



A Community of Communities

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



CAPE BRETON
REGIONAL MUNICIPALITY

Annual Financial Report

Year Ended March 31, 2024

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

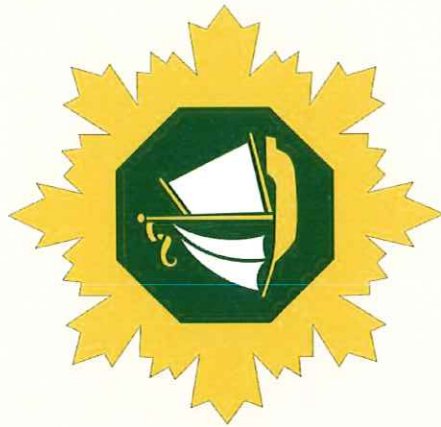
- FIONA recovery and debris management (approx. \$3m in damages for FYE Mar 31/24)
- Snowmageddon (\$3.85m in costs)
- Ratification of Police Contract/Collective Agreement

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



CAPE BRETON
REGIONAL MUNICIPALITY

Agenda page
references noted for
Audited F/S
• Schedules

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CBRM

Operating, Capital and Reserve Funds

Year Ended March 31, 2024

Cape Breton Regional Municipality Schedule of Operating Fund (Council)

	Actuals 2023-24	Budget 2023-24	Variance
Revenue			
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
Expenditures			
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		

Revenues

Exceeded Budget
\$4,754,014*

\$1,786,334
 excluding Disaster recovery

• Deed Transfer Tax
\$600k!

Includes bank interest \$800k

Tax Revenue	2023/24 Actuals	2023/24 Budget	Variance
Taxes on Assessment			
Residential Tax	89,242,691	89,598,350	(355,659)
Commercial Tax	32,639,403	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

	Actuals 2023-24	Budget 2023-24	Variance
Revenue			
Total Taxes	\$ 130,655,688	\$ 130,411,084	\$ 244,604
Total Federal Government	3,480,335	3,199,385	280,950
Total Provincial Government	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)
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Total Extraordinary Revenue (Disaster Recovery)	274,920	418,000	(143,080)
Total Revenue	\$ 178,749,559	\$ 173,995,545	\$ 4,754,014

Expenditures

Over budget
\$4,652,112

Fiona &
Snowmaggdon
- related costs -
\$6.285m

Vehicle repairs
\$534k

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	2,889,003	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
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Recreation	2,906,014	3,056,495	150,481
Total Expenditures	\$ 178,647,657	\$ 173,995,545	\$ (4,652,112)

Fiscal
\$1.15m adjustment
to allowance for
uncollectable
receivables
(DFAA excludes HST)
Housing deficit share
\$688k overbudget

Department	Actuals	Budget	Variance	Fiona	Snowmaggdon	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.

