

# **Audit Committee**

## **Agenda**

**Thursday, September 26<sup>th</sup>, 2019**

**10:00 a.m.**

**2<sup>nd</sup> Floor Council Chambers  
320 Esplanade  
Sydney, N.S.**

**Committee Members:** Deputy Mayor Ivan Doncaster - Chair  
Councillor Clarence Prince  
Councillor Ray Paruch  
Councillor Darren Bruckschwaiger  
Councillor Kendra Coombes  
Ian MacLean, Citizen  
Rakesh Kochhar, Citizen



# CBRM Audit Committee

## Agenda

Thursday, September 26<sup>th</sup>, 2019  
10:00 a.m.

2<sup>nd</sup> Floor Council Chambers  
City Hall, 320 Esplanade  
Sydney, N.S.

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### Roll Call

1. **Approval of Minutes:** (previously distributed)
  - March 12<sup>th</sup>, 2019
2. **Approval of Agenda:** (Motion Required)
3. **Annual Financial Report - Year Ended March 31, 2019:** Jennifer Campbell, Chief Financial Officer (See page 4 )
4. **MGM & Associates – Presentations:**
  - a) **Draft CBRM Consolidated Financial Statements for Year Ended March 31, 2019:** (See page 20 )
  - b) **Draft CBRM Water Utility Financial Statements for Year Ended March 31, 2019:** (See page 52 )
  - c) **Audit Findings Report for Year Ended March 31, 2019:** (See page 67 )  
*Summary of Audit Differences to be provided at the meeting*
  - e) **Draft Management Letter:** (to be provided at the meeting)

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

### Adjournment



**CAPE BRETON**  
REGIONAL MUNICIPALITY

# Annual Financial Report

Year Ended March 31, 2019

# Cape Breton Regional Municipality Year ended March 31, 2019

## OPERATING HIGHLIGHTS

- ▶ Transit service demand **↑**
- ▶ 4 of 5 Collective Agreements Settled
- ▶ Tax Receivables **↓**
- ▶ Debt **↓**

## POLICY HIGHLIGHTS

- ▶ Property Auctions
- ▶ Tax Collections
- ▶ Low Income Tax Exemption
- ▶ Commercial Development District Improvement By-Law
- ▶ CBRM REN

## CAPITAL HIGHLIGHTS

- ▶ Second Berth
- ▶ Glace Bay Arena
- ▶ Transit Fleet
- ▶ Land acquisition - Glace Bay Police
- ▶ Grand Lake Road Multi Use Path
- ▶ Indian Beach
- ▶ Glace Bay Commons

## OPERATING SURPLUS \$359,663

(0.25% of \$147m operating budget!)

# Cape Breton Regional Municipality Schedule of Operating Fund (Internal)

	Actuals 2018/19	Budget 2018/19	Variance
<b>Revenue</b>			
Total Taxes	\$ 108,104,225	\$ 107,811,592	\$ 292,633
Total Federal Government	3,198,858	3,100,000	98,858
Total Provincial Government	753,220	753,576	(356)
Total Municipal Government	2,098,666	2,078,252	20,414
Total Provincial Government Agencies	3,055,271	3,067,283	(2,012)
Total Services to Other Local Government	501,400	608,821	(107,421)
Total Transit	1,085,971	792,500	293,471
Total Environmental Development Services	231,383	246,000	(14,617)
Total Licenses & Permits	217,482	150,500	66,982
Total Fines & Fees	624,758	572,852	51,906
Total Rentals	526,311	503,630	22,681
Total Concessions & Franchises	342,985	365,000	(22,015)
Total Interest on Taxes	1,337,605	1,614,003	(276,398)
Total Finance Revenue	26,825	30,000	(3,175)
Total Solid Waste Revenue	2,098,647	2,300,000	(201,353)
Total Recreation & Cultural Service Programs	2,037,442	2,065,000	(27,558)
Total Water Utility Charges	4,951,510	4,951,510	(0)
Total Unconditional Transfers	15,965,329	15,860,282	105,047
Total Conditional Transfers	-	-	-
<b>Total Revenue</b>	<b>\$ 147,157,689</b>	<b>\$ 146,860,803</b>	<b>\$ 297,886</b>
<b>Expenditures</b>			
Legislative	\$ 1,384,748	\$ 1,455,969	\$ 71,221
Administration	778,860	1,083,980	305,120
Finance	2,804,395	2,860,330	55,935
Legal	672,397	676,601	4,204
Human Resources	1,230,482	1,374,140	143,678
Technology & Communications	1,272,960	1,301,881	28,921
Municipal Clerk	513,147	536,755	23,608
Fiscal Services	31,831,891	31,894,505	62,614
Police Services	26,673,442	26,994,915	321,473
Fire Services (Incl EMC)	17,956,175	18,201,998	245,823
Engineering & Public Works	45,898,046	45,577,928	(320,218)
Planning	2,572,317	2,656,806	84,489
Facilities: Centre 200 & Arenas	4,127,496	3,398,410	(729,086)
Parks & Grounds	2,905,460	2,832,660	(72,800)
Buildings	3,575,032	3,374,564	(200,468)
Recreation	2,601,397	2,639,461	38,064
<b>Total Expenditures</b>	<b>\$ 146,798,226</b>	<b>\$ 146,860,803</b>	<b>\$ 62,577</b>
<b>Surplus / (Deficit) (internal)</b>	<b>\$ 359,663</b>		

# Revenues

**Exceeded Budget  
\$297,086**

Tax Revenue	2018/19 Budg	Actuals 2018/19	Variance
Taxes on Assessment			
Residential Tax	70,876,029	71,283,750	407,701
Commercial Tax	30,953,396	30,751,772	(201,623)
Resource Tax	1,435,871	1,435,341	(530)
Commercial Area Rates (Fire/Sewer-Bylaw)	1,470,118	1,470,117	(1)
Total Taxes on Assessment	104,735,413	104,940,960	205,547
Bell	432,518	510,182	77,664
Wind Turbine	193,661	211,483	17,822
Deed Transfer Tax	2,450,000	2,441,600	(8,400)
<b>Total Tax Revenue</b>	<b>107,811,592</b>	<b>108,104,225</b>	<b>292,633</b>

Minimum Tax Levy  
Transit Fares  
Interest on Taxes  
Solid Waste Revenue

	Actuals 2018/19	Budget 2018/19	Variance
<b>Revenue</b>			
Total Taxes	\$ 108,104,225	\$ 107,811,592	\$ 292,633
Total Federal Government	3,198,858	3,100,000	98,858
Total Provincial Government	753,220	753,578	(358)
Total Municipal Government	2,088,666	2,078,252	20,414
Total Provincial Government Agencies	3,055,271	3,057,283	(2,012)
Total Services to Other Local Government	501,400	808,821	(107,421)
Total Transit	1,085,971	792,500	293,471
Total Environmental Development Services	231,383	248,000	(14,617)
Total Licenses & Permits	217,482	150,500	66,982
Total Fines & Fees	824,758	572,852	251,906
Total Rentals	526,311	503,630	22,681
Total Concessions & Franchises	342,985	385,000	(42,015)
Total Interest on Taxes	1,337,805	1,014,003	323,802
Total Finance Revenue	26,825	30,000	(3,175)
Total Solid Waste Revenue	2,098,647	2,300,000	(201,353)
Total Recreation & Cultural Service Programs	2,037,442	2,085,000	(47,558)
Total Water Utility Charges	4,951,510	4,951,510	(0)
Total Unconditional Transfers	15,985,329	15,850,282	135,047
Total Conditional Transfers	-	-	-
<b>Total Revenue</b>	<b>\$ 147,157,889</b>	<b>\$ 146,860,803</b>	<b>\$ 297,086</b>

# Expenditures

Less than budgeted  
\$62,577

- Wages & Benefits
- Contracts & Agreements
- Fleet/Vehicle maintenance
- Grants to Organizations
- Utilities
- ★ Low Income tax Exemption

Expenditures	Actuals 2018/19	Budget 2018/19	Variance	%
Wages and Benefits, Net of Cost Recovery/Employment Grants	\$ 63,961,268	\$ 64,240,064	\$ 278,796	0.4%
Provincial Service Costs (Includes PVSC)	18,512,079	18,507,000	(5,079)	(0.0%)
Contracts/Agreements/ Professional Service	16,863,746	16,627,240	236,506	(1.4%)
Debt Servicing	11,912,867	11,920,457	7,590	0.1%
Water Utility Hydrant Fee	7,131,022	7,131,023	1	0.0%
Operational Equipment/ Materials/ Supplies/ Tools/ Uniforms/ Clothing	4,971,456	4,930,094	(41,362)	(0.8%)
Vehicle Maintenance/ Repair/ Fuel	5,369,758	4,828,230	541,528	(11.6%)
Grants to Organizations	3,805,398	4,029,469	224,071	5.6%
Heat/ Electrical/ Water	3,154,073	2,776,676	377,397	(13.6%)
Street Lights	2,305,461	2,375,000	69,539	2.9%
Building Maintenance/ Repair/ Rental	1,660,362	1,701,860	41,488	2.4%
Office/ Computer Supplies/ Equipment	1,203,105	1,353,333	145,228	10.7%
Training/ Education/ Travel/ Conferences/ Meetings	1,166,976	1,330,359	143,383	10.8%
Insurance	1,170,112	1,193,960	23,838	2.0%
Telephonic/ Communication Equipment	711,653	791,143	79,490	10.0%
Cost Recovery	(657,709)	(703,421)	57,712	0.8%
Allowance for Uncollectible Taxes/ Receivables	650,000	700,000	50,000	7.1%
Advertising/ Promotion	551,266	660,560	109,395	16.6%
Cost of Sales	479,210	615,000	135,790	22.1%
Licenses/ Permits/ Easements	462,029	549,615	87,586	15.9%
Security	454,075	443,000	(11,075)	(2.5%)
Community Events	342,471	334,615	(7,856)	(2.3%)
Postage/ Courier	198,479	201,961	3,472	1.7%
Professional Membership Dues/ Fees/ Subscriptions	155,296	163,515	8,220	5.0%
Demolitions	120,307	120,000	(307)	(0.3%)
Low Income Rebate	138,456	40,000	★(98,456)	(246.2%)
<b>Total Expenditures</b>	<b>\$146,798,226</b>	<b>\$146,860,803</b>	<b>\$ 62,577</b>	<b>0.0%</b>

# CBRM Capital & Debt

CBRM Capital Program 2018-19	Budget	Cost	Funding	Borrowing
Land and buildings	2,397,000	2,461,700	279,786	2,181,914
Fire Equipment	1,300,000	1,374,917	-	1,374,917
Streets and Sidewalks	5,154,300	4,648,950	3,940,197	708,753
Fleet Replacement	1,500,000	1,225,402	650,000	575,402
Sewer	6,068,155	4,351,438	3,117,702	1,273,735
Solid Waste	100,000	111,765	100,000	11,765
Parks, Grounds and Arenas	4,975,000	956,982	529,655	467,288
Active Transportation	588,400	620,286	407,528	212,758
Transit	1,350,000	990,644	745,412	244,232
2nd Berth	10,500,000	4,004,735	2,247,360	1,757,375
<b>Total</b>	<b>33,932,855</b>	<b>20,826,819</b>	<b>12,018,680</b>	<b>8,808,139</b>

