

Cape Breton Regional Municipality

Special Council Meeting

AGENDA

TUESDAY, OCTOBER 6TH, 2015

Following General Committee

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

Cape Breton Regional Municipal Council

Special Council Meeting

Tuesday, October 6th, 2015

Following General Committee

Council Chambers, 2nd Floor – City Hall

ROLL CALL

1. BUSINESS ARISING:

1.1 Audit Committee – September 24th, 2015:

a) Draft Audited Financial Statements for Year Ending March 31, 2015: (See page 3)

Audit Committee recommends approval and release of the:

- CBRM Consolidated Financial Statements for the Year Ending March 31, 2015 (See page 4)
- CBRM Water Utility Financial Statements for the Year Ending March 31, 2015 (See page 37)

Marie Walsh, Chief Financial Officer

b) Surplus Balance:

Audit Committee recommends approval of the transfer of \$596,363 to the operating reserve which reflects the current year surplus noted in the Audited Consolidated Financial Statements for the fiscal year ending March 31, 2015. Marie Walsh, Chief Financial Officer (See page 53)

Adjournment

Draft Audited Financial Statements for Year Ending March 31, 2015:

Motion:

Moved by Councillor Cormier, Seconded by Councillor Keagan, that a recommendation be made to Council to approve and release the:

- CBRM Consolidated Financial Statements for the Year Ending March 31, 2015
- CBRM Water Utility Financial Statements for the Year Ending March 31, 2015.

Motion Carried.

Consolidated Financial Statements of

**CAPE BRETON REGIONAL
MUNICIPALITY**

Year ended March 31, 2015

DRAFT

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Financial Statements

March 31, 2015

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Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Marie Walsh

Date

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cape Breton Regional Municipality which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of financial activities, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Municipality as at March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Sydney, Canada
September 24, 2015

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Position

March 31, 2015, with comparative figures for 2014

	2015	2014
FINANCIAL ASSETS		
Taxes receivable (note 3)	\$ 16,113,519	\$ 14,200,128
Accounts receivable (note 4)	13,387,750	17,309,606
Net prepaid benefit expense (note 5)	6,932,000	6,360,000
	<u>36,433,269</u>	<u>37,869,734</u>
FINANCIAL LIABILITIES		
Cheques issued in excess of funds on deposit (note 2)	9,710,715	21,087,518
Accounts payable and accrued liabilities (note 8)	11,490,463	12,243,271
Accrued interest on long-term debt	1,471,362	1,471,362
Due to trust funds	444,870	286,846
Deferred revenue	3,771,629	4,182,432
Accrued employee benefits	5,295,119	5,915,146
Solid waste management facilities liabilities (note 9)	41,161,800	41,161,800
Long-term debt (note 10)	116,784,771	113,278,813
	<u>190,130,729</u>	<u>199,627,188</u>
NET DEBT	<u>(153,697,460)</u>	<u>(161,757,454)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	359,675,236	346,385,846
Work in progress	9,551,555	20,422,463
Properties acquired at tax sale	1,558,162	1,561,686
Inventory, prepaid expenses and other	2,998,954	2,562,028
	<u>373,783,907</u>	<u>370,932,023</u>
FUND BALANCES (note 7)	<u>\$ 220,086,447</u>	<u>\$ 209,174,569</u>

Contingencies (note 12)

See accompanying notes to consolidated financial statements.

On behalf of the Cape Breton Regional Municipality

Mayor

Clerk

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Financial Activities

Year ended March 31, 2015, with comparative figures for 2014

	Budget (Unaudited)	2015	2014
REVENUES			
Taxes	\$ 99,569,101	\$ 99,622,156	\$ 96,514,072
Grants in lieu of taxes	7,437,972	7,588,166	7,981,789
Services provided to other governments	266,427	463,628	187,548
Sales of services	2,997,545	2,552,891	2,779,577
Revenue from own sources	14,369,442	11,666,466	10,657,400
Unconditional transfers from other governments	15,935,838	15,930,930	16,248,563
Conditional transfers from other governments	2,154,272	2,272,473	2,171,012
Capital grants	-	9,899,443	15,410,208
Water utility revenue	24,410,758	23,275,055	23,382,685
Investment income	-	93,602	90,303
Gain on sale of properties	-	40,537	5,750
	<u>166,841,355</u>	<u>173,405,347</u>	<u>175,428,907</u>
EXPENSES			
General government services	17,129,983	14,613,776	16,677,692
Protective services	45,650,301	45,219,483	42,678,698
Transportation services	38,880,003	37,042,714	35,862,476
Environmental health services	15,162,429	18,118,277	17,026,070
Public health and welfare services	2,054,379	2,060,487	1,879,835
Environmental development services	893,392	1,080,392	997,300
Recreation and cultural services	9,944,218	11,308,027	11,396,407
Planning and development services	302,118	302,118	302,118
Educational services	12,713,774	12,713,730	12,193,890
Water utility expenses	18,545,000	19,910,035	19,500,815
	<u>161,275,597</u>	<u>162,369,039</u>	<u>158,515,301</u>
Excess of revenues over expenses before the following	5,565,758	11,036,308	16,913,606
NET FINANCING AND TRANSFERS			
Amortization of bond discount	(32,000)	(124,430)	(118,997)
CHANGE IN FUND BALANCES	<u>5,533,758</u>	<u>10,911,878</u>	<u>16,794,609</u>
FUND BALANCES, BEGINNING OF YEAR	209,174,569	209,174,569	192,379,960
FUND BALANCES, END OF YEAR	<u>\$ 214,708,327</u>	<u>\$ 220,086,447</u>	<u>\$ 209,174,569</u>

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Change in Net Debt

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
CHANGE IN FUND BALANCES	\$ 10,911,878	\$ 16,794,609
Tangible capital assets		
Acquisition of tangible capital assets	(29,274,476)	(8,902,338)
Amortization of tangible capital assets	15,985,086	15,078,512
	<u>(13,289,390)</u>	<u>6,176,174</u>
Other non-financial assets		
Decrease (increase) in work in progress	10,870,908	(12,360,852)
Decrease in property acquired at tax sale	3,524	15,429
Decrease (increase) in inventory, prepaid expenses and other	(436,926)	326,612
	<u>10,437,506</u>	<u>(12,018,811)</u>
DECREASE IN NET DEBT	8,059,994	10,951,972
NET DEBT, BEGINNING OF YEAR	(161,757,454)	(172,709,426)
NET DEBT, END OF YEAR	\$ (153,697,460)	\$ (161,757,454)

See accompanying notes to consolidated financial statements.

