility.

Professional Services

1. We acknowledge the engagement letter dated July 30, 2024, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Water Utility's audit.

Sincerely,

Cape Breton Regional Municipality Water Utility

Signature

Title

DRAFT

Independence Communication

(See Attached)

January 20, 2025

Audit committee
Cape Breton Regional Municipality
320 Esplanade
Sydney, NS B1P 7B9

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of Cape Breton Regional Municipality (the "Municipality") as at March 31, 2024 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Municipality and its related entities or persons in financial reporting oversight roles at the Municipality and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body 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 or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Municipality and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from October 29, 2024 to January 20, 2025.

We hereby confirm that MNP is independent with respect to the Municipality within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of Nova Scotia as of January 20, 2025.

The total fees charged to the Municipality for services from October 29, 2024 to January 20, 2025 were \$18,430, which represents the final invoice for the 2023 audit (\$16,680) and indirect tax advisory services between October 6 and November 28, 2024 (\$1,750).

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

Sincerely,

MNP LLP

Commerce Tower 15 Dorchester St., Suite 500 PO Box 1, Sydney NS, B1P 6G9

T: 902.539.3900 F: 902.564.6062