**CBRM Debt**

## CBRM Capital Costs, Funding and Required Borrowing

Long Term Debt - Capital Projects	2018/19	2017/18	2016/17
Current Long Term Debt, Financial Statements	\$ 51,610,340	\$ 48,616,685	\$ 54,091,831
Short term borrowing (15/16 capital projects)			8,274,000
Short term borrowing (16/17 capital projects)		12,974,999	12,974,999
Short term borrowing (17/18 capital projects)	10,250,000	10,250,000	
Short term borrowing (18/19 capital projects)	8,808,139		
<b>Balance of Total Debt</b>	<b>\$ 70,668,473</b>	<b>\$ 71,841,685</b>	<b>\$ 75,340,830</b>
<b>Change in Total Debt</b>	<b>\$ (1,173,206)</b>	<b>\$ (3,499,145)</b>	

# CBRM Water Utility

## Operating

Water Utility - Operating Deficit	2019	2018	2017
Deficit, Beginning of Year	(3,976,310)	(5,638,302)	(4,908,426)
Change in fund balance	2,253,701	1,661,992	(729,876)
Deficit, End of Year	(1,722,609)	(3,976,310)	(5,638,302)

- ▶ Operating Surplus of \$2,253,701
- ▶ Accumulated Deficit (\$1.7m)
- ▶ Last of the UARB approved rate increases effective April 1, 2019.

## Capital

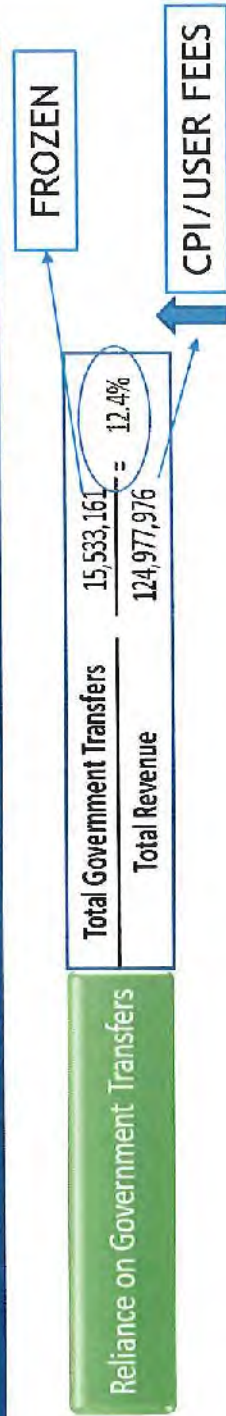
- ▶ Capital projects totalling \$3.36m
- ▶ NO new debt
- ▶ Debt balance \$32,630,500



# CBRM Financial Condition Index (Draft)

Indicator Name	2018-19	2017-18	2016-17
Reliance on Government Transfers	12.4%	12.6%	12.9%
Uncollected Taxes	14.5%	17.7%	16.7%
3 Year Change in Tax Base	8.8%	7.3%	10.9%
Reliance on Single Business or Institution	1.7%	1.5%	1.1%
Residential Tax Effort	2.8%	2.7%	2.7%
# of Deficits in the Last 5 Years	0 out of 5 years	0 out of 5 years	0 out of 5 years
Years with a Budget Accuracy within + or - 5% in the last five years	5 out of 5 years	5 out of 5 years	5 out of 5 years
Liquidity	1.2	1.1	1.1
Operating Reserve	6.1%	5.1%	6.5%
Debt Service Cost	10.4%	14.3%	14.9%
Outstanding Operating Debt	8.2%	12.0%	13.4%
Undepreciated Assets	59.9%	61.5%	63.0%
Combined Operating & Capital Reserves	8.7%	5.3%	7.3%

# CBRM Financial Condition Index (Draft)



▶ CBRM is LESS reliant on Government transfers

Indicator Name	2018-19	2017-18	2016-17
Reliance on Government Transfers	12.4%	12.6%	12.9%

- ▶ Adequacy of existing transfer?
- ▶ Level of expenditure appropriate?

# CBRM Financial Condition Index (Draft)

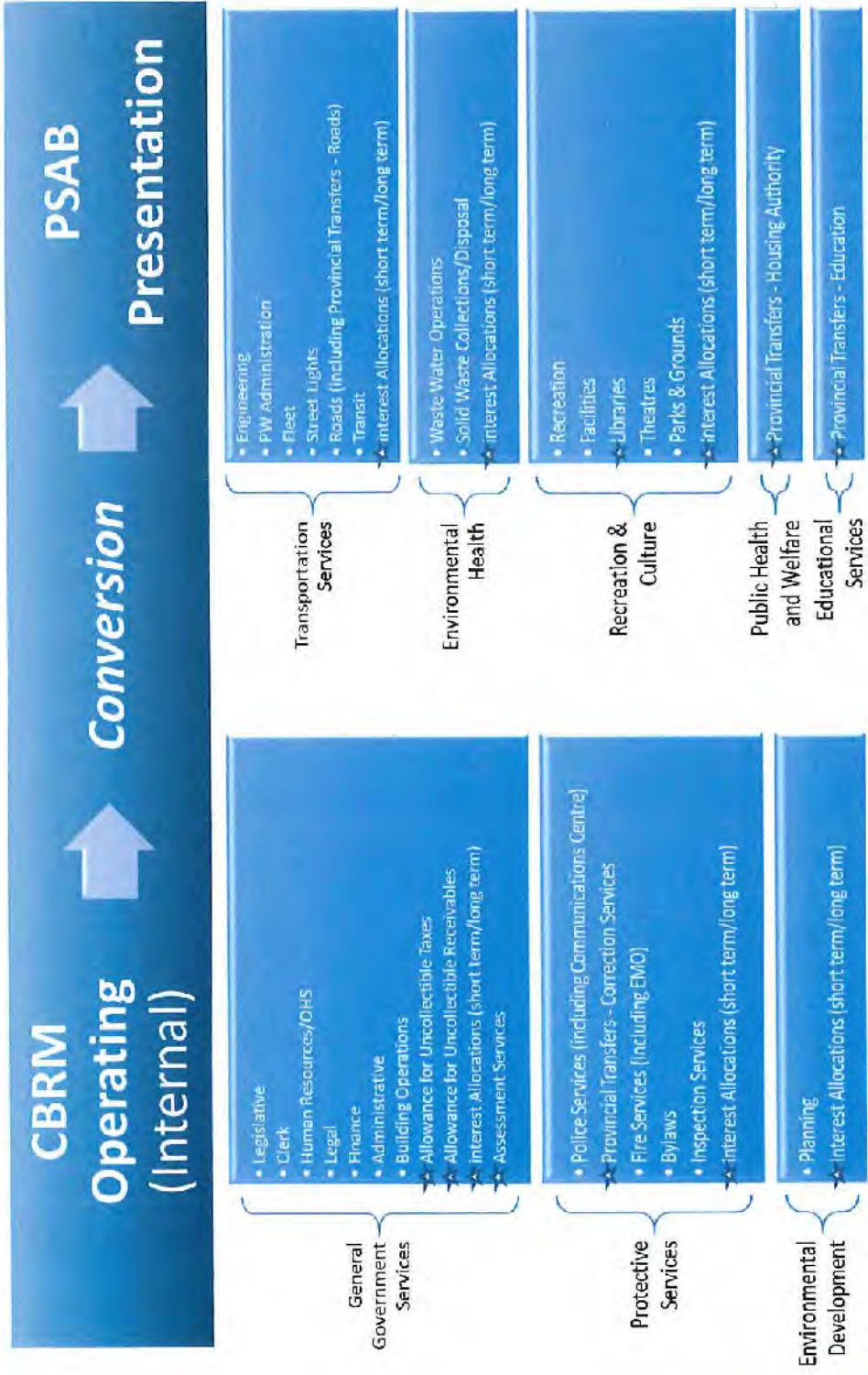
**Uncollected Taxes**

$$\frac{\text{Taxes Receivable (net of allowance)} \quad 15,188,769}{\text{Total Taxes Billed} \quad 104,940,960} = 14.5\%$$

Financial Condition Indicator: - Uncollected Taxes [Net receivables/taxes on assessment]			
	2018/19	2017/18	Variance
Taxes Receivable	17,072,049	20,363,959	(3,291,910)
Allowance for uncollectible taxes	(1,883,280)	(2,186,474)	303,194
<b>Net Taxes Receivable</b>	<b>15,188,769</b>	<b>18,177,486</b>	<b>(2,988,717)</b>
FCI: Uncollected Taxes	14.5%	17.7%	(3.2%)
NSHA Receivable	-	(2,430,000)	2,430,000
<b>FCI - Uncollected Taxes (net of NSHA Receivable)</b>	<b>14.5%</b>	<b>15.3%</b>	<b>(0.8%)</b>

# CBRM Financial Condition Index (Draft)

Operating Reserve	$\frac{\text{General Operating Reserve } 7,602,595}{\text{Total Expenses (including debenture payments) } 124,618,314} = 6.1\%$
Debt Service Cost	$\frac{\text{Principal/Interest on LTD } 11,377,466}{\text{Total Own Source Revenue } 109,444,815} = 10.4\%$
Undepreciated Assets	$\frac{\text{Total NBV of Capital Assets } 288,456,970}{\text{Total Gross Cost of Capital Assets } 481,447,018} = 59.9\%$
Combined Reserves	$\frac{\text{Total reserve fund balance } 12,114,432}{\text{Total operating expenses (Incl Depreciation) } 139,858,584} = 8.7\%$



# CBRM

## Schedule of Operating Fund

### Reconciliation to PSAB - Change in Fund Balance

	2019	2018
<b>ANNUAL SURPLUS, INTERNAL F/S</b>	<b>359,663</b>	<b>553,683</b>
<b>RECONCILING ITEMS</b>		
Surplus allocation	(359,663)	(553,683)
Pension adjustment	-	(9,153,000)
Landfill closure liability	(12,248,200)	(499,999)
Transfer from reserve (Pension liability)	-	3,137,000
Interest accrual adjustment	504,101	
Sick Accrual adjustment	(126,155)	
Vacation accrual	126,151	
	(12,106,766)	(7,069,682)
<b>ANNUAL DEFICIT, PSAB</b>	<b>(11,747,103)</b>	<b>(6,515,999)</b>
<b>ACCUMULATED DEFICIT PSAB, BEGINNING OF YEAR</b>	<b>(47,436,936)</b>	<b>(10,920,937)</b>
<b>ACCUMULATED DEFICIT PSAB, END OF YEAR</b>	<b>(59,184,039)</b>	<b>(47,436,936)</b>
<b>PSAB RECONCILING ITEMS COMPRISED OF:</b>		
Landfill closure liability	(53,910,000)	(41,661,800)
Vacation accrual	(4,303,778)	(4,429,931)
Interest accrual	(970,261)	(1,471,358)
Sick benefit accrual	(59,184,039)	126,153
		<b>(47,436,936)</b>