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CAPE BRETON REGIONAL MUNICIPALITY

Consolidated Statement of Cash Flows

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balances	\$ 10,911,878	\$ 16,794,609
Items not involving cash		
Amortization of tangible capital assets	15,985,086	15,078,512
Pension expense	3,337,000	3,517,000
Change in non-cash working capital		
Increase in taxes receivable	(1,913,391)	(550,087)
Decrease (increase) in accounts receivable	3,921,856	(671,692)
Contributions to defined benefit pension plan	(3,909,000)	(3,861,000)
Decrease (increase) in inventory, prepaid expenses and other	(436,926)	326,612
Decrease in accounts payable and accrued liabilities	(752,808)	(726,596)
Increase (decrease) in deferred revenue	(410,803)	252,158
Decrease in accrued employee benefits	(620,027)	(43,860)
	<u>26,112,865</u>	<u>30,115,656</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due from trust fund	-	272,420
Increase in due to trust fund	158,024	286,846
Issuance of long-term debt	19,300,000	12,682,691
Principal payments on long-term debt	(15,794,042)	(15,268,271)
	<u>3,663,982</u>	<u>(2,026,314)</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(29,274,476)	(8,902,338)
Decrease (increase) in work in progress	10,870,908	(12,360,852)
Decrease in properties acquired at tax sale	3,524	15,429
	<u>(18,400,044)</u>	<u>(21,247,761)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,376,803	6,841,581
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(21,087,518)	(27,929,099)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (9,710,715)	\$ (21,087,518)

See accompanying notes to consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

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

(b) Basis of consolidation

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

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

(c) School boards

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

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

(d) Trust funds

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

(e) Fund accounting

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

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

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

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, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reserve funds

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

(j) Government transfers

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

(k) Deferred revenue

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

(l) Taxation and related revenues

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

(m) Employee future benefits

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

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

The Municipality has adopted the following policies:

- (i) The cost of the accrued benefit obligations for pensions earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee future benefits (continued)

- (ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- (iii) Past service costs from plan amendments, transitional adjustments and actuarial gains or losses (within the limits prescribed), are deferred and amortized on a straight-line basis over the average remaining service period of active employees.

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

(n) Use of estimates

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

2. CHEQUES ISSUED IN EXCESS OF FUNDS ON DEPOSIT

	2015	2014
Operating funds	\$ (9,710,811)	\$ (9,991,554)
Reserves funds	12,568,517	9,305,248
Capital funds	(12,568,421)	(20,401,212)
	<u>\$ (9,710,715)</u>	<u>\$ (21,087,518)</u>

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

3. TAXES RECEIVABLE

	2015	2014
Gross taxes receivable, beginning of year	\$ 15,484,519	\$ 14,872,488
Current year's levy of property taxes	96,532,235	93,118,770
Subtotal	112,016,754	107,991,258
Less		
Current year's collections	94,585,969	92,528,183
Reduced taxes	32,875	40,500
Allowance	(162,963)	(61,944)
Gross taxes receivable, end of year	17,560,873	15,484,519
Less		
Allowance for uncollectible taxes	1,447,354	1,284,391
Taxes receivable, net	\$ 16,113,519	\$ 14,200,128

4. ACCOUNTS RECEIVABLE

	2015	2014
Federal government	\$ 2,482,179	\$ 3,618,133
Provincial government	1,151,711	2,939,320
Other receivables	11,404,932	12,437,377
	15,038,822	18,994,830
Less allowance for doubtful accounts	1,651,072	1,685,224
	\$ 13,387,750	\$ 17,309,606

5. EMPLOYEE FUTURE BENEFITS

a) Defined benefit plan

The Municipality sponsors a contributory defined benefit pension plan for substantially all of its employees. The plan provides pensions based on length of service and final average earnings. The average age of the 711 active employees covered by the plan is 47.4. There are 16 former employees who are entitled to deferred pension benefits. At present, the plan provides benefits for 332 retirees with benefit payments being \$5,565,000 in 2015.

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

The following summarizes the plan for the fiscal year ended March 31, 2015 and 2014:

	2015	2014
Accrued benefit obligation		
Balance at beginning of year	\$ 134,404,000	\$ 128,508,000
Actuarial losses	5,382,000	-
Current service cost	5,551,000	4,879,000
Benefit payments	(5,565,000)	(5,395,000)
Interest on obligations	6,988,000	6,412,000
Accrued benefit obligation, end of year	146,760,000	134,404,000
Deduct plan assets		
Balance, beginning of year	139,066,000	121,515,000
Employer contributions	3,909,000	3,861,000
Employee contributions	3,353,000	3,123,000
Benefit payments	(5,565,000)	(5,395,000)
Interest on average assets	6,995,000	6,116,000
Actuarial gains	11,817,000	9,846,000
Plan assets, end of year	159,575,000	139,066,000
Funded status – plan deficit	12,815,000	4,662,000
Unamortized actuarial losses (gains)	(5,883,000)	1,698,000
Net prepaid benefit expense	\$ 6,932,000	\$ 6,360,000

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

	2015	2014
Discount rate	5.0%	5.0%
Expected long-term rate of return on assets	5.0%	5.0%

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

	2015	2014
Current service cost	\$ 5,551,000	\$ 4,879,000
Amortization of actuarial losses	1,146,000	1,465,000
Employee contributions	(3,353,000)	(3,123,000)
Interest on average liabilities	6,988,000	6,412,000
Interest on average assets	(6,995,000)	(6,116,000)
	\$ 3,337,000	\$ 3,517,000

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

5. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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

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 \$303,221 (2014 - \$316,218).

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 \$306,104 (2014 - \$310,701).