Comparison by Expenditure Actual to Budget

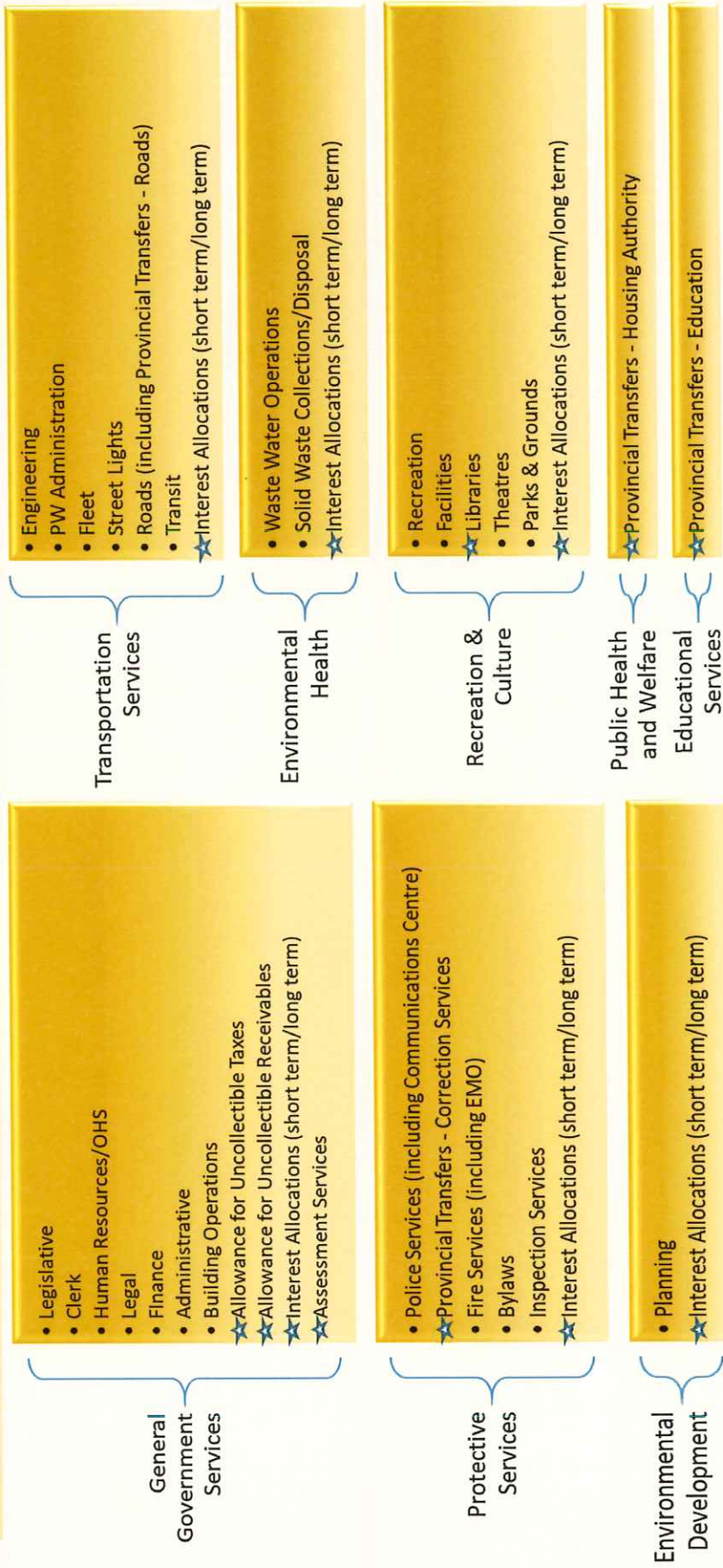
Expenditures	Actuals 2023/24	Budget 2023/24	Variance	CY Actual 2023/24	PY Actual 2022/23	Variance
Wages and Benefits, Net of Cost Recovery/Employment Grants	\$ 73,701,975	\$ 78,587,451	(4,885,476)	\$ 73,701,975	\$ 72,505,247	\$ 1,196,727
Contracts/Agreements/ Professional Service	20,845,056	20,874,429	(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 Maintenance/ 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	862,555	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)
SNOWMAGGEDON	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, Snowmaggadon)	\$ 172,235,944	\$ 173,995,545	\$ 1,759,601	\$ 172,235,944	\$ 164,930,889	\$ 7,305,055

CBRM Operating (Council)

FRAM

PSAB Presentation

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



CBRM Operating
(Council)



FRAM



PSAB
Presentation

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

Financing & Transfers

Debtenture Principal Repayments
Amortization of Bond Discount
Transfers to Special Reserve Fund
Transfers to Capital Fund

le. Operating surplus

le. J-Class Road
Contribution

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



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)

FRAME

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
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)	(1,531,777)	57,140,293

	2024	2023
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)
	(6,182,295)	(4,650,518)

	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
	182,912,160	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	12,976,758	11,609,926
Educational services	16,530,308	15,534,623
	173,902,222	110,187,967

Excess of revenues over expenses before the following

	9,009,938	62,115,056
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FINANCING AND TRANSFERS		
Debture and term loan principal	(8,885,065)	(8,506,443)
Insiderments	(710,051)	3,589,200
Transfer to special reserve funds	(984,719)	-
Transfer to general capital fund	(60,880)	(57,520)
Amortization of bond discount	(10,541,715)	(4,974,763)