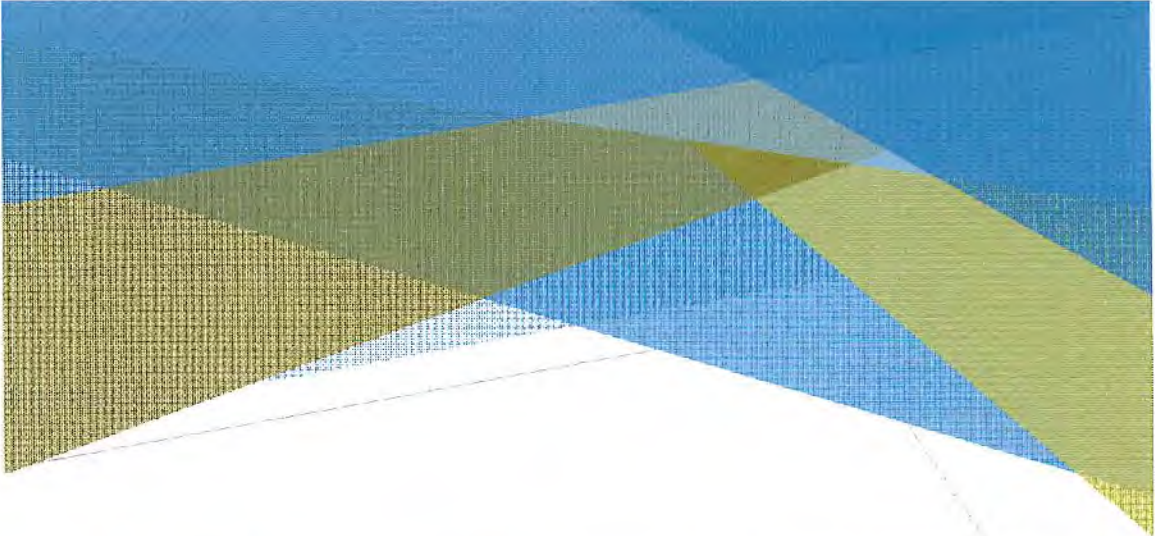
Surplus for municipal tax purposes transferred to reserve

Current Year Adjustments to accruals recognized for PSAB

Change in Fund Balance per Audited PSAB Schedule

Ending Fund Balance per Audited PSAB Schedule

Ending Fund Balance Composition

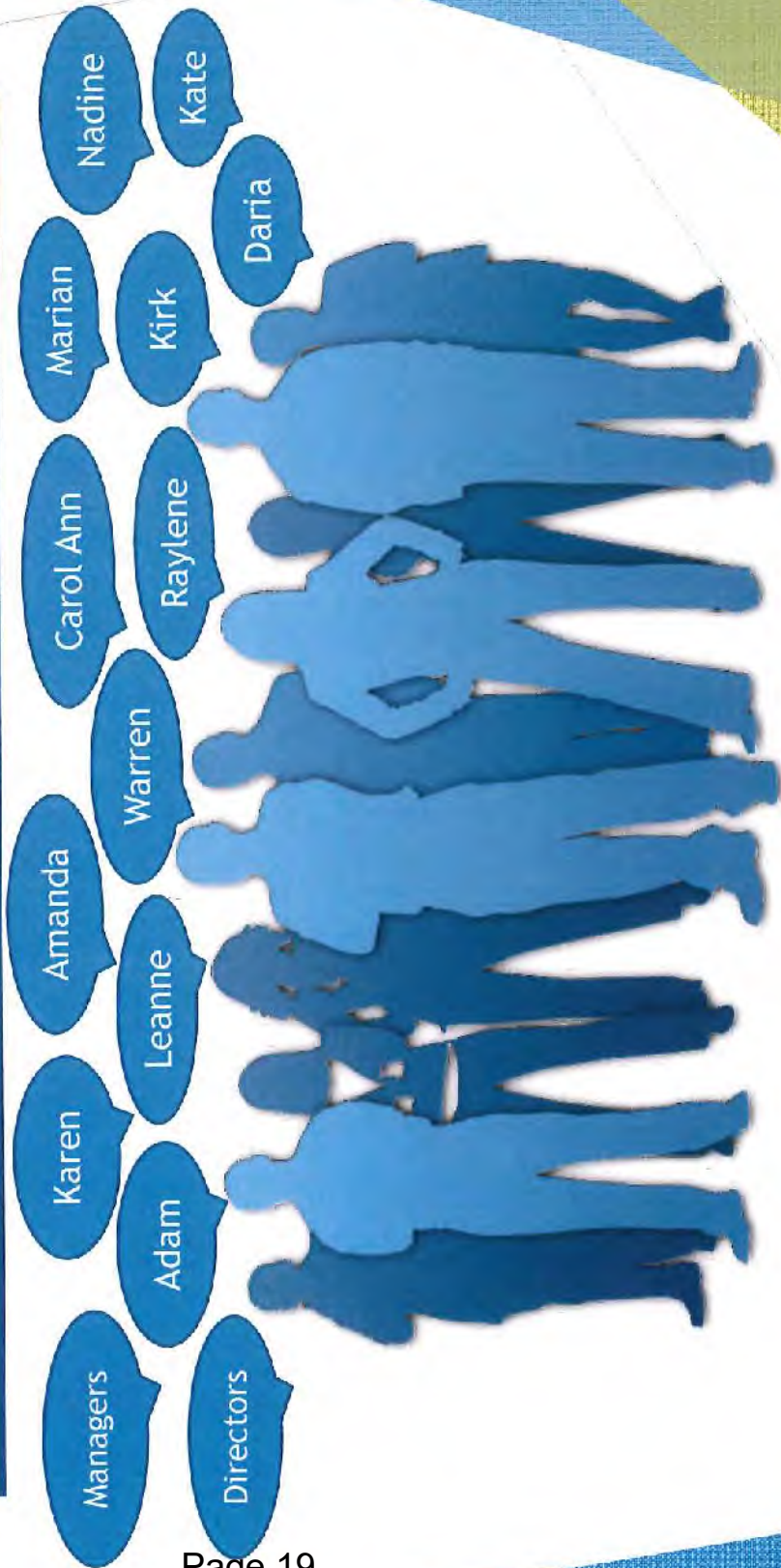


	CBRM			CBRW			PSDC	Total
	Operating	Capital	Reserve	Operating	Capital	Reserve	Operating	
Fund Balance, Beginning of Year	(47,436,939)	210,385,109	7,533,618	1,466,250	85,476,480	2,020,619	4,167,614	263,612,751
Prior Period Adjustments	-	1,524,424	-	-	-	-	-	1,524,424
Fund Balance, Beginning of Year, Restated	(47,436,939)	211,909,533	7,533,618	1,466,250	85,476,480	2,020,619	4,167,614	265,137,175
Change in Fund Balance	(11,747,100)	7,074,201	4,580,814	1,978,265	3,714,500	8,109	196,488	5,805,277
Fund Balance, End of Year	(59,184,039)	218,983,734	12,114,432	3,444,515	89,190,980	2,028,728	4,364,102	270,942,452

## CBRM – General Capital Fund Restatement of Prior Year Balances

<b>CBRM Capital Fund Balance, as previously reported, March 31, 2018</b>	<b>210,385,109</b>
<b>Correction of accounting asset acquired via capital lease</b>	
Capital asset recognized	1,118,645
Recognize A/A up to March 31, 2017	(307,626)
Increase to depreciation expense March 31, 2018	(27,966)
Net impact on fund balance	783,053
<b>Correction of previously recorded depreciation expense</b>	
Reduce recognized A/A up to March 31, 2017	526,142
Reduction in depreciation expense March 31, 2018	215,229
Net impact on fund balance	741,371
<b>Sum of Restatements</b>	<b>1,524,424</b>
<b>CBRM Capital Fund Balance, as restated, March 31, 2018</b>	<b>211,909,533</b>

# CBRM Annual Financial Report



Consolidated Financial Statements of

**CAPE BRETON REGIONAL  
MUNICIPALITY**

Year ended March 31, 2019

DRAFT

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Financial Statements

March 31, 2019

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# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Position

March 31, 2019, with comparative figures for 2018

	2019	2018 (Restated)
<b>FINANCIAL ASSETS</b>		
Taxes receivable (note 3)	\$ 15,188,769	\$ 18,177,486
Accounts receivable (note 4)	17,807,352	16,837,761
Due from trust fund	1,204,446	-
	<u>34,200,567</u>	<u>35,015,247</u>
<b>FINANCIAL LIABILITIES</b>		
Cheques issued in excess of funds on deposit (note 2)	11,184,020	26,316,498
Accounts payable and accrued liabilities (note 8)	22,615,080	22,324,867
Accrued interest on long-term debt	970,258	1,471,362
Due to trust funds	-	65,695
Deferred revenue	249,971	126,790
Accrued employee benefits	5,942,563	5,965,122
Solid waste management facilities liabilities (note 9)	53,910,000	41,661,800
Capital lease (note 10)	237,951	431,600
Long-term debt (note 11)	84,240,840	84,811,686
	<u>179,350,683</u>	<u>183,175,420</u>
<b>NET DEBT</b>	(145,150,116)	(148,160,173)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 12)	402,966,018	401,618,047
Work in progress	8,947,364	5,871,654
Properties acquired at tax sale	1,585,197	1,585,197
Inventory, prepaid expenses and other	2,593,989	4,222,450
	<u>416,092,568</u>	<u>413,297,348</u>
<b>FUND BALANCES</b> (note 7)	<u>\$ 270,942,452</u>	<u>\$ 265,137,175</u>

Contingencies (note 13)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Clerk