6. MISCELLANEOUS TRUST FUNDS

Miscellaneous Trust Funds administered by the Municipality are reported on separately. The total trust assets under administration at March 31, 2015 are \$2,982,613 (2014 - \$3,018,225).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

7. FUND BALANCES

	2015	2014
General operating fund	\$ (39,376,676)	\$ (39,376,676)
Water operating fund	2,771,676	3,758,787
General capital fund	182,815,510	176,274,406
Water capital fund	64,696,931	61,049,100
	210,907,441	201,705,617
Reserves set aside by council	9,179,006	7,468,952
	\$ 220,086,447	\$ 209,174,569

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade accounts payable	\$ 6,321,970	\$ 7,065,860
Payroll and related	1,492,123	1,630,935
Accrued liabilities	1,151,850	1,146,568
Tax sale trust	2,524,520	2,399,908
	\$ 11,490,463	\$ 12,243,271

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, 2015

9. SOLID WASTE MANAGEMENT FACILITIES LIABILITIES (CONTINUED)

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

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

The assumed estimated cost for proper monitoring, planning, closure and post closure activities for these sites is \$41,161,800 (2014 - \$41,161,800). The estimate is based on the costs per hectare associated with the closure of the Sydney landfill extrapolated over remaining hectares to be closed, adjusted for inflationary considerations. We anticipate this number to grow with potential for interest rate effects on borrowing for completion and fluctuations with cost of living increases in the service markets where this work would be carried out.

10. LONG-TERM DEBT

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

Principal payments required in each of the next five years on debt held as at March 31, 2015 are as follows:

2016	\$ 17,524,042
2017	16,960,068
2018	16,462,572
2019	11,534,041
2020	10,455,269

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

11. TANGIBLE CAPITAL ASSETS

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 8,671,159	\$ —	\$ 8,671,159	\$ 7,790,765
Buildings				
General government services	6,730,907	2,214,616	4,516,291	4,685,500
Protective services	3,913,737	991,398	2,922,339	2,990,583
Transportation services	8,369,762	1,270,933	7,098,829	7,300,457
Environmental services	31,330,587	6,397,448	24,933,139	21,293,177
Recreation and cultural services	15,740,222	3,585,191	12,155,031	10,797,533
Industrial parks	1,084,104	366,994	717,110	744,212
	67,169,319	14,826,580	52,342,739	47,811,462
Equipment				
General government services	2,874,846	2,761,948	112,898	127,936
Protective services	8,818,917	7,373,515	1,445,402	1,507,501
Public works	21,201,574	15,900,992	5,300,582	5,716,987
Environmental health services	13,733,329	13,569,234	164,095	519,355
Recreation and cultural services	1,432,152	1,138,312	293,840	230,382
	48,060,818	40,744,001	7,316,817	8,102,161
Other				
General government services	742,494	742,494	—	—
Road transport	147,196,574	44,298,332	102,898,242	104,034,140
Environmental health services	93,530,430	18,025,465	75,504,965	69,281,114
Recreation and cultural services	16,121,816	12,366,273	3,755,543	1,918,494
Waterfront development	8,861,700	3,216,337	5,645,363	5,822,542
Downtown development	1,433,906	231,490	1,202,416	1,231,203
Wharf – Sydney Marine Terminal	1,726,210	975,726	750,484	819,532
Water utility assets	141,790,235	40,202,727	101,587,508	99,574,433
	411,403,365	120,058,844	291,344,521	282,681,458
	\$ 535,304,661	\$ 175,629,425	\$ 359,675,236	\$ 346,385,846

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

12. CONTINGENCIES

- (a) As of March 31, 2015 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, 2015 is \$1,236,177 (2014 - \$1,414,263).
- (d) Canadian Environmental Guidelines
- Per regulations set forth by the Canadian Council of Ministers of the Environment (CCME) and required by the Nova Scotia Environment – Department, the Municipality is currently in the process of performing risk assessments to meet necessary wastewater treatment guidelines. Upon completion, the timeline and estimated cost to meet these guidelines will be more definitive.

13. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS

- (a) Cape Breton Island Housing Authority
- The Municipality shared in the operations of the Authority for the year ended March 31, 2015 in the amount of \$1,969,379 (2014 - \$1,795,245).
- (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, 2015, the Municipality's share of these costs was \$1,374,713 (2014 - \$1,364,599).
- (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, 2015, the Municipality's contribution for these costs was \$1,102,720 (2014 - \$1,106,162).

CAPE BRETON REGIONAL MUNICIPALITY

Notes to Consolidated Financial Statements

Year ended March 31, 2015

13. TRANSFERS TO PROVINCIAL BOARDS AND COMMISSIONS (CONTINUED)

- (d) The Cape Breton-Victoria Regional School Board

The Municipality provided a mandatory contribution in the amount of \$12,713,730 (2014 - \$12,193,890) to the Cape Breton-Victoria Regional School Board.

14. FINANCIAL INSTRUMENTS

- (a) Fair values

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

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

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

- (b) Credit risk

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

- (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.