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



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	-
	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	550,000	650,000
Debt service and term loan principal instalments	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

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

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

General Fund	Term (years)	Interest rate - %	Matures	Balance March 31/23	Issued	Redeemed	Balance March 31/24
M.F.C.							
33-B-1	10	0.000-3.614	2023	488,265	-	488,265	-
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	52,543,635	8,887,057	8,886,060	52,544,632

Long Term Debt - Capital Projects	2023/24	2022/23
Current Long Term Debt, Financial Statements	52,544,632	52,543,635
Short term borrowing (21/22) capital projects)	-	8,887,057
Short term borrowing (22/23) capital projects)	8,073,100	8,073,100
Short term borrowing (23/24 capital projects)	9,208,569	-
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

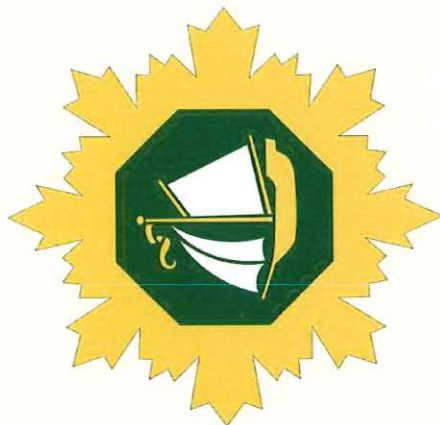
- Transfer to capital fund is gas tax and capital reserve spending during fiscal year.



CBRM Water Utility

Operating, Capital and Reserve Funds

Year Ended March 31, 2024



CAPE BRETON
REGIONAL MUNICIPALITY

Cape Breton Regional Municipality Water Utility - Operating Fund

Water Utility Consolidated (UARB)

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

Pg. 69

	2024	2023
	Budget (Unaudited)	Actual
OPERATING REVENUES		
Metered sales	\$ 19,218,619	\$ 19,322,036
Public fire protection	7,076,391	7,076,391
Consumer's interest	350,000	769,932
Service connections	66,000	230,693
	26,711,010	27,399,052
OPERATING EXPENSES		
Source of supply	553,667	502,819
Power and pumping	2,042,040	1,820,919
Water treatment	5,052,816	4,967,373
Transmission and distribution	5,059,739	5,156,939
Administration and general	4,157,287	3,206,353
Depreciation	3,942,955	3,706,904
Taxes	2,061,214	1,896,230
	22,869,358	21,257,537
Excess of operating revenues over expenses before the following	3,841,652	6,141,515
NON-OPERATING REVENUES		
Amortization of deferred capital contributions	-	298,502
NON-OPERATING EXPENSES		
Debt charges		
Provision for principal repayment	3,687,972	3,564,500
Interest	880,485	1,041,977
Amortization of debt discounts	-	24,540
Bank fees/charges	150,000	25,603
Capital expenditures out of operations	150,000	1,250,000
	4,868,457	5,906,620
CHANGE IN FUND BALANCE	\$ (1,026,805)	\$ 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)

Cape Breton Regional Municipality
Statement of Financial Activities - Operating Fund
Change in Fund Balance
For the year ended March 31, 2024
(Unaudited)

Pg. 59

	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	27,360	25,603
Transfer to water capital fund	7,381,082	8,521,404
Transfer to general capital fund	650,000	650,000
	8,729,712	10,263,525
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	\$ 8,814,236	\$ 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

Pg. 59

CBRM Consolidated (PSAB)

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	27,360	25,605
Transfer to water capital fund	7,381,082	8,521,404
Transfer to general capital fund	650,000	650,000
	8,729,712	10,263,525
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	\$ 8,814,236	\$ 7,149,821

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	\$ 5,128,294	\$ 3,165,376

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
Total \$3,714,500		
BALANCE, END OF YEAR	\$ 100,190,927	\$ 96,476,427

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

Pg. 83 Cape Breton Regional Municipality Water Utility
Schedule B - Capital Debt Charges
For the year ended March 31, 2024