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Financial Activities

Year ended March 31, 2019, with comparative figures for 2018

	Budget (Unaudited)	2019	2018 (Restated)
<b>REVENUES</b>			
Taxes	\$ 107,811,592	\$ 108,104,225	\$ 106,103,207
Grants in lieu of taxes	8,989,113	9,106,016	8,972,792
Services provided to other governments	448,516	345,177	340,408
Sales of services	2,887,500	3,211,736	2,578,489
Revenue from own sources	5,552,508	5,294,566	5,738,830
Unconditional transfers from other governments	15,860,282	15,965,329	15,860,282
Conditional transfers from other governments	359,787	591,869	856,289
Capital grants	-	13,907,919	20,374,175
Water Utility revenue	18,944,924	19,469,034	18,229,707
Investment income	-	222,789	150,403
Port of Sydney Development Corporation	2,013,169	2,308,467	2,015,669
Gain on sale of properties	-	74,881	89,895
Disaster recovery	-	-	189,010
	<b>162,867,386</b>	<b>178,602,008</b>	<b>181,499,156</b>
<b>EXPENSES</b>			
General government services	17,676,680	14,400,879	14,660,089
Protective services	41,492,667	41,747,043	41,288,264
Transportation services	36,959,192	37,165,583	35,269,211
Environmental health services	16,531,654	31,103,153	18,799,666
Public health and welfare services	1,936,762	1,965,692	1,918,701
Environmental development services	1,184,095	1,172,177	1,127,637
Recreation and cultural services	10,653,155	13,009,884	13,379,077
Planning and development services	-	309,890	302,118
Educational services	14,198,184	14,179,424	13,644,540
Port of Sydney Development Corporation	1,979,363	2,359,487	2,314,933
Water Utility expenses	12,887,656	15,273,777	14,613,354
	<b>154,498,808</b>	<b>172,686,989</b>	<b>157,317,590</b>
Excess of revenues over expenses before the following	8,368,578	5,915,019	24,181,566
<b>NET FINANCING AND TRANSFERS</b>			
Amortization of bond discount	(130,000)	(109,742)	(120,080)
Transfer of pension plan net assets	-	-	(9,153,000)
<b>CHANGE IN FUND BALANCES</b>	<b>\$ 8,238,578</b>	<b>5,805,277</b>	<b>14,908,486</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>			
As previously reported		263,612,751	248,891,529
Restatement (note 17)		1,524,424	1,337,160
As restated		265,137,175	250,228,689
<b>FUND BALANCES, END OF YEAR</b>		<b>\$ 270,942,452</b>	<b>\$ 265,137,175</b>

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Change in Net Debt

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018 (Restated)
<b>CHANGE IN FUND BALANCES</b>	<b>\$ 5,805,277</b>	<b>\$ 14,908,486</b>
Tangible capital assets		
Acquisition of tangible capital assets	(20,496,722)	(37,878,379)
Proceeds on disposal of tangible capital assets	9,800	139,247
Amortization of tangible capital assets	19,213,832	18,523,710
Gain on disposal of tangible capital assets	(74,881)	(89,895)
	<u>(1,347,971)</u>	<u>(19,305,317)</u>
Other non-financial assets		
Decrease (increase) in work in progress	(3,075,710)	3,513,729
Decrease in property acquired at tax sale	-	2,179
Decrease (increase) in inventory, prepaid expenses and other	1,628,461	(1,211,935)
	<u>(1,447,249)</u>	<u>2,303,973</u>
<b>DECREASE (INCREASE) IN NET DEBT</b>	<b>3,010,057</b>	<b>(2,092,858)</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>(148,160,173)</b>	<b>(146,067,315)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (145,150,116)</b>	<b>\$ (148,160,173)</b>

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

## Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balances	\$ 5,805,277	\$ 14,908,486
Items not involving cash		
Amortization of tangible capital assets	19,213,832	18,523,710
Gain on disposal of tangible capital assets	(74,881)	(89,895)
Pension expense	-	3,107,499
Transfer of pension plan net assets	-	9,153,000
Change in non-cash working capital		
Decrease (increase) in taxes receivable	2,988,717	(1,228,871)
Increase in accounts receivable	(969,591)	(2,206,141)
Contributions to defined benefit pension plan	-	(3,107,499)
Decrease (increase) in inventory, prepaid expenses and other	1,628,461	(1,211,935)
Increase (decrease) in accounts payable and accrued liabilities	(210,891)	4,942,025
Increase in solid waste management facilities liability	12,248,200	500,000
Increase in deferred revenue	123,181	27,664
Decrease in accrued employee benefits	(22,559)	(108,720)
	<u>40,729,746</u>	<u>43,209,323</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in due to trust fund	(1,270,141)	(38,300)
Issuance of long-term debt	12,974,999	8,274,000
Principal payments on long-term debt	(13,545,845)	(17,646,974)
Repayment of capital lease	(193,649)	(243,682)
	<u>(2,034,636)</u>	<u>(9,654,956)</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(20,496,722)	(37,878,379)
Proceeds on disposal of tangible capital assets	9,800	139,247
Decrease (increase) in work in progress	(3,075,710)	3,513,729
Decrease in properties acquired at tax sale	-	2,179
	<u>(23,562,632)</u>	<u>(34,223,224)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>15,132,478</u>	<u>(668,857)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>(26,316,498)</u>	<u>(25,647,641)</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ (11,184,020)</u>	<u>\$ (26,316,498)</u>

See accompanying notes to consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

These consolidated financial statements of the Cape Breton Regional Municipality (the "Municipality") have been prepared, in all material respects, in accordance with Canadian 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 and capital funds of the Cape Breton Regional Municipality Water Utility
- Part of Sydney Development Corporation

### (c) School boards

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

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

### (d) Trust funds

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

### (e) Fund accounting

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

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Basis of accounting

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

### (g) Cash and cash equivalents

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

### (h) Tangible capital assets

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

	Basis	Rate
<b>General Fund</b>		
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
<b>Water fund</b>		
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
<b>Port of Sydney Development Corporation</b>		
Equipment and signs	Declining balance	20 – 30%
Building	Declining balance	5%
Compound	Declining balance	5%
Exhibits	Declining balance	20%
Computer equipment	Declining balance	30%

A full year's amortization is taken in the year of acquisition.

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Reserve funds

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

### (j) Government transfers

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

### (k) Deferred revenue

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

### (l) Taxation and related revenues

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

### (m) 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.

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.

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) 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.

#### (o) Use of estimates

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

### 2. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

	2019	2018
Operating funds	\$ (1,418,803)	\$ (11,534,305)
Reserves funds	17,025,038	13,109,371
Capital funds	(27,371,818)	(28,411,540)
Port of Sydney Development Corporation	581,563	519,976
	<u>\$ (11,184,020)</u>	<u>\$ (26,316,498)</u>

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 3. TAXES RECEIVABLE

	2019	2018
Gross taxes receivable, beginning of year	\$ 20,363,960	\$ 19,453,462
Current year's levy of property taxes	105,152,443	103,100,341
Subtotal	125,516,403	122,553,803
Less		
Current year's collections	108,002,691	101,850,846
Reduced taxes	138,469	20,625
Allowance	303,194	318,372
Gross taxes receivable, end of year	17,072,049	20,363,960
Less		
Allowance for uncollectible taxes	1,883,280	2,186,474
Taxes receivable, net	\$ 15,188,769	\$ 18,177,486

## 4. ACCOUNTS RECEIVABLE

	2019	2018
Federal government	\$ 3,392,321	\$ 2,348,184
Provincial government	3,907,314	4,182,911
Other receivables	11,805,173	11,753,231
	19,104,808	18,284,326
Less allowance for doubtful accounts	1,297,456	1,446,565
	\$ 17,807,352	\$ 16,837,761

## 5. 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.

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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## 5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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 2019 were \$4,764,754 (2018 - \$640,326) 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 contribution for the year amounts to approximately \$170,760 (2018 - \$171,836).

### 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 2013 valuation, the Municipality had a plan surplus of \$59,000 on a going concern basis.

### d) Other

The Municipality directly provides pension arrangements in respect of former employees. The cost of such pensions for the year was approximately \$244,170 (2018 - \$248,320).

## 6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2019 are \$2,044,235 (2018 - \$3,346,909).

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 7. FUND BALANCES

	2019	2018 (Restated)
General operating fund	\$ (59,184,039)	\$ (47,436,936)
Water operating fund	3,444,515	1,466,250
General capital fund	218,983,734	211,909,529
Water capital fund	89,190,980	85,476,480
Port of Sydney Development Corporation	4,364,102	4,167,614
	<u>256,799,292</u>	<u>255,582,937</u>
Reserves set aside by council	14,145,160	9,554,238
	<u>\$ 270,942,452</u>	<u>\$ 265,137,175</u>

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Trade accounts payable	\$ 17,014,681	\$ 16,020,291
Payroll and related	675,969	874,890
Accrued liabilities	1,894,875	2,613,845
Tax sale trust	3,029,552	2,815,841
	<u>\$ 22,615,077</u>	<u>\$ 22,324,867</u>

## 9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES

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

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

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

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

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

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is \$53,910,000 (2018 - \$41,661,800). The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations and discounted to current values.

## 10. CAPITAL LEASE

	2019	2018
Bank of Montreal, 2.50%, repayable in monthly instalments of principal and interest of \$5,671 commencing December 2016, maturing November, 2022	\$ 237,951	\$ 299,219
RCAP leasing, 10.87%, repayable in monthly instalments of principal and interest of \$17,229 commencing April 2016, maturing November, 2018	-	132,381
	<u>\$ 237,951</u>	<u>\$ 431,600</u>

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 10. CAPITAL LEASE (CONTINUED)

Minimum lease payments required in the next four years under capital lease are as follows:

Year ended March 31,		
2020	\$	68,058
2021		68,058
2022		68,058
2023		45,372
		<hr/> 249,546
Interest included in minimum payments		11,595
	\$	<hr/> 237,951

## 11. 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, 2019 are as follows:

2020	\$	13,764,569
2021		12,719,369
2022		10,504,769
2023		13,624,269
2024		11,297,570

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

## 12. TANGIBLE CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated amortization	Net book value	(Restated) Net book value
Land	\$ 11,368,212	\$ -	\$ 11,368,212	\$ 10,000,423
<b>Buildings</b>				
General government services	8,843,976	3,024,605	5,819,371	5,897,565
Protective services	9,885,760	1,769,970	8,115,790	8,347,494
Transportation services	10,989,804	2,340,236	8,649,568	8,790,974
Environmental services	33,238,344	9,925,542	23,312,802	24,004,030
Recreation and cultural services	18,187,349	5,304,832	12,882,517	12,477,857
Industrial parks	1,084,104	475,405	608,699	635,802
	82,229,337	22,840,590	59,388,747	60,153,722
<b>Equipment</b>				
General government services	2,874,846	2,874,846	-	28,225
Protective services	16,226,490	13,380,826	2,845,664	4,237,059
Public works	32,035,880	24,258,303	7,777,577	7,782,998
Environmental health services	13,850,203	13,799,266	140,937	178,354
Recreation and cultural services	1,795,959	1,118,301	677,658	438,734
	66,783,378	55,341,542	11,441,836	12,665,370
<b>Other</b>				
General government services	742,494	742,494	-	-
Road transport	172,434,789	62,664,101	109,770,688	109,645,838
Environmental health services	104,949,472	25,986,694	78,959,778	75,530,519
Recreation and cultural services	23,147,817	19,883,242	3,234,575	3,622,371
Waterfront development	8,927,317	3,933,475	4,993,842	5,113,661
Downtown development	1,368,289	338,219	1,030,070	1,116,217
Wharf – Sydney Marine Terminal	2,114,809	1,259,691	855,118	543,339
Water utility assets	171,066,991	54,183,958	116,883,033	118,247,659
Port of Sydney assets	10,517,648	5,477,529	5,040,119	4,978,928
	495,236,626	174,469,403	320,767,223	318,798,532
	\$ 655,617,553	\$ 252,651,535	\$ 402,966,018	\$ 401,618,047

# CAPE BRETON REGIONAL MUNICIPALITY

## Notes to Consolidated Financial Statements

Year ended March 31, 2019

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### 13. CONTINGENCIES

- (a) As of March 31, 2019 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, 2019 is \$1,150,999 (2018 - \$1,228,499).
- d) 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.