15. COMPARATIVE FIGURES

Certain 2014 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Long-term Debt

March 31, 2015, with comparative figures for 2014

	Term (years)	Interest rate - %	Matures	Balance March 31/14	Issued	Redeemed	Balance March 31/15
General Fund							
M.F.C.							
22-B-1	15	5.750-6.000	2017	\$ 400,000	\$ -	\$ 100,000	\$ 300,000
25-A-1	10	4.444-4.515	2015	1,127,952	-	563,976	563,976
26-A-1	10	4.765-4.880	2016	1,492,463	-	497,487	994,976
27-B-1	10	4.857-5.010	2017	17,980,800	-	4,495,200	13,485,600
28-B-1	10	4.565-5.095	2018	5,393,876	-	1,078,776	4,315,100
29-A-1	10	3.128-4.329	2019	6,271,200	-	1,045,200	5,226,000
30-B-1	10	2.320-3.870	2020	15,502,200	-	2,214,600	13,287,600
31-A-1	10	1.767-3.645	2021	11,624,000	-	1,453,000	10,171,000
32-B-1	10	1.630-3.160	2022	3,417,300	-	379,700	3,037,600
33-B-1	10	1.285-3.614	2023	4,682,691	-	468,269	4,214,422
34-B-1	10	0.000-3.190	2024	-	13,300,000	-	13,300,000
				67,892,482	13,300,000	12,296,208	68,896,274
Water Fund							
M.F.C.							
22-B-1	15	5.750-6.000	2017	666,664	-	166,667	499,997
27-A-1	15	4.465-4.770	2022	12,803,000	-	914,500	11,888,500
28-A-1	15	4.491-5.088	2023	10,500,000	-	700,000	9,800,000
30-A-1	15	3.150-4.875	2025	12,750,000	-	750,000	12,000,000
32-A-1	5	1.905-2.588	2017	666,667	-	166,667	500,000
33-A-1	10	1.330-2.979	2023	8,000,000	-	800,000	7,200,000
34-A-1	15	1.245-3.792	2029	-	6,000,000	-	6,000,000
				45,386,331	6,000,000	3,497,834	47,888,497
				\$ 113,278,813	\$ 19,300,000	\$ 15,794,042	\$ 116,784,771

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Operating Fund and Change in Fund Balance

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
REVENUES		
Taxes	\$ 99,622,156	\$ 96,514,072
Grants in lieu of taxes	7,588,166	7,981,789
Services provided to other governments	463,628	187,548
Sales of services	2,552,891	2,779,577
Revenue from own sources	11,666,466	10,657,400
Unconditional transfers from other governments	15,930,930	16,248,563
Conditional transfers from other governments	2,272,473	2,171,012
	<u>140,096,710</u>	<u>136,539,961</u>
EXPENSES		
General government services	14,416,473	16,444,243
Protective services	44,437,751	41,955,716
Transportation services	30,773,823	29,814,242
Environmental health services	15,048,367	14,235,421
Public health and welfare services	2,060,487	1,879,835
Environmental development services	1,080,392	997,300
Recreation and cultural services	9,363,809	9,667,107
Educational services	12,713,730	12,193,890
	<u>129,894,832</u>	<u>127,187,754</u>
Excess of revenues over expenses before the following	10,201,878	9,352,207
FINANCING AND TRANSFERS		
Debenture and term loan principal instalments	(12,296,208)	(12,570,439)
Transfer from special reserve funds	2,184,460	3,332,902
Amortization of bond discount	(90,130)	(87,125)
	<u>(10,201,878)</u>	<u>(9,324,662)</u>
CHANGE IN FUND BALANCE	-	27,545
FUND BALANCE, BEGINNING OF YEAR	(39,376,676)	(39,404,221)
FUND BALANCE, END OF YEAR	<u>\$ (39,376,676)</u>	<u>\$ (39,376,676)</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Operating Fund and Change in Fund Balance

Year ended March 31, 2015, with comparatives for 2014

	2015	2014
OPERATING REVENUES		
Metered sales	\$ 16,012,196	\$ 16,395,486
Public fire protection	6,965,758	6,614,505
Consumer's interest	289,848	371,824
	<u>23,267,802</u>	<u>23,381,815</u>
OPERATING EXPENSES		
Source of supply	323,443	341,359
Power and pumping	1,882,302	1,969,048
Water treatment	3,708,291	3,579,522
Transmission and distribution	3,646,522	3,710,881
Administration and general	2,788,359	2,596,616
Taxes	2,010,037	1,956,050
	<u>14,358,954</u>	<u>14,153,476</u>
Excess of revenues over expenses before the following	8,908,848	9,228,339
NON-OPERATING REVENUES		
Miscellaneous	7,253	870
NON-OPERATING EXPENSES		
Interest on debentures	2,001,608	1,912,769
Amortization of debt discounts	34,300	31,872
Other	128,561	182,790
Transfer to water capital fund	7,068,743	6,099,614
Transfer to general capital fund	670,000	650,000
	<u>9,903,212</u>	<u>8,877,045</u>
CHANGE IN FUND BALANCE	(987,111)	352,164
FUND BALANCE, BEGINNING OF YEAR	3,758,787	3,406,623
FUND BALANCE, END OF YEAR	<u>\$ 2,771,676</u>	<u>\$ 3,758,787</u>

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Capital Fund and Change in Fund Balance

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
REVENUES		
Capital grants	\$ 3,170,817	\$ 8,674,980
EXPENSES		
General government services	197,303	233,449
Protective services	781,732	722,982
Transportation services	6,268,891	6,048,234
Environmental health services	3,069,910	2,790,650
Recreation and cultural services	1,944,218	1,729,299
Planning and development services	302,118	302,118
	<u>12,564,172</u>	<u>11,826,732</u>
Deficiency of revenues over expenses before the following	(9,393,355)	(3,151,752)
FINANCING AND TRANSFERS		
Transfer from reserve funds	2,968,251	2,493,477
Transfer from water operating fund	670,000	650,000
Debenture and term loan principal instalments	12,296,208	12,570,439
	<u>15,934,459</u>	<u>15,713,916</u>
CHANGE IN FUND BALANCE	6,541,104	12,562,164
FUND BALANCE, BEGINNING OF YEAR	176,274,406	163,712,242
FUND BALANCE, END OF YEAR	<u>\$ 182,815,510</u>	<u>\$ 176,274,406</u>

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Capital Fund and Change in Fund Balance

Year ended March 31, 2015, with comparatives for 2014

	2015	2014
REVENUES		
Capital grants	\$ -	\$ -
EXPENSES		
Amortization	3,420,912	3,251,780
Deficiency of revenues over expenses before the following	(3,420,912)	(3,251,780)
FINANCING AND TRANSFERS		
Transfer from water operating fund	7,068,743	6,099,614
CHANGE IN FUND BALANCE	3,647,831	2,847,834
FUND BALANCE, BEGINNING OF YEAR	61,049,100	58,201,266
FUND BALANCE, END OF YEAR	\$ 64,696,931	\$ 61,049,100

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Reserve Funds and Change in Fund Balance