	Balance March 31, 2023	Balance March 31, 2024
2008 28-A-1	4,200,000	4,200,000
2013 33-A-1	6,000,000	6,000,000
2013 33-A-1	2,464 - 2,978	2,464 - 2,978
2014 34-A-1	2,800,000	2,800,000
2022 42-A-1	4,572,500	4,572,500
2023 43-A-1	4,714 - 3,950	4,714 - 3,950
Total	\$ 18,372,500	\$ 14,808,000

CBRM Consolidated (PSAB)

Pg. 61 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

Change in fund balances equal under each standard except for how amortization/accretion 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)

Pg. 75

Cape Breton Regional Municipality 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
BALANCE, BEGINNING OF YEAR	\$ 55,543	\$ 939,666	\$ 340,848	\$ 716,245	\$ 2,047,934
Interest on investments	250	4,260	1,752	-	6,262
BALANCE, END OF YEAR	\$ 55,793	\$ 943,926	\$ 342,600	\$ 716,245	\$ 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)

	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>	\$ 2,052,301

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

Cape Breton Regional Municipality Port of Sydney Development Corporation Change in Fund Balance – Operating Fund

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	-	3,957	144,177
	3,133,320	3,570,303	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

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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

Operating Fund
Capital Fund
Reserve Fund



CBRW

Operating Fund
Capital Fund
Reserve Fund



PSDC

Operating Fund

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

Pg. 35

	Budget	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	21,488,839	20,322,661
Investment income	-	1,313,531	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 (Note 1)	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	1,336,055	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	2,521,976	2,380,052	2,078,014
Water Utility expenses	14,906,708	17,495,843	16,753,009
	187,627,685	206,382,310	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

Consolidated Results	CBRM		CBRW		PSDC	Total
	Operating	Capital	Reserve	Operating	Reserve	Operating
Change in Fund Balance	(4,650,518)	283,621,765	57,455,298	7,149,821	2,052,301	4,392,613
Fund Balance, Beginning of Year	(1,531,777)	28,988,973	(7,413,682)	1,664,415	6,264	1,190,251
Fund Balance, End of Year	(6,182,295)	312,610,738	45,041,616	8,814,236	2,058,565	5,582,864

Cape Breton Regional Municipality

Other Schedules

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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

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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	\$ 116,881	\$ 5,161
M. Seth	\$ 84,966	\$ 1,379
M. Walsh	\$ 231,049	\$ 5,942
R. 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	Total Government Transfers Total Revenue	21,699,560 155,380,665	14.0%	< 15% 15 - 20% > 20%
Indicative of the degree of reliance on government transfers to sustain services/programs. The Municipality is not dependent on another level of government to meet its service obligations.				
Uncollected Taxes	Taxes Receivable (net of allowance) Total Taxes Billed	18,393,385 124,927,277	14.7%	< 10% 10 - 15% > 15%
Indicative of the degree of difficulty the Municipality is experiencing in its tax revenue collection. The Municipality is experiencing challenges with its tax revenue collection.				
3-Year Change in Tax Base	Current UA - UA 3 years prior UA 3 years ago	544,175,736 4,879,153,523	11.2%	growth is => change < change in CPI growth is < change < change in CPI negative growth
Is the Municipality's tax base growing at a pace sufficient to sustain services/programs. The Municipality's tax base is strong to cover the cost of municipal services and programs.				
Reliance on Single Business/Institution	Taxable assessment value of largest business/institution Uniform Assessment	69,688,264 5,423,329,259	1.3%	< 10% 10 - 15% > 15%
Is Municipality dependant on the taxes of a single business/institution? The Municipality is showing no vulnerability in this area.				
Residential Tax Effort	Residential Taxes / # dwelling units Median Household Income	1,859 62,400	3.0%	< 4% 4 - 6% > 6%
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.				
# of Deficits in the Last 5 Years	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	0 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 < 4 of 5
Indicative of the municipality's ability to maintain 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.				
Operating Reserve	General Operating Reserve Total Expenses (including debt service payments)	14,743,163 158,521,543	9.3%	> 20% 10 - 20% < 10%
The value of funds set aside for planned or unexpected 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.				
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.				
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.				
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).				