### 14. 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, 2019 in the amount of \$1,868,648 (2018 - \$1,821,504).
- (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, 2019, the Municipality's share of these costs was \$1,380,720 (2018 - \$1,359,643).
- (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, 2019, the Municipality's contribution for these costs was \$1,083,287 (2018 - \$1,084,442).

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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## 14. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

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

The Municipality provided a mandatory contribution in the amount of \$14,179,424 (2018 - \$13,644,540) to the Cape Breton-Victoria Regional Centre for Education.

## 15. 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, 2019, \$1,200,342 (2018 - \$1,184,891) is being held in trust.

## 16. 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.

- (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.

# CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2019

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## 17. RESTATEMENT

During the year, management has corrected errors identified in prior period financial statements. The financial statements have been restated retrospectively for the following items:

### 1. Accounting for lease

The Municipality acquired a tangible capital asset that was accounted for as an operating lease rather than a capital lease. The lease was fully paid as of March 31, 2017.

The restatement of the April 1, 2017 balances resulted in an increase in tangible capital assets and the capital fund balance of \$811,016. Amortization expense was increased in the March 31, 2018 year in the amount of \$27,965.

### 2. Amortization of capital assets

The Municipality identified errors in the calculation of amortization of tangible capital assets. The restatement of the April 1, 2017 balances resulted in an increase in tangible capital assets and the capital fund balance of \$526,144. Amortization expense was reduced in the March 31, 2018 year in the amount of \$215,229.

## 18. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Long-term Debt

March 31, 2019, with comparative figures for 2018

	Term (years)	Interest rate - %	Matures	Balance March 31/18	Issued	Redeemed	Balance March 31/19
<b>General Fund</b>							
M.F.C.							
28-B-1	10	3.100-5.095	2018	\$ 1,078,771	\$ -	\$ 1,078,771	\$ -
29-A-1	10	1.679-4.329	2019	2,090,400	-	1,045,200	1,045,200
30-B-1	10	1.550-3.870	2020	6,643,800	-	2,214,600	4,429,200
31-A-1	10	1.219-3.645	2021	5,812,000	-	1,453,000	4,359,000
32-B-1	10	0.000-3.160	2022	1,898,500	-	379,700	1,518,800
33-B-1	10	0.000-3.614	2023	2,809,615	-	468,274	2,341,341
34-B-1	10	1.200-3.190	2024	9,310,000	-	1,330,000	7,980,000
35-A-1	10-20	1.040-3.449	2030	5,080,000	-	560,000	4,520,000
36-A-1	10	1.150-2.506	2026	5,619,600	-	624,400	4,995,200
37-A-1	10	1.734-3.073	2027	8,274,000	-	827,400	7,446,600
38-A-1	10	2.490-3.389	2028	-	11,974,999	-	11,974,999
FCM-1	10	2.250	2028	-	1,000,000	-	1,000,000
				48,616,686	12,974,999	9,981,345	51,610,340
<b>Water Fund</b>							
M.F.C.							
27-A-1	15	4.385-4.770	2022	9,145,000	-	914,500	8,230,500
28-A-1	15	3.750-5.088	2023	7,700,000	-	700,000	7,000,000
30-A-1	15	1.510-4.875	2025	9,750,000	-	750,000	9,000,000
33-A-1	10	1.330-2.979	2023	4,800,000	-	800,000	4,000,000
34-A-1	15	1.245-3.792	2029	4,800,000	-	400,000	4,400,000
				36,195,000	-	3,564,500	32,630,500
				\$ 84,811,686	\$ 12,974,999	\$ 13,545,845	\$ 84,240,840

# CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Schedule of Segment Disclosure

Year ended March 31, 2019

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 2019 and 2018 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, 2019	General Government Services	Port of Sydney Development Corporation	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
<b>REVENUES</b>										
Taxation	\$ 69,880,051	\$ -	\$ 16,718,615	\$ 7,326,135	\$ -	\$ -	\$ -	\$ 14,179,424	\$ -	\$ 108,104,225
Grants in lieu of taxes	9,106,046	-	-	-	-	-	-	-	-	9,106,046
Services provided to other governments	26,825	-	345,477	-	-	-	-	-	-	345,177
Sales of services	2,145,545	2,308,467	1,008,754	1,085,971	-	2,098,940	-	-	-	3,211,736
Revenue from own sources	-	-	-	-	2,098,647	-	40,620	-	-	7,603,033
Unconditional transfers from other governments	19,965,329	-	-	-	-	-	-	-	-	15,966,329
Conditional transfers from other governments	-	268,322	358,546	-	-	-	-	-	-	591,869
Capital grants	13,967,919	-	-	-	-	-	-	-	-	13,907,919
Metered sales	-	-	-	-	-	-	-	-	19,005,362	19,005,362
Other water revenues	-	-	-	-	-	-	-	-	463,672	463,672
Investment income	229,789	-	-	-	-	-	-	-	-	222,789
Gain on sale of properties	65,696	9,185	-	-	-	-	-	-	-	74,881
	111,321,170	2,555,975	18,426,092	8,412,706	2,095,647	2,098,940	40,620	14,179,424	19,469,034	178,602,008
<b>EXPENSES</b>										
Salaries, wages and benefits	7,854,898	752,174	30,711,207	75,501,357	3,865,608	5,140,335	887,863	-	2,097,207	66,810,649
Interest on long-term debt	413,588	-	145,567	596,148	100,121	97,475	-	-	1,453,241	2,805,929
Materials, goods, supplies and utilities	937,405	619,154	1,537,965	4,653,817	2,069,790	2,275,821	14,777	-	4,127,760	16,236,458
Contracted services	959,650	54,422	745,789	5,395,914	20,629,311	434,037	40,205	-	1,255,492	29,414,821
Other operating expenses	2,603,546	547,013	5,711,774	3,719,644	1,597,625	1,674,150	229,351	-	2,753,211	18,836,274
External transfers and grants	3,346,412	-	1,083,287	-	-	756,902	-	-	-	19,369,026
Amortization	251,071	386,724	1,811,664	7,298,705	2,940,729	2,628,184	309,890	-	3,586,856	19,213,832
	16,366,571	2,359,487	41,747,043	37,165,583	31,103,155	13,008,884	1,492,067	14,179,424	15,273,777	172,686,989
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 94,954,599	\$ 196,488	\$ (23,320,951)	\$ (28,753,477)	\$ (29,004,506)	\$ (10,910,944)	\$ (1,441,447)	\$ -	\$ 4,195,257	\$ 5,915,019

# CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2018

	General Government Services	Port of Sydney Development Corporation	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
<b>REVENUES</b>										
Taxation	\$ 68,789,248	\$ -	\$ 16,457,643	\$ 7,211,776	\$ -	\$ -	\$ -	\$ 13,644,540	\$ -	\$ 106,103,207
Grants in lieu of taxes	8,972,792	-	-	-	-	-	-	-	-	8,972,792
Services provided to other governments	-	-	340,408	-	-	-	-	-	-	340,408
Sales of services	28,535	-	-	704,470	-	1,845,484	-	-	-	2,578,489
Revenue from own sources	2,492,265	2,015,669	1,051,370	-	2,154,575	-	40,620	-	-	7,754,499
Unconditional transfers from other governments	15,860,282	-	-	-	-	-	-	-	-	15,860,282
Conditional transfers from other governments	190,087	327,554	338,649	-	-	-	-	-	-	856,290
Capital grants	11,374,175	-	-	-	-	-	-	9,000,000	-	20,374,175
Metered sales	-	-	-	-	-	-	-	17,839,773	-	17,839,773
Other water revenues	-	-	-	-	-	-	-	389,933	-	389,933
Investment income	150,403	-	-	-	-	-	-	-	-	150,403
Gain (loss) on sale of properties	53,199	(49,357)	-	1,721	9,818	162,621	-	-	86,047	89,895
Disaster recovery	392	-	1,458	1,721	-	162,621	-	-	-	189,010
	107,911,378	2,293,672	18,202,528	7,917,967	2,164,393	2,008,105	40,620	13,644,540	27,315,753	181,499,196
<b>EXPENSES</b>										
Salaries, wages and benefits	7,310,475	680,500	30,144,785	14,651,140	3,669,158	4,687,317	857,173	-	1,759,817	63,760,365
Interest on long-term debt	605,014	-	199,700	1,009,106	158,269	144,291	-	-	1,659,902	3,777,282
Materials, goods, supplies and utilities	906,831	589,742	1,405,143	4,684,145	2,095,488	2,412,005	15,968	-	4,017,143	16,115,565
Contracted services	1,252,619	279,914	795,817	4,768,868	8,314,112	644,379	48,577	-	1,022,385	17,146,692
Other operating expenses	2,977,648	440,762	5,863,893	3,069,841	1,696,406	2,367,477	286,829	-	2,612,904	19,226,760
External transfers and grants	3,278,344	-	1,084,440	-	-	759,902	-	13,644,540	-	18,767,226
Amortization	247,859	324,015	1,794,486	7,095,090	2,455,235	2,363,706	302,118	-	3,541,203	18,523,710
	16,578,790	2,314,933	41,288,264	35,269,211	18,798,666	13,378,077	1,428,756	13,644,540	14,613,354	157,317,590
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 91,332,588	\$ (21,061)	\$ (23,085,736)	\$ (27,351,244)	\$ (6,635,273)	\$ (1,370,972)	\$ (7,389,35)	\$ -	\$ 12,702,399	\$ 24,181,566

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Remuneration and Expenses of Council and Chief Administrative Officer

Year ended March 31, 2019

Council	Annual Remuneration	Travel Expenses
C. Clarke, Mayor	\$ 121,428	\$ 22,750
E. MacDonald, Deputy Mayor	46,135	19,135
G. MacDonald	43,193	13,637
D. Bruckschwaiger	43,193	10,664
K. Coombes	43,193	1,444
I. Doncaster	45,251	19,477
S. Gillespie	43,193	228
J. MacLeod	43,193	13,646
E. MacMullin	43,193	4,996
E. Marshall	43,193	11,897
A. McDougall	43,193	7,558
R. Paruch	43,193	4,968
C. Prince	43,193	13,706
M. Walsh, CAO	224,397	9,170

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# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Annual Salaries and Travel Expenses of Senior Staff

Year ended March 31, 2019

Senior Staff	Annual Remuneration	Travel Expenses
J. Campbell	\$ 127,097	\$ 2,974
M. Gillis	127,467	3,310
D. Kachafanas	127,467	5,057
W. MacDonald	135,239	20,302
G. MacDougall	127,467	1,091
B. MacKinnon	118,087	3,219
J. MacKinnon	181,566	16,468
P. MacIsaac	163,392	2,442
W. Murphy	127,467	4,655
D. Campbell – Ryan	111,702	6,631
M. Ruus	4,452	-