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
REVENUES		
Investment income	\$ 82,973	\$ 79,250
Sale of properties	40,537	5,750
Grants	6,728,626	6,735,228
	<u>6,852,136</u>	<u>6,820,228</u>
FINANCING AND TRANSFERS		
Transfer to operating fund	(2,184,460)	(3,332,902)
Transfer to capital funds	(2,968,251)	(2,493,477)
	<u>(5,152,711)</u>	<u>(5,826,379)</u>
CHANGE IN FUND BALANCE	<u>1,699,425</u>	<u>993,849</u>
FUND BALANCE, BEGINNING OF YEAR	5,545,814	4,551,965
FUND BALANCE, END OF YEAR	<u>\$ 7,245,239</u>	<u>\$ 5,545,814</u>

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Water Utility Reserve Funds and Change in Fund Balance

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
REVENUES		
Investment income	\$ 10,629	\$ 11,053
Grants received	-	-
CHANGE IN FUND BALANCE	10,629	11,053
FUND BALANCE, BEGINNING OF YEAR	1,923,138	1,912,085
FUND BALANCE, END OF YEAR	\$ 1,933,767	\$ 1,923,138

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Council

Year ended March 31, 2015

Council	Number of Months	Annual Remuneration
C. Clarke, Mayor	12	\$ 106,007
G. MacDonald, Deputy Mayor (5 months)	12	40,321
K. Saccary, Deputy Mayor (7 months)	12	41,283
D. Bruckschwaiger	6	16,645
L. Cormier	12	38,302
C. Detheridge	12	38,302
I. Doncaster	12	38,302
D. Flynn	4	10,902
C. Keagan	12	38,302
E. MacDonald	12	38,302
J. MacLeod	12	38,302
R. Paruch	12	38,302
C. Prince	12	38,302
M. Rowe	12	38,302

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Remuneration of Senior Staff

Year ended March 31, 2015

Senior Staff	Annual Remuneration
D. Campbell	\$ 93,006
A. Fleming	106,131
M. Gillis	106,131
D. Kachafanas	106,131
L. MacCormack	120,672
W. MacDonald	113,185
B. MacKinnon	107,238
J. MacKinnon	70,320
P. McIsaac	135,136
B. McNeil	47,334
M. Merritt	83,077
M. Walsh	150,663

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Council

Year ended March 31, 2015

Council	Number of Months	Travel Expenses
C. Clarke, Mayor	12	\$ 49,857
G. MacDonald, Deputy Mayor (5 months)	12	16,389
K. Saccary, Deputy Mayor (7 months)	12	18,642
D. Bruckschwaiger	6	3,949
L. Cormier	12	5,643
C. Detheridge	12	15,053
I. Doncaster	12	11,217
D. Flynn	4	1,802
C. Keagan	12	12,041
E. MacDonald	12	12,417
J. MacLeod	12	15,270
R. Paruch	12	7,280
C. Prince	12	16,158
M. Rowe	12	9,997

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule - Expenses of Senior Staff

Year ended March 31, 2015

Senior Staff	Travel Expenses
D. Campbell	\$ 2,879
A. Fleming	5,312
M. Gillis	1,619
D. Kachafanas	6,682
L. MacCormack	14,599
W. MacDonald	8,680
B. MacKinnon	3,587
J. MacKinnon	6,893
P. McIsaac	9,796
B. McNeil	2,055
M. Merritt	31,715
M. Walsh	8,501

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CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2015

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 2015 and 2014 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, 2015	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
REVENUES									
Taxation	\$ 64,658,889	\$ 15,469,700	\$ 6,778,857	\$ -	\$ -	\$ -	\$ 12,713,730	\$ -	\$ 99,622,156
Grants in lieu of taxes	7,588,166	-	-	-	-	-	-	-	7,588,166
Services provided to other governments	30,151	463,628	-	-	-	-	-	-	463,628
Sales of services	8,135,022	1,086,690	935,313	2,391,742	1,587,426	53,012	-	-	11,666,466
Revenue from own sources	-	-	-	-	-	-	-	-	-
Unconditional transfers from other governments	15,930,930	-	-	-	-	-	-	-	15,930,930
Conditional transfers from other governments	9,899,443	2,237,113	-	-	35,360	-	-	-	12,171,916
Capital grants	-	-	-	-	-	-	-	-	-
Metered sales	-	-	-	-	-	-	-	-	-
Public fire protection	-	-	-	-	-	-	-	16,019,449	16,019,449
Other water revenues	-	-	-	-	-	-	-	6,965,758	6,965,758
Investment income	93,602	-	-	-	-	-	-	289,848	383,450
Gain on sale of properties	40,537	-	-	-	-	-	-	93,602	134,144
	106,377,721	19,257,131	7,714,170	2,391,742	1,622,786	53,012	12,713,730	23,275,055	173,405,347
EXPENSES									
Salaries, wages and benefits	6,882,709	29,271,890	13,919,455	3,672,701	4,192,076	705,547	-	6,591,972	65,238,050
Interest on long-term debt	546,368	74,215	1,656,751	360,026	179,424	-	-	2,001,609	4,788,393
Materials, goods, supplies and utilities	934,504	1,522,800	6,013,699	2,271,775	1,885,526	74,549	-	3,878,004	16,520,796
Contracted services	1,112,265	614,538	4,818,810	7,639,463	196,244	58,855	-	1,229,038	15,371,233
Other operating expenses	3,565,914	11,851,888	4,365,108	1,434,443	2,248,634	301,442	-	2,788,500	26,555,929
External transfers and grants	3,435,200	1,102,720	-	-	659,902	-	-	-	5,207,822
Amortization	197,504	781,732	6,268,891	3,066,909	1,944,220	302,118	-	3,420,912	17,911,552
	16,874,264	45,219,483	37,042,714	18,118,277	11,308,026	1,382,510	12,713,730	19,910,035	162,369,039
ANNUAL SURPLUS (DEFICIT)	\$ 89,703,457	\$ (25,962,352)	\$ (29,328,544)	\$ (15,726,535)	\$ (9,685,240)	\$ (1,329,498)	\$ -	\$ 3,365,020	\$ 11,036,308