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

DRAFT

**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	21,488,839	20,322,661
Investment income	-	1,313,531	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	52,473,431	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	1,336,055	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)
	(68,768,310)	(8,447,180)	(10,938,141)
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)
	(68,768,310)	(22,712,968)	(23,857,463)
DECREASE (INCREASE) IN NET DEBT	\$ (61,521,205)	(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
	36,254,869	44,640,754
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)
	(18,121,763)	(17,934,267)
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)
	(46,441,992)	(54,300,780)
DECREASE IN CASH AND CASH EQUIVALENTS	(28,308,886)	(27,594,293)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	52,428,301	80,022,594
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,119,415	\$ 52,428,301
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
	\$ 24,119,415	\$ 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	\$ 18,393,385	\$ 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	2,323,288	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	29,299,908	6,960,007	—	36,259,915	7,635,276	907,670	—	8,542,946	27,416,967	21,364,630		
Industrial parks	1,084,104	—	—	1,084,104	583,815	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	32,596,658	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	50,756,896	3,937,393	—	54,694,289	36,743,795	3,908,716	—	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	116,221,866	1,063,664	—	117,285,530	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	—	9,163,957	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	—	—	22,253,546	2,472,702	495,025	—	2,967,727	19,285,819	19,780,844		
Asset retirement obligation – CBRM	5,015,770	288,564	—	5,304,334	—	577,128	—	577,128	4,727,206	—		
Water utility assets	183,626,244	2,564,942	—	186,191,186	68,960,724	3,655,233	—	72,615,957	113,575,229	114,865,520		
Port of Sydney Development	—	—	—	—	—	—	—	—	—	—		
Corporation assets	11,440,609	135,631	—	11,576,240	7,035,592	307,999	—	7,343,591	4,232,679	4,405,017		
	589,754,816	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	\$ —	\$ 358,359,866	\$ 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
	430,852,428	396,856,412
Reserves set aside by council	47,100,166	54,507,584
	\$ 477,952,594	\$ 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 to \$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 \$1,041,831 (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
				52,543,655	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	4,572,500	—	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	—	2,641,934	—	—	—	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	10,035,914	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	19,777,765	3,945,596	5,932,482	831,395	—	2,779,766	78,500,408
Interest on long-term debt	364,353	—	286,543	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	4,826,959	—	1,041,831	—	—	778,800	—	16,530,308	—	23,177,898
Amortization	295,866	307,969	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	57,406,914	52,988,151	26,423,318	14,891,487	1,990,329	16,530,308	17,495,843	206,382,310
ANNUAL SURPLUS (DEFICIT)	\$ 93,058,811	\$ 1,190,251	\$ (22,250,486)	\$ (33,530,146)	\$ (9,893,589)	\$ (4,194,671)	\$ (1,784,568)	\$ —	\$ 3,992,996	\$ 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	9,398,051	—	—	—	—	—	—	—	—	9,398,051
Services provided to other governments	—	—	1,145,521	—	—	—	—	—	—	1,145,521
Sales of services	76,440	—	—	2,109,901	—	1,985,968	—	—	—	4,172,309
Revenue from own sources	3,243,042	2,301,872	724,649	—	2,849,716	—	57,821	—	—	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	28,333,488	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	57,821	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	—	205,991	430,479	188,263	263,589	—	—	1,041,977	2,565,124
Materials, goods, supplies and utilities	952,636	473,800	1,773,752	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	444,992	9,789,612	11,834,375	3,901,147	2,040,235	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	9,367,866	3,179,256	1,667,078	762,237	—	3,705,181	20,882,777
	19,744,193	2,078,014	49,198,662	56,957,968	(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)	\$ —	\$ 3,569,652	\$ 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

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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
	<u>182,912,160</u>	<u>172,303,023</u>
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
	<u>173,902,222</u>	<u>110,187,967</u>
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)
	<u>(10,541,715)</u>	<u>(4,974,763)</u>
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	<u>\$ (6,182,295)</u>	<u>\$ (4,650,518)</u>