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# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>REVENUES</b>		
Taxes	\$ 108,104,225	\$ 106,103,207
Grants in lieu of taxes	9,106,016	8,972,792
Services provided to other governments	345,177	340,408
Sales of services	3,211,736	2,578,489
Revenue from own sources	10,246,076	10,690,340
Unconditional transfers from other governments	15,965,329	15,860,282
Conditional transfers from other governments	353,546	528,735
Disaster recovery	-	189,010
	<u>147,332,105</u>	<u>145,263,263</u>
<b>EXPENSES</b>		
General government services	14,149,783	14,412,230
Protective services	47,066,401	46,677,447
Transportation services	29,866,878	28,174,121
Environmental health services	28,162,425	15,944,433
Public health and welfare services	1,965,692	1,918,701
Environmental development services	1,172,177	1,127,637
Recreation and cultural services	10,381,700	11,015,371
Educational services	14,179,424	13,644,540
	<u>146,944,480</u>	<u>132,914,480</u>
Excess of revenues over expenses before the following	387,625	12,348,783
<b>FINANCING AND TRANSFERS</b>		
Debt and term loan principal instalments	(9,981,341)	(13,749,140)
Transfer from special reserve funds	(1,643,027)	4,608,291
Transfer to general capital fund	(432,622)	(484,092)
Amortization of bond discount	(77,738)	(86,841)
Transfer of pension plan net assets	-	(9,153,000)
	<u>(12,134,728)</u>	<u>(18,864,782)</u>
<b>CHANGE IN FUND BALANCE</b>	<b>(11,747,103)</b>	<b>(6,515,999)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>(47,436,936)</b>	<b>(40,920,937)</b>
Transfer to reserve fund	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (59,184,039)</b>	<b>\$ (47,436,936)</b>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2019, with comparatives for 2018

	2019	2018
<b>OPERATING REVENUES</b>		
Metered sales	\$ 19,005,362	\$ 17,839,774
Public fire protection	7,131,022	7,183,668
Consumer's interest	459,277	389,558
	<u>26,595,661</u>	<u>25,413,000</u>
<b>OPERATING EXPENSES</b>		
Source of supply	389,562	307,506
Power and pumping	1,634,865	1,646,920
Water treatment	4,129,316	3,828,043
Transmission and distribution	4,097,776	3,767,579
Administration and general	2,765,083	2,571,434
Taxes	1,973,379	1,973,418
	<u>14,989,981</u>	<u>14,094,900</u>
Excess of revenues over expenses before the following	11,605,680	11,318,100
<b>NON-OPERATING REVENUES</b>		
Miscellaneous	4,395	376
<b>NON-OPERATING EXPENSES</b>		
Interest on debentures	1,453,241	1,659,902
Amortization of debt discounts	32,004	33,244
Other	195,199	268,859
Transfer to water capital fund	7,301,366	7,589,037
Transfer to general capital fund	650,000	650,000
	<u>9,631,810</u>	<u>10,201,042</u>
<b>CHANGE IN FUND BALANCE</b>	1,978,265	1,117,434
<b>FUND BALANCE, BEGINNING OF YEAR</b>	1,466,250	348,816
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,444,515</u>	<u>\$ 1,466,250</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>REVENUES</b>		
Capital grants	\$ 6,109,209	\$ 5,168,127
<b>EXPENSES</b>		
General government services	251,099	247,859
Protective services	1,811,664	1,794,485
Transportation services	7,298,705	7,095,090
Environmental health services	2,940,728	2,855,233
Recreation and cultural services	2,628,184	2,363,706
Planning and development services	309,890	302,118
	<u>15,240,270</u>	<u>14,658,491</u>
Deficiency of revenues over expenses before the following	(9,131,061)	(9,490,364)
<b>FINANCING AND TRANSFERS</b>		
Transfer from reserve funds	5,141,299	4,421,444
Transfer from general operating fund	432,622	484,092
Transfer from water operating fund	650,000	650,000
Debenture and term loan principal instalments	9,981,341	13,749,145
	<u>16,205,262</u>	<u>19,304,681</u>
<b>CHANGE IN FUND BALANCE</b>	7,074,201	9,814,317
<b>FUND BALANCE, BEGINNING OF YEAR</b>		
As previously reported	210,385,106	200,758,054
Restatement (note 17)	1,524,427	1,337,162
As restated	<u>211,909,533</u>	<u>202,095,216</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 218,983,734</u>	<u>\$ 211,909,533</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2019, with comparatives for 2018

	2019	2018
<b>REVENUES</b>		
Capital grants	\$ -	\$ 9,000,000
<b>EXPENSES</b>		
Amortization	3,586,866	3,541,203
Excess (deficiency) of revenues over expenses before the following	(3,586,866)	5,458,797
<b>FINANCING AND TRANSFERS</b>		
Transfer from water operating fund	7,301,366	7,589,037
Sale of property	-	86,047
	7,301,366	7,675,084
<b>CHANGE IN FUND BALANCE</b>	3,714,500	13,133,881
<b>FUND BALANCE, BEGINNING OF YEAR</b>	85,476,480	72,342,599
<b>FUND BALANCE, END OF YEAR</b>	\$ 89,190,980	\$ 85,476,480

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# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Port of Sydney Development Corporation Operating Fund and Change in Fund Balance

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>REVENUES</b>		
Wharfage and berthage	\$ 634,216	\$ 556,468
Passenger tax	1,036,580	944,540
Events	100,335	75,625
Security	200,024	150,873
Storage and rental	233,902	194,767
Craft market	83,109	90,389
Sundry	20,301	3,007
Government funding	238,323	327,554
	<u>2,546,790</u>	<u>2,343,223</u>
<b>EXPENSES</b>		
Advertising and promotion	79,790	71,838
Bad debts (recovery)	2,613	(7,693)
Business development harbor	798	210,867
Cruise activities	57,386	41,627
Dues and fees	46,291	39,098
Events	4,985	3,822
Insurance	79,159	61,918
Interest and bank charges	10,700	6,172
Miscellaneous	19,759	18,138
Office and administration	21,360	35,186
Professional fees	53,625	69,047
Repairs and maintenance	389,927	349,890
Rent	31,991	13,220
Security	207,189	165,813
Travel	12,135	30,631
Utilities	202,881	200,844
Wages and benefits	752,174	680,500
	<u>1,972,763</u>	<u>1,990,918</u>
Excess of revenues over expenses before the following	574,027	352,305
Amortization of capital assets	(386,724)	(324,015)
Loss on disposal of capital assets	9,185	(49,351)
Derecognition of assets under capital lease	-	(713,224)
	<u>(377,539)</u>	<u>(1,086,590)</u>
<b>CHANGE IN FUND BALANCE</b>	196,488	(734,285)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	4,167,614	4,901,899
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,364,102</u>	<u>\$ 4,167,614</u>

# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>REVENUES</b>		
Investment income	\$ 214,680	\$ 142,391
Sale of properties	65,696	53,199
Grants	7,798,710	6,206,048
	<u>8,079,086</u>	<u>6,401,638</u>
<b>FINANCING AND TRANSFERS</b>		
Transfer from (to) operating fund	1,643,027	(4,608,291)
Transfer to capital funds	(5,141,299)	(4,421,444)
	<u>(3,498,272)</u>	<u>(9,029,735)</u>
<b>CHANGE IN FUND BALANCE</b>	4,580,814	(2,628,097)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	7,533,618	10,161,715
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 12,114,432</u>	<u>\$ 7,533,618</u>

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# CAPE BRETON REGIONAL MUNICIPALITY

## Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>REVENUES</b>		
Investment income	\$ 8,109	\$ 8,012
<b>CHANGE IN FUND BALANCE</b>	8,109	8,012
<b>FUND BALANCE, BEGINNING OF YEAR</b>	2,020,619	2,012,607
<b>FUND BALANCE, END OF YEAR</b>	\$ 2,028,728	\$ 2,020,619

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# CAPE BRETON REGIONAL MUNICIPALITY

## Special Funds Section Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>REVENUES</b>		
Investment income	\$ 214,680	\$ 142,391
Sale of properties	65,696	53,199
Grants	7,798,710	6,206,048
	<u>8,079,086</u>	<u>6,401,638</u>
<b>FINANCING AND TRANSFERS</b>		
Transfer to operating fund	1,643,027	(4,608,291)
Transfer to capital fund	(5,141,299)	(4,421,444)
	<u>(3,498,272)</u>	<u>(9,029,735)</u>
<b>CHANGE IN FUND BALANCE</b>	4,580,814	(2,628,097)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	7,533,618	10,161,715
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 12,114,432</u>	<u>\$ 7,533,618</u>

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Financial Statements of

**CAPE BRETON REGIONAL  
MUNICIPALITY WATER UTILITY**

Year ended March 31, 2019

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# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Financial Statements

Year ended March 31, 2019

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# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2019, with comparative figures for 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 5,194,622	\$ -
Water rates receivable (less allowance for doubtful accounts \$746,744 (2018 - \$615,282))	8,773,856	8,238,973
Sundry receivables	90,307	114,377
Inventories	342,088	333,548
	<u>\$ 14,400,873</u>	<u>\$ 8,686,898</u>
<b>LIABILITIES</b>		
Bank indebtedness	\$ -	\$ 406,167
Payables and accruals	3,981,981	3,722,271
Unearned revenue	817,287	935,681
Due to Cape Breton Regional Municipality General section, operating fund	1,243,897	1,041,661
Due to water utility, capital fund	10,080,317	6,557,428
	<u>16,123,482</u>	<u>12,663,208</u>
<b>DEFICIT</b>	<b>(1,722,609)</b>	<b>(3,976,310)</b>
	<u>\$ 14,400,873</u>	<u>\$ 8,686,898</u>

See accompanying notes to financial statements.