CAPE BRETON REGIONAL MUNICIPALITY

Schedule of Segment Disclosure

Year ended March 31, 2015

Year ended March 31, 2014	General Government Services	Protective Services	Transportation Services	Environmental Services	Recreation and Cultural Services	Planning and Development Services	Educational Services	Water Utility	Total
REVENUES									
Taxation	\$ 62,734,216	\$ 15,008,992	\$ 6,576,974	\$ -	\$ -	\$ -	\$ 12,193,890	\$ -	\$ 96,514,072
Grants in lieu of taxes	7,981,789	-	-	-	-	-	-	-	7,981,789
Services provided to other governments	-	187,548	-	-	-	-	-	-	187,548
Sales of services	31,543	-	950,467	-	1,797,567	-	-	-	2,779,577
Revenue from own sources	3,052,182	926,371	-	6,626,477	-	52,370	-	-	10,657,400
Unconditional transfers from other governments	16,248,588	-	-	-	-	-	-	-	16,248,588
Conditional transfers from other governments	-	2,138,052	-	-	32,960	-	-	-	2,171,012
Capital grants	16,410,208	-	-	-	-	-	-	-	16,410,208
Metered sales	-	-	-	-	-	-	-	16,395,486	16,395,486
Public fire protection	-	-	-	-	-	-	-	6,614,505	6,614,505
Other water revenues	-	-	-	-	-	-	-	372,694	372,694
Investment income	90,393	-	-	-	-	-	-	-	90,393
Gain on sale of properties	5,750	-	-	-	-	-	-	-	5,750
	105,554,554	18,268,963	7,527,441	6,626,477	1,830,527	52,370	12,193,890	23,382,685	175,428,907
EXPENSES									
Salaries, wages and benefits	10,020,610	24,451,409	13,620,237	3,615,576	4,267,610	675,301	-	6,523,402	63,174,445
Interest on long-term debt	859,738	127,631	1,985,992	253,677	184,090	-	-	1,912,769	5,100,597
Materials, goods, supplies and utilities	1,061,079	1,497,930	5,172,381	2,147,907	1,943,155	12,758	-	3,950,422	15,784,732
Contracted services	1,114,034	564,821	5,024,440	6,792,832	784,931	436,510	-	956,438	14,673,904
Other operating expenses	1,117,721	15,314,825	4,011,492	1,425,428	2,560,602	172,731	-	2,906,006	27,508,805
External transfers and grants	4,350,566	-	-	-	649,620	-	-	-	17,194,306
Amortization	233,449	722,982	6,046,284	2,190,650	1,729,299	362,118	-	3,251,780	15,078,512
	18,557,527	42,678,698	35,662,476	17,026,070	11,396,797	1,299,418	12,193,890	19,500,815	158,515,301
ANNUAL SURPLUS (DEFICIT)	\$ 86,997,027	\$ (24,417,735)	\$ (28,335,035)	\$ (10,399,593)	\$ (9,565,860)	\$ (1,247,046)	\$ -	\$ 3,881,870	\$ 16,913,606

Financial Statements of

**CAPE BRETON REGIONAL
MUNICIPALITY WATER UTILITY**

Year ended March 31, 2015

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Financial Statements

Year ended March 31, 2015

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the Cape Breton Regional Municipality Water Utility (the "Water Utility") are the responsibility of the Water Utility's management and have been prepared in compliance with legislation and in accordance with the Accounting and Reporting Handbook for Water Utilities in Nova Scotia. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Marie Walsh

Mike MacKeigan
Manager of Utilities

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Operating Fund

March 31, 2015, with comparative figures for 2014

	2015	2014
ASSETS		
Water rates receivable (less allowance for doubtful accounts \$692,315; 2014 - \$692,315)	\$ 6,266,280	\$ 6,950,486
Sundry receivables	75,038	84,929
Inventories	276,607	247,690
Prepaid expenses	166,872	-
	\$ 6,784,797	\$ 7,283,105
LIABILITIES		
Bank indebtedness	\$ 1,526,541	\$ 1,799,339
Payables and accruals	4,193,779	3,611,694
Due to Cape Breton Regional Municipality General section, operating fund	404,579	1,584,775
General section, capital fund	650,000	91
Due to water utility, capital fund	3,471,637	2,704,201
	10,246,536	9,700,100
DEFICIT	(3,461,739)	(2,416,995)
	\$ 6,784,797	\$ 7,283,105

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, 2015, with comparative figures for 2014

	2015		2014
	Budget	Actual	Actual
OPERATING REVENUES			
Metered sales	\$ 16,850,000	\$ 16,012,196	\$ 16,395,486
Public fire protection	6,965,758	6,965,758	6,614,505
Consumer's interest	275,900	289,848	371,824
Service connections	20,000	7,253	870
	<u>24,116,758</u>	<u>23,275,055</u>	<u>23,382,685</u>
OPERATING EXPENSES			
Source of supply	610,000	323,443	341,359
Power and pumping	1,985,000	1,882,302	1,969,048
Water treatment	3,785,400	3,708,291	3,579,522
Transmission and distribution	4,629,600	4,316,522	4,360,881
Administration and general	3,145,000	2,788,359	2,596,616
Depreciation	2,125,600	3,420,912	3,251,780
Taxes	2,200,000	2,010,037	1,956,050
	<u>18,480,600</u>	<u>18,449,866</u>	<u>18,055,256</u>
Excess of operating revenues over expenses before the following	5,630,158	4,825,189	5,327,429
NON-OPERATING REVENUES			
Amortization of deferred capital contributions	-	142,178	142,178
NON-OPERATING EXPENSES			
Debt charges			
Provision for principal repayment	2,900,000	3,697,642	3,364,135
Interest on debentures	2,000,000	2,001,608	1,912,769
Amortization of debt discounts	32,000	34,300	31,872
Bank fees/charges	190,000	128,561	182,790
Capital expenditures out of operations	150,000	150,000	150,000
	<u>5,272,000</u>	<u>6,012,111</u>	<u>5,641,566</u>
CHANGE IN FUND BALANCE	\$ 358,158	\$(1,044,744)	\$ (171,959)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Operating Fund Deficit