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	—
	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
Debenture and term loan principal instalments	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

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

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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	-	3,957	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	8,640	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
	<u>2,136,571</u>	<u>2,072,083</u>	<u>1,746,068</u>
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
	<u>8,874,114</u>	<u>11,840,556</u>
FINANCING AND TRANSFERS		
Transfer from operating fund	710,051	(3,589,200)
Transfer to capital funds	(16,997,847)	(16,963,712)
	<u>(16,287,796)</u>	<u>(20,552,912)</u>
CHANGE IN FUND BALANCE	<u>(7,413,682)</u>	<u>(8,712,356)</u>
FUND BALANCE, BEGINNING OF YEAR	52,455,283	61,167,639
FUND BALANCE, END OF YEAR	<u>\$ 45,041,601</u>	<u>\$ 52,455,283</u>

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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	\$ 2,058,565	\$ 2,052,301

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

March 31, 2024

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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
	\$ 12,285,576	\$ 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
	7,157,282	9,544,809
SURPLUS	5,128,294	3,165,376
	\$ 12,285,576	\$ 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 (Unaudited)	Actual Actual
OPERATING REVENUES		
Metered sales	\$ 19,218,619	\$ 20,520,805
Public fire protection	7,076,391	7,076,391
Consumer's interest	350,000	960,113
Service connections	66,000	7,921
	<u>26,711,010</u>	<u>28,565,230</u>
OPERATING EXPENSES		
Source of supply	553,667	443,065
Power and pumping	2,042,040	1,626,734
Water treatment	5,052,816	5,961,827
Transmission and distribution	5,059,739	5,244,067
Administration and general	4,167,287	3,563,418
Depreciation	3,942,595	3,666,582
Taxes	2,061,214	1,981,992
	<u>22,869,358</u>	<u>21,257,537</u>
Excess of operating revenues over expenses before the following	3,841,652	6,077,545
NON-OPERATING REVENUES		
Amortization of deferred capital contributions	-	298,502
NON-OPERATING EXPENSES		
Debt charges		
Provision for principal repayment	3,687,972	3,564,500
Interest	860,485	650,992
Amortization of debt discounts	-	20,277
Bank fees/charges	150,000	27,360
Capital expenditures out of operations	150,000	150,000
	<u>4,868,457</u>	<u>4,413,129</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.

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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)
	239,965	213,208
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	(3,666,173)	(185,880)
	(3,666,173)	(879,320)
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)	–
	\$ (1,541,570)	\$ 1,884,638

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
	9,837,119	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
	190,125,787	186,250,096
	\$ 200,102,314	\$ 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
	15,500,280	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
	\$ 200,102,314	\$ 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
	\$ 2,058,564	\$ 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.

DRAFT

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	7,524,332	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
Asset retirement obligation	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	15,751,013	15,260,313
Meters	12,304,443	12,101,272
Hydrants	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 – 4.875	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

Darren Chiasson, CPA, CA
T: 902.567.6401
E: darren.chiasson@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,

The signature is written in a stylized, handwritten font. The letters 'MNP' are large and bold, followed by 'LLP' in a smaller, less bold font. The ink appears to be black or dark blue.

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.	<p>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.</p> <p>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.</p> <p>No issues were identified.</p>
Management override of internal controls There is a presumed fraud risk of management override of internal control.	<p>MNP performed a review of journal entries for unusual entries and obtained supporting documentation for high risk entries identified.</p> <p>No issues were identified.</p>

Higher Risk Areas and Responses

Higher Risk Area	Response and Conclusion
<p>Asset retirement obligation</p> <p>The liability is subject to significant management judgement and estimate uncertainty.</p>	<p>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.</p> <p>No issues were identified.</p>
<p>Accrued employee benefits</p> <p>The information used to calculate portions of the liability subject to significant management judgement and estimate uncertainty.</p>	<p>MNP obtained management's assessment of the liability. We have recalculated the balance, reviewed assumptions used, and agreed to collaborative information.</p>

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)

Independent Auditor's Report

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

Independent Auditor's Report

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