On behalf of the Cape Breton Regional Municipality:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Clerk

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Statement of Financial Activities – Operating Fund

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018	
	Budget (Unaudited)	Actual	Actual
<b>OPERATING REVENUES</b>			
Metered sales	\$ 18,533,470	\$ 19,005,362	\$ 17,839,774
Public fire protection	7,131,023	7,131,022	7,183,668
Consumer's interest	341,453	459,277	389,558
Service connections	70,000	4,395	376
	<u>26,075,946</u>	<u>26,600,056</u>	<u>25,413,376</u>
<b>OPERATING EXPENSES</b>			
Source of supply	526,500	389,562	307,506
Power and pumping	2,069,009	1,634,865	1,646,920
Water treatment	3,669,738	4,129,316	3,828,043
Transmission and distribution	4,657,806	4,747,777	4,417,579
Administration and general	2,992,859	2,765,084	2,571,434
Depreciation	4,010,280	3,586,866	3,541,203
Taxes	2,302,919	1,973,379	1,973,418
	<u>20,229,111</u>	<u>19,226,849</u>	<u>18,286,103</u>
Excess of operating revenues over expenses before the following	5,846,835	7,373,207	7,127,273
<b>NON-OPERATING REVENUES</b>			
Amortization of deferred capital contributions	70,000	287,171	287,171
<b>NON-OPERATING EXPENSES</b>			
Debt charges			
Provision for principal repayment	3,564,500	3,576,232	3,640,447
Interest on debentures	1,483,241	1,453,241	1,659,902
Amortization of debt discounts	32,000	32,004	33,244
Bank fees/charges	137,094	195,199	268,859
Capital expenditures out of operations	150,000	150,000	150,000
	<u>5,366,835</u>	<u>5,406,677</u>	<u>5,752,452</u>
<b>CHANGE IN FUND BALANCE</b>	<b>\$ 550,000</b>	<b>\$ 2,253,701</b>	<b>\$ 1,661,992</b>

See accompanying notes to financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Statement of Operating Fund Deficit

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>\$(3,976,310)</b>	<b>\$(5,638,302)</b>
Change in fund balance	2,253,701	1,661,992
<b>DEFICIT, END OF YEAR</b>	<b>\$(1,722,609)</b>	<b>\$(3,976,310)</b>

See accompanying notes to financial statements.

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# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Statement of Cash Flows – Operating Fund

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in fund balance	\$ 2,253,701	\$ 1,661,992
Change in non-cash operating working capital		
Increase in water rates receivable	(534,883)	(1,194,815)
Decrease (increase) in sundry receivables	24,070	(37,353)
Decrease (increase) in inventories	(8,540)	8,313
(Decrease) increase in payables and accruals	259,710	(217,440)
Increase (decrease) in unearned revenue	(118,394)	121,055
	<u>1,875,664</u>	<u>341,752</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in due to Capa Breton Regional Municipality, operating fund	202,236	(1,240,180)
Increase in due to water utility, capital fund	3,522,889	3,436,470
	<u>3,725,125</u>	<u>2,196,290</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>5,600,789</u>	<u>2,538,042</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	(406,167)	(2,944,209)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,194,622</u>	<u>\$ (406,167)</u>

See accompanying notes to non-consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Capital Fund

March 31, 2019, with comparative figures for 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ -	\$ -
Cash - depreciation reserve	480,170	480,170
HST receivable	33,444	56,531
Grants receivable	-	900,463
	<u>513,614</u>	<u>1,437,164</u>
Dua from water utility, operating fund	10,080,317	6,557,428
Unamortized debt discount	160,404	192,408
Capital assets		
Utility plant in service (Schedule A)	170,892,014	168,669,776
Work in progress	1,533,260	396,133
Properties adjoining watershed	174,977	174,977
	<u>172,600,251</u>	<u>169,240,886</u>
	<u>\$ 183,354,586</u>	<u>\$ 177,427,886</u>
<b>LIABILITIES</b>		
Bank indebtedness	\$ 4,617,817	\$ 1,510,957
Accounts and holdbacks payable	187,848	754,502
Due to Cape Breton Regional Municipality		
General section, capital fund	83,449	146,650
Term debt (Schedule B)	32,630,500	36,195,000
	<u>37,519,614</u>	<u>38,607,109</u>
<b>DEFERRED CAPITAL CONTRIBUTIONS</b>	12,355,739	12,642,910
<b>RESERVES</b>		
Accumulated allowance for depreciation of utility plant	54,183,958	50,597,092
<b>FUND BALANCE</b>	79,295,275	75,580,775
	<u>\$ 183,354,586</u>	<u>\$ 177,427,886</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Chairman  
 \_\_\_\_\_ Commissioner

## CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

### Statement of Change in Cash – Depreciation Reserve

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 480,170	\$ 480,170
Depreciation	3,586,866	3,541,203
Amortization of capital contributions	(287,171)	(287,171)
Capital purchases	(3,299,695)	(3,254,032)
<b>CASH, END OF YEAR</b>	<b>\$ 480,170</b>	<b>\$ 480,170</b>

### Statement of Accumulated Allowance for Depreciation

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 50,597,092	\$ 47,055,889
Depreciation for the year	3,586,866	3,541,203
<b>BALANCE, END OF YEAR</b>	<b>\$ 54,183,958</b>	<b>\$ 50,597,092</b>

### Statement of Investment in Capital Assets

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 75,580,775	\$ 71,446,894
Term debt retired	3,564,500	3,897,828
Capital out of operations	150,000	150,000
Transfer from special reserve	-	86,053
<b>BALANCE, END OF YEAR</b>	<b>\$ 79,295,275</b>	<b>\$ 75,580,775</b>

See accompanying notes to non-consolidated financial statements.

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Statement of Financial Position – Special Reserve Fund

March 31, 2019, with comparative figures for 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 1,166,626	\$ 1,166,626
Term deposit	862,102	853,994
	<u>\$ 2,028,728</u>	<u>\$ 2,020,620</u>
<b>RESERVE</b>		
Special reserve	<u>\$ 2,028,728</u>	<u>\$ 2,020,620</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Chairman

\_\_\_\_\_ Commissioner

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**CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY**  
 Statement of Special Reserve

Year ended March 31, 2019, with comparative figures for 2018

					2019	2018
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 54,277	\$ 918,115	\$ 331,988	\$ 718,245	\$ 2,020,620	\$2,012,608
Interest on investments	324	5,515	2,269	-	8,108	8,012
<b>BALANCE, END OF YEAR</b>	\$ 54,601	\$ 923,630	\$ 334,252	\$ 716,245	\$ 2,028,728	\$2,020,620

See accompanying notes to financial statements.

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# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements

Year ended March 31, 2019

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The Cape Breton Regional Municipality Act, assented to by the Province of Nova Scotia on July 30, 1994, legislated the incorporation of the Cape Breton Regional Municipality as of August 1, 1995.

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

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

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

The basis of accounting used in these financial statements differs materially from generally accepted accounting principles (GAAP) as prescribed by the 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:

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

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2019

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## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Cash and cash equivalents

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

### (c) Revenue and expenses

Major revenue and expense items are recorded on an accrual basis.

Certain sources of revenue, including forfeited discounts and interest on past due rates, are recorded on a cash basis.

Capital grants and contributions are recorded using the deferral method of accounting and are amortized to revenue at a rate corresponding with the amortization of the related capital asset.

Principal and interest payments relating to long-term debt are recorded as an expenditure when due for payment.

### (d) Allowance for doubtful accounts

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

### (e) Inventories

Inventories are stated at cost.

### (f) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include valuation of accounts receivable and carrying amount of capital assets. Actual results could differ from those estimates.

## 2. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY

- a) In general, and where identifiable, costs incurred by the Cape Breton Regional Municipality on behalf of the water utility are charged to the utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the water utility.
- c) As prescribed by the Nova Scotia Utility and Review Board, there is a yearly administration fee charged to the Water Utility by the Cape Breton Regional Municipality, which includes salary, overhead, utilities and other administration charges totaling \$7,656,121 (2018 - \$7,318,731).

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2019

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## 2. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY (CONTINUED)

- d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to \$7,131,022 (2018 - \$7,183,668). 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.

## 3. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2019, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 7.1% (2018 - 6.7%).

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# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Schedule A - Utility Plant and Equipment

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
Organization	\$ 4,000	\$ 4,000
Working capital	70,162	70,162
	<u>74,162</u>	<u>74,162</u>
Land and land rights		
Source of supply land	1,231,604	1,218,531
Power and pumping land	343,374	343,374
Transmission land	157,021	157,021
	<u>1,731,999</u>	<u>1,718,926</u>
Structures and improvements		
Source of supply	19,012,595	19,012,595
Power and pumping	7,354,903	7,303,865
Purification structures	2,757,842	2,757,842
Distribution and storage	4,626,397	4,629,397
Shop	299,817	299,817
	<u>34,051,554</u>	<u>34,003,516</u>
Equipment		
Electrical pumping equipment	3,776,122	3,773,660
Diesel pumping equipment	543,261	543,261
Purification equipment	23,116,607	23,116,607
Office furniture and equipment	362,453	362,453
Transportation equipment	309,495	309,495
Meter shop equipment	30,689	30,689
Tools and work equipment	268,948	268,949
Motor operated tools	680,584	680,584
Other	690,072	690,073
	<u>29,778,231</u>	<u>29,775,771</u>
Mains		
Transmission	29,331,240	29,300,392
Distribution	47,096,508	45,812,669
	<u>76,427,748</u>	<u>75,113,061</u>
Services	13,716,829	13,321,698
Meters	11,514,057	11,196,886
Hydrants	3,597,434	3,465,756
	<u>\$ 170,892,014</u>	<u>\$ 168,669,776</u>

# CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

## Schedule B - Capital Debt Charges

Year ended March 31, 2019, with comparative figures for 2018

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2018	Issued	Redeemed	Balance March 31, 2019
Municipal Finance Corporation							
27-A-1	2007	2022	4.385 - 4.770	\$ 9,145,000	\$ -	\$ 914,500	\$ 8,230,500
28-A-1	2008	2023	3.750 - 5.088	7,700,000	-	700,000	7,000,000
30-A-1	2010	2025	1.510 - 4.875	9,750,000	-	750,000	9,000,000
33-A-1	2013	2023	1.330 - 2.979	4,800,000	-	800,000	4,000,000
34-A-1	2014	2029	1.245 - 3.792	4,800,000	-	400,000	4,400,000
				\$ 36,195,000	\$ -	\$ 3,564,500	\$ 32,630,500

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

2020	\$ 3,564,500
2021	3,564,500
2022	3,564,500
2023	8,137,000
2024	6,150,000

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# *Audit Findings Report*

## **Cape Breton Regional Municipality**

Year ended March 31, 2019

September 26, 2019

# Contents

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

This Audit Findings Report is confidential and intended solely for the use of the Audit Committee, Management and others within the Municipality. It is intended to assist the Audit Committee in carrying out and discharging its responsibilities to review and approve the financial statements of the Municipality as at and for the year ended March 31, 2019. It should not be used for any other purpose. No responsibility for loss or damages, if any, to any third party is accepted as this report has not been prepared for, and is not intended for, any other purposes.

# Overview

## **Purpose of this report**

- We have issued this report to assist members of the Audit Committee in your review of the financial statements.
- We welcome your questions and look forward to discussing our findings with you at this meeting.