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
DEFICIT, BEGINNING OF YEAR	\$ (2,416,995)	\$ (2,245,036)
Change in fund balance	(1,044,744)	(171,959)
DEFICIT, END OF YEAR	\$ (3,461,739)	\$ (2,416,995)

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, 2015, with comparative figures for 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in fund balance	\$ (1,044,744)	\$ (171,959)
Change in non-cash operating working capital		
Decrease in water rates receivable	684,206	147,653
Decrease (increase) in sundry receivables	9,891	(16,365)
Decrease (increase) in inventories	(28,917)	38,271
Increase in prepaids	(166,872)	–
Increase in payables and accruals	582,085	726,931
	<u>35,649</u>	<u>724,531</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in due from Cape Breton Regional Municipality, operating fund	(1,180,196)	4,987,531
Increase in due to Cape Breton Regional Municipality, capital fund	649,909	91
Increase (decrease) in due to water utility, capital fund	767,436	(184,336)
	<u>237,149</u>	<u>4,803,286</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>272,798</u>	<u>5,527,817</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(1,799,339)</u>	<u>(7,327,156)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (1,526,541)</u>	<u>\$ (1,799,339)</u>

See accompanying notes to non-consolidated financial statements.

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Capital Fund

March 31, 2015, with comparative figures for 2014

	2015	2014
ASSETS		
Cash	\$ 5,247,696	\$ 2,832,696
Cash - depreciation reserve	480,170	480,170
HST receivable	148,391	108,554
	5,876,257	3,421,420
Due from Cape Breton Regional Municipality General section, operating fund	-	49,914
Due from water utility, operating fund	3,471,637	2,704,201
Unamortized debt discount	294,253	273,056
Capital assets		
Utility plant in service (Schedule A)	141,615,257	136,181,275
Work in progress	5,127,732	5,223,992
Properties adjoining watershed	174,977	174,977
	146,917,966	141,580,244
	\$ 156,560,113	\$ 148,028,835
LIABILITIES		
Accounts and holdbacks payable	\$ 309,218	\$ 887,889
Due to Cape Breton Regional Municipality General section, capital fund	144,731	463,514
Term debt (Schedule B)	47,888,496	45,386,330
	48,342,445	46,737,733
DEFERRED CAPITAL CONTRIBUTIONS	4,213,711	4,355,888
RESERVES		
Accumulated allowance for depreciation of utility plant (note 2)	39,368,360	36,089,626
FUND BALANCE	64,635,597	60,845,588
	\$ 156,560,113	\$ 148,028,835

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chairman

_____ Commissioner

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Activities – Capital Fund

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
REVENUES		
Capital contributions	\$ 142,178	\$ 142,178
EXPENSES		
Capital expenditures	3,420,912	3,251,780
Deficiency of revenues over expenses before the following	3,278,734	3,109,602
FINANCING AND TRANSFERS		
Transfer from water utility, operating fund	7,068,743	6,099,614
CHANGE IN FUND BALANCE	3,790,009	2,990,012
FUND BALANCE, BEGINNING OF YEAR	60,845,588	57,855,576
FUND BALANCE, END OF YEAR	\$ 64,635,597	\$ 60,845,588

See accompanying notes to non-consolidated financial statements.

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Statement of Financial Position – Special Reserve Fund

March 31, 2015, with comparative figures for 2014

	2015	2014
ASSETS		
Cash	\$ 1,103,801	\$ 1,103,801
Term deposit	829,966	819,337
	<u>\$ 1,933,767</u>	<u>\$ 1,923,138</u>
RESERVE		
Special reserve	\$ 1,933,767	\$ 1,923,138

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, 2015, with comparative figures for 2014

					2015	2014
	Non-shareable debt expenditure	Future capital expenditure	Watershed land acquisition	Sysco waterline maintenance	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 52,890	\$ 831,722	\$ 322,284	\$ 716,245	\$ 1,923,138	\$1,912,085
Interest on investments	425	7,228	2,976	-	10,629	11,053
BALANCE, END OF YEAR	\$ 53,315	\$ 838,950	\$ 325,257	\$ 716,245	\$1,933,767	\$1,923,138

See accompanying notes to financial statements.

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CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements

Year ended March 31, 2015

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 the:

- Financial statements be prepared on a consolidated basis to reflect the assets, liabilities, revenues and expenses, and changes in fund balances and in financial position of all organizations, commissions and agencies which are owned or controlled by the Water Utility. This would include, at a minimum, the individual funds represented in these financial statements – Operating Fund, Capital Fund and Reserve Funds. The consolidated financial statements prepared in accordance with the 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, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Cash and cash equivalents

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

(c) Revenue and expenses

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

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

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

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

(d) Allowance for doubtful accounts

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

(e) Inventories

Inventories are stated at cost.

(f) Use of estimates

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

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Notes to Financial Statements (Continued)

Year ended March 31, 2015

2. ACCUMULATED ALLOWANCE FOR DEPRECIATION OF UTILITY PLANT

	2015	2014
Balance, beginning of year	\$ 36,089,626	\$ 32,980,024
Depreciation	3,420,912	3,251,780
Amortization of capital contributions	(142,178)	(142,178)
Balance, end of year	\$ 39,368,360	\$ 36,089,626

3. TRANSACTIONS WITH CAPE BRETON REGIONAL MUNICIPALITY

- a) In general, and where identifiable, costs incurred by the Cape Breton Regional Municipality on behalf of the water utility are charged to the utility.
- b) Salary and wage-related costs are allocated in proportion to time spent performing functions on behalf of the water utility.
- c) As prescribed by the Nova Scotia Utility and Review Board, there is a yearly administration fee charged to the Water Utility by the Cape Breton Regional Municipality, which includes salary, overhead, utilities and other administration charges totaling \$7,199,376 (2014 - \$7,131,251).
- d) The water utilities provide public fire protection to the municipality. The charge for this service (included in operating revenues) amounted to \$6,695,758 (2014 - \$6,614,505). The charge is governed by the Nova Scotia Utility and Review Board.
- e) The water utility is not exempt from municipal taxation within the Cape Breton Regional Municipality.
- f) The various funds of the Cape Breton Regional Municipality Water Utility and the Municipality include a series of interfund balances as noted in the respective funds. All interfund balances will be settled within the next fiscal period. No interest has been charged or paid on the interfund balances outstanding.