## **Basis for Information**

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

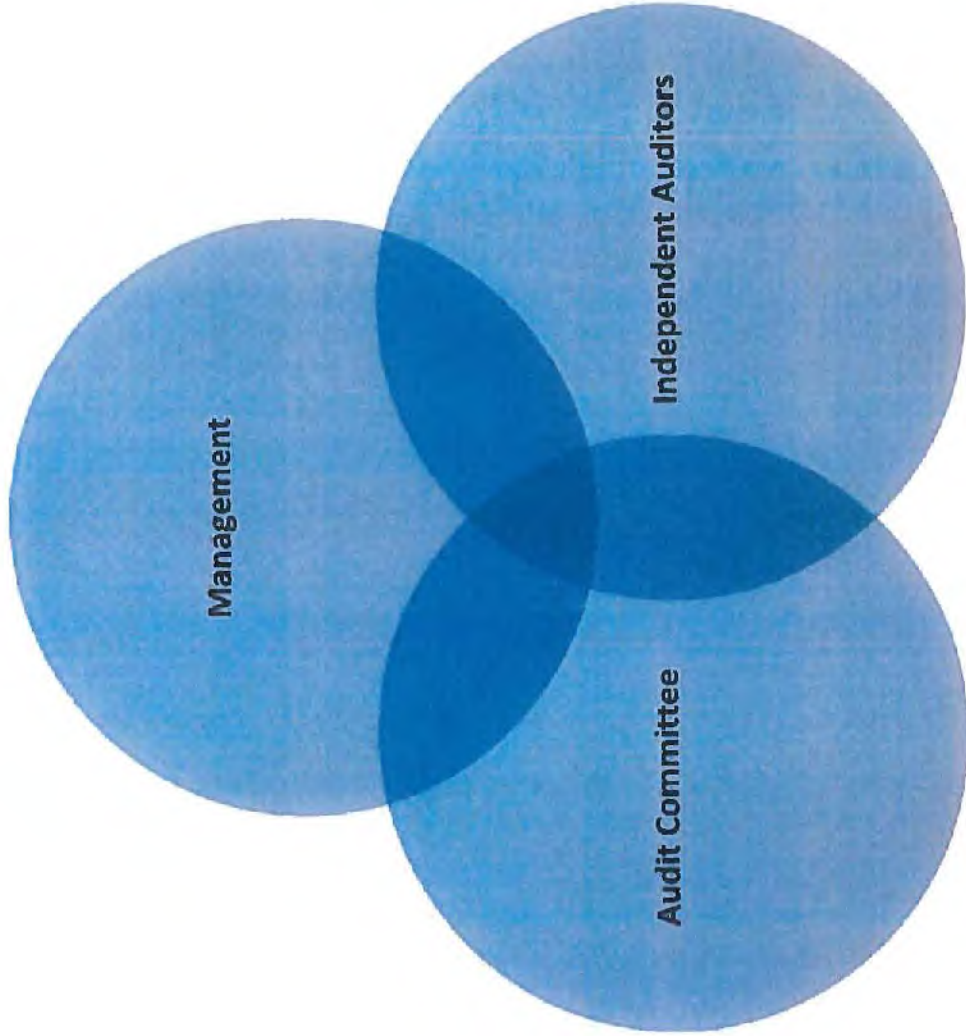
## **Audit status: Complete**

- We have completed our audit of the Municipality's financial statements in accordance with Canadian generally accepted auditing standards.
- We expect to be in a position to release our Independent Auditors' Report dated September 26, 2019 subject to:
  - completing our discussions with the Audit Committee
  - obtaining the Council's approval of the financial statements.

## **Scope of a financial statement audit**

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

# *Key Responsibilities Regarding Financial Reporting*



# Misstatements

## Misstatements

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

## Evaluating Misstatements

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

## Audit Differences

- Audit differences are proposed adjustments of a misstatement in the financial statements that, in our professional judgment, may have not been detected except through our audit procedures performed. We have encouraged management to correct these audit differences.
- Any misstatement identified by management during the audit and subsequently corrected is not considered an audit difference.
- For ease of discussion, audit differences are categorized by
- Adjusted differences – refer to Appendix 3
- Unrecorded differences – refer to Appendix 4
- Uncorrected and corrected omissions or other errors in financial statement presentation – none were identified during the audit

## *Matters Pertaining to the Financial Statement Audit*

*Significant unusual transactions*

- We did not identify, in the course of our financial statement audit, any significant unusual transactions.

*Accounting policies*

- Management describes their critical accounting policies and key estimates that are subject to uncertainty in note 1 to the financial statements.
- We identified no material changes in selection or application of accounting policies.
- We identified, during the course of our financial statement audit, no accounting policies in controversial or emerging areas.

*Related party transactions*

- We did not identify, in the course of our financial statement audit, any related party transactions outside the normal course of business that involve significant judgments made by management concerning measurement and disclosure.
- Refer to draft management representation letter in Appendix 2.

## *Matters Pertaining to the Financial Statement Audit*

### *Material weaknesses in internal control over financial reporting*

- We did not identify, in the course of our financial statement audit, any material weaknesses in the design, implementation or operating effectiveness of internal control over financial reporting, including anti-fraud controls.
- Our audit has not been designed to determine the adequacy of internal control over financial reporting for management purposes. Refer to draft management representation letter in Appendix 2.

### *Illegal and fraudulent activities*

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

## *Matters Pertaining to the Financial Statement Audit*

### *Auditors' independence*

- We are not aware of any relationships between the Municipality and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence, that occurred from September 18, 2018 to September 26, 2019.

### *Dealings with Management*

- We received the full cooperation of management and employees of the Municipality and, to our knowledge, had complete access to the accounting records and other documents that we needed in order to carry out our audit.
- We had no disagreements with management, and we have resolved all auditing, accounting and presentation issues to our satisfaction.

### *Consultation with other Accountants*

- We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

## *Matters Pertaining to the Financial Statement Audit*

*Major issues discussed  
with Management that  
influence our audit  
appointment*

- We did not engage in discussion with management about any major issues in connection with our appointment as auditors.

## *Matters Pertaining to the Financial Statement Audit*

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

***Involvement  
with  
designated  
public  
documents  
and  
continuous  
disclosure  
documents***

# *Appendix 1*

## *Draft Independent Auditors' Reports*

# INDEPENDENT AUDITORS' 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 on Pages 4 – 25 which comprise the consolidated statement of financial position as at March 31, 2019 and the consolidated statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2019 and the results of its financial performance and its 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 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 – Supplemental 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 - 33 is presented for 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 consolidated financial statements as a whole.

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

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

### Auditors' Responsibility 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 decision 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.

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.

Chartered Professional Accountants  
Licensed Public Accountants

Sydney, Canada  
September 26, 2019

# INDEPENDENT AUDITORS' REPORT

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

## Opinion

We have audited the accompanying financial statements of Cape Breton Regional Municipality Water Utility which comprise the statement of financial position as at March 31, 2019 and the statements of financial activities, operating fund deficit, reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality Water Utility as at March 31, 2019 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 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.

## Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing 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.

## Auditors' Responsibility 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 decision 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants  
Licensed Public Accountants

Sydney, Canada  
September 26, 2019

# *Appendix 2*

## *Draft Management Representation Letters*

**Cape Breton Regional Municipality**  
320 Esplanade  
Sydney, Nova Scotia  
B1P 1A7

September 26, 2019

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

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the financial statements of Cape Breton Regional Municipality for the year ended March 31, 2019, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of Municipality personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

**1. Financial Statements**

We have fulfilled our responsibilities as set out in the terms of the audit engagement dated July 15, 2019 for:

- a. Preparing and fairly presenting the financial statements in accordance with Canadian public sector accounting standards;
- b. Providing you with:
  - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
    - a) Accounting records, supporting data and other relevant documentation,
    - b) Minutes of meetings (such as council and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
    - c) Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
  - ii. Additional information that you have requested from us for the purpose of the audit; and
  - iii. Unrestricted access to persons within the Municipality from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and
- d. Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

## 2. Fraud and Non-Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the Municipality's financial statements involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or
  - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual, or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

## 3. Related Parties

We have disclosed to you the identity of all of the entity's related-party relationships and transactions of which we are aware. All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

## 4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian public sector accounting standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

## 5. Subsequent Events

All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards requires adjustment or disclosure have been adjusted or disclosed.

## 6. Commitments and Contingencies

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements other than those disclosed in note 13. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

**7. Misstatements**

The effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, including the reasons why they were not corrected, is attached to this letter.

**8. Accounting Policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

**9. Future Plans**

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

Yours truly,

---

Jennifer Campbell, Chief Financial Officer

DRAFT

**Cape Breton Regional Municipality Water Utility**  
320 Esplanade  
Sydney, Nova Scotia  
B1P 1A7

September 26, 2019

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

Dear Sir/Madame:

This representation letter is provided in connection with your audit of the financial statements of Cape Breton Regional Municipality Water Utility for the year ended March 31, 2019, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of Utility personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that (to the best of our knowledge and belief):

**1. Financial Statements**

We have fulfilled our responsibilities as set out in the terms of the audit engagement dated July 15, 2019 for:

- a. Preparing and fairly presenting the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia;
- b. Providing you with:
  - i. Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as:
    - a) Accounting records, supporting data and other relevant documentation,
    - b) Minutes of meetings (such as council and audit committees) or summaries of actions taken for which minutes have not yet been prepared, and
    - c) Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements;
  - ii. Additional information that you have requested from us for the purpose of the audit; and
  - iii. Unrestricted access to persons within the Utility from whom you determine it necessary to obtain audit evidence.
- c. Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements; and

- d. Designing and implementing such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

## 2. Fraud and Non-Compliance

We have disclosed to you:

- a. All of our knowledge in relation to actual, alleged or suspected fraud affecting the Utility's financial statements involving:
  - i. Management;
  - ii. Employees who have significant roles in internal control; or
  - iii. Others where the fraud could have a material effect on the financial statements;
- b. All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
- c. All known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements that should be considered when preparing the financial statements;
- d. All known, actual or possible litigation and claims that should be considered when preparing the financial statements; and
- e. The results of our risk assessments regarding possible fraud or error in the financial statements.

## 3. Related Parties

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

## 4. Estimates

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Accounting and Reporting Handbook for Water Utilities in Nova Scotia. Those estimates reflect our judgment based on our knowledge and experience of past and current events, and on our assumptions about conditions we expect to exist and courses of action we expect to take. We confirm that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable.

## 5. Subsequent Events

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

**6. Commitments and Contingencies**

There are no commitments, contingent liabilities/assets or guarantees (written or oral) that should be disclosed in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

**7. Adjustments**

We have reviewed, approved and recorded all of your proposed adjustments to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.

**8. Accounting Policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

**9. Future Plans**

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

Yours truly,

---

Jennifer Campbell, Chief Financial Officer

# *Appendix 3*

## *Adjusting Journal Entries - Restatement*

# *Adjusting Journal Entries - Restatement*

Consolidated Fund Balance, 3/31/17 as previously reported      \$248,891,529

Restatement:

- Record lease as capital, net      \$811,016
  - Correct prior years' amortization      526,144
- Increase in fund balance      1,337,160

Consolidated Fund Balance, 3/31/17, as restated      \$250,228,689

Restatement of expenses for 2018:

- Increase amortization      (27,965)
  - Decrease amortization      215,229
- Increase in fund balance      \$187,264

# *Appendix 4*

## *Unadjusted Audit Differences*

To be distributed at Audit Committee meeting