4. RATE OF RETURN ON RATE BASE

For the year ended March 31, 2015, the Cape Breton Regional Municipality Water Utility had a rate of return on rate base of 4.7% (2014 - 5.3%).

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Schedule A - Utility Plant and Equipment

Year ended March 31, 2015, with comparative figures for 2014

	2015	2014
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	1,383,789	1,383,788
Power and pumping land	343,374	343,375
Transmission land	157,021	68,411
	<u>1,884,184</u>	<u>1,795,574</u>
Structures and improvements		
Source of supply	18,650,748	18,650,748
Power and pumping	6,401,700	4,690,597
Purification structures	2,490,956	2,490,957
Distribution and storage	1,765,186	1,765,186
Shop	299,817	299,816
	<u>29,608,407</u>	<u>27,897,304</u>
Equipment		
Electrical pumping equipment	3,555,183	3,555,183
Diesel pumping equipment	863,766	510,320
Purification equipment	21,448,923	20,145,875
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	268,949	268,949
Motor operated tools	680,584	680,584
Other	326,466	326,466
	<u>27,846,508</u>	<u>26,190,014</u>
Mains		
Transmission	21,641,230	21,638,623
Distribution	37,889,687	36,470,227
	<u>59,530,917</u>	<u>58,108,850</u>
Services	10,439,734	10,345,785
Meters	9,339,988	8,899,494
Hydrants	2,891,357	2,870,092
	<u>\$ 141,615,257</u>	<u>\$ 136,181,275</u>

CAPE BRETON REGIONAL MUNICIPALITY WATER UTILITY

Schedule B - Capital Debt Charges

Year ended March 31, 2015, with comparative figures for 2014

	Date of Issue	Maturity Date	Interest Rate %	Balance March 31, 2014	Issued	Redeemed	Balance March 31, 2015
Municipal Finance Corporation							
22-B-1	2002	2017	5.750 - 6.000	\$ 666,664	\$ -	\$ 166,667	\$ 499,997
27-A-1	2007	2022	4.465 - 4.770	12,803,000	-	914,500	11,888,500
28-A-1	2008	2023	4.491 - 5.088	10,500,000	-	700,000	9,800,000
30-A-1	2010	2025	3.150 - 4.875	12,750,000	-	750,000	12,000,000
32-A-1	2012	2017	1.905 - 2.588	666,666	-	166,667	499,999
33-A-1	2013	2023	1.330 - 2.979	8,000,000	-	800,000	7,200,000
34-A-1	2014	2029	1.245 - 3.792	-	6,000,000	-	6,000,000
				\$ 45,386,330	\$ 6,000,000	\$ 3,497,834	\$ 47,888,496

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

2016	3,897,834
2017	3,897,834
2018	3,897,834
2019	3,564,500
2020	3,564,500

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Surplus Balance:

The Manager of Finance provided background information concerning this issue, noting that Council has the option to transfer any amount of the current surplus to the operating reserve or retain it as accumulated surplus. Ms. Campbell explained that transferring surplus balances to the operating reserve allows the funds to be brought into operations in any year.

Motion

Moved by Councillor Doncaster, seconded by Councillor Keagan, that a recommendation be made to Council to approve the transferring of \$596,363 to the operating reserve which reflects the current year surplus noted in the Audited Consolidated Financial Statements for the fiscal year ending March 31, 2015.

Motion Carried

CBRM

M·E·M·O

320 Esplanade

Sydney, Nova Scotia, B1P 7B9

902-563-5043

To: Audit Committee

Date: September 23, 2015

Subject: Surplus balance

The Cape Breton Regional Municipality's Statement of Operating Fund and Change in Fund Balance under PSAB indicates a current year surplus of \$596,363. The reconciliation of our internal financial statement balances to balances presented under PSAB standards is enclosed for your reference.

Council has the option to transfer any amount of the annual surplus to operating reserve or to retain it as accumulated surplus. Transferring surplus balances to reserve allows the funds to be brought into operations in any year, by motion of council for a specific purpose either as part of the budget process, or individually by resolution at a Council meeting. Alternatively, the accumulated surplus is available to absorb future operating deficits or budget overruns, should any arise.

Should the audit committee wish to recommend transferring any of the surplus to reserve, a motion of the Audit Committee is required.

Original signed by :

Jennifer L. Campbell, CPA, CA

Manager of Finance

CAPE BRETON REGIONAL MUNICIPALITY

Reconciliation of internal numbers to PSAB numbers - Operating Fund

Year ended March 31, 2015 with comparative figures for 2014

ANNUAL SURPLUS/DEFICIT	2015	2014
ANNUAL SURPLUS, INTERNAL F/S	24,363	27,545
RECONCILING ITEMS		
Pension adjustment	572,000	344,000
Surplus allocation		(344,000)
	572,000	-
ANNUAL DEFICIT, PSAB	596,363	27,545
ACCUMULATED SURPLUS/DEFICIT	2015	2014
ACCUMULATED SURPLUS, INTERNAL FS BEGINNING OF YEAR	944,690	917,145
ANNUAL SURPLUS, INTERNAL FS	24,363	27,545
ACCUMULATED SURPLUS, INTERNAL FS END OF YEAR	969,053	944,690
CURRENT YEAR RECONCILING ITEMS		
Pension adjustment	572,000	344,000
Surplus allocation		(344,000)
	572,000	-
PRIOR YEAR RECONCILING ITEMS		
Landfill closure liability	(41,161,800)	(41,161,800)
Vacation accrual	(3,830,357)	(3,830,357)
Interest accrual	(1,471,362)	(1,471,362)
Pension asset	6,360,000	6,016,000
Transfer to reserve	(344,000)	
Sick benefit accrual	126,153	126,153
	(40,321,366)	(40,321,366)
ACCUMULATED DEFICIT, PSAB, END OF YEAR	(38,780,313)	(39,376,676)

